ISLAMIC ACCOUNTING REPORTING PRINCIPLES AND FINANCIAL PERFORMANCE OF MSMEs IN NIGERIA.

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Abstract
Despite Micro, Small and Medium Enterprises MSMEs being important agent of economic growth and are regarded as conduit of supply of human capital, innovations and technological advancement. Its evidence that many of these MSMEs, languish in low productivity, inadequate management and most importantly inadequate access to finance and loan facilities. The aim of this study is therefore to seek the effect of Musharakah, Mudarabah and Murabah on financial performance of MSMEs in Nigeria. The study employed a survey research design. A total 100 copies of questionnaire were distributed to customers of Jaiz bank. Data collected were analyzed using descriptive statistics to test the significance of the explanatory variables (Musharakah, Mudarabah and Murabah). The findings of the study revealed a significant increase of business market share which had a mean of 2.19 and standard deviation of 1.066 and implementing Musharakah interest free loans allowed enterprise to obtain a competitive edge. The Murabah also affected the growth of MSMEs through reduced interest rate which had a mean of 2.11 and standard deviation of 0.98. The study concluded that management team of MSMEs is able to improve the financial performance and increased market competitiveness of MSMEs. The study therefore recommended that the policy of Islamic accounting principles be upheld for better performance in achieving intended goals of MSMEs.
Keywords: *Musharakah, mudarabah, murabah, islamic accounting principles, reporting*

Introduction

Medium, Small, and Micro Enterprises (MSMEs) have been a significant contributor to Nigeria's economic development and progress. It was reported that MSMEs contributes 48% of national GDP, accounting for 96 percent of businesses and 84 percent of employment. It is without doubt that the sector contributes immensely to alleviating poverty and increasing job creation (ILO, 2022). PECC, 2003, Sanusi, (2003) and Sinambela et al., (2023) affirmed that MSMEs are important agent of economic growth as they provide more than 50 percent of GDP of developing nations. Evidences has shown that they are the conduit of supply of human capital, innovations and technological advancement.

However, many of these MSMEs, languish in low productivity, inadequate Management, and most importantly inadequate access to finance and loan facilities. OECD (2015), reports that the major source of funding to MSMEs and entrepreneurs are bank lending which frequently rely largely on conventional loans to fulfil their start-up.

The lending rate in deposit money bank in Nigeria as at Dec., 2022 is 12.33%, this has put a huge burden on most MSMEs and prevent them from growing and expanding.

Despite OECD findings from 2015 on novel methods to MSMEs financing, Islamic accounting rules continue to be undervalued and largely neglected. Several SMEs in South Africa have keyed into Islamic accounting principles of Musharakah, Mudarabah and Murabah of financing MSMEs

Salim, (2004); Yousuf and Rahman (2014); Yahaya and Lamidi (2015); Sarkhsi, Khatib & Ibuttimam, (2016) agreed that several MSMEs can be financed independently and grow tremendously if they can practice Musharakah, Mudarabah and Murabah (M, M&M), the 3Ms. When M, M&M is properly applied, it can solve most inadequate funding problems of MSMEs in Nigeria.

According to the assumption made by The Islamic accounting researchers, the traditional accounting practices that have been adapted from the western philosophical thought may not be in comparison with Muslim values and beliefs (Sivakumar, 2014). The Islamic accounting became essential as a result of the growth and establishment of the Islamic financial system, Islamic economics, and its structures (Ibrahim *et al* 2017).

The accounting framework whose tasks and procedures are governed by Syariah rules is generally refer to as Islamic Accounting (Haron, Sudin & Wan-Nursofiza-Wan-Azmi, 2009). The phrase Islamic accounting has gained more popularity in the modern world owing to the provision of zero-interest loans combined with the sharing of profits and losses through the principles of mudarabah (profit sharing) and musharakah (joint-venture) (Buksh, 2010).

Islamic accounting, according to Fasih (2012), is a risk-sharing and interest free accounting system that is based on real assets and uses partnership, joint ownership, lease, and sale methods, the main features of Islamic accounting include zero interest loans, minimal consumer lending and profit and loss sharing. Banks are not allowed to pay or earn interest on loaned funds with the interest-free loans. As such, these accounts were being permitted to receive payments that are equal to the principal amount of the loans (Aburime & Alio, 2009).

