PRODUCT INNOVATION IN ISLAMIC BANKING AND GROWTH OF SMES IN NAIROBI

BY

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DECLARATION

This research project is my original work and has never been submitted for a degree in any other University.

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This Research project has been submitted for examination with my approval as University Supervisor.

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DEDICATION

This work is dedicated to those who helped me carry out this research and to the almighty God for the wisdom and gift of life that has made me realize and see the conclusion of this research.

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ABSTRACT

The Islamic finance industry is a relatively new entrant to the world of finance because its operating principles differ from the conventional finance modes of operation. It operates in compliance with Islamic Sharia. This raises the need for developing appropriate financial product and services for the industry. The study sought to analyze the product innovations in Islamic banking and the contribution of product innovation on growth of SMES in Nairobi. The study used an exploratory research design. The target population was all banks in Kenya that offer Islamic products. The respondents were senior management, middle level managers and low level managers. The study use primary data collected through the use of questionnaires. Statistical Package for the Social Sciences (SPSS) was used to generate the main statistics including mean, standard deviations with aid of factor analysis. The study found out that there was improvement in response time to customer queries, research and development expenses were included in budget, use of flexible regulations had developed Islamic banking, banks uses Sharia'h advisory board to supervise transactions according to Islamic, the banks had a Sharia advisory committees/consultants to advise clients and that the growth indicators that affect SMEs were mainly government regulations investments, information networking, turn over, ICT adoption and Return on equity. The study concludes that the various financial innovations were indeed significant and have positively affected the growth of SMEs and financial innovations and Shariah compliant financial services should focus their efforts on financial innovations, Islamic banks should broaden product and service offerings by providing non-borrowing services, such as cash management, payroll management, payments, collections and trade finance solutions and the government should develop effective policies that will help the growth of Islamic banks in Kenya.

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Islamic banking is a system of trade and banking activities in line with the principles of Islamic Shariah while avoiding all the prohibited activities such as *riba* (interest). Islamic banking and finance are broadly refers to the financing activities that are guided by *shariah* (Paldi (2014).

Unlike conventional banks Islamic banks undertake their operations without paying and receiving interest. An Islamic bank does not allow uncertainty in particular in contractual terms and conditions. Investment of certain economic activities such as pork and alcohol were also prohibited. It has also advocated that reward and risk must be shared by all parties engaging the contract. According to Islamic scripture also it is advocated that those who benefit from interest shall be raised like those who have been driven to madness by the touch of the Devil; this is because they say: "Trade is like interest" while God has permitted trade and forbidden interest. God deprives interest of all blessings but blesses charity. Believers, fear God, and give up the interest that remains outstanding if you are believers. If you do not do so, then be sure of being at war with God and His messenger. But, if you repent, you can have your principal (Quran, 2:275-280).

Small and medium enterprises (SMEs) in Kenya are now widely recognized as engines of economic growth and key contributors to sustainable gross domestic product (GDP) of all countries, including those in the east Africa region .These businesses predominantly operate in the manufacturing and service sectors and create employment opportunities for both skilled and unskilled persons. However, market conditions and regulatory environments are not always supportive of the growth of SMEs and access to formal finance is one of the main obstacles they face (Andrew & Crispin, 2009).

Islamic financial institutions globally have been in the providing in provides investment and advisory services to the region's banks and other financial institutions to build their capacity in SME banking so that they can profitably and sustainably reach out to the SME sector. This is achieved through providing equity finance, lines of credit, risk sharing facilities, trade finance, disseminating best practices, improving processes and products, and streamlining delivery channels (Baumbark & Lawyer, 2013).

In Kenya Islamic financial industry is one of the fastest growing industries, and there are over 8 Islamic financial institutions operating around the under a variety of societal and economic conditions operating in Kenya. Ultimately, Islamic banking goal is to increase the number of banks and financial institutions that offer financial and banking services to SMEs in a profitable and sustainable manner. Islam encourages engagement in business activities, but at the same time Islam also encourages fair trade, commerce and an entrepreneurial culture. Undertaking a business activity is part of *Ibadah* (worship and obedience of *Allah* (God)) if they are performed in accordance with the Islamic principles. This implies that an entrepreneur who performs his business operations in accordance with the commands of *Allah* will have a reward in life after. The main Islamic principles are justice and honesty. This has much practical relevance in addressing agency problems including information asymmetry, adverse selection, moral hazard and corporate governance, (Securities Commission Malaysia, 2008).

1.1.1 Product innovation

Innovation represents the utilization of knowledge in order to create something which as new economic value. The term innovation refers to both radical and incremental changes in thinking, things, and processes or in services (Mckeown, 2008). In many fields, for example in the arts, economics, business and government policy, something new must be substantially different to be innovative. In economics, the change must increase value, customer value, or producer value. The goal of innovation is positive change, to make someone or something better. Innovation leading to increased productivity is the fundamental source of increasing wealth in an economy. Schumpeter (1936, 1950) viewed innovations as representing improvement in terms of product or process utility and as a result create greater buyer interest and overall economic activity. This confirms that for competiveness firms must deploy strategies that encourage innovation (Andrew and Crispin, 2012).

Innovation is openness to new ideas as an aspect of a firm's culture. It implies a firm being proactive by exploring new opportunities rather than merely exploiting current strengths (Menguc & Auh, 2006) and, therefore, it is regarded as essential to an innovative effort capable of exceeding the customer's expectations. Chandler (2000) indicates that some innovations are built on existing products, services, or procedures, and are incremental in nature. Others involve greater degrees of difference and are more radical than incremental. Some innovators aim to be first, others aim for second place. The writer adds that a different dimension of innovations is the degree to which they imitate something already familiar. The domain of innovation is delineated as a multidimensional knowledge structure and a framework for understanding innovation and its consequences in an organizational context are developed. These innovation-oriented firm competencies are in the areas of resource allocation, technology, employees, operations, and markets (Andrew & Crispin, 2012).

1.1.2 Overview of Islamic Banking in Kenya

Kenya is one of the few countries which operate a dual banking system where Islamic banking system operates in parallel with the conventional banking system. The first Islamic bank Gulf African bank commenced its operations in the year 2005 a time when the Kenya commercial banks were only 42. The government through central bank of Kenya licensed Gulf African bank with Islamic windows to allow the existing conventional banks to introduce Islamic products to customers alongside with their conventional banking service (Maryke, 2003).

