

THE ROLE OF ISLAMIC FINANCE IN ENHANCING THE ECONOMIC PROSPECTS OF KENYAN MUSLIMS: AN EMPIRICAL STUDY ON KENYAN ISLAMIC BANKING SECTOR

Mohammed Warsame*

Abstract: *The authorization of the Islamic Banks by the Central bank of Kenya was an important step towards financial inclusion as the newly-established Islamic banks could serve the Muslims with financial services consistent with their faith. Although the number of Muslims is increasing, it is not clear what their perceptions towards these products are, what percentage is transferring their banking base and what impact these services have had (Iqbal and Abbas 2007). Hence, the main objective of this study is to evaluate perceptions, performance and impact of Shariah compliant banking products among Muslims in Kenya.*

Research findings revealed that the influx of Muslims from the conventional banks and non-banking status to Shariah compliant banking (Islamic) system has significantly influenced the development of Islamic Banks in Kenya. Similarly, the research found that a significant number of Muslims transferred their banking allegiance to Shariah compliant banks following the introduction of such banks in Kenya. This suggests that most Muslims prefer Islamic banks whose services respect their religion. Furthermore, the research found that Muslims' perception towards Islamic Banks is highly positive as most of them prefer banking with institutions that are well within the parameters and doctrines of their religion. According to the findings of this research, a lot still needs to be done in Kenya to ensure that more Kenyan Muslims access banking services that are sensitive to their needs.

In addition, the research made certain recommendations based on its findings including the enhancement of the skills of the Islamic banking staff by holding regular seminars and training workshops for their employees. Furthermore, more awareness and educational campaigns should be directed at the Muslim population to make them aware of the existing services. Similarly, active restructuring of the government public debt to include Sukuk components in order to allow for active participation of Islamic Banking industry in Kenya is recommended.

Keywords: *Islamic Banking, Conventional Banking, PLS Theory, Islamic Finance, Takaful, Kenyan Islamic Banks.*

1. INTRODUCTION

Growing at a rate of 15 to 20 percent per annum over the last two decades, Islamic financial assets are presently estimated at \$1.3 trillion according to the authors.

* University of Sharjah

Relative to the overall amount of financial assets in the world, this amount is negligible also in terms of the minimum funds needed for the Islamic system to play a vital role in the economic and financial development of Muslim countries globally. Islamic finance has notably aroused great interest and respectability for the Islamic financial system around the world in a time period of just over two decades. The most prominent development would be of *cukûk* which are bonds based on Shari'ah compliance and backed by real assets. These bonds earn profit or loss based on the real sector activity. Islamic finance is discerned from other forms of finance as it is designed to be free from the speculative rise in financial transactions which have played to role of major financial crisis in history, most recently the one that took place in 2007. The world is still rehabilitating from the after effects of such crisis even after seven years. Additionally, the potential for the development and expansion of *cukûk* is still under process and is considered to play a significant role in the financial and economic development of Muslim nations in the near future as it is gaining recognition (Iqbal & Mirakhor).

1.1. Statement of the Problem and Research Objectives

It is evident that a major part of Muslims avoid interest based financial services, as it is Haram (forbidden) in the religion, Islam. Even the Muslims, who are less religious prefers banking as per Shariah compliant products, if they were given a choice to select from Islamic and Conventional Banking (Diamond, 1984). The authorization of the Islamic Banks by the Central bank of Kenya was a significant step towards financial enclosure, as the newly-established Islamic banks and other conventional banks with windows of Islamic products could serve the Muslims with financial services consistent with their faith. Shariah-compliant banks and other institutions providing similar products would play a big role in boosting financial inclusion among Muslims (Hassan and Lewis, 2007).

Since the authorization, the number of Muslims taking up the products is increasing, however, it is not clear what their perceptions towards these products are, what percentage is transferring their banking base and what impact these services have had (Iqbal and Abbas 2007). the main objective of this study is to evaluate perceptions, performance and impact of Shariah compliant banking products among Muslims in Kenya. To achieve, the main research objective, the following more specific research objectives:

1. To establish the significance of the number of Muslims currently accessing and benefitting from availability of Islamic products in Kenya
2. To establish the number of Muslims transferring financial services to institutions providing Islamic financial products

3. To determine the perception of Kenyan Muslims on the various Shariah compliant products and how it affects their banking behavior
4. To establish whether there is a significant gap between what Kenyan Muslims would like to get from Sharia financial institutions and what is available from these institutions

1.2. Null Hypothesis (Ho)

This study was guided by a hypothesis that presence of Shariah compliant products in Kenya has not been very significant and that people's (Kenyan Muslims') perceptions towards these services are still negative.

1.3. Significance of Study and its Scope

The study will help investors to assess the future prospective of the Islamic banking in Kenya, which could guide them in their investments, financing and savings decisions. So far, only a minority of Muslims strongly believes in the Islamic mode of banking, whereas, a majority of Muslims and non-Muslims are somehow ignorant about it or are not deeply convinced about its viability. Hence, investors would be made more aware of the recent trends in the Islamic financial market, as far as new financial products are concerned.

The study covered adult Muslims, who have been residing in Kenya for a period of at least three years prior to the study. Both, Shariah compliant product customers and non-customer Muslims were included in the sample. Islamic bank managers and other relevant employees were also interrogated. The study was localized mainly in Nairobi County, because this is where most of the Muslims who use such services are found in sufficient numbers.

2. LITERATURE REVIEW

This section presents a critical review of literature on Shariah compliant banking patterns among Muslims and non-Muslims. It further reviews theoretical issues in banking upon which this study is strongly based. The chapter later discusses literature that directly affects the objectives under investigation.

2.1. Conceptual framework

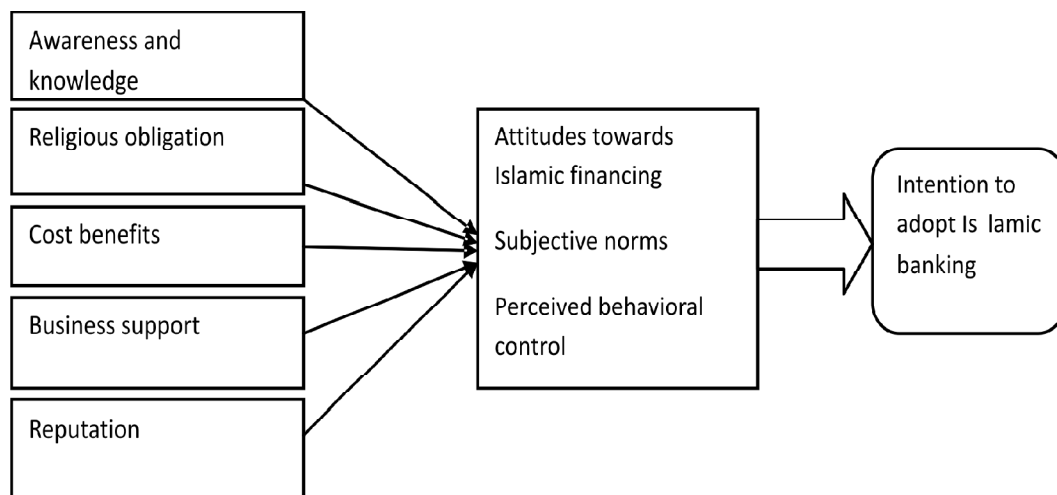
It is understood through previous occurrences that important factors of belief are complementary to the attitude towards Islamic finance and hence its approval. A theory by Aizen (1991) primarily deals with 'Planned Behavior' and is based on the concept that the will to adopt springs from the beliefs generated towards Islamic methods of finance. This belief is based on internal standards and alleged control

over behavior. The essence of Aizen's study distinctly focuses on the general attitude towards Islamic finance. Due to this, it is of strategic importance to decode the factors that influence a belief which become a basis over which an attitude is formed. Important factors that form belief are included wholly in this study such as, the religious obligations, costs and benefits, awareness supported by knowledge, business sustainability and the reputation of the TPB model which is a relatively new advancement used in deciphering consumers attitude within the contextual framework of Shari'ah and Islamic financing.

2.1. Conceptual Framework

The conceptual framework used here is taken from the Theory of Planned Behavior by Ajzen (1991). This framework theory shows that the adoption intention in Islamic financing is an outcome from the attitude towards Islamic financing methods, perceived behavioral control and subjective norms. It is hypothesized that the relevant factors are positively linked with attitude towards Islamic financing and as a result influence adoption intention. As this study concentrates on the attitude towards Islamic financing, so it's vital to understand the sources of Islamic finance and the patterns it follows in the Islamic country, especially in Kenya.

