

## **SHARIAH-COMPLIANT MORTGAGE PRODUCTS AND FINANCIAL INCLUSION IN NIGERIA: A CASE STUDY OF ISLAMIC BANKS**

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<b>Abstract</b>	<p><i>This research analyses the participation of Shariah-compliant mortgage products in enhancing financial inclusion in Nigeria within the context of four full-fledged Islamic banks; Jaiz Bank Plc, TAJBank Ltd, Lotus Bank Ltd and The Alternative Bank. Data were collected from 15 management staff member across all key departments related to mortgage via semi-structured interview and analysed using NVivo thematic techniques. The results showed that Shariah compliance (53.33%) and transparency (46.67%) are the most influential variables on financial inclusion, which enhances trust among the unbanked people by prohibiting riba and enabling fairness and risk-sharing. Other drivers consist of affordable housing initiatives, no hidden fees, variety of products, and partnerships with state governments. These features have allowed Islamic banks to penetrate the unbanked population and complemented Nigeria's alarming housing deficit. The research concludes that Islamic mortgage products represent an ethical, asset-backed, and inclusionary alternative to conventional finance with the ability to drastically decrease financial exclusion. Expand targeted rural outreach, flexible repayment structures, digital service expansion and hybrid contract models to strengthen accessibility and sustainability.</i></p> <p><b>Keywords:</b> <i>Financial, Inclusion, Mortgage, Products, Nigeria.</i></p>
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### **INTRODUCTION**

Financial inclusion is a policy goal that countries around the world, including Nigeria, are now pursuing. Increased availability of credit and encouragement for savings culture through financial inclusion will lead to improved conditions in the Nigerian economy because it plays a role in poverty alleviation, increase literacy and stimulate economic growth (CBN, 2018). Improved access to financial services has enhanced operational expansion and job creation in small and medium-sized businesses, stimulating economic growth.

Low-income individuals now have access to bank products designed to form saving habits and fight poverty (EFInA, 2018). With the availability of affordable financial products which facilitate

higher income/ economic prosperity (World Bank, 2019) financial inclusion is a catalyst for Nigerian economic growth.

By the many benefits that this approach brings, the Nigerian government is actively working to achieve country-wide financial inclusion. This led to the establishment of several policies and programmes as part of a national drive towards this goal (Ajayi & Ojo, 2019). The Microfinance Policy Framework opens up access to financial services for relevant micro-entrepreneurs, while the 2012 Cashless Policy aims to reduce physical cash circulation and encourage electronic payments of all types, and the National Financial Inclusion Strategy seeks lower the proportion of Nigerian adults who lack access to financial service providers since its launch in 2012.

Three major programmes that the government has initiated to achieve this include the Anchor Borrowers Programme, which calls for easily accessible loans to farmers at a cheap interest rate; the MarketMoni programme which provides interest-free loans to microenterprises; and finally, the Youth Entrepreneurship Support programme through which training and cash backing are provided (Aluede et al., 2018). These programs collaborate to broaden the provision of financial services for underserved populations throughout Nigeria.

Over the past few years, the various policies and programmes have led to significant enhancement of financial inclusion across Nigeria. According to world bank report, the percentage of Nigerians with banks accounts increased from 30% in 2014 to 50% in 2018 (World Bank,2019). Recent data published by the CBN indicates that financial inclusion in Nigeria rose from 36.8% in 2010 to 63.2% in 2020 (CBN, 2021).

To achieve this, CBN introduced (NFIS 2019-2024), which sets a target to deliver an inclusion rate of 80% by 2022 as it continues to promote access to financial services and adoption of digital financial services. These four strategic pillars formed the basis of the NFIS as follows: improve access to financial services, creating an enabling environment for financial inclusion and promoting financial literacy and consumer protection alongside enhancing digital financial service usage (CBN, 2021) are the three thematic areas that fall under emphasis areas for which the CBN had targeted through NFIS implementation.

Nevertheless, Nigeria's financial inclusion figures were yet 74% as of 2023, leaving a quarter (26%) of the population unbanked (EFInA, 2023). A large section of this excluded group consisted of Muslims and non-Muslims who felt uncomfortable with the conventional banks and its products (Tarawneh, 2016). They want a financial system that complies with the tenets of Islam which balance and equity in all types of transactions.

The development of Islamic finance institutions that offer Shariah-compliant financial products and services grounded on values such as transparency, fairness, and risk-sharing (Ali & Shittu, 2021) is one solution to bring this population into the fold of financial inclusion. It is widely assumed that the proliferation of Islamic financial institutions, with what they can offer - cheap mortgage for example - will align many more unbaked Nigerians financially.

Notwithstanding the gains made over housing delivery in Nigeria, the National Bureau of Statistics of Nigeria, recently documented that Nigeria was suffering from a 22 million Unit Housing deficit: Which originally stood at about 17 million units (NBS, 2021). In 2023 the deficit grew to 28 million. Such a high level of burden on the rental population is underlined by the fact that only 25% of Nigerians own their homes, according to the report.

Indeed, the World Bank has acknowledged that the price-to-income multiple for housing in Nigeria is one of the highest globally, with an average home costing over 30 times more than what the average Nigerian earns annually (World Bank, 2022). More than 60% of Nigeria's urban dwellers live in slum or informal settlements with little to no basic services and are oversubscribed (UNDP, 2022). These figures highlight the desperate need for Nigeria to step up and tackle its crippling housing deficit.

