



**ST.MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES**

**PERFORMANCE EFFECT OF INTEREST FREE BANKING
SERVICE:**

**THE CASE OF COMMERCIAL BANK OF ETHIOPIA
(WEST ADDIS ABABA DISTRICT)**

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DECLARATION

I, the undersigned ,declare that this thesis is my original work, prepared under the guidance of **Adrewe Gashayie, (Phd)**.All sources of materials used for the thesis have been duly acknowledged further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

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ENDORSEMENT

This thesis has been submitted to St.Mary's University, School of Graduate Studies for examination with my Approval as a university advisor.

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JUNE,2019

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ACRONMY/ABBREVIATION

IFB:-Interest free banking

SDD:-Special saving account.

AAOIF:-Accounting and audit organization Islamic finance.

SPSS:-Statistical packages for social science.

CONCISTANCY:-Reliability analysis test.

ABSTRACT

The main objective of this study is to empirically examine performance effect on Interest free banking services in Ethiopia with particular reference to the commercial bank of Ethiopia. The study has employed descriptive research based on survey and the data are of cross sectional type. The study has used both primary and secondary data which are quantitative and qualitative in nature and have been collected through structured and semi structured questionnaire and interview. A total of 100 sample respondents were taken through multistage sampling. Of the total sample interest free banking customers and staffs of the bank constitutes 60 and 40 respectively. The data was analyzed using descriptive statistics of mean, frequency and percentage using SPSS version 20 software. Based on the analysis of the obtained data, this research has found out the performance effects to IFB services as: lack of commitment of the bank, lack of Shariah advisor, lack of supportive regulatory directives , Problem related to Ethiopian Commodity Exchange (ECX) law, lack of capacity to deliver IFB product at full rage, lackof awareness of customer about IFB products, lack of trust and confidence of customers, inadequate marketing and promotion, double taxation, nature of IFB products, unavailability of IFB products in all of its branches and the IFB being delivered in a Window model. Accordingly, the following recommendations were forwarded by the researcher based on the results of the findings in conjunction with literature review reflections: aggressive promotion and marketing campaign about IFB products, provide sustainable and continuous training to build the capacity of the manpower, the bank shall increase accessibility of its products with the expected services attached to the products, the bank has to have Shariah advisor, give the required attention and focus for the business and the bank has to be transparent in its IFB business undertaking, in addition to these NBE directives, tax and ECX law shall include exceptions for IFB business undertaking

Keywords: *Interest free banking, Islamic banking, financial service board, investment deposit.*

CHAPTER ONE

INTRODUCTION

This research paper empirically examines the performance of interest free banking service with particular reference to Commercial Bank of Ethiopia. This chapter specifically provides background information of the paper and it is organized in eight sections. The first section deals with background information and followed by statement of the problem. Research questions and objectives of the study are presented in the third and fourth section respectively. The fifth part describes the significance of the study. Section six and seven discuss limitations and delimitations of the study, respectively. The final section of this chapter presents organization of this research paper.

1.1 Back ground of the study

Now a day Islamic finance also known as interest free banking has grown rapidly over the past decade, and its banking segment has become systemically important in a dozen countries in a wide of regions. According to IMF (2015) Islamic finance is projected to continue to expand in response to economic growth in countries with large and relatively unbanked Muslim populations. It is also fueled by the large savings accumulated by many oil-exporting countries that are seeking to invest in Shari'ah-compliant financial products.

The conventional banking system excludes the Muslim society, not by design, but due to its principle of using interest while playing its financial intermediary role and its involvement in business that the religion does not allow to be engaged in. This significant portion of the world population remained unbanked for centuries. Thus, this has created strong reservations against conventional banking system from the Muslims side and they demanded banking system that does not contradict with their religion. Hence, Interest free/Islamic banking (IFB) is being introduced on this ground. Metwally (1984 as cited in Al-sultan, 1999)

According to Sefiani (2014), for the sizable Muslim population in Ethiopia, there is a need for adequate banking services to serve this segment of the population. Currently, 18 private and government owned banks are operating in Ethiopia more than seven banks have adopted the interest free banking (IFB) system. These include Commercial bank of Ethiopia (CBE), Nib international bank S.C, Oromia international bank S.C, United bank S.C and Wegagen bank S.C. They are the first banks

to have started Interest free banking service as per the requirements (www.nbe.gov.et). “Interest free banking” refers to a system of banking or financial activity that is compliant with Shariah principles and guided by Islamic economics which prohibits the collection and or payment of interest as well as engaging in activities forbidden by Shariah (www.oroointbank.net).

To enable IFBs achieve their objectives in accordance with Islamic laws, they have devised (and are still devising) new services to meet the demand of their customers and win the competition they face from the conventional banks. Ethiopia having a significant Muslim population provides a huge potential for Islamic/interest free banking though interest free banking is meant for all those who would like to use the banking service apart from religious restriction. Sefiani (2014)

The study made by Mohammed (2012), has found out that there is need for Islamic banking products and services in Ethiopia. The significant Muslim population – according to the 2007 national census, the Muslim population comprises 33.9% of the total population (www.csa.gov.et accessed on 12/02/2016) - in Ethiopia, offers the opportunity for substantial customers that would patronize Islamic banking products. National Bank of Ethiopia (NBE) has authorized banks to undertake IFB business in year 2011; following this authorization banks have started IFB services in year 2013.

According to Sefiani (2014), for the sizable Muslim population in Ethiopia, there is a need for adequate banking services to serve this segment of the population. Banks reach to their customers through providing products and services that meet the need and wants of these customers. According to Aris et al (2013), the increasing trends of Islamic Finance, Islamic Financial institutions (IFIs) around the world are encouraged to develop and innovate new products in order to meet the ever-changing demand from its customers and potential customers. In order to satisfy the banking need of this population, banks shall provide adequate IFB services, create conducive environment and encourage the use of these services by looking the performance effect of customer base and customer deposit accordingly. (Irfan, Majeed & Zaman 2014)

Thus, the aim of this study is to examine the performance effects that the bank undergoes with particular reference to the commercial bank of Ethiopia the case west A.A district.

1.2 Statement of the problem

As have been discussed in the background part in the country like Ethiopia IFB role to the national economy is influential but this community have suffered to engage in to the modern banking industry although there exists a huge potential demand and financial flow of the majority branches as observed in day to day transaction of both the government and the non-government banks in Ethiopia.

According to tarik(2014) the initiation of IFB(interest free banking) not only fulfill the internal financial demand of the Muslim population but also have the capacity to improve the performance trend of the economy of the country through effective resource allocation and use of the work force in a sense of the community to access these banking system.

Though at global level there exist a fully structured interest free banks and almost full access of the IFB(interest free banking) service but the case of our country to some point is different as observed from some researches and literatures that are available in the countries.

In Ethiopia, however, few studies were conducted on the attributes of IFB. Among these studies Mohammed in 2012 has studied the “Prospects, Opportunities and Challenges of Islamic Banking in Ethiopia” and his work has identified the potential challenges as: lack of awareness, regulatory and supervisory challenges, institutional challenges, lack of support and link institutions, gap in research. This study was undertaken before the practical introduction of the IFB in the country. Therefore, it was not based on actual observation of facts on the ground. Therefore, it was not based on actual observation of facts on the ground. Debebe (2015) has conducted a study on „Factors Affecting Customers to Use Interest Free Banking in Ethiopia“. The study is centered on „customers“ intention and willingness to use interest free banking“. The result showed that perceived relative advantage, perceived compatibility, customers“ level of awareness and subjective norm have a significant positive impact on the attitude towards interest free banking in commercial bank of Ethiopia. This study is about impact assessment on the attitude towards IFB usage which does not address the current problem at hand. On the other hand Teferi“s (2015) study is about „Contribution of IFB to economic development and its prospect in Ethiopia“. The study has assessed the contribution of including the Muslim population in to the banking (financial system) to the economic development and GDP growth.

Thus, none of the above studies have addressed the performance for why the bank has not meet the desired level of capacity. Except in the international studies which took realities of other countries, to the best of the researcher's knowledge, there is paucity of empirical study in Ethiopian context related to the performance trend of IFB services. This, study, therefore, attempts to fill this research gap by looking the performance trend whether there is unmet demand of users, awareness of customers and capacity of bank as these have been identified in the literature as gaps, and commercial bank of Ethiopia west Addis Ababa district is taken as a case study.

1.3 Research Question

The study attempts to answer the following research questions.

1. What is the capacity of the bank effect on the performance of Interest free banking?
2. What is the customer awareness of the bank effect on the performance of Interest free banking?
3. What is the levels of demand of the bank effect on the performance of Interest free banking?

1.4. Objective of the study

1.4.1 General objective of the study

The general objective of the study was to examine the level of performance effect that the banks undergo with particular reference to the commercial bank of Ethiopia.

1.4.2 Specific objective of the study

The study particularly tries to meet the following essential objectives;

1. To identify the effect of capacity of the bank on the performance of interest free banking.
2. To identify the effect of costumer awareness on the performance of interest free banking.
3. To identify the effect of levels of demand on the performance of interest free banking.

1.5. Significance of the study

The findings of the study will have theoretical and practical contributions. Theoretically, the findings of this study fills an important gap to serve as a reference material to the existing body of the literature and initiate other interested researchers as a starting point to carry out more extensive studies in the area. On the practical side, this study help to acquire knowledge and practical experience to the researcher, bank managers (both governmental and private banks), bank policy and decision makers to identify and understand the prospects of IFB in resource mobilization.

1.6. limitations of the study

The study is limited to the Addis Ababa specific city branches of CBE (commercial bank of Ethiopia west Addis Ababa district) due to its accessibility to new invasions of banks features and good representative to the branches under it. The other limitation was, study was conducted on Commercial Banks which have Interest free banking windows and did launched the service at full scale (not at pilot stage), The finding of this study is limited to these Commercial banks interest free banking windows, must be made with caution. However, none of these affected the quality of the research.

1.7. Delimitations of the study

It is bounded by both area coverage and problem addressed. The study is delimited to only identifying the performance and use of interest free banking service in commercial bank of Ethiopia. It is based on the case of one bank-Commercial Bank of Ethiopia and its customers.. However, it is believed that CBE, with its extensive branch network all over the country, may fairly represent the country.

1.8. Organization of the paper

The study will be organized in to five chapters, the first chapter deals with the introduction of the study that is, background, statement of the problem, research question and objective, significance, limitation and delimitation of the study. The second chapter discusses the theoretical and empirical literature about interest free/Islamic banking. The third chapter is about the methodology of the research that is the research design sampling technique, method of data collection tools, method of data analysis and so on. The fourth chapter of the thesis discuss about the discovery as well as the quantitative and qualitative data analysis. Lastly the fifth chapter tells about the conclusion and recommendations of the study.