Figure 2.1: Conceptual Framework



2.2. Monetary and Macro Theory

During the 1960's, some economists gave heed to the fact that present theory of macroeconomics is bereft of any acceptable and logical foundation for withholding money (Lewis *et al.*, 2001). In light of this realization, economists attempted to

introduce money completely in the theoretical form, meanwhile constructing the micro foundations of macroeconomics. Naturally, during the process, economists stumbled onto the issue of optimal monetary policies which eventually led to Friedman's monetary rule which approves of a zero nominal interest rate as essential and an adequate condition in order to ensure optimal allocative efficiency (Akacem and Gilliam 2002). If a certain price is allocated on the use of money, then people would inadvertently consider the costs and benefits of its use as compared to using real resources (Chapra, 2008). On the other hand, zero interest rates would lead to almost no opportunity cost as individuals will be inclined to invest in real resources as idle money would not benefit them in any way. People will automatically direct their funds towards real resources, generating a higher level of investment and subsequently consumption. These results directly imply that the lost teachings of religion, be it Christianity, Judaism, Islam or Hinduism prohibition on loans are not an irregularity (Chowdhury and Bhuiya, 2004, pp. 369-386).

Similar to inflation, deflation has its own draw backs supported by its lack of efficiency which remains constant during low interest rates as well (Abdul Gafoor, 2003). If interest rates are already low then in the face of recession, concerned monetary authorities will not have much leverage to drive interest rates further down. Although Islamic banking and finance discerns itself from contemporary banking mainly due to the zero interest rate policy coupled with the fact that economists are confident of overcoming the problems associated with this policy, still authorities in charge of monetary policy remain unmoved. Management of the money supply in an economy with a zero interest rate is unlike a normal economy, instead of influencing interest rates, real rate of growth will have to be observed and with respect to it, the rate of monetary expansion will be set. This level needs to be in line with the expectations of real growth and price stability. To obtain complete control of the money supply along with the revenue generated through expansion of money in the economy, some economists suggest that a 100% reserve ratio will need to be maintained (Al-Jarhi and Mabid, 2003). To attain complete efficiency or Pareto optimality, the economy will have to ensure price stability which will not lead to the wastage of real resources towards monetary use. Such efficiency does not conflict with deflationary policies. Consequently, people with substantial cash reserves will use them for purchases whereas those individuals which lack the funds will resort to borrowing of varying kinds (Dejonse, 1996). In the context of Islamic finance, rate of profit replaces interest rates regarding equity and also evolves into profit and loss sharing finance whereas on credit purchases and leasing finance, markups and rental rates are charged respectively (Lewis, 2001).

2.3. Profit and Loss Sharing (PLS) Theory

A fundamental principal of Islamic finance, as supported by scholars, revolves around Profit and Loss sharing instruments which are further categorized as *mudharabah* and *musharakah*. Funds generated by the Islamic bank under the risk sharing agreement (Dejonse, 2011) are distributed in either direct profitable investments or given to entrepreneurs under the same risk sharing agreement as it were obtained. Profit or loss derived from the operations of the business are shared according to the contractual basis agreed upon regarding a *mudharabah* venture. *Musharakah*, on the other hand, stipulates the depositor as a share holder of the business by creating a joint enterprise with the bank's client. Under any normal circumstances, freedom to operate is provided to the entrepreneur running the *musharakah* business (Metwally, 1996) which in turn shares the profit or loss with the depositor and the bank. The role of the Islamic bank in a typical PLS arrangement is basically providing the risk capital to the firm based on the operational and strategic decisions made by professional managers. Since the bank is liable to any profits or losses generated by the business, an oversight of the business operations if conducted properly will leave no major problem to this sort of agreement (Zineldine, 2002).

Certain rights and responsibilities are to be observed by the firm; the former deals with an appropriate degree of freedom and accounting decisions whereas the latter include compliance with the terms of contract and liquidation of the business at the time of expiration of the contract. The complex legal framework in countries today requires Islamic financial institutions to construct a comprehensive and standardized contract within the context of the laws in Muslim countries. These contracts must clearly define the tasks and authority invested in various officers or groups running the organization, also bylaws should mention the performance standards expected of the borrowing firm in comparison to firms in the same sector and perhaps beyond the extent of the certain sector.

2.4. Murabaha Theory and Practice

Although the theory of *Murabaha* is not accumulated from primary sources of Islamic *Shari'ah* such as the Holy Quran and *Shari'ah* but is still a practice of Islamic financial institutions. In the case of deferred payment or *murabaha* agreement, goods are obtained by the client but payment is made at a later date. This payment includes the cost of goods plus a markup which is charged by the bank. It is a matter of debate within scholarly circles as some scholars such as Imam Malik (796) and Imam Shafi (820) have approved of *Murabaha* sales but did not approve of the mark up charged where as on the other hand, Sarakshi (1091), Marghinani (1197) and Nawawi (1277) have permitted the charging of a mark up by the seller

in the case of deferred payment arguing that it is a normal trade practice (Saadullah, 1994; Vogel and Hayes, 1998). Currently, the debate relating to the legality of murahaba schemes is still hot due to its similarities with conventional banking norms.

2.5. Ijarah (Lease Financing): Theory and Practice

Leasing, also known as Ijarah wa iqtina in Islamic terminology, although similar but distinct with respect to certain terms and conditions. Ijarah discerns itself from conventional leasing by holding the individual or firm in possession of the leased asset liable for any depreciation, repairs, insurance and damages. According to Ijarah, leaser is also handed the risk of useable life regarding the asset and has particularly gained popularity in the financing of real estate assets, manufacturing machinery, retail and service industry. It is strongly supported by Shari'ah scholars (Iqbal, 2000).

2.6. Bai Salam (Advance Payment) and Bai Istisna (Procurement Engagement)

Bai Salam and bai istisna can be considered as the complete opposite of Murabaha as it deals with pre payments rather than payments made after the acquisition of goods. The roots can be traced back to the period before Islam rose to prominence, especially in the Arabian agriculture sector. Cost of goods to be delivered at a later date, are paid for in full and in advance. In order to avoid speculation or gharar in Islamic terminology, Shari'ah has laid down certain guidelines regarding these contracts which relate to the quantity, price and quality of the goods procured (Iqbal, 2000).

2.7. Consumer Attitudes and Banking Patterns

Although interest is against the norms of many religions for instance Judaism, Christianity and Islam, today's global economic structure is primarily built upon interest. Currently, people and firms alike are pursuing hard work to replace the conformist interest based banking system with a system independent of monetary interest. The case against interest has been a peculiar topic of concern scrutinized by many researchers leaving the religious dimension aside (Aziz, 2011). Even though the roots of Islamic banking can be traced back as far as 14 centuries ago, but it has only gained commercial publicity through active practice in the last century (Jonge, 1996). The advent of Islamic banking coinciding with the gain in momentum of the ethical banking movement is not to be treated as a mere coincidence but is a carefully structured mutual understanding amongst business management researchers. Researchers such as Dhumale and Sapcanin (2006), Lewison (1999) and Scott (2007) share the outlook that Islamic banking is the epitome of ethical banking.

Islamic banking has made unparalleled progress in recent years according to Khan and Bhatti (2208). The Middle East, South Asia and the Indian subcontinent are major regions encapsulated by the rise of Islamic banking. The idea has also spread to the west; western regulators, investors and other agents have shown a great deal of interest towards Islamic banking and have approached it through amenable ways. Despite its emerging popularity, Islamic banking has been facing some problems and challenges that will reflect on the future growth and development of Islamic banking. Dealing primarily with concepts, information and other facts on Islamic banking, research was limited due to lack of statistical or empirical evidence hence rendering the matter subjective is its real essence.

A study by Alexakis and Tsikouras (2009) provides an outline of the regulatory framework and institutions associated with Islamic finance today and highlighted those areas which demanded attention, a wide range of bibliography was reviewed with heightened focus on the standards published by the Islamic Financial Services Board and the accounting and auditing organization for Islamic Financial Institutions. Regulatory topics of primary interest in the Islamic financial world are reviewed alongside a provisional overview of the main Islamic regulatory institutions. The study is concluded with a set of hypotheses which requires further study and findings effecting the growth of the Islamic finance sector: increased involvement in Islamic finance by Western regulators, as well as credit rating agencies, existence of sound accounting procedures, increased protection of stakeholders in Islamic financial institutions.

Similarly, Haron *et al.* (1994) identified the differences in the backing of Islamic and conventional banks in their study of Muslims and non Muslims in Malaysia. Generally viewed as the largest centre of Islamic finance outside the Middle East, Malaysia was the subject of interest regarding two other studies (Hamid and Nordin, 2001) which primarily dealt with the awareness of Malaysian customers towards Islamic banking within the wider concept of promotion of Islamic education. The researchers discovered that the general public did not discern between Islamic and conventional banking products and services even though half of the people included in the study dealt with Islamic banks but they were still in need of extra understanding of Islamic bank products (Herrera, J.J.D and Lopez, M.J.C. 2011).

