



**AN ASSESSMENT OF THE STRATEGIC OPTIONS THAT CAN ENHANCE THE
GROWTH OF ISLAMIC BANKING IN KENYA**

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ABSTRACT

Islamic keeping money is a managing an account movement that is steady with the standards of Islamic law (Sharia) and its commonsense application through the improvement of Islamic financial matters. Sharia denies the acknowledgment of particular premium or charges (known as Riba or usury) for advances of cash. Putting resources into organizations that give products or administrations considered in opposition to Islamic standards is additionally Haraam. This research assesses the strategic options that can enhance the growth of Islamic banking in Kenya.

It differentiated Islamic and conventional banking and evaluated strategies currently in use by Islamic banks in and outside Kenya and the extent to which the strategies have succeeded. The research paper followed research questions such as: - What are the factors which determine customer's choice of Islamic banking Kenya? What are the strategies being employed by Islamic banks in and outside Kenya? To what extent are the strategies working in Kenya? What strategies should banks in Kenya employ in order enhance growth of Islamic Banking? The research design for study is a descriptive approach focusing on five banks in Kenya. These are: First Community Bank, Gulf African Bank, Kenya Commercial Bank Ltd, Chase Bank and Barclays Bank of Kenya Ltd. Questionnaires were hand delivered to 10 senior managers. The Chief Executive Officers and Heads of Business (Islamic Banking Unit) were targeted. The questionnaire is accompanied by a letter explaining the objective of the study and assuring respondents of the confidentiality of their answers. A total of 12 questionnaires per bank were given out. Mean, Mode, Median, Percentage was used to analyze the responses given by the respondents and was presented in tables and graphs for better clarification.

The study made recommendations as follows; that banks in Kenya should focus on creating awareness about the Islamic banking product through advertisements. Being new in Kenya, the banks also need a close working relationship with the policy makers and regulators in order to have a favorable legal framework to enable them function well. They should concentrate their branches in areas with sizable Muslim population; this will save them costs of creating awareness since most Muslims are familiar with the principles of Islamic banking. The banks should also focus on reduction of bank charges, employment of the best staff and also training of those already on the job in addition to automation of their processes will help in improved turn around time for loan application and opening of accounts. The banks should get the best staff from the market and also adopt latest technologies. Islamic banks should focus on cross-selling to their existing clientele and increase uptake of product per customer. Research has further confirmed that the aspect of profit and loss sharing and interest free lending is embraced by both Muslims and non-Muslims, the banks should thus not only continue with this strategy but make it known through aggressive publicity. This will increase market outside Muslim population. The banks should provide competitive goods and services, diversify them and also continue reviewing the goods and services. This will help them keep up with the competition. In addition, Islamic banks should increase return on deposits placed by customers with them, this factor has come up as one of the determinants of choice of bank by clients. And in loans, the banks should find innovative ways of securing loans since most people don't have collateral to cover the borrowing. The banks should also establish strong Shariah advisory board because this will be the link between the customers and the bank. They not only audit

Shariah compliance of the banks activities but also give assurance to customers who have doubt about Shariah compliance of the products being offered by the banks.

Key Words: Islamic banking, Customer's choice, Strategies, Growth.

INTRODUCTION

Background of the Study

Dr. Ahmad Al-Najjar introduced the first Islamic banking activity in Egypt in 1963 in the residential area of Mit-Ghamr. As a result a bank was born financing in view of association concurrences with customers for the development of joint ventures, and in light of the benefit and misfortune sharing rule. It was not until 1975 that Dubai Islamic Bank was built up took after by the Islamic Development Bank which began operations in that same year.

Islamic banking in the new business endeavors, for the most part intends to advance and build up the use of Islamic standards, law and conventions to monetary exchanges, saving money and other business issues. Also elevates investment organizations to take part in such business exercises that are adequate and reliable with the Sharia (Islamic law) guidelines.

The fundamental standards of Islamic banking activities are the forbiddances of charges (usury) in all exchanges, the business activities and exchange exercises must be on the premise of reasonable benefit and the restrictions of monopoly and hoarding. Thus, Islamic banks will shield the Islamic people group and social orders from exercises that are prohibited in Islam.

Equity is such a vital element of the Islamic confidence that it is difficult to see the perfect Muslim society where equity has not been set up. Islam wishes to destroy from human culture all hints of zulm, an exhaustive Islamic term alluding to all types of disparity bad form, abuse, persecution and wrongdoing whereby a man either denies others of their rights or does not satisfy his commitments towards them.

