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FACTORS INFLUENCING GROWTH OF SHARIAH COMPLIANT BANKING IN KENYA- A SURVEY OF KCB SHARIAH COMPLIANT BANKING IN KITALE TOWN

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***Abstract*: The purpose of this research study was to assess the factors influencing the growth of shariah compliant banking in Kitale town, Kenya. The study was guided by the following specific objectives; To determine the effects of financial support on growth of Shariah compliant banking in Kitale town, to evaluate the effect of financial technology on growth of Shariah compliant banking in Kitale town, to assess the effect of customer awareness on growth of shariah compliant banking in Kitale town and examine the effect of financial accessibility on growth of Shariah compliant banking in Kitale town. The study adopted a census using questionnaires to collect data. The questionnaire was given to 50 members of staff from the two branches in Kitale town. The collected data was first coded statistically and then analyzed using the Statistical Package for Social Scientists (SPSS) and Microsoft Excel enabled the researcher to compute descriptive statistics such as percentages, frequencies, and ranges. Assessment of validity and reliability, data analysis and presentation was done using SPSS which includes Cronbach's Alpha, Correlation and Regression. Presentation was in the form of p-charts, tables and graphs, the presentation of the results was done by use of graphs, charts, tables, cross-tabulations and pie charts for clarity and ease of understanding of the findings. The findings and results are as follows on the issue of financial support the majority of the respondents agreed that the bank supports its projects and that the staffs are well motivated and trained. The study concluded that shariah banking has made a remarkably successful entrance into the Kenyan financial market. People from different religions appreciate this form of banking that is free from the uncertainty of interest rate fluctuations that is transparent, and offers caring partnership. The study highlighted concerns about the familiarity of bank staff with the concept of Islamic banking. In addition to the training of personal qualified in Islamic finance, Sharia compliant banks will need to conduct promotion and marketing activities. The study recommended the establishment of a National Sharia Board of Kenya consisting of Muslim and non-Muslim scholars to work with the central bank in overall overseeing of Islamic finance, Implementation of international Islamic finance standards in Kenya to ensure uniformity in provision and development of products, the central bank of Kenya to consider pushing through a full roll out of sharia compliant banking in all banks through Islamic windows and services, having qualified personnel, adequate and proper training of staff handling sharia compliant products and services and positive publicity for sharia compliant banking through corporate responsibility activities. For a future research activity, the studies recommended the investigation into the implementation of international Islamic finance standards (IIFS) in Kenya and also investigate the difference in growth levels of sharia banking between fully fledged Islamic banks and Islamic windows of conventional banks.**

***Keywords:* Financial Support, Financial Technology, Customer Awareness and Financial Accessibility.**

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I. INTRODUCTION

Background:

Shariah compliant banking is banking according to the values and ethos of Islamic shariah as given by Quran and hadith. Shariah; is an Arabic word that means practicing as per the Islamic values and law. The concepts of Islamic Banking are provided and guided by the Qur'an (the Islamic Holy book) and Hadith. The Qur'an and Hadith provide for what is and is not prohibited in the Islamic faith (Khan, 2010). The basic concept of Islamic Banking is the prohibition of riba (Ayub, 2002). According to Khan, profits earned must be the product of risk sharing through engagement in profitable trade (Khan, 2010). The basic guidelines of Islamic Banking and Finance as provided by El Hawary et al, (2004) are; Risk-sharing: the terms of the financial transactions must reflect the sharing of risk and returns amongst all the stakeholders in the transaction, Materiality: all financial transactions should be equity based rather than debt based, No exploitation: there should be equality i.e. No party should feel inferior or superior to the other in the transaction (bank and customer), and Activities forbidden under Islam should not be financed e.g. phonographic, firearms, alcohol sale and gambling. There are more than 180 Islamic banks and financial institutions operating in Asia, Africa, Europe and the USA with more than 8,000 branches with an estimated $170 billion. The popularity of the Islamic banking system is not limited to the Islamic banks only. Increasingly large international conventional banks are showing interest in the Islamic banking system as well (Naser, 2009).. The Islamic law i.e. the shariah prohibits Muslims from dealing in riba (interest), which literally means increase, addition, rise or growth as indicated by Khattak&Rehman, (2010). Islamic banking practice, which started in early 1950s on a modest scale, has shown tremendous progress during the last 25 years. Serious research work of the past two and a half decades has established that Islamic banking is a viable and efficient way of financial intermediation. A number of Islamic banks have been established during this period under heterogeneous, social and economic milieu.

Origin of Shariah Compliant Banking:

Shariah compliant banking has a recent origin as compared to its conventional counterparts. Although scholars have discussed and analyzed issues with regards to a system of banking that is interest free based much earlier, much exclusive attention to the subject matter is a twentieth century phenomenon. The first experiment of modern Shariah compliant banking got on the way precisely on 25th july, 1963 in Egypt. This experiment was undertaken under cover for the fear of being labelled as a manifestation of Islamic fundamentalism which was anthema to the government in power. First established in the town of Mit-Ghamr, the experiment took the form of a bank strictly meant for savings on which any realized profits during the course of operation was shared in proportion initially agreed upon between the bank and savers. This was aimed at changing the fundamental attitude of the people living in the area towards savings and investment. The bank neither paid nor charged interest in all its dealings with its clients. Funds were invested often in trade and industry in partnership's experiment of 1963, a small scale or limited scope interest free banks had been tried before, one in Malaysia in mid 40s and the other in Pakistan in the late 1950s, neither of these two survived. The main starting break of Shariah compliant banking as we know it today occurred in December 1970 at the 2nd conference of foreign ministers of Muslim countries held in Karachi, Pakistan. It was at that conference that the idea of a full-fledged Shariah compliant banking was first mooted. It was the work of this conference that triggered the establishment of Nasr social Bank in Egypt in 1971. In 1973 and 1975, The Philippine Amanah Bank and The Dubai Islamic Bank (DIB) were established. Several others like the Faisal Islamic of Sudan and Faisal Islamic bank of Egypt were established in 1977 [3].

As at 1996, it was documented that there were a total of 166 Islamic banks with assets worth over $137 billion. In 2010, the total assets of the Islamic banks were estimated to be $3-4 trillion, equalling 3% of the total assets of conventional banks. From this, we can deduce quite easily that from its humble beginning in 1963, less than five decades now, Shariah compliant banking is sporadically progressing from being a relatively new sector in local and international finance to one viable economy can hardly do without. Shariah compliant banking is enjoying stable growth even in the world of financial crisis at an average rate of 15%.

As Islamic finance is intertwined within its religion, the basis of the religion affects the finance in two important ways: Islam aims at building a socio-economic order based on justice and considers economic activity as a means to an end and not an end in itself. It enjoins Muslims to harness natural resources, which are a trust from Allah (God), for carrying out rightful activities; but abhors exploitation and man-made inequalities of income and wealth. Islam is deeply concerned with the problem of economic development, but treats this as an important part of a wider problem, that of total human

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development. The primary function of Islam is to guide human development on correct lines and in the right direction. It deals with all aspects of economic development but always in the framework of total human development and never in a form divorced from this perspective.

Shariah Compliant Banking in Kenya:

Shariah compliant banking was first introduced in Kenya in 2006 when the banking act Section 12 was amended which for the first time in Kenya and East and central Africa at large gave birth to the practice of shariah compliant banking by both conventional banks and purely Islamic banks in Kenya. Conventional banks were allowed to set up Islamic windows where they would offer shariah compliant products and services along with their usual conventional banking products and services. This amendment also gave rise in its first year to fully fledged Islamic banks where strictly shariah compliant products and services were offered. These made it possible for the Kenyan market to enjoy shariah compliant banking products and services. The first bank to introduce these products and services in Kenya was Barclays bank of Kenya through its window lariba in the year 2006 other conventional banking giants followed suit with KCB bank launching its shariah compliant banking window in 2007 while National banks introduced Al-mumin, in 2009 which was rebranded in April 2013 to National Amanah. First Community Bank and Gulf African Bank were the first Kenya's fully-fledged Islamic banks in operation and still remain the only fully fledged shariah compliant banks in Kenya to date.

