SHARIA BANKING AS A TOOL TO ENHANCE CHRISTIAN- MUSLIM RELATIONS IN NAKURU KENYA

Submitted

By

GEOFFREY G THIONGO

ICMR/LMR/1005/18

This dissertation Submitted in Partial Fulfillment of the Requirement for the Award of a Masters of Arts in Islam Christian- Muslim Relations (ICMR) From St. Paul's University, Limuru Kenya

AUGUST 2019

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Supervisors

Rev. Dr. Joseph Mutei

Rev. Dr. John Peter Bwire

AUGUST 2019

DECLARATION

This dissertation is a product of my own work and is not the result of any collaboration. It has not been presented to any other institution. I agree that this proposal may be available for reference.

Name of student: Geoffrey Gathukia Thiongo

Student Number: ICMR/LMR/1005/18

Signature of the student----------Date----------

We confirm that the work reported in this proposal has been done by the student under our supervision.

Name of the supervisor: Rev Dr. Joseph Mutei

Signature of the supervisor: ----------Date---------

Name of the supervisor: Rev. Dr. John Bwire

Signature of the supervisor: ----------Date----------

DEDICATION

To Carol my dear wife, who has really encouraged me to complete this study, to my sons Phares, Simon, John, Brian and my daughter Wambui for their love, support and patience during my study.

ACKNOWLEDGEMENT

I praise our almighty God for his sake without whose grace I would not have completed this work. I would like to express my profound gratitude to Rev. Dr. Mutei the co-coordinator of ICMR program St. Paul's university for patiently supervising my work and frequently providing guidance throughout my study. I am deeply grateful for his invaluable assistance and encouragement.

To my second supervisor Rev. Dr. Bwire and the entire teaching staff of St. Paul's university whom i interacted with during my program of study. Their dedications commitment and passion to learning have been truly inspirational.

ABSTRACT

The purpose of this study is to look at the social economic factors that contribute to the social cohesion between Muslims and Christians through *sharia* banking. The research examined the introduction of *sharia* banking in the sixth and seventh century that is during the birth of Islam. It also accessed whether the Jewish and Christian communities who were living hand in hand with them embraced it. It also examined *Sharia* banking in the twentieth and twenty-first centuries and the products there in. The operations and targets of s*haria* banking in Nakuru was investigated .The research also explored the spread of Islam through *sharia* banking, and lastly how it has become a tool to enhance Christian Muslim relations. This is through their inclusion in the *sharia* banking services. The study sought to answer the following research questions: "what is the level of knowledge among Kenyans about the existence of *sharia* banks and the various products and services they offer?", "What social religious factors that influence the choice of *sharia* banking in Nakuru Kenya?", " How does *sharia* banking acts as tool to enhance Christian –Muslim relations in Nakuru?" The theories applied are social exchange theory by George Homan, which is a social psychological concept that concerns social changes as a process of interactive exchanges between different people. The other one is the sustainable peace building theory by Robert Ricigliano who came up with the SAT model. Lastly, the conflict theory that uses the concept of Carl Marx. Through this study, an attempt was made to show whether Christians had a preference of *sharia* banking and why and how it can be used as a tool for dialogue between Christians and Muslims. The research used a broad exploratory survey research into a new field in the local financial market. It took the qualitative strategy with some aspects designed quantitatively. The survey was done in the First community bank, Gulf African banks that are fully-fledged *sharia* banks and Barclays bank Nakuru that operate a *sharia* compliant window. Questionnaires were used and designed in a way everybody could participate. Most of the questions had the answer of either "yes" or "no". They were distributed to the customers and both senior and junior staffs of the banks by the managers. The data was analyzed using qualitative approach with descriptive statistics, mean, mode, and median. The study revealed that *sharia* compliant banks were driven by religious compliance and customer needs being met. It also revealed that drastic effort is being made to bring more people both Muslims and Christians on board. This breeds a good ground for dialogue between Christians and Muslims. Therefore, *sharia* banks can act as a tool to enhance Christian Muslim relations. The research recommended for a repeat of the same study in predominantly Muslim town since Nakuru like most towns in Kenya is predominantly Christian.

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GLOSSARY OF TERMS

Riba	Interest or usury
Sharia	Islamic law
Haram	prohibited and sinful in Islam
Haral	lawful in Islam
Umma	community
Gharal	uncertainty or ambiguity
Maysir and qimar	gambling
Mudarabah	capital and labor based partnership
Murabahah	sale financing contract
Musharakah	partnership
Baraza	open-air forum

CHAPTER ONE: INTRODUCTION

1.1 Background of the study

Sharia banking like other contemporary banking plays a very important role in the modern economy by mobilizing funds from savers and investors and channeling the same to investors in trade and business. In conventional banking, interest plays a major role in financial resource allocation. Banks pay an interest or *Riba* to depositors and charge interest to the loan advanced. Interest is a price for money or return on capital. The simple dictionary definition of interest is "money paid for the use of money lent or for delaying the repayment of a debt."(Concise oxford dictionary 2011)

Islam on the other hand does not view money as a commodity, which is sold or bought at a profit. The prohibition of interest in *sharia* banking necessitates the development of an alternative financial system that serves the needs of Muslims. Financing investment, working capital management and redistribution decisions in Islamic finance must conform to the dictates of Islamic *sharia.* **(**Khurshid1980**)***Sharia* banking is a banking activity, which is consistence with the Islamic *sharia.* It is carried out in accordance with the rules of *sharia* known as *fiqhmuamalat* (rules of behavior) which do not allow the paying or receiving of *Riba* (interest). Fairness and equity is the conduct of banking business. (Mar bid Ali Jarhi(undated) Islamic finance.)

Investments in business that provide goods or services considered contrary to Islamic principles e.g. pork or alcohol is considered *haram*(sinful and prohibited).These prohibitions have been applied historically in varying degrees in Muslim countries/communities to prevent un-Islamic practices. In late twentieth century, as part of the revival of the Islamic identity a number of

Islamic banks formed to apply these principles to private or semi-private institutions within the Muslim *Umma*(community) **(**Ramnal Hussein Gulzar et al(2007). Banking has been lauded for returning to the path of "divine guidance" in rejecting "the political and economic dominance" of the wes**t(**Usman 1998)and noted as the "most visible mark" of Islamic revivalism (Farooq 2005: 33)and its most enthusiastic advocates promise no inflation, unemployment, no exploitation and no poverty" once its fully implemented(Warde 2000: 21). But it has been criticized for failing to develop profit and loss sharing or more ethical modes of investments promised by early promoters(Khan 2013:15-16),but instead selling products(banking)that comply with the formal Islamic law requirements, but use "ruses and subterfuges to conceal interest(Khan, 2013: 15-16)and entail high costs, bigger risks than conventional banks. In this case, *sharia* banking affects Christians in a way that one gets him/herself in a product, which is fully governed by religious beliefs in pretense of interest free banking, fairness and equity. In this case, *sharia* banking is a system of banking that is consistence with the *sharia (*Islamic law).The most important part of the system is the prohibition in collecting *Riba* (interest or usury). *Sharia* also prohibits trading in financial risk because it is taken as a form of gambling which is forbidden in Islam. The central religious precept driving the Islamic finance industry is the idea that *Riba* is *haram.*

At first glance, this appears to rule out most aspects of modern finance. But although the *Quran* banns the creation of money by money it does allow money to be used for trading tangible assets and businesses- which can then generate a profit.(Kettel Brian 2011:p 15) *Sharia* banking is guided by six key principals namely:-

1) A loan repayment in advance as interest (Riba) is not allowed.
2) Cost and revenue sharing is core at the heart of the Islamic system.

3) Making money out of money is unacceptable: all financial transactions must be asset backed
4) Hypothetical behavior is not allowed.
5) Only *sharia* approved contracts are acceptable.
6) Contracts are holy.

Internationally *sharia* banks have continued to grow and expand. This is because from the time the late president of Egypt Anawar Sadat established the Nassir social bank as a *Riba*-free commercial bank in 1971, the country submitted to the Islamic foreign ministers conference a project study of the Islamic development bank (IDB) which influenced this organization to set up such an inter-governmental financial institution. This gave Way to the development of *sharia* banks in the middle –east and Europe. (W.Cole Durham JR etal 2012 p 190)

Islamic financial products according to Kettel Brian 2011 are designed to create trading or business arrangements that pay profits to investors or lenders from business transactions backed by tangible assets, ideally sharing risks and rewards. Ironically, some of these structures and techniques echo those that flourished in Christendom in Europe between twelfth and fifteenth century.

In AD 325, the Christian council of Nicaea banned the practice of interest among the clergy and in AD1140 stretched it to church members. When trade extended in the twelfth century onwards, traders at trade fair advanced financial dealings that avoided religious disapproval. Loans were considered to be rent charges and interest payments were considered to be dam nunemerges (opportunity loss) or lucram cessens(forgone income)which were allowed by the church.(Kettel Brian) The council of Nicea met before the birth of Islam .This shows that *Riba* payment was

banned in Christianity before Islam. Hence, it might have been a principle gotten from Christianity.

The reasons below connected both Christians and Muslims in *sharia* banking for various reasons: - These include –

1) They both call for deposits.

2) In *sharia* banking, profit and loss sharing principle is applied. In this case, both Muslims and Christians would benefit in case of a loss in investments.

3) *Sharia* banks also do the pooling of depositors funds to provide depositors with professional investment management. This is not found in conventional banking and it is beneficial to both Christians and Muslims (Amr El Tiby 2015 p13)

In Kenya, *sharia* banking is coming up so fast though they are believed to be making loses. (Daily Nation) There are three fully-fledged *sharia* banks. These are Gulf African bank, First community bank and Dubai bank. There are also eleven other lenders offering a mix of conventional and *sharia* banking products. (Business daily 22 June 2017)

In this context, which is Nakuru town Nakuru County, there are banks that offer *sharia-banking* products. These include First community bank and Gulf African banks that are fully fledged. Others includes Kenya commercial bank, Barclays bank and National bank who offers a window for *sharia* compliant products .*Sharia* banking may not be so popular in Nakuru and Kenya at large because of the lack of information.

From the study the following conclusions were made .Firstly, the factors influencing, the development of *sharia* banking is purely religious compliance and customers' needs be met.

Secondly, due to interactions between Christians and Muslims in the banking hall, the historical animosity between both of them would reduce.

The study recommended that though there is considerable growth of *sharia* banking in Nakuru Kenya, there is still suspicion and hidden animosity between Christians and Muslims. So more study needs to be done on *sharia* banking as a tool for Christian –Muslim relation.

1.2 Statement of the problem

The concept of *sharia* banking is relatively new in Kenya. *Sharia* banking has been penetrating the Kenyan market like wild fire offering high completion to the conventional banks for the same customers. The question asked is whether the success of these banks is due to the adherence of *sharia*, the products or the services offered. In many towns in Kenya, Nakuru included, there is lack of awareness and knowledge of the features of the Islamic form of banking by people.

One will find out that in as far as, *Sharia* banking has been there in Nakuru; very few of the Christians have an interest in them. Maybe because of the suspicion and hostility that is associated with Muslim. The question asked here is why continue opening branches.On the other hand; one will find out that Muslims have been attracted to the conventional banks. This has prompted some banks i.e. Barclays, Kenya commercial bank and others to open a window for *sharia* banking. That is to mix both conventional and *sharia* banking under one roof. The question here is, if *sharia* banks are purely religious, why do we have Christian customers? On the other hand, why do we have Muslim customers in a conventional bank? Recent study by Dusuki (2008) concluded that precepts of Islamic banking could assist in the alleviation of poverty by giving the poor access to micro-finance facilities based on the concept of risk sharing and free-interest.

The motivation of doing this study was to investigate the *sharia*-banking sector in Nakuru Kenya with emphasis placed on the growth of the sector and investigate why non-Muslims i.e. The Christians have continued to have an interest in them. What this study noted, is that *sharia* banks have continued to open branches in Nakuru despite their low popularity. This study asks whether *Sharia* banking is being used as a way of the spread of Islam. On the other hand, how it can be used as a tool to enhance Christian –Muslim relations.

Since the banks have taken both Muslim and Christian customers, a good ground is set for dialogue between them. This study sought to establish *sharia* banking as a tool for Christian – Muslim relations in Kenya Nakuru county Nakuru town.

1.3 Objectives of the study

The objectives of this study are-

1. To determine the history of *Sharia* banking from the time of Mohammad to date.
2. To investigate the operations and target of *Sharia* banking in Nakuru.
3. To explore the spread of Islam through *sharia* banking in Nakuru.
4. To determine how *sharia* banking can act as a tool to enhance Christian Muslim relations in Nakuru town.

1.4 Research questions

1. What is the origin of *sharia* banking?
2. What is the level of knowledge among Kenyans about the existence of *sharia* banks and the services and products they offer?
3. What social religious factors that influence the choice of *sharia* banking in Nakuru Kenya?
4. How does *sharia*-banking acts as a tool to enhance Christian Muslim relations?

1.5 Hypothesis

History gives that Mohammad acted as the agent of his wife Khadija and introduced the concept of *sharia* banking. The researcher needs to proof whether *sharia* banking was a way of following the ways and teachings of Mohammad.

On the operations, the researcher has it that *sharia* banks are normal like other banks. What needs to be proofed is how they run without charging interest.

Since its inception, Islam has been known to be aggressive on evangelization. So the research wants to proof whether *sharia* banking is used as one the Muslims ways of evangelization.

On the other hand, the main aim of the research is on the Christian Muslim relations. So the proof is whether *sharia* banking can be used as a tool to enhance Christian Muslim relations.

Nakuru town in Kenya has been one of the fastest growing towns in Kenya. This has attracted so many people and organizations to come for investments. They have come from all tribes, cultures and religions.

1.6 Justification of the study

As the research has brought forth, Nakuru town has a higher population of Christians than the Muslims. Nevertheless, of late we have seen tremendous construction of mosques in both rural and urban areas. We have also seen the interest of *sharia* compliant banks in opening of branches. In this case, the research views the study as the best avenue for dialogue between Muslims and Christians, hence the justification of the study.

1.7Significance of the study

The study created a better understanding between Muslims and Christian .Therefore this study was of major importance in Nakuru town, which is metropolitan and growing at a higher rate. It created an environment for dialogue between Muslims and Christians through interaction in the banking hall.

Roy Gachuhi a reporter of the Nation Newspaper reported that, "while the political and social inter-religious relationships between Kenyans hog all the headlines – and not always for the right reasons-a quiet revolution is taking place in the banking and finance sector; the steady growth of Islamic banking in the country."(Nation newspaper February 6 2016) Nakuru is not exceptional hence; the study can benefit its people by bringing them together through these banks.

