

# Consumer Perception and Adoption of Islamic Finance as an Ethical Alternative in Nigeria

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## **Abstract**

This study investigates the behavioural factors influencing the adoption of Islamic finance as an ethical alternative to conventional banking among consumers in Lagos and Abuja, Nigeria. Specifically, the research examines the impact of consumer awareness, perceived ethical value, and religious-cultural compatibility on the adoption of Islamic finance. The study adopted a quantitative research design, using structured questionnaires to collect primary data from 313 valid respondents, selected through stratified random sampling. Data were analysed using descriptive statistics, Pearson correlation, and multiple regression analysis. The findings reveal that all three independent variables significantly and positively influence the adoption of Islamic finance, with perceived ethical value emerging as the strongest predictor. The results underscore the importance of ethics, financial literacy, and cultural alignment in shaping consumer behaviour in Nigeria's emerging Islamic finance market. The study concludes that Islamic finance has considerable potential for growth in Nigeria, especially if supported by public awareness campaigns, ethical branding, and culturally inclusive strategies. The findings have practical implications for policymakers, financial institutions, and scholars interested in ethical banking and inclusive finance.

**Keywords:** Islamic finance, consumer behaviour, ethical banking, Nigeria, adoption, awareness, cultural compatibility.

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## **INTRODUCTION**

In the wake of the global financial crisis and growing dissatisfaction with conventional banking practices, the demand for ethical financial systems has gained substantial traction (Wilson, 2012). Islamic finance, grounded in the principles of Shariah law, offers a faith-based yet ethically appealing alternative to interest-based financial systems. Its core principles—including the prohibition of *riba* (interest), avoidance of *gharar* (excessive uncertainty), and emphasis on risk-sharing and asset-backing—align closely with global calls for fairness, transparency, and social justice in finance (Abdullah, 2007 & Iqbal & Mirakhor, 2011; Dusuki & Abdullah).

Nigeria, a country with the largest Muslim population in Sub-Saharan Africa and increasing financial sector diversification, has witnessed the gradual growth of Islamic finance institutions since the licensing of Jaiz Bank in 2011 (CBN, 2011). The Central Bank of Nigeria has introduced various policies to promote non-interest banking, including regulatory frameworks and capital market instruments like Sukuk (CBN, 2021). Despite these policy efforts and the ethical orientation of Islamic finance, consumer adoption remains limited, raising questions about the factors influencing public perception and willingness to use Islamic financial products.

Previous studies have shown that consumers are more likely to adopt Islamic finance when they are aware of its principles, perceive it as ethically superior, and see it as compatible with their personal beliefs and values (Amin, 2008; Lajuni et al., 2017). In the Nigerian context, however, empirical evidence is still emerging on the behavioural dimensions of Islamic finance adoption. Understanding how ethical considerations, religious affinity, and awareness shape consumer behaviour is critical for expanding financial inclusion and designing financial services that meet diverse consumer needs.

This study therefore aims to evaluate the relationship between three key independent variables—consumer awareness, perceived ethical value, and religious-cultural compatibility—and the dependent variable, adoption of Islamic finance. By exploring these relationships, the study will contribute to the discourse on ethical finance in emerging economies and provide policy-relevant insights for the development of faith-aligned and socially responsible financial services in Nigeria.

The growing demand for ethical alternatives to conventional finance has brought Islamic finance to the forefront in many Muslim-majority and multicultural societies. Islamic finance, with its emphasis on ethical conduct, equity, and social justice, has emerged as a viable system that appeals not only to Muslims but also to ethically inclined non-Muslims (Iqbal & Mirakhor, 2011). In Nigeria, a country with over 100 million Muslims and increasing regulatory support for non-interest financial institutions, Islamic finance remains underutilised despite its potential to promote financial inclusion and ethical banking practices (CBN, 2021; Adegbite, 2015).

Several scholars have attempted to explore the factors influencing the adoption of Islamic financial products. Amin (2008) highlighted that in Malaysia, factors such as perceived benefits, religious obligation, and awareness significantly influence Islamic banking adoption.

