

## ISLAMIC FINANCE IN NIGERIA: A GEM IN THE DIRT OR A HOARSE

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### Abstract

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*The study evaluates the strategies adopted by Islamic banks in Nigeria to enhance performance using mixed-methods approach combining SWOT AND PESTEL analyses with survey data to evaluate the competitive strategies. The findings revealed several strengths including innovative financial products, effective differentiation from conventional banks, exceptional customer service and a strong online presence. Opportunities for growth and development were also identified indicating a positive perception among customers, which can be leveraged to expand customer base. However, the study highlights some weaknesses and threats such as economic fluctuations. The findings suggest that Islamic finance in Nigeria can be considered a 'gem' with significant potentials and recommends the need to address the weaknesses and capitalizing on strengths and opportunities in order to continue to thrive and contribute to the country's financial sector.*

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**Keywords:** Islamic Banking, Gem, Sharia-compliant, Competitive strategies, Risk-Sharing, Green banking.

### 1.0 Introduction

Islamic finance, a system of banking that complies with the principles of Islamic law (Sharia), has been carving out its own space in the global financial system. Rooted in values such as equity, fairness, and ethics, this sector has witnessed significant growth in recent years. Its unique features, such as prohibition of interest (riba) and uncertainty (gharar), and risk-sharing model distinguishes it from conventional banking, creating opportunities and challenges that necessitate a nuanced understanding (Abdullahi, 2021).

In the Nigerian banking landscape, Islamic finance is an emerging sector. Islamic banking has found its footing, stimulated by a substantial Muslim population seeking

ethical, Sharia-compliant financial solutions. Jaiz Bank, the first full-fledged Islamic bank in Nigeria, has become a focal point in this evolution, pioneering the delivery of unique banking services adherent to Islamic principles (Muhammad & Bin Ngah, 2023). The bank's genesis stems from the aspiration for a financial institution free from usurious practices (Riba), gambling (Maysir), and investments prohibited in Islam (haram), offering an alternative to the prevailing conventional banking model. Apart from adhering to regulatory stipulations, the bank's operations, products, and activities are all governed by the Sharia law, reflecting the principles of the Islamic legal system. Nonetheless, operating within a predominantly conventional banking system, Islamic banks in Nigeria face an

uphill battle to attain and sustain competitiveness (Amfani & Eziamaka, 2020). Islamic banks must strive to balance compliance with Sharia principles, customer satisfaction, and financial performance – a triadic challenge that demands innovative and effective strategies.

As financial systems across the globe grapple with the challenge of striking a balance between profit-maximization and ethical responsibility, the tenets of Islamic finance provide a compelling model. This study endeavors to delve into the core of Islamic banking's competitive strategies, unravel their impacts, and pave the way for an enhanced understanding of their role in shaping Nigeria's financial landscape. One of the fundamental hurdles pertains to the regulatory environment. Operating in a predominantly conventional banking system, Islamic banks often encounter regulations that are not designed to accommodate their unique operational principles. For instance, the prohibition of interest (riba) introduces complexities in regulatory and supervisory frameworks primarily developed for interest-based financial systems. Hence, an intricate regulatory landscape poses significant constraints to the competitiveness and growth of Islamic banks (Abdullahi, 2021).

Secondly, there is a conspicuous lack of awareness and understanding about Islamic banking among the Nigerian population. Misconceptions that Islamic banking serves only the Muslim community further limit its reach and acceptance. This knowledge gap undermines the potential market share that Islamic banks could attain and poses an obstacle to their growth and performance. Public skepticism, arising from both misconceptions about Islamic banking and

general distrust towards the banking sector, also contributes to the challenges faced by Islamic banks. It's crucial to transform this skepticism into trust to broaden the customer base and ensure sustainable performance.

The study therefore examines the competitive strategies adopted by Islamic banks in Nigeria using Jaiz Bank as a case study and the research questions are formulated in line with the research objectives. The null hypotheses formulated for the study are:

H<sub>1</sub>: There is no significant difference between the competitive strategies adopted by Islamic banks and conventional banking in Nigeria.

H<sub>2</sub>: There is no significant impact of the adopted competitive strategies on the performance of Islamic Banking in Nigeria.

