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## Kata Pengantar

All praise and gratitude are due to Almighty God for His blessings and guidance, which have enabled the Journal of Applied Management, Economics, and Business to once again publish its latest edition—Volume 10, Number 1, April 2025. This publication marks a decade-long journey of our journal in contributing to the advancement of knowledge in the fields of management, economics, and business through the dissemination of high-quality and relevant scholarly works.

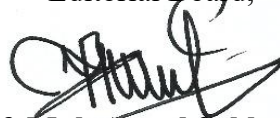
Over the past ten years, the Journal of Applied Management, Economics, and Business has remained committed to serving as a medium for sharing research findings, empirical studies, and conceptual analyses that provide meaningful insights for policymakers, academics, practitioners, and the broader community. In this edition, we present a collection of articles addressing contemporary topics such as managerial innovation, digital transformation, consumer behavior, entrepreneurship, economic development strategies, and current issues in modern business management.

We hope that each article featured in this issue will not only serve as an academic reference but also as a source of inspiration for researchers and practitioners in navigating the global challenges of management and economics.

We would like to extend our sincere appreciation to all authors who have entrusted their scholarly works to our journal, to the reviewers who have provided valuable feedback and assessments, and to the editorial team who continue to uphold consistency and academic integrity.

Finally, we hope that The Journal of Applied Management, Economics, and Business will make a meaningful contribution to the development of knowledge and business practices in Indonesia, and serve as a valuable reference for the advancement of academia and the professional world.

Editorial Board,



**Assoc. Prof. Muh. Amsal Sahban, Ph.D**  
**Editor in Chef**

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## **Pengaruh *Islamic Branding, Islamic Advertising, Labelisasi Halal* Dan *Halal Lifestyle* terhadap Keputusan Pembelian Kosmetik Wardah di Platform Tiktok Shop**

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### **ABSTRACT**

This quantitative study investigates how Halal Labeling, Halal Lifestyle, Islamic Branding, and Islamic Advertising influence purchase decisions for Wardah Cosmetics on the TikTok Shop platform. The research targets customers who have purchased Wardah products via TikTok Shop. Using Hair's formula ( $n \times 5$ ), with 25 indicators, the required sample size is 125 respondents—considered sufficient to represent the population. Purposive sampling was used as a sample approach to gather data from respondents' responses to the questionnaire (Google Form). Multiple linear regression analysis and the SPSS 25 computer tool's t-test and f-test for hypothesis testing are the methods of analysis employed. The study's findings indicate that (1) Islamic Branding significant effect on purchasing decisions for Wardah Cosmetics on the Tiktok Shop Platform. (2) Islamic Advertising has a significant effect on purchasing decisions for Wardah Cosmetics on the Tiktok Shop Platform. (3) Halal Labeling has an effect on purchasing decisions for Wardah Cosmetics on the Tiktok Shop Platform. (4) Halal Lifestyle has an effect on purchasing decisions for Wardah Cosmetics on the Tiktok Shop Platform. (5) Islamic Branding, Islamic Advertising, Halal Labeling and Halal Lifestyle on purchasing decisions for Wardah Cosmetics on the Tiktok Shop Platform together have simultaneous influence.

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### **Pendahuluan**

Indonesia merupakan negara populasi Muslim terbesar didunia. Data RISSC tahun 2023 mencatat 237,55 juta penduduk Indonesia (86,7%) beragama Islam. Diera Revolusi Industri 4.0, teknologi e-commerce membawa pengaruh signifikan terhadap berbagai aspek kehidupan masyarakat. (Ain, 2023). Industri kosmetik di Indonesia merupakan salah satu sektor ekonomi dengan persaingan yang semakin ketat. Produk kosmetik digunakan pada bagian luar tubuh untuk tujuan estetika atau kebersihan, tanpa fungsi medis. (Aulia & Zuhrotun, 2021).

Wardah menarik perhatian wanita Muslim karena menjadi kosmetik pertama di Indonesia yang bersertifikat halal. Fokus pada penampilan menarik membuat produknya digemari berbagai kalangan, dari remaja hingga dewasa. (Putri, 2019). Powder, eyeshadow, BB cream, White Secret, lipstick, lip cream, concealer, Lightening Series, and eyeliner are a few of Wardah's top items.

Pada 1999, Wardah mendapat sertifikasi halal dari MUI, memastikan produknya sesuai dengan hukum Islam. Tujuannya adalah memberikan kepuasan pelanggan melalui kosmetik yang halal dan aman. Wardah menerapkan strategi Islamic branding untuk menjangkau mayoritas

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konsumen Muslim di Indonesia, sejalan dengan tren hijrah di kalangan milenial yang meningkatkan minat pada produk halal.(Kamila, 2024). Harga, kualitas, bahan baku, dan sertifikasi halal menjadi faktor penting dalam keputusan pembelian kosmetik Wardah. Karena mayoritas penduduk Indonesia beragama Islam, calon konsumen dianjurkan untuk mempelajari produk secara teliti sebelum membeli. (Aisyah, 2021).

Dalam keputusan pembelian, pencitraan merek Islami sangat berperan penting. Label halal tidak hanya menjadi simbol, tetapi juga menunjukkan bahwa produk tersebut sesuai dengan prinsip Islam. Selain makanan, produk halal juga mencakup kosmetik, obat-obatan, pakaian, perbankan, dan keuangan. (Ardelia & Luthfi, 2024).

Agar promosi tepat sasaran kepada konsumen Muslim, pendekatan yang digunakan harus sesuai prinsip Islam. Promosi dalam Islam bertujuan mengenalkan dan menawarkan produk tanpa memberikan informasi berlebihan atau menyesatkan. Menurut (Mutaqin, 2013) Tujuan dan fungsi iklan dalam ekonomi Islam—yakni persuasif, edukatif, dan pengingat—mirip dengan iklan tradisional. Namun, dalam Islam, peran tersebut harus berlandaskan prinsip amanah (tanggung jawab dan dapat dipercaya) serta shiddiq (kejujuran dan kebenaran).

Kehalalan produk, terutama kosmetik, makin penting bagi konsumen Indonesia seiring meningkatnya pemahaman Islam. Label halal pada kemasan menjamin keamanan dan manfaat produk bagi Muslim maupun non-Muslim. Namun, keputusan pembelian kosmetik tidak hanya dipengaruhi oleh label halal saja.(Lafidah & Wusko, 2024).

Kebutuhan wanita untuk tampil menarik menjadi fokus utama, terutama dalam produk kosmetik halal.(Ma'arif, 2024). Salah satu tahap penting dalam proses pembelian adalah keputusan memilih produk dari berbagai alternatif sebelum melakukan transaksi. Contohnya, Wardah memanfaatkan platform daring seperti TikTok Shop untuk memasarkan produknya. (Haque, 2020).

## Metode Penelitian

Penelitian menggunakan pendekatan kuantitatif survei daring metode pengumpulan data primer. Kuesioner disebarikan melalui Instagram dan WhatsApp kepada konsumen yang pernah membeli kosmetik Wardah di platform TikTok Shop. Sampel penelitian sebanyak 125 responden dipilih berdasarkan pedoman (Hair, 2019) yaitu  $25 \times 5 = 125$  responden. Purposive sampling. Data terkumpul dianalisis skala Likert, perangkat lunak SPSSversi 25.

## Hasil Penelitian Dan Pembahasan

### Uji Validitas

Validitas diuji dengan SPSS pada 125 responden menggunakan alpha 0,05. Indikator dianggap valid jika nilai signifikansi  $< 0,05$  dan korelasinya positif.

Tabel 1. HasilPengujianValiditas

Variabel	Sig	Keterangan
<i>Islamic Branding</i>		
1	,000	Valid
2	,000	Valid
3	,000	Valid
4	,000	Valid
5	,000	Valid
6	,000	Valid
7	,000	Valid
8	,000	Valid

<i>Islamic Advertisting</i>		
1	,000	Valid
2	,000	Valid
3	,000	Valid
4	,000	Valid
5	,000	Valid
6	,000	Valid
7	,000	Valid
8	,000	Valid
<i>Labelisasi Halal</i>		
1	,000	Valid
2	,000	Valid
3	,000	Valid
4	,000	Valid
5	,000	Valid
6	,000	Valid
7	,000	Valid
8	,000	Valid
<i>Halal Lifestyle</i>		
1	,000	Valid
2	,000	Valid
3	,000	Valid
4	,000	Valid
5	,000	Valid
6	,000	Valid
<i>Keputusan Pembelian</i>		
1	,000	Valid
2	,000	Valid
3	,000	Valid
4	,000	Valid
5	,000	Valid
6	,000	Valid
7	,000	Valid
8	,000	Valid
9	,000	Valid
10	,000	Valid
11	,000	Valid
12	,000	Valid
13	,000	Valid
14	,000	Valid
15	,000	Valid
16	,000	Valid
17	,000	Valid
18	,000	Valid
19	,000	Valid
20	,000	Valid

Sumber :Data output SPSS yang diolah oleh peneliti 2025

Dari tabel di atas, semua item pertanyaan memiliki nilai sig < 0,05, sehingga dinyatakan valid.



### Uji Reliabilitas

Pengujian reliabilitas gunakan SPSSversi 25 mengacu koefisien Cronbach'sAlpha. Data dianggap reliabel nilai Alpha >0,6.

Tabel 2. HasilPengujianReliabilitas

No	Variabel	AlphaCronbach	Alpha	Keterangan
1.	<i>Islamic Branding</i>	,736	0,6	Reliabel
2.	<i>Islamic Advertisting</i>	,723	0,6	Reliabel
3.	<i>Labelisasi Halal</i>	,718	0,6	Reliabel
4.	<i>Halal Lifestyle</i>	,714	0,6	Reliabel
5.	Keputusan Pembelian	,967	0,6	Reliabel

*Sumber :Dataoutput SPSS diolah oleh peneliti 2025*

Setiap variabel memiliki nilai Cronbach'sAlpha diatas 0,6, variabel IslamicBranding, IslamicAdvertising, Labelisasi Halal, dan Halal Lifestyle terhadap Keputusan Pembelian (Y) reliabel.

### Uji Normalitas

Uji normalitas dilakukan Kolmogorov-SmirnovTest. Data normal nilai signifikansinya >0,05.

Tabel 3. HasilPengujianNormalitas  
One Sample Kolmogorov-Smirnov Test

		Studentized Deleted Residual
N		125
NormalParameters <sup>a,b</sup>	Mean	,0071897
	Std.Deviation	1,01722213
MostExtremeDifferences	Absolute	,068
	Positive	,068
	Negative	-,046
Test Statistic		,068
Asymp. Sig. (2-tailed)		,200 <sup>c,d</sup>

*Sumber :Dataoutput SPSS diolah oleh peneliti 2025*

Hasil uji normalitas, nilai signifikansi 0,200>0,05, residual berdistribusi normal.

### Uji Multikolinieritas

Uji multikolinearitas nilai Tolerance dan VIF bebas multikolinearitas Tolerance ≥0,1 VIF≤10.

Tabel 4. HasilPengujianMultikoliniritas

Model	CollinearityStatistics	
	Tolerance	VIF
(Constant)		
1 <i>Islamic Branding</i>	,969	1,032
<i>Islamic Advertisting</i>	,795	1,258
<i>Labelisasi Halal</i>	,816	1,225

Model	CollinearityStatistics	
	Tolerance	VIF
Halal Lifestyle	,828	1,218

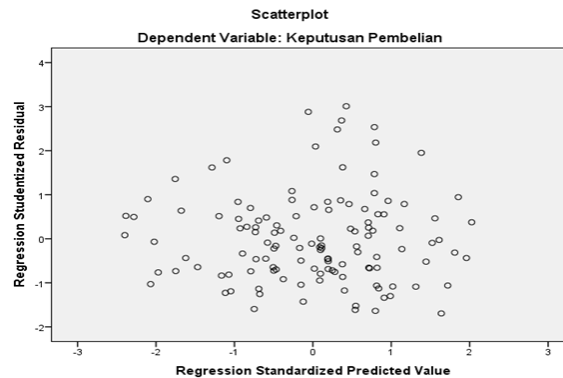
Sumber :Data output SPSS yang diolah oleh peneliti 2025

Dari tabel terlihat bahwa semua variabel bebas memiliki nilai  $VIF \leq 10$  dan  $tolerance \geq 0,1$ . Ini menunjukkan bahwa model bebas dari masalah multikolinearitas.

### Uji Heteroskedastisitas

Uji heteroskedastisitas apakah terdapat perbedaan varian residual pengamatan model regresi. Penelitian gunakan metodescatterplot, dan hasilnya ditampilkan grafikberikut

Gambar 1. HasilPengujianHeteroskedastisitas



Sumber :Dataoutput SPSS diolah oleh peneliti 2025

Grafik tidak terlihat pola dan titik-titik menyebar acak diatas bawah sumbu Y angka 0. model bebas gejala heteroskedastisitas.

### Analisis Regresi Linier Berganda

Tabel 5. Hasil RegresiLinierBerganda  
Coefficients<sup>a</sup>

Model	Unstandardized Coefficients		Standardized Coefficients
	B	Std. Error	Beta
1 (Constant)	11,357	3,155	
Islamic Branding	,244	,055	,443
Islamic Advertising	1,203	,069	1,069
Labelisasi Halal	,472	,117	,705
Halal Lifestyle	,254	,144	,250

Sumber :Dataoutput SPSS yang diolah oleh peneliti 2025

:  

$$Y = 11,357 + 0,244 X_1 + 1,203 X_2 + 0,472 X_3 + 0,254 X_4$$

Penjelasannya sebagai berikut:

- 1 Konstanta 11,357 menunjukkan variabel *IslamicBranding*, *Islamic Advertising*, *Labelisasi* Halal, dan *Halal Lifestyle* tetap, Keputusan Pembelian akan sebesar 11,357.
- 2 Koefisien Islamic Branding 0,244 berarti setiap kenaikan satuan meningkatkan Keputusan Pembelian 0,244, dengan variabel lain konstan.
- 3 Koefisien IslamicAdvertising 1,203 menunjukkan peningkatan satuan meningkatkan Keputusan Pembelian 1,203, dengan variabel lain konstan.

- 4 Koefisien LabelisasiHalal 0,472 berarti kenaikan satuan meningkatkan Keputusan Pembelian 0,472, dengan variabel lain konstan.
- 5 Koefisien HalalLifestyle 0,254 menandakan kenaikan satuan meningkatkan KeputusanPembelian 0,254, variabel lain konstan

### Koefisien Determinasi (R Square)

Tabel 6. koefisiendeterminasi R<sup>2</sup>

ModelSummary <sup>b</sup>				
Model	R	RSquare	Adjusted R Square	Std. Errorofthe Estimate
1	,919 <sup>a</sup>	,845	,840	2,33753

*Sumber :Data output SPSS yang diolah oleh peneliti 2025*

Koefisien determinasi (Adjusted R<sup>2</sup>) 0,840 menunjukkan 84% variasi keputusan pembelian dipengaruhi variabel Islamic Branding, Islamic Advertising, Labelisasi Halal dan Halal Lifestyle sedangkan 16% lainnya dipengaruhi faktor lain diluarpenelitian ini.

### Uji Hipotesis

#### 1. Uji t / Parsial

Tabel 7. HasilUjiParsial

Coefficients <sup>a</sup>					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std.Error	Beta		
1 (Constant)	11,357	3,155		3,600	,000
Islamic Branding	,244	,055	,443	4,442	,000
Islamic Advertisting	1,203	,069	1,069	17,469	,000
Labelisasi Halal	,472	,117	,705	4,021	,000
Halal Lifestyle	,254	,144	,250	3,463	,000

*Sumber :Data output SPSS yang diolah oleh peneliti 2025*

Jika nilaiprobabilitas  $t < 0,05$ , variabelindependen berpengaruh signifikan terhadap variabeldependen. Berdasarkan hasil uji t:

- 1 Islamic Branding berpengaruh positif dan signifikan terhadap KeputusanPembelian dengan nilai sig  $0,000 < 0,05$ .
- 2 Islamic Advertising juga berpengaruh positif dan signifikan dengan nilai sig  $0,000 < 0,05$ .
- 3 Labelisasi Halal menunjukkan pengaruh positif dan signifikan dengan nilai sig  $0,000 < 0,05$ .
- 4 Halal Lifestyle memiliki pengaruh positif dan signifikan terhadap KeputusanPembelian dengan nilai sig  $0,000 < 0,05$ .

#### 2. Uji F ( Simultan )

Tabel 8. HasilUjiF

ANOVA <sup>a</sup>					
Model	SumofSquares	df	MeanSquare	F	Sig.
1 Regression	3578,651	4	894,663	163,736	,000 <sup>b</sup>
Residual	655,686	120	5,464		
Total	4234,337	124			

*Sumber :Data output SPSS yang diolah oleh peneliti 2025*

Nilai signifikansi  $0,000 < 0,05$ , disimpulkan Islamic Branding, Islamic Advertising, Labelisasi Halal dan Halal Lifestyle secara simultan berpengaruh signifikan terhadap Keputusan Pembelian.

## **Pembahasan**

### **Pengaruh *Islamic Branding* Terhadap Keputusan Pembelian**

Hasil uji t menunjukkan nilai signifikansi Islamic Branding (X1)  $0,000 < 0,05$ , berarti Islamic Branding berpengaruh positif dan signifikan terhadap Keputusan Pembelian (Y). Hal ini sejalan dengan penelitian (Ardelia & Nugroho, 2019) yang menemukan pengaruh positif Islamic Branding terhadap keputusan pembelian kosmetik halal di kalangan mahasiswa Yogyakarta.

Wardah mengadopsi strategi pemasaran dengan menonjolkan nilai-nilai Islami, seperti label halal dan bahan aman sesuai syariat Islam. Hal ini menjadikan Wardah favorit konsumen Muslim yang menginginkan produk berkualitas dan halal. Di platform TikTok Shop, pengaruh tersebut semakin kuat melalui ulasan, tutorial, dan testimoni pengguna yang membangun kepercayaan serta kedekatan emosional konsumen terhadap produk Wardah.

### **Pengaruh *Islamic Advertising* Terhadap Keputusan Pembelian**

Hasil uji t menunjukkan nilai signifikansi Islamic Advertising (X2)  $0,000 < 0,05$ , berarti Islamic Advertising berpengaruh positif dan signifikan terhadap Keputusan Pembelian (Y). Penelitian (Amilin & Sujianto, 2023) juga mendukung temuan ini, Islamic Advertising berpengaruh signifikan terhadap keputusan pembelian di konveksi busana muslim.

Iklan yang mengangkat nilai Islami mampu membangun kepercayaan dan keterikatan emosional konsumen. Wardah, dengan konsep halal, menarik konsumen Muslim yang mengutamakan prinsip syariah. Iklan yang menonjolkan kehalalan dan kesesuaian produk dengan ajaran Islam memberikan rasa aman bagi konsumen. Di TikTok, konten visual kreatif yang menampilkan kecantikan alami dan keberkahan produk semakin efektif menarik perhatian dan memengaruhi keputusan pembelian.

### **Pengaruh Labelisasi Halal Terhadap Keputusan Pembelian**

Hasil uji t menunjukkan nilai signifikansi Labelisasi Halal (X3)  $0,000 < 0,05$ , yang berarti label halal berpengaruh positif dan signifikan terhadap Keputusan Pembelian (Y). Penelitian (Putri et al., 2022) juga mendukung hal ini, menemukan bahwa label halal memengaruhi keputusan pembelian konsumen secara positif.

Label halal produk Wardah memberikan rasa aman kepercayaan bagi konsumen Muslim produk dianggap sesuai syariah dan bebas dari bahan haram. Di TikTok Shop, keberadaan label halal semakin diperkuat melalui video pendek dan testimoni pengguna yang menegaskan keamanan dan kesesuaian produk dengan prinsip Islam. Hal ini meningkatkan kredibilitas merek dan mendorong konsumen untuk memilih produk Wardah sesuai keyakinan mereka.

### **Pengaruh Halal *Lifestyle* Terhadap Keputusan Pembelian**

Hasil uji t menunjukkan nilai signifikansi Halal Lifestyle (X4) sebesar  $0,000 < 0,05$ , yang berarti Halal Lifestyle berpengaruh positif dan signifikan terhadap Keputusan Pembelian (Y). Penelitian (Homseh, 2023) juga menemukan bahwa gaya hidup halal secara signifikan memengaruhi keputusan pembelian produk halal.

Halal lifestyle yang berlandaskan prinsip syariah mempengaruhi pilihan konsumen Muslim dalam memilih produk, termasuk kosmetik. Wardah, dengan penekanan pada sertifikasi halal dan nilai Islam dalam pemasarannya, berhasil membangun kepercayaan konsumen yang mengutamakan aspek halal. TikTok Shop sebagai platform video pendek memberikan peluang bagi Wardah untuk mempromosikan produk secara personal dan kreatif melalui tutorial dan ulasan yang menonjolkan kehalalan dan keamanan bahan. Kombinasi ini memperkuat citra Wardah dan mendorong keputusan pembelian konsumen muda.

### **Pengaruh *Islamic Branding, Islamic Advertising, Labelisasi Halal Dan Halal Lifestyle Terhadap Keputusan Pembelian***

Hasil perhitungan menunjukkan nilai signifikansi  $0,000 < 0,05$ , berarti *Islamic Branding* (X1), *Islamic Advertising* (X2), *Labelisasi Halal* (X3), *Halal Lifestyle* (X4) secara bersama-sama berpengaruh positif dan signifikan terhadap *Keputusan Pembelian* (Y). Hal ini sejalan dengan (Sari, 2020) dan (Ahsan, 2022) menyatakan variabel-variabel tersebut secara simultan memengaruhi keputusan pembelian.

Produk dan merek yang mengintegrasikan nilai-nilai Islam dalam, iklan, label halal, dan gaya hidup halal memiliki potensi membangun hubungan kuat dengan konsumen Muslim. *Islamic Branding* membantu membentuk citra religius Wardah sebagai merek yang mewakili Muslimah modern dan taat. *Islamic Advertising* Wardah mengkomunikasikan pesan sesuai syariat Islam melalui model berhijab, bahasa santun, dan narasi nilai kesucian.

Label halal menjadi faktor utama yang memberikan kepercayaan bagi konsumen dalam memilih produk sesuai prinsip agama. Selain itu, gaya hidup halal yang semakin populer di kalangan generasi muda Muslim, khususnya pengguna media sosial seperti TikTok, mendorong mereka memilih produk yang mencerminkan nilai Islami.

Melalui TikTok Shop, Wardah memadukan strategi pemasaran islami dan kemudahan akses, sehingga menjadi pilihan utama konsumen Muslim untuk kosmetik halal, berkualitas, dan sesuai gaya hidup. Keempat faktor tersebut secara bersama-sama memberikan pengaruh positif dan signifikan terhadap keputusan pembelian kosmetik Wardah di era digital.

### **Kesimpulan**

Berdasarkan analisis data terkait pengaruh *Islamic Branding, Islamic Advertising, Labelisasi Halal, dan Halal Lifestyle* terhadap keputusan pembelian kosmetik Wardah di platform TikTok Shop, dapat disimpulkan:

- 1 *Islamic Branding* berpengaruh signifikan terhadap keputusan pembelian.
- 2 *Islamic Advertising* berpengaruh signifikan terhadap keputusan pembelian.
- 3 *Labelisasi Halal* berpengaruh signifikan terhadap keputusan pembelian.
- 4 *Halal Lifestyle* berpengaruh signifikan terhadap keputusan pembelian.
- 5 Keempat variabel tersebut secara simultan berpengaruh signifikan terhadap keputusan pembelian kosmetik Wardah di TikTok Shop.

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# Information Technology and Its Role in Enhancing the Quality of Banking Services: An Analytical Study on Selected Iraqi Banks in Babylon

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## ABSTRACT

The aim of this research is to measure the impact of information technology on the quality of banking services. The research problem is centred around assessing how information technology contributes to the development of banking service quality. A questionnaire was used as the primary tool for data collection, with 100 forms distributed among a sample of customers and employees from banks operating in Babylon Governorate. The collected data was analyzed using the statistical software (SPSS).

The study reached a set of conclusions indicating that various dimensions of information technology—namely human resource skills, databases, communication networks, and software—significantly influence the enhancement and development of banking service quality. The study recommends that banks should place greater emphasis on continuously developing their information technology capabilities due to its vital role in improving banking services.

This research is of particular relevance to bank management and decision-makers, as it highlights the importance of information technology and its role in strengthening banking services, ultimately contributing to increased customer loyalty.

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## Introduction

The banking industry is undergoing a radical transformation in light of the rapid development of information technology (IT), which has become a cornerstone for improving performance and enhancing the quality of services provided to customers. Academic studies have proven that effective investment in banking technologies not only contributes to enhancing internal efficiency but also leads to increased customer satisfaction and achieving substantial competitive advantages (Al-Atwi & Kazem:2024). In the Iraqi context, local research highlights the importance of adopting IT within banks, particularly in governorates such as Najaf and Babil. An empirical study of a group of commercial banks in Najaf, such as Babylon Bank and Rafidain Bank, demonstrated a strong, positive correlation between the use of IT and the quality of banking services. The researchers found that enhancing the technical infrastructure directly reflects improved performance indicators and the quality of the banking experience. The importance of this research lies in its approach to the local context of Babil, drawing on local experiences and practices and drawing inspiration from international theoretical frameworks. It assesses the role of information technology in real banking institutions within the governorate. Its methodology is based on a comprehensive analysis utilizing quantitative and qualitative tools, aiming to uncover the impact of this technology on multiple dimensions, including speed, accuracy, security, satisfaction, and competitiveness (Thamer, *etal.*, 2024).

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The expected results are expected to provide practical recommendations formulated in accordance with international standards. These recommendations will guide decision-makers within banking institutions in Babylon toward sustainable digital strategies that enhance service quality and meet customer expectations in a rapidly changing society, free from the reliance on pre-packaged electronic text solutions.

### Problem statement

The rapid advancement in the field of information technology has led to numerous changes that have reshaped the global economic landscape, transforming it into a digital economy. The central problem addressed by this research arises from the following main question: Does the use of information technology play a clear role in developing or improving the quality of banking services?

Accordingly, the research seeks to answer the following sub-questions:

- a. what is meant by information technology, and to what extent does it influence the banks under study?
- b. How is the quality of banking services defined, and what is the level of its key dimensions (reliability, credibility, and responsiveness) in the selected banks?
- c. Is there a measurable impact of information technology on the improvement of banking service quality?

### Research Significance

The significance of this study lies in the contemporary relevance of banking institutions and the ongoing developments in the banking environment, which necessitate the adoption of information technology to ensure sustainability and competitiveness. The importance of the research stems from its focus on two core variables: the independent variable (information technology) and the dependent variable (the dimensions of banking service quality). Both variables play a critical role in attracting more customers and maximizing profitability. Furthermore, the findings and conclusions of this study are expected to benefit students, scholars, and practitioners interested in enhancing the performance of banking services through technological means.

### Research Objectives

This study aims to:

- a. Assess whether the quality of banking services meets the expectations of customers interacting with the selected banks.
- b. Examine the impact of information technology on the enhancement of banking service quality.
- c. Analyze the relationship between information technology and the key dimensions of service quality.
- d. Explore the extent to which information technology is applied in the selected banking institutions.

### Literature review and Hypothesis Development

Several previous studies have addressed aspects related to this research. Notably: A study by Al-Mukhtar (2010, 22) titled "*Barriers to the Development of Electronic Banking in Libyan Banks*" explored the reality of electronic banking services in Libyan banks. It investigated the motives and challenges hindering their expansion. The study surveyed three groups: 161 bank employees, 276 customers, and 17 central bank employees. The results indicated a relationship between various service quality dimensions (such as responsiveness, convenience, credibility, and security) and the obstacles to electronic banking development. Another study by Joseph *et*



al. (2005) aimed to identify areas of customer dissatisfaction regarding banking technology services. Conducted in the UK, the statistical study concluded that customer satisfaction was high in terms of accuracy, security, responsiveness, and efficiency. However, customers expressed dissatisfaction with the long wait times associated with electronic banking services. The authors recommended that banks increase investments in upgrading their electronic services to better meet customer expectations. In Jordan, Siam (2006) investigated the impact of electronic banking services on bank profitability. The study found a positive correlation between the use of electronic channels and profitability. However, it also highlighted that Jordanian banks were more inclined to expand electronic operations rather than fully digitize all banking activities.

### Proposed Conceptual Framework

The study adopts a hypothetical model that assumes a relationship between the components of information technology (human resource skills, databases, communication networks, and software) and the dimensions of banking service quality (reliability, credibility, and responsiveness). This model guides the analytical approach of the research and frames the hypotheses to be tested empirically.

