International Journal of ʿUmrānic Studies
Jurnal Antarabangsa Kajian ʿUmrān
المجلة العالمية للدراسات العمرانية

Journal homepage: www.unissa.edu.bn/ijus

Vol. 8, Number 1 | January 2025

AN ANALYSIS OF THE FINANCIAL PERFORMANCE OF JAIZ AND TAJ BANKS THROUGH SHARIʿAH-COMPLIANT PRODUCTS[1]

Nazifi Dahiru Abdullahi[1], Abubakar Sadiq Isyaku[2]

[1]Jigawa State College of Remedial and Advanced Studies, Babura, Nigeria
[2]Islamic University in Uganda

[1] Corresponding Author: nazifida1@gmail.com, [2]abubakarsadiqisyaku1@gmail.com

Received: 3/2/2025 Revised: 13/3/2025 Accepted: 25/3/2025 Published: 31/3/2025

ABSTRACT

Methodology: This study adopts an ex post facto quantitative research design to evaluate the impact of three Shari'ah-compliant products—Murabahah, Ijarah, and Sukuk—on the financial performance of Jaiz and Taj Banks in Nigeria. Secondary data from the banks' annual reports covering 2019 to 2023 were analyzed using descriptive statistics, correlation analysis, and Ordinary Least Squares (OLS) regression.

Main Findings: The findings reveal that Murabahah and Sukuk have a significant and positive effect on the banks' financial performance as measured by Return on Equity (ROE), whereas Ijarah has no statistically significant impact. These results suggest that Murabahah and Sukuk are more effective in driving profitability in the context of Nigerian Islamic banks.

Application of this Study: The study offers practical insights for Islamic banks in Nigeria and other emerging markets, highlighting which Shari'ah-compliant financial instruments can better enhance profitability. It informs strategic investment decisions and supports financial institutions in optimizing the deployment of Islamic products.

Novelty/Originality of this Study: Unlike previous research primarily conducted in Asian contexts, this study fills a significant research gap by providing empirical evidence from the Nigerian Islamic banking

[1] How to cite this article:

APA Style: Abdullahi, N. D., & Isyaku, A. S. (2025). An analysis of the financial performance of Jaiz and Taj Banks through Shari'ah-compliant products. *International Journal of ʿUmranic Studies*, 8(1), 59–74.

Chicago Manual of Style: Abdullahi, Nazifi Dahiru, and Abubakar Sadiq Isyaku. 2025. "An Analysis of the Financial Performance of Jaiz and Taj Banks through Shari'ah-Compliant Products." *International Journal of ʿUmranic Studies* 8, no. 1: 59–74.

sector. It uniquely evaluates both banking and non-banking Shari’ah-compliant products using recent and localized data.

Significance: This study contributes to the limited body of empirical research on Islamic banking in sub-Saharan Africa. It supports policy development, investor confidence, and product innovation in non-interest banking systems, thereby promoting financial inclusion and ethical finance in the region.

Keywords: Islamic Banking, Nigeria, Shari’ah-Compliant Products, Return on Equity (ROE), Murabahah, Ijarah, Sukuk, Financial Performance.

INTRODUCTION

Islam mandates Muslims to uncompromisingly follow the dictates of the religion in all settings and circumstances. However, this does not mean Islam is not adaptive; it is an open and flexible religion that accepts innovations in *Muamalat* (human transactions) provided they do not contradict its teachings. The religion is only unbending in matters relating to worshipping almighty Allah. For this reason, Muslims for a very long time, started to quest for a financial system that matches their religion, because conventional finance deals with certain practices that are considered prohibited such as; the transfer of risk and interest. Ahmad et al. (2020) emphasize that the emergence of Islamic Banking products also known as non-interest banking products across the globe resulted from the increasing need of the Muslim populations that reject or refuse to deal with interest-bearing financial systems.

Since then, Islamic Banking gained significant attention worldwide as an alternative financial system grounded on sharia (Lewis & Algaoud, 2001). The MitGhamr Savings Bank, established in 1963 in Egypt, is commonly referred to as the first example of Islamic banking in the modern world (Iqbal & Molyneux, 2005). Islamic Banking continues to experience rapid growth and is being practised in almost 70 countries of the world including the United Kingdom (UK), Malaysia, China, Singapore, Canada, the United States of America (USA), the United Arab Emirates (UAE), South Africa, Kenya etc. (Ahmad et al., 2020). The British Regulatory Body (BRB), the Financial Services Authority (FSA), has been playing an important role in promoting Islamic banking across the United Kingdom (UK) leading to the establishment of the Islamic Bank of Britain (Elfakhani et al., 2007).

Islamic banking distinguished itself from conventional banking for its ethical approach guided by religion (Abdullahi & Bolatito 2024). Its products are strictly compliant with Islamic law that prohibits *riba* (interest) and *gharar* (uncertainty). Islamic banking products include *Mudarabah* (profit-sharing), *Musharakah* (joint venture), *Murabahah* (cost-plus financing), *Sukuk* (Islamic bond), *Ijarahh* (leasing), etc. Syahri and Harjito (2020) asserts that some of these products are offered by Islamic banks, while some are non-banking products such as; Sukuk and *Rahn* (Pledging). The primary task of Islamic banks is collecting funds from the surplus spending unit of the society and distributing them to the deficit spending unit based on Sharia principles (Syahri and Harjito, 2020).

