STRATEGIES ADOPTED BY ISLAMIC FINANCIAL INSTITUTIONS IN KENYA

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DECLARATION

This is my original work and has not been submitted for any award at any other institution.

Signature ……………………………. Date ……………………………………

Daniel Weru Gacheru

This research project has been submitted for examination with my approval as University supervisor.

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DEDICATION

This study is devoted to my caring family for having been the source of motivation and inspiration in this journey of my academic pursuit. I hereby recognize their never-ending love and patience for the period of this the course.

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ACRONYMS AND ABBREVIATIONS

AMFI	Association of Micro Finance Institutions.
CBK	Central Bank of Kenya.
DTM	Deposit-taking Microfinance
GAB	Gulf African Bank
FCB	First Community Bank
FMCG	First Moving Consumer Goods
IRA	Insurance Regulatory Authority
KBA	Kenya Bankers Association
ROE	Return on Equity
R&D	Research and Development
SAAME	South America Asia Africa Middle East
SACCO	Saving and credit company.
SASRA	Sacco Regulatory Authority
SCP	Structure Conduct Performance Paradigm
TIA	Takaful Insurance of Kenya
USA	United States of America

ABSTRACT

Islamic financial institutions ability to withstand the global economic downturn has been the driving force resulting in their expansion around the world. In Kenya, Islamic financial institutions function under a system promoting Shari'ah-compliant financial services in line with Sharia law. The study scrutinized the competitive strategies implemented by Islamic financial institutions to enhance their competitive operations in Kenya. The study used a descriptive cross-sectional investigation design. The target of this study consisted of institutions offering Islamic (Sharia) compliant financial products in Kenya. This study used descriptive statistics to analyze the data including data collection, its organization and finally analyzed part of the population or sample under the examination. The study found out that Islamic financial institutions in Kenya use their competencies including employees specialized in their unique services with exceptional knowledge to fine-tune or advance their products and services. This ensures clients satisfaction through quality service delivery that is their beyond expectations. The findings also showed that the Islamic financial institutions in Kenya scale up their direct impact in the delivery of unique services to a significant number of clients; by offering services not offered by competitors and by lowering prices as a penetration strategy. The study recommended that these institutions should focus on developing and sustaining competitive strategies focused on their clients` sustainability and improving customer loyalty since this can lead to the adoption of different approaches to various actors in their business operating environment. They should also enhance the already existing exceptionality of their financial services as a differentiating strategy since the value added enables the company to demand a premium price.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The ability to withstand the decline in international economic growth by Islamic commercial firms has fueled their trajectory growth globally. These institutions have realized that customer loyalty and brand allegiance can be achieved through persistent excellent customer service and incorporating other strategies. Product differentiation, brand loyalty, and cost have become of great interest to clients of Islamic banking institutions chiefly in Malaysia and the Malaysian Islamic banking community at large. The differentiation patterns are motivated not only by increasing cost competition but by designing products that are of high standards and quality. There are significant dimensions that support the strength of strategies adopted by Islamic financial institutions that lead to product loyalty, gratification as well as product and service quality. Trust that customers develop on Islamic bank staffs, their commitment through the provision of unique customer service, and their ability to communicate can thus have a bearing on brand loyalty among Islamic financial institutions clients (Venardos, 2006).

According to Porter, strategic theory relates to the justifications of the firm performance in a competitive business environment (Porter, 1985). Several strategic perspectives center their understanding of what competitive advantages are and from the same perspectives. A competitive edge of a business can be achieved by engaging an external cost accountant in providing advice or guidance which directly assists performance including reducing costs that has a secondary effect on production. This may include consulting on enhancing organization control, firm financial structure or planning.

Through branding financial institutions can create customer loyalty and confidence in their operations, exert better control over their targeted customers and focused distribution of their brand. Additionally they can also impose a premium price over the competitors; all while influencing the business value (Halverson & Revaz, 2006; pass et al., 2005).

In Kenya, Islamic financial institutions practice Islamic (Sharia) laws consistent with the Muslim faith and its application. Sharia laws do not allow payment or taking of interest fees for credit given through any form including money (Riba, Usury) or investing in enterprises that offer services or goods that are *Haraam* or contravene to its principle or are forbidden (Subhi & Labib, 2009). The main characteristic of the Islamic financial institutions' financial transactions includes sharing of incomes or profits and losses. The transactions also prohibit interest earnings, gambling or speculation while encouraging fair and transparent dealings, just and fair staff engagement procedures and policies, and to sum it up business should be done only with ethical companies or industries (Sijbirg, 2010).

1.1.1 Concept of Strategy

Many writers have defined strategy in various but similar ways. Hompson and Strickland define it as the match between skills, organization resources, its environmental opportunities and the risks that an organization faces summed up with the firms purpose the firm would like to achieve (Thompson & Strickland, 2008). The aim of a strategy is too offer guidance together with the direction for the focused activities of the firm. Strategic choices or decisions of an enterprise influence the way the organization responds to its surroundings. It is therefore of paramount importance for the firm to make strategic, deliberate plans and define strategy in relations to its purpose to the same business situation. The primary use of organizational plan is to provide direction that permits the firm to realize its goals while answering to the threats coupled with prospects found in the operating ecosystem.

To Ansoff, a strategy can be interpreted to be the "common thread" among many intertwined firm activities and the marketplace activities (Ansoff, 2007). He, therefore, views it in terms of the market and product choices. A strategy can also be said to be the scope and the direction of a firm that preferably matches the consequence of its fluctuating environs, particularly in its marketplaces and its clients so as to satisfy stakeholders' hopes and expectations (Johnson &Scholes, 2002). Similarly, a strategy can be defined as an integrated and unified plan relating the organization strategic advantages the organisation gains in regard to the challenges of the firm surroundings and background. The crafted plan is designed to ensure that the fundamental goals of the firm are eventually attained over its design, implementation, operation and evaluation by the enterprise (Thompson & Strickland (2008). To Mintberg and Quinn (2003), it is a pattern or the plan that incorporates the enterprise chief objectives, its policies and planned actions into an interrelated whole. Porter defines strategy as a construction of a vulnerable and a unique situation of tradeoffs in contending surroundings, connecting many actions that precisely fit together, that are simply depending and strengthening efforts optimally (Porter, 2006).

