STRATEGIC FACTORS INFLUENCING GROWTH OF ISLAMIC BANKING UPTAKE IN KENYA

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DECLARATION

Declaration by the Student

This thesis is my original work and has not been presented for a degree or any other award in any University.

Signature: .... Date: ....

Anis Mohamed Adan

Bus-3-9183-2/2018

Recommendation by the Supervisors

We confirm that the work reported in this thesis is carried out by the candidate under our supervision

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DEDICATION PAGE

This research proposal is dedicated to my family and friends for their great effort to see me make a breakthrough in academics, with their limited resources. May this proposal serve as my sincere appreciation of your sacrifices and support towards my study. Above all, I thank ALLAH, for seeing me through this Journey of Knowledge.

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TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

LIST OF ABBREVIATION AND ACRONYMS

ANOVA	Analysis of variance
CBK	Central Bank of Kenya
DV	Dependent Variable
FCB	First Community Bank
GAB	Gulf African Bank
GLM	General Linear Model
GoK	Government of Kenya
IB	Islamic banking
IIBI	Institute of Islamic Banking and Insurance
IVs	Independent Variables
KBA	Kenya Bankers Association
KIPPRA	Kenya Institute for Public Policy Research and Analysis
MRA	multiple regression analysis
PR	Perceived Risk
PSR	Profit Sharing Rate
SDG	Sustainable Development Goals
SPSS	Statistical Package for the Social Sciences
SSB	Shariah Supervisory Board
TPR	Theory of Perceived Risk

ABSTRACT

Islamic banking has been cultivated in Kenya for more than decade, and even though conventional banks still control the country's financial economy, that the assurance of Islamic banking has not yet been fully realized. Globally, the acceptance and importance of Islamic banking is predicted to grow by fifteen to twenty percent yearly; whereas this is not the case in Kenya at this time. More so, notwithstanding the dependence on Islamic banking as a potential alternative financing channel to help expand the unbanked consumer, there is minimal empirical evidence of Islamic banking delivery penetration. The study's main goal was to identify the strategic factors influencing Kenya's adoption of Islamic banking and specifically, establish the effect of product awareness, consumer protection, legal regulatory requirements risk perception on growth of Islamic banking uptake in Kenya. Tie underpinning theories were; by Location Innovation Theory, Finance Theory, Circumvention Innovation Theory, and Theory of Perceived Risk. The present study used descriptive research design. The target population was the 56-marketing manager, sales manager, customer relation manager, chief operations manager, business development manager, product development manager and research development manager from the headquarters of each of 8 banks that was offering Islamic bank products in Kenya. ii. Abstract(s) with detailed references of publications in refereed journals or credible publishers of two publications for PhD and one publication for Master Degree.

Because the population was feasible and narrow, a non-probability method called for a census in which all 56 members of the target population took part as respondents was employed. Structured questionnaires that were given to respondents using a drop-and-pick method were used to gather the data. That tool was scrutinized for reliability using the Cronbach alpha test and for validity using content validity. The data received was quantitatively analyzed to generate descriptive statistics, and the investigation performed inferential analysis for the predictive model. Using Analysis of Variance, the study assessed the model's goodness of fit. The research evaluated the data to satisfy basic Classical Linear Regression Model Assumptions in order to maintain the regression model's authenticity and sturdiness. Based on the findings, this research concludes that at 0.05 level of significance, while product awareness has positive moderate significant effect, consumer protection has significantly low positive significant effect, legal regulatory requirements has significantly moderate positive significant effect and there is a significantly moderate positive effect of risk perception on the growth of Islamic banking uptake in Kenya. The study recommends that Kenya banks offering Islamic banking should, build strong customer loyally though product awareness campaigns, ensure effective and total consumer protection reviewing the Government regulation on Islamic banking, review their legal regulatory requirements, and allaying the risk perception Islamic banking in Kenya through effective strategic marketing, customer service quality, corporate governance and developing innovative product portfolio.

CHAPTER ONE

1.1 INTRODUCTION

1.2 Background of the study

World over, through providing efficient monetary interventions, the contribution to the attainment of sustained social-economic progress by banks is making the sector a fundamental driver of the nation's development through the mobilization of financial resources (Mohammed & Kwasira, 2014)). Apostolos et al. (2016) posits that as financial mediators between savers and investors, banking institutions may be a big assistance in accelerating the process of capital generation and growth. In the past two decades, changes in monetary policy and a rising desire for the banking sector to offer customer-focused services and goods have prompted the birth and development of innovative banking concepts, giving rise to the quickly expanding fields of Islamic banking (Njagi & Gekara, 2019). Islamic Banks developed themselves in a fairly short amount of time by outpacing their rivals in the market, (Basheer et al., 2018). By basing their operations on the core premise of risk and profit sharing, they operate as a viable alternative to traditional banks. Their financial offerings are broken down into services as well as financing structures that represent debt, and financing that incorporates profit-and-loss sharing (PLS). (Salehuddin & Saiti, 2016).

Accordingly, Islamic banking has become one of the most prominent participants in the financial sector around the world (Duba, 2020). It has also expended it services to not only business dealings with money but also in other business units which require that it competes actively over new customers while retaining the current and old customers (Dusuki & Abdullah, 2007). Islamic banking offers various forms of attractive and competitive financial systems. It provides services in the insurance sector called “takaful”, mortgages (home financing), overdraft, leasing, personal financing, investments, foreign currency financial services, and large-scale project financing (Bassir et al., 2012).

Globally; Islamic banking has significantly increased in size and quantity throughout the financial industry internationally, drawing customers from Muslim and non-Muslim nations (Dogarawa, 2011). Islamic business and financial assets, which account for less than 1% of the entire worldwide financial assets, have grown more rapidly than conventional finance ever since financial meltdown of 2007–2008, and this trend is likely to continue eventually (Fong et al., 2017). The very next largest Islamic banking markets are the United Arab Emirates (UAE), Kuwait, Saudi Arabia, and Kenya, with Iran accounting for nearly 40% of all global Islamic banking investments (Islamic Financial Services Board, 2013). In the other Muslim countries, Islamic banks compete directly with conventional banks. However, in Iran and Sudan they have exclusively Islamic banks. Whereas roughly 35% of banking assets in Saudi Arabia are Shariá compliant, levels in the UAE are 22% while Qatar (20%) and Kenya (20%) are lower (Duba, 2020).

Locally, Islamic banking first appeared in Kenya in December 2005, when Barclays launched Islamic banking products (Parker, 2009). Through specific Islamic windows, other conventional banks, like Kenya Commercial Bank, are increasingly providing goods that adhere to Shari'ah (Abdulkadir, 2018). Kenyan authorities expanded the range of Shari'ah compliant investments in the nation by amending Section 45 of the Central Bank of Kenya Act through the Finance Act in 2010 to permit the Central Bank, as the government's fiscal agent, to recognize the payment of a return rather than interest on government securities (Duba, 2020). In 2013, Standard Chartered Bank opened an Islamic banking window in Kenya, joining two other full-fledged Islamic banks already operating there. Islamic banking makes for 2% of Kenya's overall banking industry as of the end of 2013. Islamic banks are increasing their interests in Kenya and other important areas in Africa that are currently controlled by conventional banks (Aden, 2014). In Kenya, demand for IB-compliant financial products is growing, drawing in a sizable clientele from both the Muslim and non-Muslim communities (First Community Bank, 2013). Following the establishment of an Islamic banking law, Kenya approved Gulf Arab Bank and First Community Bank as two Islamic banks in 2008. Sharia-compliant investment banking services have been successfully introduced to Kenya by First Community Bank and Gulf African Bank (Kenya Bankers Association, [KBA], 2013). To attract clients, Islamic banks must deepen their commercial entrenchment, build appropriate business models, boost their brands, and provide services and products (Aden, 2014).

According to the Muslims view of Shari'ah compliance, it is the most important element in Islamic banking is product/services (Njagi, & Gekara, 2019). Furthermore, the demand for products and services do not differ significantly from those offered in the conventional banking systems. In this regard, migration of customers from conventional banking systems has put pressure on conventional banks to offer Shari'ah compliant services. Thus, there is a huge opportunity for the financial banking industry with interest in Islamic banking.

Whereas IB allows trade, it excludes interest since it is based on Shari'ah Law (which opposes riba [usury]) (Kammer et al., 2015). Furthermore, IB bans the use of ignorance (jahl) and doubt or conjecture (gharar). To ensure that this IB employs physical tangible assets as the foundation for a business transaction, in which case money is not a component of production (Aden, 2014). That is, according to IB, money cannot be used to produce money. However, nothing is free. It is also faced with trust issues that needed to be resolved, especially with respect to products and services offered. Besides this, other factors affect adoption of Islamic banking in many different countries

(Jaffer, 2006). Empirical research has shown that the uptake of Islamic Banking is mainly influence by product awareness, consumer protection, legal regulatory requirements and risk perception (Ali, 2016; Bodibe et al., 2016; Duba, 2020; Hareen et al., 2012; Kulshrestha & Ali, 2018; Noory et al., 2021; Njagi & Gekara, 2019, Yaman, 2018; Mhina, 2017; Omar & Rahim, 2016).

Bodibe et al. (2016) recognized product knowledge as a factor affecting mentalities towards Johannesburg's Islamic banking. The research revealed a favorable correlation between product expertise and attitudes toward Islamic banking. The findings also showed that the majority of respondents were unaware about Islamic banking. Therefore, it was advised that bank employees and marketers adopt a targeted strategy to raise public understanding of Islamic banking. Omar and Rahim (2016) examined how non-Muslims in Malaysia perceived and viewed Islamic banking. The results of the hypothesis revealed a strong relationship between non-Muslims' opinions of Malaysia's Islamic banking industry, their levels of conviction, and the criteria used to choose banks. According to Mhina (2017), among the challenges are double taxation when dealing with Muraabaha facilities and a lack of knowledge and understanding of Islamic banking and finance in the country.

Mia et al. (2016) investigated consumer protection in terms of Mudharabah and Musharakah and from an accounting standpoint. According to the findings of this study, the usage of Mudharabah and Musharaka is not popular among Malaysian Islamic banks owing to the high risk, and hence the proportion is significantly lower when compared to other investments. Because of the protective measures, Mudarabah-based accounts are comparable to conventional deposits, which they classify as liabilities; nonetheless, Shariah prohibits guaranteeing the return of principle to the investor; however, regulatory obligations exist in order to maintain stable markets The research results show that additional effort is needed to carry out the utilization of mudharabah and musharakah,

Kulshrestha and Ali (2018) explore banking regulatory organizations, legal instruments controlling banking operations, and a variety of legal problems confronting the country's Islamic banking activities. The research found that there is no legal framework in Tanzania that attempts to address the creation and provision of an Islamic banking system after conducting a comprehensive literature review. It was also believed that the Islamic banking system was a banking service, which is completely false because Islamic banking is regarded as a separate financial system. Additionally, it was discovered that the closure of one Islamic window in the country as a result of the lack of an appropriate regulatory framework and legal tools to reconcile the Islamic and conventional banking systems has called into question the legitimacy of the recently implemented financial system.

Mhina (2017) posits that there is also no regulatory structure to oversee Islamic banks' activities in Tanzania. Mhina (2017) further stated that the lack of sufficient infrastructure that allows the greater spread of Islamic financial services in the nation, as well as the absence of Shariah-compliant money market products, impedes the growth of Tanzania's Islamic banking system. On the other side, Mhina (2017) claimed that concentrating on increasing banking services through agency banking or significantly investing in agri-business could lead to the best and fastest increment of Islamic banking operations in Tanzania. If banks start engaging in microlending and are very creative with virtual content, Islamic banking may grow even more.

In their article, Ahmed and Khan (2016) discussed some of the specific risks associated with following the shari'a as well as the unique risk management requirements imposed on Islamic financial institutions by the shari'a mandate. They claimed that because of their adherence to the shari'a, Islamic banks are likely to face two different types of risks: those that are unique to them and those that are similar to those faced by other financial intermediaries. Islamic banks were also constrained from using some of the risk reduction techniques used by their conventional competitors because they were against Islamic commercial law. In Indonesian Islamic banks, Rodoni and Yaman (2018) looked into moral hazard and asymmetric information predictors. The evaluation results also showed that adverse selection, as shown by the (PSR, had a satisfactory effect on the degree of risk sharing over the long term. Safiullah and Shamsuddin (2018) focused on the impact of the Shariah Supervisory Board (SSB) composition in Islamic banks when examining the risk differences between Islamic and conventional banks. Operational and insolvency risks in Islamic banks (Bs) increase when there are more recognized Shariah experts, but they decrease as the IB's size and academic credentials expands.

Additionally, financial systems are conceptually and practically misunderstood, creating a number of structural and ideological barriers that prevent their successful adoption and integration into the world economy (Karasik et al., 2005).

1.3 Statement of the Research Problem

In order to stimulate economic growth and social development in the nation and combat rising levels of poverty, the Kenyan government has been implementing a number of significant financial sector reforms in accordance with the current Sustainable Development Goals (SDGs) and the African Agenda 2063. Inspired by the Vision 2030, the Kenyan government (GoK) introduced the Big Four Agenda, a development plan intended to raise everyone's level of living and lead Kenya to upper middle-income status by 2030.(Kenya Institute for Public Policy Research and Analysis

[KIPPRA], 2018). Currently, alternative funding sources are becoming more prevalent in Kenya as the country works to strengthen its financial system. According to Kenya's The Vision 2030, the latest phenomena intend to improve financial accessibility for the majority of its citizens. The adoption of financial instruments consistent with Shariah by Islamic banking is one of the main accomplishments. In the last decade, Islamic banking has been positioning itself as auxiliary as well accumulation to traditional finance models (Duba, 2020). But even though Islamic banking has been pursued in Kenya for more than a decade, traditional banks still control the country's financial economy. According to Central Bank of Kenya 2018 statistics, Islamic banking controls just 7% of total commercial banking accounts, compared to a predicted adoption of 23% by the end of 2018 and a projected 25% by 2020. (Haret & Simiyu, 2017). In Kenya, this usually equates to a difference between 16% and 18% in the use of Islamic banking services. This demonstrates that Islamic banking has not yet achieved its maximum potential. Additionally, conventional businesses have continued to establish operations around the country, whereas Islamic banking is mostly found in North-Eastern cities and a few chosen towns. The current trajectory in Kenya does not correspond to the acceptance and significance of Islamic banking on a worldwide scale, expected to reach between 15 % and 20 percent annually (Ali, 2016). Empirical studies demonstrate high association between perceived with Islamic banking (Duba, 2020). This is due to factors like adverse selection, a poorly organized consumer, and the realization that the Islamic financial sector in the region is still evolving (at its infancy). Investors trade cautiously as a result, reducing the proportion of Shariah-compliant items in their investment portfolio. Islamic finance can benefit from consumer protection frameworks for conventional financial goods, but these frameworks need to be modified to meet hazards unique to Islamic financial products. Furthermore, Duba (2020) reports that Kenya's regulatory framework for Islamic banking is still in a developing stage (Noory et al., 2021). Due to the economy's poor confidence in the Islamic financial sector, investors are hesitant to participate in financial products that adhere to Shariah. Although the two financial sectors in the nation function according to completely different banking principles, there is no real differentiation between the regulation of Islamic and conventional banking models. Despite the dependence on Islamic banking as an alternative financing channel that may assist open up the unbanked market sector, there is limited empirical evidence of Islamic banking service penetration. As a result, the study intended to determine the product awareness, consumer protection, legal regulatory requirements and risk perception as strategic factor affecting IB adoption in Kenya. The rate at which customers adopt Islamic banking will increase once the adoption barriers are removed (Bassir et al., 2012). The current study was carried out to provide empirical evidence because of this.

1.4 Purpose of the study

The purpose of this study was to determine the strategic factors affecting growth of Islamic banking uptake in Kenya using product awareness, consumer protection, legal regulatory requirements and risk perception as the strategic factors.

1.5 Objectives

1.5.1 General objective

The general objective of the study was to determine the strategic factors affecting growth of Islamic banking uptake in Kenya.

1.5.2 Specific objectives

The following were the specific objectives

i. To establish the effect of product awareness on growth of Islamic banking uptake in Kenya.

ii. To establish the effect of consumer protection on growth of Islamic banking uptake in Kenya.

iii. To establish the influence of legal regulatory requirements on growth of Islamic banking uptake in Kenya.

iv. To establish the effect of risk perception on growth of Islamic banking uptake in Kenya

1.6 Research Hypothesis

The following were the research hypothesis

H_{01}: There is no statistically significant effect of product awareness on strategic growth of Islamic banking uptake in Kenya

H_{02}: There is no statistically significant effect of consumer protection on strategic growth of Islamic banking Kenya

H_{03}: There is no statistically significant effect of legal regulatory on growth of Islamic banking uptake in Kenya

H_{04}: There is no statistically significant effect of risk perception for growth on Islamic banking in Kenya

1.7Significance of the study

Based on these findings, the investigation would be useful in a variety of ways and with greater precision;

1.7.1 Islamic banks

In the developing strategic plans to reach more customers, make profits and ensure that all their customers and employees are satisfied. This study will provide evidence-based findings for successful use of these determinants in promoting growth of Islamic banking systems which could be adopted by other banks. All these factors are known to contribute to performance of the Islamic banks in Kenya.

1.7.2 Customers

There was various competitive financial service that Islamic banking offers, which could help some certain customer’s needs. It is vital for them to understand and to be aware of Islamic banking. More so, the right products and services would motivate the customers to have a positive perception and attitude to use the products, hence, enabling customer to like the product which eventually promote the growth of the banks.

1.7.3 Policy Makers

The review was intended to give relevant information to policy makers in identifying market difficulties and a solution to the problems hindering the expansion of Islamic Banks. The study would be of value to policy makers like the government of Kenya and the Central Bank of whoever create policies related the financial sector. Furthermore, this research would be useful to other retail banks that offer Sharia-compliant product, as it offers an insight on solutions to growth issues facing Islamic banking. This would assist in formation of policies that would assist in creation of products and services that are in accordance with client demands

1.7.4 Researchers

Researchers would also be interested in the study because it can be used as a starting point for more investigation into how widely IB is used. Previous research on the subject is dated, and given the dynamic nature of the industry, there is a need for more current study on the subject. Islamic Banking was still considered an emerging area and there is a lot of ignorance and misunderstanding of the subject and hence the need for demystification. Important issues not addressed by this study could be explored in future research studies

1.7.5 The Management and Employees of Islamic Banks

This study would be useful to the management of Islamic banks currently operating in Kenya. The study would also be useful in determining the important underlying factors that influence customers in their choice of banks. Again for staff of Islamic banks, this study was of relevance mainly in defining the role they have to play towards effective customer retention and customer satisfaction. It is to assist them discover areas where their institutions are operating well as well as the areas in which development is necessary in order to maintain the services that they deliver competitiveness.