In Nigeria, the emergence of Islamic finance resulted from the creation of a full-fledged Islamic banks; Jaiz Bank. Sa’id (2020) states that Jaiz Bank is the first non-interest financial institution that played a pioneering role in promoting Sharia-compliant products since its creation following the introduction of regulations by the Central Bank of Nigeria (CBN) in 2011. After eight years in 2019, Taj Bank became second to Jaiz and has further expanded the reach of non-interest banking in the country (CBN, 2019). The CBN regulation allowed for the establishment of Islamic banks and also Islamic banking windows within conventional banks (Bebeji et al., 2020). Consequently, Islamic banking products and services began to spread rapidly across the country, catering for the needs of Muslim consumers seeking ethical and interest-free financial solutions.

Institutional Background of Jaiz and Taj Banks and the Banking Model They Operate

Jaiz Bank was established in 2011 as the first fully operational Islamic bank in Nigeria, following the issuance of guidelines by the Central Bank of Nigeria (CBN) for non-interest financial institutions. It commenced operations in 2012 with the aim of offering Sharia-compliant banking services, ensuring financial transactions adhere strictly to Islamic principles by prohibiting interest *(riba),* uncertainty *(gharar),* and speculation (Sapovadia, 2015). Over the years, Jaiz Bank has expanded its reach and product offerings, becoming a dominant player in the Nigerian Islamic banking sector. Mahomed et. al. (2022) state that Taj Bank, on the other hand, was established in 2019, making it the second fully-fledged Islamic bank in Nigeria. Although relatively new, Taj Bank has positioned itself as a strong competitor in the non-interest banking space by offering innovative Islamic financial products and expanding its presence in key economic regions of the country.

Both Jaiz and Taj Banks operate as fully-fledged Islamic banks, meaning they exclusively offer Islamic financial products and do not have conventional banking windows (Jibril et. al., 2021). Unlike some commercial banks that provide Islamic banking products alongside conventional financial services, these two institutions operate purely within the framework of Islamic finance principles, ensuring complete adherence to Shari'ah-compliant banking models.

Their Geographical Coverage and Significance

Jaiz Bank is headquartered in Abuja, Nigeria with branches in major Nigerian cities, including Lagos, Kano, Kaduna, Maiduguri, and Port Harcourt and has been expanding its operations to other cities, making it the largest Islamic bank in Nigeria in terms of assets and customer base. The bank plays a key role in financial inclusion, especially among Muslim-majority states in northern Nigeria (Nmadu & Mika'ilu, 2018). The Taj Bank is also headquartered in Abuja, Nigeria, with branches in Abuja, Kano, Lagos, and Maiduguri. The bank focuses on providing digital Islamic banking solutions to enhance accessibility and customer experience while specializing in alternative financing models, particularly for Small and Medium Enterprises (SMEs) and infrastructure development (Nmadu & Mika'ilu, 2018). Both banks contribute significantly to the development of Islamic banking in Nigeria by increasing financial inclusion, offering ethical banking alternatives, and attracting investors interested in Sharia-compliant finance.

In a nutshell, both Jaiz and Taj Banks are fully-fledged Islamic banks, and they are distinct and independent entities, each operating under separate licenses issued by the Central Bank of Nigeria (CBN). Jaiz was founded in 2011, commenced operations in 2012 and is listed on the Nigerian Stock Exchange (NSE). Whereas, Taj Bank was established in 2019, making it a relatively new player in the market. Despite their differences, both banks share the common objective of promoting Islamic banking and financial inclusion in Nigeria.

Gano et al. (2024) asserted that the shift of integrating Islamic education and principles into Muslims' way of life and the prevalent use of Islamic banking products calls for the need to scientifically study the products concerning the financial performance of these institutions to assess their impact on financial growth. Studying and understanding this relationship is increasingly becoming crucial for promoting the products, attracting more investors and providing timely data for making informed decisions. Drawing from the literature, there are abundant studies written concerning Islamic banking products and financial performance of Islamic banks, but these researches are geographically limited to Asian countries such as; Malaysia, Indonesia, Qatar and UAE (Qambar, 2020). In Nigeria, there is a shortfall of these studies and the ones written are not timely.

It is in line with this, this paper seeks to study and analyse the financial performance of Jaiz Bank and Taj Bank concerning sharia-compliant products, while specifically focusing on Murabahah, Sukuk and Ijarahh to see how they contribute to the financial success of the two banks using ROE as performance metric.