1.1.2 Strategies Adopted by Islamic Financial Institutions

The concept of financing interest-free projects was started before the onset of Islam through Arabs and was later recognized by the Islamic faith as the only suitable method of capital funding (Naser & Moutinho, 2007). Islamic financing has over time experienced wide-reaching reception globally and by early 2003 Islamic financial institutions were numbering to at least 176 worldwide, with deposits exceeding $ 147bn (Naser & Moutinho, 2007).

The critical characteristics of strategies implemented by Islamic financial institutions are superior product design, quality customer service, wider dealers' network, improved technology or other dimensions (Perce & Robinson, 2007). Islamic financial institutions have also enhanced brand loyalties to protect their genuine products from substitutes and also act as protective barriers to new entrants. The widespread growth of Islamic financial institutions is also a result of entrenchment of differentiation strategies. These could be limited by such issues like the level of product development technology and the "shelf life" of differentiated products and services that becomes shorter with time. Product and services competitive advantage may decrease as a result of the continued change of customer tastes, desires and priorities (Pearce & Robinson, 2007).

Few studies have been done with the goal of assessing the attitudes of people professing Islam and those who are not of Muslim faith in business encounters with Islamic financial institutions like banks and their products. These studies have provided valuable contextual evidence for this research however not directly related to this scrutiny. Studies that have done by others including Haron et al. (2004), Gerrad and Cunningham (2007), and Metawa and Almossawi (2008) arrived at comparable conclusions. This includes views that the respondents would consider starting a mutual business relationship with Sharia-compliant financial institutions with a considerable understanding of their operations and systems and their unique way of doing business commonly known as business operations. Studies have revealed that persons following Islamic faith are more conscious of the presence of Sharia-compliant financial institutions than the non-Muslims. It is also noted that there is little differentiation in selecting Islamic financial institutions by Muslims and non-Muslims and all view the institutions equally the same.

1.1.3 Financial Institutions in Kenya

Kenyan financial institutions engaged in commercial activities are supervised and regulated through the Banking Act, the Central Bank of Kenya Act, (CBK) together with the Companies Act, coupled with the numerous prudential guidelines issued by the bank. In 1995, the Kenyan banking sector was opened up and the exchange controls were lifted leading to liberalization of financial institutions to a great extent.

The central bank under the finance ministry of Kenyan government formulates and implements our fiscal policy and nurturing the solvency, the healthy running and liquidness of the Kenyan financial bodies. By the end of the year 2015, Kenya had forty-three (43) banking institutions, 42 commercial banks and one mortgage finance company, 8 were representative offices of foreign banks. Out of the 43 banks, 40 were privately owned while the Kenya Government had majority ownership in 3 institutions. Of the 40 privately owned banks, 26 were locally owned (the controlling shareholders are domiciled in Kenya) while 14 were foreign-owned (many having minority shareholding).

Twenty five of these institutions are commercial banks while one offers mortgage services. 10 among the foreign-owned commercial banks, have local subsidiaries while 4 act as divisions of foreign institutions. (Central Bank of Kenya, 2015).

The CBK supervises the operations of every one of the registered banks in Kenya by regulating their operations including the setting up of prices, liquidity-adequacy and organizational governance among other roles. This role has been extended to monitoring operations, financial activities and systems of the not fully banking institutions like deposit-taking microfinance (DTM) and SACCOs including through other government agencies like SASRA (Sacco Regulation Authority). During the on sight operation every risk is evaluated and the needed corrective measures are pointed out. The Micro Finance Institutions associate themselves under a common umbrella Association of Micro Finance Institutions (AMFI) while KBA (Kenya Banker Association), promotes banks interest as a lobby group for the banks' industry bringing banks together as a common umbrella (Pass et al., 2005). One of the CBK duties is to publish facts on commercial banks and non-banking financial institutions operating in Kenya, about the applicable interest rates, other relevant publications and technical guidelines. The Kenya Bankers Association attends to Kenyan commercial banks lobbying for the pertinent wellbeing coupled with handling matters touching on its membership (KBA, 2010).

Recently, there has been increased competition wielded by players in this industry as a result of improved technological and other innovations among the banks and none banks institutions (Shubik, 2012). The Kenyan Islamic financial market has become competitive with new entrants like Barclays Bank and National Bank through the introduction of Sharia-compliant products like *laliba*.

1.1.4 Islamic Financial Institution in Kenya

Islamic banking refers to a system of commercial activities or transactions that are consistent with the Sharia rules and regulations and its realistic practice. Whereas the idea of Islamic (Sharia) finance dates back to 7^{th} century, it became active during the last century. (De Jonge, 2005). In the mid-1990s and 2000s, small-scale interest-free firms with a limited opportunity to grow were unsuccessfully tried (Gafoor, 2005). Consequently, with the end of colonial era approaching, the freshly created Muslim independent states reviewed their monetary and economic systems basing their central beliefs on Islamic sharia laws. Its introduction in the Kenyan market was vital in the growth of our financial sector and the global economy. Research by Muslim scholars from 2006 progressively shaped values for banking practices that were possible to be adequately suitable and accepted by the Islamic communities and those involved in banking activities in Kenya.

Sharia-compliant banking services were introduced in Kenya by the year 2008 when the first two Islamic financial institutions were registered and started operating in the economy. Initially, two well known Islamic institutions namely Gulf African Bank (GAB) and First Community Bank (FCB), were the first to start their operations in Kenya, marking the present day revival of the Islamic finance (Karau, 2006).

1.2 Research Problem

Amplified competition in business operating environment has increased demand on actors in an industry to seek for ways of gaining and sustaining the definite competitive advantage over their rivalry. This has compelled actors in the conventional business arena to explore ways to increase and maintain a reasonable business advantage over competitors through unique strategies and making strategic choices. Strategic choice involves being flexible in responding to new encounters, evaluating strategies from the envisioned course of action and determining the effectiveness and the pace of strategy implementation (Johnson & Scholes, 2010). According to Grant (2012) strategic choice is the potential for differentiation strategy which exists on the demand side and the supply side of economy enabling a firm to achieve a product distinction. Customer needs drives substantial competitive advantage and the same needs dictate how the organization's resources are aligned visa vie the business opportunities available. Islamic financial institutions in Kenya use differentiation strategy to achieve competitive advantage over their rivalry.

