CULTURAL AND NON-CULTURAL FACTORS THAT INFLUENCE CONSUMPTION OF ISLAMIC BANKING SERVICES IN KENYA

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2013
DECLARATION

This Research Project is my original work and has not been submitted for a degree in any other University.

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D61/62978/2010

This research project has been submitted for examination as the university Supervisor.

Signed………………………………………….   Date……………………………………………

PROF. FRANCIS KIBERA
DEDICATION

First and foremost, Praise be to God Almighty, Allah, for this work and for giving me the patience to complete this study program. To my family, for their love and sacrifice due to my absence in the duration of the course and support of my academic pursuits in my formative years up to this day. I also wish to dedicate this work to my friends and relatives, for constant encouragement and advice, which ensured that I did not lose focus throughout the duration of the program.
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ABSTRACT

This study sought to identify the cultural and non–cultural factors that influence consumption of Islamic banking services in Kenya. The study used descriptive cross-sectional survey that involved interviewing respondents by use of a questionnaire to provide data for the project. We opted for shopping mall intercept for interviews on the questionnaire administration, as permission for inhouse bank interview was not forthcoming. A diverse groups of respondents were achieved as a result. The study found that most respondents were interested in the banking services which offer features such as security of their deposits, secure transactions and flexible lending options and interest rates. Operating practice and exposure, infrastructure development, economic factors and market beliefs and perception thus formed non-cultural factors that influenced consumption of Islamic banking services. A majority of respondents knew how Islamic banking works as an interest free banking service where the client and bank share profits and losses. Most of the respondents switched to Islamic banking mainly due to religious reasons and because it solved a financial problem. The study established that most respondents came to know and practice Islamic banking mainly through advertisements, from a social group, from a friend and from a family member. Religion, Reference groups, rules and regulations, technology, learning and attitudes thus formed cultural factors that influenced consumption of Islamic banking services. It was found that Islamic banking is different from conventional banking in terms of fees and interest charged, and in terms of helping out in business financing. The study found that Islamic banking is different from conventional banking in terms of loan security requirements and ease of repayment. This study recommends that Islamic banks should consider cultural factors like religion, attitudes and enhanced consumer learning in marketing policy development. The banks should also consider non-cultural factors so that they diversify products to also suit Christians too and increase micro finance business and consumer segments. Banks should use more advertisements and promotions to enlighten people on this system especially non Muslims and ensure access to Islamic banking by spreading to other areas in the country by setting up more branches.
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CHAPTER ONE: INTRODUCTION

1.1 Background

Bartlett (1923) defined culture as a part of two components, firstly; culture elements which denote material behavior and objects and secondly cultural materials that cover forms of cultural practices, artifacts, social and religious rituals and customs. Consumers both view themselves in the context of their culture and react to their environment based upon the cultural framework that they bring to their experiences. Each individual perceives the world through own cultural lens. Culture satisfies needs, it offers direction and guidance in all phases of human problem solving by providing tried and true methods of satisfying physiological, personal and social needs.

Language and Symbols are the means to acquire a common culture, the members of a society must be able to communicate with each other through a common language. Without a common language shared meaning could not exist and true communication could not take place. Verbal symbols may include television and advertisement in a magazine. Non-verbal communication includes the use of such symbols as figures, colors, shapes and even textures to lend additional meaning to print and broadcast advertisements, trademarks and to packaging or product designs (Luthans, 2011). Because human mind can process symbols, it is possible for example a person to experience cognitively a visualization for a product, like a house mortgage price schedule under no interest Islamic finance and under contemporary banking, it contrasts two scenes. Through a shared language and
culture, individuals already know what the image means, thus an association can be made without actively thinking about it. Price and channels of distribution are also significant symbols (Solomon, 2008).

Banking services include provision of money deposit facilities, lending, financing and mortgages which are critical services that enable economic and social development. Islamic Banking Services is a business model of banking services subject to certain conditions laid by Islamic jurisprudence, also known as Sharia. A business model being an operating practice that a business enterprise adopts to generate income and meet its costs of operations. It is based on the general principle of providing for the welfare of the population by prohibiting practices that are considered exploitative and unfair. The most widely known characteristics of the Islamic system of banking is the strict prohibition on giving or receiving any fixed, predetermined rate of return on financial transactions and interest rates. Business models are like, murbaha, a form of sale contract; musharkah, a form of equity participation; bay muajalla form of sale on credit or deferred payment sale, bay salam form of deferred delivery sale (Elfakhani, Zbib and Ahmed, 2010).

Strategic plans makes explicit for banks the market priorities which determine resource allocation, the assumptions behind the choice of market priorities, the change required to capitalize on market opportunities, the timing of strategic moves, an estimate of the environment in which the bank will act and the expected rate
of progress in strategy implementation (Channon, 2011). Understanding culture is part of environmental analysis that is critical for decision making. It helps in identifying future customer needs more effectively, improve a bank’s ability to communicate with potential customers in terms they can understand, plan marketing strategy to produce the desired results, obtain the confidence of customers by showing how the bank understand their point of view (Channon, 2011). An understanding and learning of cultural and non-cultural properties in analysis of consumer behavior is an important component in marketing development especially in market segmentation, target market and product positioning. It will also enable banking services improve on marketing mix price, brand name identification and on promotional activities.

1.1.1 Culture, Consumer Behavior and Islamic Banking

Cultural attributes are both above and below the surface of awareness. Aspects of culture such as language, behaviours, customs and norms are accessible or observable, the what of culture. The whys of culture, traditions, beliefs, priorities, assumptions and values are unseen. These values shape behaviors and help people evaluate themselves, other people and events (Schwatz, 1992). Values are important because they shape language, behaviors, economic systems, political systems, uses of technology, relationships with the natural environment and other ways of being. Kluckhohn and Stridtback describe value orientations; like in beliefs about human nature; in relationships with nature; human activity towards being, towards doing, towards thinking; relationship with others, for oneself, immediate family, teamwork;
Space, is physical space, private or public; Time, are people orientated to the past, present or future.

We describe a Cultural consumer as one who is driven by cultural orientations on banking consumption of Islamic banking services. A non-Cultural consumer is one attracted to Islamic banking practice but does not ascribe to cultural orientations. Islamic banking practice is a valuable public tool, and in knowing how consumers learn about the service, access the service, compare product attributes viz a viz the competition, a firm gains knowledge as to the consumer’s products of preference, product attributes that are attractive to them and their potential perceived benefits. In getting to know where consumers buy them, which channels they use, use them in their main business activities financed, maintain the service and dispose them like why they close accounts, marketing strategies can be developed that meet client needs and wants.

Culture refers to a set of values, ideas, artifacts and other meaningful symbols that help individuals communicate, interpret and evaluate as members of society. Culture can be described, evaluated and differentiated according to their abstract and material elements. Abstract elements includes values, attitudes, ideas, personality types and summary constructs such as religion or politics. It provides people with a sense of identity and an understanding of acceptable behavior within society. Islamic culture thus influences the banking system through its prohibition of charging of interest rates and fixed charges pre-determined in a loan. Islamic culture allows business transactions that have profit and loss on the participants, thus
its influence in business. An understanding of its influence in the consumption of a service and practice that has contemporary application by consumers who ascribe to the culture and those that do not is an issue of interest in this study on consumer behavior. Islamic banking, from a cultural perspective is driven by norms of a culture, that prohibits interest taking and speculation in trade. It is a More. Mores are customs with a moral overtone.

Consumer behavior is the behavior that a consumer (cultural orientated and non-cultural orientated consumer) displays in searching for, purchasing, using, evaluating and disposing of, for example, Islamic banking products and services that they expect will satisfy their needs. It focuses on how consumers make decisions to spend available resources (time, money, effort) on consumption related efforts. That includes the who, what, why of buying behavior. Culture affects consumer behavior. Culture has a major effect on why and how people buy and consume products and services. It affects the specific products people buy as well on the structure of consumption, individual decision making and communication in a society. Culture affects the need, search and alternative evaluation stages of how individuals make purchase decisions in a variety of ways. It dictates the definition of a need (Naeem, 2012). Islamic culture views money as a means of exchange of goods and services. It is not something to be traded. In conventional banking culture, money, like a commodity can be traded and compensation for its use is through concepts like time value of money which forms the basis of charging interest rates (Berk and DeMarzo, 2008). Culture also affects how consumers are likely to search for information. In some cultures word of mouth and
advice from a family member about a product or brand choice are more important than information found in an advertisement. In Islamic banking services, we are thus seeking to find what is the most influencing aspects in information search. In alternative evaluation, consumers place more weight on certain product attributes than others, often through the consumer’s culture. Ethical investors, may behave differently in financing projects, as compared to conventional investors, in that they may consider other attributes like social development, employment creation and not rate of return as lead criteria. In the purchase processes, the amount of price negotiation expected by both the seller and buyer is culturally determined. Shopping is an experience of searching for a perfect self. Elements of the purchase process such as price expectations are culturally defined.

1.1.2 Consumption, Banking Services and Interest Rates

Culture also affects how consumers use or consume products. Consumers buy products to obtain function, form and meaning. When consumers use a product, they expect it to perform a function. In banking, consumers expectations about function and form vary between cultures. Under conventional banking culture, loans attract interest, irrespective of the business performance. Under Islamic culture, interest charging is prohibited, but financing with a view of sharing profit and loss is allowed, business performance is taken into consideration. Doing business is allowed, but doing business with interest rates as a revenue source is not allowed. Culture also influences how individuals dispose products in the divestment stage of the Consumer Decision Process model (Naeem, 2012).
Consumption can be interpreted as experience or activities that consumers engage in to communicate their association with objects both to self and to others or merge their activities with a group. Consumption experience is the true value of a product to consumers. Therefore it is advantageous to consider product purchase as directed not necessarily toward a physical product but rather toward a consumption experience. A product purchase is in many ways not the purchase of a physical good itself but of an experience that the products affords(Pine and Gilmore,1998) and the consumption experience consists of both cognitive and emotional activities(Hirschmann,1984) and (Holbrook & Hirschmann;1982). As a result, consumers often need to assess the probability of what a product can provide an expected consumer experience before they are confident in making a purchasing decision.

Numerous marketing communications campaigns are designed to offer ways for consumers to make such an assessment, ranging from free sampling of goods and services to product use demonstration in TV commercials. The cultural meaning of products and services is often expressed in symbolic form. A symbol sometimes takes on a meaning of its own beyond its association with the product and comes to represent the culture(Tharp and Scott,1990).Products are means to communicating social status, prestige etc; Products are means of self-expression, products reflect the values that are most important to consumers; Products are a means of sharing experiences, like social occasions etc; Products are hedonic, products have aesthetic
or sensual qualities the give a consumer pleasure; Products are experiential, they remind consumers of past experiences.

The behavior of consumers when they are purchasing banking products and services demonstrates a high involvement in the process and high levels of commitment because of the nature of the products and services. This means that the behavior patterns during purchase are not routine and every purchase occasion will show different approaches. The consumer will be actively involved in the buying process and will shop around before coming to a decision. The intangible nature of banking products and services means that the consumer can often have high levels of insecurity during purchase. They cannot try out the product or service before purchase and will therefore be looking for reassurance about their choices. Their behavior patterns will be complex and will probably involve many people and agencies. There is high level of information search and it’s a long term decision. Foxall and Goldsmith (1994) suggested that consumer behavior is a sequence of problem solving stages, as like, the development and perception of a want or need, pre-purchase planning and decision making, the purchase act itself, post-purchase behavior, which may lead to repeat buying, repeat sales and disposing of the product after consuming. Services have been defined by Kotler and Armstrong (2004), as any activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product.
Islamic finance is very much concerned with the promotion of the production of useful goods and services and also with the exchange of these goods among members of the society. It is asset backed type of financing. Money is only to be used as a medium of exchange for the creation, sale or lease of goods and services that generate income and employment to the members of the society and help in meeting their daily needs. Islamic Banking Services in Kenya are a growing segment of the banking sector. It is a fairly recent phenomenon given that the first banks to provide full service Islamic banking came into being in year 2005. A major expansion of the service however is through banks now offering dual services, both Contemporary and Islamic Banking Services on the same branch or floor. It has thus enabled greater distribution and access to the service and with it a need to know how customers appreciate its relevance in day to day business financing needs.