1.8 Limitations of the study

Ideally, results might have been skewed by the study's limitations. First of all, the restrictions imposed by the Covid-19 epidemic on Limited the investigation. The circumstance of COVID-19 had the restriction of allowing staff to work from home. This made face-to-face data gathering complicated and limited the amount of high-quality data that could be obtained. Notably, the reaction to the research was significantly influenced by the quality of the data gathering. To mitigate the study used online data collecting techniques, such as online interviews and online questionnaires, to acquire information from respondents working outside of workplaces in order to overcome this restriction.

There could have been an issue with the target group's unwillingness to cooperate. This is because they could have been preoccupied with daily tasks. However, to get the records and aid in using the research equipment, the researchers used the services of research assistants. The respondents might well have given poor replies as a result of resistance. In an effort to overcome this difficulty, the researcher made it plain to the respondents that the only motivation for studying was tenacity in the classroom. It assisted in easing the responders' worries. Because the survey participants were reluctant to engage, the researcher was able to get to know them early on and gave them a free atmosphere in which to react to the questions.

There might have been obstacles that the study needed overcome in order to be successful, applicable, and reliable. First, there was a chance that the research would have been constrained by inaccuracies in linear regression, as well as by concerns with non-normality, multicollinearity, heteroscedasticity, and autocorrelation. Notably, if any of these presumptions are breached, it was possible that some data might well could have been missing from the model, invalidating it. In order to avoid these errors and maintain the authenticity and sturdiness of the regression model, the research article tested for the assumption of the linear regression and managed to meet these foundational Classical Linear Regression Model (CLRM) assumptions. accordingly, the analysise made sure that each time one of these problems was found, it was fixed appropriately.

1.9 Delimitation of the study

The investigation was not exhaustive enough to examine the entire banking sector, let alone the financial sector, and was instead restricted to examining the critical factors that influence the expansion of IB in Kenya. It might also have been impossible to apply the conclusions to the whole banking industry. Only Kenyan banks that offer Islamic banking were the subject of the study, which restricts the generalizability of the conclusions to particular Kenyan institutions. This indicates that the conclusions may not be applicable to the Kenyan financial community, let alone the overall banking sector.

1.10 Scope of the study

Only the strategic elements influencing the development of IB were the subject of this study. Since Nairobi County has the most operational Islamic banks, it was decided to concentrate the study only on those that have been in operation for the longest. The study's focus was limited to these three factors: risk perception, consumer protection, regulatory requirements and compliance, and product awareness.

1.11 Definition of operational terms

Islamic banking: It is a monetary sector based on Islamic economic concepts and Shari'ah (Islamic law), and it is supported by real-world applications. With the help of these guidelines, all activities that have a wide audience will uphold moral and ethical standards. The foundations come from the actions and expressions of Prophet Muhammad (Institute of Islamic Banking and Insurance [IIBI], 2014)

Banks with 'Islamic windows: Traditional banks that do not function in strict accordance with Shariah. They do, however, have particular organizations tasked with developing, promoting, and managing Shariah-compliant financial services for the majority of Muslim adherents (IIBI, 2010).

Strategic factors: These are considerations that financial institutions use when restructuring a company in a way that aims to improve its competitiveness and market position. The primary goal is to boost consumer adoption of their goods and services and to increase the size of their clientele so that they can better serve local and international markets. Therefore, an important sign of a bank's growth is an increase in its customer base (Kinyanjui, 2013).

Sharia: Hassan, et al. (2013) define Sharia as the bloodstream of Islamic law, the legislative scheme, or the religious judicial framework that enforces Muslims..

Sukuk is the Islamic similarity of bonds (IMF, 2014).. These are bonds that are constructed to provide Sharia-compliant yields. A sukuk denotes ownership of a tangible asset associated with a project or investment opportunities**.**

Takaful- Takaful relates to Islamic insurance and is an Arabic term that meaning "guaranteeing each other." Members of an Islamic insurance pool participate to a pooling system to protect each other from loss or harm. 2014.

CHAPTER TWO:

LITERATURE REVIEW

2.1 Introduction

Based on various researchers works, this research examined at similar theories as well as empirical evidence. This aided in the development of the conceptual perspective. The systematic analysis assisted in assessing what was discovered in previous research and guidelines, as well as the gaps that this analysis attempted to fill. The chapter analyzed publications pertaining to strategic issues influencing the rise of Islamic banking acceptance in Kenya. This review included a theoretical literature review (to provide theoretical background), a review of prior research, and an ideological context (conceptual framework). A analysis summary, also known as a review recap, which summarizes the gaps the study filled concludes the chapter.

2.2 Theoretical literature review

Fundamentally, this refers to group of related ideas that have accumulated over time and could constitute theories, but they haven't been thoroughly investigated or understood. In order to render the research more meaningful, they are utilized to help determine the variables that are studied, how well they should be taken into account, and what methodology should be modified. The underlying theories were; by Location Innovation Theory, Finance Theory, Circumvention Innovation Theory, and Theory of Perceived Risk.

2.2.1 Location Innovation Theory

In assessing objective i, the study found the Location Innovation Theory appropriate for explain the product awareness to uptake of Islamic banking. According to the location theory, proposed by Desai and Low in 1987, financial service such as Islamic Banking, is the means through which the integrity of the financial product is maintained. Desai and Low (1987) confirmed and quantified the gap in the variety of reasonably obtainable product offerings in the financial market using the location innovation theory, a development on the microscopic growth ideology. It was noted that the most apparent gap is placing the product in the mind of the consumers. This shows the opportunities for innovation and promotion of the creative products should be availed to ensure that the consumers are made aware of the products and their usefulness. Chen (2003) asserts that the financial institutions as innovators, have a large and important economic role in the creation of new attractive markets. At the same time, there id need for promoting this product to create awareness of its feature and associated benefits. This shows that the Islamic banking service provider has to play active role of making sure that the Islamic banking products are availed to the customers and the consumers should be aware of the product. In other words, the main emphasis is ensuring that the financial product is clear to the anticipated. The argument is that this theory was useful for associating the product awareness to uptake of the Islamic banking services.

2.2.2 Financial Theory

While dealing with objective ii the Finance Theory was found very helpful. In financial industry when dealing with a large proportion of a poor population, the financial theory posits that credit markets bear the: Moral hazard, asymmetric information and adverse selection problems (Daripa, 2000). Often, this may lead to a complete collapse or interference with the formal credit markets. These structures also make it difficult to write financial contracts, resulting in underproduction and underconsumption of products and services. Only with some degree of confidence in the commercial transaction can a contract between a borrower and a lender be honoured. Based on this information then when there is need for consumer protection when accessing financial products from Islamic banking. The prospective consumer of need to be rest assured that they will not become victim of moral hazard. Normally, the asymmetric information indicates that there is important that the banks has which the consumer does not have and this might deter customers for going for Islamic banking because of fear of lack of protection. This deterrence behaviour may translate to low uptake of Islamic banking the Ideally, in a financial institution, the element of trust is acquired from two perspectives (Dusuki, 2007). Profit maximizing in the financial intermediaries in the provision of service to people is hinged on reputation and honor of a customer through protection.

According to the theory as lenders, banks averse with risks would only be able to provide service to the clients as borrowers if trust exists in their reciprocal relationships. For instance, they were willing to establish the reputations of the borrowers using the intimate knowledge of the client's personal account history and other documented history of borrowing for the client (Dusuki, 2007). This theory would be very useful for Islamic banks in empowering their internal customers to use and market the products cutting down the marketing costs of the business while increasing the growth of the banks

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2.2.3 Circumvention Innovation Theory

When addressing the third goal, which is the impact of legal and regulatory requirements on the expansion of IB in Kenya, the research found Circumvention Innovation Theory as its underpinning theory. The theory, suggested by Kane (1981), postulates certain forms of government regulations and controls strangle the activities that firm engage in and frustrate the ability to grow. Thus, the Kenyan banking legal regulatory requirements may impede the growth

Islamic banking intake due to their demands that prevent most prospective customers to go for Shariah complaint products. Lower consumption of these products implies limited growth of Islamic banking uptake. The financial industry has stricter rules because it is special industry which also operate on special legal regulatory requirements.

Noticeably, market innovation and regulation innovation are continuously fighting each other while independent economic force and political forces prevailing. So, the Islamic banking service providers have to deal with regulation in order to reduce the potential reduction in customers consuming their products and the failure to attain the anticipated uptake of Islamic banking. Therefore, uptake of is mostly induced by the purpose of circumventing government regulations. The relevance of theory by Kane's (1981) to this study is that it is considered the origin of innovation in the market, such as the Islamic banking, and explains the process of regulation innovation and their dynamic relations.

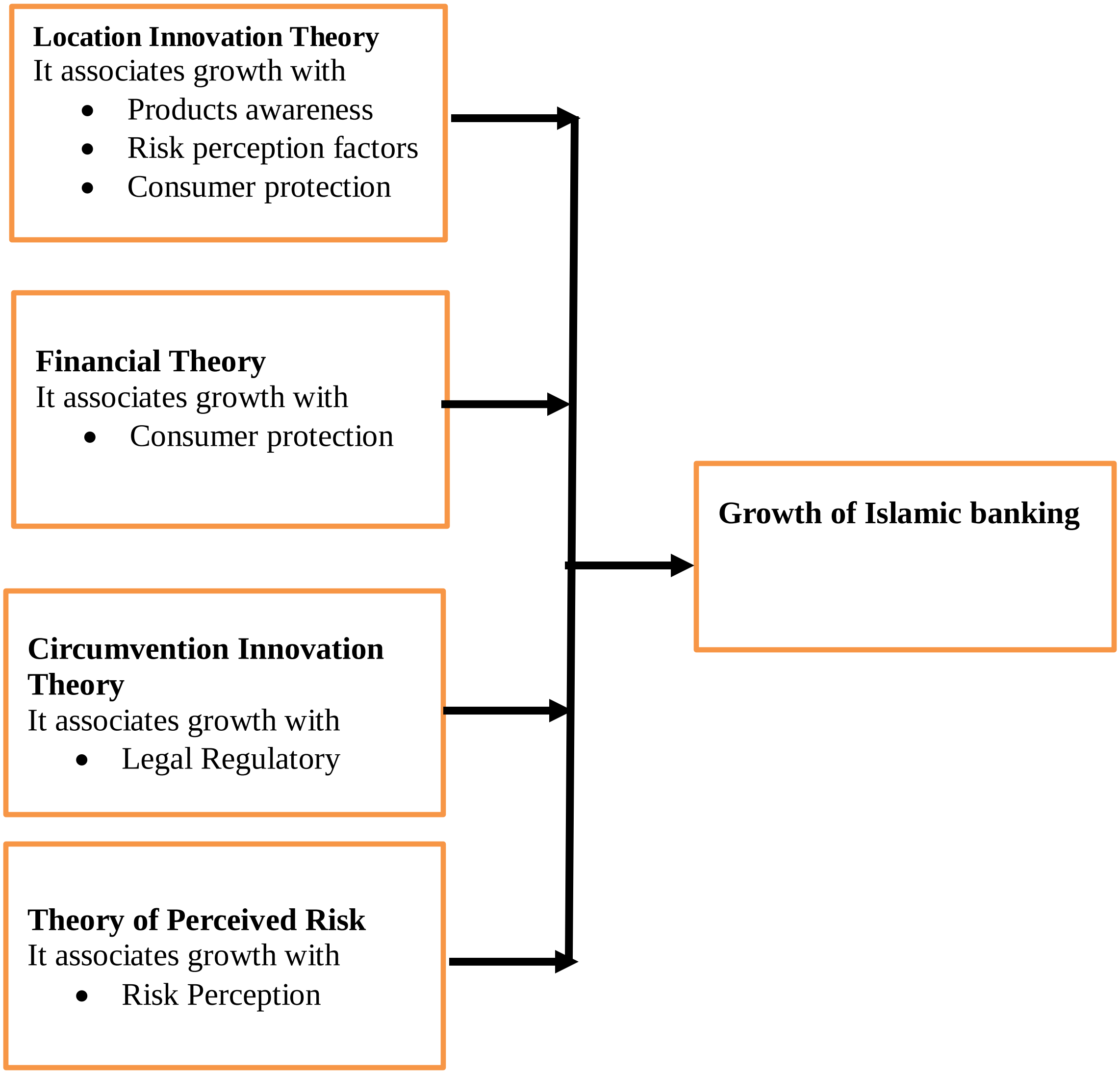
2.2.4 Theory of Perceived Risk

When appraising Objective IV, The Theory of Perceived Risk was used to explain how the expansion of IBin Kenya was impacted by risk perception (TPR). TPR suggests, according to Lee (2009), that benefits frequently come with risks in the frame of reference of adoption (uptake). In comparison to the benefit component, the Perceived Risk (PR) has a greater influence on a person's choice to utilize a platform. Security, privacy, finances, social risk, time/convenience risk, and quality constraints are the main categories of PR. Each of these correspond to the potential loss of private (identity theft) or financial information due to attacks on networks and data transfers or unauthorised access to the account due to faulty or false identity verification. Risks to privacy and security have been cited as a major barrier to IT adoption. Financial risks include the possibility of financial loss and the feeling of uncertainty they cause when a transaction goes wrong or a bank account is used inappropriately. Social risk, which is closely related to the idea of Subjective Norm (SN) from TRA, describes the potential for losing one's self-esteem or prestige or receiving negative feedback from family, friends, or coworkers as a result of using a service. Time and inconvenience risks refer to the potential for wasting time and experiencing inconvenience due to a disjointed or confusing service that is challenging to use or transaction completion delays. The possibility of losses as a result of shortcomings or malfunctions in the provision of services is the final definition of performance risk. This reduces a customer’s willingness to use service (Lee, 2009). This theory helped the current study to related risk perception to. This theory perceives uptake of Islamic Banking as influenced by perceived risk of using Islamic Banking products.

2.2.5 Theoretical framework

Figure 2.1:

Theoretical Framework



2.3 Empirical literature review

This section contains reviews of numerous empirical studies espousing relationship growth product awareness, consumer protection, legal regulatory requirements and risk perception In order to enhance the analysis and lay a solid foundation, a variety of empirical investigations that were found to be helpful to it were properly reviewed to cover; product awareness and growth, consumer protection and growth, legal regulatory requirements and growth as well as risk perception and growth.

2.3.1 Product awareness and growth

In research concentrating on the influence of awareness upon products and services, a large number of variables were examined. The result of this reviewed revealed considerable number of studies revealing product awareness as factor influencing growth of Islamic Banking uptake. The study by Using qualitative and exploratory research designs on 384 clients of fully fledged IBs and an additional 11 licensed commercial conventional banks in Kenya, Duba (2020) sought to understand the adoption of Islamic banking in Kenya. Using both descriptive statistics and regression analysis, as well as thematic analysis for qualitative data, it was determined that, in spite of the media attention given to Islamic financing, awareness of Islamic banking products is still in its infancy among prospective consumers and investors.. Therefore, misconceptions and poor perceptions have watered down interest into the selling and buying of Shariah compliant financial products. The sector is still exposed to high information asymmetry, as investors are not presented with adequate information to make well-informed investment choices.

Lujja et al (2018) investigated Ugandans' attitudes toward IIB where the research used a quantitative approach and was exploratory in nature. Only 354 of the 400 questionnaires that were distributed could be used for further investigation. Major findings revealed that Muslims, in contrast to non-Muslims, knew more about IB culture, despite the fact that both groups knew little about Islamic terminologies. There were discrepancies between Muslim and non-Muslim attitudes toward IB, for example; whereas Muslims' inclination to IB was primarily due to religious and profitability combined, non-Muslims were motivated by profit growth. Although they differed on other factors, both groups showed some consistency in their eligibility criteria for banks, such as 3rd parties influence.

Bodibe et al. (2016) highlighted a few of the crucial elements that have a big impact on how people feel about Islamic banking. 250 questionnaires were given out to participants at a university in Johannesburg using probability sampling. The findings showed that product knowledge and attitudes toward Islamic banking are positively correlated.

In Malaysia, Omar and Rahim (2016) looked into the perceptions and acceptance of Islamic banking among non-Muslims. 250 people in all took part in the survey in Kedah, Malaysia, in a few different locations. To give the viewpoint and acknowledgement model, which transmits all universal applicability and consistency tests to be a good fit model for causal hypothesis testing, robustness, a structural equation modelling (SEM) approach is used in the study. According to the findings of the hypotheses, there is a strong correlation between non-Muslims' perceptions of Malaysia's IB system and their confidence levels and bank entry requirements..

2.3.2 Consumer protection and growth

There are numerous calls for the need regulate the operations of many of the conventional and Islamic Banks, which is a costly burden for the government to supervise the operations of the banks. Government regulation guarantees equal opportunities for all and fairness in accessing credit products and key financial services. Benamraoui and Alwardat (2019) looked at the applicability of adverse selection to the two primary financial contracts, musharaka and mudaraba, used by IBs and conventional banks. The research also offers solutions to adverse selection issues in Islamic financial contracts, supported by important contemporary theories like signaling, comparative advantage, and incentives. According to the research, asymmetric data is relevant to both mudaraba and musharaka contracts and has a direct impact on the cost and yield of both type of banks with Islamic windows. The research also demonstrates that promotions and signaling are useful strategies for resolving asymmetric information in Islamic financial contracts. The paper concludes by demonstrating the need for Islamic finance vendors to choose more protected financial support, particularly when working with small borrowers.

The study by Njagi and Gekara (2019) set out to identify the variables that influenced the growth of Islamic banking at the National Bank of Kenya. A descriptive survey research design was used in the study. Top-lAll levels of management made up the target population. Utilizing questionnaires, both primary and secondary data were gathered. Tables were used to present the data and statistics used for analysis. The results showed that the administration of customer experience and the technology adoption had contributed to the effectiveness and growth of Islamic banking. According to the study, strong customer relationships help Islamic banks develop. In managing customer service, the business has made investments. Management of customer service has improved the expansion and development of the company. Customer service management (CRM) has helped the business find new customers and boost sales.

Mohammed and Kwasira's (2014) research investigates the strategic variables affecting the expansion of Islamic banks in Kenya's Nakuru Sub-County. Research on sharia law and the expansion of Islamic banks was examined. In the empirical portion of the study, a descriptive study design was used. The various respondents each received a structured questionnaire. The population was drawn from 6929 customers of two IBs of Nakuru. Inferential statistics were used to test the hypothesis, while descriptive statistics were used to organize and summarize the data and describe the characteristics of the sample. To verify the theory, the Pearson correlation coefficient was used. According to the study, sharia compliance has a big impact on the expansion of IIBs in Kenya.

2.3.3 Regulatory and compliance and growth

According to Kinyanjui (2013), the greatest barrier for Islamic banking is legal backing, because Islamic law, in its application and implementation, offers its own method of executing commercial and financial contracts and transactions. As a result, the Sharia requires the absence of financial contracts and goods, as well as a lack of transparency and disclosure procedures for clients, to ensure that the users of the services are protected. Equally, the challenge is also with the number of the legal experts of Sharia law and Islamic banking. Furthermore, there are no accounting and auditing standards have been developed for use by Islamic banks. Furthermore, there is a lack of standardisation in credit analysis criteria, which poses obstacles and possible conflicts, particularly for banks in non-Muslim nations.

