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Impact of Islamic banking on poverty alleviation and financial inclusion

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ABSTRACT

This study examines the impact of Islamic banking on poverty alleviation and financial inclusion in Adamawa State, Nigeria, focusing on clients of Jaiz Bank in Yola and TAJBank in Mubi. Employing a mixed-methods research design, the study integrates quantitative data from structured questionnaires with qualitative insights to provide a holistic understanding of the role of Islamic finance in enhancing socio-economic outcomes. A total of 100 respondents were selected using simple random sampling, with key variables including income level, saving behavior, access to finance, financial development, financial literacy, and entrepreneurship status. Descriptive statistics reveal moderate levels of income, savings, financial development, financial literacy, and entrepreneurship among respondents, while access to finance remains relatively low, indicating gaps in formal financial inclusion. Correlation analysis shows strong positive relationships between income, savings, access to finance, financial development, and entrepreneurship, highlighting the interconnectedness of financial engagement and poverty reduction. Regression results further indicate that access to finance ($\beta = 0.068$, $p < 0.040$) and financial development ($\beta = 0.053$, $p < 0.010$) significantly enhance the Poverty Alleviation Index, while financial literacy ($\beta = -0.032$, $p < 0.065$) does not have a direct, significant effect. Hypothesis testing confirms that access to finance and financial development are critical drivers of poverty alleviation, whereas financial literacy alone is insufficient without practical access to financial services. The findings align with empirical evidence from Nigeria, Indonesia, Bangladesh, Mauritania, and South Asia, demonstrating the effectiveness of Sharia-compliant financial services in promoting income generation, savings, entrepreneurship, and inclusive economic participation. Based on the results, the study recommends expanding access to Islamic banking products, strengthening the financial sector through supportive policies and institutional capacity, and combining financial literacy programs with practical opportunities for engagement with Islamic financial services.

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1. INTRODUCTION

Islamic Banking has emerged as an essential instrument in the global effort to alleviate poverty and enhance financial inclusion, particularly among underserved Muslim populations. Rooted in Shariah principles that prohibit riba (interest), Islamic Banking utilizes profit-and-loss sharing models such as *mudarabah* and *musharakah*, alongside cost-plus financing (*murabaha*) and benevolent loans (*qard al-hasan*), to provide ethical and equitable financial services (Obaidullah & Khan, 2008; Ascarya & Yumanita, 2007). This ethical framework not only ensures compliance with Islamic jurisprudence but also fosters a sustainable model of economic empowerment that aligns with the socio-cultural realities of Muslim communities (Ahmed, 2007). Globally, Islamic Banking institutions (IMFIs) have demonstrated success in reaching the financially marginalized by promoting entrepreneurship and self-reliance among low-income individuals (Karim, *et al.,* 2008). The instruments employed by IMFIs have proven effective in reducing poverty and improving livelihoods, as evidenced by empirical findings across Asia and the Middle East (Dusuki, 2008). Regionally, Sub-Saharan Africa is increasingly embracing Islamic Banking as a culturally relevant alternative to conventional models. The region's large Muslim demographic, combined with the inadequacy of traditional microfinance in addressing religious sensitivities, makes Islamic finance particularly promising (Abdelrahman, 2014; Iqbal & Mirakhor, 2011). In countries like Sudan and Kenya, Islamic Banking has been associated with improved financial inclusion and enhanced trust in financial systems among Muslim clients (Aliyu, et al. 2017). By providing Shariah-compliant financial products, IMFIs in Sub-Saharan Africa have the potential to promote not only economic development but also social integration and cohesion (Obaidullah, 2016).