The banking sectors have witnessed the emergence of Islamic banking as a viable banking system. Since 2005 Islamic banks presence has been felt in the economy with considerable achievement of social and economic development through the delivery of financial services in line with the principles. It is imperative for the Islamic banks to continue to study the changing behavior, attitude and perceptions of the customers especially in the retail sector which constitutes the major portion of the banking business (McCormick, 2012).

This research is design to identify the profile and banking habits of Islamic banks both current and potential customers as well as their awareness, usage and degree of the satisfaction with the current products and services provided by Gulf African bank. This study is however based on Kenyan context since Nairobi is one of the main centre of Islamic banks (Baumbark & Lawyer, 2013).

1.1.3 Products innovation in Islamic Banking

It comes from the Arabic word 'ribh' which means profit (trade financing). Murabaha is selling a commodity as per the purchasing price with a defined and agreed profit mark – up. This mark – up may be a percentage of the selling price or a lump sum. Murabaha financing differs from a conventional financing as it involves the financing of physical assets. The bank shares in the risk of ownership (Baumbark, 2013).

Rather than simply advancing money to a client, the bank itself buys the goods from a third party on request of a customer. The bank then sells it to the customer for a pre – agreed price through a deferred payment scheme, usually in the form of installments. Cost plus financing is a common financing technique used by Islamic banks whereby the bank agrees to buy an asset from a third party at the request of the client and then re – sells the goods to its client at a markup profit. It is an agreement between two persons or more (bank and customer) sharing both profits and losses. It is joint enterprises where all the partners contribute capital and the client brings in knowhow (Lawyer, 2013).

Conventional banks have fixed rate of returns; while Musharaka, base their returns on the actual profits made. Conventional banks as opposed to Islamic ones do not share losses nor do they take such risks. Conventional banks have no interest on how the business is run; while in Musharaka the Islamic bank is directly involved in the proper functioning of the business. There are many types of Musharaka ranging from traditional types of partnership to modern corporations.

Musharaka could either be; Permanent Musharaka - An Islamic bank participates in the equity of a project and receives a share of the profit on a pro – rate basis, McCormick (2012).The time length of the contract is specified, making it suitable for financing projects where funds are committed over a long period. Diminishing Musharaka **-** This allows equity participation and sharing of profits on a prorate basis, and provides a method through which the bank keeps on reducing its equity in the project, ultimately transferring ownership of the asset to the customer. The contract provides for payment over and above bank's share in the profit for the equity held by the bank. Simultaneously the entrepreneur purchases some of the bank's equity, progressively reducing it until the bank has no equity and thus ceases to be a partner.

It is a partnership in profit whereby one party provides capital (rab al-mall-the bank) and the other party provides the know how/labor (Mudharib). The bank contributes 100% of the capital. Profits are shared on an agreed ratio. If there is any loss the bank takes 100% responsibility unless there was a case of misconduct, negligence or breach of contract on the part of Mudharib. It is a form of trust whereby one partner provides the capital for the project (rab ul amal) while the other party known as mudarib, manages the project (Maryke, 2003).

Profits from the investment are then distributed using a fixed ratio. Management of the investment is the sole responsibility of the mudarib while the assets acquired for the project, are owned by the financier. Mudarab may be practiced by the bank as the mudarib and the depositors as the rab ul amal. Ijara is the same as leasing thus leasing practiced in interest - free banks is similar to its conventional practice, Government of Kenya (2015).

During the life of the asset, the risk of ownership remains with the banks. The profit made by the bank caters for the services that the bank provides thereby offsetting any benefits to the bank, Ijara (leasing) is defined in sharia law as the sale of the right to use goods for a specific period. This is a form of leasing contract, which includes a promise by the lesser to transfer the ownership of the leased property to the lessee. Example, the bank purchases the asset say a house. The client rents it from the bank, as he enters into an agreement to buy the shares from the bank over an agreed time frame. He then buys out small shares from the bank from time to time ending up with 100% ownership, (Baumbark, 2013).

1.1.4 Growth of SMEs in Kenya

Growth of SMEs can be defined as an increase in size as the result of growth over a period of time. Here, SMEs growth is a process while firm size is a state. The growth of SMEs can be determined by supply of capital, labour, appropriate management and opportunities for profitable investments. (Muchai, 2012) pointed out that it is essential to recognize the multidimensional nature of growth. Thus, research that only considers a single dimension or a narrow range of growth may result in misleading descriptive and normative theory building. Research should include multiple performance measures. Such measures could include traditional accounting measures such as sales growth, market share and profitability. In addition, factors such as overall satisfaction and non-financial goals of the owners are also very important in evaluating growth. This is consistent with the view of Muteru (2013) that both financial and non-financial measures should be used to assess SMEs growth.

According to Ngugi and Bwisa (2013), the goal approach directs the owners-managers to focus their attention on the financial and non-financial measures. Financial measures include profits, revenues, return on investment (ROI), return on sales, return on equity, sales growth and profitability growth. Non-financial measures include overall performance of the SME relative to competitors, creation of employment, customer satisfaction, employee satisfaction, customer loyalty, brand awareness and owner's satisfaction. According to Mwobobia (2012), various indicators are used to measure growth and there does not seem to be any general measurement. Measuring sales growth and relative employment growth during a specific time period are the most common indicators used. Indicators such as assets, market share, profits and output are also used, however not as common as sales and employment. In Kenya, it is recognized that access to credit and financial services is the key to growth and development of any enterprise. Kenya's vision 2030 economic pillar has also identified, among other sectors, financial services as key in driving enhanced growth in the country's GDP (RoK, 2007).

1.1.5 Islamic Product innovation and growth of SMEs

Beyond the direct relationship between innovation and firm performance, research (Chen et al., 2009; Cohen, 2008; Eiadat et al., 2008; Theoharakis and Hooley, 2008; Zhou et al. 2008) has also suggested that innovation mediates the relationship between market orientation and firm performance. Innovative firms may employ new technologies and processes to enhance their marketing effectiveness. It can be argued that innovation should also mediate the relationship between a relationship orientation and firm performance. According to Berthon et al. (2004), empirical evidence suggests that innovation have significant effects on corporate performance, and they noted that innovation cannot be reduced to market orientation, or vice versa. Innovation has received considerable attention in management literature, and when considered separately, both concepts are demonstrated to have positive implications for business performance (Zhou, 2008).