The pillars of Islamic Banking System are the norms, tax and zero interest rating. Islamic banking takes from socially responsible investing, defined by Dunfee (2003) as any investment strategy based upon identifiable non-financial criteria incorporating a social or religious dimension. Given the frequent crises in the financial system both in Kenya and other parts of the world, a growing number of investors and consumers of financial services are seeking outlets that have ethical practices and outcomes. Seeking stable forms of finance is a new phenomena in the business world, accelerated by the banking crisis of year 2008. According to Hadas (2013) there is an economic mismatch in conventional banking system in that
interest rates payments on loans vary much less than borrowers cash flow. Temporary difficulties can lead basically sound companies to skimp on economically viable investments or to default. Soskin (2013) observes that due to the financial crisis of 2008 and ensuing slow economic growth, banks are unwilling to lend and companies become averse to borrowing. Thus the economy contracts overall and unemployment continues.

1.2 Islamic Banking Services in Kenya

The Central Bank of Kenya, licensed Islamic banks under Cap 488 of the Banking Act of Kenya. Amendments to the Act were made to allow Commercial banks to own property. Ownership of property by banks, jointly with its clients is apart of risk sharing mechanism advocated by Islamic commercial law. Conventional banks are increasingly opening up a window for Islamic banking. So too are insurance products that are Islamic oriented that started in 2011. Examples of such banks and insurance firms are Gulf Africa Bank and First Community Bank. In insurance we have Takaful Africa Insurance Company. Contemporary banks like National Bank of Kenya, Standard Chartered Bank, Barclays Bank and Chase Bank have opened up Islamic banking services to run along conventional banking services. The rise in Islamic banking in Kenya is part of globalization phenomena where there are marked increases in transnational flows of capital, people, goods, information and culture, thus transforming the world.
1.3 Research Problem

Banking services are important for an economy as they provide for capital formation through savings and capital access through lending, which individuals and firms need for business development. They are critical more so in African countries that are experiencing problems of high unemployment rates, low business formation and business activity. Marketing banking services have both positive and negative implications for an economy. Overaggressive marketing leads to problem of subprime loans leading to heavy debt in the overall economy. Below the par marketing leads to low take up of loans thus business in not developed optimally thus slowing economic growth. The Islamic Banking aspect has been gaining increased interest as an alternative forum for banking services, where the main thrust is risk sharing, real asset financing and interest free loaning regime. Interest charges in Kenya and Africa are very high and to a great extent a stumbling block to economic development and there have been growing pressures to regulate the rates offered.

Islamic Banking emphasizes the projected cash flows of a project being funded, thus it helps finance operations of small and medium enterprises that are unable to gain access to credit facilities owing to their lack of collateral and small size of loans that are costly to dispense. It thus contributes to development of local economies and meeting consumer needs. Conventional banks are security orientated thus those without sufficient collateral miss out in financial access (Monzer Kahf, 2010). Capital Markets are not conducive to an individual investor, farmer or
business person given the bureaucracy involved in raising capital and nature of share broking. The wisdom of prohibition of interest taking is that, taking interest implies appropriating another person’s property without giving him anything in exchange, because one who lends a dollar for two dollars gets the extra dollar for nothing. Dependence on interest prevents people from working to earn money, since the person with dollars can earn an extra dollar through interest either in advance or at a later date without working for it. The value of work will be reduced in his estimation and he will not bother to take the trouble of running a business or risking his money in trade or industry. This will lead to depriving people of benefits and the business world cannot go on without industries, trade and commerce, building and construction all of which need capital at risk. Taking interest discourages people from doing good to one another. Feelings of goodwill and friendliness will disappear. The lender is likely to be wealthy and borrower poor, thus creating social tension (Al Qaradawi, 2010).

Not all customers will be interested in Islamic banking and finance, for example corporations that feel that leverage has its benefits in valuation of a firm may not be attracted to it. This is due to tax advantages of debt under finance theory. Valuation may be high for a firm thus shareholders stand to gain in a buyout of a business (Berk and DeMarzo, 2008). At the same time shareholders are worse off without Islamic banking as the portion of finance costs would ideally be money meant for paying dividends is paid out to financiers in a financial year operating cycle. Other firms may opt for equity investments for their financial needs. Others may
opt for issuing shares, both common and preferred shares to finance their operations. Several studies have been done in Islamic banking and finance in Kenya, like by Aziza Mwatuwano (2011) in a research proposal study titled “An Examination of The Performance of Islamic Screened Portfolios at the Nairobi Stock Exchange”, where she examined the investment performance outcome on sharia compliant stocks and shares. Also Mkumba Ndzame, Kibibi (November 2011), in a research proposal study titled “Strategies adopted by Islamic Banks in Kenya to attract non-Muslim customers”, where she detailed marketing strategies used by Islamic banks in Kenya, where the study found that Islamic banks in Kenya, use a low cost strategy, differentiation, pricing, delivery and distribution strategy in order to attract non-Muslim customers. The banks do not use focus strategy as they do not want to concentrate on a particular target customers.

In “Factors that influence Muslim consumers towards Islamic banking products or facilities: The theory of reasoned action” by Noresmabt Jahya, University Saints Malaysia (March, 2004) where she stated that Islamic banking, in order to expand globally, to gain greater acceptance and to contribute to overall wealth creation, the factors that contribute to consumers preference and behavior need to be studied in depth. In other words it is imperative to understand why people choose which type of banking system, either conventional or interest free banking system to satisfy their financial needs. In the study, “consumer awareness and usage of Islamic banking products in South Africa” (Saini, Bick and Abdulla, 2010), it was found that Muslims were aware of Islamic banks but their rate of usage was low, as Muslim
customers regard efficiency, lower bank charges, availability of ATM and an extensive branch network as important factors when it comes to choosing a bank, rather than religious motivations for compliance with Islamic conventions. It was concluded that, if Islamic banks wanted to attract and retain customers and remain relevant in South African Context, they would need to develop relevant strategies designed to meet customer needs. Religion as the sole motivation for choosing Islamic banks is inadequate.”

Cultural materialism, the representations and practices of daily life in the context of the material conditions of their production, involves the analysis of all forms of signification, within the cultural means and conditions of their production. We thus explore culture in terms of, institutions of artistic and cultural production e.g artistic or market forms; formations or schools (Chris Barker, 2008). Movements and factions of cultural production, modes of production, include the relations between the materials means of cultural production and the cultural forms which are made manifest; identifications and forms of culture, including the specification of cultural products, their aesthetic purpose and the particular forms that generate and express meaning; the reproduction in time and space, of a selective tradition of meanings and practices introducing both social order and social change; the organization of the selective tradition in terms of a realized signifying system (Chris Barker, 2008).

The study was guided by the following questions:

(i) What are the cultural factors that influence the consumption of Islamic banking services in Kenya?
What are the non-cultural factors that influence the consumption of Islamic banking services in Kenya?

1.4 Research Objectives

The objectives of the study were to:

(i) identify the cultural factors that influence consumers in choosing Islamic banking services.

(ii) identify the non-cultural factors that influence consumers in choosing Islamic banking services.

1.5 Value of the Study

The study will help us understand how culture affects consumers' attitudes about products and services. The study will also help to draw attention to consumer learning as an integral part to marketing strategy development and as a precursor to market penetration and development especially in consumption of cultural goods and services.

The study will enable also give insight as to how perceived risks affect consumption of goods and services. The study will try to identify the motives, cues and incentives that drive consumption of Islamic banking services by cultural and non-cultural consumers.
CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter studies literature on culture and consumer behaviour to understand cultural and non-cultural factors that influence consumption of Islamic banking services. It highlights contributions by various scholars in the subject.

2.2 Meaning of Culture and Its Influence in Business

The word culture comes from Latin cultura which is related to cult or worship. In broadest terms, nature of culture, it refers to the result of human interaction. Culture is acquired knowledge that people use to interpret, experience and generate social behavior. This knowledge forms values, creates attitudes and influences behavior. Characteristics of culture are that, it is learned, shared, transgenerational, patterned and adaptive (Luthans, 2011). Different definitions of culture have been offered in the literature. A definition by Raymond Williams (Williams, 1965: p63), in the theory of culture, culture is defined as the study of relationships between elements in a whole way of life. Three levels of culture as distinguished as a result; there is the lived culture of a particular time and place, only accessible to those living in that time and place; there is the recorded culture, of every kind, from art to the most everyday facts, the culture of the period; there is also the factor connecting lived culture and period culture, the culture of selective traditions (Williams, 1965: 66).

Trompenaars’s theory on cultural dimensions (1994) are used to explain culture in this study. In examining, univesalism vs particularism, he thus describes univesalism...
as the belief that ideas and practices can be applied everywhere without modification, and particularism as the belief that circumstances dictate how ideas and practices should be applied. In high universalism-society focus is more on formal rules than relationships. In individualism vs communitarism aspects of culture, individualism, refers to people regarding themselves as individuals, communitarism, refers to people regarding themselves as part of a group. In examining Neutral vs Emotional aspects of culture, Neutral culture is one in which emotions are held in check, people in these cultures do not show their feelings, they act stoically and maintain composure. Emotional culture, is one in which emotions are openly and naturally expressed. Lack of emotion should not mean lack of interest.

Specific vs Diffuse Culture; A specific culture is one in which individuals have a large public space, they readily let others enter and share a small private space. Diffuse culture, is one in which public space and private space are similar in size and individuals guard their public space carefully, because early entry into public space affords entry into private space as well. Achievement Vs Ascription; Achievement culture, is one in which people are accorded status based on how well they perform their functions like high achievers. An Ascription culture, is one in which status is attributed based on who or what a person is based on age, social status, social connections etc. In time, approaches to time, sequential vs synchronous. In sequential time, people tend to do more than one activity at a time. In synchronous time, people tend to do one activity at a time. (Luthans,2011,108-135p).
Thus Islamic banking culture has been acquired by learning and experience by businesses and individuals over the years. Knowledge of Islamic banking and finance has been passed cumulatively, down from one generation to the next. It symbolizes the need to have fair and ethical practices in business and financing of business activities. Its adaptation in the face of growing crisis in financial services sector is based on the human capacity to change. A Consumer’s culture determines the overall priorities they attach to different activities and products. It also determines the success or failure of specific products and services. A product that provides benefits consistent with those desired by members of a culture at a particular time has a much better chance of attaining acceptance in the marketplace. Consumer behavior and culture is a two way street. Products and services that resonate with the priorities of a culture at any given time have a much better chance of being accepted by consumers.

A Cultural system can be said to consist of three interrelated functional areas, namely ecology, social structure and ideology. Ecology is one area, which means the way in which a system is adapted to its habitat. This area is shaped by the technology used to obtain and distribute resources. Islamic banking and finance resonates well in areas with high interest rates like developing countries and thus growing interest in its practice. Even in low interest rates countries, the practice being essentially asset backed helps out economies by enabling the funding for acquisition of real goods and services as opposed to trading in interest rate derivatives and swaps, which basically paper money which in the event of a default by counterparties
has undesired consequences of bankrupting the financing party and the overall financial system. Social structure is another area. The way in which orderly social life is maintained. It can only be so if there is a fair economic system. Ideology, the mental characteristics of a people and the way in which they relate to their environment and social groups (Luthans, 2011). It revolves on the belief that members of a society possesses a common world view. They share certain ideas about principles of order and fairness, ethos or a set of moral and aesthetic principles. Islamic banking gets attraction from cultural and non-cultural consumers who share concern about the need to have a financial system and financing mechanism that is fair and just.

Various initiatives on similar lines are explored like insistence by Central Bank of Kenya that banks and financial institutions display and disclose their loan rates, attempts by Parliament to fix interest rates, development of fixed interest rates lending market due to unsuitability of floating rate system and also movement by Non-governmental organizations and ethical investors to develop funds that have low interest rates to enable wider access to funding.

