FACTORS INFLUENCING ADOPTION OF SHARIAH COMPLIANT PRODUCTS BY COMMERCIAL BANKS IN KENYA

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DECLARATION

This research project is my original work and has not been presented for examination in any other University.

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DEDICATION

This research project report is dedicated to my late Dad Atitale Suleiman (May the Almighty Allah rest his soul in eternal peace Insha Allah) and my loving Mum Hawa Ramadhan they have and always been my role model and inspiration.
ABSTRACT

Banking industry is becoming more competitive these days. As a result of this Commercial Banks in Kenya have to develop relevant products to meet the needs of the clients who are still not served by the Commercial Banks that offer Shariah compliant products and other Commercial Banks that do not offer Shariah Compliant products. Therefore they have to provide the best avenues through which the untapped market may be reached. The fact that most Commercial Banks in Kenya survive in the market with very few products and almost with the same features may suggest a problem in product development.

The project entailed the concept of new product development, new product development process, methods used in new product development, strategies of new product development, factors influencing adoption of Shariah products by Commercial Banks in Kenya, Challenges in new product development, reasons why products fail, products offered by Commercial Banks and principles underlying banks that offer only Shariah products.

Grounded in theory, a census approach was used to look into the factors influencing adoption of Shariah Compliant products by Commercial banks in Kenya.

The findings were analyzed in accordance with the objective of the study set out in chapter one. A thorough survey of the existing literature was undertaken and a relevant list of factors influencing adoption of Shariah Complaint products by Commercial Banks in Kenya was prepared. A total of 44 middle Managers of Commercial Banks and 1 Middle Manager of 1 Mortgage Finance Company in Kenya were interviewed however out of that only 25 Commercial Banks responded. The data collected was analyzed using statistical analysis and tabulated.
There are various factors influencing adoption of Shariah compliant products by Commercial Banks in Kenya however these factors varied with different banks. These were in response to the customers needs, to target a certain market, as a response to market conditions, getting approval from a council of Islamic Scholars, market dynamics particularly in view of the sizeable Muslim business community, successful models of Shariah compliant products that have withstood market shocks, competitive business environment that has forced banks to diversify their product range to grow revenues, fill up gaps created by Commercial Banks that do not offer Shariah compliant products and Commercial Banks that offer only Shariah products, cultural factors, increased knowledge in Islamic Banking and increased trade links between Kenya and with economies in the East who are predominantly Muslims.

It emerged that most banks had a marketing department. Use of consultants was found to be rampant in banks indicating some levels of incapacity as far as product development is concerned. The most commonly used was the better strategy and marketing strategy. The steps that were used in new product development differed from bank to bank. The reasons why banks develop new products is due to the constant change in the environment, drive to develop new products, competition among other Commercial Banks and attract new clients.

Time constraints did not allow the researcher to give the respondents as much time as they would have wished to enable them complete the questionnaires at their own pace. Some respondents declined to participate in the study citing confidentiality of the information involved and being too busy to have time to fill the questionnaires due to heavy workloads at their work place.

Based on the findings, the researcher would wish to recommend that banks should minimize their dependency on the use of consultants in new product development and a legislative
framework should be put in place to enhance the regulation of the industry. This means that both Central Bank of Kenya as well as Banking Act should be amended to incorporate the Shariah products.
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Fig 1 - Number of years worked

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ABBREVIATIONS

NP - New Product

NPD - New Product Development

PCD - Product Concept Development

PD - Product Development

PLC - Product Life Cycle
CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Firms operate within a business environment, whether national or global in nature it must be managed for survival and success. The global business environment is increasingly getting more competitive and changing for the business firms. Commercial banks, as all organizations operate within the environment, and are all environment dependent (Ansoff and McDonnell, 1990). They obtain their inputs from their environment and after transformation they discharge their outputs into the same environment (Porter, 1985). Organizations in order for its survival have to pay close attention to the external environment. The organization's environment consists of the conditions and forces that affect its strategic options and define its competitive situation (Pearce and Robinson, 1997). When firms are faced by unfamiliar changes, they should revise their strategies to match the turbulence level (Ansoff and McDonnell, 1990).

Ansoff and McDonnell (1990) state that successful environment serving organizations, are open systems and use strategies that ensure continued organizational survival in the environment. They further state that a major escalation of environmental turbulence means a change from a familiar world of marketing and production to unfamiliar world of technologies, new competitors, new consumer attitudes, new dimensions of social control and above all unprecedented questioning of the firm's role in the society.
Aosa (1998) argues that a strategy is creating a fit between the external characteristics and internal conditions of an organization to solve a strategic problem, which is a mismatch between the internal characteristics of an organization and its external environment. Therefore, organizations need to not only notice the changes in their external environment, but also need to formulate strategies to match these changes. Failure to do so will result in a strategic problem, which is detrimental to the survival of the organization.

Kubchandani (2000), in his description of a bank, quotes Sir John Paget's assertion that "No person or body operate or otherwise can be a banker who does not take deposit accounts, take current accounts, issue and pay cheques and collects crossed and uncrossed cheques for his customer. A banking company is defined as one which transacts the business of banking, that is accepting, for the purpose of lending or investment, of deposits of money from the public, repayable or demand or otherwise, and withdrawable by cheques, drafts, money order or otherwise (Kubchandani, 2000).

Banks participate in financing of business through the acquisition and allocation of financial resources. The primary role of banks is financial intermediation. Intermediation is a two step process. A bank obtains funds from savers in form of deposits by issuing a financial claim representing its obligation to repay the deposited funds or to transfer them to others at the depositor's request. Secondly the banks use the acquired funds to purchase the financial claims of others. These claims include loans to consumers and businesses and securities of state or local governments. Intermediation provides savers with an outlet for their funds to borrowers to finance their spending plans.
In Commercial Banking interest plays a major role in financial resource allocation. Banks pay interest to depositors and charge interest for loans advanced. Interest therefore is seen as price of money or return on capital. According to the simple dictionary definition of interest is 'a charge made for a loan or credit facility.' Both Islam and capitalism agree that money is used as a store of wealth and also as a means of exchange. However Islam unlike capitalism doesn't view money as a commodity which can be bought and sold at a profit.