Shari'ah compliant financial services offered by Islamic financial institutions including savings and current accounts, money transfer services, securities investment, foreign exchange products, credit cards (plastic money), cheque collection services are significantly similar to those offered by any Kenyan conventional bank. Islamic commercial banks such as First Community Bank and Gulf African bank are determined to accomplish the sacred responsibility of serving the Muslim faithful. They are also in need of winning over customers who may not necessarily be of the said faith while retaining their present loyal ones.

Local studies have been done on strategy implementation revealing the knowledge acquired in this area of research. For instance, Karau, (2006), differentiation strategies in the insurance industry in Kenya, Okode (2007) application of differentiation strategies in the banking industry in Kenya, Otieno, (2005) differentiation strategies implemented by FMCG manufactures in Nairobi, Oray (2006) product differentiation strategies used by Kenyan banks that issue credit and debit cards as sustainable competitive advantage strategies, Okongo, (2008), differentiation strategies used by hotels that are classified in Kenyan cities. The scholar's findings indicate that a firm low-cost position can be as a result of the differentiation strategy. Large economies of scale contribute to low-cost outcomes, increase in sales volumes as a result of differentiation within the business scope. The sharia-compliant business concept is a relatively new idea in Kenya and therefore no known studies have been done specifically on Islamic financial services as a competitive advantage strategy.

The interest in this inquiry has been stirred by the current knowledge gap and furthermore the existing literature which is biased towards the developed economies or growing states creating an extra a gap in undeveloped economies and their distinctive needs. The research question of this study is thus: What are strategies employed by Islamic financial institutions in Kenya?

1.3 Objective of the Study

The objective of the study was to analyze the various strategies implemented by Islamic financial institutions in Kenya

1.4 Value of the Study

This study outcome is intended to be instrumental to the academic world players and intellectuals, in informing the basic understanding of strategies adopted by Islamic financial institutions in Kenya to gain the competitive advantages as an essential ingredient for further inquiry in this unique line of financial discipline. The academicians and students can use this study as a foundation to debate the strategies implemented by Islamic financial institutions. Mainly it is anticipated that the conclusions of this study will aid Sharia-compliant institutions gauge whether their particular practices are in harmony with the conventional functions of Islamic financial services and their peculiar mandate. The administration agencies and various policy makers may use the study results since the survey offer constructive information on the development of guiding principles and a regulatory framework.

These are agencies like capital markets authority (CMA) that is concerned with Islamic bonds (Sukuk) and insurance regulatory authority (IRA) on Islamic insurance (Takaful) respectively.

Consequently, this study is beneficial as it provides the starting point on information regarding the strategies adopted by Islamic financial institutions in Kenya. The study includes information on how the clients are benefitting from the conventional banking system and how this different banking sector is aiding its clients. Also, the study donates knowledge to the social and economic understanding of the fast-growing Islamic financial institutions in Kenya. The other vital help is to the clients and citizenry in making informed decisions on the suitable banking system between the conventional banking and Islamic financial services to enable them to increase their opportunities to grow incomes through banking business relationships.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This section presents literature appraisal or review on strategies adopted by Islamic financial institutions in Kenya. This is demonstrated in an empiricism form and later as a conceptual framework.

2.2 Theological Foundations of the Study

Many theoretical frameworks have been adopted in an attempt to explain the strategies implemented by financial institutions over the years. Nevertheless, in the perspective of this study, the theory of competitive advantages as advanced by Porter will be reviewed to give a detailed understanding of the conception of strategy implementation with particular regard to Islamic financial institutions.

According to Porter (1986) firms essentially pursue three different kinds of strategies in achieving strategic competitive advantages against their competitors or firms operating in the same markets. These strategies are differentiation strategy, product differentiation strategy, market segmentation or focus strategy, and low-cost strategy. Additionally, we will also endeavor to address strategic choice strategy as a means of enabling firms to gain the strategic competitive advantages.

2.2.1 Differentiation Strategy

Differentiation strategy is about an organization ability to create products and services that are that are difficult to replicate and are aimed at filling a market gap. Product differentiation is achieved through superior services, its high quality, technical superiority, or possessing a unique appeal (David, 1996). The Islamic financial institutions do not operate in Muslim nations only but also in other territories where Muslims are a marginal group for instance in the U.S.A. - United States of America, Britain, France, Australia and China. Furthermore, services and products of these financial institutions are not exclusively for people professing Muslim faith only but also by those professing other religious teachings. The submission to principles that abhors fraud, ambiguity, exploitation, deceit, treachery and dishonesty is appealing to many that do not necessarily follow the Islamic faith as well (Venardo, 2006).

In the last thirty years, Islamic financial institutions have grown tremendously in large scales around the world. This growth has been an outcome of many factors including the liberalization of financial resources, the coming up with broad structural and macroeconomic restructuring in the financial arrangements, privatization, movements and denationalization of firms, the international integration of financial markets and introduction of innovative and new Sharia-compliant products (Haron, Ahmed & Palnisek, 2004). The reasons as mentioned earlier have enabled Islamic finance to reach new levels of acceptability, innovations and sophistication making it more appealing to people of all spheres of life including none Muslims.

The interest-free trade financing that was used by the Muslim community as a suitable form of doing trade was adopted by Arabs preceding the beginning of Islam. Though the scheme had been adopted on a little scale for hundreds of years, its commercial use was initiated in the 1970s (Naser & Mautinho, 2007). As early as the year 2003 there were at least 176 Sharia-compliant financial institutions globally, with funds of more than $ 147 billion, an indication of the worldwide acceptance of the Islamic financing (Naser and Mautinho, 2007). While Islamic bankrolling has majorly developed at the same time in non-Muslim and Muslim republics, the scheme has not been extensively successful among African countries be it Muslims and non-Muslims ones.

Previously a small number of researches have been done to make researchers aware of the approaches of Muslims and those that are not of the Islamic faith have had in engaging in commercial activities with Islamic financial institutions, their products and services. The findings have provided fundamental information helpful to this research, albeit not directly related to our primary concerns. The conclusions by Cunningham and Gerrad (2007), Mettawa and Almossawi (2008) and Haron et al. (2012), arrived at similar answers to the researchers desires: that the majority of participants in the surveys would be interested in beginning a banking business relationship with the Islamic financial institutions backed by considerable understanding of the information on their practices and operations. Other previous studies on this area concluded that Muslims were mostly aware of the presence of Islamic financial services unlike their non-Muslims brothers and that there was no clear-cut boundary between the choice of financial services among the two groups.