According to the study by Duba (2020), Kenya's regulatory framework for IB is still in its infancy. Due to the economy's low confidence in the Islamic financial market, investors are hesitant to invest in financial instruments that adhere to Shariah. Although the two financial sectors in the nation operate according to completely different banking principles, there is no real distinction between the regulation of Islamic and traditional banking models.

According to Njagi and Gekara's (2019), government initiatives and modifications to the legal system were crucial to the growth of Islamic banking in Kenya. According to the study, the legal system is crucial to the expansion and advancement of this form of banking. The development of Islamic banking and the legal system are positively and significantly related. The growth of Islamic banking is influenced by compliance with the Public Financial Management Act. Adherence to the Public Procurements and Disposal Act also has an impact on how Islamic banking evolves.

In their study, Kulshrestha and Ali (2018) discuss banking regulatory organizations, legal frameworks governing banking operations, as well as a number of legal difficulties the nation's Islamic banking operations face. After conducting a critical review of the literature, it was found that Tanzania does not have any laws addressing the establishment and operation of an Islamic banking system. The Islamic banking system was also thought of as a banking product, which is completely false because Islamic banking is thought of as its own banking system. Additionally, it has also been realized that the absence of a suitable regulatory framework and governing laws that would have brought the traditional and Islamic banking systems into harmony have led to the closure of one Islamic window in the nation, which ultimately undermines the legitimacy of the recently established banking system.

Mhina (2017) pointed out that some of the difficulties include a lack of regulatory framework to manage Islamic banks' operations in Tanzania, double taxation when using Muraabaha facilities, and a lack of knowledge and understanding of Islamic banking and finance in the nation. Tanzania's IB growth is also hampered by a lack of appropriate infrastructure to help it and by the absence of Shariah-compliant financial instruments. Mhina (2017) further noted that by concentrating on extending the banking services through agency banking or making significant investments in agri-business, there is a chance for the speediest growth of IB activities in Tanzania. He continued by saying that Islamic banking can expand if banks engage in microloans and are extremely creative when it comes to virtual goods.

2.3.4 Risk perception and growth

This is the level and nature of consumer's uncertainty that the consumers go through as part of their experience to use a particular products and service as reported by Yahaya et al, (2014). Islamic banking is unique in that it employs banking processes like borrowing and financing without using legal interest (Illias, 2012). The lack of interests has benefits and drawbacks for the user. A user of Islamic banking is only permitted to profit from a trade or investment in accordance with Islamic principles if he assumes some personal risk by sharing the risk (Yahaya et al., 2014). Interest on deposits is how financial institution generates revenue; however, Islamic banking makes money by sharing profits and losses, or risk sharing. In this way, the borrower and depositors, like the investors, might bear a portion of the risk. To safeguard their clients, investors will only invest in initiatives with a very low risk, and will only make dependable investment judgments.

The study Duba (2020) draws the inference that there is still a high level of perception of risk against Islamic banking. This seems to be ascribable to elements like adverse selection, an unorganized market, and the fact that the regional Islamic financial sector is still in its infancy. Investors trade cautiously as a result, reducing the proportion of Shariah-compliant products in their investment portfolio. Islamic finance can benefit from consumer protection frameworks for conventional financial products, but these frameworks need to be modified to address risks unique to Islamic financial products.

Safiullah and Shamsuddin (2018) focused on the impact of the SSB composition on risk in IIBs when examining the differences in risk between Islamic and traditional banks. They discover that, when compared to traditional banks, IBs face similar operational risk, but they experience higher liquidity risk, lower credit risk, and lower insolvency risk. Operational and insolvency risks in IIBs increase with more renowned Shariah scholars on the SSB, but they decrease as the SSB's size and academic education and skills increase. The conclusions hold up well against the use of a framework GMM estimator and alternative risk measures.

Ahmed and Khan (2016) talked about some of the particular risks that come with adhering to the shari'a and the unique risk management requirements placed on IIB institutions by the shari'a mandate. Participants claimed that due to their adherence to the shari'a, Islamic banks are likely to encounter two different types of risks: those that are comparable to those encountered by conventional financial intermediation and those that are particular to them. Additionally, because some of the risk mitigation tools used by their traditional ones were prohibited by Islamic commercial law, Islamic banks were restricted from using them.

The risks connected to the various forms of Islamic banking were studied by Ahamad (2014). Bank balances and numerous performance metrics provide substantiation that IBs in Pakistan typically finance few long-term projects. On the plus side, these banks have illustrated excellent results in terms of returns on their assets and equity, as well as improved risk management and appropriate liquidity maintenance.

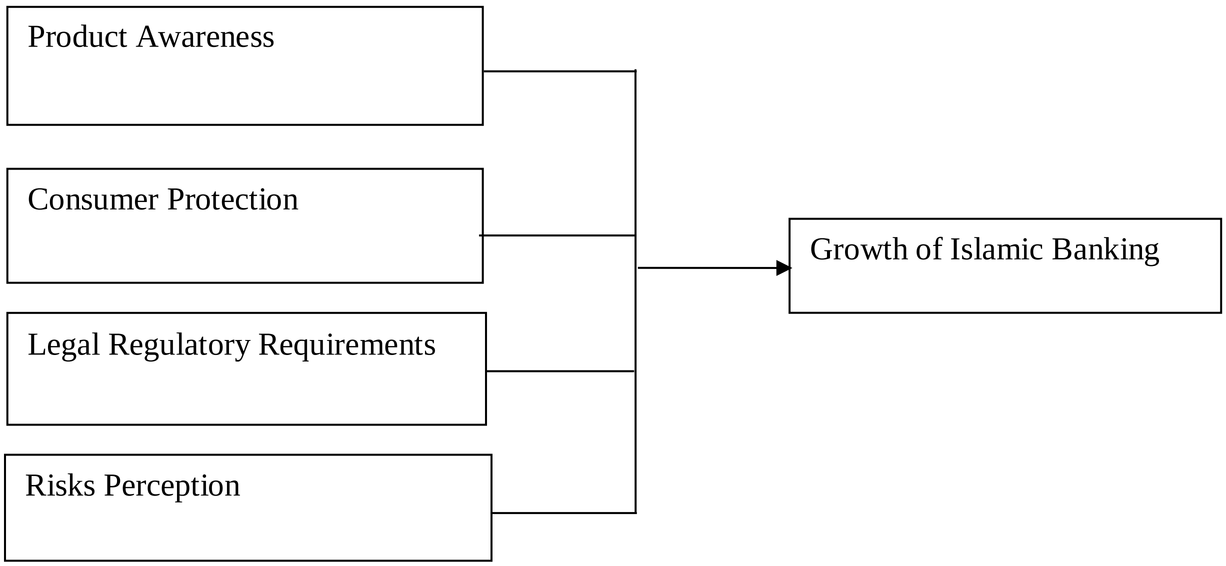
2.4 Conceptual Framework

Guided by Location Innovation Theory, Finance Theory, Circumvention Innovation Theory, and Theory of Perceived Risk, the study suggested a conceptual framework proposing that Growth of Islamic banking uptake in Kenya is influenced by the product awareness, consumer protection, legal regulatory requirements and risk perception as shown in figure 2.2. The study suggested that the growth of Islamic banking uptake in Kenya was influenced by; product awareness, consumer protection, legal regulatory requirements and risk perception. Thus; the product awareness, consumer protection, legal regulatory requirements and risk perception were the independent variables and growth of Islamic banking uptake in Kenya is the dependent variable (DV)

Figure 2.2:

Conceptual Framework

Independent Variable **Dependent Variable**



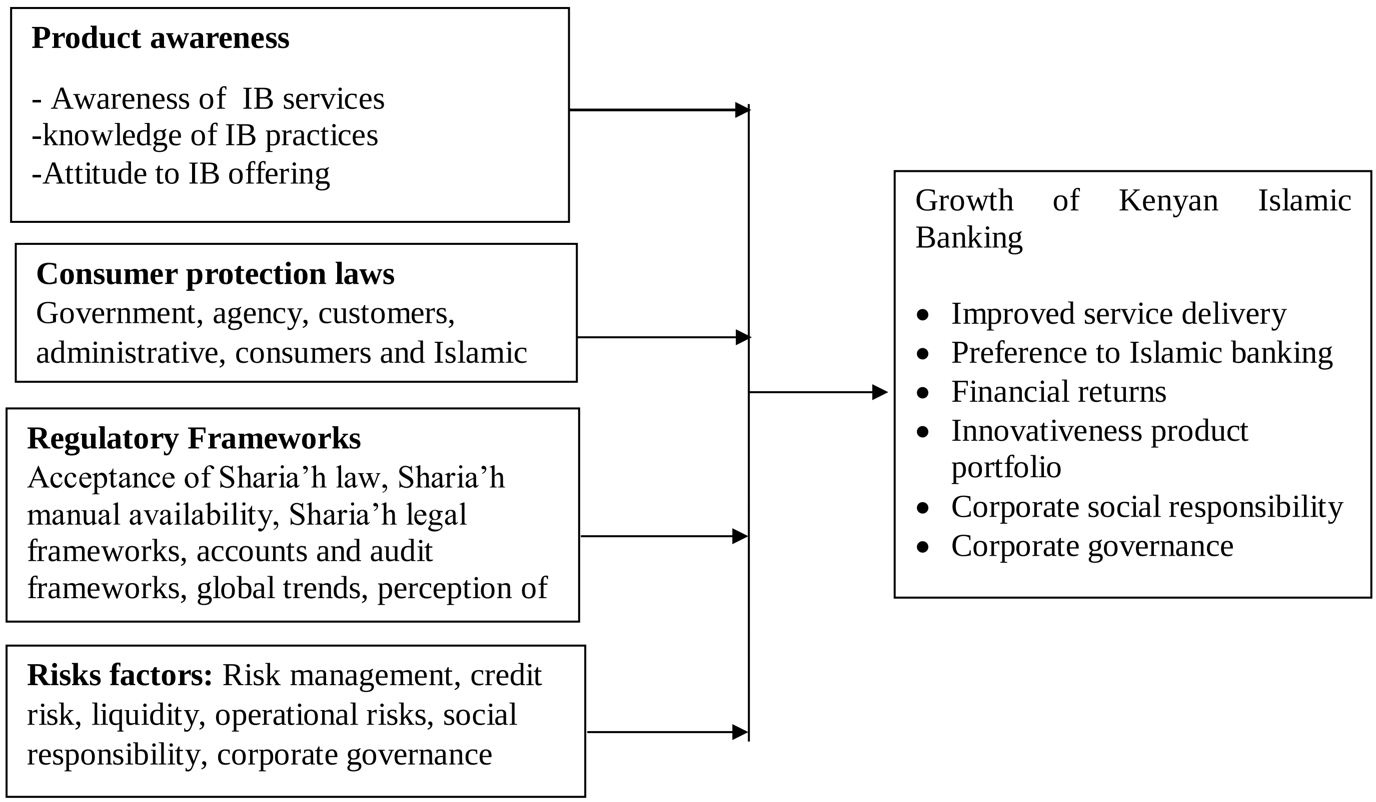
Source: Researcher (2021)

The conceptual structure of the research is depicted in this diagram. It deems all of the crucial factors impacting the growth of Islamic Kenya's banking industry.

2.5 Operationalization

Figure 2.3:

Operationalisation



Independent variable_ Dependent variable \

This is a chart representing the operationalization of the study. The four strategic factors; product awareness, consumer protection laws, regulatory framework, and risk factors; the independent variables on the growth of IBs is the dependent variables.

2.6 Research Gaps

on reviewing the literature, the study found that some of the empirical research suffered from contextual restriction while some had conceptual restrictions as other had sampling restriction and other methodological limitations. The research by Mohammed and Kwasira (2014) had contextual limitation in that it was restricted to Islamic Banks in Nakuru Sub-County, Kenya The study by Lujja et al. (2018) focused on Islamic baking in Uganda to imply contextual restriction while Bodibe et al. (2016) concentrated on a university in Johannesburg to depict another contextual limitations. The research by emphasised on non-Muslims and Islamic banking in Malaysia to expose both contextual and conceptual limitations. The research by (Njagi & Gekara, 2019), one that entirely focused on analyzing the variables that determine the expansion of IIB in Kenya, revealed a conceptual discrepancy. This calls for a similar study to be done with different variables or on different businesses in different industries. Investigation by Duba (2020) has sampling limitations because it concentrated on the state's current users of IB, the majority of whom practice Islam. (Benhamou and Alwardat, 2019; Kulshrestha and Ali, 2018) used secondary data from literature review to expose methodological restrictions.

2.7 Summary of Literature Review

Just like noted earlier, the paper evaluates theories that were extremely helpful in explicating growth and the variables affect that as well. These include; Location Innovation Theory, Finance Theory, Circumvention Innovation Theory, and Theory of Perceived Risk which explain product awareness, consumer protection, legal regulatory requirements and risk perception as factors influencing product awareness, consumer protection, legal regulatory requirements and risk perception respectively. Additionally, the review of empirical research revealed the presence of contextual restriction while some had conceptual restrictions as other had sampling restriction and other methodological limitations. This has left a lot of significant knowledge gap from the available materials as well as limited research in this area being studied.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1. Introduction

Generally speaking, the whole section described the research methodology that was applied to this analysis. The technique includes the identification and choice of the best research strategy. It was consequently split into the following sections: the appropriate research design considered eligible in the exercise, most suitable and informative target population for providing most useful data as the appropriate sample design, data gathering procedure and the associated tools, the related research processes, and the most viable data analysis approaches; concluding with the research ethics attained.

3.2. Research Design

In practice, research design coherently brings different analysis components together logically (Gupta & Rangi, 2014). Thus, it is a roadmap detailing the approaches used in answering the question on the need for the analysis, the location and time to be completed by the research, together with the type of data provided (Kothari, 2012). It is beneficial to define the instruments and techniques needed for the collection of data and to interpret the data collected effectively. Considering that there are different techniques for study design, the present study used descriptive research design in judging product awareness, consumer protection, legal regulatory requirements and risk perception as an influencer of Islamic banking uptake growth among banks in Kenya. This was because when defining research features, a descriptive research method is viable and especially for providing in-depth insights with respect to the issue arising in the analysis this helps describing, approximating, predicting, and analyzing associative relationships using this. This managed to help in answering questions about the study's participants (Who), the in thing (whatever was done during the investigation), when it was done (timings), where it was done (place and location), why it was done (reason for doing certain things), and the manner in which this was to be done (way).

3.3 Target Population

The whole collection of instances from which a sample can be chosen and the results generalized to the entire population is referred to as the target population (Saunders et al., 2016). It is also regarded as an aspect or person that a researcher would like to investigate (Zikmund et al., 2013). A target demographic required to be able to communicate with one another (Cooper & Schindler, 2014) This study focused on the, marketing manager, sales manager, customer relation manager, chief operations manager, business development manager, product development manager and research development manager from the headquarters of each of 8 banks that was offering Islamic bank products in Kenya. while the marketing manager, sales manager and customer relation manager had detailed information about their customer and product consumption information including challenges, they were facing such as risks, protection and regulation. Furthermore, chief operations manager, business development manager, product development manager and research development manager acquired details on the progress of customer and the way they were relating to their products in terms of uptake and associated challenges. In Kenya there were 8 banks offering Islamic banking products and that the study took seven (7) managers from each bank, the target population was 56 as apprehended in Table 3.1

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Table 3. 1:

Population of the study

Bank	Target Population
Barclays banks	7
First community bank	7
Gulf African bank	7
National Bank	7
Dubai Bank	7
Kenya commercial Bank	7
Middle east bank Kenya	7
Standard chartered Bank	7
Total	**56**

3.4. Sample Size and Sampling Technique

Sampling is the process for choosing an appropriate specimen to determine the parameters of the overall population of the research (Cooper & Schindler, 2014). It was collectively used to refer to the processes of estimating the sample frame, technique and size.

3.4.1. Sampling Frame

That's the whole list of people from the population from whom a sample was drawn, free of any bias (Saunders et al., 2016). The sampling frame includes a listing of all the components (subjects) the researcher needs for the research to choose participants from (Saunders et al. 2018). In this research the sampling frame included the list of marketing manager, sales manager, customer relation manager, chief operations manager, product development manager and research development manager from the headquarters of each of banks that was offering Islamic bank products in Kenya.

3.4.2. Sampling Technique

Because the population was feasible and narrow, a census with participation from the whole target group was necessary (Mugenda & Mugenda, 2008). This made sure that the sample chosen reflected the intended populace's demographics and composition. Since the study used a census, it was able to collect more data to aid in analysis and produce precise findings. Additionally, census is the most suitable method when the targeted audience doesn't really exceed 100 participants, as was the case with the original this investigation, (Mugenda & Mugenda , 2008). Since the target population was 56, which was less than 100, the research used the 56 managers from; marketing, sales, customer relation, operations, business development, product development, research development from the headquarters of 8 banks that was offering Islamic bank products in Kenya as the respondents.

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3.4.3. Sample Size

A subset of the target population is specified as the sample size (Creswell, 2014). The sample size is important to the principal researcher because, when calculated correctly, it removes bias in a study (Kumar, 2011). Moreover, a smaller sample size may not be preferred since it may not achieve the key study objectives. On the contrary, a very large one may cause unnecessary financial cost and resources (Zikmund et al., 2013). In the present study, the sample size was 56 respondents.

3.5. Data Collection Tools

According to Kothari (2012)), data gathering entails the precise, methodical gathering of information pertinent to data analysis sub problems using methods like participant observation, focus group discussion (FGDs), narratives, and case studies. There are various methods for gathering data which different in regards to cost, duration, as well as other assets available to the researcher. These data collection strategies include focus group discussions, interviews, questionnaires with schedules (Gupta & Rangi, 2014). The current research used questionnaires for gathering data. Thus, empirical data was gathered through structured questionnaires administered to the respondents. Data from primary sources were gathered using a structured questionnaire. Questions with a 5-point Likert scale were employed to gather data for this analysis. There are scales on the Likert scale that help translate qualitative responses into quantitative values (Gupta & Rangi, 2014). The questionnaire was carefully designed and was made up of questions that were printed in a specific order on a number of forms. General form, question sequencing, and question formulation and wording were the three main components of a questionnaire. As a result, a self-administered structured questionnaire was used to gather information for this research. Drop-and-pick distribution was used to distribute this research study. The questionnaire was chosen because it: is less expensive, particularly when the universe is massive and widely dispersed locationally; is independent from the prejudices of the questioner and the responses obtained are in the informants' own words; gives the respondents enough time to give well-considered answers; uses a large sample, the outcomes more reliable and efficient; and allows all participants who aren't readily accessible to be reached readily.