CHAPTER TWO: LITERATURE REVIEW

In this part of the study theoretical and empirical literature review will be conducted which contain a full explanation of each topic.

2.1 Theoretical literature review

2.1.1 Definition

Definition of Islamic banking is based on concepts that interest is seriously forbidden in Islam, and that Islamic thought provides the required follow-up on working of banks under it. The basic rules that have guided all theoretical work on Islamic banking is that though working with interest is forbidden trade relation and profit generation is encouraged. According to definition given by (Farhni and Dastan) 2014 Islamic banking is a financial system whose key aim is to fulfill teachings of Holy Quran. Islamic law reflects order of God and this law controls all issues of a Muslim's life and hence Islamic finance is directly involved with spiritual values and social justice. Providing and intermediating, receiving of interest is not allowed in all exchange in Islamic financial guidelines. According to the organization of Islamic conference (OIC) 2005 defines Islamic bank as financial institution whose states its commitment to principle of sharia and further according to Totayibi 2008 describes Islamic finance as finance which is sound with the rules of Islamic law. And based on above writers definitions it tries to clarify that the restriction on taking, intermediating, giving of any interest based financial transaction.

2.1.2 The Birth and development of Islamic banking

2.1.2.1 The birth and development of Islamic banking at international level

Islamic banking was initiated at the country of Bahrain that started to show a development progression at international level in country of United Kingdom in 1980s that operate under rules and procedures of Islamic law (sharia) further other countries like Malaysia, Pakistan and Iran are other countries that introduce the system at the international level.

The first modern Islamic financing was started at Pakistan in the 1950s which is associated with an objective of financing to agricultural development further the main point for initiation of Islamic banking is to benefit majority ruler society that demand banking operation and for security of their cash.

In Europe development of Islamic financing is mainly focused on bank service operation and primary intention to capitalism that built a well-structured capital market that enable them to win the global competition in terms of taxation and western political environment

Development of Islamic financing on Malaysia to globally interconnected financing operation that normal and Islamized financing organization operate together is critically important. Malaysia is assumed as one of the source of” of Islamic finance and use one of the global huge Islamic financing markets. In initial level of 1960s, a mini Islamized financing entity join working environment by making up Islamized deposit funding, which is controlled by a less financed individuals that get ready for their religious movement to Mecca. According to Al-Hawari and Ward (2006) stated that client positive response have a supportive role in connection between service standard and financing performance of banks.

According to (Razak 2007). Bank can receive attention of clients by developing successful marketing package to improve awareness on standardized service accessibly to society. It enable to improve knowhow of bank clients and employees in terms of service standard concerning Islamized and normal banks in Pakistani. Bank supervisors have to develop standardization initiatives to increase their instruments by focusing on external environments and nature of the clients.

2.1.2.2 The Birth and development of Islamic banking in Ethiopia

The introduction of Islamic banking particularly interest free banking in Ethiopia is a current phenomenon that start operation by the year 2013 G.C. zenzem was the first to initiate the idea of interest free banking service and oromia international bank was initiating private bank to start interest free banking operation in 2013 further this bank secure over 1.2 billion birr in deposit and generate a profit of 27.4 million birr until June2016 G.C.

It has second interest free banking user with a customer base of 135,000 next to commercial bank of Ethiopia that have more than 400,000 customer bases further other banks like the united bank, nib international bank, awash international bank, and cooperative bank of oromia receive from the national bank to start operation (fortune may2017)

In these performance progress of interest free banking industry in Ethiopia although many of the banks start their operation early following to the establishment of the directive of national bank of Ethiopia there exist an observance of performance gap in terms of increasing their pace on service excellence that

Is shift from the known window modes of banking to a fully-fledged banking which is observed as a gap to many government and non-government banks

According to directive of national bank of Ethiopia in year 2011 E.C. These directive allows operation of the service but in accordance to following guide lines that is capacity of banks which is in terms of facility's to run interest free banking and necessary infrastructure that are required to the operation are the stated points in the guide lines. (Bentley 2011 3rd edition)

There for unlike the global researches that place fact of their nation in country like Ethiopia that is new to Islamic finance there is a need to share experience from those country that have fully structured their finance in all aspects of the management work

2.1.2.3 Guidelines of interest free banking (IFB)

The system of Islamic financial institution run by agreement of profit and loss distribution based on a predetermined rate and according to the follow up of the guideline. So interest free banking institutions doesn't bear interest rather engage in different acceptable business to generate profit. Clients take their portion according to the stated markup amount. Further their exists two financial flows first between the Islamic finance and the client second between the Islamic finance and the investor.

The Islamic finance system is not limited to normal banking rather it covers financial instrument, financial market, and all financial intermediary's that facilitate the flow of Islamic finance(tarek2001)

The Islamic finance as a new system that allow those financial flows that are sound in Islam and a financially healthy contract free of uncertainty(kazmi1994) further to be treated as an Islamic bank it should have the following preconditions.

1. Any financial institution that have the engagement of interest (usury) is strictly prohibited.
2. Openness and the absence of fraud in all the transaction are highly encouraged.
3. The effectiveness of Islamic charity is highly encouraged and supported by the Islamic rules.
4. Risk and return takes huge portion in the Islamic finance.
5. Only those contracts that have the acceptance of the Islamic sharia become effective.

2.1.3 Concepts of IFB

According to the study by (Ahmad(1984) concept of interest free banking and Islamic banking are being used interchangeably the former is more of sound while the latter is actual practice or mode of banking. Further Islamic banking use some of macroeconomic models(meltezer(1951) of Islamic finance which is setting price fixed and flexible while interest free banking run with the principle of only the exclusion of usury at the time of occurrence of any financial transaction and absence of guaranty to support other activities run under Islamic law.

2.1.4 Global institution of Islamic finance

This large industry select those organizations in order to control the operation of this different Islamic global institution i.e. while elimination of "usury" or interest in every part that is an essential part of the Islamic institutions. Further major issues in Islamis concept of collaboration to support each other at the time of complaint service operation that is supported by Islamic law tayibi (2008). As stated by zaineb(2014)there are two globally known organizations controlling bodies that have been dominantly used as standard setting bodies and benchmarks for Islamic and IFB products: Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) and International Financial Services Board (IFSB). The briefing is shown as follow

2.1.4.1 Importance of introducing AAOIFI and IFSB

As stated by zeyineb (2013) banks introduce AAOIFI and IFSB gain several advantage

1. They serve as a control tool by making global procedures and regulations
2. Minimize the those traits that are unhealthy to the Islamic regulation
3. Reduce the conflict associated with identifying a system which is new to the Islamic regulation.
4. It enable a faire tax consideration up on different IFB operation instruments
5. To make the clients become more aware of about the IFB products that enable them identifying the benefits and the traits

2.1.4.2 Accountancy and audit organization for Islamic financial institution

(AAOIFI)

AAOIFI was formed in Bahrain in 1990 with objectives of preparing and reviewing audit and accounting standard for Islamic financial institution undertake these objectives according to rules of Islamic guidance further this organization have a structure that contain general assembly, board of trustee, executive committee, secretary general. Currently many Islamic banks use directives of AAOIFI that enable to limit execution of their own ideologies by placing them in to one standardization line zeyineb(2014)

2.1.4.3 International financial service board (IFSB)

It is based on kulamunker(2003) that state goal of (IFSB) to build awareness of issues that could have an impact on Islamic financial services industry. International Islamic Financial Market is a part of IFSB that standardizes Islamic capital market products and operations, though as of 2013 its recommendations were "not implemented by most Islamic banks". It was founded in November 2001 through cooperation of governments and central banks of Brunei, Indonesia and Sudan.

Its secretary at is located in Manama Bahrain. According to one source (FaleelJamaldeen) Islamic Financial Services Board differs from other Islamic financial standards organ, in that AAOIFI sets "best practices for handling financial reporting requirements of Islamic financial institutions" ;IFSB standards are "mainly concerned with identification, management, and disclosure of risk related to Islamic financial products"

2.1.5 View of Islamic finance industry

It is a new modes to financing system that doesn't operate its business with bearing of interest unlike the conventional financial system according to statement by many scholars further this system was initiated in 1963 in Egypt through the establishment of(lembagatabung) hajj followed by Iran and other UK and Asia. Islamic system of contracting allows for designing risk management solutions using the framework of financial derivative products. He also argued that Islamic finance provides basic building blocks that can be used to construct more complex financial instruments that will enhance liquidity and offer risk management tools. iqbala(1999)

Islamic banking provide products based on the concept of risk-sharing which is a very important aspect of a financial product due to the huge financial troubles that originate from today's illiterate financial

consultants and misconducting investors. Islamic banking products provide a fresh opportunity to fix moral and ethical issues of business and finance that reaches beyond Islamic world to prompt a re-examination of the core values underlying all financial transactions. Kenya offers significant increment trend in Islamic banking leaving to its vast Muslim population. Hence, properly structured Islamic finance could help Kenya attract investment from cash-rich Islamic funds in the Gulf and South-east Asia. So performance of Islamic products (heric dingo 2014) Islamic banks tend to become inefficient when operating within dual banking environment. Samad and Hassan (1998) also observed that in some aspects, Islamic banks out performed conventional banks.

Hassan and Bashir (2003) studied effects of controlled and uncontrolled variables on Islamic banks profitability. They found that while factors such as capital, overhead, gross domestic product and conventional interest rates were positively related to profitability; loan ratios, reserves taxes, and size were adversely related Ayub (2002) observed that Islamic banks are well capitalized, profitable and stable due to their effective use of resources. In comparison to international standards in banking, Islamic banks are at par with them in terms of profitability ratios but their operations are not cost effective

For Islamic banking to spread in a given country rises with share of the Muslim population, income per capita, and whether the country is a net exporter of oil. Trading with the Middle East and economic stability are also conducive to the progress of Islamic banking. Proximity to Malaysia and Bahrain, two Islamic financial centers, does matter. Interest rates' discourage the development of Islamic banking because they reduce opportunity cost for small portion of religious individuals to put their money in a conventional bank. (IMF2009)

According to Hassan and Bashir (2003) studied determinants of Islamic Banking profitability between 1994 and 2001 for 21 countries and results show that Islamic Banks have a better capital asset ratio 17 compared to conventional banks. Surprisingly, they document a negative relationship between total assets and profitability, which means that smaller banks are more profitable. In addition, during an economic boom, bank profitability seems to improve because there are fewer nonperforming loans. Inflation, on the other hand, does not have any effect on Islamic Bank profitability.