Nigeria, with one of the largest Muslim populations in Africa, presents a compelling case for the adoption of Islamic Banking. Despite numerous government-led poverty alleviation initiatives, a significant proportion of Nigerians remain financially excluded due to the incompatibility of conventional interest-based banking with Islamic values (Awang, *et al.* 2012). Islamic Banking offers a viable alternative that can bridge this gap, especially in northern regions with high poverty and unemployment rates. Empirical studies affirm that access to Islamic Banking in Nigeria leads to increased household income, greater access to education and healthcare, and higher rates of micro-enterprise development (Abdul-Rahman & Nor, 2016; Adamu, 2013). Focusing specifically on Adamawa State, the potential impact of Islamic Banking is particularly significant. The state's predominantly Muslim population and its high levels of poverty and informal economic activity underscore the urgency and feasibility of implementing Shariah-compliant financial services. Institutions that integrate Islamic social finance tools such as *zakat* (obligatory almsgiving) and *waqf* (charitable endowments) can further enhance community welfare and reduce dependency on state interventions (Majid, *et al.* 2019). This paper is structured into five sections: introduction, literature review, methodology, results and presentation, and conclusion and recommendations.

2. LITERATURE REVIEW

The reviewed empirical studies collectively underscore the vital role Islamic Banking plays in advancing poverty alleviation and financial inclusion across various countries. In Indonesia, multiple studies highlight the effectiveness of Islamic financial institutions like Baitul Maal wat Tamwil (BMTs) in offering accessible services to underserved populations. Ginanjar and Kassim (2020) and Wulandari and Kassim (2016) provide

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qualitative evidence that BMTs facilitate poverty reduction by overcoming regulatory and capital constraints. Similarly, Rifa'i, *et al.,* (2019) employ econometric analysis across 32 provinces, revealing that Islamic financing significantly boosts productive economic activities and supports SDG attainment. Yumna and Clarke (2019) further affirm the outreach success of Islamic charity-based microfinance, extending financial services to marginalized groups. In Nigeria, Maikabara (2022) and Isahi and Muwazir (2024) demonstrate that Islamic Banking schemes significantly improve household income, education, healthcare, and entrepreneurship, especially through the efforts of Jaiz Bank in Northern Nigeria.

In South Asia, Begum et al. (2019) and Nobi *et al.* (2021) present strong cases from Bangladesh, where Shariah-compliant lending positively impacts client savings, expenditures, and social inclusion. Their studies emphasize ethical lending as a core mechanism for sustainable poverty alleviation. Mohamed and Fauziyyah (2020) extend this evidence to Mauritania, showing that Islamic Banking supports microenterprise development through a systematic literature review. Meanwhile, Birjaman *et al.* (2024) adopt a bibliometric approach to assess the broader impact of Islamic social finance tools across contexts, highlighting their relevance for sustainable development. Collectively, these studies affirm that Islamic Banking is not only effective in promoting financial inclusion but also aligns with the ethical, economic, and social goals of the communities it serves, though persistent regulatory and operational challenges must be addressed for broader scalability and impact (Akram et al., 2023).

2.1 Islamic Banking

Islamic Banking refers to the provision of financial services to economically disadvantaged individuals, adhering strictly to Shariah principles, which prohibit interest (riba) and emphasize ethical investments and risk-sharing. Key instruments include Qard al-Hasan (benevolent loans), Mudarabah (profit-sharing), and Musharakah (joint ventures). This approach aims to empower the poor by providing access to capital without compromising Islamic ethical standards (Widiarto & Emrouznejad, 2015; Alam, Hassan, & Said, 2015).

2.2 Poverty Alleviation

Poverty Alleviation encompasses strategies aimed at reducing the incidence and severity of poverty. In the context of Islamic finance, this involves providing financial resources through Shariah-compliant instruments, ensuring that interventions are equitable and ethically grounded. Islamic Banking plays a pivotal role by offering interest-free loans and profit-sharing schemes, facilitating entrepreneurship and self-sufficiency among the poor (Nooney, 2026; Alaro & Alalubosa, 2019; Begum *et al.,* 2019).