2.8. Challenges Facing Islamic Banking in Kenya

The Islamic banking industry has been persistent since over two decades in expanding its reach in order to at least come up to the level of conventional banking but factors such as the absence of Shari'ah compliant legal framework hinders its progress and hence is the main reason behind the lack of growth. It is time to

tackle these challenges faced by Islamic banks as it requires a number of supporting institutions and arrangements to perform certain functions which are currently being done by conventional financial institutions. Attempts need to be made to put Islamic banking on the path of progress by providing better products and quality services within the framework of Islamic laws.

Major challenges faced by the Islamic banking industry include legal support; although Islamic law offers its own framework for orchestrating commercial and financial contracts and transactions, commercial banking and company laws appropriate for implementation of Islamic banking and financial contracts do not exist. Islamic banking contracts are taxed twice since it is treated as the buying and selling of properties. The commercial banking system alongside company laws contain provisions which are minimally defined and hence prohibit the scope of Islamic banking within conventional limits. For this reason, it is of utmost importance that special laws should be indoctrinated for the introduction and practice of Islamic banking.

2.9. Islamic Banking in Kenya

According to a study by Oundo (2009), banking clients who demand Shari'ah compliant products are mainly the financially worse off people who insist on these products (CGAP, 2008). The rise of Islamic banking in Kenya was largely due to the demand from conventional banking clients in Shari'ah compliant products. Although the mainstream banking sector offered special options for their Muslim clients, poor micro entrepreneurs had no access to Islamic microfinance products. The study further asserts that due to the lack of options faced by most respondents, they were coerced into obtaining loans from the available institutions as a substitute. The study also scrutinized the level of knowledge respondents possessed regarding the existence of Kenyan MFI that provided Shari'ah compliant products. All responded in the negative saying that they had never heard of it. When asked if they would substitute conventional loans with other products provided by Islamic MFI, all replied in the affirmative which confirmed the existing market niche.

Current market trends and surveys portray the untapped potential of Islamic banking as a large section of Muslim communities remain completely side lined by the banking industry mostly due to the non availability of interest free banking especially on low incomes. The research furthers indicates that potential lucrative market for Islamic banking will be the business community in Nairobi, Mombasa and other towns with a majority share of Muslim households. However, a major aspect of promoting Islamic finance would include the projection of this idea amongst Muslim communities as a business consisting of a reputable Shari'ah advisory board of international standards (Nzibo and Ndung'u). Both Muslims

and non Muslims alike are positively anticipating the interest free banking service that is efficient, modern, solid, transparent and customer friendly. In order to remain competitive with conventional banks, Islamic banks will need to invest heavily in technology and machinery which would reduce costs and eventually retain its competitiveness (Nzibo, 2013).

3. RESEARCH METHODOLOGY

3.1. Introduction

The purpose of this study was to evaluate perceptions, performance and impact of Sharia compliant banking products in Kenya. This study targeted 27,270 A/C holders and 150 Shariah compliant bank employees (Kenya business list, 2013). Gulf African Bank, Chase Bank and First Community Bank were used. The sample size was 270 respondents, representing 70 (10%) of Shariah bank compliant bank employees and 200 (90%) as Shariah bank compliant A/C holders.

As far as sampling technique is concerned, in this study, respondents were enrolled using convenient sampling method. The selection of those to participate in the study is done according to the convenience of the researcher and the respondents. However, both primary and secondary data have been used for collecting information in this study and data for this study was collected using standardized data collection instruments, including Questionnaires and in-depth interview guides.

Both the data collection instruments were tested prior to the main study. A pilot study was conducted at Standard Chartered Bank and Nairobi Esleigh area to appraise the quality of the tools. Necessary adjustments were made after the pilot to align the instruments with the required standards. The sample that was used for pre-testing was not the same as the one used for the main study. However, inclusion and exclusion criteria were the same as the one for the main study. Data collected was entered and analyzed using SPSS version 20. Respondent's socio demographic factors were analyzed, and descriptive statistics and linear regression were used to predict the products' impact. For ethical considerations, approval for the study was obtained from the management of the three banks sampled and informed consent obtained from respondents before obtaining information from them.

4. PRESENTATION OF RESULTS

Results of the study are presented in the form of charts, tables and graphs. The section also captures demographic data of the study subjects. Further, it presents the results of all the four objectives that were studied. The questionnaire that was

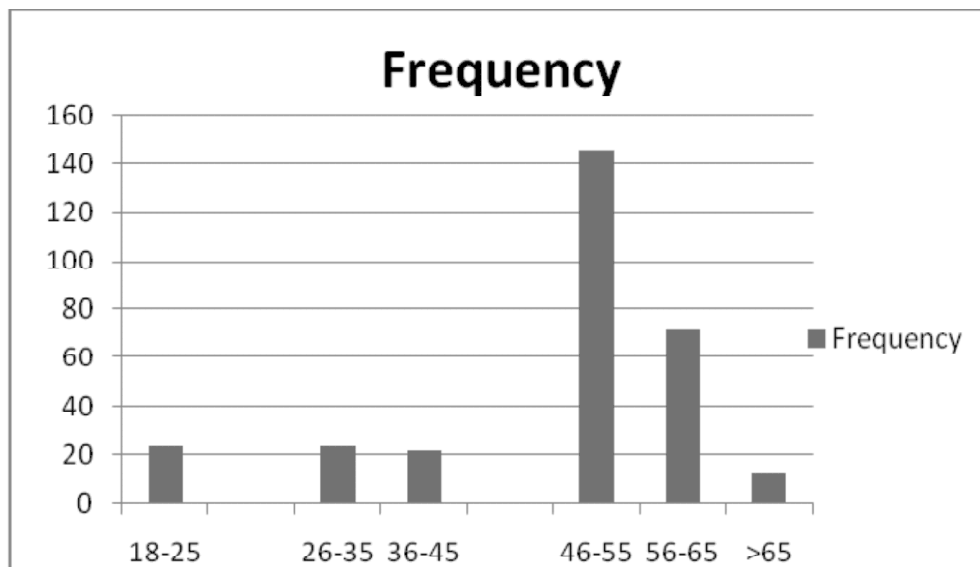
used to collect data was designed in line with the objectives of the study. To enhance quality of data obtained, Likert type questions were included, whereby respondents indicated the extent to which the variables were practiced on a five point Likerts scale.

4.1. Socio-Demographic Data

This section presents data that describes relevant social attributes of the study subjects as this was especially important in order to have detailed knowledge of the respondents. The attributes included: Respondent's age, gender, level of education, type of bank operated and employment status.

4.1.1. Age

Figure 4.1.1: Age of Respondents



Data shows that most of the respondents were between the ages of 46-55 years (48.7%). This was followed by those between the age ranges of 56-65 years (24%), 26-35 (8%), 18-25 (8%), and 36-45 (7.3%), while >65 (4%) years constituted the least majority of the study, respectively.

4.1.2. Gender

Majority of the respondents were males, who constituted 68% of the total number. Female subjects formed 32% of the total number.

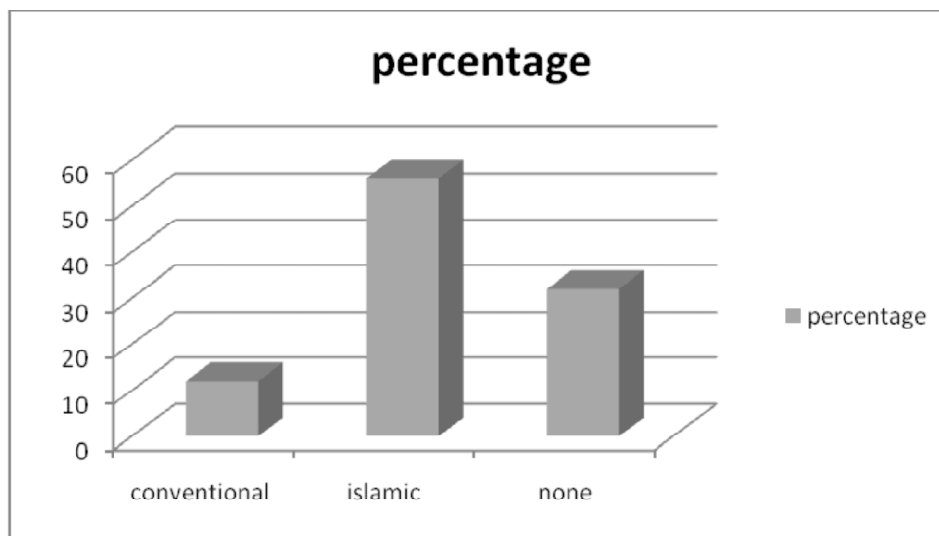
Figure 4.1.2
Gender of Respondents

	<i>Frequency</i>	<i>Percent (%)</i>	<i>Valid Percent (%)</i>	<i>Cumulative Percent (%)</i>
Male	204	68.0	68.0	68.0
Female	96	32.0	32.0	32.0
Total	300	100.0	100.0	100.0

4.1.3. Type of Bank (A/C) Operated

Data shows that most of the respondents operated accounts in Islamic banks (56%). Those who operated accounts in conventional banks were 12% and the respondents without accounts at all constituted 32% of the total sample.

