Why non-Muslims Subscribe to Islamic Banking?

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Why non-Muslims subscribe to Islamic banking?

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Abstract

Purpose – Islamic finance has exhibited immense potential to transform the global financial landscape in the recent years. In reaction to the trend, Nigeria introduced Islamic banking system to cater to the need of the teeming population and promote financial inclusion, among other potential benefits. Unfortunately, the notable growth recorded by the banks since the inception of the Islamic banking system is slowing down because of religiously induced sentiments and criticisms championed by certain non-Muslim segments of the society. Interestingly, even with the impish hype and publicity, non-Muslims make a significant customer base of the Islamic banks. Therefore, the current paper aims to investigate the factors influencing the choice of Islamic banking among non-Muslim customers, using the theory of planned behaviour as a conceptual framework.

Design/methodology/approach – This research adopts a positivist approach and relies on facts and quantitative data in an objective manner. Positivism emphasizes on using scientific methods to derive factual and quantifiable results.

Findings – Based on the regression analysis, subjective norm was found to be the most significant factor influencing the choice of Islamic banking followed by perceived behavioural control and attitude. As a result, it is important for Islamic banking institutions and relevant regulatory agencies to take preemptive measures that may protect and enhance these factors in a bid to promote patronage and eventual success of Islamic banking in Nigeria, especially in the face of growing scepticism.

Originality/value – The existing literature focuses on the choices of either Muslims without due emphasis on the determinant of choice in the case of non-Muslim customers. The growing support of Islamic banking products, cutting across religious divides, compels research on the factors that influence the choice of Islamic banking among non-Muslim customers. Hence, this research seeks to bridge the gap in the existing literature by embarking on an investigation into the factors influencing the choice of Islamic banking among non-Muslim customers in the context of Nigeria.

Keywords Islamic banking, Theory of planned behaviour, Nigeria, Non-Muslim customers

Paper type Research paper

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1. Introduction

The Islamic banking sector has maintained an impressive growth over the years (Islamic Financial Services Board [IFSB], 2016). The stability in the performance of Islamic banks during the 2008 financial crises confirmed the inherent resilience of the Islamic banking system as an alternative financial system that ensures synergy between fiscal and economic activities, as well as the real sector. These unique facets are largely liable for the pursuit of Islamic financial services among Muslims and non-Muslims.

Nigeria has not been left out in this ostensible new financial global order. With a population of about 186 million, 50 per cent of whom are Muslims (Central Intelligence Agency, 2016a, 2016b, 2016c), Nigeria becomes an important market for Islamic banking services. International Monetary Fund population projections (National Population Commission of Nigeria, 2016) affirm that the overall population of Nigeria may reach 210 million by the year 2021. Interestingly, the desire for Islamic banking services in Nigeria exceeds religious divides as non-Muslims constitute a large portion of the overall customer base for Islamic banking services.

The Goldman Sachs Next 11 (N-11) projection shortlisted Nigeria among countries that are considered to have high growth potential. In fact, potential competitiveness is the basis on which major economies, such as Brazil, Russia, India, China and South Africa, are compared. In view of the same, The Central Bank of Nigeria (CBN) revealed the “Financial System Strategy (FSS) 2020” in 2007 as a blueprint to facilitate Nigeria’s development as Africa’s major International Financial Centre (IFC) by the year 2020. This demanded the introduction of non-interest banking services to promote financial inclusion (Central Bank of Nigeria, 2007). Likewise, the Islamic Finance Working Group was created in 2008 in conjunction with Enhancing Financial Innovation and Access. The group brought together key players in the financial sector, such as the Nigeria Deposit Insurance Corporation (NDIC), National Pension Commission, U.S. Securities and Exchange Commission (SEC), National Insurance Commission, Debt Management Office and market operators, to offer Islamic financial services for financial development in Nigeria (Sanusi, 2011). A number of other measures have also been put in place to facilitate the development of Islamic banking in Nigeria and will be discussed in the subsequent sections.

The consistent growth recorded by Islamic banking is partly because of the dissatisfaction with the conventional banking system in the light of rampant unethical practices involving interest rate manipulations, financial crises, money laundering, bankruptcies and bank-runs, which have resulted in loss of confidence in the conventional system (Ariff, 2014, Whither Islamic Banking?). Apparently, discontented with the conventional banking system, former President of Nigeria, Obasanjo made a very powerful statement in the year 2000 at the G8 summit, advocating the need for an alternative financial system, i.e Islamic banking. He avowed that:

*All that we had borrowed up to 1985 or 1986 was around USD$5 billion and we have paid about USD$16 billion yet we are still being told that we owe about USD$28 billion. That USD$28 billion came about because of the injustice in the foreign creditors interest rates. If you ask me what the worst thing in the world is, I will say it is compound interest.*

Similarly, Josiah Stamp, former Director of the Bank of England, made a statement implying the need for an alternative banking system since 1937, at a public address in Central Hall, Westminster. His statement, cited by Abdullah (2016), reads:

*The modern banking system manufactures money out of nothing [...] Banking was conceived in iniquity and born in sin [...] If you want to be slaves of the bankers, and pay the costs of your slavery, then let the bankers create money.*
The development of Islamic banking in Nigeria has been quite inspiring. In May 2016, Jaiz Bank, the first and only full-fledged Islamic bank in the country, upgraded its regional banking licence to a national banking licence, enabling it to perform Islamic banking business throughout the country. Furthermore, the customer base of Jaiz Bank has been growing consistently over the years since its inception in 2012 as per the bank’s annual reports. In 2015, the banks’ customer deposit base exhibited amazing progress with current account and investment account deposits’ growth of 43 per cent and 39 per cent, respectively. Equally, the number of customers provided with financing raised to 1,507 in 2015 from 1,076 in 2014 (Jaiz Bank Plc, 2015). Surprisingly, the customer base consisted of Muslims and non-Muslims. Further, Sterling Bank began offering Islamic banking services in 2013 through its Islamic banking window, Sterling Alternative Finance (Sterling Alternative Finance, 2017). Stanbic IBTC Bank also offers Islamic banking products via its Islamic banking window (Stanbic IBTC Bank, 2017).