2.2.2 Cost Leadership Strategy

Cost leadership strategy is an approach advanced by enterprises by producing their products at lower costs against those of competitors. This is done by making operation cost below those of other players in the same business thereby reducing the expected market price. The production costs are extremely prioritized outcome when the market purchase price is a principal source of competitive differentiation. The total production and delivery of the products to the buyer provide a favorable pricing and thereby increasing the pricing options when cost leadership strategy is employed. Established technological processes and product designs increase the possibilities of growth through integration or innovation, improving a significant source of growth performance (Jahnukainen and Vepsalainen, 2012; Kela 2013; Jonas, 2006; Hayes et al., 2005).

In addition to intensifying cost competition, differentiation patterns are also driven by products design standardization. Process businesses industry players keep their positions in the lower right of the matrix corner while the electronics and equipment firms look for economies of integration (Apte & Vepsalainen, 2013). Process improvements, learning curve benefits and economics of scale lower cost and increase cost advantage while product designs, production time, re-engineering activities reduce manufacturing costs.

Low-cost strategy implementation is achieved when one business designs similar products more competently than its rivals at low prices. To attain a comparative cost advantage, firms put significant efforts in ensuring that they control product distribution costs, raw-material supplies costs and increasing utilization capacity. They also exert pressure on the reduction of additional expenses, like research and development (R&D), promotion or publicity and marketing costs.

The aims of differentiation strategy is to develop the competitive advantages by presenting exceptional products which are regarded by valued features, like quality, innovation and supported by excellent services offered to clients (Kemppainen & Vempsalainen, 2003). A competitive advantage that is driven by differentiation can be built on the delivery mechanism, the product itself among several other aspects of product delivery and marketing. When a firm put together these differentiation features with cost leadership strategies, the firm can be able to deliver additional features to clientele rewarding them with a premium valued price.

2.2.3 Product Differentiation

The product differentiation strategy is effectively executed when the corporates provide superior or unique value to the client through unique features of a product, after sale service (s) or its qualities. Companies using a product differentiation strategy can price their product higher based on the quality of service, the delivery system, the product characteristics, or the distinctive circulation channels. In essence, structural modifications in production competencies are analyzed with renowned product-process matrix (Wheelwright & Hayes 2009). The individual cases are presented after the description of the framework and its original proposition on the co-evolution of the production process and product mix. More insights are revealed and discussed on the general changes on the role and differentiation aspect of chain-specific patterns.

The need to assess and compare production capabilities are brought about by the production chances to apportion a product mix being looked-for from different facilities and locations globally. In the product-process matrix, production facilities can be categorized by the layout of machine centers, patterns of raw material flow, work assignments, and the degree of computerization coupled with the ways and means of production planning and scheduling (Hayes & Wheelwright, 2004). The process designs vary from a flexible job to a detached machine-paced connected line, batch line and further to an uninterrupted automated flow. The mix of components and products can be unique, customized with small sizes of numerous differentiated products and services, big quantities of rare standardized commodity products with significant production volumes.

In the modern extremely competitive marketplace, no known ideal organizational structure singly exists in entirety. It is evident that the effectiveness and success of anyone organizational structure over time changes persistently as environmental circumstances vary (Dess & Davis, 2004). The contingency theory reveals the association that exists between a firm, the operating environment and the resultant organizational performance. It recognizes internal and external environmental conditions of an establishment that guide the day to day management policymaking process as a firm pursues to adapt and please the wishes of a vibrant dynamic economy or marketplace (Maques, 2006). This, therefore, dictates the level of the product differentiation strategy that a firm may employ to effectively manage to achieve competitive advantage in a specific market niche.

2.3 Strategic Choice

According to Thompson and Strickland (2008), the third reasonable constituent of the strategy formulation is the strategic choice progression, the epicenter of the strategy formulation process. Little value is attained by thinking about strategy without looking at the choices to be made in the strategy implementation process. Additionally, all the times there will be limits on the array of possible options. Generally, small firms find it challenging to change quickly because of limited resources and large firms effectiveness to change is constrained by their past. In huge corporations since some choices are made at a higher level or in other nations, executives may find their variety of choices restricted (Pearce & Robinson, 2007). Executives in organizations make candid strategic decisions limiting the role of managers to developing on how best to device strategies instead of considering the primary choices of directions they would come up with in future. To Porter the firm place in a business is an essential factor in achieving competitive strategy expected to provide competitive advantages that are projected in such an industry (Porter, 1985).

Whereas managers are unrestricted in making strategic selections the results of their decisions may finally hinge on chance and opportunity (Hill, 2009). Following this argument, clear strategic choices ought to be made when considering future strategies. Conversely, when looking at the results in retrospect, it should be evident that events and mainly unexpected events play a leading part in influencing consequences and as a result, it may be necessary to take a prescriptive view when considering strategic choices. Competition has been considered as the heart of failures or successes of the business.

2.4 Strategies Adopted by Islamic Financial Institutions in Kenya

An appetite for services offered by Islamic financial institutions is increasingly swelling. This is as a result of the increasing number of people following Islamic faith in SAAAME countries (South America, Africa, Asia and the Middle East) predominantly in Asia and Africa, which presently account for 95% of their population worldwide. The number of Muslims in Kenya is 15% of our population and is projected to grow to 35% by the year 2030. The large numbers of unbanked inhabitants of SAAAME nations have continued to show interest in the Sharia amenable financial institutions product models (Pearce & Robinson, 2012).

Islamic financial institutions in Kenya have invested in improving their competitiveness by concentrating on refining their strategic and performance approach towards attracting a significant market niche (Shubik, 2012). The return on investment (ROEs) for Islamic or Sharia-compliant financial products in Kenya is significantly lesser than conservative or traditional financial products chiefly due to higher costs. Strong institutional governance is expected to enhance the growth of Islamic financial institutions which is key to maintaining confidence in such an industry in Kenya. The increase in numbers of the Sharia scholars and Sharia boards is also positive in the embracement of Islamic financial institutions. This is because this minimizes the possible conflict of interest resulting from a minor number of scholars being members of a considerable number of Sharia board (s) (Church & Ware, 2010). Improvement of effective banking regulations and industry standards is expected to enhance growth and innovation thereby boost consumer confidence in Islamic financial institutions. The government continued willingness to be flexible and accommodative through on the Islamic financial institutions' products has encouraged Islamic banking penetration (Shubik, 2012).