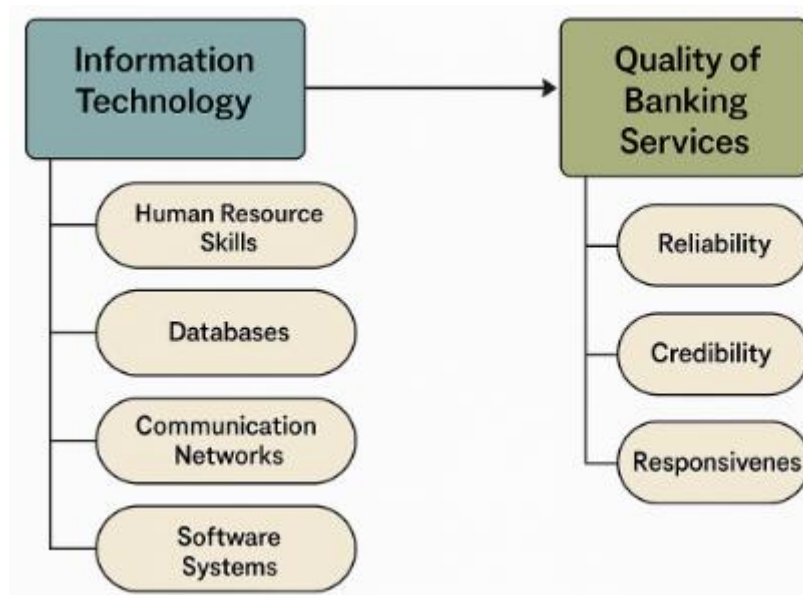


Figure (1): Proposed Conceptual Framework of the Study. To further clarify the conceptual model, the following explanation is provided:

a. Independent Variable:

Information Technology, which encompasses the following components:

- Human resource skills
- Databases
- Communication networks
- Software systems

b. Dependent Variable:

Quality of Banking Services, measured by the following dimensions:

- Reliability
- Responsiveness
- Credibility and Security

## Research Hypothesis

This study addresses its central problem through the following main hypothesis:

"Information technology has a positive and significant effect on improving the quality of banking services."

From this main hypothesis, four sub-hypotheses are derived:

- a. Hardware components and software systems have a significant and positive impact on enhancing banking service quality.
- b. Databases have a significant and positive impact on enhancing banking service quality.
- c. Communication networks have a significant and positive impact on enhancing banking service quality.
- d. Human resource skills have a significant and positive impact on enhancing banking service quality.

## Concept of Information Technology:

In recent years, the global banking sector has witnessed significant developments in the nature of services it provides. These advancements differ substantially from traditional banking services, as banks are now striving to innovate, create, and offer new financial services aimed at gaining customer satisfaction and, ultimately, earning their trust. This trust, in turn, contributes to strengthening customer relationships and increasing the volume of transactions. To achieve this goal, it is essential to ensure high-quality banking services, as service quality has become a cornerstone of modern banking operations. Accordingly, banks have increasingly focused on delivering high standards of service, recognizing that quality has become a key competitive advantage and a pathway to leadership and distinction in the financial market (Jadah & Al-Husainy, 2019).

The integration of information technology into banking operations has significantly transformed the nature of banking services, enabling their continuous development and alignment with the rapid advancements occurring in the financial sector. As a result, electronic banking has emerged as a prominent outcome of this digital evolution, reshaping the way banks interact with and serve their clients.

Technology refers to the means and activities used by humans to develop and transform their environment to suit their needs and desires. Linguistically, technology can be defined as the science of techniques or the study of technical arts. Technically, technology is the optimal application of knowledge in various sectors such as industrial, agricultural, social, and economic fields (Altomayy, 2009:171). According to Hellriegel (2001:396), technology consists of tools, procedures, means, and techniques used to convert inputs into outputs represented by goods and services. Thus, technology is a set of physical and non-physical methods used to transform inputs (materials and information) into outputs like goods and services, which can be employed to improve the quality of banking services.

Information is data endowed with credibility and provided for a specific purpose, presented within a clear and defined context (Al-Sairafi, 2009:4). It is also defined as a collection of organized and coordinated data in a synthetic manner that provides a specific meaning and a coherent structure of ideas and concepts enabling humans to benefit from it to gain knowledge and make discoveries (Romney & Steinbart, 1997:713). Information is processed data transformed from meaningless raw data into meaningful concepts that assist in decision-making (Al-Sharman, 2004:14). Hence, information is a set of facts and concepts obtained from various sources, collected, organized, and analyzed to extract what can be used in decision-making.

Likewise, Information Technology (IT) according to Hellriegel, *et al.* (1999), refers to computer-based systems designed to help organizations and their human resources in data

collection, storage, retrieval, processing, and transmission. It is also defined as a systematic and orderly method used to apply various bodies of knowledge after organizing and arranging them within a specific system aimed at finding appropriate solutions to scientific tasks (Al-Wadi, 2011:270). Additionally, it is described as a technical language, science, and method to achieve practical purposes, rather than just a set of tools used to provide everything necessary for human life and welfare (Musn, 2001:8).

But researcher Robbey (1986:516) defined IT as all types of software, hardware, and equipment related to computing and communication, whether personal computers, phones, or management information systems. According to Knott & Waites (1997:1), IT is a term used to describe a range of products and systems that process, manage, and generate information using computer technology. Slack et al. (1998:282) described IT as the means used to collect, store, analyze, process, distribute information, and communication networks. Scherhorn et al. (2000:242) described it as a combination of mechanisms and systems used to collect data, store, analyze, disseminate, and broadcast it to convert it into information. Turben (1999:19) viewed IT as hardware, databases, software, and communication networks.

In summary, technology is a body of knowledge derived from scientific research that humans employ to save time, effort, and cost. Information Technology includes the physical components of computers, ready-made software, communication networks, and other devices required for processing, storing, organizing, displaying, sending, and retrieving information efficiently, quickly, and accurately.

### **Importance of Information Technology**

In recent years, researchers and strategists have predicted an information revolution, which has now become a real and practical reality. We now live in an information age characterized by the ability to generate new knowledge, which is the main driver of economic and social growth. This new era is distinguished by the presence of computers everywhere, global communication networks, and electronic publishing, making the information age a tangible reality. This reality translates into unprecedented job opportunities for information professionals who know how to organize and utilize information assets and possess analytical and technical skills to understand information strategies for all types of organizations (Elliot, 2000:5).

Therefore, the use of information technology significantly supports achieving several strategies, including (O'Brien, 2000:16):

- a. Cost Leadership Strategy: IT helps reduce costs in production, customer service, marketing, and more, leading to increased profits.
- b. Differentiation Strategy: By developing ways to use IT specific to institutions, they can distinguish their products and services from competitors, improving their competitive ability.
- c. Innovation (Creativity) Strategy: Through modern working methods, IT plays a key role in creating barriers against shifts in power balances between the institution and its suppliers, changing the bases of competition, raising production efficiency, and creating competitive advantages.

Due to the large size and wide economic activities of many business organizations, which result in the production of massive amounts of diverse data, the need for IT has increased to operate these data and produce useful information.

### **Strategic Objectives of Information Technology**

Information technology can achieve several objectives at both government and private sector levels across various fields and departments, including the following:

- a. Enhancing transparency and reducing fraud and errors.

- b. Providing accurate and up-to-date information to enable sound decision-making.
- c. Optimizing the use of time more efficiently.
- d. Simplifying organizational procedures and operations, making them clearer and more effective.
- e. Aiming to solve problems faced by employees within the organization.
- f. Facilitating the transmission of information and data from sender to receiver in the shortest possible time, at the lowest cost, and with the highest accuracy.

### **Characteristics of Information Technology**

- a. Interactivity: IT users can act as both receivers and senders of information simultaneously.
- b. Cost-effectiveness: Electronic processing of information significantly reduces costs compared to manual processing.
- c. Timeliness: Information should be available at the appropriate time for users' needs, which requires minimizing the time needed for data processing. This is achievable through computer technology, which enables accurate information retrieval promptly. IT enhances the speed of banking operations and reduces procedural steps, while also allowing customers to quickly access services such as balance inquiries, fund transfers, and exploring banking products.
- d. Accuracy: Computers consistently produce precise information with minimal technical or human error, and these errors are negligible compared to the vast amounts of data processed manually.
- e. Flexibility: IT users can benefit from its services while on the move via various communication means. It also allows for the transfer of information across different media, such as converting audio messages to printed text, with the ability to control communication systems.
- f. Speed: One of the most notable advantages of computers is their speed, which can vary but can reach millions of operations per second in some types.
- g. Reducing Distances: Thanks to IT, the world has become like a small village with diminished geographical boundaries, as electronic connectivity has brought places closer together virtually.

### **Components of Information Technology**

Information technology consists of four main components:

- a. Hardware and Software: These include physical devices used for input, processing, output, storage, and the physical media connecting these parts. The computer is an electronic device that executes instructions, performs calculations and logical operations on data, processes it, and produces results (information) useful in various work fields. It is a system capable of managing information processing, storage, retrieval, and transmission.
- b. Human Resource Skills: Qualified and trained personnel are essential to perform different IT activities. Human resources must have diverse skill levels and competencies depending on the system's nature and functions. Training the workforce is crucial, even though extensive facilities may not be readily available, making effective employee training a necessity.
- c. Communication Networks: These are means used to send and receive data and information. They consist of multiple stations located in different places, connected via media that enable users to conduct transmission and reception. The World Wide Web (WWW) is an extensive network of interconnected documents accessible through web browsers, facilitating the transfer of diverse types of information including programs, news, audio, video, and text.
- d. Databases: These are collections of interrelated data or information stored on physical media such as hard drives, floppy disks, or tapes. Building interconnected local, regional, and international databases is a prerequisite for applying IT. Using databases enhances the accuracy and speed of accessing information and generating reports. Therefore,

management should leverage databases and develop their management systems to integrate with other IT capabilities effectively.

### **Impact of Technology on Banking Services:**

Technological advancements in banking have led to significant changes and developments. The economic impact of new technologies depends on their adoption rate and how well banks and financial institutions assimilate them. Banks have become among the foremost users of IT, benefiting from it by improving service delivery, expanding banking services, and increasing operational efficiency.

Some key effects of modern technology on banking organizations include (Mohammed & Mohsin, 2024):

- a. Technology acts as a double-edged sword for managers; while it enhances operational efficiency and bank performance, it also imposes certain constraints. Simultaneously, it empowers banks to develop and offer new financial products and services to customers.
- b. It influences the growth and diversification of banking services, enabling banks to provide a wide array of services tailored to customer needs.
- c. Technology impacts banking personnel, requiring them to adapt to these changes by acquiring skills related to electronic banking and fostering creativity and continuous improvement.
- d. IT helps banks overcome product and service obsolescence and enables the creation of new services that diversify bank revenues from fees and commissions rather than relying heavily on interest rate margins.

### **Banking Service Quality**

Like other institutions, banking organizations offer various services and play a crucial role in the economic sector. They serve as a means to fulfill the goals and requirements of customers and institutions seeking to deposit their savings.

Banking service, conceptually, does not differ significantly from the general notion of service. It represents an activity or work performed for the beneficiary through individuals or machines. It is fundamentally intangible and does not result in the transfer of ownership (Mustafa, 2003). It can be defined as a set of activities and processes that combine tangible and intangible elements provided by the bank, which customers perceive through its features and utility value. These services satisfy their current and future financial and credit needs (Samiha Khallou, 2016).

Kotler and Armstrong defined banking services broadly as activities or benefits offered by a seller to a buyer. By nature, these services are intangible and their sale does not involve transferring ownership of a physical product. Schwartz identified four main dimensions of banking service quality: the banking service itself, the manner of delivery and customer service, and the material and electronic resources available.

### **Dimensions of Banking Service Quality**

Experts vary in defining quality dimensions, and there are multiple aspects to banking service quality. This study focuses on the most essential and influential dimensions related to improving banking service quality:

- a. Reliability: This refers to an organization's ability to deliver services correctly from the first attempt, accurately fulfilling service requirements reliably, and fulfilling its promises with minimal errors (Al-Bahi, 2016).
- b. Credibility or Security: Organizations, especially banks, aim to gain customer confidence by establishing trust in the bank's information and the courtesy of its service evaluators.

This dimension emphasizes the importance of trust in services perceived as risky by customers, such as banking and insurance services. Trust forms the connection between the client and the bank, sometimes involving intermediaries like securities brokers or insurance agencies. Some banking policies focus on building trust and loyalty between staff and customers (Shaya and Al-Mousawi, 2016).

- c. Responsiveness: In banking service quality, responsiveness means the provider's readiness and willingness to deliver the requested service promptly, assist customers in resolving specific issues within an appropriate timeframe, and respond quickly to customer needs. It also involves a courteous and proper attitude toward customer inquiries and complaints. This dimension balances responsiveness with the dynamic nature of service encounters, especially in face-to-face customer interactions (Aboud, 2014).

### **Mechanisms for Developing Banking Services**

The importance of developing banking services requires understanding the mechanisms through which service quality can be enhanced. This includes the bank's ability to analyze customer preferences and needs and evaluate the success or failure of developed services. Banking services development involves several key mechanisms (Nawal Hilo, 2013):

- a. Idea Generation: Continuous search for new ideas that improve banking service quality is essential. These ideas should be innovative and customer-oriented, stemming from interactions between the external environment and the bank itself. The more innovative ideas generated, the higher the chance of identifying applicable solutions that enhance service quality. Banks typically collect ideas from employees, customers, or through collaboration with other banks (Mohsin *et al.*, 2021).
- b. Idea Screening: Banks gather ideas randomly, but not all are viable or economically feasible. This stage involves reviewing, narrowing down, and excluding ideas with limited benefits or impractical implementation potential. The focus is on selecting ideas that align closely with customer needs and offer the greatest benefit (Jadah *et al.*, 2020)
- c. Idea Evaluation: After screening, ideas are studied to assess the bank's ability to implement the services or products and the likelihood of customer acceptance. This includes forecasting economic outcomes and evaluating the potential benefits to the bank. Evaluation is an ongoing process that evolves with improvements in banking service quality (Samer Jalda, 2009).
- d. Service Development: At this stage, ideas are transformed into tangible offerings on a trial basis. Banks invest resources to introduce the service to a sample of customers for real-world testing and feedback on features and satisfaction levels. Service development relies on realistic market analysis and identifying changes within the service environment. It aims to meet the needs and desires of new customer segments by expanding the bank's distribution network to previously untapped areas (Hawari and Jalil, 2008).
- e. Market Introduction: This marks the service's entry into the banking market and the start of its life cycle. Banks must ensure new services align with market demands, competitive capabilities, and profitability expectations. Effective promotion and the bank's ability to attract new customer segments by improving service features are crucial. Encouraging existing customers to increase their usage rates of current services is also important (Al-Shammari and Abdulat, 2008).

### **Sources for Developing Banking Services**

There are several sources that contribute to the development of banking services, which can be summarized as follows:

#### **Bank Employees**

Bank employees represent the primary interface in constant contact with customers. Through their ongoing interactions with clients, they gain comprehensive experience and a deep

understanding of customers' needs. This enables them to accurately interpret these needs and provide the most suitable banking services to clients (Al-Ajarmeh, 2005)

### **Bank Research Departments**

The advancement in banks is evident, as bank management increasingly emphasizes the importance of research departments within their organizational structure. These departments conduct studies related to service development and propose scientific solutions for improvement mechanisms. The bank's management relies on these studies to make strategic decisions aimed at updating and enhancing banking services to maintain competitiveness.

### **Specialized Institutes and Universities**

In developed and major countries, banks maintain continuous collaboration with specialized institutes and universities to benefit from their research outputs and practical expertise. Universities and research institutes are recognized as key practical resources that banks can leverage to improve and innovate their service offerings (Abdullah, 2008).

### **Improving Banking Service Quality through Information Technology**

Banks aiming for growth and to keep pace with economic and financial changes must maintain flexibility in their operational policies and continuously update them according to the nature of their activities. The adoption of information technology by banks has necessitated the formulation of specific regulations that align with the unique nature of digital banking services. For instance, electronic banking services require clear regulations that define the responsibilities of all parties involved and protect users from potential risks associated with these services. Furthermore, banks need to establish an organizational structure characterized by flexibility, which encourages innovation and renewal among employees (Abdul Mohsen, 1987).

Banking service quality is one of the most important strategies used by institutions to attract and retain customers. Increasing attention to enhancing quality and producing services tailored to customer needs, combined with efficient performance in various institutional functions (production, finance, marketing), and the optimal utilization of resources, human capital, and technology, leads to the highest level of customer satisfaction. A satisfied and loyal customer is essential for the institution's sustained presence and support in the market, demonstrated through continued patronage. Therefore, banking institutions must continuously innovate to improve the quality of their services and achieve greater customer satisfaction.

### **Description and Analysis of the Research Sample Responses**

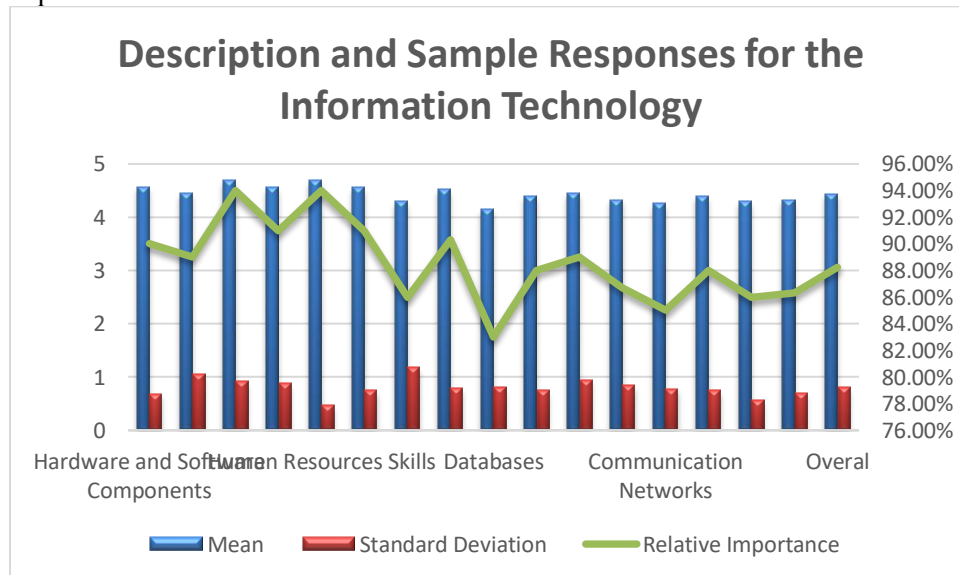
#### **Independent Variable: Information Technology**

The variable of Information Technology was measured through four main dimensions: hardware and software components, human resource skills, communication networks, and databases. Table (1) below shows that the level of enhancement of information technology devices is high. This is confirmed by the mean score of this variable, which reached 4.56—significantly higher than the standard mean of 3—with a standard deviation of 0.807, reflecting good consistency in the responses of the sample members, and an agreement rate of 96.7%. The researcher observed that the organization under study is keen to rely on information technology devices in performing its operations. The level of enhancement of information technology devices is high, as reflected by a mean score of 4.43, which exceeds the standard mean of 3, accompanied by a standard deviation of 0.887. This indicates a good degree of harmony in the respondents' answers and an agreement rate of 88.25%. Researchers noted the

organization's commitment to integrating information technology devices in its work processes.

The hardware and software components achieved a mean score of 4.55 with a standard deviation of 0.89 and a relative importance of 91%. This indicates that the banks included in the study primarily rely on laptops to carry out their tasks, and that these devices are interconnected as a network to facilitate rapid data and information exchange. Human resources recorded a mean of 4.52 with a standard deviation of 0.80 and a relative importance of 90.33%. This suggests that the banks employ individuals who are scientifically and practically qualified in using information technology. Additionally, these personnel possess high expertise and efficiency in IT utilization. Furthermore, the banks organize workshops and training programs aimed at enhancing the skills and knowledge of their employees.

Databases obtained a mean score of 4.33, a standard deviation of 0.84, and a relative importance of 87%. This implies that data is collected from relevant branches and departments, and that employees can access this data in a timely manner. Moreover, the banks handle this data with a high level of confidentiality and security. Finally, communication networks achieved a mean score of 4.43, a standard deviation of 0.81, and a relative importance of 88%. This indicates that the banks are connected through a network of computers that facilitate the exchange of information and data among branches and departments via internet connections. Additionally, email is used for communication with international banks, benefiting from global expertise.



**Table (1): Description and Analysis of Research Sample Responses for the Information Technology**

IT Dimensions	Standard Statements	Mean	Standard Deviation	Relative Importance
Hardware and Software Components	Sufficient computing devices (PCs) are available in the bank.	4.56	0.688	90.00%
	IT improves the performance of banking functions and activities.	4.45	1.05	89.00%
	The bank primarily relies on computers to perform its operations.	4.7	0.923	94.00%
	Subtotal	4.55	0.887	91.00%
Human Resources Skills	Employees can easily share their information and skills.	4.7	0.47	94.00%



	The bank contracts IT experts to train employees.	4.55	0.759	91.00%
	Employees possess high-level skills and experience in IT.	4.3	1.174	86.00%
	Subtotal	4.52	0.801	90.33%
Databases	The bank continuously updates its data and information to enhance decision-making.	4.15	0.813	83.00%
	Databases are managed by a specialized team using advanced tech for secure access.	4.4	0.754	88.00%
	The bank owns accurate, efficient, flexible, and user-friendly databases.	4.45	0.954	89.00%
	Subtotal	4.33	0.84	86.70%
Communication Networks	Internal operations are supported by internet-based communication.	4.25	0.786	85.00%
	E-mail is used for communication and data exchange.	4.4	0.754	88.00%
	The internet is used to benefit from international banking expertise.	4.3	0.571	86.00%
	Subtotal	4.32	0.7	86.33%
Overall		4.43	0.807	88.25%

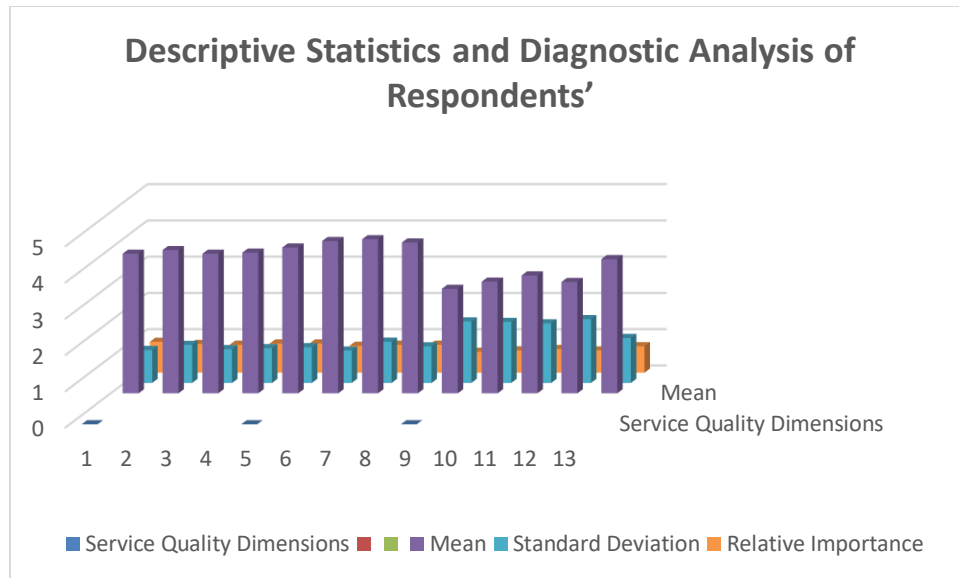
### Dependent Variable: Quality of Banking Service

The dependent variable—Quality of Banking Service—was measured using three core dimensions: Responsiveness, Reliability, and Credibility & Security. As shown in Table (2), the overall mean score reached 3.70, which exceeds the hypothetical average of 3.00, accompanied by a standard deviation of 1.24 and a relative importance of 73%. These results reflect a high level of concern and attention among the respondents regarding the quality of banking services.

The Responsiveness dimension recorded a mean value of 3.88, with a standard deviation of 0.96 and a relative importance of 80%. This indicates that bank employees demonstrated a strong willingness to provide services promptly and effectively. Meanwhile, the Credibility and Security dimension achieved a mean score of 4.16, a standard deviation of 1.01, and a relative importance of 77%, signifying the presence of trustworthiness and safety in customer interactions. Respondents emphasized the integrity and honesty in service delivery, as well as the presence of adequate safety systems and procedures established by the banks to safeguard customers' assets.

Finally, the Reliability dimension obtained a mean of 3.07, a standard deviation of 1.76, and a relative importance of 61%, indicating that while banks exhibit a capacity to enhance service quality, there remains room for further improvement in ensuring consistent and dependable service performance.

**Table (2): Descriptive Statistics and Diagnostic Analysis of Respondents' Answers for the Quality Dimensions Variable**



Service Quality Dimensions	Standard Statements	Mean	Standard Deviation	Relative Importance
Responsiveness	The bank offers inquiry services about transactions through the internet.	3.85	0.91	85.00%
	The good treatment by bank staff encouraged me to request banking services.	3.95	1.05	79.00%
	The bank responds promptly and appropriately.	3.85	0.933	77.00%
	Subtotal	3.88	0.96	80.33%
Credibility (Security)	I feel safe dealing with this bank.	4.02	0.985	80.40%
	I have great trust in the employees.	4.2	0.894	74.00%
	The bank I deal with is highly credible due to the guarantees it imposes on customers.	4.25	1.137	77.00%
	Subtotal	4.16	1.01	77.00%
Reliability	The bank can provide reliable and high-quality service.	2.88	1.697	57.50%
	The bank maintains the confidentiality of customer information.	3.08	1.685	61.50%
	The bank accurately specifies service completion times.	3.25	1.645	65.00%
	Subtotal	3.07	1.76	61.33%
	Overall	3.7	1.24	0.7289

### Testing the Research Hypotheses

#### Analyzing the Impact of Information Technology on the Quality of Banking Services

Table (2) below presents the results of regression analysis assessing the relationship between information technology and the quality of banking services. The findings indicate a statistically and practically significant impact of the hardware and software components on service quality. The computed F-value was 17.537, which exceeds the critical value at the 0.05 significance

level. The Beta coefficient (B) was 0.449, suggesting that hardware and software play an essential role in enhancing banking service quality.

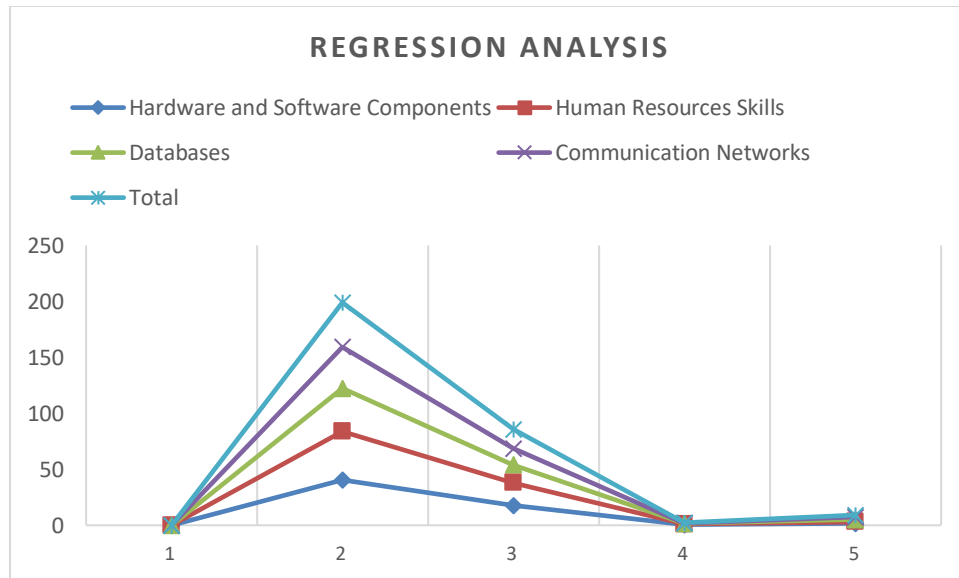
The coefficient of determination ( $R^2$ ) reached 40.5%, meaning that 40.5% of the variation in banking service quality is explained by hardware and software as perceived by the sample. The remaining 59.5% is attributed to other unknown variables. Additionally, the intercept (a) in the regression equation was 1.458, which is significantly different from zero, indicating a substantial relationship even in the absence of this dimension, reflecting the importance placed on banking service quality in the studied banks. Similarly, the results of the analysis shown in Table (2) revealed a statistically significant impact of human resources skills on the quality of banking services. The calculated F-value was 20.364, again exceeding the tabulated value at the 0.05 level. The Beta coefficient (B) was 0.617, highlighting the pivotal role of employees' IT skills in ensuring high-quality banking services.

