Islamic Finance in Ghana: Can MSMEs Benefit?

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Abstract
Objective – The purpose of this study is to examine the potential benefits of the implementation of Islamic Banking and Finance (IBF) in Ghana and opportunities for businesses using MSMEs as data source.

Design/Methodology – Primary data were obtained using questionnaires, where 400 questionnaires were distributed to MSMEs operators with a final sample of 308 respondents. The data collected were analyzed with SPSS 26.0 and the results were discussed.

Results – The findings reveal that MSMEs (businesses) are yearning for Islamic banking to reap several benefits such as alternative sources of funding, alternative source of savings, reduction of loan defaults and acceptance of Islamic banking among MSMEs. In addition, more males responded compared to females likewise majority of respondents are Muslims.

Research limitations/implications – majority of the respondents were Muslims though Islam is a minority religion in Ghana, hence may not reflect the views of the entire Ghanaian population.

Novelty/Originality – This study is the first of its kind in Ghana in terms of the data source and size of the sample used. This study is also a contribution to the limited literature of IBF in Ghana. The outcome of the study will guide government to design framework for IBF takeoff in Ghana.

Keywords: Benefits, Islamic finance, Islamic banking, MSME's

1. Introduction

The Islamic financial system and the conventional financial system are extremely similar in many ways (Ethica, 2019). For instance, taking money from people who have excess or do not need their funds right away and giving it to people who need it to run their enterprises or meet their requirements is one of the similarities between the two forms of financing. Furthermore, regulators oversee both to make sure the proper actions are taken to stop or lower the rate of defaults. The degree of confidence exhibited by investors directly influences the performance of both financial systems.

Additionally, while the items in both financial systems differ in substance and structure, they are essentially the same in form. For instance, bonds in mainstream finance and *Sukūk* in Islamic financing are comparable while conventional financing lease contracts are comparable to *Ijārah* (Ethica, 2019). Similar to this, both financial systems operate with a degree of profit-making motivation; the distinction is in how the gains are realized. This aims to address inquiries from individuals who typically wonder how Islamic finance organizations cover their payroll, taxes, and other running costs given that Islamic finance prohibits interest transactions (Institute of Chartered Accountants Ghana, 2019).

Nonetheless, among other important distinctions, Islamic banking sets itself apart from traditional finance by eschewing uncertain activities like gambling, profit-sharing nature, and abstinence from interest-related transactions. In the traditional financial system, these elements are either absent or not given priority. However, in

Islamic banking, avoiding uncertainty is not always the case; transactions using Salam and *Istisnā* are example of this (Ethica, 2019).

Some non-Muslim nations, such as Luxembourg and the United Kingdom, are starting to adopt Islamic finance with promising growth possibilities, while other nations, such as Malaysia, have already made significant progress in this area.

About fifty years ago, Islamic finance gained popularity in nations with sizable Muslim populations who were looking to make investments that complied with *Shari'ah*. The largest level of Islamic finance assets during the global financial crisis from mid-2007 to early 2009 was recorded in 2019 with USD 2,880,000,000,000 (Islamic Finance Development Indicator Report, 2022). Positively, this is expected to increase to USD 3,690,000,000,000 during the following five years. The increasing acceptability of Islamic finance by non-Muslim communities such as the UK, Germany, and others has led to its increasing popularity, despite the fact that the majority of Muslims use Islamic finance to fulfill their need for halal investments.

The following highlights the worldwide geographical distribution of IF's customers: Globally, the GCC area continues to be the largest consumer of IF assets. About 45.4% of all investments are made in the Gulf States alone; In terms of investments, the Middle East (around 25.9%) follows the GCC; Southeast Asia follows with approximately 23.5%; the remainder goes to Africa and other regions. Other regions, such as the Western World and Africa, share the remaining 5.2% (Bank of New York Mellon, 2021).

Ghana, a nation with a majority Muslim population, has the second-biggest economy in the West African sub-region, after only Nigeria. Even in areas where Muslims predominate, there is not a single Islamic bank in Ghana. In addition, despite the fact that Muslims make up roughly 20% of the country's population (Ghana Statistical Service, 2021). This is in contrast to Nigeria, where there are numerous Islamic banks, both operational and with windows. In addition, the Bank of Ghana (BoG) is in charge of general supervision and regulation over all aspects of banking and non-banking financial activities (Bank of Ghana, 2016). Banks, savings and loans, finance houses, leasing companies, mortgage finance, remittance companies, microfinance institutions, financial NGOs, Forex bureaus, microcredit institutions, rural and community banks, representative offices in Ghana, and other banks make up the nation's financial environment. As of right now, the BoG has approved and licensed 23 banks to conduct business throughout the nation (Bank of Ghana, 2020). It is important to note that, a total of 436 financial institutions were affected by the clean-up effort in the financial sector that took place between 2017 and 2019 (Agyeman, 2020).