Even though the existence of economic and political influence up on many global financial centers the Islamic financing shows a two-step increment over the past decades as a result of this progression the Islamic finance raise its hand across the globe in various paths(belaf & chch 2014)

2.1.6 Comparison between Islamic and conventional banking

There are major differences between the two banking systems. Under the second, level of interest is fixed in advance, where as in first, benefits and loss are shared between lenders and borrowers according to a deal that show their levels of engagement. So, profit-sharing idea implies an interest in profitability of “parties” on part of lender (the bank). The focus is not on “pay on demand” at set duration interval like the interest-based system rather it is long run advantage of contractors. (Mohammed akoeom1993)

In the current Islamic banking system, it has become one of Service-based operation of Islamic banks to be a Zakat Collection Centre and they also pay out their Zakat further the Islamic banks have no permission to charge any extra money from the bankrupt except for compensation. The Islamic banking is based on a sharia approved financial transaction. Since it shares profit and loss, Islamic banks pay greater attention to developing project appraisal and evaluations. (Rabiulakhir 2010)

To place economically fair, socially balanced and ethically and right economic behavior. Inequality is reflected in situation where creditor is guaranteed a positive return without assuming any share of the borrower’s risk whilst the borrower takes upon himself all sorts of risks in addition to his efforts, skills and labor while the Conventional banking was built upon the fundamentals of debtor-creditor relationship with interest being price of credit and reflecting opportunity cost of money. Hence, due to money is a commodity somewhat.

Though profit sharing and interest based operations are looks similar but there exists a differs for both sects which is former make Islamic bank can only guarantee Deposits for deposit account, Which is based on principle of al-wadiah, thus depositors are guaranteed repayment other funds, however if account is based on mudharabah concept, client have to share in a loss position. But in conventional bank has to guarantee all its deposits to its customers. Rabiulakhir (2010). In order to use currencies from Islamic institutions by the given company it have to agree up on both the profit sharing and loss sharing contract further Islamic institution deals with company about preconditions required to run with in such investment contracts that reduce effect of default by the investing customer up on Islamic bank (mahmud2013) In conventional I banking, a main purpose of a bank’s business is in providing loans and

generating interest on them. But, rather on making loans, an Islamic bank takes a capital setup through the credit that it advances.

The Islamic finance arrange finance available for a productive investment to be made by a joint venture between it and one or more investor. Where Islamic banking separate from conventional banking is based up on treatment of risk. Under Islamic banking, risk is transferred to lender, forcing the latter to finance only those ventures that are sound and to avoid speculative ones. (mahmud2013)

2.1.7 Main IFB tools

The initiation of interest free banking products around globe is due to high demand by some portion of the Muslim society that doesn't participate on interest base tools. Islamic banking progress with objective of identifying interest of new source by making those products that are acceptable by Islamic guidance and due to push factor of Islamic sharia in need of this IFB products. So in order to observe a huge progress trend like the conventional banks known products there's a need to work up on those newly developed products (lewis2007)

Interest free banking work based on rules and guidance of sharia that needs all financial flows to healthy according to Islamic laws that doesn't contain the collection, out flow and intermediation of any transaction that involve usury (interest).so as a substitute it is advisable by Muslim society's to engage in to a contract of profit sharing and loss handling as a part of investment financing contract. IFB system introduce products in diversified forms. kessen (2011) Islamic finance has developed or developing unique products that makes them meet their target based on the Islamic sharia.(sulta1999)

2.1.7.1 Islamic banking deposit products

Islamic banks generally work with three main types of accounts: current account, saving account, and investment account. The bank and depositor share return according to their agreed contract by personal. For quard(current account) deposit by customer for loan to bank produce no yield for owner of account but loan to bank principal is guaranteed. ziuddn(1994) based on the investment deposit product interest free banking products are listed as follows.

I. General investment deposit

It is a known deposit product of Islamic banks which an investment pool is established. That have an investment deposits of different maturities further funds are not connected to any particular investment project but are used in opposite and continuous financing operations of bank. Profits are prepared and shared at end of accounting year, which is either three months, six months or in year's interval.

II. Special investment deposit

This saving account is identical in every form to general investment deposit except that saver should fulfill desired minimum to finance in this product, and the holders of the special investment accounts (usually government and big organizations) have the decision to choose specific projects that they want to apply their funds in. As a result, the funds especial finance accounts normally end up in large popular investment projects and institutions known for their solid credibility and high rates of income. The types of investment of the funds and ratio of profit distribution may usually be individually negotiated.

III. Limited and unlimited period investment deposit

Investment deposits with limited contract are operated for a definite time. That is jointly identified by saver and bank. Further agreement would be closed at ending of particular period but profits are worked out and distributed at last of accounting period. While in unlimited period there is no actualization and Deposits are immediately updated unless a notice of three months is given to stop the contract. No withdrawals or additional saving are allowed in this type of agreement, although customers are permitted to run more than one account. Further profits are identified and shared with in end of accounting period.

2.1.7.2 Islamic Banking Finance products

As a detail, Islamic finance contain purchase and sales of manufacturing goods as per contract and participation to finance in those investments that are acceptable by Islamic rules and procedures. financing undergo in to two different ways first is return sharing and risk taking and second is

supply of goods and service in consideration of future repayment which is fulfilled by final users.(iqbal2001)

Financial products mainly focusing on Islamic laws have been initiated in order to make banking activities efficient and accessible by Muslim society by making a lawful lending and investing of money that have a positive or negative impacts to the potential investors. In different literatures observed their Exist several interest free banking instrument tools but few perform or become applicable in t existing banking operation and known by societyand working employees. The research shows that there exists a known interest free banking products mentioned by different scholars. For instance(Kettell, 2011; Hassan, 2007; Iqbal &Mirahor, 2007; Askar, Iqbal &Mirahor, 2009;Warde, 2010; Chapr, 2006; Ansar and Memon, 2008; An-Nabhani, 2002; Elgari, 2003;Rosley, 2011; Pramanik, 2009; El-Gamal, 2006; Yunus, 2011). Some of the known products on Islamic institutions globally include.

2.1.7.3 Types of Islamic financing products

- i. Istisna(manufacturing contract)** istisna is one of the Islamic financing products which is used in providing fund to those products that are not complete for external market and which need further manufacturing. In this financing instrument bank order producer to manufacture a product as per agreement with purchaser. Usually it is applicable on pre-shipment of a manufactured products, long term and large scale facility's.
- ii. musharaka(capital partnership);**musharaka is an Islamic finance built by two partners that share capital and manage it jointly(which is the financial institution and customer) that provide fund for organization they built. In these financing instrument profits are distributed according to their previous agreement but losses are covered according to amount of share of their capital they provide further any cancelation of contract by customer would lead to a penalty in some sort of providing charit
- iii. Mudaraba (investment contract);**Mudaraba is financing of those products that are not being finished for market and will have to be manufactured. In this agreement one parties contribute equity and other operate business. Profit is distributed according to percentage of share they have on company. In case of incurring a loss due to a negative effect on investment the parties receives no commencement for his hard working in consideration to his previous work.

- iv. Ijara(leasing contract);**It is a contract where by the Islamic bank provide lease to client that enable customer to become owner of the fixed asset at the time of completion of the lease contract that is usually on monthly base that give an option to customer of contract.But customer is not obligated to buy asset at the end of lease contract.
- v. Salam(prepaid business contract);**It is business contract whereby Islamic bank provide commodity then in future as specified in exchange full payment would be settled to bank. So in this contract customer make an early payment for taking productin specified future date.
- i. Murabaha(mark up financing contract);**Murabaha is a contract between financing bank and customer by which bank takes risk of purchasing a given goods or equipment according to specification provided by customer in consideration of cost and markup(fixed profit margin) that is reasonable to both financing bank and customer.

2.1.8 Performance gap faced by Interest free banking

In interest free banking system there is a serious shortage of scholars and qualified managers. Unfortunately the managers are not well trained in the use of interest free financial practices. Interest free banking in western countries especially in UK is facing the problem of legal system because Interest free banking not yet proper regulated due to this there is possibility to create tension between Interest free banking and regulators. It is fact that interest free banking is not well regulated at the moment because they have not a strong branch network. Islamic bank of Britain has only eight branches around the UK (www.islamic-bank.com).

In conventional system, long-term finance is provided through long-term bonds and equities. Apart from the general public, the most important source of these long-term investments is investment banks, mutual funds, insurance companies and pension funds. Islamic banks do not deal with interest bearing bonds. Therefore, their need for equity markets is much higher. On the top of it, the most of the products in Islamic banks are based on goods and commodities while prices and currency rates go up and down frequently, creating a big risk for them being traders in reality especially in the case of Salam and Istisna'a. To hedge the risk, they are in need of derivative products and consequently of Future Exchanges (Abdul Jabbar P. 3).

As to Ephrem Mekuria, communications manager of CBE & Taye Dibekulu, president of UB, He explained to Addis fortune Magazine, that the customers are increasing in number; however lack of

awareness from potential customers and the absence of a highly qualified workforce in the area are the major challenge in interest free banking. Also according to Andualem Hailu, planning and research manager at Awash International Bank, there are some contentious issues, like double-taxation and calculations of taxes on the investments and the bank which needs to be clear in the process (www.Addis Fortune.net may 18 2014).

2.2 Empirical literature review

2.2.1 Studies related to Islamic banking in country specific studies

Interest free banking system is a current phenomenon in comparison to usual normal banking system. It develop as a finance industry that have its own structural lay out, rules and procedures for demand of change and progress. (Bahan & kan 2008)

On global trend their exists several researches that focus on performance gap on interest free/Islamic banking which is being forwarded. These researches shows that Islamic finance in both Muslim and non-Muslim countries shows a number of gaps. (2004; Hassan and Bashir, 2005; Widgo and Ika, 2007; Hassan and Drdi, 2010; Ika and Abdullah, 2011; Isik and Hassan, 2002),. Several other studies (Isik and Hassan, 2002; Hassan and Marton, 2003; Yudstira, 2004; Moktar et al., (2006, 2008); Kamarddine, 2008

However to some existent we don't observe more studies on our country Ethiopia focusing on performance gap on providing new service and in building awareness up on new products that exist within it due to this the study relies on our countries operation context.

Based on studies provided focusing on performance trend of interest free banking on global level the clarification of performance gap up on service delivery and ifb product applicability varies with in each researchers countries due to level of strength on social, economic, cultural, religious concerns and apply one that is applicable and rational to different countries context.

Abdusemed(2004) classified performance of Islamic banking according to following three important measures as profitability performance, liquidity performance, credit risk performance. Profitability performance measure is based on the return on investment (ROI) that is a good indicator of banks financial performance and management efficiency and Return on equity (ROI) that shows the profit on source equity. Liquidity performance is an indicator of cash availability and the convertibility of asset

in to face value to meet the cash demand of depositors and borrowers and it is measured based on the net loan to asset ratio, liquidity asset to deposit, short term fund ratio. Credit risk performance ratio that measure credit risk performance of bank which is equity to asset ratio and equity to net loan ratio.