Specifics objective

1. To assess the effect of Murabahah on the financial performance of Jaiz and Taj Banks
2. To investigate the impact of Ijarah on the financial performance of Banks
3. To evaluate the impact of Sukuk on the financial performance of the Banks

Research Hypothesis

Murabahah, a cost-plus financing model, is one of the most widely used Islamic banking products. Studies show that Murabahah financing plays a critical role in generating revenue for Islamic banks, as it provides low-risk and predictable returns (Kurniawan et al., 2024). Ahmad et al. (2020) found that Murabahah significantly enhances the profitability of Islamic banks in Malaysia, while a study by Aress and Abdul (2023) confirmed its positive impact on ROE in Kenyan Islamic banks. However, some scholars argue that Murabahah, being **debt-based rather than profit-sharing**, may not always optimize financial performance in the long term (Hasan, 2024). Ijarah (leasing) is often considered a core product of Islamic banks, allowing institutions to earn fixed returns without engaging in interest-based transactions. While some studies report a **positive relationship** between Ijarah and financial performance, others indicate that **high administrative costs and operational risks** reduce its profitability (Thomi, 2014). Whereas, Sukuk has gained global recognition as a **highly effective capital-raising instrument** for Islamic financial institutions. Empirical evidence suggests that banks investing in Sukuk tend to experience **higher profitability and financial stability** due to their asset-backed nature and structured returns (Alhammadi et al., 2024).

Based on these insights, this study hypothesised that:

1. HO_1 Murabahah has no significant effect on the financial performance of Jaiz and Taj Banks
2. HO_2 Ijarah has no significant effect on the financial performance of the Banks
3. HO_3 Sukuk has no significant effect on the financial performance of the Banks

LITERATURE REVIEW

It is indubitable that the ultimate goal of any venture is profit maximization (Obrinsky, 2015). This necessitates all businesses to look and research critically into their ways of operation to make sure their operations and all that they do contribute to their overall goal. Some Islamic social instruments such as waqf and zakat are meant to promote communal well-being (Abdullahi et al., 2024). After the inception of Islamic banking, researchers and financial institutions started to investigate their profitability to discover how it affects the financial performance of the banks offering these products. Therefore, studies on the effects of Islamic banking products and financial performance are abundantly written. However, going through the literature, it's discovered that most so the studies are limited to using Islamic banking products such as; Murabahah, Mudaraba, Ijarah and Bai salam and financial performance as their variables. They mostly limited their investigation to the products that are being offered by the banks, while largely neglecting other products to which the bank itself can be a subscriber such as; sukuk and Islamic treasury bills. Some studies in the literature suggest further research should be conducted on these products. Therefore, this current study puts both the banking and non-banking products together and simultaneously investigates their impacts on the financial performance of two Nigerian Banks - Jaiz and Taj Banks.

Conceptual Review

Concept of Sharia-compliant Products

In Islamic financial discourse, the plethora of studies seems not to dwell so much on what constituted Shari'ah-compliant products, and what makes it different from Islamic banking products, non-banking products and Islamic financial products. The concepts are in most cases used interchangeably without noting their differences.

From a wider perspective, Shari'ah-compliant products go beyond finance to cover a broad range of areas in business, commerce, food, healthcare, and lifestyle (Uddin, et. al., 2024). These products are designed to strictly comply with Islamic law (Shariah), making sure that they are in line with ethical, social, and sharia principles derived from the Quran and Sunnah. Abdulbasith (2019) states that Shari'ah-compliant products encompass various products that are fully adhesive to shari'ah principles, cutting across financial and non-financial products such as; Halal food and beverages, medicines, cosmetics, Modest clothing, hotels and resorts, Islamic banking products, Takaful (Islamic insurance), Halal e-commerce platforms, etc.

Narrowing down to Islamic finance discourse, Shari'ah-compliant products are used in substitution for Islamic banking products and Islamic financial products, while they are yet distinct. Shari'ah-compliant products refer to all the financial, banking and non-banking products. This may include voluntary and philanthropic products that comply with shari'a. They're products such as; Murabahah, Ijarah, Sukuk, Rahn, Waqf, Takaful, etc. (Buziek, 2011).

Islamic banking products are limited to only those financial products being offered by Islamic banks, they include but are not limited to; Murabahah, Musharaka and Ijarah, whereas Islamic financial products extend beyond banking, they cover those products that involve monetary transactions, investments, or financing structures that provide returns based on profit-sharing.

From this, it can be decerned that, Shari'ah-compliant products are more comprehensive in that they encompass all the banking, non-banking, financial and non-financial products provided they agree with Shari'ah principles. Islamic financial products are second to Shari'ah-compliant products in terms of broadness, because they comprise both banking and non-banking products, whereas Islamic banking products are solely confined to those Shari'ah-compliant products offered by banks.

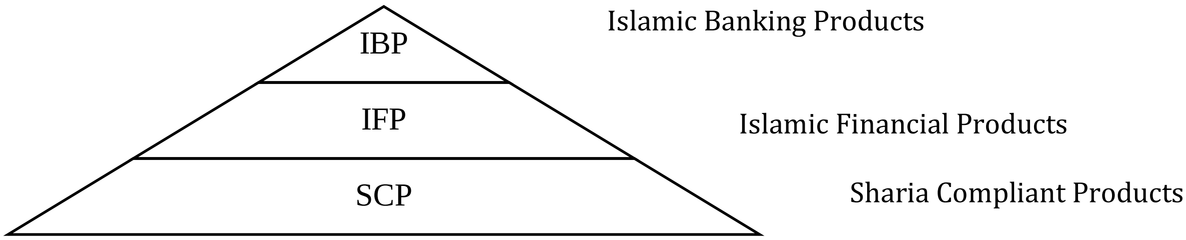

Figure 1: Highlighting differences in terms of broadness of the concepts

Features of Shari'ah-compliant Products

The essence of Shari'ah-compliant products is to promote justice, transparency, and ethical investments that agree with Islamic values. They are structured to ensure compliance with Islamic commercial laws. According to Elasrag (2018), Shari'ah-compliant products are characterized by risk-sharing, asset-backing, and the avoidance of transactions involving interest or speculative practices. The instruments are built on profit-and-loss sharing arrangements (such as Mudarabah and Musharakah) or debt-based products like Murabahah (cost-plus financing), Ijarahh (leasing), and Salam (forward sales). These products operate while strictly observing principles derived from the Quran and Sunnah, and the key distinctive characteristics that distinguish them from conventional finance are;

