



***ASSESSMENT OF INTEREST FREE BANKING
SERVICE
(CASE OF COMMERCIAL BANK OF ETHIOPIA
WEST ADDIS ABABA DISTRICT)***

**BY
BERHANU BEYENE NURGI**

**A THESIS SUBMITTED TO THE DEPARTMENT OF
MANAGEMENT, COLLEGE OF BUSINESS AND ECONOMICS,
SCHOOL OF GRADUATE STUDIES WOLKITE UNIVERSITY IN
PARTIALS FULFILLMENT OF THE REQUIREMENTS FOR THE
DEGREE OF MASTER OF BUSINESS ADMINISTRATION**

**June, 2018
Wolkite, Ethiopia**



WOLKITE UNIVERSITY
SCHOOL OF GRADUATE STUDIES

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DECLARATION

I, Berhanu Beyene, declare that this thesis entitled: *“Assessment of Interest free Banking service (Case of Commercial Bank of Ethiopia West Addis Ababa District)”* is outcome of my own effort and study and that all sources of materials used for the study have been duly acknowledged.

To the best of my knowledge, this study has not been submitted for any degree in this University or any other University. It is offered for the partial fulfillment of the degree of Masters of Business Administration.

By: - **Berhanu Beyene**

Signature _____

Date 09/06/2018

ADVISORS' APPROVAL SHEET
SCHOOL OF GRADUATE STUDIES
WOLKITE UNIVERSITY

This is to certify that the thesis entitled “*Assessment of Interest free Banking service (Case of Commercial Bank of Ethiopia West Addis Ababa District)*” submitted in partial fulfillment of the requirements for the degree of **Master's** of Business Administration, the Graduate Program of the **Department of Management**, and has been carried out by Berhanu Beyene Id. No. GSE/016/2008, under our supervision. To the best of my knowledge, is an original work and not submitted earlier for any degree either at this University or any other University.

Therefore, we recommend that the student has fulfilled the requirements and hence hereby can submit the thesis to the department.

Temesgen Teshome
(Assistant Professor)

Name of main Advisor

Signature

Date

Dereje Kefale (MBA)

Name of Co Advisor

Signature

Date

SCHOOL OF GRADUATE STUDIES
WOLKITE UNIVERSITY
EXAMINERS' APPROVAL SHEET

We, the undersigned, members of the Board of Examiners of the final open defense by Berhanu Beyene Nurgi have read and evaluated his thesis entitled “*Assessment of Interest free Banking service (Case of Commercial Bank of Ethiopia West Addis Ababa District)*”, and examined the candidate. This is, therefore, to certify that the thesis has been accepted in partial fulfillment of the requirements for the degree Master's of Business Administration.

<u>Mekonnen Mulugeta (MBA)</u>	_____	_____
Name of Chair Person	Signature	Date

<u>Temesgen Teshome</u> (Assistant Professor)	_____	_____
Name of major Advisor	Signature	Date

<u>Fuad Hussein (MBA)</u>	_____	_____
Name of Internal Examiner	Signature	Date

<u>Dr. Shiferaw Mitiku</u>	_____	_____
Name of External Examiner	Signature	Date

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List of Acronyms/Abbreviations

A.A.	Addis Ababa
CBE	Commercial Bank of Ethiopia
CB	Conventional Banking
CSM	Customer Service Manager
CSO	Customer Service Officer
ED	Economic Development
EPRDF	Ethiopian Peoples' Revolutionary Democratic Front
IBF	Islamic banking and finance
IFB	Interest free Banking
IFBW	Interest Free Banking Window
HO	Head Office
IS	Islamic Banking
JO	Junior officer
NBE	National Bank of Ethiopia
OIB	Oromia International Bank S.C.
PLS	Profit and Loss Sharing
SPSS	Statistical Package for Social Science
WAAD	West Addis Ababa District

ABSTRACT

The main objective of this Study is to assess interest free banking service in commercial bank of Ethiopia- West Addis Ababa District. The study has employed descriptive research design and has used both primary and secondary data which have been collected through structured questionnaire and semi structured interview. A total of 398 sample respondents were taken through judgment & Convenience sampling for Employees & Customers respectively. The data was analyzed using descriptive statistics of mean, frequency, percentage, and standard deviation using Statistical Package for Social Science version 16 software. Based on the analysis of the study, the result shows that there is performance lagging of Interest free Banking financing products, lack of well trained & experienced employees with Interest free Banking in the branches, lack of awareness of customer about Interest free Banking products, inadequate marketing and promotion, unavailability of Interest free Banking financing products in all of Commercial Bank of Ethiopia branches, and Interest free Banking as a means of resource mobilization Strategy in Commercial Bank of Ethiopia. The study concluded that, Commercial Bank of Ethiopia has the capacity to provide the other interest free banking products & Service to its customers provided that there is commitment and support from all stakeholders of the bank including National Bank of Ethiopia. Based on the results of the findings, the study recommended that Interest free Banking should be given the necessary attention and support from all stakeholders, the bank has to be ready and committed in all aspect to deliver Interest free Banking products, aggressive promotion and marketing campaign about Interest free Banking products should be made, The Bank has to increase the accessibility of Interest free Banking products through increasing Interest Free Banking Window at each service providing Branch.

