

Switching cost, Service quality and customers' acceptance of Islamic micro finance in Kano State Nigeria: The moderating effect of religiosity

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Abstract: The detached of this research paper is to make a projected of the model in the direction of examine the moderating relationship in respect of religiosity on switching cost, service quality and customers' acceptance of Islamic micro finance. This study can be use by stockholders to serve as direction before involving in financing their capital on Islamic micro finance for profits maximization. Financial institutions and Government Organization like; Stock Exchange Commission, Central Bank of Nigeria and other agencies in which the outcomes of the study will be used to make policies to financial sectors. Consequently, the outcomes of this study would be beneficial to financial institutions, corporate bodies as well as stakeholders which will also advance from the result to recognise an appropriate determinants of Islamic Micro Finance as switching cost, service quality are considered in the study as the features that could determine the acceptance of Islamic Micro Finance in Kano State, Nigeria.

Key Words: customers' acceptance of Islamic micro finance, switching costs, service quality religiosity, Conceptual framework

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I. INTRODUCTION

Acceptance can be define as person agreement to real condition as well as identifying situation and measures without changing or protesting it (Spector & Kitsuse, 2017). It also pronounces as agreement or yielding of unqualified idea that is either illustrates the state of contract among the parties concerned (Ajzen & Fishbein, 1980). World Bank estimated in their report that customers satisfaction leads to the formation of more than 7000 microfinance organizations all over the World (Wagner & Winkler, 2013). Microfinance is a programme of providing small loan to less privilege members for self-employment which would result to income generation to cater for their financial needs (Microcredit Summit, 2004). Also, it has been documented by the World Bank that Microfinance programme as a method to solve the problem of income inequalities (Abdul Rahman, 2010). Islamic micro finance play an important part for promoting socio-economic of the less privilege people and micro entrepreneurs without indicting interest known as riba (El-Galfy, A., & Khiyar, 2012). Similarly, additional cluster recognized as CGAP which means Consultative Group to Assist the Poor has projected that five hundred million (500ml) people promoted from microfinance institution on minor loan grant (Robinson, 2001).

Microfinance institutions play vital role in meeting credit need of the less privilege people living in rural and urban areas (Basu & Srivastava, 2005). These and some others welfares established that microfinance institutions are accepted by both Muslim as well as Non-Muslim Nation, still the institute regarded as mechanism for certifying employment generation, satisfaction and happiness to the poor citizen in the society in the area of microfinance loan (Mpuga, 2008).

Moreover, Microfinance institutions play an important role in the area of reduction of rural to urban migration, poverty reduction; make best use of local input, employment generation and many other that subsidized gross domestic products of different nations (Anyanwu, 2004). Islamic microfinance knowledge started assembling acceptance in the nation of Western countries through non interest loans (Abdi, 2013). Additionally, interest free loan that is based on Sharia norms and values were granted to the less privilege people in Western Countries (Faye, Triki, & Kangoye, 2013). Likewise, Countries of Western Region clarifies Islamic microfinance as interest free finance which mean finances that is free from charging interest which is according to the Principle of Sharia (Chong, B. S., & Liu, M. H., 2009). Consequently, Islamic microfinance is a substitute to conventional microfinance in the delivery of accessible endowment to people partaking in small businesses which is according to Sharia principles (Obaidullah & Khan, 2008). Micro Financial Institutions

offers services to the people with poor financial capability that is in severe financial need to perform their daily events (Matin, I., Hulme, D., & Rutherford, S. (2002). Real microfinance programs were apprehension with the delivery of small amount of loan and products for the activities of both investment and business in the area of microfinance enterprises (Robinson, 2001).

Researchers contended that, this method of finance is regarded as strong way of poverty alleviation and employment generation amid individual as reinforced via many Scholars (Cebeci, 2012; Kettell, 2011; Maes and Reed (2012) testified that the microcredit Conference result that were held in the United States shown that, statistic of less privilege people with microfinance loan has advanced quickly higher than eighteen times ranging from 7.6 million in 1997 to 137.5 million in 2010. Equally, stated that Countries with developing economies were endorsed to access microfinance so as to ease poverty in their respective countries.