a) Prohibition of Riba (interest)
b) Absence of Gharar (excessive uncertainty), and
c) Maysir (gambling)
d) Ethical Investments and Social Justice

The prohibition of riba is a cornerstone of Shari'ah-compliant products. Kahf and Yildiran (2024) assert that Riba is any predetermined and guaranteed increase in capital, which is unjust as it exploits borrowers. In contrast, Islamic finance promotes profit-sharing, where financial gains result from productive activities. The prohibition of Gharar and Maysir is intended to protect parties from transactions involving excessive uncertainty or gambling, ensuring transparency and fairness in financial dealings (Kahf & Yildiran 2024). Ethical Investments and Social Justice is another distinctive nature of Shari'ah-compliant products. As Hasan (2024) noted Shari'ah-compliant products are not merely about profitability but also about promoting social justice, sustainability, and fairness. Islamic financial institutions are encouraged to invest in Halal (permissible) activities and avoid industries that are harmful to society, like alcohol, gambling, and tobacco.

To evaluate the financial performance of Jaiz and Taj banks, this study considered using three Shari'ah-compliant products. Two banking products and one non-banking product – Ijarah (Leasing), Murabahah (cost-plus financing) and Sukuk (Islamic bonds). The study investigated how these three products impact the financial performance of the two banks, focusing on return on equity (ROE) as the performance metric.

Concept of Murabahah, Ijarah and Sukuk

Murabahah is an Arabic term adapted to mean cost-plus financing in Islamic finance. Kurniawan et al. (2024) state that Murabahah is one of the most widely used products in Islamic banking, where the bank purchases an asset and sells it to the customer at a predetermined profit margin. Ijarah in Islamic finance corresponds to the conventional term leasing. It is a banking contractual product that involves renting an asset, where the lessor (owner) leases the asset to the lessee (user) for a specific period at an agreed-upon rental fee. The ownership remains with the lessor, but the lessee has the right to use the asset. At the end of the lease term, the lessee may have the option to buy the asset. (Mufrina & Sufiarina, 2024).

Sukuk is equal to conventional bonds. They are Islamic financial certificates that are compliant with Islamic law. They represent a share in an asset, project, or business venture. Investors in Sukuk receive returns derived from the income generated from the investment funded by the Sukuk (Alhammadi et. al., 2024) For instance, a Sukuk issued for a real estate project would allow investors to earn returns based on rental income. Sukuk can be categorized into various types based on their structures.

Thus, the types of sukuk include but are not limited to:

Sukuk Ijarah: This is based on a leasing agreement. The issuer buys an asset and leases it to the investors (Oredein et. al., 2023). The rental income generated is distributed to the Sukuk holders.

Sukuk Murabahah: This involves the sale of an asset at a profit margin. The Sukuk holders are essentially financing the purchase of an asset, and they receive returns based on the markup on the sale price (Oredein et. al., 2023).

Sukuk Musharakah: This involves a partnership where all parties contribute capital to a project. Profits are shared according to the equity participation, while losses are shared according to the capital contribution.

***Sukuk Mudarabah**:* In this structure, one party provides the capital (the investor), while another manages the investment. Profits are shared according to a predetermined ratio, but losses are borne only by the capital provider.

Sukuk Istisna: Oredein et. al. (2023) states that Sukuk Istisna is used for manufacturing goods. A party commissions a manufacturer to produce an asset, and Sukuk holders provide the financing. The returns come from the sale of the finished product.

Sukuk Wakalah: In this structure, the issuer appoints a *wakil* (agent) to manage the funds on behalf of the Sukuk holders. The returns are based on the performance of the investment made by the agent.

Sukuk Hybrid: This combines features of different Sukuk types, allowing for more flexible structures to meet specific financing needs (Oredein et. al., 2023).

Concept of Financial Performance and Return on Equity

Financial performance is the evaluation of a firm's financial health and ability to generate profits over a certain period, expressed in monetary terms. It encompasses how effectively an organization manages its resources, assets, and operations to maximize shareholder value and achieve its financial objectives (Wahyudi, 2023). The primary elements of financial performance are:

Profitability: This refers to the company's ability to generate income and sustain growth in the long term. Measures like net profit margin, gross profit margin, and earnings before interest and taxes (EBIT) are common indicators.

Liquidity: It assesses the firm's ability to meet short-term obligations, typically measured by current ratio and quick ratio.

Solvency: This reflects the company's long-term financial stability and ability to meet its debt obligations, often measured by the debt-to-equity ratio.