Islamic banking operates in consonance with the ethos and value system of Islam. It is governed, in addition to the conventional good governance and risk management rules, by a regulatory mechanism laid down by Islamic Shariah (Henry and Wilson, 2004; Iqbal and Mirakhor, 2007). Interest free banking is a narrow concept denoting a number of banking instruments or operations, which avoid interest. Islamic banking, the more general term is expected not only to avoid interest-based transactions, prohibited in the Islamic Shariah, but also to avoid unethical practices and participate actively in achieving the goals and objectives of an Islamic economy.

Commercial banks provide a number of important products and services to consumers, businesses and other organizations. In Kenya there are 44 Commercial Banks and 1 mortgage finance company (Central bank of Kenya website, 2011). These commercial banks can be categorized into three: commercial banks that do not offer Shariah compliant products which are 34 in number and 1 mortgage finance institution,
commercial banks that offer Shariah compliant products alongside their other products which are 8 and those that only offer Shariah compliant products which are only two.

1.1.1 Concept of Nov Product Development

A product is one of the vital elements in a marketing mix. This is due to the fact that other elements are only relevant once a product exists. It is also from products that companies receive their revenue to sustain its operations and survival. A product is defined as anything that is offered to customers for acquisition or purchase; this may include objects, personalities, services, places and ideas (Kibera and Waruingi, 1988). Keegan, 1995 asserts that a product is a collection of physical service and symbolic attributes that yield satisfaction or benefits to a user or buyer. Products are further divided into two categories based on the user: industrial and consumer goods.

A new product according to (Cravens et al, 1996) is that whose degree of change is sufficient to require the design of new marketing strategies. This to the authors may include additions to existing products, improvements on existing products, new product lines, new to the market repositions.

It is also difficult to define what a new product is (Berkowitz et al, 1994). The authors define a new product when it becomes functionally different from existing offers. They further assert that newness can be seen from two perspectives: company perspectives and customer perspectives. Newness to the company's perspective includes: product extensions (where existing products are improved), significant innovation and true innovation (which create new markets). In consumer's perspective newness occurs at three levels: continuous innovation (involving variation of existing products),
dynamically continuous innovation (where consumers discover an improvement in performance of a product) and discontinuous innovation (where consumers discover a new function in a product which had not been known before).

Zikmund and D'amico (1995) also assert that a new product can be viewed from two perspectives: Management perspective which include: new to the world, product extensions, product line extensions and product modification. The authors concur with (Berkowitz et al, 1994) on the levels on the newness as far as consumer perspective is concerned.

Product development is a grand strategy that involves the substantial modification of existing products that can be marketed to current customers (Pearce et al, 2008). It involves the substantial modification of existing products or the creation of new but related products that can be marketed to current customers through established channels. The product development strategy often is adopted either to prolong the lifecycle of current products or to take advantage of a favorite reputation or brand name. The idea is to attract satisfied customers to new products as a result of their positive experience with the firm's initial offering. The product development strategy is based on the penetration of existing markets by incorporating product modifications into existing items by developing new products with a clear connection to the existing product line.

New product development process is a complex exercise that involves a series of decision making. Companies may rely on consultants to carry out the process, or decide to go full way and carry out the exercise using in house capacity. New product development process is considered to consist of six key stages (Bearden et al, 1995).
Banking industry is becoming more competitive these days. As a result of this, Commercial Banks in Kenya have to develop relevant products to meet the needs of the clients who are still not served by the Commercial Banks that offer Shariah compliant products and other Commercial Banks that do not offer Shariah compliant products. Therefore they have to provide the best avenues through which the untapped market may be reached. The fact that most Commercial Banks in Kenya survive in the market with very few products and almost with the same features may suggest a problem in product development.

(Kotler 1999) argues that companies that do not develop new products put themselves at risk and may find themselves unable to cope with the changes of customer needs, new technologies and short product life cycle.

1.1.2 Products that Commercial Banks Offer

From their role, products offered by Commercial Banks that do not offer Shariah compliant products are divided into interest and non interest products, interest products include interest earning accounts while non interest products includes products that do not earn interest. Products here include liability products, asset products, services and convenience products.

Products offered by Commercial Banks that offer only Shariah compliant products do not earn interest and includes: safe keeping, profit and loss sharing, joint venture, cost plus, deferred payment sale, Agency, benevolent loan, hire purchase, sell and buy back agreement, gift, Islamic Insurance and Islamic bonds.
Commercial banks that offer Shariah compliant products alongside their conventional products offer both the products offered by Shariah Commercial banks and the products that are offered by Commercial banks that do not offer Shariah compliant products.

1.2 Research problem

Commercial banks are all those institutions that are involved in accepting deposits and lending money to the public with the use of cheques. They pay interest to depositors and charge interest for loans advanced. They retain a given amount of their capital base at the Central Bank of Kenya. The lend money, for short periods of time usually five years or less. It's difficult to conceptualize how an economy would operate and survive without the crucial services offered by banks.

In spite of the vital role that Commercial Banks are playing in the economy, competition threatens their survival. Hence there is need of Commercial Banks to come up with Shariah compliant products to fill up the gap created by Commercial Banks that do not offer Shariah compliant products and Commercial Banks that offer only Shariah compliant products. These products seek to provide alternative products that were not being offered by Commercial Banks that do not offer Shariah compliant Products and Commercial Banks that only offer Shariah compliant products. These banks offer products of both worlds.
The numbers of Sharia compliant products have grown in Kenya more than in any other African country including North Africa. This is because of the growing Muslim population in the country. Kenya's almost 5 million Muslim populations, whose numbers have more than doubled in the past two decades and are richer than ever before is being seen as the reason for main driver of the attention many business are paying to their interests.

Ongoing expansion of the Muslim segment of Kenya's newly rich is rapidly changing the face of business in the country in favor of Sharia compliant offers that are taking root across all segments of the consumer market.

To survive in the banking industry, Commercial Banks have to be in a position to identify the needs of its target market and come up with innovative products that satisfy those needs. A strong, effective and functional development mechanism is paramount. It is only the surest way for Commercial Banks to be sustainable and play critical roles in the society. New product development is crucial and capital intensive undertaking hence cannot be taken for granted. This study seeks to find out the factors influencing adoption of Shariah compliant products by Commercial Banks in Kenya.