Figure 4.1.3: Type of Bank Operated



4.1.4 Employment Status More than half (68%) of the respondents were self-employed. Twenty percent (20%) worked as unskilled laborers and those who worked in management and technical positions constituted 8% and 4%, respectively.

4.1.5. Respondents Level of Education

Data shows that majority (44%) of the subjects had not gone to school beyond high school. This was followed by 22% of those who had only gone to school up to diploma level. Another 16% of the subjects constituted those who had acquired education up to high school level and 4% and 14% had graduate level and bachelors' level of education, respectively.

Figure 4.1.4: Employment Status

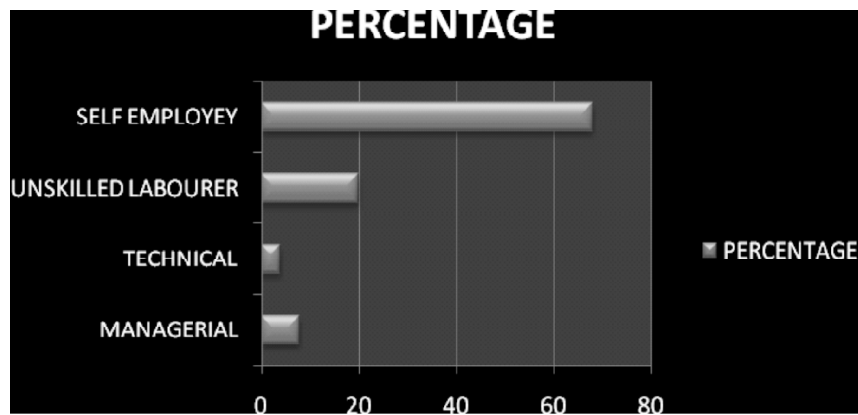
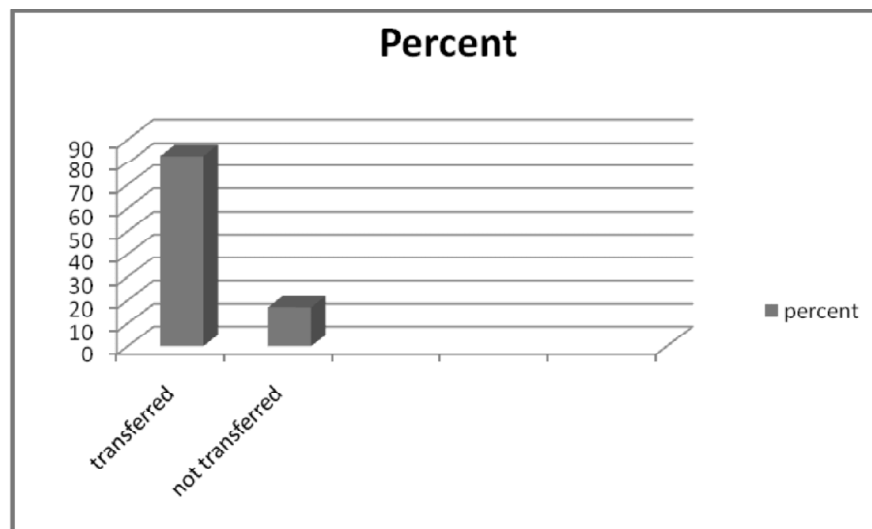


Figure 4.1.5: Respondents Level of Education



4.2. Knowledge of Shariah Compliant Services and Role Played In Tackling Financial Exclusion in Kenya

This section presents data indicating the level of knowledge that Kenyan Muslims have about Shariah compliant banking services/ products and the role these services have played in tackling financial exclusion in Kenya.

4.2.1. Knowledge of existence of Sharia compliant services in Kenya

Majority (44%) of the study subjects agreed that they had knowledge of existence of Sharia compliant services in Kenya. Thirty two percent of them strongly agreed

to have this knowledge, but 4% and 20% disagreed and were neutral (were not sure), respectively.

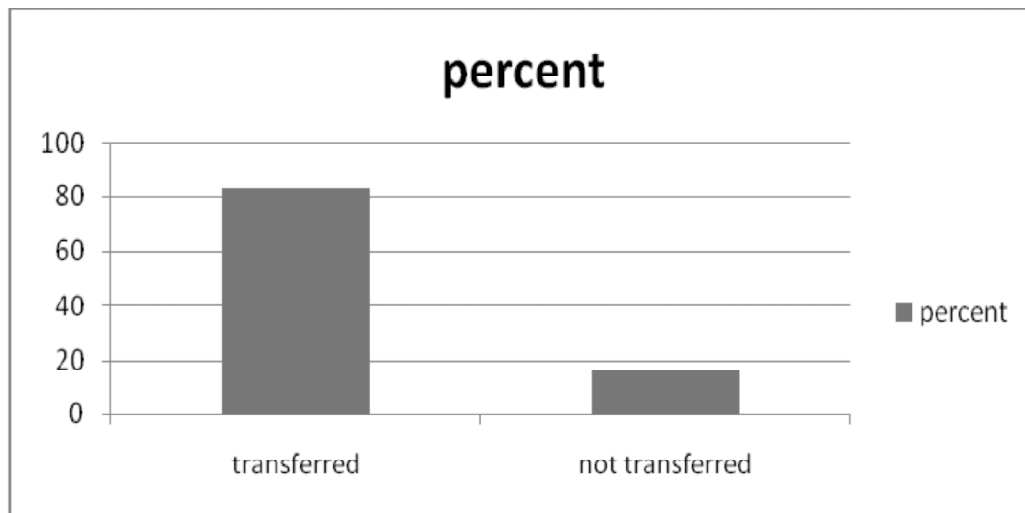
Figure 4.2.1
Respondents knowledge of Shariah compliant services

	<i>Frequency</i>	<i>Percent</i>	<i>Valid Percent</i>	<i>Cumulative Percent</i>
Disagree	12	4.0	4.0	4.0
neutral	60	20.0	20.0	24.0
agree	132	44.0	44.0	68.0
strongly agree	96	32.0	32.0	100.0
Total	300	100.0	100.0	

4.2.2. Transfer to Islamic Banks

Majority (83%) of respondents who had knowledge of Shariah compliant banking system had transferred their allegiance to those banks but the remaining 17% did not transfer. However, it was not clear, whether they still preferred conventional banks or just non-banking status.

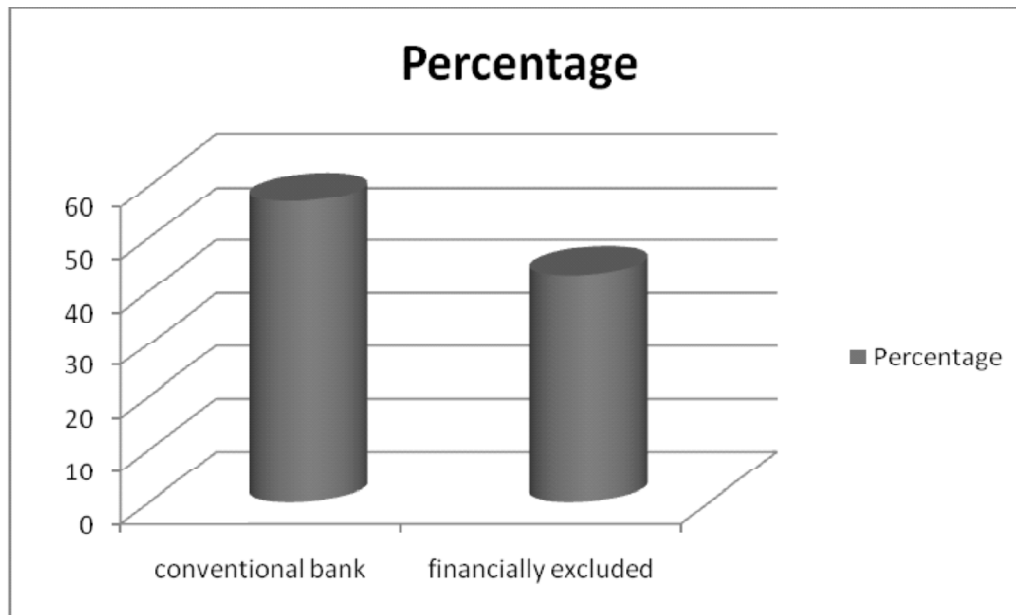
Figure 4.2.2: Transfer to Islamic Banks



4.2.3. Access to Financial Services before Introduction of Islamic Banks

Data reveals that before introduction of Shariah compliant banking services majority (57%) of the respondents had accounts with conventional banks while 43% of the respondents said they had been financially excluded.

