

Effect of Islamic Banking Financing Strategies on Customer Satisfaction in Kenya

Ali Yarrow Ismael

Dr. Geoffrey Mouni Gekara, Senior lecturer, Department of Commerce and Economic Studies,
Jomo Kenyatta University of Agriculture and Technology

Abstract: *Islamic banks are striving to capture the maximum number of customers to compete with conventional banks by providing a large number of financing strategies as an alternative for interest based products and services. However the providers of Islamic Banking products & services have not done enough in educating customers and marketing their product. Moreover, declining growth rates and eroding profitability suggest it is time to better leverage the Islamic banking potential. In order to do this, Islamic banks should revisit their strategic positioning and improve their customer satisfaction. Hence, the study assessed the effect of Islamic banking financing strategies on customer satisfaction in Uasin Gishu County. The study was guided by assimilation Theory. The study adopted explanatory research design. Simple random sampling technique was used to select a sample size of 226 customers. This research utilized both primary and secondary data. The primary data was obtained from questionnaires adopted for the study. This research employed quantitative methods of analyzing data. The study used descriptive statistics such as means, frequencies percentages and standard deviation. In addition, it used inferential statistics such as multiple regressions and correlation as a form of inferential statistical analysis used in determining the relationship between the dependent and independent variable. Findings indicated that partnership financing and cost plus financing have a positive and significant effect on customer satisfaction, however, Lease financing and Liquidity financing have significant and negative effect on customer satisfaction. There is also need for partnership financing to conform to the tenets of Islam and the interest which is illegal should be ridden. There is also need for securitization of Cost plus financing agreement. Lease financing arrangements at the bank should aid corporate planning and budgeting by allowing the negotiation of flexible terms.*

Keywords: Partnership Financing, Cost plus Financing Lease Financing and Liquidity Financing

1.Introductions

Islamic banks are striving to capture the maximum number of customers to compete with conventional banks by providing a large number of financing strategies as an alternative for interest based products and services. They are performing multiple functions to provide a variety of products and service for different segments of the economy (Ashfaq, Rehman, Saif, 2010). Unlike conventional banking, Islamic banking is run under the principles of partnership, mutual solidarity and reciprocal social development (Dusuki and Abdullah, 2007; Ahmed, 2000). Islamic financial services industry has experienced a remarkable growth over the last four decades. However, Islamic banks are struggling against conventional banking and non-banking financial institutions, existing pool of Islamic commercial banks and insurance companies. To survive in this strategic rivalry, Islamic banks must understand and use the customer satisfaction issues under existing privileges given by Islamic Shari'ah (McIver and Naylor, 1986). Various earlier studies pointed that religion (Islam) as the main reason for choosing Islamic banks, which has been grounded under the principles of the Qur'an and the traditions (Teaching of the prophet). However, studies in Malaysia, UAE, Kuwait found non-religious factors like efficiency, cost-benefit etc. in conjunction with religion as the influential factors behind choosing an Islamic bank (Dusuki and Abdullah, 2007; Ahmad and Haron, 2002; Kuehn and Bley, 2004, Owen and Othman, 2001).

In their short period of existence, Islamic banking in Kenya has shown very commendable performance commanding combined market share of the banking sector in terms of gross assets of 0.8%. Currently there are two Islamic banks

operating in Kenya: Gulf African and First Community bank, which had a loan portfolio of 4.9-billion shillings, deposits totaling 7.5 billion shillings and 27270 deposit accounts. These indicators point to the tremendous potential of this market niche, which has been previously untapped, largely comprising Muslims estimated to make up at least 15% of Kenya's population of 36-million (Muriri, 2009).

According to Islamic bank magazine (2007), Kenyan government is still seriously considering allowing Islamic financial products as the east African nation attempts to tap into funding from the Middle East. Ahmed & Haron (2002) Reported that financial decision making authority in Malaysia corporate sectors believed that the Islamic banking system had a good potential as an alternative to conventional system. However the providers of Islamic Banking products & services have not done enough in educating customers and marketing their products. This study highlights the important factor perceived by corporate customers in selecting their bank is the cost of service and products. Moreover, declining growth rates of 20% and eroding profitability suggest it is time to better leverage the Islamic banking potential. In order to do this, Islamic banks should revisit their strategic positioning and improve their customer satisfaction. Islamic banks operating in Kenya are faced with strong competition not only from Islamic banks but also from non-Islamic rivals. When competition intensifies and when banks start to offer more or less similar products and services, it is the customer's satisfaction that can influence the performance of an Islamic bank and determines its competitiveness and success. According to Kadubo (2012) rate of growth especially conventional banking with Islamic window has been too slow and currently controls 0.8% of the market share. Further research is required to establish

factors that contribute to this slow pace of growth of Islamic products in Kenyan market. In addition, few studies have been established on Islamic banking and customer satisfaction creating a dearth gap in the existing literature. Hence, it is of paramount importance to assess the degree of customer satisfaction towards Islamic banks operating in terms of their financing strategies which are Partnership financing, Cost plus financing, Liquidity financing and Lease financing

