

Predisposition of Small Scale Businesses in Fagge, Kano State, Nigeria, Towards Profit and Loss Sharing Mode of Finance

Authors : Farida, M. Shehu, Shehu U. R. Aliyu

Abstract : Access to finance has been recognized in the literature as one of the major impediments confronting small scale businesses (SSBs). This largely arises due to high lending rate, religious inclinations, collateral, etc. Islamic mode finance operates under Profit and Loss Sharing (PLS) arrangement between a borrower (business owner) and a lender (Islamic bank). This paper empirically assesses the determinants of predisposition of small scale business operators in Fagge local government area, Kano State, Nigeria, towards the PLS. Cross-sectional data from a sample of 291 small scale business operators was analyzed using logit and probit regression models. Empirical results reveal that while awareness and religion inclination positively drive interest towards the PLS, lending rate and collateral work against it. The paper, therefore, strongly recommends more advocacy campaigns and setting up of more Islamic banks in the country to cater for the financing and religious needs of SSBs in the study area.

Keywords : Islamic finance, logit and probit models, profit and loss sharing small scale businesses, finance, commerce

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