Figure 4.2.4: Financial Services before Introduction of Islamic Banks



4.3. Attitudes towards the Sharia Complaint Financial Products on offer in Kenya

4.3.1. Islamic Mortgages vs. Conventional Mortgages

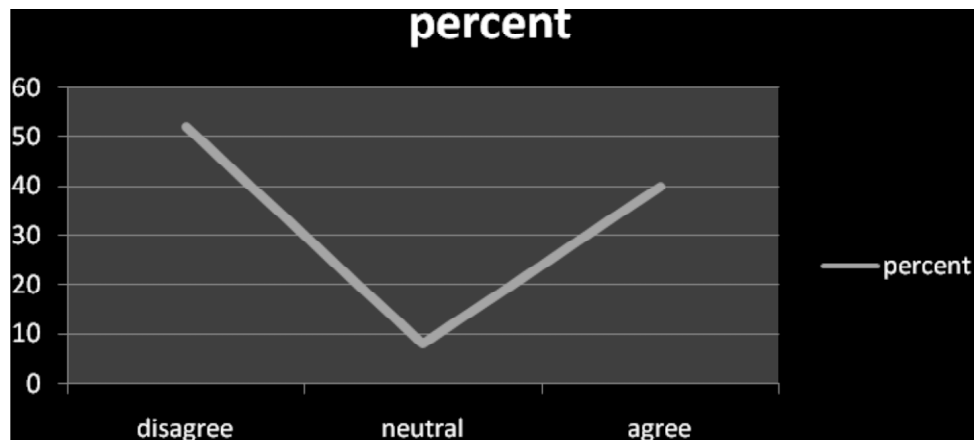
Data revealed that majority (48%) of the respondents strongly disagreed that Islamic mortgages are more expensive than conventional mortgages. Thirty six percent of the subjects disagreed with the statement.

Figure 4.3.1
Islamic vs. Conventional Banking

	Frequency	Percent	Cumulative Percent
strongly disagree	144	48.0	48.0
disagree	108	36.0	84.0
neutral	36	12.0	96.0
agree	12	4.0	4.0
Total	300	100.0	100.0

4.3.1. Shariah Compliant Products/Services vs. Conventional Banking Products

A bigger number (52%) of the study subjects were of the opinion that Shariah compliant banking products are different from the conventional banking products. A slightly lower number (40%) supported the position that the products are more less the same.

Figure 4.3.1: Shariah Compliant Products vs. Conventional Products

4.4. Perception of Kenyan Muslims towards Islamic and Conventional Banking Systems

Majority of the respondents (68%) disagreed that benefits from Islamic banks are more less the same like those from convention banks. Eight percent of them were indecisive, while 24% agreed with the position.

Figure 4.4.1
Perceptions towards Islamic vs. conventional banking systems

	Frequency	Percent	Valid Percent	Cumulative Percent
disagree	204	68.0	68.0	68.0
neutral	24	8.0	8.0	76.0
agree	72	24.0	24.0	100.0
Total	300	100.0	100.0	

4.4.2. Respondents' Perception of Class of Clients Who Subscribe to Islamic Banking

Data reveals that most of the subjects sampled (72%) disagreed that Shariah compliant products only benefit the rich in society. Only 16% supported that position.

Figure 4.4.3
Perceptions of clients who benefit from Islamic banking

	Frequency	Percent	Valid Percent	Cumulative Percent
disagree	216	72.0	72.0	72.0
neutral	36	12.0	12.0	84.0
agree	48	16.0	16.0	100.0
Total	300	100.0	100.0	

4.4.4. Impact of Islamic Banking on Muslims' Well Being

Data from the study revealed that only 4% of the sampled respondents agreed that Shariah compliant banking had little impact on Muslim's wellbeing. Majority of them (56%) and 28% respectively strongly and partially disagreed that the products had no impact.

Figure 4.4.4
Impact of Islamic Banking
Islamic Banking did not Make A Difference To Kenyan Muslims' Well-Being

	<i>Frequency</i>	<i>Percent</i>	<i>Valid Percent</i>	<i>Cumulative Percent</i>
strongly disagree	168	56.0	48.0	48.0
disagree	84	28.0	36.0	84.0
neutral	36	12.0	12.0	96.0
agree	12	4.0	4.0	100.0
Total	300	100.0	100.0	

5. DISCUSSION OF THE RESULTS

This section provides a summary of the findings based on the objectives of the study. The objectives of this study were to evaluate perceptions, performance and impact of Shariah compliant banking products among Muslims in Kenya. Other objectives included establishing the significance of the number of Muslims currently accessing and benefitting from availability of Islamic products in Kenya, establishing the number of Muslims transferring financial services to institutions providing Islamic financial products, determining the perception of Kenyan Muslims on the various Shariah compliant products and how it affects their banking behavior, as well as establishing whether there is a significant gap between what Kenyan Muslims would like to get from Sharia financial institutions and what is available from these institutions.

5.1. Socio-Demographic Characteristics

Most of the respondents who participated in the study were between the ages of 46-55 years (48.7%). This was followed by those between the age ranges of 56-65 years (24%). Additionally, majority of the subjects sampled were males (68%). This trend might have been due to the strong Muslim religion, where a lot of due diligence has got to be done before venturing in to any banking engagements. It is even more bureaucratic for women because majority of them will require their spouse's consent before getting involved. These findings agree with those of Uhlig and Harald, (2009), who found out that in most Islamic banking systems both within Islamic and Non-Islamic countries, majority of those who subscribe to banking are men.

Findings from the study also indicate that most respondents (56%) operate accounts in Shariah compliant banks, only 12% still subscribe to Conventional banking and 32% of them did not operate any bank account. These trends are due to the fact that Islamic religion requires that their financial engagements are in line with Muslim religious teachings, where by interests on loans borrowed or amounts accumulated is not allowed, which conventional banks still do. The findings of this study agree with those of Aman and Movassaghi (2001), who found out that the key Shari'a principle underpins Islamic finance and has led to the creation of a separate finance industry includes prohibition on usury and interest (riba). Under the Shari'a, it is not permissible to charge, pay or receive interest, since interest and usury are the same.

The study also showed that 68% of the participants were self-employed, 20% worked as unskilled laborers while only 8% worked in skilled management positions. A study done by Mwaniki (2013) produced slightly different results, where 48% were self-employed and 43% were in technical positions. This is probably because most of them (44%) had not gone to school beyond O-level, and yet, most technical jobs require that one acquires sufficient skills to be able to measure to the challenges that come with such obligations.

5.2. Knowledge of the Existence of Sharia Compliant Services in Kenya

Over 70% of the subjects studied agreed to have knowledge of the existence of Sharia compliant banking services/products in Kenya. In fact, an overwhelming 82% of these subjects had transferred their banking allegiance to Sharia compliant banking systems. El-Gamal (2006), in his study says that, globally, Islamic banks are growing at between 10% to 15% per annum with global asset in excess of one trillion dollars and operating within more than sixty countries across the world especially in the Middle Eastern and Asian region and other developing countries.

Another 57% of the participants said that they had been working with Conventional Banks before introduction of Shariah compliant services and especially those whose terms bordered so closely to the Islamic religion; these include Standard Chatered Bank and Kenya Commercial Banks (KCB). Mustafa A (2013), in his study also found similar results but Keith and Karl (2012) had very contrasting findings suggesting that before introduction of Shariah compliant services, most Muslims did not subscribe to banking services and (were financially excluded).

5.3. Perceptions towards Sharia Compliant Financial Products on Offer in Kenya

Majority of the respondents studied (48%) were of the opinion that Islamic mortgages were less expensive as compared to Conventional mortgages. Another 68% of them claimed that most Islamic banking products/benefits are less

expensive as compared to the conventional ones. These findings are in line with those of Abdul-Gafoor, 2003; Al-Jarhi and Mabid Ali, 2003 who found out those products offered by conventional banks are slightly expensive as compared to those offered by Shariah compliant banks. Their study was done among both Muslim and non-Muslim communities in Ghana.

The nature of clients benefiting from Shariah compliant products/services in Kenya is very non-discriminative of class and economic status at least according to the findings from the study. The study showed that 72% of the studied population was of the view that the products are beneficial to every customer regardless of class. Dejonse, (1996) and Lewis (2009) also conducted similar study in U.S.A and Kenya, respectively, and their findings demonstrated that most beneficiaries of these products are usually individuals whose economic status in society is perceived as high. A shift in the trend might have been occasioned by changing times, technology, cultural subscriptions and dynamic religious beliefs.