Barclays Bank became the first bank to introduce the *La-riba*(Interest Free Accounts) concept in 2006. This was followed by the Kenya Commercial Bank which introduced a similar Islamic window in 2007 while National banks introduced Al-mumin, in 2009 which the was rebranded in April 2013 to National Amanah. So far close to 19 Kenyan Banks provide Islamic finance facilities, with two banks, First Community Bank and Gulf African Bank claiming a position of being completely Islamic. With the emergence of Islamic Banking a regulatory challenge is anticipated to emerge. Since then a lot of developments and innovations have happened in Islamic banking industry in Kenya. Initially shariah compliant products and services were designed only to those who profess the Muslim faith but this changed when KCB bank through its Islamic window opened with the door to both Muslims and non-Muslims. The Kenyan regulatory environment provides only for conventional interest-based banking environment. The Central Bank faces the challenge of supervising a system that includes both an interest based banking and interest free system. Islamic finance is not limited only to the banking sector. The Islamic oriented investments are being practiced in Kenya by the large Muslim population engaged in active economic activity. According to Tarek S. Zaher&Kabir Hassan, (2001), there exist three levels of Islamic banking institutions in Kenya, of which the first two fall into the legal category of commercial banks; Full-fledged Islamic commercial banks like First Community Bank and Gulf African Bank, Islamic banking units of commercial banks represented Barclays, KCB and National Bank and Islamic Co-operative Societies like Muslim operated and run SACCOs. With the recognition and accreditation of capital markets authority (CMA) and First Community Bank (FCM) by the Islamic international body (IFSB) Islamic banking in Kenya continues to grow.

KCB Shariah compliant Bankingdates back to 2007 when its first Islamic window which later died off with no much success and achievements, in the year 2015, KCB re-launched its new Islamic banking unit after approval by the national Treasury. The first banking unit was dubbed "KCB Sahl banking". KCB was given the necessary exemptions of law by the government in implementing out its Shariah compliant products and services to its customers in the country. Its uniqueness is that the Islamic window is open to all that is both Muslims and non-Muslims which is a deviation from the norm of it being strictly Muslim affair. (KCB Financial report, 2015). The Banks head of Islamic Banking Jaafar Sheikh Abdulkadir in 2015 while launching the product acknowledged that it was the biggest milestone attained by the bank as they seek to 8/*3use Islamic Banking proposition to deepen the bank's financial inclusion agenda that progressively looks at incorporating products and services to reach out to the unbanked population. According to KCB head of Shariah compliant banking Molu Halkano, the concept of Islamic banking is new to the market, and there is a need for customers and various stakeholders to have information about how it works.

The bank has so far created various asset and liability products including Mudharaba, QardHassa, Wadia, Murabhaha, Musharaka and Ijara: Explained as profit sharing (Mudharabah), safekeeping (Wadia), joint venture (Musharakah), cost plus (Murabahah), and leasing (Ijar). In essence, Islamic Banking is about relationships, partnership and risk sharing. It encompasses the Islamic approach of integrating social welfare, economic returns and business growth.Islamic Banking at KCB covers assets and liability products, project finance, equity financing, leasing and consumer financing. 2015 was predominantly marked by efforts to ensure sharia compliance of products, processes, terms and conditions, and the overall delivery architecture.

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Despite these inceptive challenges, through Islamic Banking, we have approved facilities of over KShs2 Billion with a loan book in excess of KShs700 million. Over 3,000 deposit accounts have been opened with approximately KShs660 million in deposits. So far Shariah compliant Banking has made tremendous achievements in terms of business growth given by growth in Islamic facilities, number of accounts and overall profitability of the sector highlighted by 1045 percent growth in 2016 compared to previous years as shown by KCB financial report, (2016).

Statement of the problem:

Shariah banking is still a relatively new concept in Kenya and not much research studies have been carried out. In the recent past both shariah compliant banks and conventional bankswith Islamic windows in Kenya have reported tremendous success stories ever heard in the sector in terms profitability, increase in customer accounts, growth in asset book and overall growth. So this study seeks to analyze factors influencing growth of shariah compliant banking in Kenya with the case of KCB Shariah compliant Banking in Kitale town.

According to the CBK Report 2017 the country had 45 banks including two fully fledged Islamic banks(FCM- First Community Bank and GAB-Gulf African Bank) despite being incorporated in 2007 both banks have reported very strong performance in the last five years to 2013 with both banks breaking even in the first 3 years . For example GAB bank during the first five years of the bank's operation (years leading to 2013), as an Islamic commercial bank offering universal banking services to customers, it has been one of the fastest growing banks in the history of the Kenya's banking sector (GAB, 2013). As at September 2011 the bank broke even boasting of a strong balance sheet, with excellent operating profitability and strong ratios, placing it at the zenith of the 'industry' and currently, the mid-sized financial services provider with total assets of over Kes.11.9 billion and a net profit of Kes.75 million, (GAB, 2013).

KCB Shariah compliant Banking despite these inceptive challenge and being re-launched midway in 2015 the Islamic window approved facilities of over KShs2 Billion with a loan book in excess of KShs700 million. Over 3,000 deposit accounts have been opened with approximately KShs660 million in deposits which a very impressive performance. In the year 2016 Shariah compliant Banking has made tremendous achievements in terms of business growth given by growth in Islamic facilities, number of accounts and overall profitability of the sector highlighted by 1045 percent growth in 2016 compared to previous years as shown by KCB financial report, (2016).

However, there exist several challenges that impact negatively on this kind of banking: lack/few of Islamic professionals in the industry, the lack of adequate liquidity instruments are a major hindrance in Islamic banking, the lack of awareness especially among Muslim and non-Muslims on the shariah compliant products and services, lack of a uniform regulatory and legal framework, lack of adequately trained manpower, lack of team spirit, rapid changes in financial technology, poor marketing strategies, lack of dedicated staff to handle shariah products ,untrained staff or staff not conversant with shariah banking, poor financial accessibility, technological insecurity, lack of management and financial support among others. It is on the above robust financial performance statistics among others and the several challenges facing the industry that the study sought to analyze the factors influencing growth of Shariah compliant Banking in Kenya, Kitale town.

Objectives:

General Objective

The general objective of this study was to analyse the factors influencing the growth of shariah compliant banking in Kenya

Specific objectives:

i. To determine the effects of financial support on growth of Shariah compliant banking in Kenya

ii. To evaluate the effect of financial technology on growth of Shariah compliant banking in Kenya

iii. To assess the effect of customer awareness on growth of Shariah compliant banking in Kenya

iv. To examine the effect of financial accessibility on growth of Shariah compliant banking in Kenya

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Research questions:

i. What are the effects of financial support on the growth of Shariah compliant banking in Kenya?

ii. How does financial technology affect the growth of Shariah compliant banking in Kenya?

iii. What is the influence of customer awareness on the growth of Shariah compliant banking in Kenya?

iv. What role does financial accessibility play towards the growth of Shariah compliant banking in Kenya?

Research Hypothesis:

$H0_{1:}$ Financial supportdoes not have a significant effect on the growth ofShariah compliant banking in Kenya.

$H0_2$: Financial technology does not have a significant effect on the growth ofShariahcompliant banking in Kenya.

$H0_3$: Customer awareness does not have a significant effect on the growth of Shariah compliant banking in Kenya.

$H0_{4:}$ Financial accessibility does not have a significant effect on the growth of shariahcompliant banking in Kenya.

Justification:

The study found it necessary to examine the factors influencing the growth of Shariah compliant Banking in Kitale town, focusing on the two existing branches of KCB as it is evident there exist less information on Islamic banking in Kitale town. Islamic banking relies on the assumption that all operations taking place are in compliance with Shariah and every client complying with this rule and also it is in the domain of the public that Shariah compliant banking is meant for Muslims, thus need to clarify this perspective. This research is very crucial in our country banking and financial sector first of all to the government of Kenya through the legislature and ministry of national treasury in making laws that support or open this infant sector. Public finance management act and various acts must be amended to facilitate shariah compliant banking and ensure compliance with relevant standards and shariah law itself. Central bank of Kenya (CBK) needs such researches to enable in governance, regulation and growth of the industry. Others who may need this is the banking institutions intending to join shariah banking as basis for decision making and Kenya bankers association for compiling consumer data and statistics.

Scope of the study:

The study focused on the factors influencing the growth of shariah compliant banking in Kenya focusing on KCB shariah compliant banking in Kitale town. The study was carried out in Kitale town (Trans-Nzoia County) and targeted the two existing KCB branches respectively. The study intends to focus on all the employees of the two branches of KCB in Kitale town. A structured questionnaire was used to collect primary data from the selected respondents.

2. LITERATURE REVIEW

Introduction:

This section presents the theoretical framework, conceptual framework, review of variables, critique of the literature and the gap filled. The review of appropriate journals, reports, monographs, books should shed light on what is already known about the problem and should indicate logically why the proposed study would result in an extension of this prior knowledge.

Theoretical Framework:

The theoretical literature has provided different hypotheses on the effects of financial innovation. The traditional innovation-growth view posits that financial innovation improves the quality and variety of banking services (Merton, 1992; Berger, 2003), facilitates risk sharing (Allen and Gale, 1988, 1991 and 1994), completes the market and improves a locative efficiency (Ross, 1976, Houston et al., 2010). Dynan, Elmendorf, and Sichel (2006) suggest that financial innovation has played a key role in reducing the volatility of economic activity in the early parts of the 21st century.