## **2.0 Literature Review**

### **2.1 Conceptual Framework**

Shariah Principles and Ethics in Islamic Finance

In Islamic finance, the compass that guides every transaction, investment, and endeavor is deeply rooted in Shariah principles and unwavering ethical values (Bilal et al, 2013). These principles not only shape the landscape of financial activities but also illuminate a distinctive path characterized by justice, fairness, and social responsibility.

i. Riba (Usury) and Interest-Free Banking - At the heart of Islamic finance lies the unequivocal prohibition of Riba, often translated as usury or excessive interest. This foundational principle aligns with the notion that wealth should be generated

through meaningful economic activities rather than the mere accumulation of interest (Tanko, 2016). In contrast to conventional banking where interest-bearing loans are commonplace, Islamic banking engenders an ecosystem of interest-free financial transactions that prioritize equitable distribution of wealth.

ii. Gharar and Maysir - Islamic finance also strives to eliminate Gharar, a state of excessive uncertainty or ambiguity in contracts. Transactions marred by Gharar are considered detrimental to both parties and are thus discouraged (Shah, Shah & Ahmad, 2012). Likewise, Maysir, akin to gambling, is shunned due to its speculative nature that contradicts the principles of fairness and responsible risk-taking. Islamic banking fosters a financial environment characterized by transparency, clarity, and balanced risk-sharing.

iii. Ethical Investment and Profit-Sharing Principles -Ethical considerations extend beyond the avoidance of prohibited activities; they encompass a proactive commitment to ethical investment. The principles of Mudarabah and Musharakah reflect this commitment through profit-sharing partnerships (Azkanar, 2016). Mudarabah involves an investor providing capital while a manager contributes expertise, and profits are shared based on a predetermined ratio. Musharakah, on the other hand, forms a partnership where all parties contribute capital and labor, and both profits and losses are distributed proportionally. These principles underscore a spirit of cooperation and shared responsibility.

iv. Social and Economic Justice - Beyond individual transactions, Islamic finance

weaves a tapestry of socio-economic justice. Zakat, an obligatory charitable contribution, serves as a mechanism to redistribute wealth and alleviate poverty within the community (Firdaus & Hosen, 2013). The principles of Islamic finance seek to reduce wealth disparities and promote the well-being of all members of society, reflecting a commitment to social equity that resonates in competitive strategies.

## 2.2 Empirical Framework

Iqbal (2001) conducts a comparative analysis of Islamic and conventional banks using trend and ratio analysis. His study reveals that Islamic banks exhibited commendable performance during the years 1990-98. Both trend and ratio analyses demonstrate that Islamic banks show superior efficiency in comparison to conventional banks. The study suggests a downward trajectory for Islamic banks, attributed to their integration with conventional banks and their early stage of development. Additionally, the opening of Islamic windows within conventional banks signaled the potential strength of Islamic banks, while the expansion of conventional banks into rural areas was highlighted as a factor that could boost their performance.

Al-Maghrreh (2005) explores the performance of Islamic banks and non-Islamic banks in the Emirates, examining ratios of profitability, liquidity, risk, solvency, and efficiency. The findings indicated that Islamic banks are relatively more profitable, less liquid, less risky, and more efficient than non-Islamic banks. Similar outcomes are documented by Samad and Hassan (2000) in their study of Malaysia. Sufian & Noor (2009) conduct a comparison between MENA and Asian

Islamic banks, evaluating their technical, pure, and scale efficiency. The outcomes indicate that MENA Islamic banks displayed higher average technical efficiency in comparison to their Asian counterparts. Notably, technical efficiency was positively associated with profitability, size, capitalization, and loan intensity. The study emphasized the need for improved managerial skills to enhance the efficiency of Islamic banks.

Shah, Shah, and Ahmed (2011) compare between Islamic and conventional banks, unveiling that Islamic banks surpassed conventional banks in terms of technical efficiency under the loan-based approach, and also exhibited higher scale efficiency. Conversely, conventional banks demonstrated superiority in the income-based approach. This study encompasses efficiency estimation for both local and foreign-owned banks. The research discovers that while foreign-owned banks outperformed Islamic banks in terms of structure, Islamic banks demonstrated better efficiency compared to locally owned banks.