The overall public debt stock increased from US$ 45.6 billion (representing 67.55% of GDP) in the middle of 2020 to US$ 57.9 billion (representing 76.4% of GDP), according to the Bank of Ghana report for the first half of 2021 (Bank of Ghana, 2021). Furthermore, Ghana is currently experiencing a debt management crisis that has forced the nation to visit the IMF for a financial rescue and sustainable debt management for the seventeenth time (Sguazzin, 2022).

Many nations, including Ghana, rely heavily on the expansion and development of micro, small, and medium-sized enterprises (MSMEs) to maintain economic prosperity. MSMEs in Ghana, however, confront a number of difficulties, such as restricted financing availability. The incapacity of conventional banking systems to offer MSMEs sufficient financial services has drawn criticism. Islamic banking has become a more prominent alternative financial system that encourages social responsibility, transparency, and justice in recent years. Islamic banking can offer MSMEs a more reliable and long-lasting financial system, according to research. Islamic banking is still relatively new in Ghana, despite its potential, so more research is needed to determine how it can help MSMEs.

Research on the advantages of Islamic banking is expanding, but little is known about how specifically it helps MSMEs in Ghana. The majority of research that has already been done focuses on the general advantages of Islamic banking or its use in other nations. Ghana's situation is distinct since it has a developing MSME sector and a predominately-informal economy. Thus, a thorough investigation into the advantages of Islamic banking for MSMEs in Ghana is required. In particular, not enough research has been done on the ways Islamic banking can support entrepreneurship, help MSMEs with their financing needs, and boost Ghana's economy.

The purpose of this study is to close the knowledge gap by investigating the advantages of Islamic banking for MSMEs in Ghana. This study is novel because it examines the benefits of Islamic banking for MSMEs in detail and concentrates on the Ghanaian context. This study, in contrast to earlier ones, will look into the particular benefits of Islamic banking for MSMEs in Ghana.

The main goal of this research is to find out how Islamic banking helps MSMEs in Ghana. The study's specific objectives are to:

1. Analyze Ghanaian MSMEs' financing needs and the role that Islamic banking can play in meeting them;
2. Offer suggestions to financial institutions, policymakers, and MSMEs regarding how to encourage the uptake of Islamic banking in Ghana.

The structure of the paper is as follows: Title, Abstract, Introduction & Background, Literature review, Methodology, the Results & Discussion, Conclusion & Recommendations and finally the References.

2. Literature Review, Theoretical Framework, and Hypotheses Development

2.1 Theoretical Background

This research is guided by the theory of force field analysis propounded by Kurt Lewin, which theorizes that the reaction between opposing and supporting factors creates an equilibrium situation during the change process. This theory was originally applied to the management of change in an organization, as described by its proponents. This is where the idea of "unfreeze, change, and refreeze" arises. Resistance to change is a common trait among people, and hence the application of the change process must be done with caution to be successful. Force field theory is not fixed but dynamic in nature (Swanson & Creed, 2014).

Policymakers should consider these main stages important if they need to embark on a successful change. The first stage is to withhold both the driving forces and restraining forces for change temporarily, then swiftly introduce the change as the second stage of the process, and finally restore the opposing forces as they were initially. The diagram that follows is an illustration of the theory of force field analysis.

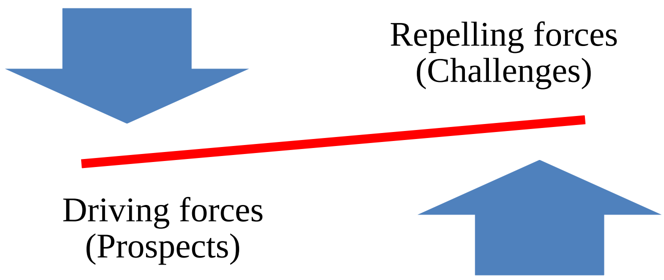

Figure 1. Diagram of Force field Analysis

2.2 Application of Force Field Analysis in the Study

McNett et al. (2022) adopt force field analysis to analyze the facilitators and barriers to evidence-based practices in healthcare. This validates the use of the theory in the health sciences. In the social science perspective, Nantogmah (2017) assessed the potentials and challenges of IB in Ghana, guided by the theory of force field analysis. This implies that the theory is not limited to organizational management strategy alone.