Banking sector have also benefited from this study in the it created awareness among Christians by noting that there are a significant number of customers and staffs who are Christians. In this case the notion that it is purely Islamic disappears.

The study has also contributed to the academia for it has added to the scarce research in this field. It also brings to the limelight that *sharia* banks are more or less like other banks.

The study will influence policies in that there before *sharia* boards had major roles in the policy and operations of the *sharia* banks. Each bank had to nominate its board consisting of the *sharia* experts. The research shows that there have been influxes of other religions customers who are likely to influence the policies of the bank for inclusion. This is because the major aim of all businesses *sharia* bank included is to make money despite what.

The research covered Muslims and Christians in Nakuru town and especially those that bank with *sharia* banks and windows in the conventional banks. The study also looked at the Christian-Muslim relations among residence in Nakuru.

1.8 Scope and delimitations

The research covered the residents of Nakuru town and the out skirt especially the ones that bank with fully-fledged *sharia* banks and windows in the conventional banks. They included both Muslims and Christians. The study also looked at the Christian Muslim relations among the residents of Nakuru.

1.9Limitations

The research experienced challenge of the unwillingness of the discloser of the information because of the historical suspicion that exists between Muslims and Christians. Therefore, some Christians and Muslims did not take it seriously. Though he told them, it was for study purpose he did not get the best information. There is no accuracy of information given for some Muslims and Christians were not willing to give the correct information. He tried to overcome this by organizing a focus group discussion. This brought together both Muslims and Christians on around table where the researcher facilitated the discussion, which brought about the disclosure of information.

1.10 Definition of operational terms

Sharia

Sharia in Arabic means a path to the watering place or the spring itself. The term refers to the law of God in its divine and revealed sense referred to as *fiqh*, meaning the human process of Understanding and implementing the law. (Newby Gordon 2002, p193). It is also the eternal and immutable will of God for humanity as expressed in the Quran and *Sunnah* considered binding for all Muslim believers. The Quran has about ninety verses directly and specifically addressing questions of law. This is referred to by Islamic legal discourse as the law of God and incorporates them into legal codes. The remainder of Islamic law is the result of jurisprudence (*fiqh*), human effort to codify Islamic norms in practical terms and legislate for cases not specifically dealt with in the Quran and *Sunnah. (*Esposito John, 2003 Riba (interest)

Sharia, which is a body of jurisprudence collected over time and based on interpretations of the Quran and Sunna, prohibits the charging or paying of interest (Riba). This is replaced by profit and loss sharing (PLC) arrangements where the rate of return on financial assets held in banks is not known and not fixed prior to the undertaking of the transaction.

Haram and halal

Sharia compliant financing is used for the acquisition and funding of only permissible activities (*halal*) and not the impermissible products and services (*haram*). This includes betting, alcohol, prostitution and others related practices.

Gharal

This is translated as" uncertainty" or ambiguity. Bann on *Gharal* tend to rule out derivative, options and futures. Islamic finance supporters believe that these involve excessive risks and

may foster uncertainty and fraudulent behavior such as those found in derivative instruments used in conventional banking. (Marvyn K. Lewis, Latifa M. Algaoud)

Maysir and qimar

Maysir is translated as gambling but used to mean speculation in Islamic finance. (F.J. 2014).Involvement in contracts where the ownership of a good depends on the occurrence of a predetermined uncertain event in the future is may sir and is forbidden in Islamic finance.ie chance based games.

***Sharia* boards**

This is a board of *sharia* experts set to supervise and advice each Islamic bank on the propriety of transactions to ensure that all activities are in line with the Islamic principles. (Nathan. S. and Ribiere.v 2007. P.471-483)

Profit and loss sharing

The principle here is that the lender must share in the profits or losses arising out of the enterprise for which the money was lent. Islam encourages Muslims to invest their money and become partners in order to share profit and loss in the business instead of becoming creditors. (Kettel Brian. 2011; p21)

Mudarabah

This refers to profit sharing or capital and labor-based partnership .This kind of partnership is in the profit than its capital referred to as “Rab Elmahor” financial investor. The other party provides its work called the “mudharib” or the entrepreneur who acts as the agent of the investor to invest money based on his skills. Here only the profits are shared between them at a pre-determined rate. However, losses are exclusively borne by the lender. The mudarabah contract is

usually limited to a certain period at the end of which profit is distributed at a pre agreed proportion. (Bellalah Mondher etal 2013 p.35)

Murabahah

This refers to a sale-financing contract where in the subject of the contract is sold at a price, this includes a profit margin as agreed by both parties. Such a sale contract is valid on the condition that the price, other costs and profit margin of the seller is stated at the time of the sales agreement. (Mondher Bellalah and Omar Masood 2013)

Musharakah

This is a special type of partnership contract used by the *sharia* bank and upon which the depositors are not considered debtors like in a conventional bank but as a partner in the banks' profits during a full financial year, regardless of the usage of their funds.

Ijara (lease financing): theory and practice

The features of ijara financing are similar to those of conventional lease financing. However, unlike in the conventional lease contract, *sharia* holds the leaser responsible for all damage, repairs, insurance and depreciation of the leased assets. The leaser should also bear the risk of uncertainty attached to the useful life of leased asset. Islamic financial institutions mostly rely on leasing known as ijara wa iqtina, for meeting financial needs in the real estate, retail, industry, and manufacturing sectors. Leasing enjoys strong support from *sharia* scholars and bears a close resemblance to conventional leasing. (Iqbal M. 2000)

Bai-salam (advance payment) and Bai-istisna (procurement engagement)

Bai-Salam and Bai-istisna are forward sale contracts in which the seller pays in advance the price of goods that are to be delivered at a specified future date. Bai Salam was widely practiced in the Arabia agricultural sector long before the dawn of Islam. These instruments are best suited to meet the financial needs of farming and manufacturing industries in the Islamic economy. *Sharia* stipulates that the terms and conditions of Bai-salam and Bai-istisna contracts such as price, quality and quantity of goods, should be clearly determined without involving any features of interest, gharal (speculation) or dubious sales.

***Sharia* banking**

This is an interest free banking inspired by Islamic law or *sharia. (*Esposito; 2003 p35) It is an important principal of Islamic economics and there should be equality of risk. This means the risks and rewards should be shared between bank, depositor and borrower. The banks should not finance goods or scheme that is forbidden by Islam. These include alcohol, betting, and pigs products. (Netton Ian, 1992: p126)

CHAPTER TWO: LITERATURE REVIEW.

2.1 Introduction

This chapter explored the literatures that give strength to the research. It determined the History of *sharia* banking from the date of its inception to date. It also investigated the *sharia* banks operations and targets. These included their products and principles. The differences between conventional and *sharia* banking was observed. Possible evangelization through these banks was highlighted. Lastly, the chapter determined the history of Christian Muslim relations, why *sharia* banks are becoming popular among Christians, biblical Bann on interest and *sharia* banking as a tool to enhance Christian Muslim relations.

2.3 History of sharia banking

Sharia banking bases its origin from the time of Muhammad. This is the period of sixth and seventh century. During this period, Muhammad acted as an agent of his wife Khadija who was a merchant. This is where for the first time the principle of *Riba* free banking was exercised. The leading recent experiment with *sharia* banking commenced in Egypt without projecting and a savings bank based on profit sharing in the Egyptian town of Mit Ghamr in 1963. This experiment lasted until 1967 (Kettel Brian, 2011, p 16).

The short existence signaled the rebirth of the modern *sharia* banking and finance movement. Thus in 1971the late Egyptian president Anwar Sadat recognized the Nassir social bank as interest free commercial bank, primarily to grow a social security system in the country. On Sadat's initiative, in 1972, Egypt succumbed to the Islamic foreign ministers conference on project study of Islamic development bank (IDB) which influenced this organization to set up such an inter-governmental financial institution

In the late 1970s and early 1980s, this development activated a studied increase in the number of *sharia* banks throughout the Middle East, including the Dubai bank (1975), Faisal bank of Egypt (1977), and Bahrain bank (1979). The number of *sharia* banks rose from twenty-five in 1980 to sixty seven in 1989.Some Muslim countries such as Sudan and Pakistan Islamized their entire financial system, while other countries with deep-seated secular traditions like Turkey enacted legislation allowing *sharia* banks to operate parallel to conventional banks. (W. Cole Durham J.R etal. 2012 p190).

Amr Mohammad, El Tiby Ahmed, and Wafik Grais 2014 summarize the development of Islamic finance into four periods:

1) The founding period (1963-1976), the period saw the development of investigative work, global Corporation and banking activities. In this period, organizations were set up with the objective of founding and developing ethnic and religious connections across Muslim countries.
2) The spread period (1977-2002). This is the period that experienced a sharp increase of oil amounts and a lot of riches growth, which brought about the rise of more than one hundred *sharia* banks worldwide such as *Daral-maalal-Islam* in 1981 and *Al-Baraka* group in 1982.
3) Worldwide appreciation period (2003-2009): international *sharia* banking were accepted and developed by regulator around the world, China, Europe, and USA included. International banks with global presence revealed rising attention in Islamic finance and many of them engaged in Islamic finance operation through Islamic windows.
4) Assessment period (2009 to date).In this period, *sharia* banks proved too many controller, plan creators, bankers and economics that despite the economic hardship they can survive. (Amr Mohammad etal 2014 p 7).

In the history of *sharia*, banking there is a lot of silence on *sharia* banking from the sixth century to twentieth century. Interest was banned in Christianity long before the coming of Islam that is during the time of Christendom (325 AD.) The question asked is whether Muslims were the first to come with the issue of interest free or they were found it with the Christians.

2.4 Principles of *Sharia* Banking

Shari banking system is governed by *sharia* (Islamic law).The most important part of the system is the prohibition of the collection of *Riba* (interest or usury).*Sharia* also prohibits trading in financial risk because this is seen as a form of gambling, which is forbidden in Islam. Another prohibition in *sharia* is the trade on goods or services considered haram (forbidden or sinful) such as those that sell alcohol, pork, engage in gambling or produce un-Islamic media. The central religious precept driving the *sharia* finance industry is the idea that *Riba* is *haram*. (Prohibited)

2.4.1Riba (interest)

Sharia, which is a body of jurisprudence collected over time and based on interpretations of the Quran and *Sunna*, prohibits the charging or paying of interest (*Riba*). This is replaced by profit and loss sharing (PLC) arrangements where the rate of return on financial assets held in banks is not known and not fixed prior to the undertaking of the transaction. On profit and loss, sharing the same happens if a conventional bank falls under liquidation. This is the time when the bank is unable to meet its obligation as far as operations are concerned.

2.4.2Haram and halal

Sharia compliant financing is used for the acquisition and funding of only permissible activities (*halal*) and not the impermissible products and services (*haram*). This includes betting, alcohol,

prostitution and others related practices. Mostly banks are on business and looking for customers in all ways. I do not see how they will refuse deposits from a betting and alcohol brewing company.

2.4.3Gharal

This is translated as" uncertainty" or ambiguity. Bann on *gharal* tend to rule out derivative, options and futures. Islamic finance supporters believe that these involve excessive risks and may foster uncertainty and fraudulent behavior such as are found in derivative instruments used in conventional banking. (Marvyn K. Lewis, Latifa M. Algaoud)The Arabic root of gharal means deception- but in practice, the term is used widely. It is an important concept in the Islamic finance with most derivative products rejected by scholars due to excessive uncertainty.

All businesses involve some level of risks, therefore unlike Riba gharal is a relative concept when it comes to uncertainty, risk and hazard- with a certain level of uncertainty being tolerated. However, when it comes to deceit or fraud, gharal is an absolute concept.

2.4.4 Maysir and qimar.

(F.J. 2014).Involvement in contracts where the ownership of a good depends on the occurrence of a predetermined uncertain event in the future is *maysir* and is forbidden in Islamic finance.ie chance based games.Qimar refers to betting and wagering. It is taking ownership of some form of wealth by way of a wager. This includes every game in which the winner receives money or property from the loser. This zero-sum game constitutes wagering on very risky outcomes which sharia prohibits. Maysir is broader in scope than Qimar. It includes all kinds of gambling. The term maysir was originally used as a reference to a pre-Islamic game of arrows in which seven people gambled for shares of an allotted price. This is prohibited by *sharia* on the ground that

participants are lured into the game dreaming of winning and taking the price forgetting that one can lose.

2.4.5 Sharia boards

This is a board of *sharia* experts set to supervise and advice each Islamic bank on the propriety of transactions to ensure that all activities are in line with the Islamic principles. (Nathan. S. and Ribiere.v 2007. P.471-483) Each and every *sharia* bank has its own *sharia* board which may bring in some contradictions as far as the interpretation of the Quran is concerned.

2.5 Range of *sharia* banking products

2.5.1 Profit and loss sharing

The principle here is that the lender must share in the profits or losses arising out of the enterprise for which the money was lent. Islam encourages Muslims to invest their money and become partners in order to share profit and loss in the business instead of becoming creditors. On the other hand one is not involved in the management of the bank. So when the loses comes it would be very difficult to know how it came into being. (Kettel Brian. 2011; p21)

2.5.2 Mudarabah

This refers to profit sharing or capital and labor-based partnership .This kind of partnership is actually in the profit than its capital. It is referred to as"*RabElmahor*" financial investor. The other party provides its work called the "*mudharib*" or the entrepreneur who acts as the agent of the investor to invest money based on his skills. Here only the profits are shared between them at a pre-determined rate. However, losses are exclusively borne by the lender. The *mudarabah* contract is usually limited to a certain period at the end of which profit is distributed at a pre

agreed proportion. This contract distinguishes the relationship of depositors and the *sharia* bank from the conventional one. Based on this contract the funds of the depositors especially those deposited in an investment account will be invested by the bank with its expertise in *sharia* compliant investment both in financial markets and identifying profitable projects (Bellalah Mondher etal 2013 p.35)

2.5.3 Murabahah

This refers to a sale-financing contract wherein the subject of the contract is sold at a price, which includes a profit margin as agreed by both parties. Such a sale contract is valid on the condition that the price, other costs and profit margin of the seller is stated at the time of the sales agreement. (Mondher Bellalah and Omar Masood 2013)

2.5.4 Musharakah

This is a special type of partnership contract used by the *sharia* bank and upon which the depositors are not considered debtors like in a conventional bank but as a partner in the banks' profits during a full financial year, regardless of the usage of their funds.