Market Value: It is the measure of shareholder value, often analyzed through earnings per share (EPS) or price-to-earnings (P/E) ratio (Wahyudi, 2023).

The most widely used metrics in assessing financial performance include; Return on Assets (ROA), Net Income and Return on Equity (ROE). This study used ROE to measure the financial performance of Jaiz and Taj banks concerning Murabahah, Ijarah and Sukuk products. ROE measures the return generated on shareholders' equity investments, indicating how well the company generates profit from the equity financed by investors. The formula for ROE is:

$$\text{ROE} = \frac{\text{Net Income}}{\text{Shareholders' Equity}} \times 100$$

Where:

- Net Income: is the profit a company has earned over a specific period, typically a year.
- Shareholders' Equity: is the total equity or ownership interest in the company, calculated as total assets minus total liabilities.

Empirical Review

Bashir and Gorton (2023) asserted that empirical studies on Islamic banking and financial performance largely focus on the role of Sharia-compliant instruments in enhancing the profitability and efficiency of Islamic banks. These studies rely on real-world data, statistical analysis, and case studies to assess the impact of specific Islamic financial products. However, research on the performance of individual Sharia-compliant instruments, particularly in the Nigerian context, remains limited, necessitating further investigation.

Murabahah, a cost-plus financing model, is one of the most widely used Islamic banking products globally. Studies have found contrasting results regarding its impact on financial performance. Concerning its positive impact, Ahmad et al. (2020) demonstrated that Murabahah financing positively impacts return on equity (ROE) in Malaysian Islamic banks due to its low-risk nature and predictable profit margins. Similarly, Aress and Abdul (2023) found that Murabahah contributed to higher financial performance in Kenyan Islamic banks, as it provided a stable income stream with minimal risk exposure. However, some suggest that it has a neutral or negative impact. Hasan (2024) noted that Murabahah's fixed-margin model may limit profitability in competitive banking environments, particularly when compared to profit-and-loss-sharing models like Mudarabah and Musharakah. In some cases, over-reliance on Murabahah can lead to profit stagnation due to fixed return structures that do not capitalize on market fluctuations.

Ijarah allows banks to generate revenue without engaging in interest-based transactions. However, empirical studies present varied perspectives on its profitability. Wahyudi (2023) found that Ijarah-based financing enhances financial performance, particularly in asset-intensive industries. However, Thomi (2014) noted that Ijarah financing may not always translate to profitability, as it incurs higher administrative and maintenance costs. The risk of asset depreciation and liquidity constraints often reduces operational efficiency in banks that heavily rely on Ijarah. Therefore, its inconsistent performance suggests that its effectiveness depends on the operational efficiency of banks and their ability to mitigate risks associated with asset management.

Sukuk (Islamic bonds) have gained global recognition as a strategic capital-raising tool for Islamic banks. Compared to conventional bonds, Sukuk are asset-backed and structured flexibly making them an attractive option for both issuers and investors. Alhammadi et al. (2024) found that Sukuk investments significantly enhance financial performance, particularly in countries with well-developed Islamic financial markets. Ahmad et al. (2020) also confirmed a strong positive relationship between Sukuk issuance and bank profitability, emphasizing its role in long-term financial stability. Oredein et al. (2023) pointed out that the impact of Sukuk varies across regions, with Middle Eastern and Southeast Asian banks benefiting more than African banks due to market depth and investor confidence. For Nigerian Islamic banks, Sukuk presents a major opportunity for financial growth, but its effectiveness depends on factors such as government policies, investor participation, and market infrastructure.

Theoretical Framework and Review

Jaiz and Taj banks being commercial and operated based on Shari'ah, the Profit and Loss Sharing Theory and Efficiency Theory that emphasized sharing returns, profit maximization and minimizing cost can provide an invaluable theoretical foundation for the study in analyzing the financial performance of the banks being studied. Efficiency Theory examines how financial institutions optimize their operations to maximize returns and minimize costs (Gunjan and Bhattacharyya, 2023). In the context of Shari'ah-compliant banking, efficiency becomes a critical measure of performance, particularly because Islamic banking involves unique product structures, such as Murabahah (cost-plus financing) and Ijarah (leasing), which may require additional strategies for better operation.

PLS Theory is central to Islamic finance, supporting the idea of risk-sharing between banks and clients. The two primary PLS instruments, Mudarabah (profit-sharing) and Musharakah (joint venture) enable banks to share profits and losses with clients rather than charging interest (Riba). This arrangement aligns with Islamic ethical principles but also poses unique financial challenges, particularly in terms of risk exposure and return variability (Gunjan and Bhattacharyya, 2023).

The relationship between the study's variables (Murabahah, Ijarah, Sukuk, and financial performance) and the theories lies in the Murabahah's deviation from PLS (fixed-margin instead of shared risk) explains why its impact on financial performance varies, while Sukuk resonates closely with PLS due to its asset-backed structure, contributing to stronger financial performance in most cases. For the Efficiency Theory, the efficiency of Ijarah is questioned due to high asset maintenance costs. Whereas Sukuk and Murabahah demonstrate high efficiency when structured properly, leading to better financial outcomes.

