

Exploring The Influence of Religious and Culture Factors on Financial Inclusion in Katsina State; Islamic Financial Institution as Alternative

¹Mubarak Abdullahi Saulawa, ²Lukman Abdullahi Saulawa, ³Sulaiman Usman

¹Department of Business Education,

Yusuf Bala Usman College of Education and Legal Studies, Daura

²Department of Economics

Federal College of Education, Katsina

³Department of Economics,

Yusuf Bala Usman College of Education and Legal Studies, Daura

¹masaulawa04@gmail.com, ²saulawalams@gmail.com, ³mmodoji@gmail.com

Abstract

This study examines the impact of religion and culture on financial inclusion in Katsina state, Nigeria. The study employed a cross-sectional survey method to collect primary data from a sample of 450 unbanked adults. This sample was drawn from nine distinct local government areas, distributed across the three senatorial zones within the state. The collected data were analyzed using the descriptive statistics and logistic regression approach. The results indicate that religious and cultural factors exhibit a detrimental influence on financial inclusion within Katsina state, Nigeria. These findings suggest that individuals' adherence to religious beliefs and cultural norms can hinder their engagement with financial services and inclusion initiatives. In light of these findings, the study extends several recommendations. Firstly, there is a call for tailored financial literacy programs that acknowledge and accommodate the specific religious and cultural contexts of Katsina state. Such initiatives could help alleviate the negative impact of these factors on financial inclusion. Additionally, collaboration among financial institutions, policymakers, and community leaders becomes imperative. By working together, they can formulate strategies that address these hindrances while respecting the values and practices inherent in the religious and cultural fabric of the state.

Keywords: Culture, Financial Inclusion, Logistic Regression, Religion

1. Introduction

Financial exclusion is a global challenge that disproportionately affects individuals primarily residing in developing nations. According to the World Bank's data, the world had approximately 1.4 billion unbanked adults in 2021, constituting 31.5% of the global adult population lacking access to banking services. Developing countries shoulder the majority of this burden, with around 70% of unbanked adults residing within their borders (World Bank, 2021). Nigeria specifically stands out as the possessor of the fifth largest unbanked population globally, with an estimated 64 million adults lacking access to banking facilities. This translates to a significant 36% of Nigeria's adult population being excluded from formal financial services (World Bank, 2021).

There are many factors that contribute to financial exclusion, including poverty, inadequate financial literacy, limited access to financial services, and gender disparities. Nevertheless, religion and culture can also exert a significant influence. One of the prevailing impediments to achieving financial inclusion objectives, particularly in societies with a substantial Muslim population, is the concept of interest (Mustafa and Adebayo, 2015; Mustafa et al., 2018). The presence of interest-based transactions within conventional banking systems serves as a determinant that renders financial inclusion elusive for Muslims, as interest is explicitly prohibited within the framework

of their religion, Islam (Brekke, 2018). The essence of the Islamic financial system lies in its steadfast prohibition of engaging in fixed or predetermined returns on financial dealings, as such practices are deemed unjust or exploitative. Consequently, a noteworthy proportion of financially underserved adults in emerging economies originate from nations predominantly influenced by the Islamic faith (Iqbal and Mirakhor, 2012).

In Nigeria, a substantial number of Muslims residing primarily in Northern and South-Western regions remain unbanked, not due to poverty or unfamiliarity with modern banking practices, but rather due to their aversion to interest (Mustafa and Adebayo, 2015). Furthermore, Zauro et al. (2017b) contend that the depth of religiosity significantly contributes to the voluntary choice of financial self-exclusion. Correspondingly, Beg and Mullick (2016) assert that religious barriers can pose substantial hurdles to the effective implementation of financial inclusion strategies, warranting the creation of products aligned with the principles of Islamic Finance.

Cultural norms and values also play a pivotal role in shaping financial inclusion dynamics. For instance, distinct cultural practices and beliefs can influence individuals' perceptions and interactions with financial services. In the context of Nigeria, where diverse ethnic groups coexist, traditional norms can foster a preference for informal community-based financial arrangements over formal banking systems. Aliyu and Yusuf (2019) highlight that certain cultural norms, such as communal trust systems and mutual assistance arrangements, can discourage individuals from engaging with formal financial institutions.

It is based on the background above that the objective of this study is to establish whether or not religious and cultural factors are impediment toward reducing the financial exclusion rate in Katsina state, Nigeria. The remaining sections of the paper are four. Section 2 is an empirical literature review. Section 3 is the methodology. Section 4 is where the findings of the study are presented and discussed. Section 5 is the conclusion and recommendations of the paper.

