

Essentials of Guidance Services in Promoting Financial Inclusion and Islamic Banking Products and Services Utilisation in Nigeria

Dr. Isa Ado Abubakar¹ & Dr. Kabiru Adamu Kiyawa²

¹Department of Education Bayero University, Kano, Nigeria

²Department of Islamic Banking & Finance Al-Madina International University, Malaysia

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ABSTRACT

Nigeria is one of the Sub Saharan countries with an estimated population of 200 million people (World Bank, 2019). Out of the figure about 97.485 million have active account representing 48.74% which increased to 111.54 million in 2020 (NBS, 2020) indicating an increase of 14.41%. This indicates that 63.15% of Nigerians possess active account, have access to loans and financial services which is still below despite lurching of the National Financial Inclusion Strategy (NFIS) that is aimed at reducing the number of Nigerians who do not have access to any formal or informal financial services from 46.3 percent in 2010 to at least 20 percent by 2020 (Central Bank of Nigeria, 2012). Achieving the milestone will enable substantial number of bankable adults to have access to financial services thereby reducing incidence of poverty. The introduction of Islamic Banking system which offers variety of products and services boosted the effort of the financial authority. The development helps substantial number of bankable adults the opportunity to have a formal account, formal saving and access to loans and other financial services. However, despite the efforts, more need to be done in order to meet the target of 20% financially excluded population. It is in the light of that, the paper examines the relevance of guidance services in promoting financial inclusion and utilization of Islamic banking products and services among the bankable adults Nigerians. Guidance being progressive in nature, it is used to assist individuals to understand, accept and make use of skills available, abilities, aptitude, interest and attitudinal pattern in relation to aspiration, thus through guidance in an appropriate manner, individual can be able to achieve desired goals. It is therefore concluded that guidance services have capacity to promote financial inclusion and utilization of existing products and services being offered by Islamic banks. It is also recommended that guidance services should be explored as mechanisms for reducing the financially excluded Nigerians.

Keywords: Guidance, Guidance services, financial inclusion, Islamic banking, Islamic banking products, services

INTRODUCTION

Nigeria like other Sub-Saharan African countries suffer from myriads of challenges ranging from socioeconomic, political, insecurity, pandemic down to banditry and kidnapping. Poverty remains instrumental to many of the challenges being experienced in the country. National Bureau of Statistics (2019) reported that 83 million Nigerians accounting for 40% are living below the poverty country's poverty line of 137,430 naira (\$381.75) per year. Poverty is regarded as the major impediment to the course of promoting growth and development of not only to the individuals, but also society and nation as a whole. Poverty has been defined in monetary terms, using income or consumption levels. In order to be able to compare poverty levels across countries and over time, those that live below a given level of income (Ravallion, 2010). Poverty is one of the Five Dimensions of Poverty highlighted by Chambers. People who are poor, are those people living below US\$1 per person and per day; and individuals are in poverty when they cannot lead a profitable and innovative life according to their prerequisites and interests (World Bank,

2006).

Efforts have been made to address poverty as a national challenge through measures ranging from empowerment e.g. Poverty Alleviation Programme (PAP 2000), to skill acquisition programmes e.g. National Poverty Eradication Programme (NAPEP, 2001) by both present and successive administrations. However, the seeming failure of the initiatives coupled with ever increasing rate of poverty incidence, necessitates authorities to provide complimentary mechanisms. One of the such mechanisms is the financial inclusion which is widely believe that it has the capacity to improve access to financial services –formal account, saving, loans as well as other financial services thereby reducing poverty menace. Studies e.g. Abdullahi, Othman and Kassim (2020), reported that Islamic banking has increased access to financial services among Nigerians. The findings indicate that the emergence of Islamic banking system in Nigeria has significantly reduced the size of unbankable adults which is in line with mission of National Financial Inclusion Strategy (NFIS) that is aimed at reducing the percentage of bankable adult Nigerians who do not have access to any formal or informal financial services from 46.3 percent in 2010 to at least 20 percent by 2020 (CBN, 2012). Islamic banking is one ways through which financially excluded individuals are captured in the country’s financial net.

Islamic banking system provides various products and services that are consistent with belief system of the Muslims faithful. The products and services provided by the Islamic banks are interest free and have the capacity to distribute resources equitably. Islamic finance operates based on two major fundamental principles which are Profit and Loss Sharing (PLS) whereas the mark-up principle allows the bank to gain a return from the invested amount on the condition that both parties share equal risk of investment.

Based on the available evidences, attempts have been made aimed at reducing poverty incidence being a national challenge using financial inclusion and Islamic banking system approaches, yet the 20% target seems unrealistic without employing interdisciplinary approach so that bankable adult Nigerians who do not have access to any formal financial services could be captured.