Ismail and Mahyideen (2013) investigate the efficiency of Islamic banks in the Gulf Cooperation Council (GCC) countries using DEA and Tobit regression analysis. The study revealed that larger Islamic banks with higher capitalization tend to be more efficient, while external macroeconomic factors also influenced their efficiency levels. Saeed, Ali, Adeb, and Hamid (2013), study in Pakistan, where they assess the efficiency of Islamic and conventional banks over a five-year period using both ratio analysis and data envelopment analysis techniques. Their research encompassed

nineteen banks as the sample size. Their findings indicate that conventional banks outperformed Islamic banks in terms of performance. Gerrans, Clark-Murphy and Smith (2015) compare the performance of Islamic and conventional funds in Australia. The study finds that Islamic funds displayed superior performance during periods of market downturn, suggesting potential resilience against market shocks.

Zainal, Saleh and Zakaria (2019) examine the efficiency of Islamic banks in Malaysia using a two-stage approach combining Data Envelopment Analysis (DEA) and the Malmquist Productivity Index. The study find that the efficiency of Islamic banks increase over the period studied, driven by technological progress and efficient use of resources while Mosab et al (2022), examines the relationship between Islamic banking and the growth of the economy in Nigeria and found that Islamic banking has a positive contribution to Nigeria's economy in both short run and long run.

Baloch and Chimenya (2023), examine the historical evolution of Islamic finance to highlight its core values of fairness, societal stewardship, and sustainable growth. The study reveals an intricate interplay between the time-honored ethics of Islamic finance and its manifestation in the modern economic realm which suggests that Islamic finance offers moral rectitude by championing risk-sharing and avoiding interest-driven transactions in today's globalized commerce.

Azam and Abdullah (2024) posit that Islamic finance as a better solution to the financial accessibility of SMEs in future economic activities. The study illustrates a model or framework that would work well for SMEs to generate productive employment opportunities in their respective economies. The paper identifies access to finance as the biggest challenge faced by SMEs in the emerging market. Other challenges include lack of training, financial literacy, technology improvement, legal matters and administrative burdens, product innovation, research and development.

### 2.3 Theoretical Foundations of Islamic Banking

Islamic banking stands as a distinctive departure from conventional banking systems, drawing its strength from a rich tapestry of theoretical foundations rooted in Islamic principles, ethics, and jurisprudence (Azkanar, 2016). These foundations not only differentiate Islamic banking from its conventional counterparts but also define its mission, values, and operational paradigms (Habibur-Raham, 2017). Delving into these foundations is similar to unlocking the philosophical essence that shapes the entirety of Islamic finance, including its competitive strategies.

#### i. Islamic Principles as Pillars of Distinction

At the core of Islamic banking lie principles that transcend profit-seeking and extend to ethical considerations. Islamic finance adheres to the concept of "Halal" (permissible) and "Haram" (prohibited) transactions, filtering financial activities through a moral lens (Saeed, 2017). This distinction reshapes the banking landscape,

eliminating ventures that are incompatible with ethical standards, such as interest-based transactions and involvement in industries deemed harmful to society (Mahmud & Rahman, 2020).

#### ii. Ethics Beyond Profit

While conventional banking often places a primary focus on financial gain, Islamic banking integrates a broader ethical dimension. Concepts like "Takaful" (mutual cooperation) emphasize a shared commitment to the well-being of the community (Majid, 2012). Islamic banks are not only financial intermediaries but also stewards of societal welfare. These ethical imperative influences the competitive strategies they adopt, favoring approaches that align with social responsibility and inclusivity (Adeyeye et al, 2015).

#### iii. Sharia Jurisprudence as the Compass

Sharia law is based on the teachings of the Quran and Hadith (sayings of the Prophet Muhammad), serves as the guiding compass for Islamic finance (Al-Qudah & Jarada, 2013). It provides a comprehensive framework that governs financial transactions, contracts, and business conduct. This legal framework instills a sense of transparency, fairness, and accountability that underpins the competitive strategies of Islamic banks (Yahaya & Lamidi, 2015).