The study made by akramlaledin(2008) shows that performance gap facing morocco is due to ; inadequate institutional frame work, social cultural barriers, lack of transparency and good governance, uncertainty and regulatory. That is contracts which are being legal for one country becomes illegal for other countries. Due to the existence of different teaching with in it there is a great deal of probability for an error to exist at the time of implementation.

According to njam(2010) the main traits and performance gap in welcoming the Islamic banking in **Zambia** is the biased politics in choosing creditors, money crisis, lack of the ruling parties to bring stability to the countries, the unwillingness by the bank society, lagging on the appropriate information infrastructures, instability in the formulation of the countries monitory and fiscal policy etc.

Based on the studies made by Ibrahim on (2012) indicate that agreed frame work, labor force, competitive environment, sense of morality uphold is observed in interest free banking window and to solve this gap and increase the performance of the Islamic banking system he put as a solution and recommended on an effective exchange of knowledge among the society up on the interest free banking service work operation and the recruitment and training of those employees so some point promotional effort, introduction of innovative service and product and active participation of the government on this new service operation is essential.

Kinyan(2013) mention that the absence of appropriate siding, absence of legal financing agreement and instruments, condition of interest free banking, absence of openness and sharing to the society , lack of expertise on Islamic finance and the problems of miscommunication with countries official bank are some of the forces that result in the lag to the efficient performance of finance industry in Kenya.

Studies provided by jabi(2003) phlistaim area justify that the performance gap to Islamic banking are the absence of appropriate financial regulation for Islamic finance, availability of inappropriate cash flows, the lack of workflow dissimilarity between the Islamic and conational finance that is the Islamic bank concentration on the short period financial tools, further the lack of applicability of the

mudaraha and mushraka contracts with the relation to a qualified labor force and the lack of introduction of creative invasion is not observed.

Salei and zeit studied that the absence of knowhow and agreeability, the absence of organized finance sectors , inefficient man power and increased from the normal banking system result on a competitive environment to the new introduced Islamic finance in Lebanese.

Study made on Bahrain focusing on the performance trend on the Islamic banking has list out some major problems and the competitive advantage of the Islamic bank .as beginner to the financial industry Bahrain face the risk of war as a trait to both finance system and the difference up on the ideology in this different middle east countries becomes a barrier to proper implementation of stable Islamic finance guide lines further as an advantage the Islamic banking doesn't face the credit risk problem compared to the conventional one

Therefore, except in the international studies which took realities of other countries, to the best knowledge of the researcher, there is paucity of empirical study in Ethiopian context related to the scope of service and challenges of providing and using IFB service. This study, therefore, attempts to fill this research gap by investigating the performance trend the bank and users of IFB products and scope of service provided by Ethiopian banking through IFBW including whether there is unmet demand of users, awareness of customers and capacity of bank as these have been identified in the literature as major effect in the performance trend of the bank and commercial bank of Ethiopia west Addis Ababa district is taken as a case study. Thus the study clarifies those performance gaps that are a barriers to the future progress of the interest free banking instruments in our counties context.

CONCEPTUAL FRAME WORK OF THE STUDY

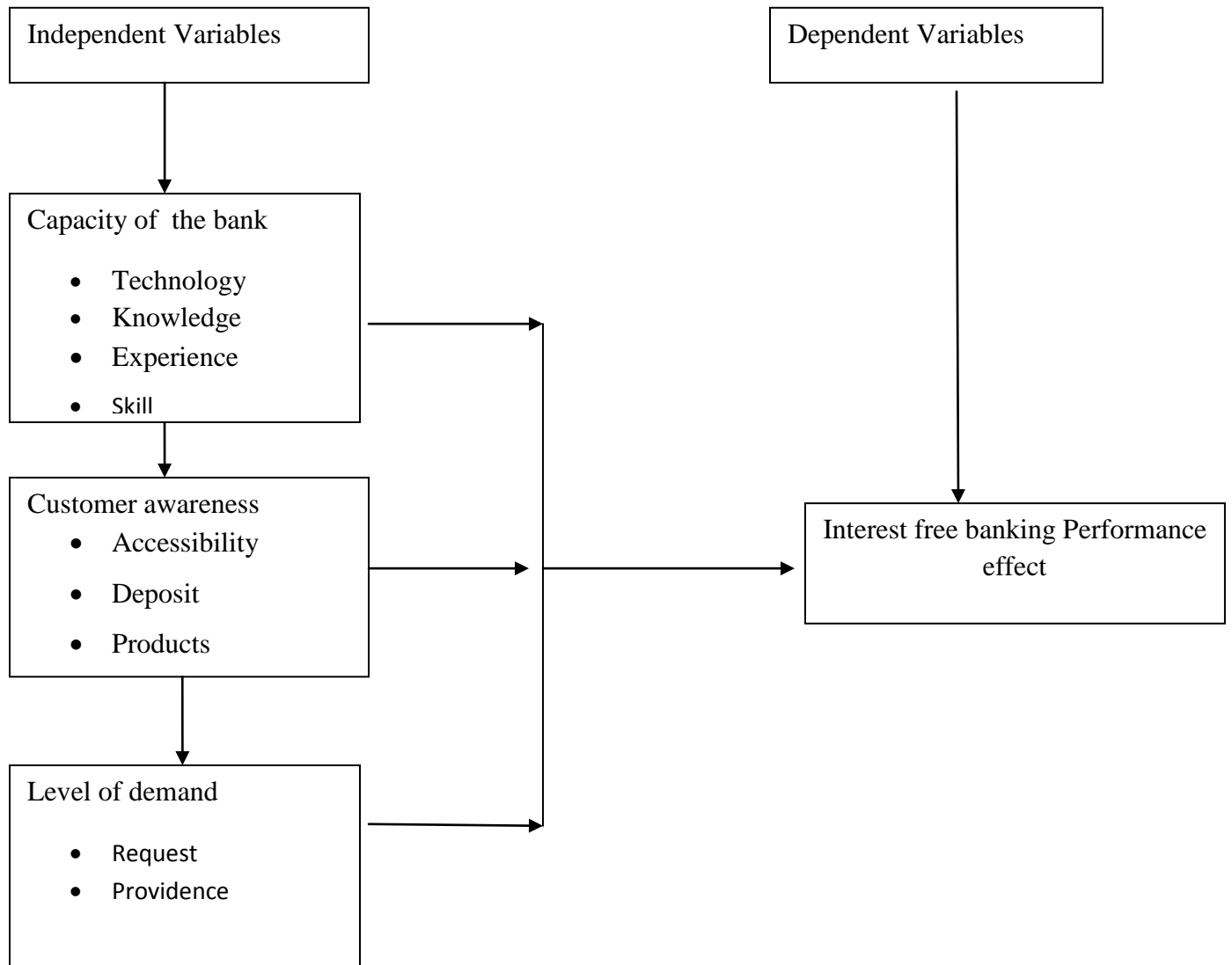


Figure:-1. Conceptual Frame Work of the performance effect of IFB bank.

CHAPTER THREE: RESEARCH DESIGN AND METHODOLOGY

This part of the study attempts to explain the research methods and tools that were applied to collect and analyze information gathered from a sample of commercial banks found in west Addis Ababa district.

3.1 Research Design and Approach

In order to meet mentioned target of research descriptive study design of serving technique was introduced because of availability adequate information and due to its appropriateness. Data was collected from voluntary customers and from the bank report files and evidence that are ready and supportive for this purpose.

3.2 Research area

The study made at commercial bank of Ethiopia with main targeting interest free banking operational customers at front level to clarify on main performance gap on service delivery and initiation up on available interest free banking services.

3.3 Population /sample

The research samples was clients and staffs of commercial bank of Ethiopia that access instruments of interest free banking and that have a close relationship with interest free banking service operation. Up on Addis Ababa there exist four districts without the consideration of the outline districts among this districts four of Addis Ababa district will be taken for this study. We have been considered a probability sampling selection technique. The main point for choosing the four districts is due to reason that it contain key branches and it was assumed to reflect some new services that are accessible on main city's like Addis Ababa.

The study population is customers and employees of CBE who use products of IFB and work at IFB windows respectively. The bank's districts are divided as Addis Ababa city and outlying districts with a total number of 15 districts. The Addis Ababa districts are four in number while the outlying districts are 11. From the 15 districts of the bank, west Addis Ababa city districts have been considered for this research. These districts have been selected on a purposive basis. The major reason for selecting west Addis Ababa city districts -that holds the western part of the Addis Ababa city which includes significant number of IFB customers as compared to other districts and it is highly Muslim populated

area. The selected district constitute 73.4% of the bank’s total IFB customers with significant deposit and credit fund amount. The customer population in these districts is 44,151. Where as the other districts are less percentage customer users. The table below shows the details as follows:

Table 1 Addis Ababa districts IFB deposit and credit customers

Districts	District Total Number of customer
East Addis Ababa	3,123
North Addis Ababa	5,088
South Addis Ababa	3,535
West Addis Ababa	32,403
Sub Total	44,151

Source: CBE MIS semiannual report as of December 31, 2015

3.4. Sample size and sampling Techniques

3.4.1 Sample size

Deciding up on true representative of research study is important in order to reach In to close approximation of realistic world further on other side miss use of the appropriate sampling representative lead to a wrong conclusion of our hypothesis and inference. (bhatta 2011) Applying right sample strategies that is able to reflect desired target of study and selection of true representative from aggregate population is essential that can be from selected branches, clients, and existing employees, research apply both probabilistic and non-probabilistic sampling techniques in order to find desired population sample. The district specific branches are selected based on systematic sampling technique.

3.5. Methods of data collection.

The instrument was applied for the accomplishment of this research was both questioner and interview. The development of questioner was based on the variable customer base and customer deposit. Questioner used was standard with some modification as per existing condition of the

organization in association of work environments which is closed ended type. Each question have five point like scale format was followed:

1/Strongly disagree,2/disagree,3/Neither agree nor Disagree,4/Agree,5/strongly Agree and according to them, those are rated. After explanation was made about the purpose of the research, questioner were distributed to the respondents and they fill out and returned back it manually and also interview implemented to save time and for those respondents who need further clarification and translation of language based on those closed ended question.

- **Sampling calculation**

3.6.1 Sample scope calculation

Calculating scope of a given population representative is essential due to in order to avoid too much exaggeration and too small representativeness of target sample in order to save time and proper resource allocation up on the study area. Sampling scope of specific branches from selected district and willing clients and employees have been calculated by using the given calculation method and the brief is stated as follows.

i. District sample scope

Approach raised by carvalho on1980s is being applied to calculate branch sample size further this sampling method has been applicable by kerima ali on (2016) during calculation of sample size of banks branch. kerima ali has applied banks financial report of December 2015/2016 together number of branches up on the district of Addis Ababa interest free banking window to become 123 on both districts.

