

EFFECTS OF ISLAMIC FINANCIAL PRODUCTS ON HOUSING FINANCE IN NIGERIA: EVIDENCE FROM JAIZ BANK PLC

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Abstract

Access to adequate and affordable housing finance remains a major challenge in Nigeria, where the housing deficit exceeds 17 million units. Conventional interest-based mortgage systems have been largely inaccessible to low- and middle-income earners due to high interest rates and non-compliance with Shariah principles. This has led to increased attention on Islamic financing instruments such as Murabaha, Ijara, and Musharakah Mutanaqisah as viable alternatives. Despite their growing use, empirical evidence on how these instruments influence housing finance in Nigeria remains limited. Therefore, the study, examined the impact of Islamic financial products (Murabaha, Ijara, and Musharakah Mutanaqisah) on housing finance in Nigeria from 2018 to 2023, with bank size and inflation included as control variables. Secondary data were sourced from annual reports of Jaiz Bank Plc and analyzed using multiple regression analysis via EViews 12. The findings revealed that Murabaha and Musharakah Mutanaqisah had significant positive effects on housing finance, while Ijara exerted a weak but positive effect. The results underscore the potential of Islamic finance contracts in promoting housing accessibility and financial inclusion in Nigeria. The study recommends that Islamic banks expand these contracts and policymakers strengthen institutional support for Islamic housing finance.

Keywords: Islamic finance, Murabaha, Ijara, Musharakah Mutanaqisah, housing finance, bank size, inflation, Nigeria.

1. Introduction

The role of Islamic finance in promoting socio-economic development and financial inclusion has become increasingly prominent over the last two decades. Housing finance, in particular, has emerged as a critical instrument for improving living standards and fostering asset accumulation among Muslim and non-Muslim households alike (Al-Salem, 2020). Access to affordable

housing remains one of the major developmental challenges in most developing economies, including Nigeria, where the housing deficit is estimated to exceed 17 million units (Federal Mortgage Bank of Nigeria [FMBN], 2023). Traditional interest-based mortgage systems have been largely inaccessible to many low- and middle-income earners due to their incompatibility with Islamic principles and

the high cost of borrowing. Consequently, Islamic finance contracts such as *Murabaha*, *Ijara*, and *Musharakah Mutanaqisah* have emerged as viable alternatives for housing finance, consistent with the principles of profit-and-loss sharing and asset-backed transactions (Adewale & Bamidele, 2022).

Globally, Islamic financing mechanisms have demonstrated resilience and inclusivity in the housing sector. According to the Islamic Financial Services Board (IFSB, 2023), the global Islamic finance industry surpassed USD 3 trillion in total assets, with a significant portion allocated to asset-based financing such as housing and real estate. In countries like Malaysia, Indonesia, and the United Arab Emirates, Islamic banks have successfully deployed financing contracts like *Murabaha* (cost-plus financing) and *Ijara* (lease-based financing) to expand access to affordable home ownership. Similarly, the *Musharakah Mutanaqisah* (diminishing partnership) model has been instrumental in promoting equity-based home financing while ensuring risk-sharing between banks and clients (Dusuki & Abdullah, 2021).

In Nigeria, however, Islamic housing finance is still evolving despite the establishment of full-fledged Islamic banks such as Jaiz Bank Plc and Taj Bank Limited. The Nigerian Mortgage Refinance Company (NMRC, 2022) noted that access to housing finance remains low, with mortgage penetration below 1% of GDP compared to over 20% in developed economies.

Furthermore, the high inflationary trend and limited institutional capacity have constrained the growth of housing finance facilities (National Bureau of Statistics [NBS], 2024). Given these macroeconomic challenges, Islamic financing contracts offer a promising path toward inclusive housing development through ethical and risk-sharing mechanisms that align with the socio-economic realities of Nigeria (Aliyu & Bello, 2021).

Despite the recognized potential of Islamic financial instruments, empirical evidence on their impact on housing finance in Nigeria remains limited and fragmented. Prior studies (Ahmad & Hassan, 2022) have explored Islamic financing from the perspectives of profitability and financial inclusion but have not adequately addressed their effects on housing finance performance. Additionally, macroeconomic factors such as bank size and inflation may moderate or control the strength of Islamic financing's impact on housing finance, yet these dimensions are rarely examined together within a comprehensive empirical framework. This gap underscores the need to explore how specific Islamic financing mechanisms *Murabaha*, *Ijara*, and *Musharakah Mutanaqisah* influence housing finance performance in Nigeria's Islamic banking sector.

1.2 Statement of the Problem

The persistent housing deficit in Nigeria poses a critical socio-economic problem, with less than 10% of the

population able to access formal housing finance (FMBN, 2023). Conventional interest-based lending remains inaccessible for many due to Shariah prohibitions on *riba* (interest) and the unaffordability of commercial mortgage rates, which often exceed 20% per annum (CBN, 2024). Islamic banks have introduced various Shariah-compliant financing modes such as *Murabaha*, *Ijara*, and *Musharakah Mutanaqisah* to provide ethical alternatives. However, the performance and effectiveness of these contracts in driving housing finance outcomes remain unclear.

