

**DETERMINANTS OF ISLAMIC BANKING GROWTH AMONG
CONVENTIONAL BANKS IN KENYA**

BY

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STUDENT'S DECLARATION

I, the undersigned, declares that this is my original work and has not been submitted to any other college, institution, or university other than the University of Nairobi (UON) for academic credit.

Signed  Date..... November 26th, 2021...

Mathew Kiplimo Kangogo

The project report has been presented for examination with my approval as the appointed supervisor.

Signed  Date...November 15, 2021.....

Dr. Nixon Oluoch Omoro

ABSTRACT

The purpose of this study was to establish determinants of Islamic banking growth among conventional banks in Kenya. Descriptive research design was adopted with a focus on 42 conventional banks offering financial services both conventional and Islamic window products. The study adopted factor rating technique/method which is inferential statistical tool to analysis collected data. The findings were that majority of respondents agreed that the growth is as a result of religious value with 14.29 percent of the respondents strongly agreed while 2.8 percent agreed. The conclusion arrived out of the study is that Religious Values is the key determinant to Islamic banking growth among conventional banks in Kenya. The study proved that Islamic banking among conventional banks is attracting customers based on their religion at the expense of its product features and innovativeness, more so the products are still offered to Muslims only despite banks doing a lot of marketing to both Muslims and non-Muslims. The researcher recommends that future research activity be done on the compliance aspect with a focus on growth and compliance aspect of the sector in the newly thriving sector of the banking industry.

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First, to begin with is to extent my sincere thanks to the Almighty God, who is our living father for making it possible for me to complete this project. Without His help, this would have not been possible.

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To you all, I have nothing to offer but to pray to God to bless you and reward you all abundantly.

DEDICATION

I dedicate this work to 4-year-old son Hanley Kipkemoi

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CHAPTER ONE: INTRODUCTION

1.1. Background of the Study

The growth of Islamic banking was noticed since the embodiment of Islamic enlightenment in Middle East and thereafter in many other countries. Despite having tremendous amendments and development of the system, it is still at its onset with reference to their counter parts conventional banking sector which is at their advanced level. Zaher & Kabir Hassan (2001) stated that the determinants of growth in Islamic banking as religious factor. This factor moved into customers with Murabaha and Mudarabah being key products that has made financial institutions (conventional and Islamic banks) to have a considerable interest. According to Global Islamic finance report 2012, Islamic banking asset book managed through Islamic investment principles stands at KES, 1.34 trillion with 20% of banking customers moving towards Islamic finance products (Dar & Azmi, 2012). There are many determinants of Islamic banking growth, Researchers have found that factors such as, Religion, ethical and moral, Regulatory requirements, Shareholders need for return, Profitability, Good customer centric and satisfaction, product innovative ideas among others that this study seeks to establish are the determinants of Islamic banking growth. According to study done by (Haron, 1996b; Nawaz & Bardai, 2017), the religious factors are the foundation of Islamic banking growth which is as a result of religious belief and many beliefs. Studies done by many authors have greatly emphasis that there are two fundamental determinants of Islamic finance growth which includes religion as a factor and the profitability. Bukhari, Nawaz & Sair, (2014) added that Islamic financial institution are service organizations that offer a different products and service for the objective of profit. It is also evident that, demand for financial products offered under Murabaha and Mudarabah significant growth of Islamic banking. Worldwide trend towards Islamic Banking is evident in the global

financial market where variety of Islamic financial products and services are offered in a very competitive way, (WajdiDusuki, 2008). Erol & El-Bdour (1989) did research on the same topic and found the Shareholder's need for returns is a major factor attributed to the growth.

This study will be supported by the following five theories: Prospect Theory, Islam economic theory, fractional reserve theory of banking, diffusion theory, and Keynesian theory of demand for money. The theory of prospect, state that Value is sort out of gains and losses and it is measurable with respect to a referring point rather than an absolute level of wealth which is referred to us reference dependence. Islam economic theory gave four important factors of production that creates wealth. Under the theory, the factors of production and wealth are not clearly defined as stipulated under the economic system of Capitalist. They are quite distanced in the sense that there are three factors of production in Islamic point of view instead of four and is limited to capital, land, and labor. The frictional reserve theory of banking argues that money is created by following step by step guide of many deposits, diversification on the other flip of the coin Shaw and Gurley (1955) gave an argument asserting that there is similarity between financial and non-financial institutions in the sense that both are intermediaries and create claims. Diffusion theory is of the argument that, in order for Islamic banks to increase on growth, there should be effective implementations of communication strategies and well outlined educational tools directed to customers about Islamic finance hence learn how to affect customer point of view and attitude on the product. Keynesian theory propelled that, transactions, precaution, and investments are the most importance reasons why customers hold money.

Conventional banking is by its nature any institution offering financial services to the public by way of accepting liabilities (deposits) and advancing assets (loans) for a sole objective of gaining a return. Conventional banks have greatly influenced the growth of Islamic banking through

Islamic window products. For instance, in Pakistan fully operational Islamic banks are outdoing conventional banks in terms of performance in the overall banking sector. As a matter of fact, the sector made a profit of about 8 billion in 2011 during third quarter financials signifying 58% growth due to religious factors. Some conventional banks are doing Islamic banking as way of fulfilling regulatory requirement and as a result this factor leads to the growth of the sector. The Islamic window products offered under conventional banking has greatly improved the economic development through the introduction of Islamic instruments i.e., Mudharaba and Musharaka. According to Dar and Presley (2001), Mudharaba and musharaba are two most important ways of financing where profits and loss are shared. This statement has been affirmed by many Islamic economists. Studies done by (Goacher, 1990); Ochung, 1999) show that interest is not the most important tool of earnings for banks. However, for sharia compliant banks and conventional banks that set up Islamic banking windows, advocacy is different as interest is prohibited completely. Islamic finance advocates profit and loss sharing and does not allow rewards without taking into consideration risk bearing (Iqbal and Molyneux, 2005).

1.1.1 Determinants of Islamic Banking Growth

There are many potential determinants that affect the growth of Islamic banking. Determinants are elements that determines or identify the nature of something or that fixes or conditions and outcome, they are factors that spur the growth of an item (Farah, 2007).

Growth is an upwards trajectory in simple term. Islamic banking has been developing in a remarkable base since its inception. The history is dated back to the late 1950s when the Islamic bank was first tested through a well-established local Islamic bank in a village set up area of Pakistan where no interest was charged completely. The development of Islamic financial system was marked by slow base due to well established conventional financial system.

