

PERCEPTION AND ATTITUDES OF ENTREPRENEURS TOWARDS ISLAMIC
AND COMMERCIAL BANK LOAN SYSTEM IN NIGERIA

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ABSTRACT: This work presents a study that examines the perceptions and attitudes of entrepreneurs toward Islamic and commercial bank loan systems in Nigeria. The theory of planned behaviour framework was adopted to investigate how awareness, marketing, coverage, cost, risk, and ethical/religious considerations influence entrepreneurial financing choices. A multivariate regression technique involving multinomial, binary, and linear models was used to test six hypotheses linking perceptual difference scores to financing decisions for the cross-sectional survey of 600 entrepreneurs across five business sectors in Nigeria. Results of this study substantiate that marketing effectiveness ($B = 1.377, p < 0.001$), service coverage ($B = 2.199, p < 0.001$), and cost competitiveness ($B = 1.468, p < 0.001$) significantly influence primary banking relationships, thereby validating the planned behaviour framework's perceived behavioral control dimension. Further findings in this study reveal critical paradoxes that awareness reinforces conventional banking dominance through negative coefficients ($B = -2.042, p < 0.001$) rather than promoting alternative adoption, while

Islamic banking's perceived ethical superiority ($\bar{x} = 0.286$) and risk-sharing advantages ($\bar{x} = 0.186$) demonstrate no significant behavioral impact across all models, underscoring a disconnection between moral positioning and actual financing decisions. By extending planned behavior theory to foreground operational feasibility and structural constraints as dominant determinants that override attitudinal and other components in high-stakes financial contexts within emerging markets, this research contributes novel insights into how accessibility barriers and cost structures recalibrate entrepreneurial financing pathways despite favorable ethical perceptions. The study concludes with policy and practical recommendations aimed at eliminating infrastructural deficits through Islamic banking branch network expansion, implementing targeted awareness campaigns, ensuring cost competitiveness, and establishing supportive regulatory frameworks, thereby fostering inclusive financial access as a lever for sustainable entrepreneurial development in Nigeria.

Keywords: *Shari'ah-compliant finance, financial inclusion, perceived behavioral control, accessibility barriers, dual banking system, emerging markets.*

1. Introduction

The availability of suitable and accessible finance has consistently been identified as one of the most critical factors of entrepreneurial success and growth in emerging economies (Rosário et al., 2022; Osano & Languitane, 2016). In a growing economy like Nigeria, entrepreneurs have an option for a dual financing system, which includes the dominant conventional banking system that operates on interest-based capital, and the Islamic banking system which operates on the ethical foundation of Shari'ah law (Aliyu, 2012; Hassan & Aliyu, 2018). However, despite the growing number of Nigerian entrepreneurs and their influence on the nation's economy, the system still suffers from major setbacks.

Entrepreneurs are faced with persistent structural constraints in accessing capital, including stringent collateral requirements and costly loan packages, which influence their ultimate choice of financing partners (Central Bank of Nigeria, 2023; Eniola & Entebang, 2015).

While prior studies have examined certain motivations for financial access among small and medium enterprises (SMEs), evidence remains limited and fragmented regarding the broader entrepreneurial ecosystem in Nigeria (Abdulazeez 2021; Kabir et al., 2015). Much of the existing literature emphasizes demographic factors without comprehensively assessing how varying levels of entrepreneur awareness and knowledge, as well as banks' marketing strategy and communications system, influences entrepreneurs preferences for loan acquisition and access to business funds (Adeola & Evans, 2017; Khattak & Rehman, 2010). Furthermore, few studies examines the impact of several operational barriers, such as service coverage and accessibility, on the entrepreneur's ultimate financial decision, particularly when comparing the rapidly expanding commercial bank networks with the limited reach of Islamic banks (Abduh & Omar, 2012; Maity & Sahu, 2022).

This knowledge gap is significant given the conflicting views on the operation of these financial systems. The Islamic financial institution for instance is framed to be religiously advantageous due to its prohibition of Riba. This assertion has limited empirical evidence and there is no detailed information that links such assumption to entrepreneurs' assessment in the Nigerian context (Hanif, 2011; Ahmad & Bashir, 2014). While loan contracts in the Islamic bank offers risk and contractual equity through profit sharing, there are few studies that quantify the entrepreneur's attitude toward the collateral requirements and fairness when comparing the Islamic bank loan system with other commercial bank systems across diverse industries in Nigeria (Abedifar et al., 2013; Beck et al., 2013). The problem addressed in this study includes determining of six core variables which are structured as awareness, marketing, coverage, cost, risk and ethics has the most dominant influence on an entrepreneur's choice of choosing financing system available in Nigeria.

This study represents a significant departure from established literature, providing a comprehensive and quantitative assessment of the entrepreneurial perception and attitudes driving financing choice between Islamic and commercial banks in Nigeria. Unlike previous research that focused on SMEs survival or certain assertions, this work evaluates the influence of the six core variables across diverse entrepreneurial sectors, thereby providing optimal insights into the complex decision-making process

(Saad & Duasa, 2010). The main objective of the study is to assess entrepreneurs' perceptions across key variables such as cost, risk, and ethics, and to statistically determine the factors that most significantly influence their financing decision. This approach identifies factors that influence entrepreneurs' decision on both financing system, and providing an empirical foundation for policy interventions and strategic bank product design (Aris et al., 2013; Wasiuzzaman & Tarmizi, 2010).

The study uniqueness is in its scope, sample size, and its exploration of operational and ethical factors to specific entrepreneurial financing decisions. This study captures the complex reality that, while both Islamic and conventional financing systems hold significant promise for capital injection into Nigeria's economy, their benefits remains unevenly adopted due to gaps in awareness and critical differences in the perception of cost and risk. This research serves as a guide for policymakers, financial institutions, entrepreneurs and scholars seeking to advance a more inclusive and effective financial system for all Nigerian entrepreneurs.

2. Review of Related Literature

2.1 Theoretical Framework

This study considers the determining factors that influence entrepreneurs' choice of business financing between commercial and Islamic banking system, using Ajzen (1991) theory of planned behavior (TPB). The theory framework includes how individual or a system responds to feelings, beliefs, and social factors in making certain decisions, presenting a best system for this study as it captures events like subscribing to a certain banking system (Ajzen, 1991; Fishbein & Ajzen, 2010).

The TPB framework comprises of three fundamental components, attitude toward the behavior, subjective norms and perceived behavioral control. The attitude toward the behavior involves the entrepreneur's evaluations regarding a financing choice by integrating factors such as cost, risk, and ethics. While the subjective norms captures perceived social pressure from family, religious leaders, and peers, which has a link to ethics and awareness. The perceived behavioral control however measures the

entrepreneur's assessment in accessing financing, which involves issues relating to coverage, marketing, and barriers, (Ajzen, 1991; Armitage & Conner, 2001).

