



ASSESSING HOW ISLAMIC BANKING SERVICES INFLUENCE THE NON-FINANCIAL PERFORMANCE OF SELECTED DEPOSIT MONEY BANKS IN NIGERIA

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Abstract

Non-interest banking services are designed to enhance financial inclusion and deepen financial intermediation, particularly for entrepreneurs who face difficulties accessing capital through traditional banking channels. Despite extensive studies on the financial performance of these institutions, there remains a gap in understanding the impact of Islamic banking services on the non-financial performance of deposit money banks in Nigeria. This study, therefore, assesses how Islamic banking services influence the non-financial performance of selected deposit money banks in Nigeria. Using a survey research design, structured questionnaires were administered to credit officers of selected banks in Nigeria for the 2025 fiscal year. Ordered logistic regression was employed to analyze five Islamic banking service variables: Ijara, Murabaha, Mudaraba, Current Account, and Savings Account products. The findings reveal that Ijara and Savings Account products have a positive and significant impact on non-financial performance, while Murabaha, Mudaraba, and Current Account products show no significant effects. Consequently, the study recommends that deposit money banks in Nigeria should expand Ijara product offerings and strengthen financial literacy initiatives to encourage a savings culture, thereby improving their non-financial performance.

Keywords: Islamic banking, Deposit money banks, Islamic banking products.

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1. Introduction

Islamic banking, also known as non-interest banking, has been a topic of interest in Nigeria due to its unique principles and potential impact on entrepreneurship and bank performance. Islamic banking operates under the principles of sharia law, which prohibits the payment or receipt of interest and instead emphasizes profit and loss sharing. This is a significant departure from conventional banking practices, which are based on interest-driven loans and investments (Dogarawa, 2015). Islamic banks promote financial inclusion and deepen financial intermediation, particularly for entrepreneurs who may face challenges in accessing capital through traditional banking channels (Jimoh et al., 2021). They also provide financial products and services that help both individuals and businesses access finance, thereby promoting financial inclusion (Rabaa & Younes, 2016). These products vary in duration, categorized as short-term, medium-term, or long-term based on specific features. For instance, Murabahah is a short-term financial product offered by Islamic banks (Ahmad et al., 2023). Medium-term financing includes products like Ijarah, while Mudaraba exemplifies long-term financing options in the Islamic banking system (Jimoh et al., 2021).

One significant challenge faced during the establishment of Islamic banking in Nigeria was the presence of islamophobia among certain individuals who saw the non-interest banking model as an effort to Islamize the country (Alao & Alao, 2012). Additionally, lack of awareness about the existence of such banks, insufficient understanding of Islamic laws among bankers, and competition with conventional banks were other notable hurdles encountered by the system in Nigeria.

In recent years, the proliferation of non-interest banking has posed both opportunities and challenges for deposit money banks. And while the financial performance of these institutions has been extensively studied, there remains a gap in understanding the impact of non-interest banking on their non-financial performance, hence the reason for this study. Also, according to DeYoung and Rice (2004), the increasing presence of non-interest banking products in commercial banks has been widely documented and reported in the banking industry and regulatory publications early in developed countries (Goetz, 2012 in U.S.A.; Elsas, Hackethal & Holzhäuser, 2010 in USA, Canada, Australia, UK, Germany, France, Spain, Italy, and Switzerland; Berger, Hasan, Korhonen & Zhou, 2015 in Russia, among others). However, studies relating to non-interest banking products have been limited in developing countries, including Nigeria, although recent studies in Nigeria and other developing countries have become more aware of this discourse (see: Osifo & Evbayiro-Osagie, 2020; Ogbonna, 2021; Kemuma, 2021; Uniamikogbo et al., 2021; Suleiman & Gunu, 2021; Abdullahi, 2016, etc.). Nevertheless, there are inconsistencies in the results among authors,

particularly in Nigeria. Hence, the need for a more geographically comprehensive approach to address these variations in findings.