In this study, the researchers view the driving forces in the force field analysis as the factors, opportunities, and benefits that the corporations will enjoy if authorities change the financial laws to incorporate IBF in the country, while the repelling or opposing forces are the challenges that may affect the country's ability to make these changes.

2.3 Conceptual Framework

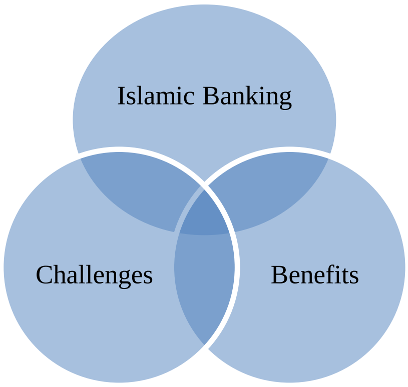

Figure 2. Conceptual Framework

- There are opportunities that can be tapped by implementing IB; likewise, opportunities are created for implementing IB.
- There are challenges in implementation of IB; likewise, some challenges emerge through the implementation of IB.
- Opportunities created through IB can be used to overcome some of the challenges, just as challenges created through IB.

2.4 Review of Empirical Literature

2.4.1 Western Perspective

ICD - Refinitiv Islamic Finance Report (2022) reported an average growth of 18% in the global Islamic funds market in the last decade and estimated funds of US$ 200,000,000 amidst opportunities and challenges. In the Western Bloc, specifically Europe and North America. These are communities with mainly minority Muslim populations, just like Ghana. According to Alharbi *(2016)*, the West showed interest in Islamic banking and finance not because of religion but rather economic opportunities and perhaps the stability and transparency as established by Ikra et al. (2021). However, Brekke (2018) further notes that Islamic finance in the West dates back more than four decades. The increasing number of Muslim minorities in the Western world is enough to attract financial service providers.

Alharbi (2016) however, concluded that some challenges might hamper the realization of the afore-listed opportunities. One of such challenges is the lack of clear-cut regulations from regulatory bodies to facilitate the growth process. A stringent regulatory framework boosts the confidence level of investors. The data used in the research work of Alharbi (2016) is largely secondary in nature. The researcher relied heavily on sources not originated by the researcher. Examples of such sources are books, reports, journal articles, websites, etc. Even though secondary data are important, primary data usually provides a more reliable outcome since the data is collected solely for the study and is more practically oriented. The current study uses primary data.

Volk & Pudelko (2016) believe that Europe is missing a very huge business opportunity by not practicing Islamic retail banking. The paper elaborates on four major socio-economic factors of a country that independently or interdependently determine the emergence of a local market for Islamic retail banking in Europe. The factors are demand conditions, regulatory conditions, and community-based conditions. The opportunities and challenges of Islamic retail banking depend on the management of these factors.

Riaz et al. (2017) in an empirical study conducted in the United Kingdom, found out that while progress has been made in the opportunities utilized by Islamic banks, they are riddled with some challenges, such as difficulty in understanding some complex (Arabic) terminologies in Islamic banking products (like *Mudārabah*, *Murābahah*, *Mushārakah*, *Ijārah*, etc.). A lack of E-banking facilities, and a general lackadaisical attitude on marketing the Islamic banking products. Practitioners in Islamic banks largely depend on religious organizations for promotion rather than making use of the internet facility. They concluded that the long-term growth of Islamic banking requires multi-party collaboration to encourage industrial outreach.

The methodology adopted by Riaz et al. (2017) is encompassing and comprehensive since the key stakeholders were targeted in the study. However, the non-Muslim majority was unfortunately left out of the picture. Zouari & Abdelhedi (2021) highlight digitalization as one of the key determinants of customer satisfaction in Islamic banking. Azad et al. (2023), at their end, believe over-reliance on fee-based earnings may hamper the long-term prospects of Islamic banks. Most non-Muslims are a bit skeptical about Islamic banking due to their fear of violence. However, Shabbir & Rehman (2019) argue that Islamic banking is not a threat but rather has numerous opportunities as well as several manageable challenges. They arrived at these findings through the distribution of 132 questionnaires to investors in Islamic financial institutions and found that threat, as a variable was insignificant to investors' portfolios compared to the other two variables, opportunities and challenges, which were positively significant.