The suitability of the TPB framework particularly for this study is its connection in economic predictions and simultaneous evaluation of operational barriers, attitudes, and social influences. This approach aligns with the complexity of financial decision-making in Nigeria's dual banking environment (Warsame & Ileri, 2016; Alam et al., 2012).

Hypothesis Development Framework

Hypothesis	Core Variable	TPB Dimension	Supporting Literature	Key Insight
H1	Awareness → Choice	Perceived Behavioral Control	Ahmad & Bashir (2014); Khattak & Rehman (2010); Hamid & Nordin (2001)	Low awareness constrains perceived viability of Islamic banking
H2	Marketing → Choice	Perceived Behavioral Control	Gerrard & Cunningham (1997); Dusuki & Abdullah (2007)	Effective communication overcomes familiarity bias
H3	Coverage → Choice	Perceived Behavioral Control	Maity & Sahu (2022); Adeola & Evans (2017)	Physical/digital reach influences perceived accessibility
H4	Cost → Choice	Attitude Toward Behavior	Hanif (2011); Eniola & Entebang (2015)	Cost structure shapes entrepreneurial preference
H5	Risk → Choice	Attitude Toward Behavior	Beck et al. (2013); Abedifar et al. (2013)	Risk tolerance influences preference for fixed-debt vs. risk-sharing
H6	Ethics → Choice	Attitude/Subjective Norms	Erol & El-Bdour (1989); Loo (2010)	Shari'ah compliance influences choice when aligned with values

2.2 Entrepreneurial Financing in Dual Banking Systems

Nigeria is one of the countries that operate a dual banking system. This banking system comprise of the conventional banks that utilize interest-based financing mechanisms and Islamic banks that adhere to Shari'ah-compliant principles (Aliyu, 2012; Hassan & Aliyu, 2018). This financial architecture provides entrepreneurs with diverse financing options, yet the practical utilization of these alternatives remains unevenly distributed across the entrepreneurial landscape. Although, the financial sector is dominated by conventional banks with extensive branch networks, established customer relationships, and different product portfolios which were developed over decades of operation. Despite this dominance, the central bank of Nigeria in 2023 reported that entrepreneurs still have difficulties in accessing conventional bank loans, which comes with stringent collateral requirements, high interest rates, and complex loan approval processes. These constraints have created persistent financing gaps that limit entrepreneurial growth and economic development (Eniola & Entebang, 2015; CBN 2023).

The emergence of Islamic bank in Nigeria created an alternative financing model which is grounded in the Shari'ah law which prohibits interest called *Riba* with much emphasizes on ethical investment practices, profit and loss sharing, and asset backed transactions (Hanif, 2011). The Islamic banking system was aimed to expand financial access by serving religiously conscious entrepreneurs and offering risk sharing business mechanisms that might prove more equitable than conventional bank structures (Ahmad & Bashir, 2014). However, the availability of this type of banking operation remains limited, with several constraints including public awareness, regulatory frameworks, operational capacity, and competitive positioning relative to established conventional banks (Abdulazeez, 2021).

The distinctions between these banking systems are substantial. Conventional banks operate primarily through debt-based financing where entrepreneurs assume fixed repayment obligations regardless of business performance, while Islamic banks employ Shari'ah compliant instruments which includes profit-sharing called *Mudarabah*, joint venture called *Musharakah*, cost-based financing also known as *Murabaha* and *Ijarah* a general term for leasing. This system fundamentally alters

risk-return relationship between financial institutions and entrepreneurs (Beck et al., 2013). Understanding how entrepreneurs respond to these banking offers, constitutes critical research for advancing financial inclusion and entrepreneurial development in Nigeria.

2.3 Factors Influencing Entrepreneurial Financing Decisions

2.3.1 Awareness and Knowledge (H1)

In the theory of planned behavior framework, one of the foundational elements of perceived behavioral control is awareness. This can help in determining whether entrepreneurs recognize Islamic banking system as a good alternative to conventional banking operations. In a study on customer activity in Pakistan, customers' awareness levels directly correlate with Islamic banking service utilization rates. The study shows that only 37 percent of potential customers in Pakistan possessed adequate knowledge of Shari'ah-compliant products (Ahmad & Bashir, (2014)). This work provided a detailed analysis by distinguishing between various forms of awareness such as the knowledge on the existence of Islamic banks, and identifying their products, the eligibility criteria, application processes, and comparative advantages with conventional banks aligning with the finding of Khattak & Rehman (2010). These studies indicate that entrepreneurs that have knowledge of both banking systems make more informed financing decisions with a significantly higher satisfaction level. Conversely, those with little or no information made their choices by selecting financing options based on incomplete and inaccurate understandings of the alternatives available (Dooty et.al, 2022).

The Nigerian context looks more complicated particularly with the challenge of awareness, as knowledge deficiency in Islamic banking principles and products have been identified by Abdulazeez (2021) as a major factor among Nigerian entrepreneurs. The study shows that much potential user conflict Islamic banking system with religious exclusivity rather than recognizing it as a universal financial service accessible to all regardless of religious affiliation. This aligns with Hamid and Nordin (2001), suggesting that awareness campaigns can significantly increase Islamic banking adoption rates.

The awareness variable encompasses multiple dimensions relevant to entrepreneurial decision-making. Entrepreneurs must understand not only that Islamic banking exists but also how Shari'ah-compliant financing mechanisms operate, what advantages or disadvantages they present relative to conventional options, and how to access these services practically. Adeola and Evans (2017) note that Nigerian entrepreneurs often lack detailed information about alternative financing mechanisms, resulting in decisions driven more by default familiarity with conventional banking than by systematic evaluation of available options.

From a TPB perspective, low awareness directly constrains perceived behavioral control by limiting entrepreneurs' understanding of what financing options are realistically available and how to access them. This suggests that interventions targeting awareness could substantially influence entrepreneurial financing patterns by expanding the perceived choice set and enabling more informed decision-making.

2.3.2 Marketing and Communication Strategies (H2)

Marketing effectiveness represents another critical component of perceived behavioral control within the TPB framework, as communication strategies shape entrepreneurs' understanding of financing availability and accessibility. Gerrard and Cunningham (1997) demonstrate that marketing communications significantly influence banking service adoption, with their study showing that effective promotional strategies can overcome initial unfamiliarity and skepticism regarding new financial products. The marketing landscape reveals substantial disparities between conventional and Islamic banks in Nigeria. Conventional banks benefit from established brand recognition, extensive advertising budgets, sophisticated digital marketing platforms, and decades of customer relationship building. These marketing advantages translate into higher visibility, stronger brand equity, and greater top-of-mind awareness among entrepreneurs seeking financing (Hassan & Aliyu, 2018).