Consumer behavior in a definition by American Marketing Association is described as the dynamic interaction of affect and cognition, behavior and the environment by which human beings conduct the exchange aspects of their lives (Bernet, 1995). Cognition includes a construct or process that refers memory structures or self construct. Affect refers to the attitude and intention formation process and its outcomes; attitudes toward
an entity, either material such as products or abstract such as religion. Behavior includes individual choices and behavior patterns, such as media usage or food shopping. Culture influences behavior through its manifestations; values, heroes, rituals and symbols (Hofstede, 1997). These are forms in which culturally determined knowledge is stored and expressed. Thus, each cultural group possesses different cultural manifestations. As for values, (Rokeach, 1968, p161), expresses values as a centrally held enduring belief which guide actions and judgements across specific structures and beyond immediate goals to a more ultimate end-states of existence. Examples of values are freedom, pleasure, inner harmony, happiness (Rokeach, 1973).

Values are described in terms of terminal values and instrumental values. Terminal values being desired or preferred end states of being. Instrumental values being means to achieve an end. Islamic banking with the no interest charge regime is instrumental in enhancing their economic and business practices, which lead to social cohesion and economical growth (terminal value). Hofstede, 1980, divides values into the desired and desirable. We can thus infer that, a fair economic system is desired, with Islamic banking system a desirable instrument to achieve it. Heroes, refers to persons, alive or dead, real or imaginary, who possess characteristics which are highly prized in a culture and who thus serves as models of behavior (Hofstede, 1997, p8). Reference groups and opinion leaders(McCracken, 1986; 1989) are examples of heroes. Heroes may influence consumer behavior through their association with certain products and brands. Marketing communication is a good vehicle for making these associations.
Rituals are more than religious or mystical significance. It refers to a type of expressive, symbolic activity constructed of multiple behaviors that occur in fixed, episodic sequence and that tends to be repeated one time. Ritual behavior is drastically scripted and acted out and is performed with formality, seriousness and inner intensity (Rooke, 1985, p. 252). McCraken (1988, p84) also says a ritual is a social action devoted to the manipulation of the cultural meaning for purposes of collective and individual communication and categorization. Ritual to an opportunity to affirm, evoke, assign or revise the conventional symbols and meanings of the cultural order. Rituals are important in consumer behavior because they involve the consumption of goods and services. It gives origin to consumers cognition schemation and scripts which reinforce consumption behavior. Consumer products can be employed in their symbolic capacity to operationalize a ritual (Solomon and Analer, 1985). Having an Islamic banking current account, may be a ritual, in that the holder seeks to affirm that at no time does she/he engages in interest taking/charging activity. Symbols, are a broad category of processes and objects that carry a meaning that is unique to a particular group of people (Geertz, 1973, p89). A society’s symbol may not exist in different culture or their meaning may be different. Language, gestures, pictures or objects are a set of symbols. (Sherry and Camargo, 1987) symbols frequently studied are language and consumer products. In conventional banking culture, ethical banking and finance is offering low interest rates. In Islamic banking culture, ethical banking and finance is offering no interest charge and earnings and profit and loss sharing regime. Product symbolism is generated at the societal level (Solomon, 1983). Cultural values expressed in society’s perception of reality and beliefs of what is described seem to be transferred to products.
through vehicles like advertising (Belk 1985). These products then become charged with cultural meaning. The success in owning a home through no interest mortgage scheme can be a cultural symbol for achievement in using ethical financing schemes if shown in advertisement form. Individuals in their efforts to define their social self are moved to consume the products which are non-charged with symbolic meaning (Dorgee, 1986).

Values affect cognition through information processing issues like perceptual categorization, perceptual inference and leaning. In Values and affect, it affects advertising elements like emotional appeals to elicit more favorable elements; emphasis of individual benefits, group or family benefits, Cues may be considered central in one culture and peripheral in another. Values affects decision making through differences in exposure to information seeking, product innovativeness and product information transfer. Shopping orientations are consistent with the values predominant in their respective groups. For Symbols and Cognition, in a study (Levy 1981), investigated how consumer values expressed in symbolic food consumption, affect their reality through story telling. Consumption of financial services effects are best exemplified in story telling, how it affects a business performance, and thus whether its ethical or not. In Symbols and Affect, Positive responses to ads are evoked if they include some functions of cultural language. In Symbols and behavior, the symbolic nature of consumption and/or possession values from one culture to another.

For heroes and cognition, here, celebrity endorsement operates on a process of meaning transfer. Cultural constituted meaning first moves into the persona of the celebrity, then
the meaning moves from the celebrity into the product, finally it moves from product into
the consumer (MacCraker, 1989). In heroes and affect, a spokesperson from the
consumers ethical/cultural group has more effectiveness in passing on the message. In
heroes and behavior, reference groups have influence in consumer decision making.
Effect of Rituals on Consumer behaviour are like for example rituals possessions of
an Islamic bank account, may be seen as a symbol to retain Islamic religion identity in
public settings, and the possession ritual helps shape their cognitive structures, their
perception of the self. If an item is being consumed as part of a ritual, possession of
Islamic banking current account, price like bank charges, and other variables, like
marketing promotions, might lose at least some of their significance. They may not
affect the ritual consumer decisions.

2.3 The Decision Process on Consumption of Banking Services
Type of Consumer decisions in banking services consumption is on extended
problem solving, high involvement and infrequent purchase. We only open accounts
once, after extensive thought. Cultural values are the vehicles which carry cultural
determined knowledge from one generation to another, that is, they are the form in which
culture is stored and expressed (Mourali, Laroche and Pons, 2005). These values are
socialized into a particular group and are passed one time and therefore, may have an
influence on the way consumers behave. This further influences the choices that
individuals make regarding consumer decisions from everyday products to major or
important purchases (Luna and Gupta, 2001). In the context of making a high involvement
purchase, consumers are usually aware of all the positives and negatives of each choice in
terms of brand, quality, price and innovation (Mittal, 1995). Consumers attempt to forecast the outcome of each option in order to determine which is best for that particular situation so that they make a reasoned decision. Consumer’s decision making for high involvement purchases such as banking services, consists of a sequential process involving problem recognition, information search, brand evaluation and selection, purchase and post-purchase (Punj, 1987).

Banking services choice, is a complex problem solving process (Quester et al, 2007). These situations are likely to be characterized by, active information seeking about various brands (Peterson and Menino, 2003), major comparison of product attributes (Radder and Tuang, 2006), special preferences for a particular brand such as brand loyalty (Dholakia, 2001), choices are likely to be made with a high degree of awareness (Greenleaf and Lehmann, 2005). For example, consumers usually require knowledge and preparation, such as an extensive information search, to learn about the product, and enough time to process and evaluate the available information as to reach an appropriate banking choice decision (Busnjak and Rudolph, 2010).

2.4 Islamic Banking Business Models

A business model being an operating practice that a business enterprise adopts to generate income and meet its costs of operations. The following are some of the models used in Islamic banking and finance: Distribution of profit (Musharakah), the proportion of profit to be distributed between the partners must be agreed upon at the
time of affecting the Musharakah contract. If no such proportion has been determined, the contract is not valid in Sharia (Elfakhani, Zbib and Ahmed, 2010).

Credit sale (Bai’ Muajjal), it is a financing technique adopted by Islamic banks. It is a contract in which the bank earns a profit margin on the purchase price and allows the buyer to pay the price of the commodity at a future date in a lump sum or in installments. Cost plus financing (Murabahah), is often referred to as ‘cost-plus financing’ and frequently appears as a form of trade finance based upon letters of credit. In its simplest form, this contract involves the sale of an item on a deferred basis amount. (Elfakhani, Zbib and Ahmed, 2010).

Leasing (Ijara), the use of leasing is represented by the Ijara contract in Islamic law. The contract represents a transaction in which a known benefit (usufruct) associated with a specified asset is sold for a payment. In the course of this sale of usufruct, ownership of the asset is not transferred – the bank maintains ownership of the asset. (Elfakhani, Zbib and Ahmed, 2010).

Bonds (Muqarada), allows a bank to issues Islamic bonds to finance a specific project. Investors who buy the bonds take a share of the profits generated by the project as well assuming the risks of losses. (Elfakhani, Zbib and Ahmed, 2010).

Product financing (Istinaa), is a contract in which a party demands the production of a commodity according to certain specifications and the delivery of it from
another party, with payment dates and price specified in the contract (Elfakhani, Zbib and Ahmed, 2010).

2.5 Cultural Factors in Islamic Banking Consumption Process

Model of culture is in three layers. The explicit artifacts and products of the society, that is observable. The norms and values that guide society. They are both formal and informal and they are designed to help people understand how they should behave. The implicit and basic assumptions that guide peoples behavior. By understanding these assumptions, members of a culture are able to organize themselves in a way the helps them increase the effectiveness of their problem solving processes and interact with each other (Assael, 2010).

Religion being an aspect of culture, has considerable influence on peoples values, habits and attitudes, and it greatly influences lifestyle which in turn affects consumer decision behavior. As Petterson and Roy, commented, one function of religion is to provide a source of meaning and purpose for people. Religion can provide a frame work which makes life understandable and interpretable. First, religion serves to define the ways to do things (that is established practice) and to provide a service of tools and techniques for social behavior. Islamic religion thus disallows interest taking and interest charging in whatever forms due to its nature of giving one party in a business transaction an upper hand and with no risks to himself/herself. It allows business, that is trading for profit and loss in a transaction. Second, religion either fosters or frowns on particular choice behavior. Religions denote indirectly influences commitment by directly
affecting relationship qualities (that is love and caring), focus of control and guide roles which in turn directly influence commitment. It thus regulates business behavior in banking transactions and business transactions. In contemporary business settings, transactions are regulated by acts of parliament, like banking act, competition act, this shows that acts in consumer behavior are in need of regulation (Delener, 2004).

Norms are rules that designate forms of acceptable and unacceptable behavior. Conventions are practices tied to the conduct of everyday life in various settings. Customs are behaviors that lasted over time and passed down in the family setting (Assael, 2010).

In laws regulations and rules, banks operate in a highly regulated environment. The nature of Islamic banking in the profit and loss sharing culture necessitates changes through amendments in banking laws to allow banks have direct ownership of property through client’s money. The bank is an active participant in a business transactions and takes a profit and loss like its client.

Attitudes is a learned predisposition to behave in a consistently favorable or unfavorable way with respect to a given object. Object being a specific consumption or marketing related concepts like product, product category, brand, service, product use, Islamic banking service or conventional banking service. Attitudes are learned (Hoyer and MacInnis, 2001). This means that attitudes relevant to purchase behavior are formed as a result of direct experience with the product,
word of mouth information acquired from others or exposure to mass media advertising etc. They are not behavior, they reflect either a favorable or unfavorable evaluating the attitude object, have motivational quality, they might propel a consumer toward a particular behavior or repel the consumer away from a particular behavior. They are relatively consistent with the behaviour they reflect. When consumers are free to act as they wish, we anticipate that their actions will be consistent with their attitudes. It’s important to consider the situation in which it takes place. Previously, people with interest in Islamic banking did not have an outlet, so it did not mean they had a negative attitude towards it. A business entity may be having a strong relationship with a commercial bank and has loans and overdraft facilities worth millions, even though it may benefit from interest free banking, it may feel that its business performance and relationship with the bank is just okay.

A reference group is another factor. Through groups we try to please others, look to others for behavior clues about what we should do in public settings. A reference group is an actual or imaginary individual or group conceived of having significant relevance upon an individual’s evaluations, aspirations or behavior. Socially conspicuous or visible to others. Reference groups have social power, the capacity to alter the actions of others. It has three dimensions, informational influence, utilitarian influence, and value expressive influence (Hoyer and MacInnis, 2001). In normative influence, the reference group helps to set and enforce fundamentals standards of conduct. Comparative influence, its affects members decisions
on specific purchases. Consumers concerned with ethics in banking may lean more on informational influences. Consumer affected by overrun of their mortgages due to escalating interest rates may focus on utilitarian influence group.