However, it is important to comprehend how the fully fledged Islamic Shariah accounts are affecting the performance and growth of MSME business in Nigeria.

With current stiff competition from conventional accounts offering same Islamic sharia products through Islamic windows, it’s important to understand how MSMEs businesses in Nigeria have fully utilized the Islamic accounting products to impact on MSMEs businesses. Hove, Sibanda and Pooe (2014) established that Islamic accounting had a favorable and significant influence on both entrepreneurial motivation and firm competitiveness in South Africa. The study indicated that through Islamic accounting, MSMEs could obtain credit at lower interest rates through customer relationship management and profiling. This study tends to access how effective the MSMEs in Nigeria can adopt the 3Ms in sourcing for financing in institutions granting Islamic loaning assistance throughout Nigeria.

This therefore leaves a research gap that this study sought to fill by analyzing the impact of Islamic accounting on performance of MSMEs in Nigeria. Objectives of this study are to; to determine the effect of Musharakah on the financial performance of MSMEs; to ascertain the extent that Mudarabah affect growth of MSMEs; and to determine the effect of Murabah on credit accessibility among MSMEs. Therefore the study tends to address the following research questions: what are the effects of Musharakah on the financial performance of MSMEs in Nigeria? How has Mudarabah affect growth of MSMEs in Nigeria? What is the effect of Murabah on credit accessibility among MSMEs in Nigeria? Hypotheses were developed to answer the research questions raised.

Review of Related Literature

Conceptual Review

Islamic Accounting

According to Fasih (2012), Islamic accounting is an interest-free accounting system founded on real assets and the risks are shared between the lender and borrower under the mechanisms of partnership, joint ownership, lease, and sale, the main elements of Islamic accounting include interest free loans, low consumer lending and revenue and expenditure sharing. With the interest-free loans, banks are prohibited from paying or earning interest on loaned funds

Financial Performance of MSMEs

Yahaya and Lamidi (2015) investigated Islamic accounting's financial performance in Nigeria. The study examined the financial performance of Jaiz Bank Plc, Nigeria's sole Islamic bank authorised to operate, over a two-year period (2013-2014). The executives of the bank are better placed to take up measures to enhance the profitability of the institution by utilizing leverage and growing their banks (Yahaya & Lamidi, 2015).

Osoro and Muturi (2013) study on the influence of micro financial institutions on the expansion of MSMEs in Nigeria: a case study of micro financial institutions in

Ondo state that bank financing affects financial success of MSMEs positively. The easier credit accessibility is, the greater the financial performance of the MSMEs. The study however identified that it is difficult for financial institutions to consider MSMEs due to policies and requirements that have to be met before credit is approved. When bank financing becomes available, the financial success of business becomes better and hence business growth. Several research on Islamic Accounting and its influence on MSMEs' financial performance under diverse conditions have been conducted.

Islamic accounting has previously been used with a variety of performance measurement techniques. According to Neely (1999), there is no one optimal technique to assess business success because performance measurement may be viewed from many different angles. In this article, Witjaksono and Yunistriani (2011) compare Islamic bans to their counterparts so as to document the evolution of research on Islamic accounting performance measurement over the past 20 years from a variety of angles.

Islamic accounting performance with various perspectives, including social reporting on the financial performance of Islamic banks, *maqasid al-sharia* and sharia enterprise theory (Arifin & Wardani,2016; Farag et al., 2018; Sofyani et al., 2012), efficiency and stability (Mukhlis, 2012; Pramuka, 2011; Sufian, 2007), Sharia law and Islamic bank corporate governance are contrasted with traditional banking practices.

