



Research Paper

# Implementation of Islamic Microfinance towards Poverty Alleviation in Nigeria: A study of Jaiz Bank Microfinance, Sokoto State

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## Abstract

The purpose of this paper is to investigate Jaiz bank Islamic microfinance and poverty alleviation in Nigeria. The paper used qualitative method using exploratory techniques and interview with 15 customers as respondents and three (3) Jaiz bank executives carried out the research with semi-structured interviews and face-face approach to analyse on how microfinance evolved in poverty alleviation in Nigeria. Jaiz bank microfinance is systematically useful in capacity building and entrepreneurial development of active poor and enhances standard living of underprivilege. The research goes a long way in reducing the rate of unemployment and empowering potential local communities and reducing difficulties among the poor in Particular in the Northern part of Nigeria. The paper differs from previous studies on the development of microfinance in Nigeria, in sub-Saharan African countries for which research on Islamic microfinance is sparse. The paper is unique in analysing findings and discussing on how microfinance emerged as way of poverty alleviation.

**Keywords:** Implementation, Poverty Alleviation, Islamic microfinance,

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## I. INTRODUCTION

Poverty is one of the seven-point agenda set by the united nation (UN) to eliminate for sustainable development goal (SDG) globally that seeks to end in all forms of poverty by 2030. Ogunniyi, et al (2017) Poverty is a multidimensional and complex phenomenon which needs urgent attention by the concern authority, and at the same time one of the major challenges faces by any society. Poverty seen as a state where the people are deprived of good things of life and the ability to accomplish the desired goal of suitable standard living of people. In addition, the poverty prevalence is generally intense all over the world but is more on rural areas than the urban communities, which needs to give more emphasis on financial inclusion in order to alleviate it as set by the United nation target by 2030. close to 80% or higher proportion of the population lives below the poverty line in different countries in particular Africa and Asian countries, with confined social and infrastructural amenities

Generally, the number of people living in extreme poverty between 2015 to 2019 were 767 to 600 million people. across the world which live in degrading unclean conditions enriched with hunger, disease, Illiteracy, worry, and degradation (UNDP, 2016). Despite all the amazing development in alleviating poverty over the past 25 years, 766 million people of which 385 million of them are children lived on less than US\$ 1.90 a day in 2013. Moreover, the problem of poverty is not only an epidemic of developing countries only, it is also on increase in advanced countries, such as Europe and Asia as estimates in 2012, which revealed that over 300 million people lived in poverty. Yet, there is prevalence of poverty in developing countries than developed countries which Nigeria happened to be one of the countries facing the challenges of poverty. Despite her rich

endowment with human, agricultural, petroleum, gas, and large untapped solid mineral and other natural resources in the country.

Nigeria is one of the countries in Africa with abundance of resources, plentiful arable land, and overflowing river water, with a large land area of Agricultural work for building a vast pool of human resources and other endowment. Demographically, Nigeria remains the most populous country in Africa with a lot of opportunities. Nigeria is one of the seventh world-wide with an estimated population of over 200 million in 2020 and 8th as the largest exporter of crude oil in the world with many other resources. Nigeria as at 2018 ranks low on human development index, 158th out of 189th countries and 39.1% of her population living below income poverty line of US\$1.90 a day despite enormous resources, far below other sub-Saharan African countries like Rwanda (60%), Zambia (64.4%) and Mozambique (68.7%) The June report of 2018 world poverty indicated that 86.9 million people in Nigeria spend less than 1.90 USD per day and while by February 2019, there was an addition of over 3 million people that slipped into poverty making over 91 million Nigerians (people) live in extreme poverty. Compared to some other African countries, Nigeria has the largest proportion of people living in extreme poverty (86.9) million while Tanzania, Kenya, South Africa and Zambia have about 19.9 million, 14.7 million, 13.8 million and 9.5 million people respectively living in extreme poverty (Worldwide Poverty Clock, 2018)

The study is important related to poverty alleviation in Sokoto State for the enhancement of economic growth and development of the community in the State. The objective of the research is to explore and investigate the Islamic microfinance product operate by the Jaiz bank on poverty alleviation in the State. Using exploratory approach on the phenomenon as case study on microfinance and poverty alleviation in the State.

To findings out the real situation in Jaiz bank microfinance and poverty alleviation the following objectives are been established for the research

To examine the concept of Islamic microfinance scheme in Jaiz bank plc. Sokoto State

To evaluate the Islamic microfinance in Jaiz bank plc. Sokoto State

To investigate the Islamic microfinance and economic development in Sokoto State

To analyze the Status of Islamic Microfinance to poverty alleviation in Sokoto State