Consumer learning which is described as a relatively permanent change in behavior that experience causes, is also a factor. The learner need not have experience directly, we can also learn when we observe events that affect others. Through incidental learning we learn even when we do not try. Learning is an ongoing process, our knowledge constantly updates as we are exposed to stimuli and receive feedback that allows us to modify our behavior when we face similar situations in the future. This may be through reading, from discussions, observation, and thinking or from actual experience. It encompasses simple, almost reflexive responses to the learning of abstract concepts and complex problem solving.

Consumers learn also through a process of internal knowledge transfer from familiar to novel domains. For instance consumers might learn about a new product through advertising but they might also learn about it by transferring knowledge of a similar type of product to the new product (the analogical transfer paradigm). When faced with something unfamiliar we often attempt to understand it by relating it to something familiar. When we do this we are learning by analogy. (Paxton and John, 2010). Analogical learning is concerned with the use of familiar domain (the base) to understand a novel domain (the target). Learning proceeds via process that transfers knowledge from the well known base to the lesser
known target. The driving force behind learning via analogy is the idea that domains related in some respects are likely to be related in other aspects as well. For example- conventional banking(familiar, the base) to Islamic banking( novel, the target).

Personality, which refers to a person’s unique psychological makeup and how it consistently influences the way a person responds to her environment, is also a considered factor. Personality traits, the identifiable characteristics that define a person, like innovativeness, persons trying out new things, materialism, acquiring and owning products, self-conscious, the degree to which a person deliberately monitors and controls the image of self that he or she projects to others (Schiffman and Kanuk, 2009). A brand personality is the set of traits people attribute to a product as if it were a person. Ethical investors and consumers, a growing segment is increasingly inclined to mirror their personality in choices on financial services. Innovativeness is also a factor. Persons continually seek avenues to lower their financial risks exposure.

2.6 Non Cultural Factors in Islamic Banking Consumption Process

Operating practice and exposure is a factor also. Exposure to a stimulus within one’s range of understanding affects purchase decisions. Consumers concentrate on some stimuli and ignore others. A non-cultural consumer may focus on zero interest on loans. A cultural consumer may focus on norms. Advertisements and promotions have encouraged take up of Islamic banking over the years. The strategy a firm adopts in
business development is also a factor. An Islamic bank that offers products directly competing with a conventional bank products offers better prospects to customer acquisition and retention.

Infrastructure development has also enhanced consumption. The legal framework allowing banks to own property directly has provided access to Islamic banking services. There is no need to set-up a separate entity to provide the service, it can be done in conjunction with conventional banking units, that is, it can be done in-house thus influencing consumption. The opening of branches and development of internet banking has encouraged consumption. Availability of the service has greatly impacted on consumption. Previously people not interested in conventional banking system did not take up interest payments credited in their accounts, with changes in the market now people now are taking up the service formally.

Technology adaptation through ATM’s and internet has an influence over clients retention. It enables ease of service which is a market entry determination factor. ATM like aspects of banking service have a long history, in the advent of banking in Crusades era, passwords were used by trade caravans in facilitating trade and cash transactions (Palmieri, 2013).

Economic factors and opportunity are also a factor. Increasing inflation rates and with it increased interest rates have forced both investors and consumers to consider alternatives. Even governments have joined in with regulations of interest rates, actual participation in the banking system by loaning banks and taking over
banks. Interest rates affect firms incentive to raise capital and invest. All else equal, higher interest rates tend to shrink the set of positive net present value projects and investments available to firm. Consumers reduce their expenditure on mortgages, credit cards and car loans. Firms also cut back on projects when the cost to finance them grow.

Perception is also a factor. It is a process in which people select, organize and interpret stimuli, in form of advertisement, promotions or new product or service enhancement. It is in three stages, exposure, attention and interpretation. On banking services in general, consumers are exposed to advertisement of loans, interest rates cuts, new payment schemes for mortgages. Thus input and store of stimuli occurs daily. Each individual interprets the meaning of a stimulus with his or her own unique biases, needs and experiences (Schiffman and Kanuk).

Perceived risk is an issue in Islamic banking choice as customers engage in extensive information search. Apparently some consumers may believe that there may be negative consequences if you use or don’t use a product or services. If a non-cultural consumer uses it might be perceived as a change in religion affiliation. Relevant perceived risks may be like monetary risks, how secure is ones money under Islamic banking since most transactions are jointly owned. Functional risk, one considers a choice situation where under conventional banking, if he borrows to purchase, the asset is his, but under Islamic banking its co-owned until fully paid and implications for interest rates and tax advantages that come with
financing. Social risk, in that some consumers may liken the consumption of Islamic banking services as equivalent to acculturalization to Islamic culture (Solomon, 2010).

Knowledge structures is also a factor, it depicts how Islamic banking is represented in the consumers mind (its potential also included). It refers to a set of beliefs and the way we organize these beliefs in our minds. The makeup matters to a business because they want to ensure that customers correctly group their products. We represent a product in a cognitive structure at one of the three levels. If we consider Islamic banking, we might want the respondents (customers) to respond to a question like, what other products share similar characteristics with and which would you consider as alternatives to Islamic banking. In basic level category, the products grouped together have a lot in common with each other but still permits us to consider a broad range of alternatives. Super ordinate category, are more abstract. Subordinate category includes individual brands. Financial services, Super ordinate level; Banks, Insurance, Venture Capital firms, Basic level; Conventional banking, Islamic banking, Micro-financing, Subordinate level (Blackwell, Miniard and Engel, 2006). Knowledge transfer is an important issue in consumer learning. In brand extension literature (Boush and Loken, 1993), it has been assumed that the success of a brand extension depends on the degree to which positive beliefs and attitudes associated with the parent brand transfer to the extension product. We can infer the same as knowledge of conventional banking can be
associated positively with Islamic banking, thus leading to banks opening up Islamic banking windows.

Market beliefs are those formed assumptions that affect consumer choices. Apparently the aspect of no interest charges on loans leads to belief that it has better approach to loan making. The beliefs become shortcuts that guide our decisions. Evaluative criteria are the dimensions we use to judge the merits of competing attributes. Functional attributes are like how are bank loans requested and what is needed, to experiential ones like how interest free bank loans affect the performance of the business. Determinant attributes are like features we actually use to differentiate among our choices (Solomon, 2010). In banking services, these may be like, stability, listing in stock exchange, branch network, corporate social responsibility practices etc. In a customer choice on Islamic banking, just like price, consumers consider interest rates as an important factor when seeking financing. It is like an information stimulus. It is an information cue, that is perceived and interpreted and attached a meaning to it.

Learning costs, there are many products that require learning how to use. People sometimes need to understand product features and functionalities before purchasing products like insurance products, banking products or software. Consumers may not be able to use these kind of skill based products without instructions. For example although a consumer may understand why interest free banking is useful and places a high value on it, she may not make a purchase
without knowing how to apply it in his financing situation. Thus the likely hood of purchase is affected by effort of buyer or seller. When consumers have little or no experience with a product, a firm sometimes operates customer help centers to explain product features to consumers. Many firms also offer free trials of their products. Sometimes firms provide financial incentives to consumers to learn their product features. A firm can adopt different approaches to sell skill based products to consumers. One way is that a firm may expend resources to instruct consumers how to use its products. Or simply let them learn themselves (Kim, Salant and Shin, 2012). When learning cost is small or large, it is optimal for a firm to engage in the provision of instructions to use. When learning cost is intermediate by contrast, it is optimal for a firm to induce consumers self learning. The optimal arrange is to induce only the high preference consumers to engage in learning activity.

Marketing communication in form of advertising, like Product placement, insertion of specific products or use of brand names in films, tv scripts; sales promotion, personal selling and publicity is factor that can enhance take up of Islamic banking services. Creating brand awareness and brand attitude, helps in whenever a category need arises, the brand will be activated from memory for inclusion in the consideration set of choice alternatives for the decision. So when a consumer is confronted between choices of conventional and Islamic banking, a better communication program may lead to a choice, thus consumption. In brand attitude development, favorable consequences should be highlighted. The overall
communication goal is to create means – ends knowledge structures that link the brand to important consequences and values (Peter and Olson, 2007).

Product structure is also a factor. It aids adoption and compatibility with consumers lifestyle. The aspect of trialability, possibility of experiment with a product prior to making a commitment is also important; complexity like, easy to understand, which lowers perceived risk; observability, the potential consumers become aware of its existence; Relative advantage, a product’s use will provide an advantage over alternatives. Opportunity to offer potential clients a trial usage of services will be a plus.
CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the methodology that was used to carry out this study. Research design was presented on 3.2, discussion on the population and sample of the study at 3.3 and 3.4, the outline of the data collection method that was used on 3.5 and data analysis at 3.6.

3.2 Research Design

The study is used descriptive cross-sectional survey that involved banks clients and potential ones in banks where Islamic banking services was offered. The study investigated the who, what, where, when or how much a variable changes as a result of changes in another variable. It aimed to find out the effects of cultural and non-cultural factors to consumers in the consumption of Islamic banking. It attempted to capture a populations characteristics by making inferences from a samples characteristics. The research environment was field setting under actual environmental conditions. The participants perception of research activity was actual routine so that participants behave naturally.

3.3 Population

The population of the study embraced clients who frequent both conventional and Islamic banking banks, and transact and or are interested in transacting along Islamic banking guidelines. The clients of interest are general account holders, mortgage clients, business loans clients and personal loans clients. Moser and
Kalton (1971), make a distinction between target population and the survey population. The target population is the population from which the results are required (Islamic banking population). The survey population was the population actually covered in the research (banking population), that is banking clients where Islamic banking services are offered.

A Survey of clients in Islamic banking services was done by use of a questionnaire to provide data for the project. Islamic only banks like Gulf African Bank and also a bank with dual services both Islamic and conventional was also chosen, like Chase Bank were included. The Gulf African Bank is a Ltd growing bank specialized in Islamic banking services. Chase Bank Ltd is a growing bank also, offering both conventional and Islamic banking services. One hundred (100) clients were chosen randomly in each of the banks over a period of one week. Fifty (50) clients in an Islamic only bank (Gulf African Bank) and Fifty (50) clients in a Conventional bank with Islamic Services Department (Chase Bank). Eligible respondents were bank account holders and non-account holders coming to make inquiries.

3.4 Sample Design

Random sampling was used. Sampling is about selecting without bias and with as much precision as possible as resources allow, the items or elements from which or from whom we wish to collect data. A bank branch was a sampling unit, and individual client, whether a regular client or potential client, was a sample element.
The one hundred (100) sample included a minimum number from each specified group in the population, from Islamic bank only and dual banking services bank, both Islamic and contemporary banking services. The sample size revealed the population characteristics.

3.5 Data Collection

Data collection was done over a period of one week. A field work person of two conducted the interviews. The survey instrument included questions on various issues that people consider when opening banking accounts and choice of a bank, importance of product attributes, importance of different values. Data was collected by semi-structured questionnaire using a five point likert type scale ranging from 1=Strongly disagree to 5=Strongly agree.

3.6 Data Analysis

The Proposed study computed measures of central tendency such as the mean score and measures of dispersion such as the standard deviation by the use of Statistical Package for Social Sciences (SPSS) and Excel computer packages. Pie charts and graphs were also used where appropriate.
CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSIONS

4.1 Introduction

The purpose of this study was to identify cultural and non-cultural factors that influence consumption of Islamic banking services in Kenya. This chapter presents the analysis and findings with regard to objectives and discussions of the same. The findings gathered are a result of data gathered from the questionnaires. The data collected from the respondents were coded to create a data set in SPSS upon which various analyzed tables and statistical measures were extracted to support the results.

4.2 Response Rate

A total of 100 questionnaires were issued to respondents in Shopping mall intercept. The completed questionnaires were edited for completeness and consistency. All the 100 questionnaires were returned which represented a response rate of 100%.