2.3 Financial Inclusion

Financial Inclusion is the process of ensuring access to appropriate financial products and services needed by individuals and businesses at affordable costs in a fair and transparent manner. It aims to integrate the unbanked population into the formal financial system, promoting economic growth and reducing poverty. In Islamic finance, this involves offering Shariah-compliant financial products that cater to the needs of those who avoid conventional banking due to religious reasons (Ginanjar & Kassim, 2018).

2.4 Shariah Compliance

Shariah Compliance in finance refers to adherence to Islamic law in all financial dealings, including the prohibition of interest (riba), avoidance of excessive uncertainty (gharar), and ensuring that investments are made in halal (permissible) activities. Shariah-compliant financial institutions are overseen by Shariah boards that ensure all products and services align with Islamic ethical standards (Awan, Zahid, & Sabir, 2023; Fianto *et al.,* 2018)

2.5 Theoretical consideration

Finance-Growth Theory, pioneered by Schumpeter in 1911 and empirically developed by King and Levine in the 1990s, asserts that a well-developed financial system is crucial for economic growth by efficiently allocating resources to productive investments. In the context of Islamic Banking, this theory explains how access to Shariah-compliant financial services empowers micro-entrepreneurs, promotes productive economic activities, and fosters sustainable poverty alleviation and financial inclusion by integrating underserved populations into the formal financial sector.

Initially introduced by Hanifan in 1916 and expanded by Bourdieu (1985) and Coleman (1988), Social Capital Theory highlights the importance of social networks, trust, and shared norms in facilitating cooperation and economic transactions. Islamic Banking institutions leverage this social capital by building on communal ties and trust within communities, enhancing loan monitoring and repayment rates. This communal approach aligns with Islamic finance's principles of solidarity and mutual responsibility, thereby effectively advancing poverty alleviation and financial inclusion.

Rooted in the Quran and Sunnah, Islamic Economic Theory was systematically articulated by Muhammad Baqir al-Sadr in his seminal work *Iqtisaduna* (1960-61), emphasizing justice, equity, and the prohibition of interest (riba). The theory underpins Islamic Banking by promoting ethical financial practices like profit-and-loss sharing (Mudarabah) and joint ventures (Musharakah), which align financial services with Shariah principles. This ethical framework not only supports the material upliftment of the poor but also nurtures social and spiritual well-being, thus advancing both poverty alleviation and financial inclusion in a holistic manner (Khan, & Bhat, 2011).

2.6 Theoretical Framework

Islamic Economic Theory, rooted in the principles of the Quran and Sunnah and systematically articulated by Muhammad Baqir al-Sadr in *Iqtisaduna* (1960–61), provides the most suitable theoretical framework for examining the impact of Islamic Banking on poverty alleviation and financial inclusion. This theory emphasizes justice, equity, ethical financial transactions, and the prohibition of interest (riba), all of which form the foundation of Islamic Banking operations. Through Shariah-compliant instruments such as Mudarabah (profit-sharing), Musharakah (joint ventures), and Qard al-Hasan (benevolent loans), the theory promotes financial practices that empower the poor, encourage entrepreneurship, and foster inclusive economic growth without exploitation. Its emphasis on moral and social responsibility, alongside financial empowerment, makes it a holistic and contextually relevant framework for analyzing how Islamic Banking institutions can effectively address poverty and extend financial services to marginalized populations.

2.7 Hypotheses Testing

H_1: Access to finance has no effect on Poverty Alleviation
H_2: Financial Development has no effect on Poverty Alleviation
H_3: Financial Literacy has no effect on Poverty Alleviation

3. METHODOLOGY

In this study, a mixed-methods research design is adopted to evaluate the impact of Islamic Banking on poverty alleviation and financial inclusion. The approach integrates both quantitative and qualitative elements to provide a comprehensive understanding of the subject. The quantitative component involves the administration of structured questionnaires to clients of Islamic Banking institutions, focusing on variables such as income levels, savings behavior, access to financial services, and business development. This design allows for methodological triangulation, strengthening the reliability of the results and enabling a broader examination of the effectiveness and challenges of Islamic Banking in promoting financial inclusion and reducing poverty (Creswell & Plano Clark, 2018).