Islamic banks face unique marketing challenges that extend beyond simple resource constraints. Dusuki and Abdullah (2007) identify the need to simultaneously educate potential customers about Shari'ah-compliant products while dispelling misconceptions about religious exclusivity, service quality, and competitive

positioning. Their research indicates that effective Islamic bank marketing must address barriers such as lack of product knowledge and concerns about service quality, accessibility, and social perceptions. Marketing communications also shape entrepreneurs' perceptions of bank reliability, service quality, and institutional stability. Entrepreneurs make financing decisions not merely based on product features; broader institutional reputation heavily influences marketing effectiveness (Adeola & Evans, 2017). Banks that successfully communicate reliability, customer orientation, and financial strength may attract entrepreneurs even when competing products offer comparable or superior terms. The digital transformation of banking has introduced new marketing channels including social media, mobile applications, and online platforms that can reach entrepreneurs more efficiently than traditional branch-based marketing. However, the effectiveness of these digital strategies depends on target audience characteristics, technological literacy, and platform preferences that may vary across different entrepreneurial segments. Within the TPB framework, marketing influences perceived behavioral control by shaping entrepreneurs' understanding of how to access financing services and what to expect from the application process. Effective marketing reduces uncertainty, clarifies eligibility criteria, and provides clear pathways for entrepreneurs to engage with banking institutions, thereby increasing perceived accessibility and influencing financing choices.

2.3.3 Service Coverage and Accessibility (H3)

Physical and digital accessibility represents a tangible dimension of perceived behavioral control, directly affecting entrepreneurs' ability to utilize banking services regardless of their attitudes or social influences. Maity and Sahu (2022) provide experimental evidence demonstrating that bank branch outreach significantly affects banking service utilization and financial inclusion outcomes. Their research shows that entrepreneurs located within 5 kilometers of a bank branch exhibit substantially higher service utilization rates than those requiring longer travel distances.

The geographic distribution of banking infrastructure in Nigeria reveals stark disparities between conventional and Islamic banks. Conventional banks maintain extensive branch networks across urban and rural areas, providing entrepreneurs with

multiple access points, extended operating hours, and diverse service channels including ATMs, mobile banking, and online platforms. Islamic banks, as relatively newer market entrants, operate with more geographically concentrated networks, primarily serving major urban centers while leaving many entrepreneurial clusters underserved (Abduh & Omar, 2012).

Adeola and Evans (2017) examine financial inclusion challenges in Nigeria, identifying physical accessibility as a critical barrier to formal banking sector engagement. Entrepreneurs in rural or peri-urban areas may lack practical access to banking services despite theoretically being eligible for financing. This accessibility constraint forces reliance on informal financing sources, limits business growth potential, and perpetuates financial exclusion. Service accessibility extends beyond physical branch presence to encompass multiple dimensions relevant to entrepreneurial decision-making. Digital banking platforms, mobile banking applications, customer service responsiveness, and operating hours all contribute to perceived accessibility (Eniola & Entebang, 2015). Entrepreneurs operating businesses with demanding schedules value banking institutions offering flexible access channels that accommodate their operational constraints.

The accessibility dimension also includes linguistic and cultural factors. Banks that provide services in local languages, employ staff familiar with community contexts, and demonstrate cultural sensitivity may attract entrepreneurs who might otherwise feel alienated by formal financial institutions. This cultural accessibility proves particularly relevant in Nigeria's diverse linguistic and cultural landscape. From a TPB perspective, coverage and accessibility directly influence perceived behavioral control by determining whether entrepreneurs can access financing services. Even when entrepreneurs hold positive attitudes toward specific banking institutions and receive supportive social messages, inadequate coverage constrains their ability to act on these predispositions, thereby limiting actual financing choices.

2.3.4 Cost Considerations (H4)

Cost represents a central element of attitude toward behavior within the TPB framework, as financing costs directly impact entrepreneurial profitability, cash flow,

and business viability. Entrepreneurs make financing decisions by evaluating both explicit costs, interest rates, fees, and charges and implicit costs including time requirements, documentation burdens, and opportunity costs associated with financing acquisition (Hanif, 2011).

Conventional banking costs manifest primarily as interest rates, with Nigerian commercial banks typically charging rates ranging from 18% to 30% annually for SME financing, depending on borrower creditworthiness, loan duration, and collateral provision (Central Bank of Nigeria, 2023). Additional costs include processing fees, commitment fees, loan management charges, and insurance requirements that substantially increase the total cost of borrowing. Eniola and Entebang (2015) documented that high financing costs represent a primary constraint on SME performance and growth in developing economies.

Islamic banking presents a more complex cost structure that requires careful interpretation. While Islamic banks do not charge interest, they generate returns through profit-sharing arrangements, markup pricing on asset purchases, and lease payments on Ijarah contracts. The effective cost of Islamic financing may be comparable lower than, or higher than conventional interest rates depending on business performance, contractual terms, and the specific Shari'ah-compliant instrument employed (Abedifar et al., 2013). Beck et al. (2013) provide comparative analysis of Islamic and conventional banking business models, finding that Islamic banks' operational costs tend to be higher due to Shari'ah compliance requirements, Shari'ah board oversight, and the complexity of structuring profit-and-loss sharing arrangements. These higher operational costs may translate into higher financing costs for entrepreneurs, potentially offsetting ethical or risk-sharing advantages that Islamic banking offers.

The cost evaluation process extends beyond simple rate comparisons to encompass the structure and flexibility of financing arrangements. Conventional loans typically involve fixed repayment schedules regardless of business performance, creating cash flow pressures during periods of low revenue. Islamic profit-sharing arrangements theoretically provide greater flexibility, with returns varying based on actual business performance (Kabir et al., 2015). However, this flexibility comes with trade-offs

including greater transparency requirements, ongoing bank involvement in business operations, and potential complications in profit calculation and distribution. Collateral requirements constitute another critical cost dimension. Both conventional and Islamic banks in Nigeria typically require substantial collateral, often exceeding loan values, which creates significant barriers for entrepreneurs lacking real estate or other acceptable security assets (Central Bank of Nigeria, 2023). The opportunity cost of pledging collateral including reduced borrowing capacity for other purposes and potential asset loss in case of default, represents a substantial implicit cost that influences financing decisions.

Within the TPB framework, cost considerations shape attitudes toward different financing options by affecting entrepreneurs' evaluations of net benefits. Lower costs generate more positive attitudes and increase likelihood of selecting specific financing sources, while high costs may drive entrepreneurs toward alternative funding mechanisms including informal lenders, personal savings, or forgoing investment opportunities entirely.

2.3.5 Risk Perceptions and Management (H5)

Risk perception represents another critical attitudinal component within the TPB framework, encompassing both business risk and the fairness of risk allocation between entrepreneurs and financial institutions. Conventional banking operates on fixed-obligation debt contracts where entrepreneurs bear full business risk while maintaining predetermined repayment schedules regardless of business performance. This risk structure creates potential for financial distress when business revenues fall short of expectations, potentially leading to default, collateral seizure, and business failure (Beck et al., 2013).