2.5.5 Ijara (lease financing): theory and practice

The features of ijara financing are similar to those of conventional lease financing. However, unlike in the conventional lease contract, *sharia* holds the leaser responsible for all damage, repairs, insurance and depreciation of the leased assets. The leaser should also bear the risk of uncertainty attached to the useful life of leased asset. Islamic financial institutions mostly rely on leasing known as ijara wa iqtina, for meeting financial needs in the real estate, retail, industry,

and manufacturing sectors. Leasing enjoys strong support from *sharia* scholars and bears a close resemblance to conventional leasing. (Iqbal M. 2000)

2.5.6 Bai salam (advance payment) and bai istisna (procurement engagement)

Bai Salam and Bai istisna are forward sale contracts in which the seller pays in advance the price of goods that are to be delivered to him at a specified future date. Bai Salam was widely practiced in the Arabia agricultural sector long before the dawn of Islam. These instruments are best suited to meet the financial needs of farming and manufacturing industries in the Islamic economy. *Sharia* stipulates that the terms and conditions of *Bai-salam* and *Bai-istisna* contracts such as price, quality and quantity of goods, should be clearly determined without involving any features of interest, *gharal* (speculation) or dubious sales. (Iqbal. m.2000) (IJSR, ISSN ONLINE: 2319-7064 Impact factor (2012):3.3 st).

2.6 Quran texts on Riba

The texts are divided into four revelations. These include:

1) First revelation(surah al-Rum 30:39)
2) Second revelation(surah al-Nisa4:161)
3) Third revelation(surah al-Imran130-132)
4) Fourth revelation(surah al-Baqarah 275-281)

Riba prohibition in the Quran

1) **First revelation(surah al-Rum 30:39)**

"And whatever *Riba* you give so that it may increase in the wealth of the people, it does not increase with Allah" This surah was revealed in Makkah. The verse is not of a prohibitive nature. It simply says that one does not increase with Allah in *Riba*. This means that *Riba* carries no reward in future.

Many commentators of the holy Quran are of the opinion that the word *Riba* here does not refer to interest. Ibn Jabir Al-Tabaru (D310 AH), the most famous exegete of the Quran cited from Ibn Abbas, Radi Allahu Anhu and several Tabiin like Saeed Ibn Jubair, Mujahid, Tawoos, Qatadah, Zahhak,and Ibrahim Al Nakhai that the word riba in this verse means a gift offered by someone to a person with the intention that the latter will give him in return a greater gift.

However some commentators of the Quran have taken this word to mean interest or usury. This is attributed to Hasan Al-Basri as reported by Ibn Al-Jawzi. If according to this view the word is taken to mean usury which is more likely, because it carries the same meaning in other places, then there is no specific prohibition in the verse. All that it has emphasized is that *Riba* does not have any reward from Allah. Hence the verse does not have prohibition but indicated that it does not have favor with Allah.

2)Second revelation(sura An-Nisaa 4:161)"And because of their charging *Riba* while they were prohibited from it" In this second verse , while listing the evil deeds of the Jews, it is mentioned that they used to take *Riba* which was prohibited of them. The exact time of this text is very difficult to ascertain. Commentators are quiet on this but the context in which the verse is revealed suggests that it would have been revealed before the fourth year of Hijra. Verse 153 of

surah An-Nisaa states : “The people of the book ask you to bring down upon them a book from heaven.” This means that all the forth coming verses were revealed in answer to the argumentation of the Jews who came to prophet Mohammad and asked him to bring down a book from heaven like the one given to Moses. This means that the series of verses were revealed at a time when Jews were many in Medina. Here the word *Riba* meant usury for it was prohibited for the Jews the prohibition is still there in the Old Testament. This did not mean that it was a prohibition for the Jews only .It meant that it was prohibited but they still practiced it. So the Muslims were advised not to do the same.

3) Third revelation (surah Al-I-Imran 3:130)

“O those who believe do not eat up *Riba* doubled and redoubled.”

This verse was revealed sometimes in the second year after Hijra. This is because the context of the proceeding and succeeding verses refers to the battle of uhud, which took place in the second year after Hijra.

The verse contains a clear indication of the prohibition of Riba for the Muslims. It is the first verse in the holy Quran that explicitly prohibit Riba for the Muslims. Some commentators have argued that the reason why this verse was revealed in the context of the battle of uhud was that the invaders of Makah had financed their army by taking usurious loans to buy arms against Muslims. It was assumed that it would also induce the Muslims to take these usurious loans to finance their people to buy arms. So the verse was revealed in order to prohibit Riba.

4) The fourth revelation (Surah Al-Baqarah 2: 275-281)

"Those who take interest will not stand but as stands whom the demon has driven crazy by his touch. That is because they have said, "trading is but like Riba". Moreover, Allah has permitted trading and prohibiting Riba. So, whoever receives an advice from his lord and stops, he is allowed what has passed, and his matter is up to Allah. And the ones who revert, those are the people of the fire. There they remain forever.

Allah destroys Riba and nourishes charities. In addition, Allah does not like any sinful disbeliever. Surely, those who believe and do good deeds, establish *Salah* and pay *zakat,* have their reward with their lord, and there is no fear for them, nor shall they grieve.

O those who believe. Fear Allah and give up what still remains of Riba if you are believers. But if you do not, then listen to the declaration of war from Allah and His messenger. In addition, if you repent, yours is your principal. You neither wrong nor be wronged. In addition, if there be one in misery, then determent until ease. And that you leave as alms is far better for you, if you really know. And be faithful of a day when you shall be returned to Allah, then everybody shall be paid, in full what he has earned. And they shall not be wronged."

In these set of verses the severity of the prohibition of Riba has been elaborated in detail. The background of the revelation of these verses is that after the conquest of Makah, Prophet Muhammad had declared all the amounts of Riba that was due at that time void. The declaration was that, nobody could claim any interest on loan advanced by him.

Prophet Mohammad advanced to Taif, which could not be conquered, but later on its inhabitants who belonged mostly to the tribe of Thaqif came to him and after embracing Islam surrendered to Prophet Mohammad and entered into treaty with him.

One of the clauses of the treaty was that Banu Thaqif will not forfeit the amounts of interest due on their debtors but their creditors will forgo the amount of interest. Prophet Mohammad instead of signing the treaty, just wrote a sentence on the proposed draft that Banu Thaqif will have the same rights as the Muslims.

Banu Thaqif having the impression that their proposed treaty had been accepted by prophet Mohammad claimed the amount of interest from Banu Amr Ibn-Al-Mughirah, but they declined citing that Riba was prohibited in Islam.

The matter was placed before Attaab Ibn. Aseed, Radi Anhu, the governor of Makah. Banu argued that according to the treaty they are not bound to forego the interest. The matter was placed before Prophet Mohammad on which the following verses of Surah Al Baqarah were revealed. “O those who believe fear Allah and give up what still remains of the Riba if you are believers. But if you do not, then listen to the declaration of war from Allah and his messenger. And if you repent, yours is your principal. Neither you wrong, nor be wronged”. (Surah 2:278-279)

At that point, of time Banu Thaqif surrendered and said, “We have no power to wage war against Allah and his messenger.”

2.7Differences between conventional banking and sharia banking

The primary difference between these two banking methods is that the *sharia* banking system is based on Islamic *sharia* law while the orthodox banking system is based on fabricated ideology and principles.

The other difference is that *sharia* banks operate based on profit and loss sharing. This means that if an entrepreneur experienced losses, the Islamic bank will experience the losses based on the method of finance adopted either Mudarabah or Musharakah as opposed to conventional banks that will still charge interest despite the losses incurred by the businesspersons.

Convectional banks use money as a commodity as well as a mode of exchange and store of value whilst *sharia* banks only use money as a medium of exchange and a store of value, not a commodity. This shows that the conventional bank trade money at higher prices and rent it out whilst *sharia* banks do not.

With regard to profit making, *sharia* banking system uses time value as a source of charging interest on capital whereas conventional banking use profit as exchange of merchandise and services as a source of profit charging.

Because of its profit and loss sharing principle, *sharia* banks focus more on debtor investment projects, assessments and valuations compared conventional banks where income from loan is pre-determined.

Repayments of sums for deposit accounts are only guaranteed in *sharia* banks if the accounts was based in the principle of *al-wadiah*, if not, the depositor will share the losses of the bank's investment in accordance with mudarabah concept.

Sharia banks cater for the interest of the public first, its primary objective is to ensure halal(lawful) economic growth whereas the conventional banks focus solely on making profits and the interest of the bank comes first (Muslim inc.com)

2.8Why sharia banking is becoming popular among Christians

The daily nation of Saturday Feb 6 2016 had an article by Roy Gachuki about the steady growth of Islamic banking in Kenya. He stated that while most of the reporting is based on political and social inter-religions, relationship between Kenyans are not always for the right reasons- a quiet revolution is taking place and the banking and finance sector; the steady growth of Islamic banking and finance in the country. He notes that most of the client is non-Muslim.

The purpose of *sharia* banking is the same as that of traditional western style banking the basis goal between caring a profit from the business it is in the relationship between the bank and its customers that the differences lies. In one, the relationship is that of a debtor –creditor while the other is a partnership of profit loss in the business activities between the parties. All the contracts must be clear to the parties with the sole purpose of eliminating disputes during the execution of the contracts. A few of Kenya's big banks now have a *window* for Islamic banking. A committee of Islamic scholars and leaders well regarded in their knowledge of *sharia* all who must be independent from the banks management oversees these. Their interpretation of the law is binding on the banks and its customers (daily nation Feb 6 2016)

Michael Schluter, a writer of the website of jubileeCentre (Biblical thinking for public life) states that the *sharia* banks in Britain and some Western banks now deal with a range of new, *sharia* compliant financial products. They capitalize on equities, which are non-interest assets where

risks are supposedly shared between lenders and borrowers. At the peak of the business, the banks pay the savers a dividend instead of interest.

However, to ensure that customers get a profit on their capital, Islamic banks places a proportion of profit each month into a reserve fund to be used only when the bank cannot pay a profit dividend. To make the product price competitive, the profit is aligned with the interest rates of conventional saving products. This makes the rate of return on capital often the same under Islamic and western banking rules. The Islamic approach goes on the way towards ironing-out what is wrong in the relationship between lenders and borrowers; he argues that these products do not touch the significant part from a Christian perspective (Michael Schluter Dec 2005)

2.9Biblical Bann on interest

Michael states that he is convinced that the bible really banns interest. To argue that Jesus annulled the Old Testament commands in the parable of the talents ignores the fact that parables are not generally used for the kind of ethical purpose. It also ignores the precise words that Jesus puts in the mouth of ere he has not sown (Matthew 25:26-27) and the implication of his teachings on lending (Luke 6:34-35).

Christians believe that it is better to apply the intention of the law lather than its latter important, as the letter is (Mark 3:1-6). Therefore, the reason for the biblical bann on interest is the major question. If you read, "engage regularly "you will know that the answer must lie within the subject of relationships. We have to ask how an interest based finance contract affect the way a borrower lender relate to each other and how relationship is affected in the wider society.

In brief, the risk of the loan is based on the borrower. In an interest, based loan the collateral is held by the lender unlikely to lose it out. Therefore, there is unequal relationship between the

lender and the borrower. At the same time, the needs for the borrower are ignored this is because the lender does not mind whether the borrower makes profit or not. This is because their profit is the sane whatever happens because of the disposal of the collateral.

In the western society today Interest based finance may be the main factor. It acts as "social glue" which keeps the people together without any major reason. When people put together their money with the reason of lending at an interest then there is no issue of relationship. Michael says that he is sure that the bible does not allow interest. The argument that Jesus changed the Old Testament command, in the parable of the talents, ignore the ethical purpose that the parables are not used.

It also assumes that Jesus put some words in the mouth of the servant "he has not sown" (Matthew 25:26-27) and the teachings on lending implications. Christians believe on the laws intention rather than its latter (mark 3:1-6). The theme of relationship is the answer that lies on the question on the ban of interest. Therefore, what we need to ask is the question that interests affects the relationship between the render and the borrower and how it affects the entire society. This "money glue" is replaced by altruism in a family and community set up which is not very strong glue.

2.10A Christian perspective on finance

Islamic finance in a Christian perspective is not complete. It addresses the issue of risk sharing between the lender and the borrower as unfair. However, the Christian concern on obedience to the deutronomic commands would also need to focus on the outcome of the relationship on how the money is used. The relational distance between the borrower and the lender depends on the size of the institutions. So the believes of the writer is to build a new set of financial institutions

that bring together people with an intention to save as a family. Christians also need to establish financial institutions, which will allow investors to invest their money profitably in a local economy. The main aim is to build a relational infrastructure making sure that people have incentive to maintain close relationships with their extended families.

The Christians should take challenge from Muslims of developing a financial product in command of receiving and taking interest. The question asked is, why do Muslims have a greater command to go with the Quran more than the way Christians go with the bible? There will arise a new product if the Christians go by the teachings and practice of Jesus Christ (Matthew 5:19) let us pray that this will happen.

2.11 Sharia banking as a tool for Christian- Muslim relation

In looking at the *sharia* banking as a tool for Christian- Muslim relation, we have to look at the issues to do with the inter-faith dialogue. Inter – faith dialogue means coming to know each other. This implies much more than a simple exchange of information for the latter can be obtained from books and formed by one or another of the great religious movements that characterize human quest for the divine. (Irfan A. Omar, 2011 p 9)

Christian- Muslim relations do not exist in a vacuum anywhere in the world, and this is the case in the Middle East and Asia. Political issues as well as national structures and policies impinge on relation between Muslim and Christians. It has become a cliché to say that conflicts that break down along religious lines usually have causes and underlying motivations that are not religious. Christians and Muslims living in the same region frequently state that normal day-to-day relation between the two communities are harmonious. The problems arise from politics (Irfan A, Omar: 2011.p53).

Dialogue like encounter is clearly one of those words, which have been over-used of late. Some might say it has been miss-used .In itself; Christians should not take exception for it has been used in the New Testament. In Act.17:2, 18:4 and 19:8 it has been used in the context of inter-faith encounter. In such passages, the word is variously translated ranging from" disputation" to" discussion". The sense of the word is rendered by something like discussion for the sake of persuasion. In recent usage, however, it has come to mean more than this. It can signify an altitude of sympathy towards those of other faith. It may be promoted to increase understanding and corporation in matters affecting various communities. It may also be understood as deepening the Christians perception of her own faith. (Michael Nazir ali 1987: p 105).

In African research review journal volume 8(2) serial no. 33 April2014; 154 by Eze Precious Chikezie and Nwankwo Nwukamaka of the department of marketing, Federal polytechnic in Nigeria studied Islamic banking customers segment using religious groups in Awka, Anambra state in Nigeria. They said that religious influence on customer's behavior can be broken into positive approach and negative (avoidance).Such positive and negative influences may surround the very notion of the acquisition of the material goods. Religion has also been associated with the distinct motivations leading to consumption that is more specific like accepting or rejecting sharia banking. Perhaps the most obvious and overt influences are those arising from particular dogmas or doctrines.