The  $R^2$  value was 43.3%, indicating that this percentage of variance in banking service quality is explained by the human resources dimension, while 56.7% of the variance is due to other, unidentified factors. The intercept (a) was 1.654, suggesting a solid relationship between human resource skills and banking service quality, even in the hypothetical absence of this IT dimension. Furthermore, the analysis also confirmed a significant effect of databases on the quality of banking services. The F-value was 16.167, greater than the critical threshold at the 0.05 significance level. The Beta coefficient (B) was 0.419, signifying the influence of database systems on service quality.

The  $R^2$  value for databases was 38.6%, suggesting that this proportion of service quality variance is explained by database-related factors, while 61.4% is due to other unmeasured variables. The intercept (a) also differed from zero, underscoring the strength of the relationship between databases and banking service quality.

Lastly, Table (2) shows a statistically significant effect of communication networks on banking service quality. The computed F-value was 4.412, which exceeds the critical value at the 0.05 significance level. The Beta coefficient (B) was 0.308, indicating that communication networks contribute to improving the quality of services offered. The ( $R^2$ ) value in this case was 36.8%, implying that this share of the variance in service quality is attributed to communication networks, while the remaining 63.2% is linked to other unexplored variables. The intercept (a) was 2.345, again differing from zero, confirming a meaningful relationship between communication infrastructure and the quality of banking services, even in the absence of this specific IT dimension.

From these results, we conclude that increased investment in information technology—including hardware and software components, human resources, databases, and communication networks—positively contributes to enhancing the quality of banking services. Therefore, the findings support the main hypothesis of the study, as summarized in Table (3), confirming that information technology plays a significant role in enhancing and developing banking service quality in the studied institutions.



**Table (3): Simple Regression Analysis between Information Technology and Banking Service Quality**

Independent Variable	Dependent Variable	R <sup>2</sup> (%)	F Value	B Coefficient	Intercept (a)	Significance Level
Hardware and Software Components	Banking Service Quality	40.5	17.537	0.435	1.458	Significant
Human Resources Skills		43.3	20.364	0.617	1.654	Significant
Databases		38.6	16.167	0.419	1.786	Significant
Communication Networks		36.8	14.412	0.308	2.345	Significant
Total		39.8	17.12	0.445	1.811	Significant

## Conclusion

The findings of the study highlight the significant role of information technology (IT) in enhancing the quality of banking services, as evidenced by the positive correlation between various IT components and service performance. It is clear that the more advanced and effectively utilized IT systems are, the more they contribute to the overall success and efficiency of banking operations. However, the research also reveals that the bank under study demonstrates limited attention to hiring or involving specialized professionals in the field of information technology, which may hinder the optimal implementation of these systems. Therefore, it is recommended that the bank actively engage qualified IT professionals to handle critical and specialized tasks, ensuring the development and maintenance of robust and efficient systems. Moreover, continued investment in IT infrastructure is essential, as it plays a vital role in supporting the effectiveness and responsiveness of banking services. In addition, transitioning from traditional communication methods to modern electronic channels can significantly enhance the speed and accessibility of information, ultimately leading to improved customer satisfaction and operational excellence.

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# Moderating Effect of Inflation on the Relationship Between Pricing Strategies and Profitability of Small and Medium Scale Enterprises (SMES) in Kano Metropolis, Nigeria

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## ABSTRACT

The study examined the moderating effect of inflation on the relationship between cost based, value based and competition-based pricing strategies and profitability of small and medium scale enterprises (SMEs) in Kano Metropolis. A cross-sectional survey research design was employed. Target population of the study is 594 SMEs, registered across ten industrial estates in Kano. A sample of 239 SMEs was selected using Taro Yamane formula using Cluster sampling technique. Data were collected through a structured questionnaire, and analysed using SPSS version 21 for preliminary studies and Smart PLS 4.0 for Structural Equation Modelling (SEM). The study examined three pricing strategies (cost-based, value-based, and competition-based) and their relationships with profitability, moderated by inflation. Inflation significantly moderates the relationship between competition-based pricing and profitability ( $\beta=-0.306$ ,  $p<0.05$ ) and value-based pricing and profitability ( $\beta=0.151$ ,  $p<0.05$ ), but not between cost-based pricing and profitability. Implications for SMEs include optimizing cost-based pricing, enhancing market research for value-based pricing, and adapting strategies to inflationary pressures. The study recommends that policy makers support SMEs by providing resources for market research and competitive analyses and strategies can help SMEs optimize their pricing strategies, improve profitability amidst changing economic conditions in Kano Metropolis.

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## Introduction

Profitability is the cornerstone of any business endeavour, regardless of size or industry, as it signifies a business's ability to generate consistent earnings over time. For small and medium scale enterprises (SMEs), which are regarded as the backbone of Nigeria's economy, profitability is essential for continuous growth and sustainability. Profitable SMEs not only create value and provide employment opportunities but also contribute significantly to economic development and social welfare. In Nigeria, where SMEs constitute 97% of all businesses, contribute 46% to the nation's GDP, and provide 84% of jobs, their profitability is crucial for maintaining economic stability (NBS/SMEDAN, 2017).

However, achieving profitability presents a significant challenge for many SMEs in Nigeria. Studies reveal that 95% of SMEs fail within their first year, mostly due to profitability problems

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(Abubakar & Junaidu, 2019). This underscores the need to explore key factors driving profitability of SMEs. Among the key drivers of profitability are pricing strategies, which are the methods businesses use to set the prices of their goods or services. Strategic pricing has a more immediate and direct effect on profitability compared to other measures like cost reduction or market expansion (Hinterhuber, 2023).

Pricing strategies are typically categorized into cost-based, competition-based, and value-based. Cost-based pricing involves setting prices by adding a mark up to the cost of production, ensuring that businesses cover their costs. Competition-based pricing is based on aligning prices with competitors, enabling businesses remain competitive. Value-based pricing sets prices according to the perceived value of the product or service to the customer, offering potential for higher profitability if executed effectively. Pricing strategies are effective instruments for enhancing profitability by establishing revenue generation methods while controlling cost structures and market demand, however, their effectiveness is influenced by external factors such as inflation.

Inflation refers to the sustained increase in the general price level of goods and services in an economy, leading to a reduction in the purchasing power of consumers. For SMEs, inflation presents multiple challenges, such as rising input costs, higher labour expenses, and fluctuating consumer demand, which can erode profit margins and complicate pricing decisions. Despite its importance, few studies have examined the moderating effect of inflation in the relationship between pricing strategies and profitability, leaving a critical gap in understanding how SMEs adjust their pricing strategies in volatile environments.

The relevance of inflation as the most significant macroeconomic factor influencing Nigeria's present economic condition cannot be overemphasised; inflation rates have remained volatile due to factors such as exchange rate fluctuations, fuel price increases, and macroeconomic instability (Simon et al., 2019). In Kano metropolis, a major hub for SMEs, inflation significantly affects business operations. Yet, much of research in Nigeria focused on SMEs in southern Nigeria neglecting SMEs in Northern regions like Kano, with its unique socio-economic context.

This study addresses these gaps by applying Structural Equation Modelling (SEM), an advanced technique that captures the complex interactions between pricing strategies, profitability and inflation among SMEs in Kano metropolis. Other specific objectives are to examine the:

- i. moderating effect of inflation on the relationship between Cost Based Pricing Strategy and Profitability of SMEs in Kano metropolis;
- ii. moderating effect of inflation on the relationship between Value Based Pricing Strategy and Profitability of SMEs in Kano metropolis;
- iii. moderating effect of inflation on the relationship between Competition Based Pricing Strategy and Profitability of SMEs in Kano metropolis.

The study provides an empirical foundation for understanding how SMEs can adapt their pricing strategies to remain profitable in the face of inflationary pressures, advances methodological rigor by applying SEM, and fills a regional gap in literature, offering context specific insights for SME managers, policymakers, and researchers.

## **Literature Review**

### **Conceptual Review**

This subsection reviews the related concepts on the subject matter of the study in order to identify the principles behind the operationalisation of variables from the current body of knowledge.



## **Profitability of SMEs**

Profitability is crucial for the survival, growth, and sustainability of small and medium-sized enterprises SMEs. SMEs are the backbone of many economies, contributing significantly to employment, innovation, and economic growth (Rashid, 2019). A profitable SME not only secures its financial future but also supports the community through job creation and local investment, fostering economic stability and resilience. Profitability enables SMEs to reinvest in innovation, expand their operations, and adapt to changing market demands. This reinvestment cycle is essential for economic development, as it supports growth, enhances productivity, and ultimately strengthens the SME sector's contribution to the economy (Nguyen et al, 2021).

As global competition intensifies and technology advances, SMEs must remain competitive to survive. Profitability is closely tied to an organization's resilience in facing competition, making it a key focus for managers and entrepreneurs. By prioritizing profitability, SMEs can achieve competitive pricing, develop high-quality products, and secure a larger market share. Profitability is thus not merely an outcome of efficient operations but a necessary condition for SMEs' ongoing competitiveness and market presence. A profitable SME is better positioned to reinvest in itself, improve product offerings, and respond to customer needs, all of which are critical for sustained business success (Ahinful et al., 2021).

## **Pricing Strategies**

Various pricing strategies are available for consideration by an organization based on its aims and objectives. The techniques employed by companies to determine their prices are diverse, but they can be broadly classified into cost-based pricing, competition-based pricing, and customer/value-based pricing (Olawale & Joel, 2017). The optimal pricing strategy for an SME varies depending on factors such as the firm's nature, target market, and competition. To establish effective pricing, businesses should aim for prices that are both profitable and competitive, avoiding excessively low prices that hinder profitability while ensuring competitiveness to attract customers. Additionally, it is crucial to assess the competitive environment and consider the target market's price sensitivity, as this may necessitate lower pricing (Hoch & Rao, 2020). Assessing the competitive environment is vital so as to avoid pricing products too high or low relative to competitors.

A growing body of research underscores the critical role of pricing strategies in the success of SMEs (Dangisso, 2019; Rashid, 2019 and Al-Shakhsheer et al., 2017). Similarly, Bello et al. (2021) identified pricing strategies as critical to the growth of Nigerian SMEs, enhancing the likelihood of long-term survival. Aguilar et al. (2024) noted that SMEs employing value-based pricing techniques tend to achieve higher success rates and better goal attainment. This underscores the need for SMEs to continuously assess their pricing strategies to remain competitive.

However, contemporary challenges like inflation can complicate the pricing landscape for SMEs. Inflation exerts a strong negative influence on profitability, necessitating that SMEs adopt flexible pricing strategies that can adapt to changing economic conditions.

Moreover, the competitive environment can become more intense during inflationary periods, as businesses fight to retain customers while managing rising costs. In this context, SMEs must carefully analyze their pricing strategies to avoid losing market share. For example, those that adopt a cost-plus pricing approach may struggle if their competitors implement value-based pricing, which focuses more on customer perceptions and willingness to pay. Thus, the ability to balance cost management with perceived value becomes critical for SMEs navigating the complexities of inflation.

### **Cost based Pricing Strategy**

Cost-based pricing is the simplest and most commonly used approach to setting prices. It has historically been the most popular pricing strategy because it exudes a sense of financial caution (Martin and Sayrak 2019; Amaral & Guerreiro, 2019). The notion of cost is intrinsically linked to an organization's profitability, which is heavily reliant on the correct selection of cost components and the choice to make cost adjustments. In order to ascertain the lowest price at which a business may turn a profit, the cost-based approach mostly depends on accounting data. The selling price of a product is determined by applying a mark-up margin to the cost determined by the standard cost account approach (Sunarni & Ambarriani, 2019). This strategy guarantees a set amount of profit as well as the payment of all production and operating expenses. Studies by Cant et al., (2017) reveal that factors like macroeconomic conditions, customer relations, and competitor information heavily influence cost-based pricing strategies.

Various techniques within cost-based pricing allow businesses to craft pricing strategies to specific goals and contexts (Aguilar et al., 2024). Target return pricing, for instance, sets prices to achieve a specified return on investment and is common among high capital industries like utilities and automotive manufacturing. However, it is less effective for companies with lower capital investments, as it does not account for demand fluctuations, risking losses on unsold products. Break-even pricing is another form, where prices are set at a level where total revenue equals total costs, indicating the minimum price required for profitability. By analyzing sales volumes and expected revenues, this method helps firms pinpoint profitable price points.

For SMEs, cost-based pricing strategy offers an accessible approach, especially for firms that lack the resources for in-depth market analysis. By ensuring that production costs are covered, this approach promotes financial stability, a valuable benefit for SMEs operating with tight margins. Though cost-based pricing strategy can offer a reliable foundation for establishing pricing, its limitations regarding market demand and competitive dynamics make it essential to stay attuned to market shifts. For long-term success, cost-based pricing strategy may serve as a useful starting point, but it requires regular adjustments to align with changing customer and competitive conditions.

### **Value-Based Pricing Strategy**

Value-based pricing is a strategy that sets prices based on the perceived value a product or service holds for the customer, as opposed to cost or competitor-based pricing. This approach emphasizes understanding and leveraging the benefits and advantages the product offers, allowing prices to reflect what customers are willing to pay. By anchoring prices in perceived value, companies align their offerings with customer needs, preferences, and willingness to pay, potentially enabling stronger profitability and customer loyalty (Tahat, 2023). The customer-oriented nature of value-based pricing centers on prioritizing customer perceptions. Businesses employing this strategy focus on customer needs, desires, and financial sensitivities, engaging in thorough research to develop a deep understanding of the target audience.

The advantages of value-based pricing are notable, starting with higher profit margins. Since prices are based on perceived value rather than cost, businesses often command higher prices, particularly where consumers are willing to pay for quality or unique features. This approach also fosters customer loyalty, as those who feel they are receiving value are more likely to become repeat buyers and promote the brand through word of mouth.

However, value-based pricing presents several challenges. Its implementation can be complex, as perceived value is often subjective and varies across customer segments. Businesses may face difficulties in assessing and quantifying this perception accurately. In markets with varying perceptions of value, setting a single price point that captures the value across segments can be challenging, especially if some customers are more price-sensitive than others. A risk

of overpricing exists if a company overestimates the value customers attribute to its offering, potentially leading to a decline in sales. This approach also demands significant resources for research, customer engagement, and continual analysis, which can be particularly challenging for SMEs with limited budgets.

For SMEs in Nigeria, where consumer behavior may be influenced by cultural and economic factors, value-based pricing offers an avenue to resonate more deeply with customers. By highlighting the benefits and unique value of their products or services, SMEs can justify premium pricing, thus gaining customer loyalty. This strategy aligns well with the economic and cultural landscape in Nigeria, where businesses that effectively communicate their value proposition can foster sustained consumer relationships (Taiwo and Esonmu, 2023).

In inflationary periods, value-based pricing can offer resilience. Because prices are tied to perceived value rather than production costs, companies adopting this strategy may be somewhat insulated from inflationary pressures. This approach, allows businesses to maintain or even expand profit margins when customers still perceive high value despite economic fluctuations.

### **Competition based Pricing Strategy**

Competition-based pricing, is a strategy where businesses set their prices based primarily on the prices of competing products or services in the market (Liozu & Hinterhuber, 2013). This strategy is sometimes referred to as going-rate or parity pricing strategy; it focuses on aligning a product's price with those of rivals, particularly market leaders, rather than relying on internal cost structures. Key considerations in this pricing method include competitors' pricing, observed market behaviors, and anticipated competitor responses (Olawale & Joel, 2017).

Due to the competitive nature of the strategy, prices are often dynamic and may fluctuate based on market demand, competitor activity, or broader economic shifts. This flexibility allows businesses to respond to changes such as the entry of new competitors or inflation. While competitive pricing is based on competitors' prices, businesses must ensure that their products or services offer enough value to justify this pricing approach. A well-defined value proposition helps maintain customer loyalty, even in competitive markets.

Businesses can position their prices in three primary ways: pricing below competitors, matching competitors, or setting prices above them (Raja et al., 2020). Pricing below competitors, often known as a loss leader strategy, can attract customers initially, with the intent to generate profitability from supplementary products. Parity pricing, by matching the market rate, allows businesses to maintain competitive parity while potentially differentiating through added value or marketing efforts. Premium pricing requires a unique value proposition that justifies higher prices, where high quality or exclusive features warrant the premium, and the focus is on value differentiation rather than cost competition.

By aligning prices with competitors, businesses ensure their offerings remain attractive to consumers, reducing the likelihood of losing market share. In price-sensitive markets, competitive pricing often results in higher sales volumes, as customers seek out products offering the best value. This strategy also simplifies the pricing process, requiring less in-depth cost analysis and focusing instead on competitor benchmarks. For new entrants, setting prices similar to competitors can help them gain initial market acceptance and attract customers from established players.

However, constantly adjusting prices to match competitors can lead to lower profit margins, especially if businesses fail to account for their own costs (Nagle et al., 2016). Aggressive price competition can trigger a price war, where companies' lower prices to gain market share. Such scenarios ultimately reduce profit margins for all competitors and can harm smaller firms

disproportionately. Focusing solely on competitors' prices may lead to commoditization and a loss of the unique value proposition, weakening customer loyalty.

For SMEs, competition-based pricing strategy is particularly practical in highly competitive markets with established players. In Nigeria, where the SME sector is highly competitive, businesses can leverage competitive pricing to stay relevant and responsive to market changes. By analyzing competitor prices, SMEs can position themselves effectively, attract customers, and make timely adjustments (Adudu et al., 2021). However, SMEs must carefully balance competitive pricing with profitability, as maintaining low prices may strain their margins.

## **Inflation**

Inflation is the rate at which the general price level for goods and services rises, leading to a reduction in purchasing power (Nnena et al., 2020). Typically expressed as a percentage increase over a specific period, often annually, inflation affects various economic factors, including consumer behavior, business planning, and overall economic stability. Understanding inflation is crucial for businesses and policymakers as it influences economic decisions, investment strategies, and pricing approaches. As a macroeconomic phenomenon, inflation represents the steady increase in an economy's overall price level over time. A positive inflation rate signals a decline in purchasing power, as each unit of currency buys fewer goods and services. This phenomenon has significant impacts on small and medium-sized enterprises (SMEs), affecting their financial and operational decisions. Okeke et al. (2022) and Chiani (2022) further confirm inflation's adverse effects on SME profitability, adding to the challenges of competitiveness in inflationary environments.

Inflation manifests in various forms that differently affect businesses and economies. Demand-Pull Inflation arises when demand for goods and services exceeds supply. This may stem from increased consumer spending, government expenditure, or investment, prompting producers to raise prices. Cost-Push Inflation results from rising production costs, such as wages, raw materials, and energy. Higher production costs are often passed on to consumers, causing inflation. Built-In Inflation, also known as wage-price inflation, occurs when businesses raise prices in response to wage increases. As employees demand higher wages to keep up with the cost of living, businesses may respond by raising prices to maintain profit margins, creating a wage-price cycle.

Inflation is commonly measured through indices like the Consumer Price Index (CPI) and the Producer Price Index (PPI). These indices track changes in the prices of a selected basket of goods and services, providing insight into overall inflation rates. However, inflation perceptions vary based on individual and organizational experiences and economic contexts. In this research, inflation is measured as perceived by management, reflecting their insights and experiences within their operational environments.

Inflation has significantly shaped Nigeria's business environment recently. Nigeria's annual core inflation rate reached 19.2% in January 2023 from 18.5% in December 2022—a 16-year high (NBS, 2021). Factors like Naira depreciation, the COVID-19 pandemic, high transportation costs, floods, and insecurity have all contributed to Nigeria's high inflation rate. Inflation impacts various economic aspects, affecting purchasing power, business costs, investment decisions, and interest rates, as a macroeconomic force, it often strains SMEs more than larger firms, which can better absorb inflationary pressures. Consequently, SMEs frequently adjust their pricing strategies to remain competitive, impacting their profitability directly. This study specifically examines how inflation, by management, moderates the relationship between pricing strategies and SME profitability in Kano, Nigeria.

## **Profitability, Pricing and Inflation**

In the field of economics, price, inflation, and profitability are all closely intertwined. The significance of these elements increases when one takes into account their influence on the financial well-being of SMEs. As previously mentioned, inflation is the overall rise in an economy's price level over a certain period of time. The buying power of money declines as a result of these price increases (Oleka et al., 2015). Inflation has a knock-on effect on many aspects of corporate operations, impacting things like expenses, pricing choices, and eventually profitability (Ali & Ibrahim, 2018).

The impact of inflation on costs is where the relationship between it and profitability starts. Businesses incur higher costs as a result of inflation-driven pricing increases (Ugwu et al., 2023). These may be indirect expenses like finance costs brought on by rising interest rates, or they could be direct expenditures like labour, raw materials, rent, and utilities. Profit margins are compressed when inflation rises more quickly than a company can raise its pricing. It is especially difficult for SMEs with little financial cushion and bargaining leverage to absorb these charges, which can seriously hurt their profitability.

Apart from the immediate impact on costs, inflation also has an indirect influence on profitability by influencing revenues. This introduces the subject of price. In a situation of inflation, businesses may need to raise their prices in order to preserve or enhance their profitability (Ugwu et al., 2023). Nonetheless, this tactic may provide two results. Profitability is preserved or even increased if the market accepts the price rise. However, if price increases result in a sharp decline in demand, sales volumes, overall revenues, and profitability may suffer as a result.

Inflation also affects the firm's pricing tactics and other strategic decision-making. It is critical for businesses, particularly SMEs, to review their pricing strategies during an inflationary era. A variety of pricing techniques, including value-based pricing, cost-plus pricing and competitive pricing, may be investigated by businesses. Such strategies must take into consideration the rate of inflation, competitive dynamics, and consumer demand elasticity. Notwithstanding the challenges posed by inflation, SMEs may maintain profitability with the support of a suitable and flexible pricing strategy. To fully benefit from a pricing strategy, Kawira (2021) suggests that in addition to considering firm-wide factors that may influence the anticipated outcomes of a price choice, pricing decisions also take these factors into consideration.

Because of its effects on the financial system, inflation can have an indirect impact on pricing and profitability. An increase in interest rates frequently follows higher inflation, and thus raises the cost of capital. This may dramatically raise the financial costs for SMEs that rely on external funding for operations or expansion, further straining profit margins. In order to counter the increasing financial burden, SMEs may therefore be forced to re-evaluate their pricing strategy and perhaps raise their rates.

Inflation can have a significant impact on an organization's profitability because it lowers money's purchasing power, raises operating costs, makes it harder to obtain capital because of high interest rates, and decreases consumer spending, all of which can have a negative effect on a company's profitability (Ali & Ibrahim, 2018). Prices for products and services grow during inflation, and SMEs risk having much smaller profit margins if their pricing strategies are not adjusted correspondingly. Due to their lack of resources, lack of negotiating strength, and incapacity to pass on rising costs to clients in comparison to bigger businesses, SMEs are especially susceptible to inflation. The fact that many SMEs operate in unregulated informal industries and are subject to various hazards, such as price volatility, exacerbates the problem. Since they frequently face out against big businesses that can afford to withstand the consequences of inflation, they are likewise impacted by the market's competitiveness. SMEs

may manage the problems of inflation and retain profitability by using efficient pricing strategies.

## **Review of Empirical Studies**

Numerous empirical studies have looked at the effectiveness of pricing strategies for SMEs amid inflation as well as the link between a firm's financial performance and profitability. The goal of this assessment is to pinpoint important discoveries and topics that will shed light on the intricate connection between inflation, pricing, and profitability.

## **Studies in Emerging Markets**

The available empirical data indicates that there is a complex and situation-specific link between pricing strategies and profitability. The distinctive challenges and opportunities within emerging markets have drawn considerable attention with numerous studies set in large firms, developed markets, and SMEs under a variety of contexts. This section reviews key studies across diverse sectors to explore how businesses navigate the dynamic interactions between pricing strategies, profitability and inflation.

Al-Shakhsheer et al. (2017) applied qualitative methods in Jordan's hotel sector, finding that premium and discount pricing affect revenue and market penetration differently in unstable environments. Olawale and Joel (2017) investigated the factors that influence pricing strategy in the non-financial sector of Nigeria. The study, which used quantitative methodologies, found that pricing strategy is influenced by a number of factors, including market demand, replacement availability, customer perception, company objectives, and cost of sales, macroeconomic trends, and market segmentation. However, these studies did not focus on SMEs and did not take the moderating influence of inflation rate into account.

Jacque's King (2018) analysed marketing strategies in small restaurants, highlighting the importance of brand uniqueness and word-of-mouth for sustained profitability. Meanwhile, Sunarni and Ambarriani (2019) examined pricing strategies used by manufacturing companies in Yogyakarta, Indonesia, demonstrating variations in goals and elements impacting price choices according to market penetration and scale. Goodie-Okio (2022) looked on the marketing efficacy and pricing policies of Nigerian telecom companies in Port Harcourt using a descriptive methodology. The study discovered a favourable correlation between marketing success and cost and value-based pricing, showcasing how success of organisational marketing may be better understood in relation to customised pricing strategies. These studies contribute to understanding pricing practices however, they do not consider SME sector or inflation's moderating role.

Studies on SMEs, such as Manuere et al. (2015) looked at the connection between company success and strategic pricing in Zimbabwe. The study looked at different pricing targets and how they affected organisational results using a quantitative methodology. The results emphasised how crucial it is to match pricing strategies with company goals and market conditions in order to improve performance. Rashid (2019) examined the correlation between competitive pricing and financial performance under volatile conditions of Nigerian SMEs; however, it was not determined whether the rate of inflation would have a moderating influence on the relationship between pricing strategy and SMEs' profitability. Similarly, Agbaeze et al. (2020) investigated how pricing practice management affected the sustainability and performance of Nigerian supermarkets. The study discovered that various pricing strategies, such as cost-, value-, and competition-informed pricing, had differing levels of positive impacts on sustainability and performance. Highlighting the challenges SMEs face in adapting pricing strategies amid inflation and other economic pressures, Mohammed (2022) investigates factors that influence pricing decisions, concluding that SMEs need to be competent at managing these factors to achieve pricing objectives that support profitability. These studies emphasise how

crucial it is to match pricing strategies with certain moderating factors; however, it was not determined whether the rate of inflation would have a moderating influence on the relationship between pricing strategy and SMEs' profitability.

### **Studies on the Effect of Inflation on Pricing and Profitability**

Dangisso (2019) investigates the effect of marketing and pricing challenges on SME performance in Ethiopia, identifying inflation as a significant external factor that exacerbates pricing difficulties. This study demonstrates that inflation can challenge both competition-based and cost-based pricing strategies by reducing consumer purchasing power and increasing operational costs. Similarly, Bottone et al. (2021) looked at the pricing strategies and inflation forecasts of banks. The study discovered that competitor's pricing techniques and the anticipated length of economic recovery have an effect on enterprises' pricing practices. Expected persistence of the pandemic's macroeconomic consequences also affected firms' inflation predictions. But because the study focused on banks, it ignored the pricing methods of SMEs.

For SMEs, which often lack buffers against inflationary pressures, this challenge is particularly acute. Oleka et al., (2015) used Ordinary Least Squares (OLS) to analyze Nigerian banks, showing that inflation reduces financial profitability by eroding valuation and return on equity. Ahmed and Suleiman (2021) employed survey methods to examine the influence of inflation on SMEs in Nigeria, highlighting that inflation raises operational costs, which erodes profit margins for SMEs that cannot adjust prices swiftly due to market constraints Okeke et al. (2022) used regression analysis on Nigerian SME data to show that inflation, interest, and currency rates negatively affect profitability. Although these studies confirm inflation's financial impact on SMEs, they do not explore inflation's role as a moderator in the relationship between specific pricing strategies and profitability. This research bridges this gap by examining these specific pricing strategies and how inflation moderates their effect on profitability, providing practical recommendations for SMEs under similar economic pressures.

### **Theoretical Framework**

Theory offers a framework for analysing and interpreting research topics. Understanding the relationships between pricing strategies, inflation, and the profitability of SMEs may be accomplished by Dynamic capability theory.

#### **Dynamic capability theory (DCT)**

DCT is a strategic management framework that delves into how organizations, including SMEs, can cultivate and uphold a competitive edge in constantly evolving and developing landscapes. It builds upon the resource-based view (RBV) of the firm, which underscores the significance of internal resources and capabilities in achieving sustained competitive advantage. However, while RBV concentrates on static resources, DCT extends this by stressing the importance of dynamic capabilities, the capacity to adapt and evolve in response to changing circumstances.

Dynamic capabilities refer to the procedures and routines that organizations employ to integrate, construct, and reconfigure their resources to cope with swiftly changing environments. This encompasses activities such as identifying environmental shifts, capitalizing new opportunities, and altering internal resources and procedures. Teece et al. (1997) outlined three key processes involved in dynamic capabilities:

- i. Sensing: Recognizing changes in the external environment and understanding their implications for the organization.
- ii. Seizing: Acting on opportunities and threats identified through sensing, including through innovation, strategic partnerships, or other means.

- iii. Reconfiguring: Changing the organization's resource base, internal structures, and processes in response to changes identified through sensing and seizing.