2. Empirical Literature Review

This section presents a review of existing studies that have investigated the impact of religious and cultural elements on financial inclusion. Starting with the work of Sain and Rahman (2013) conducted research about the status and reasons for financial exclusion of the Muslim community living in Australia. The study reported that as of 2011, Australia's Muslim population, which was derived from 70 different countries, reached 476,300 or 2.25% of the total population. However, the study found a proportion of Muslims were excluded from financial services due to the limited number of Islam-compliant financial services. In regard to this situation, the study revealed conventional banking and financial services contained haram (prohibitory factors) such as *riba* (usury and/or interest), *maysir* (gambling), and *gharar* (uncertain factors). The author of the study concluded that this exclusion would prevent the Australian financial sector from achieving its optimal outcomes.

Similarly, Demirgüç-Kunt et al. (2015) showed that Muslims have fewer bank accounts than non-Muslims based on research of 65,000 adults from 64 economies. However, they did not find any

difference between Muslims and non-Muslims with regards to formal or informal borrowing. Accordingly, this research implied that the Muslim attitude to financial exclusion depended on the nature of the financial services available.

Umar et al. (2019) examine whether religion (interest) is an impediment to Nigeria's financial inclusion targets. collected through semi-structured interviews and documentary evidence. Thematic analysis was used to analyze the interview responses. It was found that all the Central Bank of Nigeria (CBN) programs that contribute toward achieving financial inclusion are interest-based ones. Further, none of them provides a non-interest window except Commercial Agricultural Credit Schemes (CACS). Even the CACS is not fully Shari'a compliant, as it requires further modification.

Kim, et al. (2020) investigate the impact of religious and social inequality factors on financial inclusion in 152 countries including 48 OIC countries. The authors employed ordinary least square (OLS) estimation technique and the results show that religious factors have obvious effect determination of financial inclusion. The study also found that social inequality factors, such as gender inequality, education level, and social opportunity level, work as determinants of financial inclusion.

Ozili et al. (2023) examined the effect of financial inclusion on economic growth in religious and secular countries. The financial inclusion indicators are the number of ATMs per 100,000 adults and the number of bank branches per 100,000 adults. The findings reveal that bank branch contraction significantly increases economic growth in secular countries. Bank branch expansion combined with greater internet usage increases economic growth in secular countries.

In the specific context of Nigeria, David et al. (2018) examined the determinants of financial inclusion in Nigeria using a time series data for the period of 1990 to 2016. The study employed Error Correction Model (ECM). The estimated result revealed positive and significant relationship between the financial inclusion and the proposed variables. Specifically, the higher a country's GDP per capital, the more the financial inclusion in their financial system.

Similarly, Abdullahi et al. (2021) examine the determinants of intention to adopt Islamic microfinance among prospective customers in Nigeria, to enhance access to formal financial services. The quantitative approach is used and the data was analyzed using analysis of moment structures-structural equation modeling. Results showed the intention toward the adoption of Islamic microfinance is high in Nigeria. In total, 8 of the 10 study hypotheses were supported, out of which attitude, subjective norm and perceived behavioral control were found to have a positive and significant influence on the behavioral intention to adopt Islamic microfinance.

Demirgüç-Kunt et al. (2013) found that in predominantly Muslim countries, religious beliefs often discourage engagement with conventional banks due to the prohibition of interest (riba), which remains culturally and religiously unacceptable for many households. This aligns with the findings of Abdu and Umar (2017), who, in a survey of northern Nigerian communities, reported that a significant proportion of adults remain unbanked primarily due to religious objections to conventional interest-based products.

Similarly, Laldin and Furqani (2013) conducted an empirical assessment of Islamic finance adoption in Malaysia and Indonesia, demonstrating that cultural and religious values strongly influence households' and small business owners' choice to engage with IFIs. Their study emphasizes that communities with strong religious consciousness are more likely to adopt Shari'ah-compliant banking if credible institutions and awareness campaigns are in place.

In the Nigerian context, Acha (2012) examined microfinance outreach in northern states and highlighted that conventional microfinance institutions often fail to attract rural Muslim communities due to non-compliance with Islamic principles. The study recommended expanding Islamic microfinance models as culturally sensitive alternatives for promoting financial inclusion in the region.