Takaful Insurance of Kenya (TIA) is also a recent phenomenal entrant in the Islamic financial institutions' arena in Kenya. Takaful Insurance of Kenya (TIA) operates under the principle guidance of the Takaful Operator (*al-Madharib)* that accepts payment of the Takaful premiums (*ra's-ul-mal*) or Takaful contributions. These are known as installments from providers of funds or capital or Takaful investors, acting as *sahib-ul-*

mal or Takaful participants. The profits (or surplus) sharing agreements in harmony with Sharia principles from the operations are specified in the initial contract between the Takaful operator and the providers of capital (participants). The profits sharing of such operations are mutually agreed upon between the contracting parties. The sharing may be in 70:30, 60:40 or 50:50 ratios and this have significantly helped customers in the local Kenyan market (Omar & Danwood, 2013). Uncertainty element in takaful contract is eliminated by *tabarru* concept *(*"to give away or donate, contribute"). A member comes to an understanding that he or she will surrender a portion of his or her donation or takaful contribution as compensation should any of his associate; contributors suffer a peril. This agreement enables him or her to fulfill his obligation of joint guarantee and mutual help as a faithful participant (Chakib, 2013). Ideally, *tabarru* act as an enabler to the participants to achieve their expected deeds in supporting fellow contributors who may suffer damage or harm as a result of a tragedy or catastrophe. Consequently, it is important to sufficiently protect the member's contributions against over-exposure by the Takaful operator by maintaining adequate assets of the defined funds. This understanding ensures that the insurance coverage provision conforms with Islamic principles of Sharia laws of *al-takaful* and *al-mudhabarah* (Omar & Danwood, 2013). Takaful operators share the profit from the business venture among themselves as the members of a group of participants who wish to jointly guarantee each other against definite losses or destruction that may befall any one of them (Hayes & Wheelwright, 2011).

2.5 Summary of Literature Review

The above on-going discussion reveals that there is a clear association among the competitive advantage strategies employed by a firm and its performance. It is however expected that the level of this relationship varies from one firm to the other. Studies have shown that mixed results are obtained due to lack of standardization, the region of study focus, data sources and different statistical methods used.

Although studies have been done on this area of interest, there exists a knowledge gap as none of these have tried to examine the strategies used by Islamic financial institutions in Kenya. Given that other similar studies have been done in other jurisdictions including developed world and South America, Africa, Asia and the Middle East (SAAAME countries) where Islam thrives. Studies can be done in Kenya because it is a fast-growing emerging economy. Motivated by this gab and the fact that Kenya has a unique and diverse culture influencing choices in terms of consumption of financial services this research project try to determine the strategies adopted by institutions offering Islamic financial services in Kenya.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The methodologies employed in the study are discussed in this part giving the detailed outline of what was used by the researcher. The chapter concentrates on the research design, the sampling techniques, the sample, the study population and the data collection methods. The chapter concludes with a discussion of the methods used to analyze and present data.

3.2 Research Design

The study adopted a descriptive cross-sectional survey design. Preference on this kind of design was primarily since it permits the researcher to compare the research findings prudently. This survey used this design to describe or define a topic every so frequently by creating an outline of a group of the event (s), persons, or problems by data collection and creating tables of the occurrences on investigation variables or their collaboration as shown. Singleton (2008) describes a descriptive cross-sectional survey as a complete design that enables large and diverse amounts of data to be collected within a little time and quantitatively analyzed, giving a strong demonstration of outcomes.

This research being on strategies adopted by Islamic financial institutions in Kenya presented an opportunity for an in-depth and detailed analysis that gave valuable insights into the phenomena since managers across the board were interviewed.

3.3 Population of the Study

Population in research terms represents the entire collection of individuals which the investigators are interested in generalizing the deductions (Cooper & Schindler, 2010). The population target of this investigation consisted of 8 financial institutions in Kenya offering Sharia-compliant products.

A total number of sixty seven managers at the eight financial institutions in Kenya were interviewed. Since the study covered the eight institutions by interviewing the targeted managers, hence this was a sampling study.

3.4 Data Collection

A structured form was used to gather primary data that was utilized in this project activity. The designed survey questions were separated into two segments where **A** covered the broad demographic data of the respondents; part **B** focused on the strategies adopted by Islamic financial institutions in Kenya.

The respondents included heads of departments comprising of human resources, finance, corporate, treasury and operations departments for full-fledged Islamic financial institutions and managers in charge of Islamic banking in non-fully fledged banks. The questionnaires were distributed by dropping and latter picking them from the respondents.

3.5 Data Analysis

This is the bringing of order, meaning and structure to a large amount of data or information gathered is the final phase of research. This revolves around examining the collected data and making inferences and deductions (Kombo & Tromp, 2006).

The data obtained through this study was analyzed by employing descriptive statistics that is collecting, organizing and analyzing all the data relating to the sampled population being studied. Frequency charts, pie charts together with graph usually represent this descriptive research design to tabulate the mean frequencies, percentages indices, standard deviation and inferential statistics of correlation and T-test (Breakwell, 2006).

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This section offers an analysis of the data gathered on the strategies implemented by Kenyan Islamic financial institutions to improve their business competitiveness and to determine how this enhances their operations. The significant findings of the research interview are presented in tables. These results are presented chronologically according to the sequence of research questions. The collected data was evaluated using average or mean scores and standard deviations by coding and tabulating of data to portray clear results of the competitive strategies embraced by Kenyan Islamic financial institutions. Sixty-seven heads of departments were interviewed for fully fledged institutions and the managers in charge of Islamic banking for non-fully fledged banks. The departments included human resources, finance, corporate section, treasury and operations. Among the sixty-seven questioners issued, sixty were given back dully filled, resulting to a sufficient reaction rate of 89.9%.

4.2 Respondents' Demography

The study wanted to find out facts on those working in the industry including their sex, training level, age, the period they have worked in their current positions and the industry. This enabled the researcher to have confidence in the participants' suitability in answering to the study questions.

