



A COMPARATIVE ANALYSIS OF CREDIT EXTENSION UNDER THE ISLAMIC BANKING AND THE CONVENTIONAL BANKING IN BARCLAYS BANK-GARISSA BRANCH-KENYA

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ABSTRACT

The study was set to give a comparative analysis of credit extension under the Islamic banking and the Conventional banking in Garisa barclays bank-Kenya. The study objectives were; (1) to assess the key credit extension considerations of Islamic banking window and Conventional banking in the operations of Barclays bank Garisa branch; (2) to analyze how the Islamic banking considerations in credit extension compare with Conventional banking considerations in Barclays bank Garissa branch and (3) to compare the approaches used by Barclays bank Ltd in managing liquidity risk under Islamic banking and Conventional banking. The study adopted a research design where data, both primary and secondary, were collected from one geographical location at one point in time. The sample population was 550 comprising 21 bank staffs and management and 529 bank clients. The sample size was 110. The results were; Under objective (1) it was found that the credit extension considerations of Islamic banking and conventional banking differ significantly since Islamic banking focuses on profits while conventional banking on interests. Under objective (2) it was proved statistically using secondary data that Islamic banking was more effective than conventional banking while under objective (3) the research findings revealed that key components of liquidity management in Barclays bank-Garissa branch are human behavior, harmonization of assets and liabilities and measuring and monitoring of funds. Therefore it was recommended under objective (1) that Islamic banking window should be a better option since clients are satisfied with the services offered, under objective (2), the branch should prefer Islamic banking window than conventional since its more effective and finally under objective (3), the Barclays banks should hold liquidity reserves, regulate the redemption of time deposits, mitigate the extent of the business losses and default in equity based financing, go for internal liquidity arrangement with parent company. This research therefore, recommends that further research be done on the contributions of Islamic Banking in the development of Garissa District of Kenya.