Islamic financial specialists, all around, are spurred in their selection of ventures by much an indistinguishable criteria from their Western moral associates. The search for satisfactory ventures is adjusted by normal hazard avoidance measures. Islamic borrowers, then again, likewise exhibit a hesitance to give away a participate in the benefits of their businesses. Islamic banking appears as one kind of mark-up as opposed to benefit sharing. Islamic banking contains six principles: premium free, exchange-related and there exists apparent honest requirement for money (Ahmad, 2004).

Husain (2010) noted that most Islamic financing patterns financing modes are resource sponsored. Machinery, stock and equipment are specific physical inputs financed in Islamic investments. The part of the bank is not constrained to an inactive agent concerned just with auspicious premium installments and credit recuperation. The bank is an accomplice in exchange and needs to fret about the way of business and productivity position of its customers. On account of misfortune in business, the Islamic agent needs to share that misfortune. To keep away from the misfortune and reputational chance, the Islamic banks must be additional watchful about their customers (Husain 2010).

Time installment contracts, for example, retail portion contracts are not for the most part regarded as credits and the usury laws ordinarily don't have any significant bearing to them. There are no restrictions on fund charges for the buy of individual, family and family products or administrations right now. The most extreme financing cost for auto credits is very nearly 22%. Banks likewise treat premium charges for outsider Master cards, for example, Visa, MasterCard and American Express as not being liable to Usury law restrictions (Edwardes, 2000).

Presley (1988) noted that the center conviction of Islamic saving money comes from a celestial order against the acknowledgment of enthusiasm amongst purchasers and venders of capital asset. Such directives depend on consistence with Islamic statute or sharia extricated from the sacred Qur'an and Sunnah (conventions of Prophet Muhammad). The sharia indicates, entomb alia, decides to identify with the designation of assets, property rights, generation and utilization, and the dissemination of wage and riches. These injunctions are truly and morally connected, as premium makes social divisions between the rich and poor people and particularly makes hardship borrowers. This is so in light of the fact that the loan specialist apparently is abusing other individuals' needs without effectively utilizing to advantage the profitable way of the capital being referred to. Apprehensions have been communicated about the absence of sufficient premium free instruments. There is a close accord that Islamic banks can work well without premium. An IMF study done by Iqbal et. al. (1987) observed Islamic managing an account to be a practical suggestion that can bring about productive asset portion.

In Kenya, the first bank to have started Islamic banking was BBK in 2005 followed by KCB in 2006. Today, a total of eight financial institutions offer Islamic banking services among them are two Islamic banks licensed by the CBK in 2007, FCB and GAB which opened for business in 2008 (New horizon, 2011). A report released by CBK in March 2011 indicates that 0.9% of total accounts is run and determined by Islamic financial institutions, demonstrating expanded entrance of money related administrations to a portion of the populace that was heretofore avoided from the framework because of its religious convictions. The data by CBK shows that GAB and FCB had 58,101 deposit accounts and 2,609 loan accounts as at December 2010, four years after their licensing. The banks had gross assets of Kes. 16.5billion, net loans and advances of Kes.9.2Billion and deposits of Kes. 13.76Billion. The Governor of CBK reported that uptake of Islamic banking products has led several conventional banks to introduce Sharia-compliant products as part of their product range. BBK, KCB and Chase bank are among the banks which have Sharia compliant products through which they hope to tap into the estimated nine million Muslim populations (Business Daily, 2011).

To accommodate the Sharia-compliant investment vehicles like unit trust and corporate bonds-sukuks, the government has amended the finance Act to allow the CBK as the government's fiscal agent to recognize the payment of return rather than interest on government securities. In addition, the Governor of CBK said that the amendment opens up the spectrum of sharia-compliant investments in the country. The move to entrench sukuk bonds and bills in the law is seen as a push by CBK to tap the increasing amount of cash flowing into Africa from the Gulf region which is deemed to hold excess capital (Business Daily, 2011). KCB on the other hand started offering Islamic products in 2006 with an account named Amana. The bank uses its 220 branch network across Eastern Africa to market the product. The Amana account package comes

as Amana current account, Amana business account, Amana savings account, Amana children's (cub) account and Amana student's account (KCB Website). However Amana is only a deposit account and does not fully satisfy the needs of the Muslim customers who might need other Islamic products because the bank is yet to come up with a loan products and a reliable sharia advisory board.

Statement of the Problem

The Governor of CBK said that Islamic banking in Kenya faces several challenges which include lack of Sharia compliant investment vehicles and lack of awareness of existence of the products (BD Africa 2011). Estimates suggest that 9 million Kenyans are Muslims, standing at 11 percent of the country's population. Islamic banking in started in Kenya in 2005 when BBK offered current account product through its Islamic window, LaRiba (www.eastafricaherald.com).