Moreover, Nigerian microfinance Institution was recognized in several urban and rural areas for purpose of retrieving capital by the less privilege and poor people in the community who cannot access from commercial bank and very hard or impossible to reach the Bank obligation due to their financial difficulties. Consequently, the institutions of microfinance provide lenient loans starting from 5000 to 250,000 which is equivalent to one Hundred (100) to five Thousand (5000) Malaysian Money which attract many customers. Moreover, the statement of Nigerian apex bank indicate microfinance performance in the CBN annual 2014 statement indicated total assets in 2009 as 151,610 billion, in 2010 as 170,338.9 billion Naira, in the year 2011 was 117,872.1 billion, in 2012 it was 189,293.4 billion Naira, in the year 2013 was 237,837.6 billion, also increased 263,162 billion in the year 2014, increased to 312,322 billion in 2015 and lastly in the year 2016 increased to 349 billion naira all in Nigerian currency called Naira. Despite the above mentioned growth in the assets of microfinance in Nigeria yet the tricky remain unresolved or why the Nigerian microfinance could not address the present problems. Likewise, majority of the institution in Nigeria are conventional in their operational activities and most of the customers in the study area prefer to have products of Islamic microfinance not conventional such Islamic microfinance product include: Musharaka, Salam, Murabaha finances among others which was plan to alleviate or reduce poverty through provision of interest free loan to poor people in Nigeria (Kettell, 2011; Dandago, Muhammad & Osein, 2013). This happen as Nigerian population stood at 181,748,044 in the year 2016, where seventy percent of the population continue on service of microfinance as their major source of socio-economic primacies, others include: social amenities, market and employment (Dandago, Muhammad & Osein, 2013; National Population Commission, 2016; Obaidullah, 2008).

Nevertheless, World Bank report of 2014 showed that seventy percent of the Nigerian populations are in urgent need of microfinance to solve the problem of poverty and unemployment. Since, majority of the earning of the people in the country are below the poverty line of one point two five United State dollars (\$1.25) per day. Whereas, more than fifty percent of populations of the country are Muslim, this could be pointer for the need of not only microfinance but Islamic microfinance. Meanwhile majority of the population are Muslims so, they must relaxed with financial product that in line switching costs and service quality.

1.1 Statement of the Problems

The subject of Switching cost, service in relation to acceptance of Islamic microfinance endure to be instrument for employment generation and poverty reduction. Though, Anyanwu (2004) describe in his study that conventional microfinance institutions process in Kano State, Nigeria increase the level of unemployment, social vices and poverty due to high rate of interest charges. (Lee & Feick, 2001) in their study explain that switching cost performance is very significant and also provide valuable insight. For instance, switching cost existence can that some apparently loyal customers are really not satisfy then do not flaw for high switching cost. The service of mobile phone empirical example specifies moderating role support of switching cost. Switching cost in relation to acceptance of Islamic microfinance is an apparatus for poverty reduction. Yet, in Nigeria conventional finance model connected with increase in the rate of poverty such as twenty one percent in 1980, forty six point three percent in the year 1985 also in 1992 reduced to forty two point seven percent, in 1996 it increased to fifty four point four percent and raised to seventy one percent in the year 2010 (National Bureau of Statistic, 2012).

Service quality is significant while in other way loans provided are insignificant, consequently it scarcely indicated acceptance of Islamic microfinance in Kano State, Nigeria to the expansion of the economy. Accordingly, it is very difficult to expand the economy through small money related with model (Dandago, Muhammad & Osein, 2013). Additionally, switching cost, service quality as a model to acceptance of Islamic microfinance, nevertheless, in Nigeria specifically Kano State, the condition of conventional microfinance banks is yet to generate employment, alleviate poverty, and stop or minimize rural to urban migration in Kano State, Nigeria.

1.2 Objective of the study

The goal of the study is investigate the manner of religiosity on acceptance of Islamic microfinance via the issues which are switching cost and service quality as the variables to be use to acceptance of Islamic microfinance in Kano State, Nigeria.

II. LITERATURE REVIEW

Certain Literature has been reviewed on both dependent variable which is acceptance of financial products and switching cost, service quality as independent variable while religiosity as moderating variable for this study, the reviewed literature include:

2.1 Acceptance of financial products

Acceptance is defined as taking or receiving offer on certain perception (Olazabal, Sarel & Marmorstein, 2014). Acceptance can also be referred as individual assents or behavioral change to actual state as well as identifying the situation and process without changing or objecting it (Ajzen & Fishbein, 1980). It is regarded by others as taking or getting obtainable on convinced perception incentives (De Bondt, W. F., & Thaler, R. H. 1995). Gaurav, Cole and Tobacman (2011) also termed financial products satisfaction as feeling from assessing method of evaluating expected and real performance established from such products.