A complex value structure rooted at least partially in one's religious orientation, may cast a net that takes in multiple consumption activities not specifically addressed to doctrinal teachings. In pursuit of personal devotion, products from an array of religious orientations not just one's own may yield satisfaction. Consumer's religious consideration will affect how consumers perceive Islamic banking relative advantage. Islamic banking has a relative attachment in religion, which

is part of culture. Culture has immense influence on values and lifestyles of individuals. Culture is a powerful force in regulating human behavior. (Schiff man and Ranuk 1997)

2.12 History of Christian Muslim relation

The history of Christian Muslim relation dates back to the beginning of Islam. Mohammad is said to have had contact with Christians and Jews both before and during the period of his public ministry. This has been a controversy both among and between Muslim and non-Muslim scholars. Some of the former in order to maximize claims concerning the originality of the message and provide as the traditions that the source of Mohammad's message was God /Allah rather than Mohammad himself. This down play contact with Christians and tends to conclude that there was no influence from any source, Christians, Jews or others on his message. Some of the latter by contrast, portray the message as having no originality at all but simply being derived from Judaism, Christianity, pre-Islamic Arabian religion or possibly some kind of synthesis of one or more of those elements. (Goddard Hugh, 2000:p19)

Esposito in the oxford dictionary of Islam puts it that the early Islamic empire included Christians in their bureaucracies. The first language of the Umayyad administration was Greek. Early relations were good, though there is evidence of discontent i.e. Coptic uprising of 829-30.Islam also inherited the Greek intellectual traditions that is translating and elaborating on scientific, philosophical, medical, and religious texts, including the bible. Legal rights for non-Muslims were established. The crusades and Reconquista resulted in sustained military engagements and an exchange of knowledge that eventually led to the European renaissance. Christians and Jews studied with Muslims at the universities of Cordoba and Cairo perhaps influencing the development of western European universities. Religious tolerance varied with

social, political and economic circumstances .After the middle ages the religious dimension of the Christian Muslim relations became secondary to economic and political interests (Esposito,2003: p54)

The Christian Muslim dialogue which is an international structured encounter between Muslims and Christians in two or more parties express their views and listen respectively to their counterparts, Started as a movement during the 1950s, When the world council of churches and the Vatican organized meetings between Christian leaders and other faiths representative . By the 1980s and 1990s, other regional and international bodies had developed their programs i.e. the Muslim league, the world Muslim congress and the Middle East council of churches. Obstacles to successful dialogue include Muslim wariness because of the recent history of colonialism and the fact of the western hegemony and Christian perceptions of Islam as inherently threatening. (Esposito 2003:p219)

2.13 Literature gap

In the literature, review on history there is a time in Egypt when *sharia* banking was banned. The same literature records that it came back and with recognition from the government. The gap here is that it does not give the measures taken by the government for their come back. Some conventional banks have been there for a very short period and have become very popular. The question asked, is why has *sharia* banks delayed in their spread? The issue of their aggressiveness has not been addressed and it needs further study.

2.14 Theoretical framework

2.14.1 Social exchange theory

Social exchange theory was founded in 1958 by George Humans and developed by John Thibaut, Harold Kelley and Peter Blau. This is a social psychological concept, which concerns social changes as a process of interactive exchanges between different people. The theory has strong roots in the fields of economics, sociology and psychology. It does not stand on its own instead there are different theories that contribute to the overall theoretical framework. In general the few points agree on the basic assumptions about humans for example human will avoid punishments, loses, seek favors and rewards.

The social exchange theory was used to explain how religion creates the use of sharia banks as a social place where people of different religious faith meet and interact. This is due the fact that they have a common goal, which is *Riba* free banking compared to other conventional banks. This is applicable because as the theory states humans will avoid punishments, loses brought about by Riba payments, and seek favors and rewards through nonpayment of Riba and good and fast service. This brings about a good environment for dialogue between Christians and Muslims. Its advantage is that it brings in the issue of relationship and interaction. In this case, customers from various religions meet in the bank for services. A Muslim is served by a Christian and vice versa. On the other hand, it can be of disadvantage if the main aim of the bank is to make money.

2.14.2 Sustainable peace building theory

Robert Ricigliano founded sustainable peace building theory. In his book "making peace last" he came up with a theory of peace building. He calls the theory SAT model. S stands for structural elements, A for altitudinal and T for transactional. Structural elements are systems of institutions that are put in place to meet basic needs. In this case, *sharia* banks stands. Attitudes are norms, beliefs, values, relationships and corporations. Religion falls here and in this case Muslims and Christians. Transactional elements are conflict resolution and peace building process and skills that allow people to interact with each other. In this research, it is taken to be dialogue and interaction between Christians and Muslims in the banking halls.

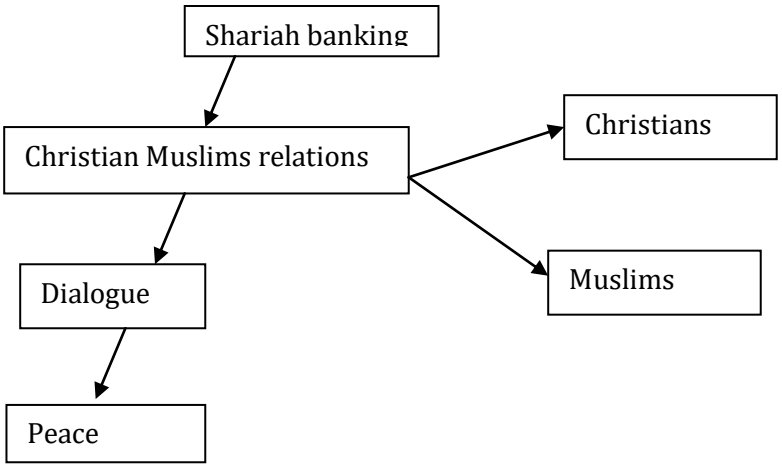
With the above theory by Robert Ricigliano, non- Muslims have been attracted in *sharia* banks for their own good. The number of non-Muslims in Kenya is Christians and they consist over eighty percent of the total population. When all approach the *sharia* banks for their common good and general welfare through the conservative religious approach, a good ground is set for dialogue and hence peaceful co- existence. On the other hand, there are no cases of religious tension in Nakuru.

2.14.3 Conflict theory

This is a sociological perspective derived from the works of Karl Marx. He saw the society as divided into groups that compete for social and economic resources. According to this theory, there is existence of inequality because those in control of a disproportionate share of the society's resources actively defend their advantages. The masses are not bound to the society by their shared values but by coercion at the hands of those in power. This perspective emphasizes social control, not consensus and conformity.

In relation to this study, conflict theory is relevant because it shows within one area, two institutions that operate with different principles. In addition, there is the issue of religion. The Muslims have *sharia* banks, which is governed by Islamic law, while Christians believe on conventional banks, which do not have any religious affiliation. Conflict may arise as customers face personal conflict as to which system to bank on. This study is looking forward to the solving of the issues of interaction between conventional and *sharia* banks. This is for easy services to their customers and how both Christians and Muslims can relate well through *sharia* banks.

2.15 Conceptual framework



In this research *sharia*, banking has an implication on Christian Muslim relations. Therefore, *sharia* banking is an independent variable. The variables that depend on *sharia* banking are Christian Muslim relations and dialogue. On Christian Muslim relations there are the dependants who are Christians and Muslims whose measuring element is the response on Christian Muslim relations in the research. On the other hand, there is another dependant on Christian Muslims relations which is dialogue that is initiated by the interaction for the purpose of the services rendered. In this case, Muslims and Christians get to know one another well resulting to peaceful co-existence.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter explained the various methods that were used to reach at the research objectives of the study. In other words, it presented a detailed description of research methodology. Methodology is a comprehensive procedure used to answer research problems. It highlighted the research design, target population, data collection tools and analysis of data and presentation method.

3.2 Research design

A research design describes the shape that the research aims to follow, the plan or the strategy for conducting the research. There are two main research strategies; qualitative and quantitative strategies. (Oso Willies Yuko:2005:74) Within that there are several research designs such as survey, experimental, ex post facto, historical case study, ethnography correlation which a researcher may choose from. This is a broad exploratory survey research into a new field in the local financial market. The research takes mainly the qualitative strategy but with some aspects designed quantitatively. The research was mostly looking for the reasons why *sharia* banks were spreading fast despite their low popularity. So most of the answers in the questionnaires are either yes or no. On the other hand, there are some aspects of numerical figure involved in that the research needs to know the numbers involved. At the same time, a focus group has been used.

The research design used in this study is descriptive. A descriptive study brings about the revision with investigative questions. The objectives of the research in a descriptive study is to describe a phenomena or characteristics associated with a subject population, that is the who,

what, when, where and how of the topic. Estimates of the sizes of a population, that have certain features, discovery of associations among different variables and discovery and size of cause and effect relationships among variables is taken into account. (Cooper and Schindler, 2003) A descriptive study was acceptable as it tried to describe the characteristic associated with the subject population and grounded on the findings of the study; discovery of associations among different variables arose, hence allowing the researcher to draw conclusions.

Descriptive research in distinction to exploratory studies is formalized and structured with clearly stated hypothesis or investigative questions. (Cooper and Schindler, 2003)The purpose of this study was to answer the research objectives. Such descriptive study which is official also try to discover relations among variables which is sometimes branded correlation study, a subsection of descriptive studies. (Saunders et al. 2000)

This design was given preference because it helped in the collection of the original data necessary to realize the research objectives. It was also suitable in collecting useful data that could be quantified and reported as a representation of the real situation in a study.

3.3 Study Population

Mugenda and Mugenda (2003); Pail (2005), describes a population as "the entire group of people, individuals, events or objects that have a common observable characteristic."

The population of the research comprised of the customers and staffs of the First community bank, Gulf African bank and Barclays bank in Nakuru town. The three banks were chosen because First community bank and Gulf African bank are the only fully fledged *sharia* banks in Nakuru. As for the Barclays bank, it is one of the conventional banks in Nakuru that has a window that offer *sharia* compliant services. This was just a representation of all customers and

staffs in all their branches in Kenya. There was also the target population of the would be customers and staffs of the same banks. These are included in the focus group that includes university students, *bodaboda* riders, *madrassa* teacher, a priest and an imam. The reason why the research chose to do this focus group discussion was because the research was undertaken in Nakuru and wanted to access their awareness of *sharia* banking in Nakuru. Tull and Hawkins (2008) said that a population is the group the researcher wants to generalize or learn about whereas Cooper and Schindler (2008) define a population as the total of the elements upon which inferences was made.

A population is hence a total collection of all elements about which one wishes to make some inferences. (Cooper and Schindler 2003) The target population in this study was customers and staffs of Gulf African bank and First community bank. In addition the research relied on the secondary data from a *sharia* compliant window of the Barclays bank in Nakuru.

3.4.1 Sample design

The main idea of sampling is to select some elements that will help the researcher draw a conclusion about the entire population. Sampling has benefits of lowering the research costs, greater speed of data collection and the availability of the required population elements. (Cooper and Schindler 2008)

3.4.2 Sampling technique

Probability sampling was based on the idea of random selection which is a controlled procedure that ensures that each population element is given a known chance of selection. (Cooper and Schindler 2003) There are various ways of probability sampling which includes stratified

sampling, systematic sampling, simple random sampling, cluster or multistage sampling and probability proportional to size sampling.

Simple random sampling was used for this research. This was to add the samples statistical competence and to provide satisfactory data for analyzing the various sub populations. A sample is a small but hopeful representative collection of units from a population used to determine truths about that population. (Field, 2005) Simple random sampling is applicable when population is homogenous and readily available. Samples were taken randomly from First community bank, Gulf African bank, and Barclays bank. Simple random sampling was used because there was no concentration on one bank. Samples were taken from three banks through questionnaires. Questionnaires were distributed equally on all those banks and sampling was done in accordance to the response. The concept that informed the use of this method is that each member in the sample size has an equal chance of being in the sample.

3.4.3 Sample size

This is a smaller set of the larger set of the larger size of observation referred to as the population. Cooper and Schindler states that how large a sample size should be is a function of the variation in the population perimeters under study and, the estimating precision needed by the researcher. (Cooper and Schindler 2008)

A sample size of 50 existing customers was taken in the research. They were selected at random depending on their willingness to participate in the research study. Extreme sample size can influence the quality and accuracy of research. (Bartlett et.al. 2001) The objective of survey research is to collect data that is representative of the population. According to Horton and Burnett (1997), one of the advantages of quantitative methods is their capacity to use smaller

groups of people to make inferences about larger groups that would be excessively expensive to study. A sample size of 50 customers represent a small proportion of the selected banks but the researcher felt this sample was sufficient as definite variables such as gender, level of education, religious affiliation and occupation of the respondents was taken into consideration. This means that the sample size despite its size was believed representative of the banks customers both country wide and in Nakuru.

3.5 Data collection methods

Data collection involves contacting members of the population the researcher has sampled in order to collect the required study information about the study. (Mingle 2002) This study employed the use of primary data obtained from the bank employees and customers, by use of questionnaires. The data was collected using survey method. This is a means of questioning a respondent via a collection of questions and instruments for both the respondent and the interviewer. (Cooper and Schindler 2003) The instrument that was used in this study was a questionnaire. Questionnaires are usually less costly, less time consuming, and considerably less demanding in matters of selection, training and supervision of personnel. Being identical and standardized than interviews, questionnaires are less vulnerable to biases due to deviations from instructions and methods of administration. (Cooper and Schindler 2005) In addition, confidentiality and anonymity can be ensured with questionnaires.

Questionnaires can hence be used for descriptive or explanatory research. Descriptive research, such as the one that was undertaken using attitude and opinion questionnaires and questionnaires of organizational practices will enable to identify and describe the variability to different phenomena (Saunders et.al.2000).

The questionnaire was the main instrument used to collect data for this study the developed questionnaire contained both structured and unstructured questions. It consisted of two sections. Section one contained the demographics which included the gender, religious affiliation and occupation of the respondents. The research divided the respondents into two that is the customers and the staffs. The second part was designed to rate some statements pertaining to the *sharia* banking system and the importance in Christian Muslim relations. The section was developed using the key variables identified as factors influencing respondents in the selection of the *sharia* bank. Unlike the first section which required a direct answer, the questions in the second section relied on a liker scale. The use of a likert scale presents a simple way of gauging specific opinions and also enables the measurement of broader attitudes and values. (John; 2021)

The research also used the focus group discussion. In the focus group discussion, a sample was taken from *Bondeni* area in Nakuru. It was a group of nine people picked randomly from this area. The reason for choosing this area was because it was predominantly Muslim and the researcher wanted to know whether they had knowledge over *sharia* banking and "yes" why choose it. There were three women and six men. Among the men, three were Muslims and three were Christians. Among the women, two were Muslims and one Christian. On their professions, one Christian was a *bodaboda* rider, the other a priest and the last one a banker. Among the Muslims one was a *madrassa* teacher the other an imam and the last one an Islamic student. Among the Muslim women, one was a politician and the other a teacher. The Christian woman was a college student .