Trust Financing Theory:

The trust financing theory is referred to Mudaraba in Islam (finance by way of trust). According to Mirakhor and Zaidi (2007) Mudaraba is a form of partnership in which one partner (rabb al-mal) finances the project, while the other party (mudarib) manages it. In financial access the trust financing is very crucial as minimizes the risk on the customer through risk sharing and and such partnerships as mudarib. This mode of financing does not require that a company be created; the financial institution provides all of the capital and the customer is responsible for the management of the project. Thus, profits from the investment are distributed according to a fixed, predetermined ratio. The partner has possession of the assets, but the other party has the option to buy out the partner's investment.

The Regulation Innovation Theory:

Regulation innovation theory was put forward by Scylla et al (1982). It explains financial innovation from the perspective of economy development history. The theory proposes that financial innovation connects with social regulation closely, and it is a regulation transformation which has mutual influence and has mutual causality with economic regulation. Scylla et al thought that it is very difficult to have space of financial innovation in the planned economy with strict control and in the pure free-market economy, so any change brought about by regulation reform in financial system can be regarded as financial innovation. The theory proposes a regulation framework for all financial innovation and it would be important to check the value of this proposition toward the growth of shariah compliant banking in Kenya. This theory works well with fintech in bringing that innovation to the conventional banking.

Profit and Loss Sharing (PLS) Theory:

Islamic scholars treat PLS instruments, mudarabah and musharakah as a central pillar of the Islamic banking model. In mudarabah banking, the Islamic bank accepts funds from depositors under risk-sharing arrangements. The Islamic bank either directly invests these funds in profitable investments or extends them to entrepreneurs on a risk-sharing basis. The Islamic bank shares the profit or loss made on mudarabah ventures with its depositors. In musharakah banking, the Islamic bank contributes the depositors' funds to a joint enterprise with the client (an entrepreneur). Generally, the Islamic bank allows the client to manage all the affairs of a Musharakah business. The Islamic bank and the client mutually share the profit or loss made on the Musharakah investment.

In a typical PLS arrangement, an Islamic bank provides the risk capital to a firm in which professional managers are responsible for making strategic and operational decisions. The bank shares in profits and is liable to any financial loss. There is no serious problem with this arrangement if the bank is able, and is allowed, to monitor business operations of the firm. However, proper monitoring mechanisms are yet to be devised for PLS, especially in case of Mudaraba that does not provide any control rights to the financier (the Islamic bank in this case). Fiqh literature on this issue is quite outof-date and needs serious reconsideration. For example, Saleh (1986) lists three rights and one responsibility of the financier in a Mudaraba arrangement. The rights include ensuring that the borrowing entrepreneur (firm) complies with the terms of the contract, sharing profits, and limited liability in case of loss. The sole responsibility is handing over the Mudaraba capital. He also outlines two rights and two responsibilities of the borrower.

The rights include conducting the business with an appropriate degree of freedom, and accounting decisions. The responsibilities are compliance with the terms of the contract, and liquidation of the Mudaraba business at the end of the contract. The modern use of Mudaraba as a mode of financing obviously requires more than such preliminary specification of rights and responsibilities. There is a need for construction of standardized PLS contracts, or bylaws, in the light of the legal frameworks of Muslim countries. A prominent feature of these bylaws should be definition of the rights and obligations of various officers or groups within the organizational structure. Similar bylaws should delineate the clauses related to performance of the borrowing firm compared with other firms in the same sector and, possibly, other firms.

The Transaction Cost Approach Theory:

The transaction cost innovation theory's main pioneers are Hicks &Niehans (1983). They thought that the dominant factor of financial innovation is the reduction of transaction cost, and in fact, financial innovation is the response of the advance in financial technology which caused the transaction cost to reduce. The reduction of transaction cost can stimulate financial innovation and improvement in financial services. This theory studied the financial innovation from the

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perspective of microscopic economic structure change. It thought that the motive of financial innovation is to reduce the transaction cost. And the theory explained from another perspective that the radical motive of financial innovation is the financial institutes‟ purpose of earning benefits. This theory discussed the motive and the process of financial innovation from different sides. Hence this theory was used to establish the financial innovation and economic performance from the transaction point of view to see whether its transaction cost derived from financial innovation that drive economic activity linking to growth of shariah compliant banking. There are five critical attributes that greatly influence the rate of adoption. These include relative advantage, compatibility, complexity, trainability and observability. The rate of adoption of new innovations depended on how an organization perceives its relative advantage, compatibility, tradability, observability and complexity. If an organization in Kenya observes the benefits of Islamic banking, then they adopted these innovations given other factors such as the availability of the required tools, customer awareness and other advancements.

Conceptual Framework:

The Conceptual framework above shows the relationship between the independent and the dependent variables of the study. The independent variables are: Financial support, financial technology, Customer awareness and financial accessibility. The dependent variable is Growth of shariah compliant banking as shown in figure2.1 below.

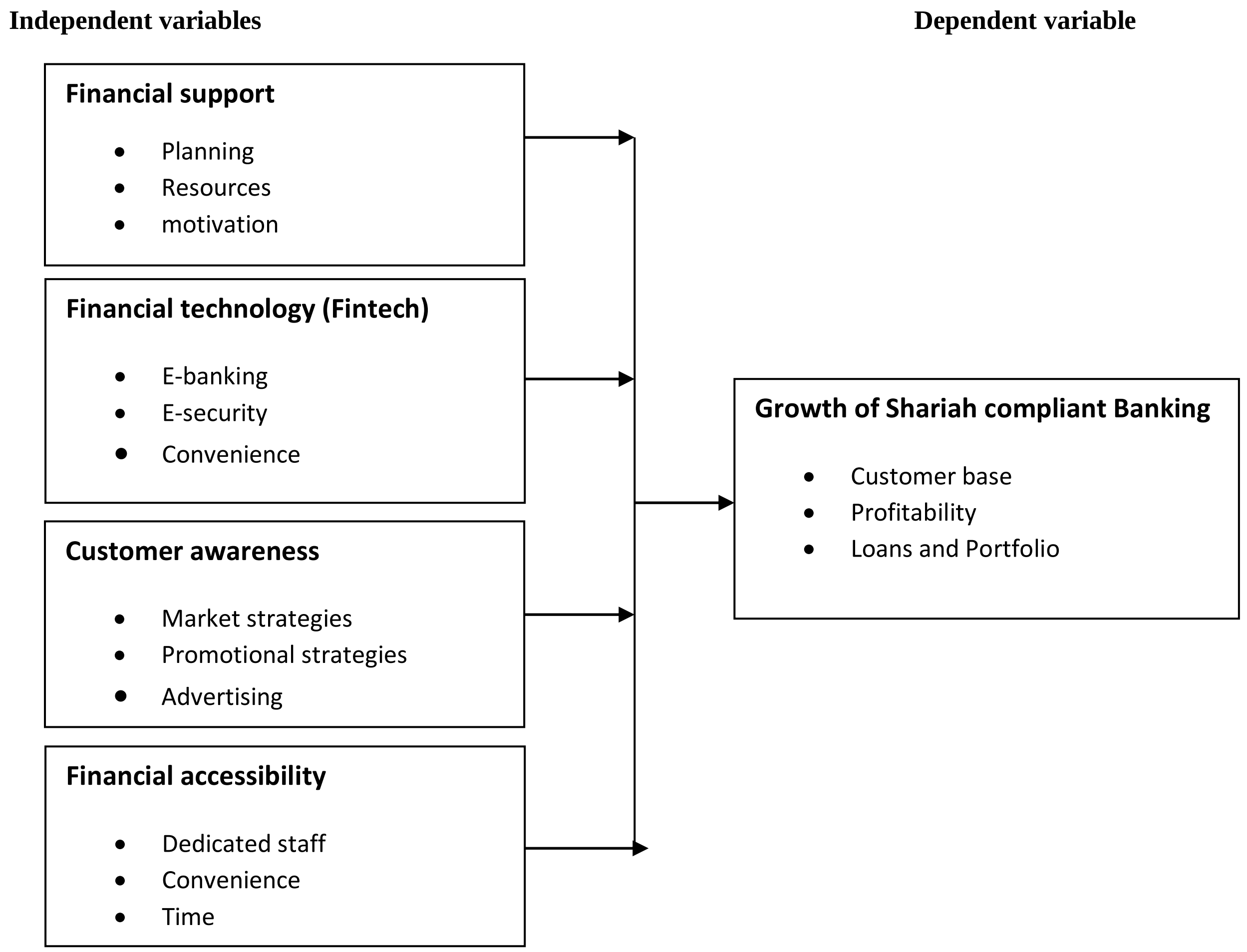

Figure 2.1 Conceptual framework

Review of variables:

Financial support:

A financial support refers to the framework of policies, processes and procedures used by an organization to ensure that it can fulfil all the tasks required to achieve its objectives**.** These objectives were mix covering many aspects of the organization's operations (including financial success, safe operation, product quality, client relationships, legislative and regulatory conformance, worker management, etc.). Financial support forms the back bone of every organization and it plays a pivotal role towards the success of the organization in the market. It relies on the performance and willingness of the personnel to deliver in their respective areas of work. This is necessitated by trust among the entire channel of leadership and the chain of command. Aspects like employee empowerment; morale boosting, good remuneration and conducive working environment created a good financial support system. As the sector continues to grow, it is becoming increasingly important for banks to ensure that their employees receive the training and resources to follow both Shariah principles and traditional compliance laws. Banks must act now to provide documentation and training for their employees. It is only with a knowledgeable, educated staff that Islamic financial institutions can survive and compete.