Innovation builds on a philosophy (Berthon et al., 2004) suggesting that customers will prefer superior and innovative products and services. It builds on the philosophical grounding of market orientation that suggests understanding customer needs is the key to customers' satisfaction and firm performance. However, the effects of innovation on performance in commercial banks seem to have received less research attention. Yet, both scholarly and popular opinions often emphasize the importance of both this strategic orientations. Consequently, practitioners may receive mixed and varied messages as to how innovation might serve them best and how they might employ the approaches to enhance business performance.

1.2 Problem Statement

Innovation-oriented firm create competencies in areas of resource allocation, technology, employees, operations, and markets in Kenya. Islamic banking institutions has recognized as an SME finance market leader owing to its global expertise and knowledge. There is a huge demand for Islamic products by SMEs in the Kenyan region and, according to this study; approximately 32 percent of such businesses remain excluded from the formal banking sector because of a lack of Shariah-compliant products. In a bid to accommodate innovation, the central Bank of Kenya (CBK, 2013) had undertaken various study tours and financed research on Islamic banking.

Global studies done by Wahida, 2011) believes that the inability of Islamic banks to guarantee deposits or returns makes it difficult for the Central Bank to consider them as banks. Yet, (Ahmed, 2011) questions the certainty of deposits in conventional banks, contending that any bank is subject to default. A study by Shubber (2011) in the United Arab Emirates on the factors influencing growth of Islamic banks established the existence of shariah advisory council that overview whether the activities financed by

Islamic banks are in line with its principles had limited their accessibility. Research findings according to Pooja and Singh (2009), have produced mixed results regarding the impact of innovations on Islamic' financial performance. The study findings moreover found out that the islamic financial systems bans interest in all transactions which was cornerstone of modern conventional banking. According to Ahmed and Wahida (2013), the inability of Islamic banks to guarantee customer deposit and declare return on it has limited its popularity.

Locally, studies by Owour (2010) on the growth of SMEs of Small scale enterprises in small urban centers in Kenya found out that sharia compliant products greatly provided SMEs with financial services subject to statutory and prudential requirements. More studies by Ndungu (2010) on the necessity of Islamic banking found out that Kenya was the first country in the East and Central African region to introduce Islamic banking in the year 2007. In this short period, two banks were licensed to exclusively offer Shariah-compliant products with many other conventional banks establishing a window specifically for Shariah-compliant products. He noted that the concept of shariah complaint banking has emerged as an alternative vehicle for mobilization and supply of finance. Kiilu (2012) did a study on the determinants of Islamic banks group and his findings indicated that some innovations are built on existing products, services, or procedures, and are incremental in nature. Others involve greater degrees of difference and are more radical than incremental.

Mohammed (2009) studied the influence of Islamic bank product in Kenya and established that Islam products encourages engagement in business activities, but at the same time Islam also encourages fair trade, commerce and an entrepreneurial culture. Undertaking a business activity is part of *Ibadah* (worship and obedience of *Allah* (God)) if they are performed in accordance with the Islamic principles. Some innovators aim to be first, others aim for second place. For example, the two banks have already contributed in development agenda of the country by participating in Shariah-compliant (Sukuks) components of infrastructure bonds issued by the Central Bank of Kenya on behalf of the Government of Kenya and "Structured Sukuk" is expected to cover the bonds and T-Bills market in future. However, although the concept of Islamic Finance has generated a lot of interest and overwhelming support from both Muslim and non-Muslim population in Kenya, as a regulator, CBK has faced by certain challenges which need to be addressed.

The products and services provided by Islamic banks shall not only be "interest free" but also those products and services shall not be, in any way, used to finance Illicit or sinful transaction Kenya is ambitious to become the East Africa Islamic banking and finance hub, in achieving that goal the Central Bank of Kenya (CBK) has so far licensed two Islamic banks, they are first community Bank (FCB) which commenced operations in 2007 and Gulf Africa Bank (GAB). This study sought to provide answers to the question; what product innovations in Islamic banking affect growth of SMEs in Nairobi?

1.3 Research Objective

i. To analyze the product innovation in Islamic banking.

ii. To assess the contribution of product innovation on growth of SMES in Nairobi

1.4 Value of the study

To the academic researchers, the study would make a significant contribution to the existing body of knowledge in the field of Islamic Banking. The findings would be used as a source of reference for other researchers. In addition, academic researchers would need the study findings to stimulate further research in these areas of insurance distribution channels especially through banks (Islamic Banking) and as such it would form a basis of good background for further research.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter focuses on reviewing the available literature on the various aspects of product innovation in Islamic banking in Kenya. The review explores into various theories and empirical findings on the part of Product Innovation Practices in Islamic banking and summary of literature.

2.2 Theoretical Review

Islamic economics and financial institution are guided by Islamic shariah. The infant growth of Islamic banking growth was associated with the strict principles that do not match that of conventional banks (Cook, 2006). Conventional banks financed projects so long as it's viable in economic point of view unlike Islamic banks that only financed projects that were only considered legal in the Islamic point of view, (Weir, 2007).

This has limited the growth Islamic banking worldwide. According to Shubber (2011) the existence of shariah advisory council that overview whether the activities financed by Islamic banks are in line with its principles had limited their accessibility. The Islamic financial systems bans interest in all transactions; which is cornerstone of modern conventional banking. According to Ahmed and wahida the inability of Islamic banks to guarantee customer deposit and declare return on it has limited its popularity.

2.2.1 Two-Tier *Mudarabah* theoretical Model

Mudarabah is the core of Islamic financing and the Two-Tier *Mudarabah* model is the basic theoretical Model used by Islamic banks to structure Venture Capital (Iqbal and Molyneux, 2005); the Two-Tier *Mudarabah* is an equity-based structure used to create asset and liabilities where the Islamic bank is placed between investors and depositors who provide money on one side and borrowers and beneficiaries who require money on the other side. On the liability side, the Islamic bank plays the *Mudarib* role for the suppliers of capital, while on the asset side it acts as the plays the Rabb-al-Mal investor or venture capitalist role, and the business entrepreneur (*Mudarib*) is responsible for all business operation. Islamic banks may however be different from VC firms in the use of other forms of financing such as *Murabahah, Istisna* and *Salam*.