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3.6. Pilot Study

This is an important test on the research analysis to evaluate the suitability of the research in collecting information from respondents that are similar to those that the study targeted to collect information during the study. According to Zikmund et al. (2013) a pilot study should not be different from the full study. Remotely piloted research tool aids in the evaluation of the questionnaire and the identification of any flaws. Pilot studies, according to Bryman (2012), are highly important for self-completion surveys in order to minimise any misunderstanding. Inappropriate questions and instructions can also be detected and rectified. According to Bryman and Bell (2011), it should not be done on the same persons who were part of the full study's sample since this might influence the representativeness of any future sample, compromising the reproducibility and repeatability of the data obtained. Saunders et al, (2016) that a small size that have the same variations as that of the population is best and recommended with a minimum of 10 respondents. Collected information was tested for reliability and validity in SPSS and interpreted appropriately to check on the suitability of the questions in the study.

3.6.2 Validity of the Instruments

In research, extent that data gathering instrument is employed in gathering the information that the collection instrument is designed to capture is referred to as validity (Zikmund, 2003). To guarantee the study's validity, research questions were chosen to correspond to the study's title. The questionnaire is also given to research professionals for appraisal of the study's validity. In this research, the researcher adopted content analysis to teste for the validity of the instrument. In this case, the tool was shared with the supervisor and expert in business administration to establish the effectiveness in gathering data for measuring study variables. These experts reviewed the instrument and gave their comments to the researcher. The researcher the adopted these comments to the tool and availed it for administration.

3.6.2 Reliability of the Instruments

In research, instrument reliability implies the far error-free and consistent a study's findings are (Zikmund, 2003). It is used to analyse the internal consistency as well as its correctness. It also determined the consistency of variables' items and indicate whether the same instrument would lead to yielding the same results every other time it used. To evaluate the reliability of the tool, Cronbach alpha test was used in which case a Cronbach alpha coefficient was calculated and reported; where a value of; 0.9 is above is superb (indicated a highly consistent data collection instrument), 0.8 better, 0.7 is good and 0.6 is considered mediocre.

3.7 Data collection procedure.

In advance, the questionnaire was pre-tested, corrected, and prepared for distribution. Before starting data collection, permission to undertake this study was requested in phases, beginning with the Department's research supervisors and ending with the Dean of the School. In addition, the National Commission for Science, Technology and Innovation (NACOSTI) in seeking a research authorization in accordance with the Science and Technology Act, Cap 250 of the Kenyan Laws. On accomplishing this, the researcher visited the banks from where the respondents were supposed to come from, introduced self and present hi requests to collect data from their staff. Once this was granted, the researcher then made appointments with head of the department and agreed on when and how collect data from them.

This same questionnaire was distributed using a drop-and-pick method for gathering primary data. The study used an online questionnaire method in the event that an interviewee was functioning away from the office. The researcher distributed the survey to the participants, asked them to confirm any discrepancies with the provided data, gave them time to respond, and then came back to collect the completed questionnaire at the planned schedule.

3.8 Data Analysis

3.8.1. Data Preparation

Inconsistencies, incompleteness, misclassification, and gaps in the information gathered from the respondents were searcher for, identified and removed from the data gathered (Kumar, 2011). Missing data were altogether verified in the data that was collected: Data that was found to have been invalid due to data collection mistakes was omitted from the final data analysis activities. This was; data that was incomplete; data that was depicting signs of inconsistent; and data that was wrong due to fabrication (Cooper & Schindler, 2014).

3.8.2. Descriptive Statistics

In this thesis, data analysis was carried out using quantitative analysis to produce descriptive statistics. These statistics included measure of central tendency and dispersion; means, standard deviation, minimum, maximum, skewedness of Kurtosis, percentages and frequencies. This enabled the research to obtain the most helpful statistics regarding properties of the study variables. Thus, to summarize the data, descriptive statistics was employed. The information in form was subsequently be displayed in the tables.

3.8.3. Inferential Statistics

Inferential statistical analysis are statistical approaches for drawing conclusions or making decisions based on facts. This enables the generalization of information from the sample to the general population of the study. Depending on the number of variables, inferential analysis can be univariate (one), bivariate (two) or multivariate (more than two) variables when testing for the objectives of the study (Zikmund et al., 2013). In this study, factors analysis was done to measure how each item fits into the constructs of the study followed by correlation analysis.

This same research employed an inferential analysis that included correlation analysis using Pearson's product method (PPM) and Multiple regression analysis (MRA) after successfully executing quantitative analysis. The goal of correlation analysis was to identify any relationships between the research variables' PPM was used to estimate the model while correlation on Pearson's product method (PPM) was used to correlate data at a 5% significance level. in between, Analysis of Variance (ANOVA), was used in the study to assess how well the model corresponded to the data..

Model 1

$Y = \beta_0 + \beta_1 X_1 + \varepsilon$………………………………………………… (ii)

Y = Growth of Islamic banking uptake in Kenya

X_1 = Product awareness

β_0 is Y when product awareness = 0.

β_1 is the change that product awareness induces

ε = error term

Model 2

$$Y = \beta_0 + \beta_1 X_1 + \varepsilon \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots \text{(ii)}$$

Y = Growth of Islamic banking uptake in Kenya

X_1 = Consumer protection

β_0 is Y when consumer protection = 0.

β_1 is the change that consumer protection induces

ε = error term

Model 3

$$Y = \beta_0 + \beta_1 X_1 + \varepsilon \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots \text{(ii)}$$

Y = Growth of Islamic banking uptake in Kenya

X_1 = Legal regulatory requirements

β_0 is Y when legal regulatory requirements = 0.

β_1 is the change that legal regulatory requirements induce

ε = error term

Model 4

$Y = \beta_0 + \beta_1 X_1 + \varepsilon$ ………………………………………………… (ii)

Y = Growth of Islamic banking uptake in Kenya

X_1 = Risk perception

β_0 is Y when risk perception = 0.

β_1 is the change that risk perception induces

ε = error term

In between ANOVA was also used to test for the null hypotheses at 5% level of significance. Whenever the p-value exceeded 0.05, the null hypothesis was accepted and the alternate was rejected (. However, when P-Value was less than 0.05, the alternative hypothesis was accepted and the null hypothesis was rejected.

3.8.4. Classical Linear Regression Model (CLRM) Assumptions Tests

As rule of linear regression, the research examined the data to confirm the fundamental assumption CLRM in order to maintain the authenticity and sturdiness of the regression model (Brooks, 2008). If the assumptions are met, the model is thought to use all available data. However, if these suppositions are broken, some data will be missing from the model. In order to check for normality, heteroscedasticity, multicollinearity, and autocorrelation, diagnostic tests were performed (Babulo & Hassen, 2005). The normality tests are an addition to the diagrammatical evaluation of normality, which compared the sample's scores to a set of scores that were normally distributed and had the same mean (M) and standard deviation (M). In the event that the test was significant, the distribution was non-normal, that is, it had a constant variance of 1 and a mean of 0 (Gezu, 2014), otherwise, it was normally distributed. Whereupon, more important variables than before are provided by the results. This is because IVs that have a strong correlation with one another contain information that is common to both. Thus, the multicollinearity problem lowers the predictive power of the individual IVs. In order to test multicollinearity, highly correlated variables had to be dropped.

Homoscedasticity is one of the fundamental presumptions of a linear regression model. According to this presumption, the disturbance term's probability distribution is constant across all observations. That is, for all explanatory variable values, the variance of each error term is the same. However, this condition of non-constant variance or non-homogeneity of variance is known as heteroscedasticity if the disturbance terms do not have the same variance (Babulo & Hassen, 2005). The investigation used the Breusch-Pagan test to uncover the heteroscedasticity issues. According to this assessment, the data have a heteroscedasticity problem if the P-value is significant at the 95% confidence level, but not if the P-value is insignificant (greater than 0.05).

The study also looked into the autocorrelation hypotheses, which imply that error terms have zero covariance with time. This means that errors related to one observation are not related to errors related to other observations (Gezu, 2014). The Durbin Watson test, the most well-known test for identifying serial correlation, is used in this study. The absence of the autocorrelation problem implies that the error terms for the various observations are not correlated with one another..

3.9 Ethical Considerations

Ethics governs how researchers behave with regard to the rights of people who are either the subject of their research or those who are affected by it (Saunders et al., 2016; Zikmund et al., 2013). Three key topics of ethics are society's relationship with science, professional difficulties, and the treatment of study subjects. Professional ethics and misbehavior must, nevertheless, be observed in business research. A case of fabrication, falsification, or plagiarism in proposing, performing, or reviewing research is an example of research misconduct (Christensen et al., 2014). This same investigation in this thesis made sure that the research was conducted ethically. The researcher first requested permission to conduct the study in the form of a letter from Mount Kenya University. This aided in requesting a research permit from NACOSTI. The researcher made sure that participants had the option to voluntarily withdraw from the study or ask questions. The informed consent document embodies the autonomy principle. Informed consent for this study included the following elements. The respondents gave their consent to participate in the study voluntarily and without being forced or being promised benefits that were unlikely to materialize as a consequence of their involvement (Kothari, 2012). During the research process, confidentiality or anonymity was a crucially pertinent requirement. The study was committed to the truth and never used deception to gather data. Cooper and Schinder (2014) contend that there shouldn't be any betrayal during the research study. This study made sure that the respondents' information was secure. For the purposes of protecting anonymity, ensuring confidentiality, and preventing identity disclosure, participants just weren't required to indicate their identities on the questionnaire. The analyst avoided using other people's copy work while conducting the research and accordingly checked the report for plagiarism

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSIONS

4.1 Introduction

In this article, the section explains findings arrived in addition to presentation and interpretation in light of the study's aims in the presents chapter. To aid in the interpretation of the study's findings, descriptive and inferential statistics have been employed. The chapter covers the reporting and analysis of the survey findings in light of the study's goals. To aid in the interpretation of the study's findings, statistics were employed. Results of the reliability tests, the response rate of respondents, the sample population's socio-demographic characteristics, and diagnostic tests are all presented in this chapter. Importantly, highlighted are descriptive statistics of the constructs as well as a regression model from inferential statistics obtained after the correlation analysis and the associated regression analysis.

4.1.1 Reliability statistics table

As earlier mentioned, to determine the reliability, this analysis used the Cronbach's alpha approach where the reliability of every item under consideration was inspected, and as can be seen in table 4.1, it was determined that the items were excellent for the analysis.

Table 4.1
Table of reliability Results

Item	Cronbach's Alpha
Growth of Islamic banking uptake in Kenya	0.940
Product awareness	0.966
Consumer protection	0.922
Legal regulatory requirements	0.907
Risk perception	0.921
Cronbach's Alpha (α) = 0.946, N= 5	

Source: Research data (2021)

Table 4.1 reveals that the five variables (N=5) had a Cronbach's alpha () coefficient of 0.946, which indicates that the tool is extremely robust because it is close to 1 and, more importantly, is above the 0.7 threshold (Kothari, 2012). Using the cutoff set forth by Kothari (2012), it was determined that the tool had a high degree of internal consistency and was remarkably predictable over time (every other time); growth of Islamic banking uptake in Kenya (α = 0.840), product awareness (α = 0.966), consumer protection (α = 0.922), legal regulatory requirements (α = 0.907), and risk perception (α = 0.921).. The analysis kept all the data in the instrument and provided it for administration because the tool was observed to be very consistent every time it was used for data gathering.

4.2 Respondents Response Rate

The research sought 56 respondents, 52 of whom completed and returned the questionnaires, yielding a 92.86 percent response. According to Mugenda and Mugenda (2008), the study's response rate was excellent for analysis and interpretation of the outcomes. For analysis and reporting, a response rate of 40% is perfectly adequate, a rate of 60% is satisfactory, and a rate of more than 70% is phenomenal (Mugenda & Mugenda, 2008).

4.3 Socio-Demographic Characteristics of the Sample Population

The socio demographics data captured respondent's gender, age, education, religion, level of income and type pf accounts they were operating in the Islamic banks as presented in table 4.2.

Excluding the careless respondents and those who did not return the questionnaires, the sample had 52 respondents. In total, this is contrary to the previously reported over-representation of females in banking sector and specifically the Standard chartered bank in Kenya in a study dubbed "Career Progression of women in the Banking Sector: The case of SCB Kenya Limited reported by (Akinyi, 2014).

Table 4.2:

Descriptive Statistics of Socio-Demographic Characteristics of the Sample Population

Category		Frequency	Percent
Gender	Male	32	61.53
	Female	20	38.46
	Less than 20	0	0.00
Age (Years)	20-39	3	5.76
	30-39	23	44.23
	40-49	16	30.77
	>50	10	19.23
Education	Primary School Dropout	0	0.00
	High School	2	3.85
	Diploma	10	19.23
	Bachelors' degree	28	53.85
	Master's degree and above	12	23.07
Religion	Muslim	35	67.30
	Non-Muslim	17	32.70
Level of Income	10,000-40,000	11	21.15
	40,001-70,000	25	48.08
	70,000 – 100,000	8	15.38
	100,001 – 130,000	5	9.62
	130,000 and above	2	3.85
Operating Account	Current account	6	11.54
	Savings account	26	50.00
	Time deposit account	0	0.00
	Hajj account	11	21.15
	Anisaa account	9	17.31

Source: Research data (2021).

According to the results, 32(61.53%) of the respondents were males and 20(38.46%) were females. Furthermore, 3 (5.76 percent) of participants were between the ages of 20, 23(44.23) percent were between the ages of 30 while 16(20.77 percent) were between the ages of 40 and 49; and 10(19.23 percent) were beyond the age of 50. Furthermore, the majority of respondents, 28(53.85 percent) had a Bachelor's degree, followed by 12(23.07 percent) who were Master's degree holders, then 10(19.23 percent) with Diploma or post-secondary education, and lastly (3.85 percent) who showed they were high school certificate holders. None of the respondents was a primary school drop out. Again, Muslims made up ta majority of 35 (67.30%) while non-Muslims were 17(32.70%). Most of the respondents 35(48.08 percent) earned between 40,001 and 70,000 Shillings each month while 11(21.15%) showed that earned between 10,000 and 40,000 as 8(15.38%), earned over 70,000 to 100,000 while 5(9.62%) showed that they earned over 100,001 to 130,000 and 2(3.85) indicated that they earned between over 130,000. While most of the respondents, 26(50%) had a savings account, 11(21.15%), 11(21.15%) had a Hajj account, 9(17.31%) had an Anisaa account, and 6(11.54 percent) had a current account.

4.4 Product Awareness of the respondents

Table 4.3:
banking product awareness

Category		Frequency	Percent
Gender	Strongly agree	24	46.15
	Agree	16	30.77
	Neutral	12	23.07
	Disagree	0	0.00
	Strongly disagree	0	0.00
Reasons for opening account	Religious reasons	12	23.07
	High profit	6	11.54
	Better product portfolio	26	50.00
	Better customer service	8	15.38
Heard of Islamic banking	Yes	52	100.00
	No	0	0.00
If No, willing to open one	Yes	0	0.00
	No	0	0.00
If NO, why would you not be willing to	Fees are high	0	0.00
	There is no interest	0	0.00
	Bank in unreliable	0	0.00

open a bank account in an Islamic Bank?	Embezzlement Risk	0	0.00
	Few branches	0	0.00
	Beliefs (religious)	0	0.00
	Specify Others	0	0.00
Knowledge over Islamic banking and finance	None	3	5.76
	Little	10	19.23
	Adequate	23	44.23
	A lot	16	30.77
Know about banks providing interest free services	None	10	19.23
	Little	3	5.76
	Adequate	16	30.77
	A lot	23	44.23
Source of information on banks offering interest free services.	Staff	2	3.85
	Media	10	19.23
	Online (Internet)	26	50.00
	Mosque	0	0.00
	Friends/Family	14	26.92
Trust on Islamic banking?	Yes	40	76.92
	No	7	13.46
	I don't know	5	9.62

Source: Researchers Data (2021).

The results show 24(46.15%) showing that gender played a key role in uptake of Islamic banking while 16(30.77%) agreed as 12(23.07) were neutral to the assertion Some of the reasons they provided for opening of the bank account includes better product portfolio as shown by 26(50.00%); religious reasons shown by 12(23.07%), better customer service; 8(15.38%) and finally high profit; 6(11.54%). All of the respondents, 52((100%) had showed that had heard of Islamic banking. The responses for the willingness to open an account what not provided. On how much the respondents know about Islamic banking, most of the respondents, 23(44.23%), indicated that they have sufficient knowledge, while 16(30.77%) indicated knowing Islamic banking and finance very well. Furthermore, 10 (19.23%) had never thought about it, and 3 (5.76%) did not know anything about finance and Islamic banking. Equally, 23 (44.23%) knew very well that banks provide interest free services, while 16 (30.77%) had sufficient knowledge of banking services being free while 10 (19.23%) had never thought about it and only 3 (5.76%) did not know much about the banking services being free, since some fees are charged as a banking charge. In addition, half of the respondents 26 (50%) indicated that they have come to know about it through the internet, while 14 (26.92%) have learned it through family/friends. More so, 10 (19.23%) have learned it through media such as (Newspaper and TV), while 2 of the respondents learned it through bank employees (3.85%) respectively. Above all, despite the different product awareness by different respondents, most of them 76.96% (40) suggested that they trust Islamic bank products while 7 (13.46%) did not and 9.62% (5) did not know on whether to trust Islamic bank products.

4.5 Frequency of distribution of responses per construct

4.5.1 Consumer protection summary responses

The questions were required to score the consumer protection items using a 5-point Likert design scoring scheme and it was observed that most of the respondents strongly agree 27 (51.9%) and agree (19 (36.5%) to the influence of Government regulation on Islamic banking. Only 7.7% (4) and 3.8% (2) respondents were neutral and disagreed respectively. Agency regulation had 63.5% (33) strongly agree, 25% (13) agree while 7.7% (5) were neutral and 2 (3.8%) disagreed. Customer regulation had 25 (48.1%) agree, while 22 (42.3%) strongly agreed. On this item, only 4 (7.7%) were neutral and only 1 (1.9) disagreed. Furthermore, branching regulation was strongly agreeable to 38 (73.1%), 11 (21.2%) agreed, while 3 (5.8%) were neutral. On administrative regulation, 33 (63.5%) strongly agreed, 28.8% (15) agreed, while 2 (3.8%) remained neutral and 1 (1.9%) disagreed and another (1.9%) disagreed strongly. In addition, consumer protection was strongly agreed by 28 (53.8%), and agreed by 22 (42.3%) while 2 (3.8%) were neutral on this item. Furthermore, it was strongly agreed that Islamic banking regulation affects consumer protection by 34 (65.4%) and agreed by 15 (28.8%) and 2 (3.8%) were neutral and further 1(1.9%) disagreed.