DCT emerged in the 1990s as a response to the limitations of traditional strategic management theories, such as the resource-based view (RBV), which primarily focused on the static allocation of resources rather than the dynamic processes of adaptation and change. The foundational work on DCT is often attributed to David Teece, along with Gary Pisano and Amy Shuen. Teece's seminal paper, "Dynamic Capabilities and Strategic Management" (1997), provided a comprehensive framework for understanding how organizations can develop capabilities to adapt to changing environments. DCT gained prominence as researchers and practitioners recognized the increasing importance of agility and responsiveness in a rapidly changing business landscape characterized by globalization, technological advancement, and increased market turbulence.

Over the years, DCT has been applied across various domains, including innovation management, strategic management, and organizational theory. It has provided valuable insights into how firms can sustain competitive advantage by continuously renewing and adapting their capabilities. In the context of SMEs, DCT offers a particularly relevant framework for understanding how these organizations can thrive in the face of resource constraints and uncertainty. By focusing on their ability to sense, seize, and reconfigure opportunities, SMEs can enhance their profitability, competitiveness and resilience in dynamic environments.

Overall, dynamic capability theory has become a widely recognized and influential perspective within the field of strategic management, offering valuable insights into the processes of organizational adaptation and innovation.

## **Methodology**

### **The Study Area**

Kano State, located in Northern Nigeria, is the second-biggest metropolis after Lagos and serves as the commercial hub. With over 9,383,682 million residents, Kano is the most populous state in Nigeria. The city has industries in textiles, tanning, footwear, cosmetics, plastics, agricultural tools, pharmaceuticals, food, and dairy products. Kano offers tax exemptions and advantageous legislation, making it a hospitable business environment.

### **Source of Data**

The study utilized primary data from structured questionnaires administered to registered SME owners and employees, ensuring validity, reliability, and objectivity, making it valuable for surveys.

### **Population of the Study**

The study focuses on 594 SMEs registered in 10 industrial areas in Kano Metropolis, chosen based on their well-organized structure and full-time employees. The areas include Challengeawa, Sharada Phase I, II, III, Sharada Janbulo Ssi, Zara Road, Rice Mills Cluster Kwanar Dawaki, Incubation Center, Hadeja Road, Gunduwawa& Tokarawa Area, Kano Free Trade Zone, Bompai Industrial Area, and Dakata Small Scale.



### Sample size and Sampling Techniques

Taro Yamane formula (1967) was applied, a method widely used for sampling finite populations. Given the total population of 594 SMEs across 10 industrial areas in Kano, and a margin of error set at 5% (0.05), the sample size calculation was conducted as follows:

$$\frac{N}{1+N.e^2} = \frac{594}{1+594(0.05)^2} = 239$$

A sample of 239 SMEs was obtained using a stratified sampling technique, dividing the total number of SMEs in each area by the overall population of 594, and then multiplying by the sample size to ensure proportional representation across all industrial areas. The calculation for determining the sample from each area was:

$$n_i = \left(\frac{N_i}{N}\right) \times 239$$

Where:  $n_i$  represents the sample size for each industrial area,  
 $N_i$  is the number of SMEs in each specific industrial area, and  
 $N$  is the total SME population (594).

### Method of Data Collection

Primary data was gathered through a predefined set of questions using a self-administered questionnaire, which is an effective tool for capturing respondents' thoughts, feelings, emotions, and perceptions. The measurements of the variables' relevant subjects were drawn from research published on connected topics and were adapted from Agbazea et al. (2020) and Cant et al. (2016) to suit the research objectives. The measurement of profitability consisted of 3 items, while pricing strategies included three factors and items: cost-based pricing (3 items), value-based pricing (2 items), and competition-based pricing (2 items). Inflation was measured using (3 items). The questionnaire items contained revised items related to the constructs, measured on a five-point Likert scale ranging from strongly agree (5) to strongly disagree (1). Respondents were selected proportionally from each of the ten identified industrial areas. All 239 copies of the questionnaires were duly administered and retrieved.

### Variables of the Study and their Measurements

There are three sets of variables used in the study. Cost based pricing strategy, Value based pricing strategy and competition-based pricing strategy were the independent variables in the study whereas profitability was the dependent variable. Inflation was taken as moderating variables, which influences the relationship between pricing strategy and SME profitability. The dependent variable of the study, profitability was measured as the Owner/ Manager's perception of an SME's ability to make a profit over time, as used by (Chapagain, 2021; Ahinful et al., 2021). Cost based, value based and competition-based pricing strategies are measured as the degree to which Owner /Managers perception of the pricing strategy employed by SME as used by (De Toni et al., 2017; Chepkemoi, 2020; Agbaeze et al., 2020; Goodie-Okio, 2022). Inflation is also measured as Owner /Managers perception on the general rise of price level for goods and services, leading to a reduction in purchasing power.

### Method of Data Analysis

The Statistical Package for the Social Sciences (SPSS) version 23 was used for the preliminary studies and Smart PLS 4.0 was used to analyze the data. Both packages offer the necessary flexibility and functionality to handle complex data. Structured equation modeling (SEM) was used for hypothesis testing to examine the relationships between pricing strategies, inflation, and SME profitability. A series of statistical procedures was adopted to answer the research questions modelled and to test the hypotheses. This involves descriptive analysis to explore the results in the form of frequency tables such as the characteristics of the SMEs and demographic data.

### Partial Least Squares Structural Equation Modeling (PLS-SEM)

PLS-SEM combines component analysis and regression, enabling simultaneous analysis of correlations between measurement indicators and latent constructs, which adds depth to hypothesis testing (Hair et al., 2017). This hybrid model incorporates both measurement and structural components. The measurement model specifies the relationship between latent constructs and their observed indicators, while the structural model focuses on associations among constructs. In this study, the measurement model examines how the specific survey items represent pricing strategy constructs, while the structural model assesses how these constructs relate to profitability. The measurement model was validated by assessing collinearity, internal consistency, convergent validity, and discriminant validity. The structural model was then evaluated through path coefficients,  $R^2$  values, p-values, t-values, point estimates, and explained variance.

PLS-SEM was chosen for this analysis due to its adaptability, robustness, and depth making it an ideal choice for this study.

### Model Specification

Functionally, the relationship among the variables was expressed thus:

$$P_i = \beta_0 + \beta_1 CP_i + \beta_2 VP_i + \beta_3 CoP_i + \beta_4 (CP \times PI_i) + \beta_5 (VP \times PI_i) + \beta_6 (CoP \times PI_i) + \varepsilon_i$$

Where:

- P = Profitability
- CP = Cost Based Pricing Strategy
- VP = Value Based Pricing Strategy
- CoP = Competition Based Pricing Strategy
- I = Inflation
- $\beta_0$  = Constant
- $\beta_1$ - $\beta_3$  = Coefficients of the explanatory variables
- $\beta_4$ - $\beta_6$  = Coefficients of the moderating variables
- $\varepsilon$  = Error term
- i = Number of respondents

### Data Presentation and Analysis

#### Descriptive Statistics for Computed Variables

Descriptive statistics provides fundamental insights into the characteristics of the data used in analysis. It helps researches effectively summarise the data to enhance comprehension. These consist of mean, standard deviation, minimum and maximum of the variables of the study.

**Table 1: Descriptive Statistics**

	Mean	Std. Deviation	Skewness	Kurtosis	Cramér- von Mises p-value
Profitability	4.1562	0.79197	-1.2510	1.4610	0.0000
Cost Based Pricing Str	3.9861	0.79611	-1.1070	1.0880	0.0000
Value Based Pricing Str	4.0669	0.77495	-1.2770	1.8810	0.0000
Competition Based Pricing Strategy	3.7092	1.13026	-1.0120	0.2840	0.0000
Inflation	4.1897	0.73989	-1.0700	1.0130	0.0000

Source: SPSS Output, 2024

Table 1 provides descriptive statistics for variables related to profitability. The profitability shows a mean score of 4.1562, with a median of 4.3333, indicating a slightly negatively skewed

distribution (skewness = 1.2510). The standard deviation (0.792) suggests a variability around the mean. The kurtosis value (1.461) indicates a distribution that is closer to normal, and the Cramér-von Mises p-value (0.0000) is relatively low, indicating potential deviation from normality.

Cost-Based Pricing Strategy has a mean score of 3.9861 and a median of 4.000, indicating a similar distribution to profitability but with slightly lower mean and median values. The skewness (-1.1070) suggests a negative skew, and the standard deviation (0.79611) indicates some degree of variability. The Cramér-von Mises p-value (0.000) is relatively low, indicating potential deviation from normality.

Value-Based Pricing Strategy has a mean score of 4.0669 and a median of 4.000, with a standard deviation of 0.77495. The skewness (-1.2770) indicates a slight negative skew, and the kurtosis (1.8810) suggests a distribution slightly more peaked than normal. The Cramér-von Mises p-value (0.000) is relatively low, indicating potential deviation from normality.

Competition-Based Pricing Strategy has a mean score of 3.7092 and a median of 4.000, with a standard deviation of 1.13026. The skewness (-1.0120) indicates a slight negative skew, and the kurtosis (0.2840) suggests a distribution slightly more peaked than normal. The Cramér-von Mises p-value (0.000) is relatively low, indicating potential deviation from normality.

Finally, Inflation has a mean score of 4.1897 and a median of 4.3333, with a standard deviation of 0.73989. The skewness (-1.0700) indicates a slight negative skew, and the kurtosis (1.0130) suggests a distribution slightly more peaked than normal. The Cramér-von Mises p-value (0.000) is relatively low, indicating potential deviation from normality. However, using PLS-SEM allows for handling non normal data effectively (Sürücü & Maslakçı, 2020).

### **Data Analysis: Partial Least Squares (PLS-SEM)**

This study employs a two-stage approach to Structural Equation Modeling (SEM) using Partial Least Squares (PLS), using Smart PLS 4 as the analytical tool. The SEM process begins with the measurement model, followed by the structural model (Hair et al., 2014). The measurement model stage involves assessing the reliability and validity of the observed indicators in representing the latent constructs. This includes evaluating individual item reliability, internal consistency reliability such as Cronbach's alpha and composite reliability, convergent validity AVE, and discriminant validity using metrics like the HTMT ratio and Fornell-Larcker criterion. These assessments ensure that the indicators accurately reflect their respective constructs.

After validation of the measurement model, the analysis proceeds to the structural model to examine hypothesized relationships among latent constructs. This includes evaluating the strength and significance of the paths between constructs to determine direct, indirect, and moderating effects. Path coefficients are used to interpret the model's explanatory power and the interactions among variables. This two-stage approach enables a rigorous evaluation of measurement properties and theoretical relationships, supporting a robust assessment of the proposed model (Purwanto & Sudargini, 2021).

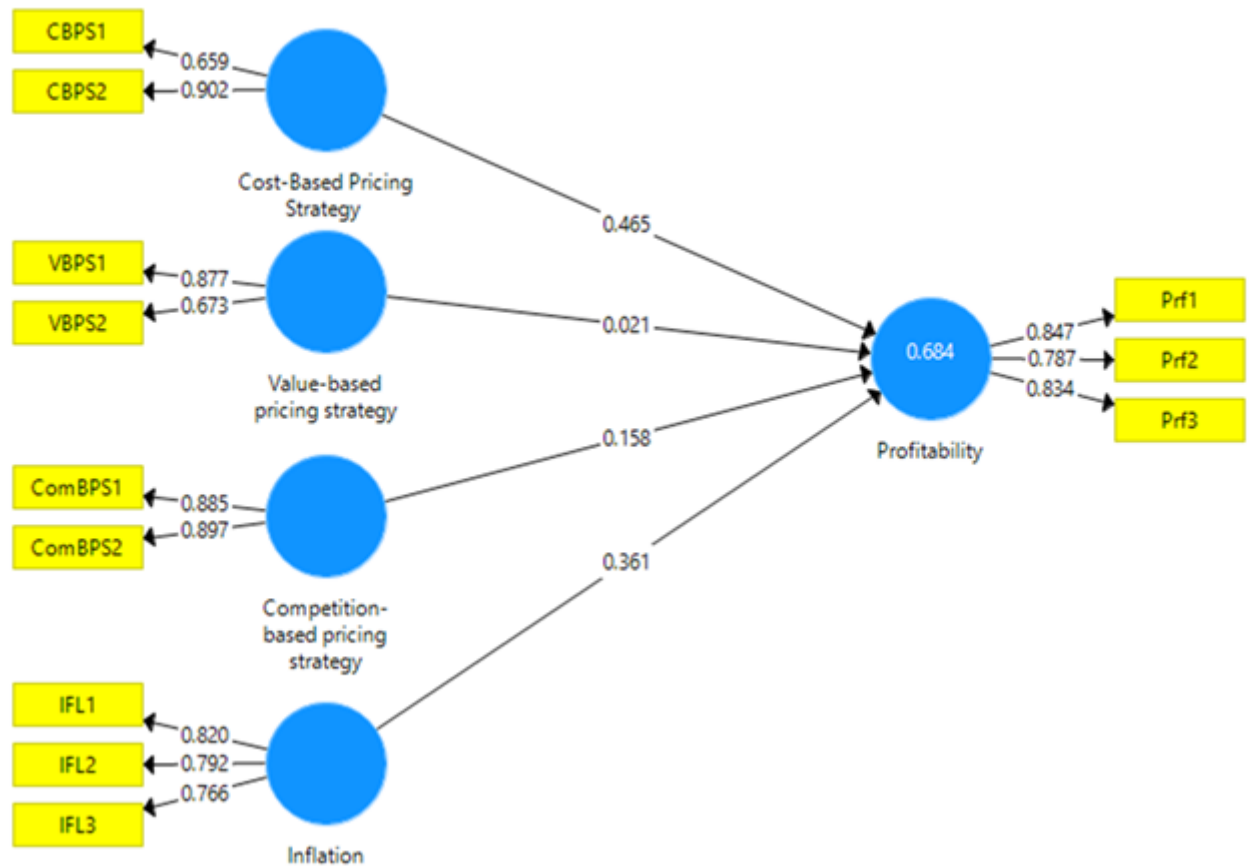
### **Measurement Model**

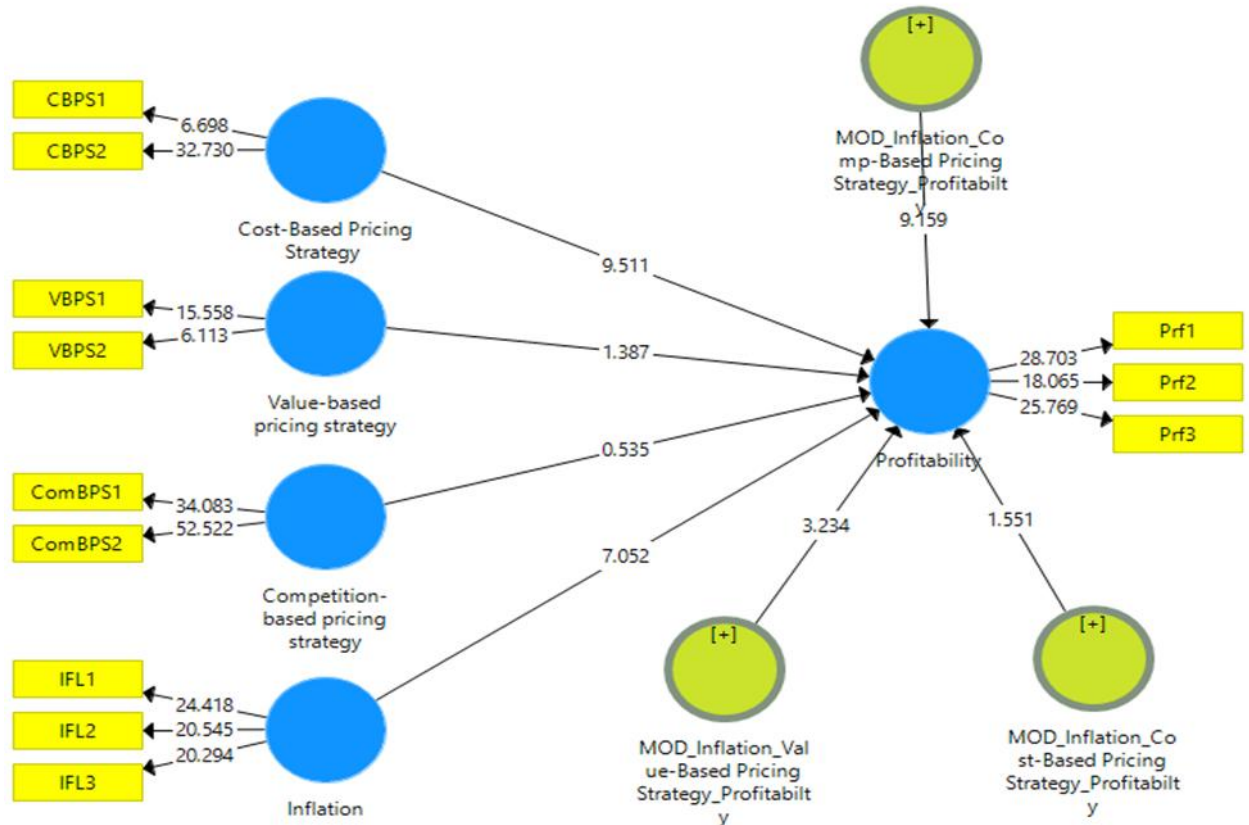
This study examines four exogenous constructs: Cost based pricing strategy has 3 items, competition-based pricing strategy has 2 items, value-based pricing strategy has 2 items and the moderator inflation, has 3 items. The endogenous construct is profitability of SMEs in Kano Metropolis having 3 items.

### Structural Model I: Direct Relationships

The structural model analyzes the direct relationships between exogenous and endogenous latent variables. The primary objective is to test the hypothesized relationships between the independent and dependent variables using PLS-SEM. This is shown in figure 2

Figure 1: Path Algorithm



**Figure 2: Structural Model II (Moderating Effect)**

**Figure 2:** Path Algorithm showing the moderating effect of inflation on the relationship between cost based, value based, competition-based pricing strategies and profitability of SMEs in Kano Metropolis.

### Construct Reliability and Validity

To improve the validity and reliability of the study, several robustness tests were conducted. Reliability was tested using Cronbach's Alpha and Composite reliability. Convergent validity was tested using Average Variance Extracted (AVE) and Discriminant validity was tested with The HTMT ratio and Fornell-larcker Creterion.

### Correlation Analysis

The correlation measures the strengths and direction between the dependent variable profitability and the independent variables; cost based, value based and competition-based pricing strategies of the study as well as the independent variables between themselves. This is presented in Table 2.

**Table 2: Correlation Matrix**

	Inflation	Competition based pricing strategy	Cost-Based Pricing Strategy	Profitability	Value-based pricing strategy
Inflation	1				
Competition-based pricing strategy	0.617	1			
Cost-Based Pricing Strategy	0.474	0.434	1		

Profitability	0.688	0.592	0.715	1
Value-based pricing strategy	0.442	0.459	0.501	0.486

Source: SPSS output, 2024

Table 2 indicates a strong positive correlation of 0.715 between cost-based pricing strategy and profitability. This suggests that businesses that effectively implement cost-based pricing strategies tend to experience higher levels of profitability. This result also implies that accurate cost assessment and management are critical for SMEs towards setting prices that not only cover costs but also ensure profitability (Adawia et al., 2021; Dangisso, 2019)

The correlation coefficient of 0.486 between value-based pricing strategy and profitability reveals a moderate positive relationship. This indicates that aligning prices with the perceived value to customers can lead to increased profitability. SMEs that focus on delivering value and setting prices based on customer perceptions of value will experience better profitability outcomes (Tahat, 2023; Hinterhuber & Liozu, 2013). This involves leveraging customer insights and value propositions in pricing decisions.

Table 2 also shows a strong positive correlation of 0.592 between competition-based pricing strategy and profitability. This indicates that SMEs should continuously analyze competitors' pricing strategies and adjust their own prices to remain competitive and enhance profitability (Adudu et al. 2021).

A moderate positive correlation of 0.434 between cost-based and competition-based pricing strategies suggests that businesses employing cost-based pricing may also consider competitive pricing strategies. This indicates that SMEs may benefit from integrating both cost-based and competition-based approaches in their pricing strategies to balance cost management with competitive positioning (Gencler, 2018).

A strong positive correlation of 0.592 between value-based and competition-based pricing strategies shows that firms employing value-based pricing strategies also tend to adjust their pricing in response to competitive pressures. SMEs could consider both customer value perception and competitive pricing dynamics when developing their pricing strategies.

A moderate positive correlation of 0.501 is indicated between cost-based and value-based pricing strategies, indicating that businesses might use both approaches depending on their market strategies and conditions.

The relationship between Inflation and Cost-Based Pricing Strategy is positive with moderate correlation coefficient value of 0.474, indicating that SMEs may adjust their cost-based pricing strategies in response to inflationary pressures to maintain profitability.

Table 2 also shows a moderate positive correlation of 0.459 between inflation and value-based pricing strategy, suggesting that SMEs should consider how inflation affects customer value perceptions and adjust their pricing strategies accordingly.

A strong positive correlation of 0.617 between inflation and competition-based pricing strategy shows that SMEs are likely to adopt competitive pricing strategies during inflationary periods to maintain market position and profitability.

### Test of Hypothesis and Discussion of Findings

The overall objective of this research is to examine the moderating effect of inflation on the relationship between pricing strategies (cost based, value based and competition based) and profitability of small and medium scale enterprises in Kano Metropolis. Thus, the hypotheses are tested and discussed as follows:

### Hypothesis 1

*Ho<sub>1</sub>: Inflation does not have any significant effect on the relationship between Cost Based Pricing Strategy and Profitability of SMEs in Kano Metropolis.*

The relationship between cost-based pricing strategy and profitability is not affected by inflation as indicated by a parameter estimate of -0.073 and a non-significant p-value of 0.121 at 5% level of significance. This suggests that while there is a negative association between cost-based pricing strategy and profitability, inflation does not significantly strengthen or weaken this relationship in a statistically meaningful way for SMEs in Kano. The parameter estimate of -0.073 indicates a slight negative relationship between cost-based pricing strategy and profitability, suggesting that businesses relying on this approach may experience slightly lower profitability as costs increase. However, the non-significant p-value of 0.121 implies that this relationship is not statistically robust enough to conclude that inflation significantly moderates the effectiveness of cost-based pricing in influencing profitability. As such, the study fails to reject the null hypothesis, upholding that inflation does not moderate the relationship between cost-based pricing strategy and profitability of SMEs in Kano metropolis.

### Hypothesis 2

*Ho<sub>2</sub>: Inflation does not have any significant effect on the relationship between Value Based Pricing Strategy and Profitability of SMEs in Kano Metropolis.*

Inflation plays a significant moderating role in the relationship between value-based pricing strategy and profitability, as evidenced by a parameter estimate of 0.151 and a significant p-value of 0.001 at the 5% level of significance. This indicates that inflation strengthens the positive association between adopting a value-based pricing strategy and achieving higher profitability for businesses in the region. The parameter estimate of 0.151 suggests a positive relationship between value-based pricing strategy and profitability, implying that businesses implementing this approach may experience increased profitability as they align prices more closely with customer perceptions of value. Furthermore, the significant p-value of 0.001 indicates strong statistical evidence that inflation enhances this relationship, implying that as inflation rises, the benefits of value-based pricing in boosting profitability become more pronounced in SMEs in Kano metropolis. As such the study rejects the null hypothesis which states that inflation does not significantly moderate the relationship between pricing strategy and profitability of SMEs in Kano metropolis.

### Hypothesis 3

*Ho<sub>3</sub>: Inflation does not have any significant effect on the relationship between Competition Based Pricing Strategy and Profitability of SMEs in Kano Metropolis.*

Inflation plays a crucial moderating role in the relationship between competition-based pricing strategy and profitability, as indicated by a parameter estimate of -0.306 and a significant p-value of 0.000 at the 5% level of significance for SMEs in Kano Metropolis. This suggests that inflation exerts a strong negative influence on the effectiveness of competition-based pricing in enhancing profitability for businesses operating in the region. The parameter estimate of -0.306 indicates a negative relationship between competition-based pricing strategy and profitability moderated by inflation. This implies that as inflation increases, the impact of competitive pricing on profitability diminishes. Moreover, the significant p-value of 0.000 underscores the statistical robustness of this relationship, indicating strong evidence against the null hypothesis that inflation does not moderate the relationship between competition-based pricing strategy and profitability of SMEs in Kano metropolis. Thus, the study rejects the null hypothesis.

## Discussion of findings

The relationship between pricing strategies and profitability among SMEs in Kano metropolis reveals nuanced insights when examined through different lenses: cost-based pricing strategy, value-based pricing strategy, competition-based pricing strategy, and their interaction with inflation. Each strategy operates within a unique economic and market context, influencing profitability outcomes in varying degrees.

### Inflation as a Moderating Factor

Inflation plays a crucial role in moderating the relationships between pricing strategies and profitability for SMEs in Kano metropolis. The analysis indicates varying impacts based on the pricing strategy employed. The parameter estimate of -0.073 and a non-significant p-value of 0.121 suggest a slight negative association between cost-based pricing strategy and profitability moderated by inflation. While inflation influences input costs and operational expenses, its direct effect on the relationship between cost-based pricing and profitability is not statistically significant. Businesses must integrate robust cost management practices to mitigate inflationary pressures effectively, thus, managing their internal resources effectively. However, the study revealed that inflation does not significantly moderate this relationship. This suggests that SMEs in Kano may lack the dynamic capabilities necessary to adjust cost structures effectively in response to inflationary pressures. This finding diverges from studies like Temitayo and Adegbe (2020), which identified inflation as a critical disruptor of cost-based pricing strategies. The localized nature of Kano's SMEs, with their reliance on stable, regional supply chains, might explain this discrepancy, as it provides some cushion from external inflationary shocks.

The parameter estimate of 0.151 and a significant p-value of 0.001 indicate that inflation strengthens the positive association between value-based pricing strategy and profitability. As inflation rises, businesses adopting value-based pricing may enhance profitability by aligning prices more closely with perceived customer value. This underscores the adaptive nature of value-based pricing in responding to economic fluctuations like inflation and consumer behaviour changes in accordance with the dynamic capability's theory.

This finding aligns with Dynamic Capability Theory, which highlights the adaptability of firms to align their strategies with customer perceptions during volatile economic conditions. Kano SMEs were able to leverage customer-perceived value to maintain or enhance profitability during inflation, supporting insights from Aguilar et al. (2024) and Hinterhuber & Snelgrove (2017).

The parameter estimate of -0.306 and a significant p-value of 0.000 indicate that competitive pricing's impact on profitability diminishes as inflationary pressures increase. Businesses adjusting prices based on market rates may face reduced profit margins amid rising costs and constrained consumer purchasing power. This highlights the critical importance of considering inflationary trends and economic stability when formulating pricing strategies in a volatile market environment like Kano metropolis.

### Conclusion and Recommendations

The study examines at the relationship between pricing strategies, inflation, and profitability among SMEs in Kano Metropolis. It demonstrates that value-based pricing strategies have a stronger positive link with profitability, particularly when inflation is taken into account. This shows that SMEs should prioritize customer value-driven pricing above cost-based approaches to maintain profitability during economic downturns. Inflation also has a significant negative impact on profitability, illustrating SMEs' vulnerability to macroeconomic forces. The study adds to the worldwide conversation about SME sustainability by incorporating pricing strategies, inflation, and profitability into a comprehensive theoretical framework. It



encourages targeted interventions and collaboration among SMEs, policymakers, and stakeholders to develop a resilient and sustainable SME sector. The study recommends that SMEs conduct market research to refine value-based pricing strategies during inflation, develop training programs for dynamic capabilities, establish price stabilization funds, offer tax breaks for R&D, implement systems for monitoring economic indicators, and use financial planning frameworks for inflation forecasting and scenario planning. These techniques can boost profitability while mitigating the impact of inflation on pricing tactics. In addition, SMEs should use financial modeling to evaluate the impact of inflation on costs and revenues.