Mudarabah

The Arabic terminology for this type of economic arrangement, qirad and muqaradah, are the same as mudarabahor slient partnership. Al-Sarakhsi a well known Hanafi jurist asserted that the term mudaraba is derived from the phrase al-darb fi al-ard‟ which means making a journey‟ . The meaning of the word in this sense has been used in al-Quran. For instance Allah says: “and when you go forth (to war) on earth, you will incur no sin by shortening your prayers for” (Qur‟ an: 3:101), in another place Allah says: “And give unto (such of) the needy who, being wholly wrapped up in God's cause, are unable to go about the earth (in search of livelihood)” (Qur‟ an: 4:273). The inhabitants of Medina called this arrangement muqaradah (or qirad), based on a report concerning, Uthman B. Affan‟ the third Caliph, who entrusted funds to a man in the form of a muqradah contract (Sarakhsi & Khatib, 2017).

Rahman, (2018) affirmed mudarabah as the act of one party giving always his property as capital to a person for him to work with that capital. If the venture makes a profit, it will be shared between them according to a certain ratio that they have agreed upfront. In the event of a loss, the Rab al-Mal will bear the full cost, and the worker will receive no compensation for his labor.

Musharakah

Usmani, (2002) explained the word Musharakah in its original language as sharing. Musharakah is an Islamic term that refers to a joint partnership in which two or more people combine their capital or labor to form a firm in which all partners share the profit according to a set ratio, while the loss is shared according to the contribution ratio.

In their study, Farooq and Ahmed (2013) noted that the majority of customers opted for fixed return products offered by Islamic banks, such as murabahah, ijara, and declining muharakah, as opposed to muharakah and mudharabah, where he would have had to split his actual earnings with the bank.

An agreement between the parties known as a mutual contract is referred to as Musharakah or Shirkat-ul-amwal. It follows that all of the necessary components of a valid contract must likewise be included here. For instance, the parties must sign a contract; the contract must be entered into with the parties' free will and without duress, fraud, or misrepresentation.

Murabah

According to Mandhoor (2003). Murabah is originated from the Arabic root word (rabiha), which means to expand and flourish in commerce. Profitability is the yardstick by which success is measured. As a result, the general term Murabah is frequently associated with profit declaration as a method of gauging the success of a sale transaction and the return on the exchange of money for product. In traditional Arabic dictionaries, Mandhoor (2003). Murabah is frequently used to describe a selling transaction in which the profit amount is known and announced, such as when a dealer says: I will sell you this commodity for a profit of one dirham for every ten dirhams.

Theoretical Review

This study is anchored in the framework of contingency theory since most studies into adoption of management accounting practice are grounded on this theoretical framework. Islamic banking is a banking activity that is consistent with Shariah (Islamic rulings) principles and its practical implementation through the development of Islamic economics. The principles which emphasizes moral have ethical values in all dealings having universal appeal. Shariah forbids engaging in trade and other activities that supply goods and services that are thought to be against its principles as well as paying or accepting interest charges (riba) for the lending and accepting of money. While this principle was once the cornerstone of a thriving economy, it wasn't until the late 20th century that a member of an Islamic bank was established to give Muslims an alternate foundation although Islamic banking is not just for Muslims. Islamic banking serves the same goal as traditional banking, only that it follows Shariah laws known as fight al-Muamalat (Islamic regulations on transactions).

Empirical Review

According to Azli, et al., (2011) Islam's maqasid-centered philosophy displays its adherents' devotion to upholding the religion's veracity as a comprehensive way of life (ad-din). The Maqasid Shari'ah provides a clear framework for outlining and explaining the scope of the Mukallaf's (Allah's servants') obligations to one another. Lack of knowledge of Maqasid Shari'ahin Islamic business dealings, in particular about Islamic home finance, resulted in misunderstandings, commotion, turmoil, and pointless disputes between the contracting parties.

Farooq and Ahmed (2013) emphasize that Musharakah and Mudarabah are the two fundamental true Islamic modes of finance in the Islamic banking system, but the Islamic banking industry has failed to promote these basic Islamic modes of finance at least partially. In contrast,, murabaha and Ijara are significant in modern Islamic finance. The study seeks to pinpoint what motivate Islamic banks to limit the expansion of Musharakah financing to a bare minimum.