## **II. Background of the Study**

Nigeria has the biggest economy in Africa and a major oil producer, with the largest oil reserve in African continent. However, the country has been recording poor growth in terms of higher level of poverty which lower the real economy in the country. World Bank report show that around 53.5% of Nigerians people lived under \$1.90 a day (Channy Ogunniran, 2019). Therefore, it is not unexpectedly, that the issue of poverty becomes the first goal both in the era of the Millennium development goals (MDGs) in Nigerian situation. This goal is armour-plated from the MDGs era. Yet, poverty is still the main enemy of every country like Nigeria. Consequently, the fight against poverty continues in the SDGs' era and stand as the main target for the United Nation. However, the Significance of poverty reduction in Nigerian economic development make it the first to consider by the concern authority. (Abduh Omar, 2012; Farahani Dastan, 2013; Grassa Gazdar, 2014; Hassan, Sanchez, Yu, 2011; Kassim, 2016; Majid Kassim, 2015; Tabash Dhankar, 2014; mejde, 2013). To achieve this goal, by the UN High-level Panel of Eminent Persons on the Post2015 Development Agenda proposes specific targets of poverty alleviation, which bring the number of people living on less than \$1.25 a day to zero and reduce the proportion of people living below national poverty lines of various countries in 2015 which Nigeria is amongst the countries that has the higher percentage of poverty level in Africa apart from the Republic of Congo. Meanwhile, the UN High-level Panel of Eminent Persons on the Post-2015 Development Agenda also made suggestions on the poor's land rights, property rights and social security among others, on how to combat natural disaster which can be use as some of the parameters of solving problems of poverty among the countries suffer from the global phenomenon (Liu et al., 2015).

Poverty in largely Muslim northern part of Nigeria is much higher than in other parts of the country due to some others factors which include higher population, illiteracy, insecurity, hunger, etc. In January 2007, the then CBN Governor of Nigeria, Professor Charles Soludo reported that the three (3) Northern regions which is North west region, North east, and North central respectively has the average poverty occurrence of 70.1 per cent as compared to 34.9 per cent for the three Southern regions. In fact, the case of the country poverty seems worrisome and disheartening with its recent pronouncement as the poverty headquarters of the world, in which about 44.2% (86.9 million) and 47.7% (93.7 million) of the population were said to be living on less than US\$1.90 per day in 2018 and 2019 respectively, having overtaken India (Dauda Oyeleke; Kharas, Hamel, Hofer, 2018b). However, recent report by National Bureau of Statistic 2020 revealed a lower rate of about 40.1% (over 82 million), which still appears very high. Moreover, the human development index in 2019 was 0.534, which put Nigeria in the 158th position out of the 189 countries. Which brings the questions of the Post-2015 Development Agenda be formulated for developing countries only or for both developing and developed countries in the world (Hossain Chen, 2021)

### **III. LITERATURE REVIEW**

#### **3.1.1 Conventional Banking System**

Conventional or traditional banking system had its origins in Italy, the business of the banking sector grew out of trade boom of the commercial banking revolution of the High Middle Ages (1000–1350). In the time of modern initial period of banking institution. However, conventional banking activities move around Europe and has become compound and increasingly involved in credit transactions due to the interest charges by the investors. The conventional banking institution are financial sectors with the prospect of pooling saving from the public and extend credit to the people for the betterment and enhancing the standard living of the low-income earners. Three banks were established at that time, Although the Florentine bank which is one of the banks established fell into crisis in the sixteenth century, yet Italians bank has increased their activities and flourishing in the international financial Institution in the seventeenth century. During that time banking system in Italy grew in southern Germany and other parts of Europe respectively. The banks were engaged in a range of activities that include speculation in the money market which generate more interest and trade in commodities of gold and silver. Moreover, the conventional banking system invented in Italy moved to Spain and later to Holland, until it got set in England. The profitable activity of conventional banking due to its commercial activities of speculation and interest operated system motivated Lombardian merchants travelled from Italy in the 14th century A.D to England. On their arrival as new comers settled in the part of London which is known today as the famous Lombard Street. the most important sector of banking operations during that time is financial lending and depositing to banking businesses with interest charges which lead the documentary credit operation of usury. Most of these emigrants were Jews and traders that lend money for money based on interest charges and time frame range (Bourke, 1989).

#### **3.1.2 Banking and financial system**

Nigerian banking system goes with the objective of ensuring the inclusive of low-income earners, less privilege, and illiterate people living in rural areas and the financially deprived individuals in the society, all intended to have access to requisite of financial services by taking closer to the people at an affordable financial institution in the country. The system implies the normal banking practices, procedures, techniques, implementation, requirements, and documentations for account-opening and loan accessing, collateral requirements, pricing of loans, advances and service charges for routine banking services which serves as barriers/constraints to the less fortunate will have to be relaxed in order to cater for their banking needs. It also brings that the dissemination of bank services through open branches in rural areas will enhance the financial inclusion and improving the standard living of the less privilege in the society.

The status of financial system in Nigeria is over emphasized to the economic growth and development for the benefit of vulnerable poor in the society in particular in the Northern part of the country where are predominantly Muslims. financial inclusion in this part of the country will immensely contribute to economic growth and development in Nigeria economic system. The evidenced by the various researches in different countries for example Pakistan and Malaysia by different authors proved that (Burgess Pande, 2005) from India (Bruhn Love, 2009) and (Ruiz Ortega, 2013). Mexico studies show that expanding access to microfinance affects the economy which some research has proved it unreliable and unrealistic. The finding was that increased access to both credit and savings services have positive response and impacts on the welfare of active poor in the society (Banerjee, Duflo, Glennerster, Kinnan, 2015); however, on the other hands suggest that expanding access to microfinance alone has no significant effect on the economy unless it has been merge with other parameters of economic development such as expansion of credit facilities with interest-free loan, and other financial scheme of reducing poverty in the society.