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## Manajemen Media Relations Hotel the Rinra dalam Meningkatkan Citra di Kota Makassar

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### ABSTRACT

The era of globalization opens up significant opportunities in the rapidly growing hospitality industry and contributes to the country's foreign exchange. Hotel The Rinra Makassar, a four-star hotel with unique Pinisi-style architecture and premium amenities, faces intense competition in the tourism sector. To maintain a positive image and reputation, the hotel implements an integrated marketing communications strategy, emphasizing media relations as a means of strengthening brand exposure and building good relationships with the public through mass and digital media. This research used a qualitative descriptive method with a case study approach at Hotel The Rinra Makassar. Data were obtained through in-depth interviews with Marketing Communication staff, direct observation of promotional and media relations activities, and documentation in the form of press releases, advertisements, and media publications. The data analysis technique consisted of data reduction, data presentation, and conclusion drawing and verification. Validity was maintained through triangulation of sources, techniques, and member checks. The Rinra Hotel implements an integrated marketing communications strategy that includes advertising, sales promotion, public relations, personal selling, and direct marketing. Advertising is conducted through print, online, and Instagram media to strengthen brand awareness. Sales promotions in the form of discounts and bundling packages successfully increased reservations. Public relations is a key pillar, marked by positive coverage in *Tribun Timur*, *Fajar*, *Herald Sulsel*, and collaboration with influencers. Personal selling is carried out with corporate clients, event organizers, and prospective brides and grooms, while direct marketing utilizes social media and online travel agents. A personal, warm, and collaborative media relations strategy has proven to enhance The Rinra's image as a premium, modern, and socially conscious hotel. The Rinra Hotel's media relations management plays a significant role in improving its image in Makassar City. The implemented integrated marketing communications strategy is able to strengthen awareness, customer loyalty, and hotel occupancy. Positive media coverage and collaboration with influencers further strengthen the hotel's reputation as a premium hospitality institution that is adaptive, modern, and cares about the community

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### Pendahuluan

Industri perhotelan merupakan salah satu sektor yang mengalami pertumbuhan signifikan dalam beberapa tahun terakhir, terutama di kota-kota besar yang menjadi pusat pariwisata dan bisnis. Kota Makassar sebagai ibukota provinsi Sulawesi Selatan merupakan salah satu kota yang menjadi destinasi wisata penting dan pusat kegiatan ekonomi yang berkembang pesat. Seiring dengan perkembangan tersebut, persaingan antar hotel baik dalam skala nasional

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maupun internasional semakin ketat. Oleh karena itu, hotel harus mampu menghadirkan daya tarik tersendiri, tidak hanya dari sisi fasilitas dan layanan, tetapi juga citra yang kuat dan positif di mata masyarakat.

Hotel The Rinra Makassar adalah salah satu hotel bintang empat dengan konsep arsitektur yang unik, melambungkan kekayaan budaya lokal dengan inovasi modern. Hotel ini tidak hanya berfungsi sebagai tempat menginap, tetapi juga sebagai sebuah destinasi yang menarik wisatawan domestik dan mancanegara. Untuk menjaga dan meningkatkan posisi serta citra hotel di tengah persaingan yang semakin ketat, diperlukan manajemen komunikasi pemasaran yang efektif dan terpadu.

Salah satu aspek penting dalam strategi komunikasi pemasaran adalah manajemen media relations yang berperan membangun dan memelihara hubungan baik dengan media massa. Media massa, baik media cetak, elektronik, maupun media sosial, memiliki pengaruh kuat dalam membentuk persepsi publik terhadap sebuah merek atau organisasi. Media massa mampu menyebarluaskan informasi, membentuk opini, dan menyuarakan citra yang ingin dibangun oleh sebuah hotel.

Strategi komunikasi pemasaran terpadu (Integrated Marketing Communication/IMC) menjadi landasan utama dalam pelaksanaan manajemen media relations di Hotel The Rinra. IMC mencakup lima indikator utama, yaitu advertising (periklanan), sales promotion (promosi penjualan), public relations (hubungan masyarakat/media relations), personal selling (penjualan personal), dan direct marketing (pemasaran langsung/digital marketing). Kelima indikator ini saling memperkuat dan harus dijalankan secara konsisten untuk mencapai tujuan membangun citra positif dan meningkatkan awareness serta loyalitas pelanggan.

Berbagai riset menunjukkan bahwa media relations yang terkelola dengan baik dapat meningkatkan eksposur media yang positif, memperkuat reputasi, dan secara langsung berkontribusi pada peningkatan okupansi hotel. Namun, dalam praktiknya, pengelolaan media relations sering menghadapi kendala seperti keterbatasan sumber daya manusia yang kompeten dan perubahan perilaku media yang semakin mengarah ke digital serta media sosial.

Berdasarkan uraian latar belakang di atas, rumusan masalah dalam penelitian ini adalah:

1). Bagaimana manajemen media relations Hotel The Rinra diterapkan dalam meningkatkan citra di Kota Makassar?

Dalam konteks tersebut, penting untuk memahami bagaimana Hotel The Rinra mengelola media relations sebagai bagian dari strategi komunikasi pemasaran terpadu untuk membangun dan mempertahankan citra yang kuat di Kota Makassar. Penelitian ini hadir untuk menjawab bagaimana manajemen media relations diterapkan dan berkontribusi dalam peningkatan citra hotel tersebut.

## Metodologi

Penelitian ini menggunakan pendekatan deskriptif kualitatif yang bertujuan untuk menggambarkan secara mendalam strategi komunikasi pemasaran yang dijalankan Hotel The Rinra Makassar dalam membangun citra di mata publik. Pemilihan metode kualitatif didasarkan pada pertimbangan bahwa fenomena komunikasi tidak dapat sepenuhnya dijelaskan melalui angka, melainkan membutuhkan penjelasan yang kontekstual, mendalam, dan menyeluruh. Melalui metode ini, penelitian berupaya mengungkap makna di balik strategi komunikasi serta bagaimana strategi tersebut berimplikasi pada pembentukan citra hotel di tengah persaingan industri perhotelan di Kota Makassar.

Paradigma yang mendasari penelitian ini adalah postpositivisme, yaitu suatu paradigma yang meyakini bahwa realitas sosial bersifat kompleks, dinamis, serta dapat ditafsirkan dari berbagai sudut pandang. Paradigma ini menempatkan peneliti sebagai instrumen utama dalam proses pengumpulan data. Peneliti tidak hanya berperan sebagai pengamat, tetapi juga sebagai

penggali informasi yang aktif, sehingga keterlibatan langsung dalam proses penelitian menjadi kunci penting dalam memperoleh pemahaman yang komprehensif. Dengan posisi tersebut, peneliti diharapkan mampu menangkap nuansa komunikasi yang tidak selalu terlihat secara eksplisit, namun dapat dirasakan melalui interaksi, simbol, dan bahasa yang digunakan oleh pelaku komunikasi di Hotel The Rinra.

Data penelitian diperoleh melalui observasi terhadap aktivitas komunikasi pemasaran dan hubungan media yang dijalankan oleh hotel, baik dalam kegiatan formal seperti konferensi pers dan media gathering, maupun dalam kegiatan informal yang membangun kedekatan dengan jurnalis. Observasi juga dilakukan terhadap publikasi media sosial hotel yang menjadi salah satu saluran komunikasi utama dalam era digital. Selain observasi, peneliti juga melakukan wawancara mendalam dengan staf Marketing Communication (Marcom) Hotel The Rinra yang bertanggung jawab penuh atas strategi media relations. Wawancara ini memberikan informasi detail mengenai perencanaan, pelaksanaan, dan evaluasi strategi komunikasi yang selama ini dijalankan.

Selain data primer, penelitian ini juga mengandalkan data sekunder yang diperoleh melalui studi literatur. Literatur tersebut mencakup buku-buku teori komunikasi, jurnal ilmiah, artikel penelitian terdahulu, serta pemberitaan media mengenai Hotel The Rinra. Data sekunder berfungsi memperkuat temuan lapangan dengan kerangka teori dan perspektif yang lebih luas, sehingga analisis menjadi lebih tajam dan terarah. Dengan demikian, penelitian ini tidak hanya berdiri pada pengalaman empiris, tetapi juga memiliki landasan teoretis yang kokoh.

Keabsahan data dijaga dengan menggunakan teknik triangulasi. Triangulasi dalam penelitian ini dilakukan dengan membandingkan data dari berbagai sumber, mengonfirmasi informasi dari wawancara dengan hasil observasi, serta mencocokkannya dengan dokumen-dokumen pendukung seperti press release, publikasi media, dan laporan kegiatan hotel. Teknik ini dipilih untuk memastikan bahwa data yang digunakan benar-benar valid, sehingga hasil penelitian dapat dipertanggungjawabkan secara akademis.

Seluruh data yang terkumpul dianalisis secara deskriptif. Analisis dilakukan melalui proses reduksi data, penyajian data, hingga penarikan kesimpulan. Data yang beragam dipilah untuk menemukan pola-pola yang relevan dengan fokus penelitian, kemudian disusun secara naratif agar dapat memberikan gambaran yang utuh mengenai strategi komunikasi pemasaran Hotel The Rinra. Analisis deskriptif ini memungkinkan peneliti untuk tidak hanya menjelaskan apa yang dilakukan oleh hotel, tetapi juga menafsirkan makna di balik strategi tersebut, menggali konteks yang melatarbelakangi pilihan strategi, serta menilai efektivitas manajemen media relations dalam membangun citra hotel sebagai salah satu hotel bintang empat terkemuka di Kota Makassar.

## **Hasil dan Pembahasan**

### **Manajemen Media Relations Hotel The Rinra**

Hasil penelitian menunjukkan bahwa Hotel The Rinra Makassar sejak awal berdirinya pada tahun 2016 telah menempatkan media relations sebagai bagian fundamental dalam strategi komunikasi perusahaan. Hal ini berangkat dari kesadaran bahwa industri perhotelan di Kota Makassar berkembang pesat, dengan banyaknya hotel bintang empat dan lima yang bersaing merebut pangsa pasar. Dalam kondisi tersebut, citra positif menjadi modal penting untuk membedakan diri di tengah persaingan.

Meskipun hanya memiliki satu staf Marketing Communication (Marcom), strategi media relations tetap berjalan efektif. Staf ini tidak hanya berfungsi sebagai pelaksana kegiatan promosi, tetapi juga perencana, kreator konten, penghubung dengan media, sekaligus evaluator. Dengan keterbatasan ini, strategi yang dipilih adalah menjalin hubungan personal dengan

media. Media tidak diperlakukan semata-mata sebagai saluran penyebaran informasi, tetapi sebagai mitra yang memiliki peran strategis dalam membentuk opini publik.

Beberapa praktik yang dijalankan antara lain kunjungan rutin ke kantor redaksi, komunikasi informal dengan wartawan, serta pemberian ucapan selamat atau bingkisan pada momen tertentu. Pola hubungan ini memperlihatkan pendekatan yang hangat dan humanis. Sejalan dengan teori two-way symmetrical communication Grunig & Hunt (1984), komunikasi yang dibangun bukan sekadar satu arah, tetapi melibatkan dialog, pertukaran informasi, dan pembentukan kepercayaan timbal balik. Liputan positif yang konsisten muncul di media massa lokal memperlihatkan keberhasilan strategi ini.

### **Integrasi Media Relations dengan IMC**

Media relations yang dijalankan The Rinra tidak berdiri sendiri, melainkan terintegrasi dengan strategi Integrated Marketing Communication (IMC). IMC merupakan pendekatan yang menyatukan berbagai saluran komunikasi agar pesan yang disampaikan konsisten, jelas, dan memiliki dampak maksimal. Dalam konteks The Rinra, integrasi ini terlihat dalam beberapa bentuk:

**Advertising:** The Rinra memanfaatkan media cetak (seperti Harian Fajar) untuk advertorial yang menonjolkan fasilitas ballroom terbesar di Makassar. Di sisi lain, media digital, khususnya Instagram, digunakan untuk menyebarkan konten visual yang estetik. Tampilan foto kamar, rooftop, kolam renang infinity, dan restoran dikemas dengan standar fotografi tinggi, sehingga memperkuat persepsi eksklusif hotel.

**Sales Promotion:** Hotel menawarkan berbagai promo musiman, seperti Ramadan Iftar Buffet, Weekend Staycation, dan bundling Room + Dinner. Promosi ini dipublikasikan melalui Instagram, portal berita online, serta melalui influencer. Hasil observasi menunjukkan bahwa promo Ramadan mampu meningkatkan okupansi hotel hingga 20% dalam periode tertentu, membuktikan bahwa integrasi media relations dengan promosi berdampak nyata pada tingkat hunian.

**Public Relations & Publicity:** Event besar seperti Dream Wedding Exhibition, New Year Celebration, dan perayaan Anniversary diliput luas oleh media lokal. Liputan positif juga muncul dari kegiatan CSR seperti donor darah dan santunan anak yatim. Publikasi ini menampilkan The Rinra bukan hanya sebagai hotel mewah, tetapi juga sebagai institusi yang peduli terhadap masyarakat.

**Personal Selling:** Tim sales aktif menjalin komunikasi langsung dengan klien korporasi, wedding organizer, dan event organizer. Aktivitas ini memperkuat segmen MICE (Meeting, Incentive, Convention, and Exhibition), yang menjadi salah satu sumber pendapatan utama hotel.

**Direct & Interactive Marketing:** Instagram dan aplikasi booking online (Traveloka, Agoda, Tiket.com) digunakan untuk menjalin komunikasi langsung dengan konsumen. Melalui kolom komentar dan pesan langsung, staf Marcom merespons pertanyaan pelanggan, membangun kedekatan, dan menjaga loyalitas konsumen.

Dengan integrasi IMC, semua saluran komunikasi menampilkan citra yang konsisten: mewah, modern, sekaligus peduli sosial. Hal ini sesuai dengan konsep Kotler & Armstrong (2004) yang menekankan bahwa kekuatan IMC terletak pada konsistensi pesan lintas kanal komunikasi.

## **Dampak Media Relations terhadap Citra Hotel**

Manajemen- media relations yang dijalankan oleh The Rinra terbukti memberikan dampak signifikan dalam membentuk citra positif di masyarakat. Berdasarkan analisis, citra hotel dapat dipetakan ke dalam beberapa dimensi penting.

Pertama, dimensi prestise. Publik memandang The Rinra sebagai hotel premium dengan fasilitas modern. Ballroom besar, rooftop bar, dan kolam renang infinity menjadi ikon yang memperkuat posisi hotel sebagai destinasi eksklusif di Makassar.

Kedua, dimensi gaya hidup (lifestyle). Publikasi digital melalui Instagram dan kerja sama dengan influencer menampilkan hotel sebagai bagian dari gaya hidup modern masyarakat urban. The Rinra tidak hanya menjadi tempat menginap, tetapi juga simbol kemewahan dan tren.

Ketiga, dimensi sosial. Publikasi kegiatan CSR memperlihatkan bahwa The Rinra peduli pada masyarakat sekitar. Kegiatan donor darah, santunan anak yatim, dan bakti sosial lainnya menambah nilai moral pada citra hotel.

Keempat, dimensi keakraban. Pendekatan personal dengan media menciptakan citra bahwa The Rinra adalah brand yang ramah dan bersahabat. Hal ini berbeda dengan banyak hotel lain yang hanya berfokus pada komunikasi formal.

Citra positif ini menjadi aset berharga bagi hotel. Seperti ditegaskan oleh Soemirat (2010), citra perusahaan adalah “fragile commodity” yang mudah berubah. Karena itu, konsistensi dan kesinambungan dalam menjaga hubungan media sangat penting agar citra positif tidak mudah terganggu oleh isu negatif.

## **Tantangan dalam Manajemen Media Relations**

Walaupun manajemen media relations The Rinra berjalan efektif, penelitian menemukan beberapa tantangan utama. Pertama, keterbatasan sumber daya manusia. Hanya ada satu staf Marcom yang menangani seluruh aktivitas komunikasi, mulai dari perencanaan hingga evaluasi. Kondisi ini berisiko menurunkan efektivitas jika beban kerja terlalu berat.

Kedua, ketergantungan pada influencer. Walaupun efektif menjangkau generasi muda, influencer memiliki risiko reputasi. Jika seorang influencer terlibat kontroversi, hal tersebut dapat berdampak pada citra hotel.

Ketiga, evaluasi strategi media relations belum dilakukan secara sistematis. Selama ini, evaluasi lebih banyak bergantung pada feedback informal dari media dan tingkat okupansi. Padahal, pengukuran berbasis data kuantitatif diperlukan untuk mengetahui sejauh mana strategi benar-benar efektif.

Keempat, persaingan ketat antarhotel bintang empat dan lima di Makassar menuntut The Rinra untuk terus berinovasi dalam komunikasi. Tanpa inovasi, hotel akan kehilangan keunggulan kompetitif.

## **Diskusi dan Implikasi**

Temuan penelitian ini menguatkan teori komunikasi simetris dua arah (Grunig & Hunt, 1984), yang menekankan pentingnya membangun hubungan timbal balik dengan media. Relasi yang tidak hanya formal tetapi juga emosional terbukti menghasilkan liputan positif yang konsisten. Penelitian ini juga mendukung konsep Integrated Marketing Communication (Kotler & Armstrong, 2004) bahwa konsistensi lintas media sangat penting. The Rinra mampu



menyampaikan pesan yang sama melalui iklan, promosi, kegiatan PR, hingga media sosial: citra sebagai hotel premium, modern, dan peduli sosial.

Implikasi praktis dari penelitian ini adalah bahwa hubungan personal dengan media lebih efektif dibanding sekadar mengandalkan siaran pers. Selain itu, integrasi media tradisional dan digital menjadi keharusan dalam era komunikasi modern. Hotel juga perlu memperkuat kapasitas tim komunikasi agar strategi tidak bergantung pada satu individu, sekaligus membangun sistem evaluasi yang lebih sistematis. Dengan cara ini, The Rinra dapat mempertahankan bahkan meningkatkan citra positifnya di tengah persaingan yang semakin kompetitif.

## **Kesimpulan dan Saran**

### **Kesimpulan**

Hotel The Rinra telah menjalankan strategi komunikasi pemasaran terpadu yang meliputi advertising, sales promotion, public relations, personal selling, dan direct marketing secara efektif. Penerapan advertising tidak hanya dilakukan melalui media cetak dan elektronik, tetapi juga berkembang ke media digital, khususnya Instagram, yang memberikan kontribusi signifikan dalam memperkuat brand awareness dan membentuk citra hotel sebagai destinasi premium dan modern. Selain itu, sales promotion berupa diskon kamar, paket bundling, dan promosi musiman terbukti berhasil meningkatkan minat dan jumlah reservasi, terutama di kalangan generasi muda yang sangat aktif di media sosial dan platform online.

Peran public relations dan media relations juga menjadi fondasi utama dalam membangun reputasi Hotel The Rinra. Kerjasama yang terjalin dengan media lokal dan nasional serta kolaborasi dengan influencer berhasil menciptakan pemberitaan positif yang memperkuat citra hotel di mata masyarakat luas. Sementara itu, personal selling dan direct marketing yang dilakukan melalui interaksi langsung dengan corporate client, event organizer, serta kanal digital interaktif seperti situs booking dan Online Travel Agent (OTA) memberikan dampak yang nyata dalam meningkatkan loyalitas pelanggan dan tingkat okupansi hotel. Dengan demikian, dapat dikatakan bahwa manajemen media relations yang terintegrasi dan konsisten sangat berperan dalam meningkatkan citra dan kesuksesan Hotel The Rinra di Kota Makassar.

### **Saran**

Hotel The Rinra perlu mengembangkan dan memperluas jaringan media partner, termasuk media digital dan influencer untuk semakin memperkuat eksposur merek serta menjangkau beragam audiens yang lebih luas. Optimalisasi pemanfaatan media sosial secara kreatif dan interaktif juga menjadi langkah penting dalam meningkatkan engagement dan membangun hubungan yang lebih erat dengan publik. Kedua, peningkatan kualitas sumber daya manusia di bidang Marketing Communication sangat diperlukan agar staf dapat menjalankan strategi media relations dan komunikasi pemasaran secara profesional dan adaptif terhadap perkembangan media serta tren industri yang dinamis. Di samping itu, evaluasi dan monitoring yang rutin perlu dilakukan terhadap seluruh kegiatan media relations dan IMC, agar strategi yang diterapkan tetap relevan dan efektif dalam mencapai tujuan pemasaran. Terakhir, sinergi yang lebih kuat antar elemen IMC seperti advertising, sales promotion, public relations, personal selling, dan direct marketing harus terus dijaga dan dikembangkan agar komunikasi pemasaran dapat berjalan lebih konsisten dan memberikan dampak maksimal dalam membangun citra positif serta meningkatkan loyalitas pelanggan hotel.

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## The Contribution of Islamic Banking on Investment for Economic Development in Malaysia: Pathways for Nigeria

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### ABSTRACT

This study aims to investigate the contribution of Islamic banking to investment for economic development in Malaysia and to explore potential pathways for economic development through Islamic banks in Nigeria, drawing on Malaysia as a model. We employed a qualitative approach using a face-to-face interview technique for the data collection. The sample size of twelve (12) participants from Islamic banking experts, investment experts, and economic development experts was engaged. The data was analysed using a thematic and descriptive analysis. The outcome of the study revealed that Malaysia incorporated foreign banks and foreign investors mostly from the Middle East region. Additionally, several Malaysian Islamic banks engaged in offshore investments in neighbouring countries such as Indonesia and Thailand. However, Malaysian Islamic banks are not proficient in engaging in shipping investment; they prefer to go to the safe zone. Furthermore, the results show that Islamic banks in Malaysia are beyond profit and loss sharing investment accounts (PSIAs). The data shows that the system has the potential to support Islamic capital market investment, Islamic micro-investment, business investment accounts, Islamic gold investment accounts, agricultural investment, and an Islamic microfinance model for the benefit of micro-entrepreneurs, small-scale farmers, and SMEs for economic development. The study has practical and economic implications for the contemporary Islamic finance stakeholders, Islamic bankers, Islamic economists, real estate investors, shipping investors, offshore investors, and Islamic micro-investors

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### Introduction

Achieving economic development has been an endeavouring task among most developing countries in the world. Realisation of this objective has being a great concern to the developing economies across the globe (Shinkafi, Yahaya, Ali, & Othman, 2021). Over the years, Malaysia has witnessed a proliferation of Islamic banking and has accommodates these institutions which have a noticeable significance on the country's economy. The unprecedented support of the entire financial sector formed a significant contribution to Malaysia's economic development (Laldin, 2008; Mansor, 2007). The Islamic banks are keen in the provisions of variety of services and all-encompassing Islamic financing products that suited the desire of customers' varied segments (Laldin, 2008; Lamido, 2014; Lo & Leow, 2014). Thus, investment outlet to various sectors and in varied degree couple with the effective operation of the Islamic

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banks and strategies of investment in area of financial development ranging from foreign investment, real estate investment, capital market investment, offshore investment, and Islamic micro-investment displayed a tremendous contribution to economic development in Malaysia (Mizanur-Rahman, 2014; Nawaz, 2017).

Nigeria in particular has a long-term economic perspective plan, with a set target of developing its economy to the level of ratings among the world's top twenty economies. Accomplishment of the objectives of this nature requires a vigorous and strong-willed financial system spearheaded by sound banking and investment to muscle and propelled the economy (Mizanur-Rahman, 2014). Islamic banking and investment has always strived to provide such lubricant inputs to achieve the said objective (Rahman, Muhammad, & Mahayudin, 2013). Banks are crucial agents of economics development; they invest and provide investment avenues to other stakeholders in the financial institutions (Lamido, 2014). These activities are potent and have impact on the economic development either directly or indirectly. Therefore, the Malaysian contribution of Islamic banking on investment could serve as pathways for Nigeria to achieve its anticipated economic development. Hence, this study aimed to explore the contribution of Islamic banking on investment for economic development in Malaysia; to also discover the prospective pathways for economic development through Islamic banks in Nigeria. The study also intended to address the following research questions: a) how does Islamic banking contribute to investment for economic development in Malaysia? b) How can Nigeria drive the pathways from the Malaysian experience?

## Literature Review

Al Hallaq, Ajlouni, and Al-Douri (2019) reveals that Islamic banking in Jordan has an optimistic impression on total investment and modification on net transfers from abroad. The size of investment and savings has an emotional impact on the smoothness of the GDP, which in turn affects the real per capita income. Correspondingly, Alaeddin, Archer, Karim, and Rasid (2017) found that Islamic banking market discipline heavily depends on the role of depositors and investors in the global development of Islamic banking market stability and resilience. Likewise, Ibrahim (2015), consider that specific focus on Islamic capital market investment can promote the viability of Islamic finance; demonstrates its bearings on economic wellbeing; policies (especially economic stability, economic development, financial inclusion) and the stability of the policies (Ibrahim, 2015).

Accordingly, Kacar, Curic, and Ikic (2017) reveals that Islamic banks can finance the economy and agricultural investment in particular. It can make some comparative advantage in respect to other domestic banks; establish a strong business relationship with the client in the Muslim nations for the local companies to perform in their markets in terms of profitability, efficiency, and performance. Moreover, Suandi (2017) found that diversity of profit-loss sharing investment accounts (PSIAs) under various accounting standards and various reporting techniques for unique transactions in Islamic banks resulted the inadequacy of current accounting standards to guide the industry, which generates possible challenges of comparability. Equally, Rahman et al. (2013) considered realise that Islamic banks can use certain products that are more or less debt-based products rather than partnership based that could advance enterprising values in society. They suggest Islamic micro-investment as a model for achieving Islamic financial objectives, wealth, businesses, and other lawful transactions through partnership investment based contracts specifically for low-income earners and SMEs.

In their study, AbdulRahman, Muhammad, Ahmed, and Amin (2016) found that Islamic micro-investment through Islamic microfinance banks can serve as a model that could connect the charitable or waqaf division to fund the micro-entrepreneurs and economic empowerment of the populace. Furthermore, Fasih (2012) originates that Islamic banking has the possibilities to cater and uplift the needs of vulnerable individuals likes of farmers and SMEs and nurture

inclusive economic growth and development. Thus, there is a robust signal that free-interest financing system has the potential to attract investment and foreign investors. Still, Nawaz (2017) found that investments in human capital development have a significant positive effect on the market value of Islamic banks.

In his empirical work, Kassim (2016) found that Islamic finance contributes to the real economy by effectively booming out the financial intermediation role of combining and controlling funds to the investment activities, further expansion of the industry, and enable the healthier growth and strength of the industry through the refinement of legal and regulatory principles. Yet again, Amin (2016) designates that applicability of the TRA in the contemporary context of Islamic banks could expand the scope of the theory including Islamic gold investment accounts. The outcomes obtained are relevant to provide Islamic banks with new insights into factors determining Muslim male investors' decision to open Islamic gold investment accounts.

On the contraries, Alhammadi, Archer, Padgett, and Karim (2018) discerns the practices of Islamic banks in managing the Shari'ah compliant profit sharing investment accounts (PSIAs) as an alternative to interest-bearing deposit accounts using unrestricted *Mudarabah* contract. The authors argued that unrestricted investment account holders (UIAH) are exposed to risk and losses of the invested deposits and assets, while the banks that manage these assets (*Mudarib*) does not accept any losses while they receive 50 per cent of the earned profits or more on the PSIA. Similarly, AlShattarat and Atmeh (2016) proves that the implementation of *Mudarabah* contracts in Islamic banks inflicts a number of problems. These challenges involve difficulty in determining the actual profit emerging from *Mudarabah* and in sharing these profits to the existing parties. Corporate governance principle is difficult to maintain in *Mudarabah* contract, since depositors or shareholders are exposed to risk without governance right, and the contract is likely to lessen the fair presentation of financial reporting. In addition to that, reserve usage to furnish the future losses is likely to undermine the concept of *Mudarabah* profit-loss sharing and lead to earning management. Lastly, Aggarwal and Yousef (2000) argues that most of the Islamic banks are not operating based on profit and loss sharing (equity), however, instead, the banks look debtlike in nature. The authors claimed that there exist some bias and rare long-term financing for the agricultural industry and entrepreneurs. Their model shows that debtlike instruments are a rational response by Islamic banks to their contracting settings. As the agency challenges become more severe, debt becomes the dominant instrument of finance. They suggested conditions, which they thought that banning debt increases social welfare and the other that, banning debt decreases social welfare.

### **Concept of Islamic Banking**

The Islamic banking system is guided by the ethics of Islamic law based on profit and loss sharing (PLS) and the prohibition of Riba according to the direction of Islamic economic principles. In other words, the Islamic banking system refers to the banking action that is in line with the Islamic decisions of the Shari'ah and its practical application through the development of the Islamic economy. Islamic banking is devoid of interest and excessive risk-taking. The sources of Islamic banking are derived from the primary and secondary sources of Islamic Law (Yahaya, Shinkafi, & Haji-Othman, 2017). According to Islam, the members of OIC, Muslim countries, IDB, and all existing Islamic banks, have universally accepted a definition of Islamic banking as a financial institution whose statutes, rules and procedures expressly state its commitment to the principles of Islamic law, and forbade of the receipt and payment of interest on any of its transactions (Islam & Pramanik, 2007). Islamic Banking is defined as banking in consonance with the ethos and value system of Islam (Lamido, 2014).

Muslim jurists developed various techniques to suit the modern operation of Islamic banking. Islamic banking in the contemporary world receives universal acceptance due to its potential and recorded success. Therefore, Islamic banking is a pleasant transaction that requires not

usury, uncertain businesses, and gambling. It also strictly adheres to Shari'ah compliance principles. Islamic banking deals with the goods, services, transactions and Shari'ah accepted financial products with a view to promoting human welfare, personal satisfaction, business commitment, and development in the general society of humankind. Thus, from the above definitions, one may realise that Islamic banking stands in clear harmony with the philosophy of Islamic economic value system.