Three years later two fully fledged banks were established and as at December 2011, the two Islamic finance banks collectively commanded 0.9 per cent of the banking sector (www.standardmedia.co.ke). This is a problem because interest is considered a major sin in Islam yet after four years of operation only 0.9 percent out of the 11 percent Muslims has joined the Islamic banks. KCB has Amana account (deposit account) as its only product and according to monthly financial report of Moyale Branch the bank earned income of only Kes. 5000 through the Amana account from January 2011 to 31st December 2011. This is worrying because the branch is based in town where the inhabitants are over 90% Muslims (KCB Moyale annual report, 2011). This study focuses on assessment of the strategic options that can enhance the growth of Islamic banking in Kenya.

Objectives of the Study

The objective of the research is to asses the strategic options that can enhance the growth of Islamic banking in Kenya. The specific objectives of the study are: -

- i. To establish factors which shape customer's choice of Islamic banking in Kenya.
- ii. To establish strategies being employed by Islamic banks in Kenya and around the world.
- iii. To establish the extent to which the strategies are working.
- iv. To determine strategies that should be employed by Kenyan Banks to enhance growth of Islamic Banking.

Research questions

To achieve the above objectives the study seeks to answer the following questions.

- i. What are the factors which shape customer's choice of Islamic banking in Kenya?
- ii. What are the strategies being employed by Islamic banks in and outside Kenya?
- iii. To what extent are the strategies working in Kenya?
- iv. What strategies should Banks in Kenya employ in order to enhance growth of Islamic Banking?

LITERATURE REVIEW

Factors which determine customer's choice of Islamic banking

Amin (2008) conducted a research to determine the choice criteria for Islamic home financing in Malaysia by Islamic financial institutions. In particular, this review considered setting up a particular rank of decision criteria for Islamic home financing. The decision criteria were

positioned by the chosen statistic components, for example, sexual orientation, conjugal status and age go. The review presents essential information gathered independent from anyone else managed surveys including a specimen of 150 Malaysian bank clients in Labuan, Malaysia. Of these, 141 polls were come back with a reaction rate proportional to 94 for each penny. The Islamic home financing decision criteria as saw by the Malaysian bank clients are broke down utilizing frequencies, autonomous examples t-test and ANOVA. The review comes about propose that Sharia rule, bring down regularly scheduled installment, straightforwardness rehearse, intrigue free practice and 100 for each penny financing are the initial five choice criteria considered as being imperative. The minimum favored criteria, among others, are suggestion, longer financing period, item range and branch area. Comes about additionally proposed that a little number of critical contrasts are clear in the significance of decision criteria as for sexual orientation, conjugal status and age extend.

Strategies being employed in market with low penetration

In business sectors where Islamic managing an account has low diffusion, e.g Indonesia, North Africa, Turkey, Jordan and (most likely) the Sultanate of Oman (where Sharia-agreeable fund is relied upon to get), there is a lot of space for development and the level of rivalry is moderately low. Besides, Islamic banks in these business sectors are for the most part still little in size. In this manner, they are not enthused about acquisitions or wandering abroad. Rather, they concentrate on developing clients and organizations at home. Their significant rivals are traditional banks in similar markets and their systems include transformation of ordinary keeping money resources into Sharia-consistent resources. Expanding attention to Islamic saving money administrations is fundamental at this stage (www.cpifinancial.net).

Strategies being employed in the Kenyan market

In Kenya, different banks have adopted different strategies in order to tap into this promising line of business. BBK has for example a current account specifically designed for Sharia compliant customers named La Riba (non-interest). They have established a Sharia compliance board which advises on the suitability of the product in accordance to teaching of the Qur'an. To ensure that the bank is following the guidelines, the advisory board carries out annual reviews. The BBK utilized its 117 branch network especially in Muslim dominated areas to popularize the account. They have since introduced three Islamic banking suites and plans to expand its footprint (Halal Journal, 2009).

According to executives of GAB, the bank will concentrate its business in towns with enormous Muslim populace before moving to different towns with little or no Muslim populace. With an expected populace of about 9 million Muslims in Kenya GAB plans to do blasting business in the nation with trusts being high that the greater part of the religions dedicated will work account there rather than customary business banks (www.gulfafricanbank.com).