Islamic banks differ from VC firms in being depository institutions whose financing activities by nature would require short term and less risky methods of financing. This is not the case for VC firms, which by definition are established to pursue higher returns for higher risks. The amount of regulations and disclosure requirements imposed on both institutions stand also to be completely different. Islamic banks being depository institutions would inherently be subject to more limitations with respect to risk taking compared to VC firms. Therefore, the criticism that Islamic banks are not investing the majority of their funds in participatory modes seems unfair. This illustrates the need for a different type of institutions that can assume the role of offering more of profit-and-loss sharing type of financing that the Islamic banks may not be able to offer on as a wide scale as might would be needed, (Usman,2007).

2.2.2 General Theory of employment, Interest and Money

Keyes'(1987) fronted a general theory of employment, Interest and Money which contends that Islamic banking and finance predates the spread of Islam in the 6^{the} century in Arabia, many of the Islamic finance methods were practiced before the Islamic Shari'ah was codified in the Qur'an. Arabia at the time was very much dependent on trade and various innovations of business and finance emerged.

Islam spread rapidly to Asia, Europe and North Africa. The Islamic mode of business was adopted invariably by Muslims all over the world until the Ottoman Empire failed and colonial rule took its place. The colonialists brought conventional interest based finance to the Muslim world. Interest based finance is usually perpetuated by the banking sector which practices interest-based banking in financial intermediation. While Islamic Finance providers practice profit and loss sharing, modern banks charge interest for providing loans and advances to businesses. Although no banks provided any sort of Islamic Finance, an active market for funds existed informally between Muslims where no interest was charged for personal loans, (Usman, 2007).

2.3 Product Innovation Practices in Islamic banking

Islamic finance is a system of banking that is guided by Islamic law and Islamic Economics. Islamic finance is set on three main principles found on Islamic shariah. According to (Usman, 2007) Islamic finance is equity based financing whereby lenders practices a lot of equity with their clients. The facts that it is equity based finance enhance equitable distribution of wealth and economic justices. It also prohibits investments that are considered unlawful ensuring the thorough analysis and supervisory to ensure it is in line with the sharia'h law.

With this conservative banking system, all transactions are thoroughly scrutinized by the bank before financing is done. Islamic banks prohibit all sources of unjustified enrichment and prohibit the institutions from dealing in transactions that contain excessive risk or speculation. The first principle of Islamic banking is the prohibition of interest. Interest (riba) represents a prominent source of unjustified advantage which is contrary to Sharia'h teachings. Islamic banking is also founded on the solution of profit and loss sharing between the customer and the bank. The relationship between the bank and its clients is such that the two share profits and losses on the basis of their capital share and effort. Muslims do not act as nominal creditors in any investment but rather as partner in the business (Usman, 2007). The fact that the Islamic banking are based on Islamic perspective limit considerable populations of Kenyan were unable to access Islamic banking services because their independent are limited in pursuing the viable idea since the Islamic banks act as partner in the deal than nominal creditors.

2.3.1 Shariah's Advisory Council

Islamic banks and banking that offer Islamic banking products and services are required to establish Shariah's advisory committees/consultants to advise them and to ensure that the operations and activities of the bank comply with Sharia'h principles. On the other hand, there are also those who believe that no form of banking can ever comply with the

Sharia'h. A number of Sharia's advisory firms have now emerged to offer Sharia'h advisory services to the institutions offering Islamic financial services. Gulf African Bank has a Sharia'h supervisory body of scholars from the Middle East who collaborated with local counterparts to supervise the bank's activity.

A role of this Sharia'h advisory board include the following; Supervise transactions in the bank to ensure that the transactions are carried out in strict compliance to Islamic principles of banking. Supervise and approve the development of Sharia'h compliant investment and financing products and the procedures, and certify when satisfied that they are fully Sharia'h compliant. Recommend on administrative decisions, issues and matters that require the board's approval. Supervise sharia'h training programmes for the bank. Prepare an annual report on the bank's Sharia'h compliance. However, this strict shariah advisory have limited to finances projects that are only considered legal in Islamic perspective thus posing a threat to its growth

2.3.2 Flexible Regulation and Legislation

The long history of the conventional banking system resulted in effective regulatory and supervisory bodies. Since the Islamic banking system has only recently emerged, regulatory and supervisory techniques have not yet been developed to accommodate Islamic banks. One of the major problems facing the development of Islamic banks is the current legal structure. Lack of understanding, coupled with lack of regulation, caused tension between Islamic banks and regulators, which in turn affects the regulators' willingness to support such organizations (Jalil & Abdullaah, 2005), Regulators in are reluctant to grant a banking license to institutions that cannot guarantee customers' deposits. In this regard (Ahmed, 2011) indicated that the regulatory bodies in tend to hold very strict policies on their banking practices. They stand firm on their definition of a bank as an institution that can guarantee deposits and provide a declared return on them. (Ahmed & Wahida, 2011) believes that the inability of Islamic banks to guarantee deposits or returns makes it difficult for the Central Bank to consider them as banks. Yet, Ahmed (2011) questions the certainty of deposits in conventional banks, contending that any bank is subject to default.

2.3.3 Viable Accounting and Banking Practices

The accounting policies adopted by Islamic banks present another technical problem. (Saleem, 2011) indicated that International Accounting Standards (IASs) were set to reflect national differences and, therefore, were inapplicable to a large number of countries. Islamic banks are based on a different set of objectives, beliefs, and assumptions from conventional institutions. These assumptions lead to different types of transactions such as Zakat funds, PLS sharing accounts, and so forth, all of which must be accounted for in the shorter intervals. In the light of Salem statement, empirical evidence on Islamic banks' financial reporting practices; it is plausible that IASs are unable to sufficiently reflect all transactions of Islamic banking in an acceptable manner. Consequently, it is reasonable to suggest that Islamic banking must develop its own intricate and detailed accounting standards.

Nevertheless, the accounting and auditing organization for Islamic Financial Institutions (AAOIFI) is making much needed progress in both developing and promoting financial reporting and auditing standards that specifically aim to enhance standardization across Islamic financial institutions worldwide. However, it would seem that the AAOIFI has, at present, insufficient legal backing and compliance to enforce its standards, since they are entirely voluntary (Ahmed & Wahida, 2011).