Islamic banking theoretically offers more equitable risk distribution through profit-and-loss sharing mechanisms. Under Mudarabah and Musharakah contracts, financial institutions share business risk with entrepreneurs, with returns varying based on actual business performance rather than fixed predetermined amounts (Abedifar et al., 2013). This risk-sharing structure potentially provides entrepreneurs with greater flexibility during business downturns and aligns incentives between

financial institutions and entrepreneurs toward business success. However, the practical implementation of Islamic risk-sharing mechanisms reveals complexities that may limit theoretical advantages. Kabir et al. (2015) conduct comparative analysis of credit risk in Islamic and conventional banks, finding that Islamic banks in practice often structure contracts to minimize their risk exposure, sometimes resulting in arrangements that functionally resemble conventional debt more closely than pure profit-sharing partnerships. This drift toward debt-like structures may reflect regulatory requirements, competitive pressures, or risk management preferences that constrain Islamic banks' ability to fully implement risk-sharing ideals.

Abedifar et al. (2013) examine risk profiles of Islamic banking institutions, demonstrating that while Islamic banks face different risk exposures than conventional banks including displaced commercial risk and rate of return risk, they are not inherently less risky from either the bank's or the entrepreneur's perspective. Both banking systems involve substantial risks that entrepreneurs must evaluate when making financing decisions. Entrepreneurs' risk tolerance significantly influences their financing preferences. Risk-averse entrepreneurs may prefer fixed-obligation conventional loans despite higher potential costs because they provide certainty regarding repayment amounts and schedules. Conversely, entrepreneurs comfortable with uncertainty may prefer profit-sharing arrangements that offer flexibility and potential for reduced payments during difficult business periods (Beck et al., 2013). The Nigerian entrepreneurial environment, characterized by economic volatility, regulatory uncertainty, and market unpredictability, intensifies risk considerations in financing decisions. Entrepreneurs operating in unstable contexts may particularly value financing arrangements that provide flexibility and risk-sharing, even if such arrangements come with higher nominal costs or greater complexity. Alternatively, some entrepreneurs may prefer fixed obligations that provide certainty amid broader environmental uncertainty. Using the TPB framework, risk perceptions shape attitudes toward different financing options by influencing entrepreneurs' evaluations of potential outcomes. Entrepreneurs who perceive Islamic banking's risk-sharing mechanisms as fairer and more flexible may develop more positive attitudes toward Islamic financing, while those who value

certainty and simplicity may prefer conventional banking despite potentially less equitable risk distribution.

2.3.6 Ethical and Religious Considerations (H6)

Ethical and religious factors represent distinctive dimensions that operate through both attitude toward behavior and subjective norms within the TPB framework. Islamic banking's explicit grounding in Shari'ah principles, including prohibition of Riba, prohibition of speculation, and emphasis on ethical investment, appeals to entrepreneurs seeking financing options aligned with religious values and ethical business practices (Ahmad & Bashir, 2014). Erol and El-Bdour (1989) provide early empirical evidence on Islamic banking adoption motivations, finding that religious compliance represents a significant but not exclusive driver of Islamic banking selection. Their research indicates that customers value Shari'ah compliance but also evaluate Islamic banking on practical dimensions including service quality, convenience, and cost competitiveness. This dual evaluation framework suggests that ethical considerations interact with operational factors rather than determining choices independently.

Loo (2010) extends this analysis by examining Islamic banking adoption across religiously diverse populations, finding that non-Muslims increasingly utilize Islamic banking services when they perceive operational advantages or ethical appeal beyond religious compliance. This finding suggests that Islamic banking's ethical dimension, transparency, equity, and social responsibility, may resonate with entrepreneurs regardless of religious affiliation, particularly when conventional banking practices are perceived as exploitative or unfair. The subjective norms component of TPB proves particularly relevant for ethical and religious considerations. Entrepreneurs operate within social contexts where family members, religious leaders, community members, and business peers may hold strong views regarding appropriate financing sources (Ajzen, 1991). In religiously conservative communities, social pressure may strongly favor Islamic banking adoption, while in other contexts, peer preferences for conventional banking or skepticism toward Islamic banking may create opposing normative pressures. Hassan and Aliyu (2018) provide contemporary survey evidence indicating that Islamic banking adoption in Nigeria reflects complex

interactions between religious affinity, practical considerations, and social influences. Their research demonstrates that while religious identity correlates with Islamic banking adoption, many Muslim entrepreneurs continue utilizing conventional banking for pragmatic reasons, while some non-Muslim entrepreneurs adopt Islamic banking based on perceptions of fairness and ethical business practices.

The ethical dimension extends beyond religious compliance to encompass broader principles of fairness, transparency, and social responsibility. Entrepreneurs may evaluate banking institutions based on their perceived commitment to ethical business practices, community development, and equitable treatment of customers (Aris et al., 2013). Islamic banking institutions that effectively communicate their ethical foundations and demonstrate commitment to social responsibility may attract entrepreneurs seeking values-aligned financing partners.

However, skepticism exists regarding the authenticity of Islamic banking's ethical claims. Some critics argue that Islamic banking merely replicates conventional banking practices under different terminology without achieving meaningful ethical differentiation (Hanif, 2011). This skepticism may undermine Islamic banking's ethical appeal, particularly among entrepreneurs who prioritize substance over symbolic compliance with religious requirements. From the TPB framework, ethical and religious considerations influence both attitudes through entrepreneurs' evaluations of different financing options' alignment with personal values and subjective norms through perceived social pressure from religious or ethically motivated reference groups. Entrepreneurs who hold strong religious values or ethical principles may develop positive attitudes toward Islamic banking and perceive supportive subjective norms, increasing likelihood of selecting Islamic financing options.

2.4 Comparative Studies and Empirical Evidence

2.4.1 International Perspectives on Dual Banking Systems

International research on dual banking systems provides valuable comparative context for understanding Nigerian entrepreneurial financing patterns. Wasiuzzaman and Tarmizi (2010) analyze Islamic bank profitability in Malaysia, demonstrating

that mature Islamic banking systems can effectively compete with conventional banks while maintaining Shari'ah compliance. Their findings indicate that as Islamic banks develop operational expertise, achieve economies of scale, and build customer trust, they become increasingly attractive to entrepreneurs seeking alternative financing mechanisms.

Malaysia represents a particularly relevant comparative case given its successful development of a comprehensive Islamic financial ecosystem operating alongside conventional banking. The Malaysian experience demonstrates that regulatory support, public education initiatives, product innovation, and consistent Shari'ah governance can facilitate Islamic banking growth and enhance financial inclusion (Saad & Duasa, 2010). However, Malaysia's unique political economy including explicit government promotion of Islamic finance and substantial Muslim-majority population, limits direct transferability of findings to Nigeria's more religiously diverse context (Abdul Aziz et.al, 2025).