#### The Impact of the theoretical foundations on Competitive Strategies of Islamic Banking

These theoretical foundations collectively echo throughout the corridors of competitive strategies within Islamic banking. Differentiation strategies, for instance, manifest through the creation of Sharia-

compliant products and services that resonate with the ethical preferences of the customer base (Saifullah, 2010). Customer-centric approaches draw strength from the emphasis on trust, transparency, and personalized relationships inherent in Islamic principles. Moreover, the principles of equitable risk-sharing and socio-economic justice directly influence the innovative product offerings and financial inclusion initiatives that Islamic banks champion. These strategies do not exist in isolation; they are intricately woven into the fabric of a banking model defined by values, ethics, and socio-economic responsibility (Abdullahi, 2016). By recognizing these foundations, one gains a profound appreciation for the profound impact that Islamic banking can have, not only on financial markets but on the lives and well-being of individuals and communities.

While Islamic finance in Nigeria has gained prominence, there remains a notable research gap in understanding the competitive strategies and performance enhancement mechanisms of Islamic banks. This paper delves into the unique contribution that the current study aims to make, shedding light on unexplored dimensions and paving the way for enriched insights.

### 3.0 Methodology

The study utilizes a primary data collection approach, using questionnaires. This approach was chosen for its ability to provide a comprehensive and holistic view of the competitive strategies and operational challenges of Islamic banks, particularly Jaiz Bank, in Nigeria. SWOT analysis was employed to comprehensively evaluate the

competitive strategies adopted by Islamic banks in Nigeria. SWOT analysis offers a comprehensive understanding of the strategic landscape of Islamic banking, revealing how competitive strategies align with internal strengths and weaknesses while responding to external opportunities and threats. The SWOT variables are explained as shown below:

- i. **Strengths:** Internal factors that provide Islamic banks with a competitive advantage, such as unique product offerings, ethical principles, and customer loyalty.
- ii. **Weaknesses:** Internal factors that hinder the optimal performance of Islamic banks, such as operational challenges, regulatory constraints, and limited awareness.
- iii. **Opportunities:** External factors that Islamic banks can capitalize on to enhance their performance, such as market demand for Sharia-compliant products and emerging technological trends.
- iv. **Threats:** External factors that pose challenges to Islamic banks, including competition from conventional banks, changing regulatory landscape, and economic fluctuations.

In addition, PESTEL analysis is applied to investigate the external forces shaping the competitive strategies of Islamic banks in Nigeria. PESTEL analysis provides a holistic view of the external factors that Islamic banks must navigate to enhance their performance and sustain their ethical commitments. The definition of the PESTEL variables are stated below:

1. Political Factors: Examination of how political decisions and government policies influence Islamic banking operations and strategy.
2. Economic Factors: Analysis of economic conditions, market trends, and monetary policies affecting Islamic banks' performance and strategic choices.
3. Social Factors: Evaluation of societal and cultural influences on customer preferences, demand for ethical banking, and community engagement.
4. Technological Factors: Exploration of technological advancements and innovations that impact the competitive landscape of Islamic banking.
5. Environmental Factors: Consideration of environmental sustainability and ethical considerations in shaping strategic decisions.
6. Legal Factors: Assessment of regulatory frameworks, compliance requirements, and legal constraints that influence Islamic banks' competitive strategies.

The data obtained from the questionnaire are subjected to systematic SWOT and PESTEL analysis based on the definition of variables as stated above. These analyses are conducted using SPSS version 29 and Multiple Regression Analysis to identify patterns, correlations, and trends within the data.

#### 4.0 Results And Discussion

150 questionnaires are distributed using google forms, a total of 120 feedbacks were received from respondents in Jaiz Bank in Nigeria (comprising of the customers, staff and management of Jaiz Bank) on the impact of competitive strategy on Jaiz Bank's performance.. Data collected were analyzed using SPSS version 29 to generate needed information and findings.

Specifically, frequency and simple percentages are obtained for the demographic data while the research model was tested using multiple regression analysis.

#### 4.1 Presentation of Data

The Data Presentation and Analysis section provides an overview of some of the competitive strategies adopted by Jaiz Bank in Nigeria.