2.3.4 Personal Banking Practices

Within the areas of deposits, financing or acquiring assets and services, Islamic banks are able to provide the same services as conventional commercial banks (with some exceptions in the instances of letters of credit, where interest may be involved). To obviate the problems with letters of credit, Islamic banks maintain excess liquidity with foreign banks, with which letters of credit services are operated. The main challenges, both for banks and customers, arise in the area of financing. Bank lending operates in the limited areas of no cost loans and overdrafts to consumers and loans with a service charge only. As these generate no income for banks, there is some reluctance for banks to engage heavily and deeply in these activities. Islamic banks are expected to engage in investment financing and trade financing only on a profit and loss basis (generally known as PLS basis) (Mutalip & Abdull, 2009)

Islamic banks are expressed to derive their main incomes from this segment of business and, of course it is from this sector that investment accounts are expected to derive their principle profits. The PLS schemes are supposed to provide the strong incentive for investors to deposit their funds with Islamic banks but they pose their biggest challenge to a real and fuller success for Islamic banking (Lutfi & Ahmad, 2009),

2.3.5 Relationship marketing Staffing and Training

Most professional and training courses in banking tend to be geared toward conventional banking rather than Islamic banking. In reality, a limited number of institutions offer training for Islamic institutions. This is, however, not surprising, since the conventional banking system is the more established of the two systems. Hence, the lack of professional courses and training tailored for Islamic banking has resulted in a lack of qualified staff. (Volk & Pudeliko 2011) believe that the absence of the required trained staff has made Islamic banks resort to the next best alternative - recruiting staff from conventional banks. With the vastly different concepts of the two systems, it is not rare to see such staff having difficulty adjusting to the Islamic banking system. The lack of trained staff, in turn, brings about an array of problems that could be related to other problems discussed earlier.

The lack of trained staff partly contributed to the slow innovation of the Islamic banks' products and instruments. In addition the lack of trained staff affects relations with central banks due to the inability to clarify and explain various issues to them.

2.4 Islamic Products Services and Growth of SMEs

It would be plausible to suggest that most of the potential customers of Islamic banks either tend to be oblivious to Islamic banking to try to avoid it. This can perhaps be observed, not only in the non-Muslim Islamic banking market and services, but also in the Muslim Islamic banking market and services. There are two main reasons for such reactions or attitudes. First, the idea of Islamic banking is relatively young and many are unaware of it. Second, most people (Muslims or non Muslims) have been accustomed to the conventional banking system and are not prepared to take risks with their hand – earned income. In addition, people in the industrialized world are accustomed to dealing with highly experienced conventional professional courses and training tailored for Islamic banking has resulted in a lack of qualified staff. (Usman, 2007)

In an Islamic and conservative country like Qatar, the total assets of the Islamic banks for the year 2001 – 2002 accounted for only 14% of the total assets of all commercial banks. This gives a clear indication of the extent of Muslim involvement in Islamic banking. Banks that offer a wide array of financial instruments. It is therefore unlikely to see them making a move to Islamic banking unless it offers them something extra. Furthermore, Islamic banks are perceived by customers as 'banks' and their expectations of Islamic banks are based on their experience with conventional ones. Having mentioned that the Islamic banking system has a relatively short history and is a much less developed field, it is unfair to classify Islamic banks with conventional banks and expect the same thoroughness or variety in their products and services. Customers, therefore, need to be educated and made aware of the difference between the two banking systems. In this context, (Usmani, 2007) showed that different views and interpretations about Islamic banks tend to further complicate issues and confuse the public about the reality of the Islamic banking system in the first place.

With the existence of the aforementioned problems in the Islamic banking market and services place, it is important for Islamic banks to educate people about what they offer. Islamic banks need to be heavily involved in Islamic banking market and serving their products and services. Islamic banks can emphasize the need for a more ethical system or try to attract customers on the basis of cost – effectiveness. Whatever the Islamic banks decide to compete on, the important issue is that they realize the importance of educating their customers (Abdull, 2009)

2.5 Competition with Conventional Banks

Ahmed and Wahida (2011) notes that as further developments and innovations occur in Islamic banking, large amounts will be moved from conventional banks to Islamic institutions. Hence, many of the key players in conventional banking Islamic banking market and services, such as KCB and Barclays, have begun to move into the field, providing Islamic banking through Islamic windows.

This means that many players have come into the Islamic banking market and services, and the provision of Islamic banking is no longer restricted only to Islamic institutions. In this case, it can be argued that the competition in the Islamic banking field has been greatly increased. In this respect Usman (2007) believes that it will be difficult for relatively new banking institutions to compete with the well – established conventional banks. As more players enter the field, the bigger challenge will be for the Islamic banks to survive. However, is that the conventional banks move Islamic banks need to be heavily involved in Islamic banking market and service their products and services.

2.6 Summary of Literature Review

Islamic banking and finance are a part of Islamic economic system, the basis of which revolves around justice and morality. It is a very strong young concept in modern times yet it is emerging as one of the fastest growing areas of international finance. It facilitates the uplifting of economic standards of its clients by providing various types of lending contracts. Above all it is Sharia'h complaint, hence protects a Muslim from dealing with Riba, thus avoiding Allah's wrath and war.

Islamic financing could grow following the crumbling of the US mortgage Islamic banking market and services and the global credit crisis. One of the causes of the global credit crisis has been the use of complex, high risk structure to finance real estate and other projects. Investors are now opting for safer low risk and secure investments. Islamic financing meets this need for secure returns. Islamic banks have strict lending rules and are run according to Sharia'h law.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter explains the research design, target population, sampling techniques, preparation of data collection instruments and the procedures that were used.

3.2 Research Design

The study used an exploratory research design. Exploratory design portrays an accurate profile of persons, events or situation (Robinson, 2002). It also allows one to collect quantitative data, which can be analyzed quantitatively using descriptive and inferential statistics (Saunders et al, 2007). According to Chandran (2004), descriptive study describes the existing conditions and attitudes through observation and interpretation techniques. In addition, the study incorporated both qualitative and quantitative research.

3.3 Target Population

The target population was all banks in Kenya that offer Islamic products. The banking sector in Kenya is comprised of 43 commercial banks. (CBK, 2014). The respondents were senior management, middle level managers and low level managers. The last few years have seen banks grow in profitability, assets, deposits and product and service offerings. Consequently fierce competition has emerged between the different players in this industry.