Research Questions

This study raised the following questions:

- a) What is the impact of Ijara products on the non- financial performance of selected deposit money banks in Nigeria?
- b) What effect do Murabaha products have on the non- financial performance of selected deposit money banks in Nigeria?
- c) What is the influence of Mudaraba products on the non- financial performance of selected deposit money banks in Nigeria?
- d) What impact do Non-Interest Banking (NIB) Current Account products have on the non- financial performance of selected deposit money banks in Nigeria?
- e) What is the influence of Non-Interest Banking (NIB) Savings Account products on the non- financial performance of selected deposit money banks in Nigeria?

Objectives of the Study

The general objective of this study is to examine the impact of non-interest banking services on the non-financial performance of Deposit Money Banks in Nigeria. The specific objectives are to:

- a) Assess the impact of Ijara products on the non- financial performance of selected deposit money banks in Nigeria.
- b) Evaluate the effect of Murabaha products on the non- financial performance of selected deposit money banks in Nigeria.
- c) Investigate the influence of Mudaraba products on the non- financial performance of selected deposit money banks in Nigeria.
- d) Evaluate the impact of Non-Interest Banking (NIB) Current Account products on the non- financial performance of selected deposit money banks in Nigeria; and
- e) Assess the influence of Non-Interest Banking (NIB) Savings Account products on the non- financial performance of selected deposit money banks in Nigeria.

Therefore, this research is essential to comprehend how the non-interest banking products affect the non-financial performance of deposit money banks in Nigeria. By analyzing NIB products, the study aims to

provide insights crucial for strategic decision-making and the long-term sustainability of deposit money banks in Nigeria.

However, it is worthy to note that while the financial performance of these institutions has been extensively studied, there remains a gap in understanding the impact of non-interest banking on their non-financial performance, hence the reason for this study.

2. Literature Review

2.1 Conceptual literature

The key concepts in relation to non-interest banking products and non-financial performance are discussed in this section.

Ijara Product

It is a financial instrument that is based on the Ijara principle, which means "lease to own" in Islamic finance. The basis of an Ijara transaction is the provision for use (rent, leasing) of a specific asset to the client (Jessop, 2015; and Basiurkina et al., 2020). Unlike conventional leasing, Ijara explicitly links its returns to real assets and assigns ownership-related risks to the lessor, in line with Islamic jurisprudence. According to Sari et al. (2023), the asset-backed nature of the Ijara product promotes customer confidence and perceived service quality, as customers associate leasing arrangements with fairness and transparency. These attributes also contribute to non-financial performance outcomes such as customer satisfaction, reputational strength, and long-term relationship banking (Sari et al., 2023). In this study, Ijara was also adopted as one of the variables of the non-interest product in assessing the non-financial performance of deposit money banks in Nigeria.

Murabaha Product

This involve sales deal where the seller discloses the cost to the buyer and then adds a markup to determine the selling price (Ahmed, 2010). It is, therefore, a widely used Islamic product and instrument, structured as a cost-plus sale. Here, the bank purchases an asset and resells it to its clients at a markup. The profit margin is fixed ex ante and does not vary with time, distinguishing Murabaha from conventional lending (Mustapha & AbdulQuadri, 2024). There is empirical evidence that reveals that Murabaha financing positively affects client trust and institutional legitimacy, although concerns remain about excessive reliance on Murabaha at the expense of profit-and-loss sharing products (Hussain et al., 2025). Murabaha was also considered a veritable product in this study for assessing the non-financial performance of deposit money banks in Nigeria.

It is an Islamic financial arrangement in which one party contributes capital while the other offers expertise and management, with profits distributed based on a pre-determined agreement, and in case of any loss, it is exclusively borne by the capital contributor (El-Gamal, 2006). According to Nwachukwu et al. (2025), the practical adoption of this product remains limited due to moral hazard, asymmetric information, and governance challenges. Nevertheless, the study argued that Mudaraba enhances ethical alignment, depositor confidence, and stakeholder engagement—key dimensions of non-financial performance if it is effectively implemented. Further, Mudaraba has been noted to reinforce Islamic banks' identity as risk-sharing institutions (Nwachukwu et al., 2025). In this study, Mudaraba was, however, included among the study variables in evaluating the non-financial performance of deposit money banks in Nigeria.