Key words: Amanah, Murabahah, Haram, Sanctity, Segregation

CHAPTER ONE

1. INTRODUCTION

This research paper empirically examines Assessment of interest free banking services with particular reference to Commercial Bank of Ethiopia West Addis Ababa District. This chapter specifically provides background information of the paper and it is organized in eight sections. The first section deals with background the study 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 Scope and limitations of the study respectively. The final section presents organization of this research paper.

1.1 BACKGROUND OF THE STUDY

The term “Interest Free banking” refers to a system of banking that is consistent with Islamic law (Sharia) principles and guided by Islamic economics. In particular, Islamic law prohibits usury, the collection and payment of interest, also commonly called *riba* in Islamic discourse. In addition, Islamic law prohibits investing in businesses that are considered unlawful, or *haram* (such as businesses that sell alcohol or pork, or businesses that produce media such as gossip columns, which are contrary to Islamic Values (IFB Guide line & Procedure of CBE)

Financial system based in Islamic tenets is dedicated to the elimination of the payment and receipt of such interest in all forms. It is this taboo that makes Interest Free Banking (IFB) and other financial institutions differ in principle (CBE –IFB Guide lines and documents)

One of the most emerging trends in the global economies is the idea of Interest free banking and Finance (Ahmad, 2000), that emerged in the global landscape as an alternative banking system which is in line with values and ethos of Islam, and governed by the principles of Sharia Law that requires not charge interest and avoid any unethical practices in achieving its goals and objectives (Gait and Worthington, 2008). This form of interest-free banking has

developed over a long period of time in Egypt in 1963 with the introduction of new products in the industry

According to Fakhrol-Ahsan (1998) and Usman (2003), the role and functions of Interest free banking within the banking system in a modern economy are very important, and in fact, it is at the heart of every robust economy. Hence, Interest free banking is growing at an average rate of 15 per cent a year in size and number, which makes it the fastest-growing sector in the financial markets of the contemporary world (Saidi, 2007; Chong & Liu, 2008).

Now a day Interest Free banking business is growing at a faster rate because of the interest free system and money developed countries have started to look it as the alternative from their conventional banking system (Abduljelil and Khalilur 2014). Interest Free banking (Islamic Banking) is an institution that mobilizes financial resources and invests them in an attempt to achieve predetermined Islamic acceptable social and financial objectives. In addition to this Interest Free banking is a system that mobilizes savings on the basis of profit /loss sharing that is considered to be fairer and more conducive to investment and development (Hassen & Lewis, 2007). Each bank competes to attract the customers by providing various types of services to retain those potential customers and attract the new ones to work with them. These competitions lead the existing banks as well as new entrants innovative to provide new type of services to the public.

According to study of Debebe (2015) & IFB documents of CBE (September 2014), it is believed that interest free banking was began in the mid of 1960s in Egypt Mit-Gamer bank. Nowadays this banking practice has expanded to become a distinctive and fast growing segment of the international banking and capital markets. There are well over 200 Islamic banks operating in over 80 countries comprising most of the Muslim world. IFB also engaged in Islamic Insurance (Takafu), Islamic Investment house, Mutual funds, Leasing companies, and commodity trading companies at multilateral level.

Interest free banking product and services (Islamic banking), are no exception because financial innovation is typically associated with the production of a new financial product or

instrument; it may also involve an entirely new financial intermediary system. This is because, from a functional perspective, financial intermediation pools and optimally allocates scarce financial resources in an uncertain economic environment (Merton, 1995).

Interest-free banking is a new system in Ethiopia which needs a lot of effort and resources to increase the knowledge of its adopters for proper awareness and better perceive about interest-free banking products and to publicize of the products and services in the banking industry.

Thus, this Study intended to asses IFB service by taking CBE-West Addis Ababa District as a case Study.

1.2 STATEMENT OF THE PROBLEM

The fundamental complement of IFB as justified in the Middle-east, Asia, some European countries and North America is to engage an idle fund that is deposited at the personal safe boxes of the community (especially due to religious motives for Muslims) in the economic transaction and complement the economic growth, Price water house Coopers (2013).