The study will take keen interest on key determinants contributing to the growth of Islamic banking. Several studies have done the same study, but measure of the growth differs slightly with researchers using factors such as, high oil prices (Imam & Kpodar 2016), price stability, Muslim population growth,

The key measure of the growth includes, increase on key parameters which will include and not limited to Percentage of market share, profitability of the product, Customer base growth, growth of Islamic account numbers, growth of asset and liability base, comparing population and customer size in the industry and finally looking at product penetration (Siraj and Sudarsanan Pillai,2012).

1.1.2 Islamic Banking

A banking system that is done as per the values and norms of Islamic sharia constitutes Islamic banking system. It's a banking system which prohibits interest charged to customers either on assets or liabilities. Any practice that is executed in accordance with Islamic values and law is Sharia which is an Arabic word. According to Khattak and Rehman (2010), Riba is interest and is prohibited in Islamic sharia. Riba means increase, addition, rise or growth.

In consonance with Al-Bahar (1996), Islamic finance banking is banking done in accordance with jurisdiction law (law of the Land); and Shari'ah. Islamic banking relies on both legal counsel (traditional lawyers) and Shari'ah. Islamic finance aims at building a socio-economic order based on justice and considers economic activity to completions. It operates in a normal way as conventional banking except that it operates as per Sharia rules, called Fiqh al-Muamalat. Islam banking banks unlike their conventional banks, does not trade in interest nor engage in investments sectors that are not lawful. It does not allow engagement of activities traded or

invest in shariah forbidden activities, (haram). Islamic banking belief in many philosophies but my study focuses on three key modes which includes Musharakah, mudarabah, and Ijara (Karbbari et al.,2004). Musharakah is a partnership between bank and customer and bank and profit, and loss are shared according to agreed sharing methodology (Dixon 1992). This is done in such a way that sharing ratio is known and incase of any of the eventuality the sharing is done without complacency. In mudarabah only one party is given the funds to invest, and the same way profit and loss sharing is done in musharakah is applied in mudaraha. Ijara is another mode that belief in leasing. This mode is preferred in the case of adverse selection and moral hazard by consideration of both mudarabah and musharakah contracts (ingram, 1986).

As evidenced through previous scholars who undertook to measure Islamic banking growth, the key measure of the growth includes, increase on key parameters which will include and not limited to Percentage of market share, profitability of the product, Customer base growth, growth of Islamic account numbers, growth of asset and liability base, comparing population and customer size in the industry and finally looking at product penetration (Siraj and Sudarsanan Pillai,2012).

1.1.3 Conventional Commercial Banks in Kenya

According to act number 10 of 1998, Conventional banks are financial institutions whose banking transactions are carried out in a normal conventional way i.e., by way of providing service in payment of traffic based on predetermined procedures and conditions. There transactions are based on interest and are created to performs the functions of accepting liabilities (deposit) from the public and giving loans (assets) for investment with the objective of making profit. in general, they are profit seeking institutions. The statement of financial accounting

standardsno.31 stated that the conventional banks are Agent of trust, Agent of development, and Agent of service.

In Kenya conventional banks have started to adopt dual banking system which constitutes both Islamic and conventional banking. The sole objective of incorporating the Islamic banking is to arise and meet customer demands for shariah compliant Islam window product and service, (Ndung'u, 2010). Currently conventional banks e.g., Amanah for National bank, Iman for Chase Bank, Absa “Lariba”, Standchart bank “Sadiq” and KCB Sahl have adopted the window products. For conventional banks to be allowed to operate they should be compliant to shariah values and ethos, and members of staff should perform all transactions in adherence to the Islamic code of ethical conduct.

Conventional banks make a positive step as a result of authority granted to them by the central bank of Kenya to serve Muslim customers with financial service consistent with their service through the Islamic window products. Islamic finance has granted conventional banks with growth opportunities through the expanded target market by offering the extra products which were only offered by fully fledged Islamic banks and hence driving through competitive advantages. This has created great interest in making me to dig into the in-depth analysis of what makes this bank perform more on the Islamic window products despite them offering other products.

1.2 Research Problem

Islamic banking growth concept is still very new in banking system. There are still few research studies that has been done on this area. Despite having knowledge of the rules of Islamic banking, it is still a challenge on how to interpret and implement and it is still controversy

discussed. Gerald 2007, in his study found that the two most important determinants of Islamic banking is religious belief and social responsibility. The motives of bank selections by clients differ completely between Islamic banking and conventional banking. Customers that subscribe to Islamic banking prefer products/services that conform to Shari'ah which prohibits Riba (charging of interest). However, (El-Bdour 1989) contradicts findings of other scholars and stated that religious motive seems not to play a critical role but profit factor which leads to higher dividend payment for their return. However, (Malik, & Mustafa, 2011), stated that explicit disallowance of Riba (interest) in the Qur'an is not evident but (Ghannadian & Goswami,2004), found that only assets that charge high interest rates should not be allowed but according to research done by King & Levine 1993, financial development and growth are positively related and both components of economic growth and financial growth are well correlated. Faith forms key pillar of stabilization in the banking sector under conventional finance institutions. This has created a need to study and find out how this banking system has strategically placed itself and start competing with well-established conventional bank products.

The two most perceived important determinants of Islamic banking growth are religious belief and social responsibility. However, studies done by Erol and El-Bdour (1989) argue differently and are of the opinion that religion as a motive doesn't stand to take part as a key role in banks selection. This sentiment is supported by Jawadi et al. (2014) who stated that ethical and moral rules lead to increased growth of the sector. The findings of Almosawi and Metawa (1998) were that faith/religion is the key factor which affects perception of a customer under Islamic banking system choice and not investment. Among the determinants, religiosity tops the list of ranked determinants influencing way of choosing a bank followed by profitability. It is as a result of religious reasons that customers have adopted Islamic banking. Khattak and Rehman (2014)

stated some other motivating factors exist in product/customer adoption process under the Islamic banking system that has not been explored by researchers. Ndungu (2010) argues that among the emerging trends of supplying finance and mobilization is the Shariah compliant system. As such, the assets of Islamic banking have been growing at the rate of 17.6 percent per annum from the year 2009 to 2013. For the financial institutions that offered Islamic banking, the total assets amounted to approximately \$2 trillion (The Economist, 2014). These assets are expected to grow exponentially at a rate of 19.7 percent per annum from 2013 to 2018. Muriri (2009) stated that in Kenya, the market share of Islamic Banking has been growing exponentially to achieving the total assets of 0.8 percent which is an exceptional performance. The conventional banks offering Islamic banking products have strong financial positions. For example, GAB and Kenya FCB generated a loan portfolio of Kshs 4.96billion, coupled with deposit portfolio of Kshs 7.5 billion contributed by approximately 27, 270 accounts.

