

# Faith and Finance: University Students' Choice Between Islamic and Conventional Banking and Finance

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**Abstract-** *This study explores the theoretical and conceptual factors influencing Nigerian university students' choice between Islamic and conventional banking and finance. With a growing interest in ethical banking and the increasing presence of Islamic financial institutions in Nigeria, it is crucial to understand the determinants that shape students' preferences. The study synthesizes existing literature and conceptual frameworks to guide students in selecting the appropriate banking discipline. The findings highlight the role of religious beliefs, financial literacy, perceived benefits, and social influence in shaping students' academic and career decisions. The study contributes to the broader discourse on financial education and career orientation in Nigeria.*

**Indexed Terms-** *Islamic banking, conventional banking, financial literacy, religious beliefs, Nigerian universities, students' choice.*

## I. INTRODUCTION

The choice between Islamic and conventional banking and finance is a significant decision for Nigerian university students pursuing careers in the financial sector. As the Nigerian financial landscape continues to evolve, with increasing interest in ethical and Shariah-compliant banking, students are faced with the challenge of selecting a discipline that aligns with both their personal beliefs and career aspirations. Conventional banking, which operates on an interest-based system, has long been the dominant financial model in Nigeria. However, Islamic banking, which prohibits interest (riba) and emphasizes ethical financial practices, has been expanding, supported by regulatory frameworks and growing consumer awareness (Abduh & Omar, 2022). This growing dichotomy presents students with a complex decision-

making process, influenced by various social, economic, ideological, and religious factors.

Religious beliefs play a crucial role in shaping students' choices, particularly for those from Muslim backgrounds who seek to adhere to Islamic principles in their professional and financial dealings. Islamic finance is designed to align with Islamic ethical and moral values, making it an attractive option for students who prioritize faith-based decision-making (Aliyu et al., 2023). On the other hand, Christian perspectives on finance emphasize principles such as stewardship, honesty, and ethical wealth creation, which can be aligned with either Islamic or conventional banking (Oladapo & Yusuf, 2023). Many Christian students, therefore, evaluate banking choices based on ethical concerns and financial sustainability rather than strict doctrinal prohibitions against interest.

From a traditional African religious perspective, finance is often viewed in the context of community well-being and economic empowerment. Some indigenous belief systems stress collective financial responsibility and mutual support, which can be seen in informal savings groups and cooperatives. Such students may favor financial systems that promote social responsibility and equitable wealth distribution, elements found in both Islamic banking and ethical conventional banking (Usman & Bello, 2022).

Beyond religious considerations, free thinkers and secular students approach the decision from a pragmatic standpoint. They evaluate banking models based on financial literacy, risk assessment, and career prospects rather than religious doctrine. Many free thinkers prioritize financial stability, employment opportunities, and global applicability over moral or ethical debates in banking (Kareem et al., 2023). These students often see conventional banking as offering a

more established and expansive financial framework with global recognition and well-defined career pathways.

Financial literacy plays a vital role in students' decision-making processes. Research indicates that students with greater financial knowledge and exposure to both Islamic and conventional financial systems make more informed career choices (Hassan & Mohd Noor, 2023). However, many Nigerian students lack comprehensive financial literacy, leading to decisions driven primarily by cultural and religious influences rather than a full understanding of the operational mechanisms of both banking models (Sanusi, 2022). As a result, educational institutions and policymakers must address these knowledge gaps through financial literacy programs that provide students with the tools to critically evaluate their options.

Another key determinant in students' choices is the perceived benefits and risks associated with each banking model. Islamic banking is often perceived as a more ethical and stable financial system, avoiding speculative transactions and emphasizing shared risks and rewards (Ahmed & Rusni, 2023). These characteristics appeal to students concerned about economic justice and financial sustainability. However, Islamic banking in Nigeria remains a developing sector with relatively fewer employment opportunities compared to its conventional counterpart (Usman & Bello, 2022). In contrast, conventional banking provides well-established career pathways with diverse employment prospects, both locally and internationally. The relatively nascent state of Islamic banking in Nigeria raises concerns regarding regulatory support, growth potential, and job security, factors that may deter some students from pursuing a career in this field (Oladapo & Yusuf, 2023).