METHODOLOGY

The study employed an ex post facto research design to investigate the relationship between the dependent and independent variables. Jaiz Bank and TAJ Bank were selected as the study population. These institutions are key players in the Nigerian Islamic banking sector, with a solid operational history and comprehensive financial data for the specified period. The study utilizes secondary data sourced from the annual reports and accounts of Jaiz and Taj Banks – the two primary Islamic banks in Nigeria for the period of 2019 to 2023. Murabahah, Ijarah and Sukuk investments were lifted directly from the statements of the financial position of Jaiz and Taj banks from 2019 to 2023. Financial performance was measured by proxy using return on equity

Return on Equity is measured as $\mathrm{ROE} = \frac{\text{Net Income}}{\text{Shareholders' Equity}} \times 100$

All variables are presented in their natural logarithm form, except for Return on Equity which is a percentage and requires no transformation.

Model specification

ROE = F (MU,IJ AND SK)

$ROE_t = \beta_0+\beta_1 MU_t+\beta_2 IJ_t+\beta_3 SK_t +\epsilon_t$

Where;

- ROE_t is the Return on Equity at time t,
- β_0 is the intercept term.
- β_1, β_2, and β_3 are the coefficients for the independent variables.
- MU_t: Murabahah
- IJ_t: Investment Ijarah
- SK_t: Investment in Sukuk
- ϵt is the error term, capturing the effect of other factors not included in the model

Data Analysis Method

The study employed descriptive, correlation and multiple regression specifically Ordinary Least Square Regression (OLS) to investigate the impact of independent variables of the study on the dependent variable.

RESULTS AND DISCUSSION

Descriptive Statistics

Table 1 **Descriptive Statistics**

	N	Minimum	Maximum	Mean	Std. Deviation
MU	10	22.4636	25.5464	24.412606	.9680352
IJ	10	20.2130	24.8325	23.031413	1.5525712
SK	10	22.1818	25.7485	24.192842	1.2199299
ROE	10	-.5363	28.5825	16.937831	8.2386070
Valid N (listwise)	10				

The descriptive statistics for the variables MU, IJ, SK, and ROE (Table 1) provide insights into their distribution across the 10 observations. MU has a mean of 24.41, with a minimum of 22.46 and a maximum of 25.55, indicating low variability, as reflected in its standard deviation of 0.97. Similarly, SK has a mean of 24.19, ranging between 22.18 and 25.74, with a moderate standard deviation of 1.22. IJ, on the other hand, shows a wider spread with a mean of 23.03, a minimum of 20.21, and a maximum of 24.83, along with a higher standard deviation of 1.55, suggesting greater variability compared to MU and SK.

In contrast, ROE exhibits the most significant variation, with a mean of 16.93, a minimum of -0.54, and a maximum of 28.58, resulting in a high standard deviation of 8.24. This wide range indicates inconsistent performance across the sample, with some observations showing negative values and others achieving strong positive outcomes. While the means of MU, IJ, and SK are relatively close, the variability in IJ and the substantial spread in ROE suggest potential differences in behaviour or factors influencing these variables. Given the small sample size of 10, the findings should be interpreted cautiously.

Correlation Matrix

Table 2 **Correlations**

		MU	IJ	SK	ROE
MU	Pearson Correlation	1			
	Sig. (2-tailed)				
IJ		.853**	1		
	Sig. (2-tailed)	.002			
SK	Pearson Correlation	.886**	.974**	1	
	Sig. (2-tailed)	.001	.000		
ROE	Pearson Correlation	.937**	.839**	.880**	1
	Sig. (2-tailed)	.000	.002	.001	

The correlation analysis (Table 2) reveals significant positive relationships between all the variables at the 0.01 level. MU demonstrates a strong positive correlation with IJ ($r = 0.853$, $p = 0.002$), SK ($r = 0.886$, $p = 0.001$), and ROE ($r = 0.937$, $p = 0.000$), indicating a high degree of association. Similarly, IJ exhibits a very strong correlation with SK ($r = 0.974$, $p = 0.000$) and a robust association with ROE ($r = 0.839$, $p = 0.002$). These results suggest that as IJ increases, SK and ROE also tend to rise proportionally.

Furthermore, SK and ROE also maintain a strong positive correlation ($r = 0.880$, $p = 0.001$), reinforcing the interrelatedness of these variables. The consistently significant results indicate that the variables are closely linked within the sample, suggesting potential multi-collinearity in further regression analysis. These findings emphasize the importance of considering these relationships when interpreting the dynamics among MU, IJ, SK, and ROE.

Regression Results

Multiple regressing analysis was computed to derive the relationship between the variables.

Model Summary

Table 3 **Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.944[a]	.892	.838	3.3167726

The model summary (Table 3) indicates a strong overall fit, with an R-value of 0.944, suggesting a high degree of correlation between the predictors (MU, IJ, SK) and the dependent variable. The R Square value of 0.892 implies that approximately 89.2% of the variance in the dependent variable is explained by the model, demonstrating its robustness. The Adjusted R Square, slightly lower at 0.838, accounts for the number of predictors in the model and still indicates a strong explanatory power. The standard error of the estimate, 3.317, reflects the average deviation of observed values from the predicted values, signifying an acceptable level of accuracy for the model.