2.Literature Review

2.1 Theoretical Framework

Assimilation theory is based on Festinger's (1957) dissonance theory. Dissonance theory posits that consumers make some kind of cognitive comparison between expectations about the product and the perceived product performance. (Al-Khatib 1999). This view of the consumer post-usage evaluation was introduced into the satisfaction literature in the form of assimilation theory. According to Anderson (1973), consumers seek to avoid dissonance by adjusting perceptions about a given product to bring it more in line with expectations. (Alam 2000). Consumers can also reduce the tension resulting from a discrepancy between expectations and product performance either by distorting expectations so that they coincide with perceived product performance or by raising the level of satisfaction by minimizing the relative importance of the disconfirmation experienced. (Naser 1999). Payton et al (2003) argues that Assimilation theory has a number of shortcomings. First, the approach assumes that there is a relationship between expectation and satisfaction but does not specify how disconfirmation of an expectation leads to either satisfaction or dissatisfaction. Second, the theory also assumes that consumers are motivated enough to adjust either their expectations or their perceptions about the performance of the product. A number of researchers have found that controlling for actual product performance can lead to a positive relationship between expectation and satisfaction. Therefore, it would appear that dissatisfaction could never occur unless the evaluative processes were to begin with negative consumer expectations. (Ayub 2002)

2.2 Empirical Review

2.2.1 Effect of Partnership financing on customer satisfaction

Hamid (2003) argues that in the contemporary entrepreneur economy, interest is in the solitary instrument arbitrarily used in the financing of each type. Since Islam has prohibited interest, this instrument can never be used for providing funds of any type. Consequently, partnership financing can play a very important role in an economy based on Islamic ideology therefore satisfying Islamic customers to the fullest. Interest predetermines a fixed rate of return on a loan advanced by the financier irrespective of the profit made or loss undergone by the nonpayer, while at the same time Partnership financing does not foresee a fixed rate of return (Dusuki, 2007)

In the contemporary economic organization, it is the banks which precede the depositors' money as loans to

manufacturer and dealer. If industrialists have only ten million of their own and acquire 90 million from the banks and proceed on an enormous gainful scheme, it is understood that 90 per cent of the project would have been shaped by the funding of the depositors, while only 10 per cent would have been shaped by their own capital. If this project brings enormous profits, only a small percentage, such as 14 or 15 per cent, will go to the depositors through the bank, whereas all the rest will be increased by the entrepreneur, whose real contribution to the project will be no extra than 10 per cent. This minute percentage of 14 or 15 per cent is given back by the manufacturer, since this percentage is incorporated by them in the course of their manufacture proceeding to enhance customer satisfaction (Ali, 2009).

Eddie Lam (2003) argues that on the other hand, Islam has an understandable, already defined principle for the banker. According to Islamic principles, a banker has to agree on whether he is advancing a loan to support the nonpayer on compassionate grounds or whether he needs to share his profits. By stipulating that he wants to help the nonpayer, he should resist from claiming on the principal of its loan, since its aim is to help out. On the other hand, if he requires a share in the profits of his nonpayer, it is necessary that he must also share in its losses leading to effective customer satisfaction.

This is the basic point of view which explains why Islam has optional partnership financing. No doubt, partnership financing symbolizes a number of practical problems in its complete execution as a worldwide strategy of financing. It is occasionally acknowledged that Partnership financing is an old instrument which cannot keep pace with the ever advancing need for immediate dealings. On the other hand, this statement is due to the required needs of appropriate awareness with reference to the principles of partnership financing. In reality, Islam has not arranged a definite form or procedure for partnership financing. Somewhat, it has put some broad principles which can contain numerous forms and dealings. (Mathews 2003).