### **The Concept of Investment in Islam**

Investment from the economic perspective is regarded as buying commodities or goods that are not consumed at the moment but are used with the hope that it will generate or appreciate in the future to derive profit. It also means the creation of wealth or goods capable of generating other goods or services. In finance, investment is a purchase of monetary asset purchased with the idea that the asset will provide income or sold at a higher price for a profit in the future. However, Islamic investment is unique, comprehensive in its nature, and not limited to the purchase that hopes for the benefit in the future. It extends beyond the investor's welfare, and interest, but rather the entire society. Ethically, right and obligations of individuals and organisations need to be respected according to ethical values of Islam. Socially, Islamic investment aimed at realising the goal of socio-economic justice, social relations, social conducts, sense of brotherhood, social responsibility of individuals and the firms as outlined by Shari'ah. Spiritually, Islamic investment is to satisfy the will of Allah by considering the investment as an act of worship, the capital should be *halal*, the products or firms to invest in should be *halal* and base on the teachings of Islam. Economically, although Islam encourages business and accepts profits, it prohibited all forms of unlawful (*haram*) such as cheating, interest, fraud, exploitation and so on. Morally, Islam creates a sense of truthfulness, generosity, kindness, leniency to workers and customers, fair treatment, and avoidance of evil practices (Anas & Mounira, 2009). The choices and acceptable range of Islamic investment are very wide and inclusive. It involves investment in companies, businesses, and funding that are based on '*halal*' including interest-free bank deposits. Islamic investment is devoid of *haram* that involves the acquisition of shares in companies such as alcohol, pork, gambling, and investment on conventional banks savings, investment deposits, and purchase of interest-yielding bonds.

### **Islamic Banking and Investment**

Concerning the linkage between Islamic banking and investment features, Lamido (2014) supports that Islamic banking is an effective means of promoting domestic and foreign investment, productive ventures and provides a strong incentive for promoting investment and productivity in the economy, financing the poor and small firms who have no collateral. In their study, AbdulRahman et al. (2016) found that Islamic microfinance banks has potential significant relationship with the Islamic micro-investment, *Waqaf* or charitable sector to support micro-entrepreneurs. However, Fasih (2012) opines that Islamic banking has the potential to uplift vulnerable groups such as farmer and Small and Medium Enterprises SMEs and can foster investment and inclusive economic development. On the contrary, Nawaz (2017) finds that investments in knowledge resources (human capital, in particular) have a significantly positive impact on the market value of Islamic banks. In his empirical work, Kassim (2016) found that Islamic finance has an impact on the performances of major macroeconomic indicators, contributions to the real economy by effectively carrying out the financial intermediation role of pooling and channelling funds to investment activities. Notwithstanding, Amin (2016) reveals that Islamic banks has influence on Muslim male investors' decision to open Islamic gold investment accounts. Finally, Hossain (2016) found that low and stable inflation is important for maintaining the viability of Islamic banking and finance within a dual banking system. Islamic banks results in more stable macroeconomic environment that would be more conducive to the development of an investment in Islamic financial sector that would promote economic development.

## **Linkage between Islamic Banking and Economic Development**

Islamic finance sector is generally conducive to economic growth and development comprising the Islamic banking system (Bakhita, 2017). Abduh and Azmi (2012) found that there is a noteworthy connection in the short term and long-term periods between Islamic financial developments IFDs and economic growth and development. The linkage, nonetheless, is neither Schumpeter's supply leading nor Robinson's demand following. It seems like a bi-directional connection. Furqani and Mulyany (2009) identified that there is an existing links between financial development and economic growth and development. Saleem (2007) Islamic banking is extra suitable to economic development not only in the Muslim nations but also in the Western countries. Accordingly, Sarwer, Muhammad, and Ahmad (2013) exposes that there is dynamic interaction between Islamic finance and economic growth, and the way Islamic banks can become additionally developed to mobilize funds in production that can foster economic development. Some scholars believe that legal ground is one of the factors that accelerate economic growth. For example, Levine (1998) finds that legal setting as an exogenous factor has strong linkage and influences the banking industry with a long-run economic development, which associated with banking development that stimulates economic growth.

## **Contribution of Islamic Banks on Economic Development**

The significant role of the banking sector towards economic development could not be underestimated. Mobilization of resources and channelling them for various developmental purposes including investment are considered as the most vital role of the banks. Banks perform a pivotal role in the field of financial intermediation. In this regard, Habib (2005) found that Islamic financial system has a meaningful contribution to global economic development, due to its effective financing instruments that can offer services to both present and future needs of the global society. The author further emphasises the need to enhance economic development through equity-based institutions and instruments (such as private equity funds, venture capital, and investment banks), and services to small firms. Islamic banks have an effect on financial transformation, growth, positive feedback about the banking system and that the Islamic banking system is more beneficial for economic development (Naveed, Shafique, Ahmad, Adeel, & Tariq, 2015).

Islamic financial institutions have a pivotal role in economic development, even though in a mass of potentially opposing techniques. The accessible experimental data discloses that banking role during the course of economic development advances gradually. The financial system turns into additional market-based as they develop, with the growth of securities and markets overruling that of the banking system (Johnson, 2013). Financial system especially banking, which affords access of capital to investors, plays an imperative role in financing economic development. He further explains that in contemporary economic activities the banking system is the heart of every economy globally particularly on matters of economic development. Interestingly, the author trust that Islamic banks have an encouraging impression of economic development than conventional banks. This is due to the elimination of interest, using PLS principles, and its similarity with the universal banks (Mohammad, 2011). Islamic banking modes of financing are useful in promoting economic development. Thus, Islamic banks have the potential of achieving economic development by boosting agriculture and human development in both the rural and urban communities of the country (Lamido, 2014). Besides that, Bakhita (2017) claims that Islamic banks have the potentials to attain social justice, socio-economic development, serves as a path for fostering human well-being, handle funds from the server to investors, and support investment. Likewise, Islamic finance and monetary system is characterised by economic stability, efficiency, growth-promoting, and reducing moral hazard and advance selection of problems. The system is known for its

inclusive risk sharing, provides more sustainability in the financial industry, more conducive to poverty alleviation and human welfare (Al-Jarhi, 2005). Furthermore, Islamic banks in Nigeria have the potential to adopt new financing policies that will encourage economic development that involve the support of SMEs, raising the living standard of people, developing new schemes for housing and real sector financing, and enhancing income generation (Gumel, 2014). Further still, Islamic banks have the potential to stimulate the infrastructure for the growth of equity financing by leveraging the productive potential of SMEs, generating employment especially for youth, enhancing financial inclusion through microfinance, and enhance prospects for balanced global growth, development, and shared prosperity (Mizanur-Rahman, 2014).

### Study Approach

The study is qualitative approach, which resorted to a social constructivist approach and engaged in face-to-face interview as a means of data collection following the guide of (Creswell, 2007a, 2007b, 2014). The recruitment of participants encompasses Islamic banking experts, investment experts, and economic development experts. These participants were recruited with the view to provide the needed information that relates to the contribution of Islamic banking on investment for economic development. The applied criteria for the selection of the participants are professionalism and expertise, relevance, aptitude to respond to the intended questions and readiness to grant the interview. We employed the total sample size of 12 participants and divided into 3 with each category containing 4 participants unbiasedly. Regarding the choice of small participant's sample size, we are guided by the view of Onwuegbuzie and Leech (2007) that in qualitative study the practice and choice of a small sample size are very significant due to their ability to determine the researcher's generalisation. Similarly, we also relied on Guest, Bunce, and Johnson (2006) that advises a sample of six to twelve participants as sufficient and adequate for the useful development of meaningful interpretations. Earlier, Sandelowski (1995) guided that in qualitative research sampling size should be neither too little nor excessively heavy to make it difficult for achieving the data. Thus, the selection of small sampling size for this study was inspired by Guest et al. (2006) and Onwuegbuzie and Leech (2007) to achieve the adequacy and the meaning of the phenomenon, productivity of the data, and varied and in-depth data obtained from the respondents. The gathered from the responses of the participants was converted to text through transcription, we coded the participants using mixture of letters and numbers, the transcribed data was edited, reported, and analysed. The method of data analysis employed was thematic analysis and theoretical data explanation using the guide of (Ozkan, 2004). Discussion of the major findings were made available to confirm the achievement of research objectives and to determine the successful answer to the principal research questions.

### Presentation and Analysis of Data

#### Demographic Data of the Participants

This part deals with the demographic data of the participants giving age, sex, educational qualification, and occupation. The table below presents the distribution of respondents by Nigerian universities.

**Table 1:** Demographic Data of the Participants

S/No	Participants	Sex	Age	Occupation	Qualification
				n	n
1.	PT: 1	M	45	L	Ph.D.
2.	PT: 2	M	39	L	M.Sc
3.	PT: 3	M	45	L	Ph.D.
4.	PT: 4	M	65	L	Ph.D.
5.	PT: 5	M	41	L	Ph.D.



6.	PT: 6	M	45	L	Ph.D.
7.	PT: 7	F	35	L	M.Sc
8.	PT: 8	F	34	L	M.Sc
9.	PT: 9	M	44	L	Ph.D.
10.	PT:10	M	51	L	Ph.D.
11.	PT:11	F	47	L	Ph.D.
12.	PT:12	M	58	L	Ph.D.

**Keys:** PT= Participant; M=Male; F=Female; L=Lecturer

### Data Presentation, Analysis, and Interpretation

The evidence of the data that emerged from the responses of the participants was presented and interpreted the data accordingly. The major themes and sub-themes that emerged from the analysis of the entire data were made available as they emerged. These major themes include (the potential of Islamic finance on entrepreneurship development; the role of Islamic financing products on entrepreneurship development; and the impact of Islamic finance on entrepreneurship for sustainable economic development in Nigeria). These themes emerged out of consideration of the frequent wordings of the participants that involve the main ideas and subthemes. The analysis and interpretation of data were supported with theoretical data explanations.

### Trends of Islamic Banking Contribution to Investment in Malaysia

The results that emerged from the interview indicates that Malaysia shows commitment towards investment by incorporating foreign banks; introducing Shari'ah approved securities, and foreign collaboration for Islamic market value, which in turn generates employment, projects, and economic growth and development. The result further shows that Malaysian Islamic banks engaged in offshore investment in neighbouring countries such as Indonesia, Thailand, etc. Other investments mentioned by the participants include green Sukuk investment, real estate investment, Islamic micro-investment, capital market investment, agricultural investment, and investment on human capital development among others.

### Incorporation of Foreign Banks and Foreign Direct Investment FDI

The available data that emerged from the responses of the participants revealed that in the year 2004 Malaysia started to grants new licenses to foreign institutions by Bank Negara Malaysia (BNM). These foreign institutions include Al-Rajhi Bank & Investment Corporation Berhad, Asian Finance Bank Berhad, HSBC Amanah Malaysia Berhad, Kuwait Finance House, OCBC Al-Amin Bank Berhad, and Standard Chartered Saadiq Berhad. The year 2005 saw the entrance of Kuwait Finance House, Al-Rajhi, and Asian Finance (a consortium of Qatar Islamic Bank, RUSD Investment Bank Inc. and Global Investment House). In this respect, the data gathered from the responses of the participants noted that Malaysia integrated foreign banks from the Middle East and other places to reap the benefit of Islamic banking system. One of the participants related that:

*We can go back to my previous point, the largest bank in Malaysia is Maybank, it has a large share, and the keyword is the amount of capital in the bank as it includes the market share, through direct and indirect financing. I think the government has provided Bank Negara Malaysia with enough stimulus to get what is needed. Islamic banks are in line with the Islamic school of thought in the Middle East and in Malaysia.*

*In the year 2004, we started to grants new licenses to foreign financial institutions (including Islamic banks) by Bank Negara Malaysia (BNM). These foreign institutions include Al-Rajhi Bank & Investment Corporation Berhad, Asian Finance Bank Berhad, HSBC Amanah Malaysia Berhad, Kuwait Finance House,*

*OCBC Al-Amin Bank Berhad, and Standard Chartered Saadiq Berhad. The year 2005 saw the entrance of Kuwait Finance House, Al-Rajhi, and Asian Finance (a consortium of Qatar Islamic Bank, RUSD Investment Bank Inc. and Global Investment House). Therefore, I think in Malaysia we did not only accept foreign banks, but also encourage FDI, and go abroad for offshore investment, especially in Indonesia, and Thailand (PT: 5).*

Likewise, another participant related that:

*This of course, in case of investments, the question should be why does China come to invest largely in Malaysia? Let say foreign direct investment FDI in Malaysia. Like what, why does China come and invest in Malaysia financial sector as a large scale? You see, before it does, it means the banking and financial structure of Malaysia attracted foreign investors. I would say the banking structure in particular, and the banking system itself is huge. Therefore, what Islamic banking does in its services? Definitely, the exports of the financing contracts or products are efficient, which promotes more attraction to a large number of foreign investors. Yes, it is understood that the more banks you have, the better the efficiency, and market. We cannot yet claim that we have enough banks..., you know, if you have more banks, they will have more programs and have better investments. However, I have to acknowledge that Islamic banks in Malaysia are deeply committed in that respect (PT: 4).*

Similarly, one of the participants added

*We have many foreign direct investments that accepted the incorporation of foreign banks to Malaysia. We have created finance; we also have that money from foreign investors of the Middle East and other foreign branches to put their money in Malaysia. Again, you can draw a law to the capital markets, because the presence of Islamic banking or even Islamic capital market has many real economic activities, such as infrastructure, and buildings of ports, waterways, airports, and civil constructions. In addition, Islamic finance is good enough to support property investment, real estate investment, and people are mentioning the value proposition of Islamic capital market, and they also say the Islamic finance is supporting real economic activities (PT: 10).*

### **Islamic Capital Market and Shari'ah Compliance Investments**

Besides the presence of foreign banks and foreign investors in Malaysia, one of the economic presence is the introduction of Shari'ah approved securities that score a part in Kuala Lumpur Stock Exchange KLSE, where all Shari'ah compliance financial institutions under Islamic Financial Capital Market IFCM with the possibilities can participate in the business. This means that there is an Islamic capital market investment in term of shares and capital market with the Islamic banks as one of the core runners of the Shari'ah approved securities in Kuala Lumpur Stock Exchange KLSE. In this regard, one of the participants reveals that:

*I think there is Islamic capital market investment in terms of shares, through the shares by the Shari'ah approved securities in Kuala Lumpur Stock Exchange KLSE, because; we have the Shari'ah Financial Capital Market, Shari'ah Council, meaning that, there is a list of companies that are in the business, which is in accordance with Shari'ah principles. For example, they are offering and investing the money in the plantation, in whatever investment as long as it is not contrary to the Shari'ah values. There are many companies in Malaysia in which they are offering the investment. We have also the Islamic Unit Trust, in which, the funds in the Islamic Unit Trust has been invested in the Shari'ah compliance*

*activities, which has been operated by the Shari'ah compliance companies, such as Shari'ah compliance investment (PT: 2).*

Another participant reports that:

*“...Of course, some banking institutions are dealing with Capital Markets. For example, in Capital Market, we have Islamic Finance Fund Management. Therefore, this is the separate entity under the Capital Market. These institutions are under Security Commission Malaysia. However, the Security Commission Malaysia is the regulator for the Islamic Financial Capital Market, and the Sukuk also besides being under the supervision of the Security Commission Malaysia. It also falls under the category of Capital Market. We have also private entity; this is also under Capital Market they are not under banking or Takaful institutions. Therefore, what I am saying is that, because of the amendments to the existing laws that include Capital Market and Services Act (CMSA), our strategies and policies pave the way for the Islamic Capital Market investment to flourish (PT: 6).*

The data that emerge from the responses of the interview established that Malaysia introduced Shari'ah approved securities that score a part in Kuala Lumpur Stock Exchange KLSE, Shari'ah Financial Capital Market, Shari'ah Advisory Council, where all Shari'ah compliance financial institutions are Islamic Financial Capital Market with the possibilities to participate in the business. The result from the interview further points out that Malaysia has real estate investment, which is also under the Capital Market investment. They are under the supervision of the Security Commission Malaysia. In this regard, one of the participants reveals that:

*We have also real estate investment, which is also under the Capital Market. They are under the supervision of the Security Commission Malaysia, just like what you called Security and Exchange Commission in Nigeria (PT: 11).*

### **Sukuk Investment**

Some of the respondents believe that Sukuk investment is one of the best investment institutions in Islamic finance that supports infrastructural development in Malaysia. In this respect, one of the participants reported:

*Investment may be in terms of being Sukuk investment, Yeah..., I can see that the word investment is more relaxed to the Sukuk investment. Nowadays, the government is very keen to introduce the green Sukuk for infrastructural development; it is the best and very close to the environment. Thus, Islamic banking system has the potential to excel in several real economic activities, Sukuk is good for our infrastructure, and we have the expansion of our ports, developing modern waterways, contemporary airports, and civil constructions. Therefore, Islamic financial system is not only affecting the Muslims but also the non-Muslims (PT: 7).*

### **Offshore Investment**

The data that emerged from the responses of the participants shows that Islamic banking system in Malaysia contributes to promoting offshore investment in neighbouring countries. In this respect, one of the participants noted that:

*Actually, when we are talking about the investments, there are varieties of investments, which actually these (Islamic) banks are involved. It could be in the property investment, which is very popular in Malaysia, and they are investing in*

*it. This is quite common, and they are doing other investments. We have discussed a different type of investments coming forward depends on the capacity of those (Islamic) banks. Some of the Islamic banks in Malaysia are already involved in offshore investment. Among the commercial banks, I know of Maybank Islamic, and CIMB Islamic, all have their offshore investments. I think yes, as they grow, they go to offshore investments. Despite the potential in Islamic banks; Islamic banks rather go to safe zone rather than go to areas they could make more returns. For example, the shipping investment, which is the backbone of economic growth and development (PT: 1).*

Similarly, another participant reveals that:

*Many of our Islamic banks moved to the neighbouring countries (Offshore). Therefore, whether our Indonesian initiative as well, is the initiative of multi-nations, multi-countries, but Malaysia has a heavy centre in terms of Islamic banking and finance. In addition, with the help of the regulatory bodies, especially Central bank, we established and created a robust framework, and enabling environment for the banking system to prosper in the country and offshore. Hence, you always see that the system is specifically fine to improve the status quo they came out with, especially the China framework, you know, they have a good China framework. They established their standard rules, I mean, people are very critical of how to measure practices of the Islamic bank especially in offshore. With this new initiative and new ideas of business value, the evidence is implying the fact that the Central Bank of Malaysia and other regulatory bodies are willing to adopt changes and support the industry to diversify its business in the offshore investment for more contributions to the Malaysian economy (PT: 3).*

The data that emerged from the responses of the participants above indicates that Malaysian Islamic banks engaged in property and offshore investments. Some Islamic banks that went offshore comprise Maybank Islamic and CIMB Islamic, and more others have their own offshore investments. The data that emerged from the interview responses reveals that there is an Indonesian initiative of offshore investment, and an initiative of multi-nations, which is due to Malaysian heavy centre of Islamic banking and finance. Many Malaysian Islamic banks moved to the neighbouring countries. These achievements are credited to the Malaysian regulatory bodies, especially Central bank; which created a robust framework and enabling environment for the banking system to prosper in the country and offshore. Thus, Malaysia has fresh initiatives and novel ideas of business value, the evidence is denoting the fact that the Central Bank of Malaysia and other regulatory bodies are keen to embrace changes and support the Islamic banking industry to expand its business to offshore.

### **Shipping Investment**

The data that emerged from the responses of the participants reveals that Malaysian Islamic banks are yet to venture into shipping investment. In this respect, one of the participants lamented that Islamic banking and finance in Malaysia is still yet to venture into shipping and some equity investments:

*To be truthful with you, Islamic banking and finance in Malaysia are not comfortable to venture into shipping investment. In fact, they are scared of going into the shipping investment. They rather choose to go to the safe zone to do their businesses refusing to take risk to offer the shipping business. Similarly, there are many other equity investments, which Islamic finance is not a party to it. It is good to start moving in that direction if Islamic finance is to have headway in the new century. In G20, we are not yet there, Islamic financial institutions have to fill in that vacuum (PT: 12).*

The data that emerged from the interview response above indicates that, Malaysian Islamic banks resort to varieties of investments, such as offshore investment, incorporation of foreign banks, property investment, and Islamic capital market investment. However, the data that occurred from the interview responses of the participant above designates that, Malaysian Islamic banks are not keen to engage in certain equity investments and shipping investment. Thus, Islamic banks in Malaysia abandoned some areas like shipping investment that could make more returns and a backbone for economic growth and development.

### **Agricultural Investment**

Regarding the investment in agriculture, Islamic banks in Malaysia have the potential to help and develop the economic sector through agricultural investment to improve the green production smoothly. In this regard, one of the participants noted that:

*With the coming of Islamic banks, here in Malaysia it helps us widen our thought and albeit developed in the economic sector through investment in agriculture. We took the advantage of Islamic banking ecosystem to support our agricultural sector and improve our green production level. Islamic banks in Malaysia established a strong agricultural business relationship with their local clients and agro related companies. In the last few years, we established agrobank Shari'ah compliance model, we heavily invested in it to support the local agricultural production by the local small and medium scale farmers, young farmers, and graduate agri entrepreneurs. We do believe that this effort could assist in boosting the agricultural sector, market performance in terms of profitability, efficiency, and agricultural investment. We are keen to improving creativities, we have confidence in our ideas, and we do develop our ideas and convert them into practical sense. We sometimes look for good ideas from others, yes; we do borrow a leaf for our rapid expansion. Besides that, we try to connect with the outside world to harvest experience from the successful and emerging IFIs whose operations are guided by Islamic finance principles. Therefore, we do everything possible to provide the brains for human development and infrastructures; agriculture and offshore; to cut it short, we established several centres relating to investment, be it agricultural or otherwise. Thus, we offer the green lights and we are happily receiving the greenlights (laughter) (PT: 1).*

From the above report that emerged from the one of the participants, the outcome of the study reveals that Malaysia established agro bank Shari'ah compliance model that heavily invested in agricultural sector to support domestic agricultural production, small and medium scale farmers, young farmers, and graduate agri entrepreneurs. Malaysia also has commitment in boosting the agricultural sector, agricultural investment, improving creativities, and ideas, and sometimes borrow a leaf of good ideas from others for rapid agricultural development.

### **Islamic Micro-investment and Business Investment Accounts**

Concerning Islamic micro-investment and business investment the results that emerged from the responses of the participants reveals that there is an investment account and business investment account in Islamic banking operations. In this view, one of the participants claims that:

*Just recently, I read that, five banks collaborated in order to meet the financing needs for entrepreneurs. For example, if you are an SME, you have a very good business proposal, you can approach these banks, and you will get financing. They have one common thing; they combine in order to make the financing available. The reason is that, when Malaysia established a new act that is Islamic Financial*

*Service Act IFSA, they went to the bank to segregate the investment account and business investment account. Therefore, concerning investment account, if you want to invest, you are investing under the investment account, and you are guaranteed by a bank and the return of what you are going to obtain is different and the risk is there. Therefore, because of the biggest practice, the bank will structure it in such a way that you will still be secured in one way or the other. Thus, in order to promote investment, that is why five banks in Malaysia set up new initiatives, so that if you want to invest, you can invest, and those who wish to collaborate can collaborate. Entrepreneurs who have a good proposal can present it, once they are approved; they can get the necessary financing in form of Mudarabah or Wakalah. Hence, this is the new initiatives here in Malaysia, because it is a push forward to the related investors and investments. This is related to investment, they call it an Islamic investment flat-form. So, if anyone wanted to invest and he needs financing for SMEs or business investment, you can just write a proposal, they have certain criteria that you must fulfil, and it has to be for Shari'ah compliance purposes, you cannot get anything that is not Shari'ah compliance. With that, investment purposes are meant only for Islamic compliance purposes. This new investment is not available in the conventional system (PT: 6).*

**Another participant reveals that:**

*Islamic banking practices in Malaysia have available products and facilities that are partnership based with the Shari'ah potentials to advance enterprising values and Islamic micro-investment in our society. Islamic banks through Islamic micro-investment have possible ways to achieve Islamic financial objectives; creating wealth through businesses and other lawful transactions. Our banks (Shari'ah banks) operate profit-loss sharing investment accounts (PSIAs) as an alternative to interest-bearing deposit accounts using unrestricted Mudarabah contract or using Musharakah partnership investment based contracts precisely for low-income earners and SMEs. In fact, our model is beyond profit and loss sharing investment accounts (PSIAs); we have Islamic gold investment accounts, we do have a designed model for Islamic microfinance in Malaysia for the benefit of micro-entrepreneurs and economic empowerment among the populace. Thus, Islamic microfinance has the possibilities to deal with the vulnerable needs of micro-entrepreneurs and micro and small-scale farmers and SMEs. Categorically, free-interest financing system in Malaysia has the potential to attract investment and nurture inclusive economic development (PT: 8).*

From the above reports the results that emerged from the responses of the participants shows that Islamic banks in Malaysia are beyond profit and loss sharing investment accounts (PSIAs). The system has Islamic micro-investment, business investment accounts, Islamic gold investment accounts, and Islamic microfinance model for the benefit of micro-entrepreneurs and small-scale farmers and SMEs for economic development.

**Investments in Human Capital Development**

Regarding human capital investment, Islamic banks and Central bank of Malaysia invest heavily on human capital development. In this regard, one of the participants noted that:

*Here in Malaysia, we do invests in human capital development, we have significantly influence human capital development, we established departments of Islamic economics, banking and finance in several Malaysian universities. We create new knowledge and educate it to our teeming youth.*

*We engage in training and development, we prepare our youth and employ them in the relevant sectors, our effort is yielding fruits because; it has positive effect to our financial market value and build a kind of professionalism and expertise in the Islamic finance sector. Therefore, we adopted a strategic investment in human capital, we do believe in relying on long term human capital accumulation and problem-solving of knowledge capital. Our aim is to have expertise in the market measures, professionalism in the boards of our financial institutions to influence the size of our advisory boards and positive market value. This could have an important important contribution to our real economy by effectively booming out the financial intermediation role in combining and controlling funds to the development of overall investment activities. Thus, human capital investment is one of the best investment that always pay. Yes, investment in human capital development expand our Islamic finance industry, expertise is one of the factors that enable our healthier growth and strength of the industry (PT: 9).*

From the above results, the data that emerged from the responses of the participants reveals that Malaysia invests in human capital development through the establishment of departments of Islamic economics, banking and finance in a large number of Malaysian universities. Creating new knowledge and in Islamic banking and finance education to prepare the teeming youth and employ them in the relevant sectors. This has positive effect on financial market value, professionalism and expertise in the Islamic finance sector, and strategic investment in human capital for accumulation and problem-solving of knowledge capital. The data that emerged from the responses of the participants further reveals that the Malaysian objective is to have expertise in the market measures, professionalism in the boards of financial institutions with the view to influence the size of its advisory boards and positive market value.

### **Discussion of Major Findings**

The outcome of the study revealed that Malaysia incorporated foreign banks and foreign investors and offered licences to them. These foreign institutions mostly from the middle east include Al-Rajhi Bank & Investment Corporation Berhad, Asian Finance Bank Berhad, HSBC Amanah Malaysia Berhad, Kuwait Finance House, OCBC Al-Amin Bank Berhad, and Standard Chartered Saadiq Berhad. The year 2005 saw the entrance of Kuwait Finance House, Al-Rajhi, and Asian Finance (a consortium of Qatar Islamic Bank, RUSD Investment Bank Inc. and Global Investment House). This view is supported by the fact that in the year 2004 Malaysia started to grants new licenses to foreign institutions by Bank Negara Malaysia (BNM, 2007, 2010; Zin, Ishak, Kadir, & Latif, 2011).

Aside from the foreign banks and foreign investors presence in Malaysia, the results disclose that Malaysia introduced Shari'ah approved securities that score a part in Kuala Lumpur Stock Exchange KLSE. Malaysia also established Islamic Financial Capital Market (IFCM) and Shari'ah Advisory Council under the supervision of the Security Commission Malaysia and BNM. This view is supported by the available findings in (Lo & Leow, 2014; Shinkafi et al., 2021). The findings further show that Malaysian Islamic banks have potential impact on Islamic capital market investment. This outcome coincided with the existing findings of Ibrahim (2015) that specific focus on Islamic capital market investment can promote the viability of Islamic finance; demonstrates its bearings on economic wellbeing; policies (especially economic stability, economic development, financial inclusion) and the stability of the policies.