The introduction and subsequent achievements of Islamic banking in Nigeria was not without a struggle, it materialized largely because of the unwavering commitment of the then CBN Governor Malam Sanusi Lamido Sanusi. It is acknowledged that several non-Muslims independently made efforts to frustrate the introduction of Islamic banking in the country, citing some rather irrational reasons based on sentiments without any substance. The main concerns raised by the opponents included a perceived variation in the definition of non-interest financial institution between two major legislations, Banks and Other Financial Institutions Act (BOFIA) 1991 and Non-Interest Financial Institutions (NIFI) guidelines 2011; fear of discrimination against non-Muslims in the services of Islamic banks; and violation of the principle of federal character in the composition of CBN Shariah Advisory Council and banks’ Advisory Council of Experts. Similarly, there have been allegations of an Islamization agenda through the introduction of Islamic banking. Impressively, several logical explanations have been given to discredit all the claims presented by the opponents (Olayemi, 2011).

Recently, there was a new and improved commitment by the Christian Association of Nigeria (CAN) to discourage the development of Islamic banking in the country, following the selection of the CBN governor as chairman of the International Islamic Liquidity Management Corporation (IILM), a multi-lateral agency established to provide Shariah-compliant liquidity-management instruments for Islamic financial institutions. As reported in This Day Live New (2016), CAN called for the resignation of the CBN governor from the chairmanship position and sought Nigeria to withdraw its membership from the IILM. However, in spite of this desperate ploy, the patronage of Islamic banking among non-Muslims remains substantial. Seemingly, certain inherent positive factors tend to subdue the propaganda against Islamic banking in Nigeria, thereby encouraging patronage even from non-Muslims. In view of the growing customer base of Islamic banking services, it is important to investigate the factors influencing the choice of Islamic banking among non-Muslim customers in Nigeria.

Therefore, the aim of this research is to investigate factors relating to the choice of Islamic banking services among non-Muslim customers in Nigeria. Possibly, the unending propaganda against Islamic banking is contributing to the slowdown in the banks’ progress. Therefore, it is important to ascertain the factors influencing the choice of Islamic banking among non-Muslims to identify the strengths of the bank as perceived by its non-Muslim customers.

The persistent objection by a segment of the Nigerian population poses a great threat to the development of Islamic banking, as it requires the support of all stakeholders regardless of religious affiliation, as it is non-discriminatory in the real sense. Boycotting such an
important emerging financial system by some segments of the society will not do Nigeria any good, especially at such a time when the country is aspiring to make significant progress in becoming Africa’s major IFC. Therefore, all hands must be on deck to unravel the causes of the instigated phobia, assess resultant consequences, if any, and proffer strategies to avoid such attitude in the future.

This research is very important, as the subject matter has not been addressed by the past studies. Previous studies tended to focus on Muslim respondents only or general respondents without passable attention to non-Muslims, which this study specifically plans to achieve (Hamid and Masood, 2011; Abdul Rehman, 2012; Abdul Rehman and Masood, 2012; Ahmed et al., 2014; Saiti, 2015; Riaz et al., 2017 and among others). Investigating the factors influencing the choice of Islamic banking services among non-Muslim customers in Nigeria will provide a valuable insight to the regulators, regarding non-Muslim customers’ perception about Islamic banking. This is very vital for regulators in making effective policies concerning Islamic banking. In addition, it is imperative for the Islamic banks to assess the efficiency of their services to make valuable improvements to their services and to maintain existing non-Muslim customers, as well as to attract new ones, to increase their customer base. Moreover, the research is also important to the public in clarifying the misconceptions about Islamic banking in terms of perceived discrimination, as it focusses on the factors that encourage non-Muslims to participate, regardless of the impish publicity in circulation.

2. Literature review
2.1 Islamic banking in Nigeria
In Nigeria, Islamic banking operations fall under the category of profit- and loss-sharing banks as enshrined in the BOFIA of 1991. The Act defines profit- and loss-sharing banks as bank which transact investment or commercial banking business and maintain profit- and loss-sharing accounts (Central Bank of Nigeria, 1991). This implies Mudharabah and Musharakah accounts. Furthermore, BOFIA makes provision for “specialized” banks to include other banks as may be designated from time to time; hence, non-interest banks were included in this category by the CBN in 2010. In response to the enactment of BOFIA, several investors attempted applying for Islamic banking licences from 1993 to 1995, although none of them could fulfil the CBN requirements (Sanusi, 2011).

The year 1996 saw an improved commitment for the establishment of Islamic banking in Nigeria as Habib Bank Plc began offering some Shariah-compliant products through its non-interest banking window. Because of the non-existence of a regulatory framework for Islamic banking at that time, the services could not be sustained. In 2003, Nigeria became a full member of the Islamic Development Bank, indicating the government’s willingness to harness the potentials of Islamic banking in fostering national development. Agitations for Islamic banking in Nigeria resurfaced in 2004 as Jaiz International Plc was granted Approval in Principle to establish Jaiz Bank as a full-featured Islamic bank upon fulfilling the mandatory requirements.

Nigeria made much improvement in advancing the course of Islamic banking in 2009, as it joined the IFSB and also issued a draft framework for the regulation and supervision of Islamic banking. By the year 2010, the CBN unveiled the Islamic banking model under the category of specialized banks as provided by BOFIA, following the setting up of a non-interest banking unit at the CBN. In the same year, NDIC on its part issued draft guidelines for Islamic deposit insurance scheme to support smooth operations of Islamic banks.