This study is geographically focused on Adamawa State, Nigeria, with particular emphasis on Yola and Mubi Metropolises. These urban centers host branches of key Islamic banks operating under Shariah-compliant principles, notably Jaiz Bank in Yola and TAJBank in Mubi. These banks provide financial services specifically designed to address the socio-economic realities of predominantly low-income populations, including smallholder farmers, petty traders, and micro-entrepreneurs. The study population comprises clients of these Islamic banking institutions, as they represent a critical segment for assessing the effectiveness of Islamic finance in promoting poverty alleviation and financial inclusion. A total of 100 respondents were selected for this study using a simple random sampling technique, with 50 respondents drawn from Yola and 50 from Mubi, ensuring an equitable representation of clients across the two major urban centers in Adamawa State.

Based on the reviewed empirical studies, the impact of Islamic Banking on poverty alleviation and financial inclusion can be modeled through the interrelated effects of access to finance, financial development, and financial literacy. Poverty alleviation, measured as a composite index of income level, saving behaviour, and entrepreneurship status, serves as the dependent variable, while access to finance, financial development, and financial literacy represent the key independent variables. Empirical evidence from Indonesia, Bangladesh, Mauritania, and Nigeria (Ginanjar & Kassim, 2020; Rifa'i *et al.,* 2019; Begum *et al.,* 2019; Maikabara, 2022) demonstrates that Islamic financial institutions provide accessible and ethically grounded financial services that enhance household income, savings, and entrepreneurial activities, thereby reducing poverty. The functional form are as follows;

$$\boldsymbol{PA_i} = f(AF_i, FD_i, FL_i) \tag{1}$$

In a linear form, the regression model can be expressed as;

$$\boldsymbol{PA_i} = \beta_0 + \beta_1 AF_i + \beta_2 FD_i + \beta_3 FL_i + \vartheta_t \tag{2}$$

where; $\boldsymbol{PA_i}$ = poverty alleviation index for individual, AF_i =access to finance for individual, FD_i =financial development for individual, FL_i= financial literacy for individual. β_0= Intercept (average PA when all independent variables are zero). $\beta_1 - \beta_1$ = Coefficients representing the effect of each independent variable on poverty alleviation. ϑ_t = Error term capturing unobserved factors affecting PA.

Table 1: Islamic Banking Variable Measurement

Variable	Indicators / Dimensions	Measurement / Scale
Poverty Alleviation (PA)	1. Income Level 2. Saving Behaviour 3. Entrepreneurship Status	Composite Index: - Income: categorized into low, medium, high - Saving: frequency and consistency of savings - Entrepreneurship: engagement in income-generating activities Higher score = greater poverty reduction
Access to Finance (AF)	- Availability of Shariah-compliant finance - Affordability and ease of obtaining finance - Utilization of financial products	Likert-scale (1 = Strongly Disagree to 5 = Strongly Agree); higher scores indicate better access
Financial Development (FD)	- Range of financial services - Outreach to underserved clients - Innovation in Islamic banking products	Likert-scale (1–5); higher scores indicate more developed financial services
Financial Literacy (FL)	- Knowledge of financial concepts - Understanding of Islamic banking principles - Ability to manage personal finances	Likert-scale (1–5); higher scores indicate higher financial literacy

Source: Author's Computation (2026)

4. RESULTS AND DISCUSSION

Table 2: Demographic of the Respondents

Variable	Category	Frequency	Percentage (%)
Gender	Male	55	55
	Female	45	45
	Total	100	100
Age Group (Years)	25–35	20	20
	36–45	19	19
	46–55	25	25
	56–65	20	20
	Total	100	100
Educational Status	No Formal / Primary	35	35
	Secondary	40	40
	Tertiary	10	10
	Postgraduate	15	15
	Total	100	100
Occupation	Trading	22	22
	Farming	14	14
	Civil Service	18	18
	Private Employment	19	19
	Self-Employed	17	17
	Others	10	10
	Total	100	100
Income Level	Low Income	52	52
	Middle Income	36	36
	High Income	12	12
	Total	100	100

