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CONTENTS

Corporate Governance and Accounting Conservatism of Quoted Non-Financial Firms in Nigeria Lawrence Egbadju---	-- 1
Value Added Tax and Economic Growth of Nigeria (2003-2022) Theresa Ekpe Otol and Solomon Wayas ---	-- 16
Corporate Attributes and Value of Listed Manufacturing Firms in Nigeria: A Comparative Analysis Abdulazeez Adeiza Daniya, Tajudeen Lawal, Kabiru Shuaibu, Mohammed Yabagi Ibrahim ---	-- 31
Corporate Attributes and Risk Management Disclosure of Listed Insurance Companies in Nigeria Dorathy Christopher Akpan, Rose Augustine Odokwo and Patrick Edet Akininnyi ---	-- 46
Dynamics of Micro and Small Enterprises Performance in Nigeria: The Effect of Internal Motivation Maryam Ibrahim Imam, Alhaji Zubairu Bukar, Zanna Sunoma Kyari and Lawan Mustapha Ibrahim ---	-- 58
Natural Capital Accounting and Profitability of Listed Manufacturing Firms in Nigeria Fadheela Uba Jahun, Muhammad Liman Muhammad, Zaharaddeen Salisu Maigoshi and Moses Babatunde Olanisebe ---	--75
Financial Development and Income Inequality in Nigeria: Testing the Financial Kuznets Curve Hypothesis, Yusuf Shamsuddeen Nadabo, Tiri Gyang Dakyong and Hannatu Ismail ---	-- 92
Influence of Debt Financing on Income Smoothing Practices among Listed Deposit Money Banks in Nigeria Akeem Ademola Adeyemi, Johnson Kolawole Olowookere, Jimoh Ibrahim and Olakunle Abraham Olateju---	-- 106

The Moderating Effect of Tax Knowledge on the Relationship between Tax Rates and Tax Compliance of MSMEs in Nigeria

Abdulhamid Ellawule, Yusuf Maiwada Bashir, Bala Sulaiman Dalhat and Naziru Suleiman---

--- 118

Developing Shariah-Compliant Products for Islamic Banking Market in Nigeria:
Can Bay'u Al-Inah (Buy-Back Sale) be Experimented?

Abdulrazaq Taiye Jimoh, Sa'adatu Ibrahim Khaleel, Tajudeen Idera Abdulmajeed And Mubarak Abiodun Orilonise ---

--- 134

The Moderating role of Audit Committee Expertise on the relationship between Board Attributes and Earnings Quality

Ozigi Omoyi Obeitoh, Ishaq Alhaji Samaila and Aliyu Sulaiman Kantudu ---

--- 147

Impact of Audit Market Concentration and Auditor Attributes on Audit Quality of Consumer Goods Firms in Nigeria

Muhammad Isah Tahir, Abdulkarim Shaibu Alhassan and Godwin Emmanuel Oyedokun ---

--- 166

Corporate Governance and Voluntary Human Capital Disclosure of Quoted Deposit Money Banks in Nigeria

Lukman Olatunji Ojo and Abdullahi Adudu Umar ---

--- 178

Impact of Non-Financial Services by Listed DMBs on the Development of SMEs in Nigeria

Ibrahim Yakasai Aminu and Bagudu Abba Mankoc---

--- 191

Moderating Role of Board Composition on the Relationship between Environmental Disclosure and corporate performance of Nigerian manufacturing Quoted Companies

Stephen Gwar, Paul A. Angahar and Luper Iorpev ---

--- 206



Developing Shariah-Compliant Products for Islamic Banking Market in Nigeria: Can Bay'u Al-Inah (Buy-Back Sale) be Experimented?

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Abstract

The uniqueness of Islamic banking system is in the shariah-compliant products designed to serve the market. Among the products, is the controversial bay'u al-'inah whose acceptability remains a subject of debate among shariah experts. As Islamic banking market is still evolving in Nigeria, it becomes imperative to analyze the potentials of bay'u al-'inah's adoption. This study therefore examined bay'u al-'inah product with the objective of establishing whether the product could be adopted to improve market share of Islamic banks. Data were collected with a structured questionnaire which was used to obtain data from customers of Jaiz bank and Lotus bank in Kwara State. Six Hundred (600) copies of questionnaire were administered to respondents. Ordered Logistic Regression was conducted for the data analysis. The study found that bay'u al-'inah personal financing (Coeff =0.51, $p<0.05$), home financing (Coeff =0.82, $p<0.05$), and working capital financing (Coeff =0.16, $p<0.05$), have positive and significant relationship with market share which was measured with number of customers' accounts. It was concluded based on the findings that, bay'u al-'inah has great potentials for attracting more customers to Islamic banks and boosting the market share of Islamic banks in Kwara State, Nigeria. the study recommends that, subject to the assessment and approval of shariah committee of experts, bay'u al-'inah be adopted by Islamic banks in Kwara State and Nigeria as whole.