The data gathered were analyzed using the List Significant Difference (LSD) method of multiple regressions. Unfortunately, the target audience was not fully captured in the study of Shabbir & Rehman (2019) either. The reason is that most misconceptions about Islamic finance normally emanate from non-investors, largely non-Muslims. The result could have changed if the questionnaires were extended to solicit their views on the threat level of Islamic finance to the financial spectrum or the public. Nevertheless, it must be highlighted that the findings agree with those of other researchers in terms of the opportunities and challenges of Islamic banking.

2.4.2 Asian Perspective

In the Asian zone, a quantitative study by Aqilah Zainordin et al. (2016) the distribution of questionnaires in Malaysia showed that there are enormous opportunities for Islamic banking and finance given the high level of interest exhibited by diverse religions in IF products. Religious affiliation was also observed, as respondents wanted to invest according to the dictates of their religion; this assertion agrees with that of Charag et al. (2020).

However, the challenges are not too different from the findings of other researchers; thus, how to outcompete their conventional counterparts. The study suggested that the institutional authorities should improve the information system and Islamic banking. The study did not cover the potential consumers or clients of the banking sector since the final decision to invest or otherwise lies with them. The findings of Kitamura (2021) indicate that Islamic finance is a surreptitious protection of the economic interests of Muslim Malays at the expense of other groups. The study interviewed parties related to the central bank of Malaysia (Bank *Negara* Malaysia).

Iran is one of the countries that passed the Riba-Free Banking Act in 1983; hence, the entire financial architecture is Shari'ah-compliant. Despite the level of experience of the country in IBF, it still has some challenges to be fixed as well as opportunities to tap into. Meisamy & Gholipour (2020) in their work, attempted to prioritize the challenges confronting the Islamic banking industry in Iran with their over three decades of experience.

They came up with five leading challenges, which are: (1) government seriousness towards the smooth operation of Islamic banking; (2) absence of competition in the industry; (3) lack of revision of the banking act to cope with changing times; (4) inadequate *Shari'ah* supervision; and (5) absence of financial reporting and auditing standards. The role of the government is crucial to the success of Islamic banking and finance in any country. The level of seriousness of the government determines the smooth running of the industry. This finding of Meisamy & Gholipour (2020) agrees with that of Badruddin (2015).

Rizvi et al. (2020) opine that competition in any industry develops the industry, making more innovative products available for clients; hence, Islamic banking helps stabilize the banking sector. Meisamy & Gholipour (2020) further note that the advancement of technology has brought about many changes at a very high speed. There is a need for the laws to be reviewed to cope with current trends; as Alhassan (2021) puts it, 'with globalization, we need to run very fast so that we can remain where we are'. *Shari'ah* supervision is like the board of directors that has oversight responsibility for the activities of Islamic banks to make sure operating activities are in line with the teachings of Islam. In the work of Sudarsono et al. (2021), they found that Islamic banking adoption depends on awareness level, the extent of perceived compatibility, religiosity, and social influence.

2.4.3 African Perspective

In the African context, Duba (2020) in his work, *Factors Affecting Uptake of Islamic Banking Services in Kenya*, concluded that the level of advocacy concerning Islamic finance products is still very low, paving the way for misleading myths and misconceptions about Islamic banking. This is attributed to the high level of information asymmetry between the sector and potential clients. The study further found that customers have a high-perceived risk regarding Islamic banking due to high liquidity risk, unpredictable market risk, and an unprecedented level of non-performing loans.

Finally, a finding is also made regarding the regulatory status of IFB in the country that leads the researcher to conclude that the regulatory framework for the sector is young, resulting in a lack of confidence in the market and pushing consumers away from investing in Islamic banking and finance products. This is similar to what Mooneeram-Chadee (2020) observes about the regulatory framework in Mauritius. The population for the study comprised of three full-fledged Islamic banks in addition to 11 conventionally licensed commercial banks with Islamic banking windows in Kenya. From this population, a simple random sampling technique was used to come up with a sample size of 384 customers who responded to self-administered questionnaires administered to them.

The data collected was processed via version 24.0 of the Statistical Package for Social Sciences (SPSS). The data are finally analyzed employing descriptive statistics, regression analysis, and thematic analyses of qualitative data. The research design adopted is explorative and qualitative. This is the type of methodology adopted by the current study, though five conventional banks are selected in the research jurisdiction since there is no Islamic bank yet.

Aliyu (2012) asserted that the challenges confronting Nigeria in the implementation of Islamic finance are unique as compared to those in the Asian and Middle Eastern worlds that have passed the advocacy stage and are now in the research and innovation stage. He concluded that there are abundant opportunities Nigeria can tap from Islamic banking, such as cross-border capital, advancement of the financial market, high financial inclusion, monetary policy effectiveness, and reduction of the unemployment rate. He admitted, however, that there are challenges to Islamic banking operationalization confronting both regulators and investors.