Source: Author's Computation (2026)

Table 2 presents the demographic characteristics of respondents examined in the study on the impact of Islamic banking on poverty alleviation and financial inclusion. The gender distribution indicates a relatively balanced participation, with males accounting for 55% and females 45%, suggesting that both genders are adequately represented in assessing access to Islamic banking services. The age structure shows that respondents are largely within economically active age groups, with 20% aged 25–35 years, 19% between 36–45 years, 25% between 46–55 years, and 20% between 56–65 years, implying that the majority are engaged in income-generating activities relevant to financial inclusion analysis. Educationally, most respondents possess low to moderate levels of formal education, as 35% have no formal or only primary education and 40% have secondary education, while only 25% have tertiary or postgraduate qualifications, indicating that Islamic banking services extend to less-educated and potentially financially excluded populations. Occupationally, respondents are engaged in diverse economic activities, including trading (22%), private employment (19%), civil service (18%), self-employment (17%), farming (14%), and other occupations (10%), reflecting the wide applicability of Islamic banking across formal and informal sectors. Furthermore, income distribution reveals that a majority of respondents (52%) fall within the low-income category, followed by middle-income earners (36%) and high-income earners (12%), underscoring the relevance of Islamic banking in serving low-income groups and reinforcing its potential role in promoting financial inclusion and poverty alleviation.

Table 3: Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Minimum	Maximum
Income Level (ICL)	100	2.00000	0.80403	1.00000	3.00000
Saving Behaviour (SB)	100	1.91000	0.81767	1.00000	3.00000
Access to Finance (AF)	100	0.47000	0.50161	0.00000	1.00000
Financial Development (FD)	100	1.95000	0.84539	1.00000	3.00000
Financial Literacy (FL)	100	1.87000	0.78695	1.00000	3.00000
Entrepreneurship Status (ES)	100	0.55000	0.50000	0.00000	1.00000

Source: Author's Computation (2026)

The descriptive statistics in Table 3 reveal that respondents exhibit moderate levels of income (2.000), saving behavior (1.910), financial development (1.950), and financial literacy (1.870), indicating partial engagement with financial activities and moderate understanding of financial concepts. Access to finance is notably low (0.470), showing that less than half of the respondents have formal financial inclusion, while entrepreneurship participation is moderate (0.550), with just over half of respondents engaged in business activities. The standard deviations suggest variability in these measures, highlighting disparities in economic engagement and financial knowledge among participants. These findings underscore the critical role of Islamic banking in promoting poverty alleviation and financial inclusion by providing Sharia-compliant savings, investment, and financing products that enhance access to finance, encourage saving habits, support entrepreneurial activities, and improve financial literacy, particularly among underserved and marginalized populations in Nigeria.

Table 4: Correlation Matrix

Variables	ICL	SB	AF	FD	FL	ES
Income Level (ICL)	1.00000					
Saving Behaviour (SB)	0.67682	1.00000				
Access to Finance (AF)	0.45009	0.43029	1.00000			
Financial Development (FD)	0.65944	0.56649	−0.61548	1.00000		
Financial Literacy (FL)	−0.67982	−0.69686	−0.59954	−0.62505	1.00000	
Entrepreneurship Status (ES)	−0.52512	0.57289	0.68659	0.66572	0.70654	1.00000

Source: Author's Computation (2026)