Table 2 samples coverage calculation

N	41-80	81-140	141-270	271-400	401-1100	1101-3100	3101-9000	9001-34000	34001-140000
LOW	4	7	12	19	32	49	79	124	199
Medium	12	19	32	49	79	124	199	314	499
HIGH	19	32	49	79	124	199	314	499	799

Source: carvalho (1984)

According to carvalho sampling technique study has identified 22 branches of commercial bank of Ethiopia in Addis Ababa among population of 83 banks branches by a large branches enable to have efficient justification about population that it is drawn from on study. Based on size, of branches study have applied a probability of percentage sampling technique that identifies desired number of branches sample among available population. By these the quantity of branches from available districts is calculated as given.

Table 3 performance of specific branches from the available districts

DISTRICTS	BRANCHES	PERCENTAGE SHARE	NUMBER OF BRANCHES FROM EACH DISTRICT
NORTH ADDIS	20	25%	6
WEST ADDIS	28	33.00%	4
SOUTH ADDIS	14	16.80%	5
EAST ADDIS	21	25.30%	7
TOTAL	83	100%	22

Source calculation from data Dec 2017

Next to identifying the desired quantity of branches from above four districts random sampling method is becomes applicable and the 22 branches has been taken to receive information from the sampling units.

ii. Clients sampled scope

To get desired sample from target population of client and staffs of bank minimal sampling technique from national educational associate calculation have been applicable (rejice & morgg 1970s) these calculation is being applicable by Debeb(2015), Tefera (2015) and kerima(2016) to calculate the desired reflection of target population.

$$S= Y2NP (1-P)/d2 (N-1) +Y2p (1-p)$$

WHERE S= target sampled scope y_2 = schedule volubility of y_2 for 1 percentile of freedom where by the confidence interval is (i.e. 3.7916, N= population scope, p= population assumption of (1/2 that reflect the highest sampled scope) d= the level of efficiency is reflected based on probability (1/2)

By applying stated formulation from total groups of 100,566 interest free banking saving clients a sampled scope of 65 has been identified due to the reason that the clients of individual districts make variation on the study applied percentage solution to amount of clients in individual district, solve size of repliers in selected districts, portion of individual districts, clients in comparison to aggregate size of clients that are being active.

Iii Employee sample scope

In addition to branch and customer sample performance scope determination we also identify scope of interest free banking employee up on existing employees of branches. The number of interest free banking employees are 45 and the representative from this group is 40 (30 deposit and 10 loan staffs consecutively) further questions are distributed according to capacity of individual branches interims of performance and publicizing capacity of branch by raising three Important questions of study coverage.

As a summary for target of this research it applies different sampling tools with 6 interest free banking customers and 40 interest free banking employees have been identified consecutively and information have been gathered precisely.

Table 4: list out up on sample unit, sample scope identification and sample methods

Representative sample	Scope coverage calculation	methods of determination
commercial bank of Ethiopia		Probability
Addis Ababa districts		Random
Quantity of branches	Carval (1980)	
Quantity of Clients in individual branches		Rating
IFB clients	$y2mp(1+p)/d2(N+1)+y2p(1+p)$	convenience
IFB employees	$y2mp(1+p)/d2(N+1)+y2p(1+p)$	probability

3.6.2 Layouts for information gathering

We can observe two types of information origins on one side it can be primary source or on other hand secondary data source and this research applies both source of information gathering ways. For primary source there could be an alternative of interview and questionnaires' and those data's extracted from the bank's quarterly and yearly reports. Questionnaires' helps a given researcher to save his time and resource that improve the efficiency of the research progress. So that a given researcher can make his study more of fruitful in consideration of this source. The questionnaires are being prepared in a sense that it would be affordable by the clients and employees of the bank.

Other methods of primary data collection is through interview which is help full to meet key banking personal that have knowledge of strategic progression of bank in terms of its performance , available resource and its stage of structural lay out.

3.7. Validity test

Best and Kahn(2006) define validity as the quality of a data gathering instrument or procedure that enables it to measure what is supposed to measure. In justifying the validity some was taken. first after preparing the questioner fifteen questioner distributed for some selected respondents randomly and their feedback entertained, all questioners are included in the questioner to make it practical.

3.8. Reliability test.

Reliability defined as the degree of consistency that, the instrument or procedure demonstrates(Best & Kahn ,2006).Reliability test indicated that, how does the items in a set is positively related to each other in the reliability coefficient. According to the result of the result of the reliability test, the closer the cronbache's Alpha is to 1,the higher the internal consistency reliability. If the reliability is less than 0.60 then it is considered as poor. Meanwhile it is in the range of 0.70, it is considered as acceptable. As for those which are more than 0.80,it is considered as good(Sekaran,2007).

Table .5.Cronbache's Alpha of the study

VARIABLES	NO.OF ITEMS	CRONBACHE'S ALPHA VALUES
Overall Variables.	30	0.810
Capacity	5	0.534
Customerawareness	8	0.646
Level of demand	8	0.550
IFB performance.	9	0.776

Based on the table 1 indicated above, the overall cronbachesalpha value is 0.810. and this indicated that the data's have good reliability in internal consistency of (thirty questions).From the variables data IFB performance has the highest cronbaches alpha value of(0.766) which means the data are at acceptable range of reliability in internal consistency. Customer awareness has the second highest cronbaches alpha value of (0.646). This shows data reliability in internal consistency at an acceptable range those of (eight questions)but Level of demand and Capacity have the lowest cronbaches alpha value of 0.550 and 0.534respectively which shows that the data of those questions under both independent factors are poor reliability. As per the cronbaches Alpha results indicated above, the overall variables were greater than individuals and this shows that, internal consistency of the overall questions was better that individual variables questions.

3.9.Methods of Data Analysis.

The quantitative approach was implemented in this research and it involved using statistical tool to evaluate the collected data. SPSS was used in analyzing the collected data to gain meaningful conclusion. by using the software data analysis, correlation and multiple linear regression was conducted in addition to that excel was implemented to compute average result of variables under the same category of the three Performance affecters to determine the impact of capacity of the bank , customer awareness and level o demand on performance trend. To identify the relationship between the factors and performance of the bank. Before conducting the Correlation Analysis, Cronbach's alpha test has done in order to understand whether the multiple likert questions in the questionnaire are reliable.

3.10.Ethical Consideration.

It is important to have the permission of the organization before carrying out the investigation thus, it was agreed with the authorized and responsible manager of the plant to proceed the research and to ensure no complication arose. The questioner distributed and interview was conducted during tea time, lunch and downtime of the company ,further more confidentiality of each respondent was guaranteed by avoiding any revelation of identity or other personal information was enquired during preparation of the questioner and finally promised to report back the finding of the research to the company

CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION

4.1 Introduction

In these chapter the data gathered from primary and secondary source were analyzed and interpreted in doing so the research has distributed 65 and 40 questioners to interest free banking customers and bank staff respectively.

Table 6 questions respond rating

	Shared		Gathered		Ungather	
	Quantity	rating	Quantity	Rating	Quantity	Rating
Representatives						
Clients	65	100%	60	60%	0	0%
Employees	40	100%	40	40%	0	0%

Own computation from respondent's questions may 2018

4.2. Demograhpic Analysis

Demographic characteristics presented by frequency, percent and cumulative percentage and this study consists of demographic variables gender, Age, marital status, service years ,educational level and Job role of the respondents.

Table.7.Demographic characteristics

Variables		Frequency	Percent(%)	Cumulative percent(%)
Gender	Male	52	52	52
	Female	48	48	100
Age	18-28	44	44	44
	29-38	41	41	85
	39-48	10	10	95
	49-58	5	5	100
Marital status	Single	43	43	43
	Married	53	53	96
	Divorced	4	4	100
Service years.	< 5	55	55	55
	6-10	38	38	93
	11-15	6	6	99
	16-20	1	1	100
Education level	Secondary	29	29	29
	Tvet	22	22	51
	Diploma	21	21	72
	Degree	26	26	98
	Master	2	2	100
Job Role	Laborer	49	49	49
	Clerical	12	12	61
	Technical	19	19	80
	Supervisory	13	13	93
	Managerial	7	7	100

As per depicted in the table 2above ,52% and 48 % of the respondents are male and female respectively answered the questionnaires distributed and interview conducted, thus the majority of respondents were male, their age category from 18-28 year group constituted respondents of 44% and which is the highest number, followed by 29-38 years with 41% and then 39-48 years made up 10% and the lowest category of age group was from 49 -58 years which constitutes 5%. the marital status of the respondents constitutes that 53% of them are married, which is the highest, followed by 43% of single marital status and the lowest proportion of respondent was 4% divorced status who are involved in responding the questioner and interview conducted, the respondents service years in the organization constitutes the highest proportion which is 55% of them served below five years followed by 38% between 6-10 years, then 6% from 11-15 years, finally the lowest 1% ,16-20 years service

years for the organization, the educational levels of the respondents which served the Bank was 29%,26%,22%,21%, and 2% which is Secondary school, Bachelor Degree, Technical and vocational level, Diploma and Master level respectively, the job role of the respondents in which they are engaged in the organization was 49% of them laborer which is the highest followed by technical 19% ,thirdly 13% on supervisory ,then 12% Clerical and the lowest and the last proportion 7% is managerial role. The demographic analysis implies that even though 49% of the employees was engaged in laborer role in the organization almost all employees were educated, youngsters, married and they serve the Bank less than five years and this shows the status the Bank employees are at more demanding level and this is clues and alert for the Bank to lose its employees easily therefore at least better work place environment should be created to retain the existing employees and to attract other in today's stiff competition.

4.3.Respondents Response on Independent and Dependents Variables Presentation

Table 8.Respondents response on Capacity of the bank variables.

Statements	SA(5)	A(4)	N(3)	D(2)	SD(1)	Mean	SD
	Freq(%)	Freq(%)	Freq(%)	Freq(%)	Freq(%)		
The bank has the necessary IT infrastructure to process.	52(52%)	28(28%)	7(7%)	7(7%)	6(6%)	4.13	1.19
The bank has knowledgeable manpower to provide interest free banking	12(12%)	40(40%)	13(13%)	24(24%)	11(11%)	3.18	1.24
The bank has experienced manpower to provide interest free banking.	23(23%)	25(25%)	15(15%)	27(27%)	10(10%)	2.76	1.34
The bank has the skill to develop interest free banking Service	5(5%)	10(10%)	3(3%)	29(29%)	53(53%)	4.15	1.18
The bank has the skill to process interest free banking products.	32(32%)	29(29%)	10(10%)	23(23%)	6(6%)	2.42	1.31

Source, own survey,2018.