Another relevant empirical study is by Hassan and Bello (2020), who analyzed the determinants of Islamic banking adoption among SMEs in Kano and Katsina States. Their survey-based findings indicated that trust in Shari'ah boards, religious leaders' endorsements, and awareness of Islamic banking products significantly increased customers' willingness to switch from informal saving schemes to formal IFIs.

Furthermore, Babajide et al. (2015) studied the impact of cultural norms on saving behavior in northern Nigeria, concluding that trust in community-based and religiously guided financial practices plays a central role in financial decision-making. Their results imply that embedding Islamic values into formal financial services can enhance acceptance and participation in formal financial systems.

Erol and El-Bdour (1989), in an early empirical study in Jordan, demonstrated that while religious motivation is important, awareness and knowledge of Islamic banking products significantly influence actual patronage. Many respondents expressed willingness to use Islamic banks but lacked sufficient understanding of available products and services.

In Sub-Saharan Africa, Nwankwo and Nwankwo (2014) examined financial exclusion in Nigeria's rural communities, highlighting that cultural and religious barriers contribute to the low uptake of conventional financial services. Their study supports the argument for culturally adapted alternatives such as Islamic microfinance to meet the needs of rural dwellers.

In Kenya, Ali (2015) explored the determinants of Islamic banking adoption among Somali communities in Nairobi and found that trust in religious authorities and compliance with Islamic law were decisive in influencing uptake. This aligns with Hassan and Bello's (2020) findings for Northern Nigeria, reinforcing the view that local religious leaders and community influencers play pivotal roles in shaping public confidence in Islamic finance.

Additionally, Rahman et al. (2017) analyzed the impact of Islamic microfinance on poverty alleviation in Bangladesh using household survey data. They found that clients of Islamic microfinance institutions were more likely to sustain income-generating activities and avoid exploitative lending, due to trust in the faith-based nature of the services.

Kazeem and Olanrewaju (2015) investigated the awareness and perception of Islamic banking in southwestern Nigeria and noted a knowledge gap that hinders wider adoption. They recommended tailored public awareness campaigns to correct misconceptions and inform communities about the benefits and distinct features of Islamic finance.

The existing body of research lacks investigations conducted within Katsina state, specifically addressing the influence of religious and cultural factors as barriers to financial inclusion. Consequently, there is an evident gap in the literature that this study seeks to address by examining and elucidating the impact of these factors on financial inclusion within the unique context of Katsina state.

3. Methodology

This section provides an overview of the study's methodology, detailing its research design, population and sample size and sampling technique, method of data collection as well as method of data analysis.

3.1 Research Design

This study employs a quantitative research design, collecting and analyzing primary quantitative data to draw conclusions about exploring the influence of Religion and Cultural factors on Financial Inclusion focusing on alternative ways through Islamic Financial Institutions. A cross-sectional survey method is utilized to gather data from a sample of youth actively engaged in agency banking services.

3.2 Population of the Study

The population of this study is determined based on the data by National Financial Inclusion Strategy (NFIS) document released by the Central Bank of Nigeria (CBN, 2022). According to this data, there are 2,268,000 unbanked adults residing in Katsina state. This implies that, out of 3,606,000 adults, about 2,268,000 persons are excluded from financial services in the state. Therefore, the population of this study comprises of all the financial excluded adults in Katsina state which are 2,268,000 as identified by CBN (2022).

3.3 Sample Size and Sampling Technique

Sample is the sub-set or part of population from which information is collected. In this study, Yamane (1967) formula for sample size determination was adopted to arrive at a sample of 400 respondents. This was calculated as follows:

$$n_0 = \frac{N}{1+N(e)^2} = \frac{2,268,000}{1+2,268,000(0.05)^2} = \frac{2,268,000}{5671} = 399.929 \approx 400$$

Where: n_0 is the ample size, N is the population of the study; e is the level of precision/significance which is (0.05) 5% confidence level. The author feared that the level of response may not be adequate, hence, an allowance of 50 extra representative sample was added to get a round figure of 450. Therefore, the optimal sample size is 450 respondents.

To draw this sample, stratified random sampling technique is used. This is one of the probability sampling technique that involves the division of a population into smaller sub-groups known as

strata. The sampling and a share of the overall sample was then randomly selected from each stratum. This offers each of the respondent in the population an equal chance of selection and fair representation as well as a basis for generalization.