Analysis of Variance (ANOVA)

Table 4 **ANOVA**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	544.866	3	181.622	16.510	.003[b]
	Residual	66.006	6	11.001		
	Total	610.872	9			

The ANOVA results (Table 4) reveal that the regression model is statistically significant, with an F-value of 16.510 and a p-value of 0.003, indicating that the independent variables (MU, IJ, SK) collectively have a significant effect on the dependent variable (ROE). The sum of squares for the regression is 544.866, while the residual sum of squares is 66.006, showing that a substantial portion of the variance in ROE is explained by the model. The mean square values further emphasize the model's explanatory power, as the regression mean square (181.622) is much larger than the residual mean square (11.001). These findings confirm the overall effectiveness and significance of the predictors in explaining variations in ROE.

Regression Coefficients

Table 5 **Coefficients**

T		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-180.059	34.973		-5.149	.002
	MU	6.161	2.471	.724	2.493	.047
	IJ	1.096	3.159	.207	.347	.741
	SK	2.969	4.526	.440	.656	.036

The regression results presented in Table 5 demonstrate the impact of Murabahah, Ijarah, and Sukuk on the financial performance (ROE) of Jaiz and Taj Banks. The coefficient for Murabahah is 6.161 (p = 0.047), indicating a significant positive relationship with ROE. This suggests that increased Murabahah investments lead to improved financial performance. Conversely, the coefficient for Ijarah is 1.096 (p = 0.741), which is not statistically significant, implying that Ijarah has no substantial effect on ROE. Meanwhile, Sukuk shows a coefficient of 2.969 (p = 0.036), indicating a significant positive relationship with ROE. These findings highlight Murabahah and Sukuk as key drivers of financial performance, as shown in Table 5.

CONCLUSION AND RECOMMENDATIONS

The findings of this study reveal that Murabahah has a positive and significant effect on the financial performance of Jaiz and Taj Banks, as measured by return on equity (ROE). This finding aligns with the study by Aress and Abdul (2023) which demonstrated that Islamic banking products positively and significantly influence the financial performance of banks in Kenya. It highlights the importance of Murabahah as a key Islamic financing instrument contributing to the profitability and sustainability of Islamic financial institutions.

On the other hand, the study shows no significant relationship between Ijarah and the financial performance of Jaiz and Taj Banks. This result corroborates the findings of Thomi (2014), who also observed no significant impact of Ijarah on financial performance. The lack of significance may suggest challenges in the effective utilization or demand for Ijarah products in the Nigerian Islamic banking context or may indicate differences in operational efficiencies compared to other Islamic financial instruments. Furthermore, the study demonstrates that Sukuk investments have a positive and significant effect on the financial performance of Jaiz and Taj Banks, supporting the findings of Ahmad et al. (2020). Their study concluded that investments in Sukuk are positively and statistically significantly related to financial performance, as measured by ROE. This highlights the critical role Sukuk plays in generating stable returns and contributing to the overall financial performance of Islamic banks.

Based on the findings of this study, the following recommendations are proposed:

1. **Enhance the Deployment of Murabahah Financing**: Given the positive and significant impact of Murabahah on the financial performance of Jaiz and Taj Banks, these institutions should focus on expanding the use of Murabahah financing. This can be achieved by developing tailored Murabahah products that address the specific needs of their customers, improving operational efficiency, and creating awareness among potential clients about the benefits of Murabahah financing.
2. **Improve the Efficiency of Ijarah Financing**: Although Ijarah did not show a significant relationship with financial performance, it remains an essential Islamic financing instrument. Banks should evaluate their current Ijarah processes to identify areas for improvement, such as pricing strategies, risk management, and marketing. Enhancing customer education about Ijarah products could also help increase demand and utilization.
3. **Leverage the Potential of Sukuk Investments**: With Sukuk investments positively and significantly contributing to financial performance, Jaiz and Taj Banks should increase their participation in Sukuk markets. They can achieve this by strategically diversifying their Sukuk portfolios, investing in high-performing and sustainable Sukuk instruments, and actively participating in Sukuk issuance and management to boost returns. Additionally, promoting Sukuk as a secure and profitable investment option can attract more investors to the banks.

REFERENCES

Journal Articles

Abdullahi, N. D., & Bolatito, A. O. S. (2024). A Faith-Based Framework for Mitigating Corruption in Nigeria; An Islam-Christian Perspective. Al-Iqtishad: Jurnal Ilmu Ekonomi Syariah, 16(2).

Abdullahi, N. D., Ibrahim, I. A., Umar, A. S., & Taufiq, A. (2024). Security dimension of zakat: Strengthening Islamic education, mitigating social unrest, and promoting sustainable communities. Tadibia Islamika, 4(2), 93–100.

Alhammadi, S., Archer, S., & Aloumi, D. (2024). Sukuk structure and risk exposures: Evidence from an originator perspective. Journal of Islamic Accounting and Business Research.

Aress, A. H., & Abdul, F. (2023). Islamic banking products and financial performance of banks in Nairobi County, Kenya. International Academic Journal of Economics and Finance, 3(9), 374–394.

Bashir, F. M., & Gorton, C. (2023). Comparative Analysis of Financial Performance: Conventional Banks vs. Sharia Banks. Indonesia Accounting Research Journal, 11(1), 51–67.