In furtherance of the development of Islamic banking in Nigeria, the CBN, in collaboration with 11 other central banks and two multilateral organizations, formed the
IILM in October 2010, charged with the responsibility of providing Shariah-compliant liquidity-management instruments for Islamic banks, as well as an avenue for open-market operations for all Islamic financial institutions (International Islamic Liquidity Management Corporation, 2017). This move was aimed at mitigating potential liquidity-management challenges that may be faced by Islamic banks in their operations. Finally, in January 2011, the CBN unveiled a comprehensive regulatory framework – NIFI guidelines for the regulation of Islamic banks.

The SEC released rules on Sukuk issuance in February 2013, thereby effectively broadening Shariah-compliant investment options available to Islamic banks. Lately, the CBN took another step in developing Islamic banking and financing through the release of draft advices for the regulation and supervision of Islamic microfinance banks in May 2016.

A comprehensive analysis of Jaiz Bank annual reports for 2013, 2014 and 2015 summarized in Figure 1 displays total assets of the bank increasing but at a decreasing rate from 141 per cent (14 bn in 2012 to 34 bn in 2013) to 30 per cent (34 bn in 2013 to 44.4 bn in 2014) to 18 per cent (44.4 bn in 2014 to 52.6 bn in 2015). The growth in deposits also follows a similar trend with an initial growth of 567 per cent at inception in 2012/2013 to 25 per cent (21.9 bn in 2013 to 27.5 bn in 2014) although a more impressive growth of 41 per cent was achieved in 2015 (27.5 bn in 2014 to 38.7 bn in 2015). These inconsistencies ought not to arise considering the steady increase in the branch network of the bank from only 3 branches at inception to 10 in 2013, 15 in 2014 and 20 in 2015 (Jaiz Bank Plc, 2017).

2.2 The performance of conventional and Islamic banks
There are three different empirical results in the literature. One group claims that the Islamic banks perform better than conventional banks, for example, the results Ibrahim and Rizvi (2018) suggest that the financing growth of Islamic banks is higher than the lending growth of conventional banks during the crisis period. However, they find no clear evidence that the deposit growth of Islamic banks behaves differently during the period. Finally, there is no indication to suggest that Islamic banks exhibit excessive risk-taking in times of stress. Their results contribute to the evidence supporting the contributive role of the Islamic banking system to financial and economic stability.

Another group advocates that the performance of both is the same, for example, Ozdincer and Yuce (2018) show that in spite of the differences in asset structures and returns, Islamic banks retain similar returns for shareholders to position themselves close to and in competition with their conventional counterparts. Yanikkaya et al. (2018) found that almost all explanatory variables of profitability for conventional and Islamic banks are different, implying that profitability of Islamic banks relies on dynamics different from those of

![Figure 1. Jaiz Bank indicators](#)
conventional banks. The profitability measures of the two banks are neither persistent over time nor have a significant relationship with the country-specific macroeconomic variables.

The third group claims that conventional banks outperform Islamic banks, for example, Abdul-Majid et al. (2017) claim that conventional banks are more cost-efficient than Islamic banks. Results of Mahdi and Abbes (2018) highlight the risky aspect of this category of banks, mainly caused by the type of contracts put in practice, obeying Sharia principles, such as Mudarabah[1] and Musharakah[2] contracts. Alqahtani and Mayes (2018) found that the difference between the two banking types was initially not significant during the GFC. However, when the financial shock spread to the real economy during the later phases of the crisis, Islamic banks suffered a significantly higher level of financial instability than conventional banks.

2.3 Theory of planned behaviour
The theory of planned behaviour (TPB) opines that decision-making will be dependent on three main factors: attitude towards act or behaviour; subjective norm; and perceived behavioural control (Ajzen, 2011; Ajzen, 1991). The theory predicts that a positive attitude towards an act or behaviour, favourable subjective norms and high level of perceived behavioural control are crucial in making a behavioural intention, which in turn leads to a certain behaviour or action. Theory of planned behaviour is commonly used in organizational behaviour, marketing and other disciplines to predict human behaviour towards an issue. It evolved from the Theory of Reasoned Action (TRA) (Montano and Kasprzyk, 2015). According to TRA, a consumer’s behaviour is influenced by attitude and subjective norm, thereby largely explaining purchase behaviour (Yadav et al., 2015). As such, intention is the best predictor of behaviour in the sense that if a person intends to perform a certain act or behaviour, he is more likely to do it.

TPB provides a more robust framework with enhanced predictive power by incorporating perceived behavioural control, thus addressing the weaknesses of the TRA (Farah, 2017).

Attitude refers to the extent to which a person has a favourable or unfavourable assessment of a certain behaviour in question. Therefore, a more favourable attitude towards the behaviour will imply a stronger intention to perform the behaviour (Ajzen, 1991). The importance of attitude is such that it plays a direct role in the formation of positive or negative intention regarding a particular act (Kang and Hustvedt, 2014). Attitude towards act or behaviour suggests that a person’s belief towards a certain act or behaviour affects his/her decision-making in either a positive or negative manner. This is further split into affective attitude, which relates to whether a person thinks the action he/she is about to embark upon will give him/her joy, and instrumental behaviour, which relates to whether the person thinks such action will be beneficial or harmful to him/her (Montano and Kasprzyk, 2015). Consequently, the perception of a potential customer towards Islamic banking will play an important role in his choice of Islamic banking.