4.3 Demographic Information

The study sought to identify cultural and non-cultural factors that influence consumption of Islamic Banking Services in Kenya. The study targeted respondents who have a bank account whether in Conventional banks and Islamic banking banks and transact and or are interested in transacting along Islamic banking guidelines. These included general account holders, mortgage clients, business loans clients and personal loans clients. This section presents the results on the profile of respondents.
4.3.1 Gender of Respondents

Table 4.1 shows analysis on the gender of the respondents whereby male respondents were 86% of the respondents while females were 14%. This implied that men occupied the larger proportion of the working population than women.

Table 4.1: Gender of Respondents

<table>
<thead>
<tr>
<th>Gender</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>86</td>
<td>86.0</td>
</tr>
<tr>
<td>Female</td>
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<td>14.0</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100.0</td>
</tr>
</tbody>
</table>

4.3.2 Age of Respondents

The results shown in Table 4.2 show the age of the respondents that were interviewed and reveal the following; those between 46-55 years were 34% of the respondents, between 36-45 years were 32%, between 25-35 years were 18%, 56 years and above were 10% while those between 18-25 years were 6% of the respondents. All age groups were represented though older persons tended to be more interested in banking due to the need to manage their finances in terms of savings, loans and other banking services.
Table 4.2: Age of Respondents

<table>
<thead>
<tr>
<th>Age</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-25 Years</td>
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<td>6.0</td>
</tr>
<tr>
<td>25-35 Years</td>
<td>18</td>
<td>18.0</td>
</tr>
<tr>
<td>36-45</td>
<td>32</td>
<td>32.0</td>
</tr>
<tr>
<td>46-55 Years</td>
<td>34</td>
<td>34.0</td>
</tr>
<tr>
<td>56 and above</td>
<td>10</td>
<td>10.0</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Figure 4.1: Age of Respondents

4.3.3 Highest Level of Education

Table 4.3 shows that highest level of education reached by most respondents was secondary at 38% followed by College or Diploma (22%) and Undergraduate (17%). The rest of the respondents reached Trade/Technical/Vocational Training/Diploma,
Certificate (11%), Postgraduate level (7%) and Primary school (5%). This implied that education affects banking practice.

Table 4.3: Highest Level of Education

<table>
<thead>
<tr>
<th>Education</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary school</td>
<td>5</td>
<td>5.0</td>
</tr>
<tr>
<td>Secondary school</td>
<td>38</td>
<td>38.0</td>
</tr>
<tr>
<td>TIVET</td>
<td>11</td>
<td>11.0</td>
</tr>
<tr>
<td>College/Diploma</td>
<td>22</td>
<td>22.0</td>
</tr>
<tr>
<td>Undergraduate</td>
<td>17</td>
<td>17.0</td>
</tr>
<tr>
<td>Postgraduate</td>
<td>7</td>
<td>7.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

4.3.4 Religion of Respondents

Respondents were drawn from Christians (27%), Shia Muslims (23%), Sunni Muslims (22%), Ismailia Muslims (10%), Jewish (8%), Atheist (6%) and Bohra Muslims (4%). These results show a good representation of the religious faiths.
### Table 4.4 Religion of Respondents

<table>
<thead>
<tr>
<th>Religion</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shia Muslim</td>
<td>23</td>
<td>23.0</td>
</tr>
<tr>
<td>Sunni Muslim</td>
<td>22</td>
<td>22.0</td>
</tr>
<tr>
<td>Ismailia Muslim</td>
<td>10</td>
<td>10.0</td>
</tr>
<tr>
<td>Bohra Muslim</td>
<td>4</td>
<td>4.0</td>
</tr>
<tr>
<td>Jewish</td>
<td>8</td>
<td>8.0</td>
</tr>
<tr>
<td>Christian</td>
<td>27</td>
<td>27.0</td>
</tr>
<tr>
<td>Atheist</td>
<td>6</td>
<td>6.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

### Table 4.5 Ethnicity of Respondents

<table>
<thead>
<tr>
<th>Ethnicity</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>African</td>
<td>77</td>
<td>77.0</td>
</tr>
<tr>
<td>Arab African</td>
<td>6</td>
<td>6.0</td>
</tr>
<tr>
<td>Asian African</td>
<td>6</td>
<td>6.0</td>
</tr>
<tr>
<td>European African</td>
<td>4</td>
<td>4.0</td>
</tr>
<tr>
<td>East African</td>
<td>6</td>
<td>6.0</td>
</tr>
<tr>
<td>Continental African</td>
<td>1</td>
<td>1.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

### 4.3.5 Respondents' Race/Ethnicity

Table 4.5 shows that majority or 77% of the bank clients interviewed were African. The rest of the races were sparsely represented as follows; Arab African (6%), Asian African (6%), East African (6%), European African (4%) and Continental African (1%).
### 4.3.6 Marital Status of Respondents

The results in Table 4.6 show that most respondents or 62% were married while the rest of the respondents were Separated (12%), Single (12%), Widowed (11%), and Divorced (12%).

**Table 4.6: Marital Status of Respondents**

<table>
<thead>
<tr>
<th>Marital Status</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Married</td>
<td>62</td>
<td>62.0</td>
</tr>
<tr>
<td>Divorced</td>
<td>3</td>
<td>3.0</td>
</tr>
<tr>
<td>Separated</td>
<td>12</td>
<td>12.0</td>
</tr>
<tr>
<td>Widowed</td>
<td>11</td>
<td>11.0</td>
</tr>
<tr>
<td>Single</td>
<td>12</td>
<td>12.0</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100.0</td>
</tr>
</tbody>
</table>

### 4.3.7 Employment Status

The respondents who were interviewed were 43% on salary and 33% who were businessmen. The rest were those who were unemployed (16%) and students (8%).

**Table 4.7: Employment Status of Respondents**

<table>
<thead>
<tr>
<th>Employment Status</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>On salary</td>
<td>43</td>
<td>43.0</td>
</tr>
<tr>
<td>Student</td>
<td>8</td>
<td>8.0</td>
</tr>
<tr>
<td>Businessman</td>
<td>33</td>
<td>33.0</td>
</tr>
<tr>
<td>Unemployed</td>
<td>16</td>
<td>16.0</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100.0</td>
</tr>
</tbody>
</table>
4.3.8 Size of Family

The family size of 29% respondents had more than three children followed by those with two children (25%) and those with one child (22%). The rest of the respondents had families with a husband and wife only (23%) and those composed of a husband with more than one wife (11%).

Table 4.8: Size of Family

<table>
<thead>
<tr>
<th>Size of Family</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Husband and Wife only</td>
<td>13</td>
<td>13.0</td>
</tr>
<tr>
<td>Husband with more than one Wife</td>
<td>11</td>
<td>11.0</td>
</tr>
<tr>
<td>With one child</td>
<td>22</td>
<td>22.0</td>
</tr>
<tr>
<td>With two children</td>
<td>25</td>
<td>25.0</td>
</tr>
<tr>
<td>With more than three children</td>
<td>29</td>
<td>29.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

4.4 Non-Cultural Factors in Islamic Banking Consumption Process

The study in this area wanted to find out the non-cultural factors that influenced consumption of Islamic banking services in Kenya. Thus, the study asked the respondents to indicate how various non-cultural factors influenced them in the Islamic banking process.
4.4.1 Length of Holding an Account

A large number of the respondents (43%) had held a bank account for the duration of between 7-15 years. The rest had held an account for periods of between 3-6 years (22%), between 0-2 years (17%), 16-30 years (11%) and for durations of over 30 years (7%). These results indicate that the bank clients had held bank accounts for relatively longer periods.

<table>
<thead>
<tr>
<th>Table 4.9: Length of holding an account</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-2 yrs</td>
<td>17</td>
<td>17.0</td>
</tr>
<tr>
<td>3-6 yrs</td>
<td>22</td>
<td>22.0</td>
</tr>
<tr>
<td>7-15 yrs</td>
<td>43</td>
<td>43.0</td>
</tr>
<tr>
<td>16-30 yrs</td>
<td>11</td>
<td>11.0</td>
</tr>
<tr>
<td>Over 30 yrs</td>
<td>7</td>
<td>7.0</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100.0</td>
</tr>
</tbody>
</table>

4.4.2 Area of Interest in Banking Services

In order to understand the banking services that interested clients, the respondents were asked to indicate which banking services interested them. Table 4.10 indicates an analysis of the areas of interest for the respondents. From the findings, 20% of the respondents indicated that they were more interested in security of their deposits followed by 18% who were interested in secure transactions. The rest of the respondents were interested in flexible lending options and interest rates (14%), international transactions network (9%),
branch network (9%) and ATM technology (8%). The other respondents were interested in service (7%), business ethics (5%), brand name (4%), internet banking (2%) and friendly staff (2%).

Table 4.10: Area of Interest in Banking Services

<table>
<thead>
<tr>
<th>Area of Interest</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flexible lending options and interest rates</td>
<td>14</td>
<td>14.0</td>
</tr>
<tr>
<td>Secure txns</td>
<td>18</td>
<td>18.0</td>
</tr>
<tr>
<td>Internet banking</td>
<td>2</td>
<td>2.0</td>
</tr>
<tr>
<td>Security on deposits</td>
<td>20</td>
<td>20.0</td>
</tr>
<tr>
<td>International Txns network</td>
<td>9</td>
<td>9.0</td>
</tr>
<tr>
<td>Service</td>
<td>7</td>
<td>7.0</td>
</tr>
<tr>
<td>ATM Technology</td>
<td>8</td>
<td>8.0</td>
</tr>
<tr>
<td>Business ethics</td>
<td>5</td>
<td>5.0</td>
</tr>
<tr>
<td>Mobile banking</td>
<td>2</td>
<td>2.0</td>
</tr>
<tr>
<td>Friendly staff</td>
<td>2</td>
<td>2.0</td>
</tr>
<tr>
<td>Branch network</td>
<td>9</td>
<td>9.0</td>
</tr>
<tr>
<td>Brand name</td>
<td>4</td>
<td>4.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>
4.4.3 Whether Having more than one Banking Account

When the respondents were asked to indicate whether they had more than one banking account, a large number (59 or 59%) agreed. The rest (41 or 41%) did not have more than one account. The findings indicate that majority of the bank clients had more than one bank account.

Table 4.11: Whether having more than one banking account

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>59</td>
<td>59.0</td>
</tr>
<tr>
<td>No</td>
<td>41</td>
<td>41.0</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100.0</td>
</tr>
</tbody>
</table>

4.4.4 Whether Respondents have heard about Islamic Banking Practice which is Interest Free

Table 4.12 indicates the responses by the respondents when they were asked whether they had heard about Islamic banking practice which is interest free. A majority of them or 71% were affirmative while 29% had not had heard about Islamic banking practice which is interest free. It was noted that some of the clients operating conventional banking accounts regarded Islamic banking as a Muslim only banking service. However, some clients of Islamic banking accounts who were non Muslims indicated that their understanding was that it offered cheap financing.
Table 4.12: Whether Respondents have heard about Islamic banking practice which is interest free

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>71</td>
</tr>
<tr>
<td>No</td>
<td>29</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
</tr>
</tbody>
</table>

4.4.5 Whether Respondents Know how Islamic Banking Works

When the respondents were asked whether they knew how Islamic banking works, a majority or 58% indicated that they knew how it works as compared to 42% whose responses were negative. The explanation that some of those who knew gave was that it is an interest free banking service where the client and bank share profits and losses. These results indicate that most of the bank clients knew how Islamic banking works.

Table 4.13: Whether Respondents know how Islamic banking works

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>58</td>
</tr>
<tr>
<td>No</td>
<td>42</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
</tr>
</tbody>
</table>

4.4.6 Whether Interested in Knowing How Islamic Banking Works

Table 4.14 indicates that majority of the respondents (83%) were interested on how Islamic banking works. Only 7 respondents indicated that they were not interested on
how Islamic banking works. Media advertisements had played a part in the interest to Islamic by promising zero interest rates and flexible lending options. The negative responses can be attributed to respondents in the conventional bank who satisfied with the current banking services.