Table 4. 4:

Summary responses for Consumer protection items

	Regulation on	**1**	**2**	**3**	**4**	**5**
i.	Government	0 (0.0)	2 (3.85)	4 (7.7)	19 (36.5)	27 (51.9)
ii.	Regulation	0 (0.0)	2 (3.8)	4 (7.7)	13 (25.0)	33 (63.5)
iii.	Customer	0 (0.0)	1 (1.9)	4 (7.7)	25 (48.1)	22 (42.3)
iv.	Branching	0 (0.0)	0 (0.0)	3 (5.8)	11 (21.2)	38 (73.1)
v.	Administrative	1 (1.9)	1 (1.9)	2 (3.85)	15 (28.8)	33 (63.5)
vi.	Consumer protection	0 (0.0)	0 (0.0)	2 (3.8)	22 (42.3)	28 (53.8)
1.	Islamic banking	0 (0.0)	1 (1.9)	2 (3.8)	15 (28.8)	34 (65.4)

Source: Researchers data (2020)

4.5.2 Legal regulatory requirements summary responses

Most of the respondents agree 63.5% (33) while 17 (32.7) strongly agree that there are different interpretations and acceptability of various products from a Shariah perspective. In addition, most of the respondents strongly agree 33 (61.5%) and 15 (28.8%) that the Sharia manuals are very useful and comprehensive as provided by the bank, the others 5 (9.6%) were neutral. Nonetheless, many respondents (33(63.5%) strongly disagreed while 9 (17.3%) disputed that there is no Shariah-compliant legislative structure for interest-free banking in Kenya that would make it permissible. In response to this question, an equal number of 9 (17.3 percent) were neutral, while just 1 (1.9 percent) agreed with the statement. The issue stating there is a lack of accounting and auditing standards relevant to Islamic banking in Kenya was endorsed by all respondents, with 41

(78.8 percent) agreeing and 11 (21.2) strongly agreeing. Similarly, 37 (71.2 percent) and 10 (19.2 percent) strongly agreed that there is transparency and disclosure to the public in order to provide consumer protection. The respondents also strongly agreed 32 (61.5%) Islamic banking products are not different from products and services provided by the conventional banks. Equally, a good number of respondents strongly agree 27 (51.9%) and 16 (30.8%) agree that introduction of Islamic banking is as a result of global trends in banking. Only 4 (7.7%) were neutral and the remaining disagreed and strongly disagreed (3 (5.8%) and 2 (3.8%) respectively.

It was also notable from the responses that many of them strongly agree 29 (55.8%) and 6 (11.5%) agree to perceptions of Islamic banks not adhering ti the guidelines leading to low uptake of Islamic banking services. This was countered by 7 (13.5%) who disagree and 4 (7.7%) strongly disagree. In addition, a large number of respondents state that they are not persuaded that Kenya's Sharia compliant banks are fully functional IBs (28 (53.8%), while a similar proportion of respondents 8 (15.4%) agree and disagree while 4 (7.7%) strongly agree and disagree respectively. It was now agreeable for 19 (36.5%) and 8 (15.4%) of the respondents that Islamic banks provide information for their products while an almost equal number of respondents remained neutral on the question 18 (34.6%). It was also agreed that Islamic bank and their products remain largely unknown by 27 (51.9%) and strongly agreed by 14 (26.9%) of the respondents, however, only 6 (11.5%) and 5 (9.6%) of the respondents disagree and strongly disagree respectively. Moreover, it was also agreed by 21 (40.4%) and strongly agreed by 13 (25%) that they do not have complete item to item alternative for all kinds of banking services. While 10 (19.2%) were neutral, 5 (9.6) disagree and 3 (5.8) strongly disagree with the statement. Albeit, 17 (32.7%) agree and 6 (11.5%) strongly agree to the statement that Islamic banks have limited products ranges, while 14 (26.9%) remained neutral, 10 (19.2%) disagree and 5 (9.6%) strongly disagreed to the statement.

Table 4.5:

Legal regulatory requirements summary responses

Statement	1	2	3	4	5
a) Different product acceptability interpretations	0 (0.0)	1 (1.9)	1 (1.9)	33 (63.5)	17 (32.7)
b) The banks Shari'ah manuals are useful and comprehensive	0 (0.0)	0 (0)	5 (9.6)	15 (28.8)	32 (61.5)
c) Lack of Sharia'h compliant legal framework	33 (63.5)	9 (17.3)	9 (17.3)	1 (1.9)	0 (0.0)
d) IB accounting and auditing standards absence ,	0 (0.0)	0 (0.0)	0 (0.0)	41 (78.8)	11 (21.2)
e) Consumer protection, transparency and disclosure	0 (0.0)	2 (3.8)	3 (5.8)	10 (19.2)	37 (71.2)
f) IB products uniqueness from traditional banks	6 (11.5)	8 (15.4)	4 (7.7)	2 (3.8)	32 (61.5)
g) The introduction of Islamic banking was a result of global trends in banking	2 (3.8)	3 (5.8)	4 (7.7)	16 (30.8)	27 (61.9)
h) The perception that the Islamic Banks do not fully adhere to Sharia guidelines leads to low uptake	4 (7.7)	7 (13.5)	6 (11.5)	6 (11.5)	29 (55.8)
i) Muslims not convinced on fully-fledged Islamic banks.	4 (7.7)	8 (15.4)	28 (53.8)	8 (15.4)	4 (7.7)
j) Islamic bank provide information for their products	2 (3.8)	5 (9.6)	18 (34.6)	19 (36.5)	8 (15.4)

k) Islamic Banks and Islamic Banking products remain largely unknown and misunderstood in the Kenyan Market	2 (3.8)	3 (5.8)	6 (11.5)	27 (51.9)	14 (26.9)
l) Islamic financial institutions do not have complete item alternatives for all kinds of traditional financial solutions	3 (5.8)	5 (9.6)	10 (19.2)	21 (40.4)	13 (25)
m) Islamic banks have limited product rang	5 (9.6)	10 (19.2)	14 (26.9)	17 (32.7)	6 (11.5)

Source: Researchers data (2020)

4.5.3 Risk perception summary responses

It was indicated from the responses that most of the respondents 31 (59.6%) strongly agree and 14 (26.9%) agree on strategic marketing as a perception against risk while 4.4 (7.7%) were neutral and the rest disagreed. Equally, 37 (71.2%) of the respondents strongly agreed on the strong perceptions to sharia compliance followed by 11 (21.2%) that agreed to the statement. Only two (3.8%) were neutral and the remaining two (1 (1.9%) each disagree and disagreed strongly respectively on the statement. Furthermore, it was strongly agreed by 32 (63.5%) and 17 (32.7%) agreed that high customer service quality is useful as a risk perception in Islamic banking, only 2 (3.8%) were neutral to the statement. Also well indicated was high financial returns for depositors with 37(71.2%) strongly agreeing, 12 (23.1%) agreed, and 2 (3.8%) remained neutral while 1 (1.9%) strongly disagreed. In addition, it was clearly indicated by the respondents that innovative product portfolio is a strong risk perception for banks growth as suggested by all respondents with 35 (67.3) agreeing and 17 (32.7%) strongly agreeing. Moreover, Corporate social responsibility was perceived as a not strong factors of risk perception in Islamic banking with 33 (63.5%) of the respondents being neutral, 4 (7.7%) agreed and 15 (28.8%) disagreeing on the statement. Equally, strong corporate governance was well perceived as a strong indicator of risk perception for Islamic banking by 31 (59.6%) agreeing, and 19 (36.5%) strongly agreeing to the statements.

Table 4.6:

Summary responses for risk perceptions by Islamic banks

Statements	**Ranking**				
	1	2	3	4	5
a. Enhance risk management operations and processes	1 (1.9)	2 (3.8)	4 (7.7)	14 (26.9)	31 (59.6)
b. Banks have a strong credit risk	1 (1.9)	1 (1.9)	2 (3.8)	11 (21.2)	37 (71.2)
c. Banks have a perfect liquidity	0 (0.0)	0 (0.0)	2 (3.8)	17 (32.7)	33 (63.5)
d. Regular monitoring of operational risks	1 (1.9)	0 (0.0)	2 (3.8)	12 (23.1)	37 (71.2)
e. Islamic banks have higher risks than conventional banks	0 (0.0)	0 (0.0)	0 (0.0)	35 (67.3)	17 (32.7)
f. Corporate social responsibility lowers market risk	5 (9.6)	10 (19.2)	33 (63.5)	2 (3.8)	2 (3.8)
g. Strong Corporate governance has boosted the market risk	0 (0.0)	0 (0.0)	2 (3.8)	31 (59.6)	19 (36.5)

Source: Researchers data (2020)

4.5.4 Growth factors summary responses

Growth is a key component in a bank that may be assessed in a variety of ways. In this survey, it was discovered that had risen greatly, as shown by 19 (36.5 percent) of respondents who strongly agreed and 31 (59.6 percent) of respondents who agreed. Only 2 (3.8 percent) of those polled were unconcerned by the remarks. The respondents also indicated increased service delivery for Islamic banking, with 32 (61.5 percent) highly agreeing and 18 (34.6 percent) agreeing, while just 2 (3.8 percent) remained indifferent on delivery of services in Islamic banking. Furthermore, it was indicated by 25 (48.1%) who agree and 22 (42.3%) who strongly agree that customers prefer Islamic banking products. Furthermore, 22 (42.3 percent) agree wholeheartedly and 17 (32.7

percent) believe that depositors benefit from substantial financial returns in Islamic banking. Likewise, the innovativeness of Islamic banking products is evident from 31 (59.6%) that strongly agree and 20 (38.5%) that agree while only 1 (1.9%) remained neutral. Moreover, 31 (59.6%) strongly agree, 18 (34.6%) agree, 2 (3.8%) was neutral and 1 (1.9%) disagree on corporate social responsibility. However, all the respondents; 33 (63.5%) and 19 (36.5%) strongly agree and agree respectively on the significance of a strong corporate governance on the IBs growth in Kenya.

Table 4.7:

Summary responses for Growth Factors

	Ranking				
Statements	1	2	3	4	5
a) The customer base has grown significantly	0 (0.0)	0 (0.0)	2 (3.8)	31 (59.6)	19 (36.5)
b) Improved service delivery	0 (0.0)	0 (0.0)	2 (3.8)	18 (34.6)	32 (61.5)
c) The customers prefer Islamic banking products	0 (0.0)	0 (0.0)	5 (9.6)	25 (48.1)	22 (42.3)
d) High financial Returns for depositors	0 (0.0)	0 (0.0)	13 (25)	17 (32.7)	22 (42.3)
e) Innovative product Port folio	0 (0.0)	0 (0.0)	1 (1.9)	20 (38.5)	31 (59.6)
f) Corporate social responsibility	0 (0.0)	1 (1.9)	2 (3.8)	18 (34.6)	31 (59.6)
g) Strong Corporate governance	0 (0.0)	0 (0.0)	0 (0.0)	19 (36.5)	33 (63.5)

Source: Researchers data (2020)

4.6 Inferential statistics

The goal of the research was to determine whether the IVs of the research and research DV were related to as well estimate a model for predicting DV using the IVs. In this case, the research used correlation analysis and then multiple regression.

4.6.1 Test of classical linear regression model assumptions

Prior to getting submitted to regression analysis, the modified categorical data was reviewed to see how well it satisfied linear regression assumptions. Normality, multicollinearity, homoscedasticity, normally distributed errors, and linearity were among the tests covered (Field, 2009).

4.6.1.1 Test of Normality per constructs of Transformed data

All of the constructs, including the DV (IB Growth) and the IVs (Consumer protection, Legal considerations, and risk perceptions), were distributed normally. In inferential statistics, normally distributed data are studied using parametric methods of analysis such as Pearson's correlation and regression analysis (Sullivan & Artino, 2013).

Table 4.8:

Normality Test Outcomes

Normality						
	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Growth of Islamic banking uptake in Kenya	0.068	52.00	0.200	0.988	52	0.870
Product awareness	0.110	52.00	0.166	0.971	52	0.235
Consumer protection	0.103	52.00	0.200	0.955	52	0.048
Legal regulatory requirements	0.116	52.00	0.077	0.951	52	0.031
Risk perception	0.084	52.00	0.200	0.979	52	0.467

* This is a lower bound of the true significance.

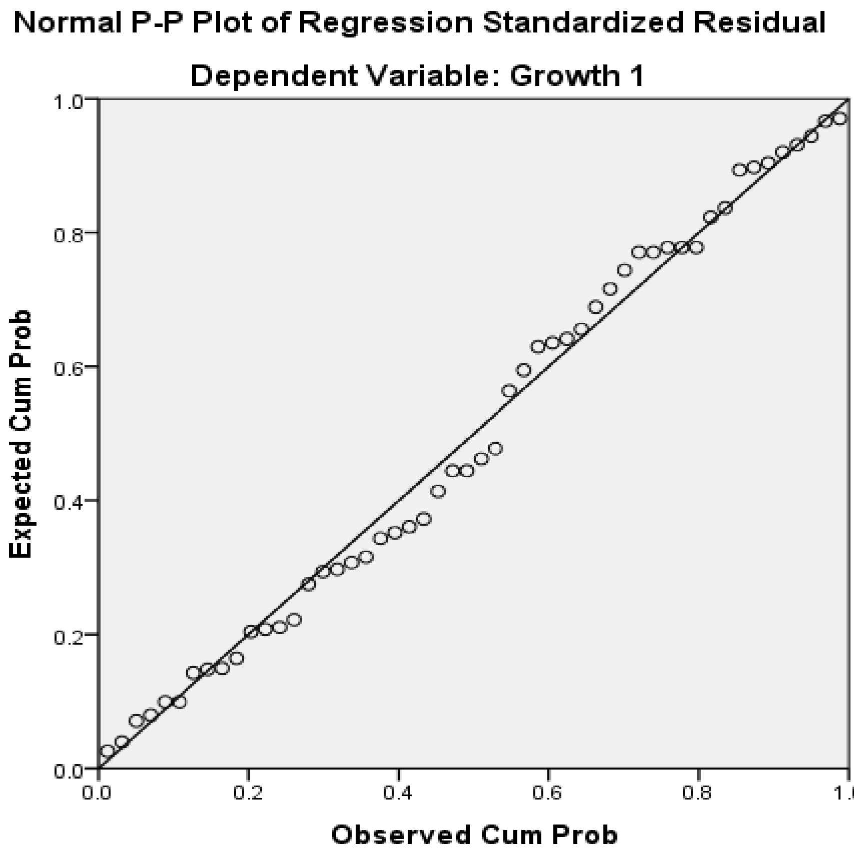
a Lilliefors Significance Correction

Source: Research data (2020)

Based on the results, the p-value each variable; growth of Islamic banking uptake in Kenya (p=0.200), product awareness(p=0.166), consumer protection (p=0.200), legal regulatory requirements p=0.077), and risk perception (p = 0.200) was greater than 0.05. The outcomes provide evidence that the research was free of normality issues. So the residuals close or on the regression line, suggesting that the assumption was satisfied (Figure 4.2). It should be noted that predictors do not have to be regularly distributed.

Figure 4.1

DV and Ivs Normal P-P Residual Plot



Source: Research data (2021).

4.6.1.2 Test for Multicollinearity

There wouldn't be a perfect linear connection between the two or more forecasters; in other words, the independent variable should not be too correlated. Examining the correlation matrix of all the predictor variables and determining which ones are highly correlated (r >.80) can help you identify multicollinearity. Alternately, you could use the inflation variance factor (VIF). A predictor's strong linear relationship with the other predict estimator(s) is indicated by the VIF (Field 2009). A score of 10 is something to be concerned about. Multicollinearity may be causing the regression model to be biased if the average VIF is greater than one. Since the tolerance statistic is the reciprocal of the VIF (1/VIF), it is related to the VIF. As a result, readings below.1 denote serious problems. Menard (1995) considers readings less than.2 to be concerning

The VIF values for this research model are less than ten, and the tolerance statistics are more than.5, indicating that there is no collinearity in this data. Add the VIF values for each predictor and divide by the number of predictors to get the average VIF:

$$VIF = \frac{1.047 + 1.042 + 1.007}{3} = 1.032$$

The average VIF more than 1; product awareness (VIF= 1.218), consumer protection (VIF= 1.065), (VIF= legal regulatory requirements (1.1158), and risk perception (VIF= 1.042), and this demonstrates that the model's lack of collinearity is not a concern (Table 4.10).

Table 4.9:

Multicollinearity outcomes

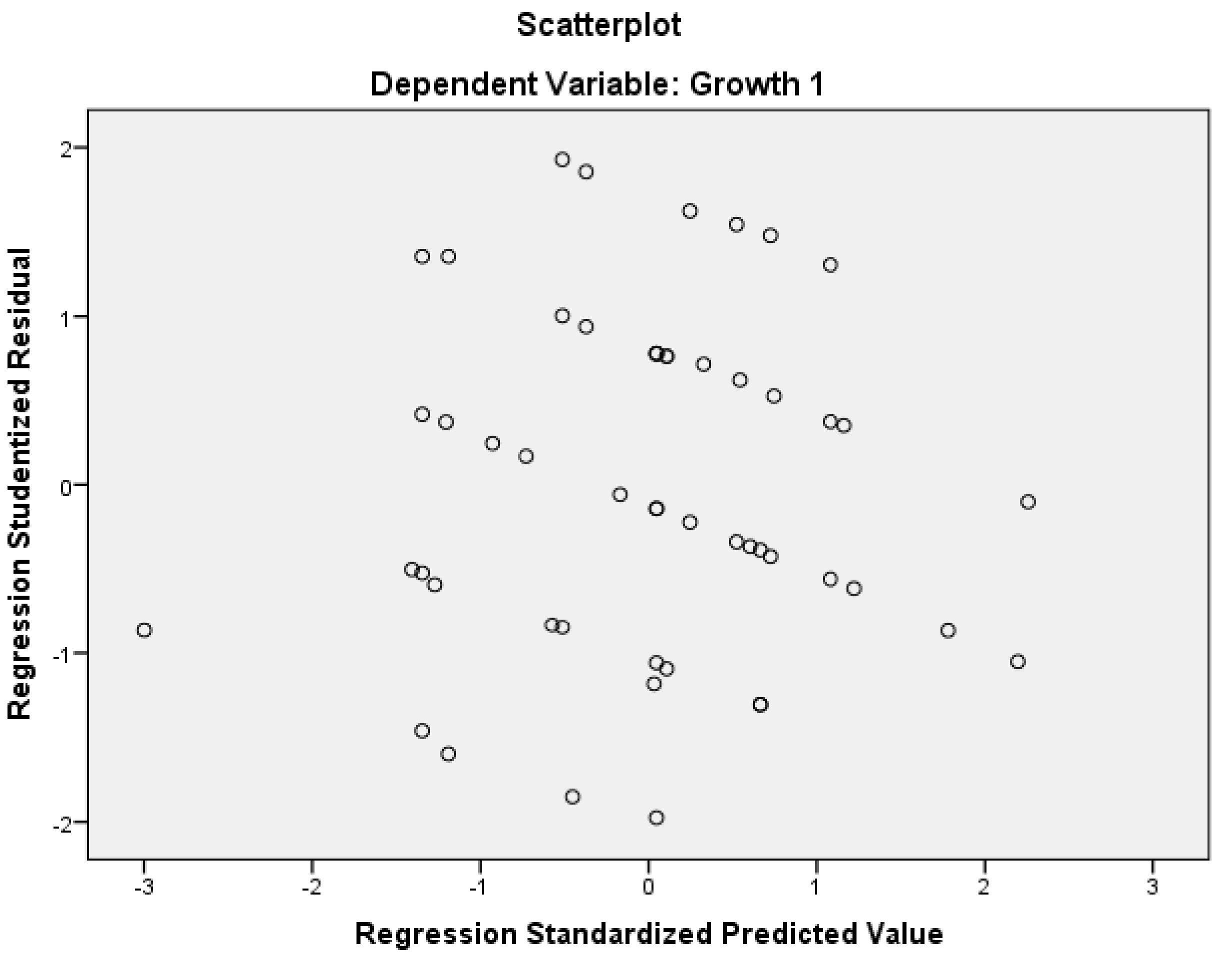
Independent Variable	Collinearity Statistics	
	Tolerance	VIF
Product awareness	.821	1.218
Consumer protection	.939	1.065
Legal regulatory requirements	.863	1.158
Risk perception	.960	1.042

Dependent Variable: growth of Islamic banking uptake in Kenya
Source: Researchers data (2021)

4.6.1.3 Test for Homoscedasticity

At each level of the predictor variables, the variance of the residual terms should remain stable. Every predictor level's residual ought to have the same variance (homoscedasticity). When variances are incredibly uneven, heteroscedasticity occurs (Field 2009). A scatter plot graph of the predicted independent variable (ZPRED) vs. the residue was made based on the SPSS result. According to the rule of interpretation for (SRESID), if a particular pattern appears on the scatter plot graph, there may be a heteroscedasticity issue. However, if there is no obvious pattern in the values plotted in the scatter graph, there is no heteroscedasticity issue; as a result, regression analysis is allowed because the data have homoscedasticity (Figure 4.1).