4.2.1 Respondents' Gender

The participants were requested to specify their gender to help the scholar to appreciate the ratio between male and female in Islamic banking. Table 4.1 shows the outcomes. The findings showed that minority (39%) of the respondents were female while male were 61%.

Table 4.1: **Respondents' Gender**

Respondent sexual category	Frequency	Ratio
Male	37	61 %
Female	23	39 %
Total	**60**	**100 %**

Source: Research findings, 2018

4.2.2 Respondents' Age

The participants were requested to give their next birthday as an avenue of knowing their understanding of the particular challenges facing Islamic financial institutions in Kenya. The results are demonstrated in table 4.2:

Table 4.2: Respondents' Age

Participants age	Frequency	Ratio
21- 30	15	25 %
31-40	20	33.3%
41-50	15	25 %
Above 50	10	16.7%
Total	**60**	**100 %**

Source: Research findings, 2018

The results show that the most significant number (33.3%) of those that accepted to answer the questions were between 31-40 years. Additionally, a significant number of the respondents (25%) were between ages 21-30 years and 41-50 years. The least number of respondents (16.7%) were aged above 50 years.

4.2.3 Respondents' Academic Qualifications

The respondents' responses on their academic background were as follows:

Table 4.3: Academic Qualifications

Academic grade of respondents'	**Frequency**	**Ratio**
Undergraduate	28	46.7%
Diploma	20	33.3%
Postgraduates	12	20.0 %
Certificate	0	00.0 %
Total	**60**	**100 %**

Source: Research findings, 2018

It is quite clear that out of the total respondents investigated for this study, an overwhelming majority of respondents (46.7%) indicated that they were degree holders as undergraduates, while the diploma holders were 33.3% and 20% were postgraduate degree holders.

4.2.4 Respondents Duration in the Current Role

The results on the respondents' answers about the time they had been holding their current roles are presented below:

Table 4.4: Respondents' Duration in the Current Roles

Duration in the current role – years	Frequency	Ratio
Less than 3	20	33.3%
3 - 5	10	16.7%
5 - 7	17	28.3%
Over 7	13	21.7%
Total	**60**	**100 %**

Source: Research findings, 2018

Widely respondents (33.3%), held that they have been working in their current roles for less than three years while 28.3 % for seven to seven years. Those that indicated that they have been in their current role for over seven years were 21.7 % and 16.7% stated that they had been there for 3 to 5 years.

This information is critical to the research as it helps to reveal the ability of the respondents to answer questions on competitive strategies Islamic financial institutions adapt to place themselves in this competitive market strategically.

4.3 Competitive Strategies Implemented by Islamic Financial Institutions in Kenya

The goal of this study was to investigate the competitive strategies implemented by Islamic financial institutions in Kenya. The respondents' were presented with detailed questions on the services they provide to reveal the results of the main objective of this study. They were required to specify the level to which organizations they worked for implemented the strategies as mentioned earlier. Respondents' were examined using the following parameters: 1 = not important, 2 = little importance, 3 = moderately important 4 = very important and 5 = extremely important.

4.3.1 Strategies Implemented by Islamic Financial Institutions

Respondents were expected to rate the following strategies adopted by Islamic (sharia) financial institutions in Kenya. The outcomes of the replies were as shown below:

The inquiry found out that respondents widely agreed (M4.53) that sharia-compliant financial transactions are not popular amongst the non-Muslim clienteles. Majority of respondents additionally agreed with the fact that perceived management behavior replicates a person awareness of the easiness or struggle of applying a specific behaviour as very important (M = 4.14). As well a majority of respondents (M=4.40) agreed that knowledge of managers offering Islamic financial services is limited making the issue very important. It was also held that managers in Islamic financial institutions do form perceptions of people's performance in a moderate way M=3.90. Many of the manager's actions towards the employees M=3.87 followed as a moderately important issue.

Table 4.5: Strategies Implemented by Islamic Financial Institutions

Strategies adopted by Islamic financial institutions	Mean	Standard deviation
1. Are Islamic financial products and services popular amidst non-Muslim clients	4.53	0.87
2. Knowledge of Islamic Financial services managers is limited	4.40	0.76
3. Perceived management behavioral reveals a one's awareness of the easiness or struggle of applying a particular behavior.	4.14	0.78
4. Managers in Islamic financial services do form perceptions of people performance	3.90	0.87
5. Perception of management regarding the strategic value of Islamic financial services and benefits to their institutions is influenced by most of the manager's actions towards the employees	3.87	0.65

Source: Research findings, 2018

4.3.2 Cost Leadership Strategy

This part of the study aimed to ascertain the participants' degree of the use of the above strategy in reaction to changes in the marketplace dynamics. The results of the study are presented in table 4.6 below.

Table 4.6: Cost Leadership Strategy

Cost leadership strategy	Mean	Standard deviation
1. Usage of modern technology	4.40	0.91
2. Practice industrial skills and knowledge acquired from previous experience	4.06	0.86
3. Retain overheads equivalent to those of the industry	4.03	0.88
4. Having client pay prices lesser than the rivalry	3.96	0.85
5. Engage innovative services features in responding to emerging client needs	3.90	0.61
6. Ensuring that overheads costs are less than others	3.86	0.42
7. Having client pay prices same as that of the rivalry	3.83	0.54
8. Personnel cost reduction	3.21	0.58

Source: Research findings, 2018

In table 4.6 the results indicated that the participants agreed that the very important factors that may have influenced the competitive strategies include the use of knowledge from past experience M=4.06, keeping overheads same as in the industry M=4.03, Use of the latest technology M=4.40. The moderately important factors include maintaining charges lower that competition M=3.96, keeping chargers same as competitors' M = 3.83 and New service features in response to demand M= 3.90 and Staff reduction M=3.21.