Table 4.14: Whether interested in knowing how Islamic banking works

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>83</td>
<td>83.0</td>
</tr>
<tr>
<td>No</td>
<td>7</td>
<td>7.0</td>
</tr>
<tr>
<td>Not applicable</td>
<td>10</td>
<td>10.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

4.4.7 Whether used Islamic Banking Service

When the respondents were asked whether they had used Islamic banking service, a larger number or 58 (58%) indicated that they had used Islamic banking service. The rest (42%) indicated that they had not used the service.

Table 4.15: Whether used Islamic banking service

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>58</td>
<td>58.0</td>
</tr>
<tr>
<td>No</td>
<td>42</td>
<td>42.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>
4.4.8 Whether was asked about Religion

Most of the respondents (65%) indicated that they were not asked about religion while 11% said that they had been asked about religion. The rest of the respondents (24%) were indifferent on whether they were asked about religion. These results imply that most respondents were not asked about religion when opening a bank account.

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>65</td>
<td>65.0</td>
</tr>
<tr>
<td>No</td>
<td>11</td>
<td>11.0</td>
</tr>
<tr>
<td>Don't know</td>
<td>24</td>
<td>24.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

4.4.9 Reason for Switching to Islamic Banking

Table 4.17 indicates the responses by the respondents when they were asked the reason for switching to Islamic banking. Most of the clients (32%) switched to Islamic banking due to religious reasons and because it solved a financial problem (chosen by 14% of the respondents). The rest of the respondents switched to Islamic banking due to being a better banking solution (5%), as a result of a marketing promotion incentive (4%) and the decision to experiment (3%). The rest of the respondents had not switched to Islamic banking.
Table 4.17: Reason for switching to Islamic banking

<table>
<thead>
<tr>
<th>Reason for switching</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Religious reason</td>
<td>32</td>
<td>32.0</td>
</tr>
<tr>
<td>Solved a financial problem</td>
<td>14</td>
<td>14.0</td>
</tr>
<tr>
<td>It is a better banking solution</td>
<td>5</td>
<td>5.0</td>
</tr>
<tr>
<td>Experiment</td>
<td>3</td>
<td>3.0</td>
</tr>
<tr>
<td>Marketing promotion incentive</td>
<td>4</td>
<td>4.0</td>
</tr>
<tr>
<td>Not applicable</td>
<td>42</td>
<td>42.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

4.4.10 Whether Ascribing to Islamic Culture

Table 4.18 indicates the responses by the respondents when they were asked whether they ascribed to Islamic culture. Most of the respondents (59%) indicated that they ascribed to Islamic culture while 41% did not ascribe to Islamic culture.

Table 4.18: Whether ascribing to Islamic culture

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>59</td>
<td>59.0</td>
</tr>
<tr>
<td>No</td>
<td>41</td>
<td>41.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>14</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>
4.5 Cultural Factors in Islamic Banking Consumption Process

The section illustrates the Cultural factors that influenced consumption of Islamic Banking Services in Kenya. This touched on aspects like consumer learning, religion and consumer attitudes towards various aspects of business financing. To achieve this, the respondents were asked to indicate how various cultural factors influenced them in the Islamic banking process.

4.5.1 How Respondent came to know and learn about Islamic Banking

The results shown in Table 4.19 illustrate the responses by the respondents when they were asked how they came to know and learn about Islamic banking. A large number of the respondents (31%) came to know and learn about Islamic banking through advertisements in both print and electronic media. Other respondents indicated that they came to know and learn about Islamic banking from a social group (20% of the respondents), from a friend (17% of the respondents) and from a family member (14%). The rest came to know and learn about Islamic banking from literature review (7%), from the time when the Islamic banking service was first opened (6%) and the time when they were abroad (5%). It can be deduced that advertisements played a significant role in informing clients about Islamic banking. These results also show that all the respondents had at least a little knowledge in regard to Islamic banking.
Table 4.19: How came to know and learn about Islamic banking

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>When first opened</td>
<td>6</td>
<td>6.0</td>
</tr>
<tr>
<td>When abroad</td>
<td>5</td>
<td>5.0</td>
</tr>
<tr>
<td>When advertised</td>
<td>31</td>
<td>31.0</td>
</tr>
<tr>
<td>From social group</td>
<td>20</td>
<td>20.0</td>
</tr>
<tr>
<td>From literature review</td>
<td>7</td>
<td>7.0</td>
</tr>
<tr>
<td>From a friend</td>
<td>17</td>
<td>17.0</td>
</tr>
<tr>
<td>From a family member</td>
<td>14</td>
<td>14.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

4.5.2 When Respondents came to Practice Islamic Banking

The findings shown in Table 4.20 show that 19% of the respondents came to practice Islamic banking when it was advertised while 15% came to practice it when their social group embraced it and when a friend solved a financing problem out of it (15%). Other respondents indicated that they came to practice Islamic banking when the Islamic banking service was first opened (4%), when they were abroad (3%) and after receiving a market/financial analyst’s recommendation.
Table 4.20: When Respondents came to practice Islamic banking

<table>
<thead>
<tr>
<th>When respondents came to practice</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>When first opened</td>
<td>4</td>
<td>4.0</td>
</tr>
<tr>
<td>When abroad</td>
<td>3</td>
<td>3.0</td>
</tr>
<tr>
<td>When advertised</td>
<td>19</td>
<td>19.0</td>
</tr>
<tr>
<td>When a friend solved a financing problem out of it</td>
<td>15</td>
<td>15.0</td>
</tr>
<tr>
<td>From a market/financial analyst recommendation</td>
<td>2</td>
<td>2.0</td>
</tr>
<tr>
<td>When social group embraced it</td>
<td>15</td>
<td>15.0</td>
</tr>
<tr>
<td>Not applicable</td>
<td>42</td>
<td>42.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

4.5.3 Whether Information in the Advertisement was Sufficient to Influence Decisions

When asked whether the information in the advertisement was sufficient to influence decisions such as to open an Islamic banking account, 58% of the respondents agreed while 42% disagreed. Those who agreed are attributed to clients holding Islamic banking accounts and a few who held conventional bank accounts but were interested in Islamic banking. Some respondents indicated that the main catching point in the advertisement was because of predictability and repayment plan. These results imply that the advertisement was sufficient to influence decisions of switching to Islamic banking.
Table 4.21: Whether information in the advertisement was sufficient to influence decisions

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>58</td>
<td>58.0</td>
</tr>
<tr>
<td>No</td>
<td>42</td>
<td>42.0</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100.0</td>
</tr>
</tbody>
</table>

4.5.4 Whether Islamic Banking is Different from Conventional Banking in Account Opening

Most of the respondents (58%) indicated that Islamic banking is different from conventional banking in terms of account opening. Other respondents (18%) indicated that Islamic banking is not different from conventional banking in terms of account opening. This implied that account opening processes are the same for all the banking models. The rest of the respondents (18%) indicated that they did not know whether Islamic banking is different from conventional banking in terms of account opening. It can be deduced that Islamic banking is different from conventional banking in terms of account opening.
Table 4.22: Whether Islamic banking is different from conventional banking in account opening

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>58</td>
<td>58.0</td>
</tr>
<tr>
<td>No</td>
<td>18</td>
<td>18.0</td>
</tr>
<tr>
<td>Don't know</td>
<td>24</td>
<td>24.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

4.5.5 Whether Islamic Banking is Different from Conventional Banking in Fees Charged

When the respondents were asked to indicate whether Islamic banking is different from conventional banking in terms of fees charged, 62% agreed while 14% did not agree. A number of the respondents (24%) indicated that they did not know whether Islamic banking is different from conventional banking in terms of fees charged. This implied that Islamic banking is different from conventional banking in terms of fees charged.

Table 4.23: Whether Islamic banking is different from conventional banking in fees charged

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>62</td>
<td>62.0</td>
</tr>
<tr>
<td>No</td>
<td>14</td>
<td>14.0</td>
</tr>
<tr>
<td>Don't know</td>
<td>24</td>
<td>24.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>
4.5.6 Whether Islamic Banking is Different from Conventional Banking in Interest Rates Charged

A majority of the respondents (72%) indicated that Islamic banking is different from conventional banking in terms of interest fees charged, while 4% did not agree. The rest of the respondents (24%) indicated that they did not know whether Islamic banking is different from conventional banking in terms of interest fees charged. This implied that Islamic banking is different from conventional banking in terms of interest fees charged.

Table 4.24: Whether Islamic banking is different from conventional banking in interest rates charged

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>72</td>
<td>72.0</td>
</tr>
<tr>
<td>No</td>
<td>4</td>
<td>4.0</td>
</tr>
<tr>
<td>Don't know</td>
<td>24</td>
<td>24.0</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100.0</td>
</tr>
</tbody>
</table>

4.5.7 Whether Islamic Banking is Different from Conventional Banking in Helping out in Business Financing Situation

A majority of the respondents (69%) indicated that Islamic banking is different from conventional banking in terms of helping out in business financing situation. Some respondents indicated that the bank purchases for the client who then pays back in installments. A number of the respondents (7 or 7%) did not agree that Islamic banking is different from conventional banking in terms of helping out in business financing
situation. The rest of the respondents (24%) indicated that they did not know whether Islamic banking is different from conventional banking in terms of helping out in business financing situation. This implied that Islamic banking is different from conventional banking in terms of helping out in business financing situation.

Table 4.25: Whether Islamic banking is different from conventional banking in terms of helping out in business financing situation

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>69</td>
<td>69.0</td>
</tr>
<tr>
<td>No</td>
<td>7</td>
<td>7.0</td>
</tr>
<tr>
<td>Don't know</td>
<td>24</td>
<td>24.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

4.5.8 Level of Agreement or Disagreement of Responses on How Islamic Banking Compares with Conventional Banking

Table 4.26 covers specific questions posed to respondents on how Islamic banking compares with Conventional banking. The respondents were required to indicate their level of agreement or disagreement with the statements. The responses were rated on a five point Likert Scale where the range was ‘strongly disagree’ (1), ‘disagree’ (2), ‘Neither agree or disagree’ (3), ‘agree’(4) and ‘strongly agree’ extent (5). Measure of central tendency (mean) and a measure of variation (Std. deviation) was used to analyse the data. From the findings, majority of the respondents agreed with the statement that Islamic banking compares with conventional banking if it is used in improving business
performance as shown by a mean score of 3.92. The respondents indicated that it is a partnership arrangement as opposed to selling money. However, the respondents disagreed with the statements that Islamic banking compares with conventional banking if one takes a loan in terms of loan security requirements and in terms of ease of repayment of loan as shown by means of 3.77 and 3.63 respectively. This is because Islamic banking has zero interest rates and fixed charges are pre-determined in a loan.

**Table 4.26: Responses on how Islamic banking compares with Conventional banking**

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>How Islamic banking compares with conventional banking in terms of ease of repayment of loan</td>
<td>100</td>
<td>3.83</td>
<td>1.064</td>
</tr>
<tr>
<td>How Islamic banking compares with conventional banking if used it in improving business performance</td>
<td>100</td>
<td>3.92</td>
<td>1.041</td>
</tr>
<tr>
<td>How Islamic banking compares with conventional banking if taken a loan before in terms of loan security requirements</td>
<td>100</td>
<td>3.77</td>
<td>1.062</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
4.6 Benefits of Islamic Banking to Customers

The study in this area asked the respondents to indicate their opinion on the benefits of Islamic banking to various occupations and their views on Islamic Banking in Kenya.

4.6.1 Whether Non-Interest Banking Beneficial to Business

When the respondents were asked whether non-interest banking was beneficial to business, majority (69%) agreed that it was beneficial. According to some respondents, the reason for this was because it attracted more clients, individuals borrow cheaply and because the bank and client shared profits and losses. The loan is paid in equal and manageable installments. By not paying interest, the said money is ploughed back to the business. Only 6% of the respondents indicated that non-interest banking was not beneficial to business, while 24 respondents did not know whether non-interest banking was beneficial to business. This implied that Islamic banking is beneficial to business.