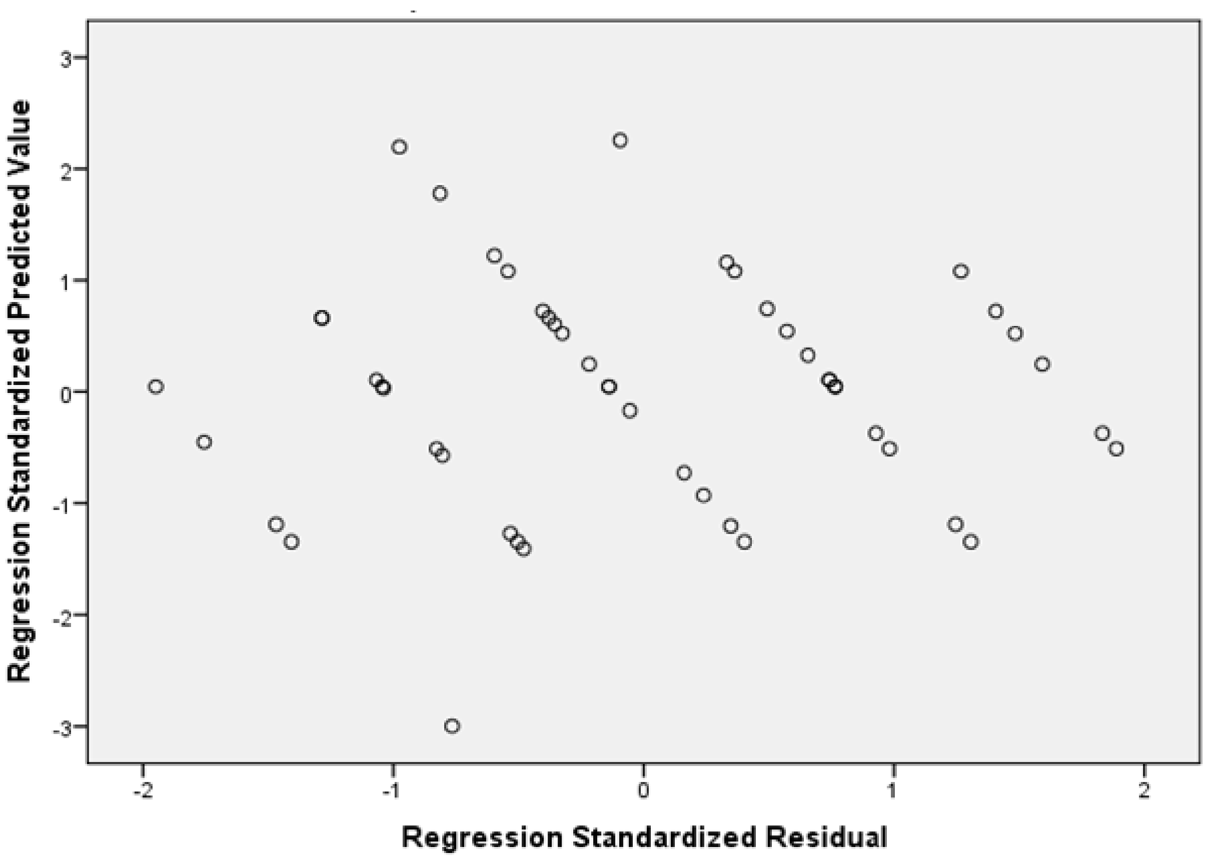
Figure 4.2
Regression Standardized Residual of DV abd IVs



Source: Researchers data (2020)

Plotting the regression standardised projected value against the regression standardised residual (ZRESID) (ZPRED). When a random assortment of dots are evenly spaced around zero on the graph of ZRESID and ZPRED, the homogeneity of variance assumption is satisfied. If the graph funnels out, the data are heteroscedastic. The linearity assumption has been broken by the data if there is a curve in this graph (Field 2009). In this study, this same points are dispersed evenly and at random across the plot. This pattern shows that the linearity and homoscedasticity presumptions have been met (Figure 4.7). Additionally, the results of the One-Way-ANOVA statistic (also known as the Levene statistic) demonstrate that the significance value is greater than 0.05, demonstrating that the assumption of variance homogeneity is once more satisfied. (Table 4.21).

Figure 4. 3
standardized residual (ZRESID) of Growth of IIBs against regression standardized predicted value (ZPRED) of predictors



Source**: Researchers data (2020)**

Table 4.10:

Results of Test of Homogeneity of Variance

Variables			
Levene Statistic	df1	df2	Sig.
1.397	3	204	0.245

Dependent variable: Growth of Islamic banks
Predictors: Consumer protection, Legal regulatory requirements and Risk perceptions
Source: Researchers data (2020)

4.10.2.1.7 Test for Influential Outliers

Utilizing Cook's distance and the Centered Leverage value is the fundamental method for identifying an important outlier. A number that significantly deviates from the overall trend of the data is called an outlier. According to the interpretation, there are reasons to be concerned when the cook's distance value is greater than one. The leverage values quantify the influence of the outcome variable's observed value over its projected values.

The formula for the mean leverage value is $(k + 1)/n$ [=.162], where k is the number of model predictors and n is the total number of respondents. Centered Leverage values range from 0 to 1 (indicating that the case has no effect at all and all the case has complete influence over prediction). All leverage values are close to the average ($(k + 1)/n$) if no example significantly affects the model (Field, 2009). In this analysis, all of the statistical parameters for significant outliers fell within the expected ranges. Since none of the examples had a Cook's distance greater than 1, none of them had a significant effect on the model. None of the occurrences were close to two times the norm, and all were within three times the norm. As a result, the sample did not contain any notable outliers (Table 4.22).

Table 4.11:

Influential Outliers

Residuals Statistics[a]

	Minimum	Maximum	Mean	Std. Deviation	N
Cook's Distance	.000	.116	.021	.028	52
Centered Leverage Value	.007	.208	.058	.052	52

a. Dependent Variable: Growth of Islamic banking

Source: Researchers data (2020)

4.6.1.4 Test for Autocorrelation.

When analyzing independent errors from any two observations, the general rule is that the residual terms of the factors should be uncorrelated, i.e., independent. This suggests that there is no autocorrelation. The Durbin-Watson test, which seeks out serial correlations between errors, is used statistically to evaluate this. It specifically looks for connections between nearby residuals. The residuals are said to be uncorrelated if the Durbin Watson score is 2, which is on a scale of 0 to 4. A value less than 2 indicates a positive correlation, while a value greater than 2 indicates a negative correlation between nearby residuals. A very cautious general rule of thumb is that values of less than 1 or greater than 3 are cause for concern (Field 2009).

Table 4.12:

Autocorrelation Tests

Model Summary[b]

R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
.614[a]	.3765	.3235	.65065	2.133

a. Predictors: (Constant), risk perception, consumer protection, legal regulatory requirements, product awareness

b. Dependent Variable: growth of Islamic banking uptake in Kenya

For this study, the closer the number is to 2, the better. The Durbin Watson score was 2.133, which is closer to 2 than 1, suggesting that the assumption was most likely satisfied. As a result, the mistakes in regression can be assumed to be independent. As a result, the IV, IB Growth, is explained by the explanatory/predictor variables; product awareness, consumer protection, legal regulatory requirements, and risk perception.

4.6.1.5 Test for Linearity

For each increase in the predictors, the average value of the dependent variables follows a straight line. The connection under consideration is thought to be linear. In this study, ANOVA statistics and plots of the residuals of the outcome variable against each of the independent variables were used to evaluate the linearity between the outcome variable and each of the predictors (Field 2009). The ANOVA findings in this study show that there is no appreciable departure from linearity between the growth of IBs and consumer protection, legal issues, and risk perceptions ($p > .05$), demonstrating that the linearity assumption is met. Furthermore, partial plots of the growth of Islamic banks residuals versus each of the independent variables; consumer protection, legal considerations, and risk perceptions reveal no discernible trend, implying that the assumption of linearity has been satisfied.

Table 4.13:

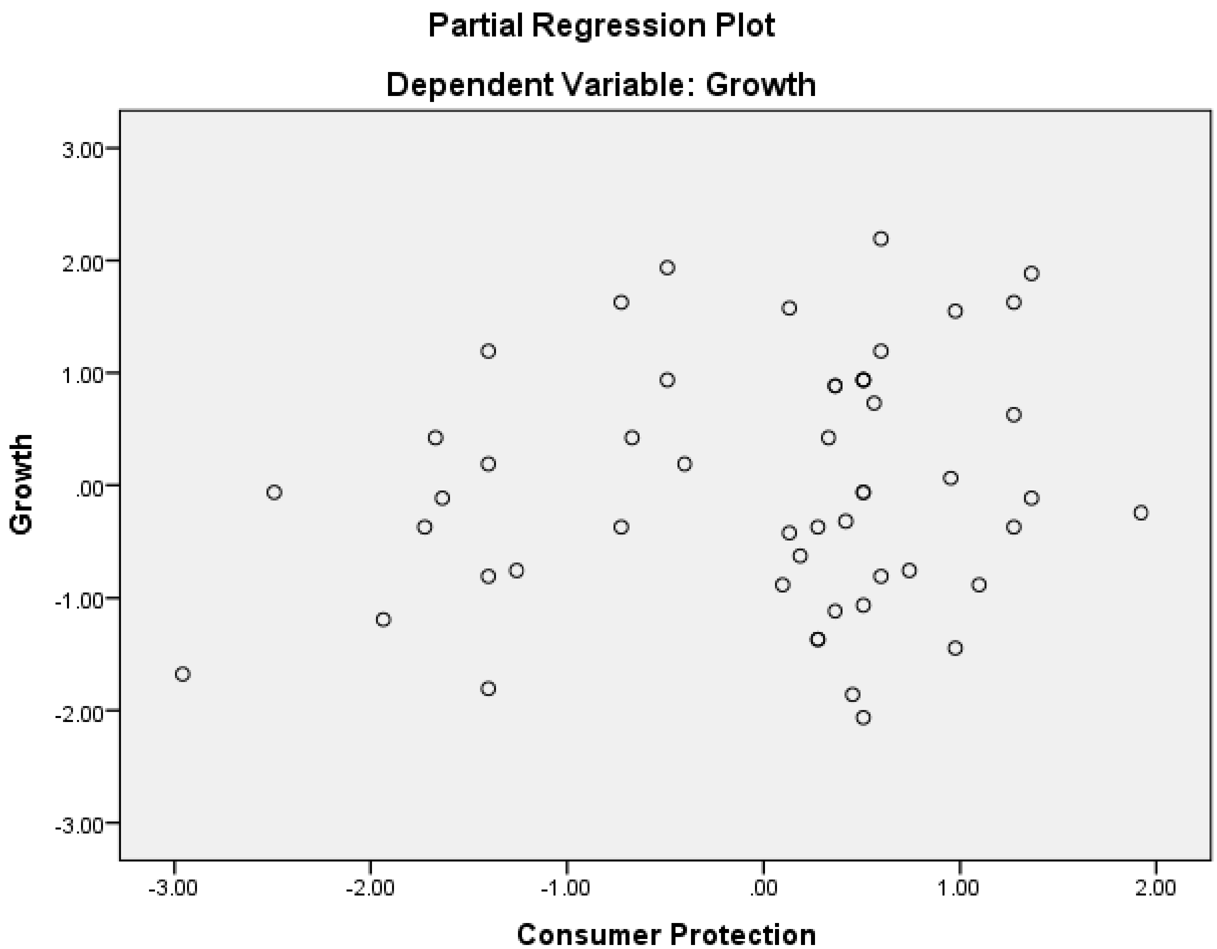
ANOVA Statistics for Linearity between Growth of Islamic banks and the three Predictors

ANOVA Table

			Sum of Squares	df	Mean Square	F	Sig.
Growth * Consumer Protection	Between Groups	(Combined)	11.72	4	2.93	2.444	0.059
		Linearity	3.627	1	3.627	3.026	0.088
		Deviation from Linearity	8.092	3	2.697	2.25	0.095
	Within Groups		56.338	47	1.199		
	Total		68.058	51			
Growth * Legal regulatory requirements	Between Groups	(Combined)	6.536	4	1.634	1.248	0.304
		Linearity	4.137	1	4.137	3.161	0.082
		Deviation from Linearity	2.399	3	0.8	0.611	0.611
	Within Groups		61.522	47	1.309		
	Total		68.058	51			
Growth * Risk perception	Between Groups	(Combined)	7.254	4	1.813	1.402	0.248
		Linearity	3.197	1	3.197	2.471	0.123
		Deviation from Linearity	4.057	3	1.352	1.045	0.381
	Within Groups		60.804	47	1.294		
	Total		68.058	51			

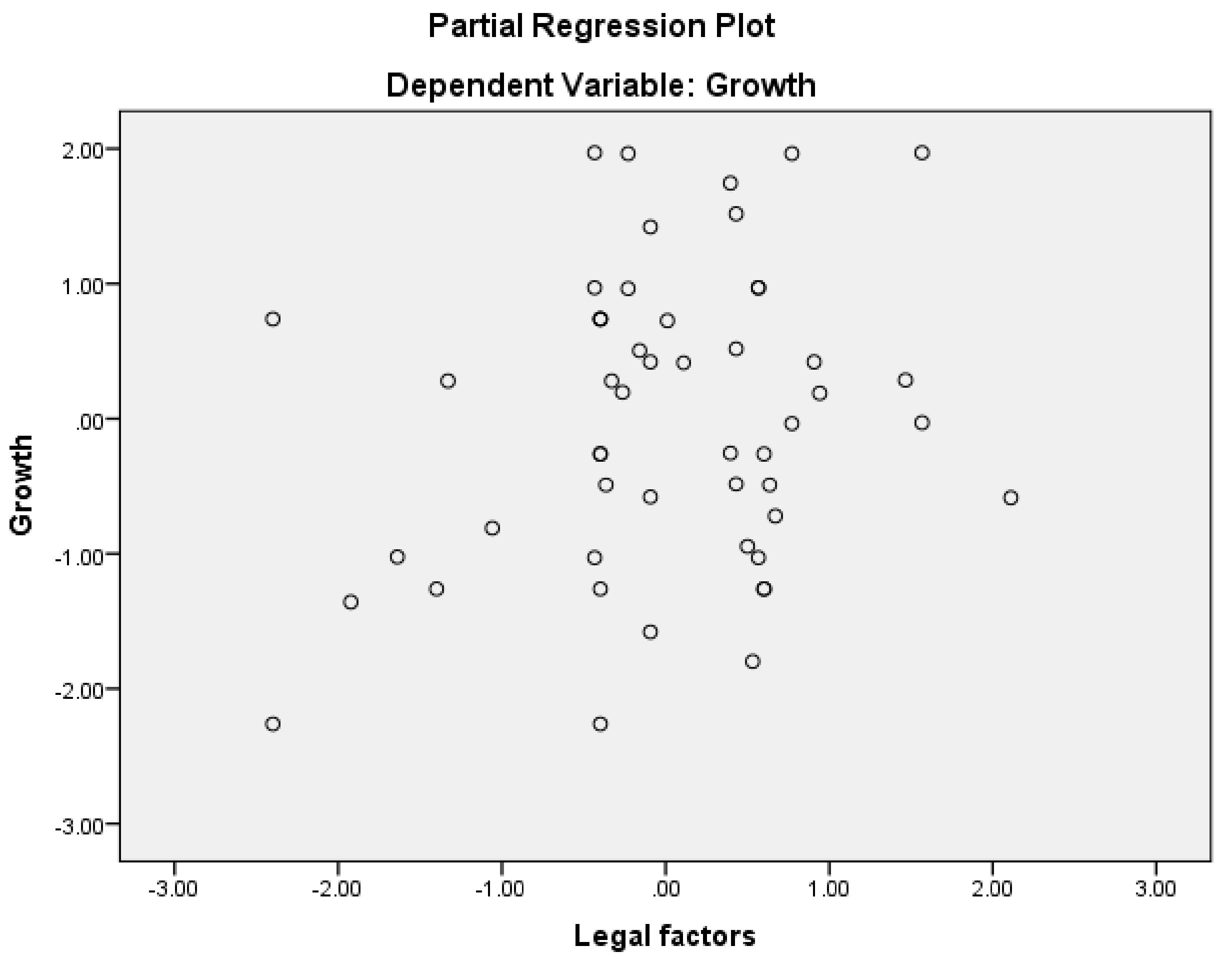
Dependent variable: Growth of Islamic Banks)
Predictors: Consumer protection; Legal regulatory requirements and Risk perceptions
Source: Researchers data (2020)

Figure 4.4
Partial Regression Plot for Growth of Islamic Banks and Consumer protection