Quantitative research is a systematic investigation of phenomena by gathering quantifiable data and performing statistical, mathematical or computational techniques. This research gathers information from the existing and potential customers using sampling methods and sending out

online surveys, online polls and questionnaires, the result of which can be depicted in the form of numerical. In the research a questionnaire was given to the senior staffs of the selected banks who in handed them over to their staffs and customers. The data was analyzed numerically.

Qualitative research was also applied. This seeks to answer questions about why and how people behave in the way that they do. It provides an in depth information about human behavior. It does not involve numbers or numerical data. It involves words or language, pictures or photographs and observations. In the research this was depicted by the use of focus group discussion.

3.5.1 Research procedures

The researcher handed over the questionnaires to the bank managers of the first community bank, Gulf African bank and the Barclays bank. This was after a conversation and agreement on the procedures of doing it. The version of the questionnaire included in the appendices of this report was given to the respondents selected in the sample size.

The questionnaires were handed over to the branch managers who in turn gave them to the customers and staffs over a period of ten days from 1st of April 2019. The researcher and the branch managers consulted to make sure that the questionnaires were given to a wide cross-section of customers in order to collect responses that were as representative of the banks body of customers as possible. A total of 32 customers and 16 of staffs responded to the questionnaire. The filled questionnaires were returned to the managers where they were collected by the researcher.

3.5.2 Focus group discussion

A focus group discussion involves gathering of people from a similar backgrounds and skills together to discuss a specific topic of interest. It is qualitative in that questions are asked about their perception, attitudes, Beliefs, opinions and ideas. Here participants are free to talk with other group members and express themselves. This encourages discussion unlike other methods of research.

The researcher organized a group of nine members from *Bondeni* area in Nakuru. They included students, *bodaboda* operators, *madrassa* teachers an imam and a politician. The researcher met them in a hotel over a cup of tea and facilitated the discussion based on the research objectives. Their code names are in the appendices.

3.6 Data analysis methods

Data is a collection of facts relating to a particular activity under study. (Mingle 2002) Mingle also acknowledged that for data to be useful, it has to provide answers to the research questions. Data analysis is defined as the whole process, which starts immediately after data collection and ends at the point of interpretation and processing of the findings (Cooper and Schindler 2000).

As for the data's collected using questionnaires, the likert scale was used. This is because it is simple to construct, easy to read and interpret and is likely to produce a highly reliable scale. Data was captured and analyzed using SPSS version 20, descriptive statistics test such as mean, mode, median, percentage and factor analysis was used to analyze the questionnaire and important factors in *sharia* banking and its importance in dialogue between Christians and Muslims were developed. The numerical data collected was presented graphically, using tables, pie charts, and graphs for easy interpretation. As for qualitative data analysis, deductive approach

was used for analysis. This is a qualitative data analysis that involves analyzing data based on a structure pre-determined by the researcher. In this case, one can use the research questions as a guide for grouping and analyzing data. This is a quick and easy approach to qualitative data analysis and can be used when a researcher have an idea of likely responses from the sample population. In this research a group of people were brought together and the discussion was facilitated in accordance to the objectives of the research and conclusion was made from that.

In this research on the questionnaire, there are questions that seek the opinion of the respondent. These are the questions with either a yes or a no answer. Also in the focus group discussion, the test of opinions is in the forefront. As for the deductive approach there, some questions with definite answers. In addition, the questions are asked in accordance to the research objectives.

3.7 Ethical consideration

With regard to this, study an introductory letter from the department of theology St. Paul's university was used to introduce the researcher and the purpose of the study. The researcher also complied by applying for the permit to do the research from the National commission for science, technology and innovations (NACOSTI) which was granted. The researcher also complied with the principle of voluntary participation and of informed consent to ensure that the respondents knowingly and willingly agreed to participate in the research. Those who wished to withdraw from the study at any time were given liberty to do so. The anonymity and confidentiality of the respondents was guaranteed by using serial numbers on the questionnaires instead of their names in order to conceal their identity for their safety dignity and privacy.

3.8 Reliability and validity

Reliability refers to the consistence of a measure of concept. The following are three prominent factors involved when considering whether a measure is reliable:-

1) Stability- This consideration entails asking whether a measure is stable over time, so that we can be sure that the result rating to that measure does not vary with time. This means that if we administer a measure to a group and the re-administer it, there will be little variation over time in the results obtained.

2) Internal reliability- The key issue is whether the indicators that make up the scales or index are consistent- In other words, whether respondent's scores on one indicator tend to be related to their scores on the other indicators.

3) Inter – observer consistency- When a great deal of subjective judgment is involved in such activities as the recording of observations or the translation of the data into categories and where more than one "observer" is involved in such activities , there is the possibility that there is lack of consistency in their decisions. This can arise in cases like when answers to open questions have to be categorized or in structured observations when observers have to decide how to classify subject's behavior.(Bryan 2012:168)

In this research reliability was ensured in the questionnaires were given only to those people who were ready and willing to participate in the study. That is the reason why the researcher had the response rate table. There was no coercion of any kind. As for the focus group discussion, the group members were consulted in advance and given the topic to discuss. Those who were not interested did not attend and therefore the reliability of the data.

Validity refers to the issue of whether an indicator that is devised to gauge a concept really measures that concept. For the validity of the data, the researcher gave questionnaires to both Muslims and Christians. This was to avoid bias on religion. The same was done in the focus group discussion where both Christians and Muslims participated without intimidation.

3.9 Chapter summary

The chapter has detailed the proposed methods describing the research design, population and sampling design, data collection methods and research procedures. Population and research design have been discussed prompting justification for the sample size used in the end. The chapter also indicated how the data was analyzed using excel and SPSS version 20 and presented on the form of graphs, pie charts and tables. The next chapter presents data analysis, interpretations and findings.

CHAPTER FOUR: DATA PRESENTATION AND ANALYSIS

4.1 Introduction

This chapter provides a presentation and findings of the study based on the research objectives. The survey data was gathered using questionnaires that were administered among the customers and staffs of two fully-fledged banks in Nakuru i.e. First community bank and Gulf African bank and *sharia* compliant window of the Barclays bank in Nakuru. Study sought to answer the following questions: - What is the level of knowledge among Kenyans about the existence of *sharia* banks and their various services and products? What social religious factors that influence the choice of *sharia* banking in Nakuru Kenya?, And how does *sharia* banking acts as a tool to enhance Christian Muslim relations? Chapter covers demographic information and findings based on the objectives. Frequency tables, pie charts and graphs were used to present the findings. Data was analyzed using various statistical techniques.

The study targeted fifty customers of who thirty-two responded to the questionnaire thereby having a response rate of sixty four percent. The study also targeted three informants of which all participated leading to 100%. This response rate was sufficient and representative and conforms to Mugenda and Mugenda (1999) stipulation that a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent. The commendable response rate was due to frequent visits to remind the respondents to fill-in and return the questionnaires.

Response rate

	Frequency	Percentage
Questionnaires returned	32	64
Questionnaires not returned	18	36
Total	50	100

4.2 DEMOGRAPHIC INFORMATION

Demographics are characteristics of a population that are used in research exercise. The demographic information was included in the questionnaire in order to ensure that valid and useful findings were obtained and that the respondents were fairly representatives of stakeholders that are First community bank Nakuru, Gulf African bank Nakuru and Barclays bank customer base. The demographic information on the questionnaires spanned the religious affiliation, gender and occupation.

4.2.1 Religious affiliation

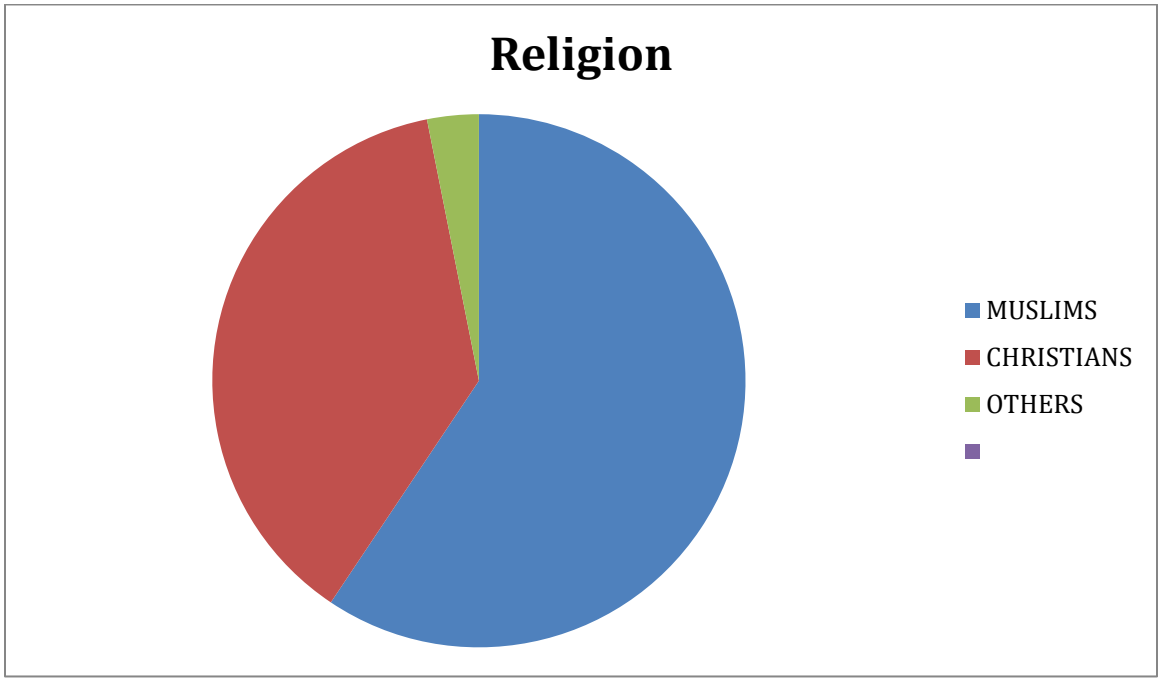
This was the first of the demographic questions addressed by the questionnaire. The purpose of the question was to ensure that the views of the people from various religious affiliations was captured. It was also to investigate if gulf African bank and first community banks services were accessed by the non-Muslims.

4.2.1 Distribution of respondents by religious affiliation

	Frequency	Percent
Muslims	19	59.3
Female	12	37.5
Others	1	3.1
Total	32	100

Table 4.1: Distribution of respondents by Religious affiliation

Figure 1 Pie chart showing religious affiliation



The finding shows that of the 32 respondents 19 were Muslims giving a percentage of about 59.3, 12 were Christians amounting to 37.5 percent and others 1 representing 3.1 percent. These findings show that there is awareness of *sharia* banking and their services not only for Muslims.

It is also clear that there are some products in *sharia* banking that attracted non-Muslims in the *sharia* banks.

4.2.2 Gender

The second question on the questionnaire addressed on the gender of the respondents. This was to ensure that the sample had the representation of the variation in gender of both gulf African bank and first community in Nakuru branches and the whole country.

4.2.2 Distribution of respondents by Gender

	Frequency	Percent
Male	21	65.625
Female	11	34.375
Total	32	100

Figure 2 Pie chart showing the respondents by gender

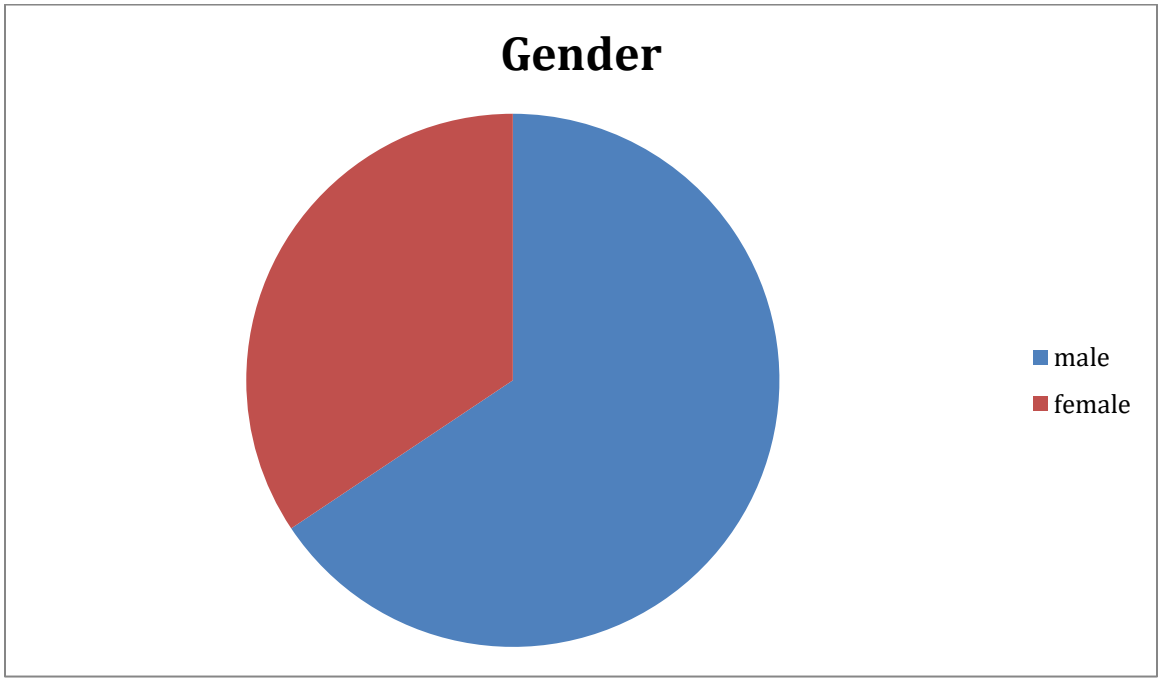


Figure 4.1: Pie chart of respondents by gender

The above finding shows that 65.625 percent of the respondents were male and 34.375 percent of female gender. The above pie chart shows the gender representation. There are less women respondents may be because of the fact that women have lesser rights to wealth and property. This is portrayed partly by Quran sura 4:11 which says that a son should receive two shares of inheritance for every share given to a daughter. That shows discrimination as far as women and finance is concerned. With the variations recorded in the gender from the respondents, the sample used can be said to be representative of First community bank and Gulf African bank customers.

4.2.3 Occupation of the respondents

The occupation of the respondents was investigated in order to make sure that they were representative of Gulf African bank and First community banks customer base. The researcher grouped it into employed, self-employed, jobless and retired.