Non-Interest Banking (NIB) Current Account Products

These products are similar to those in conventional banks (Haron, 1996). When a customer holds a current account in an Islamic bank, they must sign an agreement allowing the bank to use their funds without any return (Khan and Mirakhor, 1990; Bashir, 1984). In return, they have the benefit of withdrawing their money whenever they need to (Al-Deehani, 1999). Primarily, non-interest current accounts in Islamic banking are designed for safekeeping and transaction purposes. Depositors do not earn guaranteed returns as the banks are prohibited from contractually promising any interest-based compensation (Hanif, 2024). This account is typically structured under a safekeeping arrangement and known as Wadiah (an Islamic term). According to Hanif (2024), customers perceive non-interest current accounts as ethical alternatives to conventional demand deposit accounts, contributing positively to customer retention, brand reputation, and institutional legitimacy, which are important non-financial performance indicators within the Islamic banking ecosystem. This study, therefore, adopts the non-interest current accounts as one of the Islamic banking products in examining the non-financial performance of deposit money banks in Nigeria.

Non-Interest Banking (NIB) Savings Account Products

These instruments do not earn interest on the balance maintained in the account. Such accounts are typically preferred by individuals or businesses that want to keep their money without earning any interest on their deposits (Khan et al., 2007). The non-interest savings accounts are most often structured using Mudaraba or Wadiah (safekeeping) contracts (Hanif, 2024). According to Rita & Sugiarti (2025), depositors' satisfaction with non-interest savings account products depends largely on governance quality, transparency, and profit-distribution mechanisms. They argued that these accounts influence non-financial performance by fostering ethical alignment, trust, long-term relationships, and enhancing customer

perception of fairness and accountability (Rita & Sugiarti, 2025). Consequently, this study adopts the non-interest savings account as one of the Islamic banking products in evaluating the non-financial performance of deposit money banks in Nigeria.

Non-financial performance

Non-financial performance indicators (NFPIs) serve as benchmarks for evaluating the extent to which an organization is realizing its strategic objectives. These metrics encompass dimensions such as customer contentment, employee involvement, inventive prowess, operational excellence, and societal accountability (Ahmed *et al.*, 2015; Ogunode *et al.*, 2022). According to Ahmed *et al.* (2015), its indicators delve into areas such as customer satisfaction, social responsibility, and environmental sustainability. NFPIs provide a holistic gauge of an entity's success beyond monetary considerations, reflecting the intricate interplay of diverse factors contributing to its overall performance (Rashid *et al.*, 2020). By delving into these non-financial parameters, one gains a nuanced understanding of how well an organization is navigating its strategic trajectory (Rashid *et al.*, 2020). This approach acknowledges the multifaceted nature of success, recognizing that financial metrics alone offer an incomplete portrayal of an entity's achievements (Ogunode *et al.*, 2022; Nwachukwu *et al.*, 2024).

In the context of this study, the argument of Ahmed *et al.* (2015) was followed, thereby pooling together metrics such as customer satisfaction, social responsibility, and environmental sustainability as a single measure of non-financial performance.

2.2 Theoretical literature

The theory underpinning this study is the Stakeholder Theory introduced by R. Edward Freeman in 1984, and posits that an organization should create value not just for its shareholders but for a wide array of stakeholders, including customers, employees, suppliers, communities, and others affected by the organization's actions (Freeman, 1984). This theory emphasizes that the long-term success and sustainability of a company depend on balancing and addressing the interests and well-being of all stakeholders, rather than focusing solely on maximizing profit (Donaldson & Preston, 1995). By engaging in practices that consider the needs and expectations of all relevant groups, organizations can build trust, enhance their reputation, and achieve sustainable growth (Freeman *et al.*, 2010).

In connecting this theory to this study, organizations (Islamic banks in this case) can achieve non-financial performance by optimizing value for diverse stakeholder groups, enhancing customer satisfaction, social responsibility, and environmental sustainability.

2.3 Empirical literature

This review looked into how non-interest banking services affect the performance of deposit money banks (DMBs). For instance, Suandi et al. (2023) examined the impact of Islamic marketing ethics and convergence marketing on competitive advantage and bank performance in the Indonesian Islamic banking industry. The study emphasized the importance of consistently implementing Islamic marketing ethics to enhance competitive advantage and overall bank performance.