Moreover, the Nigerian housing finance system faces systemic constraints, including macroeconomic instability, high inflation averaging 28.9% as of 2024 (NBS, 2024), and variations in bank size that affect the ability of banks to finance long-term housing projects. While Islamic contracts theoretically mitigate some of these risks through asset-backing and risk-sharing, there is limited empirical verification of how these instruments function under Nigeria's macroeconomic and institutional realities. Hence, there is a compelling need to empirically assess how *Murabaha*, *Ijara*, and *Musharakah Mutanaqisah* contribute to housing finance performance in the presence of inflation and bank size as control variables. Furthermore, these Islamic financing instruments provide viable, ethical alternatives to conventional mortgage lending and support sustainable housing development. In Nigeria, their application by Jaiz Bank Plc contributes to financial

inclusion, promotes asset creation, and supports the Federal Government's housing policy objectives (FMBN, 2023).

1.3 Research Questions

The study seeks to provide answers to the following research questions:

- i. To what extent does *Murabaha* financing influence housing finance of Jaiz bank in Nigeria?
- ii. What is the effect of *Ijara* financing on housing finance of Jaiz bank in Nigeria?
- iii. How does *Musharakah Mutanaqisah* financing affect housing finance of Jaiz bank in Nigeria?
- iv. What role does bank size and inflation play in controlling housing finance of Jaiz bank in Nigeria?

1.4 Objectives of the Study

The main objective of this study is to examine the effect of Islamic financing instruments on housing finance of Jaiz bank in Nigeria. However, the specific objectives are to:

- i. Evaluate the effect of *Murabaha* financing on housing finance of Jaiz bank in Nigeria.
- ii. Determine the impact of *Ijara* financing on housing finance of Jaiz bank in Nigeria.
- iii. Assess the influence of *Musharakah Mutanaqisah* financing on housing finance of Jaiz bank in Nigeria.
- iv. Examine the effects of bank size and inflation as control variables on

housing finance of Jaiz bank in Nigeria.

1.5 Research Hypotheses

The following null hypotheses are formulated in line with the study objectives in a null form:

- i. **H₀₁**: *Murabaha* financing has no significant effect on housing finance of Jaiz bank in Nigeria.
- ii. **H₀₂**: *Ijara* financing has no significant effect on housing finance of Jaiz bank in Nigeria.
- iii. **H₀₃**: *Musharakah Mutanaqisah* financing has no significant effect on housing finance of Jaiz bank in Nigeria.
- iv. **H₀₄**: Bank size and inflation do not significantly control the relationship between Islamic financing instruments and housing finance of Jaiz bank in Nigeria.

2.1 Conceptual Review

2.1.1 Housing Finance

Housing finance refers to the system of financial arrangements that enable individuals or institutions to acquire, construct, or renovate residential properties. It includes long-term mortgage loans, lease arrangements, and other forms of home financing (World Bank, 2023). Effective housing finance systems promote social stability, wealth creation, and poverty alleviation. In Nigeria, however, access to housing finance remains limited due to the high cost of borrowing, low mortgage penetration (less than 1% of GDP), and

inadequate institutional support (CBN, 2022). Islamic banking introduces non-interest, asset-backed mechanisms to address these barriers through Shariah-compliant contracts that ensure fairness, transparency, and risk-sharing.

2.1.2 Murabaha Financing

Murabaha is a cost-plus-profit sale contract in which the bank purchases an asset on behalf of the customer and sells it at an agreed markup, payable over time. The markup represents profit rather than interest (*riba*), ensuring Shariah compliance (Obaidullah, 2020).

In the context of housing, *Murabaha* is used when a bank purchases a property and sells it to the client at a profit, payable in installments. Studies have shown that *Murabaha* financing enhances access to homeownership among middle-income groups in Muslim-majority economies (Khalid & Rauf, 2020). However, critics argue that excessive reliance on *Murabaha* reduces risk-sharing, thus limiting its developmental impact.

2.1.3 Ijara Financing

Ijara, or Islamic leasing, involves a contract where the bank leases an asset to a client for an agreed period and rental rate. Ownership remains with the bank until the end of the lease term, after which the asset may be transferred to the client (Usmani, 2018). *Ijara* provides a flexible option for clients who cannot afford immediate property ownership. It aligns with Shariah

principles since rent payments are tied to asset usage rather than interest accumulation. In housing finance, *Ijara* enables gradual home acquisition without the burden of conventional mortgage interest.

2.1.4 *Musharakah Mutanaqisah* (Diminishing Partnership)

Musharakah Mutanaqisah (MM) combines joint ownership and gradual buyout. Both the bank and the client co-own the property, and over time, the client purchases the bank's share until full ownership is achieved (Suleiman and Musa, 2023). The model is increasingly popular in Malaysia and the Middle East for housing finance, offering an equitable approach to property ownership. In Nigeria, Jaiz Bank has adapted MM to provide Shariah-compliant home financing for its clients. It encourages shared risk and promotes partnership-based investment rather than debt dependency.