Table 1: Competitive strategies adopted by Jaiz Bank in Nigeria.

|                                                        |                   | Frequency | Percent | Valid Percent | Cumulative Percent |
|--------------------------------------------------------|-------------------|-----------|---------|---------------|--------------------|
| Unique and innovative financial products and services. | Strongly Disagree | 5         | 4%      | 4.2           | 4.2                |
|                                                        | Disagree          | 0         | 0%      | 0.0           | 4.2                |
|                                                        | Neutral           | 11        | 9%      | 9.2           | 13.3               |
|                                                        | Agree             | 33        | 28%     | 27.5          | 40.8               |

|                                                                          |                   |            |             |              |       |
|--------------------------------------------------------------------------|-------------------|------------|-------------|--------------|-------|
|                                                                          | Strongly Agree    | 71         | 59%         | 59.2         | 100.0 |
|                                                                          | Total             | <b>120</b> | <b>100%</b> | <b>100.0</b> |       |
| Jaiz Bank effectively differentiates itself from conventional banks.     | Strongly Disagree | 3          | 3%          | 2.5          | 2.5   |
|                                                                          | Disagree          | 1          | 1%          | 0.8          | 3.3   |
|                                                                          | Neutral           | 12         | 10%         | 10           | 13.3  |
|                                                                          | Agree             | 58         | 48%         | 48.3         | 61.7  |
|                                                                          | Strongly Agree    | 46         | 38%         | 38.3         | 100   |
|                                                                          |                   |            |             |              |       |
|                                                                          | Total             | <b>120</b> | <b>100%</b> | <b>100</b>   |       |
| The customer service provided by Jaiz Bank is exceptional.               | Strongly Disagree | 2          | 2%          | 1.7          | 1.7   |
|                                                                          | Disagree          | 2          | 2%          | 1.7          | 3.3   |
|                                                                          | Neutral           | 11         | 9%          | 9.2          | 12.5  |
|                                                                          | Agree             | 48         | 40%         | 40.0         | 52.5  |
|                                                                          | Strongly Agree    | 57         | 48%         | 47.5         | 100.0 |
|                                                                          | Total             | <b>120</b> | <b>100%</b> | <b>100.0</b> |       |
| Jaiz Bank invests in sustainable and socially responsible projects       | Strongly Disagree | 2          | 2%          | 1.7          | 1.7   |
|                                                                          | Disagree          | 1          | 1%          | 0.8          | 2.5   |
|                                                                          | Neutral           | 11         | 9%          | 9.2          | 11.7  |
|                                                                          | Agree             | 56         | 47%         | 46.7         | 58.3  |
|                                                                          | Strongly Agree    | 50         | 42%         | 41.7         | 100.0 |
|                                                                          | Total             | <b>120</b> | <b>100%</b> | <b>100.0</b> |       |
| Jaiz Bank provides opportunities for professional growth and development | Strongly Disagree | 2          | 2%          | 1.7          | 1.7   |
|                                                                          | Disagree          | 1          | 1%          | 0.8          | 2.5   |
|                                                                          | Neutral           | 15         | 13%         | 12.5         | 15.0  |
|                                                                          | Agree             | 48         | 40%         | 40.0         | 55.0  |
|                                                                          | Strongly Agree    | 54         | 45%         | 45.0         | 100.0 |
|                                                                          | Total             | <b>120</b> | <b>100%</b> | <b>100.0</b> |       |
| Jaiz Bank promotes a culture of teamwork and                             | Strongly Disagree | 2          | 2%          | 1.7          | 1.7   |
|                                                                          | Disagree          | 1          | 1%          | 0.8          | 2.5   |

|                                                                                      |                   |            |             |            |       |
|--------------------------------------------------------------------------------------|-------------------|------------|-------------|------------|-------|
| collaboration                                                                        | Neutral           | 13         | 11%         | 10.8       | 13.3  |
|                                                                                      | Agree             | 51         | 43%         | 42.5       | 55.8  |
|                                                                                      | Strongly Agree    | 53         | 44%         | 44.2       | 100   |
|                                                                                      | Total             | <b>120</b> | <b>100%</b> | <b>100</b> |       |
| The work environment at Jaiz Bank is conducive to productivity and job satisfaction. | Strongly Disagree | 1          | 1%          | 0.8        | 0.8   |
|                                                                                      | Disagree          | 1          | 1%          | 0.8        | 1.7   |
|                                                                                      | Neutral           | 6          | 5%          | 5.0        | 6.7   |
|                                                                                      | Agree             | 40         | 33%         | 33.3       | 40.0  |
|                                                                                      | Strongly Agree    | 72         | 60%         | 60.0       | 100.0 |
|                                                                                      | Total             | 120        | 100%        | 100.0      |       |