Saad & Razak (2013) examined how to apply musharakah mutanaqisah into a newly context of Islamic microfinance. The phrase Islamic microfinance is comparable to conventional microfinance, however it differs in terms of Shariah principles and the prohibition on interest in commercial activities. In addition, many developing countries have formed microfinance banks to address the issue of poverty. If Islamic microfinance institutions are managed properly, they can be a valuable weapon in fighting poverty in Muslim nations. The study increases the body of evidence supporting the use of musharakah mutanaqisah in the context of microfinance.

Muhammad (2014) claims that despite the tremendous expansion of the Islamic banking sector in recent years, the Islamic banks' sparing use of the Profit and Loss Sharing (PLS) financing options i.e. Musharakah and Mudarabah has raised numerous questions about the future of the sector. Several research on the subject emphasize several internal and external reasons; nonetheless, it is still debatable if the lower level of Musharakah finance acceptance is the result of external variables such as adverse selection, moral hazard, customers' lower lever preference towards Musharakah, the high risk nature of this mode or is it because of the institution's internal factors like dearth in management's monitoring and controlling techniques in the use of Musharakah.

Mia et al., (2016) examined Mudharabah and Musharakah from the accounting perspective by refereeing to AAOIFI, IFRS and MFRS. Additionally, to analyzing the annual financial reports of Malaysian Islamic banks with regarding the usage of Mudharabah and Musharakah from an accounting standpoint. According to the research, the use of Mudharabah and Musharaka is not popular among Malaysian Islamic banks due to the high risk, and hence the proportion is significantly lower when compared to other investments.

Asadov, et al., (2018) analyzed the practical issues in the *Musharakah Mutanaqisah* (MM) financing and subsequently, recommends possible solutions to mitigate these issues and improve the current practice. This study examines the philosophy and present practices of Islamic banks' MM offerings. It is advised that Islamic financial institutions consider revaluing the property's value to its fair value, particularly after the termination of the MM contract, as well as an annual or agreed-upon periodic review of the market value of the assets to determine the customer's "rental" payments. It is also suggested that Islamic financial organizations share all costs related with contract performance.

According to Warninda, et al., (2019) existing literature continues to debate the influence of profit-loss sharing financing on Islamic bank credit risk. Recognizing that Mudarabah and Musharakah as profit-loss sharing financing have distinct characteristics, this study seeks to determine whether they influence credit risk differently. The study specifically examines whether Mudarabah is riskier than Musharakah. Furthermore, whether Mudarabah and Musharakah have a non-linear impact on credit risk. The study concluded that Mudarabah is not riskier than Musharakah, based on ten years of unbalanced panel data from 63 Islamic banks in the Middle East, South Asia, and Southeast Asia.

Abdul Rahman et al., (2020) explored the methods venture capital (VC) firms employ to help business owners who lack capital yet have promising ventures. The study investigated whether the Islamic banks could use the VC strategy through *musharakah* financing. Aside from content analysis, primary data was acquired through many interviews with the management of three venture capital firms and two Islamic banks. Islamic banks in Malaysia have a significant opportunity to provide musharakah financing while mitigating risk by using the five VC techniques listed below: method of selection, channeling of funds, monitoring, non-capital assistance, and investment period.

According to Yustiardhi, (2020). The application of risk-sharing concepts in financing products, particularly Mudarabah and Musharakah, has been documented by a small number of Islamic financial institutions. The main barrier to implementation is the great risk and multifaceted commercial risks associated with mudarabah and musharakah. In order to analyze the problems and difficulties in the implementation of Mudarabah and Musharakah contracts in Islamic financing products as seen by Islamic banks, regulators, and clients/entrepreneurs, the study looked at the current state of development of these agreements in Islamic financing products. It also investigates potential recommendations to enhance the application of Mudarabah and Musharakah agreements in Islamic financial products.