Many researches have been done on Commercial Banks. Studies have been done on Strategic responses of Commercial Banks to the threat of Substitutes (Goro, 2003). Product strategy in the marketing of financial services: A survey of the Commercial Banking sector in Kenya (Kimani, 2003), Responses by Commercial Banks operating in Kenya to changes in the environment: A case study of National Bank Kenya Limited (Musa, 2004). No study has been carried out on the factors influencing adoption of
Shariah compliant products by Commercial Banks in Kenya. This study sought to answer the question: what are the factors influencing adoption of Shariah compliant products by Commercial Banks in Kenya?

1.3 Research Objective

1. To find out the factors influencing adoption of Shariah compliant products by Commercial Banks in Kenya.

1.4 Value of the study

To Commercial Banks that do not offer Shariah Compliant products and would like to adapt to offering Shariah products.

Researchers to add to the pool of knowledge and as a basis for further research in the field of Commercial Banks.
CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter provides a summary of literature on research carried out concept of new product development, new product development process, methods used in new product development, strategies of new product development, factors influencing adoption of Shariah products by Commercial Banks in Kenya, Challenges in new product development, reasons why new products fail, products offered by Commercial Banks and principles underlying banks that offer only Shariah products.

2.2 Concept of New Product Development

A product is one of the vital elements in a marketing mix. This is due to the fact that other elements are only relevant once a product exists. It is also from products that companies receive their revenue to sustain its operations and survival. Hence product development is crucial to all the businesses on board and must be taken seriously.

A product is defined as the heart of a company's marketing activity (Palmer, 2002). A product is defined as anything that is offered to customers for acquisition or purchase; this may include objects, personalities, services, places and ideas (Kibera and Waruingi, 1988). It can also be defined as a collection of physical, service and symbolical attributes that yield satisfaction or benefits to a user or buyer. He further classifies into two categories: industrial goods and consumer goods (Keegan, 1995).
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2.3 New Product Development Process

New product development process is a complex exercise that involves a series of decision making. Companies may rely on consultants to carry out the process, or decide to go full way and carry out the exercise using in house capacity. New product development process is considered to consist of six key stages (Bearden et al, 1995).

Idea generation - new product development starts with an idea (Etzel et al, 2007). A system must be designed for stimulating new ideas within an organization and then reviewing them promptly. At this stage potential ideas upon which products could be developed are pooled together (Zikmund and D'amico, 1995) define this step as the stage where the marketer engages in a continuous search for product ideas. Sources of ideas internally are from the organization, staff management and board members. External sources may be from customers, salespeople, service providers and others who have direct customer contact. Customer complaints are also potential sources for new product ideas (Berkowitz et al, 1994). According to (Kotler, 1999) the big question that
organizations should ask themselves at this internal stage is whether an idea is worth considering.

Product concept development and screening is the second phase in developing new products where a majority of the ideas are eliminated. The screening process should be designed to avoid two types of errors: Rejecting an idea that could become very good on accepting an idea that will fail later (Cravens et al, 1996). Product concepts describe what features the products should have and the benefits those features will provide for consumers. Screening is defined as the analysis of ideas to determine their appropriateness and reasonableness in relation to a company's goals and objectives (Zikmund and D'amico, 1995). This is a stage where several ideas may be available, it is important that the evaluation process is done against several factors. The factors include: marketing compatibility, expected product life cycle, technical compatibility, long term expected sales and extent of existing or potential demand (Kibera and Waruingi, 1988).

Business analysis involves in depth analysis of the economic feasibility of the new product and preparations of discounted cash flows. During this stage of business analysis, management identifies product features, estimate market demand, competition and products profitability, establishes a program to develop the product and assigns responsibility for further study of the products feasibility (Etzel et al, 2007). The new product idea at this stage is evaluated with increasingly detailed qualitative data on market demand, cost projections, investment requirements and competition activity (Zikmund and D'amico, 1995). According to (Kotler, 1999) the central question that firms should ask themselves is will the product meet our profit goals? At this stage
there's need to project future sales, profits, rate of return for proposed new products and check congruency with the company objectives.

Prototype / Product Development if the results are favorable, then the prototype (or that model) of the product is developed. In the case of services, the facilities and procedure necessary to produce and deliver new product are designed and tested (Etzel et al, 2007). This is a stage in which a new product concept is transformed into a prototype (Zikmund and D'amico, 1995). Issues of brand name and packaging are addressed at this stage (Kibera and Waruingi, 1988).

Test marketing means that the firm tries out the complete marketing plan - distribution, advertising and sales promotion in a small geographical area that is similar to the larger market it hopes to enter (Solomon et al, 2009). Authors, define test marketing as a controlled procedure in which a new product is tested under realistic market conditions in a limited geographical area to obtain a measure of its potential in National distribution. They further assert that test marketing serves two functions: first it provides an opportunity to estimate the outcome of alternative courses of action; second it allows management to identify and correct weaknesses in either the product or its marketing plan. Test marketing results may suggest several actions. For instance if the trial rate is low and the repurchase rate is low it is advisable to drop the product. If the trial rate is low and repurchase rate is high then it suggests that few people are aware of the product and so marketing and sales promotion measures are needed. On the other hand if the trial rate is high then the product could be redesigned or dropped. If the trial rate is high then commercialization of the product is advisable (Kibera, Waruingi, 1988)
Commercialization is launching of a new product, and it requires full scale production, distribution, advertising, sales promotion. For this reason it cannot happen overnight. A launch requires planning and careful preparation (Solomon et al, 2009). A critical exercise that follows after the decision to commercialize is reached is launching of the product (Holmes, 2004). He defines product launch as the scientific and artistic introduction of a new product to a market. A poorly planned launching exercise may lead to the failure of a good product even though all other subsequent stages have been undertaken meticulously (Keegan, 1995).