H₀₁: Partnership financing has no significant effect on customer satisfaction

2.2.2 Effect of Cost plus financing on customer satisfaction

According to Tarek al-Diwayn (Islamic-finance.com), Cost plus financing is a form of 'trust sale' since the buyer must trust that the seller is disclosing his true costs. After discussing the true costs, a profit margin may be agreed either on a percentage of cost basis or as a fixed amount. It is very important to remember that the amount of profit earned in this transaction is not a reward for the use of the financier's money. In other words, a financier cannot take money if he/she does not perform any service other than the use of his/her money for the transaction. Such an occurrence would cause this type of deal to resemble the charging of interest. (Cohen 2005)

Today, Cost plus financing is used most to assist short-term trade transactions. If a person sells a product for an average price without any indication to the cost, this is not a Cost plus financing. However, if a person earns some profit on

their cost because the deal is not based on a 'cost-plus' idea, then, in this case, the sale is called Musawamah. This is the definite logic of the term cost plus financing, which is a deal, clean and straightforward. On the other hand, this kind of sale is used by the Islamic banks and financial organizations by adding some supplementary idea to it as a method of investment. The legitimacy of such dealings depends on various circumstances, which are supposed to be appropriately experimental to make them satisfactory in Shari'ah. (Field 2005)

In the cost plus financing function, the customer selects the home he desires to purchase and agrees the price with the vendor in the standard way. Then the customer approaches the bank for financial assistance; subsequent to that, the bank commences standard guarantee measures and a self-determining assessment of the property. The bank passes it to the solicitor to examine the home physically in the common way hence a lot of customer satisfaction (Ibrahim, 2000). Once these preliminaries are completed and the bank's solicitors have issued to the bank a satisfactory certificate of title, then the bank contracts to buy the home from the vendor at the price agreed between the vendor and the customer. The customer then gives a form of deposit which is lodged with and charged to the bank, followed by exchange of agreement. The bank uses its individual funds to pay the deposit. After that, the bank will trade the home to the customer beneath a change purchase agreement by way of sub-sale at the upper agreement value. (Iqbal, Zamir and Abbas Mirakhor, 2007). The Cost plus financing agreement records the trade between the bank and the customer. The customer formulates regular monthly payments until the purchase price is finally paid (Iqba, 2007).

H₀₂: Cost plus financing has no significant effect on customer satisfaction

2.2.3 Effect of Lease financing on customer satisfaction

The systems of Lease financing, in the sense of lease financing, are equivalent to the rules of sale, in that in both of the cases the goods are assigned to another person with charging profit margin. The dissimilarity between Lease financing and sale is that the quantity of the property is reassigned to the consumer, while in the case of Lease financing, the quantity of the property residue is in the ownership of the transferor, but merely it's the right to use it, is reassigned to the lessee (Nupurr, 2010)

Consequently, it can easily be seen that Lease financings not a method of financing. It is a standard business movement, like a sale. On the other hand, due to tax allowance reasons, this business deal is used in the Western countries for the reason of financing also. As an alternative for giving an effortless interest-type loan, some financial institutions lease equipment to their clients. At the same time as fixing the rent of this equipment, they work out the total cost they have acquired in the purchase of these assets and add the predetermined interest they could have claimed on such an amount throughout the rented period. The collective amount consequently calculated is separated on the total months of the lease period, and the periodical rent is fixed on that basis (Munawar, 2002)

Ultimately, the use of lease financing is represented by the Ijara contract in Islamic law. The contract represents a transaction in which a known benefit 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. The Ijara contract can be designed to return the fixed assets to the lessor at the end of the lease period, in which case the lease takes on the features of an operating lease in which the bank takes title of the asset at the end of the lease term. The other mechanism would be to allow the lessee to agree, at the outset, to buy the assets in question at the end of the lease period. (Owen, 2001)

H₀₃: Lease financing has no significant effect on customer satisfaction

2.2.4 To ascertain effect of Liquidity financing on customer satisfaction

According to literature by Owen, (2001), Liquidity financing is a number of methods undertaken by someone in order to get cash. Whereas according to the term, Liquidity financing is someone needing cash then buys an item on credit, and sells it to a third party at a price cheaper than the original price, for cash. Liquidity financing can be divided to become three mechanisms, those being: A person needing cash money buys an item on an installment plan, and over a period which has been predetermined. Later on he sells the item to a third party without the knowledge of the first party, at a lower cost and for cash. This form of liquidity financing increases customer satisfaction.

A person needing cash tries to borrow it, but the person whom he approaches does not wish to loan the cash, but offers his trade item to be bought by the person needing cash, whereupon he can sell the item back at a low price, or a higher price, for cash. In this case, the khiyar given by the seller is a forced khiyar to the mutawarriq who is in great need of cash funds. (Gan, 2006). The scholars who permit Liquidity financing transactions and consider them legal do so on the basis of the Qur'anic verses and qaidahfiqhiyah that is: all trading transactions are halal, except for trading transactions about whose haram-inducing qualities are disputed by the holy Qur'an or the Sunnah. Certainly, on the whole, trading is a halal transaction and the Liquidity financing is a halal transaction because there is no qath'i dispute prohibiting such transactions, nor is there any remnant report from the Companions of the Prophet Muhammad saw (puh) prohibiting these transactions. (Ayub, 2009)