The attitude of customers in deciding to patronize a certain service is becoming increasingly relevant in the field of marketing. As such, Holliday (1996) cited in Ringim (2014) regards customer perception as an enduring topic of research in the banking sector. Being a relatively new discipline, more research is needed in the field of Islamic banking to ascertain customer attitude as it plays a major role in determining customer intention to continue patronizing Islamic banking products. Over the years, studies, such as in Khalidi and Amanaullah (2010) found consumer attitude to be an important factor in the choice of Islamic banking.
In a study of determinants of customers’ intention to use Islamic personal finance, Amin et al. (2011) found attitude to be a significant determinant. Similarly, Echchabi and Aziz (2012) found customers’ attitude to be an important factor in determining the choice of Islamic banking. The same conclusion was reached by Ramdhony (2012). In the case of diminishing partnership, Taib et al. (2008) found favourable attitude to be very influential in decision-making. This is consistent with TPB, which indicates that attitude towards an act or behaviour plays a crucial role in decision-making as explained above. Hence it can be hypothesized that:

\[ H1. \] Positive attitude towards Islamic banking influences the choice of Islamic banking among non-Muslim customers in Nigeria.

According to Ajzen (2011), subjective norm is the perceived social pressure to perform or not to perform the behaviour in question. Subjective norm is about social factors influencing a person and his environment, such as social network and cultural norms, whether the people around a person support or oppose the action he/she intends to take. This can be classified into injunctive norm, whether the person is encouraged by people around him to perform the act, and descriptive norm, whether people around the person also engage in the activity in question (Montano and Kasprzyk, 2015).

Subjective norm plays a vital role in every decision-making, including the choice of Islamic banking. The findings of Echchabi and Aziz (2012) confirm subjective norm as an important factor in the choice of Islamic banking. In a study of determinants of customers’ intention to use Islamic personal finance, Amin et al. (2011) found social influence, i.e. subjective norm, to be a significant determinant. Taib et al. (2008) also found social influence to be a major determinant for the use of diminishing partnership in home financing. As such, the choice of Islamic banking by non-Muslim customers will be influenced by the perception held by people they interact with. Therefore, it can be presented that:

\[ H2. \] Favourable subjective norms concerning Islamic banking influences the choice of Islamic banking among non-Muslim customers in Nigeria.

TPB further postulates that perceived behavioural control is a dominant factor influencing behaviour. It relates to how easy or difficult it is to display certain behaviour or act in a certain way – the barriers or restrictions that may prevent a person from engaging in certain acts. Basically, perceived behavioural control relates to a person’s perception about his ability to display certain behaviour or act in a certain way in view of the barriers or restrictions that may prevent a person from engaging in certain acts in terms of availability of requisite resources and opportunity (Ajzen, 2011). Thus, in this case, perceived behavioural control centres on how easy or difficult it is to patronize Islamic banking because of certain barriers that may prevent such behaviour in terms of the presence of requisite resources and opportunity.

In the choice of Islamic banking, perceived behavioural control can be related to the availability of branch networks, adequate information or legal requirements, which can facilitate or prevent a person from patronizing Islamic banks. Echchabi and Aziz (2012) found favourable facilitating conditions, i.e. perceived behavioural control, to be an important factor in the choice of Islamic banking. This is consistent with the findings of Amin et al. (2011) regarding the significance of perceived behavioural control in the decision to use diminishing partnership in home financing. Thus it can be inferred that:
Positive perceived behavioural control regarding Islamic banking influences the choice of Islamic banking among non-Muslim customers in Nigeria.

In summary, TPB in relation to this research predicts that a non-Muslim will have a strong intention to choose Islamic banking and subsequently accomplish such intention if he thinks it is a good idea from which he can derive some benefits, if the idea is supported by the people around him and they also patronize Islamic banks and finally if he can easily patronize Islamic banks without any barrier, whatsoever, restraining him. Conversely, a non-Muslim is less likely to patronize Islamic banks if any of these elements is negative.

Apparently, most of the existing literature focusses on the choices of either Muslims only or general respondents without due emphasis on the determinant of choice in the case of non-Muslim customers. The growing patronage of Islamic banking products cutting across religious divides necessitates research on the factors influencing choice of Islamic banking among non-Muslim customers. Hence, this research seeks to bridge the literature gap by embarking on an investigation into the factors influencing the choice of Islamic banking among non-Muslim customers in Nigeria because of the paucity of research works in that area.

3. Research methodology

This section elaborates on the methodology that will be used in carrying out the research. Basically, it explains details such as how the research is going to be conducted along with justifications supporting the approach that will be used. It will also explain where the research will be conducted. The section unveils the conceptual framework that will be adopted in investigating the factors influencing the choice of Islamic banking among non-Muslim customers in Nigeria. Furthermore, the section contains information on the philosophical stance that will be used for the research, research design, study area, population of study and the sampling technique. The section also explains the source and method of collection for the needed data, statistical analysis that will be used to analyse the data and a brief conclusion.

3.1 Proposed research framework

In view of the preceding literature review, this research will use the conceptual framework depicted in Figure 2. Basically, components of the classical TPB will be used in investigating the factors influencing the choice of Islamic banking among non-Muslim customers in Nigeria. As illustrated in Figure 2, the framework comprises four constructs, three of which are independent variables and one is a dependent variable.

In the course of this research, the questionnaires that will be administered will contain items that will measure the components of this model. All items on the questionnaire will be tested on a five-point Likert scale ranging from “strongly disagree” to “strongly agree”.

Figure 2.
Proposed conceptual framework
3.2 Philosophical stance and hypotheses
This research will adopt a positivist approach which relies on facts and quantitative data in an objective manner. Positivism emphasizes on using scientific methods to derive factual and quantifiable results. Therefore, the role of the researcher in this case will be limited to data collection and interpretation based on the data analysis performed. This implies the independence of the researcher from the study as he will concentrate on facts derived from the sample with minimal interaction with the respondents to derive objective findings (Dudovskiy, 2016). The research will depend on a deductive process to explore the validity of the hypotheses contained in TPB in the context of factors influencing the choice of Islamic banking among non-Muslim customers in Nigeria.