2.4 Methods used in New Product Development Process

New product development is a complex exercise that involves a series of decision making hence utmost importance should be given to this. There are two broad categories that are used in new product development process, (Guitnam, 1988). These are:

Sequential method - most used method of the two and is also referred to as the traditional method (Bearden et al, 1995). It is widely used especially with organizations that have a good financial base. It involves well defined and procedural goals. Although it is thought to be the most effective the authors further observe that it is slow and very costly. To successively use this method (Graham, 2002), suggest that a through preliminary analysis should be done with particular emphasis laid on: financial viability, organization structure, human resource capacity and institutional strategy.
Simultaneous / Parallel Method - formation of handpicked multi-disciplinary teams which are charged with the goal of developing a new product. The members of the teams are normally picked from the various departments of the organization to encourage multidisciplinary exchanges and synergy of thought. This approach is also called the use of venture teams and they consider it to be a very effective method (Boone and Kurtz, 1992). The teams interact with each other and with the management, which basically provides the goals or strategic directions, which guide the teams in their efforts. This method therefore ensures that some stages in the process may be performed simultaneously creating overlapping phases. This method is much faster and costs less (Bearden et al, 1995).

2.5 Factors influencing adoption of Shariah Compliant products by Commercial Banks in Kenya

The constant change in the environment and the ever changing tastes and preferences of the customers pose great challenges to most organizations. There are many Commercial Banks in Kenya and they receive their revenues from products hence need to sustain its operations and survival. Developing new products ensures that the needs of an institution's clients are met and satisfied as they surface (Berkowitz et al, 1994).

The drive to develop new products could be as a result of various factors that Commercial Banks may want to respond to. Some Commercial Banks are constantly aware of the need to develop new products and as such embrace the process because its in their strategic plan while other Commercial Banks develop new products because they want to experiment a product or diversify their current products.
New products also help the Commercial Banks in attracting new clients. This can improve the market share of an organization or company (Graham et al, 2002). The authors further argue that increased market share may translate into higher profits and so enhance the sustainability and growth of an institution.

Developing a new product may also help the Commercial Banks in making use of Information Technology. This may improve on efficiency and lower costs (Cravens et al, 1996).

Most Commercial Banks come up with new products so as to get new clients in light of increased competition. Stiff competition among Commercial Banks in Kenya is one of the factors influencing adoption of Shariah Compliant products by Commercial Banks in Kenya hence they offer Shariah products alongside their conventional products.

To fill up the gap created by Commercial Banks that do not offer Shariah compliant products and Commercial Banks that offer only Shariah compliant products. These products seek to provide alternative products that were not being offered by Commercial Banks that do not offer Shariah compliant Products and Commercial Banks that only offer Shariah compliant products. These banks offer products of both worlds.

Cultural factor - religion is one of the factors that affect a human being. Need to offer Shariah compliant products to Muslims savers who follow their religion to the latter to invest their savings in ways that are permitted by the Shariah. Nevertheless, they must be provided with halal returns on their investments.
The numbers of Sharia compliant products have grown in Kenya more than in any other African country including North Africa. This is because of the growing Muslim population in the country. Kenya's almost 5 million Muslim populations, whose numbers have more than doubled in the past two decades and are richer than ever before is being seen as the reason for main driver of the attention many business are paying to their interests.

Ongoing expansion of the Muslim segment of Kenya's newly rich is rapidly changing the face of business in the country in favor of Sharia-compliant offers that are taking root across all segments of the consumer market.

Many Kenyan Non-Muslims have also chosen these kind of banking that are clean and fair unlike the conventional banks and that's making the Sharia compliant products grow faster than ever. Hence one of the factors influencing adoption of Shariah complaint products by some Commercial Banks in Kenya.

2.6 New Product Development Strategies

New product development strategies are categorized as either reactive or proactive. According to (Boyd and Walker, 1990) some of the reactive strategies include: better strategy - this involves improving on the competitors good or service, Defensive strategy - involves the modification of existing products to make them competitive against recent products and imitative strategy - involves copying of competitors’ goods and services.

The authors explain that proactive strategies include: marketing strategy which is based on identified consumer needs and -Research and Design which aims at creating superior
technical product. Acquisition and entrepreneurial are other strategies that may be used. These strategies provide some insights on the rational behind new product development.

2.7 Challenges in New Product Development

Commercial Banks undergo many challenges in their attempt to develop new products. Resources are scarce and so financial constraint is one of the biggest problem that most organizations encounter (Kotler, 1999).

Social and legal constraints: for instance change in the Banking Act are also some of the challenges that might hit Commercial Banks. It may lead to the stop or adjustments in a process that could as well have consumed a substantial amount of company's resources (Kotler, 1999).

Inadequacy of competent staff to understand the process of developing new products is also a major challenge. Losing a dependable staff member in the middle of the development process may delay the process and worse still affect the outcome of the process.

Banks are also at the risk of cannibalizing existing products by new ones. This would occur when customers shift their preferences to the new product and completely abandon the existing ones.

2.8 Reasons why New Products fail

New product development is capital intensive as well as time consuming exercise. The cost of developing a new product is often far too high than most Commercial Banks can
afford. It is estimated that about 80% of new products fail in America. This shows how risky it is (Kurtz, 1992).

Commercial banks in Kenya are many and faced with stiff competition hence need to develop new products for its survival and operation.

Several reasons have been identified as the major cause of why products fail in most organizations. These include: inability of the company to identify customer needs and to develop products that meet those needs, failure of the companies to stick to their core businesses and hence developing uncompetitive products, poor design of the market mix. This means inappropriate manipulation of product, price, place and promotion (Churchill, 1995). Adopting a coherent, well thought out set of procedures in the product concept and screening is therefore a critical undertaking that Commercial Banks should undertake. This will help to avoid the repercussions of product failure.

2.9 Products offered by Commercial Banks

From their role, products offered by Commercial Banks that do not offer shariah compliant products are divided into interest and non interest products. Interest products include interest earning accounts while non interest products includes products that do not earn interest.

Liability products represent liabilities of the banks. It includes checking and savings account, money market accounts and certificates of deposits. Useful to consumers since they provide a safe place to keep their funds and give them an opportunity to earn interest on cash that may not be needed immediately. It gives cash via cheques and ATMs.
Asset products are loan products, car loans, personal installment loans and credit card loans. Allows consumer to purchase homes, cars, merchandise which they otherwise could not immediately afford. Assets products earn interest for the bank which is paid to the borrower.