In most countries, access to affordable mortgages requires some level of financial inclusion, because banks and other mortgage lenders tend to examine all individuals who want a mortgage for

their creditworthiness and repayment capacity (Demirgüç-Kunt et al., 2017). Islamic financial institutions remain among the greatest advocates of low-cost mortgages in Nigeria (Jaiz Bank Plc Annual Report, 2018). The reason is that the Islamic finance industry in Nigeria has grown at an unprecedented rate over the past 20 years.

Islamic finance assets in Nigeria increased from 62 million USD to 400 million USD between 2013 and 2017 (Islamic Corporation for Development of the Private Sector (ICD), 2018 report). For instance, Jaiz Bank Plc which is the first fully-fledged Islamic bank in the country reported assets of about \$240 million in 2018 from \$187 million in the preceding year. Additionally, traditional institutions in Nigeria, including Stanbic IBTC and Sterling Bank offer Islamic finance windows as well (ICD-Refinitiv 2019).

However, despite the expansion of Islamic finance institutions in Nigeria, a large segment of the Nigerian population is still unbanked and outside mainstream financial services. This may be due to the number and availability of Islamic finance Institutions is relatively limited than compared to conventional banks. This is not to say that the Islamic finance industry in Pakistan is doing well, as evidenced by the fact that of 23 banks in Pakistan only a handful are Islamic banks, and even fewer offer an Islamic financing window.

The finding also pointed out that in Nigeria, Islamic finance made up a mere 0.2% of total banking assets (ICD, 2018). The Islamic finance sector in the country has made some progress but much more still needs to be done. Although driving financial inclusion through financial intermediaries is a pillar of an economy's growth and development, previous works (for example, Mohapatra et al., 2017; Permana et al., 2018; Moinuddin et al., 2019; Sackey et al., 2019) have concentrated on conventional banks with little attention to the role that Islamic financial institutions play in promoting financial inclusion.

There are very few studies that have studied the role Islamic financial institutions, especially in Nigeria, played through access to financial services for deposits, savings and credit (Asli Demirgüç-Kunt 2013; Carol Newman 2016) and only a few of them discussed how provisioning affordable mortgages would boost financial inclusion in Nigeria. Even though most of them have studied how Islamic banking products had influenced financial inclusion, a few of them have focused on Islamic mortgage products and how that led to the promotion of financial inclusion in Nigeria.

Additionally, some studies have been conducted to investigate Islamic home financing potential and demand (Dar, 2004; Tameme, 2009; Khan, 2012; Mansour et al., 2010; Akbar et al., 2012; Rehman, 2012; Hussain, 2015). However, many recent studies (e.g., Dar, 2004; Akbar et al., 2012; Hussain, 2015) used a one-size-fits-all approach which examined a general overview of Islamic finance while ignoring the aspect of Islamic home finance. Similarly, studies such as Matthews et al. (2003) that focused specifically on Islamic home finance, deals with barriers to uptake of Islamic finance and lending to Muslim communities.

Tameme et al. (2009), and Masood et al. (2009) have largely become obsolete due to an evolution in the demographics of the Muslim population over time, as well as the financial landscape during this period. Which means the uniqueness of the studies in the contemporary setting has dated and requires to be reassessed due to new players (companies & government) entering Islam banks into mainstream market (Ahmad et al., 2020). This creates a huge gap in the market and more particularly for the potential of Islamic house financing in developing countries like Nigeria.

## **LITERATURE REVIEW**

### **Financial Inclusion**

Financial inclusion has garnered considerable attention and a plethora of definitions about the theme that exist. Financial inclusion as a concept initially proposed by Leyshon and Thrift (1996) is not clearly defined in the formulation (Ngo, 2019). And hence the phrase 'financial inclusion' emerged as an antonym to financial exclusion. Barr et al. According to (2007), there are two perspectives on the lack of financial inclusion in an economy.

Financial inclusion is when people have access to financial services but choose not to use them. Second is the supply side, borrowed or financing institutions were unable to effectively transfer this risk. This is largely due to their relatively poor ability to contain asymmetric information, causing them to reject or deny funding applications of some debtors.

In recent years, a significant number of countries have prioritised financial inclusion as one of their key policy agendas to widen financial access for disproportionately impacted and marginal populations. According to the Alliance for Financial Inclusion (AFI), financial inclusion is "the state in which all individuals and enterprises have access to, and can use effectively, the appropriate range of financial services they need to conduct their lives and businesses with dignity" (AFI, 2021).

One such recent definition of financial inclusion provided by the World Bank describes it as a state in which individuals and businesses can access useful and affordable financial products and services that meet their needs—transactions, payments, savings, credit and insurance—delivered responsibly and sustainably (World Bank, 2021). As such, its world-renowned scholars are best known for choosing responsible and sustainable financial services which take the long-term needs of their clients - both personal and corporate - into account.

The Consultative Group to Assist the Poor (CGAP) offers a more recent definition than this, that of financial inclusion as 'the delivery of appropriate products and services, which includes savings, credit, insurance and payments to low-income individuals and households' (CGAP 2021). Based on this definition, the proposed targeting of low-income individuals and households to facilitate access to a complete array of financial services that can assist in meeting their varied diversified financial needs.

The International Monetary Fund (IMF) defines the outcome as follows: Access by individuals and firms to formal financial services (deposit taking, loans, payments, money transfers and insurance) and products which meet their needs at an affordable price, and delivered responsibly and sustainably' (IMF 2021). While this definition emphasizes the provision of financial services to meet the needs of individuals and businesses, it also makes clear that these services need to be delivered responsibly and sustainably.