However, this is normally affected by the unwillingness of staffs to corporate with other members in order to attain the set targets. Their participation and commitment determined the success of the set strategies and goals as shown by Porter, (2013). The success of Islamic banking depended on factors like: Conducive & vibrant organization culture, transparency, organizational ethics, employee participation & commitment. Positive outcome of assessment of above factors ensured success through apparent financial support. To put in place the best infrastructure to support brilliant ideas such as fintech development such as electronic, digital and Fintech service which has an increasing advancement in service productivity, which addresses the expectations of the consumers you need massive financial support in terms of investments, Lichtenberg (1995) concludes that there is significant benefit from investment in Information Technology especially in the Banking Industry. Staff training, development and even proper remuneration needs financial support to ensure that they are involved from the onset to avoid resistance at all. So this needs adequate financing to ensure success is realized.

Financial technology (Fintech):

Fintech is the term coined to describe the intersection between finance, banking and technology. It refers to technical innovation being applied in a traditional banking service context; According to Mario Castelino (2006) this development such as electronic, digital and Fintech service has an increasing advancement in service productivity, which addresses the expectations of the consumers. It is one of the most exciting and dynamic segments of the financial services market.

Shariah banking and Fintech can be broadly defined as technologically enabled financial innovation that could result in new business models, applications, processes or products with an associated material effect on financial markets, financial institutions and the provision of financial services (Carney, 2017). Fintech innovations are emerging in many facets of finance – retail and wholesale payments, financial market infrastructures, investment management, insurance, credit provision and equity capital rising. Fintech (financial technology) is anywhere technology is applied in financial services or used to help companies manage the financial aspects of their business, including new software and applications, processes and business models. Once considered more of a back-end, data center processing platform, Fintech has in recent years come to be known as the basis for end-to-end processing of transactions over the Internet via cloud services. A new wave of technological innovations, often called “Fintech,” is accelerating change in the financial sector. Fintech leverages the explosion of big data on individuals and firms, advances in artificial intelligence, computing power, cryptography, and the reach of the internet.

“People need banking, but they don’t necessarily need banks”, said the chief client experience, digital, and marketing officer during interconnects 2015. Despite the advantages of the Fintech innovations, some customers in the world are still skeptics. A significant share of private banking clients, especially in Europe, still prefer to delegate their wealth management needs to a traditional advisor or private bank with an established track record, instead of seeking their investment advice online. However, clients in Asia and the U.S. are increasingly willing to make some investment decisions themselves and even to share ideas online through social media platforms the impact of Fintech on the banking industry may lead to the disaggregation of the value chain interfaces may come about that help bundle the product offerings of specialized providers, thereby becoming a substitute for an integrated provider. The distribution related economies that were alluded to, may actually lead to such disaggregation of the value chain. Fintech innovations are still catching up with financial regulators. Therefore, there is a higher risk of loss for lenders if strict due diligence procedures are not consistently followed as with regulated financial institutions.

In many financial service organizations, technology has moved from the back offices to the front. The industry has become the world’s most digitized one according to Strategy & Analysis; they say that 60 percent of all retail banking transactions now are done online. In Europe, more than 47 percent of ultra-high-net-worth individuals use Facebook and more than 40 percent of high-net-worth individuals under the age of 50 view social media as an important channel for communicating with their bank, according to a recent study by Assetinum. Similarly, a recent Deutsche Bank study finds

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that more than 33 percent of all new banking business with customers between the ages of 16 and 39 is conducted fully on the Web. Among these younger clients, online channels (including social media) have become one of the most important information sources for investment decisions. Before 2005, the African financial system was underdeveloped and the banking system was concentrated in few commercial banks in the majority of the countries. Locally Majority of the people in Kenya didn't have bank accounts. Due to this many couldn't send money home. Even then 8 out of 10 owned a mobile phone. One of the largest cell phone services Safaricom founded Mpesa in 2007 which allow transfer of money through mobiles. Within 5 years 83% of the Kenyan started using this service. It works in basic cell phone sets and money can be transferred through SMS (Kohli& Patel, 2016).

There are nearly 10000 start-ups in the country out of which 4300 are technology based start-ups. All the sections of market are attacked by these start-ups. "The local grocer along with the plumber and food delivery boy has now become tech savvy'.(Gupta et al., 2016)The investment in Fintech has increased from USD 247 million to USD 1.5 billion from 2014 to 2015. Even though India has a very few angel investors, an increase in the interest level can be seen in investors comparing to 2014(KPMG, 2015). Mobile is already having a big impact on our lives, jobs and our economy. Fintech companies with the help of mobile are digitizing money and soon made physical wallets vanish (Hayashi, 2015). In the case of this payment mechanism users were not be able to understand what is happening when they make such payments. They are unaware of the mechanism that works behind. So Fintech companies need to create awareness, make them feel safe and secure while using their services. In India Fintech is not a new concept. In 2006 Fintech 100 which is an annual ranking of hardware and software service provider had ranked Wipro as one among top 25(Economic Times, 2006).

Fintech offers sustainable and realistic opportunities by enhancing the value proposition and driving sales, reducing operating costs, making easy access to loans, and lowering interest rates. After showing the advantages of using Fintech services, the findings are that Fintech could improve both financial services and access to services in the West African economy. Bill Gates founder of Microsoft supports India's move towards digitization. Digitization is an inclusive platform where basic need is a mobile phone to access all financial products and services. "Increasing digital financial inclusion brings dramatic benefits of better interest rates, smart savings and transparency, but it won't completely replace cash," says Gates. (Hindustan Times, 2016 .According to a report by Deloitte, Customers now expect seamless digital on boarding, rapid loan approvals, and free person-to-person payments; all innovations that Fintechmade popular. And while they may not dominate the industry today, Fintech have succeeded as both standalone businesses and vital links in the financial services value chain:

Banks have also become technology providers, competing with the likes of PayPal or Square and sometimes collaborating on rolling out shared platforms to enable services, earlier this year Early Warning Services LLC. – a technology provider owned by Bank of America, BB&T, Capital One, JPMorgan Chase and Wells Fargo – unveiled its new Zelle person-to-person payments service. The service platform is expected to be supported by more than 30 banks this year and will let 86 million U.S. mobile banking customers send and receive payments as an alternative to cash and checks.With all these new technologies, increased digitization, and connectivity have increased the number of touch points for KCB-Shariah customers and have also increased the banks' vulnerability to attacks hence need for this. Shariah baking customers are enjoying services digitally.

Customer awareness:

According to Kadir , (2005), states that the creation of Islamic money market and capital market are another landmark development in the area of Islamic finance. A wide range of instruments have been developed to facilitate the effective management of liquidity and funding by the Islamic financial institutions. This has facilitated the smooth flow of funds in the Islamic financial system. The encouraging development in the ICM has encouraged major Islamic banks to issue Sukuk (Islamic bonds). Consumer education and awareness about Islamic banking is critical to its success and future development. A consumer education program needs to be developed to enhance public awareness of the features of Islamic banking products and services (Aziz, 2005).The table below compares ICM products and services with conventional market products.The gradual re-emergence of the Kenyan middle class has given rise to a class of knowledgeable and financially savvy customers. Their benchmarks for service quality have also risen, aided by the intense competition among financial service providers to attract new customers. It is no longer just sufficient to provide products, but to align these closely with specific customer segments and their identified expectations according to J. O. Adetayo, S.A. Sanni, and M.O. Ilori (1999).