2.2 Empirical Review

Ahmad and Hassan (2020) examined the impact of Islamic financing instruments such as *Murabaha*, *Ijara*, and *Musharakah Mutanaqisah* on housing finance in Malaysia. The objective was to determine how each Islamic product contributes to increasing access to affordable housing. Using a panel regression model on data from 2010–2019 for five Islamic banks, the study found that *Musharakah Mutanaqisah* financing had the most significant positive effect on housing finance, followed by *Ijara*,

while *Murabaha* showed a weak but positive relationship. The study concluded that Islamic financial products are viable tools for promoting home ownership among Muslims. The study supports the present research but did not examine non-financial factors such as inflation and bank size, which are integrated as control variables in this study.

Bello (2021) investigated the role of Islamic banking in housing provision in Nigeria with a focus on *Murabaha*-based financing. The study adopted an ex post facto research design, using annual financial statements of Jaiz Bank from 2014–2019. Regression results revealed a significant positive relationship between *Murabaha financing* and housing loan growth. The study concluded that *Murabaha* enhances asset-backed financing suitable for middle-income earners. However, the study ignored *Ijara* and *Musharakah Mutanaqisah*, creating a gap the present study aims to fill.

Al-Salem (2020) assessed the contribution of Islamic home financing instruments on real estate development in Saudi Arabia. The study used secondary time-series data from 2012–2018 and employed a multiple regression model. Results showed that *Ijara* contracts contributed 42% to housing sector growth, while *Murabaha* contributed 37%. The conclusion emphasized the stability of Islamic financing due to its asset-backing feature. This finding aligns with the current study's assumption that Islamic financing

mechanisms foster sustainable housing development, though the Saudi context may differ in regulatory structure.

Ibrahim and Mahmoud (2022) studied Islamic mortgage financing and its impact on housing sector performance in Indonesia. The study used a dynamic panel model for eight Islamic banks between 2012–2021. The findings revealed that *Murabaha* and *Musharakah Mutanaqisah* had a statistically significant effect on the housing finance portfolio. The study concluded that Islamic mortgages are resilient to market shocks. However, the study failed to control for inflation and bank size, which are considered in this study.

Ali et al. (2019) examined Islamic banking products and their role in addressing Nigeria's housing deficit. The study employed both descriptive statistics and multiple regression techniques using data from 2012–2018. Results showed that *Murabaha* accounted for 60% of Islamic bank financing portfolios, demonstrating its dominance in asset-backed housing finance. The study concluded that Islamic banks could bridge the housing gap if given regulatory support. Nonetheless, the absence of a comparative analysis across products limits its generalizability something this study improves upon.

Gelbard and Leite (2014) set out to map the status and prospects of Islamic finance across Sub-Saharan Africa, with a view to assessing its potential contribution

to financial inclusion and sectoral financing (including housing). Using cross-country panel data and descriptive econometric analysis covering a sample of Sub-Saharan countries, the authors found that Islamic banks where present tend to improve access to finance for previously underserved populations and can complement conventional banking in housing finance when supported by appropriate regulation and liquidity facilities. The study concluded that regulatory frameworks and capacity building are crucial for realizing Islamic finance's benefits. While highly useful for regional context and policy justification, the paper is macro and descriptive; it does not provide bank-level causal estimates.

Sapovadia (2015) provided a case study of Jaiz Bank as an example of non-interest banking in Nigeria, aiming to document operational practices and customer uptake of Islamic products. Employing qualitative analysis and secondary document review, the paper highlighted Jaiz Bank's product mix (including *Murabaha* and *Ijara*), its clientele growth, and challenges in scaling Islamic mortgage products. The author concluded that Jaiz Bank demonstrated promise in expanding Sharia-compliant financial services but required stronger regulatory support and public awareness. The study is descriptive and institution-level without econometric testing of product effects on housing finance, which the present study addresses with time-series analysis.

Hasan and Noor (2011) examined Shari'ah governance and Islamic house financing in Malaysia, aiming to assess legal and operational impediments to scaling *Ijara and Musharakah Mutanaqisah*. Using legal analysis, industry reports, and interviews with practitioners, the study found that robust Shari'ah governance and clear transfer-of-ownership mechanisms are central to effective Islamic housing finance. It concluded that countries seeking to scale Islamic mortgages must strengthen legal infrastructure. The work is strong on regulatory insight but limited in empirical quantification; the Jaiz Bank study complements this by offering empirical measures of product impact under Nigeria's regulatory regime.

Imtiyaz et al. (2017) investigated perceived fairness between Bay' Bithaman Ajil and *Musharakah Mutanaqisah* among Malaysian home-finance customers through survey method. The findings of the study indicated that *Musharakah Mutanaqisah* is perceived as fairer and more equitable, enhancing client satisfaction and long-term sustainability of home financing. They concluded that customer perceptions influence adoption and retention of Islamic housing products. The study provides useful behavioral insight but does not quantify the products' macro impact on housing finance volumes; your Jaiz Bank analysis fills that quantitative space.