The paper further recommends that Nigeria can realize its dream of becoming the hub of Islamic banking if the government fine-tunes its regulatory framework to match global standards. This recommendation agrees with the findings of Duba (2020). A descriptive study conducted by Ogunbado et al. (2017) on the opportunities and challenges of Islamic finance in Nigeria found that the establishment of Islamic finance institutions is an opportunity to reduce the rising unemployment situation in Nigeria. They also highlighted Islamic banking as an opportunity to strengthen the religious practices of adherents. Another opportunity is the availability of viable alternative banking to compete with conventional banks that largely extort customers.

The methodology used by the researchers is the gathering of data from secondary sources like Islamic banking and finance literature. The personal views of the researchers are also part of the findings. The methodology adopted was informative, but in practicality, the findings could have been of greater quality if empirical data had been collected to support the findings. This is what the current study aims to accomplish, thus gathering primary data to find out the potential opportunities and challenges of Islamic banking in Ghana.

Opportunities available for the implementation of Islamic banking and finance in Ghana are numerous. One important opportunity is the reduction of unemployment, as highlighted in the study of Mbawuni & Nimako (2017). This is currently a big issue, especially for the youth of Ghana. The Minister of Finance recently made it clear that the public sector cannot employ the increasing number of unemployed youths in the country. 'That payroll is full because we are spending some 60% of our revenue on remunerating some 650,000 people. That is not sustainable, according to Arhinful (2021).

Broni et al. (2018) asserts that an Islamic bank can be established in Ghana in the shortest possible time if the certain factors are considered. First, he indicated that the government needs to show a keen interest in the new and growing Islamic finance industry. This has the potential to widen the financial inclusion net to cover wealthy Muslim business tycoons who prefer to remain unbanked in the conventional system due to religious reasons. Finally, Muslims must be encouraged to invest in financial institutions that are Shariah or near-Shariah compliant. The wealthy Muslim investors should mount pressure on their conventional banks to create windows for Islamic banking.

The Islamic scholars should intensify their preaching and awareness raising about the dangers of ribā (interest)-based transactions. Christian preachers can also implement the latter recommendation since IBF is not the prerogative of only Muslims, as postulated by Usmani (2021). Exodus 22:25, Leviticus 25:36–37, Deuteronomy 23:19–20, Isaiah 24:2, Jeremiah 15:10, and Ezekiel 19:8 are some of the biblical verses that frown on dealing in interest. Broni et al. (2018) came to the above conclusion after a careful review of the success stories of three countries: Malaysia, Egypt, and Indonesia. These are all countries that did not have Islamic banks but can now boast of several Shariah-compliant banks amid various degrees of challenges. However, the researcher could have arrived at a stronger conclusion and recommendations if West African countries were analyzed since they are in the same sub-region as Ghana and exhibit similar socio-cultural characteristics as well as economies.

For example, Nigeria, which Ghana is next to in terms of the size of the economy in the sub-region, is currently making progress in Islamic banking with the successful establishment of a full-fledged Islamic bank (JAIZ Bank). Senegal is another country in the sub-region that has also advanced in the Islamic banking and finance sector. The Islamic Bank of Senegal is good evidence for the success story of the country.

Wilmot (2017) maintains that the entrepreneurial nature of Islamic banking and finance will be more appealing to the Ghanaian investing populace. This is an indication of the level of youth unemployment in the country, which now arouses interest in creating jobs instead of looking for non-existing ones. Most of the unemployed youth complain of a lack of starting capital as a factor that frustrates their entrepreneurial plans since most of them are equipped with different levels of entrepreneurial skills in the course of their studies.

Wilmot (2017) further noted that another differentiating factor that will make Islamic banks work successfully in Ghana is their non-interest nature. He found out that the biggest motive to borrow from Islamic banks is their interest-free nature. This shows the level of hatred for interest, especially on the part of the payer. Islamic banking and finance are really for the general welfare of society, especially assisting the weak, unlike conventional banking and finance, which charge not only simple interest but also compound interest to make the rich richer and the poorer. The study, however, highlighted the low awareness level of Islamic finance, as confirmed by previous studies like Ezeh & Nkamnebe (2020).

Wilmot (2017) also disagreed with other researchers on the fact that Islamic finance is more appealing to Muslims than non-Muslims are; rather, people with higher education are more willing to patronize Islamic banking and finance products than those with a lower level of education. Questionnaires were distributed to respondents, and quantitative tools were used to analyze the data to arrive at the afore-mentioned conclusions. The study is, however, silent on the sample size and the sampling technique used.