The transfer of ownership of goods prevents the possibility of there being usurious profit in the structure of the transaction. Meanwhile, a loan interest free is not possible to obtain from time to time, and therefore the existence of the Liquidity financing method or mechanism to obtain cash there exists a transaction which is common and legal. As it happens, goods traded are only the medium. (Muneef, 2009). Prohibition of this transaction is closely related to a specific formation which is currently practiced by the Shari'ah Financial Institute – known as Liquidity financing munazzam (Liquidity financing engineering) –and not the practice of Liquidity financing commonly practiced in past times. The Islamic school Academy of Jeddah, on the

occasion of the 17th session of its annual conference, was of the view that this Liquidity financing Munazzam is an illegal transaction and is also forbidden. (Rosly, 2005).

H₀₄: Liquidity financing has no significant effect on customer satisfaction

2.2.5 Research Gap

A lot of literature surrounded the area of Islamic banks; much of what have been discussed is about answering the question of how Islamic banks are? In other words, how far Islamic banks are Islamic, and to what degree they follow Shari'ah in their transactions, and how far they managed to achieve their objectives, especially those relating to promoting the community. However, few studies have demonstrated the relationship between financing mode/strategy and customer satisfaction. The relationship between bank customers' awareness, the quality of service they receive and their level of satisfaction has been investigated in different countries, but there are few studies on Islamic banks. In regards to Brunei Darussalam, empirical research has never been done, nor have the issues of customer awareness, service quality and product quality, and customer satisfaction of Islamic banking been addressed. This will study focus on exploring the gap within the current literature about Shari'ah compliance of Islamic banks in Kenya; which is that Islamic banks in Kenya are not investigated enough. This is in terms of both customer satisfaction and professional satisfaction with Shari'ah compliance. Another gap of concern in this study is to investigate the various financing strategies and customers satisfaction.

3. Research Methodology

The study adopted explanatory research design. The population of study comprised 517 customers of Islamic banking in Uasin Gishu County. From the target population of 517 Taro Yamane (1973) sample size formula was used to calculate a sample size of 226. The study used simple random sampling technique. Questionnaires were used to obtain the primary data required for the project which are to be self-administered by the researcher in the field. Cronbach alpha coefficients were used to determine a reliability index. Co-efficient alpha of 0.7 was obtained indicating that the research instruments were reliable and therefore adopted for data collection. In descriptive statistics the research employed descriptive statistical tools such as SPSS which helped to describe the data and determine the extent used, use of graphs, pie charts and tables to present data. Multiple regressions and correlation as a form of

inferential statistical analysis is was used in determining the relationship between the dependent and independent variables. This model is expressed as below;

$$y = \alpha + \beta_1x_1 + \beta_2x_2 + \beta_3x_3 + \beta_4x_4 + \varepsilon$$

Where;

Y = customer satisfaction

α = Alpha, X_1 = Partnership financing, X_2 = Cost plus financing, X_3 = Lease financing, X_4 = Liquidity financing, ε = error of prediction.

3.1 Study findings

This section presents the analysis of the data collected and discusses them accordingly and in relation to the research hypotheses stated with the aim of achieving the stated objectives.

3.2 Descriptive Statistics and Correlation Results

Under Partnership financing, the bank and the customer enter into a partnership and jointly contribute capital as well managerial expertise and other essential services at agreed proportions. Generally, partnership financing summed up to a mean of 3.04 and standard deviation of 0.68. In general Cost plus financing summed to a mean of 3.72, and standard deviation of 0.88. To sum up, Lease financing in the bank was at a mean of 2.92 and standard deviation 0.54. Liquidity financing summed up to a mean of 3.76, and standard deviation of 0.58. Customer satisfaction summed up to a mean of 3.04, and standard deviation of 1.02. The correlation model illustrated indicates a significant positive relationship between partnership financing ($r=0.759$ and $p\text{-value}=0.000 < \alpha=0.01$) and customer satisfaction. The correlation table also shows that there is a significant positive relationship between Cost plus financing and customer satisfaction ($r=0.178$ and $p\text{-value}=0.008 < \alpha=0.01$). Moreover Lease financing has a positive and significant relationship with customer satisfaction ($r=0.235$ and $p\text{-value}=0.000 < \alpha=0.05$). As such, there is 23.5% positive relationship with customer satisfaction with a unit increase in Lease financing. Furthermore, Liquidity financing exhibited a negative and significant relationship with customer satisfaction ($r=-0.558$ and $p\text{-value}=0.000 < \alpha=0.05$).