Islamic banking creates numerous opportunities and threats for the various stakeholders in financial sector especially in bankers and customers' perspectives. The development of Shariah compliance banking products became a challenge for bankers. Moreover, awareness and acceptance of these products reveal another aspect of this very demanding sector in a society having a complete code of life according to specific socio-economic setting of Pakistan. Customers are considered the most important stakeholders with reference to Islamic banking products in Pakistan and awareness level plays key role in this regard. Generally, awareness level varies among different customers based upon demographics and other features as it moves from no awareness towards more awareness as well as from awareness to familiarity. Eventually this familiarity leads the customers to have a desire to visit the place or something like product (Milman and Pizam, 1995).Awareness is central tenet for the recent age of information financial technology to survive in the highly competitive global market especially due to emergence of financial services worldwide. Awareness means one understands and knowledge about anything, e.g. personality, place, product or service etc. It can stimulate the individuals towards action because awareness enables them to make choice (decision making) based upon pros and cons of anything. It can be the blending of analysis and intuition that may enhance the awareness level regarding the subject matter. Similarly, customer awareness level (CAL) reveals the stage or phase of customer's psychological aspect in terms of understanding and knowledge regarding any idea, person, place, product or services etc. So, the investigation of customer's awareness level is getting importance due to emergence of new markets, sectors, products and services locally and globally.Islamic banking institutions offer products that address not only the needs of Muslims but anyone in the society including individuals and corporations. Among the customers of Islamic banking institutions include men, women, Muslims, non-Muslims, students, business people and companies (The Banker, 2008). Non-Muslim investors have also begun to look for less risky alternatives since the onset of the global credit crisis over a year ago cast doubt on many Western risk management practices (Seidu, 2009). The main instruments of finance used by Islamic banks are musharakah, mudarabah, murabaha and ijara (Karbhari et al., 2004). There are others but were focussed on these three main ones. According to Dixon (1992), musharakah means sharing and is a kind of partnership where the Islamic bank and a client, say an entrepreneur, jointly engage in business where a profit and loss sharing methodology is followed. A profit sharing ratio (PSR) is pre-agreed at the time of execution of the contract and in the case of profits made, they were shared according to the actual profit earned by the enterprise and not as percentage of the partner's investment (Dixon, 1992). In the case of a loss, partnerssufferred the loss according to the ratio of investment. So both bank and entrepreneur were aware that there is no room for complacency, as profit were shared according to the total profit earned from the trade or business undertaken, rather than them working less hard as they would know that they had invested more and would hence get higher returns regardless of their effort and determination (Dusuki and Abdullah, 2007). According to Farouq and Emadul (2008), an important aspect of musharakah financing is that the Islamic bank has the same protection as a conventional lender would have. Although profits are shared, if a loss is incurred to the enterprise due to the negligence and mismanagement of the entrepreneur, he has breached rules of the contract and sustained the entire loss, and further more were also required to pay the profits that the Islamic bank would have obtained (Farouq and Emadul, 2008). Secondly, a very similar contract to the musharakah is the mudarabah contract. This is quite similar to a limited partnership in a conventional system. According to Iqbal (2002), in a mudarabah contract, the Islamic bank who is the investor in this case is known as the rabb-ul-mal, who provides the funds to an entrepreneur or manager, known as the mudarib, where the mudarib uses his managerial skills in search of profits. The difference between the mudarabah and musharakah contracts is that in the mudarabaha contract only one partner invests and the party works, whereas in musharakah both partners can work or contribute towards the business (Karbhari et al., 2004). Profits are shared at an agreed ratio just as the musharakah, however all losses are borne by the investor. The only loss the mudarib were incurred is his time and effort. Shirazi (1988) writes that in the mudarabah contract the investor and the manager's role should be completely separated. The investor should only supply the capital and should not be liable for the mudarib's actions (Shirazi, 1998).

The third contract known as ijara which is the Islamic alternative for leasing. This is a mode of finance that is used by majority of the Islamic banks today perhaps because of the problems of adverse selection and moral hazard with the mudarabah and musharakah contracts (Ingram, 1986). While going through this mode of finance, it was useful to keep the Islamic criteria in mind i.e. has any risk been taken and is there a fixed return. According to Ingram (1986), the term ijarah is used in two aspects. It could mean to employ services of a person example hire a porter at the airport to carry your luggage or to pay rent for the use of a property or an asset (Ingram, 1986). The latter is more relevant in financing used by Islamic banks than the former, so we kept our focus on it. According to Usmani (2007), in this type of ijara, the

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lessor is called _mu'jir and the lessee is called _musta'jir. The lessee pays the lesser, the Islamic bank rent known as ujrah', and the usufruct of a particular good (Usmani, 2007). Property or asset is transferred to lessee i.e. the right to use the property. A simple illustration of how the ijara works is as follows; say a customer requests financing for a tractor, costing 10 million dollars. The Islamic bank agrees to provide the funds and the contract lease is signed. The Islamic bank then makes a payment to the tractor supplier and takes possession of the tractor. The bank and the customer sign the agreement for say 4 years. The customer then uses the tractor and pays rent for the next 4 years. As the customer continues to pay rent his ownership increases, until the end of the 4th year, the customer buys the truck and ownership is transferred to him. The ownership of the leased asset remains in with the lesser or Islamic bank however, the usufruct is passed onto the lessee. Important rules in conducting this mode of finance stipulate that the terms of agreement should clearly be stated in the contract and the Islamic bank cannot increase the rent unilateral. The leased asset remained in ownership with the bank and any loss incurred was borne by the bank alone. Thus, the Islamic bank assumes the risk here, which satisfies the criteria of risk taken in order to obtain a reward (Mahmod, 2005).

Financial accessibility:

Financial accessibility refers to ability of customers having proper knowledge and able to access the product and services being offered by the organization. The banks offering shariah products and services are all working hard to make their services accessible to everyone, a process informed by engaging with customers and learning what their specific needs are. The growth of Islamic financial industry cannot be achieved without having viable and attractive product to attract the players in the market. Islamic financial institutions have to be creative in coming up with the products which are Shariah compliant and at the same time attractive and competitive.

There is an empirical relationship between access to financial services and growth is not well established, despite a range of theoretical literature hypothesizing about the potential economic linkages. This is because of the lack of suitable data on access to financial services with which to examine the question until recently.

This report summarizes the findings of research by the Overseas Development Institute (ODI) which utilizes relatively recent Finscope survey data from Kenya (where it is called Finaccess) and Tanzania to examine this question by looking at the impact of access to financial services on household investment.

Growth depended on the stock of physical and human capital in the economy, as well as technological progress. Investment at the level of the individual or the firm can contribute directly to increasing these things. Thus by showing empirically that access to financial services enables households to make investments in education (which contributes to human capital), starting or expanding a business, or investing in agricultural inputs or new equipment (which contributes to physical capital and technological progress), the study has established one of the key potential linkages between access to financial services and growth, with important implications for policy.

Islamic banking institutions offer products that address not only the needs of Muslims but anyone in the society including individuals and corporations. Among the customers of Islamic banking institutions include men, women, Muslims, non-Muslims, students, business people and companies (The Banker, 2008). Non-Muslim investors have also begun to look for less risky alternatives since the onset of the global credit crisis over a year ago cast doubt on many Western risk management practices (Seidu, 2009).There are remarkably similar levels of saving and borrowing in Kenya and Tanzania, with just over 50% of the population saving and / or borrowing in both countries, despite significant differences in the availability of financial services in the two countries. Kenyans both borrow and save slightly more than Tanzanians. The results show the far greater usage of semi-formal financial services, (such as Savings and Credit Cooperatives (SACCOs), Rotating Savings and Credit Associations (ROSCAs), Accumulating Savings and Credit Associations (ASCAs), and local shop credit), in Kenya compared with Tanzania. They also show the much higher usage of informal mechanisms than formal financial services in both countries.

Kenya shows much higher usage of formal financial services than Tanzania, whereas Tanzania has much higher usage of informal financial mechanisms. These results tally with the greater degree of financial sector development expected in Kenya on the basis of other (supply side) indicators. It seems that where formal financial services are unavailable, unsuitable or expensive, people seek alternative, more accessible semi-formal or informal forms of provision. However, the survey shows that many people use a combination of formal, semi-formal and informal financial services, suggesting they are seen as complementary rather than substitutes. While provision of formal financial services may remain the ultimate goal for policy, semi-formal financial services are clearly important in the overall landscape of financial access in countries like Kenya and Tanzania. This suggests that policy to promote financial access should look beyond formal financial services, to provide a supportive environment for other forms of provision, while also protecting consumers from fraud and financial instability. Econometric analysis using data from the 2009 Kenya Finaccess survey showed that people who borrow specifically to invest are 16 percentage points more likely to use formal financial services than people who borrow to consume, after taking other possible factors into account. Similarly, people who save to invest are 10 percentage points more likely to use formal financial services than people who save to consume.

This suggests that formal financial services are more suitable for investment purposes than other forms of provision. This may be because formal financial services enable people to access larger sums of money, or to save in a safer or more stable environment than semi-formal and informal mechanisms. It may also show that people with investment plans can access formal financial services more easily, perhaps because they are seen as a better credit risk.

With the digitization of the banking sector, Islamic banks have the mandate of identifying best ways of making their products and services to be accessed by customers in the market. It is evident that banks are still of the forehead of pioneering innovation in the organization market thus need to align proper strategies that allowedfinancial accessibility on the Shariah products.