4.3.3 Product Differentiation

This section aimed to identify the level to which product differentiation strategy is embraced by Islamic financial institutions in Kenya and the results are tabled below:

Table 4.7: Product Differentiation

Product differentiation	Mean	Standard deviation
1. The institution use of research and analysis on a target market to come up with product and services prices.	4.56	0.87
2. Offering different segments of the market same product and services to varying sets of prices.	4.20	0.92
3. The use of reduced costs by the institution as compared to the market rivals	3.96	0.85
4. Offering low prices to be able to interest clienteles and increase market share by pricing differentiation.	3.90	0.80
5. The use of a loss leader, by selling products at lower prices to arouse new profitable and cost-effective sales, e.g. shares, etc	3.83	0.78

Source: Research findings, 2018

The researcher recognized that most of the partakers agreed that it was very important for the institution to set product prices based the target market M=4.56, and also set diverse prices for identical products in various market segments M=4.2. Similarly, the respondents agreed that it is moderately important to use lower costs that are competitive in market M=3.96. This was followed by use of pricing to enhance business penetration in order to entice clienteles by setting prices lower and gain new market share M=3.90, The use a loss leader, by selling products at lower prices to arouse new profitable and cost-effective sales was least popular at M=3.83

4.3.4 Strategic Choices

The participants were required to mention the scope to which they use every one of the following strategic choices in reaction to the marketplace dynamics.

Table 4.8: Strategic Choices

Strategic choices	Mean	Standard deviation
Provide superior customer service	5.00	0.80
Offering high-quality services	4.80	0.53
Offering services not offered by competitors	4.20	0.50
Regular market surveys of customer needs	4.10	0.80
Use of latest technology	4.08	0.54
Introducing new services in the market	3.80	0.86
Branding services	3.60	0.51

Source: Research findings, 2018

It becomes clear from Table 4.8 that it is extremely important to provide superior customer service M=5.0. Equally, it was found out that it is important to offer high-quality service M=4.8, followed by providing services not provided by competitors M=4.2 and regular market surveys were also seen to be important M=4.1. The respondents also found it moderately important to be introducing new services in the market M=3.8 and branding services M=3.6.

4.4 Discussion of the Findings

From the outcomes, it is acknowledged that the main competitive strategies adopted by Islamic financial institutions in Kenya include providing unique services to customers that are rare or not offered by rivals. The services must be of excellent high quality. The institutions should also lead by offering exclusive new financial services that are not presented by competition in the market. Use of modern, relevant technology and regular market assessments of customer ever-changing needs was found to aid competition. The economic value concept would apply since customers would be willing to pay for the value of the distinctive services offered. This would give financial institutions superior competitive advantages and higher levels of profitability and earnings.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This section reviews the outcomes as discussed in the previous or preceding chapter and gives the statistical analysis, explanations, deductions and give recommendations centered on the research discoveries.

5.2 Summary of the Findings

The findings revealed that the Islamic financial institutions in Kenya use competitive strategies to position themselves in the financial industry. These include providing unique services to customers that are rare or not offered by rivals that are of excellent high quality. These institutions also lead by offering new exclusive products and services that are not provided by competition in the market. Modern, relevant technology and regular market assessments of ever-changing customer needs to enhance both fast delivery and reliability are other key competitive strategies. Improvement in the processes and new product innovations as a result of modern technological developments are fast being engaged by Islamic financial institutions in Kenya. Quality of customer service is, therefore, a fundamental issue as indicated by all of the above possible sources of competitive advantages. Progressive enterprises offer consistent quality service and give significant attention to the manner the quality provided is going to be measured and perceived. Sometimes quality may be connected to value-added strategies, or it may be linked to the services and products presented to customers.

The quality may be perceived as the advancing physical quality against what the rival's offers, or from the style of presenting the customer service excellently and uniquely.

Examining sources of competitive advantage, the distinct weight must be put to the firm's capabilities. Ulrich and Lake (1991) argue that strategic, technological and financial capabilities are the three primary avenues of attaining competitive advantage. They emphases that people, unlike the organizations, are the one that comes up with decisions, reason, or distribute resources that are of a critical source of competitive advantage that is based on the organizational competency. They, therefore, contend that staff matters should be accomplished concurrently with the strategies. Supervisors that are likely to build competitive organizations are those with capabilities in understanding and assimilating all the four sources of competitive advantage. Executing value chain actions in a different way from what the rivals can do, developing resource capabilities and competencies that are not readily in step with competitors are vital in delivering a superior value of whatever forms.

Firms attain cost leadership by gaining exclusive access to the source of low-cost resources in huge volume, refining process efficiencies, making vertical integration decisions and optimally outsourcing, or evading some costs in totality thereby obtaining cost advantages. In adopting differentiation strategy, the firm makes arrangements to give services or products by way of having unique or exceptional features that are of value and significance to customers. The additional value brought about in the exceptionality that enhances uniqueness enables the company to demand a premium price for their products. The ongoing can be achieved through superior product design, technological advancement, improved service delivery, dealer linkages or other measures.

Focus strategy encompasses aiming at a specific market segment by effectively serving the sector excessively besides being efficient and also above industry rivals. This kind of strategy can concentrate on cost or use differentiation strategy meant to focus on a narrow market. By knowing their client's needs and their market ecosystem, Islamic financial institutions in Kenya have used their competencies including employees specialized in their unique services with exceptional knowledge to fine-tune or advance their products and services. This also helps them to ensure that clients exceptionally satisfied and even amazed by the quality service delivery beyond expectations.

5.3 Conclusion

Sometimes managers can easily interpreter competition in a narrow and too doubtful way. However, the principle of formulating strategies is to ensure that firm managers would be able to deal with rivalry competition and enhance enterprise progression in the market against ever existing stiff competitive forces. This is done regardless of the uniqueness of the firm products and services. Furthermore, in the contest for market share, competition in business is entrenched in its economic fundamentals and competitive forces that are far beyond the well-known rivalry forces in a particular trade. Some competitors could be existing clientele, substitute products, suppliers and new entrants and they may be more or less noticeable or vigorous on a particular industry.

Sharia prohibits receiving or paying of interest fees for credit obtained as money (Riba, Usury) for particular terms. Additionally, it also prohibits investing in a trade that provides services or good considered conflicting with Sharia values (Haraam) or prohibited (Subhi & Labib, 2009). This has been an enabler to Islamic financial institutions in Kenya to offer unique products and services to their clients. With the utilization of existing knowledge in the economics of Sharia laws and its commerce Islamic financial institutions in Kenya business has continued to grow and prospects are high besides being quite promising. This is highly supported by the provision of excellent service with cost reduction management aspects of Sharia-compliant business in Kenya.

5.4 Recommendations for Policy and Practice

Recommendations in this project revolve around the focus on clients by Islamic financial institutions in Kenya. This can lead to the implementation of diverse tactics to win against various actors in their existing business surroundings. A critical component that should be included in their strategies is training and knowledge creation since it was indicated that knowledge tapping of the Sharia products is vital towards their consumption.