Using CAMEL indicators, Hanif (2024) focused on the Islamic banking services industry in Gulf Cooperation Council markets (GCC) and found that Islamic banking services in the GCC showed steady growth in financial indicators such as cost management, liquidity, and capital adequacy. The study provided more insights into the financial performance compared to the non-financial performance of Islamic banks.

Sulaiman et al., (2021) examined the mediating role of customer satisfaction in investigating the relationship between service quality and customer loyalty in non-interest bank i.e. Jaiz Bank of Kano state metropolis, Nigeria and found that service quality positively and significantly influences customer satisfaction and customer loyalty., whereas, customer satisfaction does not significantly mediate the relationship between service quality and customer loyalty among customers of Jaiz bank in Kano state metropolis, Nigeria. Amrina Rosada (2021) investigates the impact of Good Corporate Governance (GCG) on the financial performance of Islamic banks in Indonesia from 2015 to 2019. Findings reveal that the audit committee significantly affects financial performance. However, the board of directors, independent commissioners, and Islamic supervisory board do not exhibit a significant impact.

Bakkeri and Ali (2020) investigated the effects of internal and external factors on the profitability of 30 Islamic banks in the Middle East and North Africa from 2005 to 2018. Findings revealed that only factors such as management quality, liquidity, capitalization, service quality, presence of women, and staff competence significantly influence profitability. Nwachukwu et al. (2024) studied Non-Financial Perspectives and Firm Value of the Nigerian deposit money banks. A study found that non-financial performance indicators impact the value of deposit money banks in Nigeria. Although the study delved into non-financial indicators but did not consider Islamic financial product

Also, Adewale and Elena (2019) focused on the profitability factors of Islamic banks in Africa during the period from 1999 to 2009. A dataset encompassing nine Islamic banks from Egypt, Sudan, and Tunisia was collected from the Bank Scope database. The study uncovered that net loans to total assets exhibited a significant and negative influence on banks' profitability.

Zaman and Chowdhury (2019) studied the impact of non-performing investments on the performance of Islamic banks in Bangladesh over five years from 2012 to 2016. Findings revealed a negative relationship between non-performing investments and bank performance, bank size, and capital adequacy ratio.

Marie, Ibrahim, and Al Nasser (2014) examined how financial and non-financial performance measures affect perceived service quality at Islamic banks in the United Arab Emirates (UAE). They looked at both external customers (those interacting with the banks) and internal bank customers (employees). The study found a strong positive link between service quality and banks' performance. It was also discovered that the banks' internal operations play a role in this relationship for external customers. However, it's worth noting that the study is limited by its focus on the UAE and its use of structural equation modeling for analysis. Mustapha & AbdulQuadri (2024) considered Islamic Marketing Strategies and Firm Performance of Islamic banks in Nigeria. Islamic marketing strategies were found to exert a positive and significant impact on *earnings per share (EPS)* but with no influence on return-on-assets (ROA). The study focused on financial metrics, earnings per share, and return-on-assets against non-financial metrics.

Rita & Sugiarti (2025) studied the influence of the Islamic Performance Index and Intellectual Capital on the profitability of Islamic banks in Indonesia and posited that Islamic performance metrics significantly affect profitability. Adamu et al. (2015) assessed the use of non-financial performance measures among deposit money banks in Nigeria and posited that, although such measures are recognized, their application remains limited due to the Central Bank of Nigeria's strong emphasis on financial indicators. The authors advocated for a Balanced Scorecard (BSC) framework to strengthen performance evaluation, improve budgetary discipline, and ensure strategic alignment with broader national development objectives.