Table 1: Correlation Results

	Mean	Std. Deviation	Customer satisfaction	Partnership financing	Cost plus financing	Lease financing	Liquidity financing
Customer satisfaction	3.34	1.7	1				
partnership financing	3.04	0.68	.759**	1			
Cost plus financing	3.72	0.88	.178**	0.049	1		
Lease financing	2.92	0.54	.235**	.570**	.343**	1	
Liquidity financing	3.76	0.58	-.558**	-.456**	0.008	0.098	1
** Correlation is significant at the 0.01 level (2-tailed).							

3.3 Hypothesis Testing

The results from table 2 shows that the study multiple regression model had a coefficient of determination (R^2) of about 0.705. This means that 70.5% variation of customer satisfaction is explained / predicted by joint contribution of Tawarruq, Bai-Murabaha, Ijarah and Musharaka. Durbin-Watson statistic is within the thumb rule value of 1 to 2, thus from the table Durbin Watson statistics value was 1.832 indicating lack of serial correlation. Table 2 reveals that the F-value of 130.088 with a p value of 0.00 significant at 5% indicate that the overall regression model is significant, hence, the joint contribution of the independent variables was significant in predicting customer satisfaction.

Hypothesis 1 (H_{01}) revealed that musharaka has no significant effect on customer satisfaction. However, research findings showed that musharaka had coefficients of estimate which was significant basing on $\beta_1 = 0.888$ (p-value = 0.000 which is less than $\alpha = 0.05$) implying that we reject the null hypothesis stating that musharaka has no significant effect on customer satisfaction. It is clear that through Partnership financing, all the associates of a given venture either contribute to the profit or loss of the joint venture. As such, Partnership financing has a far reaching effect on both manufacture and sharing thus leading to improved customer satisfaction (Joher, 2003). Since interest is the solitarily instrument used in financing in the contemporary entrepreneur economy (Hamid, 2003), Partnership financing plays a key role in an economy based on Islamic ideology simply because interest is prohibited in Islam. As a result, Islamic customers are satisfied to a great extent because this instrument can never be used for providing funds of any type. Interest in Islam is an unfair instrument of financing since it results in prejudice (Seidu, 2002).

Hypothesis 2 (H_{02}) stated that Bai-murabaha has no significant effect on customer satisfaction. Findings showed that collateral had coefficients of estimate which was significant basing on $\beta_2 = 0.253$ (p-value = 0.000 which is less than $\alpha = 0.05$) hence we reject the null hypothesis, and conclude that Bai-murabaha has significant effect on customer satisfaction. Cost plus financing dealing is exhibited when the seller discloses to the buyer the costs accrued to him/her in obtaining a given product and adds some profit thereon. According to Muhammad, (2002) the profit income may be based on a percentage or more sums and always leads to a lot of satisfaction. Cost plus financing is also viewed as a form of trade finance whereby the sale of

an item is on a deferred basis hence the customer is able to make payment without stress. Further, the price to be paid for the item includes a mutually agreed upon margin of profit hence the market cost price of the product is mutually shared by the buyer and seller at the time of concluding the sale (Bryman 2004).

Hypothesis 3 (H_{03}) postulated that Ijarah has no significant effect on customer satisfaction. However, study findings showed that Ijarah had coefficients of estimate which was significant basing on $\beta_3 = -0.346$ (p-value = 0.000 which is less than $\alpha = 0.05$) hence we fail to accept the hypothesis and conclude that Ijarah has a significant effect on customer satisfaction. Contrary to the results, Lease financing which means to make use of the services of a person on wages given to him as a deliberation for his appointed services enables more trust between customers (Osman and Rashid, 2009). Additionally, the individual who contracts the service is usually referred to as the musta'jir and the one performing the work is referred to as the ajir. The wages paid to ajir is called ujarah. In whatever case, the Lease financing creates customer satisfaction since the ajir is rewarded in form of ujarah. Concurrently, Zainuddin, (2009) states that this kind of relationship creates a sense of customer satisfaction.

Hypothesis 4 (H_{04}) stated that tawarruq has no significant effect on customer satisfaction. Findings showed that tawarruq had coefficients of estimate which was significant basing on $\beta_4 = -0.121$ (p-value = 0.013 which is less than $\alpha = 0.05$) thus we fail to accept the hypothesis and conclude that tawarruq has a significant effect on customer satisfaction. However, Tawarrug results in customer satisfaction if a person in need of money buys a commodity on an installment plan and over a period that has not been predetermined and later on sells the commodity to a third party without the knowledge of the first party at a lower cost and for cash (Owen, 2001). Further, if a person in need of cash tries to borrow it but the person he approaches offers his trade item rather than the cash needed whereupon the person offered the trade item can sell it at either a lower or higher price so as to obtain the money. The rule of thumb was applied in the interpretation of the variance inflation factor. From table 4.10, the VIF for all the estimated parameters was found to be less than 4 which indicate the absence of multi-Collinearity among the independent factors. This implies that the variation contributed by each of the independent factors was significant independently and all the factors should be included in the prediction model.