According to Metawa and Almosawi (1998), religion is major causal factor for Islamic banking growth because it shapes the customer affection towards the products offered under Islamic banking. On the contrary, Erol & El-Bdour (1989) established that Islamic banking was not significantly affected by religiosity, instead, profitability affected the customer perception of a desirable bank. Even though religious factors are the main selection criteria for banks, there is strong indication that internal factors such as customer service, efficiency in transactions in terms of speed and volumes are also considered (Khattak & Rehman, 2010). From a seminal study conducted by Khattak & Rehman (2010), it is ubiquitous that religiosity is the most prevalent determinant of Islamic banking growth. Even though profitability is a measure of success, religious factors contributed greatly to the growth of Islamic banking. However, there is limited understanding of the variances between the products of Islamic banking and those of

conventional finance institutions such as mortgages that are offered in conventional banks. Moreover, there is limited consideration of the ethical and moral values in the conventional finance institutions which has created a paradigmatic shift to the Islamic banking. This shift is not only done by the Islamic states and Muslim countries but also in western countries (Jawadi, Jawadi & Louhichi, 2014). As the shift towards Islamic banking grows, the demand for Islamic banking products also increases which makes these institutions to implemented strategic practices that make Islamic banking more attractive to the majority (Rethel, 2011). Despite the growing speed of Islamic banking there is an existence of knowledge gap, and most customers lack sufficient information about Islamic banking in the country and around the globe as it's only assumed that it's a Muslim Product. There is paucity in understanding on how the dynamic the industry is (Ahmed, 2010). There is dearth number of publications done on the topic even the available ones are relevant to the topic (Abdelsalam & El-Komi, 2014). This is because many people in non-Muslim countries like Kenya do quite not understand the features of Islamic banking. The challenges, which are present despite the rapid growth of the Islamic banks in this country, also present an important and interesting area for investigation. To obtain a complete understanding of the determinants of the Islamic banking growth, the research seeks to answer the question, what are the Determinants of growth of Islamic banking among conventional banks in Kenya?

1.3 Objectives of the Study

To Establish determinants of growth of Islamic banking among conventional banks in Kenya.

1.4 Value of the Study

This research will provide extensive knowledge to researchers in the field of finance and Islamic banking and acts as background to the future studies that will be done in the field. Pertinent

questions not addressed by this study can be explored in future research studies. It will also assist Islamic scholars in coming up with Islamic banking theories as they will refer to my work for better understanding of the area.

This research will disseminate information on the determinants of the Islamic banking growth among conventional banks in Kenya to the practitioners in the field. The practitioners can incorporate the key concepts and findings from the research into their theory and practice.

Finally, this research will act as a backdrop for development of policies towards implementing Islamic banking in Kenya because its demand is growing. The findings will be the basic guidelines in developing policies that are geared towards improving the landscape of Islamic banking. It will have great contribution to traditional "lawyers" and "Shari'ah Councils" and laws and reforms institutions such as CBK in coming up with policies geared with motivating those factors influencing the growth as it will seek to address the issue of conflicting and confusing information on the values and ethos of Islamic sharia

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This section seeks to investigate both theoretical framework and empirical review literature that has been done in Islamic banking. The chapter seeks to look at the determinants of the rapid growth of Islamic banking and financing product in Kenya.

2.2 Theoretical Literature

The topic will be supported by three theories. The theories that have contributed to the growth includes, capital structure theory, savings theory of banking, Islamic economic theory, prospect theory, and diffusion theory

2.2.1. Keynesian Theory of Demand for Money

The theory was propagated by Keynesian. The theory propelled that, transactions, precaution, and investments are the most importance reasons why customers hold money. According to the three aspects financial institutions both conventional and Islamic had to categorize its activities into, demand deposit (current accounts) commonly used for daily transactions. The perspective of customer deposit is supported by three theories which are related to savings behavior. The Keynesian theory encapsulates other theories such as the permanent income hypothesis ,life-cycle hypothesis and buffer-stock theory (Modigliani and Brumberk, 1954; (Friedman, 1957; Deaton, 1951; Carroll, 1952).The theories suggests that for banks to win on this item they need to look it on customer side who needs finance to meet daily household expenditure and businessperson who needs income for business purpose, this will therefore make the strategies and refine the product according to this category, the other category is savings which is savings account. This is purely for bank savers and would wish to capitalize on their saving by earning

income through it. This makes banks develop well-designed product for the precautionary motive category of customers. Finally, we have time deposits where customer wishes to deposit funds for specified time. This caters for motive of clients who have idle money and wish to utilize to earn good return from banks out of their monies.

The theory contributes to the growth of Islamic banking in the sense that the banks develop products and services according to the three motives and best available categories or product segments hence attracting more customers translating to growth.

2.2.2 The Fractional Reserve Theory of Banking

Banking theory advocates that all banks are financial intermediary. it argues that money is created by following step by step guide of many deposits' diversification on the other flip of the coin Shaw & Gurley (1955) gave an argument asserting that there is similarity between financial and non-financial institutions in the sense that both are intermediaries and create claims. The formulation of fractional mechanism of reserve in banking made Philip most influential economist through his quotation of credit or money multiplier.

Crick (1927) supported the theory by arguing that despite each financial intermediary state of each bank, money is still created in the system. There was a successful downplay by Crick (1927) and other authors, they were successful in downplaying the importance of those doings and reassured the population or academicians revealing that all was in control, since money formation was the result of a kind of diffuse process, a technical process that experts might debate, but which was of little direct consequence for the economic model builder.

2.2.3 Islamic Economic Theory

Divine Rais (2010) defines Islamic Economics theory is a theory or fundamental laws that describe the behaviors between economic variables by incorporating elements of rules or norms (the element of the define) it does not only explain the facts, but also what should be done, and what should be ruled out.

The theory states that the wealth gained is as a result of “the factors of production.” These factors of production are differently specified under Islamic economic theory as opposed to under the Capitalist system of economy. Under Islamic banking system view, the actual factors of production are three, capital, land, and labor. It is based on this combined action of these three factors that. “Wealth” is created then distributed over these three. Islamic economy system was laid in the Al-Quran and practices in Medina. It is out of the rules extracted from Al Quran and Sunnah (teachings and practice from Prophet Muhammad, studying in the contemporary economy and prescribing the policy that the blueprint of Islamic economy is built (Askari, Iqbal, & Mirakhor, 2015).

This theory will enlighten customer perspective, conventional bank strategic focus, as well as regulator policy making based on Islamic finance in the diverse transaction they perform.

2.2. Empirical Literature Review

Under this section, focus will be drawn into a look at literature that has been done by other researchers on this important area of Islamic finance. The study will bring out important determinants of Islamic banking growth among conventional banks in Kenya.