Similarly, Chibunna et al. (2024) considered the influence of non-financial measures on the financial performance of Nigerian deposit money banks and observed that non-financial indicators significantly drive financial outcomes. Specifically, customer satisfaction, product quality, delivery efficiency, and employee development were found to exert a positive cum significant effect on return on equity, underscoring the strategic value of intangible performance drivers. Abueid (2022) evaluated the performance of Islamic banks in Malaysia using Balanced Scorecard dimensions alongside Shari'ah compliance indicators. The study established a significant relationship between BSC measures, Shari'ah compliance, and overall bank performance, with banks that integrated both frameworks exhibiting notable performance improvements. Suleiman (2025) found that a strong positive relationship exists between service quality and customer satisfaction in Islamic banks operating in Tanzania. This study lends credence to an aspect of non-financial performance (customer satisfaction) but focuses on service quality as opposed to Islamic banking products

or instruments. Similarly, Adam (2025) explores the impact of customer service quality on satisfaction in Islamic banking in Pakistan and posits that service quality affects customer satisfaction significantly. Although the study considered a non-financial metric (satisfaction), the customer service quality is not an Islamic product like Ijara, murabaha, and others.

Gaps in the literature

This study deviates from other studies by providing an insight into the impact of non-interest banking on their non-financial performance, as the financial performance of these institutions has been extensively studied by previous studies (see: Adewale & Elena, 2019; Bakkeri & Ali, 2020; Amrina Rosada, 2021; Mustapha and AbdulQuadri, 2024; Hanif, 2024; and Rita and Sugiarti, 2025). Further, studies that have used linear models and SEM have methodologically dominated and are inappropriate for ordinal non-financial indicators. This study fills this gap by employing Ordered Logistic Regression to examine how Islamic banking services affect the non-financial performance of selected Nigerian deposit money banks. This study is also unique as it explicitly applied Stakeholder Theory to link non-interest compliant services with stakeholder value creation, providing a context-specific and theoretically grounded contribution to the literature (see: Nwachukwu et al., 2024; Abueid, 2022; Chibunna et al., 2024; Sulaiman et al., 2021; and Hanif, 2024)

3. Methodology

Research Design and Study Population

The study employed a survey research design. The data collection occurred on a cross-sectional basis, and both descriptive and inferential methods were utilized for data estimation. The study collected pertinent primary data on dependent and independent variables to examine the effect of Islamic (non-interest) banking services on the non-financial performance of selected deposit money banks in Nigeria. The population of this study includes 147 credit officers from the eight (8) selected deposit money banks with Islamic banking services. Only 132 out of the 147 credit officers finally participated in the survey, representing 89.79 percent. This study focused on the fiscal year 2025.

Model Specification

To examine the effect of non-interest banking services on the non-financial performance, the model of Yahaya and Lamidi (2015) was adapted for this study. The modified model is specified as:

$$NPF = \alpha + \beta_1 IP + \beta_2 MP1 + \beta_3 MP2 + \beta_4 CAP + \beta_5 SAP + e \dots \dots \dots (1)$$

Where:

NFP = Non-Financial Performance (a composite measure for customer satisfaction, social responsibility, and environmental sustainability following Ahmed et al., 2015)

IP = Ijara products

MP1 = Murabaha products

MP2 = Mudaraba products

CAP = Non-Interest Banking (NIB) Current Account products

SAP = Non-Interest Banking (NIB) Savings Account products

α = Regression constant term

β_1 - β_5 = Regression coefficients

e = Error term

A priori-Expectation

The predicted outcome suggests that the non-financial performance of chosen deposit money banks should improve as the coefficients for non-interest banking services are anticipated to be positive. This means that an increase in each of these services should correspond to a rise in the non-financial performance of the selected deposit money banks, i.e., $\beta_1, \beta_2, \beta_3, \beta_4, \beta_5 > 0$

Model Estimation Techniques

The ordered logistic regression was the inferential statistic that was employed for analysis in this study.

4. Result and Discussion

4.1 Result

This section presents a detailed investigation of the findings from the analysis performed on the information obtained from the survey/participating respondents.