Table 2: Coefficient of Estimate

	Unstandardized Coefficients	Standardized Coefficients	Collinearity Statistics				
	B	Std. Error	Beta	T	Sig.	Tolerance	VIF
(Constant)	1.833	0.345		5.308	0.000		
Musharaka	1.122	0.075	0.888	14.919	0.000	0.382	2.617
Baimurabaha	0.249	0.04	0.253	6.233	0.000	0.82	1.219
Ijarah	-0.655	0.107	-0.346	-6.116	0.000	0.423	2.365
Tawarruq	-0.214	0.086	-0.121	-2.495	0.013	0.58	1.723
R Square	0.705						
Adjusted R Square	0.699						
Durbin-Watson	1.832						
F	130.088						
Sig.	0.000						

a Dependent Variable: customer satisfaction

4. Conclusion and Recommendations

There is enough proofing from the study that Partnership financing has a positive and significant effect on customer satisfaction. As shown in the findings, the bank has entered into a partnership with customers hence it cannot suffer loss. Nonetheless, it was not certain to customers whether the partnership was fixed for a long period of time such that at the end of the tenure no other transaction can be conducted. Further, it was not clearly established whether Partnership financing was in line with the tenets of Islam and whether interest which is haram id is ridden. Besides, there were no equal rights of participation for all the partners.

As evidenced in the findings, Cost plus financing has a positive and significant effect on customer satisfaction. However, it was not fully established whether there is short term finance for raw material, medium term finance for raw material and long term finance for raw material. It was also not certain whether the bank discloses its cost and profit margin and whether there is securitization of Cost plus financing agreement. As well, there was uncertainty of the services sold as a package.

There is also evidence from the study that Lease financing has a significant influence on customer satisfaction. It was evident from the results that Lease financing conserves the lessee' capital since it allows up to 100% financing. However, it was not certain whether Lease financing gives the Lessee the right to access the equipment on payment of the first installment. Further, once equipment is used for a long period, but has a poor resale value, it was unclear whether lease financing avoids having to account for the equipment under normal accounting principles. Besides, it was also undefined whether Lease financing arrangements aid corporate planning and budgeting by allowing the negotiation of flexible terms. However, it was certain that whenever the equipment is used for a relatively short period of time, it may not be more profitable to lease than to buy

Finally, Liquidity financing was also shown to have a significant effect on customer satisfaction. It was not fully established whether installment terms agreed upon at inception of contract assist in expense budgeting and cash flow forecasting. In the same way, there was uncertainty on repayment through easily affordable installments based on the customer's monthly income. It was also undefined whether Liquidity financing transaction is easy, convenient and flexible. Finally, there was doubt whether customers receive a quote in 2 days' time upon submission of the documents.

There is evidence from the results that Partnership financing impacts positively on customer satisfaction. As a result there is need for banks to enter into partnerships with customers for a long period so as to make it possible for customers to undertake business at the end of the tenure. There is also need for Partnership financing to conform to the tenets of Islam and the interest which is illegal should be ridden. There is also need for equal rights of participation for all the partners.

There is also a clear indication from the study that Cost plus financing has an immense effect on customer satisfaction. It is therefore utmost necessary for banks to offer short term, medium term as well as long term finance for raw material. It is also imperative for banks to disclose its cost and profit margin. There is also need for securitization of Cost plus financing agreement.

Also, the study showed that Lease financing has a negative effect on customer satisfaction. As such there is need for Lease financing to conserve the lessee' capital since it allows up to 100% financing. Further, Lease financing should give the lessee the right to access the equipment on payment of the first installment. As well, Lease financing arrangements at the bank should aid corporate planning and budgeting by allowing the negotiation of flexible terms

Finally, there is need for banks to offer repayment through easily affordable installments based on the customer's monthly income. Banks should also make Liquidity financing transaction easy, convenient and flexible for the customers. Banks should also make it possible for customers to receive a quote in 2 days' time upon submission of the documents.

The primary objective of the study was to assess Islamic banking financing strategies on customer satisfaction in Uasin Gishu County. The study was limited to Uasin Gishu County and the information obtained largely depends on the attitudes of the respondents. Hence there is need for a replication study in another County to augment the findings. Further research needs to be carried out in order to identify other factors that influence consumers' satisfaction of Islamic banking. There is also need for a comparison study between Islamic banking and conventional banking to identify how Islamic banks can increase its market share by keeping in line with the Sharia-compliance.