Performance of the strategies

The effect of Islamic banking is gradually being felt in the nation's monetary framework. It is getting banks in their wake, with GAB, a completely fledged Islamic bank organization, earning back the original investment precisely two years in the wake of propelling. It took FCB, the main other Sharia agreeable bank in Kenya, three years to earn back the original investment. The two Islamic bank banks all in all directed 0.9 for each penny of the managing an account area net

credits and advances of \$115 million and stores of \$171 million. The CBK additionally said the two banks had 58, 101 store accounts and 2,609 advance records in a similar period. (www.standardmedia.com).

Strategies that improve risk positioning

Islamic banks have various supports to oversee uprooted business dangers. These are benefit adjustment saves which add to smooth income over the cycle; speculation hazard saves which retain negative stuns on resource values; Mudarib expenses which can simply be diminished in an optional way to abstain from punishing the saving Rab al Maal; and shareholders who can simply give qardh Hassan to benefit sharing investors. In an anxiety circumstance, those IFIs adequately outfitted with such relieving instruments would be viewed as stronger to downturns (www.cpifinancial.net).

Strategies that improve financial fundamentals

Monetary essentials have five sub-variables, in particular gainfulness, liquidity, capital ampleness, proficiency and resource quality. Some budgetary measurements fundamentally mirror a bank's establishment esteem and hazard situating, yet judicious money related approach likewise assumes a critical part in molding these numbers. The greater part of the techniques of Islamic banks attempt to accomplish productive resource development. The distinctions in their techniques chiefly mirror the condition of advancement of Islamic banking and their positions in their separate home markets, their desires for the medium and long haul, and the assets they have (www.cpifinancial.net).

Sharia Advisory Boards/Committees

Islamic banks must have a Sharia Supervisory Committee. This Board ought to comprise of dependable researchers who are profoundly met all requirements to issue fatawa (religious decisions) on budgetary exchanges. Additionally Sharia committee individuals should have extensive involvement in present day business/monetary dealings and exchanges. The world prestige Sharia master, Sheik Nizam Yaquby brings up that The Articles of Association, plans, or statutes ought to accommodate the presence of a Sharia guidance board, whose fatawa and resolutions ought to tie upon the money related establishment's top managerial staff and administration. The admonitory board is required to be autonomous and allowed to give suppositions on proposed contracts and exchanges. The part of the Sharia supervisory board ought to be simultaneous with that of the money related establishment itself as in it ought to be shaped from the minute the monetary foundation is consolidated, and that it ought to give proceeded with supervision and lasting checking of agreements, exchanges, and strategies. This ought to be explicitly accommodated in the Articles of Association or the plan (www.nzibo.com)

METHODOLOGY

Research design

This was a descriptive study that assessed the strategic options that can enhance the growth of Islamic banking in Kenya. The design was beneficial and advantageous since factual information was obtained with non-biased judgments. It allowed the researcher to be flexible data collection exercise and hence determines findings of the research.

Target Population

The population of interest in this study comprised CEOs and Heads of Islamic Units of five banks providing Islamic banking in Kenya. The research focused on five banks namely; FCB, GAB, KCB, BBK and Chase bank.

In KCB, BBK and Chase Bank questionnaires were given to the CEOs and Heads of Islamic Unit while in FCB and GAB the respondents were the CEOs, Heads of Business and Sharia Managers.

The sample population comprised of the CEOs, Heads of Islamic Unit and Sharia Managers because these are the decision makers in formulation of strategies and implementation of new products.

Sampling design

The sampling frame was obtained from the banks database. All the three conventional banks under study have departments handling Islamic banking while the two fully fledged have Sharia board. The questionnaires were sent to CEOs and head of Islamic Banking in the three conventional banks with Islamic window while for the fully fledged Islamic banks the questionnaire were given to the CEO, Head of Business or Deputy CEO and the Sharia manager.

Category	Population	Sample
CEO	5	5
Unit Heads (Islamic Banking)	3	3
Sharia Managers	2	2
Head of Business/Deputy CEO	2	2
	12	12

Sample size

A sample of 12, comprising of 5 CEOs, 3 Islamic Unit Heads, 2 Sharia managers and 2 heads of business or Deputy CEOs was adopted.

Data collection methods and procedure

Close-ended questionnaires were used Primary data was collected using. The researcher opted to use questionnaires because the respondents are senior managers who often have a busy schedule, they can do the questionnaires at their own convenient time. In addition, questionnaire facilitated easier coding and analysis of data collected. Each questionnaire had two sections. Section A had close ended questions asking about general information of the respondent while section B had three parts. The first and the second part of the questionnaire had likert scale is used in asking the attitude question while the last part had close ended questions where the respondent was only expected to tick the box against his response. The questionnaires were sent to 5 CEOs, 3 Islamic Unit Heads, 2 Sharia managers and 2 heads of business making in all 12 respondents. The questionnaire together with the letter to the

respondent were emailed to the respondents. The respondent then filled the questionnaire by typing in and the researcher collected the questionnaires for analysis.