This research will be quantitative in nature, as it aims to describe and measure in numerical terms the extent and significance of the independent variables on the dependent variable, i.e. choice of Islamic banking by non-Muslim customers. Therefore, closed-ended questionnaires will be used in data collection. Being a quantitative research, variables contained in TPB as adopted in the model explained earlier will be subjected to statistical analysis in investigating the factors influencing the choice of Islamic banking among non-Muslim customers in Nigeria. Subsequently, findings will be presented in the form of tables as may be required. Quantitative approach will be used because it will effectively serve the purpose in this research, as it allows for a relatively larger sample size to ensure accurate representation of the entire population in addition to facilitating statistical validity.

This research will be carried out in Abuja, the capital city of Nigeria. Participants will be drawn from three branches out of the five in Abuja: National Assembly branch, Wuse branch and Central Business Area Head office. Abuja has been chosen as the research area because the bank has its highest number of branches and its head office there. Furthermore, Abuja is a cosmopolitan city with residents from diverse background. Because of the perception of a relatively higher level of enlightenment in such a cosmopolitan city, there will be less likelihood of apathy from potential respondents who are deemed more responsive to questionnaires. Thus, it will be a more appropriate study area rather than the Muslim dominated areas where the bank has most of its other branches.

The target population for this research will be the non-Muslim customers of Jaiz Bank Plc in Abuja spread across the three branches mentioned earlier. The aim of targeting non-Muslim customers as respondents is to elicit first-hand information on why they, being non-Muslims, choose Islamic banking. This is in-line with the main objectives of the research concerned with investigating the factors influencing the choice of Islamic banking among non-Muslim customers in Nigeria. Convenience sampling will be used in this research. This type of non-probability sampling technique will rely on data from easily accessible respondents to mitigate the impacts of potential respondents’ apathy. Therefore, primary data will be obtained from respondents without stringent initial screening criteria. The research will adopt convenience sampling method because it is easier than other sampling techniques and it enhances response rate. Furthermore, it facilitates data collection within the shortest time frame in addition to being very cost effective. Hence, convenience sampling technique is a favoured choice. The research aims to engage 300 respondents; 100 from each of the banks’ three branches were selected for the research as discussed earlier.

In this research, primary data will be collected via survey with closed-ended questionnaires adapted from similar studies conducted previously, to suit the context of the research. The questionnaires will be designed in English language considering the study area being a cosmopolitan city in a country where English is the official language. They will be self-administered to the sample, as discussed earlier, to elicit responses with a view to enhance response rate. Notably, the questionnaires will be useful in this research because
they provide the required primary data in an objective manner within a short period. A five-point Likert scale ranging from strongly agree, agree, indifferent, disagree to strongly disagree will be used in the questionnaires. The four-page questionnaire will consist of two parts. Part A will be about demographic information of the respondents, whereas Part B will include questions aimed at identifying the factors influencing their choice of Islamic banking. Therefore, Part B will contain items which will be used in measuring the four components of the research model arranged in separate sections. Measurement of the variables were adapted from (Ajzen, 2006; Warsame and Ireri, 2016; and Ahmad, 2014).

Data collected from the survey in this research will be subjected to descriptive analysis, reliability test, exploratory factor analysis and regression. Descriptive analysis will be used to quantitatively summarize and describe demographic information regarding the sample. These statistical analyses will be conducted using Statistical Package for Social Sciences software.

4. Research results
This section discusses the finding of the research, based on the data obtained from respondents. We conducted several analyses, such as descriptive statistics for respondents' demographic data, reliability analysis using Cronbach’s alpha, exploratory factor analysis and multiple regressions. In line with the objectives of this research, these analyses were conducted with the aim of investigating the factors influencing the choice of Islamic banking among non-Muslim customers in Nigeria, using the classical theory of planned behaviour as a theoretical framework.

4.1 Demographic profile of the respondents
In the course of this research, 300 questionnaires were distributed in three branches of Jaiz Bank Plc located in Nigeria’s capital city, Abuja. A total of 243 questionnaires were returned, although 9 were substantially incomplete. Therefore, only 234 (78 per cent) were duly completed and considered for data analyses. The response rate is a bit lower than that of Fada and Wabekwa (2012), in their study of perceptions towards Islamic banking in Nigeria where a response rate of 89 per cent was reported. This is probably because their respondents included both Muslims and non-Muslims alike, unlike this research that focuses only on non-Muslim respondents, some of whom may exhibit apathy.

Descriptive statistics was used to analyse demographic profiles of respondents as presented in Table I. Frequencies for the demographic variables were analysed to describe demographic profiles summarized in a tabular form. Respondents were dominantly male representing 62.8 per cent, whereas female respondents constituted 37.2 per cent of total respondents. This gender distribution is the same as in Fada and Wabekwa (2012), where 61.94 per cent of respondent were male. This is an indication of the inherent gender imbalance in most parts of Nigeria, particularly in terms of financial inclusion and empowerment. In terms of age, highest frequency is observed for the age group 41-60 being 37 per cent of the total responses, closely followed by 25-40 accounting for 31.6 per cent. Respondents aged over 60 years constituted 23.9 per cent, whereas those below 25 years were just 7.3 per cent. This is an indication of the active working population.