Sources: Researchers' Computation, SPSS 29.0. (2023)

Table 1 indicates a positive perception of Jaiz Bank's efforts in providing unique and innovative financial products and services, with a significant majority of respondents (approximately 87%) either agreeing or strongly agreeing with this statement. This positive perception can be valuable for the bank in terms of its brand image and competitive positioning which is its strength. The table also shows that majority of respondents (approximately 86%) have a positive view of Jaiz Bank's effectiveness in differentiating itself from conventional banks. This is a favorable outcome for the bank, indicating that a significant portion of its stakeholders perceives it as distinctive in comparison to conventional banks. This positive perception can be valuable for Jaiz Bank in terms of attracting and retaining customers who seek Islamic banking alternatives. Equally, majority of respondents (approximately 88%) have a positive view of Jaiz Bank's customer service, with 40% agreeing and 48% strongly agreeing that it is exceptional. This is a highly favorable outcome for the bank,

indicating that a substantial portion of its stakeholders perceives its customer service as outstanding. This positive perception is valuable for Jaiz Bank in terms of customer satisfaction and loyalty.

There was a generally positive perception (approximately 89%) among respondents regarding Jaiz Bank's investments in sustainable and socially responsible projects. This positive perception aligns with the bank's commitment to ethical and Shariah-compliant financial practices, and it can contribute to building trust and loyalty among its stakeholders who prioritize sustainability and social responsibility in their banking choices. Furthermore, the results indicate a positive perception (approximately 85%) among respondents regarding Jaiz Bank's provision of opportunities for professional growth and development. This positive perception is important for attracting and retaining talent and can contribute to employee satisfaction and motivation within the organization.

The survey results also show that majority of respondents (approximately 87%) agreed that Jaiz Bank's promote a culture of teamwork and collaboration. This positive perception is important for fostering a collaborative work environment and can contribute to organizational cohesion and success.

In addition, the result in Table 1 also indicates a strong positive perception (approximately 93%) among respondents regarding the work environment at Jaiz Bank in terms of its conduciveness to productivity and job satisfaction. This positive perception can contribute to higher levels of employee satisfaction and engagement, which, in turn, can positively impact the bank's overall performance and success.

#### 4.2 Regression Analysis

The regression analysis result is as presented in Table 2.

Table 2: Regression analysis result

| Coefficients                       |                      |                             |            |                           |        |       |
|------------------------------------|----------------------|-----------------------------|------------|---------------------------|--------|-------|
| Model                              |                      | Unstandardized Coefficients |            | Standardized Coefficients | t      | Sig.  |
|                                    |                      | (B)                         | Std. Error | Beta                      |        |       |
| 1                                  | (Constant)           | -.700                       | .113       |                           | -6.178 | <.001 |
|                                    | Competitive Strategy | 1.147                       | .026       | .971                      | 43.599 | <.001 |
| a. Dependent Variable: Performance |                      |                             |            |                           |        |       |

| ANOVA                                           |            |                |     |             |          |                    |
|-------------------------------------------------|------------|----------------|-----|-------------|----------|--------------------|
| Model                                           |            | Sum of Squares | Df  | Mean Square | F        | Sig.               |
| 1                                               | Regression | 71.849         | 1   | 71.849      | 1900.914 | <.001 <sup>b</sup> |
|                                                 | Residual   | 4.422          | 117 | .038        |          |                    |
|                                                 | Total      | 76.272         | 118 |             |          |                    |
| a. Dependent Variable: Performance              |            |                |     |             |          |                    |
| b. Predictors: (Constant), Competitive Strategy |            |                |     |             |          |                    |

| Model Summary                                   |                   |          |                   |                            |
|-------------------------------------------------|-------------------|----------|-------------------|----------------------------|
| Model                                           | R                 | R Square | Adjusted R Square | Std. Error of the Estimate |
| 1                                               | .971 <sup>a</sup> | .942     | .942              | .19442                     |
| a. Predictors: (Constant), Competitive Strategy |                   |          |                   |                            |