The growth of Islamic financial industry cannot be achieved without having viable and attractive product to attract the players in the market. Islamic financial institutions have to be creative in coming up with the products which are Shariah compliant and at the same time attractive, be accessible and competitive in the sector.

According to Nawawi (1999), most Islamic banks also offer two unique profit-free financing types to individuals. Hajj financing which is provided for Muslims wishing to participate in the Hajj, the annual religious pilgrimage to Mecca (all followers of Islam who are physically able and can afford to do so are required to make the pilgrimage at least once during their lifetime) is typically unsecured and may require only evidence of the customer's travel plans (Nawawi, 1999). The second unique product to Islamic banking is qardalhasan (or qardhasan) a profit-free financing funded by the bank and based on the applicant's hardship or charitable need. According to Hunt (2007), Hajj and qardhasan financing reflect the ethical role of Islamic banks.

According to Laldin (2011), Islamic financial institutions in Malaysia offer more than 40 Islamic financial products and services that may be offered by the banks using various Islamic concepts such as Mudharabah, Musyarakah, Murabahah, Bai‘ BithamanAjil (Bai‘ Muajjal), Ijarah, Qardhul Hasan, Istisna‘ and IjarahThumma Al-Bai‘. These help the banks meet and satisfy the needs of a wide range of customers. According to Ndungu (2010) Islamic Finance is so far the fastest growing segment in the global financial industry. Despite the global financial crisis, Islamic finance has demonstrated strong growth with new areas of business such as mutual funds and Takaful industry attracting a lot of attention. We need to understand this business model that supported our relative comparative advantage in the EAC region. Kenya was the first country in the East and Central African region to introduce Islamic banking. In this regard, two banks were licensed in the last two years to 3 exclusively offer Shariah compliant products with many other conventional banks establishing a window specifically for Shariah compliant products

Critique of existing literature:

According to Garboies et al…, 2012, the Islamic banks are exposed to all sorts of risks that revolve around interest rates, liquidity and non-payment. The Sukuk issues entails risks that involve involving interest rates, foreign exchange, credit and Shariah compliance while Islamic banks cannot use conventional risk management techniques and tools because they are based on interest, gambling and speculation, which are prohibited by Shariah. Islamic banking is a sector that is undergoing growth at a fast rate that require more expertise and uniformity as it has enough capital. There is need to have trained personnel on Shariah principles and traditional compliance laws related to banking, as aspect that is not fully utilized. This ensured proper review of the Shariah regulation in the sector as currently most of the auditors lack the Shariah background and the Shariah employees also lack the experience and training to perform effective and efficient Shariah-compliant operations.

Many of the biggest encounters now confronting banking and financial services are intimately connected with the level of growth in the industry. Banks are facing critical decisions about the overall growth in relation to customer awareness, technological innovations and advancements, financial support systems, strategies and financial accessibility of clients. All these aspect have various implications on the overall growth of the Shariah compliant banking.

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Summary:

Most of the literature illustrates that Islamic banking, being a niche market has a potential for growth. Islamic banking refers to Shariah-compliant tools and mechanisms to replace interest based financial intermediation with the risk-sharing and interest-free paradigm. It primarily relies on equity modes to conduct its affairs. This ensured the most efficient, ethical and equitable use of economic resources of the polity. From literature presented in the chapter, it has been noted that Islamic banks have been making good progress but at the same time also facing some teething problems and challenges on their growth levels. There is highlight on some of the key factors that play a pivotal role towards the growth of the Shariah compliant banking.

Research Gaps:

In the recent years, there have been tremendous changes in the banking sector and the Shariah compliant banking has been witnessed as an emerging trend in the banking industry. There is focus on the growth level of this type of banking in the banking sector. Prior studies on the Shariah compliant banking are minimal as not much has been done on this type of banking on local basis. There is need to evaluate the factors that play a vital role towards the growth of Shariah/Islamic banking segment. Not much research has been done on the Shariah compliant banking and the limited research done have not brought out clearly the factors that critically influence the growth of the Shariah compliant banking in Kenya. Thus, there is still need to carry out more research in order to evaluate factors that influence the growth of the Shariah compliant banking.

3. RESEARCH METHODOLOGY

Introduction:

This chapter detailed the proposed research methodology, giving a description of the research design, population and sampling design, data collection method, research procedures. The population and sample size discussed. Justification was provided for the sample size that was used in the end. The chapter also indicates how the data was analysed using Excel and SPSS and presented on the form of charts and tables.

Research design:

This study adopted a descriptive survey design. According to Sekaran and Bougie (2011) descriptive study was undertaken in order to ascertain and be able to describe the characteristics of the variable of interest in a situation. Descriptive studies are essential in many situations especially when using qualitative data in understanding the phenomena. Descriptive research design has been used in other studies like Clarence (2010) in analysis of sociological analysis of youth inactivity in the Philippine while Saeed (2010) used it to study supply chain as well as risk management concepts on the oil industry and Moodley (2007) used it to investigate the impact of employee satisfaction levels on customer service in the service utility at Telkom South Africa. In view of the above descriptions and strengths, descriptive survey is the most appropriate design for this study.

Target Population:

Newing (2011) describes a population as the set of sampling units or cases that the researcher is interested in while Burns and Grove (2003) describe population as all the elements that meet the criteria for inclusion in a study.

For this study, the population represents the total number of employees in all the branches in Kitale townestimated to be close to 50 employees. Cooper and Schindler (2008) define a population as the total of the elements upon which inferences can be made, while Tull and Hawkins (2008), a population is the group the researcher wants to generalize or learn about.

According to Cooper and Schindler, 2003, the sample frame is the list of elements from which the sample is actually drawn. Ideally it is a complete and correct list of population members only. For this casethe research was mainly concentrate on employees of KCB Bank in Kitale town as provided by branch managers, where all the employees of the two KCB Kitale branches were respondents of the study.

Table 3.1: Distribution of respondents

Category	Population
Management staff	15
Clerical staff	35
Total	50

Sample size and sampling technique:

A sample is a smaller but hopefully representative collection of units from a population used to determine truths about that population (Field, 2005).For this case the sample .Only the two KCB branches located in Kitale town was considered for the study. The study adopted a census of the whole population of the bank where by data on the factors influencing the growth of Shariah compliant banking on the face of KCB was collected based on what the employees at all levels provided while responding to questionnaires. All the employees of the bank who are involved in the banking services were served with a questionnaire.

Data collection and procedure:

Data was collected by use of the questionnaires. The questionnaire is developed to contain both the structured and unstructured questions. The questionnaire consisted of two sections: section one was focusing on the respondent‘s demographics; their gender, age, employment status, education level and religion. Section two of the questionnaire is designed to rate some statements pertaining to Islamic banking systems. The section was developed using the key variables identified as factors influencing customers in the selection of Shariah compliant banking. The researcher used closed item that are useful in data coding and analysis to the respondent, the choices assisted in responses. The use of Likert scale questions eased measurement of levels of agreement or disagreement on certain variables. The use of Likert scales presents a simple way of gauging specific opinions and also enables the measurement of broader attitudes and values (Johns, 2010). Other sources of secondary data on the topic of the study were also be useful to supplement the collected information.

Data collection process involves contacting members of the population. In order to collect the required information about the study survey questionnaires was administered to all the employees of the two KCB branches in Kitale town. The target participants were found at the respective banks branches.

Pilot test:

Pilot testing is also called pre-testing; it refers to a small scale trial run of a specific module; hence the focal purpose of pilot testing is to identify potential problems with the methods, logistics and the validity as well as the reliability of the research tools. It was important to pilot test the instrument to ensure that the questions was understood by the respondents and there were no problems with the wording or measurement. Pilot testing in the study entailed the use of about five respondents to test the appropriateness of the questions and their comprehension. The pilot test was carried out National Bank of Kenya Kitale branch where the pilot test questionnaire was administered.

Validity of the instruments:

Validity is the accuracy and meaningfulness of inferences, which are based on the results. The Validity of a test is a measure of how well a test measures what is supposed to measure as indicated by Mugenda, .M & Mugenda, (2003). To test validity of the designed and developed instruments, the instruments were availed to the supervisor who then guided the researcher and advised accordingly on the ways of improving the research instruments before data collection begun. The pilot study was conducted at National Bank in Kitale town, not covered in the study

Reliability of the instruments:

Reliability refers to the consistency that an instrument demonstrates when applied repeatedly under similar conditions. Reliability estimate and also evaluate the stability of measures, the internal consistency of measurement instruments, and inter-rater reliability of instrument scores. Dean, .et al...(2013), views reliability as a measure of how consistent the results from a specific test are: If you administer a test to a subject twice, do you get the same score on the second administration as you did on the first? The reliability of the test is the answer to this question. Before actual data collection, the researcher established the reliability of the research instruments.