For marital status, 62 per cent of the respondents reported being married, whereas 28.6 per cent and 9.4 per cent chose single and others, respectively. A total of 44 per cent of the respondents hold bachelor’s degree, whereas 29.1 per cent completed up to post-graduate level. A total of 20.9 per cent and 6 per cent represented others and SSCE certificate, respectively. Although a similar ratio (42.54 per cent) reported having a bachelor’s degree in Fada and Wabekwa (2012), ratio of post-graduate was much lower (14.93 per cent),
presumably because this research was conducted in the capital city. The high level of education may be attributable to the nature of the city life where level of education is always relatively high. Most respondents fall under average monthly income category 250,000-750,000 (47 per cent) and 50,000-249,000 (39.7 per cent). A total of 8.1 per cent earned above 750,000, whereas 5.1 per cent earned below 50,000 as average monthly income in Naira. Table I summarizes the respondents’ demographic profile.

### Table I. Demographic profile of the respondents

<table>
<thead>
<tr>
<th>Demographic variables</th>
<th>Frequency</th>
<th>% of respondents</th>
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<tbody>
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<tr>
<td>Female</td>
<td>87</td>
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<td>Single</td>
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<td>44.0</td>
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<tr>
<td>Post-graduate</td>
<td>68</td>
<td>29.1</td>
</tr>
<tr>
<td>Others</td>
<td>49</td>
<td>20.9</td>
</tr>
<tr>
<td>Total</td>
<td>234</td>
<td>100.0</td>
</tr>
<tr>
<td>Average monthly income in Naira</td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt; 50,000</td>
<td>12</td>
<td>5.1</td>
</tr>
<tr>
<td>50,000-249,000</td>
<td>93</td>
<td>39.7</td>
</tr>
<tr>
<td>250,000-750,000</td>
<td>110</td>
<td>47.0</td>
</tr>
<tr>
<td>&gt; 750,000</td>
<td>19</td>
<td>8.1</td>
</tr>
<tr>
<td>Total</td>
<td>234</td>
<td>100.0</td>
</tr>
</tbody>
</table>

4.2 Reliability test
Cronbach’s Alfa (α), being a simple and commonly used measure of reliability was used to assess internal consistency of the questionnaire. Accordingly, the three independent variables contained in the questionnaire were tested. Consequently, the results indicate that all the items on the questionnaire reliably measured the respective constructs as presented in Table II.

From Table II, the reliability statistics for attitude, subjective norm and perceived behavioural control reveals good Cronbach’s Alfa coefficients of 0.874, 0.900 and 0.880, respectively. These are well above the 0.7 minimum threshold as suggested by Santos (1999). Therefore, this implies high internal consistency, an indication that the questionnaire is reliable in measuring the various constructs. The Cronbach’s alpha for attitude in this research is quite higher than that of Ringim (2014), where 0.738 was reported.
4.3 Descriptive statistics for variables

Table III summarizes the descriptive statistics for independent variables: attitude, subjective norm and perceived behavioural control and for dependent variable: choice of Islamic banking. Average mean scores and standard deviations for the variables, which were measured on a five-point Likert scale questionnaire, were obtained accordingly. Generally, the mean scores and standard deviations were similar for the three independent variables. Attitude was considered highly important as evident from the highest mean value and lowest standard deviation among the independent variables. This implies a high consensus among the respondents in terms of positive attitude towards Islamic banking, probably because it fulfils their banking needs. Ringim, (2014) reported a higher mean value (4.89) for personal perception, i.e. attitude in his study of perception of Nigerian Muslim account holders in conventional banks towards Islamic banking products, perhaps because his respondents were Muslims only, who are expected to hold a more positive attitude towards Islamic banking than non-Muslim respondents as in this research.

Similarly, subjective norm was considered important although with a slightly more standard deviation than that of attitude, suggesting a slightly less consensus among respondents. The importance of subjective norm is expected in such a pluralistic African society as Nigeria, where actions and decisions are largely influenced by the views of others. Perceived behavioural control recorded the lowest mean value but with the highest standard deviation. Therefore, there is the highest divergence of opinion among respondents in perceived behavioural control.

4.4 Correlation analysis for variables

Correlation analyses refer to a technique used in measuring the degree of linear relationship between variables. The measure of correlation, called correlation coefficient or correlation index, shows the direction and extent of correlation in numerical form (Sharma, 2005). This research sought to discover the correlation between the dependent variable: choice of Islamic banking and various items in the independent variables: perceived behavioural control, attitude and subjective norm. Results of the correlation analyses are shown in Tables IV, V and VI accordingly.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Cronbach’s alpha (α)</th>
<th>No. of items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attitude</td>
<td>0.874</td>
<td>5</td>
</tr>
<tr>
<td>Subjective norm</td>
<td>0.900</td>
<td>5</td>
</tr>
<tr>
<td>Perceived behavioural control</td>
<td>0.880</td>
<td>5</td>
</tr>
</tbody>
</table>

Table II. Reliability statistics

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attitude</td>
<td>3.96</td>
<td>0.740</td>
</tr>
<tr>
<td>Subjective norm</td>
<td>3.90</td>
<td>0.761</td>
</tr>
<tr>
<td>Perceived behavioural control</td>
<td>3.89</td>
<td>0.835</td>
</tr>
<tr>
<td>Choice of Islamic banking</td>
<td>4.11</td>
<td>0.59</td>
</tr>
</tbody>
</table>

Table III. Descriptive statistics for variables
Table IV shows a significant positive relationship between choice of Islamic banking and all the items measuring perceived behavioural norm. Notably, choice of Islamic banking is most correlated with perceived behavioural control 3 and least correlated with perceived behavioural control 5. Significant positive correlation also exists among all items measuring perceived behavioural norm. Likewise, Table V shows a significant positive correlation between choice of Islamic banking and all the items measuring attitude. Among the items, choice of Islamic banking is most correlated with attitude 4 and least correlated with attitude 2. Significant positive correlation also exists among all items measuring attitude. Similarly, Table VI shows a significant positive relationship between choice of Islamic banking and all the items measuring subjective norm. Among the items, choice of Islamic banking is most correlated with subjective norm 1 and least correlated with subjective norm 2. Significant positive correlation also exists among all items measuring subjective norm.