Findings from the study have shown that most respondents (84%) were of the opinion that Shariah compliant products/services had greater impact on the wellbeing of those who subscribe to it.

6. CONCLUSION AND RECOMMENDATION

Conclusions were drawn from the study findings, which were developed on the basis of the studied objectives, included that the influx of Muslims from the conventional banks and non-banking status to Shariah compliant banking (Islamic) system has significantly influenced the development of Islamic Banks in Kenya. Similarly, the research found that a significant number of Muslims transferred their banking allegiance to Shariah compliant banks following the introduction of such banks in Kenya. This suggests that most Muslims prefer Islamic banks, whose services respect their religion. Furthermore, the research found that Muslims' perception towards Islamic Banks is highly positive as most of them prefer banking with institutions that are well within the parameters and doctrines of their religion. According to the findings of this research, a lot still needs to be done in Kenya to ensure that more Kenyan Muslims access banking services that are sensitive to their needs.

The research also made certain recommendations based on its findings. Firstly, the research revealed that the lack of qualified Islamic banking personnel is a major bottleneck in Kenya. Hence, further training on the principles of Islamic finance should be provided to bank personnel to up-skill them to offer quality services and appropriate advice to bank customers. In this regards, the researcher recommends for banks to organize regular training and workshops by inviting well-versed Islamic scholars to educate their bank personnel about Islamic banking

and finance. Results from the research showed that a good number of Kenyan Muslims are yet to subscribe to the formal Shariah compliant banking system in Kenya. Inaccessibility of these institutions and non-compliance to the Muslim religion are the most cited reasons for this. In order to resolve this issue, the researcher recommends that the government via CBK (Central Bank of Kenya) and the Muslim elites should make deliberate actions to sensitize and inform the public about the prospects and the importance of formal Sharia-compliant banking. Also, the researcher recommends that a National Shari'ah Supervisory Board should be constituted to guide a process of Ijtihad led standardization and convergence of products, set qualification and certification of Banks' Shari'ah Board members and set rules for Shari'ah control. Similarly, active restructuring of the government public debt to include Sukuk components in order to allow for active participation of Islamic Banking industry in Kenya is recommended.

Further Research

Further research can be conducted in the following areas:

- relationship between financial inclusion of disadvantaged communities and business success
- Cost and long-term consequences of financial exclusion on disadvantaged communities (cost benefit analysis)
- Entrepreneurial skills of disadvantaged communities and how financial exclusion is restricting their talents.

References

- Abdel, Hamid El-Ghazali. *Profit versus bank interest in economic analysis and Islamic law*. Islamic Development Bank. Islamic Research and Training institute. Islamic Economics Translation Series No.2. p. 37.
- Aduda, J., and Kingoo, N. (2012). *The relationship between electronic banking and financial performance among commercial banks in Kenya*. Journal of Finance and Investment Analysis, 1 (3), 99-118.
- Agboola, A. (2006). Information and communication technology (ICT) in banking operations in Nigeria: an evaluation of recent experiences. [Web log post]. Retrieved from <http://unpan1.un.org/intradoc/groups/public/documents/aapam/unpan026533.pdf>
- Ahmad, Ausaf and Tariqullah Khan. (1998). *Islamic financial instruments for public sector resource mobilization*. Jeddah: IRTI.
- Ahmed, Khurshid. (1981). *Studies in Islamic economics*. Leicester, London: The Islamic Foundation.
- Akacem, M. and Gilliam, L. (2002). *Principles of Islamic banking: debt versus equity financing*. Middle East Policy, 9:1 124-138.
- Al-Ahmed, A.Y. (1996). *The Islamic financial instruments utilization*. M.Sc. Dissertation.

- Alexakis, C. and Tsikouras, A. (2009). Islamic finance regulatory framework: Challenges lying ahead. *International Journal of Islamic and Middle Eastern Finance and Management*.
- Alexakis, C. and Tsikouras, A. (2009). Islamic finance regulatory framework: challenges lying ahead. *International Journal of Islamic and Middle Eastern Finance and Management*, Vol. 2 Iss: 2, pp. 90-104.
- Al-Harran, S.A.S. (1993). *Islamic finance: partnership financing*. Malaysia: Pelanduk.
- Ali, K.M. Murtuza (1991). *Insurance in Islam, some aspects of Islamic insurance*. Dhaka: Islamic Economics Research and Bureau.
- Al-Jarhi, M. (2003). *Islamic banks and universal banks: need for leveled playing field*. A paper.
- Altman, E.I. and Eberhart, A.C. (1994). Dose seniority provisions protect bondholder investments. *J. Portfolio Manage.* Summer, 20(4): 179-194.
- Amin, H. (2008). *Determination of choice criteria in Malaysia's retail banking*. Malaysia: Kyala Terengganu.
- Amin, H. (2008). *Determination of choice criteria in Malaysia's retail banking*. Malaysia: Kuala Terengganu.
- Ansoff, I and McDonnell. (1990). *Implanting strategic management*. London: Prentice Hall.
- Anwar, M. (1989). *Modeling interest free economy*. West, New Dhephi: Genuine Publication.
- Aoki, M. and Patrick, H. (1994). *Monitoring characteristics of the main banking system: an analytical and developmental view in the Japanese main bank system*. New York: the Oxford University.
- Aosa, E. (1992). An empirical investigation of aspects of strategic formulation and implementation within the large private manufacturing companies in Kenya. Unpublished PHD thesis, University of Strathclyde. UK.
- Ariff, M. (1988). Islamic banking. *Asian-Pacific Economic literature* (Vol.2, No.2 pp. 46-62).
- Babatunde, B. O. and Adebisi, Y. S. (2011). *Innovation management and organization development: empirical study of Nigeria banking system*. Broad Research in Accounting, Negotiation, and Distribution, 2, 2.
- Bearden, O.N, Ingram, T.N and Harforge. (1995). *Marketing principles and perspectives*. USA: Irwin Publishers.
- Berger, A.N. (2003). *The economic effects of technological progress: evidence from the banking industry*. *Journal of Money, Credit, and Banking*, 35, (2), 141-176.
- Berkowitz, E.N., Kevin, R.A., Hartley, S.W. and Redelius, W. (1994). *Marketing*. (4th ed.).
- Boone, L.E. and Kurtz, D.L. (1992). *Contemporary marketing*. USA: Dryden Press.
- Brand, Graham A.W., Northrip, M, Z., Cohen, M. McCord, M and Brigit, H.B. (2002). *Looking before you reap: key questions that should precede starting a new product development*. *Journal of microfinance* Vol. No 1. pg. 2-7.
- Bryman, C. (2001). *Improving internal control: a practical guide for microfinance institutions*. Microfinance Network with GTZ. Technical Guide No. 1.
- CBK. (2010). *Targets Gulf cash with compliance bonds*. Nairobi, Kenya: Business Daily.
- Central Bank of Kenya. (2006). *Banking Supervision Annual Report. (n.d.)*. Retrieved July 4, 2013, from <http://www.centralbank.go.ke/images/docs/BankSupervision>