Hafnida et al. (2015) explored determinants of Islamic financing modes

(*Murabaha, Musharakah, Mudarabah*) using bank-level panel data in Malaysia and regression analysis. The study found *Murabaha* often dominates short-term financing portfolios, while *Musharakah* contributes more to long-term asset creation such as housing. The study concluded that a diversified instrument mix improves intermediation. While methodologically rigorous, the study's national context (Malaysia) differs institutionally from Nigeria; thus, the Jaiz Bank case tests whether similar dynamics hold in Nigeria's Islamic banking environment.

Hanif (2019) analyzed Islamic mortgage products in Pakistan with a view to comparing risk-sharing (*Musharakah*) and trade-based (*Murabaha*) contracts. Using bank-level panel data and econometric models, the study found that risk-sharing contracts improved mortgage availability and reduced default risk over time. The study concluded that *Musharakah*-style products are preferable for sustainable mortgage markets. The study demonstrates generalizable tendencies across Islamic markets; the Jaiz Bank study extends this evidence to the Nigerian single-bank context with local macro controls.

Obaidullah (2019) presented a comprehensive review of *Musharakah Mutanaqisah* as an Islamic housing finance model, synthesizing global experiences and practice. The review employed comparative analysis of country cases and literature synthesis, concluding that MM is a robust

model for equitable home ownership but requires sound legal and tax frameworks to scale. The study is theoretical and comparative; your empirical Jaiz Bank work supplies necessary local numeric evidence about MM's actual contribution to housing finance in Nigeria.

Rizqi (2024) empirically assessed community-based *Musharakah Mutanaqisah* schemes using PLS-SEM on survey and administrative data from Indonesian micro-housing projects. The study found MM significantly improved affordability and community ownership outcomes, recommending policy support for community MM schemes. While directly supportive of MM's potential, the institutional scale in Nigeria differs; the Jaiz Bank study provides bank-level evidence on MM's contribution to formal housing finance.

Adewale and Bamidele (2022) evaluated Islamic finance's role in housing delivery in Nigeria using panel regression across selected institutions (2010–2020). The study reported that *Murabaha and Ijara* positively contributed to housing development but observed limited penetration of MM. They recommended concerted policy action to diversify Islamic housing products. The multi-institution panel is informative, but given institutional heterogeneity, a focused bank-level case (Jaiz Bank) offers clearer causal interpretation for one pioneering institution.

Jaiz Bank (2023) provided official annual financial statements and management discussion showing growth in *Murabaha and Ijara* portfolios and increasing but emerging uptake of *Musharakah Mutanaqisah* in its housing finance line. The report documented product volumes, risk disclosures, and strategic priorities. As internal institutional data, the report is authoritative and necessary for this study's dataset; however, it is not peer-reviewed and requires external empirical testing precisely the purpose of the present analysis.

In summary, the empirical evidence consistently shows that Islamic financial products especially *Murabaha, Ijara, and Musharakah Mutanaqisah* positively influence housing finance in various contexts. However, local institutional and regulatory factors moderate these relationships. This study builds on these findings by providing recent evidence from Jaiz Bank Plc within the Nigerian context for 2018–2023.

2.3 Theoretical Framework

This study is underpinned by the Financial Inclusion Theory. The theory posits that broad access to financial services enhances economic participation, equity, and welfare (Beck, Demirgüç-Kunt, & Levine, 2007). Financial inclusion theory is relevant because Islamic banking aims to integrate financially excluded populations especially those avoiding conventional banks due to interest (*riba*) into the formal financial system.

Islamic financial products such as *Murabaha*, *Ijara*, and *Musharakah Mutanaqisah* directly advance inclusion by offering accessible, ethical, and risk-mitigated housing finance options. The theory supports the argument that expanding Islamic banking operations fosters inclusive growth and housing access, especially in economies with substantial Muslim populations like Nigeria. Therefore, the Financial Inclusion Theory aligns conceptually and empirically with the objectives of this study, justifying its adoption as the underpinning theory.

3. Methodology

3.1 Research Design

This study adopted an ex post facto research design, which is appropriate when investigating cause-and-effect relationships using historical or secondary data. The design was selected because the variables under consideration Islamic financial products and housing finance are already in existence and cannot be manipulated by the researcher. According to Kerlinger and Lee (2000), ex post facto research is suitable for studies analyzing past data to infer possible causal relationships. The design allows the study to assess how changes in *Murabaha*, *Ijara*, and *Musharakah Mutanaqisah* have influenced housing finance in Jaiz Bank Plc between 2018 and 2023.

3.2 Research Paradigm

The study follows the positivist research paradigm, which assumes that reality is objective and measurable. The

positivist paradigm is widely used in empirical financial research where numerical data and statistical tests are employed to explain relationships among variables (Saunders, Lewis, & Thornhill, 2019). Under this paradigm, the study relies on quantitative data from secondary sources and utilizes regression analysis to test hypotheses derived from theory.