References

- [1] Abbas, S. Z. M., Hamid, M. A. A., Joher, H. and Ismail, S. (2003). Factors that determine consumers' choice in selecting Islamic financing products. Paper presented at the International Islamic Banking Conference, Prato.
- [2] Adam, Nathif, 2005, "Converting a conventional retail bank to Islamic banking," in Islamic Retail Banking and Finance, SohailJaffer (ed.), published by Euro money.
- [3] Ahmed, K. (1994) Elimination of Riba: Concepts and Problems, Response to the Supreme Court Questionnaire, Elimination of Riba from Economy. Papers and Proceedings of a Workshop held at the Institute of Policy Studies, Shirkat Press, Lahore, Pakistan.
- [4] Alam, M. Nurul (2000) Islamic Banking in Bangladesh: A Case Study of IBBL. International Journal of Islamic Services1:4.
- [5] Arksey, H. and P. Knight (1999). Interviewing for Social Scientists, Sage Publications Ltd.
- [6] Ayub, Muhammad (2002) Islamic Banking and Finance: Theory and Practice. Karachi: The State Bank of Pakistan Printing Press.

- [7] Ayub, Muhammad, 2002, Islamic Banking and Finance: Theory and Practice, published by State Bank of Pakistan Press, Karachi, Pakistan.
- [8] Bank Negara Malaysia, BNM. (2004). Annual Report.
- [9] Beer, Stafford (1979) Heart of Enterprise. Chichester: John Wiley and Sons.
- [10] Beer, Stafford (1981) Brain of the Firm. (2nd ed.) Chichester: John Wiley & Sons.
- [11] Bryman, A. (2004). Social Research Methods. New York, Oxford University Press.
- [12] Bryman, Alain (2004). Quantity and Quality Social Research Methods, Oxford Press.
- [13] Coakes, S. J. and Steed, L. G. (31 Jan 2003). SPSS Analysis Without Anguish (Version 11), John Wiley & Sons Inc.
- [14] Cohen, D., Gan, C., Yong, H. H. A. and Choong, E. (2006). Customer satisfaction: a study of bank customer retention in New Zealand, Commerce Division, Discussion Paper No. 109, Lincoln University, Canterbury.
- [15] Cohen, L., L. Manion, et al. (2005). Research Methods in Education London, Routledge Falmer.
- [16] Czaja, R. and Blair, J. (1995) Designing Surveys: A Guide to Decisions and Procedures London, Sage Publications Ltd.
- [17] Dar, H., Ed. (2005). Islamic Mortgages. Islamic Perspectives on Wealth Creation.
- [18] Datta and Greth A. Jones book published 1999 by Routledge.
- [19] Denscombe, M. (1998). The Good Research Guide for a Small Scale Social Research Projects, Open University Press.
- [20] Dusuki, A. W. and Abdullah, N. I. (2007). Why do Malaysian customers patronize Islamic banks? International Journal of Bank Marketing, 25(3), 142-160. <http://dx.doi.org/10.1108/02652320710739850>
- [21] Espejo, R., and R. Harnden (1985) The Viable System Model. Chichester: John Wiley and Sons.
- [22] Field, A. (2005). Discovering Statistics Using SPSS (Introducing Statistical Methods Series). London, Sage Publications.
- [23] Halim, Hamid, and Nordin (2001) A Study on Islamic Banking Education and Strategy for the New Millennium—Malaysian Experience. International Journal of Islamic Financial Services 2:4.
- [24] Hayek, Freidrich (1945) The Use of Knowledge in Society. American Economic Review 35:4.
- [25] Housing markets and public policy / William G. Grigsby. University of Pennsylvania, 1963.
- [26] Hui, Chern and Othman. (2008). Development of service quality dimensions in Malaysia –The case of a multicultural society, AFBE 2008 Conference Papers. [Online] Available: <http://www.afbe.biz/main/wp-content/uploads/AFBEConfPapers2008.pdf>
- [27] Ibrahim Warde, Islamic Finance in the Global Economy, Edinburgh University Press, 2000.
- [28] Iqbal, Munawar (2001) Islamic and Conventional Banking in the Nineties: A Comparative Study. Islamic Economic Studies 8:2, 1–27.
- [29] Iqbal, Zamir and Abbas Mirakhor, 2007, An Introduction to Islamic Finance: Theory and Practice, published by John Wiley & Sons, Pte. Ltd.
- [30] Islamic finance in the global economy / I. Warde. Edinburgh University Press, 2000, Warde, Ibrahim.
- [31] Islamic Finance in the Global Economy, 1st Edition, Edinburgh University Press Publisher, 15 February 2000.
- [32] Islamic Research and Training Institute. Islamic Development Bank Group. Jeddah. Kavita Datta and Greth A. Jones are lecturers in Geography at Queen Mary and Westfield College, London and University of Wales, Swansea respectively. Housing and finance in developing countries Edited by Kavita
- [33] Khan, M. (1986) Islamic Interest-Free Banking. IMF Staff Paper 33, March.
- [34] Khan, M. Y. (2001) Banking Regulations and Islamic Banks in India: Status and Issues. International Journal of Islamic Financial Services 2:4.
- [35] Khattak, N. A. and Ur-Rehman, K. (2010). Customer satisfaction and awareness of Islamic banking system in Pakistan. African Journal of Business Management, 4(5), 662-671.
- [36] Kumar, R. (2005). Research Methodology A Step by Step Guide For Beginners. London, Sage Publication.
- [37] Manwar Iqbal. Islamic Banking and Finance: New Perspective on Profit sharing and Risk. Edward Elgar Publishing, 2002.
- [38] May, T. (2001). Social Research, Issues, Methods and Process. Buckingham, Open University Press.
- [39] Mohammad Ramadhan, Awni Mufleh, First Edition 2005, The Role of Commercial Banks in Financing Private Housing In the State of Kuwait.
- [40] Mohammed Seidu, A. (2002). Cost-competitiveness of Fixed Liability Financing: A Study of Bank Islam Malaysia Berhad's Financing Techniques. Unpublished Ph.D. thesis, University Tun Abdul Razak, Malaysia.
- [41] Molla, R. I., R. A. Moten, S. A. Gusau, and A. A. Gwandu (1988) Frontiers and Mechanics of Islamic Economics. Nigeria: University of Sokoto.
- [42] Muhammad Ayub, Understanding Islamic Finance, Wiley (January 2, 2008).
- [43] Munawar Iqbal. Islamic banking and finance: current developments in theory and practice / edited by Leicester, UK: Islamic Foundation, c2001.
- [44] Munawar Iqbal. Islamic economic institutions and the elimination of poverty. Edited by Leicester: Islamic Foundation, c2002.
- [45] Naser, K., Jamal, A. and Al-Khatib, K. (1999). Islamic banking: a study of customer satisfaction and preferences in Jordan. International Journal of Bank Marketing, 17(3), 135-151. <http://dx.doi.org/10.1108/02652329910269275>
- [46] Nupur, J. M. (2010). E-banking and customers' satisfaction in Bangladesh: An analysis. International Review of Business Research Papers, 6(4), 145-156.
- [47] Obaidullah, M. (2005). Islamic Financial Services, Islamic Economics Research Centre, King Abdul Aziz University.
- [48] Oppenheim, A. N. (1992). Questionnaire Design, Interviewing and Attitude Measurement, Pinter Pub Ltd., p. 100.
- [49] Osman, I., Ali, H., Zainuddin, A., Wan Rashid, W. E. and Jusoff, KJ. (2009). Customers satisfaction in