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>70</td>
<td>70.0</td>
</tr>
<tr>
<td>No</td>
<td>6</td>
<td>6.0</td>
</tr>
<tr>
<td>Don't know</td>
<td>24</td>
<td>24.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>
4.6.2 Whether Islamic Banking is Beneficial to Farming

A majority of the respondents (54%) indicated that non-interest banking was beneficial to farming. Of all the respondents, 22% disagreed while 24 respondents did not know whether non-interest banking was beneficial to farming. These results implied that Islamic banking is beneficial to farming.

Table 4.28: Whether Islamic banking is beneficial to farming

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>54</td>
<td>54.0</td>
</tr>
<tr>
<td>No</td>
<td>22</td>
<td>22.0</td>
</tr>
<tr>
<td>Don't know</td>
<td>24</td>
<td>24.0</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100.0</td>
</tr>
</tbody>
</table>

4.6.3 Whether Islamic banking is beneficial to Agribusiness

The results in Table 4.29 show that most of the respondents (63%) indicated that non-interest banking was beneficial to agribusiness while 13% of the respondents disagreed. The rest of the respondents (24) did not know whether non-interest banking was beneficial to agribusiness. These results implied that Islamic banking is beneficial to agribusiness.
Table 4.29: Whether Islamic banking is beneficial to Agribusiness

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>63</td>
<td>63.0</td>
</tr>
<tr>
<td>No</td>
<td>13</td>
<td>13.0</td>
</tr>
<tr>
<td>Don't know</td>
<td>24</td>
<td>24.0</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100.0</td>
</tr>
</tbody>
</table>

4.6.4 Whether Islamic Banking is Beneficial to Small and Micro-Enterprises

The results in Table 4.30 show that most of the respondents (63%) indicated that non-interest banking was beneficial to small and micro-enterprises while 13% of the respondents disagreed. The rest of the respondents (24) did not know whether non-interest banking was beneficial to small and micro-enterprises. These results implied that Islamic banking is beneficial to small and micro-enterprises.

Table 4.30: Whether Islamic banking is beneficial to Small and Micro-Enterprises

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>72</td>
<td>72.0</td>
</tr>
<tr>
<td>No</td>
<td>4</td>
<td>4.0</td>
</tr>
<tr>
<td>Don't know</td>
<td>24</td>
<td>24.0</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100.0</td>
</tr>
</tbody>
</table>
4.6.5 Level of Satisfaction or Dissatisfaction with views on Islamic Banking in Kenya

Table 4.31 covers specific questions posed to respondents on responses on customer views on Islamic Banking in Kenya. The respondents were required to indicate their level of satisfaction or dissatisfaction with the statements. The responses were rated on a five point Likert Scale where the range was ‘highly dissatisfied’ (1), ‘dissatisfied’ (2), ‘neutral’ (3), ‘satisfied’ (4) and ‘highly satisfied’ (5). Measure of central tendency (mean) and a measure of variation (Std. deviation) was used to analyse the data. From the findings, majority of the respondents were satisfied with the statements that they were satisfied with spread of Islamic banking facilities in Kenya and that they would consider switching bank accounts from conventional banking to Islamic banking in future as shown by the mean scores of 3.41 and 3.42 respectively. However, the respondents disagreed with the statement that they tracked promotions of banks (interest rates, new advertisements and sales promotions) as shown by a mean of 1.75.

Table 4.31: Responses on Customer Views on Islamic Banking in Kenya

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Whether satisfied with spread of Islamic banking facilities in Kenya</td>
<td>100</td>
<td>3.41</td>
<td>.494</td>
</tr>
<tr>
<td>Whether would consider switching bank accounts from conventional banking to Islamic banking in future</td>
<td>100</td>
<td>3.42</td>
<td>.496</td>
</tr>
<tr>
<td>Whether tracking promotions of bank (interest rates, new advertisements and sales promotions)</td>
<td>100</td>
<td>1.75</td>
<td>.947</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
4.6.6 Other Factors Considered by Customers in Accessing Financing Needs

The study found that all respondents were in favour of government regulation of interest rates charges by banks and other financial institutions. All the respondents were also in favour of financing that depends on other aspects other than ability to raise security and make quick repayments like socially responsible investment and financing. This is actually the criteria of Islamic banking. The respondents also indicated that in accessing financing needs, the main factors that they considered were personal savings (28%), chama or social group (28%) and family sources (15%). The other factors were friends (8%), equity investments (7%), overdrafts (5%), grants (3%), venture capital (3%) and government grants (3%).

Table 4.32 Other Factors considered in accessing Financing Needs

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal savings</td>
<td>28</td>
<td>28.0</td>
</tr>
<tr>
<td>Family sources</td>
<td>15</td>
<td>15.0</td>
</tr>
<tr>
<td>Friends</td>
<td>8</td>
<td>8.0</td>
</tr>
<tr>
<td>Chama social group</td>
<td>28</td>
<td>28.0</td>
</tr>
<tr>
<td>Equity investments</td>
<td>7</td>
<td>7.0</td>
</tr>
<tr>
<td>Overdrafts</td>
<td>5</td>
<td>5.0</td>
</tr>
<tr>
<td>Grants</td>
<td>3</td>
<td>3.0</td>
</tr>
<tr>
<td>Venture capital</td>
<td>3</td>
<td>3.0</td>
</tr>
<tr>
<td>Government grants</td>
<td>3</td>
<td>3.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>
4.7 Discussion

Islamic banking, like socially responsible investment, incorporates a social or religious dimension. Its main thrust is risk sharing, real asset financing and interest free loaning regime with norms or culture. The Islamic banking aspect has been gaining increased interest as an alternative forum for banking services since interest charges in Kenya and Africa are very high and to a great extent a stumbling block to economic development. From the study, respondents were interested in the banking services aspects such as security of their deposits, secure transactions and flexible lending options and interest rates. Other banking services of interest to clients were international transactions network, branch network, ATM technology, service, business ethics, brand name, internet banking, and friendly staff. These findings support existing arguments by Saini, Bick and Abdulla (2010) who state that clients regard efficiency, lower bank charges, availability of ATM and an extensive branch network as important factors when it comes to choosing a bank, rather than religious motivations.

A majority of clients knew how Islamic banking works as an interest free banking service where the client and bank share profits and losses. Most of the respondents had used Islamic banking service and had not been asked about religion. Most of the respondents switched to Islamic banking mainly due to religious reasons and because it solved a financial problem. They also switched due to Islamic banking being a better banking solution, influenced by marketing promotion incentive and the desire to experiment. The research supports Noresmabt Jahya (2011) who states that factors that influence
consumer preferences and behaviors need to be explored and that consumers place more weight on certain product attributes than others through the consumers culture.

The study established that most clients came to know and practice Islamic banking mainly through advertisements, from a social group, from a friend and from a family member. The information in the advertisement was found to be sufficient to influence decisions such as opening an Islamic banking account. Reference groups and consumer learning thus plays a big role in enhancing consumption of Islamic banking services. It was found that Islamic banking is different from conventional banking in terms of fees and interest charged, and in terms of helping out in business financing. The study found that Islamic banking is different from conventional banking in terms of loan security requirements and ease of repayment.

It was noted that non-interest banking was beneficial to business, farming, agribusiness, and small and micro-enterprises. Having a positive attitude, a cultural element, influences consumption. The study found that clients were in favour of government regulation of bank interest rates and socially responsible investment and financing other than ability to raise security and make quick repayments. This supports the views of Monzer Kahf (2010) who stated that conventional banks are security orientated thus those without sufficient collateral miss out in financial access. Capital markets are not conducive to an individual investor, farmer or business person given the bureaucracy involved in raising capital and nature of share broking.
CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter provides the summary of findings and also it gives the conclusions and recommendations to the study based on objectives of the study. The objectives of the study were to identify the cultural factors and non–cultural factors that influence consumers in choosing Islamic Banking Services.

5.2 Summary of Findings

The study found that most respondents interested in the banking services care for security of their deposits, secure transactions, flexible lending options and interest rates. Most respondents were also interested in international transactions network, branch network, ATM technology, service and business ethics. A majority of knew how Islamic banking works as an interest free banking service where the client and bank share profits and losses. Most of the respondents switched to Islamic banking mainly due to religious reasons, it solved a financial problem, it is a better banking solution, marketing and to experiment.

The study established that most clients came to know and practice Islamic banking mainly through advertisements, from a social group, from a friend and from a family member. The information in the advertisement was found to be sufficient to influence decisions such as opening an Islamic banking account. It was found that Islamic banking is different from conventional banking in terms of fees and interest charged, and in terms
of helping out in business financing. The study found that Islamic banking is different from conventional banking in terms of loan security requirements and ease of repayment. It was also beneficial to business, farming, agribusiness, and small and micro-enterprises.

5.3 Conclusions
The study concludes that aspects of banking services which interested respondents were security of deposits, secure transactions and flexible lending options and interest rates. Islamic banking was known as an interest free banking service where the client and bank share profits and losses. Respondents who used Islamic banking service, were not asked about religion and switched to Islamic banking due to religious reasons, ability in solving a financial problem and it being a better banking solution. Most clients came to know and practice Islamic banking mainly through advertisements, when they first opened, from a social group, from a friend and from family members. Cultural and non-cultural factors greatly influences consumption of goods and services thus firms should consider them in marketing policy development. It can be concluded that Islamic Banking Service is a step in the right direction for creating wealth and spurring the economy.

5.4 Recommendations
This study makes a few recommendations that have policy implications for decision makers. The study found out that Muslims respondents were aware of Islamic banks and other than religious motivations for compliance with Islamic conventions, they consider other aspects like service and modern technology as important also. To
attract and retain customers, the study recommends that Islamic banks should develop relevant marketing policies designed to meet customer non-cultural needs such as secure transactions, secure deposits. The banks should widen market coverage to also suit other religions adherents too and to increase microfinance business segment offerings.

The study established that most clients came to know and practice Islamic banking mainly through advertisements, when they were available, from social groups and from friends. Thus firms should help consumer learn about their products by making them available, like marketing promotions and offer opportunity to use products on trial basis. The study recommends that banks should use more advertisements and promotions to enlighten people on this system especially non Muslims. Banks should also spread to other areas in the country by setting up more branches.

5.5 Limitations of the Study

This study was based on a sample limited to Nairobi and Mombasa residents only, who happened to own bank accounts and exposed to concentration of major banks and have access to advertising exposure. It did not cover other towns in the country and therefore the findings of the study may not be representative of the influence of cultural and non-cultural factors on consumption of Islamic banking services in Kenya. The main limitation of the study was its inability to have in-house client interviews in banks due to competition in the market and need to protect clients confidentiality. The study could have covered more diverse country residents so as to
provide a more broad based analysis. The respondents approached were reluctant to give information fearing that information sought would be used to portray their personal information. The researcher assured the respondents that the information they would give was to be used purely for academic purposes.

5.6 Suggestions for Further Studies

The study recommends that a deeper insight into the influence of cultural and non-cultural factors on consumption of Islamic Banking Services should be undertaken adequately. Specific areas of research on cultural influences in consumption should be explored. Further studies on the influences of cultural and non-cultural factors on consumption of goods and services in Kenya should be carried out.
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APPENDICES

APPENDIX I: QUESTIONNAIRE

My name is Andrew Mwanjele, an MBA Program Student at the School of Business, University of Nairobi. In order to graduate, I am required to undertake and complete a research project based on primary data. The Study is to Investigate Cultural and Non-cultural factors that influence Consumption of Islamic Banking Services in Kenya. I will appreciate your completing the questionnaire. The questionnaire will take only 10 to 15 minutes to fill out. Rest assured that all the information you provide will be treated with strict confidence. Your name will in no way be connected with the questionnaire.

QUESTIONNAIRE:

Please answer all questions by putting a tick ( √ ) in the box that most closely matches your views or alternatively please write in the space provided.