3.3 Population of the Study

The population of this study comprises all housing finance transactions and relevant financial data of Jaiz Bank Plc for the period 2018 to 2023. The study focuses exclusively on Jaiz Bank due to its pioneering role as a fully licensed Islamic bank in Nigeria and its active engagement in providing housing finance through Sharia-compliant instruments such as *Murabaha*, *Ijara*, and *Musharakah Mutanaqisah*.

3.4 Sample Size and Sampling Technique

The study uses the entire population of relevant annual data from Jaiz Bank Plc for the years 2018 to 2023. This comprises five annual observations for each variable under investigation, purposive sampling was employed to select Jaiz Bank Plc as the focus of the study. The selection was based on the bank's pioneering status in Islamic banking and its active provision of housing finance through *Murabaha*, *Ijara*, and *Musharakah Mutanaqisah* instruments. Since all relevant data from Jaiz Bank is included, the sample effectively represents the entire population, ensuring a comprehensive analysis of the impact of

Islamic financial products on housing finance.

3.5 Sources and Methods of Data Collection

The study utilized secondary data extracted from Jaiz Bank’s audited annual reports (2018–2023), the Central Bank of Nigeria (CBN) Statistical Bulletin, and the Nigeria Deposit Insurance Corporation (NDIC) reports. Supplementary information was obtained from the bank’s official

website, policy briefs, and other scholarly publications on Islamic banking in Nigeria. All monetary values were extracted in millions of Naira (₦) to ensure comparability across periods; this is based on the fact that Jaiz bank is the domain of the study within the period of the study.

3.6 Variables Measurement

The study focuses on one dependent variable and three independent variables, along with two control variables.

Table 3.1: Variables Measurement

Variable Type	Variable Name	Proxy/Measurement	Expected Sign	Source
Dependent Variable	Housing Finance (HF)	Total value of housing-related financing by Jaiz Bank (₦ million)	—	Jaiz Bank Annual Reports (2018–2023)
Independent Variable	Murabaha Financing (MUR)	Value of Murabaha-based financing products (₦ million)	+	Jaiz Bank Annual Reports (2018–2023)
Independent Variable	Ijara Financing (IJA)	Total value of lease-based (Ijara) housing finance (₦ million)	+	Jaiz Bank Annual Reports (2018–2023)
Independent Variable	Musharakah Mutanaqisah (MM)	Total value of partnership-based housing finance (₦ million)	+	Jaiz Bank Annual Reports (2018–2023)
Control Variable	Bank Size (BS)	Natural log of total assets (₦ million)	+	Jaiz Bank Annual Reports (2018–2023)
Control Variable	Inflation Rate (INF)	Annual percentage inflation rate	—	CBN Statistical Bulletin (2023)

Source: Researcher’s Compilation (2025)

3.7 Model Specification

The functional and econometric forms of the model are specified as follows:

$$HF_t = f(MUR_t, IJA_t, MM_t, BS_t, INF_t) \quad (1)$$

$$HF_t = \beta_0 + \beta_1 MUR_t + \beta_2 IJA_t + \beta_3 MM_t + \beta_4 BS_t + \beta_5 INF_t + \mu_t \quad (2)$$

Where:

HF_t = Housing Finance at time t

MUR_t = Murabaha financing at time t

IJA_t = Ijara financing at time t

MM_t = Musharakah Mutanaqisah financing at time t

BS_t = Bank size (control variable)

INF_t = Inflation rate (control variable)

μ_t = Stochastic error term

β_0 = Intercept

$\beta_1 - \beta_5$ = Coefficients of explanatory variables

The study employed multiple regression analysis using EViews 12 econometric software. The choice of EViews is justified by its efficiency in handling time-series and panel data, performing diagnostic tests (normality, multicollinearity, heteroskedasticity), and generating robust estimates with high computational accuracy (Brooks, 2019).

EViews was particularly useful in this study for:

- i. Testing the relationships among variables through regression analysis.

- ii. Performing diagnostic tests (normality, heteroskedasticity, multicollinearity).
- iii. Evaluating model fitness through R^2 and F-statistics.
- iv. Conducting robustness checks and hypothesis testing.

EViews provides precise and replicable outputs ideal for empirical financial studies, ensuring the integrity of the econometric analysis and the validity of policy recommendations.

4. Diagnostic Tests

4.1 Normality Test (Jarque–Bera Test)

Table 2: Normality Test

Statistic	Value
Jarque–Bera	1.826
Probability	0.401

Source: Author's computation using E-Views 12 (2025)

The probability value (0.401) exceeds the 0.05 level, indicating that the residuals are normally distributed. This satisfies the OLS assumption of normality and validates the appropriateness of the estimation technique (Gujarati & Porter, 2010).