Data analysis methods

In regard of the information accumulation utilizing surveys, the Likert scale was utilized. The Likert scale was utilized on the grounds that it is easy to develop, simple to peruse and induce, and created a very dependable scale. Information was realized and analyzed utilizing SPSS version 17, descriptive measurements such as mean, mode and percentage as results were presented graphically utilizing tables, pie charts for clarification.

DATA ANALYSIS, RESULTS AND DISCUSSION

Descriptive Analysis

After presenting the response rate and respondents' demographics the study focused in looking at the strategies applied by Islamic banks to create a bigger market share. The study then looked at the customer service action points that Islamic banking were undertaking to improve customer satisfaction. The research finally checked the effects of these actions on the banks general growth and the growth of returns in the Islamic banking section.

Strategy Used by Islamic Banking

The study then looked at the strategy used by banks to grow Islamic banking in Kenya. The respondents were to identify the strategies that were mostly used by their relevant banks to grow Islamic banking.

The Strategy Used by Banks to grow Islamic Banking in Kenya

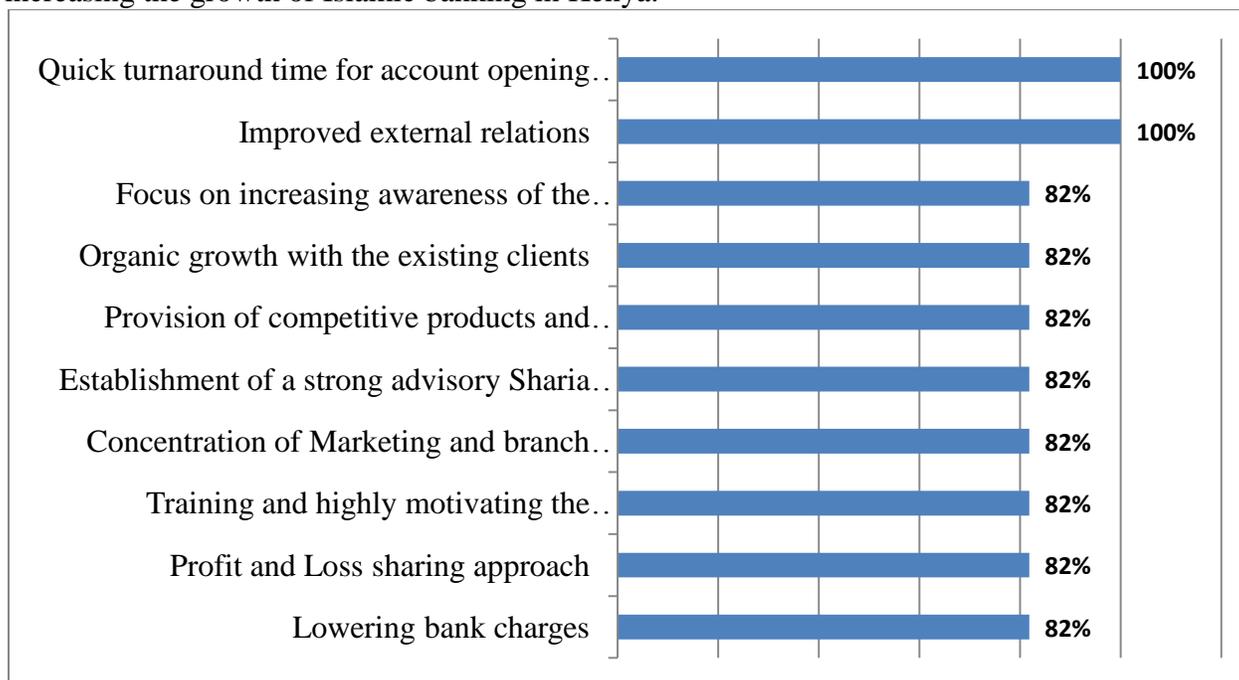
Strategy in use	Total Respondent	Those in agreement	Percentage of those in agreement
improved external relations	11	11	100%
close relations with regulators	11	11	100%
Branches in Muslim dominated areas	11	11	100%
Quick TAT	11	11	100%
Organic Growth	11	10	91%
Training of Staff	11	10	91%
Marketing Promotion	11	9	82%
Profit and Loss Sharing	11	9	82%
Interest Free lending	11	9	82%
Review of Products	11	9	82%
Diversification of Products	11	9	82%
No Collateral	11	9	82%
Increased Earning on deposit	11	9	82%
Low bank charges	11	9	82%
Strong Shariah board	11	9	82%
Competitive Product &	11	9	82%