#### **3.1.3 Islamic finance in Nigeria**

Islamic finance system in Nigeria been measured as an alternative solution to the conventional finance system which has been stayed for a decade without any impact to the economy rather the persistence of poverty level among the society. Islamic finance plays a vital role in terms of distributing of resources, participating in the banking activities, and findings firms for economic growth and development which will ease the hardship face by the low-income earners for sustainable and economic development. The Islamic finance system enhances business activities in the real economy as the investors and income providers relationship (Kassim, 2016). Islamic finance plays important roles as intermediary between the two side of investors of the capital and lender to operate a business on a certain mutual agreed ration between the two parties for the enhancement of economic growth and development. This includes contributing financing moral acceptable projects in the economy, encouraging lending process to the vulnerable poor, promoting financial stability in the banking sector, and lastly, stimulating saving in the society to Alleviate poverty and boosting the investment (Imam Kpodar, 2016). Islamic finance used to assist entrepreneurship which is one-man business and various corporate organisation which are mostly equity based and directly chase the connecting relationship in between

the two parties for economic growth and development. Different research by the scholars defines Islamic finance as an instrument that promotes economic activities and self-reliance to the vulnerable poor in the society. The system offering capital ventures in the real economy for sustainable development and creative ventures to the talent youth among the society, with more efficient techniques compared to pure conventional financial system which deals with lending and borrowing procedure that deals totally on interest basis system. (Goldsmith, 1969; Gurley & Shaw, 1955; Hicks, 1969; Imam Kpodar, 2016; Kassim, 2016).

Islamic finance operates on sharia principles, that deals with the lawful transaction in between the two parties based on mutual agreement, and equity-based system of relationship in between the parties. This has the characteristic or features that has the major monetary and business dealings for the economic growth and development in any economic system. Islamic finance is a process of transition from a debt-based relationship which deals with the (interest) and to an equity-based (Interest free) abide by the shariah jurisprudence. While there is scope for some debt-based transactions on the principle of qard al-hasan, which is called (benevolent loan) the overall control of the economy would be towards equity-based and risk-sharing arrangements in between the parties participate in the business transaction for the sake of profit realization which will justify the social justice amongst the society. The finance system may be called a revolutionary change as it calls for a new psychology and a new approach to the real economy. It demands that all the major actors within the economy participate in the productive system and productive capacity for growth and economic development (Ahmad, 2000).

The researchers are of the opinion that more developed monetary markets in Islamic finance encourage economic growth and development by collecting savings from income and facilitating investment to the borrowers, unlike the conventional finance system which keeps money idle without circulation and generate interest unjustifiable. The arrangement may involve the multiple bilateral agreements between productive units of beneficiaries on the side of customers and mediators using by the bank as excess income for generating investment to economic development from the low-income earners in the society. To save on the costs related with multiple mutual agreements between the two or more parties, pooling may occur through intermediary on the side of the finance sector where thousands of savers that is customers entrust their wealth or money to business sector in the bank as participants in hundreds of corporations for profit maximization (Sirri Tufano, 1995). This takes place when mobilizers convince by the Islamic bank as intermediary to the soundness of the ventures to the lenders which give the lenders more confidence on Islamic finance activities for betterment of economic growth and development (King Levine, 1993).

### **3.1.4 Differences between Conventional Banking and Islamic Banking System**

Islamic banking system is merely dependent on Islamic laws and jurisprudence. Which makes the knowledge of Islamic banking necessary to acquire and understand the difference between traditional banking system and Islamic banking in their structural arrangement. One of the most important things in any banking activities has to be concern on customers selection behaviour which solemnly depends on the products sales to the target customers by the two-difference bank. Banking system regardless whether it is conventional or Islamic is one of the institution that has a clear bearing on the real sector of the economy. (Adekola, 2016; Robinson, 2001). Banking industry become assets suppliers to boost business and investment development in the real sector, which has been specified in the theory of supply prime policy which boost and enhancing economic activities of any country (Abusharbeh, 2017; Zamzami, 2011). In addition, Banking transaction lead towards demand of people capital formation for making profit sharing arrangement from the funding given to the customer. As a result, the customer's load will be lighter and standard living will improve for better life in the society. In addition, more resources can be used to be empowered in the real sector of the economy. Additionally, it also increases the procuring power to the economic growth and development (Adekola, 2016; Ghoniyah Hartono, 2019a; Murerwa, 2015). Banking operation enhances the welfare of people in developing countries like Nigeria where banks demand low profits on the side of customers which are able to deliver speeds for the country real growth and development (Adekola, 2016). However, profit-oriented conventional banking system is critical in order to give response to customers/investors, and it can rise a customer's tendency to save their funds in the banks due to the higher interest charges which is not realistic due to the speculation of the system (Klein Weill, 2018). Therefore, banks can still contribute to the country's economic growth by generating good business performance through allotting deposit and lending the fund to the target customers for their domestic use and creating entrepreneur ventures for sustainable development.