PART ONE

(1) How long have you held any banking account?
   - 0-2 yrs [ ]
   - 3-6 yrs [ ]
   - 7-15 yrs [ ]
   - 16-30 yrs [ ]
   - Over 30 yrs [ ]

(2) In banking services what are you interested in?
   - Security on deposits [ ]
   - 1. Service [ ]
   - 2. Brand name [ ]
   - 3. Flexible lending options and interest rates [ ]
   - 4. ATM Technology [ ]
   - 5. Internet Banking [ ]
   - 6. Mobile Banking [ ]
   - 7. Secure Transactions [ ]
8 Branch Network [ ]
9 International Transactions network [ ]
10 Friendly staff [ ]
11 Business ethics Suggest anything else..........................................................

(3) Have you been having more than one banking account? Yes [ ] No[ ]
(4) Have you heard about Islamic banking practice which is interest free?
Yes [ ] No [ ]
(5) Do you know how it works? Yes [ ] No [ ]
If, yes in question 4 please explain briefly
..........................................................................................................................
..........................................................................................................................
If No in question 4 would you be interested knowing how it works?
Yes [ ] No [ ]
(6) Have you used the Islamic banking service? Yes [ ] No [ ]
If yes, what made you switch? (Tick as many as appropriate) [ ]
(a) Religious reason [ ]
(b) It solved a financial problem [ ]
(c) It is a better banking solution [ ]
(d) Experiment [ ]
(e) Marketing promotion incentive [ ]
(f) Other .................................................................
(7) How did you come to know and learn about Islamic banking? (Tick as appropriate)
(a) When they first opened [ ]
(b) When abroad [ ]
(d) When advertised [ ]
(d) From a friend [ ]
(e) From literature review [ ]
(f) From a family member [ ]
g) Our social group [ ]
(a) Prayer group (b) Chama (c) Sacco (d) Membership club discussions
(8) When did you come to practice Islamic banking? (Tick as appropriate)

(a) When they first opened [ ]
(b) When abroad [ ]
(c) When advertised [ ]
(d) When a friend solved a financing problem out of it [ ]
(e) From a market/financial analyst recommendation [ ]
(f) When our social group embraced it
   (a) Prayer group (b) Chama (c) Sacco (d) Membership club etc [ ]

(9) Was the information in the advertisement sufficient, if advertising in question 6 and 7 influenced your decision? Yes [ ] No [ ]

What was the main catching point? Explain.................................................................
.................................................................................................................................
.................................................................................................................................

Please indicate the extent to which you agree with the following statements by ticking in spaces provided.

(10) Is Islamic banking any different from conventional banking in terms of:

Account opening Yes [ ] No [ ] Don’t Know [ ]
Fees charged Yes [ ] No [ ] Don’t Know [ ]
Interest rates charged Yes [ ] No [ ] Don’t Know [ ]
Were you asked about religion Yes [ ] No [ ] Don’t Know [ ]
Helping out in a business financing situation? Yes [ ] No[ ] Don’t Know [ ]
Other(Specify)..................................................................................................................

(11) Is non-interest banking beneficial to a business?

Yes [ ] No [ ] Don’t Know [ ]

Explain.............................................................................................................................
.................................................................................................................................

(12) How does Islamic banking compare with conventional banking, if you have taken a loan before in terms of ease of repayment?

1. Strongly unfavorable [ ]
2. Unfavorable [ ]
3. Neutral [ ]
4. Favorably [ ]
5. Strongly Favorably [ ]

(13) How does Islamic banking compare with conventional banking, if you have used it in improving business performance?
1. Strongly unfavorable [ ]
2. Unfavorable [ ]
3. Neutral [ ]
4. Favorably [ ]
5. Strongly Favorably [ ]

Explain your response if possible .................................................................

(14) How does Islamic banking compare with conventional banking, if you have taken a loan before in terms of loan security requirements?
1. Strongly unfavorable [ ]
2. Unfavorable [ ]
3. Neutral [ ]
4. Favorably [ ]
5. Strongly Favorably [ ]

Explain your response if possible .................................................................

(15) Is Islamic banking beneficial to farming?
Yes [ ] No [ ] Don’t Know [ ]

(16) Is Islamic banking beneficial to Agribusiness?
Yes [ ] No [ ] Don’t Know [ ]

(17) Is Islamic banking useful and beneficial to small and micro-enterprises?
Yes [ ] No [ ] Don’t Know [ ]

(18). Are you satisfied with the spread of Islamic banking facilities in Kenya?
1. Highly dissatisfied [ ]
2. Dissatisfied [ ]
3. Neutral [ ]
4. Satisfied [ ]
5. Highly Satisfied [ ]
(19) Would you consider switching bank accounts, from conventional banking to Islamic banking in the near future?
1. Highly unlikely [    ]
2. Unlikely [    ]
3. Neutral [    ]
4. Likely [    ]
5. Highly likely [    ]

(20) What would you like to be done to deepen the Islamic banking practice?
Suggest any views…

(21) Do you track promotions of banks (their interests rates, new advertisements and sales promotions)?
1. Not at all [    ]
2. Not frequently [    ]
3. Neutral [    ]
4. Frequently [    ]
5. Very frequently [    ]

(22) Are you in favour of government regulation of interest rates charges by banks and other financial institutions?
Yes [    ] No [    ] Don’t Know [    ]

(23) Are you in favour of financing that depends on other aspects other than ability to raise security and make quick repayments like socially responsible investment and financing?
Yes [    ] No [    ] Don’t Know [    ]

(24) In assessing financing needs what other factors do you consider?
1. Personal savings [    ]
2. Family sources [    ]
3. Friends [    ]
4. Chama social group [    ]
5. Equity investments [    ]
6. Overdrafts [    ]
7. Grants [ ]
8. Venture Capital [ ]
9. Government grants [ ]
10. Others, specify………………………………………………………………………………………………………
     Explain……………………………………………………………………………………………………………………………

(25) Do you ascribe to Islamic culture? yes [ ] no [ ]

PART TWO : DEMOGRAPHICS
(1) Gender : Male [ ] Female [ ]
(2) Please indicate your age category:
   Age: 18-25 [ ] 25-35 [ ] 36-45 [ ] 46-55 [ ]
   56 and above [ ]
(3) Please indicate your highest level of education:
   Primary School [ ]
   Secondary School [ ]
   Trade/Technical/Vocational Training ; Diploma, Certificate [ ]
   College/Diploma graduate [ ]
   University under graduate [ ]
   Postgraduate degree [ ]
(4) What is your Religion:
   Shia Muslim [ ]
   Sunni Muslim [ ]
   Ismailia Muslim [ ]
   Bohra Muslim [ ]
   Jewish [ ]
   Christian [ ]
   Specify……………………………………………………………………………………………………………………………

(30) Please indicate your Race/Ethnicity:
   African [ ]
   Arab African [ ]
   Asian African [ ]
European African [ ]
East African [ ]
Continental African [ ]

(31) What is your Marital Status:
Married [ ]
Divorced [ ]
Separated [ ]
Widowed [ ]
Single [ ]

(32) Employment Status:
Employed on salaries [ ]
A Student [ ]
Businessman [ ]
Unemployed [ ]
Other [ ]
Specify

(33) Family Size:
Husband and Wife only [ ]
Husband with more than one Wife [ ]
with One child [ ]
with Two children [ ]
with More than [ ]
Three children [ ]

(34) Please make other comments Islamic Banking Services in Kenya

Thank you very much for your cooperation.
APPENDIX II: MEASUREMENTS EXPLANATION

The dependent variables are to be measured using items from established scales. Banking experience use is measured with a five item scale

Multiple account ownership is measure by a two item scale yes or no

Product knowledge of Islamic banking is measured by asking clients/participants to answer yes or no, when asked “have you heard about Islamic banking practice which is interest free”.

On understanding how Islamic banking works, a two item scale yes or used to evaluate respondents.

If yes, the participant to offer explanation.

If no, a two item scale is used to gauge if the participant is interested in knowing how it works. It will help modify marketing communication.

Usage experience is measured using a two item scale- asking the question have you used the service.

If a client switched accounts, reasons for switching is measured by five item scale.

How was the experience in using the service, we use a five item scale

How they accessed product knowledge, a five item scale is used.

A two item scale is used to measure if advertisement as a source of learning is effective by asking “If the information in advertisement was sufficient to enable choice making and identify the main catching points”.
A five item scale is used to measure about usage of other sources of learning, friends, literature and a two item scale to gauge it, if its credible and informative.

A five item scale is used to measure learning by experience, with clients asked, ”have you used the service in a business financing problem”.

A five item scale, used to measure learning by analogy, it enables us to show how clients transfer their experiences to new products.

A two item scale, used to measure payment terms, favorable unfavorable followed by a five item scale to reinforce the responses.

A two item scale, used to measure subsector interests, favorable unfavorable followed by a five item scale to reinforce the responses.

A two item scale, used to measure if non-interest rates system is beneficial yes no followed by a five item scale to reinforce the responses.

A two item scale, to compare benefits of conventional versus non-interest rate system, followed by a five item scale to reinforce the responses.

A two item scale, to measure influence of Islamic banking infrastructure in enabling access and service spread, satisfied not satisfied.
In disposing off a product, closing an account, like in consumer behavior, a two item scale used yes no.

A five item scale, to measure issues that are important in strengthening Islamic banking services.

A two item scale, to measure and explore whether classical conditioning is used, by asking if the clients track advertisements by banks on mortgage rates, fixed deposits rates, floating rates etc. And other promotions.

A six item scale is used the measure important issues in consumer banking choice.

A two item scale, to measure if there is slow pace in approvals of loans due to change in Islamic banking model.
APPENDIX III: CONSUMER LEARNING MODEL- CLASSICAL CONDITIONING

Analogous model of classical conditioning:

<table>
<thead>
<tr>
<th>Unconditioned stimulus</th>
<th>Unconditioned response</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Interest rates)</td>
<td>(More or less borrowing)</td>
</tr>
</tbody>
</table>

**Conditioned stimulus**

- (Ethical banking)
- (Regulated banking)
- (Islamic banking)

**After repeated pairings:**

<table>
<thead>
<tr>
<th>Conditioned stimulus</th>
<th>Conditioned response</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Ethical banking)</td>
<td>More or less borrowing</td>
</tr>
<tr>
<td>(Regulated banking)</td>
<td>(Low interest rates)</td>
</tr>
<tr>
<td>(Islamic banking)</td>
<td>(No interest rates)</td>
</tr>
</tbody>
</table>

Alternate Analogous model of classical conditioning:

<table>
<thead>
<tr>
<th>Unconditioned stimulus</th>
<th>Unconditioned response</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Bank loan or credit)</td>
<td>(Interest rates)</td>
</tr>
<tr>
<td>(Financial needs)</td>
<td></td>
</tr>
</tbody>
</table>

**Conditioned stimulus**

- (Ethical banking)
- (Regulated banking)
- (Islamic banking)

**After repeated pairings:**

<table>
<thead>
<tr>
<th>Conditioned stimulus</th>
<th>Conditioned response</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Ethical banking)</td>
<td>(More or less borrowing)</td>
</tr>
<tr>
<td>(Regulated banking)</td>
<td>(Low interest rates)</td>
</tr>
<tr>
<td>(Islamic banking)</td>
<td>(More risk shared)</td>
</tr>
</tbody>
</table>
**APPENDIX IV: CONSUMER LEARNING MODEL- LEARNING BY ANALOGY**

<table>
<thead>
<tr>
<th>Conventional Bank</th>
<th>Islamic Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Open an account</td>
<td>Open an account</td>
</tr>
<tr>
<td>Apply a loan</td>
<td>Apply a loan</td>
</tr>
<tr>
<td>Provide financial statements</td>
<td>Provide financial statements</td>
</tr>
<tr>
<td>Provide security</td>
<td>Provide projected cash flows for Business.</td>
</tr>
<tr>
<td>Get the loan</td>
<td>Get the loan</td>
</tr>
<tr>
<td>Pay interest plus principal</td>
<td>pay principal and agreed mark-up</td>
</tr>
</tbody>
</table>