Demographic Distribution

Table 1: Demographic Distribution of Government Officials

Variables	Frequency	Percentage	Cumulative
Working Position			
Credit Managers	13	9.8	9.8
Relationship Officers	21	15.9	25.8
Loan Officer	43	32.6	58.3
Recoveries Managers	10	7.6	65.9

Others	45	34.1	100.0
Total	132	100.0	
Age Group			
15 - 25 years	28	21.2	21.2
26 - 35 years	71	53.8	75.0
36 - 45 years	22	16.7	91.7
45 - 55 years	11	8.3	100.0
Total	132	100.0	
Educational Level			
OND/NCE	14	10.6	10.6
B.SC./HND	86	65.2	75.8
M.SC./MBA	24	18.2	93.9
Ph. D.	7	5.3	99.2
Others	1	.8	100.0
Total	132	100.0	
How long have you been working with the bank?			
<6 Months	23	17.4	17.4
1 - 5 years	55	41.7	59.1
6 - 10 years	36	27.3	86.4
11 - 20 years	18	13.6	100.0
Total	132	100.0	

Source: Authors' Computation (2025)

Table 1 presents the descriptive analysis results, illustrating the distribution of variables, particularly focusing on the demographic characteristics of employees from selected non-interest banks in Nigeria. The findings indicate that among the respondents, 13 (9.8%) are credit managers, 21 (15.9%) are relationship officers, 43 (32.6%) are loan officers, 10 (7.8%) are recovery managers, while 45 (34.1%) work in unspecified departments.

In terms of age groups, 28 (21.2%) respondents are aged between 15 and 25 years, 71 (53.8%) are between 26 and 35 years, 22 (16.7%) are between 36 and 45 years, and 11 (8.3%) are between 46 and 55 years, indicating that the majority are in the early to mid-career stage, primarily below 35 years.

Regarding educational qualifications, 14 (10.6%) have OND/NCE, 86 (65.2%) have Bachelor's degrees or HND certifications, 24 (18.2%) have Master's degrees or MBAs, 7 (5.3%) have Doctorate degrees, and 1 (0.8%) has other qualifications, suggesting a significant portion hold bachelor's degrees or higher.

In terms of tenure with their current organization, 23 (17.4%) have less than 6 months of experience, 55 (41.7%) have between 1 and 5 years, 36 (27.3%) have between 6 and 10 years, and 18 (13.6%) have between 11 and 20 years of experience.

Reliability Test

Table 2: Cronbach's Alpha Reliability Test for the Study

S/ N	SECTION	NUMBER OF ITEMS	CROMBACH'S ALPHA	INTERNAL CONSISTENCY
1.	Ijara Products	7	0.807	Acceptable
2.	Murabaha Products	7	0.602	Acceptable
3	Mudaraba Products	7	0.846	Acceptable
4	Current Accounts Products	7	0.665	Acceptable
5	Savings Account Products	7	0.751	Acceptable
6	Non-Financial Performance	7	0.837	Acceptable

Source: Authors' Computation (2025)

Table 2 displays Cronbach's Alpha to assess the reliability of the research tool used in this study. Findings demonstrate that the scores for all variables (ijara, Murabaha, Mudaraba, current account products, savings account products, and non-financial performance) are notably high, indicating strong internal consistency (Helms, Henze, Sass, & Mifsud, 2006). These values, however, fall within the acceptable range, affirming the reliability of the constructs and validating their suitability for the study's objectives.

Normality Test and Correlation Analysis of the Variables

Table 3: Skewness and Kurtosis Joint Normality Test

Normality Test Variables	Skewness Statistic	Kurtosis Statistic
Ijara Products	-0.824	1.695
Murabaha Products	-0.529	1.932
Mudaraba Products	-0.751	1.176
Current Accounts Products	-0.590	-0.273
Savings Account Products	-1.333	5.405
Non-Financial Performance	-1.099	2.718

Source: Authors' Computation (2025)

Table 3 presents the skewness and kurtosis statistic scores. With respect to the Skewness, all statistical values except the savings account product fall between +3 and -3, which is the accepted range for a variable to be normally distributed (Khatun, 2021). However, the savings account product was transformed using a logarithm to normalize it. With the normalization, all the variables are normally distributed as depicted in Figure 1.