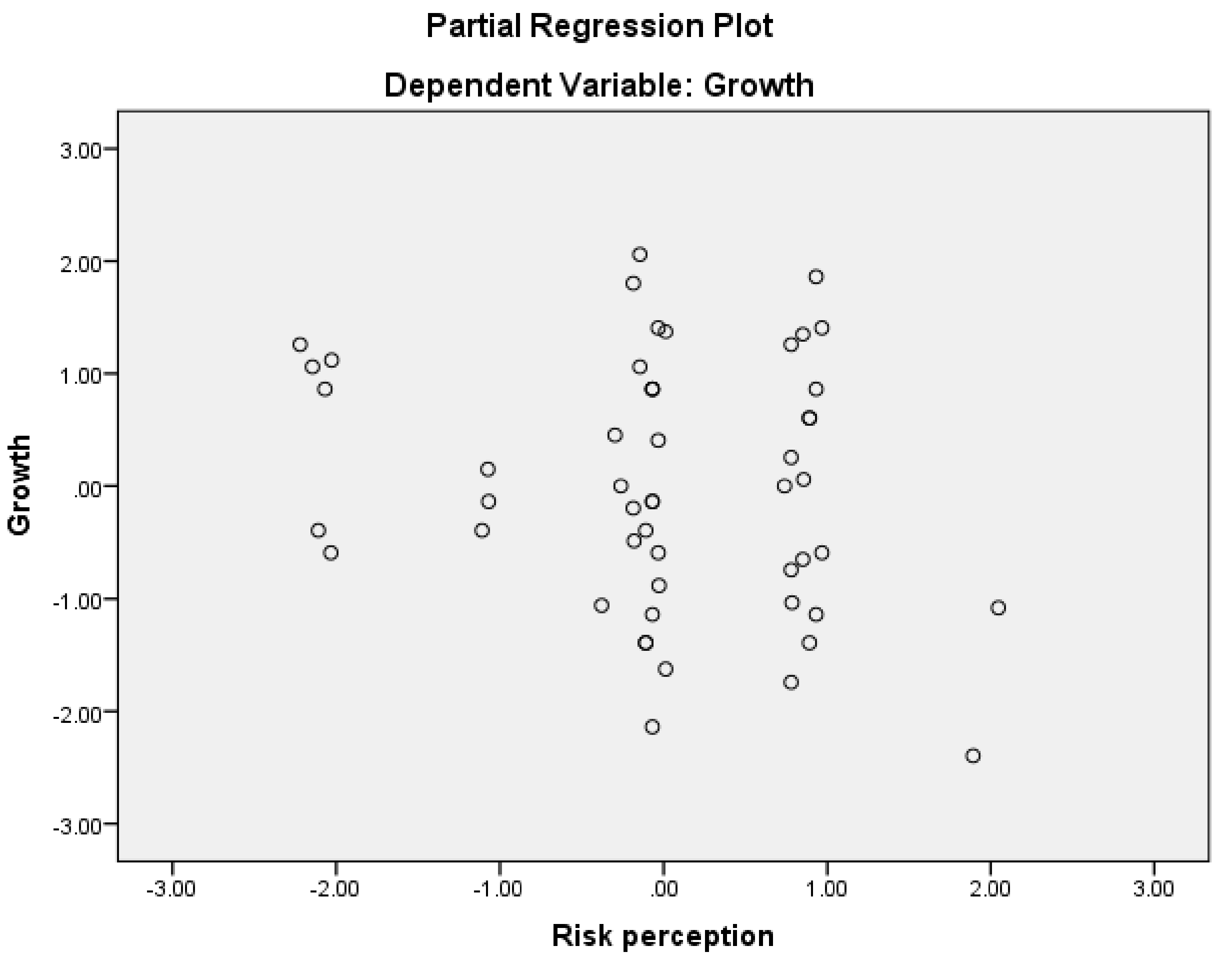
Source: Researchers data (2020).

Figure 4.5
Partial Regression Plot for Growth of Islamic banks and Legal regulatory requirements



Source: Researchers data (2020)

Figure 4.6
Partial Regression Plot for Growth of Islamic banks and Risk perceptions



Source: Researchers data (2020)

4.6.2 Correlation analysis

Per the Sullivan and Artino's advice, Pearson's correlation was employed to evaluate the quality of the connection between the constructs (2013). Table 4.14 presents the outcomes.

Table 4.14:

Correlation Results

		growth of Islamic banking uptake in Kenya	product awareness	consumer protection	legal regulatory requirements	risk perception
Growth of Islamic banking uptake in Kenya	Pearson Correlation	1				
	Sig. (1-tailed)					
	N	52				
Product awareness	Pearson Correlation	.349**	1			
	Sig. (1-tailed)	.006				
	N	52	52			
Consumer protection	Pearson Correlation	.253*	-.230	1		
	Sig. (1-tailed)	.035	.051			
	N	52	52	52		
Legal regulatory requirements	Pearson Correlation	.398**	.346**	-.008	1	
	Sig. (1-tailed)	.002	.006	.478		
	N	52	52	52	52	
Risk perception	Pearson Correlation	.321*	0.16	-.080	.158	1
	Sig. (1-tailed)	.010	.129	.287	.131	
	N	52	52	52	52	52

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Source: Research data (2020)

Table 4.14 shows the correlation between the constructs in the form of a correlation matrix. The findings revealed a moderate positive significant relationship between growth of Islamic banking uptake in Kenya and; product awareness (r=0.349,p=0.006, legal regulatory requirements (r = 0.398, p = 0.002), and risk perception (r = 0.321, p = 0.010) because the probability value (p-value) or each relationship was less than 0.5 and their correlation coefficient were between 0.6 and 0.3. However, the relationship between consumer protection and growth of Islamic banking uptake in Kenya (r = 0.253, p = 0.035) was weak positive significant relationship snice the correlation coefficient was less than 0.3 and p-value was less than 0.05.

4.6.3 Linear Regression Analysis

The study used simple linear regression to test the hypotheses in chapter 1's section 1.6 and as well estimate Model 1, Model 2, Model 3, and Model 4 section 3.7.3.

Model 1

This was assessed through testing Hypothesis 1

> *H_{01}: There is no statistically significant effect of product awareness on strategic growth of Islamic* banking uptake in Kenya

Using ANOVA to obtain statistics in Table 4.15.

Table 4.15

Results of F-Statistic (ANOVA)

ANOVA[a]

	Sum of Squares	Df	Mean Square	F	Sig.
Regression	3.893	1	3.893	6.948	.011[b]
Residual	28.020	50	.560		
Total	31.913	51			

a. Dependent Variable: growth of Islamic banking uptake in Kenya

b. Predictors: (Constant), product awareness

The F-ratio results, (F_{51}=6.948), in particular, provide sufficient evidence to reject the null hypothesis for (F_{51}= 6.948) is greater than $Fcritical_{4,51}$ = 2.57. Since F-test is significant, then it is right to conclude that the model is significant for estimating growth of Islamic banking uptake in

Kenya in terms of product awareness More so, p = 0.011, which is less 0.05. Given that the p-value is less than 0.05, we can conclude that product awareness is helpful in explaining the growth of Islamic banking adoption in Kenya and assert that this awareness has a statistically significant impact on the strategic uptake of Islamic banking in Kenya ($P<0.01$).

Linear regression was then carried out to estimate equation ii to produce results in table 4.16.

Table 4. 16

Results of Coefficients

Coefficients[a]

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
Constant)	1.576	.614		2.566	.013
product awareness	.447	.169	.349	2.636	.011

a. Dependent Variable: growth of Islamic banking uptake in Kenya

Source: Researchers data (2020)

Based on T= 2.636 and p = 0.011, H0 is rejected because there is enough statistics to conclude that product awareness is a valuable prediction of the growth of Islamic Islamic banking uptake in Kenya. $P<0.05$ indicates that product awareness has a significant impact on the growth of Islamic banking uptake in Kenya. The result revealed that there is sufficient proof to conclude that product awareness is not zero and that it can be used to estimate the growth of the adoption of Islamic banking in Kenya.

The model from the results is derived to obtain;

Growth of Islamic banking uptake in Kenya ($\hat{Y}$) = 1.576 + 0.447 product awareness (X1)

Thus, Growth of Islamic Banks in Kenya = 1.576 + 0.447 X_1

Therefore, irrespective of whether there is or is not product awareness, the growth of Islamic banking uptake in Kenya declines by 1.576 units. The model that was fitted also demonstrates the effect that exploratory variables, such as product awareness, have on the expansion of Islamic banking in Kenya. The results demonstrate that product awareness had positive coefficients, indicating that it is directly proportional to the growth of Islamic banking uptake in Kenya. A one-unit change in the product awareness (X1) leads to a 0.447 unit increase in the growth of Islamic banking uptake in Kenya, and vice versa. This indicates that an increase in product awareness results in an increase in the growth of Islamic banking adoption in Kenya, while any decrease in product awareness results in a decrease in the this growth.

The study model summary was obtained as shown in table 4.17.

Table 4.17

Results of Model Summary

Model Summary[b]

R	R Square	Adjusted R Square	Std. Error of the Estimate
.349[a]	.1220	.104	.74859

a. Predictors: (Constant), risk perception, consumer protection, legal regulatory requirements, product awareness

b. Dependent Variable: growth of Islamic banking uptake in Kenya

The determination coefficient R^2 quantifies the fraction of the overall variance in Y around its mean that can be explained by Y's regression on X. The R^2 in the model equation is.0.1220, indicating that the product awareness explains 12.20 percent of the variation in Islamic bank growth. The remaining 87.80 percent of variation is explained by factors other than those investigated in this study.

Model 2

The sought to test hypothesis 2

> *H_{02}: There is no statistically significant effect of consumer protection on strategic growth of Islamic banking Kenya*

Using ANOVA to obtain statistics in Table 4.18.

Table 4.18
F-Statistic and ANOVA

ANOVA[a]

	Sum of Squares	Df	Mean Square	F	Sig.
Regression	2.597	1	2.597	4.429	.040[b]
Residual	29.316	50	.586		
Total	31.913	51			

a. Dependent Variable: growth of Islamic banking uptake in Kenya
b. Predictors: (Constant), consumer protection

The F-ratio results, (F_{51}= 4.429), in particular, provide sufficient evidence to reject the null hypothesis for (F_{51}= 4.429) is greater than $Fcritical_{4,51}$ = 2.57. Since the connection between the concept and DV is statistically significant and the F-test is significant, it is appropriate to draw the conclusion that the model is significant for estimating growth of Islamic banking uptake in Kenya in terms of consumer protection. In addition, p-value = 0.040 is lower than p-value 0.05. There is sufficient proof to conclude that consumer protection is helpful in explaining the growth of Islamic banking uptake in Kenya and to assert that there is a statistically significant effect of consumer protection on the strategic uptake of Islamic banking in Kenya given that p-value is less than 0.05 and at the 5% significance level (= 0.05).

Linear regression was then carried out to estimate equation ii to produce results in table 4.19

Table 4.19

Results of Coefficients

Coefficients[a]

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	2.376	.392		6.054	.000
consumer protection	.226	.107	.285	2.105	.040

a. Dependent Variable: growth of Islamic banking uptake in Kenya

Source: Researchers data (2020)

Using T= 2.105 and a p-value of 0.040, H0 is disregarded because the p-value is below 0.05, indicating that consumer protection has a significant impact on Kenya's adoption of Islamic banking at a level of 0.05. Additionally, there is enough support to suggest that consumer protection is a useful estimator of Kenya's adoption of Islamic banking. As a result, the study finds that at a significance level of 0.05, there is sufficient evidence to conclude that consumer protection is not zero and that it can be used to predict the growth of the use of Islamic banking in Kenya.

The model from the results is derived is;

Growth of Islamic banking uptake in Kenya ($\hat{Y}$) = 2.376 + 0.226 consumer protection (X1)

Thus, Growth of Islamic Banks in Kenya = 2.376 + 0.226 X_1

Thus, notwithstanding whether consumer protection is present or not, IB uptake in Kenya decreases by 2.376 units. The model's fit also demonstrates the effect that consumer protection has on Kenya's adoption of Islamic banking. Consumer protection (X1) changes by one unit, changing the uptake of Islamic banking in Kenya by 0.226 units, and vice versa. The findings indicate that consumer protection had a positive coefficient, which indicates that it is directly correlated with Kenya's IB growth. This implies that increased consumer protection promotes the growth of Islamic banking in Kenya, whereas decreased consumer protection inhibits this growth.

The study model was obtained as shown in table .4.20

Table 4.20:

Results of Model Summary

Model Summary[b]

R	R Square	Adjusted R Square	Std. Error of the Estimate
.285[a]	.0814	.0630	.76572

a. Predictors: (Constant), consumer protection

b. Dependent Variable: growth of Islamic banking uptake in Kenya

The determination coefficient R^2 quantifies the fraction of the overall variance in Y around its mean that can be explained by Y's regression on X. The R^2 in the model equation is.0.0630, indicating that the consumer protection explains 6.30 percent of the variation in Islamic bank growth. The remaining 93.70 percent of variation is explained by factors other than those investigated in this study.

Model 3

The sought to test hypothesis 3

> *H_{03}: There is no statistically significant effect of legal regulatory on growth of Islamic banking uptake in Kenya*

Using ANOVA to obtain statistics in Table 4.21.

Table 4.21

Results of F-Statistic (ANOVA)

ANOVA[a]

	Sum of Squares	Df	Mean Square	F	Sig.
Regression	5.046	1	5.046	9.392	.004[b]
Residual	26.867	50	.537		
Total	31.913	51			

a. Dependent Variable: growth of Islamic banking uptake in Kenya

b. Predictors: (Constant), legal regulatory requirements

The F-ratio results, (F_{51}= 9.392), in particular, provide sufficient evidence to reject the null hypothesis for (F_{51}= 9.392) is greater than $Fcritical_{4,51}$ = 2.57. Since F-test is significant, it is right to conclude that the model is significant for estimating growth of Islamic banking uptake in Kenya in terms of legal regulatory requirements. More so, p-value = 0.004 < 0.05 to imply that there is enough proof that legal regulatory requirements is useful explaining growth of Islamic banking uptake in Kenya and claim that there is a statistically significant effect of product legal regulatory requirements on strategic growth of Islamic banking uptake in Kenya

Linear regression was then carried out to estimate equation ii to produce results in table 4.22.

Table 4.22

Results of Coefficients

Coefficients[a]

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	2.048	.380		5.386	.000
legal regulatory requirements	.334	.109	.398	3.065	.004

a. Dependent Variable: growth of Islamic banking uptake in Kenya

Source: Researchers data (2020)

founded on T= 3.065 and p-value= 0.004) then H_0 is rejected since the p-value<0.05 meaning that legal regulatory requirements significantly affects growth of Islamic banking uptake in Kenya and There is enough proof to conclude that legal and regulatory requirements are an accurate predictor of the expansion of Islamic banking in Kenya. The result revealed that there is sufficient evidence, at a significance level of 0.05, that the legal regulatory requirements are not zero, and that these requirements can be used to estimate the growth of the use of Islamic banking in Kenya..

The model from the results is derived to obtain linear regression equation;

Growth of Islamic banking uptake in Kenya ($\hat{Y}$) = 2.048 + 0.334 regulatory requirements (X1)

Thus, Growth of Islamic Banks in Kenya = 2.048 + 0.334 X_1

Therefore, irrespective of the existence or absence of regulatory requirements, IIB growth in Kenya declines by 2.048 units. The model's fit also demonstrates the effect that regulatory requirements have on Kenya's adoption of Islamic banking. The adoption of Islamic banking in Kenya grows by 0.334 units for every unit change in the regulatory requirements, and vice versa. The findings demonstrate that regulatory requirements had positive coefficients, which indicates that they are directly correlated with the expansion of Islamic banking in Kenya. It follows that any increase in regulatory requirements causes the growth of Islamic banking uptake in Kenya to increase, and any decrease in regulatory requirements causes the growth of Islamic banking uptake in Kenya to decline.

The study model was obtained as shown in table 4.23.

Table 4.23

Results of Model Summary

Model Summary[b]

R	R Square	Adjusted R Square	Std. Error of the Estimate
.398[a]	.1581	.1413	.73303

a. Predictors: (Constant), regulatory requirements
b. Dependent Variable: growth of Islamic banking uptake in Kenya

The determination coefficient R^2 quantifies the fraction of the overall variance in Y around its mean that can be explained by Y's regression on X. The R^2 in the model equation is.0.1413, indicating that the regulatory requirements explain 14.13 percent of the variation in Islamic bank growth. The remaining 85.87 percent of variation is explained by factors other than those investigated in this study.

Model 4

The sought to test hypothesis 4

> *H_{04}: There is no statistically significant effect of risk perception for growth on Islamic banking in Kenya*

Using ANOVA to obtain statistics in Table 4.24.

Table 4.24:

Results of F-Statistic (ANOVA)

ANOVA[a]

	Sum of Squares	Df	Mean Square	F	Sig.
Regression	3.291	1	3.291	5.748	.020[b]
Residual	28.622	50	.572		
Total	31.913	51			

a. Dependent Variable: growth of Islamic banking uptake in Kenya

b. Predictors: (Constant), risk perception

The F-ratio results, (F_{51}=5.748), in particular, provide sufficient evidence to reject the null hypothesis for (F_{51}= 5.748) is greater than $Fcritical_{4,51}$ = 2.57. It is appropriate to conclude that the model is significant for forecasting growth of Islamic banking uptake in Kenya in terms of risk perception since the F-test is significant, R-squared does not equal zero, and the correlation between the model and dependent variable is statistically significant. Furthermore, p-value = 0.020 is lower than p-value 0.05. There is sufficient proof to conclude that risk perception is helpful in explaining the growth of Islamic banking uptake in Kenya and to assert that there is a statistically significant relationship between risk perception and the growth of Islamic banking uptake in Kenya given that the p-value is less than 0.05 and the 5% significance level (= 0.05)..

Linear regression was then carried out to estimate equation ii to produce results in table 4.25

Table 4. 25

Results of Coefficients

Coefficients[a]

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	2.221	.410		5.420	.000
risk perception	.284	.118	.321	2.398	.020

a. Dependent Variable: growth of Islamic banking uptake in Kenya

Source: Researchers data (2020)

Grounded on T= 2.398 and p = 0.020, H_0 was rejected in that p-value < 0.0. This suggests that risk perception affects the growth of Islamic banking uptake in Kenya significantly, and there is ample evidence to suggest that risk perception is a reliable predictor of that growth. The study comes to the conclusion that there is sufficient evidence, at a level of significance of 0.05, that the risk perception is not zero and that risk perception is useful as an estimator of growth of Islamic banking uptake in Kenya.

The linear regression equation is;

Growth of Islamic banking uptake in Kenya ($\hat{Y}$) = 2.211 + 0.284 risk perception (X1)

Thus, Growth of Islamic Banks in Kenya = 2.221 + 0.284 X_1

Thus, whether or not there is risk perception, IB growth in Kenya declines by 2.221 units. The model that was fitted also demonstrates the effect that risk perception exploratory variables have on the expansion of IB in Kenya. The adoption of Islamic banking in Kenya grows by 0.284 units for every unit change in risk perception, and vice versa. The findings indicate that risk perception has positive coefficients, which indicates that it is positively correlated with the expansion of Islamic banking in Kenya. This implies that a rise in risk perception causes the adoption of Islamic banking to grow more rapidly in Kenya, while a decline in risk perception causes the adoption of Islamic banking to grow more slowly in Kenya..

The study model was obtained as shown in table 4.26.