Islamic banking and finance operate through unique financial instruments and products that differ significantly from those in conventional banking. Islamic finance utilizes profit-and-loss-sharing (PLS) instruments such as Mudarabah (profit-sharing investment partnerships) and Musharakah (joint ventures), ensuring equitable wealth distribution. It also employs Murabaha (cost-plus financing), Ijara (leasing agreements), and Takaful (Islamic insurance)

to provide interest-free financial solutions. Additionally, Sukuk (Islamic bonds) offer an alternative to conventional bonds by structuring investments based on asset-backed securities compliant with Shariah principles (Ahmed & Rusni, 2023). These instruments are designed to align with Islamic ethics, focusing on risk-sharing and fairness in financial dealings.

Conversely, conventional banking operates on an interest-based model that includes products such as savings and fixed deposit accounts with predetermined interest rates, loans with fixed or variable interest, and credit facilities like overdrafts and credit cards. The financial instruments in conventional banking include treasury bills, commercial papers, derivatives, and corporate bonds, all of which involve interest-based transactions and speculative elements (Oladapo & Yusuf, 2023). Additionally, conventional banks provide structured financial products such as mortgages, insurance policies, and pension schemes that cater to both individual and corporate financial needs. While these instruments offer flexible and diverse financial solutions, they are often criticized for their exploitative potential, particularly regarding interest rates and speculative trading.

Social influence is another crucial aspect shaping students' academic and career choices. Family, peers, and community leaders often play a significant role in guiding students toward specific disciplines. In Nigerian society, career choices are frequently influenced by parental expectations and community norms (Kareem et al., 2023). For students from conservative Muslim backgrounds, there may be strong encouragement to pursue Islamic banking as a means of upholding religious and ethical commitments. Conversely, students whose families prioritize financial stability and job security may be steered toward conventional banking, where opportunities for career advancement are perceived as more certain and lucrative.

From a theoretical perspective, the decision-making process regarding career choice in banking and finance can be analyzed using various frameworks. The Theory of Planned Behavior (Ajzen, 1991) suggests that students' choices are influenced by their attitudes, subjective norms, and perceived behavioral control. If

students perceive Islamic banking as aligning with their values and career aspirations, they are more likely to pursue it. Similarly, Rational Choice Theory (Becker, 1976) posits that individuals make decisions based on a cost-benefit analysis. Nigerian students weigh factors such as career prospects, financial rewards, ethical considerations, and job market trends before choosing between Islamic and conventional banking. Additionally, the Financial Literacy Model (Huston, 2010) underscores the role of financial knowledge in shaping students' understanding and confidence in making informed decisions about their academic and career paths.

In conclusion, Nigerian university students face a complex and multifaceted decision when choosing between Islamic and conventional banking and finance. Religious beliefs, financial literacy, perceived benefits, career opportunities, and social influences all play significant roles in shaping this choice. As Nigeria's financial landscape continues to evolve, it is crucial for universities, policymakers, and industry stakeholders to provide students with the necessary resources to make informed and strategic career decisions. By fostering financial literacy, expanding career opportunities in both sectors, and addressing social influences, stakeholders can support students in selecting paths that align with both their values and professional aspirations.

## II. LITERATURE REVIEW

### 2.1 Empirical Literature

The decision-making process surrounding career choices in the banking sector, particularly the choice between Islamic and conventional banking, has been the subject of numerous studies across different countries. These studies aim to understand the factors that guide students' preferences, which range from religious influences to financial stability and ethical considerations. In Nigeria, the rise of Islamic banking alongside conventional financial institutions presents a unique scenario that merits a deep dive into the motivations and concerns of students who must navigate this choice.