Bananuka et al. (2019) believe that attitude is an important mediator between general norms or religion and the intention to adopt Islamic banking. Possumah et al. (2018) noted that there are six most important determinants of the adoption of Islamic banking and finance in Ghana by the three main religious groups: the majority Christians, a significant Muslim minority, and minority African traditional religious believers. The six determinants are perceived knowledge, perceived benefit, perceived innovativeness, perceived religious promotion, customer attitude, and readiness to comply with *Shari'ah*.

Many studies also agree with the findings of this research. However, other researchers argue antagonistically with the widely held view that religion is a major factor that derives the demand for Islamic banking services. The awareness level about Islamic banking products is low not only for Muslims but for both Muslims and non-Muslims, even though efforts have been made since 2019 by Islamic Finance Research Ghana (IFRIG) through their monthly webinars as well as annual international conferences. Some television stations, like Max TV and GTV (the Government of Ghana National Television), now occasionally invite experts to educate people about Islamic finance.

Possumah et al. (2018) used a sample of 600 individual financial services consumers in Ghana to respond to modified structured questionnaires. The data gathered was analyzed using partial least squares structural equation modeling (PLS-SEM). This methodology is good because consumers are the direct beneficiaries of financial services. However, the questionnaire could have been extended to include those who are not dealing with financial institutions as customers for one reason or another. For instance, vital data could have been collected from committed Muslims or Christians who do not deal with conventional financial institutions due to the fear of dealing in interest.

In addition, some non-customers are not dealing with financial service-rendering organizations due to a lack of confidence or the unethical nature of the investment packages available. In any case, the vast majority of the public does not deal with financial institutions. That is the reason why the government, through the BoG (Bank of Ghana), continues to put in place measures to widen the financial inclusion net. Ethica (2019) estimated that the best alternative for developing nations to source finance is through Islamic banking and finance. The conventional system has proven to be more dangerous due to the compounding nature of borrowing interest. Almost every developing nation is bedeviled by huge sums of debt that continue to pile up from generation to generation. For instance, the public debt-to-GDP ratio of Ghana is stated at 76.4% as of 2020 (Bank of Ghana, 2021). Ghana, as a debt-ridden country, may need Islamic Banking and Finance (IBF).

3. Research Method

3.1 Research Design

The researcher was guided by the interpretivism philosophy of research as a qualitative study, which requires the non-objective interpretation of the researcher to obtain more comprehension and insight about the perceptions of respondents. Interpretivism assists researchers in gaining a deeper understanding of experiences and perceptions in a given social context (Alharahsheh & Pius, 2020). The study uses the descriptive-explorative type of research design. The design is adopted since the subject area is relatively new in the realm of academics and in the context of research in Ghana. Moreover, it will help uncover hidden perspectives on the topic. Selvanathan et al. (2018) tip exploratory design as the best for research in Islamic banking. This is a cross-sectional study with a target population of business investors and potential investors in Tamale (a city in Ghana). The investors include passive and active investors in a variety of MSME's ventures.

3.2 Sampling Design

The sampling design for this study consists of a detailed description of the sampling frame, the sampling technique, and the sample size. The researcher employs probability-sampling techniques, specifically simple random techniques, for obtaining the sample for MSME's investors and potential investors. The reason for adopting this technique is based on the argument of Taherdoost (2016) that it grants every element of the population an equal chance of selection. Researchers postulate that the outcome of random sample research could be applied to the whole population.

The study employed Yamane's formula to ascertain a suitable sample size for structured questionnaires targeted at MSMEs. Considering the sample size for business investors, the population size for micro, small, and medium enterprises (MSME) is estimated to be 2,100,000 according to the GCB Bank PLC's report (GCB Bank PLC, 2023). This gives a sample size of 400, as computed below using Yamane's equation.

Sample size Computation using Yamane's formula

$n = N / [(1 + N (e)^2]$, where n is the sample size, N is the population size, and e is the level of precision.

$=> n_1 = 2,100,000 / [1+2,100,000 (0.05)2] = 400$ (MSME's).

3.3 Data Gathering Tools and Strategies

The data collection instruments employed in obtaining the primary data in the study are structured questionnaires for MSMEs. The validity of the data gathering tools was enhanced by engaging in pilot testing of the instruments before actual administration. This helped in addressing challenges in the research instruments such as ambiguity, provocative questions, errors, and omissions. Google Forms were leveraged by the researcher in administering the data collection tools to the respondents due to their future prospects for qualitative research (Opara et al., 2023). It also eases entry into the SPSS software for processing and analysis.