Table 4.26:

Results of Model Summary

Model Summary[b]

R	R Square	Adjusted R Square	Std. Error of the Estimate
.321a	.1031	.0852	.75660

a. Predictors: (Constant), risk perception

b. Dependent Variable: growth of Islamic banking uptake in Kenya

The determination coefficient R^2 quantifies the fraction of the overall variance in Y around its mean that can be explained by Y's regression on X. The R^2 in the model equation is.0.1031, indicating that the risk perception explains 10.31 percent of the variation in Islamic bank growth. The remaining 89.69 percent of variation is explained by factors other than those investigated in this study.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

5.1 Introduction

Basically, the chapter's sections include a summary of research results, conclusions drawn from the results, and study suggestions; bot policy suggestions for further research).

5.2 Summary of Findings

The study findings are summarized in this section and the summary is in line with the study objective to establish the effects of; product awareness; consumer protection; financial legal regulatory requirements and risk perception influence the growth of Islamic banking uptake in Kenya.

5.2.1 Findings on Growth of Islamic banking uptake in Kenya

Based on predictors of growth of Islamic banking uptake in Kenya, it was determined that the rate of expansion is moderate. The research reveals that these businesses are experiencing moderate increases in their profitability, whereas some are experiencing only minor growth or increases and others are not making any money at all. Because of this, these banks are also seeing a modest increase in their sales return. The ROE) and ROI are therefore modest. Despite their inability to hold onto enough surpluses to reinvest in the business, the IBs always maintain adequate capital for the business's operations.

5.2.2 Findings on product awareness on the financial performance

On testing hypothesis 1; H_{01}: The analysis revealed that the product awareness p-value was 0.011 and since it was less than 0.05, so the null hypothesis was rejected. Nevertheless, there is statistically significant effect of product awareness on the strategic growth of Islamic banking uptake in Kenya.. It was established that product awareness of Islamic banks in Kenya statically significant positive effect on growth of Islamic banking uptake in Kenya More particularly, product awareness has a moderately positive statistically significant effect (r r=0.349, p=.011; F51=6.948) on the expansion of Islamic banking uptake in Kenya at the.05 level of significance. Islamic banking awareness, knowledge, and attitudes toward products and services are the factors of product awareness that can be discovered to influence the growth of Islamic banking uptake in Kenya.

5.2.3 Findings on influence consumer protection on growth of Islamic banking uptake in Kenya

The null hypothesis was rejected when testing hypothesis 2; H02: There is no statistically significant impact of consumer protection on the strategic growth of Islamic banking in Kenya because the p-value was less than 0.05 and the results showed that consumer protection had a statistically significant positive impact on the uptake of Islamic banking in Kenya. Consumer protection has a positive, moderate, and significant impact at the 0.05 level of significance(r = 0.253, p = 0.035 F_{51}= 4.429) effect on growth of Islamic banking uptake in Kenya. consumer protection affects growth of Islamic banking uptake in Kenya through influence of Government regulation on Islamic banking agency regulation, branching regulation and Islamic banking regulation

5.2.4 Findings on influence legal regulatory requirements and growth of Islamic banking uptake in Kenya

On testing hypothesis 3; H_{03}: Legal and regulatory requirements have no statistically significant impact on the expansion of Islamic banking in Kenya; the p-value was 0.004, which was less than 0.05. The research found that financial legal regulatory requirements had a statistically significant positive impact on the growth of Islamic banking uptake in Kenya, rejecting the null hypothesis. The financial legal regulatory requirements were discovered to have a moderately positive significant at the 0.05 level of significance ($r = 0.398$, $p = 0.004$; $F_{51}= 9.392$) effect on growth of Islamic banking uptake in Kenya.

5.2.5 Findings on Risk perception and growth of Islamic banking uptake in Kenya

On testing hypothesis 4; H_{04}: In accordance with the analysis, which had a p-value of 0.020, there is no statistically significant relationship between risk perception for growth and Islamic banking in Kenya. It was determined that risk perception has a statically significant positive effect on the growth of Islamic banking uptake in Kenya because the null hypothesis was rejected because it was less than 0.05. The study determined that risk perception has a favorable, moderate, and significant perception effect on the growth of Islamic banking uptake in Kenya, at 0.05 level of significance ($r = 0.321$, $p = 0..020$; $F_{51}=5.748$).

5.2 Conclusions

At the 0.05 level of significance, the study concludes that product awareness has a positive moderately significant effect on the growth of Islamic banking uptake in Kenya ($r=0.349, p=.011$; $F_{51}=6.948$). Product awareness aspects in Islamic banks that contribute to their growth include: awareness, knowledge of Islamic banking, and attitude toward offerings and services.

At the 0.05 level of significance, the study concludes that consumer protection has a significantly low positive significant effect on the growth of Islamic banking uptake in Kenya ($r = 0.253$, $p = 0.035$ $F_{51}= 4.429$). The factors of consumer protection contributing to moderate effect on growth of Islamic banking uptake in Kenya are; influence of Government regulation on Islamic banking agency regulation, branching regulation and Islamic banking regulation

The study concludes that at 0.05 level of significance, legal regulatory requirements has significantly moderate positive significant effect on the growth of Islamic banking uptake in Kenya ($r = 0.398$, $p = 0.004$; $F_{51}= 9.392$). The study reveals that; Acceptance of Sharia'h law, Sharia'h manual availability, Sharia'h legal frameworks, accounts and audit frameworks, global trends, perception of Islamic banks, product ranges, and availability of information, affect growth of Islamic banking uptake in Kenya.

The research finds that, at the 0.05 level of significance, risk perception has a moderately significant positive effect on the growth of the use of Islamic banking in Kenya ($r = 0.321$, p = 0..020; $F_{51}=5.748$).

5.3 Recommendations

The study recommends that the Kenya banks offering Islamic banking should enhance their growth through the following the considerations and strategies. The banks should build strong customer loyally though product awareness campaigns. These campaigns should create awareness of Islamic banking and ensure that the prospective and existing acquire sufficient knowledge of Islamic banking which make then change their attitude to products and services

Secondly, the back should ensure effective and total consumer protection reviewing the Government regulation on Islamic banking as well as their agency regulation in addition to branching regulation. These banks should make their Islamic banking regulation are customer friendly.

The study suggests that Kenyan Islamic banks revisit their legal regulatory requirements, such as their acceptance of Sharia'h lawa and Sharia'h legal frameworks to make there more transparent to non-Muslims. They should always esnure Sharia'h manual availability in addition to availability of information. Their accounts and audit frameworks should be transparently clear.

Lastly the study recommends for allaying the risk perception Islamic banking in Kenya through effective **s**trategic marketing, customer service quality, corporate governance and developing innovative product portfolio.

5.4 Areas for further research

The research was limited its scope to evaluating strategic factors affecting the growth of Islamic banking uptake in Kenya, using a special case selected retail banks in Kenya, and used data gathered from 8 banks. Therefore, not all Kenyan banks were included. As a result, it is unclear whether the study can be applied to other banks. This study only looked at two banks, so more banks will need to be studied in the future to determine whether or not these factors' effects are still consistent over time.

The research used information gathered through a questionnaire from primary sources. Given that these are opinions; it is important to conduct a similar study using secondary data in order to confirm the results of this one.

5.5 Theoretical Implications

By examining both conventional and Islamic banks in Kenya, the study will broaden and supplement earlier research. As a result, the study adds to the body of knowledge already available about the country's level of Islamic banking adoption.

5.5.2 Managerial Implications

The Kenya banking industry will use the study finding to integrate Islamic banking services with conventional banks products which will make conventional banks grow significantly. The perception of the employees towards the products offered by the banks will be increased and it will be very useful since it translates to the information that the consumers receive. The managers working in financial institutions may want to test the suitability of these factors so as to help improve the growth of the banks. Furthermore, establishing a risk management culture in Islamic banks would aid in the development of internal and external grading systems for improved standing and decision-making processes

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APPENDICES

APPENDIX I: Consent Form

KENYA METHODIST UNIVERSITY
P. 0 BOX 267-60200
MERU, KENYA

SUBJECT: INFORMED CONSENT

Dear Respondent,

My name is Anis Mohamed Adan. I am an MBA Business Management student from Kenya Methodist University. I am conducting a study titled: **Strategic Factors Influencing Growth of Islamic Banking Uptake in Kenya.**

The findings will be utilized to strengthen the Islamic banking in Kenya and other Low-in- come countries in Africa. As a result, countries, communities and individuals will benefit from improved quality of Islamic banking services. This research proposal is critical to strengthening Islamic banking as it will generate new knowledge in this area that will inform decision makers to make decisions that are research based.

Procedure to be followed

Participation in this study will require that I ask you some questions and also access your department to address Islamic banking. I will record the information from you in a questionnaire check list.

You have the right to refuse participation in this study. You will not be penalized nor victimized for not joining the study and your decision will not be used against you nor affect you at your place of employment.

Please remember that participation in the study is voluntary. You may ask questions related to the study at any time. You may refuse to respond to any questions and you may stop an interview at any time. You may also stop being in the study at any time without any consequences to the services you are rendering.

Discomforts and risks

Some of the questions you will be asked are on intimate subject and may be embarrassing or make you uncomfortable. If this happens; you may refuse to answer if you choose. You may also stop the interview at any time. The interview may take about 40 minutes to complete.

Benefits

If you participate in this study you will help us to strengthen the Islamic banking in Kenya and other Low-in- come countries in Africa. As a result, countries, communities and individuals will benefit from improved quality of Islamic banking services. This field attachment is critical to strengthening the Islamic banking as it will generate new knowledge in this area that will inform decision makers to make decisions that are research based.

Rewards
There is no reward for anyone who chooses to participate in the study.

Confidentiality
The interviews will be conducted in a private setting within the hospital. Your name will not be recorded on the questionnaire and the questionnaires will be kept in a safe place at the University.

Contact Information
If you have any questions you may contact the following supervisors:

1. Simon Muriithi
   Department, Business Management, Kenya Methodist University
   Email:
2. Prof Felix Mwambia
   Department of Business Management
   Email:

Participant's Statement
The above statement regarding my participation in the study is clear to me. I have been given a chance to ask questions and my questions have been answered to my satisfaction. My participation in this study is entirely voluntary. I understand that my records will be kept private and that I can leave the study at any time. I understand that I will not be victimized at my place of work whether I decide to leave the study or not and my decision will not affect the way I am treated at my work place.
Name of Participant…………………………………………. Date…………………………..
Signature………………………………………

Investigator's Statement
I, the undersigned, have explained to the volunteer in a language s/he understands the procedures to be followed in the study and the risks and the benefits involved.

Name of Interviewer………………………………………………Date…………………….
Interviewer Signature…………………………………………

Appendix II: Introduction Letter

Dear Respondent,

Attached is a questionnaire that is used to collect data on the "Strategic Factors affecting growth of Islamic banking uptake in Kenya, A case of selected Commercial Banks". This is an academic study and you are therefore kindly requested to provide the required information in the questionnaire. The instructions on how to fill the questionnaire are provided below. Any information and opinions obtained in connection to this study are important and will remain confidential for academic purposes only. No individual responses is reported.

Resultsfromthisstudyisofimportancetothebankingindustryindeterminingthe emergence of Islamic banks and the challenges faced by them.

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

Once again thank you for your cooperation and time.

Name: ____

Email address: ____

Signature: ____

Respondent:

I agree to the following terms.

Thanks

Signature: ____

Appendix III: Questionnaire

PART 1: BIO DATA

1. What is your gender? Please tick (□) in ONE of the check boxes provided below.

Female ☐ Male ☐

2. What age bracket do you fall under?(Please tick (□) in ONE of the boxes provided below).

a).Less than 20years ☐
b).Between 20yearsand29years ☐
c). Between 30years and39years ☐
d). Between 40yearsand49years ☐
e). 50years and above ☐

3. Which is the highest academic qualification you have received? (Please tick (□) in ONE of the boxes provided below).

a). Less than High School ☐
b). High School certificate ☐
c).Diploma or Post-Secondary Certificate ☐
d).Bachelor‘s Degree ☐
e). Masters and above ☐

4. What isyour religion? Please tick (□) in ONE of the check boxes provided below.

Muslim ☐ Non-Muslim ☐

5. What is your Income level? Please tick (□) in ONE of the check boxes provided below.

a). Between Kes 10,000– 40,000 ☐
b). Between Kes 40,001– 70,000 ☐
c). Between Kes 70,001– 100,000 ☐
d). Between Kes100,001– 130,000 ☐
e). Kes130,000and above ☐

6. Account you operate: {Please tick (□) ALL boxes that apply}.

a).Current account ☐

b). Savings account ☐
c). Time Deposit account ☐
d). Hajj account ☐
c). Anisaa account ☐

7. If you ticked in more than one box in 7 above, please state the reason why you operate more than one account□...
....
....

PART 2: PRODUCT AWARENESS

8. Are you aware of all the products and services that my Islamic bank offers

Strongly Agree ☐ Agree ☐ Neutral ☐ Disagree ☐ Strongly Disagree ☐

9. Is there any specific reason as to why you prefer Islamic banking? (Please tick (□) in ONE of the boxes provided below).

a). Religious reasons ☐
b). High profit returns ☐
c). Better product portfolio ☐
d). Better customer service ☐

11**.** Do you have a personal experience with Islamic banking?

□ Yes □ No

12.If No, are you willing to open an account with an Islamic Bank**?**

□ Yes □ No

13**.** If No in Q12, Why would you not be willing to open an account with an Islamic Bank?

- Fees are high
- There are no interest
- Bank is unreliable

- Risk of Embezzlement
- Bank branches are few/inaccessible
- My religious belief
- Others (specify)__

14. If Yes in Q13, how much do you know about Islamic banking and finance?

- Never thought about it.
- Not much
- Sufficient knowledge
- Very well

15. Which banks do you know provide Islamic Banking other than your bank in Kenya?

□ ________________

□ _________________

□ _________________

□ _________________

16. Do you know that banks in Kenya provide interest-free services?

- Never thought about it.
- Not much
- Sufficient knowledge
- Very well

17. If yes, how did you come to know that bank offers interest-free banking in Kenya?

□ Bank employee

□ Media (Newspaper, TV)

□Internet

□ Madrassa teaching/mosque

□ Friends/ Family

18. Do you trust Islamic Banking?

□ Yes □ No □ I Don't Know

PART 3: CONSUMER PROTECTION OF ISLAMIC BANKING

19. How do the following political factors affect the establishment of Islamic Banking? On a scale of 1-5 where 1= strongly disagree, 2=disagree, 3= neutral, 4= agree, 5= strongly agree. Please rate the following statements in regards to the political factors facing the growth of Islamic banking uptake in Kenya *(Please tick (√) in the boxes provided)*

	Statements	**1**	**2**	**3**	**4**	**5**
i.	Government regulations is very important					
ii.	Agency regulation is well practiced					
iii.	Customer regulation are clearly enforced					
iv.	Properly defined branching regulation					
v.	Administrative regulation in enforced					
vi.	Consumer protection is well outlined					
	Islamic banking regulation is clear					

PART 4: LEGALFACTORS FOR ISLAMIC BANKING GROWTH

20. How do the following statements reflect the legal challenges affecting Islamic banking? On a scale of 1-5 where: 1= strongly disagree, 2=disagree, 3= neutral, 4= agree, 5= strongly agree. Please rate the following statements in regards to the challenges facing the growth of Islamic banking uptake in Kenya *(Please tick (√) in the boxes provided).*

Statement	**1**	**2**	**3**	**4**	**5**
a) Acceptability of interpretation of Sharia products varies from bank to bank					
b) Shari'ah manuals are well outlined					
c) Sharia'h legal framework is not required for banking services and products					
d) Accounting and auditing standards are not used					
e) Transparency and disclosure to the public Consumers					

f) Islamic bank products are similar to those of conventional banks.					
g) Global banking trends led to establishment of Islamic banks					
h) There is poor perception of Islamic Banks leading to low uptake					
i) Islamic banks in Kenya are truly fully-fledged Islamic banks.					
j) Islamic bank educate consumers on their products					
k) Islamic Banks are mainly not known and are often not understood					
l) Islamic banks do not have alternatives for traditional financial products and services solutions					
m) There are very few Islamic bank products					

<u>PART 5: RISK PERCEPTIONS</u>

21. How to rate the following risk related factors and how they affect the growth of the bank?*(Pleasetick (√) in the boxes provided)*

	Ranking				
Statements	1	2	3	4	5
a. Enhance risk management operations and processes					
b. Banks have a strong credit risk					
c. Banks have a perfect liquidity					
d. Regular monitoring of operational risks					
e. Islamic banks have higher risks than conventional banks					
f. Corporate social responsibility lowers market risk					
g. Strong Corporate governance has boosted the market risk					

PART 6: GROWTH OF ISLAMIC BANKING

22. How do you rate the growth of Islamic Banking service in your Commercial Bank?
(Pleasetick (√) in the boxes provided)

		Ranking				
	Statements	1	2	3	4	5
a)	The customer base has grown significantly					
b)	There is improved service delivery					
c)	Customers high preferences for Islamic banking products					
d)	High financial Returns for depositors					
e)	Innovative in product design					
f)	Increased corporate social responsibility					
g)	Strong Corporate governance					

……………………. END OF QUESTIONNAIRE…………………………

Appendix IV: List of Commercial Banks offering Islamic banking in Kenya

1. Barclays banks
2. First community bank
3. Gulf African bank
4. National Bank
5. Dubai Bank
6. Kenya commercial Bank
7. Middle east bank Kenya
8. Standard chartered Bank

Source: CBK (2020

Source: Author (2020)

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KENYA METHODIST UNIVERSITY

P. O. Box 267 Meru - 60200, Kenya
Tel: 254-064-30301/31229/30367/31171

Fax: 254-64-30162
Email: info@kemu.ac.ke

Our ref: NAC/ MBA/1/2021/1

06 JANUARY 2021

Commission Secretary,
National Commission for Science, Technology and Innovations,
P.O. Box 30623-00100,
NAIROBI.

Dear Sir/ Madam,

ANIS MOHAMED ADAN BUS-3-9183-2/2018

This is to confirm that the above named is a bona fide student of Kenya Methodist University, undertaking masters in Business Administration. He is conducting a research titled: **STRATEGIC FACTORS AFFECTING GROWTH OF ISLAMIC BANKING IN KENYA.**

We confirm that this thesis proposal has been defended and approved by the university.

In this regard, we are requesting your office to issue a permit to enable him collect data for his masters dissertation.

Any assistance accorded to him will be appreciated.

Yours faithfully,

KENYA METHODIST UNIVERSITY
Dean
05 JAN 2021

PROF. Evangeline Gichunge, PhD.
ASS DIRECTOR POSTGRADUATE STUDIES

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR
SCIENCE,TECHNOLOGY & INNOVATION

Ref No: **959358**

Date of Issue: **19/January/2021**

This is to Certify that Mr.. anis Mohamed adan of Kenya Methodist University, has been licensed to conduct research in Nairobi on the topic: STRATEGIC FACTORS AFFECTING GROWTH OF ISLAMIC BANKING IN KENYA. A case of selected Commercial Banks in Kenya for the period ending : 19/January/2022.

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