The 34 LGAs of Katsina state were divided into three strata (i.e.: three, 3 senatorial zones: Katsina, Daura & Funtua). The first stage in the sampling technique is the selection of 3 local governments from each of the 3 senatorial zones in the state. The second stage is the selection of 10 localities (communities) from each of the selected local government. The selection is based on proximity of the community, security situation and accessibility etc. The last stage is the random selection of five respondents from each of the 10 selected localities (communities). After determining the sample size and sampling technique, the next thing is the selection of method of data collection from pre-determined sample of respondents.

3.4 Method of Data Collection

Structured questionnaire was employed as an instrument of data collection. The instrument is administered to the respondents (i.e.: unbanked adults) by enumerators Similarly, to ease the process of data collection and to avoid missing information, this study used computer designed digital questionnaire in the form of Open Data Kit (ODK). The ODK Collect App is a free, open-source suite of tools that allows data collection using Android mobile devices and data submission to an online server, even without an internet connection or mobile carrier service at the time of data collection.

The instrument comprises two sections: background information of the respondents and 15 items on religion and culture. 4 points-Likert Scale ranging from ‘‘Yes, No, Don’t Know and Refused’’ were used to measure the variables. The respondents were asked to indicate if one or more barriers listed in data collection instrument (questionnaire) influences their decision not to open a bank account.

3.5 Method of Data Analysis

Two main analyses were performed on the collected data: the descriptive statistics analysis and the logistic regression analysis. These analyses were conducted using Stata 17 Software. Logistic regression is a statistical analysis method to predict a binary outcome, such as yes or no; financially included or financially excluded based on prior observations of a data set. Hence, this study employed a logistic regression to predict whether an adult in the study area will open account or not if religious and cultural financial inclusion barriers have removed. The general form for the binary logistic model is:

$$prob(Y = 1|X) = f(X'\beta) = \frac{Exp(X\beta)}{1 + Exp(X\beta)}$$

Where f indicates a link function. The stepwise selection option is applied; the likelihood ratio test is performed to test the significance of the models’ coefficients. The fitted model is plotted, and predictions are generated from the specified model. Usually, residuals are identified and modelled.

This study employed logistic regression approach in order to estimate the models and test the hypotheses of the research study. Potrich et al. (2015) suggests that logistic model is a good discrete choice model/tool that can adequately be used to analyse the determinants of financial inclusion based on the choices available to the individual.

4. Results and Discussion

This section presents and discusses the results from the empirical analysis of the data. It includes a summary of the respondents' background information, descriptive statistics on the barriers to financial inclusion and logistic regression analysis. Table 1 provides the background information of the respondents.

4.1: Background Information of the Respondents

The background information of the respondents was presented in Table 1. The table illustrates the attributes of the respondents. It provides information on different aspects such as age groups, educational qualification, gender, marital status, number of dependents, religion, employment status, and occupation.

The results presented in Table 1 depict the distribution of respondents across different age groups. About a quarter (24%) of respondents are between the ages of 18 and 25; a larger portion (36%) belongs to the 26 to 35 age group; 26.67% fall within the 36 to 45 age range; conversely, the smallest fraction (3.56%) is aged 55 and above. Moreover, the table illustrates the educational level of the respondents. The majority (37.56%) possess an informal education; 15.56% have attained primary education; 10.66% have acquired a secondary education; and a notable 36.22% have received vocational training.

Table 1: Background Information of the Respondents

Age Group	Frequency	Percentage	Education	Frequency	Percentage
18 - 25	108	24.00	Informal	169	37.56
26 - 35	162	36.00	Primary	70	15.56
36 - 45	120	26.67	Secondary	48	10.66
46 - 55	44	9.78	Vocational	163	36.22
55 and above	16	3.56			

Total	450	100.00	Total	450	100.00
Gender			Marital Status		
Male	414	92.00	Married	329	73.11
Female	36	8.00	Single	121	26.89
Total	450	100.00	Total	450	100.00
Religion			Employment		
Islam	411	91.33	Unemployed	66	14.67
Christianity	39	8.67	Self-Employed	384	85.33
Total	450	100.00	Total	450	100.00
No. of dependents			Occupation		
1	81	18.00	Agriculture	252	56.00
2	60	13.33	Artisan	48	10.67
3	80	17.78	Transportation	18	4.00
4	66	14.67	Trader	66	14.67
5	68	15.11	construction	16	3.56
More than 5	95	21.11	others	50	11.11
Total	450	100.00	Total	450	100.00

Source: Authors' Computation (2023)

Table 1 also furnishes insights into the gender composition and marital statuses of the respondents. The male segment accounts for the predominant share (92%), while the female segment represents a mere 8%. In terms of marital status, a significant majority (73.11%) are married, and the remainder (26.89%) are single. Similarly, the table provides data regarding the religious affiliations and employment situations of the respondents. A substantial majority (91.33%) adhere to Islam, while a smaller proportion (8.67%) identify with Christianity. In relation to employment, a notable 85.33% are self-employed, while 14.67% are unemployed.