According to Chakravorty and Das (2021), the broad definition of financial inclusion entails making low-cost, available monetary administrations suitable to cover reserve funds, credit, protection and installment accessible to people who are pushed over into the edge in the customary money-related structure. This emphasised even more the impact that providing financial services has on segments like the poor, rural areas and small businesses in increasing microeconomics.

Via Statement by Hughes and Ocampo (2019), financial inclusion is defined as an ongoing process of reform aimed at establishing a universal inclusive financial framework providing for the diverse needs of all different strata of society. This term therefore calls for an inclusive and accessible financial system that is irrespective of people's socio-economic status or geo-location. The differences in emphasis among these definitions vary, with some prioritizing access and affordability and others highlighting the importance of responsible delivery, sustainability and products being appropriate to users' needs.

They demonstrate that financial inclusion isn't only about the availability of financial services, it's also about whether those services are usable, trusted and relevant to underserved populations. Most financial inclusion definitions highlight the importance that access to affordable, sustainable and responsible provision of financial services must be given to all individuals and enterprises, even when they are unbanked or marginalised. This, in turn, is held up as vital for inclusive economic growth and the reduction of poverty and inequality.

### **Islamic Mortgage Products In Nigeria**

Nigeria has various *Shariah* financial instruments that help enable ethical financing and investment. Some of such financial products in Nigeria include: Islamic bonds (Sukuk)-which are issued as equity to acquire tangible assets rather than debt obligations-and insurance (takaful), which operates under

a mutual risk-sharing plan among participants, consistent with Islamic principles; inter-bank lending facilities to one another - all structured according to *Shariah* in accordance with some essence of *Mudarabah* (Profit sharing) *Murabaha* (Cost-plus) *Wakala* (Agency) *Ijarah* (leasing) and *Istisna* (construction project financing) (AAOIFI, 2015).

Islamic mortgage financing arrangements are interest-free, and they also rely on shared ownership principles (i.e., co-ownership), profit sharing, and risk sharing in the form of benefiting new homes that will be built for a concerned property out of future developments (Arshad, 2020). Islamic mortgage financing has different types like *Ijarah*, *Murabaha*, *Musharakah* and Diminishing *Musharakah* (Haron & Ahmad, 2000).

*Ijarah* Mortgage Financing; This type of *Ijarah* is also known as Rent to Own; a variation is analogous to the contract of Hire Purchase in British Common Law and follows the simplest form of *Ijarah*. It occurs once the financier (lessor) assumes control of the property and lease it to the buyer for pre-agreed period during which the buyer pay rent to the Financier, interface a profit margin (Al-Jarhi & Iqbal, 2001) Conversely in *Murabaha*-the way is transaction whereby financier buy properties then re-sell it at higher price to buyer on pre-agreed basis (Kamla & Bhatti, 2017).

*Ijarah* is analogous to a finance lease, in which some tangible assets must be involved in the transaction (Mirakhor & Smolo, 2014). Here, the financier instead takes possession of the customer's asset and leases it back to the customer at an agreed-upon rate based on usage of that asset. At the conclusion of the *Ijarah* contract, the financier sells an asset to the customer at its original price. In *Musharakah* Mortgage Financing, the property is jointly acquired by buyer and financier, whereby the buyer makes periodic payments to the financier, which consists of both rent and a portion towards the purchase price (Ariff, 1988).

Diminishing *Musharakah* is a modification of partnership contract as the buyer paying rent and a part of the purchase price (Kahf, 2000), until he becomes an exclusive owner. Islamic banks typically use the *Musharakah* method, in which both equity (investment) funds of the Islamic bank and assets from the business enterprise and other investors are jointly provided. Participation is optional (but every capital contributor will have the right to participate). Make distributions of profits to partners in accordance with previously established ratios by which profit was shared and losses proportionate to invested amounts between those same partners (IIBI, 2018).

This distinctive feature of Islamic Finance is *Murabaha* Mortgage Financing which displaces the conventional meaning of interest with profit (El-Ashker & Wilson, 2006). The core of *Murabaha* is the transparent selling of goods to a buyer by a seller with complete disclosure on the cost and profit margin in such a way that it can take advantage of sound decision making (El-Ashker & Wilson, 2006). Not interested in delay payment by buyers, if a buyer wishes to take more time to make payment, then an extension can also be granted with higher profit margin capturing time value of money without having use interest (El-Ashker & Wilson, 2006).

The operation is subject to two conditions: 1. the seller must be the owner and controller of the things, 2. there can be no doubts on what is tangible value for things and exploitation by the seller over buyer; and the delivery must coincide with conclusion of transaction. However, the issue with *Murabaha* is that in this case clients can back out before completion, which has led some banks to either charge a non-refundable fee upfront or only allow clients to cancel after paying this so called booking fee.

*Mudaraba* Islamic Financing is a two-party business where one provides capital and the other expertise. The shared profits are distributed upon mutual consent. However, in case of losses, all these are covered by capital owners and there is no compensation to the entrepreneur. If we want to add more information, since this statement itself is also a bit general, as one of the accepted finance methods used in Islamic banking is *Mudaraba* which is a contract between the Islamic bank provide all capital while their opposite party suggests management.