Abduh and Omar (2012) investigate relationships between Islamic banking development and economic growth in Indonesia, providing empirical evidence of positive long-term impacts. Their research suggests that Islamic banking expansion contributes to entrepreneurial development and broader economic growth when regulatory environments support dual banking system development, financial institutions maintain high service standards, and public awareness of Islamic banking options reaches critical thresholds. The Gulf Cooperation Council countries offer additional comparative insights, having developed sophisticated Islamic financial sectors that serve diverse customer segments including entrepreneurs and large corporations. These markets demonstrate that Islamic banking can achieve substantial scale and sophistication while maintaining Shari'ah compliance (Hassan & Aliyu, 2018). However, the political, economic, and social contexts of Gulf countries differ substantially from Nigeria, again limiting direct applicability of findings. Cross-national research consistently identifies several factors associated with successful Islamic banking development: regulatory clarity and support, public awareness and education, product innovation and diversification, competitive pricing and service quality, and effective marketing and communication strategies (Beck et

al., 2013). These findings provide guidance for understanding challenges and opportunities facing Islamic banking expansion in Nigeria.

2.4.2 Nigerian Context and Research Gaps

Despite growing international literature on Islamic banking, Nigerian-specific research remains limited and fragmented. Aliyu (2012) provides foundational analysis of Islamic banking challenges and opportunities in Nigeria, identifying regulatory uncertainties, limited public awareness, operational constraints, and competitive positioning challenges as significant barriers to market expansion. His work establishes that Nigerian Islamic banking faces obstacles distinct from those encountered in Muslim-majority countries or more developed economies.

Abdulazeez (2021) examines determinants of Islamic banking adoption among Nigerian customers, finding that awareness, perceived benefits, religious orientation, and service quality significantly influence adoption decisions. However, this research focuses primarily on individual banking customers rather than entrepreneurs, limiting insights into business financing decision-making processes. The entrepreneurial financing context involves distinct considerations including loan amounts, collateral requirements, cash flow management, and business risk that may not apply to personal banking decisions. Research on entrepreneurial financing in Nigeria has predominantly focused on conventional banking constraints without systematically comparing Islamic and conventional alternatives from the entrepreneur's perspective. Eniola and Entebang (2015) document SME financing challenges including high interest rates, collateral requirements, and limited credit availability, but do not examine whether Islamic banking might address some of these constraints through alternative financing mechanisms.

The existing literature reveals several critical gaps that this study addresses. First, comprehensive quantitative assessments examining multiple factors simultaneously such as awareness, marketing, coverage, cost, risk, and ethics remain scarce. Most studies examine individual variables in isolation rather than analyzing their relative importance and interactive effects within a unified framework. Second, research directly comparing entrepreneurs' perceptions of Islamic versus conventional

banking across diverse sectors and regions is limited. Third, empirical evidence on actual drivers of entrepreneurial financing decisions, as opposed to demographic correlations or stated intentions, requires further development. Additionally, prior research has not adequately addressed how the six core variables identified in this study interact within the Theory of Planned Behavior framework to shape actual financing choices. Understanding these relationships proves essential for developing effective interventions to enhance financial inclusion and expand entrepreneurial access to appropriate financing sources.

2.5 Summary and Research Justification

The reviewed literature establishes that entrepreneurial financing decisions in dual banking systems reflect complex interactions among multiple factors operating through attitudes, subjective norms, and perceived behavioral control as conceptualized in the Theory of Planned Behavior. Awareness, marketing, coverage, cost, risk, and ethics each influence entrepreneurial perceptions and choices, though their relative importance and interactive effects remain inadequately understood in the Nigerian context.

International evidence demonstrates that Islamic banking can successfully operate alongside conventional banking when supported by appropriate regulatory frameworks, effective marketing and education, competitive product design, and consistent service quality. However, direct transferability of findings from Muslim-majority countries or more developed economies to Nigeria's unique context remains questionable, necessitating context-specific empirical research. Nigerian literature reveals persistent entrepreneurial financing constraints and limited Islamic banking penetration despite theoretical potential for Islamic finance to address some conventional banking limitations. The literature identifies awareness deficits, marketing challenges, accessibility constraints, cost concerns, risk perceptions, and ethical considerations as relevant factors but lacks comprehensive quantitative assessment of their relative influence on actual financing decisions across diverse entrepreneurial segments.

This study addresses these gaps by providing systematic, quantitative analysis of entrepreneurs' perceptions and attitudes toward Islamic and conventional banking across the six core variables within a unified TPB framework. By examining these factors simultaneously and comparing their influence across different entrepreneurial contexts, this research advances understanding of financing decision-making processes and provides empirical foundations for policy interventions and strategic banking product design aimed at enhancing financial inclusion and entrepreneurial development in Nigeria.

3. Methodology

3.1 Research Design and Rationale

This study adopts a quantitative, cross-sectional survey design to examine entrepreneurs' perceptions and attitudes toward Islamic and commercial banking loan systems in Nigeria. The survey approach is appropriate for capturing perceptual data across diverse entrepreneurial sectors, enabling statistical generalization to the broader entrepreneur population (Drummond et al., 2018; Felicetti et al., 2023). The design allows systematic quantification of relationships among variables within the theory of planned behavior (TPB) framework (Ajzen, 1991). Cross-sectional designs, while not establishing causality, are suitable for this exploratory research in Nigeria's dual banking environment where longitudinal data are scarce (Hassan & Aliyu, 2018). To mitigate design biases, the study incorporates control variables including religious affiliation, business sector, firm size, into statistical models, which helps reduce omitted variable bias and enhances confidence in observed associations between perceptions and financing choices.

3.2 Sample and Sampling Strategy

A multi-stage stratified sampling technique was employed to ensure representativeness. The sampling process subsequently stratified entrepreneurs by five business sectors (manufacturing, services, retail and trade, agriculture, and technology) and by firm size (Micro, Small, and Medium). The target population consisted of active entrepreneurs who possess financing decision-making authority. The target sample was set at 600 entrepreneurs, exceeding the minimum requirement

derived from Cochran's formula, to provide a buffer for non-response and ensure adequate statistical accuracy for multivariate regression analysis (Hair et. al., 2015).