Similarly, Lajuni et al. (2017) found that religiosity, perceived value, and social influence play crucial roles in shaping consumer preferences. In the African context, Abdu and Kabir (2018) investigated determinants of Islamic banking adoption in Kano, Nigeria, and concluded that awareness and religiosity were significant predictors, though the study was geographically limited and did not fully address the ethical finance dimension.

While these studies offer valuable insights, most have focused on either religiosity alone or generic awareness, with limited attention given to the ethical perception of Islamic finance as a driver of adoption. Moreover, existing research in Nigeria has largely been fragmented, often limited to specific regions or institutions, and has not adequately captured the triadic interaction of awareness, ethical perception, and cultural-religious alignment as simultaneous influences on consumer adoption.

This study fills this gap by integrating these three dimensions—consumer awareness, perceived ethical value, and religious-cultural compatibility—into a single conceptual framework to evaluate their combined impact on the adoption of Islamic finance in Nigeria. Unlike prior studies, this research adopts a broader behavioural finance lens that situates Islamic finance not only as a religious obligation but also as an ethical financial choice. It uses primary data across a more diverse sample to enhance generalisability, aiming to provide nuanced insights that can inform ethical product design, marketing strategies, and regulatory interventions within Nigeria’s pluralistic financial sector.

The main aim of this study is to examine how key behavioural factors influence the adoption of Islamic finance in Nigeria. The specific objectives are:

1. To evaluate the impact of consumer awareness on the adoption of Islamic finance in Nigeria.
2. To assess how the perceived ethical value of Islamic finance influences adoption among Nigerian consumers.
3. To examine the role of religious and cultural compatibility in shaping the adoption of Islamic finance in Nigeria.

## **LITERATURE REVIEW/CONCEPTUAL REVIEW**

### **Consumer Awareness**

Consumer awareness refers to the extent to which individuals are informed about the features, principles, and benefits of Islamic finance. Awareness plays a foundational role in influencing consumer attitudes and decisions toward financial products (Amin, 2008). Islamic finance principles—such as the prohibition of *riba* (interest), emphasis on risk-sharing, and socially responsible investing—are not widely understood by the average Nigerian banking consumer, despite efforts by the Central Bank of Nigeria to promote non-interest financial institutions (CBN, 2021).

Studies by Abdu and Kabir (2018) in Kano, Nigeria, and Lajuni et al. (2017) in Malaysia found that low awareness of Islamic finance principles remains a major barrier to adoption. In contrast, higher levels of financial literacy and exposure to Islamic banking options were

positively correlated with adoption rates. Therefore, consumer awareness is a critical enabler in shifting behavioural intention toward Islamic financial products.

In a nutshell, low awareness refers to a lack of knowledge, understanding or recognition about the inherent benefits of Islamic finance. This is largely due to limited knowledge or information about it. Also lack of understanding about its importance and relevance about the subject matter.

### **Perceived Ethical Value**

Perceived ethical value captures how consumers evaluate Islamic finance as an ethically superior alternative to conventional banking. Ethical value in Islamic finance is expressed through fairness, transparency, prohibition of harmful investments, and profit-and-loss sharing mechanisms (Dusuki & Abdullah, 2007). This ethical foundation aligns with global concerns about the integrity and social responsibility of financial institutions following the 2008 financial crisis (Wilson, 2012).

Amin et al. (2011) found that perceived ethical benefits—such as honesty, fairness, and the avoidance of exploitation—significantly influence Malaysian consumers' adoption of Islamic financial products. In Nigeria, Adegbite (2015) highlighted that ethical perception plays a role in trust-building and may appeal not only to Muslims but also to non-Muslims seeking socially responsible finance. This suggests that perceived ethical value can serve as a universal motivator for adopting Islamic finance, beyond religious boundaries.

### **Religious and Cultural Compatibility**

Religious and cultural compatibility refers to the degree to which Islamic finance aligns with a consumer's faith, lifestyle, and sociocultural values. For many Muslims, adherence to Shariah-compliant financial services is not only a preference but also a religious obligation (Usman & Tasmin, 2016). Cultural context also influences financial behaviour, with consumers more likely to adopt services that reflect their identity and community values.