Services			
Increase awareness	11	9	82%
Bonus to Marketing Team	11	8	73%

Table above shows that 11(100%) of the respondents felt that strategy mostly used were improved external relations, close relations with regulators such as central bank, concentration of banks in Muslim dominated areas and quick turnaround time for account opening and other banking services; 10(91%) of the respondents felt that the strategy commonly used were organic growth with existing clients and training and highly motivating workforce as key strategies. 9(82%) of the respondents agreed that focus in increasing product awareness, provision of competitive services and products, establishment of strong shariah board, lowering bank charges, increase in earnings on deposits and savings, relaxing collateral requirement, diversify Islamic banking products, continuous review and improvements of shariah compliant products, interest free lending, profit sharing and promotion. 8(73%) of the respondents felt that bonus awarded to marketing staff was highly used strategy.

Influence Customer Service

The study then looked at which customer service initiatives were most influential in increasing the growth of Islamic banking in Kenya.



Results showed that 11(100%) of the respondents felt that customer service initiatives that were most influential were improved external relations and quick turnaround time for account opening and other banking services; 9(82%) of the respondents felt that the customer service that influenced growth in Islamic banking were organic growth with existing clients, training and highly motivating workforce as key strategies, establishment

of strong shariah board, provision of competitive services and products, Focus on increasing awareness of the products, concentration of branch in Muslim dominated areas, lowering bank charges & profit sharing.

Growth of Bank of Annual Rate of Returns for the Last 3 Years

The study then looked at the effect on the strategy on the annual rate return. The purpose was to look at how the strategy used is affecting the bank’s profitability.

Figure 4.8: Growth in Annual rate of Return for the bank in the last 3 Years

Growth rate	Respondents	Percentage
10%-15%	2	18%
30%-45%	4	36%
60%-75%	5	45%
	11	100%

Results showed that 5(46%) of the respondents felt that their banks had increase their rate of return of about 60% to 75%, while 4(36%) felt that it had increased its returns by about 30% to 45%. 2(18%) felt that their banks had increased its returns by about 10% to 15%.

Growth of Return on Islamic Banking

There was need to evaluate the growth of specific return on Islamic banking products. The purpose was to check whether the customer service initiatives and the strategies applied were able to accelerate the growth of returns in the Islamic banking.

Growth on Annual Return of Islamic Banking

Growth rate of Islamic Bank	Respondents	Percentage
15%-30%	5	45%
30%-45%	3	27%
45%-60%	2	18%
75%-90%	1	9%
	11	100%

Results showed that 5(46%) of the respondents affirmed that Islamic banking had grown by about 15% to 30%, while 3(27%) felt that returns had grown by about 30 to 45%. 2(18%) of the respondents felt that the returns on Islamic banking had grown by about 45% to 60% while 1(9%) of the respondents felt that it had grown by about 75% to 90%.

Pearson Correlation of Banks’ Return Growth against Strategies Employed

The research first looked at the strategies employed to enhance Islamic products and how they impacted the general growth of the returns for the bank. A single tailed Pearson correlation test was done and the results tabulated.

What is the average annual rate of growth at your bank over the last 3 Years	Pearson Correlation	Sig. (1-tailed)
Concentration of Marketing and branch networking efforts in Muslim dominated areas	98%	0%
Profit Loss Sharing approach	90%	0%
Training and highly motivating the workforce in the bank	85%	0%
Promotion is the function of informing, persuading and influencing Customers	82%	0%

Diversifying Islamic banking products	80%	0%
Provision of competitive products and services	80%	0%
Bonus to Marketing staff	77%	0%
Interest Free Lending	75%	0%
Lowering Bank Charges	70%	1%
Quick turnaround time for account opening and other banking services	67%	1%
Organic growth with existing clients	64%	2%
Establishment of a strong advisory Sharia Board	64%	2%
Relaxing the collateral requirement during lending	59%	3%
Focus on increasing awareness of the products	55%	4%
Improved external relations	51%	5%
Continuous review and improvement of sharia compliant products	51%	6%
Increasing earning on deposit and savings	38%	12%
Close relationship with policy makers like Central Bank	-2%	47%