- Malaysian Islamic banking. International Journal of Economics and Finance, 1(1).
- [50] Othman, A. and Owen, L. (2001). Adopting and measuring customer service quality (SQ) in Islamic banks: a case in Kuwait Finance House. International Journal of Islamic Financial Services, 3(1), 1-26.
- [51] Parkin and Bade. Economics"(2nd Edition) demand pull inflation (p. 862) AWWAL 4th, 1428 AH. No 12889, Editor-in-Chief Ahmed Al Jarallah.
- [52] Presley, J.R. and Wilson, R. (1992), Banking in the Arab Gulf, Ch.3 pp 46-66, London: Macmillan, London.
- [53] Rosly, S. A. (2005). Critical Issues on Islamic Banking and Financial Markets: Islamic Economics, Banking and Finance, Investments, Takaful and Financial Planning. Kuala Lumpur: Dinamas Publishing.
- [54] Samad, Abdus, and Hassan Kabir (1999) The Performance of Malaysian Islamic Banking During 1984-1997: An Exploratory Study. International Journal of Islamic Financial Services 1:3.
- [55] Sarker, Abdul Awwal (1999) Islamic Banking in Bangladesh: Performance, Problem and Prospects. International Journal of Islamic Financial Services 1:3.
- [56] Scharf, W. T. (1983) Arab and Islamic Banks. Paris: OECD.
- [57] State Bank of Pakistan (1998) Statistical Bulletin. Karachi: State Bank of Pakistan.
- [58] State Bank of Pakistan (1999) Statistical Bulletin. Karachi: State Bank of Pakistan.
- [59] State Bank of Pakistan (2000) Statistical Bulletin. Karachi: State Bank of Pakis
- [60] State Bank of Pakistan (2002) Annual Report FY02- State Bank of Pakistan.