Keywords: Bay'u Al-'inah, Islamic banking, Market share, Nigeria, Shariah-complaint.

1.0 Introduction

The uniqueness of Islamic banking system is in the shariah-compliant products which are developed to serve the market and enable the banks to compete favourably with their conventional counter-parts. The products are expected to fully comply with the provision of Islamic law relating economics, business and finance. It is this shariah-compliant feature of the products that attracts many customers, particularly Muslims to the banks (Jimoh, et al., 2022). The products are normally structured in such a way that asset-based facilities are granted to finance customers' needs and businesses rather than extending interest-based loan to such customers.

However, among Islamic banking products is the controversial bay'u al-'inah (sale and repurchase of asset) whose acceptability in Islamic banking market has remained a subject of scholarly debates among shariah experts. In a bay'u al-'inah, a party sells an asset to another party for an agreed price and payment to be made at an agreed future date. The seller then buys the said asset back from the buyer though a lower price with immediate settlement (Sawari, et al., 2018). This is usually the case in the contract of personal financing for a customer. In such a situation, based on the customer application, the bank offer

financing through bay'u al-'inah, and an asset is then sold to the customer at a higher value than the amount required for personal financing. Once, the contract is concluded, the customer (the buyer) will then resell the asset to the bank at the value of personal financing application. The bank buys back the asset and immediately pays the customer. In another arrangement, a person sells an asset and collects proceed immediately and then buys back the asset at a higher price with payment as instalments (Sawari, et al., 2018). This variant usually occurs in the case of Islamic home financing. The arrangement is that the bank buys the property from the customer and settles the customer immediately. The property is then sold to the customer at a higher price to be paid over a period of time. The difference between the sale and repurchase prices is the profit accrued to the bank.

Based on the above explanation, a customer who has to present a property as security to support facility from Islamic bank can actually save himself of the stress and cost of perfecting the security by taking the option of bay'u al-'inah. This however depends on the customer financial requirement. The arrangement is also likely to reduce the exposure of the bank to credit risk. Bay'u al-'inah has been criticised as a controversial product in terms of shariah-compliance. Basically, there are two opinions on the acceptability or otherwise of the product. Majority of the jurists and scholars opined that bay'u al-'inah does not comply with shariah and thus not allowed. It was argued that buying an asset already sold from the same buyer is just a mere back-door to riba. Also, it was further argued that such arrangement looks like forcing another person to enter to an agreement. However, the minority opinion that support the product sees nothing as being wrong as long as the two contracts are executed separately (Maulidizen, 2019).

Despite the controversy that trailed the product, Islamic banks in Malaysia have taken to the initiative and adopted the products in their personal and home financing. AmIslamic Bank, Agro Bank, Bank Simpanan Nasional, Bank Islam Malaysia, Bank Rakyat, and Bank Muamalat are some of the Malaysian Islamic banks that have adopted bay'u al-'inah in their personal and home financing. In fact, the Central Bank of Malaysia, that is, Bank Negara Malaysia (BNM) published the resolution of its Shariah Advisory Council on Bay'u al-'inah (BNM, 2013). Not only that, guidelines for the implementation of bay'u al-'inah product was also issued by BNM for Malaysian Islamic Banks. According to Maulidizen (2019), the Shariah Advisory Committees of some of these banks approved bay'u-al-'inah contract on the ground that its acceptability in shariah is a khilāfiyyah (difference in jurisprudence opinion) issue. As such, the product is accepted to foster the survival of Islamic banking in the highly competitive banking market featuring both Islamic and competition with conventional banks. Survival of the evolving Islamic banking was really a factor to be considered in making decision on development of Islamic banking products in the face of competition with large, established convention banks (Maulidizen, 2019). In Indonesia, bay'u-al-'inah was prohibited except in emergency cases of using it to take over credit or transfer customer debts from conventional banks to Sharia-compliant banks (Istiana, 2020).