Studies have shown that religious beliefs play a primary role in students' selection of Islamic banking. Research by Abduh and Omar (2022) explored the role

of religion in shaping students' career preferences in Malaysia, and similar trends were observed in Nigeria. The authors argue that Islamic banking's growth in Malaysia can be attributed to the nation's predominantly Muslim population, which seeks finance that aligns with Islamic principles. This correlation between religion and banking choice is even stronger in Nigeria, where a significant portion of the population is Muslim, and adherence to Shariah laws in finance is seen as a critical factor in career selection (Aliyu et al., 2023). Islamic banking's prohibition of *riba* (interest) and its focus on ethical financial practices resonate with students who seek to align their professional lives with their religious beliefs. For instance, in a study conducted by Aliyu et al. (2023), Muslim students expressed a preference for Islamic banking due to its perceived alignment with Islamic ethical values, emphasizing fairness, transparency, and social responsibility.

In contrast, Christian students in Nigeria may not face the same doctrinal restrictions against interest-based financial systems, but they still show interest in ethical banking practices. Oladapo and Yusuf (2023) explore Christian students' views on Islamic banking, finding that while they do not have religious objections to interest-based banking, they are still drawn to Islamic banking's ethical underpinnings, such as its avoidance of speculative transactions and its focus on risk-sharing. However, these students are often faced with a lack of understanding of Islamic financial products and mechanisms, which makes it harder for them to make informed decisions regarding their career choices. Moreover, Christian students may be less likely to choose Islamic banking due to a perceived lack of job opportunities in the field. This perception is driven by the fact that Islamic banking is still considered a niche industry in Nigeria, with limited job openings compared to the well-established conventional banking sector.

Financial literacy is another critical factor influencing students' choices. Studies on financial literacy in Nigeria reveal a significant gap in students' understanding of both Islamic and conventional banking systems (Hassan & Mohd Noor, 2023). Many students possess a rudimentary understanding of financial concepts but lack the necessary skills to make informed choices about which banking system

to pursue. This lack of financial literacy can be particularly detrimental when students face decisions that involve specialized knowledge, such as the difference between Islamic banking's profit-sharing models and conventional banking's interest-based systems. Students with limited financial education may default to choosing conventional banking simply because it is more familiar and widely understood. Moreover, financial literacy has been linked to better career choices in other sectors, and the same is true in banking (Huston, 2010). The absence of comprehensive financial education about Islamic finance in Nigerian curricula has led to a reliance on generalized assumptions about the sector, often contributing to misconceptions.

Research by Sanusi (2022) and Usman & Bello (2022) reveals that students who are more financially literate tend to weigh the potential risks and rewards of both systems more carefully. For example, students with a strong understanding of Islamic financial principles, such as equity participation and profit-sharing, might be more inclined to pursue a career in Islamic banking. However, students without this knowledge may be more drawn to the familiarity of conventional banking, which offers clearer career pathways and established financial products. Sanusi's study also points out that many students base their decisions on societal and familial expectations rather than a thorough understanding of each banking system's advantages and limitations.

In addition to religion and financial literacy, career prospects are another key factor influencing students' decisions. Conventional banking, which has been firmly established in Nigeria for decades, offers well-defined career trajectories, with established roles in retail banking, corporate banking, risk management, and investment banking. This is not necessarily the case with Islamic banking, which is still in its developmental stage in Nigeria. Although Nigerian students may be drawn to Islamic banking for its ethical and religious alignment, many are hesitant to choose this path due to concerns about job availability, market growth, and career progression. Islamic banking, though growing, is still seen as a niche sector in Nigeria, with fewer job openings and less established career advancement opportunities

compared to conventional banking (Usman & Bello, 2022).

Furthermore, studies on students' perceptions of Islamic banking versus conventional banking reveal distinct concerns about job stability and income potential. While Islamic banking offers a unique ethical framework, the perceived lower financial rewards and slower growth rate of the sector may deter students from pursuing a career in it. This issue is highlighted by Ahmed and Rusni (2023), who argue that while Islamic finance has ethical appeal, its limited presence in the global financial market reduces its attractiveness as a career choice when compared to conventional banking, which has a robust and established infrastructure.