It is in that regard, guidance and counselling being a service that all human beings need at one point or the other is considered as an option for enhancing financial inclusion and utilisation of Islamic banking products and services. Guidance counselling remains a noble profession whose importance is becoming increasingly recognized by the educational planners and policy makers. Although guidance services are more inclined to educational setting, yet, its relevance could be extended to other fields for better service delivery and achievement. To the best of the researcher’s knowledge, this is first time guidance related terms are extended to the financial area with a view to demonstrate their applicability. In this paper, guidance services such as information and orientation services are considered and the paper examines the relevance of these services in promoting financial inclusion and utilisation of Islamic banking products.

LITERATURE REVIEW

Financial inclusion

Financial inclusion refers to “the process of ensuring access to financial services and timely and adequate credit needed by vulnerable groups such as weaker sections and low income groups at an affordable cost” (Hanning and Jansen, 2010). Specifically, financial inclusion refers to individuals and businesses have access to useful and affordable financial products and services that meet their needs (www.worldbank.org). Financial inclusion is a system that serves as many people as possible and it assumes a critical development policy priority in many developing countries, due to its catalyst role for driving economic growth and development as it provides access to people that are excluded from financial services and this will consequently create a source of huge deposits and investable funds from savings that would be used to

generate wealth. It has been observed that access to financial services allows the poor to save money in the banks instead of their homes or shops, thereby reducing the risk of losing it.

Islamic Banking

Islamic banking otherwise known as non-interest banking is a form of banking that conforms to the laws of the land and that of Islam (Shari'ah law). The ultimate aim of Islam is to guide mankind towards the right and correct direction of life for his success. Islam encompasses all aspects of economic development in the framework of total human development and not in any way different from this standpoint (Al-Harran, 1993). The cardinal objective of Islamic banking has been the prohibition of interest (riba) and the use of trade and commerce (al-bay). Islamic banking and the prohibition of interest was not initiated from the principles of economics but rather was developed as a result of the final decree revealed from the Almighty creator (Ghannadian and Goswami, 2004).

Islamic Banking Products and Services

Introduction of Islamic banking system enables individuals to enjoy access to credit facilities thereby reducing the incidence of poverty. The banking system has continued to grow and expand in number and assets size. The banking system provides varying products and services as such. the global financial system cannot afford to ignore the Islamic banking system due its remarkable progress, resilience and being a veritable and competitive mode of financial intermediation. Islamic banks offer business of financial intermediation like their counterparts' interest bearing banks. Islamic banks operate in accordance with the rules of Shari'ah (Islamic law) and in the course of carrying out the financial intermediation function, Islamic banks develop market, launch and promote Shari'ah-compliant products and services that satisfy the needs of customers and at the same time satisfy the interest of owners, investors, and other stakeholders (Ghannadian and Goswami, 2004).

Islamic banking modes of operation are in line with shari'a values and have the potential for more creativity. Some of the products of Islamic banking include:

1. Silent partnership popularly known as Mudarabah. It is a financial service arrangement, in which the contract is negotiated by two parties. Islamic Bank (Rabb-ul-maal) serves as the capital supplier while the other party work as the contractor known as the Mudarib. In this this form of financial arrangement, the Islamic Bank and the contractor (customer) share benefits depending on a predetermined decided percentage. The contract with Mudarabah includes fundamentally two aspects of the structure of Islamic banking. One part is the Islamic bank's agreement with the depositor, and the other part is the Islamic bank's agreement with the entrepreneur. In the case of failure, the Islamic Bank carries the loss as long as its buyer or entrepreneur' incompetence is not the causative factor of the loss. In short- and medium-term transactions (e.g. retail), the contract of Mudaraba is normally used to fund the transaction. Mudaraba contracts equate to borrowing dependent on confidence. In compliance with the arrangement signed at the time of contract signature, the revenue generated by the deposited money is divided between the financial institution and the entrepreneur. The parties shall decide at the end of the arrangement a percentage of the profits, and not a specified sum of money (the Islamic financial institution normally gets 15 to 30% of the profits).
2. Equity Partnership (Musharakah) involves arrangement which requires two or more parties and each party has a right of its own in the management of the corporation or to commit its resources to the creation of a certain business enterprise. Musharakah needs the signature of a cooperation arrangement between the Islamic Bank and the client. Losses are distributed according to the participation of the finance groups (Ahmad, 1976). The Islamic bank offers commercial finance under the Murabaha deal which is followed by a sales arrangement between the bank and their customer at a negotiated price. On behalf of the customer, the bank buys the items (raw materials, parts, etc.) and

resells them, taking advantage of the selling of the goods and even of the added costs paid for the services offered. The bank agrees to supply the customer with the goods, with the date and location of receipt, stated in advance.