2.2.1 Determinants Contributing to Islamic Banking Growth

Islamic banking is banking that operates under principles and philosophy and is based on Sharia functions. In consonance with Gait and Worthington (2002), Islamic banking is done as per Shari'ah, legal framework of Islam and Quaranic interpretation, which is done as per teachings of Sunnah. Religious doctrines are majorly considered in the financial conduct and any transaction. Religious consideration in Islamic banking challenges the independence of finance and economics making to thrive, (both in local and international market). In support of the sharia, Ali (2005) stated that key precept of Shariah is Riba, which means interest is prohibited. (Iqbal and Molyneux,2003) did a study interest factor and found that profit and loss sharing is encouraged instead of charging interest and rewards without bearing a risk is completely forbidden. Accordingly, the sharia, does not allow money to be used for investing or purchase of items related to activities that are not allowed (haraam), such as interest (Riba), consumption of alcohol or gambling. In 2007 hunt came out strongly and stated that all dealings are permissible (halal) under the law of shariah apart from those dealings considered as haram. Islamic finance banks are required by the sharia to trade on financial activities that provide services under the perfect consideration to the Muslim shariah.

Wilson (1995) in his finding stated that Islamic financial institutions are entities set to meet obligations that are religious in nature and strive to compete amongst other conventional financial institutions to win customers. As a result, the objective of Islamic banking is to engage in operations that generate profit to their clients who have invested with them and to fulfill obligation of their religion. Fang & Foucart (2013) stated significance reliance of religion on Islamic finance making it to differ from traditional economic perspective excludes in totality ethical and social concern in favor of maximizing profit and working towards achievement of

growth. Islamic banking has been seen as best alternative in Muslim countries and many other emerging financial alternatives in many other western countries due to good ethical and moral rules coupled with assumed higher risk awareness, (Jawadi, Jawadi & Louhichi, 2014). Hossam Chowdhury (2011) found that when organizations do its operations in accordance with ethical rules, increased customer satisfaction leading to more profits.

A study done by Manzoor, Aqeel & Sattar (2010) revealed that the Islamic religious belief constitutes a key determinant to Islamic finance growth in Pakistan as Islamic finance is done in consonance to the laws of Islam and its principles. Many customers of Islamic banking have adopted both Islamic and conventional banking systems in Pakistan. A study done by Khattak, (2010) shows that sixty-seven percent of the clients in Pakistan operate banks accounts under conventional banking system. Valeva (2012) stated that the law of Islam and Shariah are key parameters to the understanding Islamic banking system. This helps in implementation of views of the religion for example in the Quran teachings done into the judicature. Ariss (2010) added that the Quran teachings gives leeway to financial transaction only if the transactions are free from interest, uncertainty (gharar), gambling (maisir) and prohibited (non-halal) activities. According to Wilson (1997), the nature in which Islamic institutions carry out business activities gives motives to customers as they make decisions to invest in an institution that take keen interest on sharia principles as a foundation of all products and services. This may lead to increased customer base and hence the overall growth may increase.

Despite prohibition of interest in Islamic banking, profits are still possible and forms part of their banking system. Mallin et al. (2014), stated that Islamic banking relies on the principal profit and loss sharing. According to academic scholars gain and loss sharing parameters, includes mudarabah and musharakah and are the key pillar of the Islamic banking system. Under

mudarabah banking, the Islamic banking accepts liabilities from customers under the arrangement of risk sharing, the institution then engages in investments of the funds to profitable activities or extends them to entrepreneurs on a risk-sharing basis. The profit made from the venture is then shared with the deposit owners. Under musharakah system, the Islamic institutions take the depositors' money and invest in joint enterprise with customers. This institution then permits clients to have management of all transactions of a Musharakah business.

Research done by (Thomson Reteurs, 2013) revealed that the choice of Islamic finance can be decided through how banks adhere to Islamic rules, how the rates are competitive, the order of importance, the quality service offered, and more offerings. As a result of Islamic banking relative advantage with respect to conventional banking, customers will consider the system based on faith/religion, benefits from ethical issues and economic consideration which is expected to be the perceived to be higher, and more possibility of motive to take Islamic finance products by likely customers leads to better outcome. It is through an assessment on reciprocal benefit of Islamic finance with its ethical, functional, and social benefits, which includes quality of service, price determination policies, practices that are socially responsible to Islamic financial institution and social status, that lead to researchers concluding that this forms key determinants which seeks to explains the current usage by clients.

Khattak and Rehman (2010), did a study and found that profit factor motivated banks to open new branches in making decision on which financial institution/model to adopt and not determined by religious factors as stipulated by other researchers. Nawawi (1999) stated that Islamic banks charge administration and management fees instead of interest to recover cost incurred which will lead to profit making. Hunt (2007) suggested 3 types of contracts which are

used to finance residential houses although the ijara and musharakah contract forms are the most used.

Solomon et al. (1996) stated that a good feeling and attitude by a customer will improve its satisfaction and will influence choices of customer regarding Customer satisfaction product/service after it has been utilized. Hossan Chowdhury (2011) stated that when banks have respect to rules and follow ethical consideration then customer satisfaction will greatly improve and leads to profit at the end. Paulet (2011) also gave an opinion that profitability is because of customer satisfaction and as a result banks priorities will be changed to adopt customer requirements. As a result, it is important that banks should focus on customer satisfaction on its products and services offered and this will lead increased customer satisfaction which leads to increased popularity of customer satisfaction in recent years (Gulledge, 1996).

As a result, good customer centric and customer satisfaction is evidence from the study done by Iqbal & Molyneux (2005) which found that Islamic financial system has gained popularity and has been adopted across different countries in the continent. He also found that all religion has accepted warmly the inception of Islamic financial institutions. As stated by Dusuki and Abdullah (2007) that Islamic financial institutions have no choice but to have good understanding on how their customers perceives its business operations like the quality of service offered in order to increase customer satisfaction and hence acquire self-loyalty.

Radi & Erol (1989) found that the Islamic banks require a team of sale persons with good technical knowhow of their products and service because of the product being very complex. The result of this will lead to an improved customer satisfaction which will result to profitability and hence growth.

Customers will find a way a look for further facts about a product when he/she gets to learn on new innovative way and eventual consequences for them, therefore a potential adopter is placed in a better place to assess whether the innovative variable will warrant further exploration. According to Hassan, Chachi, &Latiff (2008), stated that it is as a result of customer need for innovative products and growth perspective that has seen international conventional financial institution to be attracted to Islamic banking products and services and hence leading to competition in the Islamic sector, Malik et al. (2011) stated that the only option for well-organized Islamic financial institutions is to use the strategy of offering unique and very competitive services and product as survival tactics. Study done by Uppal &Mangla, (2014) revealed that financial institutions have designed unique Islamic products though separate wing offering their own Islamic products through Islamic window e.g KCB sahl, HSBC or Citibank. Ariss (2010) is of the opinion that there is international competition among Islamic banks internationally unlike their counterparts offering Islamic windows and does not compete because they serve a different market share.