According to (Alkhazaleh, 2017; Klein Weill, 2018), there are two banking systems mainstream bank which is called conventional bank, an Alternative banking which refers to Islamic banking system, mainstream bank apply interest system charges (conventional banks), While the Alternative banks apply buying and selling system which generate more profit than conventional bank, due to its realistic in terms of their operation which is totally run under (*murabahah*, *musharakah*, *mudarabah*, *isthisna*, *salam* agreement) The Islamic banking system share the profits to the investors and lenders on agreed mutual ratio of realize profit from the

business *murabah*, *musharakah*, and higher purchase form of business with agreement in between the investors and the banking institution for realizing profit and shared based on agreed mutual ratio. The made mentioned mode of finance by the Islamic bank are the must operate product by the bank due to its flexibility of profit and risk sharing arrangement to the investors and lenders (Belkhaoui, Alsagr, van Hemmen, 2020). Islamic banking set as Islamic principles bank with basic foundation for economic growth and development in the general society. The banking sector make goals in agreement with Islamic principles as the main vision which is called (Falah) or victory of the world and world hereafter (Biyantoro Ghoniyah, 2019; Ghoniyah Hartono, 2019b).

### **3.1.5 Microfinance System**

1960s is the beginning of the Islamic banking and microfinance scheme business which has grown esteem in both Muslim and non-Muslim countries in the Europe and other continent in the world with attractive client from both two side of the faith due to its flexibility and less risky character of the business (Karahar Ersoy, 2016). For the last 40 years, the theory of Islamic microfinance has been based on morality, justice, and confidence to the customers that are operating with banking system. Moreover, Islamic banking institutions have developing all over the world due to its significance on developing economy. The Islamic microfinance scheme has been widely used in other Muslim countries for many years. In fact, in some non-Muslim countries like Europe and other part of the world are practicing the Islamic banking system. Especially British and American origin have implemented this practice for years and have succeeded in their countries which enhances the business activities of low income earners and improving the economic growth and development (Ahmad Chowdury, 2020). Islamic microfinance is commonly known as the outline where all forms of financial procedure and transactions are carried out in compliance with Islamic principles (Yanik Erden, 2019). Islamic microfinance is one of the fastest-growing schemes with higher margin of return in so many countries like Malaysia, Bangladesh, Pakistan, and middle east countries which has trapped the attention of investors in that direction. An Islamic microfinance is a financial scheme which follow Islamic injunction and avoid the interest in all of its processes based on aims and objectives, principles, and practices in order to alleviate poverty amongst the society. The most important rules concerning the microfinance is prohibition of *Riba (Interest)* which is totally condemned Islamically by the Qur'an (Aras Öztürk, 2011; Hassan, 1999).

Islamic microfinance is a financial scheme, that has the fundamental aim of alleviating poverty amongst the society by the teaching of the Holy Quran, as different way of to reaping maximum returns from the conventional microfinance system. One of the basic principles in the Sharia of Islamic Common Law is to avoid exploitative contracts based on *Riba* (interest or usury) or unfair contracts which will to inequitable distribution as a result of risk or speculation *Gharar* are unenforceable to the contract. However, the Holy Quran contains no condemnation of morally acceptable business or investments that yield fair and legitimate profits to the business contract. The Islamic law reflects the totality of God's commands that regulate all aspects of the life regarding Muslims activities. Islamic microfinance is directly involved with spiritual values and social justice that deals social justice and equitable distribution in between the investors and client of the bank.

Islamic microfinance is well-defined as the provision of financial services in accordance with the Islamic jurisprudence (Shariah) while others can see Islamic microfinance as structuring financial instruments for transactions to satisfy traditional Muslim structures against the payment of interest and engaging in gambling or another prohibited act. Similarly, Islamic microfinance can be seen as the series of financial transaction that obeys the shariah or Islamic law. The concept of microfinance can be described as small, short, or unsecured lending of money or provision of very small loans that are repaid within stipulated period of time by the customer or client. The loan is essentially used by the low-income persons and households to empowered them economically and enable the beneficiaries to established themselves financially, economically, morally, and socially to the society. Microfinance refers to a scheme where low-income households have permanent access of their immediate needs, to high-quality and cheap financial product from the generated income, build assets to save for future investment, stabilize consumption of household, and protect the capital against the risk may occur. Initially the term was closely associated with microcredit scheme which is very small loans to unsalaried household with little charges or no collateral to present before disbursement, but the term has since changed to include a range of financial products, such as savings, insurance, payments, and remittances. The microfinance is used as a sustainable tool in poverty alleviation.

### **3.1.6 Jaiz Bank Microfinance programme**

Microfinance institutions (MFIs) are moderately small financial loan which traditionally provided small loans (microcredit) to the low-income earners with the objective of reducing hardship and provide small capital formation for small and medium enterprises in productive activities (micro enterprise). One of the differences between traditional microfinance and Islamic microfinance. The Islamic microfinance usually used to provide services to low-income customers and often provide loans without collaterals or any other asset before the loan disburses to the customers. Most importantly, microfinance scheme has a different objective from the traditional microfinance which has the objective of profit maximization. The Islamic microfinance is somehow

similar with Qard-hasan mode of finance which is total free from interest charges but one of the main objectives is improve the standard living of low-income earners and alleviate poverty amongst the society.