3.3. Data Collection Procedures

Data was collected using a structured online questionnaire. The instrument was developed through item generation from validated scales and expert review by subject matter experts to assess content validity and cultural appropriateness. The final instrument included sections on demographics, awareness, perceptual items (rating both banking systems separately), and financing preferences. Online distribution was selected for its efficiency in achieving broad geographic reach across Nigeria's digitally connected entrepreneurial segments (Chen & Liu 2023). Quality control measures included obtaining informed consent, embedding attention checks within the form to ensure data quality, and monitoring IP addresses to detect duplicate responses, with the entire study receiving institutional ethics review board approval

3.4 Measures and Variables

3.4.1 Dependent Variables

Entrepreneurial financing choice was operationalized through three indicators for robust measurement: Current primary banking relationship (categorical, analyzed via multinomial logistic regression), Recent financing source (categorical, analyzed via binary logistic regression), and Future financing intentions (ordinal/continuous score, analyzed via ordinal/linear regression). This triangulation captures established patterns, actual behavior, and prospective preferences.

3.4.2 Independent Variables

The six core independent variables are all measured using difference scores calculated from separate ratings of both banking systems on identical multi-item scales. These variables are awareness and knowledge, marketing and communication, service coverage and accessibility, cost considerations, risk perceptions, and ethical/religious considerations. The ethical/religious variable is measured via two separate difference scores: religious compliance and general

ethical business practices. Validation involves Cronbach's alpha ($\alpha \geq 0.70$), exploratory factor analysis, and assessment of discriminant validity.

3.4.3 Control Variables

Control variables are included to isolate effects and reduce omitted variable bias. These are demographic controls (age, gender, education, religious affiliation/commitment), business characteristics controls (sector, firm size, years of operation, location, performance), and financing experience controls. Since all data are collected online, the data collection mode control is now redundant and has been removed. Multicollinearity is managed using Variance Inflation Factors (VIF). Hierarchical regression assesses the incremental explanatory power of the controls.

3.5 Analytical Techniques

Data analysis follows a systematic process using SPSS. Data preparation involves managing missing data and outliers. Reliability is confirmed using Cronbach's alpha, and validity includes EFA and the Fornell-Larcker criterion. Common method bias is checked via Harman's single-factor test. Comparative perceptual analysis employs the Wilcoxon Signed-Rank Test to compare ratings between the two banking systems on the six variables, applying a Bonferroni correction. Bivariate analysis uses correlation to establish preliminary associations. Multivariate analysis uses specific regression techniques (multinomial, binary, ordinal/linear) to test the six core hypotheses, addressing the research problem of dominant influence on entrepreneurial financing choices.

4.0 Analysis and Result

4.1 Introduction

This section presents the analysis of the survey data collected from entrepreneurs in Nigeria. The results are structured to include data screening and preliminary analysis, descriptive and comparative findings, inferential analysis and hypothesis testing using multivariate regression models.

4.2 Preliminary Analysis and Data Screening

4.2.1 Sample and Sampling Strategy Confirmation

The study recorded a valid sample size of 600 entrepreneurs, thus giving adequate statistical strength to perform multivariate analysis. The sample distribution presented in (Table 4.1) gives a breakdown across key demographic and characteristics.

Table 4.1: Summary of Sample Demographics

Variable	Category	Frequency (n)	Percentage (%)
Sex	Male	348	58
	Female	252	42
Religion	Muslim	306	51
	Christian	294	49
Firm Size	Micro	270	45
	Small	222	37
	Medium	108	18
Sector	Manufacturing	84	14
	Services	138	23
	Retail/Trade	222	37
	Agriculture	102	17
	Technology	54	9
Years of Operation	Years of Operation	Mean = 2.52	S.D. = 1.154

4.2.2 Measures and Variables Validation

The data from the survey was validated to check for reliability $\alpha \geq 0.70$ using Cronbach's Alpha. All the six scales demonstrated strong reliability, with coefficients above the minimum threshold as presented in (Table 4.2).

Table 4.2: Reliability Analysis (Cronbach's Alpha) for Perceptual Scales

Factor Scale	Cronbach's Alpha	Status
Awareness (H1)	0.822	Acceptable
Marketing (H2)	0.716	Acceptable
Coverage (H3)	0.726	Acceptable
Cost (H4)	0.854	Acceptable
Risk (H5)	0.837	Acceptable
Ethics (H6)	0.819	Acceptable

Validity analysis was also done using Exploratory Factor Analysis (EFA) to confirm the data validity. The Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy was recorded to be 0.647, while the Bartlett's Test of Sphericity gave a significant value ($p < 0.001$). The factors accounted for 81.891% of the total cumulative variance, as factor loadings for discriminant convergence were all greater than 0.80. Common method bias (CMB) was assessed using Harman's Single-Factor Test. The unrotated factor gives 20.318% of the total variance, which is below the 50% standard threshold. This confirms that CMB is not a threat to the validity of the findings in this study.

4.3 Descriptive and Comparative Findings

4.3.1 Comparative Perceptual Analysis using Wilcoxon Signed-Rank Test

Comparative analysis was conducted using the Wilcoxon Signed-Rank Test, by employing a Bonferroni correction ($\alpha = 0.0083$) to control for multiple comparisons

Table 4.3: Comparative Perceptions of Islamic Banks (IBS) vs. Commercial Banks (CBS)

Factor	Banking System	Mean	S.D.	Median	Z (Wilcoxon)	p-value	Significant (p<0.0083)
Awareness (H1)	CBS	3.776	0.695	4	-14.594	0	Yes
	IBS	3.072	0.774	3			
Marketing (H2)	CBS	3.668	0.597	3.8	-15.69	0	Yes
	IBS	3.04	0.582	3			
Coverage (H3)	CBS	3.804	0.582	3.8	-2.667	0.008	No (Marginal)
	IBS	3.692	0.615	3.8			
Cost (H4)	CBS	3.846	0.722	4	-14.916	0	Yes
	IBS	3.118	0.81	3			
Risk (H5)	CBS	3.26	0.801	3	-4.103	0	Yes
	IBS	3.446	1.118	3.6			
Ethics (H6)	CBS	3.532	1.063	3.6	-3.661	0	Yes
	IBS	3.818	0.727	4			

4.3.2 Descriptive Findings of the Difference Scores

Difference scores for the banking system were computed to quantify the net preference direction for each factor

Table 4.4: Descriptive Statistics for Difference Scores

Factor	Mean	S.D.	Overall Net Preference
Awareness (H1)	-0.704	0.953	Commercial (CBS)
Marketing (H2)	-0.628	0.8	Commercial (CBS)
Coverage (H3)	-0.112	0.857	Commercial (CBS)
Cost (H4)	-0.728	0.97	Commercial (CBS)
Risk (H5)	0.186	1.421	Islamic (IBS)
Ethical (H6)	0.286	1.291	Islamic (IBS)

4.4 Inferential Analysis and Hypothesis Testing

4.4.1 Bivariate Correlation Analysis

Bivariate analysis was performed using correlation to establish preliminary associations between the perceptual difference scores and the three dependent variables

Table 4.5: Correlation Matrix of Perceptual Difference Scores and Financing Outcomes

Independent Variable	Primary Bank (Source)	Recent Financing (Choice)	Future Intention (Likelihood)
Awareness	r = 0.111**	r = 0.070	r = 0.083*
Marketing	r = 0.032	r = -0.044	r = -0.063
Coverage	r = 0.059	r = -0.046	r = -0.102*
Cost	r = 0.249**	r = -0.038	r = 0.123**
Risk	r = -0.087*	r = -0.008	r = 0.018
Ethics	r = -0.020	r = -0.056	r = 0.099*

Note: * $p < 0.05$; ** $p < 0.01$

4.4.2 Results of Multivariate Regression Analysis

Hierarchical regression models using Multinomial, Binary, and Linear were used to test the six hypotheses. Variance Inflation Factors (VIF) were examined for all independent and control variables across the models. All values were found to be below 3.0, confirming that multicollinearity is not a threat to the stability of the regression coefficients.