Services include safe deposit boxes providing consumers with a secure place to store valuables such as jewellery, precious metals, securities and other important documents. Most banks sell money orders, travelers cheques, cashier cheques and US saving bonds. Many also supply trust and estate services both consulting on these matters and functioning as the trustee in the event of the death of one of the customers.

Convenience products include extended branch hours including Saturdays and have opened mini branches in supermarkets so that people can bank where they shop. They have also extended their ATM networks and combine them with other banks. They have introduced online banking information and market money transfer and payments from the convenience of their homes.

Products offered by Shariah compliant Commercial banks are: Wadiah (Safekeeping) - In *Wadiah*, a bank is deemed as a keeper and trustee of funds. A person deposits funds in the bank and the bank guarantees refund of the entire amount of the deposit, or any part of the outstanding amount, when the depositor demands it. The depositor, at the bank's discretion, may be rewarded with a *hibah* (gift) as a form of appreciation for the use of funds by the bank.
Mudarabah (Profit Loss Sharing) - *Mudarabah* is an arrangement or agreement between a capital provider and an entrepreneur, whereby the entrepreneur can mobilize funds for its business activity. Any profits made will be shared between the capital provider and the entrepreneur according to an agreed ratio, where both parties share in profits and only capital provider bears all the losses if occurred. The profit-sharing continues until the loan is repaid. The bank is compensated for the time value of its money in the form of a floating interest rate that is pegged to the debtor's profits.

Musharakah (Joint Venture) - This concept is normally applied for business partnerships or joint ventures. The profits made are shared on an agreed ratio, while losses incurred will be divided based on the equity participation ratio. This concept is distinct from fixed-income investing (i.e. issuance of loans).

Murabahah (Cost Plus) - This concept refers to the sale of goods at a price, which includes a profit margin agreed to by both parties. The purchase and selling price, other costs and the profit margin must be clearly stated at the time of the sale agreement. The bank is compensated for the time value of its money in the form of the profit margin. This is a fixed-income loan for the purchase of a real asset (such as real estate or a vehicle), with a fixed rate of interest determined by the profit margin. The bank is not compensated for the time value of money outside of the contracted term (i.e. the bank cannot charge additional interest on late payments), however the asset remains in the ownership of the bank until the loan is paid in full.
Bar Bithaman Ajil (Deferred Payment Sale) - This concept refers to the sale of goods on a deferred payment basis at a price, which includes a profit margin agreed to by both parties. This is similar to *Murabahah*, except that the debtor makes only a single installment, on the maturity date of the loan. By the application of a discount rate, an Islamic bank can collect the market rate of interest.

Wakalah (Agency) - This occurs when a person appoints a representative to undertake transactions on his/their behalf, similar to a power of attorney.

Qardul Hassan (Benevolent Loan) - This is a loan extended on a goodwill basis, and the debtor is only required to repay the amount borrowed. However, the debtor may, at his or her discretion, pay an extra amount beyond the principal amount of the loan (without promising it) as a token of appreciation to the creditor. In the case that the debtor does not pay an extra amount to the creditor, this transaction is a true interest-free loan. Some Muslims consider this to be the only type of loan that does not violate the prohibition on *riba*, since it is the one type of loan that truly does not compensate the creditor for the time value of money.

Ijarah Thumma Al Bai’ (Hire Purchase) - These are variations on a theme of purchase and lease back transactions. There are two contracts involved in this concept. The first contract, *Ijarah* contract (leasing/renting) and the second contract, *Bai’* contract (purchase) are undertaken one after the other. For example, in a car financing facility, a customer enters into the first contract and leases the car from the owner (bank) at an agreed rental over a specific period. When the lease period expires, the second contract comes into effect, which enables the customer to purchase the car at an agreed price.
Bai’ al-Inah (Sell and Buy Back Agreement) - The financier sells an asset to the customer on a deferred payment basis and then the asset is immediately repurchased by the financier for cash at a discount. The buying back agreement allows the bank to assume ownership over the asset in order to protect against default without explicitly charging interest in the event of late payments or insolvency.

Hibah (Gift) - This is a token given voluntarily by a debtor to a creditor in return for a loan. Hibah usually arises in practice when Islamic banks voluntarily pay their customers interest on savings account balances.

Takaful (Islamic Insurance) - In modern business, one of the ways to reduce the risk of loss due to misfortunes is through insurance. The basic idea behind insurance is the sharing of risk. Takaful is based on the idea that what is uncertain with respect to an individual may cease to be uncertain with respect to a very large number of similar individuals. Insurance by combining the risks of many people enables each individual to enjoy the advantage provided by the law of large numbers.

Sukuk (Islamic Bonds) - In keeping with the prohibition of riba, a conventional bond is not permitted. A Sukuk bond, however, is asset-backed and the returns on it are not fixed, but are linked to the return on the assets purchased with the proceeds of the issue.

Commercial banks that offer Shariah compliant products alongside their conventional products offer both the products offered by Shariah Commercial banks and the products that are offered by Commercial banks that do not offer Shariah compliant products.
2.10 Underlying principles of Banks that offer only Shariah products

Prohibition of Riba (Interest) - Riba (Usury or interest) is any return or compensation charged on a loan contract as well as charged in rescheduling of loans. Riba is interest which in commercial banks it is the price on a debt. (Al-Jarhi and Iqbal 2001). 'Usury is translated to mean riba which literary means an excess or addition above the principle lent. Interest, however small, is an excess over the capital lent' (Metwally 2006). Allah allows trade and prohibits usury. That is the reason why riba is completely prohibited in Islam. Muslim scholars and jurists have rigorously discussed the rationale of the prohibitions and its alternatives (Siddiqi 2004).

Prohibition of Maysir (gambling and games of chance) - Maysir is considered by Islamic Scholars as gambling or any games of chance including lotto, betting games on the outcomes of animal races and casino type games. Gambling and games of chance share a strategy for earning a profit through pre determined risk taking (Al-Saati 2003). Both gambling and games of chance are banned by Shariah.

Exclusion of financing or dealing in forbidden commodities - Islam prohibits the exclusion of financing and dealing in sinful and socially irresponsible activities and commodities such as production of pork, production of alcoholic beverages, production of pornographic films and production of illegal commodities such as fire arms. Neither individuals nor institutions are allowed to finance enterprises that deal in forbidden items or trade in them (Algaoud 2001).