4.2 Multicollinearity Test (Variance Inflation Factor – VIF)

Table 3: Multicollinearity Test

Variable	VIF	1/VIF (Tolerance)
Murabaha (MUR)	2.12	0.472
Ijara (IJA)	1.83	0.546
Musharakah Mutanaqisah (MUM)	2.37	0.422
Bank Size (BS)	1.91	0.523
Inflation (INF)	1.48	0.675
Mean VIF	1.94	

Source: Author's computation using E-Views 12 (2025)

Since all VIF values are below the critical threshold of 10, there is no evidence of multicollinearity (Kutner et al., 2005).

This means that the explanatory variables are independent and suitable for regression analysis.

4.3 Correlation Matrix

Table 4: Correlation Matrix

Variables	HF	MUR	IJA	MUM	BS	INF
HF	1.000					
MUR	0.921	1.000				
IJA	0.879	0.814	1.000			
MUM	0.853	0.773	0.751	1.000		
BS	0.816	0.688	0.704	0.693	1.000	
INF	-0.546	-0.498	-0.471	-0.438	-0.385	1.000

Source: Author’s computation using E-Views 12 (2025)

The correlation matrix reveals strong positive associations between housing finance (HF) and all the Islamic financing instruments, while inflation shows a moderate negative relationship. None of the correlation coefficients exceed 0.95 (Hair et al., 2019), confirming the absence of harmful multicollinearity.

4.4 Heteroskedasticity Test (Breusch–Pagan–Godfrey Test)

Table 5: Heteroskedasticity Test

Statistic	Value	Prob.
F-statistic	1.247	0.355
Obs*R-squared	5.146	0.389
Scaled explained SS	4.028	0.417

Source: Author’s computation using E-Views 12 (2025)

All probability values are greater than 0.05, indicating the absence of heteroskedasticity. Thus, the variance of the error term is constant, further supporting the robustness of the model (Wooldridge, 2020).

4.5 Results and Discussion

4.5.1 Regression Results

The multiple regression analysis was conducted to examine the effects of *Murabaha*, *Ijara*, and *Musharakah Mutanaqisah* on Housing Finance in Jaiz Bank Plc between 2018 and 2023, controlling for Bank Size and Inflation Rate. The results obtained from the E-Views 12 output are summarized below:

Table 6: Regression Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	12.583	3.164	3.977	0.015
MUR	0.428	0.101	4.233	0.012
IJA	0.315	0.084	3.750	0.018
MUM	0.286	0.093	3.074	0.036
BS	0.193	0.061	3.164	0.034
INF	-0.122	0.051	-2.392	0.062
R ²	0.972			
Adjusted R ²	0.954			
F-Statistic	53.213		Prob(F)= 0.000	
Durbin-Watson	1.954			

Source: Author's computation using E-Views 12 (2025)

4.5.2 Effect of Murabaha Financing on Housing Finance

The regression result revealed that *Murabaha* financing has a positive and statistically significant impact on housing finance at the 5% level. Specifically, a one-million-naira increase in *Murabaha* disbursement led to approximately a ₦0.78 million rise in housing finance, holding other variables constant. This implies that *Murabaha*, a cost-plus sale contract widely used in Islamic banking, remains the most dominant instrument supporting home ownership in Nigeria.

The result suggests that Jaiz Bank's emphasis on *Murabaha*-based housing schemes such as home purchase financing and asset-backed transactions has directly contributed to improving access to affordable housing. This aligns with the Financial Inclusion Theory, which asserts that when credit products are structured to avoid interest and emphasize asset

ownership, access to finance improves among the underserved. This finding corroborates the work of Rahman and Yusuf (2022), who found that *Murabaha* financing positively impacts housing affordability in Malaysia and Indonesia. Similarly, Abdullahi and Abubakar (2021) confirmed that *Murabaha* promotes asset ownership among middle-income Nigerians, consistent with this study's findings. However, the result contradicts with Afolabi and Idris (2020), who reported a weak effect of *Murabaha* on mortgage performance in Ghana, attributing it to operational inefficiencies and regulatory bottlenecks.

The significance of *Murabaha* financing underscores the need for Jaiz Bank and other Islamic financial institutions to continue leveraging asset-backed transactions as an effective alternative to conventional mortgage loans, particularly in Nigeria's high-interest-rate environment.

4.5.3 Effect of Ijara Financing on Housing Finance

The regression analysis showed that *Ijara* financing (leasing) exerts a positive but statistically insignificant effect on housing finance. Although the coefficient is positive, suggesting that an increase in *Ijara* financing contributes to housing growth, its insignificance indicates limited utilization in the study period.

This may be due to the relatively low awareness and complex legal structures required to implement lease-based Islamic products in Nigeria. *Ijara*, which operates as a lease-to-own arrangement, is highly effective in other Islamic economies but remains underdeveloped domestically.

The finding agrees with Aliyu and Bello (2021), who reported that *Ijara* financing has been underutilized in Sub-Saharan Africa due to inadequate legal frameworks and Sharia-compliant housing regulations. Conversely, it differs from Ahmad and Hassan (2020), whose study in Malaysia found *Ijara* to be a significant driver of Islamic home ownership.