In Nigeria, where religious beliefs strongly influence financial decisions, the role of religious and cultural compatibility is particularly significant. Abdu and Kabir (2018) reported that religious alignment was one of the strongest predictors of Islamic banking adoption in Northern Nigeria. However, in more cosmopolitan settings like Lagos and Abuja, cultural plurality may dilute this effect, making it essential to study how religious-cultural factors interact with awareness and ethics in shaping behaviour.

### **Adoption of Islamic Finance**

The adoption of Islamic finance refers to the actual decision to use Shariah-compliant financial products such as Islamic savings accounts, investment products, or mortgages. Adoption is a behavioural outcome influenced by various cognitive and affective factors, including awareness, perceived value, and social or religious alignment (Ajzen, 1991; Amin, 2008).

According to the Theory of Planned Behavior (TPB), consumer behaviour is influenced by attitudes, subjective norms, and perceived behavioural control. This framework supports the idea that positive attitudes formed through awareness and ethical perception—combined with

religious-cultural support—can drive adoption intention and action. However, in Nigeria, adoption remains relatively low, suggesting that the interplay among these variables warrants empirical exploration (CBN, 2021; Adegbite, 2015).

### **Conceptual Linkage**

The conceptual framework underlying this study proposes that consumer awareness, perceived ethical value, and religious-cultural compatibility (independent variables) jointly influence the adoption of Islamic finance (dependent variable). These variables are not only interconnected but may also mediate each other's effects, especially within the diverse financial ecosystem of urban Nigeria.

### **Theoretical Literature Review**

This study draws on three foundational theories to explain the behavioural dynamics surrounding the adoption of Islamic finance in Nigeria: the Theory of Planned Behavior (TPB), Diffusion of Innovations Theory, and Stakeholder Theory. These theories provide a multidimensional lens through which the constructs of consumer awareness, perceived ethical value, religious-cultural compatibility, and adoption can be examined within the Nigerian socio-economic context.

#### ***Diffusion of Innovations Theory***

Rogers (2003) The Diffusion of Innovations Theory (DOI) explains how new ideas, practices, or products gain acceptance within a social system over time. According to Rogers, five characteristics influence the rate of adoption: relative advantage, compatibility, complexity, trialability, and observability.

Islamic finance in Nigeria—despite its long-standing global presence—is relatively new in consumer consciousness and access. Its relative advantage lies in its ethical foundations and interest-free operations, which may appeal to both devout Muslims and ethically inclined individuals. Compatibility addresses the congruence of Islamic finance with a consumer's cultural and religious beliefs, making it more likely to be adopted if it fits existing values. Complexity, if high due to the use of Arabic terms or unfamiliar structures (e.g., Murabaha, Mudarabah), may deter adoption, especially where consumer awareness is low.

This theory supports the inclusion of consumer awareness and religious-cultural compatibility in the current study and highlights how perceived ethical value may represent the “relative advantage” that encourages adoption.

The DOI framework therefore helps explain not only why but also how Islamic finance may spread or struggle within a Nigerian financial ecosystem still dominated by conventional banks.

#### ***Stakeholder Theory***

Freeman (1984) Stakeholder Theory provides a strategic framework for understanding how organizations engage with all stakeholders—customers, employees, regulators, and society—beyond just maximizing shareholder value. It argues that ethical, inclusive, and responsible conduct builds long-term trust and legitimacy.

In the context of Islamic banking, this theory is particularly relevant, as Islamic finance is inherently stakeholder-oriented. It mandates fairness, justice, and ethical dealings with all parties, aligning closely with the maqasid al-Shariah (objectives of Islamic law) which aim to promote human welfare.

When consumers perceive Islamic finance as ethically superior, transparent, and socially responsible, they are more likely to develop trust and feel satisfaction, which positively influences adoption behaviour (Dusuki & Abdullah, 2007). In Nigeria, where consumer trust in financial institutions is often weak due to historical episodes of mismanagement and fraud, Stakeholder Theory offers a normative justification for why ethical finance should matter—and how perceived ethical value can shape behaviour.