Islamic banking shares profits as per pre-determined ratios and any losses, other than those that arise from recklessness or defaults by the entrepreneur, are absorbed by the Islamic bank and

passed on to investors (Ghoshal IBI 2018). Islamic mortgage financing has its unique point of advantages and disadvantages; therefore, something is suitable for one but not for others. It is vital to consult an Islamic finance expert (Nasir & Subky, 2019) and ascertain which option, like these, suits best. However, Islamic mortgage financing is a rapidly growing trend among customers in Nigeria as the demand for Shariah-compliant financial products increases.

### **Empirical Review**

Through a review of the legal and institutional framework that governs Islamic banking in Nigeria, Bagudu (2018), sought to identify the challenges presented from within laws governing Islamic banking as part of the Nigerian Banking Sector. The results revealed that the one of the major obstacles faced by Islamic banks as most governments impose laws regulating the behavior expected from conventional banks on these banks.

The legal regime covering Islamic banking in Nigeria is insufficient. Taking the analysis further in relation to housing, Ibrahim and Ajetunmobi (2020) studied Islamic home financing in Nigeria. The research adopted quantitative approach via questionnaire, and the results indicate that Housing problems in Nigeria arise from linkages between social, political and economic policies. In the same vein, Sa'id (2020), using Actor-Network Theory Perspective to study Development of Islamic Banking in Nigeria This paper takes on a qualitative approach to analyse the development of Islamic banking in Nigeria by means of 25 semi-structured interviews and documentary analysis.

The results indicated that Islamic banking in Nigeria evolved through the association of numerous human and non-human actors. Muhammed (2023) Investigating Islamic financial institutions and Halal SMEs development in Nigeria. The results showed that Religion, Awareness and Reputation have a positive and significant impact on Behaviour control. Qualitative studies have also been conducted on this matter; Marafa (2025) analyzed the assessment of Islamic Banking in Nigeria: Financial Needs, Challenges, and Growth Opportunities.

The findings showed that even with the increasing presence of Islamic banks in urban centres, the segment is struggling due to policy constraints, lack of awareness and poor infrastructure. Likewise, Abdullahi and Gupta (2023) applied the mixed-method approach to consider conventional and Islamic financing in agriculture in Kaduna State. Apart from identifying the challenges, their findings also highlighted that Islamic finance offered farmers a more ethical and culturally acceptable alternatives, but adoption was limited by outreach and awareness.

Although agriculture reflects a significant sector, they do not discuss housing nor mortgage financing in their study; those are two of the most important areas of development for financial inclusion through access to housing. Regarding Housing delivery, Ibrahim and Ahmed (2019) employed a qualitative case study method based on Non-Interest Financial Institutions and Housing Delivery in Abuja.

Based on interviews with both bank officials and housing beneficiaries, they found that Islamic banks have been able to use *Ijarah* and *Musharakah* to finance modest housing units, but only at a small scale. The research is very important and advocates that non-interest banks have a way of meeting Nigeria's housing deficit but clearly does not tend to in more detail the aspect of financial inclusiveness outcomes or rural dwellers lifestyles.

Moreover, Binta and Yusuf (2023) conducted qualitative interviews and content analysis to examine *Shariah* Governance and the Performance of Islamic Banks in Nigeria. Weak advisory board structures and inconsistent compliance mechanism undermine much needed customer trust and reinforce institutional growth - this was the conclusion they came to. In it the authors don't directly address mortgages but do shed light on governance concerns that impact Islamic financial product reliability and perception, home financing included.

Most research, like (Moinuddin et al., 2019; Sackey et al., 2019; Permana et al., 2018; Mohapatra et al. 2017), focused on traditional banks and ignored the contribution of Islamic financial institutions in promoting financial inclusion. The available literature on the role of Islamic financial

institutions has mainly focused on access to credit, saving and investment (Asli Demirguc-Kunt 2013; Carol Newman 2016), while only very few studies have examined the contribution of affordable mortgages in enhancing financial inclusion in Nigeria.

Although a lot of the studies studied what Islamic banking products does for financial inclusion, few if any looked at the Islamic mortgage product and its role in improving financial inclusion in Nigeria. In general, the empirical literature depicts increasing attention about Islamic finance in Nigeria especially regarding development of banking sector, governance, agriculture as well as housing delivery.

Studies, however, have paid little attention to the extent Shariah-compliant mortgage products further financial inclusion, particularly from the viewpoint of Islamic banks themselves. Furthermore, prior work has not sufficiently connected mortgage finance to broader aspects of financial inclusion-such as access, usage, trust, and exclusions among under- or unbanked populations. In this current work, we propose that there is a significant gap between the two which justifies the current study as well as leads us to posit that Islamic mortgage products are integral towards improved financial inclusion in Nigeria.

### **RESEARCH PROPOSITION**

Therefore, from a macro perspective, Islamic mortgage products are a source of competition and innovation in the financial sector (Archer & Karim: 2011). The step forward for Muslims living in Muslim-majority countries, as well as those who seem to be left out of the housing options in their communities, may work hand-in-hand as it triggers financial institutions offering nontraditional practices that can help meet the needs of customers and will accommodate them irrespective of their economic position within society.

At the micro level, for instance, people with harmful past credit history or income patterns do not have access to conventional financing and may be able to get an Islamic mortgage. This conclusion for this stretch is reciprocated by the point given by Archer and Karim that Islamic mortgage products might aim to target a broader segment of the population, as well as to provide for deficiencies in the current supply of conventional financial services (Archer & Karim, 2011). In the quest for diversification of the financial system, the role of Islamic mortgage products cannot be overemphasized as they would help cater to their varied needs in a nation and promote financial inclusion in Nigeria.