From the foregoing, the question of whether or not to adopt bay'u al-'inah as way of resolving the dilemma of safeguarding the credit risk exposure and reducing the cost of accessing facility by the customers in order not to lose them to conventional competitors, needs to be addressed. It is therefore important to make conceptual clarification of bay'u al-'inah and discuss the issues surrounding its permissibility or otherwise. This is to enable Islamic banks and regulators in countries with less developed market for Islamic banking, determine whether or not to adopt the product. It thus became imperative to analyse bay'u al-'inah, its adoption as well as potentials in less developed Islamic banking markets like Nigeria. It is in the light of this that this study was conducted to examine whether bay'u al-'inah could be adopted to improve the market share of Islamic banks in Nigeria.

2.0 Literature Review and Hypotheses Development

Bay'u Al-'inah (Sale and Repurchase of Asset) Financing

According to Istianah (2020), bay'u al-inah is a business practice where goods are bought and by a seller to a buyer on a credit basis, and then the goods are resold to the original at a higher price. Abubakar and Ogunbado (2016) defined bay'u al-inah as an exchange structure of two transactions where a seller sells a property or asset to a buyer on delayed payment or credit basis and the seller buys the asset back immediately from the buyer on cash basis but at a price lower than the first sale.

Generally, the product comprises of two agreements (aqad). In the first contract, an identified asset is sold by the bank to the customer at an agreed price to be paid over a period of time. The contract of sale initiated by the bank is then completed when the customer purchases the asset for an agreed monthly instalment. The customer then resells the same asset to the bank at a lower price and the bank pays lump sum to the customer in settlement of the transaction (Nursyamsiah & Kayadibi, 2012). It is clear from the above conceptual definitions that two sales and purchases transactions occur for one single item. The transactions are however conducted at different prices such that cash price is given for the first contract while installments are agreed for the second contract and vice-versa (Istianah, 2020). Summarily, bay'u al-inah (sale and repurchase) is an Islamic financial product which combines two distinct contracts of sales executed between two parties, the bank and its customer.

Bay'u Al-'inah as an Islamic Banking Product: Adoption and Operation

The sale and repurchase contract of bay'u al-inah have been adopted in different aspect of Islamic banks' financing such as personal financing, home financing, among others. Muhammad et al. (2015) stated that Islamic personal financing is the most popular Islamic product of Islamic banks through which customers are provided with funds to acquire durable and non-durable goods. Bay'u al-inah is one of the financing modes available for personal financing (Muhammad et al., 2015).

In the case of home financing, bay'u inah could be adopted such that the customer sells the house to the bank and the bank resells at higher value plus profit (Abdul Razaq & Tazwar, 2018). A lot of criticisms have however been laid against this method of financing on the ground that bank does not take ownership risk in the property before selling it to the customer (Abdul Razak, 2011). Due to that, home financing via bay'u al-inah is been gradually phased out even in Malaysia (Abdul Razaq & Tazwar, 2018). According Shahwan, Mohammad and Rahman (2013), bay'u al-inah is usually embedded in the contract of bay' bithaman ajil (BBA) for the purpose of home financing. BBA is a sale contract in which the item is handed to the buyer immediately, while payment is delayed until an agreed future period (Aziz, 2013). In practice, the financing bank has nothing to do with the developer in home purchase; the buyer would have made arrangement with the developer and an agreed deposit made (Asni & Sulong, 2019). The buyer then approaches his bank for finance. Therefore, the bay'u al-inah contract is solely between the bank and its customer as the buyer (Shuib, Mohamad & Sulaiman, 2013).

Another way by which bay'u al-inah may be adopted is in credit card transactions. In conventional banking, credit card allows its holder to spend up to a predetermined ceiling with the condition that the borrowed amount is repaid within a specified time period (Paxson & Wood, 1998). Failure to repay calls for interest to be charged on the outstanding balance usually at a compound rate. This is in addition to the annual fee charges on the credit card facility (Shaharuddin, n.d). The presence of interest makes the conventional credit card facility unacceptable in Islamic finance and banking. However, the convenience, safety and profitability attributable to credit card transactions encouraged Islamic finance experts and

bankers to look into the possibility of developing a shariah compliant variant of the facility. According to Adil (2006), some contemporary Muslim jurists permit credit cards on the conditions that customers pay full balance every month and no roll over debt is allowed and that cash withdrawal is avoided. It was asserted that once the conditions are met, *riba* is avoided and credit card transactions become Islamic.