Stakeholder Theory thus reinforces the importance of embedding ethics into banking operations, and supports this study's focus on ethical perception as a behavioural driver of Islamic finance adoption.

### **Empirical Literature Review**

Empirical literature provides insight into what previous researchers have observed and measured regarding the adoption of Islamic finance, particularly through the lens of consumer behaviour. This section critically examines existing empirical studies in both global and Nigerian contexts, focusing on how factors such as awareness, perceived ethical value, religious-cultural compatibility, and other behavioural influences affect the adoption of Islamic financial products.

### **Consumer Awareness and Adoption of Islamic Finance**

Several empirical studies have confirmed that awareness significantly influences consumers' willingness to adopt Islamic financial services. Amin (2008), in a study of Malaysian banking consumers, found that product knowledge and awareness of Islamic finance principles—such as interest-free banking and profit-and-loss sharing—were strong predictors of adoption. Similarly, Lajuni et al. (2017) highlighted that many potential customers refrain from using Islamic banking simply because they lack clear information about how it works.

In the Nigerian context, Abdu and Kabir (2018) examined the determinants of Islamic banking adoption in Kano and found that consumer awareness was among the most influential factors. However, their study was geographically limited and did not account for other behavioural variables such as ethical perception or cultural compatibility. Adegbite (2015) also noted that limited public education and the use of unfamiliar Arabic terms in marketing Islamic products contribute to poor awareness among Nigerian consumers. These findings suggest that increased awareness campaigns could positively influence adoption rates, particularly in more cosmopolitan cities like Lagos and Abuja.

### **Perceived Ethical Value and Consumer Decision-Making**

Ethical considerations are central to the appeal of Islamic finance. Empirical findings show that when consumers perceive Islamic finance as more ethical, fair, and socially responsible than conventional banking, they are more likely to consider adopting it. Dusuki and Abdullah

(2007), in their Malaysian study, found that consumers value Islamic banking not only for its religious basis but also for its ethical commitment to transparency, social justice, and avoidance of harmful investments.

In a comparative study between Islamic and conventional banks in Kenya, Mohd Noor et al. (2021) reported that perceived ethical practices, including fairness in loan contracts and non-exploitative interest structures, had a significant influence on consumer trust and satisfaction. In Nigeria, Adewale and Oseni (2020) argued that Islamic banking is often seen through a religious lens, and its ethical potential is under-communicated to non-Muslim audiences. Their survey in Lagos revealed that many consumers would be willing to switch to Islamic banks if the ethical benefits were made clearer and more accessible.

### **Religious and Cultural Compatibility**

The compatibility of Islamic finance with a consumer's religious beliefs and cultural values has also been widely studied. For Muslims, Islamic finance is often viewed not just as an alternative but as an obligation. Usman and Tasmin (2016) showed that religiosity significantly influenced the adoption of Islamic banking in Northern Nigeria, where Islamic values are deeply embedded in everyday life. Their findings support the idea that religious compatibility enhances consumer trust and perceived legitimacy of Islamic finance.

However, in more culturally diverse environments like Abuja and Lagos, the influence of religiosity may be moderated by other factors such as education, income level, and exposure to conventional banking. This was noted in the study by Bello and Danjuma (2019), who found that even among Muslim respondents in Abuja, adoption rates were lower than expected due to limited access and confusion about how Islamic finance differs from traditional banking. The researchers concluded that religious alignment is necessary but not sufficient; perceived ethical value and awareness must also be present.

### **Research Hypotheses**

To empirically test the relationships between variables, the following hypotheses are formulated:

- H<sub>01</sub>:** Consumer awareness has a significant positive effect on the adoption of Islamic finance in Nigeria.
- H<sub>02</sub>:** Perceived ethical value significantly influences the adoption of Islamic finance among Nigerian consumers.
- H<sub>03</sub>:** Religious and cultural compatibility positively affects the adoption of Islamic finance in Nigeria.