2.2 Switching cost

Numerous researchers conducted examination on the Switching behavior in diversity techniques (Grewal, Iyer, & Levy, 2004; Zeithaml, 1981). Likewise, conceptualization of switching cost can be when there is perception requirement for extent to which additional cost was required to dismiss the present relationship and secure another one (Yen, 2010). Fascinatingly, Zeithaml (1981) study discovered that switching obstacles are possible to be extra prevalent in customer services.

2.3 Relationship between Customer Switching cost and acceptance of Islamic micro finance

Switching cost has been described as one-time costs different the customer to change to another commodity seller (Caruana, 2003). Although, in the aspect of what switching are, there is wide agreement and the switching cost ingredients are less definite. This mentioned cost can be real or perceived; monetary or non-monetary. Jones, Mothers baugh, and Beatty (2000) also described switching barriers as any characteristic that makes changing supplier such as service provider costly or difficult. Whitten and Wakefield, (2006) described that switching cost play a significant part in managerial decision side, and highlights the important of analysis of switching cost to the relationship of inter organizational exchange. Moreover, switching cost is modeled as well as tested from the information generated from the society. The outcome gave backing for high order thought with recommendation for procedure more measuring switching costs, and also defined and operationalized in larger numerological models. It can also be intellectualized as the vision of additional cost essential to sack the present relationship and find for another one (Yen, 2010).

Additionally, in the study conducted by Colgate and Land (2001) identify switching costs as a collection bigger switching barrier. Though, there is an overall meaning of what switching are, and what are its elements, though, less certain (Caruana, 2004).

H1: There is relationship between Switching Cost and Acceptance of Islamic micro finance in Kano State, Nigeria.

2.4 Service Quality

Parasuraman et al., (1985) explained that research in the area of service quality continue to expand for more greater than quarter of century, the service quality model has involved consideration care since the outcomes of exploratory research. They developed a gap in their study of service quality and exposed ten (10) dimensions to measure service quality. In 1988 in their second research the ten (10) dimensions were shorten to five (5) dimensions.

2.5 Relationship between customer Service Quality and acceptance of Islamic micro finance

Parasuraman et al. (1985) present the measurement and size of service quality; they develop gaps on service quality, which is also known as the gaps model. Consequently, service quality has been described by them as a gap among the customers' expectation as well as perception of service delivered. Service quality in other words means discrepancy among customers' prior expectation and perception after the service knowledge. The perception of customers on service quality depends on the direction and size of the gap among what consumers imagine to receive and what customers perceives to have received (Kumar et al., 2009). Henceforth,

a customer was believed satisfied if the service quality brought is well than customers expectation and vice-versa(Yunus, Ishak, & Razak, 2010). It should be noted still, that since the formation of the SERVQUAL in the year 1988, there has been numerous criticisms against the model.

H2: There is relationship between Service Quality and Acceptance of Islamic Micro finance in Kano state, Nigeria.

2.6 Religiosity as a Moderator

Brandt (1996) studied religiosity as meaning the personal and belief part and personal. Familiar and commitment as well as stated part of the work related. Religiosity is also referred as part of individual tradition, belief and religious spiritualities. Equally, religiosity means persons religious spirituality or individuals' belief and tradition. Likewise, it is stated as individual style which is instituted belief and values that license perception of a person life. Religiosity also encompasses sense, religion and ritual based program. Also, spirituality clarifies an individual experience (DeNoble et. al., 2007).

Soesanto, Al Habsji, Suhariyono, and Hamid (2013) described effect of service quality, religiosity of curiosity in respect to attitude and word of mouth as well as saving in the area of Baitul Maal Wat Tamwil in the Region of Yogyakarta in Indonesia using technique of Structural Equation Modeling (SEM) for the analysis of data, the outcome of their study indicated that both trust and religiosity affect saving interest on Baitul Maal Wat Tamwi, likewise, the attitude affects both saving and interest.