Table 4.6: Summary of Hierarchical Model Fit

Model	Dependent Variable	R2 (Step 1: Controls)	R2 (Step 2: Full Model)	Incremental Fit Measure	Sig. Change
Model 1	Primary Banking Relationship	0.602 (Nagelkerke)	0.734 (Nagelkerke)	$\Delta R2 = 0.132$	< 0.05
Model 2	Recent Financing Source	Baseline Fit (χ^2)	0.370 (Nagelkerke R2)	$\Delta \chi^2(6) = 20.673$	0.002
Model 3	Future Financing Intentions	0.036 (R2)	0.069 (R2)	$\Delta R2 = 0.033$	0.002

Table 4.7: Regression Coefficients and Hypothesis Testing

Hypothesis	Independent Variable	Model 1 (Primary Bank)	Model 2 (Recent Financing)	Model 3 (Future Intentions)	H Result
H1	Difference in Awareness	-2.042***	0.435 (p=0.089)	-0.160**	Rejected (Negative/Mixed)
H2	Difference in Marketing	1.377***	-0.374 (p=0.075)	0.041 (p=0.343)	Supported (M1 only)
H3	Difference in Coverage	2.199***	-0.715***	0.016 (p=0.688)	Mixed/Contradictory
H4	Difference in Cost	1.468***	-0.427 (p=0.053)	-0.016 (p=0.781)	Supported (M1 only)
H5	Difference in Risk	-1.502***	0.037 (p=0.761)	≈0.000 (p=1.000)	Rejected (Negative M1)
H6	Difference in Ethics	-0.213 (p=0.228)	0.088 (p=0.512)	-0.007 (p=0.810)	Rejected

*Notes: * p < .10; ** p < .01; *** p < .001.*

5. DISCUSSIONS AND FINDINGS

This study provides empirical evidence that illuminates the dynamics of entrepreneurial financing choices in Nigeria, revealing significant relationships among awareness, marketing, coverage, cost, risk, and ethical considerations, while highlighting the enduring influence of structural and operational barriers. Beyond confirming the Theory of Planned Behavior (TPB), these findings extend theoretical understanding by revealing how context-specific constraints influence financing decisions in emerging markets.

The preliminary Wilcoxon Signed-Rank Test established that entrepreneurs perceive significant differences between the two banking systems. The commercial banking system showed a pronounced perceived advantage in economic and operational factors, with a negative mean difference scores for cost considerations ($\bar{x} = -0.728$), awareness ($\bar{x} = -0.704$), and marketing ($\bar{x} = -0.628$). Conversely, the Islamic banking

system recorded moral advantage (Erol & El-Bdour, 1989), with positive scores for ethical/religious considerations ($\bar{x} = 0.286$) and risk perceptions ($\bar{x} = 0.186$). This result presents a market system where the commercial bank system which has been established for decades, dominates on functional metrics while the alternative which is the Islamic banking system competes primarily on moral positioning (Dusuki & Abdullah, 2007).

Hypothesis 1 (H1) examining awareness and knowledge was rejected, yielding significant negative coefficients in the primary bank model ($B = -2.042$, $p < 0.001$) and future intentions model ($B = -0.160$, $p < 0.01$). This reveals that awareness reinforces the status quo rather than promote alternative banking choices. This result contradicts the assumptions that customer awareness directly correlates with Islamic banking utilization (Ahmad & Bashir, 2014). Since commercial banking enjoys high awareness levels (Central Bank of Nigeria, 2023), more informed entrepreneurs tend to select conventional systems. Knowledge deficiency in Islamic banking principles and products has been identified as a major constraint among Nigerian entrepreneurs (Aliyu, 2012), and this result quantifies that barrier, suggesting that insufficient awareness directly limits understanding of viable banking alternatives (Khattak & Rehman, 2010).

Hypothesis 2 (H2) concerning marketing and communication was empirically supported, demonstrating a strong positive effect on primary bank choice ($B = 1.377$, $p < 0.001$). This evidence affirms that effective marketing enhances the perceived accessibility and trustworthiness of Islamic banking services, validating arguments that promotional strategies can overcome initial unfamiliarity and skepticism of customers regarding new financial products (Drummond, O'Toole, & McGrath, 2018; Loo, 2010). For Islamic banking, focused communication represents one of the most powerful levers to overcome the structural disadvantage of operating in a market dominated by conventional finance (Hassan & Aliyu, 2018).

Hypothesis 3 (H3) addressing coverage and accessibility emerged with contradictory results, showing a strong positive effect for primary bank choice ($B = 2.199$, $p < 0.001$) but a strong negative effect for recent financing choice ($B = -0.715$, $p < 0.001$). This critical divergence indicates a structural constraint where functional

absence of coverage acts as an operational barrier (Gerrard & Cunningham, 1997). While entrepreneurs may hold positive long-term views about Islamic banking, the need for immediate capital where conventional banks maintain extensive branch networks (Central Bank of Nigeria, 2023) overrides these preferences. This result validates research identifying physical accessibility as a critical barrier to formal banking sector engagement in Nigeria (Maity & Sahu, 2022; Adeola & Evans, 2017), reinforcing that inadequate coverage constrains the ability of entrepreneurs to act on favorable predispositions, thereby limiting actual financing choices (Osano & Languitone, 2016).

Hypothesis 4 (H4) on cost considerations was unequivocally supported, demonstrating a significant positive effect on primary bank choice ($B = 1.468$, $p < 0.001$). This confirms that perceived cost advantage represents a powerful, economically rational driver of long-term financing relationships (Ajzen, 1991; Fishbein & Ajzen, 2010). High financing costs represent a primary constraint on entrepreneurial performance in developing economies (Eniola & Entebang, 2015; Osano & Languitone, 2016), and this finding affirms that entrepreneurs carefully evaluate cost structures when making banking choices, positioning cost as a central element of attitude toward behavior (Dusuki & Abdullah, 2007).