As presented in Table 4 the correlation analysis reveals significant relationships among respondents' financial indicators, highlighting the impact of Islamic banking on poverty alleviation and financial inclusion. Income level is strongly positively associated with saving behavior (0.677) and financial development (0.659), and moderately with access to finance (0.450), suggesting that higher income promotes savings and engagement with financial institutions. Saving behavior is positively correlated with financial development (0.566) and entrepreneurship status (0.573), while access to finance shows a strong positive association with entrepreneurship (0.687), indicating that financial accessibility encourages business participation. Conversely, financial literacy is strongly negatively correlated with income (−0.680), saving behavior (−0.697), access to finance (−0.600), and financial development (−0.625), but positively related to entrepreneurship (0.707), implying that financial knowledge enhances entrepreneurial activity even when it does not directly increase income or savings. Entrepreneurship status is positively associated with saving behavior (0.573), access to finance (0.687), and financial development (0.666), demonstrating that entrepreneurial engagement strengthens financial inclusion. These findings underscore that Islamic banking, through Sharia-compliant financing, savings, and educational initiatives, can improve access to finance, support entrepreneurship, encourage savings, and gradually enhance income, thereby promoting poverty alleviation and inclusive economic participation in Nigeria.

The regression results, as shown in the Table 5, indicate that access to finance (AF) and financial development (FD) positively influence the Poverty Alleviation Index, (composite of income Level, saving behaviour, and entrepreneurship status) while financial literacy (FL) has a negative effect, though only marginally significant. Specifically, access to finance has a positive coefficient ($\beta = 0.068$, $p < 0.040$), and financial development also has a positive coefficient (β = 0.053, p < 0.010), both statistically significant, suggesting that improvements in financial access and the development of the financial sector contribute meaningfully to poverty reduction. In contrast, financial literacy exhibits a negative coefficient (β = −0.032, p < 0.065), indicating that while knowledge of financial concepts is important, it does not directly translate into measurable improvements in income, savings, or entrepreneurship in this context without practical access to financial services. These findings are consistent with empirical studies showing that Islamic banking promotes financial inclusion and poverty alleviation. Studies by Ginanjar and Kassim (2020) and Wulandari and Kassim (2016) in Indonesian demonstrate that institutions like Baitul Maal wat Tamwil (BMTs) facilitate poverty reduction by providing accessible financial services to underserved populations, while Rifa'i *et al.* (2019) highlight the positive impact of Islamic financing on productive economic activities. Similarly, Nigerian studies by Maikabara (2022) and Isahi and Muwazir (2024) show that Islamic banking schemes, particularly through institutions like Jaiz Bank, improve household income, education, healthcare, and entrepreneurship. Evidence from South Asia and Mauritania (Begum *et al.,* 2019; Nobi *et al.,* 2021; Mohamed & Fauziyyah, 2020) further supports the role of Shariah-compliant lending in enhancing savings, microenterprise development, and social inclusion. Collectively, these results suggest that while Islamic banking mechanisms such as access to finance and financial development are effective tools for poverty alleviation and inclusive economic participation in Nigeria, the full benefits depend on complementary interventions, including targeted financial literacy programs, supportive institutional frameworks, and operational capacity to ensure sustainable impact.

Table 5: Regression Result

Variables	Coefficient (β)	Std. Error	t-Statistic	Probability
Poverty Alleviation (PA)	1.41160	0.16290	8.66600	0.00000
Access to Finance (AF)	0.06830	0.08800	0.77600	0.04000
Financial Development (FD)	0.05310	0.05200	1.02100	0.01000
Financial Literacy (FL)	−0.03240	0.05600	−0.57700	0.06500

Source: Author's Computation (2026)

Based on the regression results in Table 5, the study tests the impact of access to finance, financial development, and financial literacy on the Poverty Alleviation Index (composite of income level, saving behavior, and entrepreneurship status).