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Data analysis and presentation:

Data was collected both qualitatively and quantitatively from primary and secondary sources. It was checked for accuracy and completeness. It was reduced, organized, coded, edited, classified using tables and analyzed to bring out meaning under each variable. According to Ezzy 2000 coding in thematic analysis is the process of identifying themes and concepts that are in data to give cronbach Alpha test of 0.7 consistencies and above.

The regression model was applied as follows:

$Y= \beta_0+\beta_1X_1 +\beta_2X_2+\beta_3X_{3+} \beta_4X_4+e$

Where;

Y- Growth

$\beta_0, \beta_1, \beta_2, \beta_3, \beta_4$ –Coefficients of Regression

X_1 –financial support

X_2 –financial technology

X_3 –customer awareness

X_4 - Financial accessibility

e- Error term

4. RESEARCH FINDINGS AND DISCUSSIONS

Introduction:

This chapter presents the results and discussion for the study to analyze factors influencing the growth of Shariah compliant banking in Kenya, a case of Shariah compliant Banking in Kitale town. The flow of the presentation corresponds to the way the specific objectives were presented. Various statistical packages described in chapter 3 were used for easy interpretation of results. The questionnaire had sections A and B. Section A contains biographic information of respondents and how each influences the dependent variable (growth of Shariah compliant banking in Kenya). The next section B illustrates respondents responses obtained from the factors measuring dependent variable: financial support, financial technology, customer awareness and financial accessibility.

Response Rate:

Questionnaires were initially distributed to 50 employees of the KCB Bank in Kitale Town. The number of duly filled in questionnaires that were returned was 49 corresponding to a 98% overall response rate, which is satisfactory for analysis and interpretation of the data. According to Bryman and Bell, (2007); Kruger and Mitchell, (2005) a response rate lower than 50% represent minority which indicates that an entirely incorrect generalization of population may be obtained, but a larger percentage is enough for meaningful statistical analysis and acceptable interpretation. The response rate of 98 % (49) is therefore considered as more than sufficient for the purpose of this research.

Pilot Study Results:

Pilot study was conducted to pre-test the tool for data collection. Ten questionnaires were administered in National Bank randomly selected. The questionnaire tool returned a highly acceptable score since all coefficients are above 0.75. An internal consistency technique using Cronbach's alpha was then applied to measure the reliability of all the questionnaires issued to different groups of pilot respondents. According to Zinbarg (2005), Cronbach's alpha is a coefficient of reliability that gives an unbiased estimate of data generalizability. An alpha coefficient higher than 0.75 indicates that the gathered data have a relatively high internal consistency and could be generalized to reflect opinions of all respondents in the target population (Joppe, 2000). Data reliability played an important role towards generalization of the gathered data to reflect the true characteristics of the study problem (Zinbarg, 2005). The results are presented in the following Table 4.1.

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Table 4.1: Reliability Analysis

Reliability Statistics	**Cronbach's Alpha Value**
Financial Support	0.76
Financial Technology	0.780
Customer Awareness	0.80
Financial Accessibility	0.72

Qualitative Results:

Qualitative data helped to include measures that could not be measured with discrete data, this helps to describe respondents attitudes and emotions. Section A of the questionnaire began by looking at the respondents' biographical information that may influence growth of Shariah compliant Banking. Five factors were listed in this section gender, age, education level, tenure of service, position at the bank.

Response Rate Based on Gender:

The distribution of respondents by gender (69.4%) were male while (30.6%) were female this is illustrated in Table 4.2. The analysis indicates that a large majority of the employees were males which mean that the Shariah compliant Banking had not embraced the one third gender government policy in employment.

Table 4.2: Gender Information

Sex	Frequency	Percentage
Male	34	69.4%
Female	15	30.6%
Total	**70**	**100%**

Response Rate Based on Age:

The response rate based on age as presented on Table 4.3 shows that (37%) were below 30 years, (47%) of the respondents were aged between 30 and 39 years, (12%) were between 40 and 49 years and (4 %) were above 50 years. Analysis showed that a large majority of the respondents 84% were of age 39 years and below, while only 14% were aged 40 years and above meaning the workforce in the Shariah compliant Banking was fairly young.

Table 4.3: Age of respondents

Age(years)	Frequency	Percentage
Below 30	18	37%
30-39	23	47%
40-49	6	12%
Above 50	2	4%
Total	**49**	**100%**

Response Rate Based on Level of Education:

Table 4.4 graphically illustrates the level of education of respondent's .The results show that (10%) were holders of education levels of at least a master's degree and above with another 10% being holders of at least a diploma or a post-secondary certificate while the majority of 80% are bachelor degree holders. This finding means Shariah compliant Banking had literate workforce which may facilitate easier communication, and may provide skills and competencies for good performance.

Table 4.4 Level of Education

Level of education	Frequency	Percentage
Diploma/post sec	5	10%
Degree	39	80%
Masters	5	10%
Total	**70**	**100%**

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Response Rate Based On Length of Service:

The length of time in service that the respondents had worked for KCB bank is illustrated in Table 4.5. The results show that (33.5 %) had worked for less than 2 years, (19.2 %) had been in bank for between 2 and 4 years, (21.7 %) had worked for between 5 and 6 years while only (25.6%) had been in the bank for more than 6 years. This finding show a large majority of the workforce had worked in the bank for 4 years and below.

Table 4.5: Length of Service

Period in the Bank	Frequency	Percentage
0-2 years	16	32.6%
2-4 year	9	18.4%
5-6 years	10	20.4%
Over 6 years	14	28.6 %
Total	**70**	**100%**

Response Rate Based on position:

The distribution of respondents by position (69.4%) was clerical staff while (30.6%) were management staff as illustrated in Table 6. The analysis indicates that a large majority of the employees were holding clerical positions.

Table 4.6: Based on position

Sex	Frequency	Percentage
Management	15	30.6%
clerical	34	69.4%
Total	**49**	**100%**

Growth of Shariah compliant Banking:

The survey research investigated effects of financial support, financial technology, customer awareness, and financial accessibility on growth of Shariah compliant Banking in Kitale town. Data for the study was collected from the respondents and was summarized as in frequency Table 4.7 below:

Table 4.7:

GROWTH OF SHARIAH BANKING	**Strongly agree %**	**Agree %**	**Neutral %**	**Disagree %**	**Strongly disagree %**
The Bank's shariah banking customers and account numbers have increased steadily	30.6	44.4	0.0	16.7	8.3
The Bank's shariah banking products and services have increased steadily	36.1	50.0	0.0	8.3	5.6
The bank's shariah banking asset book and portfolio has grown steadily	27.8	41.7	5.6	16.0	8.3
Shariah banking has contributed to the overall growth of the bank	13.9	8.3	11.1	44.0	22.0

In Table 4.7 above, the results indicated that 44.4% of the respondents agreed while 30.6% strongly agreed the bank's shariah banking customers and account numbers have increased steadily. Whereas 16.7% and 8.3% disagreed and strongly disagreed respectively.

This showed that majority of respondents agreed that the bank's shariah banking products and services have increased steadily, 50.0% agreed and 36.1% strongly agreed whereas 8.3% and 5.6% disagreed and strongly disagreed respectively that the bank's shariah banking products and services have increased steadily. This showed that over 80% of the respondents either agreed or strongly agreed that the bank's shariah banking products and services have increased steadily.

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As regards to whether the bank's shariah banking asset book and portfolio has grown steadily, 41.7% agreed while 27.8% strongly agreed, 16.7% and 8.3% disagreed and strongly disagreed whereas 5.6% were neutral. This showed that majority of the respondents (67%) agreed that the bank's shariah banking asset book and portfolio has grown steadily.

However, as to whether Shariah banking has contributed to the overall growth of the bank, 44.4% disagreed with 22.2% strongly disagreed whereas 8.3% and 13.9% agreed and strongly agreed whereas 11.1% were neutral hence it showed that the majority of respondents agreed at 66.6% that the Shariah banking has contributed to the overall growth of the bank.

Analysis of the specific objectives:

The study analyzed the following specific objectives; to determine the effect of financial support on growth of Shariah compliant Banking in Kitale town, to evaluate the effect of financial technology on growth of Shariah compliant Banking in Kitale town, to assess the effect of customer awareness on growth of Shariah compliant Banking in Kitale town and to examine the effect of financial accessibility on growth of Shariah compliant Banking in Kitale town. The specific objectives are as analyzed below.

Effect of financial technology on growth of Shariah compliant Banking

Data for the study was collected from the respondents and was summarized below.