The results in the table 3, shows us the extent of agreement or disagreement of the respondents on the capacity of the bank variables in the Bank , 52% of the respondents strongly agreed,28% of them agree,7% neither agree nor disagree,7% disagree and 6% strongly disagreed that the existing bank has the necessary IT infrastructure to process. from the total respondents 40% of them agree, 24% disagree,13% neither agree nor disagree,12% strongly agree and 11% of them strongly disagreed that, the bank has knowledgeable manpower to provide interest free banking.27% of them agree,25% disagree,23% strongly disagree,15% neither agree nor disagree and 12% strongly agree the bank has experienced manpower to provide interest free banking. Out of the whole respondents 53% of them are strongly agree,29% agree, 10% disagree,5% strongly disagree and 3% neither agree nor disagree that, the bank has the skill to develop interest free banking Service. from all respondents participated in the research 32% of the respondents are strongly disagree,29% disagree,23% agree ,10% neither agree nor disagree and 6% strongly agreed that, the bank has the skill to process interest free banking products.

The weighted mean value of Technology, Knowledge ,Experience and Skill 4.13, 3.18, 2.76, 3.285 respectively. Therefore, according the result majority of the respondents agreed that the existing bank has the necessary IT infrastructure to process and banks has no experienced manpower to provide interest free banking as per the mean value of experience variable , and on the rest of the two independent factors such as Knowledge and Skill respondents didn't decide on whether there is existence of disturbance of sound or not around the work place and also availability of proper ventilation system and its controllability.

Table 9.Respondents response on customer awareness variables.

Statements	SA(5)	A(4)	N(3)	D(2)	SD(1)	Mean	SD
	Freq(%)	Freq(%)	Freq(%)	Freq(%)	Freq(%)		
The customers have the access of the available interest free banking service	12(12%)	32(32%)	14(14%)	23(23%)	19(19%)	4.13	1.19
The customers have the access of the available currently provided by the bank service.	10(10%)	27(27%)	15(15%)	25(25%)	23(23%)	4.13	1.19
The customer ability to deposit in interest free banking service.	41(41%)	40(40%)	4(4%)	9(9%)	6(6%)	4.01	1.17
The customer Knowhow to deposit in interest free banking service.	36(36%)	46(46%)	7(7%)	10(10%)	1(1%)	4.06	.96
The customer inclination to deposit in interest free banking service.	44(44%)	39(39%)	4(4%)	9(9%)	4(4%)	4.10	1.1
I have the knowhow to use the service.	42(42%)	41(41%)	5(5%)	7(7%)	5(5%)	4.08	1.1
I have the awareness to get interest free banking services.	41(41%)	40(40%)	4(4%)	9(9%)	6(6%)	4.01	1.17
I have the knowhow bank Provide the interest free banking service.	38(38%)	30(30%)	9(9%)	13(13%)	10(10%)	3.73	1.35

Source; own survey,2018.

The results in the table 4,shows us the extent of agreement or disagreement of the respondent on the customer awareness variables according to that, from the total number ofrespondents 32% of them agree,23% of disagree ,19%strongly disagree,14% neither agree nor disagree, and 12% strongly

disagreed that, the trend of the customers have the access of the available interest free banking service. From all respondents 27% of the responds agree,25% of them disagree,23% strongly disagree,15% neither agree nor disagree and 10% strongly agree that, The customers have the access of the available currently provided by the bank service. Out of the total respondents 41% of the respondents strongly agree,40% agree,9% disagree,6% strongly disagreed and 4% neither agree nor disagree that, The customer ability to deposit in interest free banking service. from the whole respondents 46% of the respondents agree,36% strongly agree, 10% disagree,7% neither agree nor disagree, and 1% strongly disagreed that , The customer ability to deposit in interest free banking service..44% of the respondents strongly agree,39% agree,9% disagree ,4% neither agree nor disagree and 4% strongly disagreed that, The customer Knowhow to deposit in interest free banking service.42% of the respondents strongly agree,41% agree, 7% disagree 5% neither agree nor disagree and 5% strongly disagreed that The customer inclination to deposit in interest free banking service.out of the total number of respondents 41% of the respondents strongly agree,40% agree,9% disagree,6% strongly disagree and 4% neither agree nor disagree. that, I have the awareness to get interest free banking services. From all respondents 38% of the respondents strongly agree,30% of them agree,13% disagree,10% strongly disagree and rest 9% neither agree nor disagree, that, I have the knowhow bank Provide the interest free banking service.

The weighted mean value of customer awareness of accessibility, deposit and product were 4.13, 4.05 3.94 respectively. Therefore, according the result majority of the respondents agreed and believed that there is accessibility exercised in the bank and also deposit but in case of product it was undecided due to lack of use of products by the bank when it face work problem or challenge in knowhow of users.

Table 10. Respondents response on Level of demand variables.

Statements	SA(5)	A(4)	N(3)	D(2)	SD(1)	Mean	SD
	Freq(%)	Freq(%)	Freq(%)	Freq(%)	Freq(%)		
Customers request more frequently Murabaha financing service.	35(35%)	34(34%)	13(13%)	8(8%)	10(10%)	3.76	1.29
Customers request more frequently Musharaka financing product.	38(38%)	30(30%)	9(9%)	13(13%)	10(10%)	3.73	1.35
Customers request more frequently Istisna financing product.	35(35%)	34(34%)	13(13%)	8(8%)	10(10%)	3.76	1.29
Customers request more frequently Ijarah financing product.	13(13%)	16(16%)	10(10%)	43(43%)	18(18%)	2.63	1.31
The bank is providing interest free vi banking products that meet the current demand of its customer.	12(12%)	32(32%)	14(14%)	23(23%)	19(19%)	2.95	1.34
There is no demand for interest free banking products other than the currently availed one.	10(10%)	27(27%)	15(15%)	25(25%)	23(23%)	2.76	1.34
The bank has availed interest free banking products that customers really need.	11(11%)	23(23%)	9(9%)	39(39%)	18(18%)	2.58	1.22
The bank is providing interest free banking services that meet the current demand of its customer.	10(10%)	15(15%)	14(14%)	45(45%)	16(16%)	2.70	1.31

Source, own survey,2018.

The results in the table 5.above shows us the extent of agreement and disagreement of the respondent on the level of demand variables. From the total number of respondents 35% of the respondents strongly agree,34% of them agree,13% neither agree nor disagree,10% strongly disagree and 8% disagreed that, Customers request more frequently Murabaha financing service. Out of the total respondents 38% strongly agree,30% of them agree,13% disagree,10% strongly disagree and 9% neither agree nor disagree that, Customers request more frequently Musharaka financing product. From all respondents 35% of them strongly agree,34% agree,13% neither agree nor disagree ,10% strongly disagree and 8% disagreed that Customers request more frequently Istisna financing product. Out of the total respondents 43% disagree,18% strongly disagree,16% agree,10% neither agree nor disagree that , Customers request more frequently Ijarah financing product. 32% of the respondents agree,23% disagree,19% strongly disagree,14% neither agree nor disagree and 12% strongly agree that, The bank is providing interest free vi banking products that meet the current demand of its customer. 27% of the respondents agree,25% disagree,23% stronglydisagree,15% neither agree nor disagree and 10% of them strongly agree that, There is no demand for interest free banking products other than the currently availed one. 39% of the respondents dis agree,23% agree,18% strongly disagree,11% strongly agree and 9% neither agree nor disagree that, The bank has availed interest free banking products that customers really need. 45% of the respondents disagree,16% of them stronglydisagree,15% of them agree,14% neither agree nor disagree and 10% strongly agreed that, The bank is providing interest free banking services that meet the current demand of its customer.

Table 11. Respondents response on service performance of interest free banking variable.

Statements	SA(5)	A(4)	N(3)	D(2)	SD(1)	Mean	SD
	Freq(%)	Freq(%)	Freq(%)	Freq(%)	Freq(%)		
Technology of the bank to process has an impact on interest free banking performance.	25(25%)	36(36%)	11(11%)	22(22%)	6(6%)	3.52	1.25
knowledgeable manpower to provide interest free banking an impact on interest free banking performance.	38(38%)	30(30%)	9(9%)	13(13%)	10(10%)	3.73	1.35
Experienced manpower to provide interest free banking has an impact on interest free banking performance.	35(35%)	34(34%)	13(13%)	8(8%)	10(10%)	3.76	1.29
Skill to develop interest free banking Service has an impact on interest free banking performance.	52(52%)	28(28%)	7(7%)	7(7%)	6(6%)	4.13	1.19
Access of the available interest free banking service has an impact on interest free banking performance.	62(62%)	20(20%)	4(4%)	8(8%)	6(6%)	4.24	1.22
Role deposit has an impact on interest free banking performance.	24(24%)	58(58%)	7(7%)	5(5%)	6(6%)	3.89	1.02
The bank products have an impact on interest free banking performance.	49(49%)	27(27%)	7(7%)	8(8%)	9(9%)	3.99	1.31
Request for the bank has an impact on interest free banking performance.	44(44%)	28(28%)	13(13%)	8(8%)	7(7%)	3.94	1.24
Providence of services has impact on Interest free banking performance.	29(29%)	35(35%)	10(10%)	10(10%)	16(16%)	3.51	1.42

Source, own survey,2018.

As per the table 6 indicated that, from the total number of respondents 36% of them agree,25% strongly agree,22% disagree,11% neither agree nor disagree and 6% strongly disagree that having Technology of the bank to process has an impact on interest free banking performance. Majority of the respondents around 61% responds that, knowledgeable manpower to provide interest free banking an impact on interest free banking performance. From total all respondents 38% them strongly agree,30% agree,13% disagree,10% strongly disagree and 9% neither agree nor disagree that, Experienced manpower to provide interest free banking has an impact on interest free banking performance. From the whole respondents 35% strongly agree,34% agree,13% neither agree nor disagree ,10% strongly disagree and 8% disagree that Skill to develop interest free banking Service has an impact on interest free banking performance. Out of the total respondents 52% of them strongly agree,28% agree,7% neither agree nor disagree,7% disagree, and 6% strongly disagree that, Access of the available interest free banking service has an impact on interest free banking performance. From the total number respondents 62% strongly agree,20% of them agree,8% disagree,6% of and 4% neither agree nor disagree that, exercising quality leadership has an impact on employee performance.From the total number of respondents 58% agree,24% strongly agree,7% neither agree nor disagree,6% strongly disagree, and the remaining 5% disagree that, Role deposit has an impact on interest free banking performance. from the total number of respondents 49% of them strongly agree,27% agree,9% strongly disagree,8% disagree and 7% neither agree nor disagree The bank products have an impact on interest free banking performance. From the total number of respondents 44% of them strongly agree,28% agree,13% neither agree nor disagree,8% disagree and 7% strongly disagree that Request for the bank has an impact on interest free banking performance.