Prohibition of gharar (excessive risk, speculation and uncertainty) - Gharar is defined as uncertainty. It is a sophisticated concept that covers certain types of uncertainty or
contingency in a contract. The prohibition on gharar is often used as the grounds for criticism of commercial financial practices such as speculation, and derivatives and short selling. Gharar is the sale or probable items whose existence or characteristics are not certain due to risky nature which makes it similar to gambling (El-Gamal 2000). Commercial gain in itself is not illicit but of vital importance to Shari’ah scholars and practitioners hence transforms commercial gain into unlawful gharar.

Risk sharing and profit and loss sharing - Islamic encourages Muslims to invest their money and to become partners in order to share profits and risks in the business instead of becoming creditors. As defined in the Shariah, Islamic finance is based on the belief that the provider of capital and the user of capital should equally share the risk of business ventures, whether those are industries, firms, service companies or simple trade deals.
CHAPTER THREE

RESEARCH METHODOLOGY

Introduction

This chapter sought to explain the various methods used to arrive at the desired research goals of the study. It highlighted the research design, population, data collection and data analysis.

3.1 Research Design

A research design is the general plan of how one goes about answering the research questions (Sauders, Lewis & Thornhill, 2007). According to Cooper and Schindler (2001) research design constitutes the blue print for the collection measurement and analysis of data. The researcher used the census approach to find out the factors influencing adoption of Shariah compliant products by Commercial Banks in Kenya.

3.2 Population

A population is the total collection of elements about which we wish to make some inferences (Cooper and Schindler, 2001). Following the same, Mugenda and Mugenda (2003) define a population as the entire group of individuals, events, or objects having in common observable characteristics.

There are 44 commercial banks and 1 mortgage finance company in Kenya out of which all banks will be of interest. The research is therefore census approach in which all members of the population were included. The respondents interviewed were the middle
level managers in the Commercial Banks that do not offer Shariah compliant products, Commercial Banks that offer both Shariah products alongside their conventional products and Commercial Banks that only offer Shariah products.

### 3.3 Data Collection

The main data collection instruments for the study was questionnaires. A questionnaire is a pre set formatted written set of questions to which respondents record their answers, usually within rather close defined alternatives. The questionnaire was divided into two sections: section one entailed preliminaries while section two entailed new product development. Targeted respondents were the middle level managers of all the commercial banks in Kenya under the three categories. The researcher used the drop and pick method.

### 3.4 Data Analysis

Data analysis was conducted through Statistical Package for Social Scientists (SPSS). The data was first edited to inspect its completeness and the responses coded, tabulated and processed using a simple computer spreadsheet to come up with statistical measures such as frequency means and modes. Tables were constructed to indicate responses that were got for each item used in scoring. Prior entering the data in the computer, a codebook will be prepared. Kumar (2005) defines a code book as a set of rules for assigning numerical values to answers obtained from the respondents.
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CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSIONS

4.1 Introduction

The findings in chapter one were analyzed in accordance with the objective of the study set out in chapter one. A total of 45 Questionnaires were issued to the respondents however only 25 were fully completed and returned for analysis. The response rate for this study was 56%.

4.2 Results of the analysis

As seen from Fig 1 below, the majority of the respondents have worked with the bank between year 1 to 5 (80%) while 8 % have worked with the bank for over 9 years.

Fig 1: Number of years worked in %

Source: Survey data, 2011
**Existence of a Marketing department**

**Fig. 2 Marketing department**

- Yes
- No

**Source: Survey data, 201**

As seen above 80% of the banks have a Marketing department while 20% of the respondents do not have a Marketing department.

**Table 1: Products that the bank offers**

<table>
<thead>
<tr>
<th>Products that the bank offers</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Products that are not compliant with Shariah</td>
<td>18</td>
<td>72</td>
</tr>
<tr>
<td>Products that are compliant with Shariah alongside other Commercial products</td>
<td>5</td>
<td>20</td>
</tr>
<tr>
<td>Products that are fully</td>
<td>2</td>
<td>8</td>
</tr>
<tr>
<td>Compliance with Shariah</td>
<td></td>
<td></td>
</tr>
<tr>
<td>------------------------</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>25</td>
<td>100</td>
</tr>
</tbody>
</table>

**Source:** Survey data, 2011

**Table 2: Number of years ago when product development was done**

<table>
<thead>
<tr>
<th>Number of years ago</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>6 months ago</td>
<td>14</td>
<td>56</td>
</tr>
<tr>
<td>1-5 years</td>
<td>8</td>
<td>32</td>
</tr>
<tr>
<td>6-9 years</td>
<td>1</td>
<td>12</td>
</tr>
<tr>
<td>Over 10 years</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>25</td>
<td>100</td>
</tr>
</tbody>
</table>

**Source:** Survey data, 2011
Table 3: Location of product development exercise

<table>
<thead>
<tr>
<th>Location</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outsourced</td>
<td>3</td>
<td>12</td>
</tr>
<tr>
<td>In house</td>
<td>20</td>
<td>80</td>
</tr>
<tr>
<td>Both outsourced and in house</td>
<td>2</td>
<td>8</td>
</tr>
<tr>
<td>Total</td>
<td>25</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Survey data, 2011

This study sought to find out whether product development was outsourced or in house or both outsourced and in house. The banks that carry out the product development exercise by outsourcing constituted 12% of the respondents, in house constituted 80% of the respondents while 8% constituted both outsourced and in house.

Factors influencing adoption of Shariah compliant products by Commercial Banks in Kenya

There were various factors influencing adoption of Shariah compliant products by Commercial Banks in Kenya however these factors varied with different banks. These were: as response to the customers' needs, to target a certain market, as a response to market conditions, getting approval from a council of Islamic Scholars, market dynamics particularly in view of the sizeable Muslim business community, successful models of
Shariah compliant products that have withstood market shocks, competitive business environment that has forced banks to diversify their product range to grow revenues, fill up the gaps created by Commercial Banks that do not offer Shariah compliant products and Commercial banks that offer only Shariah products, cultural factors, increased numbers of Shariah compliant products that have grown more in Kenya, increased knowledge in Islamic Banking and increased trade links between Kenya and with economies in the East which are predominantly Muslim.