One major vehicle through which the facility has been experimented is *bay'u al-inah*. Bank Islam Malaysia Berhad (BIMB) issued Islamic credit card via *bay'u al-inah* which operates in such a way that the bank would identify an asset and then sells the asset to a customer that needs credit card facility (Shaharuddin, n.d). The customer, immediately sells the asset back at a lower price. The customer receives the proceed in an account through which credit card is issued. The customer can now use his/her credit card to buy goods, pay for transactions on credit up to the pre-arranged limit. The customer is however required to pay bank the amount used in his credit card over an agreed period of time or else and additional charge will be imposed. The argument is that the extra charges that will be imposed is not an interest but a profit as determined through the *inah* transactions. It is further argued that the additional charge for late payment is a one-time charge and not a compound interest. These were the argument in favour of developing Islamic credit card via *bay'u al-inah*. It is however important to note that many scholars disagreed with the acceptability of *inah* and as matter of fact, *inah* is being gradually phased out of the Malaysian Islamic banking system.

Islamic overdraft facility is another use for *bay al-inah*. It is marketed under the titles *al-nakad* and *al-tamwl*, although it functions on the principle of *bay al-inah*. This overdraft option allows users to take out loans against their accounts up to a predetermined limit. Typically, it operates using the idea of loans with interest. Since Islamic law forbids charging interest on loans, some Islamic banks have turned to *bay al-eina* as an apparently legal substitute. The Islamic bank would carry out two simultaneous back-to-back sales at differing prices, one on a cash basis and the other with deferred payment terms, in order to illustrate the system (Abozaid, 2010). Summarily Islamic Bankers Resource Centre stated that *bay al-inah* is commonly found in asset financing, working capital financing, revolving credit, Islamic overdraft, home financing, personal loan financing, among others.

Adoption of Bay' ul- Inah Products: Malaysia versus Indonesia

The practice of *bay'u al-inah* was initially accepted by the shariah scholars in Malaysia on the ground that prohibition of the contract could be not clearly derived from direct interpretation of the two primary sources of Islamic law- Quran or in the Sunnah. The scholars were of the opinion that such prohibition is based on juristic interpretation which were not acceptable to them. Another point raised by the Malaysian scholars was the need to develop Islamic banking market to meet the need Muslim contemporary society as in the case of credit card facility.

Even though *bay'u inah* is allowed in the Malaysian banking industry, its operation was not left without proper regulations by the apex bank of the country, Bank Negara Malaysia (BNM). BNM imposed certain regulatory guidelines pertaining to the conduct of *bay'u al-inah* transactions on all Islamic banks in Malaysia. The guidelines were imposed to ensure that all *inah* transactions are properly structured, executed and implemented (Sawari, et al., 2018). the guidelines were issued to ensure that inter-conditionality elements are avoided, sale and purchase contracts are separately documented, no conditional obligation is attached to the agreements, and that proper sequence is followed in the execution of sale and purchase contracts (BNM, 2013). The guidelines are issued basically to ensure that the banks do not run afoul of the provision of shariah.

In Indonesia, bay'u al-inah is generally disallowed except in rare cases if necessity calls for such contract. According to Istianah (2020), the fatwa of the National Shariah Council of the Indonesia stated that 'inah can only be allowed in transactions involving customers' debt transfer from conventional financial institutions to Islamic financial institutions. That is all other inah transactions are prohibited. In a nutshell, Indonesia, unlike Malaysia, permits its Islamic financial institutions to only engage in non-controversial equity-based and debt-based financing contracts. Equity-based contracts include mudaraba and musharaka while debt-based products are murabaha, salam and istisna'a (Abdullah, 2017).