- Chandran, E. (2004). *Research methods: a quantitative approach with illustrations from Christian ministries*. Nairobi:Daystar University.
- Chapra, U. (2008). *The global financial crisis and the Islamic financial system*. Paper presented at the Forum on the Global Financial Crisis, IslamicDevelopment Bank.
- Chowdhury, A.M.R. and Bhuiya, A. (2004). *The wider impact of BRAC poverty alleviation programme in Bangladesh*. Journal of International Development 16(3), 369-386.
- Churchill, G.J. and Paul J.P. (1995). *Marketing creating value for customers*. USA: Irwin.
- Connel, F., and Saleh, M.N. (2004). *Six puzzles in electronic money and banking*. IMF Working Paper, IMF Institute.
- Cooper, D. and Schindler M. (2000). *Business research method* (8th ed.). New Delhi, Tata: Graws Hill.
- Cooper, D. and Schindler, P. (2000). *Business research methods*. (8th ed.). New Delhi: Tata McGraw Hill.
- Cooper, D.R. and Schindler, P.S. (2000). *Business research methods* (7th ed.). New York: USA.
- Cooper, R., and Schindler, P. (2008). *Business research methods* (10th ed.). New York: McGraw - Hill Companies.
- Cravens, D. W., Hills, E.G. and Woodruff, R.B. (1996). *Market management*. New Delhi: AITBS Publishers and Distributors.
- Da Rin, M. and Thomas H. (2001). *Banks as Catalysts for Industrialization*. William Davidson Working Paper Number 443 October.
- Dar, H. and Presley, J. (1999). Islamic finance: a Western perspective. *International Journal of Islamic Financial Services* 1, No. 1.
- DeYoung, R. and Rice, T., (2004). *Non-interest income and financial performance at U.S.A Commercial Banks*. The Financial Review (Vol. 39, No.1 pp. 456-478).
- Diamond, D. (1984). *Financial intermediation and delegated monitoring*. Review of Economic Studies, 51, 393-414.
- Ebrahim, M. (2001). *Islamic banking in Brunei, Drarussalum*. University of Brunei Darussalam / National university of Singapore, Singapore and Tankai: JOO Kemuda.
- Ebrahim, M.S. (2001). *Islamic banking in Brunei Darussalam*. Singapore: University of Brunei Darussalam / National University of Singapore and Tan Kai Joo Kemuda.
- El-Gamal, Mahmoud Amin (2000). *A basic guide to contemporary Islamic banking and finance*. Indiana: ISNA.
- Elhiraika, A.B. (1998). *Macroeconomic instability, financial repression and Islamic banking in Sudan*.
- Ennis, N. Huberto M. (2000). *Loanable funds, monitoring and banking*. Seminar department of economics, Cornell University.
- Erol, C. and El-Bdour, R. (1989). *Attitudes, behaviour and patronage factors of bank customers towards Islamic banks*. International Journal of Bank Marketing, Vol. 7 No. 6, p. 31.
- Erol, C., and El-Bdour, R. (1989). *Attitudes, behavior, and patronage factors of bank customers towards Islamic banks*. International Journal of Bank Marketing 7, No. 6, 31-39.
- Erol, C., Kaynak, E., and El-Bdour, R. (1990). *Conventional and Islamic bank: patronage behavior of Jordanian customers*. International Journal of Bank Marketing 8, No. 5, 25 - 35.

- Etzel, Michael J., Walker, Bruce J. and Stanton, William J. (2007). *Marketing*. (14th ed.). Irwin: McGraw-Hill.
- Ferro, N. (2005). *Value through diversity: microfinance and Islamic finance and global banking*. FEEM Working paper No. 87.05.
- Frame, W. S., and White, L. J. (2004). *Empirical studies of financial innovations: lots of talk, little action?*, *Journal of Economic Literature*, 47, 116–44.
- Friedman, M. (1969). *The optimum quantity of money in the optimum quantity of money and other essays*. Chicago: Aldine.
- Gakure, R. and Ngumi, P. (2013). *Do bank innovations influence profitability of commercial banks in Kenya*. *Prime Journal of Social Science*, 2 (3), 237-248.
- Gerald, P. (1997). *Division of banking and finance*, Anyang Business School. *International journal of bank marketing*, 15/16 pp. 204-206.
- Gerrad, P. and Cunningham, J.B. (1997). *Islamic banking: a study in Singapore*. *International Journal of Bank Marketing* 15, No. 6, 204 – 216.
- Gerrald, P. (1997). *Division of banking and finance*, Anyang business school, Nyanyang Technology University. *International Journal of Bank Marketing*, 15 / 16 pp. 204-216.
- Goro, R.W. *Strategic responses of commercial banks to the threat of substitute products*. Unpublished MBA research project, University of Nairobi, NairobiKenya.
- Guitnam, J.P. and Paul, G.W. (1998). *Marketing management strategies and programs*. New York. McGraw Hill.
- Hamid, A.H., and Nordin, N.Z. (2001). *A study on Islamic banking education and strategy for the new millennium–Malaysian experience*. *International Journal of Islamic Financial Services* 2, No.4.
- Hanlon, M. (2005). *Islamic bank of Britain offers helping hand to the financially Excluded*. London: The Islamic Bank of Britain Press Release Archives.
- Hassan, M. and Lewis, M. (2007). *Islamic banking: an introduction and overview in MK Hassan and MK Lewis Handbook of Islamic banking*. Massachusetts: Edward Elgar.
- Herrera, J.J.D and Lopez, M.J.C. (2011). *Islamic banking and finance: the co-evolution of institutional environment and finance services*.
- Holmes, P. (2004). *New product launches*. USA: Selling Comm. Inc.
- Holmstrom, B. and Tirole, J. (1997). *Financial intermediation, loanable funds and the real sector*. *Quarterly Journal of Economics*, 62, 663–691. *Holy Qur'an*. Saudi Arabia: Al-ryan Publishers.
- Hopkins, W.G. (2000). *Quantitative research design*. *Sport science Journal* Vol 4 Issue 1.
- Husain, I. (2010). *Keynote address delivered at the Conference on Islamic banking and Finance: Islam and the future of economics*. Karachi.
- Iqbal, M. (2000). *Islamic banking and finance: current developments in theory and practice*. Islamic Foundation and IAIE.
- Iqbal, M. (2001). *Islamic and conventional banking in the nineties: a comparative study*. *Journal of Islamic Economic Studies*, 8(2), Jeddah: Islamic Research and Training Institute.
- Iqbal, Z. and Abbas, M. (2007). *An introduction to Islamic finance*. Singapore: John Wiley and Sons.

- Irechukwu, G. (2000). *Enhancing the performance of banking operations through appropriate information technology: Information Technology in Nigerian Banking Industry*. Ibadan: Spectrum Books.
- Kahf, M. (2002). *Strategic trends in the Islamic banking and finance movement*. Paper presented at the Harvard Forum on Islamic Finance and Banking, Harvard University, Cambridge, Boston.
- Kahf, M. (2004). *Success factor of Islamic banks: symposium on Islamic banking and finance*. Brunei.
- Karim, N., Tarazi, M. and Reille, X. (2008). *Islamic microfinance: an emerging market niche*. Washington D.C: CGAP.
- Kariuki, N. (2005). *Six puzzles in electronic money and banking*, IMF Working Paper, IMF Institute, 19.
- Kartika, M. and Reza, I. (2010). *Islamic finance: a therapy for healing the global financial crisis*. Working Paper. Bank Muamalat Indonesia.
- Kaynak, E., Kucukemiroglu, O., and Odabasi, Y. (1991). *Commercial bank selection in Turkey*. International Journal of Bank Marketing 9, No. 4, 30 – 39.
- Keller, G. and Warrack, B. (2002). *Statistics for Management and economics* (5th ed.). Duxbury: Thompson Learning.
- Khan, M. & Bhatti, M. (2006). *Why interest free banking and finance movement failed in Pakistan*. Humanomics Australia (Vol. 22, pp. 145-161).
- Khan, M. and Bhatti, M. (2008). *Development in Islamic banking: a financial risk allocation approach*.
- Khan, M. M. and Bhatti, M. I. (2008). *Development in Islamic banking*. A journal of financial risk-allocation approach (Vol.1, PP. 40-51).
- Khan, M. M., and Bhatti, M. I. (2006). *Why interest-free banking and finance movement failed in Pakistan*. Humanomics (Vol. 22, (3), pp. 145-161). Australia.
- Khan, P. and Mohsin, S. (1986). *Islamic interest-free banking*. IMF Staff Papers, March.
- Khandker, S.R. (2000). *Savings, informal borrowing, and microfinance*, The Quarterly Journal of the Bangladesh Institute of Development Studies, 26(2&3), 49-78.
- Kibera, F.N. and Waruingi, B. (1988). *Fundamentals of marketing an African perspective*. Nairobi, Kenya: Kenya Literature Bureau.
- Kimani, P. (2003) *Product strategy in the marketing of financial services: a survey of the commercial banking sector in Kenya*. Unpublished MBA research project, University of Nairobi, Nairobi Kenya.
- Kothari, C.R. (2004). *Research methodology: methods and techniques*. New Delhi: New age International (P) Limited Publishers.
- Kotler, P. (1999). *Marketing management*. (Millennium edition). New Delhi, India: Prentice Hall.
- Kumar, M., Kee, F. T., and Charles, V. (2010). *International Journal of Quality & Reliability Management*, Volume 27, Number 3, 2010, pp. 352-378(27). Emerald Group Publishing Limited.
- Laudon, D. P. and Laudon, J. P. (2001). *Management information systems: organization and technology in the Network Enterprises* (4th ed.). Dutton, New York: Prentice Hall International.
- Lerner, J. (2006). *The new financial thing: the origins of financial innovations*. Journal of Financial Economics, 79, 223-255.

