CULTURAL AND NON-CULTURAL FACTORS THAT INFLUENCE CONSUMPTION OF ISLAMIC BANKING SERVICES IN KENYA

ANDREW MWANJELE

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ABSTRACT

This study sought to identify the cultural and non-cultural factors that influence consumption of Islamic banking services in Kenya. The study used descriptive cross-sectional survey that involved interviewing respondents by use of a questionnaire to provide data for the project. We opted for shopping mall intercept for interviews on the questionnaire administration, as permission for inhouse bank interview was not forthcoming. A diverse groups of respondents were achieved as a result. The study found that most respondents were interested in the banking services which offer features such as security of their deposits, secure transactions and flexible lending options and interest rates. Operating practice and exposure, infrastructure development, economic factors and market beliefs and perception thus formed non-cultural factors that influenced consumption of Islamic banking services. A majority of respondents knew how Islamic banking works as an interest free banking service where the client and bank share profits and losses. Most of the respondents switched to Islamic banking mainly due to religious reasons and because it solved a financial problem. The study established that most respondents came to know and practice Islamic banking mainly through advertisements, from a social group, from a friend and from a family member. Religion, Reference groups, rules and regulations, technology, learning and attitudes thus formed cultural factors that influenced consumption of Islamic banking services. It was found that Islamic banking is different from conventional banking in terms of fees and interest charged, and in terms of helping out in business financing. The study found that Islamic banking is different from conventional banking in terms of loan security requirements and ease of repayment. This study recommends that Islamic banks should consider cultural factors like religion, attitudes and enhanced consumer learning in marketing policy development. The banks should also consider non-cultural factors so that they diversify products to also suit Christians too and increase micro finance business and consumer segments. Banks should use more advertisements and promotions to enlighten people on this system especially non Muslims and ensure access to Islamic banking by spreading to other areas in the country by setting up more branches.