Perry & Rehman, (2011) asserted that the issuance of sukuk which is an Islamic product in 2004 at Germany let to a good foundation of Islamic banking in Europe. This was the most prestigious innovative product which led to fastened growth. The sukuk product made United Kingdom to be one of the advanced niche markets in Europe. According to study done by Nickel (1966), innovative Islamic products/services which suites customer preference emerged as a result of high rate of competition. The study of Mokhtar et al. (2008) argues that although the banks offering only Islamic products operated more efficiently were than the Islamic windows, their efficiency is still way below efficiency of conventional banks (Mokhtar et al., 2008).

Customer awareness is an important factor on how banks adopt Islamic finance products. This statement has been put across by several researchers. studies done by Haron et al., 1994; revealed that there exists a useful relationship in customer realization together with attributes e.g customer perception, as advocated by (Wahyuni,2012; Aziz,2012), contentment on Islamic finance by Bashir (2012) and the willingness to adopt it (Gait & Worthington, 2008; Gait, 2009; Rahim & Amin, 2011; Thambiah et al., 2011; Abdul-Hamid et al., 2011; Wahyuni, 2012; Ayinde & Echchabi, 2012).Bank reputation is adversely mentioned in many empirical studies, for instance studies done by Erol et al.(1990), Haron (1994), Metawa & Almosawi (1998) has shown that bank reputation is a major influencing decision to many Islam product customers

According to Bauer, (1960), Perceived risk in customer perspective is the customer's thinking on uncertainty and potential adverse consequences of purchasing a product/service. It's evident from study done by Gerrard & Cunningham (2003), that the rate of adoption of banks Islamic adoption is negatively related to perceived risk. The study done by Yusof (1999) stated the new and innovative Islamic banking products and its uncertainty are positively associated.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1. Introduction

The section was sets to highlight the design of the work, the target population, sampling design, sampling frame, sampling techniques and sample size, data collection methods, research procedures, data analysis, and logistical and ethical considerations.

3.2. Research Design

This work adopted descriptive design. Descriptive research is used to obtain information concerning the status of the phenomena and to describe "what exists" in variables or conditions in a situation. It helps provide answers to the questions of who, what, when, where, and how associated with a particular research problem.

The design selected best suited the study because the subject was being observed in a completely natural and unchanged natural environment. True experiments, whilst giving analyzable data, often adversely influence the normal behavior of the subject.

The dependent variable for this study was conventional commercial banks offering Islamic products. conventional commercial banks are financial institution offering Islamic financial products through the Islamic window product, while the independent variables were determinants of Islamic banks growth among conventional banks in Kenya. Determinants of Islamic banking growth are factors that can influence/change the growth of the Islamic banking among conventional commercial banks

3.3. Population

Population is the target group of participants that will be used as the samples of the research, their responses was collected as primary data.

The study targeted conventional banks offering Islamic banking window products and hence Census Survey method was used considering all conventional banks was targeted. In this work my study population was the 42 conventional banks offering financial services. According to the Central Bank of Kenya (2020), conventional banks offering financial services are 42 in number. Response was sort from the 42 conventional banks. Each bank responded to one single questionnaire and hence I had total of 42 respondents.

3.4 Data Collection Methods

The study adopted the use of primary data and obtained information directly from the conventional banks through exploratory questionnaire (qualitative) questionnaire method also known as unstructured questionnaire. The study also employed both closed ended and structured questionnaire method. The option opted made it easy for the respondents to give their response easily.

The respondents to my questionnaires were 42 conventional banks offering financial services to both Muslims and non-Muslims by way of Islamic window products and conventional way of banking.

3.5. Validity and Reliability of Data Collection Methods

Validity is the extent in which the data collection method can be able to measure what was intended for. According to O' Leary, (2009) it is assumed that the issue under study is

measurable and easy to capture. This research ensured that all items in the collection method were captured based on the research question and objectives of the study. My extensive literature review conducted suggested that the content areas, educational expert suggestion were relied on to analyze the validity of the collection method.

Reliability is the extent to which the method can be relied upon when applicable in different aspects. It measures the consistency of the items in the method relied upon. To maintain validity of data collected, the methodologies used in this research was evaluated against the existing methodologies. This reduced biasness, inaccurate and errors concomitant in the sampling.

3.6 Data Analysis Methods

The data was analyzed using quantitative analysis out of the responses received. Factor rating methods, and Inferential statistics tool was applied to determine the relevant and important factors. This was done out of the key determinant received from the respondents. It was done by assigning weights based on response with all weights totaling to 100. After assigning weights a common scale for all factors was determined then I scored each alternative and finally adjusted score using weights e.g., by multiplying score by each weight and add up scores for each alternative to arrive at the best scored determinant.

CHAPTER FOUR: RESULTS, FINDING AND DISCUSSIONS

4.1 Introduction

The chapter presents Data analysis, results, findings, discussions, and interpretation of the respondent's results.

4.2 Response Rate

The study targeted 42 conventional banks in Kenya authorized to offer financial services by CBK. Out of the 42 banks only 35 responded hence having a response rate of 83.33%. The response rate of 83.33% is sufficient enough to make conclusion

Table 4.1: Respondent's Response Rate

Response Rate	Distribution	
	Frequency	%
Questionnaires responded	35	83.33
Questionnaires-not responded	7	16.67

4.3 Background of the Rrespondents

In this section the researcher sought to establish the background information of various conventional banks in Kenya. Background information are the demographic information of the respondents which seeks to establish characteristics of the population under consideration, (Pennsylvania State University, 2006). The section discusses Islamic window products in conventional banks.

4.3.1 Islamic Window Productss in Conventional Banks

In this section the researcher sought to establish Islamic window products within conventional banks in Kenya. Th questionnaire had two sections. The first section targeted response from all the 42 conventional banks. Section two targeted conventional banks offering Islamic window products. Those who did not proceed to the next section were requested to give reasons why they did not offer Islamic window products. From the response only 6 banks out of the 35 respondents offer Islamic window products. Below table give summary of the results based on Islamic window products offered. The response rate is shown in table 4.2 below

Table 4.2: Islamic window product response rate

	Response	% Of response
Islamic window offered	6	17.14
Islamic window not offered	29	82.86
total	35	100

Out of the total response 82.86% of the respondents does not offer Islamic window products while 17.14% offer Islamic window products. The response of 17.14% from the banks not offering Islamic window products cited that even though the banks knew about the existence of

the product, it is an idea/strategy that is still under discussion by the board of directors, limited number of clients, lack of Shariah boards, awaiting approval from central bank, and knowledge gap.