Table 4.8: Financial Technology

FINANCIAL TECHNOLOGY	Strongly agree %	Agree%	Neutral%	Disagree %	Strongly disagree %
The bank runs on secure financial technological platforms	33.3	55.6	2.8	5.6	2.8
The bankshariah banking products and services are available on digital platforms	36.1	47.2	0.0	16.7	0.0
The bank's shariah banking customers are able to transact online	5.6	36.1	0.0	38.9	19.4
The banks information is conveniently Available	0.0	22.2	0.0	58.3	19.4

The results in Table 4.8 above indicated that 55.6% and 33.3% of respondents agreed and strongly agreed respectively whereas 5.6% and 2.8% disagreed and strongly disagreed that the bank runs on secure financial technological platforms 2.8% were neutral. This showed that majority of the respondents (88.9%) agreed that the bank runs on secure financial technological platforms

On whether the banks shariah banking products and services are available on digital platforms47.2% and 36.1% agreed and strongly agreed whereas 16.7% disagreed. This showed that majority of respondents (83.3%) agreed that the banks shariah banking products and services are available on digital platforms

More so, 38.9% and 19.4% disagreed and strongly disagreed, whereas 36.1% and 5.6% agreed and strongly agreed respectively that the bank's shariah banking customers are able to transact online. This showed that majority of respondents (58%) disagreed that the bank's shariah banking customers are able to transact online

58.3% and 19.4% disagreed and strongly disagreed while 22% strongly agreed that the bank's shariah banking digital platforms guarantees privacy/confidentiality of transactions. This showed that 77.7% of respondents disagreed that the bank's shariah banking digital platforms guarantees privacy/confidentiality of transactions.

Inferential Analysis:

This section entails the use of correlation analysis, regression analysis, analysis of variance (ANOVA) and coefficient analysis to deduce more meaning of the data for the purpose of concrete results, findings and conclusion. These tests were conducted to verify existence of relationship between the independent variables and the dependent variable.

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Regression Analysis:

Table 4.9: Model Summary

Model Summary									
					Change Statistics				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change
1	.731[a]	.535	.241	1.16886	.859	121.421	3	45	.000
a.	Predictors: (Constant), financial support, financial technology, customer awareness and financial accessibility								
b.	Dependent variable: growth of Shariah compliant Banking								

Regression measures the amount of total variation in dependent variable due to independent variable. The value of R square in table 4.9 above is 0.535.

Analysis of Variance:

Table 4.10: ANOVA

ANOVA[a]						
Model		Sum of Squares	Df	Mean Square	F	Sig.
	Regression	21.091	4	5.273	3.859	.011[a]
	Residual	43.719	32	1.366		
	Total	64.811	36			
a.	Dependent Variable: growth of Shariah compliant Banking					
b.	Predictors: (Constant), financial support, financial technology, customer awareness and financial accessibility					

From table 4.10 above, the ANOVA results predicted the dependent variable by illustrating how the regression best fits the model. The results showed that the significance probability value of P=0.011 of the regression model was less than the level of significance of 0.01 at 95% confidence levels indicating that the regression model is significant.

Hypothesis testing:

Hypothesis testing was meant to inform, on the basis of collected data by the researcher, whether or not the hypothesis seems valid Kothari, (2004). The hypotheses in this research were tested using the regression results that were generated from the model. The hypotheses sought to test for a significant effect of financial support, financial technology, customer awareness and financial accessibility on growth of Shariah compliant Banking in Kitale town.

From table 4.12 above the p value for the independent variables is statistically significant at ($p< 0.01$) which strongly supported the hypothesis $\mathbf{H_{01}}$, $\mathbf{H_{02}}$, $\mathbf{H_{03}}$ and $\mathbf{H_{04}}$ for support, financial technology, customer awareness and financial accessibility. The hypotheses tests were conducted on the basis of the regression results of growth of Shariah compliant Banking as obtained from the regression output.

H_{01}: Effect of financial technology on growth of Shariah compliant Banking.

This hypothesis, financial technology Does not have a significant effect on growth of Shariah compliant Banking in Kitale town, with its results as shown intable 4.13 above, the coefficient of training level ($\beta = 0.394$, $t= 1.134$) was positively related to the growth of Shariah compliant Banking. It was therefore concluded that the statistical result ($P>0.05$) from the regression output for the financial technology had a significant effect on growth of Shariah compliant Banking in Kitale town;the null hypothesis ($\mathbf{H_{01}}$) was therefore rejected.

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5. SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

Introduction:

This chapter presented the summary of key data findings, conclusions drawn from the findings highlighted and policy recommendations that were made. This chapter consists of four sections, namely, summary, discussion, conclusions, and recommendations following that order. The first section summarizes the important elements of the study including the objectives of the study, the methodology used, and the findings. The second section discusses the major findings of the study with respect to the specific objectives. The third section uses findings and results obtained in chapter four to discuss conclusions based on the specific objectives. The fourth section provides recommendations for improvement based on the specific objectives and gives recommendations for further studies. The conclusions and recommendations drawn were in quest of addressing research objectives of establishing the factors influencing growth of Shariah compliant Banking in Kenya a survey of KCB Shariah compliant Banking in Kitale town.

Summary:

The purpose of this study was to determine the factors influencing growth of Shariah compliant Banking in Kenya a survey of Shariah compliant Banking in Kitale town. The study was guided by the following specific objectives; To determine the effects of financial support on growth of Shariah compliant banking in Kitale town, to evaluate the effect of financial technology on growth of Shariah compliant banking in Kitale town, to assess the effect of customer awareness on growth of shariah compliant banking in Kitale town and examine the effect of financial accessibility on growth of Shariah compliant banking in Kitale town.The study findings indicate that the goodness of fit of the model was adequate as the results showed that the significance probability value of P=0.011 of the regression model was less than the level of significance of 0.01 at 95% confidence levels indicating that the regression model is significant. This is reported by an r squared of 0.731which means that 73.1% of the variation in the variables at plays fintech, financial accessibility, customer awareness and financial support. The correlation coefficient of 0.382 or 38.2% indicates that the combined effect of the predictor variables have a strong and positive correlation with variable performance. The study found that shariah law considerations represented one of the main reasons the respondents offered for opening shariah compliant account with a bank with non-Muslims underrepresented among the respondents who responded to the questionnaire. The majority of the customers surveyed are self-employed. This is in agreement with research conducted at the time shariah banking was being introduced in Kenya. The thinking at the time was that there were potential lucrative markets for shariah banking within the business community in Nairobi, Mombasa and other towns with sizeable Muslim communities. The study further recommends that future research activities in the sector focus on the quality of the service offered to customers by Islamic banks and banks that offer Islamic products and services though Islamic banking windows.

Conclusions:

The purpose of this study is to determine the factors influencing growth of shariah compliant banking in Kenya. To accomplish that goal it became necessary to reach some prerequisite goals. Determining what constitute shariah banking and its compliance and how ideal is it connected with customers in the organizational market. The following are the major conclusions based on the findings and discussions.Financial Technology on shariah compliant banking

Shariah banking is proving to be the next frontier in driving economic development but now with financial technology or technological innovation added to the usual shariah banking formit can really move it to next level. From the findings and discussion it is clear that shariah banking products and services are available on digital platforms therefore customers can access the products online, they can transact and enjoy banking services at their convenience and at anytime and anywhere. The study also found out that the bank has invested hugely to ensure the digital systems are safe sound and very secure that it also guarantees privacy and confidential of customer transactions.

The study has established that shariah banking has been growing in recent years though the sector remains marginal but with fintech it will now grow. It is however, expected that the sector will continue to grow. Islamic banking institutions will receive more recognition as financial institutions that fill the financial gaps standing in the way of real economic transactions at the grassroots level especially through technology.

Recommendations:

This section provides recommendations that the researcher feels are key for Shariah banking in Kenya in order to continue to grow and become permanent features of the banking sector. The recommendations are made based on the findings from the research and the conclusions of the study. There is an urgent need of standardization and uniformity of products and services being offered by the sector to win customer confidence and comply with the standards offered by international Islamic body IISB-international Islamic standards board. Convenience to the customer will key driving up the numbers therefore banks should offer shariah banking products and services on secure digital platforms that customers can transact at their own comfort, time and place to increase convenience and accessibility through mobile banking, internet banking and ATMS.The government through the minister of national treasury's annual public finance management act (PFM) declares that shariah compliant banking is open to all Muslims and non-Muslims thereby toning down religious affiliation in order to appeal all.National shariah board to be established to work with the CBK in managing and regulating the industry and ensure compliance with international standards and other legal and statutory requirements.

Areas for Further Research:

For a future research activity, this study recommended the investigation into the implementation of international Islamic finance standards (IIFS) in Kenya; also investigate the difference in growth levels of sharia banking between fully fledged Islamic banks and the conventional banks with Islamic windows of conventional banks and investigate the role of Islamic banking in the upcoming roll out sukuk bond in Kenya.

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