Jaiz bank microfinance system or programme is based on ethos and value of Islam, targets to achieve goals and objectives of alleviating poverty through the financial mode of finance abide by the shariah or law. The scheme is free from any unethical value of Islamic jurisprudence, speculative activities (Gharar), or excessive risktaking, gambling, or engaging in unlawful investment. Islamic scholars have developed morals on Islamic microfinance that serve as the main building blocks which govern the Islamic finance theory, the theory has emphasising on banning the interest as the most important attribute towards economic growth and development for sustainable development and predetermined rate of return on loans or debts as prohibited by the Islamic shariah (Ayub, 2007).

Islamic microfinance scheme has several major roles in micro, small and medium enterprises. Islamic microfinance was often considered one of the most effective and flexible in the fight against global poverty being it give emphasis to the active poor and his standard of living in the society (Kefas, 2006). It is sustainable in its nature and can be implemented on a massive scale number necessary to respond to the urgent needs of the active poorest people to the world. Jaiz bank microfinance filled up certain gaps which the main stream bank or traditional bank neglected in serving the people, particularly, using the microfinance to improve standard living of the low-income earners. The nature of the gaps how such gaps have been filled by the Jaiz bank microfinance been well documented and implemented by the bank policy of disbursement (Akintoye Owojori, 2009). Attest to the efficiency of the Jaiz bank microfinance scheme in its all forms of transaction. The schemes have successfully enhanced employment opportunities to the beneficiaries, improved social and economic condition of the target customers, and raised real wages to low-level income earners. These findings are also supported by (Faisol, 2017) who reports the comparative advantage of Islamic microfinance scheme over the conventional alternative system. Islamic financial products and services are available to all irrespective of religious belief, economic or financial background (Adams, 2020).

#### **IV. METHODOLOGY**

The paper adopts a qualitative approach which used as exploratory method on Customers of Jaiz bank applying semi-structured technique and face-face interviews from the beneficiaries to analyse on how microfinance play role in poverty alleviation in Nigeria. Research data collection focused with a total number of 15 beneficiaries' customers of microfinance facilities, and 3 Jaiz bank executives using purposive sampling technique to understand the independent experiences of the respondents about the qualitative aspects of poverty on the concept of Jaiz bank microfinance, status of Jaiz bank microfinance, and challenges of the scheme. The research finds out how the availability of microfinance influenced the lives of chronically poor individuals and households in the area of the research, focusing on the lives of the beneficiaries' customers and how the microfinance improve the standard living of the active poor from the microfinance scheme. The research provides a more complex analysis of the experiences drive from the beneficiaries customer on poverty alleviation and what is the result from household consumption figures, challenges of the scheme, repayment rates from the beneficiaries, and loan disbursement from the bank to the interested customers. The study involved observations from the executive view on microfinance facilities. The study is purely based on the information collected from the Jaiz bank customers and the executive experience of the Jaiz bank facilities towards poverty alleviation. Finally, the study reaches to the conclusion and recommends some way forwards for better implementation of microfinance scheme to poverty alleviation.

##### **4.1.1 Result and Discussion**

The following section deals with findings and discussion from the Jaiz bank executives. This section presents the findings of Jaiz Bank plc executives on microfinance and poverty alleviation in Sokoto State Nigeria. Which answer the research questions from the executives of the bank. The executives are Jaiz bank manager, Jaiz bank officer I, and Jaiz bank officer II. On microfinance scheme which is more concerned on poverty alleviation to the customers/beneficiaries of the bank.

The section presents findings on customers' self-reliance. Poverty alleviation, microfinance scheme needs no collateral to the Bank, Lack of knowledge to the Customers, microfinance and reducing unemployment, Collaboration with the State Government to Create Job Opportunity.

##### **Customers Self-reliance**

The data show more than 80 percent of Jaiz bank executives view agreed that microfinance covered poverty alleviation to the customers of the bank. The executives mentioned the influences of microfinance on poverty alleviation to the customers. They used words/phrases such as Benefited', improve', collaboration', skills acquisition', poverty', Jaiz bank fully operate on poverty alleviation through microfinance of Murabah,

and hire purchase, the bank provides microfinance to its customers which comprises civil servant, and businessmen, in order to reduce their difficulties and hardship. The research is in consistent with the previous one conducted by (Wediawati et al., 2018)

“Known to me microfinance and poverty alleviation in Jaiz bank plc covered and operating base on sustainable development goals of alleviating poverty and improving standard living of active poor for making them self-reliance”

“Microfinance and poverty alleviation in my bank is operating and carried out its activities on making its customers independent”

Jaiz bank microfinance and poverty alleviation in our bank operating in accordance of the seventeen-point agender of United Nation to alleviate poverty by 2030 which our bank fully operates on the agender in order to make our customer self- reliance”

The Jaiz bank executives emphasized the important of customers been self-reliance, the manager stress on the importance of microfinance to its customers on poverty alleviation programme, where the manger believed Jaiz bank covered and operating base on easing poverty and refining standard living of lees privilege for making them independent Officer I also shared the same opinion with manger, while on the other opinion from the officer II believed Jaiz bank plc. work in accordance with the seventeen-point agenda of United Nation target to alleviate poverty by 2030.