4.5 Exploratory factor analysis
Exploratory factor analysis was conducted to summarize the research data with a view to recognize relationships and patterns in the set of variables. The aim of this analysis is to regroup variables into a limited set of clusters or latent variables, based on shared variance.
Table VII shows the total variance of the various components also referred to as principal components. From the results, the first component accounts for 60.7 per cent of the variance, whereas the second and third account for 7 per cent and 5.8 per cent, respectively. These three significant components explain 73.7 per cent of total varimax rotation for the rotated component matrix. This provides a representation of the factors underlying the choice of Islamic banking among non-Muslim customers. Going by the Table VII, all variables can effectively be classified into three factors.

Table VIII classifies all variables into three components, whereby perceived behavioural control 5 and perceived behavioural control 1 are substantially loaded on component 3, whereas attitude 1, attitude 2, attitude 3 and attitude 4 are substantially loaded on component 2. All the remaining variables are substantially loaded on component 1.

4.6 Multiple regressions

Extracted factor loading obtained from the factor analysis was used to conduct multiple regressions using choice of Islamic banking as dependent variable and attitude, subjective norm and perceived behavioural control as independent variables. Consequently, the factor loadings were used to conduct multiple linear regressions to investigate the effects of the independent variables on the choice of Islamic banking among non-Muslim customers in Nigeria. The results from the regression analysis indicate that the choice of Islamic banking among non-Muslim customers is 62 per cent, explained by the independent variables: attitude, subjective norm and perceived behavioural control. This is proven by the coefficient of determination, adjusted $R^2$, a measure of the proportion of the variance in the dependent variable that is predictable from the independent variables as presented in Table IX.

The ANOVA Table X shows a $p$-value of 0.000, which is less than 0.05. Therefore, the alternative hypothesis is accepted at the 95 per cent level of confidence, implying...
<table>
<thead>
<tr>
<th>Subjective norm</th>
<th>Correlation coefficient</th>
<th>Subjective norm 1</th>
<th>Subjective norm 2</th>
<th>Subjective norm 3</th>
<th>Subjective norm 4</th>
<th>Subjective norm 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subjective norm 1</td>
<td>Correlation coefficient</td>
<td>0.656**</td>
<td>-</td>
<td>-</td>
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<td>-</td>
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<tr>
<td></td>
<td>Sig. (1-tailed)</td>
<td>0.000</td>
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<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Subjective norm 2</td>
<td>Correlation coefficient</td>
<td>0.532**</td>
<td>0.570**</td>
<td>-</td>
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<td></td>
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<td>0.000</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Subjective norm 3</td>
<td>Correlation coefficient</td>
<td>0.639**</td>
<td>0.663**</td>
<td>0.534**</td>
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<td>-</td>
</tr>
<tr>
<td></td>
<td>Sig. (1-tailed)</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Subjective norm 4</td>
<td>Correlation coefficient</td>
<td>0.637**</td>
<td>0.637**</td>
<td>0.638**</td>
<td>0.638**</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Sig. (1-tailed)</td>
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<td>0.000</td>
<td>0.000</td>
<td>-</td>
</tr>
<tr>
<td>Subjective norm 5</td>
<td>Correlation coefficient</td>
<td>0.592**</td>
<td>0.611**</td>
<td>0.524**</td>
<td>0.651**</td>
<td>0.634**</td>
</tr>
<tr>
<td></td>
<td>Sig. (1-tailed)</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
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**Note:** **Correlation is significant at the 0.01 level (one-tailed)**
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<thead>
<tr>
<th>Component</th>
<th>Total</th>
<th>% of Variance</th>
<th>Cumulative %</th>
<th>Extraction sums of squared loadings</th>
<th>Total</th>
<th>% of Variance</th>
<th>Cumulative %</th>
<th>Rotation sums of squared loadings</th>
<th>Total</th>
<th>% of Variance</th>
<th>Cumulative %</th>
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<tr>
<td>1</td>
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<td>36.463</td>
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<tr>
<td>3</td>
<td>0.883</td>
<td>5.884</td>
<td>73.702</td>
<td>0.883</td>
<td>5.884</td>
<td>73.702</td>
<td>73.702</td>
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<td>0.657</td>
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<td>0.242</td>
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<td>97.770</td>
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</tr>
</tbody>
</table>

**Note:** Extraction method: Principal component analysis.
significance of the model. Hence, attitude, subjective norm and perceived behavioural control significantly explained the choice of Islamic banking among non-Muslim customers.

Table XI indicates that subjective norm with standardized coefficient ($\beta$) of 0.564 has the highest effect on the choice of Islamic banking, followed by perceived behavioural norm and attitude with 0.491 and 0.256, respectively. Attitude recorded a substantially higher $\beta$ (0.4168) in Ringim (2014), indicating that attitude is a more significant determinant of choice.
of Islamic banking for Muslims than for non-Muslims targeted in this research. Similarly, Amin et al. (2012) in their study of the validity of the theory of planned behaviour on Islamic home financing, the attitude is the most influential in followed by subjective norm then perceived behavioural control. Attitude proves to be the most significant determinant of choice in their research, most likely because the respondents were not restricted to non-Muslims only. Therefore, attitude can be said to be more relevant to Muslims in decision-making than to non-Muslims.