Basis of Controversy in Bay'u al-'inah Transactions

Bay'u al-Inah is a controversial contract whose permissibility or otherwise has been debated by scholars of Islamic jurisprudence. Generally speaking, there exists two opposing opinions on the legality of bay-u al-inah. According to the first opinion, bay'u al-inah transactions are forbidden in Shariah. Abubakar and Ogunbado (2016), the contract was rejected by early scholars of Islam among the companions and their students like Ibn Abbas, Aishah, Al-Hassan, and Ibn Sirin among others. Apart from these first generation set of scholars, Hanaffiyyah, Malikiyyah, and Hanabilah schools of Islamic jurisprudence also rejected bai' al-inah (Asni et al., 2022). The scholars based their rejection on the hadith of the Prophet which was reported from Ibn Umar that the promise of humiliation from Allah should people continue with certain activities including transacting in Inah (Abubakar & Ogunbado, 2016). The scholars concluded a threat of humiliation for transacting in bay'u al-inah indicates that the contract is haram.

However, the minority opinion of Al-Shafi'iyah, Al-Zahiriyyah and al-Hadawiyyah schools approved bai' al-inah (Istianah, 2020). The schools argued that a transaction is to be assessed based on its express and outward elements. Scholars from these schools of jurisprudence argued that the hadiths prohibiting inah were not authentic, hence could not form the legal basis for the rejection of the contract (Istianah, 2020). It should also be noted that any inah that contains element of gharar or is manipulative in nature is prohibited even the al-Syafi'i school of Islamic jurisprudence.

Asni et al. (2022) submitted that the majority opinion prohibiting bay'u al-inah is more accurate as the scholars' arguments were based on hadith and narrations (athar) of the companions unlike the minority opinion that accepted the product of inah based of mainly on analogical deductions (qiyas). It is clear from the above that there both majority and minority opinion of the permissibility or otherwise of bay'u al-inah. Although studies like Asni et al (2022) favoured that majority opinion which prohibited the contract in Islamic financial transactions, this study leaves the juristic debate for shariah scholars to resolve. The study however appreciated the fact that Islamic banks across the world divide along the two arguments when it comes to bay'u al-inah contracts.

Theory of Constrained-induced Financial Innovation

The study was carried out withing the framework of constraint-induced financial innovation theory which was developed by Silber (1983). According to the theory, new financial services are introduced to boost profitability of financial service providers and consequently propel economic growth. That is management of financial institutions like banks will always strive to improve it is profitability and competitive position within the industry. It has however been argued that in the bid to strengthen firm's financial as well as competitive positions, internal and external constraints are confronted. Such constraints affect capability of the management leading to managerial incompetence (Mbogoh, 2013). Financial innovation was then embraced to address the constraints so that profitability of the firms could

be enhanced. In other words, the major reason for financial innovation by any financial service firm is to improve its financial position (Silber, 1983).

In explaining the theory of constrain-induced financial innovation, Lerner (2006) stated that commercial banks are greatly induced towards embracing financial innovation due to the degree of constraints in the banking market. The innovation enables them to boost their financial performance as their operational costs are reduced (Lerner, 2016). In such competitive environment with so many internal and external constraints, any bank, that fails to embrace financial innovation will not be able to withstand the competition and such bank is likely to fail (Johnson & Kwak, 2012).

Relating to Islamic banking, the market share of Islamic banks is generally low compared with conventional banks (Jimoh, Ijaiya, Attah, Abdulmumin & Etudaiye-Muhtar, 2022). There are regulatory restrictions that affect Islamic banking operations as the banks are prohibited from engaging in certain transactions or contracts by shariah. The low market share and the regulatory restrictions call for embracement of financial innovation within the Islamic banking sub-sector so that they can withstand and survive intermediation competition with their conventional counterpart. One of such innovative idea in terms of product development is bay'u al-inah, which is expected to make the banks more competitive and profitable if adopted within the threshold allowed by Islamic jurists. Bay-ul-inah has the capability of reducing credit risk and operating cost of financing.

Empirical Review

Empirical evidence on Islamic banking product of bay'u al-inah is scanty as there are very few studies in that regard. Rosly and Sanusi (n.d) studied financial contracts of bay' al-inah and bay' al-dayn and their application in Malaysian Islamic banks. It was found and reported that both the two mechanisms of bay' al-inah and bay' al-dayn were still unacceptable by the majority of Islamic scholars. It thus recommended that alternative financing based on Muqarada and Musharaka principles should be used as alternatives to interest-bearing financial instruments. Gustina et al. (2014) analyzed the application of bay'al-Inah and Ujrah in credit card transactions in Malaysia. The study made a comparative analysis of the two products and reviewed the opinions of scholars on its acceptability. The study found that bay'al-Inah is continuously in use in Islamic banking contracts and transactions such as Islamic credit card despite its disapproval by majority of scholars.