Sources: Researchers' Computation, SPSS 29.0. (2023)

The regression analysis result in Table 1 shows that competitive strategy is a strong predictor of performance. A one-unit increase in competitive strategy is associated with a 1.147-unit increase in performance. The regression model is a good fit for the data and explains 94.2% of the variance in performance.

The coefficient for competitive strategy is 1.147, which means that a one-unit increase in competitive strategy is associated with a 1.147-unit increase in performance. The standardized coefficient for competitive strategy is 0.971, which means that competitive strategy is a strong predictor of performance. The t-statistic for competitive strategy is 43.599, which is highly significant ( $p < 0.001$ ). This means that the relationship between competitive strategy and performance is statistically significant. The F-statistic for the model is 1900.914, which is highly significant ( $p < 0.001$ ). This means that the regression model is a good fit for the data. The  $R^2$  value is 0.942, which means that 94.2% of the variance in performance can be explained by the competitive strategy variable. This is a very high  $R^2$  value, which indicates that the regression model is a good predictor of performance.

### 4.3 Hypotheses Testing

The study employs hypotheses testing to evaluate the crucial factors and the

performance of Islamic banking in Nigeria which leads to the rejection of the two null hypotheses. The study therefore reveals a significant difference between the competitive strategies adopted by Islamic banks and conventional banking in Nigeria. Also, the result shows that the adopted competitive strategies have positive significant impact on the performance of Islamic Banking in Nigeria.

### 4.4 The SWOT Analysis

**Strength of Islamic Banks** - Islamic banking holds a unique set of strengths that set it apart from conventional banking. These strengths emanate from its adherence to Sharia principles, which guide ethical and socially responsible financial practices. Jaiz Bank, in particular, showcases these strengths within Nigeria. Some of the strengths include Strong Customer Perceptions; Effective Differentiation; Exceptional Customer Service; Asset-Backed Financing and Long-Term Stability.

**The Weakness of Islamic Bank** - Islamic banking also faces certain weaknesses and challenges that can impact its operations and growth within the Nigerian financial sector. These includes Concerns About Economic Impact; Challenging in Online Services; Higher Costs of services due to the need for Sharia compliance; Limited Expertise with requisite knowledge, Market Competition

with the well-established conventional banks in Nigeria and Economic Challenges due to economic volatility and uncertainties which can lead to fluctuations in profitability and asset quality.

**Opportunities of Islamic Banking** - Islamic banking in Nigeria, presents a range of opportunities that can contribute to its growth and integration within the country's financial sector. These opportunities align with the principles of ethical finance and Sharia compliance, offering avenues for expansion and development. These includes Untapped Market since Nigeria has a significant Muslim population; Enhancing financial inclusion by offering Sharia-compliant products and services. Provision of Ethical and Socially responsible financial products and the need to Build on Positive Customer Perceptions.

**Threats to Islamic Banking:** Islamic Banking, like Jaiz Bank, also faces many threats that could impact its growth and sustainability. These threats originate from various internal and external factors that need careful consideration. These includes Lack of Awareness and Education; Competition from Conventional Banks; Regulatory Challenges; Economic Instability and Digital Competitiveness.

#### **4.5 Pestel Analysis**

The PESTEL analysis examines the external macro-environmental factors that can impact Islamic banking in Nigeria. These include;

**Political Factors** - A stable political climate is essential for fostering economic growth and maintaining financial stability within the Islamic banking sector. Political instability can lead to economic uncertainty, currency volatility, and fluctuations in investment

patterns. A politically stable environment provides a foundation for long-term planning, investment, and risk assessment. It instills confidence among investors, both local and foreign, encouraging them to engage with Islamic banking institutions and contribute to the sector's growth.