On the other hand, the outcome of the study shows that Malaysian Maybank Islamic and CIMB Islamic, and several others have went to offshore investments. Thus, several Malaysian Islamic banks engaged in offshore investments in neighbouring countries such as Indonesia and

Thailand, there is also an initiative of multi-nations, which is due to Malaysian heavy centre of Islamic banking and finance. The results indicates that these recorded successes and achievements are attributed to the Malaysian regulatory and supervisory bodies, especially BNM; which created a robust framework and enabling environment for the banking system to prosper. This findings is supported in by the (BNM, 2007; Kunhibava, 2015). This means that Malaysia has fresh initiatives and novel ideas of business value, effective BNM support to expand the business value, and the ability of the Islamic banking industry to grow its business to offshore.

Regarding the shipping investment, the result indicates that, Malaysian Islamic banks are not profound to engage in shipping investment. This means that Islamic banks in Malaysia rather choose to go to the safe zone than to engage in shipping investment that could boost extra returns and serve as a spine for economic growth and development. Conversely, the outcome of the study reveals that Malaysia established agro bank Shari'ah compliance model that heavily invested in agricultural sector to support domestic agricultural production, small and medium scale farmers, young farmers, and graduate agri entrepreneurs. This outcome is supported by the view of Ridhwan (2011); and Shinkafi, Yahaya, and Gusau (2020) that Islamic banks and agro bank in Malaysia has influence and commitment in boosting the agricultural sector and agricultural investment. In addition to that, Kacar et al. (2017) supported that Islamic banks can finance the economy and agricultural investment in particular. It can make some comparative advantage in respect to other domestic banks; establish a strong business relationship with the client in the Muslim nations for the local companies to perform in their markets in terms of profitability, efficiency, and performance. Further still, the result shows that Islamic banks in Malaysia are beyond profit and loss sharing investment accounts (PSIAs). The system has the potential to support Islamic micro-investment, business investment accounts, Islamic gold investment accounts, and Islamic microfinance model for the benefit of micro-entrepreneurs and small-scale farmers and SMEs for economic development. The existing findings of AbdulRahman et al. (2016) supported that Islamic micro-investment through Islamic microfinance banks can serve as a model that could connect to fund the micro-entrepreneurs and economic empowerment of the populace. The study of (Rahman et al., 2013; Suandi, 2017) also supported this emerging outcome.

Lastly, the result reveals that Islamic banks and BNM in Malaysia invests in human capital development through the establishment of institutions and departments of Islamic economics, banking, and finance in a large number of Malaysian universities. These institutions create new knowledge, which prepare the teeming youth; and employed them in the relevant sectors. This human capital investment has positive effect on financial market value, professionalism, and expertise in the Islamic finance sector, and strategic investment in human capital for accumulation and problem solving of knowledge capital. This outcome is supported by the views of Shinkafi et al. (2021); and (Mustafa & Solarin, 2014; Zin et al., 2011) that Islamic finance and banking creates new knowledge and promotes human capital development, and establishes educational institutions that offer various courses for expertise and professional purposes. Still, the outcome of the study corroborate with the finding of Nawaz (2017) that investments in human capital development have a significant positive effect on the market value of Islamic banks. From the above discussion, one can infer that Malaysia achieved professionalism and expertise in the market and capital market measures, professionalism in the boards of financial institutions, influence of the size of its advisory boards and human capital investment that direct positive market value.

### **Pathways for Nigeria**

This study anticipates several pathways from Malaysian Islamic banks regarding investment for economic development in Nigeria:

- i. For instance, in the area of foreign direct investment (FDI) Malaysia incorporates foreign banks to operate Islamic banking system, such as Asian Finance Bank Berhad



(a consortium of Qatar Islamic Bank); RUSD Investment Bank Incorporation; and Global Investment House; Al-Rajhi Bank & Investment Corporation Berhad; HSBC Amanah Malaysia Berhad; and Kuwait Finance House. It also collaborates with the countries like China, Indonesia, Thailand, Singapore and others. Thus, Nigerian Islamic banks need to learn from Malaysia to incorporate foreign banks, foreign collaboration on Islamic market value for the foreign direct investment (FDI). The incorporation of these foreign banks in the Nigerian economy will provide employment especially for the teeming youth, it will attract investment, and savings, influence growth of the economy, and promote national and international Islamic financial market development. This means that Malaysia attracted countries like China on foreign investment due to its huge banking structure, services, and export of products, which promotes more attraction to a large number of investors. Many investors from the Middle East and some foreign branches put their money in Malaysian Islamic banks. This is important for Nigeria to take heed.

- ii. Islamic banking and finance in Malaysia support the cause of capital markets; the establishment of law on Islamic capital markets where many Shari'ah securities have been enlisted in the Kuala Lumpur Stock Exchange. It helps in terms of creating needs for investments and coming up with finance schemes and mega projects in the country including Islamic property investment, public transport like LRT, airports, highways, and ports, especially through the use of green Sukuk investment etc. In this regard, Nigeria can learn to create several chances for economic development from the Malaysian Islamic banking sector experience. For instance, introducing Shari'ah approved securities, and foreign collaboration on Islamic market value and human capital development.
- iii. It support deposits and savings, the money deposited from the Islamic banking market have a surplus of money, deposit growth, and excess funds. Therefore, the money deposited in the Islamic banking market has its own contribution to a number of groups, business, companies, and SMEs, which in turn boosts economic growth and development in the country.
- iv. Likewise, Islamic banking in Malaysia contributes to the overall financial development and grows to engage in offshore investment in the Malaysian neighbouring countries such as Indonesia, Thailand, and beyond the region. Other investments in Malaysia include real estate investment, the Capital Market investment, and that Sukuk investment supports the infrastructural development in Malaysia. The Malaysian government is also very keen to invest in Green Sukuk for infrastructural development. Thus, Nigeria can learn to take advantage in this regard.
- v. Similarly, Malaysian Islamic banks engaged in offshore investment in neighbouring countries such as Indonesia, Thailand, etc. Nigeria can also learn from Malaysia to explore and diversify its chances of Islamic banking investment to offshore investments as mentioned above to take advantage of these lessons.
- vi. Hence, the Islamic banking system in Malaysia contributes to several aspects of investment that involve domestic investment, and incorporation foreign banks, offshore investment, private and public investment, capital market investment, investment and savings accounts, real estate investment, and equity investment. Nigeria can also learn from Malaysian Islamic banking sector numerous aspects of investments to take advantage for economic development.

### **Recommendations for Nigeria**

The study provides the following recommendations for Nigeria:

- i) Islamic banking system in Nigeria should consider venturing into offshore investment, property investment, real estate investment, Islamic capital market investment, shipping investment, and green Sukuk investment. Therefore, Nigeria needs to grow and venture to realise the overall investment, financial development, and economic growth and development in the country.

- ii) Nigeria government and the CBN should provide licences to aspiring Islamic micro financing and allow the influx of foreign banks to operate in the country. This will definitely help the investment to grow and business to flourish, employment generation to teeming youth, ability to support entrepreneurs, entrepreneurship development, and enterprises in both rural and urban Nigeria.
- iii) The Nigerian government (ministries, parastatal, and agencies) should keep investing and patronising the Islamic banks, hold accounts with them to enable the system to sustain its investment growth, and re-strengthen itself to achieve the African hub and onward economic development.
- iv) Nigeria should thoroughly collaborate with foreign interested countries for investment; Nigeria like Malaysia should encourage deposits and savings for money surplus, deposit growth, and excess funds through Islamic banks. These deposits and savings in the Islamic banking system have the potential to contribute to a large number of groups, business, companies, and SMEs.

### **Suggestion for Future Studies**

The future research should be entrusted on specific aspects of investment such as offshore, Sukuk, and real estate investments for achieving economic development separately. This is because separate studies on each of the above aspect of investment for economic development will provide more details and expose other possibilities on the subjects. More aspects of economic development that did not score the subject of this research should be employed by future researchers for effective attainment of Islamic banking success, additional opportunities, economic benefits, and pathways for economic development through Islamic banks in Nigeria and beyond. The study is mainly qualitative in nature, more studies relating to the title of this study should be carried out using quantitative or mixed method with the view to expose extra results. This study has strength due to its concern for promoting investment and realising economic development through Islamic banks. This is especially considering the worldwide effort to incorporate Islamic banking business by many countries for the realisation of economic development, which is the dream of both developed, developing and third countries. It has an impression and benefit to Nigerian Islamic banks, the Nigerian economy, and the entire public.

### **Conclusion of the Study**

This study looked at the contribution of Islamic banking on investment in Malaysia and derieved lessons for Nigeria. The study shapes that Islamic banking system contributes a lot in realising kinds of investments for economic development in Malaysia. The study concludes that Islamic banking in Malaysia contributes to investment for economic development. The study concludes that Nigeria need commitments and support to be comparable to Malaysia, which require potential collaboration between the Islamic banking industry and the Nigerian government, foreign collaborations, and incorporation of foreign banks thereby providing relevant services, infrastructures, employment, establishments of relevant boards, centres, institutions, use of financial technology, which in turn pave way for a robust investment environment and industry. These commitments should not leave behind any relevant Islamic banking strategy that could suit the investment and economic development for Nigeria.

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# Factors influencing Employability of Accounting Graduates in Oman: A Study of Skills Gaps, Employer Expectations, and Market Readiness

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## ABSTRACT

This study explores factors influencing employability of accounting graduate in Oman focusing on the impact of employers' expectations, market readiness, social mobility skills, soft skills and technical skills. Using a structural questionnaire of 5-likert scale, the study collected data from 490 Accounting Graduate across Oman. The research data was analyze using SEM-PLS and the empirical findings confirms that employer expectation and technical skills show a not significant relationship with the dependent variable i.e. employability of accounting graduate while market readiness, social mobility, and soft skills are found to be significant and positively related to employability of accounting graduate in Oman. This result demonstrates the role of social mobility and soft skills in developing countries like Oman where employment opportunities ties to political connection and nepotism. The study concludes that higher education institutions in Oman should deployed a soft and market focused skills into curriculum and collaborate with industries to reduce the gap between employers' expectations and graduate opportunities.

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## Introduction

Recently, English communication and preparedness of Omani's students against future professional endeavor has been a subject of investigation amongst several scholars and researchers, as educational institutions emphasize the need for ensuring that only pre-qualified graduates, who meet the employability criteria are able to progress into the labor market (Riyami, 2021). This emphasis by prospective employers indicates the need for graduates to possess requisite formal and informal knowledge. These knowledge and skills set commonly referred to as graduates' attributes and requisites are critical to ensuring that graduates are qualified to transition effectively into workforce without compromising the quality of the office (Halibas et al., 2020). Given the multicultural economic landscape in Oman and dominance of western multinational corporations especially in the oil and gas sector of the economy, it becomes imperative that job seekers are proficient in English language to aid effective communication with their foreign counterparts and employers in the workplace (Riyami, 2021).

Moreover, the nation's drive toward building robust economy through economic diversification posed the necessity to incorporate entrepreneurship education into the academic syllabus of various institutions of learning by equipping students with requisite skills, innovative ideas, industrial prowess and resilience necessary for self-employment, thus reducing the excessive reliance on traditional employment models and following less innovative business structures (Shah et al., 2020). Hence, entrepreneurship education is pivotal in tackling unemployment challenges and serves as a bedrock to ensuring that economic growth and development exist,

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in alignment with Oman's history of family businesses where skills are passed down through generations (Ghafri & Malik, 2021; Shah et al., 2020; Shukaili et al., 2021).

The contribution of the Omani's government is significant to ensure that through initiative and entrepreneurship, the country achieves infrastructural development and improved per capita income of citizens. This is reflected in diversified and robust economic structure, thus creating employment opportunities, fostering innovation, and contributing positively to the Gross Domestic Product (Shukaili et al., 2021).

Consequently, higher education institutions in Oman are required to incorporate entrepreneurship as one of the cores in their academic curricula. This regulation from the educational authorities and policy formulators has resulted in several initiatives including research, teacher training, deliberate curriculum development, development of pilot projects, and collaborations with international organizations, to ensure that the entrepreneurial and innovative environment is promoted across the country (Shukaili et al., 2021). The impact of National GDP and its' potential of reducing unemployment rates significantly, alongside the drive to further diversify the economy and grow the GDP have further driven the need for entrepreneurship pursuits across the country (Ghafri & Malik, 2021). Hence, the reconceptualization of the curriculum and teaching methods in a bid to prepare students for the big picture outside the campus and the real world around them is critical in building a 21<sup>st</sup> century compliant academic and business environment. This approach will make students more productive and improve in building an inclusive environment, where everyone – both young and old is able to contribute effectively in building a socially and economically transformed society. The alignment of educational outcomes with twenty-first-century goals necessitates a reconceptualization of curricula and teaching methods to prepare students for the world around them and to engage them as productive elements in society, contributing to social or economic transformation (Nasser, 2019).

Today in Oman, skills gaps, evolving employers' expectations and overall market readiness to absorb the recent university graduates has posed a challenge on the employability of accounting graduates in Oman. Despite that Oman has made significant strides in expanding its higher education landscape and academic outlook, there are ongoing concerns regarding the handshake between the academic curricula of accounting programs across universities and the dynamic skill requirement of Oman's labor market (Mathushan, 2020). To address and Identify these sophisticated, interrelated factors, which are critical to enhancing the career prospects of accounting graduates and supports Oman's broader economic diversification and growth goals, it is imperative to ensure that graduates possess the right mix of technical proficiency, soft skills, emotional intelligence and entrepreneurial mindset that is essential to enable seamless transition from the academic environment to building a robust and sustainable industrial and professional career. Hence, empowering Omani accounting graduates to thrive in the evolving professional landscape becomes the responsibilities of the teaching and non-teaching staff members in the universities as well as the educational policy formulators. However, (Nauman & Ghauri, 2022) in his research opined that the educational system may not effectively equip business school graduates with the relevant skills required for employability. Hence, it becomes imperative for universities to revise their operational modalities and make investments in technology, instruction, career guidance and transformative policy formulation to guarantee proficient graduates prepared to participate in a productive and dynamic labor market (Hamzah, 2020). In addition, entrepreneurial studies has to be implemented to instill an innovative mindset that instills in students the requisite skillsets necessary for effective business management, including those in non-business fields (Mathushan, 2020).

Along this, the current study aims to assess the readiness of accounting graduates for labor market in Oman, considering factors including job availability, industry demand, and the relevance of graduates' skills with market needs, examine the relevance of social mobility skills, soft skills, and technical skills on the employability of accounting graduate in Oman.

## **Employability of Accounting Graduates**

The readiness of recent accounting graduates for the labor market is a multifarious concept marked by a range of factors, including technical skills, soft skills, emotional intelligence, digital literacy, display of basic information regarding industry-specific knowledge, and ability to adapt to evolving technological advancements and global dynamics. Employers seek to engage graduates with the requisite skills necessary for meeting the demands of their job requirements and office ethics (Jackson et al., 2022). Given the global adoption of technology and introduction of blockchain technology amongst other technological innovation in the twenty first century, the accounting profession has begun to evolve rapidly, resulting in to automation and digitalization of accounting processes (Frey & Osborne, 2016). Hence, it becomes tedious for ill-equipped accounting graduates to find quality job after possessing quality academic credentials from the university, as employers may consider the bar for certifications and approvals from the university to be of less relevance as it relates to meeting up with job requirements and office ethics (Abdullah et al., 2023). Consequently, emphasis is placed on the importance of continuous professional development and the acquisition of new digital skills as a necessity for employees to remain relevant in the evolving and complex job market. Thus, higher education institutions are critical in ensuring that accounting graduates are well equipped and prepared with the necessary skillsets required for meeting the workforce's requirements (Aulia, 2020 and Çera et. Al, 2020). However, to ensure that the graduates are job ready, it is necessary for curriculum and policy formulators to reform the academic curriculum in a bid to integrate industry-relevant technical knowledge with other soft and digital skills necessary to improve graduate employability and make them job ready (Ahmad et al., 2023). Though, higher education institutes attempt to adapt their curricula to cope with national employability strategies, there exist some significant variations between what employers want and the attributes possessed by new graduates (Osmani et al., 2019), which can be traced to the disparity between what was learnt in the traditional universities and the necessary job requirements.

## **Skills Gaps in Accounting Education**

The dynamic technological advancement and the increasingly complex business environment have created significant skills gaps in accounting education (Aldredge et al., 2020). Graduates who are not adequately equipped with the necessary skills risk underemployment in the corporate world (Fischer & Friedman, 2015). Accounting profession is globally perceived as structured and governed by conformity with relevant regulatory and conceptual frameworks, requiring technical skills in working with numbers, paying adept attention to details and involving a certain degree of novelty (Gîrbină et al., 2013). As artificial intelligence becomes more pronounced and further integrated into accounting practices, there is an increasing demand for personnel with skills in data analytics and management, accounting software usage, and broad knowledge of information technology including blockchain (Luo et al., 2018). To close the digital skills gap in the accounting profession, there is need to incorporate artificial intelligence, machine learning, cloud computing, extensible business reporting, big data, and similar technologies into the accounting graduates' curriculum across all institutions in Oman (Mahambo & Isago, 2020).

Electronic -Accounting functions require skills in Robotic Process Automation (RPA), Big Data Analysis, AI application, Cloud-Based Software, Block-Chain Technology/Crypto trading accounting, and Digital Communication, and these skills enable accountants to improve efficiency and value addition in the evolving world (Nwakeze & Onwuliri, 2023). Therefore, it is important to innovate the accounting professional training model considering the impact of artificial intelligence on the accounting work (Cao, 2021). The curriculum must include topics referring to big data analytics and artificial intelligence (Tiron-Tudor et al., 2022). There is a growing emphasis on soft skills such as communication, teamwork, problem-solving,



emotional intelligence as essential competencies for accounting professionals (Greenman et al., 2024). This is because they enable accountants to improve efficiency and value addition to the workplace in today's world (Friday & Imhanzenobe, 2020).

### **Employers' Expectations**

Employers have set some specific expectations for accounting graduates across the globe, particularly in Oman. Their basic requirements include technical proficiency, analytical skills, professional ethics, tech-savvy & digital literacy and emotional intelligence. To meet employers' expectations, graduates should be prepared from their tertiary institutions on how to be able to use specialized accounting software and have a comprehensive understanding of the financial accounting, commercial services and real sector (Thottoli, 2020), (Akhter & Sultana, 2018). In addition, graduates are expected to be very proficient in ICT (Mahambo & Isago, 2020). Graduates must possess effective communication skills and business presentation acumen to articulate financial information and provide necessary insights in plain words and manner that would be useful to diverse stakeholders. Critical thinking and problem-solving skills are paramount to analyzing complex business problems and developing effective solutions that would assist businesses to achieve goal congruence and reduce suboptimality (Akhter & Sultana, 2018). Professional certifications such as Certified Public Accountant or Certified Management Accountant are highly valued by employers as they demonstrate a commitment to professional development and expertise in specific areas of accounting and a display of robust knowledge about the profession (Januszewski & Grzeszczak, 2021).

The increasing demand for accounting professionals to possess technical expertise and diverse soft skills, such as communication, teamwork, and problem-solving abilities, reflects the importance of holistic development in accounting education (Hou et al., 2022). Thus, it is imperative for higher education institutions to adapt an updated curricula, which incorporate opportunities for students to develop these essential skills through case studies, group projects, and experiential learning activities through collaboration with their foreign counterparts (Mahambo & Isago, 2020). Moreover, fostering a culture of lifelong learning and professional development through incorporating mandatory professional education is crucial for accounting graduates to remain competitive in the job market (Shaleh, 2024).

### **Market Readiness**

Recent and prospective accounting graduates need to be ready to adapt to new disclosure regulations and ways of presenting information in compliance with the International Financial Reporting Standards (IFRSs) and US Generally Accepted Accounting Principles (US-GAAP), as well as understand how financial and non-financial reporting are connected (Islam, 2017). Thus, there is need for young accountants to display a thorough information of sustainability reporting and other quantitative factors and how they ultimately affect business environments. Hence, graduates must possess strong analytical and critical thinking abilities to evaluate financial data, identify business trends, identify systemic problems and provide valuable insights and advisory services to decision-makers (Güney, 2014). Accounting graduates must display a strong professional ethics including confidentiality and objectivity, when confronted with ethical dilemma and strong commitment to maintaining the integrity of financial information. Furthermore, the accounting profession is undergoing significant transformation due to automation and artificial intelligence, so accounting graduates must be well equipped with the skills to work with the technology and adapt to its evolving roles and responsibilities (Tsiligiris & Bowyer, 2021).

University lecturers, researchers and educators must learn to improve their content and relevance in a bid to ensure that the knowledge passed on to the students are relevant in ensuring that businesses do not collapse and that students provided with the certificates have passed the updated requirements (Andre & Smith, 2014). To achieve optimal relevance, accounting internships must be incorporated into the core requirements for undergraduates to improve

accounting students' readiness for the workforce and their chances of landing a job in the field (Min-En et al., 2024). They also help accounting students gain confidence, which is essential for progressing in their careers (Min-En et al., 2024). Accounting graduates should display absolute dedication to continuous learning and professional development in order to adjust to the dynamic demands of the profession and maintain their competitiveness in the workplace.

Therefore, accounting program administrators should be aware of businesses' characteristics because of their role within the university and within the academic ecosystem in building and shaping the future of the accounting profession (Anggraeni, 2020). (Saidin et al., 2024) posited that internships provide valuable experiential learning opportunities that bridge the gap between academic theories and practical applications, enabling students to gain firsthand experience and insight into their chosen careers. Therefore, accounting graduates must stay updated on new regulatory and conceptual disclosure requirements and methods of presenting financial data, as well as comprehend the relationship between financial and non-financial reporting and they can be integrated to provide valuable business insights to all relevant stakeholders who may be affected by the business' operations (Coville, 2023).

### **Methodology**

The target population of the study are accounting graduates and job seekers from higher education institutions in Oman. The researcher will consult with employers in various industries and faculty members in accounting departments at higher education institutions across Oman. Given the absence of comprehensive national databases of accounting graduates and employers in Oman, a multi-pronged approach will be adopted to identify and recruit participants for the study. This research shall determine the sample size for each group of participants (accounting graduates, employers, and faculty members) using power analysis techniques. This will ensure sufficient statistical power to detect meaningful causal relationships and differences between the variables. This research shall target for the quantitative survey, a sample size of at least 500 accounting graduates across Oman. The sample sizes were selected carefully to represent the diversified viewpoints and experiences of each sample group, so that the study's findings would be both trustworthy and form a basis for generalization across the country.

In term of measurements, employability of accounting graduate was adopted from Hossain et al. (2020) which consisted of four items. The sampled items include "Hopeful of getting employment within six months of my graduation" and "It may take more than a year to get employment". Additionally, to measure skills, which consisted of three items: Technical skills. The sampled items include "Subject-specific knowledge" and "Ability to finish the job with accuracy and within time frame". Three items Soft skills (both oral and written Communication skills). The sampled items include "Interpersonal and negotiation skills" and "Problem solving with great leadership skills". Four items social mobility skills. The sampled items include "Family background is crucial for employment" and "University/institutional reputation helps employment" following Hossain et al. (2020). To measure market readiness, this research shall employ a combination of indicators, including the average job seeking period for accounting graduates before becoming gainfully employed after graduation, the types and nature of jobs they obtain, and their total initial remuneration including other incentives. Data on these indicators shall be collected through surveys targeted at accounting graduates and employers. This research shall conduct through analysis of publicly available data on employment trends in Oman. The purpose of collecting this data on market readiness is to evaluate the impacts of skill gaps and expectations of employers on job results of accounting graduates. This scale was adopted from Prikshat et al. (2019), which consisted of 10 items: "Ability to cope up with work pressure" and "Understating of the industry (in which graduates intend to work)". Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree) was used to measure the items.

The research data was administering online surveys to accounting graduates, collecting data on their perceptions of the various including skills gaps, employer expectations, and market readiness. The data was analyzed using Smart PLS to estimate descriptive statistics tools including means, standard deviations, frequencies, and percentages was adopted to summarize the varying attributes of the sample and the distribution of responses to the survey questions. Inferential statistics technique including t-tests, correlation analysis, and regression analysis will be used to test the research hypotheses and examine the relationships that exist between research variables.

### Data Analysis and Interpretation

Preliminary analyses were performed for this study to confirm that the acquired data was clean. The collected data were checked for the Normality Test, multicollinearity, and Heteroskedasticity Test. Highly correlated independent variables in a study indicate the presence of multicollinearity, which can lead to misleading results (Garcia et al., 2025). As a result, the Variance Inflation Factor (VIF) was used in this study to test for multicollinearity.

The collinearity diagnostics for the latent constructs can be found in Table 4.1. All VIF values are below the critical limit of 3.3, indicating that no multicollinearity exists for these constructs (Hair et al., 2019). Moreover, all of the tolerance values were above 0.2 indicating no major instances of collinearity and, in addition to redundancy, the renown adds unique attributes to this model (Diamantopoulos & Siguaw, 2006). For regression-based or structural equation modeling studies, this means the predictors — Employer Expectations, Market Readiness, Soft Skills, Social Mobility Skills, Technical Skills — can be applied confidently without jeopardizing the validity of the outcomes.

Table 1 Tolerance Value and VIF of Latent Constructs

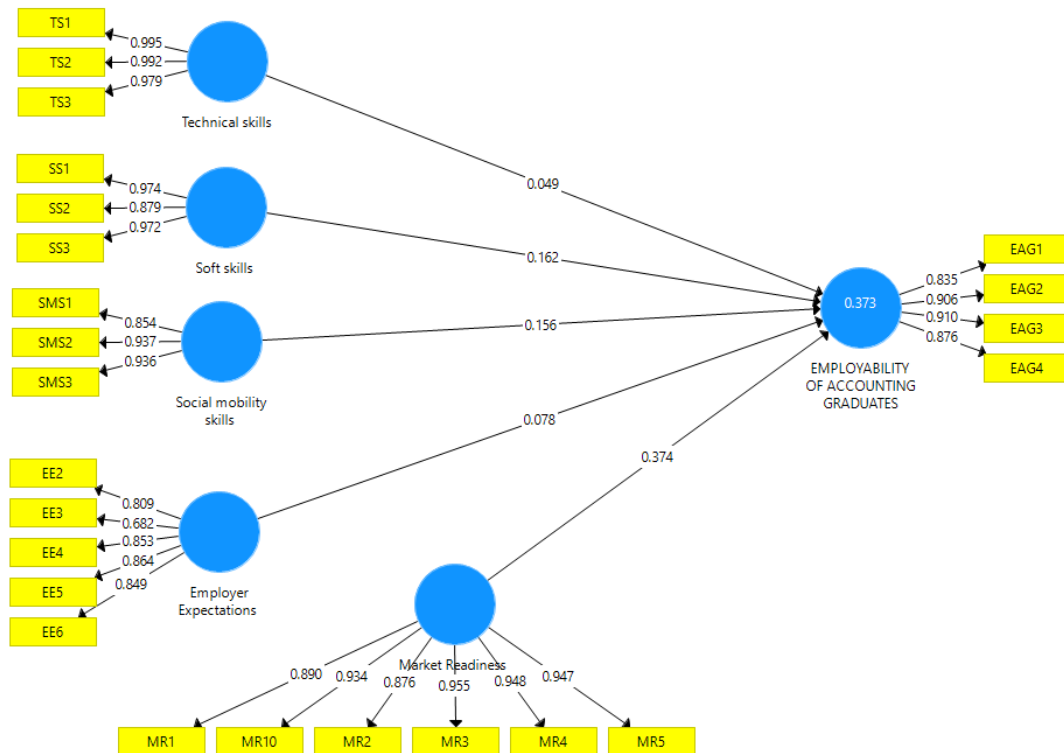
Constructs	Collinearity Statistics	
	Tolerance	VIF
Employer Expectations	0.414	2.413
Market Readiness	0.611	1.637
Soft skills	0.769	1.300
Social mobility skills	0.509	1.966
Technical skills	0.877	1.140

*Source: Data output PLS-SEM 4, 2025*

### Convergent Validity

Examining the composite reliability, loadings, and average variance extracted (AVE) allowed for the determination of convergent validity (Hair et al., 2019). Each construct achieves loadings above 0.7, as shown in Figure 1, and, as recommended by Hair et al. (2019), the composite reliability (CR) of all the constructions is greater than 0.7 and AVE is above 0.5. Therefore, convergent validity is achieved in this study.

Figure 1. Measurement Model



## Structural Model Assessment

The findings in Table 2 and Figure 1 provide valuable understanding for the employability of accounting graduates in Oman, particularly with respect to skills gaps in the context of employability, employer expectations, and market readiness. Looking first at market readiness, the findings indicate that employability is strongly positively and significantly related to market readiness (with a beta of 0.374 and a significance value of 0.000). This suggests that accounting graduates who are market-ready have a better likelihood of being employed.