- Lewis, N, Mervyn, K., and Latifa, M. (2001). *Islamic banking*. Cheltenham: Edward Elgar. Loughborough University.
- Mabrouk, A. Mamoghli, C. (2010). *Dynamic of financial innovation and performance of banking firms: context of an emerging banking industry*. International Research Journal of Finance and Economics, 51, 17.
- Mang'eni, A. (2009). *The potential of Islamic microfinance in increasing financial access to Kenya's unbanked population*.
- Metawa, S.A. and Almossawi, M. (1998). *Banking behavior of Islamic bank customers: perspectives and implications*. International Journal of Bank Marketing 16, No. 7, 299 – 313.
- Miles, M. B. and Huberman, A.M., (1994). *Qualitative data analysis: an expanded Sourcebook*. Thousand Oaks: Sage.
- Mingala, M. S. (2002). *Financial markets and institutions*. New York: Addison Wesley.
- Mirakhor, A. (1997). *Progress and challenges of Islamic banking*. International Monetary Fund.
- Miriri, D. (2009). *Islamic banks carve niche in crowded Kenyan market*. Nairobi, Kenya: Gulf African Bank People's Daily.
- Mohamed, A. (2008). *Islamic Banking: a Southeast Asian perspective*. In Ataul: Huq.
- Mugenda, O.M., and Mugenda, A.G. (2003). *Research methods*. Nairobi. Lab Graphics Services.
- Mugenda, O.M. (1999). *Research methods: quantitative and qualitative approaches*. Nairobi: ACT Press.
- Muhammed, B. (2005). *Ar-Rahnu: a new microfinance era in Malaysia*. Ankasa: National Cooperative Organization of Malaysia.
- Muslim customers*. International Journal of Bank Marketing 12, No. 1, 32 – 40.
- Mwaniki, C. (2013, March 31). *Islamic banks outpace rivals with triple digit growth*. Business Daily. Retrieved July 7, 2013, from <http://www.businessdailyafrica.com/Corporate-News/Islamic-banks-outpace-rivals-with-triple-digit-growth/-/539550/1735444/-/2c5t2dz/-/index.html>.
- Nader, A. (2011). *The effect of banking expansion on profit efficiency of Saudi Arabia commercial banks*, Journal of Global Business and Economics, 3 (1), 11-23.
- Naser, K. and Moutinho, L. (1997). *Strategic marketing management: the case of Islamic banks*. International Journal of Bank Marketing, 15 (6), 187-203.
- Naser, K., Ahmad, J., and Al-Khatib, K. (1999). *Islamic banking: a study of customer satisfaction and preferences in Jordan*. International Journal of Bank Marketing 17, No. 3, 135 -147.
- Naser, K., and Moutinho, L. (1997). *Strategic marketing management: the case of Islamic*.
- Nazim, A. S. (2008). *Islamic finance and economics as reflected in research and publications*, Review of Islamic Economics Journal, 12(1), Leicestershire, U.K.
- Ndung'u, N. (2008). *Issue of money works*. Gulf African Bank Annual East & Central Africa Islamic conference. Nairobi, Kenya.
- Ndung'u, N. (2010). *Islamic finance: the African experience*. 2nd gulf bank annual east and central Africa Islamic conference. Nairobi, Kenya.
- Ndung'u, N. (2011). *Islamic finance: a paradigm shift in Africa*. 3rd Gulf African Bank Annual East & Central Africa Islamic Finance Conference. Nairobi. Kenya.

- Niehans, J. (1983). *Financial innovation. Multinational banking and monetary policy*, Journal of banking and Finance, 7(4), 537-551.
- Niosi, J. (1999). Fourth-Generation R & D: from linear models to flexible innovation. Journal of Business Research, Elsevier, 45 (2), 111-117.
- Omer, H.S.H. (1992). *The implications of Islamic beliefs and practice on the Islamic financial institutions in the UK*. Ph.D.Dissertation. Loughborough University.
- Oundo, M. A. (2009). *The potential of Islamic microfinance in increasing financial access to Kenya's unbanked population*. Nairobi, Kenya.
- Palmer, A. (2000). *Principles of marketing*. United Kingdom: Oxford University Press.
- Pearce, II John A, Robinson, Richard B. and Mital, Amita (2010). *Strategic management, formulations, implementation and control*. (10th ed.). Tata Mcgraw-Hill Education Private Publishers.
- Pearce, II John A. and Robinson, Richard B. (1997). *Strategic management, formulations, implementation and control*. USA: McGraw-Hill.
- Peil, E. (2005). *Finance, for small enterprises in Ghana*. Washington DC: World Bank Publication.
- PKSF (2005). *Follow up monitoring and evaluation system (MES)*. HB Consultant Limited.
- Porteus, D. (2006). *The enabling environment for mobile banking in Africa*, London: DFID.
- Pramanik. (Eds.). (2007). *Islamic banking: how far have we gone?* Kuala Lumpur: Research Center Internal Islamic University Malaysia.
- Presented to the International Seminar on Islamic Banking: risk management, regulation and supervision.*
Organized by the Ministry Finance Indonesia, the Central Bank Indonesia and the Islamic Research and Training Institute, Jakarta, Indonesia, September 30.
- Presley, J.R. (1988). *Directory of Islamic financial institutions*. CroomBeckenham, London: Helm.
- Rao, K. (1994). *Research methodology in commerce and management*. New Delhi: Sterling Publishers Private.
- Republic of Kenya (2011). *The Kenya Vision 2030*. Government Printer.
- Rifaat, A. A. K. (1996). *The impact of the Basle capital adequacy ratio regulation on the financial and marketing strategies of Islamic banks*. International Journal of Bank Marketing, Vol. 14 Iss: 7, pp.32-44.
- Rothwell, R. (1994). *Towards the fifth-generation innovation process*, International Marketing Review, 11(1), 7-31.
- Samad, A., and Hassan, M. K. (1999). The performance of Malaysian Islamic Bank during 1984-1997: an exploratory study. *International Journal of Islamic Financial Services* 1 (3).
- Santos, J. A. C. (2000). Bank capital regulation in contemporary banking theory: A review of the literature. BIS Working Papers, 90. Monetary and Economic Department, Basel, Switzerland: Bank for International Settlements, Pp. 10-19.
- Shaw, E. (1973). *Financial deepening in economic development*. Oxford University Press.
- Shawn, T. (2002). Firm diversification and asymmetric information: evidence from analysts' Forecast and earnings announcements. *Journal of Financial Economics* 64, pp. 373-396.
- Shirley, J. H. and Sushanta, K. M. (2006). *The impact of information technology on the banking industry: theory and empirics*. Retrieved August 12, 2013, from <http://web-space.qmul.ac.uk/pmartins/mallick.pdf>

- Siddiqi, M. N. (2006). *Islamic banking and finance in theory and practice*. A survey of state of the art Islamic economic studies vol.13.2, Pakistan.
- Siddiqi, M. A., (1999). The growing popularity of Islamic banking. *The Middle East*, June 1999, pp. 33-35.
- Siddiqi, M.N. (1986). *Model of Islamic banking*. Lahore, Pakistan: Kazi publication.
- Silber, W. (1983). *The process of financial innovation*, American Economic Review Papers and Proceedings, 73(2), 89-95.
- Solomon, Michael R., Marshall, Greg W., and Stuart, Elnora W. (2009). *Marketing real people, real choices*. (6th ed.). Pearson Publishers.
- Study on PKSF's Monitoring and Evaluation System (MES)* Dhaka.
- Sumiyu, F. B. (2013). *Effects of innovation strategies on performance of commercial banks in Kenya*, International Journal of Social Sciences and Entrepreneurship, 1(3), 198-207.
- The financial post newspaper. Web log post]. Retrieved from <http://www.financialpost.co.ke/Pdfs/FP%20ISSUE%20144.pdf>
- Trott, P. (2002). *Innovation management and new product development*, (2nd ed.). Essex, Pearson: Education Limited.
- Tufano, P. (1989). *Financial innovation and first mover advantages*, Journal of financial Economics, 25, 213-240.
- Uhlig, H. (2000). *Should we be afraid of Friedman's rule?* Berlin: Humboldt University.
- Wambundo, J.K. *New product development in selected microfinance institutions in Kenya*. Unpublished MBA research project, University of Nairobi, Nairobi, Kenya.
- Yin, R. K. (1984). *Case study research: design and methods*. Newbury Park, CA: Sage.
- Yousefi, M., McCormick, K. and Abizadeh, S. (1995). Islamic banking and Friedman's Rule. *Review of Social Economy*, (Vol. 53 No.1).
- Yudistira, D. (2003). *Efficiency of Islamic banks: an empirical analysis of 18 banks*. Finance no. 0406007, Econ UPA.
- Zaher, T.S. and Hassan, M. K. (2001). A comparative literature survey of Islamic finance and banking, *Financial Markets, Institutions & Instruments*, 10 (4), 155 – 199.
- Zaman, M.R., and Movassaghi, H., (2001). Islamic banking: a Performance analysis. *Journal of Global Business*, Vol. 12, Number 22, pp. 31-38.
- Zikmund, G.W. and D'amico, M. (1995). *Effective marketing: creating and keeping customers*. USA: West Publishing Company.