### **Poverty Alleviation**

The data of more than 80 percent view of bank executives on the view that microfinance schemewas fully worked on Islamic principles and alleviating poverty for the standard living of customers in Jaiz bank. The executive deliberate on the operation of microfinance in accordance with Islamic law. executives talked about operating on sharia bases, which is used as a guide of bank operation. The executives used words/phrases such as Poverty’, Hire purchase’ Murabah’, Baiul Muajjal’, microfinance is one of the outlines which is completely operated base on Islamic injunction. The executive of the bank acknowledged the impact of microfinance on alleviating poverty through the Jaiz bank on mutual arrangement. which is over emphasis to the society. The bank plays vital role regarding poverty alleviation between the customers This impacts the financial interaction of the customers and receivers. This research is in mirror with the previous research done by (Channy & Ogunniran, 2019).

“The Jaiz bank operated within the scope of alleviating poverty through the Islamic microfinance product that comprises different forms of facilities of hire purchase, murabah, or mudarabah to our customers include civil servant, businessmen, for improving their standard of living accordance to the Islamic principles law”

“Microfinance with Jaiz bank covered the poverty scheme with the bank microfinance of murabah to the civil servant and businessmen in the State, in addition our bank operating on hire purchase mode of finance to its customers in order to reduce the poverty level among the active poor in the State”

“Jaiz bank operate microfinance to reduce the poverty in the society, our bank is working on poverty alleviation of reducing difficulties and hardship amongst the active poor, by providing soft loan of Murabah, and hire purchase to our vulnerable customers for betterment of their life”

The bank executives stressed the microfinance operated by the bank. Contribute to poverty alleviation to the vulnerable customers. The manager acknowledged that the Jaiz bank gives emphasis of the United nation agenda of poverty alleviation by 2030. The manager believed the murabah and hire purchase mode of finance provide by the bank microfinance to its customers has make a lot of significance to poverty alleviation. Officer, I believed that to the civil servant and businessmen in the State has benefited a lot from the microfinance scheme.

### **Microfinance scheme needs no collateral to the Bank**

The data of over 80 percent view of the executives in the opinion that customers are not aware that microfinance scheme is non-collateral arrangement. The Jaiz bank customers required referrers for the disbursement of the facilities, after fulfil all the pre requisite condition and procedure by the bank. Which later the bank accesses the loan to the interested customers.

“The scheme of microfinance Jaiz bank effectively improve life and standard living of its customers, in the way of provide the facilities needed to the interested customers, through interest- free system and need no collateral procedure, in order to improve and sustain the livelihood of its customers”

“The efficiency of microfinance in Jaiz bank is over emphasizes, because the bank is using a lot of ways to improve the standard living of the society, which include providing soft loan without interest, collateral free loan to the small and medium enterprises, and procedure that are simple to the customers”

Microfinance scheme in Jaiz bank has direct relationship with the standard of living of low-income earners in the society, interest Islamic microfinance has the procedure of profit margin reduction to the customers, forming simply route for accessing the loan without collateral”

The bank executives stressed the important of microfinance on poverty alleviation. on collateral free for the loan disbursement, the manager narrated that Jaiz bank operates on no collateral microfinance scheme for easy access to the vulnerable customers and low- income earners.

#### **Lack of knowledge to the Customers**

The data over 90 percent view of executives of the bank have the opinion that customers facing problem of microfinance scheme knowledge on how it operates with the Jaiz bank, the executives shed more light on the microfinance programme operated by the bank for easy access to the loan by the customers. The executives held that lack of microfinance knowledge from the side of customers led to the poor attendance of patronizing the scheme with the bank.

“Microfinance in Jaiz bank has some challenges which include lack of proper knowledge of the programme, Internet problems, branches in the state, Training Staff, these is some of the challenges facing by the bank in Sokoto State”

“Islamic microfinance with Jaiz bank is facing problems of enlighten people of the facilities they operate, internet services, defaulting from the customers and like of branches in some local government in the State”

“Jaiz microfinance facility has create job opportunity to unemployment, improve their life, enhancing their standard of living in the State but our bank facing some challenges which include some people are not aware of the Bank activities, poor internet services, shortest of branches in the State, defaulting on the side of customers and training Staff”

The bank executives stressed the important of microfinance knowledge to the customers on the scheme which is very important to customers’ financial transaction. Manager of the bank said many customers are lacking the proper knowledge of the programme and knowledge of microfinance operation. Officer I, said defaulting from the customers due to lack of microfinance knowledge has leave a communication gap between the bank and customers

#### **Microfinance and reducing unemployment**

The data show over 80 percent view of Jaiz bank executives agreed that microfinance reduced the unemployment rate in Sokoto State community, it enhances the business activities of the low-income earners which reduce difficulties among the civil servants and businessmen. The microfinance reduces unemployment through soft loan. Which help a lot of people, in their daily life activities, and improving the standard living of customers. This research reflects the previous research done by (Ajakaiye et al., 2016; Bergesen et al., 2018; Mbanasor et al., 2013)

“My opinion on microfinance it has help a lot of people out of poverty, improved the life of civil servant in the State, and reduced the percentage of poverty in the society, the business people boost their ventures from the soft loan and reduce the difficulties, hardship amongst the active poor in Sokoto state. The microfinance facilities play a vital role in poverty alleviation, where by so many active poor in the state from various business ventures benefited from their microfinance scheme

“One of my opinions on microfinance it has taken out many people out of poverty, through providing soft loan, and creating job opportunity to people in difference business ventures to increase their income and improving their standard of living for their sustainable development and poverty alleviation amongst the people”

“Microfinance contribute a lot in poverty alleviation in the State, the bank has many schemes on poverty reduction, which helps a lot and improve the life and standard living of people, the bank creates job opportunity, reduce unemployment, and enhancing businesses to small medium enterprises”.