Results shows that growth in returns had significant and strong correlations with; concentration of marketing and branch networking efforts in Muslim dominated areas, profit loss sharing approach, training and highly motivating the workforce in the bank, promotion is the function of informing, persuading and influencing customers, diversifying Islamic banking products, provision of competitive products and services, bonus to marketing staff, interest free lending, lowering bank charges, quick turnaround time for account opening and other banking services, organic growth with existing clients, establishment of a strong advisory Sharia board, relaxing the collateral requirement during lending, focus on increasing awareness of the products, improved external relations, continuous review and improvement of Sharia compliant product at 90% level of confidence. Increasing earning on deposit and savings and close relationship with policy makers like central bank was not correlated to the general growth of the returns.

Pearson Correlation of Growth Returns on Islamic Banking Products against Strategies Employed

What is the average annual rate of growth of Islamic banking over the last 3 Years	Pearson Correlation	Sig. (1-tailed)
Increasing earning on deposit and savings	55%	4%
Focus on increasing awareness of the products	46%	8%
Quick turnaround time for account opening and other banking services	-46%	8%
Lowering Bank Charges	43%	9%
Profit Loss Sharing approach	41%	11%
Improved external relations	40%	11%
Provision of competitive products and services	39%	12%
Diversifying Islamic banking products	35%	15%

Bonus to Marketing staff	34%	15%
Training and highly motivating the workforce in the bank	29%	19%
Interest Free Lending	27%	21%
Organic growth with existing clients	-22%	26%
Concentration of Marketing and branch networking efforts in Muslim dominated areas	21%	27%
Establishment of a strong advisory Sharia Board	20%	27%
Close relationship with policy makers like Central Bank	16%	32%
Continuous review and improvement of Sharia compliant products	-15%	33%
Promotion is the function of informing, persuading and influencing Customers	5%	44%
Relaxing the collateral requirement during lending	0%	50%

Results shows that the strategies employed that significantly impacted on growth in Islamic banking products had been increased earning on deposits, focus on increasing awareness of the products, quick turnaround time of account opening and other banking services and lowering of bank charges or the rest of the strategies did not impact the growth significantly.

Summary

The study had four key objectives which were; the need to understand what were the factors which shaped customer's choice of Islamic banking in Kenya, the strategies being employed by Islamic banks in and outside Kenya, the extent the strategies employed by banks offering Islamic banking products were working in Kenya and the strategies that Banks in Kenya should be employed in order to enhance growth of Islamic Banking.

The study found out that quicker turnaround times influenced the choice of banks by the modern Kenya and therefore it was crucial for Islamic banks to provide the front office with efficient human and non-human resources to make the flow of work in the bank robust in order to be competitive. It also found out that organic growth and market penetration within Muslim dominated areas were the most utilized strategies as they created success. There was also confirmation that organic growth and market penetration had the greatest impact on the returns for the Islamic banking and that the need to increase revenues from their existing business was paramount for their future success.

Conclusions

In the summary the study indicated that the main objectives of the research were the need to understand what were the factors which shaped customer's choice of Islamic banking in Kenya, the strategies being employed by Islamic banks in and outside Kenya, the extent the strategies employed by banks offering Islamic banking products were working in Kenya and the strategies that Banks in Kenya should be employed in order to enhance growth of Islamic Banking.

The study found out that improved external relations & quick turnaround time for account opening and other banking services influenced their choice of Islamic banking. It further established that a huge majority, 82% felt that focused increased awareness of the products, organic growth with the existing clients, provision of competitive product and

services, establishment of strong Sharia board, concentration of marketing and branch networking effort in Muslim dominated areas, training and motivation of the workforce, profit and loss sharing together with lower bank charges guided the customer choice of Islamic banks. The research found that strategy mostly used for growing the Islamic banks were improved external relations, close relations with regulators such as central bank, concentration of banks in Muslim dominated areas and quick turnaround time for account opening and other banking services. Other strategies which are being used by banks include organic growth with existing clients and training and highly motivating workforce as key strategies.

Focus in increasing product awareness, provision of competitive services and products, establishment of strong shariah board, lowering bank charges, increase in earnings on deposits and savings, relaxing collateral requirement, diversified Islamic banking products, continuous review and improvements of shariah compliant products, interest free lending, profit sharing together with awarding of bonus to marketing staff were also being used in number of banks.

To what extent are the strategies working in Kenya?

From the study, we can clearly see that Islamic banks grew by a rate of between 10 % to 75%. 46% of the respond confirm that their banks grew by between 60% to 75% while another 36% of respondents confirm that their bank grew by between 30% and 45%.