3.4 Sample Size and Sampling Techniques

A sample size has a specific level of certainty called the level of confidence. The precision of estimate of the population or tolerable level of accuracy for any estimate made from the sample is called the confidence interval or margin of error. According to Kothari (1990), researchers normally work to a confidence level of 95% and a margin error of between 3% and 5%. The sample size is the part of the target population that was selected by the researcher for the purpose of data collection. The whole population was used thus no sampling was done. This will ensure that each bank has an equal opportunity of being interviewed and as such was highly representative of Kenyan commercial studies.

3.5 Data Collection Instruments

The study use primary data collected through the use of questionnaires. Questionnaires, both structured and unstructured were designed with snares to check for validity and reliability. Questions were short and concise, where necessary options or multiple choices were used to restrict the answers that were given. The questionnaires were divided into different sections to cater for all the possible aspects.

3.6 Data Validity and Reliability

According to Robinson (2002), validity is the degree to which results obtained from the analysis of the data actually represents the phenomenon under study. In this study, validity was ascertained by including objective questions in the questionnaire. Reliability on the other hand refers to a degree to which research instruments yield consistent results (Mugenda and Mugenda, 2003). Reliability was ascertained by pre-testing the questionnaire with a selected sample of questions. Questionnaires were designed with snares to check for validity and reliability.

3.7 Data Analysis Techniques

The sample data from the field was screened for completeness, errors and omissions, and were aligned to remove inverse rankings some statements were positive while others were negative. The first objective which focuses on the product innovation in Islamic banking in Nairobi was addressed by analyzing data in section B of the questionnaire survey instrument. Each statement in the listed dimensions contains a factor that may have influence on growth of SMEs.

The second objective which aims to determine the extent to which contribution of product innovation had on growth of SME in Nairobi was addressed by analyzing data in section C of the questionnaire survey instrument. For this analysis, a ranking of 3, 4 and 5 was interpreted to mean a strong factor whereas a ranking of 1 and 2 will be interpreted to mean a weak factor. This analysis identified the extent to which product innovation affects growth of SMEs. To aid and speed up data analysis process, Statistical Package for the Social Sciences (SPSS) was used to generate the main statistics including mean and standard deviations with aid of factor analysis.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1 Introduction

This chapter presents the results and findings of the study based on the research objectives. The study sought to establish to analyze the product innovations in Islamic banking and the contribution of product innovation on growth of SMES in Nairobi.

4.1.1 Response Rate

The study targeted a sample of 86 senior management, middle level managers and low level managers in the commercial banks offering Islamic banking. Out of the 86 distributed questionnaires, 63 were filled and returned. This translated to a response rate of 73%. This response was good enough and representative of the population and conforms to Mugenda and Mugenda (2003) stipulation that a response rate of 70% and above is excellent. The findings are presented in Table 4.1.

Table 4.1: Response Rate

	Frequency	Percent
Response	63	73
Non Response	23	37
Total	**86**	**100**

4.2 General Information

The study sought to establish the general information of the banks in order to have an understanding of their suitability in undertaking the study. The findings are shown in the subsequent sections.

4.2.1 Branches of the Banks in Nairobi

The study sought to determine the number of branches the banks had in Nairobi. The finding is shown in Table 4.2.

Table 4.2: Branches of the Banks in Nairobi

	Frequency	Percent
Below 5	27	42.9
6-10	28	44.4
11-15	8	12.7
Total	**63**	**100.0**

From the finding, 42.9% of the respondents indicated that their banks had below 5 branches in Nairobi, 44.4% indicated between 6-10 and 12.7% indicated between 11-15. This shows that majority of the banks had branches distributed across the Nairobi thus the information collected was relevant and reliable for the study.

4.2.2 Product Innovation

The respondents were asked to indicate whether their bank had a new financial product or service introduced to the market. The finding is shown in Table 4.3.

Table 4.3: Product Innovation

	Frequency	Percent
yes	44	69.8
No	19	30.2
Total	**63**	**100.0**

From the finding, majority 69.8% indicated that they had a new financial product or service introduced to the market while 30.2% had not. The new financial product or service introduced by the bank included agency banking, internet and mobile banking, equity and bond trading and investment Islamic insurance and reinsurance (Takaful), Islamic syndicated lending and investment in Islamic collective investment schemes and other wealth and asset management products.

`4.2.3 Process Innovation

The respondents were asked whether their banks had a new financial process or method in place. The finding is shown in Table 4.4.

Table 4.4: Process Innovation

	Frequency	Percent
yes	49	77.8
No	14	22.2
Total	**63**	**100.0**

From the finding, 77.8% of the respondents indicated that their banks had a new financial process or method while 22.2% had not. This shows that financial innovation provide financial intermediation that can be linked to the economic development and growth of SMEs

4.2.4 Significance Improved in Financial Product or Services

The respondents were asked to indicate whether there was a new or significantly improved financial product or services. The finding is shown in Table 4.5.

Table 4.5: Significance Improved in Financial Product or Services

	Frequency	Percent
yes	47	74.6
No	16	25.4
Total	**63**	**100.0**

As shown in Table 4.5, 74.6% of the respondents indicated that there was a new or significantly improved financial product or services in their banks. This means that the products and services offering match to the needs and expectations of target customers and this create competitive advantage over other conventional banks.

4.2.5 Significance Improvement in Financial Process

The respondents were asked to indicate whether there was significance new or significantly improved financial process in their respective banks. The finding is shown in Table 4.6.

Table 4.6: Significance Improvement in Financial Process

	Frequency	Percent
yes	49	77.8
No	14	22.2
Total	**63**	**100.0**

From the finding, 77.8% of the respondents indicated that there was significance new or significantly improved financial process in their respective banks which shows that the innovative customer experience offered through multiple channels and devices has led to the critical success for the financial processing and uptake.

4.2.6 Involvement in Products Innovation

The respondents were asked whether they are involved in products innovation at their respective banks. The finding is shown in Table 4.7.

Table 4.7: Involvement in Products Innovation

	Frequency	Percent
yes	42	66.7
No	21	33.3
Total	**63**	**100.0**

From the finding, majority 66.7% of the respondents indicated that they were involved in products innovation. This shows that the respondent had relevant knowledge on products innovation thus the information they provided were relevant for the study.

4.3 Product Innovation Aspects

Several aspects of innovations were identified and the respondents were required to evaluate how important was to their banks. A scale of 1-5 where 5: Very important 4: Important 3: Moderate 2: Less important 1: Not Important was used. From the findings mean and standard deviation was calculated for ease of interpretation and generalization of finding. The findings are shown on Table 4.8.