It offers an ethical and socially inclusive alternative to conventional financial products; therefore, the research proposition is based on *Shariah* principles: that Islamic mortgage products can significantly expand financial inclusion in Nigeria. This proposition is to contribute to the effort in mainstreaming greater financial inclusion and resilience into Nigeria's financial landscape within ethical finance as well Islamic finance transformational potential. RP1 states that:

RP: Islamic mortgage products are a significant tool for improving financial inclusion in Nigeria.

### **RESEARCH METHODOLOGY**

This is a Qualitative research design to explore the contribution of Islamic Mortgage product towards financial inclusion in Nigeria. The sample population in the study includes top management staffs of four commercial Islamic Banks in Nigeria which are; JAIZ Bank Plc, TAJBank Ltd, Lotus Bank Ltd and The Alternative Bank. The study deals with four departments which directly concern the management of mortgages i.e. Corporate Strategy, Risk Management, *Shariah* Audit and Marketing. This gives a total sample of 16 heads of the departments in four banks.

In this study the researcher uses purposive sampling because since it gives the researchers greater control over their samples, the opportunity to sample ideal populations that are useful in achieving research objectives by including specific individuals or groups of individuals who have characteristics contained in research action plans. This method is particularly useful when



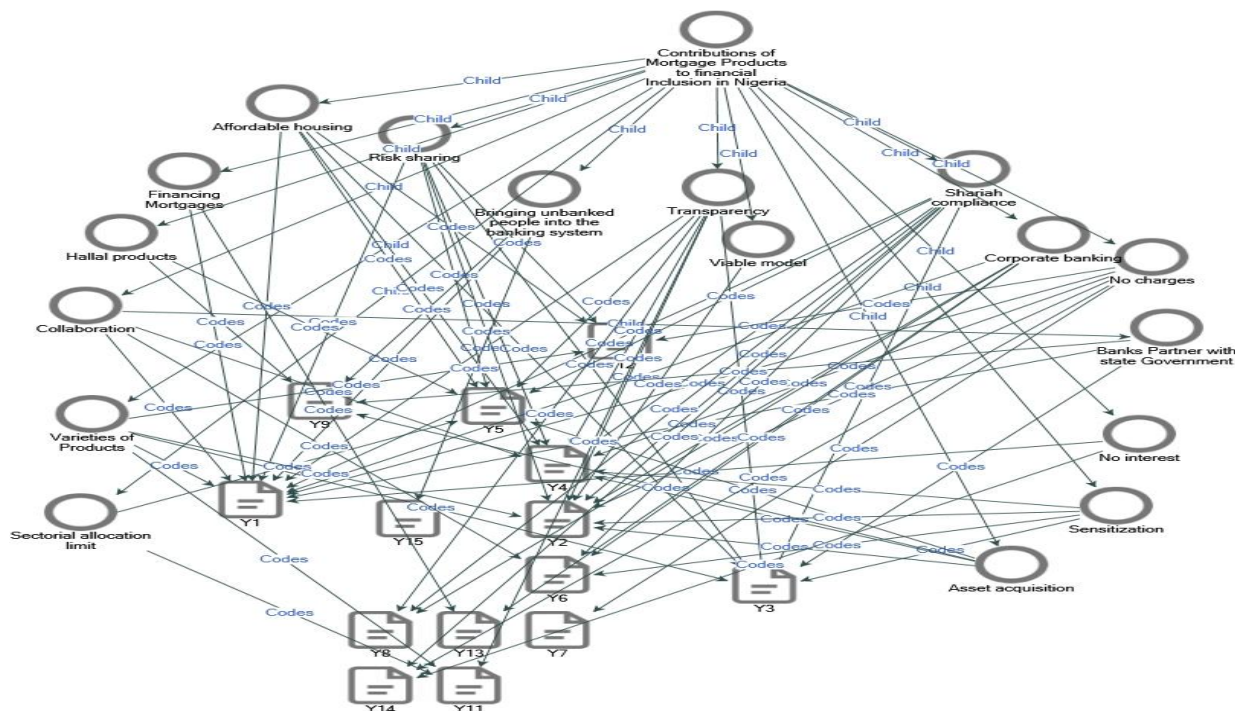


Figure 2: Sub Themes  
Source: NVIVO 14

### CONTRIBUTIONS OF MORTGAGE PRODUCTS TO FINANCIAL INCLUSION IN NIGERIA

The theme developed in evaluating the contributions of Mortgage Products to financial Inclusion in Nigeria is displayed above. Y1 to Y15 at the end of each quotation identifies the quotations used by informants regarding theme and sub-themes. Here are some of the important themes:

Then the sub-themes derived from the interview are:

1. Islamic Banks use *Wakala* to work with Government and Non-governmental Organisations for mortgage financing (Y4 & Y6)
2. Islamic Banks work in partnership with state governments to ensure the remittance of contributions due from employees who have accessed mortgage. (Y1, Y3 & Y9).
3. It is a source of many products which gives an option to customers to select through various other products in turn helping with better inclusion of the underserved classes. (Y1, Y2, Y3 & Y11)
4. The banks represent good examples for the other banks to follow (Y2 & Y12).
5. And boosted financial inclusion and economic growth (Y1, Y9 & Y15) as they were able to bring many within the set of underserved into banking sector.
6. They offered interest-free financing and as a result, they brought hundreds of thousands of people into the financial system, helping increase inclusion for those without access. (Y1 & Y14).
7. The non-interest banks are also providing capital formation for the estate developers, resulting in further financial inclusion of the unbanked population. (Y2, Y13, Y1, Y8, & Y6).
8. Islamic banks adhere to the rules of *Shariah* which is part of the management structure where there should be a *Shariah* department that investigates that. Islamic banking support justice, transparency and accountability (Y1, Y3, Y4, Y5, Y6 & Y14)
9. Halal products provision is promoted by Islamic banking system (Y5 & Y9).