Islamic banks in Kenya grew by a rate of between 15% to 30% while 27% of responding felt that the banks grew by a rate of between 30% and 45%. This clearly indicates that the strategies were working albeit with varying success.

The research concludes that growth in returns had significant and strong correlations with; concentration of marketing and branch networking efforts in Muslim dominated areas, profit loss sharing approach, training and highly motivating the workforce in the bank, promotion is the function of informing, persuading and influencing customers, diversifying Islamic banking products, provision of competitive products and services, bonus to marketing staff, interest free lending, lowering bank charges, quick turnaround time for account opening and other banking services, organic growth with existing clients, establishment of a strong advisory Sharia board, relaxing the collateral requirement during lending, focus on increasing awareness of the products, improved external relations, continuous review and improvement of Sharia compliant product at 90% level of confidence. Increasing earning on deposit and savings and close relationship with policy makers like central bank was not correlated to the general growth of the returns.

The research further concludes that the strategies employed that significantly impacted on growth in Islamic banking products had been increased earning on deposits, focus on increasing awareness of the products, quick turnaround time of account opening and other banking services and lowering of bank charges or the rest of the strategies did not impact the growth significantly.

Recommendations

There is need for Islamic banks to enhance relationship with external actors such as CMA, CBK and peers. The banks should improve on turnaround time for all the banking services, this can easily be done by employing the best staff and also adopting the latest technology

which will contribute towards improvement of TAT. Proper awareness should be created and brand visibility enhanced for the Islamic bank to continue reaping from their customer base and also increase their market share and in addition, banks should enhance organic growth through cross selling of bank product to existing clients.

There is need to continue having a strong and independent shariah board for the banks which already have one. But for the banks without a shariah board, they is need to urgently establish a reliable board. Banks should focus on towns which are dominated mainly by Muslims as their primary market before venturing into other towns with minimal Muslim population. Banks should carry out training for its staff members with aim of improving product knowledge among their staff and also enhance customer services.

There is need to lower charges on banking services in order to attract even those at the lowest level of income.

Islamic banks should continue fostering excellent relations with external parties and regulators. Organic growth is another area which they should focus on in a bid to continue growing in a risk free manner. They should also continue focusing on towns whose majority of the population are Muslims until they reach maturity stage. It's easier to market the products to Muslims than those who are yet to understand the Islamic importance of Islamic banking. Islamic banks should also continue with their shariah compliance culture since this forms the basis for its existence in the first place. Training of members of staff and motivating them is another area which should be focused on. The trainings will also help in improvement of turnaround time for loan application and account opening as discussed earlier.

Kenya being market whose Islamic banking is still at initial stages, banks should focus on provision of variety of banking and loan products. They should also put a lot of effort in creation of awareness since most people still don't know much about Islamic banking. Promotion and creation of awareness will also help in improving visibility of the Islamic banks.

Banks in Kenya should focus on creating awareness about the Islamic banking product through advertisements. Being new in Kenya, the banks also need a close working relationship with the policy makers and regulators in order to have a favorable legal framework to enable them function well. Islamic Banks should concentrate their branches in areas with sizable Muslim population; this will save them costs of creating awareness since most Muslims are familiar with the principles of Islamic banking. Kenya being country where majority of the people are low income earners, the banks should also focus on reduction of bank charges. This will attract more clientele to them. Employment of the best staff and also training of those already on the job in addition to automation of their processes will help in improved turnaround time for loan application and opening of accounts. The banks should thus get the best staff from the market and also adopt latest technologies.

Researchers have confirmed that organic growth albeit being slow is the most risk free and sure way of growing Islamic banks. Islamic banks should thus focus on cross-selling to their existing clientele and increase uptake of product per customer. Research has further confirmed that the aspect of profit and loss sharing and interest free lending is embraced by both Muslims and non-Muslims, the banks should thus not only continue with this strategy

but make it known through aggressive publicity. This will increase market outside Muslim population.

The banks should provide competitive goods and services, diversify them and also continue reviewing the goods and services. This will help them keep up with the competition. In addition, Islamic banks should increase return on deposits placed by customers with them, this factor has come up as one of the determinants of choice of bank by clients. And in loans, the banks should find innovative ways of securing loans since most people cannot avail collateral to cover the borrowing. The banks should also establish strong Shariah advisory board because this will be the link between the customers and the bank. They not only audit Shariah compliance of the banks activities but also give assurance to customers who have doubt about Shariah compliance of the products being offered by the banks. This will go a long way in increasing market share of the bank.

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