3. Lease (Ijarah) -This is a contract in which the Islamic bank purchases an asset and leases to its customer the contract that, at regular intervals. The user shall either pay a fixed sum monthly or for a defined duration indicated by the Islamic Bank. This arrangement is similar to the traditional banking lease contract. Ijara is a copy of a lease-based transaction in the standard financial system. This entails an arrangement to purchase equipment, land, etc. from the Islamic Bank at the behest of the client and then rent it to the customer. The length of the rental fee negotiated by the parties (fixed or time-dependent). Other forms of Ijarah include:
 - Salam Forward trade contract (Salam): This is a contract where the Islamic bank decides, in return for advanced complete spot payment to the bank, to supply the purchaser with some particular products at a set future date. I.e. the customer pays the whole amount to the bank and will make the delivery at the agreed future date of the bank.
 - Istisna: This is the idea that provides potential trade and finance structuring opportunities. The products are purchased by one party and the other party is engaged in production in compliance with the agreed specifications. In the development and building projects, Istisna is widely used.
 - Wadiah: The contract form is similar to traditional savings accounts. Wadiah is when an individual is permitted with another to keep his land. It is a trust arrangement and the bank offers the customer donation (Hibah) and other advantages.
 - Deferred Payment Financing (Al Bai Bithaman Ajil/ BBA): This applies to the deferred payment of credit sales of goods. The Islamic bank will buy such assets on a late payment basis, as requested by the customer, and return the product to the client at a negotiated price, including any benefit or margin. In an agreed time frame the consumer makes payment by installment.

Guidance Services

Information Service

Bedu-Addo (2014) contended that information service is designed to provide students with a greater knowledge of educational, vocational and personal-social opportunities so that they make better-informed choices and decisions in an ever increasing complex society. counsellors are able to disseminate information on educational and career materials to students and parents through the information service (Schmidt, 1991). This service could equally be extended to financial setting where both existing and potential customers can be assisted to make informed choices.

Information service addresses the individual's need for authentic, reliable, objective and usable information that will enable him make adequate and realistic decisions at one time or the other for the actualisation of a satisfactory and fulfilled life. The quality of the information available to the individuals determines the quality of the decision the individual will make. An individual who needs to make decisions on Islamic products and service will need to have adequate information about catalogue of valuable decisions offering that answers his/her financial needs such as sharing formula, risk involved and return on investment etc. Information service of the school guidance programme is that service in which information is made available on anything that the client wants to know more about either for purposes of better understanding the issue or taking a decision on it (Sedofia, 2014).

Orientation Service

Orientation services are provided to help students adjust better in any new environment (Makinde, 1984). Orientation service is designed to help students make adjustments during such critical transition periods.

The financial sector could also borrow leave in order to help potential Islamic banking customers to embrace available products and services. The service helps individuals to adjust better in the new circle or environment. This service is essential for individuals who are new to an environment and in most cases coming into such environment and situation for the first time. This could be in form of career guidance which UNESCO (2002) refers to assistance given to individuals, or groups of individuals, in addressing problems related to occupational and life choices, offering full opportunities for personal development and work satisfaction. Career counselling helps individuals to achieve greater self-awareness, develop a life/work direction, increase their understanding of learning and work opportunities and become more self-directed in managing learning, work and transitions.

Orientation service enables new entrant or potentials investors to adjust better and effectively within financial environment for which they have little or no knowledge about and to which they are not familiar. The orientation service may apply to investor(s) entering a new financial agreement with Islamic banking service providers. Therefore, orientation and adaptive services involve process as familiarisation of the investor with operational guidelines, services available, risk sharing, profit sharing, role specification etc. The Islamic banking environment has its own rules, regulations and administrative set-up which seem to appear completely different from normal conventional system. Orientation services are therefore designed to help investors/customers to adjust during the critical stage.

Placement/planning Service

Placement/planning service is a service designed to help an individual in making short and long term plan to actualise a particular need or goal. Placement/planning service may aid an individual to select from the existing products and services available to investors/customers in Islamic banking industry. In essence, placement entails helping an individual to realise financial experience that one desires, familiarisation of the different products and services available, risks and profit sharing etc. It equally involves assisting an individual to realise other financial services in the Islamic banking sector. The placement services are very essential for the interesting investors/customers of Islamic banking as the services help in the selection of relevant investment opportunities and financial inclusion.