Furthermore, the results outline the number of dependents each respondent supports. Approximately 18% have a single dependent; 13.33% are responsible for two dependents; 17.78% support three dependents; 14.67% are responsible for four dependents; 15.11% have five dependents; and a considerable 21.11% have more than five dependents. Lastly, the table delineates the occupational distribution of the respondents. The largest segment (56%) is engaged in agriculture; 10.67% pursue artisanal work; 4% are employed in the transportation sector; 14.67% are active as traders; 3.56% are involved in construction; and 11.11% pursue other diverse occupations.

In general, the background information of the respondents reveals the diverse attributes of the unbanked adults (respondents), which effectively minimizes the likelihood of any significant bias. This comprehensive overview of respondents' characteristics holds immense significance as it allows for a better interpretation of subsequent analyses. To obtain an initial understanding of the impact of religious and cultural factors on financial inclusion within Katsina state, a descriptive statistical analysis is performed, and the results are displayed in Table 2 in the next section.

4.2 Religious and Cultural Factors as Barriers to Financial Inclusion in Katsina state

Religion and culture are important barriers to financial inclusion in Katsina state. Most of the respondents cited factors related to religion and culture as one of the reasons forced them to remain

financially excluded. For instance, the result in table 2 show that 345 (76.67%) of the unbanked adults in the study area (Katsina state) do not open account because they consider banking to be against their religion. Specifically, 76.17 percent of the unbanked adults in the study area said that they do not open account because of the interest or usury in the conventional banks. In the same vein, 76.89 percent failed to open account because religious scholars in their locality preach against it. Therefore, 82.85 percent said they do not open account due to failure of conventional banks to operate in consistent with their religious belief.

Table 4.5: Religion and Culture as Barrier to Financial Inclusion

Barriers to financial inclusion	Frequency	Percentage
Considering banking to be against religion	345	76.67
Interest or usury in the conventional banks	342	76.17
Preaching against banking by religious scholars	346	76.89
Failure of some banks to operate in consistent with religious belief	372	82.85
Lack of encouragement from family and friends	371	82.81
Do not have somebody that can assist in processing bank transaction	412	91.76
Saving and borrowing from trusted person	384	85.52
Family member already has an account	385	85.75
Occupation don't require that	337	75.06
People hold with high esteem in the locality not open account as an indication of cultural approval	396	88.39
Medium of communication in the bank is not in local language	386	85.97
Advertisements of the banks are made in English language	417	92.87
The existing bank not established based on cultural values or local people establish one	365	81.11
Banks staff don't display the cultural values in their operations	152	33.78
Dress code and appearance of the bank staff violates the culture	125	27.78

Source: Author's Computation (2022)

Moreover, other unbanked adults' respondents (91.76%) failed to open account because they do not have somebody that can assist them in processing bank transaction. Among unbanked adults' respondents, 85.52 percent reported that they did not open account because they can save and borrow from trusted person. While, 85.75 percent respondents said they did not open account because family member already has an account that they can use if the need arise. Similarly, 75.06 percent adults without bank account said that their occupation don't require the bank account that is why they failed to open one.

Among cultural reasons prevented unbanked adults from opening account is that the people they hold with high esteem in the locality not open account as an indication of cultural approval. This reason was cited by 88.39% of the respondents. Other respondents (85.97%) said that they did not open account because the medium of communication in the bank is not in local language that they can understand. In the same vein, 92.87 percent of the respondents failed to open account because the advertisements of the banks are made in English language. Yet, 81.11 percent of the unbanked adults in the study area (Katsina state) failed to open account because the existing bank not established based on their cultural values or local people establish one. Similarly, 33.78 percent of the respondents have the view that banks staff don't display the cultural values in their operations, that is why they did not open account at a bank. Dress code and appearance of the bank staff is a greater barrier to financial inclusion in Katsina state. More than one-fourth (27.78%) of the

respondents cited this as one reason prevented them from opening account at a bank and remain among unbanked population.

After presentation of the data which described the demographic information of the respondents and the summary of descriptive statistics on the barriers (determinants) to financial inclusion in Katsina state Nigeria, the next section analyzed the data using logistic regression and interpreted the findings accordingly. However, Models reliability tests were conducted first and the results presented below.