Free thinkers and secular students, often driven by pragmatic concerns, prioritize financial stability, career opportunities, and global applicability of their qualifications over ethical or religious considerations. Kareem et al. (2023) note that these students are less likely to consider the ethical concerns associated with either Islamic or conventional banking and are more inclined to view their career choices in terms of financial security and job opportunities. Conventional banking offers these students a broad range of well-established career paths, which they view as offering greater global applicability, making it a more attractive choice.

In examining the global trends in banking, several studies emphasize that the banking sector in Nigeria is increasingly influenced by global financial trends and innovations. According to a study by Kareem et al. (2023), there is growing recognition of ethical banking in both Islamic and conventional sectors globally, with significant strides made in ethical investment and corporate social responsibility within conventional banking. However, the development of Islamic finance in Nigeria lags behind the global trend due to a lack of infrastructure, regulatory frameworks, and comprehensive financial literacy programs. As a result, students may perceive conventional banking as offering more career opportunities with greater financial rewards.

## 2.2 Theoretical Framework

To better understand the factors influencing students' decisions between Islamic and conventional banking, several theoretical models can be applied. These models help explain why students make certain decisions based on their beliefs, perceived outcomes, and available options. The Theory of Planned Behavior (TPB), developed by Ajzen (1991), suggests that an individual's behavior is determined by their intentions, which are influenced by three factors: attitudes toward the behavior, subjective norms, and perceived behavioral control.

In this context, the decision to pursue a career in either Islamic or conventional banking is driven by students' attitudes toward each system. For students who hold strong religious beliefs, Islamic banking may be seen as more aligned with their values, leading them to pursue it. Subjective norms, including family and peer influence, also play a significant role in shaping students' choices. Many students from religious families may feel pressure to pursue Islamic banking due to societal or familial expectations. Lastly, perceived behavioral control refers to the students' belief in their ability to succeed in a particular banking sector. Students who view conventional banking as offering clearer career paths and better job security are more likely to pursue it.

The Rational Choice Theory (Becker, 1976) also helps explain students' decisions. According to this theory, students make decisions by weighing the costs and benefits associated with each option. While Islamic banking may align with students' ethical or religious values, conventional banking is often seen as offering a more secure and financially rewarding career. The costs of choosing Islamic banking—such as limited career opportunities, lower financial rewards, and a lack of global recognition—may outweigh its ethical appeal for many students, leading them to choose conventional banking.

Additionally, the Social Influence Theory (Kelman, 1958) offers an explanation of how external social factors, such as family, religious leaders, and peers, affect students' decisions. In Nigeria, religion plays a critical role in shaping social interactions and career decisions. The pressure to conform to societal expectations may significantly influence students to

pursue Islamic banking, especially in religiously conservative communities. The Financial Literacy Model (Huston, 2010) also emphasizes that students who are more financially literate are better equipped to make informed decisions about their careers, as they are more likely to understand the full range of products and services offered by both Islamic and conventional banks.

## 2.3 Conceptual Framework

The conceptual framework for this study draws on multiple factors that influence students' decisions to choose between Islamic and conventional banking. These factors are:

- **Religious Beliefs:** The ethical and religious considerations that guide students' decisions. Students from Muslim backgrounds are more likely to pursue Islamic banking, while Christian and secular students may choose conventional banking due to the lack of religious restrictions.
- **Financial Literacy:** Students' understanding of the financial principles and instruments that underpin each banking system. Financially literate students are more likely to make informed career choices, while those with limited knowledge may rely on cultural or religious biases.
- **Career Prospects:** The perceived job security, salary potential, and career advancement opportunities in each sector. Conventional banking is often seen as offering more stable career opportunities, while Islamic banking is still developing in Nigeria.
- **Ethical Considerations:** Students' motivations based on ethical issues related to interest, risk-sharing, and financial justice. Islamic banking is often seen as more ethically sound, which influences students to choose it over conventional banking.
- **Social Influence:** The role of family, religious communities, and peers in shaping students' career choices. This social pressure may be particularly strong among students from conservative religious backgrounds.

## CONCLUSION

This study has explored the key factors influencing Nigerian university students' decisions when choosing

between Islamic and conventional banking and finance disciplines. As Nigeria's financial sector continues to evolve, particularly with the growing presence of Islamic banking, the decision-making process for students has become increasingly complex. Students are not only evaluating potential career paths but are also considering the broader implications of their choice on their ethical beliefs, religious commitments, and professional aspirations.