Bebeji, U. S., Bala, H., & Bala, H. (2020). The legal framework for Islamic banking and the quest for financial inclusion in Nigeria. Jurnal Syariah, 28(3), 501–538.

Gano, A. A., Abdullahi, N., Adam, Z. L., & Setyawan, C. E. (2024). Integrating Islamic principles into human resource management: Advancing organizational success through Islamic education and ethical practices. Tadibia Islamika, 4(2), 62–74.

Gunjan, A., & Bhattacharyya, S. (2023). A brief review of portfolio optimization techniques. Artificial Intelligence Review, 56(5), 3847–3886.

Hasan, S. (2024). Philanthropy and social justice in Islam: Principles, prospects, and practices. Prospects and Practices (January 30, 2024).

Jibril, B. T., Hamid, K. T., Muhammad, A. D., & Rabi’u, W. T. (2021). Awareness and perception of customers on Islamic banking products and services: A meta-synthesis. Journal of Accounting Research, Organization and Economics, 4(3), 234–247.

Kahf, M., & Yıldıran, S. (2024). Why does Islamic finance reject interest? In The Law of Riba in Islamic Banking (pp. 9–26). Routledge.

Kokkotou, E., et al. (2024). Real-world data and evidence in lung cancer: A review of recent developments. Cancers, 16(7), 1414.

Kurniawan, M. R., Anggraeni, S. T., & Hasanah, U. (2024). The problem of akad Murabahah in sharia banks: Between profit-oriented and sharia compliance. Demak Universal Journal of Islam and Sharia, 2(01), 55–66.

Lewis, M. K., & Algaoud, L. M. (2001). Islamic banking. Islamic Banking. Edward Elgar Publishing.

Lotfi, Z. N. (2024). Islamic finance as an alternative for financing the Algerian economy post-COVID-19. International Journal of Economic Perspectives, 18(6), 1008–1035.

Mufrina, M., & Sufiarina, S. (2024). Lease purchase agreement and possession of ship deed with purchase option rights. International Journal of Humanities Education and Social Sciences, 3(5).

Nmadu, Y. B., & Mika'ilu, A. (2018). Financial inclusion and deepening in Nigeria: The contribution of Jaiz Bank. Share: Jurnal Ekonomi dan Keuangan Islam, 7(2), 95–115.

Sa'id, Hadiza. "Exploring the development of Islamic banking in Nigeria using an actor-network theory perspective." Journal of Islamic Accounting and Business Research 11.5 (2020): 1083-1099.

Syahri, N. A., & Harjito, D. A. (2020). The effect of financing using the principle of profit-loss sharing on profitability level of commercial Islamic bank registered in Bank Indonesia. Asian Journal of Islamic Management (AJIM), 46–58.

Uddin, M. N., et al. (2024). Guidelines for developing the shari'ah-compliant products and shari'ah governance for sustainable banks in Bangladesh. Business Strategy & Development, 7(1), e309.

Wahyudi, S. K. (2023). Determinants of financial performance with company size as a moderation variable. Journal of Social Science, 4(2), 580–592.

Books

Elasrag, H. (2018). Islamic Finance: Basic Concepts and Issues. CreateSpace Independent Publishing Platform.

Iqbal, M., & Molyneux, P. (2016). Thirty Years of Islamic Banking: History, Performance and Prospects. Springer.

Obrinsky, M. (2015). Profit Theory and Capitalism. University of Pennsylvania Press.

Book Chapters

Elfakhani, S. M., Zbib, I. J., & Ahmed, Z. U. (2007). Marketing of Islamic financial products. In Handbook of Islamic Banking, 116.

Mahomed, Z., Akinlaso, M., & Mohamad, S. (2022). Reactivating abandoned infrastructure development and considering the Islamic finance option: A case study of Nigeria. In Islamic Finance in Africa (pp. 116–142). Edward Elgar Publishing.

Conference Papers

Ahmad, A., Garba, A., & Sadiq, S. A. (2020). Non-Interest Banking Products and Financial Performance of Jaiz Bank Plc. Paper presented at the 9th Islamic Banking, Accounting and Finance International Conference (IBAF 2020).

Theses and Dissertations

Abdulbasith, A. (2019). Environmental, Social and Governance Disclosure and Profitability: GCC Banks' Comparative Study. Master's Thesis.

Buziek, S. (2011). The Practice of Murabaha: A Comparative Study Between Bank Muamalat Indonesia and Albaraka Bank in South Africa. Master's Thesis, Syarif Hidayatullah State Islamic University Jakarta.

Qambar, R. (2020). An Exploratory Study of Risk Perception and Consumer Decision Making in Islamic Banking Products in UAE. PhD Diss., Cardiff Metropolitan University.

Thomi, D. K. (2014). The Effect of Islamic Banking Products on the Financial Performance of Commercial Banks in Kenya. Master's Thesis, University of Nairobi.

Reports / Working Papers / Unpublished

Oredein, A. O., et al. (2023). The Concept of Sukuk and its Applications in Contemporary Islamic Financial System. [Unpublished / Working Paper].

Case Study (SSRN)

Sapovadia, V. K. (2015). Jaiz Bank, Nigeria: A case study on the non-interest bank, (December 22, 2015), SSRN. https://doi.org/10.2139/ssrn.2707003