4.3 Reliability Test Results

Prior to conducting any statistical analysis on primary data, it is essential to check the reliability of the collected data. Reliability refers to the degree to which a given measurement procedure will give the same description of that phenomenon if that measurement is repeated. It concerns whether a particular technique will yield the same result always if repeatedly applied to the same object. Therefore, before using logistic regression analysis, reliability test was conducted and the result presented in table 3.

Table 3. Model Reliability Test Result

Model	Cronbach's Alpha	Variables	Observation	Interpretation
Religion and Culture	0.912	15	450	Excellent

Source: Author's Computation (2023)

Table 3 present the reliability test result of this study. The result, show that the model has acceptable Cronbach's alpha value. The Cronbach's alpha value of the model reliability test was 0.912, representing excellent reliability. This high value underscores the internal consistency and stability of the model's measurements, implying that the variables included in the analysis are reliably capturing the intended construct.

4.4 Logistic Regression Results: Impact of Religion and Culture on Financial Inclusion

In this section, an investigation was conducted to ascertain whether religious and cultural factors have an adverse impact on financial inclusion and contribute to the decision-making process of respondents regarding the opening of bank accounts. This exploration encompassed an analysis of respondents' religious motivations and cultural values.

4.4.1 Impact of Religious Factors on Financial Inclusion

This section examined if religion influences the decision of the respondent not to open a bank account. It has 4 items as shown in table 4.

Table 4: Logistic Regression Results: Religion as Determinant of Financial Inclusion

Dependent Variable: Financial Inclusion (Ownership of Bank Account)				
Regressors	Odss Ratio	Std. Err.	t-stat.	Prob.
Considering banking to be against religion	1.663	0.471	1.800	0.073
Interest or usury in the conventional banks	1.4871	0.433	1.360	0.003
Preaching against banking by religious scholars	1.354	0.409	1.000	0.053

Failure of some banks to operate in consistent with religious belief	1.229	0.387	0.660	0.000
Number of Observations	445			
Pseudo R ²	0.0258			
Log likelihood	--181.980			

Source: Author's computation (2023).

Table 4 presents the results of the logistic regression analysis, aiming to elucidate the impact of religious factors on financial inclusion, specifically in terms of owning a bank account. The dependent variable in focus is "Financial Inclusion," which represented by the ownership of a bank account. The results revealed that the religious believe of considering banking to be against religion is the significant factor affecting financial inclusion penetration in the study area (Katsina state). A one-unit increase in considering banking to be against one's religious beliefs is associated with 66.3% higher odds of not owning a bank account. The p-value (0.073) indicates a marginally significant relationship. Similarly, Interest or usury in the conventional banks is also another significant factor affecting financial inclusion in Katsina state Nigeria. A one-unit increase in concerns related to interest or usury in conventional banks corresponds to 48.7% higher odds of not owning a bank account. The low p-value (0.003) suggests a significant association.

In the same vein, preaching against banking by some religious scholars and failure of some banks to operate in consistent with religious belief are found to be statistically significant factors affecting financial inclusion (ownership of bank account) in Katsina state, Nigeria. An increase in concerns arising from preaching against banking by religious scholars results in 35.4% higher odds of not having a bank account. While the p-value (0.053) is slightly above the conventional significance level of 0.05, it still indicates a notable trend. In addition, the odds of not owning a bank account increase by 22.9% with a one-unit increase in the perception that certain banks do not adhere to religious beliefs. The p-value (0.000) is considerably low, indicating a significant relationship.

These results collectively suggest that religious factors indeed play a role in influencing individuals' decisions regarding bank account ownership. Notably, concerns related to interest/usury and the alignment of banking practices with religious beliefs appear to have a more pronounced impact on financial inclusion. This finding aligns with the hypothesis posited in this study and substantiates the conclusions drawn by David et al. (2018) and Abdullahi et al. (2021). These earlier studies similarly uncovered that religious considerations impede financial inclusion in Nigeria. They also put forth the recommendation of bolstering financial inclusion by embracing Islamic microfinance approaches.

4.4.2 Impact of Cultural Norms and Values on Financial Inclusion

This section examined if cultural norms and values influences the decision of the respondent not to open a bank account. It has 3 items as shown in table 5.

Table 5: Logistic Regression Results: Norms and Values as Determinant of Financial Inclusion

Dependent Variable: Financial Inclusion (Ownership of Bank Account)				
Regressors	Odss Ratio	Std. Err.	t-stat.	Prob.