These Institutions in Kenya can seek to share the resulting knowledge through on job training, sharing digital information, consultants and industry regulatory advises coupled with successful work experiences. When employees appreciate that specific methods work by receipt of positive signals from supervisors they assume innovative behaviors making learning effective.

It is apparent that a robust competitive advantage is motivated by customer needs and aligns the firm’s resources with its opportunities. It is therefore suggested that the Islamic financial institutions in Kenya should use differentiation strategy. The Islamic financial products and services are largely comparable with those accessible at other traditional banks. The purely Islamic financial institutions like Gulf African Bank and First Community Bank which were started to offer services to Muslims face the same competition like other banks. The Islamic banks should, therefore, retain their market niche and attract other markets that are not faith-based.

5.5 Limitations of the Study

It is difficult to generalize the results of this study since it only covers the Islamic financial institutions in Kenya. Other such institutions around the world applying diverse categories of competitive advantages to improve their competitiveness amongst others operating in the crowded financial sector may therefore not benefit from this study.

5.6 Suggestions for Further Studies

Further studies should be conducted on the effects of technology and mobile money loan facilities to Islamic financial institutions. This is especially because their foundations are faith-based something that may affect the adoption of online lending. With the new capping of interest rates by the government in the banking industry through CBK, Islamic financial institutions should entrench strategies that would make their actions more attractive to clients something that should interest scholars to study.

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APPENDICES

Appendix I: DATA COLLECTION AUTHORITY LETTER

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS

Telephone: 020-2059162
Telegrams: "Varsity", Nairobi
Telex: 22095 Varsity

P.O. Box 30197
Nairobi, Kenya

DATE 19 April 2018

TO WHOM IT MAY CONCERN

The bearer of this letter DANIEL GACHERU WERU

Registration No. D61/70006/09

is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
19 JUN 2018
P.O. Box 30197 - 00100, NAIROBI

PROF. JAMES M. NJIHIA
DEAN, SCHOOL OF BUSINESS

Appendix II: QUESTIONNAIRE

The evidence provided in this questionnaire will be employed for the sole usage of this inquiry and with extreme privacy. You are requested to carefully go through the questions and give the best fitting reactions by ticking or filling into the available spaces.

PART A: GENERAL DEMOGRAPHIC DATA

1. Institution name …………………..…………(*Optional*)
2. Indicate your gender, Female [ ] or Male [ ]
3. Indicate in years your age 20 - 30 [ ], 31- 40 [ ], 41- 50 [ ], Over 50[ ],
4. Tick your academic level: Postgraduate[ ],Undergraduate[ ], Diploma[ ],Certificate [ ],
5. What period of time have you been holding your current role? below 3[ ], 3-5[ ], 5-7 [ ], above 7 [ ],

PART B: STRATEGIES ADOPTED BY ISLAMIC FINANCIAL INSTITUTIONS IN KENYA.

1. Rate the following strategies adopted by Islamic financial institutions as a differentiation strategy? (1. Not Important, 2. A little Important, 3. Moderately Important, 4. Very Important,) and 5. Extremely Important,

Differentiation strategy	5	4	3	2	1
Are Islamic financial products and services popular amidst non-Muslim clients					
Perceived management behavioral reveals a one’s awareness of the easiness or struggle of applying a particular behavior.					
Knowledge of Islamic financial services by managers is limited					
Managers in Islamic financial sector do form perceptions of people performance					
Perceptions management regarding the strategic value of Islamic financial services and their benefits to their institutions is influenced by most of the managers actions towards the employee					

2. **Cost Leadership Strategy**

Participants were requested to indicate to what degree does the company utilize the cost leadership entry strategies below in reaction to market frequent dynamics? (5-To a very great degree, 4-To a great degree, 3-To a moderate degree, 2-To a little degree, and 1-To no degree.

Strategy on cost leadership	1	2	3	4	5
Having client pay prices lesser than the rivalry					
Having client pay prices same as that of the rivalry					
Ensuring that overheads costs are less than others					
Practice industrial skills and knowledge acquired from previous experience					
Engage innovative services features to respond to emerging client needs					
Retain overheads equivalent to those of the industry					
Usage of the modern technology					
Personnel cost reduction					

3. **Product Differentiation**

To what level do you agree with each of the product differentiation strategies adopted by Islamic financial institutions in Kenya? Where I- To a very low level, 2- To a low level, 3- To a Moderate level, 4- To a great level and 5-To a very great level.

Product differentiation	**5**	**4**	**3**	**2**	**1**
The uses lesser costs than the rivals in the market by the institution					
The use a loss leader, by selling products at a lower prices to arouse new profitable and cost effective sales e.g. shares, etc					
The institution use of research and analysis on a target market to come up with product and services prices.					
Offering low prices to be able to interest clienteles and increase market share by pricing differentiation.					
Offering different segments of the market same product and services at different sets of prices.					

4. To what magnitude do you think each of the following strategic choices is implemented in reaction to changes in the market? (Scale 1- To a very low magnitude, 2- To a low magnitude, 3- To a Moderate magnitude, 4- To a great magnitude and 5-To a very great magnitude

		5	**4**	**3**	**2**	**1.**
i.	Provide superior customer service	[ ]	[ ]	[ ]	[ ]	[ ]
ii.	Having services not offered by rivals	[ ]	[ ]	[ ]	[ ]	[ ]
iii.	Offering high excellent quality services	[ ]	[ ]	[ ]	[ ]	[ ]
iv.	Introducing new innovative services in market	[ ]	[ ]	[ ]	[ ]	[ ]
v.	Usage of modern technology	[ ]	[ ]	[ ]	[ ]	[ ]
vi.	Branding of services	[ ]	[ ]	[ ]	[ ]	[ ]
vii.	Regular market surveys of customer needs	[ ]	[ ]	[ ]	[ ]	[ ]

I take this early opportunity to register my appreciation agreeing to contribute in this study through answering these questions.

Appendix III: ISLAMIC FINANCIAL INSTITUTIONS IN KENYA

National Bank

Co-operative Bank

Gulf African Bank

Standard Chartered

Diamond Trust Bank

First Community Bank

Barclay's Bank Kenya

African Banking Corporation