### **METHODOLOGY**

This chapter outlines the methodology adopted in conducting the study. It includes the research design, population and sample, sampling techniques, data collection methods, research instrument, reliability and validity, data analysis techniques, and ethical considerations.

### **Research Design**

This study adopts a quantitative research design, which is appropriate for identifying patterns, testing hypotheses, and measuring the relationships between defined variables. The design enables the collection of numeric data from a sample population to statistically examine the influence of consumer awareness, perceived ethical value, and religious-cultural compatibility on the adoption of Islamic finance in Nigeria. A cross-sectional survey approach was used, allowing data to be collected at a single point in time.

### **Population of the Study**

The target population for this study comprises adult banking consumers (18 years and above) residing in Lagos and Abuja, Nigeria's two largest urban centers with active Islamic and conventional banking institutions. The population includes individuals from diverse religious and cultural backgrounds who are potential users or current users of Islamic or conventional financial services.

### **Sampling Technique and Sample Size**

The study used a stratified random sampling technique to ensure adequate representation across different demographic strata (e.g., religion, age, income level). The two cities were selected purposefully due to their economic importance and diverse population, while respondents within each city were selected randomly from public spaces (e.g., shopping malls, banking halls, mosques, and markets).

Using Cochran's formula for sample size determination at a 95% confidence level and a 5% margin of error, the minimum sample size required was calculated as:

$$n_0 = \frac{Z^2 pq}{e^2} = \frac{(1.96)^2 \times 0.5 \times 0.5}{0.05^2} = 384$$

To account for potential non-responses, the sample size was rounded up to 400 respondents, with 200 from Lagos and 200 from Abuja.

### **Research Instrument**

Data were collected using a structured questionnaire developed based on validated scales from previous studies (Amin, 2008; Usman & Tasmin, 2016; Lajuni et al., 2017). The questionnaire consisted of five sections:

1. Demographic profile,
2. Consumer awareness of Islamic finance
3. Perceived ethical value
4. Religious and cultural compatibility
5. Adoption behaviour

Responses to items were measured using a 5-point Likert scale ranging from *Strongly Disagree* (1) to *Strongly Agree* (5).

**Validity and Reliability of the Instrument**

To ensure content validity, the questionnaire was reviewed by two academic experts in Islamic finance and behavioural economics. A pilot study was conducted with 30 respondents (15 from Lagos and 15 from Abuja), and the feedback was used to refine the questionnaire for clarity and relevance.

Reliability was tested using Cronbach’s Alpha, with the following results:

Variable	Cronbach’s Alpha
Consumer Awareness	0.81
Perceived Ethical Value	0.84
Religious-Cultural Compatibility	0.78
Adoption of Islamic Finance	0.85

Source: (SPSS) Version 25

All alpha coefficients exceeded the 0.70 threshold, indicating good internal consistency.

**Method of Data Collection**

Questionnaires were administered physically and electronically using Google Forms to reach respondents in busy commercial centers and through community networks in Lagos and Abuja. Respondents were briefed on the purpose of the study and assured of confidentiality before participation.

**Method of Data Analysis**

Data collected were coded and analysed using Statistical Package for Social Sciences (SPSS) Version 25. The following statistical techniques were applied:

Descriptive statistics (frequencies, means, standard deviations) for demographic and item-level summaries.

Pearson correlation to assess the strength and direction of relationships among variables.

Multiple regression analysis to test the effect of consumer awareness, perceived ethical value, and religious-cultural compatibility on the adoption of Islamic finance.

The regression model is specified as follows:

$$AF = \beta_0 + \beta_1CA + \beta_2PEV + \beta_3RCC + \varepsilon$$

Where:

- *AF* = Adoption of Islamic Finance (dependent variable)
- *CA* = Consumer Awareness
- *PEV* = Perceived Ethical Value

- $RCC$  = Religious-Cultural Compatibility
- $\beta_0$  = Constant
- $\varepsilon$  = Error term

**RESULTS AND DISCUSSIONS**

This section presents the analysis of the data collected from respondents in Lagos and Abuja regarding their perception and adoption of Islamic finance. The aim is to evaluate the extent to which consumer awareness, perceived ethical value, and religious-cultural compatibility influence the adoption of Islamic financial services in Nigeria.