Second, social mobility skills and soft skills were also positively linked to employability with statistically significant beta values of 0.156 and 0.162, respectively, and statistically significant p-values of 0.001 and 0.000, respectively. This suggests that interpersonal skills, adaptability, and effective communication are all crucial for success in accounting roles in Oman. It should be noted that the findings related to social mobility skills have been confirmed by the wider literature as relevant in many occupations, particularly where professional success relies on "soft" skills when interacting with clients and teams in typical accounting practices.

Conversely, employability expectations and technical skills explained slightly less of the employability score with lessened betas (0.078 and 0.049) and p-values (0.158 and 0.147) which would imply independent predictions of employability outcomes may not be as relevant. While there were statistically significant results to establish employer expectations as attributes of desire around the relevant technical competences affecting employability outcomes as well as behavioural traits and attributes, the fact of employer expectations were drawn merely based on statistical correlations alone suggest that these expressions do not be entirely or solely independent of some of all attributes in a positive direction towards better employability outcomes.

Table 2 Results of The Structural Model

Relationship	Beta	T-Value	P-Value	Decision
Employer Expectations -> Employability of Accounting Graduates	0.078	1.413	0.158	Not Support
Market Readiness -> Employability of Accounting Graduates	0.374	7.653	0.000	Support
Social Mobility Skills -> Employability Of Accounting Graduates	0.156	3.493	0.001	Support
Soft Skills -> Employability of Accounting Graduates	0.162	3.615	0.000	Support
Technical Skills -> Employability of Accounting Graduates	0.049	1.452	0.147	Not Support

Source: Data output PLS-SEM 4, 2025

Table 3 presents that the Employability of Accounting Graduates has a R Square value of 0.373, with 37.3% of the variation in employability explained by the independent variables in the model (Employer Expectations, Market Ready, Social Mobility Skills, Soft Skills, and, Technical skills). In addition, the Adjusted R Square value of 0.367, which will account for the number of predictors and provide a more accurate estimate of the population's explanatory capacity of the model. The R Square and Adjusted R Square values suggest that the level of predictive accuracy can be inferred to be moderate, as the model illustrates a reasonable proportion of employability meaning that there could be other significant variables that were not measured.

Table 3 R Square

	R Square	R Square Adjusted
Employability Of Accounting Graduates	0.373	0.367

Source: Data output PLS-SEM 4, 2025

## Discussion of the Findings and Conclusions

This study examines the factors affecting the employment of accounting graduates. In an attempt to close the knowledge gap between employability and the required business graduate skills, it specifically examines the significance of social mobility skills in addition to technical and soft skills. The results of the empirical investigation have confirmed each of the hypotheses. This implies that accounting graduates need to possess strong communication, leadership, and teamwork skills, in addition to a thorough understanding of the technical aspects of their major topics, in order to thrive in the workplace. Several earlier studies show that technical abilities constitute the foundation of business students' careers (Oosthuizen et al., 2021).

Nonetheless, employers are paying more attention to soft skills these days (Wilton, 2011). The current study's findings support the notion that both technical and soft skills are critical to the employability of business graduates. Furthermore, especially in developing nations, sociocultural factors such as social standing, political connections, and nepotism are crucial. These elements, however, do not diminish the significance of both soft and technical skills. Graduate employment success is also closely correlated with a university's reputation (Rkein et al., 2024). The primary factors that many employers seek in accounting graduates are discipline-focused knowledge, expertise, and problem-solving skills. Employers are very supportive of technical knowledge in accounting education, and the ability to comprehend and interpret business operations is specifically a requirement for accounting graduates. (Rkein et

al., 2024). However, the requirement for technological abilities does not eliminate the rising need for soft skills and talents that address other sociocultural aspects.

The findings generally support the conceptual models that formed the basis of the study's hypotheses. First, it was shown that technical abilities had no favorable and substantial correlation with business graduates' employability. Previous academic research in this area also corroborated similar conclusions. Second, there is evidence of a strong and positive correlation between employability and soft skills. Recent research suggests that, to secure employment, accounting graduates require more than just technical skills (Gammie et al., 2010).

Employers are therefore valuing a wider range of capabilities, such as problem-solving, communication, leadership, and interpersonal skills. Ultimately, the study's empirical findings suggest that social mobility skills are crucial in this context. This study also examines the relationship between employability and soft skills, as well as their interaction with social mobility skills.

The recent emphasis on graduate attributes, particularly in Oman, has been influenced by three main factors: first, the increased pressure on educational institutions to produce graduates with employability skills; second, the rise in the number of graduates and competition between students and institutions for their employment; and third, the recent push by the Oman Academic Accreditation Authority (OAAA), which is in charge of regulating the quality of higher education in Oman (<http://www.oaaa.gov.om/>). Due to the large number of graduates, Oman is currently focusing on obtaining high-quality accreditation and recognition. The findings demonstrate that employers' selection criteria and HEIs' training programs place greater value on generic abilities.

The results demonstrate the dominance of personality and human capital theories, which are followed somewhat by the credentialist theory. Employers favor graduates who have some experience and/or recommendations from others. There did not seem to be any support for skills that followed other ideas, including competence-based and multidimensional operationalization (Heijden et. Al., 2006), efficacy beliefs, or metacognition (Knight & Yorke, 2003). Similar to earlier researches, we found that graduates seldom admit they possess the necessary abilities for the position. Employers are reluctant to recruit fresh graduates and are less likely to believe that their GPA accurately reflects their level of expertise, which is the primary reason for this.

In this world of rapid change, “employability involves far more than possession of the generic skills listed by graduate employers as attractive” as “the generic skill development is an inadequate answer to the question of graduate outcomes in the immediate term and on a sustained basis” (Al Hinai et al., 2020). According to Al Hinai et al., (2020), "Graduate employability programs emphasizing individual skills and knowledge need to be complemented by targeted geographical and industry development" (Al Hinai et al., 2020), even though his observations are based in the developed world, specifically in the UK, Australia, and Canada.

The need for highly skilled local workers with pertinent, even generic, employability skills is replacing the requirement for foreign workers, which historically dominated Oman's labor market and resulted in a large gap between the public and private sectors. As Oman's businesses become more diverse and industrialized beyond the oil sector, employers' expectations will also climb, raising the bar for employable skills. Similar issues have been brought up by the EY (Belwal et al., 2017) research, which emphasizes the talent gap throughout the GCC. Omani nationals are still mostly hired by employers due to their local expertise, contacts, and networking, which presents a negative image of the GCC overall. Most firms claim that

curriculum do not meet the needs of the private sector and that pupils do not have sufficient access to information about careers and employment (Belwal et al., 2017).

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## Optimizing Job Creation and Solid Waste Management System: A Goal Programming Approach

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### ABSTRACT

Unemployment and solid waste management (SWM) are pressing challenges in Nigeria, with youth unemployment reaching critical levels and waste disposal practices straining environmental sustainability. This study explores the integration of job creation and SWM through a goal programming framework, aiming to address resource allocation, sustainability, and managerial decision-making. By leveraging the potential of integrated SWM, such as recycling and material recovery, this research identifies innovative pathways to transform waste into wealth, generate employment opportunities, and promote environmental conservation. Using secondary data from the National Bureau of Statistics (NBS) and Abuja Environmental Protection Board (AEPB), alongside stakeholder interviews, the study develops a multi-objective optimization model using goal programming approach. The results indicate that optimal allocation of resources in waste collection and recycling could create over 1,400 jobs, providing a practical solution to Nigeria's unemployment crisis while fostering sustainable waste management practices. This research underscores the need for stakeholder collaboration, policy reforms, and investments in infrastructure to maximize the dual benefits of job creation and environmental sustainability in the waste management sector. The findings have significant implications for policymakers and waste management stakeholders, offering a replicable framework to balance economic growth and ecological preservation.

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### Introduction

Job creation has emerged as the single most critical economic challenges facing the world today. Anxiety over employment problems and pessimism over the prospects for resolving them prevail in many parts of the world (Bolarinwa and Ibrahim 2015). The youth continue to be among the hardest hit by employment crises. Youth unemployment is a global social phenomenon. In Nigeria, available report indicates that the phenomenon has been on the increase in recent times (National Bureau of Statistics – NBS, 2016). However, the data generated from official reports can be confounding because not all the youths in the unemployed category are indeed not employed. Many people who are considered to be in this ‘unemployed’ category may be self-employed, but because of a preference for wage employment either in the public or private sector, they still considered themselves ‘unemployed’. In spite of huge employment opportunities in the informal sector (NBS, 2015; Farayibi, 2015), many unemployed youths scramble for few available slots, especially in the public sector. This is evident in the number of people who applied for jobs in government ministries, departments and/or agencies. For example, in 2024, the Punch newspaper reported that over 45 thousand applied for 1,000 job slots in the Nigeria National Petroleum Corporation.

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Available figures from the NBS put the current unemployment at a 4.3 percent rate in the second quarter of 2024, down from 5.3 percent in the first quarter. The increase in job creation causes people to have more job opportunities, especially the poor, which provides them with income and the ability to support themselves and their families (Galor *et al.*, 2009). It is then possible to alleviate or eliminate poverty and increase in employment opportunities that will have a significant impact on absorbing unemployment directly, which means high productivity of goods and services, which is one of the most important indicators of economic growth (Al-Omari and Hamid, 2022).

Solid waste management (SWM) in many low- and middle-income countries is sometimes driven by the informal sector (Aparcana, 2017). Unfortunately, contributions of the sector to SWM are not acknowledged in many developing countries. It is thought-provoking to note that the informal waste sector in Nigeria has continued to provide a means of livelihood through solid waste management to thousands of individuals and families in the face of the current bleak employment situation (Nzeadibe and Iwuoha 2008; Nzeadibe 2009). Solid Waste management creates multiple channels of economic gains that should not be ignored and create jobs/wealth for the teeming population of unemployed youths and at the same time promoting environmental sustainability. Solid Waste management such as recycling presents great opportunities not just to manage our environment better but also to create wealth for the world's growing population (Udeh and Onwuka, 2015). Solid Waste Generation can be used as a revolutionary segment to boost up the level of employment opportunities in Nigeria for both skilled and unskilled manpower. Most cities of the developing economies are on the verge of being over-run by wastes while unemployment, especially youth unemployment, continues to soar. An effective management of solid waste could be the master stroke that will lead to environmental sustainability and at the same time creating jobs and wealth for these economies. Solid Waste is a trash or junk that is no longer needed. It is, in fact, a nuisance – but one that can be easily leveraged to create job, generate massive wealth and ensure environmental sustainability (Spiegelman, 2006; Sampson, 2014).

Solid waste management sector is proving to be highly elastic industry with room for various categories of players, compelling innovation, technological advancements and remains a safe haven for discerning investors. Due to the indispensability of its services, demand is hardly ever adversely affected by turbulent economic conditions (UNEP, 2011). Managing the wastes generated by others has become serious business and the growing prospect arises mostly from the increasing realization that virtually all manner of wastes can now be 'fixed, refurbished, recycled and reused for same or other purposes' (Sampson, 2014). It becomes imperative that cities, especially those cities in low income countries, are encouraged to pursue the paths of integrated solid waste management and Reduce, Reuse and Recycle (3Rs) that places highest priority on waste prevention, waste reduction, and waste recycling instead of just trying to cope with ever-increasing amounts of waste through treatment and disposal (US-EPA, 2008). Such efforts will help cities to reduce the financial burden of waste management, as well as reduce the pressure on landfill requirements (US-EPA, 2005). For a developing economy like Nigeria, effective solid waste management could also be leveraged upon to create jobs for the huge teeming unemployed youths thereby 'killing two birds with one stone' (to create jobs and at the same time, promote environmental sustainability). It is a paradigm shift from the conventional waste management practices to Integrated Solid Waste Management (ISWM) which is essential for cities in order to effectively manage the waste stream (UNEP, 2011).

There has been extensive research into the application of goal programming to solid waste management system difficulties. Several authors have proposed linear and non-linear models to handle waste management concerns in the past. Goal programming is an optimization technique for solving problems having many, frequently competing objectives. Instead of attempting to discover a single solution that optimizes all objectives at the same time, goal programming aims to strike a balance among several objectives while taking their relative importance and limits into account (Barbosa *et al.*, 2019). The technique separates objectives

into priority levels, with each level representing a unique set of goals that must be met to differing degrees. Goal programming enables decision-makers to make informed decisions, even when certain objectives cannot be completely realized owing to resource restrictions or other factors (Ryńca and Ziaeeian, 2021). . Goal Programming technique is chosen in this study since it enables the decision maker to strive toward multiple objectives, there by enable the optimum use of resources. Application of multi-objective programming models like the Goal Programming (GP) Technique is very important for analysis and decision-making in various aspects of solid waste management systems. Goal Programming Technique is needed for decision making which is an extension of linear programming whose requirements are represented by linear relationships (Dorfman, 2022). Goal programming is a special approach for solving tasks of linear programming. In most real-life situations, linear programming does not give optimum solutions due to multiple (mostly conflicting) goals of the decision-maker. Goal programming belongs to multi-criteria linear programming methods, but while these methods deal with the maximization or minimization of various objective functions, goal programming is focused on achieving predetermined goals (Kliestiket *al.*, 2015). The advantage of using goal programming over other techniques in dealing with real-world decision problems is that it reflects the way managers make decisions. Goal programming allows the decision-maker to incorporate environmental, organizational, and managerial considerations into the model through goal levels and priorities. Goal Programming, although far from a panacea, often represents a substantial improvement in the modelling and analysis of the real-life situation. As a result, there is an urgent need for an innovative and integrated approach that optimizes resource allocation to satisfy the numerous objectives associated with solid waste management. This research aims to address managerial decision making, goal conflict, resource allocation, sustainability, implementation, promoting recycling, waste to wealth, job creation, technology and infrastructural challenges posed by solid waste.

### **Problem Statement**

Job creation has been a central theme in the policies of every administration as far back as 1979. Nigeria has experienced a sustained period of economic growth in the last decade without a corresponding improvement in employment. Twenty-five percent of the labour force are either unemployed or underemployed, casting a gloomy prognosis on the country's future. The depth of Nigeria's unemployment crisis is particularly evident amongst youths, with two in five youths between the ages of 15 and 35 affected. Nigeria needs to create many more jobs (and many more jobs of decent quality) as young people continue to join the workforce en masse over the years. In recent times, several intervention programmes have been initiated by government in order to optimize the stagnation of youth unemployment. Government has also created an enabling environment for the private sector to drive economic activities that will in turn create jobs. The initiatives have been ineffective due mainly to policy U-turns and lack of continuity by successive governments. Focusing on the issue of employment creation makes it easier for nations to accept and support creative enterprises by fostering new ideas and turning them into actual projects (Balsmeier&Woerter, 2019, Van *et al.*, 2018).

As concerns grow over climate global warming and other ecological hazards, regulations and environmentalists around the world have intensified their clamp down on irresponsible waste disposal practices. Reuse and recycling of waste materials have become the preferred options. As a result job creation in Nigeria have now become imperative to achieve poverty reduction and sustainable economic and social development in the nation. In this paper, emphasis is placed on integrated solid waste management and how it can be leveraged upon to create jobs/wealth and at the same time promote environmental sustainability.

The aim of the study is to examine the impact of solid waste management on job creation through the following objectives, to investigate the relationship between job creation and solid waste management and to optimize job creation and minimize solid waste disposal to the landfill.

## Literature Review

The waste management sector is expanding rapidly, and innovation is the key driver of the growth. For discerning and innovative entrepreneurs, solid waste management creates multiple channels of economic gains that should not be ignored Chukwu and Asiegbu (2011). Conlon *et al.* (2019) highlighted that characteristic haphazard waste management is a serious socio-environmental issue in Sri Lanka. As a result, CE is promoted as a sustainable strategy that drives the waste-to-wealth initiative with a rational to creating jobs while diverting waste from the landfills. To that end, the case for industries and civic society to transit to a more sustainable economy is socially recognized, where waste is reduced or eliminated through, development of new business models, eco-designs, and sustainable consumption and production strategies. Circular Economy [CE] is predominantly framed as a means for circulating material streams within the techno sphere as economically as possible, for as long as possible, in both applications of theory and practice.

Moreover, a study prepared for the European Union Commission (cited in UNEP, 2011) estimates that full implementation of EU waste legislation would create over 400,000 jobs by 2020. National Bureau of Statistics discussed the major economic benefits resulting from recycling plastics. Several studies has shown that recycling can create 9.2 jobs/10000 tons of waste. Based on this relationship Nigeria is estimated to add about 5,336 jobs to the economy (N.B.S). Hakizimana *et al.* (2024) studied the contribution of Waste Management on Job Creation and Anthro-po-Social Circular Economy. The collected data were processed quantitatively and qualitatively and the findings showed that the waste management of GAPM Ltd contributes to a -social circular economy in job creation (100%).

Andrew *et al.* (2024) studied the urban solid waste (USW) innovative employment opportunities, integrating cart pushers into the private sector participation (PSP) to bridge the lacuna in sub-urban planning and PSP truck inefficiencies, especially in developing countries. Findings reveal that despite the significance of cart pushers to the three pillars of sustainable development, including stimulating support for potential employment creation and sustainable cities and communities in Nigeria, holds significant implications for USWM policymakers and other stakeholders in embracing and integrating cart pushers into the formal solid waste collection process supported by statutory regulations to enhance practice, in order to increase employment opportunities and improve achieving Goals 1 and 11 in Nigeria.

## Methodology

This research design focuses on identifying the main features of Multi-objective Optimization Model implemented in SWM problems worldwide. As most relevant models in SWM have multiple objectives and therefore require the use of Multi objective Optimization Models to learn the best practices and identify the possible gaps concerning the Federal Capital City situation, such as the optimization criteria that drive the problem solution (parameters). Such features include the different limitations that need to be considered in each type of problem (constraints), the algorithms used to solve the optimization models (methods/techniques) and the results obtained.

The research design is directed towards the development and testing of a multi-objective planning model based on the goal programming approach for optimizing job creation through proper solid waste management.

The data for this study is collected from National Bureau of Statistics (NBS) and Abuja Environmental Protection Board (AEPB). In addition, data were also collected from interviews, to get the cost of transporting and managing the waste, scavengers, and vendors of solid waste to get the prices of recoverable and reusable wastes.

### Assumptions of the Proposed Model

- i. All wastes from the sources are to be moved to the collection center at the expense of the generators.
- ii. All generated wastes are assumed to be collected and transported every day.
- iii. Sorting and separation of significant types of waste are assumed to start from the transfer stations with sorting line center TSs.
- iv. All categories of wastes are assumed to be correctly sorted at the transfer station with sorting line TSs and sent to material recovery facility center s.
- v. All categories of wastes are assumed to be sent to the recycling center from the material recovery facility.

### Sets and Indices of the Model

$l = 1, 2, \dots, L$ : location of final disposal center (landfill).

$i = 1, 2, \dots, I$ : location of waste sources.

$j = 1, 2, \dots, J$ : location of collection points.

$tss = 1, 2, \dots, TS$ : location of transfer station with sorting line.

$mrf = 1, 2, \dots, MRF$ : location of material recovery facility

$r = 1, 2, \dots, R$ : location of recycling/reuse centers.

$q = 1, 2, \dots, Q$ : location of other factories/ markets.

$s/cap = 1, 2, \dots, S$ : capacity of a center.

$g = 1, 2, \dots, G$ : waste type

### Decision Variables

$x_{gj}, x_{gtss}, x_{gmrf}, x_{gr}$ , = unit amount of various types of waste in tons per day from collection center  $j$  to transfer station with sorting line, to material recovery facility (MF), and to the recycling center.

$X_j, X_{tss}, X_{mrf}, X_r$ , = total amount of waste in tons transported per day to collection  $j$ , transfer with sorting, material recovery facility, and to recycling center respectively.

### Binary variables

$X_1 = (0, 1)$ , it is 1 if the unit amount of generated waste will be transported to collection center otherwise 0.

$X_2 = (0, 1)$ , it is 1 if the unit amount of recyclable waste will be transported from material recovery facility center to recycling/reusing center otherwise 0.

### Data/Parameters

The sum of daily generated waste from different collection centers within the metropolitan is given as:

$$w_1 + w_2 + \dots + w_N = W$$

$W_j$  = all generated wastes in tons per unit per day at collection  $j$ .

$TC_j, TC_{mrf}, TC_{tss}, TC_r$ , = cost (in Naira) per day of transporting significant categories of waste from material recovery facility to recycling center respectively.

$S_c, S_r$ , = maximum available size/capacity of the collection and recycling centers.

$FC_c, FC_r$  = fixed cost (in Naira) of establishing and maintaining the various centers.



$MC_j, MC_r$ , = cost of managing collection center j and final disposal center l, respectively.

$Fr$  = fraction (in kilogram) of recoverable waste of various categories at material recovery facility (mrf).

$P_c$ , = percentage of recoverable waste materials at recycling facilities/ centers.

$HC_c, HC_r$ , = waste handling cost to manage the unit amount of various waste categories at material recovery facility (mf).

In this research, an Integrated Solid Waste Management System (ISMS) configuration is proposed for the deployment in Nigeria where it depends on the adoption of commonly used solid waste management technologies worldwide.

The model is under several reasonable constraints. In general, the constraints

Include: Budget constraints, capacity constraints, equipment, constraint, facility

establishment constraint, goal constraints, non-negative variable constraints, and

Binary variable constraints

The data was analyzed using the Mixed-Integer Linear Programming Model with the aid of R statistical software (R version 4.3.2).

## Result

This chapter focuses on the analysis and interpretation of the data used in the course of this study. The data used for this study is secondary data obtained from National Bureau of Statistics (NBS) and Abuja Environmental Protection Board (AEPB). In addition, data were also collected from scavengers, and vendors of solid waste to get the prices of recoverable and reusable wastes. Below is the linear programming model for maximization of job opportunities:

**Table 1: Total Budget, Labor Available and Equipments for Use**

Parameter	Value
Total Budget (total)	#100,000,000
Total Labor Available(total)	3,227,000
Total Equipment Units (total)	712,000,000

Table 1 shows the total budget, labor available and equipments for use for the waste companies. The total budget is #100, 000, 0000 with total labour available 3,227,000 and total equipment units.

**Table 2: Decision variables Data**

Sector	Decision Variable	Max Potential Jobs
Waste Collection Unit	$X_1$	<b>90</b>
Recycling Unit	$X_2$	<b>57</b>

Table 2 above depicts the decision variable data with waste collection unit and recycling unit. Where  $X_1$  and  $X_2$  denote waste collection unit and recycling unit respectively. The Max Potential Jobs for  $X_1$  is 90 and  $X_2$  is 57.

**Table 3: Constraints Data**

Sector	Cost per Job ( $c_i$ )	Labor per Job ( $l_i$ )	Equipment per Job ( $e_i$ )
Waste Collection	#127,233	12 hours	4 units
Recycling	#77,000	12 hours	5 units

Table 3 shows the constraints data for the  $X_1$  and  $X_2$ . The cost per job ( $c_i$ ) for a worker working in the waste collection sector is #127.233 at 12 hours labour per job ( $l_i$ ) with 4 units equipment per Job ( $e_i$ ). The cost per job ( $c_i$ ) for a worker working in the recycling sector is #77.000 at 12 hours labour per job ( $l_i$ ) with 5 units equipment per Job ( $e_i$ ).

### 1. Objective Function

We aim to maximize:

$$90x_1 + 57x_2$$

### 2. Constraints

#### a) Budget Constraint:

$$127,233x_1 + 77,000x_2 \leq 100,000,000$$

#### b) Labor Constraint:

$$12x_1 + 12x_2 \leq 3,227,000$$

#### c) Equipment Constraint:

$$4x_1 + 5x_2 \leq 712,000$$

These constraints define a feasible region, within which we seek to maximize the objective function.

### Finding Boundary Values from Constraints

To find feasible values for  $x_1$  and  $x_2$ , let's explore the constraints one at a time and calculate boundary values.

#### 1. Budget Constraint Calculation:

$$127,233x_1 + 77,000x_2 \leq 100,000,000$$

If  $x_1 = 0$

$$x_2 \leq \frac{77,000x_2 \leq 100,000,000}{77,000} \approx 1298.70 \Rightarrow x_2 \leq 1298$$

If  $x_2 = 0$

$$x_1 \leq \frac{127,233x_1 \leq 100,000,000}{127,233} \approx 785.95 \Rightarrow x_1 \leq 785$$

So, according to the budget constraint alone, the maximum possible values for  $x_1$  and  $x_2$  are 785 and 1298, respectively. However, these values must also satisfy the other constraints.

#### 2. Labor Constraint Calculation:

$$12x_1 + 12x_2 \leq 3,227,000$$

Simplifying by dividing by 12:

$$x_1 + x_2 \leq 268,916.67 \Rightarrow x_1 + x_2 \leq 268,916$$

This constraint does not significantly limit  $x_1$  and  $x_2$  within the range we're considering (since the budget constraint is more restrictive).

#### 1. Equipment Constraint Calculation:

$$4x_1 + 5x_2 \leq 712,000$$

If  $x_1 = 0$

$$x_2 \leq \frac{5x_2 \leq 712,000}{5} = 142,400$$

If  $x_2 = 0$

$$x_1 \leq \frac{4x_1 \leq 712,000}{4} = 178,000$$

This constraint also does not restrict  $x_1$  and  $x_2$  within the practical limits, we've calculated so far.

#### 4. Feasible Region and Optimal Solution

The most restrictive constraint here is the budget constraint, which bounds  $x_1 \leq 785$  and  $x_2 \leq 1298$ . To maximize the objective function  $90x_1 + 57x_2$  we should try maximizing  $x_1$  and  $x_2$  within this boundary.

#### Testing Boundary Values:

If  $x_1 = 785$  and  $x_2 = 0$

$$90(785) + 57(0) = 70,650$$

If  $x_1 = 0$  and  $x_2 = 1298$

$$90(0) + 57(1298) = 73,986$$

If  $x_1 = 785$  and  $x_2 = 1298$ : Check budget constraint:

$$\begin{aligned} 127,233 \times 785 + 77,000 \times 1298 &\leq 100,000,000 \\ &= 99,972,105 \leq 100,000,000 \\ 90 \times 785 + 57 \times 1298 &= 144,636 \end{aligned}$$

Thus, the optimal solution within all constraints is:

$$x_1 = 785, x_2 = 1298$$

yielding a maximum value for the objective function:

$$90 \times 785 + 57 \times 1298 = 144,636$$

#### Final Solution:

The optimal solution to maximize job opportunities in Solid Waste Management, given the constraints, is to create 785 jobs in Waste Collection and 1298 jobs in Recycling, yielding a maximum job count of 144,636.

#### Discussion

The study's optimization results suggest that maximizing job opportunities in waste collection and recycling requires a balance between the available resources and the potential for job creation in each sector which is in support of Bhuvaneshwari and Shankar (2017) that said budget constraints affect job creation in waste management systems and concluded that careful consideration of budget limitations is essential for formulating viable solutions. The study found that the most significant job creation occurred when 785 jobs were allocated to waste collection and 1,298 jobs to recycling, yielding a total of 144,636 jobs which corroborates the findings of Gómez *et al.* (2019), that concluded that integrating multiple sectors, such as recycling and waste collection, maximized job creation while adhering to resource constraints.

The results of this study have practical implications for policymakers and waste management companies, as they provide a framework for maximizing job opportunities while adhering to financial and resource constraints. Governments in both developed and developing nations can use such LP models to allocate resources efficiently and create more sustainable job opportunities in sectors like waste management. Research by Perez and Arroyave (2020) supports these findings, suggesting that optimizing waste management processes can have dual benefits: improving environmental sustainability and can also create room for employment. They recommend that local governments and organizations adopt LP techniques to enhance operational efficiency and create sustainable employment in environmental sectors.

## Conclusion and Recommendation

Optimizing solid waste management in Nigeria through goal programming approaches requires not only the adoption of advanced models but also the collaboration of stakeholders across public and private sectors. The successful implementation of such approaches depends on the availability of accurate data, investments in infrastructure, capacity building for technical expertise, and public awareness campaigns.

It is recommended that increase in the waste management policy in Nigeria, will create opportunities of employment to several unemployed, skilled, semi- skilled and un-skilled manpower in the country. And awareness must be created for proper disposal of waste. For this local guides and local mentors are needed for door to door campaign regarding promotion of benefits of proper waste dumping, Manpower is required to collect the waste from homes or from specific dumping points, Despite of large waste management plants at larger distances, waste management plants of small capacity at less distance must be installed.

This will lead to an increase in employment opportunities for local people as the installation of the new plant requires a design person, Civil, Mechanical, Electrical and Software Engineers, Clerical Staff, Office boys and other Relevant staff, Industrial Research & Development centres must be installed at waste management plant so that they can explore new products from the waste processed at the plant. This will create opportunities for Scientists, Research Fellows/ Scholars and Chemical Engineers, So, as the count of plants increases there will be a chance of an increase in opportunities of employment for the following: - Human Resource Person, Research & Development Person, Engineers, Executive Staff, Labors, Entrepreneurs, Sales and Marketing person, etc.

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