10. Transparency, fairness and risk sharing come as of the key features of Islamic finance. Consequently, Islamic banks maintain high level of transparency in their transactions which lures multitude of customers thus promoting financial inclusion (Y2, Y3, Y5, Y8).
11. Risk sharing is a further aspect relevant for financial inclusion (Y1, Y2, Y3, Y4 & Y7, Y12).
12. Islamic banking transaction is asset backed and hence there should not be fictitious transaction. (Y2, Y4, Y9, & Y5).
13. A third perspective for Islamic banks in Nigeria is via Mortgage financing (Y1 & Y13).
14. On people, in trying to enhance financial inclusion the non-interest banks also do radio jungles to further broaden awareness of people (Y3).
15. Another sub theme is sector allocation limit which means each sector has its allocated fund to promotion of financial inclusion. (Y5 & Y11).
16. Participation in providing affordable housing to the generality of populace in Nigeria is another area by which Islamic banks promote financial inclusion (Y1, Y2, Y4, Y5 & Y12).
17. Islamic banks charges are less as compared to conventional banks (Y1, Y2, Y4 & Y7 & Y15).

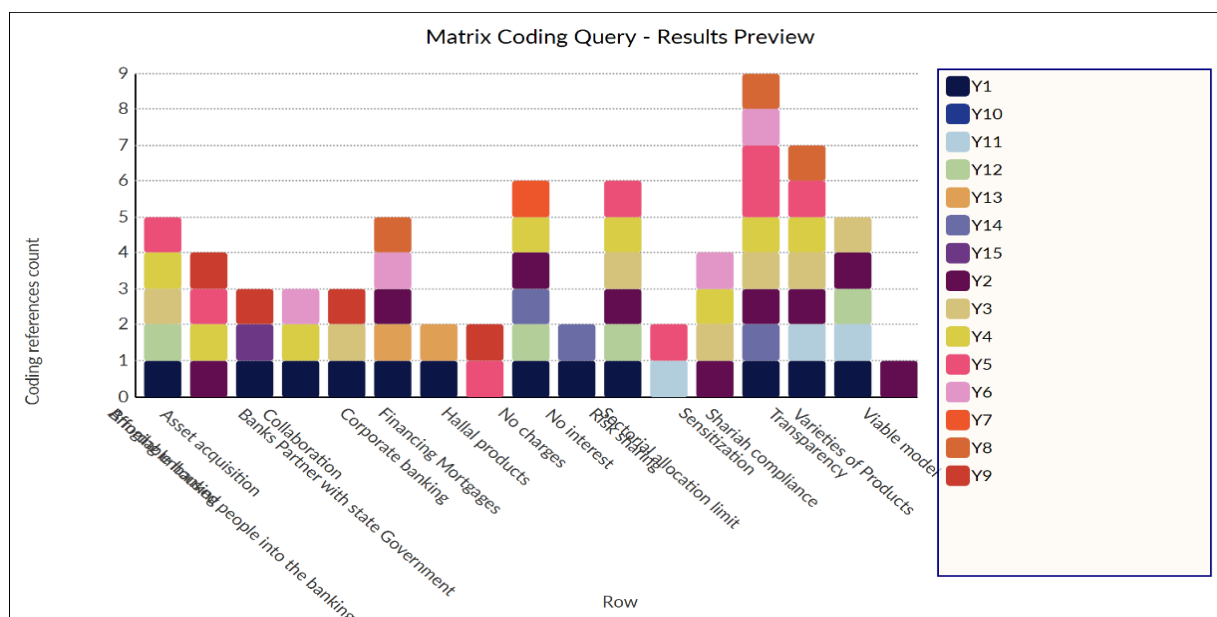


Figure 3. Coverage of Mortgage Products on Financial Inclusion in Nigeria: A Matrix Coding  
Source: NVIVO 14

Figure 3 provides a matrix coding summary of the major themes associated with the contribution of Islamic mortgage products to financial inclusion. The concentration of coding around *Shariah* compliance, transparency, and risk sharing suggests that the perceived value of these products lies not only in their financial function, but also in their ethical legitimacy and trust-building capacity.

This is analytically important because it indicates that inclusion in the Nigerian context is shaped not merely by product availability, but by the extent to which financial products align with customers' religious values, expectations of fairness, and confidence in formal institutions. Therefore, *Shariah* compliance has great influence on financial inclusion as shown in the analysis below.