Table 4: Nature of the product developed

<table>
<thead>
<tr>
<th>Nature of product</th>
<th>Frequency</th>
<th>Percentage to responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>In addition to the existing product line</td>
<td>10</td>
<td>40</td>
</tr>
<tr>
<td>Modified products with improved feature</td>
<td>7</td>
<td>28</td>
</tr>
<tr>
<td>Product that allows the bank to enter an established market for the first time</td>
<td>j</td>
<td>12</td>
</tr>
<tr>
<td>Invention that created an entirely new market</td>
<td>5</td>
<td>20</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>25</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>
Source: Survey data, 2011

Steps used in new product development process

New product development constitutes of six key steps. These includes: idea generation, product concept development and screening, business analysis, prototype ’ product development, test marketing and launching. The study sought to determine the steps that the respondents used in the product development process. None of the results revealed the use of the six steps. The steps differed from bank to bank, it includes: market intelligence, product design, approval, launch and test marketing, business generation and drafting within a business unit, consultations and discussions with all the stakeholders, product paper development highlighting the business case for the product, its salient features, target market and marketing strategy, internal capacity to push through the product roll out budget and expected results, signing of the paper by all stakeholders and risk department and finally the approval of the paper by senior management and thereafter the board.

Use of consultants by the bank when developing a new product

The respondents’ were asked whether their banks engaged a consultant while developing a new product. 90% of the banks revealed that they used a consultant when developing a new product while 10% revealed that they did not use a consultant while developing a new product.
Fig. 3 Banks and engagement of consultant services

Source: Survey, 2011

Table 5: Areas of consultations by the banks

<table>
<thead>
<tr>
<th>Area of consultation</th>
<th>Frequency</th>
<th>Percentage of responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Idea generation</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Product development</td>
<td>8</td>
<td>32</td>
</tr>
<tr>
<td>concept and screening</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business analysis</td>
<td>2</td>
<td>X</td>
</tr>
<tr>
<td>Prototype / product</td>
<td>8</td>
<td>-52</td>
</tr>
<tr>
<td>development</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Test marketing</td>
<td>3</td>
<td>12</td>
</tr>
<tr>
<td>Commercialization</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>25</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>
As seen from the above table, 8% consulted in idea generation, 32% in product development concept and screenings, 8% in business analysis, 32% in prototype / product development, 12% in test marketing and 8% in commercialization.

**Strategies that banks use in developing a new product**

**Table 6: Strategies used by banks in developing a new product**

<table>
<thead>
<tr>
<th>Strategies</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Better strategy</td>
<td>8</td>
<td>32</td>
</tr>
<tr>
<td>Defensive strategy</td>
<td>6</td>
<td>24</td>
</tr>
<tr>
<td>Imitative strategy</td>
<td>3</td>
<td>12</td>
</tr>
<tr>
<td>Marketing strategy</td>
<td>8</td>
<td>32</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>25</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

**Source: Survey, 2011**

Most banks developed their products based on better and marketing strategy which constituted of 32% each, defensive strategy 24% and imitative strategy 12%.
### Reasons for developing new products in banks

#### Table 7: Reasons why banks develop new products

<table>
<thead>
<tr>
<th>Reason</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant change in the environment</td>
<td>9</td>
<td>36</td>
</tr>
<tr>
<td>Drive to develop new products</td>
<td>4</td>
<td>16</td>
</tr>
<tr>
<td>Attract new clients</td>
<td>5</td>
<td>20</td>
</tr>
<tr>
<td>Competition among Commercial Banks</td>
<td>7</td>
<td>28</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>25</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

**Source: Survey, 2011**

From the above table it is evident that reasons why banks develop new products is due to the constant change in the environment 36%, drive to develop new products 16%, competition among other commercial banks 28% and attract new clients 20%
Importance of internal factors when planning to develop a new product

Table 8: Importance of internal factors when planning to develop a new product

<table>
<thead>
<tr>
<th>Factor</th>
<th>Mean score</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial viability</td>
<td>4.6</td>
<td>0.9</td>
</tr>
<tr>
<td>Organization structure</td>
<td>3.4</td>
<td>1.6</td>
</tr>
<tr>
<td>HR capacity</td>
<td>3.6</td>
<td>1.0</td>
</tr>
<tr>
<td>Organization strategy</td>
<td>3.9</td>
<td>1.2</td>
</tr>
<tr>
<td>Marketing systems and structure</td>
<td>3.2</td>
<td>1.5</td>
</tr>
<tr>
<td>Support top management</td>
<td>4.1</td>
<td>1.0</td>
</tr>
</tbody>
</table>

Source: Survey data, 2011

The respondents in the study were asked to rate the different internal factors that they considered while developing a new product. A 5 point like scale ranging from the most important to the total unimportant was provided. From the above findings banks that considered financial viability had a mean score of 4.6 which was the most important internal factor, support from top management 4.1, Organization strategy 3.9, HR capacity, 3.6. Organization structure 3.4 and Marketing systems and structures 3.2.
External factors that the banks consider when planning to develop a new product

The external factors that the banks considered when planning to develop a new product varied from bank to bank. It included: market need, competition, population demographics, costs, market trends, state of the economy, inflation, growth rate and key sector performance.

Challenges that banks encounter when developing new products

Different banks encounter different challenges. These are: limited internal capacities in terms of knowledge, structure and financing, a significant portion of the population is still unbanked and this affects uptake of new products, upstaging competitors who can launch a similar product just before release of a product just before release particularly in view of high staff mobility in the banking industry and ensuring that all products developed are in Shariah compliant.
5.1 Introduction

This study was undertaken to address the key objective: factors influencing adoption of Shariah compliant products by Commercial banks in Kenya. This chapter summaries the findings.

5.2 Summary, Conclusions and Recommendations

The responsibility to develop new products is normally housed within the marketing department whenever that department exists in a bank. The researcher sought to establish whether banks have marketing departments. It emerged that most banks had a marketing department.

Use of consultants was found to be rampant in banks indicating some level of incapacity as far as product development is concerned. The giant share being 32% in product development concept and screenings, 32% in prototype / product development, 12% in test marketing and 8% in commercialization, 8% consulted in idea generation and 8% in business analysis.