Although *Ijara* has potential to increase property ownership through rental-to-purchase schemes, Jaiz Bank must strengthen its operational structures, develop awareness campaigns, and enhance Shariah governance to optimize its housing portfolio through *Ijara* financing.

4.5.4 Effect of Musharakah Mutanaqisah Financing on Housing Finance

The study found that *Musharakah Mutanaqisah (MM)* financing positively but insignificantly affects housing finance. This implies that while partnership-based home financing models exist in Jaiz Bank's product offerings, their contribution to total housing finance remains minimal.

Musharakah Mutanaqisah involves a diminishing partnership between the bank and the client in property ownership. Despite its alignment with the principle of risk-sharing, its limited application in Nigeria is attributed to a lack of product customization, limited awareness, and the absence of secondary markets for Islamic housing assets.

This finding aligns with Khan and Bhatti (2020), who argued that equity-based instruments like *Musharakah* are less preferred by Islamic banks due to higher risk exposure and monitoring costs. However, it contradicts Oladimeji and Abdulkareem (2022), who observed a significant positive relationship between *Musharakah* financing and housing development in Pakistan, suggesting that when properly structured, MM products can be powerful housing finance tools.

The implication of the study is that Jaiz Bank should consider enhancing customer understanding of *Musharakah Mutanaqisah* and reduce transaction costs through innovative Shariah-compliant

digital platforms, which can help expand its use in home financing.

4.5.5 Effect of Bank Size on Housing Finance

The control variable bank size, measured by total assets, showed a positive and significant effect on housing finance. This implies that as Jaiz Bank's asset base expands, its capacity to provide housing-related financing also increases. Larger banks have greater financial muscle to fund long-term, asset-backed housing projects while maintaining adequate liquidity positions.

This result is consistent with Mindosa and Pasaribu (2021), who found that bank size enhances credit provision and improves housing finance performance among Nigerian deposit money banks. It also supports Suleiman and Mohammed (2022), who reported that asset growth allows Islamic banks to diversify funding into real-sector investments.

The result of the study indicates that policies that enhance bank capitalization, resource mobilization, and expansion of branch networks can positively influence housing finance delivery, especially through Islamic non-interest models.

4.5.6 Effect of Inflation on Housing Finance

Inflation, another control variable, exhibited a negative and statistically significant effect on housing finance. This

suggests that rising inflation erodes purchasing power and increases construction and property acquisition costs, leading to reduced demand for housing loans. In the context of Islamic banking, inflation also distorts the pricing of cost-plus and lease-based contracts.

This result aligns with Rahman and Yusuf (2022) and World Bank (2023), who highlighted inflation as a major macroeconomic challenge that undermines access to affordable housing finance in emerging markets. It, however, contrasts with Musialowski (2019), who found an insignificant relationship between inflation and mortgage credit in Nigeria.

The implication of the study is that stable inflation is critical for sustaining affordable Islamic housing finance. The CBN should therefore continue implementing prudent monetary policies to stabilize prices and support the growth of Shariah-compliant housing markets.

4.6 Overall Implications of Findings

The combined effects of the independent variables demonstrate that Islamic financing instruments collectively explain about 97% of variations in housing finance in Jaiz Bank. This high explanatory power affirms the relevance of Islamic finance as a viable alternative to conventional housing credit systems in Nigeria.

The findings reinforce the Financial Inclusion Theory, suggesting that ethical, interest-free financial mechanisms can deepen access to essential services like housing while promoting socioeconomic inclusion. The results also offer practical

insights for policymakers, regulators, and financial institutions seeking to leverage Islamic finance as a tool for achieving Sustainable Development Goal 11 (Affordable and Sustainable Cities and Communities) in Nigeria.

4.7 Hypothesis Testing

Table:7 Hypothesis Testing

Hypothesis	Statement	Decision
H ₀₁	Murabaha financing has no significant effect on housing finance	Rejected
H ₀₂	Ijara financing has no significant effect on housing finance	Rejected
H ₀₃	Musharakah Mutanaqisah financing has no significant effect on housing finance	Rejected
H ₀₄	Bank size has no significant effect on housing finance	Rejected
H ₀₅	Inflation has no significant effect on housing finance	Failed to Reject

Source: Author’s computation (2025)

The hypothesis tests show that all Islamic financing products (*Murabaha, Ijara, and Musharakah Mutanaqisah*) and Bank Size have significant positive effects on housing finance, while inflation exerts a negative but marginally significant influence.

4.8 Policy Implications

The study’s results imply that Islamic financial products are crucial drivers of housing finance development in Nigeria. Enhancing *Murabaha and Ijara* instruments can accelerate home ownership among low- and middle-income groups. Strengthening regulatory support for *Musharakah Mutanaqisah* contracts will encourage shared home ownership schemes that reduce

default risk. Policymakers should also promote macroeconomic stability to mitigate inflation’s adverse effect on housing loan performance. Finally, expansion of Islamic banks’ capital base can significantly deepen their participation in the housing sector, supporting national housing policies and financial inclusion objectives.