Furthermore, Sulong and Asni (2019) examined critically, the legality of bay'al-Inah and its formation in avoiding usury for Malaysian Islamic banks. The study also assessed alternatives Islamic financial financing and their compliance with shariah principle. Qualitative research approach was followed to also examine various jurisprudence discussions (fiqh), expert opinions and academic analysis of bay'u inah. The study found that, in Malaysia, bay' inah is fully adopted and in operation and that is due to the fact the country followed the Shafi'i school of Islamic jurisprudence regarding the contract of inah. As such, there was no issue with bay' inah. Similarly, Setiyadi and Aris (2023) analysed the legality of the bai' al-inah contract according to the Syafi'i school and how it is implemented in Malaysia. Qualitative research method was employed and data were collected secondary sources. The study found that the contract of bai' al-inah was permitted by Imam Shafi'i based on riba free (usury) and other elements that can prohibit it. It was also reported in the study that decision of the Malaysian Shariah Advisory Council to allow bay'u inah transactions, was based on the opinion of Shafi'i school of Islamic jurisprudence.

In relation to bai' al-inah products, Jamaludin (2018) assessed bai' al-inah as a solution to Riba-based personal financing. It was reported that some scholars supported the practice of Bai' Al-Inah Islamic

personal financing as alternative for avoiding Riba. Also, Yusoff and Yahaya (2020) conducted an analysis of Islamic personal financial systems in Malaysia, including bay' a-inah, Rahn-based qard, Tawarruq, and Hibah. The investigation looked at both their compliance with contemporary developments and global standards. The study concluded that disagreements over the legality of products have caused Islamic personal financing methods to change over time. However, Yusoff et al. (2016) conducted qualitative research on Islamic personal financing instruments in Malaysia. The study employed content analysis approach to analyse Islamic personal financing instruments like bay' al-inah and tawarruq. It was revealed that Islamic personal financing instruments of bay' al-inah and tawarruq that have been in operation in Malaysia were characterised by some unlawful elements. The study thus called for development of alternative instruments to replace the products.

In the case of home finance, Asni (2021) looked at the use of bay'inah contracts in home and personal finance products by a few Malaysian Islamic Finance Institutions (IFIs). Field and library studies were used to gather data. The results demonstrate that there are disparities in opinions among shariah committee members in IFIs regarding the bay'inah contract, which influences how differently such contracts are executed in banking applications. Based on the arguments presented by Shariah and the views of most contemporary and historical Islamic experts, the study concluded that the Bay'inah contract did not comply with Islamic law.

The above empirical review indicates that only few studies exist on bay'u al-inah. This study therefore contributes to empirical literature on the contract of Inah. Specifically, the study also contributes to the frontier of knowledge on Islamic banking in Nigeria.

3.0 Methodology

This study analysed the perception of customers of Islamic banks on the product of bay al-inah and how it can boost the market share of Islamic banking in Nigeria. Survey design designed was adopted and questionnaire was administered on selected respondents and customers of Jaiz bank PLC and Lotus Bank. Number of customer's accounts with Jaiz bank was taken as proxy for market share which was used as the dependent variable while bay'u al-inah personal financing, home financing, Islamic overdraft, working capital financing and revolving credit (as obtained from Islamic Bankers Resource Centre, IBRC website) were used as the independent variables in the study. Data were collected with a structured questionnaire which was used to obtain relevant data from Jaiz bank and Lotus bank customers in Kwara State. The customers are defined as those that operate at least one account with the banks. Jaiz bank and Lotus are the only two full-fledged Islamic banks that currently operate in Kwara State. A sample of six-hundred customers was selected using convenience sampling technique. Thus, six hundred (600) copies of questionnaire were administered to respondents. The questionnaire was structured in such a way that the respondents were able to provide information about applicability of bay'u al-inah financing and how it can increase the market share of Islamic banking. Ordered Logistic Regression was conducted for the data analysis.

4.0 Results and Discussion

Table 1: Questionnaire Retrieval Analysis

Questionnaire	Frequency	Percentage (%)
Returned copies	565	94.00
Wrongly filed/unreturned copies	35	6.00
Copies administered	600	100.00

Source: Field Survey (2024).