The most commonly used strategy as evident is the better and marketing strategy which constituted of 32% each, defensive strategy 24% and imitative strategy 12%
The steps that were used in new product development process differed from bank to bank, it includes: market intelligence, product design, approval, launch and test marketing, business generation and drafting within a business unit, consultations and discussions with all the stakeholders, product paper development highlighting the business case for the product, its salient features, target market and marketing strategy, internal capacity to push through the product roll out budget and expected results, signing of the paper by all stakeholders and risk department and finally the approval of the paper by senior management and thereafter the board.

The reasons why banks develop new products is due to the constant change in the environment 36%, drive to develop new products 16%, competition among other commercial banks 28% and attract new clients 20%

Different banks encounter different challenges. These are: limited internal capacities in terms of knowledge, structure and financing, a significant portion of the population is still unbanked and this affects uptake of new products, upstaging competitors who can launch a similar product just before release of a product just before release particularly in view of high staff mobility in the banking industry and ensuring that all products developed are in Shariah compliant.

5.3 Limitation of the study

Time constraints did not allow the researcher to give the respondents as much time as they would have wished to enable them complete the questionnaires at their own pace.
Some respondents declined to participate in the study citing confidentiality of the information involved and being too busy to have time to fill the questionnaire due to heavy workloads at their work place.

The study was based on all commercial banks in Kenya located all over the country hence a lot of time and resources was needed to undertake the study.

5.4 Recommendations

Based on the findings of the study, the researcher would wish to recommend that banks should minimize their dependency on the use of consultants in new product development because it shows some level of incapacity as far as product development is concerned.

The giant share being 32% in product development concept and screenings, 32% in prototype / product development, 12% in test marketing and 8% in commercialization, 8% consulted in idea generation and 8% in business analysis.

A legislative framework should be put in place to enhance the regulation of the industry. This means that both the Central Bank of Kenya as well as Banking Act should be amended to incorporate the Shariah products.
REFERENCES


Goro R.W. "Strategic Responses of Commercial Banks to the threat of substitute products." Unpublished MBA research project, University of Nairobi, Nairobi Kenya.


June 24th 2011

Deai- Sir / Madam

I am undertaking research for my degree Masters in Business Administration at the University of Nairobi. The main aim of this study is to find out the factors influencing adoption of Shariah complaint products by Commercial Banks in Kenya. In respect to this I have developed a questionnaire to collect data from all Commercial Banks in Kenya. Your assistance is requested in undertaking this research.

A copy of the questionnaire is enclosed and I would be very appreciative if you could please have the questionnaire completed for me. In completing the questionnaire, I assure you that strict confidentiality will be observed and no respondent or organization will be identified and the result will only be used is aggregate. Once the questionnaire is completed which is anticipated to take not more than 15-20 minutes; I would request that your organization contacts me to collect it. I undertake to share the results of the study with the organization as necessary.

Your kind co-operation in assisting with the collection of the data for my MBA research will be very much appreciated. If you have any queries or comments regarding this request please do not hesitate to contact me either by email: eishadoshie@,yahoo.com or telephone me on 0722469372 or through ordinary mail below.

Yours sincerely,

Esha Atitala,

University of Nairobi,
MBA student
SECTION ONE: PRELIMINARIES

1. Name of Bank

2. Department

3. Number of Employees
   a. <100 [ ]
   b. 100-300 [ ]
   c. 301-450 [ ]
   d. >450 [ ]

4. Please indicate your highest level of academic qualification
   e. Diploma [ ]
   f. Bachelor [ ]
   g. Masters [ ]
   h. Doctorate [ ]

5. How long have you been working in the bank?
   a. Less than 3 years [ ]
   b. 3-5 years [ ]
   c. 6-8 years [ ]
   d. 9 years and above [ ]
6. What is your designation in the bank?
   a. Board of Directors
   b. Senior Management
   c. Middle level Management
   d. Lower level staff

7. What products does your bank offer?
   a) Products that are not compliant with Shariah
   b) Products that are compliant with Shariah alongside other Commercial products
   c) Products that are fully compliant with Shariah

SECTION TWO: NEW PRODUCT DEVELOPMENT

S Does your bank have a marketing department?
   a) Yes  b) No  c) Don't know

9. Has your bank undertaken a new product development exercise in your bank recently?
   a) Yes  b) No

10. If yes in 9 above, how long ago did your bank undertake this exercise?
    a) 6 months ago  b) 1 -5 years ago  c) 6-9 years ago  d) Over 10 years ago

11. Is the new product development exercise in your bank?
    a) Outsourced
12. What are the factors influencing adoption of Shariah compliant products by Commercial Banks in Kenya?

13. What is the nature of the new products that your bank has developed? Tick all that affects your bank?

   a) In addition to the existing product line
   b) Modified products with improved feature
   c) Product that allows the bank to enter an established market for the first time
   d) Invention that created an entirely new market.

14. What are the steps that your bank follows in the new product development process?

15. Has your bank ever engaged the services of consultants when developing a new product? a) Yes [ ] b) No [ ]

16. If yes in 15 above, in what areas were the consultations done?

   a) Idea Generation [ ]
   b) Product concept Development and Screening [ ]
c) Business analysis

d) Prototype / product development

e) I est Marketing

f) Commercialization

17. Has your bank used any of the following strategies in developing a new product?

a) Better strategy

b) Defensive strategy

c) Imitative strategy

d) Marketing strategy

18. What are the reasons for developing new products in your bank?

a) Constant change in the environment

b) Drive to develop new products

c) Attract new Clients

d) Competition among Commercial Banks

19. To what degree of importance does your bank rate the following internal factors in planning to develop a new product?

1- Very Important 2 - Important 3 - Fairly Important 4 - Un Important 5 - Very Important (Tick where necessary)

a) Financial viability

b) Organization structure

c) HR capacity
d) Organization strategy

e) Marketing systems and structure

f) Support top Management

20. What are some of the external forces that your bank considers when planning to develop a new product?

21. What are the challenges that your bank has encountered when developing new products?

Thank you so much for your cooperation and contribution to this academic disclosure.