The Jaiz bank executives stressed the impact of microfinance loan in reducing unemployment to the customers and creating job opportunities to the customers of the bank. The manager of the bank said microfinance help a lot of people out of poverty, and improved the life of civil servant in the State, it also reduced the percentage of poverty in the society. Officer I, said income of the customers has improved and their standard of living. Officer II in his view said bank microfinance creates job opportunity, reduce unemployment, and enhancing businesses activities to small and medium enterprises

#### **Collaboration with the State Government to Create Job Opportunity**

The data show more than 80 percent view of bank executives agreed that microfinance can make a great impact to poverty alleviation through collaboration with the State government in creating job opportunities and skills acquisition. The Jaiz bank executives has shown the importance of collaboration between the bank



and State government in respect of providing soft loan and creating job to the teenage youths in the society. This research is in consistent with research conducted by (Liu et al., 2015).

“The people benefited from the microfinance should pay their amount promptly, this will improve the service of the bank. In addition, the government collaborate with the bank to train the youth on skills acquisition programme to reduce the poverty level in the State”

“Jaiz bank microfinance contribute a lot on standard living of people, government and stake holders should put hands together with the Jaiz bank for the betterment of the society, improve and sustain lively hood of the people with the little income generated from the business ventures”

“Customers of Jaiz bank should apply the microfinance soft loan, government and stake holders in the State should collaborate with the Jaiz bank on skills acquisition programme in order to trim down the poverty and improve the standard living of people in the society”

The Jaiz bank executives affirmed that microfinance can make a great impact to poverty alleviation through collaboration with the State government in creating job opportunities and skills acquisition. Manager said Jaiz bank and government collaborate together and train the youth on skills acquisition programme it will reduce the poverty level in the State. Officer I, have the opinion on government and stake holders should put hands together with the Jaiz bank for the betterment of the society and reducing the poverty level in the State.

#### **Building more branches in the State.**

The data show over 70 percent of executives agreed that Jaiz bank needs more branches to influences their financial interaction and create good atmosphere to financial inclusion of rural settlers. The executives believed that building more branches will improve the effectiveness and efficiency of microfinance facilities and poverty alleviation in the rural community.

“The executive believed that if more branches can be expanded, it will make a great impact for the people in the state positively and rural community, in addition, they need more enlighten to the people on microfinance benefit to the people in terms of reducing poverty”

“The executives believed that microfinance help a lot of people in their businesses and improving their livelihood in their daily activities. So, more branches will boost the rural communities’ patronage to the facilities due to its closeness to the rural areas. more branches need to be open in the rural areas in the State, in addition with the branches here in Sokoto metropolitan which is not enough for the customers”

“The executives believed that microfinance is one of the schemes help many people in the State in terms of reducing their difficulties and hardship facing in their daily life activities, the people in the rural area are the higher percentage of low-income earners, more branches will be more needed in the rural communities for the financial inclusion. More branches need to be open due to the higher percentage of the customers in the State”

The of Jaiz bank executives affirmed the important of Jaiz bank expansion. Building more branches is over emphasis to the customers of the bank, this will boost the financial interaction and improving business transaction to the community living in the rural area. More branches in the rural area will bring people closer to the bank.

#### **V. RESEARCH IMPLICATIONS AND LIMITATIONS:**

The Implications and limitation of this paper providing critical suggestions on the ways Islamic microfinance play a vital role in relation of Islamic mode of finance which include: Musharakah, Mudarabah, Murabaha, Qard-hasan, and Ijarah (hire purchase) pay immensely in reducing the financial exclusion and poverty alleviation in Nigerian economic sector towards improving income, saving, and investment to the less privilege among the society. Similarly, Jaiz bank has boosted and enhancing Islamic microfinance and redistribution of income for better saving and investment in alleviating poverty in the society. which create financial inclusion of the active poor through collaboration with government for the betterment of financial inclusion of the less privilege amongst the society. The regulators policy makers and other relevant stakeholders has their part to play in framing strategies of reducing the high level of poverty and financial exclusion in the society, in particular in the Muslim-dominated Northern region which has higher poverty level in the country.