Research assistants were recruited to approach businesses in the informal sector, to educate them about the significance of the study, and guide them to respond since the use of technology is a challenge for most business operatives in the informal sector. A reliability test conducted on the instruments recorded a Cronbach's alpha of 0.813. For ethical reasons, respondents in this study are assured of total confidentiality in their responses and opinions expressed in the research work. They are also informed that the research is for academic purposes.

3.4 Data Analysis Methods

The study makes use of primary data obtained from questionnaires. After cleaning and checking the questionnaires, coding was done to facilitate input into the statistical software. The Statistical Package for Social Sciences (SSPS) 26.0 was used to process and analyze the collected data. Nantogmah (2017) used SPSS version 16 in his study on IBF in Ghana. Tables were employed to display the analyzed data.

4. Results and Discussion

This section presents the results of the analyzed data collected and a detailed discussion of the results with reference to the theories and literature employed in this study. The section is subdivided into two main sub-sections: the demography of respondents and the opportunities of Islamic banking for MSMEs in Ghana.

Table 1. Demography of Respondents-IBF

	Frequency	Percent	Mean	Std. Deviation
Gender				
Female	95	30.8	1.32	0.468
Male	212	68.8		
Total	308	100.0		
Religion				
Christianity	36	11.7	1.16	0.429
Hebraism	1	.3		
Islam	266	86.4		
Traditional	5	1.6		
Total	308	100.0		

NB: Weighted Average (WA) = 1.24

Demographically, the WA mean for the respondents is 1.24, which places the gender of respondents above the norm of 1.32 with a dispersion index of 0.468. On the other hand, the religious background of respondents is below the WA mean at 1.16 with a dispersion index of 0.429.

From Table 1 above, 212 respondents, representing 69%, are males, while the remaining 95, representing 31%, are females. This may show that more males are into business than females, or that more businessmen responded compared to businesswomen, even though there are more women than men per the last population census (Ghana Statistical Service, 2021). More so, in the Ghanaian context and other parts of West Africa, there are more women in MSMEs than men. This trend may be due to lack of smart phones, adequate literacy to access the Google Form questionnaires, or a general lack of interest in the study.

Also, the majority of respondents, 266 representing 86%, are Muslims, followed by 36 Christians representing 86%, then African Traditional Religion with five adherents representing 2 percent, and finally only one adherent to Hebraism (Judaism). However, the 2020 Population and Housing Census of the Ghana statistical service tips Christianity as the dominant religion in the country, with about 70% of the population. This could be attributed to Bananuka et al. (2020) findings that Muslims are more interested than non-Muslims are in patronizing IBF products.

	Frequency	Percent	Mean	Std. Deviation	Decision
Defaults					
Agree	114	37.0	2.5	1.509	High perception
Disagree	9	2.9			
Neutral	37	12.0			

Strongly Agree	123	39.9			
Strongly disagree	25	8.1			
Total	308	100.0			
Funding					
Agree	138	44.8	2.56	1.477	High perception
Neutral	41	13.3			
Strongly Agree	115	37.3			
Strongly disagree	14	4.5			
Total	308	100.0			
Savings					
Agree	131	42.5	2.63	1.516	High perception
Disagree	5	1.6			
Neutral	45	14.6			
Strongly agree	111	36.0			
Strongly disagree	16	5.2			
Total	308	100.0			
Acceptance of IBF					
Agree	113	36.7	2.75	1.342	High perception
Disagree	8	2.6			
Neutral	73	23.7			
Strongly Agree	98	31.8			
Strongly disagree	16	5.2			
Total	308	100.0			
Confidence					
Yes	93	30.2	1.70	0.457	Low perception
No	215	69.8			
Total	308	100.0			

NB: Weighted Average (WA) = 2.422

Table 2. Opportunities of IBF for MSMEs

Generally, Table 2 above shows that the majority of the respondents highly perceive IBF products as a means of funding, savings, and loan default minimization. This assertion is supported by the variables recording a higher mean above the WA mean of 2.422. Similarly, the respondents show a high perception of accepting IBF products. However, the results display a low perception of the level of confidence in conventional banking products, as evidenced by the mean of 1.70, which falls below the WA mean. The same table also highlights that the variables with a high perception equally record a high dispersion index compared to the low perceived variable. The succeeding paragraphs address the research question, 'What are the benefits of Islamic banking for businesses in Ghana?'