4.2.3Distribution of the respondents by occupation

	Frequency	**Percent**
Employed	17	53.125
Self employed	13	40.625
Jobless	0	0
Retired	2	6.25
Total	32	100

Table 4.3: Distribution of the respondents by occupation

Figure 3 :Graph showing the occupation of the respondents

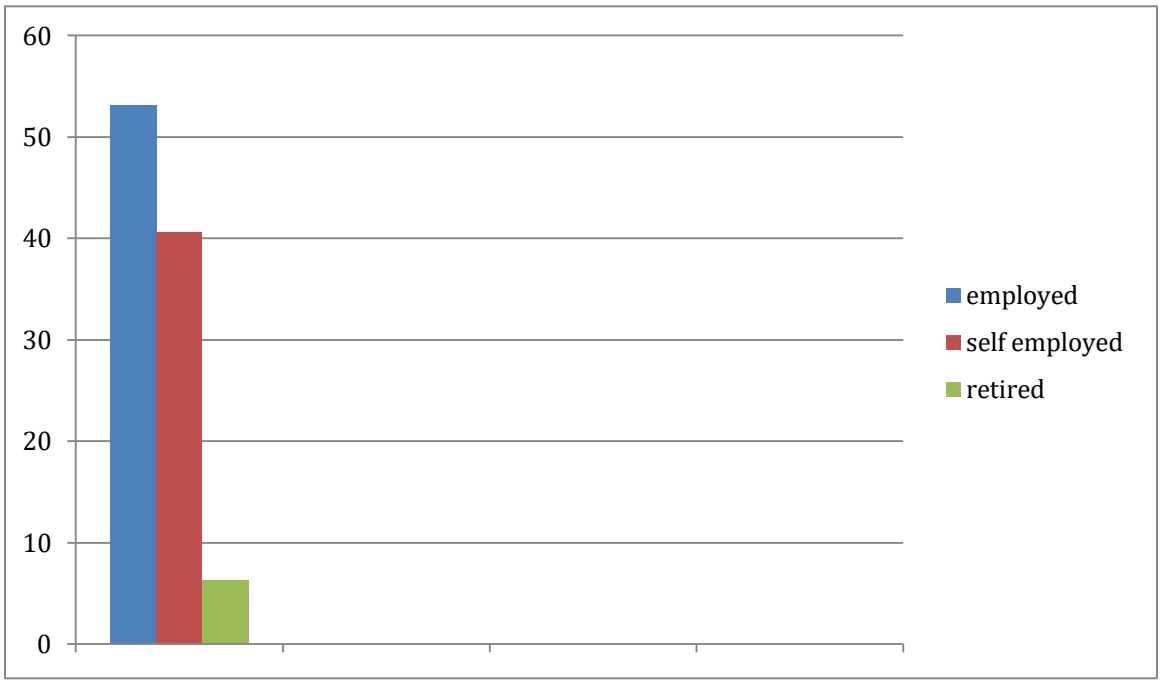


Figure 4.3: Graph showing the occupation of the respondents

The respondents included two retired people representing 6.2 percent. The majority of the respondents of these banks were employed, that is 17 representing 53.1 percent. Self-employed ranked second and were 13 representing 40.6 percent. There was none jobless respondents. The jobless could have been the newly graduated students still looking for jobs. In any case, they cannot afford to open an account in any bank since they do not have income. The employed probably could have been more because of the limited time they had from their employers to access their banks. Therefore, they could have had accounts because there was no congestion in the bank.

4.3 Respondent's attitude on the Christian Muslim relations in Nakuru

This section is designed to address on the first objective concerning the history of Christian Muslim relations. For people to be together they must first relate well. If there is no good relationship between Christians and Muslim, it will be difficult to find to find non-Muslims in

the *sharia* banks. This is because they know that they are governed by *sharia* law. So Christian Muslim relations are very essential in *sharia* banking.

The table and the graph below show the attitude of both Muslims and Christians on the Christian Muslim relations in Nakuru.

4.3.1 Distribution of respondents on the historical relationship between Christians and Muslims.

Respondents	Frequency	Percent
Muslims-Good	14	43.75
Very Good	5	15.625
Christians- Good	8	25
Very Good	4	12.5
Others- Good	1	3.125
	32	100

Table 4.2: Distribution of respondents on the historical relationship between Christians and Muslims

Fig 4.2 Graph showing respondent's attitude on Christian and Muslim relations in Nakuru

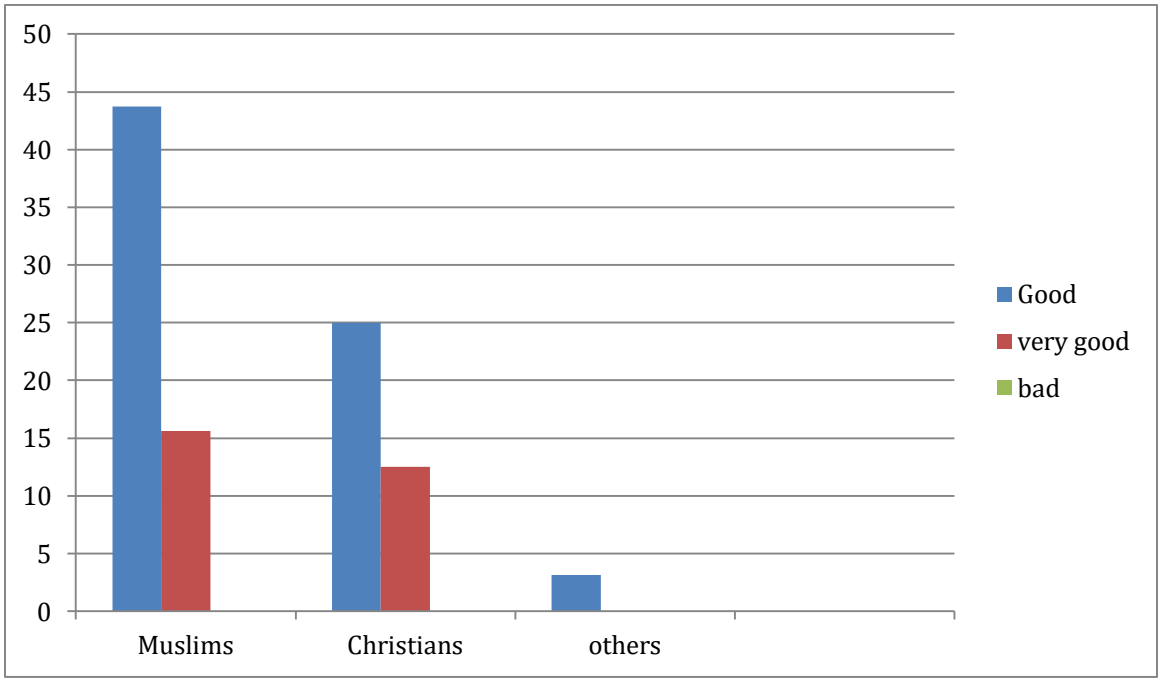


Figure 4.2: Graph showing Christian and Muslim relations in Nakuru

Majority of the respondents were Muslims and 43.75 percent said the relationship is good, 15.625 percent said it is very good, which totaled to 59.375 percent of the total respondents. Of the Christians 25 percent thought it is good, while 12.5 percent thought it is very good. The total respondent for Christians was 37.5 percent. The respondents from other religions who amounted to 3.125 percent thought that the relationship between Christians and Muslims was good.

4.4 Operations and targets of *sharia* banking

This section addressed the second research objective concerning factors on operations of *sharia* banks. It dwelt on the factors that influenced the respondents to open an account in a *sharia* bank. On this objective, the researcher divided it into two parts that is the Christians and the Muslims aspect.

4.4.1 Christian aspect

On the Christian aspect, the researcher will explore on different influences that could have led the Christians to have an account in a *sharia* bank. Majority 10 out of 13 Christian respondents were influenced by services. This is mostly because there was no queuing like in the popular conventional banks. 3 were influenced by Riba free. In this, they thought their savings would remain intact.

4.4.1. Factors that influenced Christian respondents to open an account in a sharia bank

	Frequency	**Percent**
Religion	0	0
Services	10	31.25
Riba free	3	9.375
Total	13	40.625

Table 4.3: Factors that influenced Christian respondents to open an account in a sharia bank

4.4.2 Muslim aspect

Most of the Muslims opened an account mostly on the religious ground. 12 out 19 respondents based their reason on religion. Six based on Riba free which is an aspect in *sharia* law. Only one opened an account on services base.

4.2.2. Factors that influenced Muslim respondents to open accounts in a *sharia* bank.

	Frequency	**Percent**
Religion	12	37.5
Services	1	3.125
Riba free	6	18.75
Total	19	59.375

Table 4.4: Factors that influenced Muslim respondents to open accounts in a sharia bank.

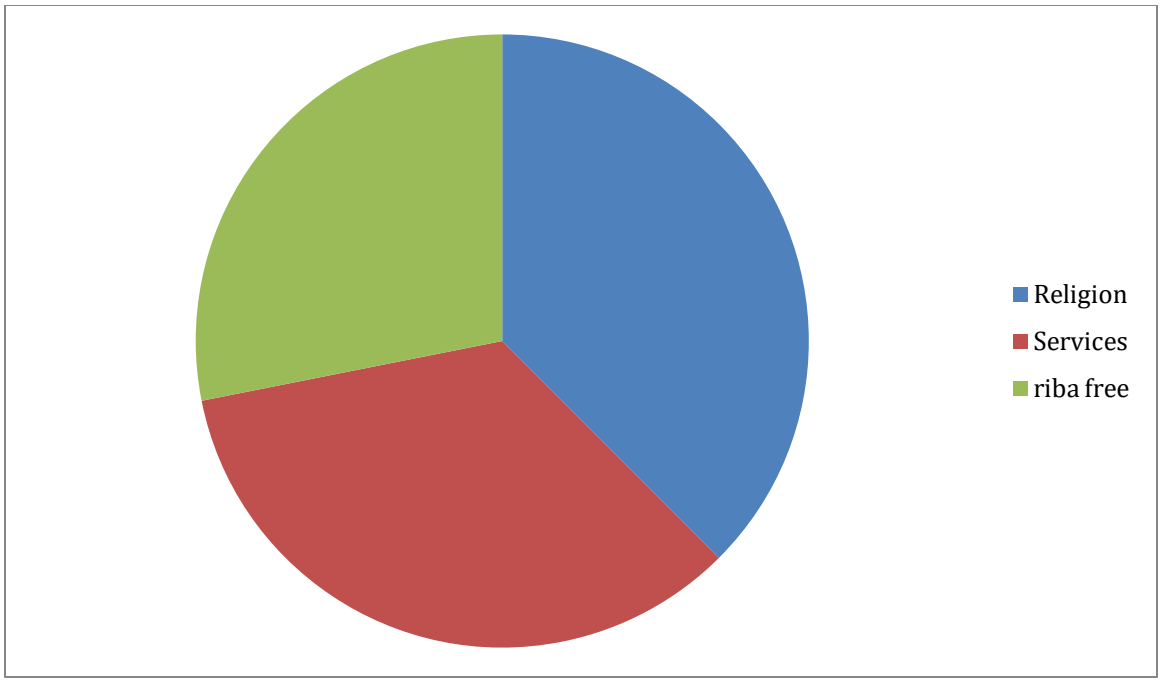


Figure 4.3: Pie chart showing factors influencing the respondents opening an account in a sharia bank.

In total 37.5 percent of Muslims opened accounts for religious reasons. 34.375 percent of both Christians and Muslims opened accounts for services reason and 28.125 percent for *Riba* free reason.

4.5 The base of relationship between Christians and Muslims as per respondents

This section is set to address the third research objective. This is concerning the spread of Islam through *sharia* banking. The approach was on whether the relationship was on faith, business or the social need. This could determine the influence that *sharia* banking would create with their product. The table below shows the base for Christian Muslim relations in Nakuru town.

	Frequency	Percent
Faith	21	65.625
Business	7	21.875
Social needs	4	12.5
Total	32	100

Table 4.5: Relationship between Christians and Muslims as per respondents

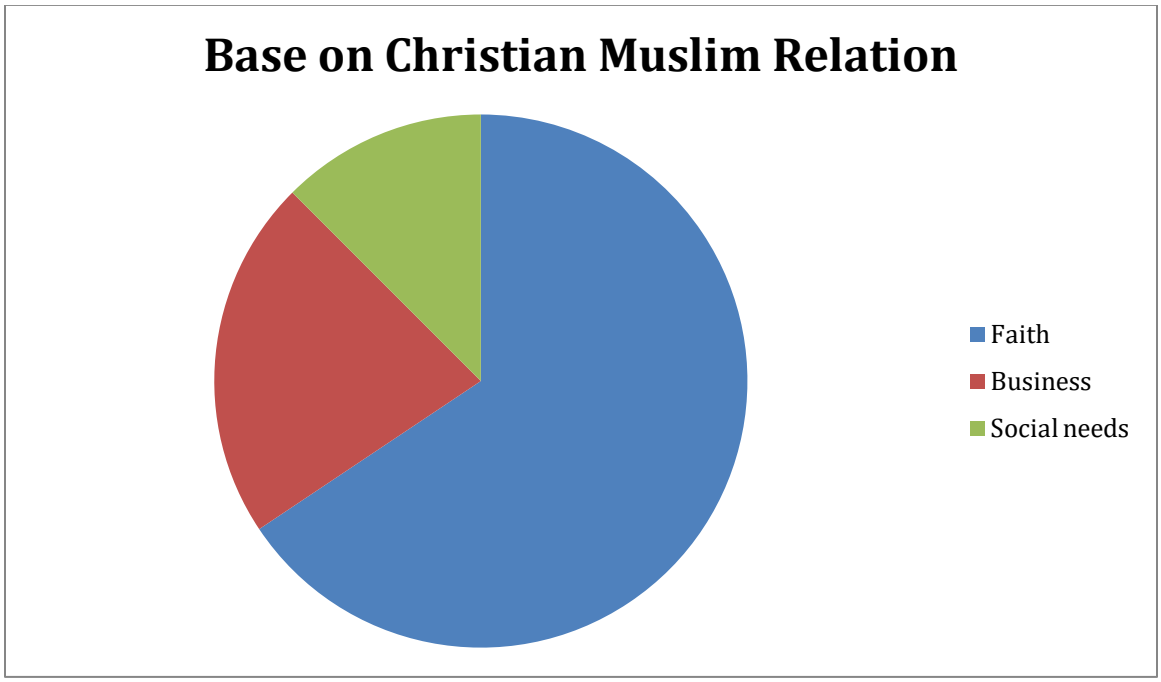


Figure 4.4: Pie chart showing respondents base on Christian Muslim relation

Majority of the respondents both Muslims and Christians believe that they share the same faith that is monotheism. This amounted to 65.625 percent. 21.875 percent of the respondents believed that their relationship is in the business while 12.5 percent were brought together by their social needs. So either of them can take advantage on the fact that they share the same faith for evangelization.