Hypothesis 5 (H5) regarding risk perceptions was rejected, showing a significant negative relationship in the primary bank model ($B = -1.502$, $p < 0.001$). This counter-intuitive result suggests that perceived lower financial risk potentially associated with profit-sharing arrangements (Abedifar, Molyneux, & Tarazi, 2013) is outweighed by perceptions of higher operational complexity associated with Islamic banking contracts (Kabir, Worthington, & Gupta, 2015). This indicates that entrepreneurs value certainty and simplicity over equitable risk distribution (Hanif, 2011), reinforcing that concerns regarding transactional complexity often dominate attitudes toward risk allocation mechanisms (Aris et al., 2013).

Hypothesis 6 (H6) examining ethical and religious considerations were rejected, showing non-significant coefficients across all three models. Despite descriptive data confirming Islamic banking's superior ethical perception (Erol & El-Bdour, 1989), this factor does not translate into a statistically significant determinant of

entrepreneurial financing choice. This represents the study's most critical theoretical contribution, demonstrating that attitudinal and normative components of the TPB are severely attenuated in this high-stakes decision context (Warsame & Ileri, 2016). This finding challenges prior evidence that identified religious compliance as a significant driver of banking choice (Alam, Janor, Zanariah, & Ahsan, 2012; Abdul Aziz et al., 2025). Instead, it supports the assertion that while religious identity may correlate with preferences, many entrepreneurs continue utilizing conventional banking for pragmatic reasons (Abdulazeez, 2021), confirming that practical feasibility and economic considerations effectively overpower intrinsic moral motivations.

Despite the empirical support for several hypotheses, critical nuances emerge. Notably, while Islamic banking maintains moral superiority in entrepreneurial perception, this advantage generates limited behavioral impact compared to the decisive influence of operational accessibility and cost considerations. Absent progress in addressing coverage deficits and awareness gaps, Islamic banking risks remaining confined to a niche market, unable to capture the strategic benefits of its ethical positioning (Hassan & Aliyu, 2018). Additionally, the non-significance of ethical considerations persists across different entrepreneurial segments, reinforcing evidence that perceived behavioral control factors exert disproportionate influence on financing outcomes in emerging economies.

Theoretically, this study advances the Theory of Planned Behavior by demonstrating that in contexts such as Nigeria, perceived behavioral control factors are not merely important but dominant variables that structures the influence of attitudes and subjective norms in financing decisions. It suggests that financing choice in emerging markets is as much a story of navigating structural limitations as it is of exercising attitudinal preferences. Thus, this research extends the TPB framework by integrating operational accessibility and cost considerations as strategic mediators between entrepreneurial attitudes and actual financing behavior, enriching our understanding of how financing decisions adapt to systemic constraints (Armitage & Conner, 2001). This study provides strong evidence that while ethical positioning and risk perceptions shape entrepreneurial attitudes toward Islamic banking in

Nigeria, their transformative potential remains circumscribed by persistent structural barriers. The findings call for policy interventions targeting branch network expansion, cost reductions for Islamic financing products, and comprehensive awareness campaigns (Hassan & Aliyu, 2018). For the academic world, this research offers new theoretical refinements to the TPB framework, suggesting that in emerging markets, perceived behavioral control is not peripheral but central to understanding the possibilities and limits of alternative financing adoption.

6 Conclusion and Implications

This study presents empirical evidence that practical operational factors particularly cost structures, marketing effectiveness, and branch accessibility, significantly influencing entrepreneurial financing choices between Islamic and commercial banks in Nigeria. While ethical and religious considerations exert minimal behavioral impact. Using the Theory of Planned Behavior, the findings reveal that attitudes, subjective norms, and perceived behavioral control interact to shape financing decisions, though their relative influence differs from traditional predictions (Ajzen, 1991; Armitage & Conner, 2001). The results demonstrate that entrepreneurs who perceive superior cost advantages and accessibility are significantly more likely to adopt Islamic banking for primary relationships, while severe awareness deficits, limited branch networks, and operational complexity concerns significantly depress adoption (Dusuki & Abdullah, 2007; Khattak & Rehman, 2010).

Theoretically, this research advances understanding by quantifying how operational feasibility dominates moral preferences in high-stakes financing decisions within emerging markets. It extends prior scholarship by integrating accessibility constraints and cost structures into behavioral frameworks, revealing that practical considerations overwhelm ethical positioning when entrepreneurs make actual financing choices (Warsame & Ileri, 2016; Abdulazeez, 2021). This highlights pragmatic decision-making strategies that balance aspirations with economic realities, a dynamic insufficiently addressed in earlier Islamic banking studies (Alam, Janor, Zanariah, & Ahsan, 2012).

Practically, these insights carry immediate significance for Islamic banking institutions and financial regulators. The evidence that cost competitiveness and marketing drive adoption underscores the need for Islamic banks to move beyond ethical messaging toward competitive operational strategies. Achieving meaningful market penetration requires aggressive branch network expansion and strategic partnerships to overcome accessibility constraints, as limited physical presence remains the most pervasive obstacle (Maity & Sahu, 2022; Adeola & Evans, 2017). Equally crucial are targeted awareness campaigns that bridge knowledge gaps about product features and operational mechanisms (Ahmad & Bashir, 2014; Aliyu, 2012).

From a policy perspective, the Central Bank of Nigeria should incentivize infrastructure development for Islamic banking, particularly in underserved regions where conventional banks dominate through extensive networks (Central Bank of Nigeria, 2023). Clear regulatory frameworks are essential for supporting product innovation, particularly in profit-sharing arrangements and equity-based contracts where Islamic banking offers distinctive value propositions (Abedifar, Molyneux, & Tarazi, 2013). Addressing perceived complexity requires standardized disclosure requirements and simplified contract structures that enhance transparency and entrepreneurial confidence (Aris et al., 2013).

Socially, advancing Islamic banking has profound implications for financial inclusion and entrepreneurial empowerment. The concentration of banking services in urban centers risks exacerbating financial exclusion unless deliberate strategies foster rural accessibility (Osano & Languitone, 2016). The positive perceptions of ethical positioning, despite not translating into adoption, signal latent demand that could be activated through improved operational delivery (Erol & El-Bdour, 1989). Harnessing this potential can transform Nigeria's financial ecosystem into a more diverse system accommodating both conventional and alternative preferences, promoting sustainable entrepreneurial development (Hassan & Aliyu, 2018).

Future research should employ longitudinal designs to capture dynamic effects of financing choices on entrepreneurial performance over time and clarify causal relationships. Qualitative inquiry into sector-specific financing preferences could reveal context-sensitive pathways for market penetration. Studies investigating how

entrepreneurial characteristics such as education level, business size, and religious commitment mediate observed relationships would provide nuanced understanding of financing behavior. Comparative analyses across emerging markets could illuminate whether operational factors consistently dominate attitudinal components, enriching theoretical refinements in banking contexts.

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