4.1 Loan Defaults

Table 1 shows that 237 respondents, representing 78% of respondents, either agree or strongly agree that IBF has the potential to minimize the rate of loan defaults, with the remaining 71 representing 22% of respondents who either strongly disagree, agree, or are neutral about this assertion. This revelation indicates that savings and loan companies can use Islamic banking to minimize the rate of loan defaults. This is also another propelling force in the theory of force fields. However, Duba (2020) , in his work, *Factors Affecting Uptake of Islamic Banking Services in Kenya*, concludes that customers have a high-perceived risk regarding Islamic banking through high liquidity risk, unpredictable market risk, and unprecedented credit risk because of non-performing loans.

4.2 Alternative sources of funding

Table 1 shows that a majority of 253 respondents, representing 82% of respondents, agree or strongly agree that IBF can be an alternative source of finance for their businesses, while only 14 respondents, representing 5% of respondents, strongly disagree, no respondent disagrees, and 41 respondents, representing 13%, are neutral. This indicates that IBF can serve as an alternative source of funding for businesses. Ethica (2019) estimated that the best alternative for developing nations to source finance is through Islamic banking and finance. Maccido (2021) indicates that IBF can offer an alternative source of finance for businesses. The theory of force field analysis views this as a propelling force for IBF.

4.3 Alternative sources of savings

Table 1 displays the results of respondents on IBF as a means of saving for businesses. The results show that 242 respondents, representing 79% of respondents, strongly agree or agree that IBF can serve as an alternative way of saving; only 21 respondents, representing 7% of respondents, disagree or strongly disagree; and 45 respondents, representing 15%, are neutral. Idle cash from businesses can be invested in IBF products to generate more profits instead of susu (drift savings) or no investment at all due to the loss of trust in the financial system. Many researchers, such as Ethica (2019), found that Islamic banks not only serve as a source of funds but also as a source of savings for businesses and individuals with surplus funds. The theory of force field analysis views this as a propelling force for IBF.

4.4 Acceptance of IBF

Table 1 seeks to measure how eager businesses are to transact with IBF institutions, if they are available. The results show that the majority of the respondents, numbering 211 (68%), agree or strongly agree that IBF implementation in Ghana is long overdue; only 24 (8%) of respondents strongly disagree or disagree; and 73, representing 24%, are neutral. This revelation supports the findings of Nantogmah (2017) about the success of IBF in Ghana. Also, this is a factor that can push for IBF in Ghana, as in the theory of force field. Charag et al. (2020) observe that attitude mediates the effect of religiosity, perceived risk, government support, and culture on a consumer’s intention to use Islamic banking. On the other hand, Abdul-Wahab et al. (2019) observe that customers are interested in IBF products in Ghana and hence recommend more advocacy to make it flourish.

5. Conclusions and Recommendations

The data analysis revealed several findings about the research work. The researcher intends to achieve the following objective: To find out the benefits of IB to corporations in Ghana. Firstly, from a demographic perspective, despite the high population of females compared to their male counterparts per the most recent census, the majority of respondents are males. Similarly, the majority of respondents are adherents of the Islamic religion, despite the fact that about 70% of Ghana's population is Christian. In terms of benefits to the corporate sector, the study found that corporations could benefit from Islamic banking from the following perspectives: minimization of loan defaults, alternative sources of capital funding, and alternative sources of saving. Also in the findings of this study is the readiness of MSMEs to accept Islamic banking products.

The corporate sector can enjoy benefits such as an alternative source of finance, fresh confidence in the financial sector, the minimization of loan defaults, and an alternative source of funding as well as savings. In addition, based on the findings, it can be concluded that micro, small, and medium-scale businesses will be willing to invest in Islamic finance products in Ghana.

There is a need for more education on IBF to widen the awareness level. The governments should engage experts to educate key government officials and private sector businesses on the operations of IBF and Islamic finance in general. Courses should be mounted at the higher learning institutions on IBF; workshops can also be organized by universities for business studies lecturers to update their knowledge on the principles of IBF. Finally, the advocates of IBF in Ghana should seek a proper interpretation of the new banking act [BSDTIA (2016) 930] at the right and legitimate quarters in the country in light of Islamic banking legal status in Ghana.

Future researchers can focus on businesses in other parts of the country, which can also be used to carry out similar research before generalizations can be made about the conclusions for the entire country since the study was carried out largely in one of the 16 regions of Ghana. Moreover, this region is predominantly made up of the Muslim populace of Ghana. Future researchers can also increase the sample size.

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