Six hundred (600) copies of questionnaire were administered, out of which five hundred and sixty-five (565) copies representing 94% were returned and used for the analysis. The remaining 35 copies were wrongly filled/ unreturned and not used for the study.

Table 2: Validity Tests

Variables	KMO	Bartlett's Test of Sphericity		P-value
		Chi-square	Df	
Operational Questions	.721	355.014	225	0.002

Source: Field Survey (2024).

As regards the construct validity in term of convergent validity, confirmatory factor analysis was performed. Kaiser-Meyer-Olkin (KMO) and Bartlett's tests were performed. The KMO is a measure of sampling adequacy and ranges between 0 and 1. The Barlett's test of sphericity value should be significant (i.e. the Sig. value should be .05 or smaller). The results of this test are shown in table 2. This shows that all measurement items of each sample are significant at level 0.05 based on the Barlett's test of sphericity. The KMO value of each construct is 0.721. The implication of this result is that the measurement scales used in this study are valid.

Table 3: Reliability Statistics

Variables	Cronbach's Alpha	No. of Items
Number of Accounts	0.76	1
bay'u al-inah personal financing	0.95	2
bay'u al-inah home financing	0.89	2
bay'u al-inah Islamic overdraft	0.77	2
bay'u al-inah working capital financing	0.93	2
bay'u al-inah revolving credit	0.90	2

Source: Field Survey (2024).

The results of the reliability analysis in Table 3 indicate that the instrument is stable and consistent in measuring the potential impact of bay'u inah products on market share of Islamic banking in Nigeria. It can be seen that the Cronbach's alpha test of factors (bay'u al-inah personal financing, home financing, Islamic overdraft, working capital financing and revolving credit) influencing number of accounts opening by the selected customers indicate a satisfactory level of reliability with Cronbach's alpha values higher than the minimum threshold (Cronbach's alpha > .70).

Table 4: Estimates of Ordered logit regression and the marginal effect

INDEPENDENT VARIABLES	Dependent variable is number of accounts opened coefficients ordered logit (1)	of Marginal effect after ordered logit (2)
<i>bay'u al-inah</i> personal financing	0.51** (0.12)	3.10** (0.09)
<i>bay'u al-inah</i> home financing	0.82** (0.02)	0.11** (0.14)
<i>bay'u al-inah</i> Islamic overdraft	-0.63* (0.11)	-0.47* (0.29)
<i>bay'u al-inah</i> working capital financing	0.32** (0.12)	0.79** (0.31)
<i>bay'u al-inah</i> revolving credit	0.71 (0.38)	0.44 (0.30)
Constant cut1	-0.0100 (0.0008)	-0.0013 (0.0019)
Constant cut2	3.0162 (0.7310)	
Constant cut3	9.3381*** (1.7319)	
Observations	565	565
Fitness statistics	53.11	
Probability of fitness statistics	0.0000	

Source: Author's Computation (2024).

Standard errors are in parentheses *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$ denotes 1%, 5%, 10% level of significance respectively.

Table 4 shows the ordered logit regressions estimates for potential effect of *bay'u inah* transactions on market share of Islamic banking in Nigeria. Column 1 and Column 2 contain the ordered logistic regression and its marginal effect respectively. The coefficient estimates of the regressions were used to examine the nature of relationship and significance of the independent variables while the marginal effect was used to evaluate the extent (magnitude or size) of impact of the independent variables on the dependent variable. In the model, number of account openings by customers of Jaiz bank PLC and Lotus bank, in Kwara State was taken as the dependent variable while while *bay'u al-inah* personal financing, home financing, Islamic overdraft, working capital financing and revolving credit were used as the independent variables which capable of influencing market share of Islamic banking in Kwara State in Nigeria.

The result of the ordered logit regression in Columns 1 and 2 revealed that *bay'u al-inah* variables are positively related to number of accounts opened by the selected customers of Islamic banks in Kwara State, Nigeria. From Table 4, *bay'u al-inah* personal financing has a coefficient of 0.51 and a standard error of 0.12 which indicates a positive relationship between the supply of *bay'u al-inah* personal financing and market share of the banks. This means that introducing *bay'u al-inah* personal financing tends to increase

market share of the banks as more customers will be attracted to open more accounts with the banks. The relationship was found to be statistically significant at 5% level of significance. This significance of the relationship could be derived from the figures shown in the Table with standard error less than half of the coefficient of *bay'u al-inah* personal financing.