The existing bank not established based on cultural values or local people establish one	0.934	0.418	-0.150	0.027
Banks staff don't display the cultural values in their operations	1.119	0.369	0.337	0.001
Dress code and appearance of the bank staff violates the culture	1.117	0.299	-0.532	0.017
Number of Observations	447			
Pseudo R ²	0.001			
Log likelihood	-185.177			

Source: Author's Computation (2023).

Table 5 presents the results of the logistic regression analysis, focusing on norms and values as determinants of financial inclusion, specifically concerning the ownership of bank accounts. The dependent variable is "Financial Inclusion," denoting whether individuals own a bank account or not. The results show that the respondents have the view that the existing bank not established based on cultural values or local people establish one. A one-unit increase in the perception that an existing bank is not founded on cultural values or that local individuals establish a bank is associated with a 6.6% decrease in the odds of not owning a bank account. The p-value (0.027) indicates a statistically significant relationship. Another factor is that, the banks staff don't display the cultural values in their operations, that is why they did not open account at a bank. A one-unit increase in concerns regarding bank staff not reflecting cultural values in their operations corresponds to an 11.9% increase in the odds of not having a bank account. The low p-value (0.001) signifies a significant. Dress code and appearance of the bank staff is a greater barrier to financial inclusion in Katsina state. Most of the respondents cited this as one reason prevented them from opening account at a bank and remain among unbanked population. An increase in worries related to the dress code and appearance of bank staff contravening cultural norms results in an 11.7% increase in the odds of not owning a bank account. The p-value (0.017) indicates a statistically significant relationship.

These findings collectively indicate that cultural norms and values indeed play a role in influencing individuals' decisions concerning bank account ownership. Particularly, concerns related to banks aligning with cultural values and staff adherence to cultural norms seem to have notable implications for financial inclusion.

This finding concurs with the hypothesis posited within this research and provides further support for the conclusions reached by David et al. (2018) and Abdullahi et al. (2021). These preceding studies similarly highlighted that concerns pertaining to cultural norms and values act as hindrances to financial inclusion in the Nigerian context. Moreover, they proposed the augmentation of financial inclusion through the implementation of tailored strategies that accommodate and integrate local cultural norms and values. This emphasizes the need for financial institutions to align their practices with the cultural fabric of the region to enhance the accessibility and adoption of financial services among the population.

5. Conclusion and Recommendations

In conclusion, this study investigated the influence of religion and culture on financial inclusion within Katsina state, Nigeria. Employing a cross-sectional survey methodology, primary data was gathered from a sample of 450 unbanked adults, spanning nine distinct local government areas distributed across the state's three senatorial zones. Through the application of descriptive statistics and the logistic regression approach, the study uncovered noteworthy insights.

First, financial regulators and local IFIs should enhance Shari'ah compliance mechanisms and prioritize genuinely interest-free, profit-and-loss sharing products that align with local religious expectations, thereby increasing trust among the predominantly Muslim population.

Second, policymakers should develop clear, standardized frameworks for regulating Islamic finance at the state level, ensuring that Shari'ah interpretations are consistent and credible to build confidence among potential clients.

Third, given the cultural emphasis on community solidarity, expanding Islamic microfinance programs can help reach underserved rural and low-income groups, providing culturally acceptable financial services that promote social and economic inclusion.

Fourth, IFIs (Jaiz and Taj Banks) operating in Katsina State should integrate ethical investment with local development needs, including agriculture, small business support, and sustainability projects that resonate with community values and long-term development goals.

Finally, government agencies, religious leaders, and educational institutions should collaborate to raise awareness and enhance financial literacy about Islamic finance principles, helping to bridge the gap between traditional beliefs and modern financial services.