4.4. Determinants of Islamic Banking Growth among Conventional Banks in Kenya

The researcher sought to establish the determinants of Islamic banking growth among conventional banks in Kenya. The respondents were requested to rate on a scale of 1 to 5 the determinants. The response rate is shown on table 4.3.

Table 4.3: Determinants mean response rate

DETERMINANTS	FREQUENCY AND MEAN RATE									
	Strongly Disagree	Mean rate%)	Disagree	Mean rate%)	Neutral	Mean rate%)	Agree	Mean rate%)	Strongly Agree	Mean rate%)
Religious values (Sharia)	0	0.00	0.00	0.00	0.00	0.00	1.00	2.86	5.00	14.29
Bank Reputation	0.00	0.00	1.00	2.86	2.00	5.71	1.00	2.86	2.00	5.71
Customer awareness	0.00	0.00	1.00	2.86	2.00	5.71	0.00	0.00	3.00	8.57
Bank profitability	0.00	0.00	1.00	2.86	2.00	5.71	0.00	0.00	3.00	8.57
Effectiveness in transaction	2.00	5.71	0.00	0.00	1.00	2.86	2.00	5.71	1.00	2.86
Islamic finance sector	0.00	0.00	1.00	2.86	1.00	2.86	0.00	0.00	4.00	11.43
Innovative products	1.00	2.86	1.00	2.86	2.00	5.71	1.00	2.86	1.00	2.86
High level of Privacy/confidentiality	0.00	0.00	2.00	5.71	2.00	5.71	1.00	2.86	1.00	2.86
Aggressive sales agents	2.00	5.71	0.00	0.00	2.00	5.71	1.00	2.86	1.00	2.86
adherence to Islamic rules	0.00	0.00	0.00	0.00	2.00	5.71	2.00	5.71	2.00	5.71
Low Perceived risk in customer perspective	1.00	2.86	3.00	8.57	0.00	0.00	1.00	2.86	1.00	2.86

source: Primary data

From the table 4.3, the determinants were rated based on the rating scale and mean of each was derived to get the rating of each determinant. Based on the findings 14.29% of the respondents strongly agree that religious values (sharia) is the key determinant of Islamic banking growth among conventional banks while 2.86% agrees that it's a determinant. The views on Bank reputation had varied response with 5.71% of the respondents strongly agree that it is a determinant, 2.86% agreed, 5.71% of the respondents were neutral while 2.86% disagreed that it is not a determinant of Islamic banking growth among conventional banks. Customer awareness was rated and 8.57% of the respondents strongly agree that the growth is attributed to the extent that customers are aware of the products. 5.71% of the respondents were neutral on the determinant while 2.86% disagreed that it is not a determinant.

8.57% of the respondents strongly agreed that the growth is as a result of bank profitability. 5.71% were neutral on the determinants, however 2.86% of the respondents disagreed that it is not a determinant of the growth. Effectiveness in customer transaction had varied views with 2.86% of the respondents strongly agreeing that it is a determinant to the growth, 5.71% agreed, 2.86% were neutral while 5.71% strongly disagreed.

The respondents rated the general Islamic finance sector and 11.43% of the respondents strongly agreed that growth is as a result of the determinant, 2.86% were neutral on the determinant while 2.86% disagreed that it's not a determinant. 2.86% of the respondents strongly agreed that the growth is as a result of the banks having innovative products while 2.86% agreed. 5.71% of the respondents were neutral. 2.86% of the respondents disagreed while 2.86% strongly disagreed that it's not a determinant of Islamic banking growth among conventional banks in Kenya.

On high level of privacy/confidentiality, 2.86 strongly agree, 2.86 agreed that it is a determinant of the growth. However, 5.71% of the respondents were neutral while 5.71% disagreed that it is not a determinant. 2.86% of the respondents strongly agreed that the growth of Islamic banking among conventional banks is as a result of aggressive sales agents while 2.86 agreed. 5.71% were neutral on the determinant and 5.71% strongly disagreed that it is not a determinant of the growth. The respondents also gave varied views on adherence to Islamic rules and 5.71% of the respondents strongly agreed on the determinant while 5.71% agreed. However, 5.71% of the respondents were neutral on the determinant.

Respondents also rated low perceived risk in customer perspective and 2.86% of the respondents strongly agree and 2.86 agree. 8.57% disagreed while 2.86% strongly disagreed that it is not a determinant to the growth of Islamic banking growth among conventional banks in Kenya.

Table 4.4: Determinant's factor rating score

Determinants	Determinants		banks						response score and weights			
	Rating	Rate	kcb	std	a	Eq	n	Cop	T.	wight	Factor	Ranking
	(Strongly agree)	in %			bsa	uity	bk	Ban	Score	s	(rate*wights)	Based on factor rating
Religious values (Sharia)	5	14.29	5	5	5	5	5	4	29	0.12	1.71	1
Bank Reputation	2	5.71	5	3	3	2	4	5	22	0.09	0.51	5
Customer awareness	3	8.57	3	4	2	3	5	5	22	0.09	0.77	3
Bank profitability	3	8.57	5	5	4	1	5	1	21	0.09	0.77	3
Effectiveness in transaction	1	2.86	3	4	4	1	2	5	19	0.08	0.23	7
Islamic finance sector	4	11.43	5	3	2	5	5	5	25	0.11	1.26	2
Innovative products	1	2.86	4	3	1	2	4	5	19	0.08	0.23	7
High level of Privacy/confidentiality	1	2.86	3	2	2	2	4	5	18	0.08	0.23	7
Aggressive sales agents	1	2.86	3	4	1	5	3	4	20	0.09	0.26	6
adherence to Islamic rules	2	5.71	5	3	4	3	4	5	24	0.10	0.57	4
Low Perceived risk in customer perspective	1	2.86	4	1	2	2	2	5	16	0.07	0.20	8
			TOTAL SCORES						235	1	10	

Source: Primary data

4.4.2 Summary of Results

From the response received religious values scored the highest at a rate of 14.29% meaning 14.29% of the respondents agree that Religious Values are the key determinants of Islamic banking growth among conventional banks in Kenya. It had a weight of 1.71 highest compared to the other determinants. 8.57% of the respondents in this study were of the opinion that customer awareness and Bank profitability are the determinants of the Islamic banking growth in Kenya with a total weight of 0.77 each. Effectiveness in transaction, Innovative products, High level of Privacy/confidentiality, Aggressive sales agents, and Low Perceived risk in customer perspective scored 2.86% meaning it is the least scored determinant and the respondents were of the opinion that it does not have great influence on the growth of Islamic banking among conventional banks

11.43% of the respondents were of the opinion that the existence of the Islamic finance sector in the banking industry is a great determinant coming second after religious values. 8.33% of the respondents were of the opinion that adherence to Islamic rules and Bank Reputation are equally important as a determinant of Islamic banking growth among conventional banks in Kenya.