4.6 Importance of sharia banks in the relationship between Christians and Muslims

This answers the fourth objective on how *sharia* bank can enhance Christian Muslim relations. The researcher addressed this posing questions on the benefits reaped from the *sharia* banks. Below is the table and pie chart on the benefit reaped by the respondents on Christian Muslim relations through *sharia* banks.

4.6. Benefits reaped by respondents in the relationship between Christians, Muslims and other faiths.

	Frequency	**Percent**
Business	8	25
Social factors	18	56.25
Peace	6	18.75
Total	32	100

Table 4.6: Benefits reaped by respondents in the relationship between Christians, Muslims and other faiths.

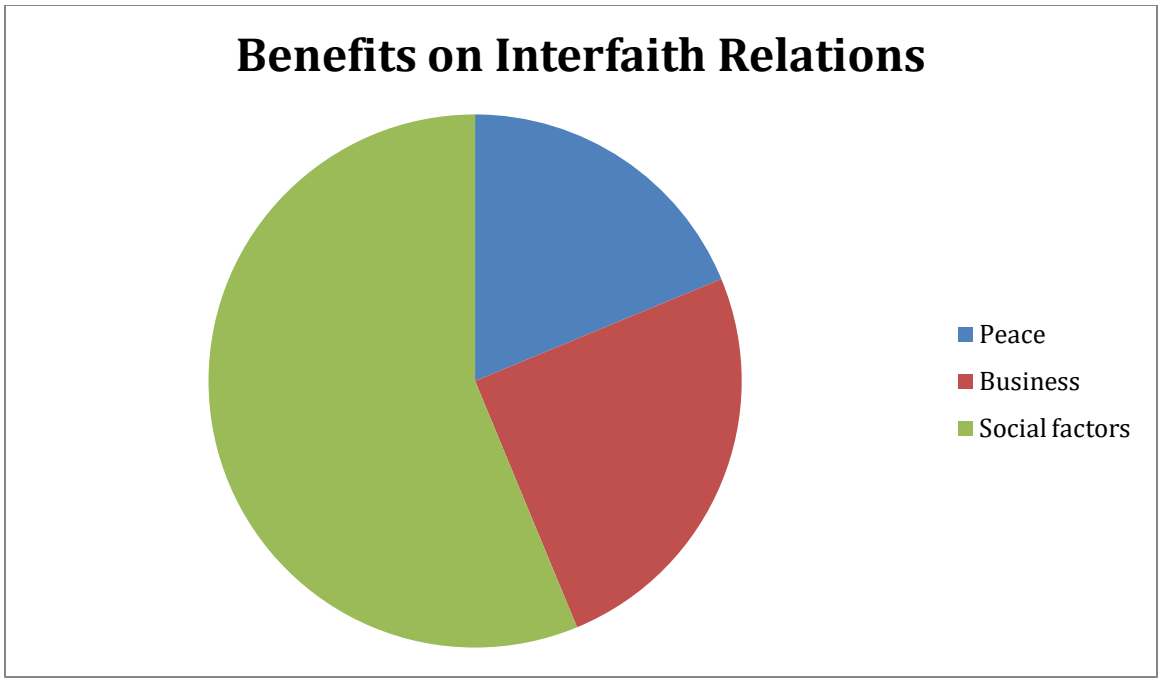


Figure 4.5 Pie chart showing respondents benefits on interfaith relations

The main benefit shown by respondents on interfaith relations was social. This included interactions, learning from one another and receiving similar treatment from the bank officers. This was taken by 56.25 percent of the respondents. 25 percent reaped on business. Here they worked together without discrimination. 18.75 percent said that peace was key in this relation. So socially, they lived harmoniously.

On the issue of dialogue both Christians and Muslims argued on the affirmative. That is, sharia banks have provided a ground for Christian Muslim relations. They argued that that is the place where they met and awaiting for services, they could discuss on social, political and economic situation. This is because they are in one country, one county and one town. They are neighbors and share the same problems despite their religious affiliation.

4.7 Characteristic of the staffs sample

In this section, there was the description of the sample by the staffs of the *sharia* banks. It was taking on their personal details, which included the religious affiliation, level of education and the position held in the bank. .On the side of operations, the research sought to find out the ratio of Christian customers to Muslims and how they relate in the banking halls. An opinion was sought from the respondents on whether the *sharia* banks can act as a tool to enhance Christian Muslim relations.

4.7.1. Distribution of respondents by religion.

	Frequency	**Percent**
Christians	10	62.5
Muslims	6	37.5
Total	16	100

Table 4.6: Distribution of respondents by religion.

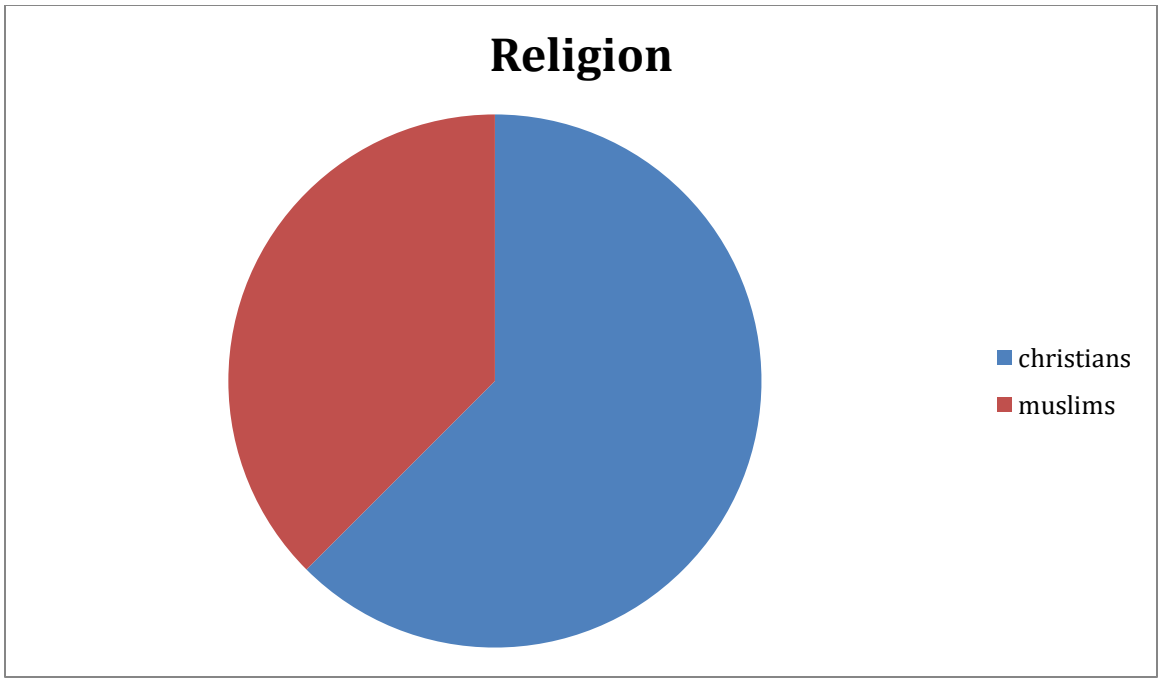


Figure 4.5: Pie chart showing the religious affiliation of the staff respondents

The finding showed that 62.5 percent of the staffs were Christians and 37.5 Muslims.

4.7.2 Distribution of respondents by education

	Frequency	**Percent**
Primary	0	0
Secondary	3	18.75
University	13	81.25
Others	0	0
Total	16	100

Table 4.7: Distribution of respondents by education

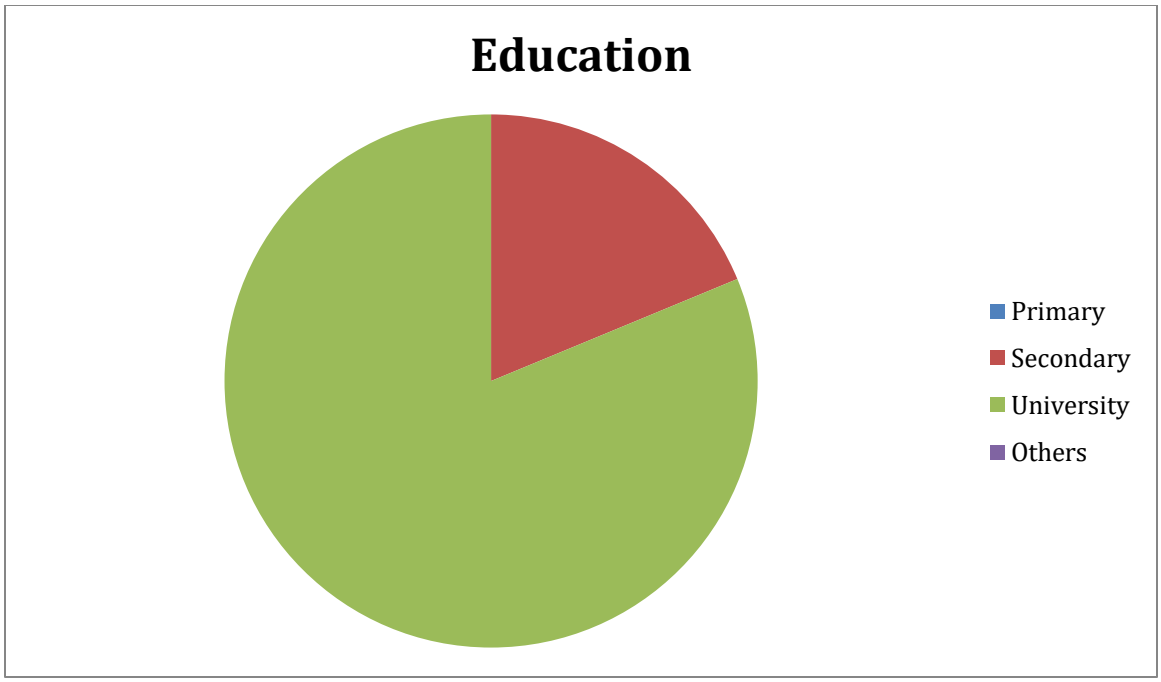


Figure 4.6: Pie chart showing the education level of the staff respondents

Findings showed that university graduates were 81.35 percent and 18.75 percent secondary school levers. Others and primary school leavers were zero percent.

4.7.3 Distribution of respondents by the level of employment

	Frequency	**Percent**
Managers	6	37.5
Tellers	6	37.5
Messengers	4	25
Total	16	100

Table 4.8: Distribution of respondents by the level of employment

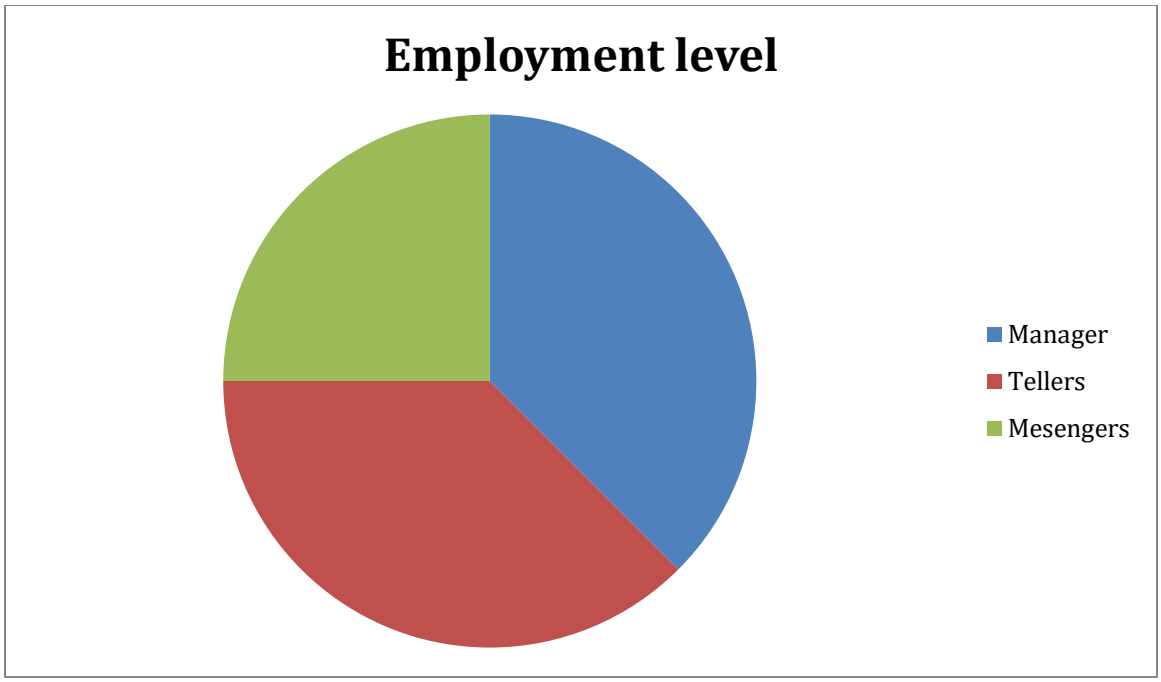


Figure 4.7: Pie chart showing the respondents level of employment

The finding shows that both managers and tellers tied at 37.5 percent while messengers were 25 percent.

4.7.4. Distribution of respondents on the ratio of Muslim customers to Christian customers

The whole sample agreed on the ratio of 3:1 on the side of Muslim customers to Christian customers. Therefore, the Muslim customers outnumber Christian customers.

4.7.5. Distribution of respondents on how the Muslim customers relate with Christian customers.

The whole sample agreed that the relationship between Muslim customers and Christian was good.

4.7.6. Distribution of respondents on the question whether *sharia* banking can act as a tool to enhance Christian Muslim relation.

The whole sample agreed that *sharia* banking can act as a tool to enhance Christian Muslim relation.

4.8 Focus group discussion

The researcher also organized a focus group discussion in *Bondeni* area of Nakuru town. This is an area presumed to be dominated by Muslims. In a small area, there are three mosques and a *madrassa*. However, the researcher found out that is also an Anglican church there. The researcher made arrangement with the vicar of that parish to bring together the respondents for discussion. The researcher facilitated the discussion by asking the questions as per the research objectives. The names of the respondents are in the appendices

On the first objective respondent 1 an imam gave the history on the Quran point of view. He said that Quran surah 2:275-9(*mungu amehararisha biashara na kuharamisha riba*) meaning that God has allowed business but outlawed *Riba* interest. He went ahead and said that asking for interest is like waging war against God and his prophet.