Table 4.8: Product Innovation Aspects

	Mean	Std. Dev
My bank has a Sharia advisory committees/consultants to advise clients	4.15	1.095
Improvement in response time to customer queries	4.04	1.022
Research and development expenses are included in budget	4.01	.975
Reduction in interruptions while customers are transacting	3.98	.958
My bank offers deposits financing or acquiring assets	3.92	1.096
My bank is promoting financial reporting and auditing standards	3.80	1.133
Use of flexible regulations has developed Islamic banking	3.76	1.146
Improvement in space utilization	3.69	1.116
My bank uses Sharia'h advisory board to supervise transactions to be according to Islamic	3.68	1.189

With a mean greater than 4 the respondents indicated that the bank had a Sharia advisory committees/consultants to advise clients, there was improvement in response time to customer queries and research and development expenses were included in budget were very important product innovation aspects.

With a mean greater than 3 and less than 4 the respondents indicated that there was reduction in interruptions while customers are transacting, the bank offers deposits financing or acquiring assets, the bank was promoting financial reporting and auditing standards and use of flexible regulations had developed Islamic banking which was important in product innovation aspects.

The mean values for the finding ranges from 3.68-4.15 which shows that the respondents agreed with the statement that product innovation aspects was important to their bank and this concurs with that of (Usman, 2007) that Islamic finance is equity based financing whereby lenders practices a lot of equity with their clients.

4.4 Attributes of Core Products Pursued the Banks

Several assumed attributes of core products pursued by the bank were identified and the respondents were required to rate the level of core products in their banks. A scale of 1-5, where 1= Very low; 2= Low; 3= Moderate; 4= High; 5= Very High was used. From the findings mean and standard deviation was calculated for ease of interpretation and generalization of finding. The findings are shown on Table 4.9.

Table 4.9: Attributes of Core Products Pursued the Banks

	Mean	Std. Deviation
Price/fees	4.06	.895
Income generating	4.03	.915
Branding	3.92	.988
Access	3.85	1.029
Customer needs are specific	3.82	1.129
Security	3.80	1.013
Communication	3.79	1.094
Customer segments	3.71	1.127
Additional value to customer satisfaction	3.68	1.242

With a mean greater than 4 the respondents indicated that price/fees and income generating were attributes of core products pursued by the bank highly. With a mean greater than 3 and less than 4 the respondents indicated that branding, access, security customer segments and additional value to customer satisfaction were also other attributed of core banking that were moderately applied by the bank.

The mean values for the responses ranges from 3.68-4.06 and indication that the respondents were in agreement on attributes of core products pursued by the bank which concurs with the finding of Mutalip & Abdull (2009) that Islamic banks are expected to engage in investment financing and trade financing only on a profit and loss basis (generally known as PLS basis)

4.5 Growth of SMES

Several growth indicators were identified and the respondents were required to rate the extent to which the given growth indicators affect SMEs. A scale of 1-5, Key: 1= Not at all; 2=Less extent; 3= Moderate extent; 4= Large extent; 5= Very large extent was used.

From the findings factor analysis was used for ease of interpretation and generalization of finding. The findings are shown in the subsequent sections.

Table 4.10: Communalities

	Initial	Extraction
Customer orientation	1.000	.766
Information networking	1.000	.843
Innovation	1.000	.766
ICT adoption	1.000	.830
Skills and training	1.000	.652
Return on Assets	1.000	.754
Net profit margin	1.000	.794
Return on equity	1.000	.825
Turn over	1.000	.837
Unemployment	1.000	.778
Investments	1.000	.868
Capital markets	1.000	.814
Government regulations	1.000	.888
Competitiveness	1.000	.813
Labour	1.000	.750
Customer satisfaction	1.000	.685
Increased Lending facilities	1.000	.764
Deposits	1.000	.720
Use of Technology	1.000	.741
Availability of differentiated products that are more client friendly	1.000	.648
Our system supports prompt updates on new products	1.000	.752
The system is flexible enough to accommodate new products effectively	1.000	.764

Communality is the proportion of variance that each item has in common with other factors. From Table 4.10, government regulations had the greatest communality or shared relationship with other factors (88.8%) followed by Investments (86.8%), Information networking (84.3%), Turn over (83.7%), ICT adoption (83%) and Return on equity (82.5%).

Table 4.11: Total Variance Explained

Component	Initial Eigen values			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	7.620	34.637	34.637	7.620	34.637	34.637
2	3.777	17.166	51.804	3.777	17.166	51.804
3	1.805	8.204	60.008	1.805	8.204	60.008
4	1.531	6.957	66.965	1.531	6.957	66.965
5	1.234	5.608	72.573	1.234	5.608	72.573
6	1.087	4.939	77.512	1.087	4.939	77.512
7	.818	3.716	81.229			
8	.660	2.998	84.227			
9	.515	2.341	86.568			
10	.483	2.194	88.762			
11	.451	2.048	90.811			
12	.408	1.856	92.667			
13	.326	1.480	94.148			
14	.232	1.055	95.203			
15	.208	.947	96.150			
16	.180	.818	96.968			
17	.173	.788	97.756			
18	.143	.650	98.406			
19	.134	.610	99.016			
20	.106	.481	99.497			
21	.079	.358	99.855			
22	.032	.145	100.000			

From Table 4.11, the Kaiser Normalization Criterion was used, which allows for the extraction of components that have an Eigen value greater than 1. The principal component analysis was used and 6 factors were extracted. The finding shows that, these 6 factors explain 77.512% of the total variation. Government regulations contributed the highest variation of 34.637%, Investments contributes 17.166% of the variations, Information networking contributes 8.204% of the variation, Turn over contributes 6.957% of the variations, ICT adoption 5.608% of the variations and Return on equity contributes 4.939% of the variations.

From the findings government regulations, investments, information networking, turn over; ICT adoption and return on equity contributed to product innovations in the Islamic banking thus enhance the growth of SMEs in Nairobi. The introduction of new product/ service, technological newness in product/service and differentiation by the bank had influences growth of SMEs. The SMEs applied new technology offered by the bank which has enhanced process innovation and access to financial services which has resulted to improved the performance.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The chapter provides the summary of the findings and it also gives the conclusions and recommendations of the study based on the objectives of the study.