According to Masruki et al., (2020) Transparency is the epitome of accountability; Shariah accountability is not an exception. The absence of external audit on Shariah compliance in Malaysia to appraise Shariah internal controls is concerning. Currentlythe sole Shariah-related report that each Islamic bank (IB) in Malaysia discloses is a Shariah Committee Report (SCR). The study intends to determine the amount of SCR disclosure of Islamic banks in Bahrain and Malaysia that are owned by foreigners. Furthermore, the paper compares the disclosure practices of SCR in the two nations. The sample consists of six IBs in Bahrain and five IBs in Malaysia that are owned by foreigners. The study employs content analysis for a descriptive analysis based on the most recent 2017 annual reports from both nations, and a rubric to assess the SCR. The analysis found that Bahrain has a substantially higher degree of SCR of IB disclosure than Malaysia. These findings have major policy implications for Shariah Reporting and Shariah Governance, additionally it elucidates the necessity for additional research.

Syariati et al., (2021) investigated to ascertain whether MSMEs in East Java Province are capable of understanding and utilizing sharia accounting. This research which is qualitative in nature, looked at how MSMEs, particularly those in East Java Province, perceive sharia accounting. Result of online focus group discussion (FGD) with MSMEs owners were processed for the data. The outcome reveals that MSMEs owners have a favorable opinion of the use of Islamic accounting. Despite the fact that MSME owners are still learning the fundamentals of sharia accounting, they have begun operating their businesses in accordance with its guidelines.

Ratnawati and Sari, (2021). *The study was conducted to determine how financing through mudharabah and musharakah affected the net profit of Indonesian Islamic commercial banks. The Financial Services Authority's annual financial statements and annual reports on Islamic commercial banks' the websites for the years 2010 through 2019 are used in the study. The study's findings demonstrated that mudharabah funding significantly impacted Islamic banks' net profits and strengthened their commitment to Islamic social responsibility as a whole. Contrary to mudharabah financing, however, musharakah financing does have an adverse influence on the net profit of Islamic commercial banks, indicating that the more musharakah financing an Islamic bank distributes the lower its rate of profit will be which weakens its committement to Islamic social responsibility transparency.*

Islamiyati, and Diana, (2021). The study objective was to ascertain whether mudarabah and musharakah financing have an impact on return on equity (ROE) case studies on Islamic Commercial Banks in Indonesia from 2015 to 2019. The population in this study is made up of all data in financial reports contained in

Islamic Commercial Banks in Indonesia, and samples were obtained through a purposive sampling of 9 Islamic Commercial Banks with independent variables, mudarabah financing (X1) and musharakah financing (X2), and a dependent variable, return on equity (ROE) (Y). the study's conclusions indicate that return on equity (ROE) is unaffected by mudarabah and musharakah financing. In the simultaneous test, mudarabah financing and musharakah financing had no influence on return on equity (ROE) in a case study of Islamic Commercial Banks in Indonesia from 2015 to 2019.

Sirat and Jannang (2022) examined how financial literacy, investment choices, funding choices, and working capital in Ternate's small halal industries (IK) affected business success. The respondents involved were 53 IK. Quantitative and descriptive research are used in this study. Data was gathered using online questionnaires, namely, google forms and interviews. This study uses a simple random sampling technique in producing the research sample. Multiple regression models and research hypothesis testing were employed in the data analysis technique. The findings revealed that the financial literacy of IK owners was moderate and had no effect on business performance. The IK players' investment choices are generally sound and have no influence on the success of their businesses.

Sinambela et al., (2023). The study examine the perceptions of micro, small and medium enterprises (MSMEs) on the application of Islamic Management in managing businesses. The study is part of research on Islamic micro enterprises. The main barrier that MSME players encounter is a lack of competence to manage a business in such a way that it has an influence on business development. A literature review was conducted, as well as interviews with MSME managers, to obtain data. Islamic management is based on the Koran, hadith, and maqashid sharia, and it uses 5 (five) management principles, namely the principles of monotheism and organizational commitment, knowledge and organizational learning, morality and member personalities, worship and work practices, and mardhatillah and performance. The study's findings, MSME players have integrated Islamic Management into their business management but remain in general principles owing to a unawareness of Islamic management and unfavorable external variables such as legislation and business competition.