On the second objective respondent 2 a Muslim and a politician said that she has an account with the First community bank in Nakuru. She said that once one deposits some money it does not increase or reduce. She also said that their services are very friendly. Respondent one an imam with the knowledge of *sharia* banking explained the operation of the loan advancement with the principle of *murabaha*. He also said that there is a lot of control by the central bank of Kenya on matter related to the loans. Respondent 3 a Christian priest said that he visited the First community bank in need of a loan and was denied because he was a Christian. Respondent 4, a Christian had the knowledge of *sharia* banking but noticed that though they did not charge interest they had other normal charges and still invested their depositor's money.

Respondent 5 said that he had once opened a la *Riba* account in Barclays bank in Nakuru They were promised that it will not attract even the ledger fee, only to realize that they had started

charging the ledger fee hence he withdrew. Respondent 6 a Christian said that she has never entered in a *sharia* bank. When asked why she said that she thought that they were strictly Muslim.

Respondent 7 a Muslim said that he had an account there but withdrew. The reason he gave was that he was in Dubai bank, which was closed. When asked he could not go to another *sharia* bank, he responded that he tried with another bank was told that on top of his loan he had to pay a fee which he translated to be Riba.

Respondent8 a Muslim teacher said that she has an account with the first community bank in Nakuru. She said that she operates a savings account and the benefit that she reaps is that their services are very good in that wherever she needs her money she always gets. Still on this objective respondent 1 said that the only fee that they charge is only the withdrawal fees. Respondent 3 a priest took us to the deutronomic code in Deuteronomy28:------- the bible gives a direction in lending. Respondent 2 argued that the excess that was charged by the *sharia* banks on loans was for charity *(--ilikua ya kusaidia mayatima--)* Respondent1 also argued that Dubai bank fell in Nakuru because of defaulters.

On the issue of the spread of Islam through *sharia* banks respondents 1 and 2 refuted and said that they did not have time to discuss anything with anyone in the banking hall. Respondent 2 said that she never taken any loan. On the other hand respondent 5 a Christian tried to insinuate that that was their main objective though it has not been successful.

On the last objective which is on the issue of whether *sharia* banking can act as a tool to enhance Christian Muslim relation respondent 2 argued against and said that she as a Muslim has never ignited a dialogue. Respondent 5 argued against and said that respondent 2 though a Muslim was

also a politician and had more interest in politics than in religion. Respondent 8 said that she once communicated with a Christian customer and sack for opinion on the difference between *sharia* banks and conventional bank. She talked of friendly services and said that she wanted to try the loan section. Respondent 3 a Christian argued that *sharia* banks brought so much closer Muslims and Christians

The researcher concluded from the discussion, that *sharia* banks brought together Muslims and Christians though some of both Christians and Muslims were ignorant about their existence.

4.9Summary and interpretation

From the data that have been collected and analyzed, the following findings were made from the customer's point of view. Religious compliance, services and the issue of Riba free drove most customers.

That is 37.5percent, 34.3 percent and 28.1 percent respectively. When we look at religious affiliation around 59.3 percent were Muslims, 37.5 percent Christians and 3.1 percent others.

The above data shows clearly that Muslims want to save guard their faith, their human self and their wealth according to the ways stipulated in the Quran and the *sharia*. Above all they want their needs to be met also like others. This is why most of the Muslims responded positively to the factors like service efficiency and *Riba* free banking overwhelmingly.

On the side of gender the findings shows that most of the respondents were of male gender. Male respondents were 65.6 percent compared to 34.3 percent of female gender respondents. In actual sense 73.6 percent of the total Muslim respondents were male compared to 26.4 percent of the females who held the accounts.

The findings also showed that most of the respondents customers were employed seconded by self-employed and then retirees. This followed on the order of 53.1percent, 40.6percent, and 6.25

percent respectively. One thing that the finding showed is that there was no jam in the banking hall. This could have attracted most of the employed people for they could get a fast service. The same could have been for the self-employed and the retirees.

On the other hand both Muslims and Christian's respondents said that the relationship between Christians and Muslims was good. The data showed that about 43.7 percent of Muslim respondents said that it is good while 15.6 percent said that it is very good. Among the Christian respondents 25 percent said that it is good while 12.5 percent said that it is very good

The findings on the respondent's base on Christian Muslim relation was that majority of them said that it is faith. Here they argued that they all believed in one God. The issue of monotheism came in. Others were on the opinion that what they had in common was business and social needs. They argued that what they needed most was their business to grow and satisfy their social needs. In conclusion a Christians needs are the same as those of the Muslims since they are neighbors and friends.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1: Introduction

This chapter presents a summary of the results from the questionnaires and focus group discussion that were held on First community bank, Gulf African bank, Barclays bank and a section some Nakuru town population. The total population of Nakuru town is about 300,000 inhabitants according to the 2009 census. In this population, over 80% were Christians.

This chapter consists of four parts namely, summary, conclusions, policy recommendations and limitations. The first section gives a summary of the important elements of the study which included the objectives of the study, methodology used and findings. The second part discusses the major findings with respect to the specific objectives... The fourth part gives recommendations for improved base on the specific objectives and gives recommendations for further studies. Limitations of the study are also disclosed.

5.2 Summary

The purpose of the study was to determine *sharia* banking as a tool to enhance Christian Muslim relations in Nakuru Kenya. The study was guided by the following questions-

1) What is the origin of *sharia* banking?
2) What is the level of knowledge among Kenyans about the existence of *sharia* banking and the products that they offer?
3) What are the social and religious factors that influence the choice of *sharia* banking in Nakuru?
4) How does *sharia* banking act as a tool to enhance Christian Muslim relations in Nakuru?

In order for the above to be realized, the research was conducted in the form of a descriptive study. This design was adopted because it identifies patterns or trends in a situation. The target population was the existing customers of First community bank, Gulf African bank, and the *sharia* window of the Barclays bank. The study commenced by gathering the demographic information of the respondents. This was done because demographics as characteristic of a population can be used to enable the research activity to access who to survey and how to break down the overall survey response data into meaningful groups of respondents (Wyse, 2012). Doing this enabled the researcher to proceed with the exercise with the knowledge that the people among whom the questionnaires were administered represented a wide cross section of the banks customers to lend validity to the responses they provided. This was successfully achieved and the data collected in the subsequent section and sub sections of the questionnaire appear to be truly representative of the opinion of the First community bank, Gulf African bank, and Barclay's banks customers.

A simple random sampling technique was used to identify the 50customers and 16 staffs sample size elements. Questionnaires were used to collect primary data. They were given to the 50 customers and 16 staffs of First community bank, Gulf African bank and Barclays bank in Nakuru.

The collected data was first coded statistically and then analyzed using the statistical package for social scientists (SPSS). SPSS and Microsoft excel enabled the researcher to compute descriptive statistics such as percentages, frequencies and ranges. Finally the presentation of the results was done by the use of graphs, charts, tables and pie-charts for clarity and ease of understanding of the findings.

The study found out in the first objective that though *sharia* banking had a long history that dated back to the days of Mohammad, they had not managed to sail well in the Kenyan market and in Nakuru in particular. May be because the population of Muslims in Nakuru and Kenya at large is smaller than that of Christians.

On the second objective, which is on the operations and targets of *sharia* banking, there is the issue on the factors that drove the respondents to open an account in a *sharia* bank. The researcher here had two aspects, which are Christian's and Muslim's. Majority of Christians were driven by services while Muslims were driven by religion. In this case, none of the Christians would be converted to Islam through *Sharia* banking. On the other hand, the researcher found out that like other banks *sharia* banks were out for business.

On the third objective, which is to explore on the possibility of the spread of Islam through *sharia* banking, it was proved otherwise. This is because even some Muslims joined *sharia* banking because of the services rendered. This is portrayed in the research for the account influence shows that 34.375% of both Christians and Muslims opened accounts for services reasons.

On the fourth objective which is on Christian Muslim relations, the findings were that both Christians and Muslims believed that they share the same faith. This was shown by the level of interaction in the banking hall. On the question of the benefit reaped by the respondents on Christian Muslim relations through *sharia* banking, 56.25% landed on the social factors. This was leading hence *sharia* banking enhanced Christian Muslim relations in Nakuru Kenya.

On the focus group discussion, which was undertaken on both the customers of *sharia* banking and other members of the community, the following findings were observed:-

1) Quran has outlawed Riba (Quran surah 2:275-9)
2) *Sharia* banking services are friendly and no hidden charges.
3) Most Christians are ignorant of *sharia* banking.
4) Most of the Muslims had accounts with *sharia* banks mostly for religious reasons.
5) *Sharia* banking brought Christians and Muslims closer in dialogue due to interaction in the banking hall.

The study concluded that the key factors that influence the respondents to keep an account with the *sharia* banks are religious compliant products offered, responsiveness to the needs of the clients, service efficiency, and convenience to the clients

5.2 Conclusions

Based on the findings above the following conclusions were drawn from the study: Firstly, though *sharia* banking has been there from the time of Mohammad, it had not peaked like other conventional banks. This is may be for fear of entering into a religion unknowingly. This is because the bank is taken to be purely Islamic and following sharia principles.

Secondly, most of the Christians and Muslims who opened accounts with *sharia* banks did it mostly because of religious reasons and services rendered. In this case the researcher concluded that like other banks, *sharia* banks were also out for business.

Thirdly, on the possible spread of Islam through *sharia* banking, it was concluded that even some Muslims opened accounts in the *sharia* banks for the services rendered and not religious reason. In this case, they did not have time for evangelization.

Fourthly, on Christian Muslim relations, both Muslims and Christians were very positive. This was also echoed by the focus group discussion. They argued that both Christians and Muslims

had the same economic problems and hence they could share in the banking hall on how they can relate for their own good.

Other than providing *sharia* compliant products and services factors such as offering products and services that meets the customer's needs, reduced borrowing costs, minimum requirements to open an account and services efficiency influences the growth of *sharia* banking. They should put these priorities first and strengthen them in order to win great number customers both Muslims and non-Muslims. The above would create a large field for dialogue hence enhances Christian Muslim relations.

Lastly the research concluded that there is future market potentiality in *sharia* banking products. As shown in the findings most of the customers from the sample taken are employed. These shows that many young generations were seen going for these products and services. This banking system is set to grow if they can create awareness through seminars, workshops, advertisements and prayer sermons quoting verses from Quran and sayings of Mohammad (hadith) that concerns *sharia*-banking system.

5.3 Policy Recommendations

In Kenya all banks offering *sharia* banking have their own *sharia* boards who supervise and offer guidance to their respective banks on *sharia* banking system. *Sharia* boards in principle have authority to impose their view point but logistics considerations do not allow timely vetting and or monitoring of all banking operations. In view of these, I recommend central bank of Kenya to come up with a universal *sharia* board to oversee *sharia* banking operations in Kenya.

Conventional banking in Kenya is required to have a uniform financial reporting standard. This leads to a mixture of funds from both the *sharia* banking and the conventional banking. In this

case Muslim customers are discouraged to bank with such conventional banks as it is not acceptable in the *sharia*. Therefore, I recommend such conventional banks to have to have separate financial reporting standards.

As we all know *sharia* banking is a new system in Kenya. This leads to the shortage of *sharia* banking personnel. Further training and Islamic education should be given to bank personnel to help them offer appropriate services and advise to bank customers. The research recommend that all banks offering *sharia* banking should organize seminars and workshops by inviting well versed Islamic scholars to educate bank personnel about *sharia* banking and finance.

5.4 Limitations of the Study

The study contains three limitations. The first limitation was based on the sample area. The area of the study is only Nakuru. It could have been better if the study was extended to the whole Kenya. The population of Muslims is lesser than that of Christians like in most of the towns in Kenya.

Secondly, the study was restricted to the use of analyses method since the data did not allow for aggregation. More than two methods could have been used thus overcoming the limitation.

Thirdly the data collected was so limited. This is because of the unwillingness of the customers to respond. The staffs were also very few. Like in the Barclays window there were only two staffs while in the two fully fledged banks i.e. gulf African bank and first community bank there were seven staffs each. If they were busy enough they could have employed more staffs hence analysis more accurate.

Fourthly, the study was unable to perform analysis of variance for religious differences as the sample consists mostly of Muslims. This could have been overcome by doing the same research in other conventional banks and cross checking both sides.

5.5 Recommendations for further studies

In this study, we have established that most of the customers have joined *sharia* banks mostly because of services for both Muslim and non-Muslims and religion for Muslims alone. The study investigated the attraction of non-Muslims especially Christians to the *sharia* banks. This was to establish whether they joined because of religion or services. The study established that non-Christians joined these banks solely because there were no congestions, which enhanced faster services.

A future research activity in the area of *sharia* banking and Christian Muslim relations needs to Centre on the services in the bank. This is because though the uptake of *sharia* banking products in Kenyan market is good, the rate of growth is minimum. Therefore, further research is required to establish factors that contributed to this slow pace of growth of *sharia* banking in Kenya.

Nakuru is predominantly Christian like most towns in Kenya. This could have led to the slow pace of growth. A similar research needs to be done in a predominantly Muslim town in Kenya for easy comparison. This is to enhance Christian Muslim relations.

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APPENDICES

Appendix I: Questionnaires

Questionnaires

1) Religious affiliation:

Muslim ( ) Christian ( ) other ( )

2) Gender:

Male ( ) Female ( )

3) Occupation:

Employed ( )

Self-employed ( )

Jobless ( )

Retired ( )

4) How do Muslims and Christians relate in the area you come from?Good( )very good( )bad ( )

5) What makes you open an account in a *sharia* bank? Religion ( ) services ( ) interest free ( )

6) If religion, what product? ----------

7) What do you have and share in common between Christians and Muslims? ----------

8) What benefit have you had so far.----------

9) Since you came have your relationship with other faiths improved? Yes ( ) no (

10) How has it been of help to you

11) How has it brought about dialogue between Christians and Muslims

Staffs

1) Religion affiliation: Christian ( ) Muslim ( ) other ( )

2) Education level: primary ( ) secondary ( ) university ( ) other ( )

3) What level of employment: manager ( ) teller ( ) messenger ( )

4) What is the ratio of Muslim customers to Christian customers and others? 1: 3 ( ) 3: 1 ( )

5) How do they treat one another in the banking hall? Nicely ( ) Badly ( )

6) Can the bank act as a tool for Christian-Muslim relations? Yes ( ) No ( )

7) If no, explain ----------

Appendix II: Map of Nakuru town



Appendix 111: Names of the respondents in a group focus discussion

	Gender	Religion	Code
	Male	Muslim	Respondent 1
	Female	Muslim	Respondent 2
	Male	Christian	Respondent 3
	male	Christian	Respondent 4
	male	Christian	Respondent 5
	female	Christian	Respondent 6
	Male	Muslim	Respondent 7
	Male	Muslim	Respondent 8
	Female	Muslim	Respondent 9