From the total number of respondents 35% agree,29% strongly agree,16% strongly disagree,10% neither agree nor disagree and the rest 10% disagree that, Providence of services has impact on Interest free banking performance.

The weighted mean value of interest free banking performance which rose from effects of technology , knowledge , experience, skill ,accessibility , deposit , product ,request , and providence was 3.52, 3.73, 3.76, 4.13, 4.24, 3.89, 3.99, 3.94, 3.51 respectively. As per the result it is observed that the effect of technology , knowledge , experience, deposit , product ,request , and providence undecided by the respondents weather they have effect on interest free banking performance or not but in case of skill and accessibility, majority of the respondents believed that they have effect on interest free banking performance.

4.4. Correlation result

As per the result of correlation result stated below on table 7 the capacity and customer did not show the relationship with interest free banking performance of west Addis Ababa district(Iv Solution) which have(r value =.120,p value=.235) and (r value =0.286**,p value =0.004)respectively and this was the indication and leads to the ground of accepting the null hypothesis but Level of demand and e interest free banking performance have a positive relationship which have (r value=0.608**,p value=.000)

Table 12. Summary of correlation

		Correlations			
		Capacity of the bank	Customer awareness	Level of demand	Interest free banking performance of WAAD
Capacity of the bank	Pearson Correlation	1			
	p-value				
	N	100			
Customer awareness	Pearson Correlation	.318**	1		
	P-Value	.001			
	N	100	100		
Level of demand	Pearson Correlation	.168	.357**	1	
	p-value	.095	.000		
	N	100	100	100	
Interest free banking performance of WAAD	Pearson Correlation	.120	.286**	.608**	1
	p-value	.235	.004	.000	
	N	100	100	100	100

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

Source; own survey, 2018.

4.5. Multiple linear regression analysis model summary

The model summary table 8 below shows that the results of regression result of independent variables towards interest free banking performance (iv solution). The adjusted r^2 value was .356 which means 35.6% and according to the adjusted r^2 result it is concluded that 35.6% of the variation from dependent variable is being attributed from independent variables of capacity of the bank, customer awareness and level of demand together.

Table 13. Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.613 ^a	.375	.356	.61676

a. Predictors: (Constant), customer awareness, level of demand

As per the anova model table 9 below the average amount of variation between group is greater than that of within group which means that F ratio is greater and the p value is low and which shows statistically significant, (p-value <001).

Table 14. Anova model

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	21.933	3	7.311	19.219	.000 ^b
2	Residual	36.518	96	.380		
	Total	58.451	99			

a. Dependent Variable: interest free banking performance west Addis Ababa district

b. Predictors: (Constant), capacity of the bank, customer awareness and level of demand.

Table 10. Indicated that, the prediction equation for this study of being interest free banking performance of west Addis Ababa district (iv solution) = 1.346 + -.003(Capacity) + 0.080(customer awareness) + .580(level of demand) that means capacity and customer awareness of each is predicted to increased by 1.346 when the performance variable increase by one and work life balance factors goes up by 0.080 and .580 respectively.

Table 15. Multiple regression results

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
	(Constant)	1.346	.443		3.040	.003
1.	Capacity	-.003	.086	-.003	-.033	.974
2.	Customer awareness	.095	.108	.080	.887	.377
3.	Level of demand	.695	.104	.580	6.703	.000

a. Dependent Variable: interest free banking performance west Addis Ababa district

b. **Source:** *Own research,2018*

As per summary of coefficient table 11 model equation predicted interest free banking west Addis Ababa district (iv solution) of Capacity, Customer awareness and level of demand are as follows.

Predicted interest free banking west Addis Ababa district of capacity factors= $2.754 + \text{Technology}(.333) + \text{Knowledge}(-.165) + \text{Experience}(-.025) + \text{Skill}(.152)$ from the model equation of Capacity, if the interest free banking west Addis Ababa district goes up by one the Capacity predicted to increase by .333 and the rest variables such as Knowledge, Experience and Skill increased by their respective coefficient and predicted interest free banking west Addis Ababa district is equal to the constant value 2.754 because they have no significant to employee performance ,predicted employee performance of customer awareness factors= $3.271 + \text{Accessability}(.068) + \text{deposit}(.146) + \text{product}(.146)$ from the equation predicted interest free banking west Addis Ababa district is equal to the constant value 3.271 because all the variables of Customer awareness have no significant to interest free banking performance ,predicted employee performance of level of demand factors= $1.272 + \text{Request}(.469) + \text{Providence}(.100)$ from the equation it is concluded that if the interest free banking west Addis Ababa district goes up by one request is increased by .469 and interest free banking west Addis Ababa district was constant if the work extracurricular goes up by .100. most of the variables as per summarized coefficient table are insignificant to interest free banking west Addis Ababa district and this indicates that there are other variables may affect interest free banking west Addis Ababa district

Table 16: Summary of coefficient.

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.754	.371		7.423	.000
	Technology	.245	.089	.333	2.771	.007
	knowledge	-.116	.069	-.165	-1.674	.097
	Experience	-.016	.064	-.025	-.254	.800
	Skill	.132	.105	.152	1.256	.212
2	(Constant)	3.271	.439		7.448	.000
	Accessibility	.048	.078	.068	.606	.546
	deposit	.156	.121	.146	1.295	.198
	Product	.156	.121	.146	1.295	.198
3	(Constant)	1.272	.520		2.445	.016
	Request	.584	.111	.469	5.271	.000
	Providence	.156	.138	.100	1.127	.262

a. Dependent Variable: Employee performance

Source, Own survey, 2018

4.6 Forms of interest free banking products

An important target of this study is to receive solution on present financial flow of interest free banking particularly funding products. From banking point of view researchers has list out the banking industry is presently is giving some of the IFB products in relation to externally mentioned key IFB products. To select the up on the reason by which why product is restricted researcher make interview with banking scholars and feedback is stated as follows.

Scholars stated those factors that push the products not to perform well are listed below.

- ✓ The nonexistence of interrelated financial network that support smooth flow these financing products enable it to become restricted to some of known IFB products further there is demand for the human resource that much with this new system.
- ✓ Nonexistence of Islamic consultant that assure all the transaction flow and products usage in line with the Islamic code.
- ✓ The absence of perfection to deliver IFB products
- ✓ The absence of role models that goes with our country context as a new industry to the country
- ✓ The country taxing policy by which the IFB industry due to the existence of doubled taxing that make it difficult up on the work progression of IFB and too much cost will incur on the industry. By double taxation is to mean 1st the bank will be charged at first time of ownership and the borrowing parties on the other hand 2nd times charged repurchasing from the bank.
- ✓ The absence of risk controlling group led the bank avoid high risk taking IFB products

In general absence of fully related networking, Islamic consultant, role model and risk managing groups becomes the interior problems of the bank further the existing taxing policy and arrangements becomes the external traits that limit the progression of other IFB products. In consideration problems the bank identified the less fraud and affordable IFB products to the economy like muderaba as an initiator among the known listed ones.

4.7 Performance Gap of IFB product/service

The main target of study was to list out the performance gap that commercial bank of Ethiopia has incurred while promoting IFB products and the performance gap that the clients face not to use IFB products. Thus, this becomes one of the study that need answer. Both clients and employees management of the bank have been asked about the level of performance gap that the bank undergo

at present time then they have mentioned that the gap that prevent IFB product to become accessible and appropriately used by the bank and clients consecutively. The scholars listed out the gap as follows.

4.7.1 Gap of performance to provide IFB products

Information's have been gathered from employees and clients of the bank and gathered information indicated the given gaps.

i. Absence of effective financial network

Need of financial network that invite new financial products that are odd to the country in sense of making the IFB financing to operate like the conventional bank core banking system that facilitate efficiency and meeting the need of the customers to adopt the remaining ifb financing products.

ii. Absence of sharia consultant

At present the bank doesn't has sharia consultant. The Islamic board is a must to run up IFB industry. Further difficulty up on challenge of gathering effectively trained and certified personnel on the sharia and the normal business. So this gap enable not progress and bring IFB products due to this flow needs the concerned parties agreements.

iii. Absence of effective risk controlling mechanism

IFB system although it is new in a country like Ethiopia there is a need for a great deal of attention to those new systems that are not similar to the normal financial flow. By this there is a demand for effective risk management team that control and observe some risky financial flow that need to be observed by the given department.

I. Absence of previous experience

IFB as a new to Ethiopian financing industry there exist no previous descends that hinder it to increase it performance and becomes limited to its own scope of basic IFB service that we observe at present times. Further the existing finance system hinder it not to take most of the work flows of our nearby countries.

4.7.2 Performance traits to access IFB products

Information gathered from samples of participants have differentiated the given traits that clients suffers to use IFB products.

i. Absence of Awareness on IFB products from clients

Based on information collected from clients and employees, clients lack the knowhow about IFB products. Most likely it is clear that consumers didn't know the classification of IFB tools and their guides, procedures. This situation is also observed by quantitative data collection from clients and employees on their understanding gap. Misunderstanding becomes a major traits on the effectiveness of IFB product effectiveness. Secondary information gathered concerning to hybrid saving account indicates that the existence of misunderstanding up on IFB and the consideration of hybrid account and ifb account as similar.

III appropriate market strategy and promotion

The participant doesn't get a marketing strategy that they desired by which marketing and promotion was not effective to encourage publicizing of products to the target customers and to receive a healthy awareness build up on the society in general.

iii tax policy

Doubled tax that exist at time of ownership of asset due to reason that the IFB operation contains purchasing and reselling of assets that bears a tax payments on both cases . As a precondition 1st the bank becomes owner of the asset and then resold it to the clients on 2nd time the buyer from the bank pay tax again that makes it to become a double tax situation. That enable it to be a major trait to use IFB service.

IV Nonexistence of IFB product inmost branches

Based on the information gathered from secondary data. At present time we observe that IFB service is provided by limited branches and the financing of products is taken at one center area unlike the normal bank system. Which result to have efficiency problem to accesses by customers. Further the need of financing of the outline client doesn't encourage them to access these financing instruments.