References

- Abdullahi, A., Othman, A. H. A., & Kassim, S. (2021). Financial inclusion enhancement through the adoption of Islamic microfinance in Nigeria. *International Journal of Ethics and Systems*, 37(3), 486-505.
- Acha, I. A. (2012). Microfinance banking in Nigeria: Problems and prospects. *International Journal of Finance and Accounting*, 1(5), 106–111.
- Ali, A. I. (2015). Determinants of Islamic banking adoption: A case of Somali community in Nairobi, Kenya. *International Journal of Business and Social Science*, 6(4), 143–152.
- Aliyu, H. A., & Yusuf, M. S. (2019). Socio-cultural factors and financial inclusion: Evidence from Nigeria. *Cogent Economics & Finance*, 7(1), 1611172.
- Babajide, A. A., Adegboye, F. B., & Omankhanlen, A. E. (2015). Financial inclusion and microfinance in Nigeria. *Journal of Economic and Sustainable Development*, 6(23), 1–10.
- Beg, S. and Mullick, N.H. (2016), "Increasing financial inclusion through Islamic banking in India", *International Journal of Business Management and Research (IJBMR)*, Vol. 6 No. 1, pp. 27-34.
- David, O. O., Oluseyi, A. S., & Emmanuel, A. (2018). Empirical analysis of the determinants of financial inclusion in Nigeria: 1990-2016. *Journal of Finance and Economics*, 6(1), 19-25.

- Demirgüç-Kunt, A., Klapper, L., Singer, D., & Van Oudheusden, P. (2013). The Global Findex Database 2014: Measuring financial inclusion around the world. World Bank Policy Research Working Paper.
- Demirgüç-Kunt, A., Klapper, L., Singer, D., & Van Oudheusden, P. (2015). The Global Findex Database 2014: measuring financial inclusion around the world (Working paper no. 7255). Washington, DC, WA: The World Bank.
- Erol, C., & El-Bdour, R. (1989). Attitudes, behavior, and patronage factors of bank customers towards Islamic banks. *International Journal of Bank Marketing*, 7(6), 31–37.
- Hassan, A., & Bello, A. B. (2020). Determinants of Islamic banking adoption among SMEs in northern Nigeria. *Journal of Islamic Accounting and Business Research*, 11(5), 889–905.
- Iqbal, Z. and Mirakhor, A. (2012), “Financial inclusion: Islamic finance perspective”, *Journal of Islamic Business and Management*, Vol. 2 No. 1, pp. 35-64.
- Kazeem, O., & Olanrewaju, A. (2015). Awareness and perception of Islamic banking among consumers in southwestern Nigeria. *International Journal of Islamic and Middle Eastern Finance and Management*, 8(3), 316–332.
- Kim, D. W., Yu, J. S., & Hassan, M. K. (2020). The influence of religion and social inequality on financial inclusion. *The Singapore Economic Review*, 65(01), 193-216.
- Laldin, M. A., & Furqani, H. (2013). Developing Islamic banking in a dual banking system: The Malaysian experience. *International Journal of Islamic and Middle Eastern Finance and Management*, 6(2), 142–159.
- Mustafa, D., & Adebayo, R. I. (2015). The operations of Islamic banking and finance in African emerging economies: thematic analysis. *Bayero International Journal of Islamic Finance*, 1(2), 45-69.
- Mustafa, D., Baita, A.J. and Usman, A.Y. (2018), “Impact analysis of Islamic finance on financial inclusion and economic growth in selected Muslim countries: lessons for Nigeria”, *International Journal of Economics, Management and Accounting*, Vol. 26, pp. 393-414.
- Nwankwo, O., & Nwankwo, B. E. (2014). Sustainability of financial inclusion to rural dwellers in Nigeria: Problems and way forward. *Research Journal of Finance and Accounting*, 5(5), 24–31.
- Odozi, V. A. (2018). Cultural factors influencing the use of formal financial services by low-income earners in Nigeria. *International Journal of Emerging Markets*, 13(1), 2-14.
- Ozili, P. K., Lay, S. H., & Syed, A. A. (2023). Impact of financial inclusion on economic growth in secular and religious countries. *Journal of Financial Regulation and Compliance*.
- Sain, M. R. M., Rahman, M. M., & Khanam, R. (2013, January). Financial exclusion in Australia: An exploratory case study of the Muslim community. In *Proceedings of the 3rd Malaysian Postgraduate Colloquium (MPC 2013)*. University of Southern Queensland.
- Umar, U. H., Ado, M. B., & Ayuba, H. (2019). Is religion (interest) an impediment to Nigeria’s financial inclusion targets by the year 2020?: A qualitative inquiry. *Qualitative research in financial markets*, 12(3), 283-300.
- World Bank. (2021). Global Findex Database 2021. Washington, DC: World Bank.
- Zauro, N.A., Saad, R.A. and Sawandi, N. (2017b), “Do attitude, religiosity and ethnicity influence financial inclusion?”, paper presented at the 3rd International Conference on Social

Science and Law-Africa (ICSSL-Africa), 10 – 11 May, held at Nile University of Nigeria (NUN), Abuja.