The ranking was done based on the weights and ratings done, and religious values appeared top ranked at 1.71 followed by Islamic finance sector (1.26), Customer awareness (0.77), Bank profitability (0.77), adherence to Islamic rules (0.57), Bank Reputation (0.51), Aggressive sales agents (0.26), Low Perceived risk in customer perspective (0.20), Innovative products (0.23), High level of Privacy/confidentiality (0.23), and Effectiveness at (0.23) in transaction in that order

The other determinants mentioned by the respondents were Healthy competition, Supportive regulatory body, electronic modes of doing business, customer satisfaction, product quality and strict adherence to shariah laws.

4.5 Discussion

Under this section, discussions carried out are based on the research objective. The research findings are also compared with literature review in chapter two. This was the key objective of the study. The study revealed that among the determinants listed, religious values is the key determinant of Islamic banking growth among conventional banks in Kenya.

4.5.1 Religious Values

The determinant had a final weight of 1.71 amongst other 11 determinants ranked. The finding is supported by study done by Almosawi and Metawa (1998) where he found that faith/religion is the key determinant which affects perception of a customer under Islamic banking system choice and not investment. Study done by Jonmohamed et al (2011), also supports this finding by stating that the goal of conventional banks offering Islamic window products is to gain interest of Muslims within the conventional banking system by offering competitive products and services in order to expand the share of existing customers.

The study therefore confirms the opinion in the second chapter that indeed growth of Islamic banking is as a result of religious values. It confirms the opinion that Faith forms key pillar of stabilization in the banking sector under conventional finance institutions. The opinion of Valeva (2012) stated that the law of Islam and Shariah are key parameters to the understanding Islamic banking system is also supported by this finding.

4.5.2. General Islamic Finance Sector

The second determinant based on ranking was general Islamic finance sector with the determinant having a rating of 1.26. This finding is supported by studies done by Hassan, Chachi, & Latiff (2008), who stated growth of Islamic banking is as a result of customer need for innovative products and growth perspective that has seen international conventional financial institution to be attracted to Islamic banking products and services and hence leading to competition in the Islamic sector. Malik et al. (2011) also stated that the only option for well-organized Islamic financial institutions is to use the strategy of offering unique and very competitive services and product as survival tactics.

4.5.3. Customer awareness and Bank profitability

Customer awareness had a rating of 0.77 coming third among the determinants rated by the banks. This determinant is supported by studies done by 1994; who revealed that there exists a useful relationship in customer realization together with attributes. Bank profitability had rating of 1.3 similar to customer awareness. This finding is supported by studies done by Bukhari, Nawaz & Sair, (2014) who asserted that the growth is as a result of conventional banks which is service organizations that offer different products and service for the objective of profit.

4.5.4 Adherence to Islamic Rules

This determinant had a rating of 0.57. The determinant shows that when the banks adhere to Islamic rules, it attracts more customer based on the religious value. Meaning the more the banks are keen on the rule of the shariah the more customer they have translating to growth. The determinant is supported by Jawadi et al. (2014) who stated that ethical and moral rules lead to increased growth of the sector.

4.5.5 Bank Reputation

According to studies done by studies done by Erol et al. (1990), Haron (1994), Metawa & Almosawi (1998) has shown that bank reputation is a major influencing decision to many Islam product customers. The finding has justified that indeed bank reputation is one of the determinants rated at 0.51 coming fifth among the determinants.

4.5.6 Aggressive Sales Agents

Aggressive sale agents were rated at 0.26 meaning that this forms part of the determinants of Islamic banking growth. Out of the respondents 2.86% of respondents believed the growth is as a result of this determinant.

4.5.7 Low Perceived Risk in Customer Perspective

The determinant had a rating of 0.20 and 2.86% of the respondents strongly agree that growth is as a result of the determinant. This finding is supported by studies done by Bauer, (1960), who stated that Perceived risk in customer perspective is the customer's thinking on uncertainty and potential adverse consequences of purchasing a product/service. It's also supported by the findings of Gerrard & Cunningham (2003), that the rate of adoption of banks Islamic adoption is negatively related to perceived risk.

4.5.8 Innovative Products, Effectiveness in Transactions and High level of Privacy/Confidentiality

This determinant was rated lowest at 0.23. even though the determinants were rated low by the respondents it's still contributing to the growth. Studies done Malik et al. (2011) shows that the only option for well-organized Islamic financial institutions is to use the strategy of offering

unique and very competitive services and product as survival tactics. Study done by Uppal & Mangla (2014) concluded on its finding that financial institutions have designed unique Islamic products though separate wing offering their own Islamic products through Islamic window

The findings are also supported by studies done by Yusof (1999) who argued that innovative Islamic banking products and its uncertainty are positively associated.

strong indication that internal factors such as customer service, efficiency in transactions in terms of speed and volumes are also considered (Khattak & Rehman, 2010).

CHAPTER FIVE: SUMMARY, CONCLUSION, LIMITATION OF STUDY AND RECOMMENDATION

5.1 Introduction

The chapter is set to discuss the results collected through the questionnaire which was administered among 42 conventional banks offering financial services in Kenya. This result is put into test as per the objective of the assignment which is to Establish the determinants of Islamic banking growth among conventional banks in Kenya. The chapter is divided into four sections consisting of Summary of the findings, Limitations of study, Conclusion and Recommendation

In the first section Key focus is the objective of the study, Research methodology applied and the findings. The second section consist of discussion of major findings with respect to the objective of the study. In the third section, findings and results obtained in fourth chapter are used to discuss conclusion based on the objective of the study and the fourth section give recommendations for improvement based on the objective of the study and recommendations for further studies is given.

5.2 Summary

The objective of this study was to establish determinants of Islamic banking growth among conventional banks in Kenya. The study was done as per the guidance of the one research question which is what are the determinants of Islamic banking growth among conventional banks in Kenya?

In order to achieve the findings a descriptive research design was adopted. This design was opted for because it provides answers to what question of a research. The design selected best suites

the study because the subject is being observed in a completely natural and unchanged natural environment. The target population was the 42 conventional banks in Kenya. The background of the respondents was initial starting point in the collection of data. The importance of understanding the demographics of the population was to enable the research activity to understand the surveyed population and further break down the response into meaningful groups of respondents, (Wyse ,2012). As a result of this, the research will get to know if the response was wide enough had all the representation in terms of gender, age, bank, and religion. This was achieved and the data received from the other sections of the questionnaire appear to be truly a representation of the Banks opinions.