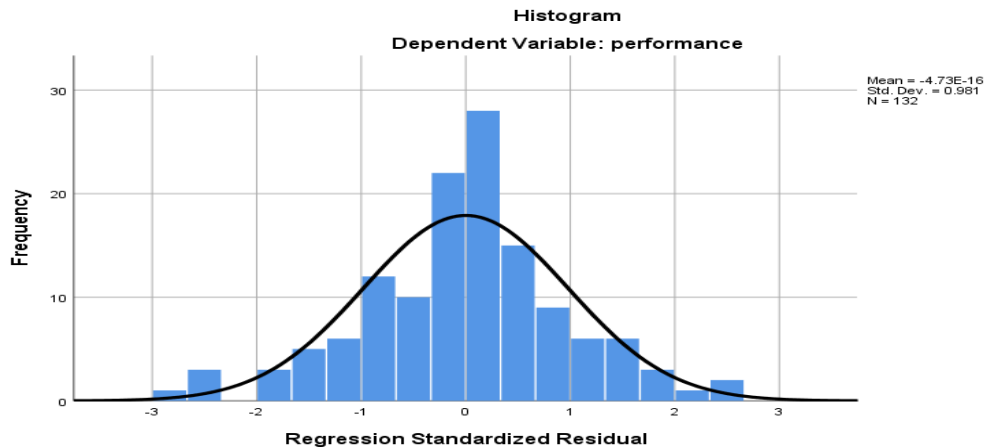


Fig. 1. Normality Test

As shown in Figure 1 above, the dependent and independent variables are linear, and it is a crucial assumption for performing linear regression.

Multicollinearity Test

Table 4: Pairwise Correlation Matrix

Variables	IJP	MRP	MDP	CAP	SAP	NFP
IJP	1.000					
MRP	0.680	1.000				
MDP	0.450	0.475	1.000			
CAP	0.145	0.239	.331	1.000		
SAP	0.215	0.115	.486	.309	1.000	
NFP	0.475	0.311	0.310	0.258	0.351	1.000

Source: Authors' Computation (2025). *Explanatory Note: IJP is Ijara Products; MRP is Murabaha Products; MDP is Mudaraba Products; CAP is Current Accounts Products; SAP is Savings Account Products; NFP is Non-Financial Performance.*

Table 4 displays the pairwise correlation matrix, indicating that the coefficients among the independent variables are below 0.8. This suggests that including these variables in the regression analysis would not pose a severe multicollinearity issue (Kennedy, 2008). Additionally, this study utilized the variance inflation factor (VIF).

Table 5: Variance Inflation Factor

Variables	N	VIF	Tolerance Value
Ijara Products	132	1.976	0.506
Murabaha Products	132	2.116	0.472
Mudaraba Products	132	1.769	0.565

Current Accounts Products	132	1.193	0.838
Savings Account Products	132	1.416	0.706

Source: Authors' Computation (2025)

The Variance Inflation Factor (VIF) and tolerance values, as shown in Table 5, indicate that the coefficients have VIF values less than 5, consistent with the results obtained in the correlation analysis. Consequently, none of the variables exhibit high VIF, indicating the absence of multicollinearity among the independent variables used in the study.

Ordered Logistic Regression to Examine the Effect of Islamic Banking Services on Non-Financial Performance

Table 6: Ordered Logistic Regression Result for Non-Financial Performance

Variables	Coefficient	Std. Err.	T	p-value
Ijara Products	0.199	0.049	4.03	0.000***
Murabaha Products	0.006	0.061	0.11	0.909
Mudaraba Products	0.005	0.040	0.13	0.893
Current Account Products	0.060	0.043	1.38	0.167
Savings Account Products	0.092	0.047	1.95	0.050**
Wald chi2(12) = 42.82				
Prob > chi2 = 0.0000				
R-Squared = 0.0624				

Source: Authors' Field Computation (2025)

With regards to the coefficients of the variables presented in Table 6, ijara products, Mudaraba products, Murabaha products, current account products, and savings account products have a positive effect on the non-financial performance of the selected banks offering non-interest banking services in Nigeria.

In terms of the variable significance, the result revealed that only Ijara products and savings account products have a significant effect on the non-financial performance of the selected banks offering non-interest banking services in Nigeria. Other variables, including Murabaha products, Mudaraba products, and current account products, are not statistically significant in predicting the non-financial performance of the selected banks offering non-interest banking services in Nigeria.