**Table 1. Cross tabulation on Mortgage Products' Contribution to Financial Inclusion in Nigeria**

File	Bank = Jaiz Bank Plc (4)	Bank = The Alternative Bank (4)	Bank = TAJBank Ltd (4)	Bank = Lotus Bank Ltd (3)	Total (15)
Affordable housing	25%	25%	50%	33.33%	33.33%
Asset acquisition	50%	25%	25%	0%	26.67%
Bringing unbanked people into the banking system	50%	0%	0%	33.33%	20%
Collaboration	0%	50%	0%	33.33%	20%
Banks Partner with state Government	50%	0%	0%	33.33%	20%
Corporate banking	25%	50%	25%	33.33%	33.33%
Financing Mortgages	0%	0%	25%	33.33%	13.33%
Hallal products	25%	0%	25%	0%	13.33%
No charges	25%	50%	50%	33.33%	40%
No interest	0%	0%	25%	33.33%	13.33%
Risk sharing	50%	25%	50%	33.33%	40%
Sectorial allocation limit	0%	0%	25%	33.33%	13.33%
Sensitization	50%	50%	0%	0%	26.67%
<i>Shariah</i> compliance	50%	75%	50%	33.33%	53.33%
Transparency	50%	50%	25%	66.67%	46.67%
Varieties of Products	50%	0%	25%	66.67%	33.33%
Viable model	25%	0%	0%	0%	6.67%
<b>Total (unique)</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>66.67%</b>	<b>93.33%</b>

Source: NVIVO 14

Islamic Financial Solutions Found to Play Crucial Roles in Contribution of Mortgage Products Toward Financial Inclusion in Nigeria Based on the findings, it can be concluded that *Shariah* compliance is a significant contributor to financial inclusion, accounting for 53.33% of total contributions. The significance of compliance with Islamic principles such as that dealing with interest (*riba*) prohibition in nurturing mutual respect and attraction among diverse population is highlighted.

Jaiz Bank Plc, The Alternative Bank and TAJBank Ltd were rated 50% each in this category, which means the banks are in the *Shariah* compliance orbit. Secondly, Lotus Bank Ltd dedicated principle of fair and equitable financial practice as established by their ethical financial practices will no doubt entice those that want to experience fair treatment in financial dealings without compromising the professionalism of our clients.

The second-highest contributor, at 46.67%, was transparency, which means that financial dealings need to be transparent as well as fair. Out of which Lotus Bank Ltd comes first with a score of 66.67%, which are customer focused and ethical practices in operation. The Alternative Bank and Jaiz Bank Plc also make solid contributions (50% each) by creating respectful trust through a transparent contract environment that erases hidden charges. These mitigate the customer's doubts about exploitation in conventional financial systems and induce confidence in Islamic finance as an alternative.

Risk sharing and No charges are also major contributors who account for the financial inclusion with each accounting for 40%. Jointly developing the very best in customer care; at 50% each, The Alternative Bank and TAJBank Ltd are also number one upon the absence of hidden fees which have been a long-held concern for customers bored of unfair charges. Similarly, risk sharing models, *Musharakah* (partnership financing) has been effective as they adhere to *Shariah* principles and alleviate financial pressure on customers.

These approaches however are not only promoting financial inclusivity but as Islamic finance usually promotes collaboration these projects are ethical in nature. The other 66.67% of Islamic finance's potential in addressing systemic challenges is evidenced through affordable housing and corporate banking each at 33.33%. TAJBank Ltd places first in affordable housing with 50% while Lotus Bank Ltd comes second with 33.33%.

This underscores the strategic importance of these institutions in closing the housing gap in Nigeria through specific initiatives. As always, have a look at the minutes of our first team meeting—The nominees for corporate banking contribution for Lotus Bank Ltd and The Alternative Bank also provide enough to encourage partnerships and collaboration which enables us to grant financial and rise economic development.

Education and awareness - efforts dedicated to sensitizing public about Islamic finance that countered 26.67% misconceptions. In this category was led by Jaiz Bank Plc and The Alternative Bank which both contributed 50% each toward supporting financial literacy and inclusion. Similarly, the availability of various products (33.33%) also improved financial inclusion and Lotus Bank Ltd again peaked at 66.67%. There is diversity and that helps expand target customers for each category to be able to serve broader needs and preferences.

Finally, Islamic mortgage products have also proved useful for aiding unbanked populations into the financial system contributing 20%. Collaborations with state governments and specific outreach programs by some banks like Jaiz Bank Plc and Lotus Bank Ltd have also been essential to include previously excluded people in underserved areas, they said. In general, the crosstab analysis confirms *Shariah* compliance (53.33%) and transparency (46.67%), as financial inclusion drivers are strongest across the four Islamic banks.

It implies that ethical credibility and clear terms are more at the heart of inclusion than operational mechanics. The bank-level differentiation is also analytically meaningful: in this regard Lotus Bank Ltd registered the highest mark in transparency and The Alternative Bank the highest contribution of *Shariah* compliance. These differences suggest that Islamic banks are not promoting inclusion equally-and each seems to draw on different unique strengths in expanding outreach, establishing trust and attracting underserved clientele.

## **DISCUSSION OF FINDINGS**

Through overcoming obstacles faced by underserved population, Islamic mortgage products are vital tools for achieving financial inclusion in Nigeria. These products are ethical, transparent, *Shariah* compliant and will most definitively allow Islamic financial institutions (IFIs) to cater to a wider demographic segmentation. These solutions offer excluded populations access to interest free and risk sharing financial solutions, which combat systemic challenges (housing deficits; lack of financial literacy and more).

This means Islamic mortgage products can be examined from both logical and operational perspectives towards identifying their respective contributions to financial inclusion, triangulated with best practices globally and Nigeria specific data. This can also be contextualised within well-trodden frameworks for financial inclusion outlining access, usage and demand-side barriers (AFI, 2021; World Bank, 2021; CGAP, 2021).