DISCUSSIONS

Studies have shown that Islamic banking influences financial inclusion in form physical access to financial services more rapidly in the OIC countries (Naceur and Barajas, 2015); contribute significantly to the demand of financial inclusion (Akhter, Majeed & Roubaud, 2019); little use of Sharia-compliant banking products, although it does find evidence of a hypothetical preference for Sharia-compliant products among a plurality of respondents despite higher costs in five North African and Middle Eastern countries with relatively nascent Islamic finance industries (Demirguc-Kunt, Leora, & Douglas, 2013); introduction of Islamic banking and finance system enhanced financial inclusion in some Organization of Islamic Cooperation (OIC) countries in Sub-Saharan Africa (Abdu, Jibir, Abdullahi, & Rabi'u 2018).

The findings indicate Islamic banking has the capacity to increase financial inclusion when appropriate mechanism for awareness and education are employed. Brekke (2018) reported that awareness about Islamic economics as an important focus for personal piety and religiosity had become more important over the past 8–10 years among Norwegians. Similarly, 200 customers with Muslim names were interviewed by Norwegian bank DNB in 2007 about their potential interest in Islamic financial products and it was found that 57% indicates *very interesting* while 21% indicates *somewhat interesting* to become a customer if a bank was certified according to the principles of Islamic banking.

The finding of the study helps in realizing that employing guidance, orientation and placement services may be helpful in promoting the influence of Islamic banking and financial inclusion which are being in

guidance and counselling in order to promote educational attainment among students. The services could also be used among existing and potential customers of Islamic banking with a view to promoting Islamic banking influence on financial inclusion. Thus, knowledge and patronage of Islamic banking among potential customers may depend on the utilization of the relevant guidance services available in the Islamic banking sector such as information, orientation and planning/placement services.

Adequate information service may enable both existing and potential investors/customers of Islamic banking products and service to use the available Islamic financial services such as formal account and access to credit facilities that are consistent with faith-based of the customers. Patronizing the Islamic banking services could be more possible when information, orientation and placement services are properly and adequately utilized thereby enabling the existing and potential customers to enjoy access to interest free loans provided by the Islamic banks and in so doing, incidence of poverty among the populace could be minimised.

Therefore, employing the guidance services will provide more additional knowledge about existing services in the Islamic banks and its products as well as emerging ones to the potential and existing customers. The services of Islamic bank could be further expanded through guidance especially when such services have widely been publicized thereby attracting the large number of Muslim faithful who have been patiently waiting for such financial services. It is right to claim that patronage of Islamic banking may likely emanate from respondents' religious inclination, Islamic banking reputation, service quality, faith-based satisfaction. The antecedents of patronage include product characteristics, affective perceptions, and knowledge of the product (Rehman and Masood, 2012). Affective perceptions toward a particular product and cognitive knowledge about it may influence patronage behavior. Customers' affective perceptions and their level of knowledge about a product make up their relative attitude toward that product (Palací, Salcedo and Topa, 2019). This suggests a strong association between knowledge and perception of a product on one hand and patronage on the other. Patronage may also be expressed through customer loyalty. Loyalty is defined in terms of willingness and personal initiative for the customer to select the preferred service or product based on their own perceptions (Mark, Grahame and Kathy, 2003). Loyalty has theoretically and empirically been found to be associated with patronage (Chukwudi, Anyasor and Okwuchukwu 2020).

CONCLUSIONS

Guidance and counselling services especially have the capacity for enhancing financial inclusion in Nigeria especially when it is implemented properly. The orientation service is may serve as a catalyst for enhancing public awareness regarding the Islamic banking services. The guidance services being part of guidance and counselling has been recognized as one of essential services that play a vital role not only in promoting financial inclusion but also in the area of human development. It is in recognition of that UNESCO (2002) recognized its pivotal role which guidance and counselling plays in various spheres of human existence, hence it sponsored the development of training modules for counsellors. Counselling is aimed at helping an individual become aware of himself and his environment and therefore be in a position to choose the right type of behaviour, educational, vocational and socio personal in nature. Therefore, guidance and counselling no doubt has a lot of roles to play for enhancing financial inclusion via Islamic banking products and services.

RECOMMENDATIONS

The paper recommends that there is need for serious enlightenment on the part of the Islamic banks to recognize and accept guidance services as a way of promoting financial inclusion via the available products and service. This will help Islamic banks to develop and strengthen the capacity of the customer to improve their loyalty and confidence in the Islamic banking system. The guidance services therefore serve as

additional mechanisms to the Islamic banks to broaden the scope of their customers and to help them achieve a realistic perception about the existing products and services. It is therefore recommended that guidance services should be coopted into the existing strategies they use in promoting their product and services to both existing and potential customers of Islamic banks. in their school environment.

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