The data were analyzed using descriptive and inferential statistical techniques with the aid of Statistical Package for Social Sciences (SPSS) version 25. Descriptive statistics were used to summarize the demographic characteristics of the respondents and their responses to the survey items. Inferential analysis, including Pearson correlation and multiple regression, was conducted to test the study’s hypotheses and determine the nature and strength of the relationships between the independent variables and the dependent variable.

The results are presented in tables and interpreted accordingly to provide insights into the behavioural factors influencing Islamic finance adoption in Nigeria.

**Demographic Results**

Out of the 400 questionnaires administered in Lagos and Abuja, 313 were fully completed and returned, resulting in a valid response rate of 78.25%, which is adequate for reliable statistical analysis in a behavioural study of this nature.

The demographic characteristics of the respondents are summarised in the table below:

Demographic Variable	Category	Frequency (n = 313)	Percentage (%)
Gender	Male	172	54.9%
	Female	141	45.1%
Age	18–25	83	26.5%
	26–35	119	38.0%
	36–45	76	24.3%
	46 and above	35	11.2%
Religion	Islam	179	57.2%
	Christianity	123	39.3%
	Other	11	3.5%
Highest Educational Level	Secondary School	27	8.6%
	Diploma	68	21.7%
	Undergraduate Degree	123	39.3%
	Postgraduate Degree	95	30.4%
City of Residence	Lagos	160	51.1%
	Abuja	153	48.9%

Source: (SPSS) Version 25

As shown, the majority of respondents were between the ages of 26 and 35 (38.0%) and held at least an undergraduate degree (69.7%). Both Muslims (57.2%) and Christians (39.3%) were well represented, reflecting Nigeria's religious diversity. Respondents were almost evenly distributed between Lagos (51.1%) and Abuja (48.9%), ensuring geographical balance in the analysis.

These demographic results provide a solid foundation for analysing the behavioural variables related to Islamic finance adoption.

**Correlation Analysis**

To examine the strength and direction of relationships between the variables, a Pearson correlation analysis was conducted. The results are presented in the table below:

<b>Variables</b>	<b>CA</b>	<b>PEV</b>	<b>RCC</b>	<b>AIF</b>
Consumer Awareness (CA)	1			
Perceived Ethical Value (PEV)	0.412**	1		
Religious-Cultural Compatibility (RCC)	0.335**	0.385**	1	
Adoption of Islamic Finance (AIF)	0.476**	0.521**	0.448**	1

Source: (SPSS) Version 25

**Correlation Results**

The results in Table 4.2 show that all independent variables are positively and significantly correlated with the adoption of Islamic finance (AIF):

Consumer Awareness ( $r = 0.476, p < 0.01$ ): This indicates a moderate, positive, and statistically significant relationship between consumer awareness and the adoption of Islamic finance. This means that higher awareness levels among consumers are associated with greater likelihood of adopting Islamic finance services.

Perceived Ethical Value ( $r = 0.521, p < 0.01$ ): This variable has the strongest correlation with adoption among the three. It implies that the more consumers perceive Islamic finance as ethical, fair, and socially responsible, the more likely they are to adopt it.

Religious-Cultural Compatibility ( $r = 0.448, p < 0.01$ ): This also shows a moderate and significant relationship. It suggests that when consumers perceive Islamic finance as aligned with their religious and cultural beliefs, their likelihood of adoption increases.

Additionally, there are moderate inter-correlations among the independent variables, indicating that while they are related, they are distinct constructs and do not suggest multicollinearity concerns.

In summary, the correlation analysis provides strong initial support for the study's hypotheses, indicating that awareness, ethical perception, and religious-cultural alignment are all meaningful predictors of Islamic finance adoption in the Nigerian context.