Moreover, regarding access, Islamic mortgage products provide broader access to formal housing finance for individuals who might otherwise turn away from traditional banks due to religious or ethical reasons (Tarawneh 2016; Ali & Shittu 2021). The products encourage real

engagement with the formal financial system through affordable and transparent financing structures, corroborating the study's findings that *Shariah* compliant finance structure (i.e. transparency, risk sharing) is among their strongest enablers of financial inclusion to ensure usage.

From the demand-side standpoint, attributes like *riba* prohibition, fairness and risk-sharing help lower trust-related, cultural and psychological barriers that thwart financially excluded populations from using mainstream financial systems (Ngo, 2019; Ahmed et al., 2021). Thus, this theoretical connection reinforces the hypotheses that Islamic mortgage products do not only avail an alternative housing finance option but also ensure a deeper and more meaningful financial inclusion in Nigeria.

The findings not only highlight the major drivers but also suggest that financial inclusion in the Nigerian Islamic banking landscape is associated with a more complex interplay beyond product availability. [proof of fairness and trust] The evidence points to inclusion being largely dependent on trust, ethics, and perceived value. This is especially crucial in environments in which excluded populations avoid traditional financial institutions not only because of cost obstacles, but due to religious, cultural or psychological concerns.

The importance of not just *Shariah* compliance, but also transparency and risk-sharing therefore imply that Islamic mortgage products remain supportive of both access to finance as well as willingness to engage within the formal financial system, with the implication that they will lead towards deeper and more meaningful forms of financial inclusion. Islamic finance has been identified in research in this regard as a potential approach towards enabling financial inclusion via Islamic innovations within the financial-related services designed to cater all segments of society.

According to Alam et al. (2019) collaboration among Islamic banks, government agencies and NGOs helps to improve financial access through resource pooling to meet the housing and financing gaps. These findings align with those of Hannig and Jansen (2010), who suggest that government backed guarantees are a principal factor in risk mitigation and expanding services to underserved areas. Islamic financial institutions in Nigeria have partnered with state governments, thereby providing affordable mortgage options for low-income earners, while addressing both financial exclusion and housing deficits simultaneously.

From the standpoint of logical contribution to financial inclusion Islamic mortgage products lower down critical barriers such as affordability trust deficit & lack of ethical financial options. In Nigeria, conventional mortgage systems pose a burden to low-income earners as it (the system) is high in interest and repayment structure unpredictable due to a high inflation environment. However, Islamic mortgage products remove compounded interest and provide a predictable pricing structure that can serve underserved groups.

Aliyu (2012) showed that non-interest financial products is one factor driving people excluded from mainstream of conventional banking system towards fairness. In line with this reasoning, although low-income earners should be able to access financial services in the MENA region on a more equitable basis through Islamic finance. The current results build on previous research in both Islamic finance and financial inclusion by demonstrating that mortgage products, specifically, represent important instruments of inclusion for Nigeria.

In contrast to earlier studies that focused mainly on deposits/savings, access to credit, governance and sector-specific financing, the current study shows that housing finance merits special attention because it links financial inclusion with wide-reaching social welfare effects. In this respect, the added novelty of this research is that *Shariah*-compliant mortgage products not only widen access to finance, but also improve trust, affordability and participation (at least) among previously underserved segments of the population.

## **CONCLUSION**

Islamic mortgage products are important drivers of financial inclusion that meet the needs of a marginalized and underserved population. Such products provide alternatives for people who, for religious or ethical reasons, may avoid banks. According to informants, Islamic finance aligns with the values of fairness and risk sharing and enhances customers' trust. *Musharakah's* profit-sharing mechanisms and *Murabaha's* deferred payment model enable low-income people to have access to housing finance without interest payments, for example.

## **RECOMMENDATIONS**

Nonetheless, achieving success in Islamic mortgage financing rests heavily on the strategic and operational manoeuvres of industry players themselves though regulatory frameworks are critical and provide the legal and policy support. Given Nigeria's predominantly under-banked economy, Islamic finance organizations, housing developers and related participants in the industry will be required to be proactive in developing inclusive, enabling and *Shariah*-compliant housing solutions that address the unique challenges of a large population with minimal banking penetration rates. The following are recommended:

- i. Islamic banks need to reach out to deprived and rural areas of the country where formal banking exists. By opening branches to the underrepresented communities, we gain local acceptance and empowerment of Islamic financial services as well as grasp.
- ii. Islamic banks need to specialize in mortgages that consider forms of cash flow and community references as legitimate proxies for creditworthiness. Structures like *Ijarah Musufa bil'ima* & Diminishing *Musharakah*, both of which provide progressive ownership along with co-ownership and gradual build-up of equity, can be tailored through flexible payment plans.
- iii. Islamic Banks need to adopt mobile applications, well-designed web portals and SMS-based platforms which make application, document submission and repayment easy. This is especially beneficial to customers in remote areas who can now interact with the bank without travelling, which can also incur travel expenses.
- iv. To meet customer realities, hybrid mortgage contracts of Islamic banks are recommended that merge various types of *Shariah* principles. For example, *Murabaha* (cost plus sale) combined with *Ijarah* (lease) allows for phased payment structures. Likewise, *Wakala-Ijarah* or *Ijarah Musufa bil'ima* would help in early-stage construction finance followed by lease and ownership.

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