**Economic Factors** - The economic growth of Nigeria directly influences the demand for financial services, including those offered by Islamic banking institutions like Jaiz Bank. A robust economy with increasing income levels and business activities creates a conducive environment for the expansion of Islamic banking (Akintan, Dabiri & Sanyaolu, 2018).

**Social Factors** - Islamic banking's emphasis on ethical practices, social justice, and avoiding exploitative financial arrangements aligns with the values of many Nigerians, both Muslims and non-Muslims. As people become more conscious of ethical finance and responsible banking, Islamic banking institutions can tap into this growing demand for financial products that are in harmony with societal values.

**Technological Factors** - The rapid pace of technological innovation in the financial industry presents both challenges and opportunities for Islamic banking institutions. Other factors include Digital Banking; Fintech Collaboration with financial technology (fintech) companies; Risk Management Tools; Data Security and Privacy and Financial Inclusion to reach remote and underserved areas that lack physical banking infrastructure. Islamic banking institutions can leverage technology to expand their reach and provide financial services to individuals who previously had limited access.

Environmental Factors such as Sustainability and Ethical Practices; Green Financing; Community Development; Stakeholder Expectations; Climate Risks as well as Reporting and Transparency have impact on Islamic Banking.

Legal Factors - The legal framework within which Islamic banking operates plays a pivotal role in its growth and success. These includes Regulatory Compliance, Consumer Protection; Contractual Agreements and Dispute Resolution.

Jaiz Bank is well-positioned to compete in the Nigerian Islamic banking industry. The bank has a strong track record, a good reputation, and a clear competitive strategy. However, the bank will need to continue to innovate and adapt to the changing market environment in order to maintain its competitive advantage.

## **5.0 Conclusion and Recommendations**

Jaiz Bank, Nigeria's pioneering Islamic bank, has strategically positioned itself to thrive in the competitive landscape of the Nigerian Islamic banking sector. Being the first fully-fledged Islamic bank in Nigeria grants Jaiz Bank a distinct advantage. The bank's exclusive dedication to Sharia-compliant financial services allows it to address the evolving demands of the Muslim population seeking ethical and faith-aligned banking solutions.

The Bank's consistent and robust financial performance reinforces its credibility and engenders trust among customers, investors, and stakeholders. A proven track record positions the bank as a reliable institution for customers seeking stability and growth

in their financial endeavors. Jaiz Bank's commitment to upholding Sharia principles resonates strongly with its target audience. The bank's reputation for stringent Shariah compliance assures Muslim customers that their financial activities are in accordance with their faith, fostering customer loyalty and retention.

By embracing technology, Islamic Bank enhances its operational efficiency and expands its reach. Digital banking platforms, mobile applications, and online services not only provide convenience but also enable the bank to compete favorably with conventional counterparts in terms of accessibility and customer experience. Demonstrating a commitment to environmental sustainability aligns Jaiz Bank with both Islamic principles and the global trend towards green finance. This commitment not only fulfills ethical responsibilities but also presents avenues for introducing innovative green financial products and services.

In conclusion, Islamic Banking in Nigeria can be viewed as a "gem" with unique strengths and opportunities, especially in serving the ethical and religious banking needs of a growing Muslim population.

Based on the comprehensive analysis of the competitive strategies adopted by Jaiz Bank in the Islamic Banking in Nigeria, some of the recommendations proffer so as to enhanced its performance and contribute to the overall growth of the Islamic banking sector in Nigeria include:

- i. Need to maintain a culture of innovation to keep pace with evolving customer preferences and market trends. Regularly

- introduce new Sharia-compliant financial products that cater for diverse customer needs and align with contemporary financial practices.
- ii. Develop educational initiatives and workshops to enhance customer understanding of Islamic banking principles and the bank's offerings. Empower customers to make informed financial decisions that align with their ethical and religious beliefs.
- iii. Strengthen risk management practices to ensure the bank's financial stability and customer trust. Rigorous risk assessment and management frameworks will enhance the bank's resilience against potential market fluctuations.
- iv. Explore collaborations with fintech companies to leverage technological advancements and expand service offerings. Collaborative efforts can lead to the development of innovative solutions that address emerging customer demands.

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