V Operating as window model

At global leave IFB Operates from fully fledged to window model on the Islamic global financial institutions. But many of the models have their own acceptability depending on the countries that they are being effective. At present time on Ethiopia the interest free banking industry run under window mode that result inconvenience and trust negatively. Many of the customers seek it to be on branches mode of ifb service

CHAPTER FIVE: CONCLUSION AND RECOMMENDATION

5.1. Summary of the major finding

Majority of the respondents agreed and believed that the existing the necessary IT infrastructure to process and knowledgeable manpower to provide interest free banking and experienced manpower to provide interest free banking was not well illuminated, and the two independent factors of capacity such as Knowledge and Skill respondents didn't decide on whether there is existence of disturbance of sound or not around the bank and also availability of proper Skill system and its controllability or not. from customer awareness majority of the respondents agreed and believed that there is accessibility exercised in the bank and also deposit but in case of product it was undecided due to unwillingness of bank when they face work problem or challenge in order to help them out. The main objective of the research is to identify the performance trend of interest free banking such as capacity, customer awareness, and level of demand. as per the result from the correlation and regression analysis work life balance factors especially existence of the bank variable have a significant effect on interest free banking west Addis Ababa district (iv solution) however, capacity and customer awareness have less effect on employee performance.

5.2 Conclusion

The following conclusion has drawn from analysis and interpretation done before

➤ Trend and few customer base. Thus, the level Clients consume depositing and financing IFB products by which the bank makes it available. According to the depositing products Wada Amana is being used in high performance compared to the use of quard and mudaraba products. Banks deposit performing trend exceeds funding products and result on overage of liquidity .further present IFB is generating more reserve that is available for loan. The bank loan arrangement is not large enough in relation to the cash being mobilized and there is high demand to use this amount of money by using the IFB financing products. Murabaha possess few loan performance of usage of IFB in terms of depositing product is satisfying compared to financing.

So in this case gap of performance occurs by lack in terms of awareness on this products by the clients, and ineffective marketing, promoting, doubled tax policy, types of IFB products, nonexistence of IFB products in every braches, IFB operation limitation in window model, absence of trust ship and confidentiality.

- Low interest for other types of IFB depositing products, though the analyzed result gathered customers and employees there is an indication of demand.
- Question of capability performance gap on providing IFB operation at full range to its clients is identified as a negative response to the organization that need accessibility.
- The research list out the factors that widen the gap of performance of IFB , absence of Islamic consultants ,absence of effective guiding directives and the absence of fully structured IFB system that is accessible in all ranges.

5.3 Recommendation

This part describe recommendation of the research according to findings of analysis and conclusion that are assumed to improve performance and accessibility of IFB products to the Muslim society and the bank industry in general.

- Interest free banking becomes a dominant business as additional system to the population that do not want to access the normal banking structure. Further it supports the performance of the economy by introducing new products. With this short time of ifb introduction there exist a need for demand of IFB products. Thus every personnel that have the share of the bank have to work as a group to minimize the gap of performance on behalf of national bank support.
- Effective analysis need to be done by NBE as the main player before it starts IFB system in to the nation. The problem that is observed as a gap for the performance layout set a ground for further searching of the desired system structure .further there is a need for proper implementation of updated directives that goes with current trend of the new system ifb by national bank. Tax policy, ECX should clarify their rules to consider those restrictions that are not applicable to IFB and the one that is supportive. In addition the NBE should assume IFB business to run at least branch model than window mode.
- The research indicates that there exist potential for interest free banking products so the bank have to start to operate in consideration of these products. To give value banks built risk management group and gather instruments that important to run IFB tool products, place trained and potential human resource.
- Banking industry and central bank must operate in collaboration according to Islamic rules and regulation in order to build healthy and standardized rules to soften the performance progression of new interest free banking business as well as not to exceeded the out of the issue a case that need

attention. Further there is a need to recreate a well-educated Islamic consultant to avoid the problem of bias on the guidelines.

➤ As ifb business is unique to the external environment there is a high need for promotion and a need to develop effective marketing strategies to build awareness by the society in general. According to some studies indicates that clients have small level of knowhow on IFB products, so to be aware specifically on the desired market have to be done effectively. Banks need to build successful marketing and commercialization in a sense to hit the main target through collaboration of religious people and selecting a time that is effective for the marketing work in addition to the media and journalism papers.

➤ Up on awareness building the bank devote its effort to receive trust and awareness from the society specifically the mass Muslim society by publicizing its available products on media. Brochures and wall posters to inform that they are on the way with the Islamic rules.

➤ Bank industry expand the reachability of IFB products by raising number of IFB cages at clients and make open its products in many of and selected branches with needed equipment's that raise the market value of the products.

➤ NBE and bank need to focus on IFB industry as it use from bank perspective and the country in general.

5.4 Recommend for further study

The role of this research is huge as it has differentiated the main gaps on performance for the bank to bring and client to access IFB products. Though the research is limited by geographical occupation and challenges identifies. So future researches can work with large coverage and result of the study passing all challenges listed

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Glossary

Without interest banking service: means Islamic banking service

Islamic banking: huge system that undergoes under the rules and guide lines of Islamic (sharia)

Interest free banking cages: business window in which it operates together with the normal banking windows

Halal: Islamic permissible

General investment deposit: prepared with different maturity to a particular product are used on opposite financial operation of the bank

Special investment deposit: in this part saver have to fulfill minimum criteria on this products, participation of big organization that have the power to change big projects

Limited/unlimited investment deposit: operate for definite time jointly by banks and savers

Fully fledged model: full participation of Islamic finance service is observed and absence of segregation that enable to build awareness up on the customers.

District model: it has its own structure and service branch to provide Islamic financing operation according to set quarterly and yearly target.

Window model: simultaneous involvement of conventional banking with interest free banking and the bank develop awareness by segregation.

Istasina(manufacturing contract): it is used to provide fund to those products that are not for external market that further manufacturing.

Musharaka(capital partnership) : profit are distributed according to their previous agreement but loss are covered based on amount of share on their capital.

QUESTIONER

Dear Respondent,

This questioner is prepared and distributed to collect primary data on the performance effect of interest free banking by specifically focusing on the commercial bank of Ethiopia requirement of Master of business administration in General management (MBA) Degree at St Mary University.

The questioner has five parts having the objectives of ONLY to assess the i performance trend of interest free banking by specifically focusing on the commercial bank of Ethiopia in case of west Addis Ababa district.

Honest responses are highly appreciated to make the analysis of this research more reliable, in order to keep the confidentiality, respondents will not required to write their names.

For more information please Contact the researcher on person, through cell phone 0931565777/Email addism70@gmail.com.

Thank you in advance for your kindly Cooperation and participation to fill out the questioner.

Addis Mulugeta Liben

GENERAL INSTRUCTION

Please put "√" mark on the space provided for each question.

Please choose only one answer choices unless it is described that it is possible to make.

Please write your own description on the space provided as "Others"

PART ONE:-Personal Information.

1.What is your gender?

- Male []
- Female []

2.How old are you?

- 18 -28 years []
- 29--38 years []
- 39-48 years. []
- 49 - 58 years. []
- Above 58 years []

3.What is your marital status?

- Single []
- Married []
- Separated []
- Divorced []

4.How long have you worked with your current organization?

- Below 5 years []
- 6 - 10 years []
- 11 - 15 years []
- 16 - 20 years []
- Above 20 years []

5.What is your level of Education?

- Secondary []
- TVET []
- Diploma []
- Degree []
- Master []
- PHD []

6. What is your job role in your current organization?

- laborer []
- Clerical []
- Technical []
- Supervisor []
- Managerial [] .

For the following questioner parts such as Part two ,Part three , Part four and part five your response expected to be the extent of your agreement and Disagreement for the questions.

Therefore, please give your answer by putting " √ " mark on the table or given space.

PART TWO - Capacity

SECTION ONE- Technology

S.no	Capacity (Technology)	Strongly agree	Agree	Neither agree or disagree	Disagree	Strongly Disagree.
1	The bank has the necessary IT infrastructure to process.					

SECTION TWO –Knowledge

S.no	Capacity (Knowledge)	Strongly agree	Agree	Neither agree or disagree	Disagree	Strongly Disagree.
1	The bank has knowledgeable manpower to provide interest free banking					

SECTION THREE- Experience

S.no	Capacity (Experience)	Strongly agree	Agree	Neither agree or disagree	Disagree	Strongly Disagree.
1.	The bank has experienced manpower to provide interest free banking.					

SECTION FOUR - Skill

S.no	Capacity (Skill)	Strongly agree	Agree	Neither agree or disagree	Disagree	Strongly Disagree.
1	The bank has the skill to develop interest free banking Service					
2	The bank has the skill to process interest free banking products.					

PART THREE – Costumer Awareness

SECTION ONE -Accessibility

S.no	Costumer Awareness (Accessibility)	Strongly agree	Agree	Neither agree or disagree	Disagree	Strongly Disagree.
1.	The customers have the access of the available interest free banking service.					
2.	The customers have the access of the available currently provided by the bank service.					

SECTION TWO- Deposit

S.no	Costumer Awareness (Deposit)	Strongly agree	Agree	Neither agree or disagree	Disagree	Strongly Disagree.
1.	The customer ability to deposit in interest free banking service.					
2.	The customer Knowhow to deposit in interest free banking service.					
3.	The customer inclination to deposit in interest free banking service.					

SECTION THREE - Products

S.no	Costumer Awareness (Products)	Strongly agree	Agree	Neither agree or disagree	Disagree	Strongly Disagree.
1	I have the knowhow to use the service.					
2	I have the awareness to get interest free banking services.					

3	I have the knowhow bank Provide the interest free banking service.					
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PART FOUR - Level of demand

SECTION ONE - Request

S.no	Level of demand (Request)	Strongly agree	Agree	Neither agree or disagree	Disagree	Strongly Disagree.
1.	Customers request more frequently Murabaha financing service.					
2.	Customers request more frequently Musharaka financing product.					
3.	Customers request more frequently Istisna financing product.					
4.	Customers request more frequently Ijarah financing product.					

SECTION TWO -Providence

S.no	Level of demand (Providence)	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree.
1.	The bank is providing interest free vi banking products that meet the current demand of its					

	customer.					
2.	There is no demand for interest free banking products other than the currently availed one.					
3.	The bank has availed interest free banking products that customers really need.					
4.	The bank is providing interest free banking services that meet the current demand of its customer.					

PART FIVE: Service performance of Interest free banking

SECTION ONE-Output/work result.

S.no	Service performance of Interest free banking (Output/Work Result).	Strongly agree.	Agree	Neither agree or Disagree	Disagree	Strongly Disagree.
1.	Technology of the bank to process has an effect on interest free banking performance.					
2.	knowledgeable manpower to provide interest free banking an effect on interest free banking performance.					
3	Experienced manpower to provide interest free banking has an effect on interest free banking performance.					
4.	Skill to develop interest free banking Service has an effect					

	on interest free banking performance.					
5.	Access of the available interest free banking service has an effect on interest free banking performance.					
6.	Role deposit has an effect on interest free banking performance.					
7.	The bank products have an effect on interest free banking performance.					
8.	Request for the bank has an effect on interest free banking performance.					
9	Providence of services has effect on Interest free banking performance.					

"Thank you for your time and participation"