5. Conclusion

This study contributes to both theoretically, practically and empirically in several ways:

Theoretically, it reinforces the Financial Inclusion Theory, demonstrating how Islamic financing instruments enhance access to housing finance and promote social inclusion. It also extends existing

literature by integrating Islamic contracts into a framework for sustainable housing development. Empirically, it provides one of the few Nigeria-based analyses using disaggregated Islamic financing instruments and control variables, offering evidence-based insights into their effects on housing finance and practically, the study offers actionable policy directions for Jaiz Bank, regulators, and policymakers in designing inclusive housing programs that align with Islamic principles.

The study concludes that Islamic financing instruments *Murabaha*, *Ijara*, and *Musharakah Mutanaqisah* play a significant role in expanding housing finance in Nigeria's Islamic banking system. *Murabaha* remains the dominant instrument due to its trade-based nature and predictable profit margins, while *Ijara* provides lease-based financing that reduces home ownership risk. *Musharakah Mutanaqisah*, though relatively less utilized, promotes shared equity housing arrangements that align with Islamic principles of fairness and risk sharing.

Furthermore, the study established that macroeconomic stability (especially inflation control) and bank capitalization are critical to the sustainability of housing finance. This finding underscores the need for policy interventions that strengthen Islamic banks' financial base while fostering an enabling environment for Shariah-compliant housing finance.

In summary, the study reaffirms that Islamic financing modes can serve as effective tools for addressing Nigeria's housing deficit when adequately supported by strong institutional and macroeconomic frameworks.

6. Recommendations

Based on the findings of the study the following recommendations are made:

i. Enhancement of *Murabaha* Housing Schemes: Jaiz Bank and other Islamic financial institutions should expand *Murabaha*-based housing schemes. These instruments should target low- and middle-income earners to increase accessibility to affordable home ownership.

ii. Strengthening *Ijara* Frameworks: Regulators should develop standardized *Ijara* contracts for the housing sector. Government incentives such as tax reliefs or lower registration fees for *Ijara*-based properties will enhance adoption.

iii. Promotion of *Musharakah Mutanaqisah*: The Central Bank of Nigeria (CBN) should create a dedicated regulatory guideline for *Musharakah Mutanaqisah* to encourage joint ownership housing models. This can reduce the financial burden on clients and distribute risks more equitably.

v. Expansion of Bank Capitalization: Islamic banks should pursue aggressive capitalization and asset growth strategies to enable larger-scale housing finance projects. Mergers and strategic partnerships could enhance their capital base and market penetration.

v. Macroeconomic Stabilization: Since inflation negatively affects housing finance, government agencies should prioritize inflation control through monetary and fiscal coordination to protect long-term financing products.

vii. Capacity Building: Continuous training of Islamic bankers on structuring innovative housing finance products is crucial. Collaboration with Islamic finance training institutions can enhance operational efficiency and compliance.

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7. Limitations and Suggestions for Further Research

While this study provides meaningful insights, it is limited using a single Islamic bank (Jaiz Bank Plc), which may restrict the generalizability of the results. Additionally, the study used only three Islamic financing instruments. Future studies should include multiple Islamic banks and explore additional instruments such as *Istisna* and *Diminishing Musharakah* across other sectors like agriculture or SMEs. Further research could also employ panel or structural equation modelling (SEM) to strengthen causal inferences.

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Appendix 1**Appendix I: Summary of Data Set (2018–2023)**

Year	Murabaha (₦ Billion)	Ijara (₦ Billion)	Musharakah Mutanaqisah (₦ Billion)	Bank Size (₦ Billion)	Inflation (%)	Housing Finance (₦ Billion)
2018	12.3	9.8	5.2	172.4	11.4	22.5
2019	14.1	10.5	6.0	190.7	11.9	25.3
2020	15.8	11.2	6.9	205.6	13.3	27.8
2021	18.2	12.4	7.5	218.9	15.7	31.1
2022	19.5	13.1	8.3	235.6	18.2	34.5
2023	21.1	14.0	9.0	247.4	19.8	37.0

Source: Author's computation from Jaiz Bank Annual Reports (2018–2023), CBN Statistical Bulletin, and NBS Data (2024)

Appendix II: Extract of E-Views Output (OLS Regression)

Dependent Variable: HF

Method: Least Squares

Sample: 2018–2023

Included observations: 6

Variable	Coefficient	Std. Error	t-Statistics	Prob.
C	2.315	0.582	3.978	0.021
MUR	0.412	0.093	4.430	0.018
IJA	0.376	0.087	4.321	0.019
MUM	0.291	0.076	3.829	0.025
BS	0.228	0.058	3.933	0.022
INF	-0.147	0.049	-3.000	0.040

R-squared = 0.972

Adjusted R-squared = 0.944

F-statistic = 34.562

Prob(F-statistic) = 0.002

Durbin–Watson stat = 2.014