Choice of Islamic banking = 4.111 + subjective norm * 0.333 + attitude * 0.151 + perceived behavioural control * 0.290

The results from regression analysis suggest that a one-unit increase in subjective norm leads to an increase in the choice of Islamic banking by 0.333 units. Similarly, a one-unit increase in attitude results in an increase of 0.151 units in the choice of Islamic banking. Likewise, a one-unit increase in perceived behavioural norm leads to an increase of 0.290 units in the choice of Islamic banking. Furthermore, it indicates that all the independent variables: attitude, subjective norm and perceived behavioural control have a positive effect on the choice of Islamic banking among non-Muslims because of sig values of 0.000, which is less than the standard value of 0.05.

5. Concluding remarks
A number of countries have been making efforts to tap into the benefits inherent in Islamic finance. Nigeria, being an inspiring participant in the African continent followed suit through the introduction of Islamic banking into its financial landscape. As a result, Jaiz Bank was licenced as a full-fledged Islamic bank, whereas Stanbic IBTC and Sterling Bank opted for Islamic banking window operations. Similarly, Islamic finance activities began picking up in the capital market, as well as insurance sector, with regulators in the financial sector rolling out guidelines for the operations of Islamic financial services.

Notably, the results indicated that choice of Islamic banking among non-Muslims is most significantly influenced by subjective norm. This underscores the importance of rectifying the negative propaganda against Islamic banking, as it relates to subjective norm. Likewise, perceived behavioural control proved to be significant in the choice of Islamic banking among non-Muslims. Therefore, it is necessary to increase and improve access to Islamic banking services to cater for prospective customers.

It is vital at this point to note the effort of the CBN in ensuring that Islamic banking in Nigeria remains as neutral as possible without any room for discrimination, considering the highly sensitive nature of the society. A part of measures put in place is the restriction on the use of the word “Islamic” in the name of such banks as contained in the BOFIA Act and NIFI.
guidelines. Furthermore, Shariah governance committees at both the CBN level and institutions are referred to as Financial Regulation Advisory Council of Experts and Advisory Committee of Experts, respectively. The minimal usage of Arabic terms is aimed at reducing the likelihood of quarrel imminent in such a diverse and socially sensitive society.

Attitude turned out to be the least important factor affecting choice of Islamic banking among the independent variables although it was significant as well. As noted in the previous section, attitude being the least important independent variable affecting choice, unlike in other studies which also used TPB, is probably because the respondents for this research is restricted to non-Muslims only. Ideally, attitude is expected to be highly important in making a choice for Muslims because choices must be within the limits of clearly defined boundaries.

In a nutshell, this research with the aim of exploring the factors determining the choice of Islamic banking among non-Muslims in Nigeria found subjective norm, perceived behavioural control and attitude to be of significant influence on the choice of Islamic banking. Furthermore, it found subjective norm to be the most important factor, followed by perceived behavioural control and attitude. Therefore, it is important for Islamic banking institutions and relevant regulatory agencies to take proactive steps that will protect and enhance these factors in a bid to promote patronage and eventual success of Islamic banking in Nigeria, especially in the face of growing scepticism. More importantly, parties spreading mischievous impressions about Islamic banking and gullible individuals convinced by the misinformation need to retrace their steps and support the advancement of Islamic banking in view of the potentials it holds for the society at large as attested to by sample in this research. Moreover, Islamic banking has been making headway in non-Muslim dominated jurisdictions as well (Table XII).

Nigeria as a country arguably referred to as the giant of Africa needs to take proactive measures to ensure that it indeed remains the giant of Africa. This entails keeping up with developments in the international scene of which Islamic banking is taking centre stage as far as the financial system is concerned. Nigeria cannot afford to be left out of the growing Islamic banking system for mere sentimental reasons. Therefore, it is important to further investigate the motives behind the patronage of Islamic banking services, especially among non-Muslims, to consolidate the achievements recorded so far and attract even more people to this noble system, thus building a robust financial system that will support the country’s quest to attain greater heights.

This research has made a humble attempt to investigate the factors influencing the choice of Islamic banking among non-Muslim customers in Nigeria, using TPB. It is important to note that this research is perhaps the first to address this topic in the context of Nigeria. A major limitation of the research is that the sample was only drawn from three

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>H1</strong> Positive attitude towards Islamic banking influences the choice of Islamic banking among non-Muslims in Nigeria</td>
<td>Accepted</td>
</tr>
<tr>
<td><strong>H2</strong> Favourable subjective norms concerning Islamic banking influences choice of Islamic banking among non-Muslims in Nigeria</td>
<td>Accepted</td>
</tr>
<tr>
<td><strong>H3</strong> Positive perceived behavioural control regarding Islamic banking influences the choice of Islamic banking among non-Muslims in Nigeria</td>
<td>Accepted</td>
</tr>
</tbody>
</table>

Table XII. Results of hypotheses tests
branches of Jaiz Bank located in Abuja because of certain reasons. This may not be adequately representative of the entire non-Muslim customers of the bank spread across the country. Similarly, other factors not captured by TPB may be very important in the choice of Islamic banking, thereby not accounted for in this research. Hence, future research may opt to consider covering a wider sample, with more representatives of the non-Muslim customers of Jaiz Bank, and incorporate more variables that may be important in the choice of Islamic banking among non-Muslim customers. Also, it is recommended that the future research focus on comparative studies between countries.

Notes

1. The Mudarabah is a silent future of Islamic banks, where one party acts as capital provider and another party manages the fund. This concept can be applied to both sides of a balance sheet, for example, the depositors act as capital provider and the bank acts as the manager of the capital. If there is profit, it can be shared between depositors and the bank. If there is loss, it has to be borne by depositors. On the other hand, the bank acts as capital provider to the customers of the bank. Similarly, if there is profit, it has to be shared between partners and the loss follows the capital.

2. In the case of Musharakah, both partners need to contribute to the project (for example the case of asset side). If there is profit, it can be shared by partners based on the predetermined profit sharing ratio; if there is loss, it can be shared based on capital contributions.

References


Further reading


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