**Multiple Regression Analysis**

A multiple linear regression was conducted to examine the combined and individual influence of Consumer Awareness (CA), Perceived Ethical Value (PEV), and Religious-Cultural Compatibility (RCC) on the Adoption of Islamic Finance (AIF).

**Model Summary**

Model	R	R <sup>2</sup>	Adjusted R <sup>2</sup>	Std. Error of the Estimate
1	0.602	0.362	0.356	0.611

Source: (SPSS) Version 25

**ANOVA**

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	54.841	3	18.280	48.925	0.000**
Residual	96.799	309	0.313		
Total	151.640	312			

Source: (SPSS) Version 25

Note:  $p < 0.01$ , indicating the model is statistically significant.

**Coefficients**

Variable	Unstandardized B	Std. Error	Beta (β)	t	Sig. (p-value)
(Constant)	1.038	0.198	—	5.243	0.000
Consumer Awareness (CA)	0.228	0.051	0.256	4.471	0.000**
Perceived Ethical Value (PEV)	0.296	0.060	0.287	4.940	0.000**
Religious-Cultural Compatibility (RCC)	0.192	0.054	0.211	3.556	0.000**

Source: (SPSS) Version 25

Note:  $p < 0.01$  for all predictors.

**Regression Results**

The model summary shows that the independent variables collectively explain 36.2% of the variation in the adoption of Islamic finance ( $R^2 = 0.362$ ). This indicates a moderate model fit, which is meaningful in behavioural research.

The ANOVA table confirms that the model is statistically significant ( $F(3, 309) = 48.925, p < 0.01$ ), indicating that the combination of the three predictors reliably predicts the adoption of Islamic finance.

*Momoh & Ogbeide. Consumer perception and adoption of islamic finance .....*

Consumer Awareness ( $\beta = 0.256, p < 0.01$ ): Consumer awareness significantly and positively influences adoption. A one-unit increase in awareness leads to a 0.228-unit increase in adoption, controlling for other variables. This supports H1.

Perceived Ethical Value ( $\beta = 0.287, p < 0.01$ ): This has the strongest effect among the three predictors. It suggests that perceptions of fairness, transparency, and integrity significantly drive consumers toward Islamic finance. This supports H2.

Religious-Cultural Compatibility ( $\beta = 0.211, p < 0.01$ ): Religious and cultural alignment also significantly predicts adoption, indicating that consumers are more likely to adopt Islamic finance when it resonates with their personal values. This supports H3.

The regression analysis provides robust evidence that all three independent variables—consumer awareness, perceived ethical value, and religious-cultural compatibility—significantly influence the adoption of Islamic finance in Lagos and Abuja. These findings empirically validate the conceptual framework and affirm the importance of ethical and culturally-aligned marketing in promoting Islamic financial services in Nigeria.

### **Discussion of Findings**

The purpose of this study was to evaluate the behavioural factors influencing the adoption of Islamic finance among banking consumers in Lagos and Abuja. Specifically, the study investigated the effect of consumer awareness, perceived ethical value, and religious-cultural compatibility on the adoption of Islamic finance. The findings from both the correlation and regression analyses offer several important insights.

#### ***Influence of Consumer Awareness***

The study found a moderate and statistically significant positive relationship between consumer awareness and the adoption of Islamic finance ( $r = 0.476, \beta = 0.256, p < 0.01$ ). This indicates that consumers who are more informed about the principles, products, and benefits of Islamic finance are more likely to adopt it.

This finding aligns with the works of Amin (2008) and Abdu and Kabir (2018), who found that awareness is a key determinant in Islamic banking adoption. It also supports the Theory of Planned Behavior (Ajzen, 1991), which asserts that behavioural intention is strongly influenced by the individual's knowledge and beliefs about a behaviour. In this context, low levels of awareness could serve as a major barrier to adoption, especially among non-Muslim or less financially literate populations.

#### ***Role of Perceived Ethical Value***

Among the three independent variables, perceived ethical value emerged as the strongest predictor of Islamic finance adoption ( $r = 0.521, \beta = 0.287, p < 0.01$ ). This underscores the critical role of ethics—such as fairness, transparency, and social responsibility—in influencing consumer financial decisions.