5.2 Summary of the Findings

The study found out that there was improvement in response time to customer queries, research and development expenses were included in budget, reduction in interruptions while customers are transacting, bank offers deposits financing or acquiring assets, banks were promoting financial reporting and auditing standards, improvement in space utilization in Islamic banking.

The study also established that use of flexible regulations had developed Islamic banking, banks uses Sharia'h advisory board to supervise transactions to be according to Islamic and the banks had a Sharia advisory committees/consultants to advise clients.

The study also revealed that the core products pursued by the banks included income generating, branding, access, customer needs, security, communication, customer segments and additional value to customer satisfaction.

The study also found out that the growth of SMEs was mainly driven by government regulations investments, information networking, turn over, ICT adoption and Return on equity.

5.3 Conclusion

The study concludes that the various financial innovations in Islamic banking have positively affected the growth of SMEs. If banks offering Islamic banking continued to develop products tailored for SMEs, then SMEs will embrace such products so as to access finances which are very critical in their growth and sustainability.

The financial innovations agency, internet and mobile banking that the Islamic banks were using in bid to grow and develop SME enterprises included generating, branding, access, customer needs, security, communication, customer segments and additional value to customer satisfaction.

The study concludes that SMEs face challenges disqualified them from growth and expansion. This included lack of enough finances, lack of financial management skills and lack of market for their products as the hindrances to the growth and development of their enterprises. In bid to reduce these challenges the Islamic banks had established the use of mobile banking, customer relation innovations and new marketing strategies to increase the level of awareness on SME products among their banking institutions.

5.4 Recommendations

The study recommends that banks offering Shariah compliant financial services should focus their efforts on financial innovations. The more the financial innovations a bank can adopt, the more its chances of enhancing its performance.

The study recommends that Islamic banks should broaden product and service offerings by providing non-borrowing services, such as cash management, payroll management, payments, collections and trade finance solutions. Internet banking and mobile banking services should also be considered along with provisions for SME-specific debit cards with limits.

The study also recommends that the government should develop effective policies that will help the growth of Islamic banks in Kenya since their growth would help in improving the economy through savings and also mobilizing of SMEs.

5.5 Limitations of the Study

Islamic banking is relatively a new concept in the context of Kenyan banks. Hence, there was little information in relation to Islamic financial innovations.

The scope of this study was limited to Banks offering Islamic banking services in Kenya. Thus the study findings may not be generalized to other commercial banks which do not offer Islamic banking services. In addition, the study was carried out in Nairobi hence the findings may not be generalized.

5.6 Suggestion for Further Studies

A further study can be extended to other areas such as the Islamic insurance and diaspora banking in order to understand financial innovation on the overall Islamic financial market in Kenya.

This study covered product innovation in Islamic banking and growth of SMEs thus an additional study on product innovation and growth of SMEs should be conducted in conventional banks in order to establish whether they play similar roles.

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QUESTIONNAIRE

PART A: GENERAL INFORMATION

1. Name of the Institution: ____
2. How many branches does your Institution have in Kenya? ....
3. What is the average number of employees is in your organization? …………………
4. Do you consider your Institution to be innovative with respect to any of the following categories? (Tick in the appropriate bracket)

   a) A new financial product or service introduced to the market (product innovation)

      Yes [ ]   No [ ]

   b) A new financial process or method (process innovation)

      Yes [ ]   No [ ]

5. During the three years 2009 to date, did your Institution introduce?

   a) New or significantly improved financial product or services.

      Yes [ ]   No [ ]

   b) New or significantly improved financial process.

      Yes [ ]   No [ ]

6. Are you involved in products innovation at your bank in any way?

   Yes [ ] No [ ]

SECTION B: PRODUCT INNOVATION

7. Has your bank introduced new products in 2016?

Yes [ ] No [ ]

If yes, please list them:

……………………………………………………………………………………………..

8. Please evaluate how important are the following aspects when the bank undertakes innovations: Using a Likert Scale where (5: Very important 4: Important 3: Moderate 2: Less important 1: Not Important). Kindly answer the questions below by indicating the corresponding grade

Indicators	**1**	**2**	**3**	**4**	**5**
My bank uses Sharia'h advisory board to supervise transactions to be according to Islamic					
My bank has a Sharia advisory committees/consultants to advise clients					
Use of flexible regulations has developed Islamic banking					
My bank is promoting financial reporting and auditing standards					
My bank offers deposits financing or acquiring assets					
Research and development expenses are included in budget					
Improvement in response time to customer queries					
Reduction in interruptions while customers are transacting					
Improvement in space utilization					

9. Is your bank offering core products to its customers?

Yes [ ]   No [ ]

10. If yes please list them:

………………………………………………………………………………………

11. The following are the assumed attributes of core products pursued by the bank. On a scale of 1-5, please rate the level of core products in your bank. Key: 1= Very low; 2= Low; 3= Moderate; 4= High; 5= Very High as they apply in your bank.

Attributes	**1**	**2**	**3**	**4**	**5**
Customer segments					
Branding					
Customer needs are specific					
Additional value to customer satisfaction					
Price/fees					
Security					
Communication					
Access					
Income generating					

SECTION C: GROWTH OF SMES

12. Rate the extent to which the given growth indicators affect SMEs. On a scale of 1-5, Key: 1= Not at all; 2=Less extent; 3= Moderate extent; 4= Large extent; 5= Very large extent

	Indicators of growth	**1**	**2**	**3**	**4**	**5**
	Customer orientation					
	Information networking					
	Innovation					
	ICT adoption					
	Skills and training					
	Profits					
	Return on Assets					
	Net profit margin					
	Return on equity					

	Turn over					
	Unemployment					
	Market share					
	Investments					
	Capital markets					
	Government regulations					
	Competitiveness					
	Labour					
	Customer Portfolio					
	Customer satisfaction					
	Increased Lending facilities					
	Deposits					
	Use of Technology					
	Product Development					
	Availability of differentiated products that are more client friendly					
	Our system supports prompt updates on new products					
	The system is flexible enough to accommodate new products effectively					

13. What are some of the achievements that your bank has accomplished since you started implementing core, formal and augmented products?

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14. What challenges has your organization faced in implementing these products?

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15. Any other comments/suggestions

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………..**THANK YOU FOR YOUR PARTICIPATION**