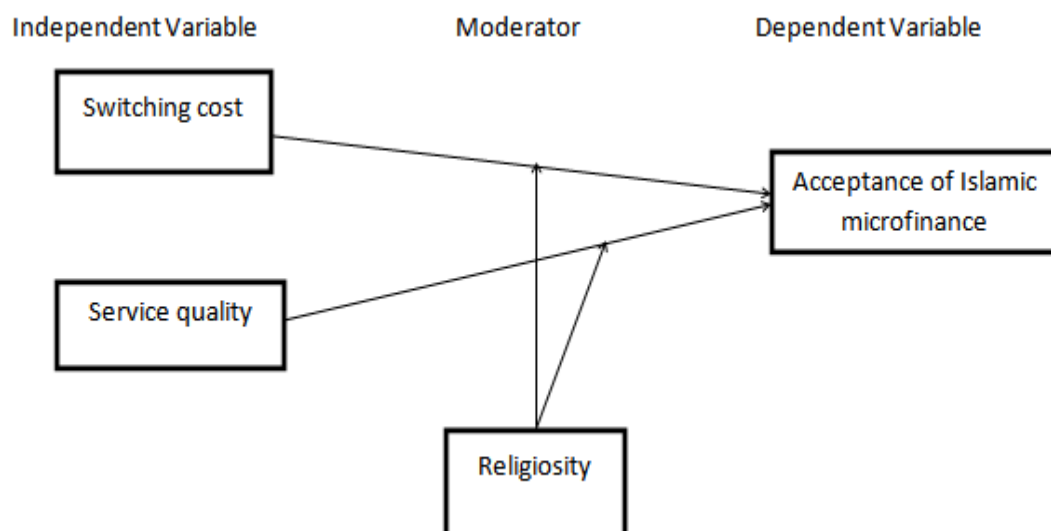
Aburish (2013) conducted a research on Religion, Risk, and Islamic Microfinance and recognized that measuring risk in relation to risk preference and religiosity via the analysis of major module and as well summary in respect to the index used. Similarly, microfinance through using suggested theory that buying and selling are extremely permitted from risk since it is additional on individual religious belief and practices.

H3: Religiosity moderates the relationship between switching cost and acceptance of Islamic micro finance.

H4: Religiosity moderates the relationship between service quality and acceptance of Islamic micro finance

3.1 Research Framework

This section will present the framework of the study which will guide the manner of this study. The below framework explains the relationship between acceptance of Islamic micro finance and switching cost, service quality as well as religiosity that will moderate the relationship existing between dependent and independent variables. The construct of this study is in line with the theory of human behavior that explained the behavior of customer on convinced products. The human behavior theory has designated that human systems intermingle with one another and with their surroundings through constant and dynamic buying and selling of Islamic financial products (Islamic Micro finance). In addition, Glanz and Rimer, (1995) argued that an individual's should straight effect through intention which determine the variables. The following Figure 3.1 presents the explanation of the concept.



The above theoretical framework designates the possible presence of direct relationship between independent (switching cost & service quality) and dependent variables (Islamic microfinance). The framework shows that switching cost and service quality could be the predictors of the acceptance of the Islamic microfinance while religiosity intends to be serving as the moderating variable based on the review of related literatures (e.g., Mamman & Ogunbado, 2016; Thambia, Muthaiyah & Jun, 2015) and the underpinning theory of the present study.

3.2 Research design

This study will adopt a quantitative research approach to assess the relationship among service Quality and acceptance of Islamic micro finance where religiosity is to moderate the relationship among the variables. The study will also consider Partial Least Squares (SmartPLS) for structural equation modelling (SEM) for data analysis to test several hypotheses formulated from the literature reviewed as recommended by Hair (2014). Therefore, the target population of this study is 1,808 SMEs (SMEDAN, 2012) in Kano since; the city is one of the most commercially advanced ones in Nigeria.

3.3 Contributions and Recommendations

The conclusions of this study would contribute to the following manners; Stakeholders such as corporate bodies and financial institutions and can benefit from the outcome of this study and to identify the appropriate determinants of IMF as switching cost and service quality are considered in the study to be the factor that could determine the acceptability of Islamic micro finance. Additionally, other investors both local and foreign investors would benefit from the study by considering the most appropriate issue that could make customers accept the Islamic micro finance. In addition, stockholders can consider this study as direction before they could invest their savings on IMF so that they maximize returns. Policy makers such as SEC and Central Bank of Nigeria (CBN) and Government can use the result of this study to make clear economic policies to financial sectors derived from the study.

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