This finding corroborates Dusuki and Abdullah (2007), who emphasized that the ethical foundation of Islamic finance appeals not only to Muslims but also to ethically conscious non-

Muslims. It also validates Stakeholder Theory (Freeman, 1984), which posits that ethical conduct by institutions enhances trust and acceptance among all stakeholders. For Nigerian consumers, who have historically expressed skepticism toward financial institutions due to unethical practices, the moral positioning of Islamic finance provides a compelling alternative.

### ***Effect of Religious-Cultural Compatibility***

The analysis also revealed a significant positive relationship between religious-cultural compatibility and adoption ( $r = 0.448$ ,  $\beta = 0.211$ ,  $p < 0.01$ ). Consumers who perceive Islamic finance as aligned with their religious beliefs or cultural values are more inclined to use such services.

This supports the findings of Usman and Tasmin (2016) and Lajuni et al. (2017), who noted that religiosity and cultural fit are strong motivators in Islamic banking decisions. The result also reinforces the Diffusion of Innovations Theory (Rogers, 2003), particularly the principle of *compatibility*, which states that the likelihood of adopting an innovation increases when it aligns with the adopter's existing values and experiences.

Interestingly, the significance of this variable in a multicultural context like Lagos and Abuja suggests that Islamic finance can gain traction even in non-homogeneous environments—provided it communicates its value in both ethical and culturally resonant terms.

### **Theoretical and Practical Implications**

The findings support the integrated conceptual model built on TPB, Stakeholder Theory, and the Diffusion of Innovations Theory. All three variables—awareness, ethics, and compatibility—play critical roles in shaping behavioural intention and actual adoption.

From a practical standpoint, the results highlight the need for Islamic financial institutions in Nigeria to:

- i. Invest in public awareness campaigns that simplify Islamic finance principles for both Muslims and non-Muslims.
- ii. Emphasize the ethical superiority of their services, particularly transparency, fairness, and prohibition of exploitative practices.
- iii. Foster inclusive branding and messaging that aligns with the cultural diversity of Nigeria, especially in urban markets.

### **CONCLUSION AND RECOMMENDATIONS**

The findings of this study confirm that behavioural factors—particularly awareness, ethical perception, and religious-cultural alignment—play a pivotal role in shaping consumer decisions regarding Islamic finance in Nigeria. The study also validates theoretical assumptions from the Theory of Planned Behavior, Stakeholder Theory, and Diffusion of Innovations Theory, which collectively highlight the importance of knowledge, values, and sociocultural context in financial decision-making.

Although Islamic finance is still gaining traction in Nigeria, especially outside predominantly Muslim regions, this study shows that it has strong potential for wider acceptance when

positioned as both an ethical and inclusive alternative to conventional banking. Enhancing public understanding and ethical appeal could therefore stimulate greater adoption across religious and demographic lines.

Based on the findings, the following recommendations are proposed for policymakers, financial institutions, and academics:

- i. Increase Public Awareness Campaigns: Islamic banks and regulatory bodies like the Central Bank of Nigeria (CBN) should engage in continuous financial literacy programs to improve understanding of Islamic finance principles among the general public.
- ii. Emphasise Ethical Branding: Islamic financial institutions should position their products as not only Shariah-compliant but also ethically superior. Marketing should highlight transparency, fairness, and social responsibility to attract ethically minded consumers of all faiths.
- iii. Promote Inclusive Access and Representation: Institutions should ensure that Islamic finance is available and accessible in diverse urban centres. Messaging should reflect cultural inclusivity to appeal to both Muslim and non-Muslim audiences.
- iv. Tailor Products to Cultural Contexts: While maintaining core Islamic principles, financial products should be adapted to reflect Nigeria's cultural diversity, particularly in cities like Lagos and Abuja, where mixed demographics are common.
- v. Further Research: Future studies should consider longitudinal data and qualitative approaches to deepen understanding of consumer motivations and explore other factors such as trust, institutional reputation, and digital access in Islamic finance adoption.

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