The paper stimulated the government and policy makers to embark on massive enlightenment campaign to the public through media and other social means of communication changing people’s insulence towards Islamic microfinance scheme which can be used as a tool of enhancing financial literacy. The paper

further creates a pattern shift across all religious on the prospect of Islamic microfinance on poverty alleviation, ethnicities and genders also used to support government's programmes in terms of skills acquisition and various reforms to enhance financial inclusion in relation of Islamic microfinance scheme without preconception to the religion or ethnicity. This is in line with the previous study conducted by (Amin, et al. 2011). In addition, the influence of religious obligation on the behaviour of Muslims society will change on Jaiz microfinance towards poverty alleviation in the Northern part of Nigeria in particular Sokoto State. Moreover, the paper contributed meaningfully to the present literature on the doctrine of Islamic moral finance, accumulation of wealth in lawful way, wealth management control, and financial inclusion of the active poor in the society. Finally, this research recommended embracing Jaiz bank microfinance as a strategy for enhancing income, saving, and redistribution in financial inclusion on investment for economic and sustainable development. The limitation of this paper is merely qualitative study based on findings and discussion of Jaiz bank beneficiaries' customers, and Executive of the bank on microfinance scheme. Henceforth, future scholars may carry out this study to the scientific test for empirical evidence regarding the microfinance on Musharakah, Mudarabah, Murabah, Qard-hasan and Ijarah (hire purchase) towards closing the gap of financial exclusion in Nigerian economic and financial system. The findings of this study is more on Nigerian environmental condition with the emphasis on the Northern part of Nigeria which may not be generalized to the other part of the country. So also, in other sub-Saharan African countries as they may have different political, social and economic differences.

## **VI. CONCLUSION AND RECOMMENDATIONS:**

In conclusion the financial Islamic microfinance inclusion into Nigerian economic system will certainly enhance the financial, economic, and business activities in the State, the literature reviewed have shown the imperative for better financial and the bright future in the country. It is superficial if Musharakah, Murabah, Mudarabah, Qard -hasan, and Ijarah (hire purchase) are suitable for Islamic microfinance to address the poverty alleviation in the country. The active poor and vulnerable parts of the society will have more saving from the income derived out of different economic activities which lead to the standard living of the less privilege amongst the society. For this reason, one of the problems faced by the active poor is inability to participate in the highly risky interest base on conventional banking system which is purely interest base system. The Islamic microfinance facilities run by the Islamic bank institution offer an inclusive financing model to the Muslims communities and non-Muslim shown interest to enhance the socio-economic justice amongst the society in Nigeria. One of the roles played by the structure of Islamic microfinance to the disadvantaged and defenceless people who are financially excluded due to the conventional banking policies that are more on interest and unnecessary charges to the customers which has no justification to the client. However, building customers standard of living and alleviating poverty amongst the society are the main target of Islamic microfinance scheme. However, when the society is financially included it will revive the economic and business activities which will lead to economic growth and development in the society. The financial inclusion of customers through microfinance scheme will ultimately shape a healthy and exciting environment that harmonious living together between the rich and low – income earners in the same community. Likewise, microfinance offered by the modern Islamic banking service have strong historical background as evidenced showed through history in various Muslim communities which created social cohesion and socio-economic justice among the Muslim communities in the world.

The research work took long time to comprise the two components of customers and executives which has bank and customer relationship. The bank avoid interest in their dealing, payment from the bank to clients or debtors deals with some lawful charges due to some activities operated by the bank which consist of rent payment for the office building, paying salary and other benefits to its employees, paying dividend to its shareholders etc. In 1970s some Islamic scholars found some solutions to avoid interest on loan transactions in microfinance scheme. Hence, in 1970s and 1980s some Islamic banks were established in different countries in the Muslim world to operate and come out with the suggestion regarding Islamic banking and microfinance principles. There are more than 2000 branches of Islamic banks worldwide that set up the Islamic shariah committee to take a decision and come out with resolutions on a certain problem concerning the principles of shariah in the banking transaction on Islamic microfinance scheme. Some non-Muslims countries in the world have also established some Islamic microfinance scheme policy based on Islamic shariah for the purpose of alleviating poverty and building the standard living of active poor among the society. There are many conventional banks in the world which have opened Islamic banking (windows show) in their thousands of branches worldwide in order to avoid dealing with interest charges which is prohibited. These branches worldwide operate Islamic microfinance based on shariah (Islamic law).

This paper further argues that it is imperative to implement the Jaiz bank microfinance in its true spirit of religious injunction and according to the rules of shariah principles to minimize abject poverty, injustice, inequality, and social inequality among Muslim groups, such as Muslim-dominated Northern Nigeria which distressed by the high level of poverty and financial exclusion. This paper recommends the adoption of

Jaiz bank microfinance such as Musharakah, Mudarabah, Mudarabah, hire purchase (leasing) and Qard hasan (benevolent loan) by the financial institution in Nigeria for ensuring socio-economic growth and development in the country. This will improve and enhance the productive sector in Nigerian society. The Islamic microfinance scheme will improve the Nigerian economic system. Likewise, the CBN in collaboration with the other financial institution development partners, commercial banks, international Islamic organizations, corporate bodies and wealthy individuals should give more emphasis in promoting the Islamic microfinance scheme to the public in the society, especially those with a high rate of financial exclusion in order to promote the scheme. Finally, if these recommendations are implemented, it will guide and support the government policy, makers, regulators, academicians in their research and practitioners in Nigeria as a remedy to the untold hardship suffered by the teeming Muslims population to the high level of poverty and financial exclusion in particular in the Northern part of the country.

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