The questionnaire was subjected to the entire population of 42 banks I Kenya with a response rate of 83.33 percent which is sufficient enough to draw a conclusion. The collected data was then analyzed through Factor rating technique which is an inferential statistical tool. The determinants were rated and also the same determinants were assigned weights and finale weight attained by taking a product of the two variables. The determinants were ranked based on the finale weights. The results were finally presented by us of charts, Tables, graphs and pie charts for clarity and ease of understanding the finding.

This study found that among the determinants listed, religious values appeared to be the main determinant of Islamic banking growth among conventional banks in Kenya with a total wight of 1.71 The majority of the respondents were bank representatives specialized in the area of Islamic banking.

5.3 Conclusion

The study revealed that, religious values and ethos is the key determinants of Islamic banking growth among conventional banks in Kenya. Even though the growth of Islamic banking among conventional banks is evidenced, it is still applicable to Muslim customers alone, this is justifiable from the respondents received from the conventional banks offering Islamic window products. The finding that the growth is exhibited due to Religious Values shows that the product is inclined to Muslims. Most of the respondents were specialized in the Islamic products and were Muslims. Muslim staff were strategically put in the departments across bank network to attract Muslim customers. This has proved that Islamic banking among conventional banks is attracting customers based on their religion at the expense of its product features and innovativeness, more so it is still offered to Muslims only despite banks marketing the product to both Muslims and non-Muslims. To effectively counter this the banks needs to expand customer understanding and create more awareness among the Kenyan market about the Islamic finance product. It is also through lobbying that strong regulatory framework on Islamic finance banking can be achieved. The identity of Islamic banking has been established in the Kenyan territory and therefore it is there to stay, establish growth and hence leading to an alternative and competitive best choice compared to counterpart interest based financial architecture.

5.4 Recommendations for Improvements

The section has two sections. Section one is set to give recommendations to conventional banks offering Islamic window products on what really drive the product so that they can leverage on it in order to ensure come up with clear strategies to improve more on its features. Section two gives recommendations to those who wants to study/do more research on this area.

5.4.1 Determinants of Islamic Banking Growth among Conventional Banks in Kenya

The strong customer base of Muslim population together with great potential for the conventional commercial banks offering Islamic window product targeting non-Muslim customers will lead to expanded and increased number of banks offering the product. The Islamic banking outlook in conventional banking sector looks brighter among the 42 conventional banks and it upon the sector to devise to increase its presence through creation of awareness by use of great marketing tools and promotions and creation of strong regulatory framework. As a result of lack of awareness, most Muslims are not convinced that conventional banks offer Islamic window products under the guidance of international shariah advisory boards. This presents a great obstacle to the future continued growth of the institutions.

It is therefore a recommendation that strong regulatory framework needs to be enacted and aggressive marketing and promotions be made in order to create understanding and awareness of the product financial instruments leading to a well-developed product feature that accommodates determinants that are relevant to the principals of Islamic banking. It is also a recommendation that government public debt be restructured to have sukuk component be included to increase the Islamic banking participation in the industry. In order to remain relevant and increase the growth base, they need to enact structured strategies also known as Hiyal (shariah terminology) so that it can replicate the conventional products outcome through shariah-compliant means.

5.5 Limitation of the Study

A number of factors could have limited the study which could affect the findings. The structures questionnaire limited the response received due to the provisions of the response options that

were predefined, the option of interview could have led to more facts in relation to growth among the conventional banks. Some of the respondents from conventional banks had limited knowledge of Islamic banking and their response could be based on their own imagination or thinking. There was limited time period to hence the researcher could have sent other questionnaires to other respondents from the banks who did not return the questionnaires and hence 100% response rate could have been achieved

5.6 Suggestions for Further Studies

The study focused on the determinants of Islamic banking growth among conventional banks in Kenya. However, this area is still at its infancy stage with little research work done. The area still has a lot of interesting areas to be investigated. The researcher suggests that researcher who wishes to do research in this area should focus on the compliance aspect of the Shariah laws and values among conventional banks. It is therefore recommended that future research activity be done on the compliance aspect with a focus on growth and compliance aspect of the sector in the newly thriving sector of the banking industry. Islamic banking product features should also be studied to get deeper understanding on its most selling products. This can apply to both fully fledged Islamic banks as well as conventional banks offering Islamic window products which will create comparisons and discussion of relative advantages.

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40.

RESEARCH QUESTIONNAIRE

DETERMINANTS OF ISLAMIC BANKING GROWTH AMONG CONVENTIONAL BANKS IN KENYA

This purpose of this questionnaire is to assist in data collection for academic purpose geared towards attainment of MBA Finance at the University of Nairobi. The research intends to give an analysis of determinants of Islamic banking growth among conventional banks in Kenya. All information obtained, will be handled with utmost confidentiality. Do not incorporate identification or names in the questionnaire.

NB: Should you require a summary of the results, please do not hesitate to contact the researcher on the address below.

Name: Mathew Kiplimo

Email: mkiplimo852@gmail.com

QUESTIONNAIRE SECTIONS AND INSTRUCTIONS

Section I; Background of the respondent

Section II; Determinants of Islamic banking growth among conventional banks in Kenya. You are therefore requested to provide your information by answering questions as in outlined by using either a cross(X) or ticking (√) in the option that applies in Section (I) and (II).

SECTION I

BACKGROUND OF THE RESPONDENT

1. Is Islamic banking window products offered in your bank?

Yes

No

If no, Kindly give reasons on below space

.....

and if yes, when did Islamic banking window commenced in your bank.....

Note: Kindly proceed to the next sections only if yes has been selected above

SECTION II

(a) DETERMINANTS OF ISLAMIC BANKING GROWTH AMONG CONVENTIONAL BANKS IN KENYA

By use of below range of scale kindly state the extent of your agreement where 1 is disagree strongly, 2 is disagree, 3 is Neutral, 4 is Agree and 5 is strongly agree

NO	DETERMINANTS	SCALE				
		1	2	3	4	5
1	Islamic banking growth is as a result of religious values (Sharia)					
2	Islamic banking growth is as a result of Bank Reputation					
3	Islamic banking growth is as a result of high Customer awareness					
4	Islamic banking growth is as a result of high Bank profitability					
5	Islamic banking growth is as a result of Effectiveness in transaction					

6	Islamic banking growth is as a result of qualified professionals in the Islamic finance sector					
7	Islamic banking growth is as a result of Innovative products					
8	Islamic banking growth is as a result of high level of Privacy/confidentiality					
9	Islamic banking growth is as a result of Aggressive sales agents					
10	Islamic banking growth is as a result of bank's adherence to Islamic rules					
11	Islamic banking growth is as a result of Low Perceived risk in customer perspective					

b. Kindly add more determinants that is not on the above list provided on the space provided below.

(i).....

(ii).....

(iii).....

-----You 've reached the end of the questionnaire. Thank you for participating! -----