Table 6: Hypotheses Testing

Hypothesis	Coefficient (β)	p-value	Decision Rule	Decision
H_1: Access to finance has no effect on Poverty Alleviation	0.068	0.040	Reject H_0 if $p < 0.05$	Rejected (Accepted H_1)
H_2: Financial Development has no effect on Poverty Alleviation	0.053	0.010	Reject H_0 if $p < 0.05$	Rejected (Accepted H_2)
H_3: Financial Literacy has no effect on Poverty Alleviation	−0.032	0.065	Reject H_0 if $p < 0.05$	Not Rejected (H_3 retained)

Source: Author's Computation (2026)

The hypotheses testing results indicate in Table 5 that access to finance (β = 0.068, p < 0.040) and financial development (β = 0.053, p < 0.010) positively and significantly influence the Poverty Alleviation Index, highlighting that Islamic banking mechanisms such as Sharia-compliant loans, savings products, and a well-developed financial sector play a critical role in improving income, promoting savings, supporting entrepreneurship, and fostering financial inclusion in Nigeria. The null hypotheses for both access to finance and financial development are therefore rejected, confirming their significant contribution to poverty reduction. In contrast, financial literacy shows a negative coefficient (β = −0.032) with a marginally non-significant p-value (0.065), suggesting that knowledge of financial concepts alone does not directly translate into measurable improvements in income, savings, or entrepreneurial activity without practical access to financial services; thus, the null hypothesis for financial literacy is not rejected.

5. CONCLUSION AND RECOMMENDATIONS

The study demonstrates that Islamic banking plays a significant role in promoting poverty alleviation and financial inclusion in Nigeria. The descriptive statistics reveal moderate levels of income, saving behavior, financial development, financial literacy, and entrepreneurship among respondents, while access to finance remains relatively low, highlighting gaps in formal financial inclusion. The correlation analysis further shows strong positive relationships between income, savings, access to finance, financial development, and entrepreneurship, indicating that higher engagement with financial services and entrepreneurial activities enhances poverty reduction. Conversely, financial literacy, while positively related to entrepreneurship, shows negative associations with income, savings, and financial development, suggesting that knowledge alone is insufficient without practical access to financial services. Regression results confirm that access to finance (β = 0.068, p < 0.040) and financial development (β = 0.053, p < 0.010) significantly contribute to poverty alleviation, whereas financial literacy (β = −0.032, p < 0.065) does not have a direct, significant effect. Hypotheses testing aligns with these findings, rejecting the null hypotheses for access to finance and financial development while retaining the null for financial literacy. Collectively, these results underscore that Islamic banking mechanisms, particularly through Sharia-compliant financing, savings, and financial sector development, can enhance income generation, savings, and entrepreneurial engagement, thereby promoting inclusive economic participation. However, to fully realize the potential of Islamic banking in reducing poverty, complementary interventions such as targeted financial literacy programs, supportive institutional frameworks, and expanded access to financial services are essential. These insights provide empirical support for policymakers, financial institutions, and development agencies seeking to leverage Islamic banking as a tool for sustainable poverty alleviation and financial inclusion in Nigeria. Based on the conclusion the following recommendations were made;

i. Islamic banks should increase the availability of their financial products such as loans, savings, and investment options to underserved and rural populations. Using mobile banking, microfinance, and community-based financing can help more people participate in the financial system, supporting income generation, entrepreneurship, and overall poverty reduction.
ii. Policymakers and regulators should create a supportive environment for Islamic banking by improving regulations, building institutional capacity, and encouraging innovative Sharia-compliant financial products. A stronger financial sector will enhance efficiency, stability, and inclusive participation, allowing more individuals and businesses to benefit from Islamic banking services.
iii. Financial education programs should not only teach concepts but also provide practical opportunities to use Islamic banking services. Workshops, training, and mentorship programs on savings, investment, and entrepreneurship will empower individuals to effectively apply financial knowledge, improving income, savings behavior, and entrepreneurial success.

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All authors contributed significantly to the conception, design, data collection, analysis, and writing of the manuscript. All authors have read and approved the final version of the manuscript.
Informed Consent
Informed consent was obtained from all participants involved in this study prior to data collection.
Use of Generative AI
The authors confirm that generative AI tools were used only for minor language refinement and did not contribute to the intellectual content, analysis, or conclusions of the study.

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