Taufik et al., (2023) examined how sharia supervisory board (SSB) characteristics are determinants of the *maqashid* sharia performance (MSP) of Islamic banks (IBs) and how MSP has implications for profitability and for profit-sharing investment account holders (PSIAHs). Semi-structured interviews were used to determine MSP. Size, cross-membership, education level, expertise, reputation, rotation, and remuneration are the SSB characteristics measured. Panel data regression is used to analyze annual reports of Indonesian and Malaysian IBs from 2010 to 2018.

Method and Design

Research Design

This study employed a survey research design to study the effect of Islamic accounting reporting principles on performance of MSMEs in Nigeria. Data for this research were obtained from structured questionnaire. The survey monkey questionnaire was adopted and distributed to customers of the Islamic bank (Jaiz Bank) in Oyo State. A population of 100 MSMEs customers that operate within Oyo State was considered. The questionnaire was separated into two sections. Section 1 will deal with the demographic information of the respondents while section 2 depicts items related to effect of Islamic accounting reporting principles on performance of MSMEs in Nigeria on five point likert-rating Scale ranging from 5= Not Applicable, 4= very great extent, 3= great extent, 2= little extent, 1= No extent..

Survey monkey questionnaire principle was deployed to critically arrive at Jaiz customers from Ibadan branch 45, Saki branch 35 and Iwo road branch.

Data Analysis Method

The completed questionnaires was edited for consistency and completeness, check for omissions and errors and then coded and analyzed qualitatively and quantitatively. Coded data was then feed into the statistical package for social sciences (SPSS) version 21 for analysis.

Demographic Information of Respondents

A total of 100 questionnaires were handed out of which 85 questionnaires were returned giving a response rate of 90%. This response was sufficient and representative of the population and conforms to Mugenda and Mugenda (2003) provision that a response rate of 70% and above is excellent.

Effect of Musharakah on Financial Performance of MSMEs

Competitive Advantage

Several statements regarding the impact of competitive advantage on financial performance of MSMEs were identified and the respondents were required to the extent of agreement with each statement as it relates to their business. From the responses, mean and standard deviation were used for ease of interpretation and generalization of findings. The finding is presented in Tables 1.

From Table 1, To a little extent, Islamic accounting reporting rules have aided the increase of business market share, which had a mean of 2.19 with a standard deviation of 1.066, and implementing Musharakah interest-free loans allows enterprises to obtain a competitive edge. MSMEs have gained market share due to interest free loans had a mean of 2.52 with a standard deviation of 1.506, and Musharakah has enhanced level of competitiveness on the market had a mean of 2.91 with a standard deviation of 1.153.

Table 1: Competitive Advantage

	Mean	Std. Dev
Musharakah has felicitated the growth of my business Market share	2.19	1.066
Adopting Musharakah interest free loans enables business to gain competitive advantages	2.34	1.1410
MSMEs have gained market share due to interest free loans	2.52	1.506
Musharakah has improved my level of competitiveness on the market	2.91	1.153

Profitability

Several assertions regarding the impact of Profitability on MSMEs' financial performance were found, and respondents were asked to rate their level of agreement with each statement as it applied to their business. From the responses, mean and standard deviation were used for ease of interpretation and generalization of findings. The finding is presented in Table 2.

From Table 2, Musharakah has shared earnings with MSMEs at the conclusion of loan repayment had a mean of 2.42 with a standard deviation of 0.988, Musharakah has improved financial management skills had a mean of 2.90 with a standard deviation of 1.137, and Musharakah has improved financial management skills had a mean of 2.90 with a standard deviation of 1.137.Musharakah has moderately contributed to MSME financial growth, with a mean of 3.50 and a standard deviation of 1.405, and the management team is capable of improving financial profitability, with a mean of 3.51 and a standard deviation of 1.142.

Table 2: Profitability

	Mean	Std.Dev
Murabah has improved the sales growth rate of my business	1.78	0.880
Murabah has shared profits with me at the end of the loan repayment	2.42	0.988
Murabah has improved my financial management skills	2.90	1.137
Murabah has led to growth of my SME financially	3.50	1.405
The management team is able to improve the financial profitability	3.51	1.142

Extent to which Murabah Affect Financial Performance

The respondents were required to indicate the extent to which Murabah affected their organization. The finding shows that 23.5% of the respondents indicated very great extent, 29.4% indicated great extent, 11.8% indicated moderate extent, 23.5% indicated little extent and 11.8% indicated no extent.