From a religious perspective, Islamic banking appeals to Muslim students who are seeking careers that align with their faith's prohibitions against interest (riba) and exploitation. The ethical foundations of Islamic banking, such as profit-sharing, risk-sharing, and the avoidance of speculation, resonate deeply with students who view financial transactions through a moral lens rooted in their religious teachings. On the other hand, Christian students, who do not share the same religious prohibitions against interest, also express interest in the ethical dimensions of Islamic banking, particularly its focus on fairness and transparency. However, many Christian students opt for conventional banking due to its long-established presence in Nigeria and the perceived job security it offers.

The research also highlights the importance of financial literacy in shaping students' career choices. Nigerian students, especially those from low-income or rural backgrounds, often lack comprehensive knowledge of both Islamic and conventional financial systems. This gap in financial literacy leads to uninformed decision-making, which is often influenced more by cultural, familial, and social pressures than by an in-depth understanding of the operational mechanisms of either system. Financial education programs in Nigerian universities can play a crucial role in bridging this gap, equipping students with the knowledge to critically evaluate the benefits and drawbacks of each banking model.

Furthermore, the perceived job security and career opportunities offered by conventional banking continue to be significant determinants in students' decisions. Conventional banking, with its long-established infrastructure and diverse career paths, is seen as offering more immediate and well-defined job prospects, both locally and internationally. While

Islamic banking in Nigeria is expanding, it is still considered a niche sector, and the availability of job opportunities remains limited compared to conventional banking. This disparity in perceived job prospects is a major barrier for students considering Islamic banking as a viable long-term career option.

The social and cultural influences on students' career choices are also critical in understanding the decision-making process. Family expectations, peer influence, and societal views play a significant role, particularly in a country like Nigeria, where religion and cultural traditions shape many aspects of life. Students from conservative religious communities may feel pressure to pursue Islamic banking as a way of aligning with community values, while those from more secular or mixed-religion backgrounds may prioritize practical considerations, such as job security and salary potential, when selecting their banking discipline.

While Islamic banking is seen by many as a more ethical and socially responsible alternative to conventional banking, students are increasingly concerned with the financial sustainability and career growth potential of the field. The relatively slow growth of Islamic banking in Nigeria and the sector's nascent regulatory environment create a perception of instability that deters many students from considering it as a viable career option. Additionally, while Islamic banking's emphasis on ethical finance and social justice resonates with many students, the lack of widespread knowledge about Islamic financial products, their mechanisms, and their real-world applications further complicates the decision-making process.

In conclusion, the choice between Islamic and conventional banking is not merely an academic decision for Nigerian students; it is a multidimensional process influenced by a complex interplay of religious beliefs, financial literacy, career aspirations, social influences, and perceptions of job security. As Nigeria's financial sector continues to develop, the need for comprehensive financial literacy education and greater awareness of Islamic banking will become increasingly important. This will empower students to make informed decisions, ensuring that their career choices reflect both their ethical values and their professional aspirations.

This research suggests that universities and policymakers should prioritize the development of financial education programs that provide students with a balanced understanding of both Islamic and conventional banking systems. Such programs would equip students with the necessary knowledge to make informed career choices, based on both their personal values and a comprehensive understanding of the operational dynamics of the financial systems. Moreover, further research is needed to explore the role of gender, regional differences, and the impact of technological advancements (such as fintech) in shaping students' preferences between Islamic and conventional banking. Understanding these dimensions will help create a more inclusive and robust financial education framework that addresses the diverse needs of Nigerian students and prepares them for the future of banking.

In sum, the decision to pursue a career in Islamic or conventional banking is influenced by a range of factors that go beyond financial considerations. It is a deeply personal choice, shaped by ethical beliefs, religious identity, financial literacy, career goals, and social pressures. As both banking systems continue to evolve in Nigeria, students must be equipped with the knowledge and tools to navigate these complexities and make informed decisions that align with their values and aspirations.

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