Also, *bay'u al-inah* home financing is positively correlated with number of accounts with the coefficient of 0.82 with a standard error of 0.02. According to Table 4, half of 0.82 (0.41) is greater than the standard error (0.02) meaning that relationship is statistically significant at 5% significance level. This also implies that adoption of home finance product under *bay'u al-inah* contract will ensure that more customers are attracted with consequential increase in market share of the banks. Similarly, *bay'u al-inah* working capital financing has positive and significant relationship with number of accounts indicating that any opportunity given to entrepreneurs to raise funds for their businesses via *bay'u al-inah*. The relationship was found to be significant at 5% level of significance as standard error is less than half of the coefficient ($0.12 < 0.16$).

Conversely, *bay'u al-inah* Islamic overdraft has negative and significant relationship with number of customer accounts. The negative relationship implies that introducing Islamic overdraft under *bay'u al-inah* could scare away some of potential customers leading to reduction in the rate of accounts opening with the bank. A major factor that could lead to such result is when potential customers view such facility as a back door to *riba* and thus boycott it due to their religious belief. The relationship was found to be significant at 10% with coefficient of -0.63 greater half of standard error of 0.11. However, an insignificant relationship was found between *bay'u al-inah* revolving credit and number of customers' accounts. This is indicated by the standard error of 0.38 which is greater 0.36 (1/2 of coefficient of 0.71).

The results as presented in Table 4 shows that *bay'u al-inah* products except the revolving credit are capable of exerting significance influence on the market share of Islamic banks in terms of customers attractions. The implication is that introduction of *bay'u al-inah* products has the potential of developing Islamic banking market in Kwara State and Nigeria as a whole.

The substance of the response categories (highly agreed, agreed, undecided, disagreed, and strongly disagreed) is examined using the coefficients of the cut parameters. The categories are retained in the interpretation if the cut values are statistically significant; otherwise, insignificant categories are collapsed to for a category. We can collapse all categories except for categories 3 and 4 since all constant cut values in Table 4, aside from cut 3, are statistically insignificant. This indicates that while strongly agreed and agreed are well defined, respondents do not discriminate between undecided, disagreed, and strongly disagreed responses.

In examining goodness of fit of the model, the log likelihood chi-square statistics of the model is reported. The fitness statistics of the ordered logit is 53.11 with the P-value 0.0000. Since, the probability value of the fitness statistics is less than 5% level of significant, the model is good fit. So, the result of the model is viable for tenable conclusion and recommendations. The results presented showed that *bay'u al-inah* products except the revolving credit are capable of exerting significance influence on the market share of Islamic banks in terms of customers attractions. The implication is that the product could be adopted by Islamic banks in Nigeria since a juristic opinion permitted the product as reported by Jamaludin (2018) and Asni (2021).



5.0 Conclusion and Recommendations

The acceptability of bay'u al-inah (sale and buy back of asset) as shariah-compliant banking product remains controversial in many Muslim countries. While country like Malaysia accepts the product develop the market for Islamic banking services to meet the need of Muslim contemporary society, Indonesia accepts it only in cases of necessity in the area of non-controversial equity based and debt-based financing. Although, the acceptability of the product in Nigeria is left with advisory committee of experts (shariah scholars) of the Central Bank of Nigeria and shariah supervisory board of Islamic banks, this study deemed it fit to look at the potentials of the product for the development of Islamic banking market in Kwara State, Nigeria.

The study sampled the opinion of the selected customers of the two Islamic banks' branches in Kwara State (Jaiz Bank and Lotus Bank). The data were collected with structured questionnaire and analysed with Ordered Logistic Regression. The study found that bay'u al-inah personal financing, home financing, and working capital financing have positive and significant relationship with market share which was measured with number of customers' accounts. Based on these findings, the study concludes that bay'u al-inah has great potentials of attracting more customers to Islamic banks and boosting the market share of Islamic banks in Kwara State, Nigeria. In line with the findings and conclusion drawn therefrom, the study recommends that shariah committee of experts should look and review the contract of bay'u al-inah to establish its shariah-compliance status and take a stand regarding its acceptability or otherwise for Islamic banking market in Nigeria. It is also recommended that, subject to the analysis, review, approval and decision of shariah committee of experts, bay'u al-inah should be introduced to develop the market for Islamic banking Kwara State and Nigeria as whole.

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