Ijara products with a positive coefficient of 0.199 with an associated p-value of 0.000 indicate that for every increase in Ijara products offered by the banks, we expect a 0.199 percent increase in the log odds of being in a higher level of non-financial performance of the banks, given all of the other variables in the model are held constant. Furthermore, the savings account product with a positive coefficient of 0.092 with an associated p-value of 0.050 indicates that for every increase in savings account products offered by the banks, we expect a 0.092 percent increase in the log odds of being in a higher level of non-financial performance, given all other variables in the model are held constant.

Based on the magnitude of the coefficients and their significances, the result indicated that the significant determinants of the non-financial performance of deposit money banks offering non-interest banking services in Nigeria are Ijara products and savings products.

The Wald Chi-Squared statistic value is 42.82 with an associated p-value of 0.0000, which implies that all the non-interest banking services (Ijara, Murabaha, Mudaraba, current account products, and savings account products) are jointly significant in predicting the non-financial performance of the selected banks offering non-interest banking services in Nigeria.

4.2 Discussion of Findings

This section presents the outcomes derived from the analysis aimed at revealing the effect of non-interest banking services on the non-financial performance of deposit money banks in Nigeria. The Ordered Logistic regression technique was utilized to address the objectives of this study.

The analysis unveiled a statistically significant impact of Ijara products on the performance of the selected deposit money banks in Nigeria. This was corroborated by its coefficient of 0.199 and a low p-value of 0.000. These results suggest that Ijara products exert a positive influence on the non-financial performance of deposit money banks across various aspects. Ijara, operating under the principles of Islamic finance, particularly in lease-based transactions, adheres to Islamic finance principles by avoiding interest-based dealings and promoting ethical non-financial practices. Ijara products tap into an underserved market segment. This outcome aligns with findings reported by Mohamed (2010) and Marie, Ibrahim, & Nasser (2014), which underscore the profound impact of Islamic banking services on the non-financial performance of deposit money banks.

The analysis also revealed a statistically significant impact of non-interest banking savings account products on the non-financial performance of the selected deposit money banks in Nigeria. This was supported by its coefficient of 0.092 and a low p-value of 0.050. This result suggests that non-interest banking savings account products positively influence the non-financial performance of deposit money banks from various perspectives. The overall non-financial performance of Nigerian deposit money banks (DMBs) has seen improvement in recent years, partially attributed to the increasing popularity and adoption of non-interest banking savings account products. These Sharia-compliant financial products have gained traction among a broad spectrum of customers, appealing to both Islamic and non-Islamic individuals seeking ethical and interest-free banking options aimed at improving their savings culture (Ahmed, 2019). The introduction and promotion of non-interest savings accounts have expanded the customer bases of deposit money banks,

enhancing inclusion and fostering trust within the banking industry. The proliferation of non-interest banking savings account products has played a crucial role in diversifying revenue streams for Nigerian banks. Moreover, the advancement in non-interest banking savings accounts has stimulated healthy industry competition, compelling traditional banks to innovate and adjust to evolving consumer preferences. This competitive landscape has incentivized banks to enhance service quality, adopt cutting-edge technology, and streamline operations, ultimately boosting the efficiency and effectiveness of Nigeria's banking system. These findings are consistent with outcomes reported by Marie, Ibrahim, & Nasser (2014) and Muhammad and Dauda (2018), highlighting the profound effect of Islamic banking services on the non-financial performance of deposit money banks.

5. Conclusion and Recommendation

5.1 Conclusion

This study concludes that Ijara products serve as a crucial determinant of the non-financial performance of deposit money banks in Nigeria, and as a result, indicates that an increase in Ijara products will positively contribute to the growth of deposit money banks. Similarly, non-interest banking savings account products also emerge as a favorable determinant of the overall non-financial performance of deposit money banks in Nigeria. This suggests that an increase in non-interest banking savings account products will lead to higher bank non-financial performance. However, Murabaha products, Mudaraba, and current account products showed no significant effect on the non-financial performance of deposit money banks in Nigeria.

5.2 Recommendations

This study recommends that deposit money banks should focus on diversifying and improving their ijara product offerings to cater to a wider range of customer needs and preferences. This could involve developing innovative ijara-based financing solutions tailored to different customer segments, thereby attracting more clients and increasing their market share. Again, financial literacy programs are recommended to banks and are aimed at promoting a savings culture among customers to enhance banks' non-financial performance impact.

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