Table 5: Extent to which Murabah **affected Financial Performance**

	Frequency	Percent
Very great extent	20	23.5
Great extent	25	29.4
Moderate extent	10	11.8
Little extent	20	23.5
No extent	10	11.8
Total	**85**	**100.0**

Mudarabah Affects Growth of MSMEs

Several statements regarding the effect of Mudarabah on growth of MSMEs were identified and the respondents were required to the extent of agreement with each statement as it relates to their business. From the responses, mean and standard deviation were used for ease of interpretation and generalization of findings. The finding is presented in subsequent sections

Extent to which Mudarabah Affects Growth of MSMEs

The respondents were asked to indicate the extent to which Mudarabah affected the growth of their organizations. From the finding, 11.8% of the respondents indicated very great extent, 22.4% indicated great extent, 17.6% indicated moderate extent, 35.3% indicated little extent and 12.9% indicated no extent.

Table 4.9: Extent to which Mudarabah Affects Growth of MSMEs

	Frequency	Percentage
Very great extent	10	11.8
Great extent	19	22.4
Moderate extent	15	17.6
Little extent	30	35.3
No extent	11	12.9
Total	**85**	**100.0**

Murabah on Credit Accessibility among MSMEs

Several statements regarding to the effect of Murabah on credit accessibility among MSMEs were identified and the respondents were asked to the extent of agreement with each statement as it relates to their business. From the responses, mean and standard deviation were used for ease of interpretation and generalization of findings.

Low Interest Rate

Several statements regarding the effect of Profitability on financial performance of MSMEs were identified and the respondents were required to the extent of agreement with each statement as it relates to their business. A scale of 1-5 where 1= No extent, 2= little extent, 3=moderate extent, 4=great extent and 5=very great extent was used. From the responses, mean and standard deviation were used for ease of interpretation and generalization of findings.

From the responses in Table 4.10, the respondents to a little extent indicated that Murabah has reduced the interest rates paid on borrowed loans which had a mean of 2.11 with a standard deviation of 0.980, diversified collateral for loans has enabled my accessibility to credit had a mean of 2.27 with a standard deviation of 1.189 and Murabah has diversified collateral needed for loans had a mean of 2.50 with a standard deviation of 1.167,

Table 4.10: Low Interest Rate

	Mean	Std. Dev
Murabah has reduced the interest rates paid on borrowed loans	2.11	.980
Diversified collateral for loans has enabled my accessibility to credit	2.27	1.189
Islamic banking has diversified collateral needed for loans	2.50	1.167

Extent to which Murabah Affect Credit Accessibility

The respondents were required to indicate the extent to which Murabah affected credit accessibility in their organization. From the finding, 35.3% of the respondents indicated very great extent, 37.6% indicate great extent, 17.6% indicated moderate extent, 5.9% indicated little extent and 3.5% indicated no extent.

Table 4.13: Extent to which Murabah Affect Credit Accessibility

	Frequency	Percent
Very great extent	30	35.3
Great extent	32	37.6
Moderate extent	15	17.6
Little extent	5	5.9
No extent	3	3.5
Total	**85**	**100.0**

Effect of Islamic Accounting on Financial Performance of MSMEs

To a little extent, respondents agreed that Islamic accounting has helped the growth of the business market, provided the necessary capital for business, and increased access to finance, and improved financial management abilities and market competitiveness. This finding concurs with that of Plakalović (2015) who states that having a strong financial knowledge gives entrepreneurs and their businesses competitive edge over their rivals. This will enhance to the improvement in the financial success of the business.

The respondents also to a little extent indicated that adopting Islamic accounting debt free loans enables businesses to gain competitive advantage share and MSMEs have gained market share due to debt free loans. Debt free loans imply that the MSME does not incur finance costs relating to the sources of funds and this enhances efficiency and effectiveness. This finding is in support with that of Hove, Sibanda, and Pooe (2014) that Islamic accounting has a positive impact on firm competitiveness. Businesses can get a competitive edge over MSMEs who lack financial resources primarily owing to excessive interest rates by implementing Islamic accounting interest-free loans. According to Omerzel and Gulev (2011) indicates that a firm should possess unique resources and also have the capabilities to exploit those particular resources so as to gain unique competitive advantage.

Effects of Islamic Accounting on Growth of MSMEs

The respondents further agreed to a little extent that Islamic accounting enabled to make higher incomes as a result of low interest rates. This is due to the fact that in comparison to the conventional accounting systems, Islamic accounts offer loans that do not attract interest. This is convenient for MSMEs in Nigeria. According to Aburime and Alio (2009) Islamic accounts are only permitted to receive deposits equal to the main amount of the loan. The study's findings further indicated that to a little extent, respondents agreed that Islamic accounting has shown good profitable investment opportunity. According to Baumbark and Lawyer (2013), Islamic accounts have been rendering investment and advisory services to the regions' accounts and other financial institutions to build their capacity in MSME accounting so that they can profitably and sustainably reach out to the MSME sector. Providing equity financing, lines of credit, risk sharing arrangements, trade financing, communicating best practices, improving processes and products, and streamlining delivery channels.

The study's conclusions also showed that Islamic accounting has made a wider market more accessible. This helps in growing the customer base and in the long run determines the revenue streams generated.

Islamic Accounting and Credit Accessibility among MSMEs

The respondents were in agreement to a little extent that Islamic accounting had reduced the interest rates paid on borrowed loan. The findings concurs with Walid (2015) who conducted research on the impact of Islamic accounting on economic growth in Nigeria. Walid found that higher interest rates lead to higher economic growth and that increased bank lending occurs whenever interest rates are favorable, which promotes economic growth. Islamic accounts generally provide lower account rates or no accounts rates at all but rather use Islamic model of financing business

The finding of the study further established that respondents to a little extent agreed that Islamic financing was a stable conventional way of financing. This is because of the ability to offer interest free loans. According to Sibanda and Pooe (2014) MSMEs should consider adopting the Islamic accounting interest free loans to finance their businesses as this will ensure profitable business.

Summary of the Study

The study's overarching goal was to investigate the impact of Islamic accounting reporting requirements on the financial performance of MSMEs in Nigeria. This study attempted to address the following research questions in order to achieve its goal: What impact does Musharakah have on the financial performance of Nigerian MSMEs? How has Mudarabah affected MSMEs' growth in Nigeria? What effect does Murabah have on financing availability among Nigerian MSMEs?

The study discovered that, to a little extent, Islamic accounting had facilitated the growth of business market share, provided the necessary capital for business, improved financial management skills, shared profits at the end of loan repayment, increased market competitiveness, and improved access to capital. MSMEs acquired market share as a result of interest-free loans, and Islamic accounting debt free loans allow firms to achieve a competitive edge share. Islamic accounting had moderately contributed to the financial growth of MSME, and management teams were able to improve financial profitability.

The study showed that to a little extent, Islamic accounting provided the necessary capital for business expansion, enabled higher incomes due to low interest rates, demonstrated good profitable investments to venture into, facilitated access to a larger market, acted as a stimulant for financial inclusion for small businesses, and improved compliance with regulatory provisions.

Conclusion

The study concludes that the management team of MSMEs is able to improve the financial profitability. Furthermore, Islamic accounting has resulted in financial growth for MSMEs. Islamic accounting has increased the market competitiveness of MSMEs. Furthermore, Islamic accounting has provided equal access to loans for the expansion of my business. Islamic accounting has increased MSME compliance with regulatory requirements. Islamic accounting has also diversified collateral needed for loans by MSMEs.

Recommendations

The study recommends that Islamic banks or account should use new MSME banking models to target MSMEs. The use of mobile accounting to enhance financial inclusion and reduce the cost of administering an account could be a good initial step. The management of MSMEs should also seek to enhance their financial performance by increasing their uptake of the Islamic accounting reporting principles.

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