At International level there are several empirical studies on Islamic banking and finance. The studies investigated several challenges on aspects of Islamic banking service.

Iqbal, Ahmed & Khan (1998) has divided the challenges of Islamic banking as institutional and operational challenges. The institutional challenges are poor institutional framework, inadequate legal framework and supervisory policies, poor supervisory framework, disparity in accounting standards, lack of equity institutions, absent of organized secondary financial market, and lack of short term market placement of funds. While the operational challenges are improper financial engineering, lack of teaching, training, research and development in this institution, lack of profit sharing finance, inability to adequately mobilize deposits, competition, and finally globalization.

The study made by Njamike (2010)revealed that the major problems and challenges in introducing Islamic banking in Zimbabwe are political intervention in the selection of borrowers, financial instability, inability of the government to restore law and order in the

country, resistance from the banking community, inadequate infrastructure for information dissemination, inconsistency in policy making and implementation of the fiscal and monetary authorities, Central bank control and supervision of Islamic banking with unqualified persons in Islamic finance, absence of Islamic interbank, misperception, current political and economic situation, and default culture

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 and development in Islamic studies, lack of qualified human resource as well as wrongful association with specific religion and the global terrorism. 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. 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. Akimel (2015) has studied Challenges and prospects of Islamic banking for resource mobilization in Ethiopian commercial banks and his work has identified the challenges as: Lack of manpower for the service provision and sharia advisory members who have both religious as well as business knowledge, Lack of research and development on IFB, Lack of a comprehensive legal framework and Lack of supporting financial institutions for gaining additional financial resource beyond their existing liquidity problems 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 IFB including the Muslim population in to the banking (financial system) to the economic development and GDP growth.

Thus, the above studies have not covered the current overall assessment of Interest free banking service on CBE as it is the leading bank in the country.

Commercial bank of Ethiopia has started interest free banking service window at the end of October 2013 by identifying the service needs of the business community, Muslim society after the approval of the government to start Islamic banking in one window besides its conventional banking service. CBE started promoting interest free banking (Islamic banking service) and accepting various types of non-interest deposits such as Amana (Safe Keeping) , Qard & Mudaraba and financing requests i.e. Profit and loss sharing (Murabaha), a profit sharing joint venture (musharaka), a financing service that would be made available in cash for operating costs to customers engaged in agriculture (Selam), a profit sharing agreement (Mudaraba), supplying industrial products to clients order (Istisna), a globally recognized mode of leasing (Ijara) and other services (IFB Guide lines & Procedures of CBE). Although the bank has started operation by promoting various types of IFB deposits and financing products & services as mentioned above, there is lack of awareness in the business community about the service. This is because the bank mainly focus on the deposit accepting motives from those who don't want interest. There is a request of fund by business community for the purpose of financing their trade and commercial activities on a profit and loss sharing mechanism as per the principles of Islamic financing. However, similar to Conventional banking service, Credit policy of CBE on interest free banking is also restricted to Priority Sectors which is performed at centre (HO) only.

CBE has promoting various types of financing products in the market however; the bank has financed only one type of credit Product (Murabahah) for the last consecutive years. In addition to this the collected fund need to be used for financing of those Islamic products only because accepting and paying of interest is prohibited by Islamic law.

There is also lack of uniformity among Branches in Commercial Bank of Ethiopia in providing IFB deposit products & service to Customers. Among the three types of IFB deposit products which were launched by CBE, Mudaraba saving & fixed time deposits were provided at few Branches only.

Except interviewing the customers to fill source of income on the application form during Account opening, there is no ground to check the permissibility of Fund in comply with the sheria law.

Accordingly, the purpose of this study is to assess interest Free Banking Service in the context of Commercial Bank of Ethiopia - West Addis Ababa District

1.3 RESEARCH QUESTIONS

The study attempts to answer the following research questions:

1. What is the current status of interest-free financial products and services in Commercial bank of Ethiopia- West Addis Ababa District?
2. Why is Commercial Bank of Ethiopia (CBE) limits IFB products & Service to what it provides now?
3. What are the types of IFB products & Services that are not provided for the customers at all branches uniformly?
4. How CBE knows whether the IFB fund is from permissible source or not after account opening for the customers?

1.4 OBJECTIVES OF THE STUDY

1.4.1 GENERAL OBJECTIVE

The general objective of the study is to assess interest free banking service in commercial bank Ethiopia West Addis Ababa District.

1.4.2 SPECIFIC OBJECTIVES-

Based on the general objectives the research would have the following specific objectives

1. To assess the current status of interest-free financial products and services in Commercial bank of Ethiopia- West Addis Ababa District
2. To identify the reasons that make the bank limit its IFB products to what it provides now

3. To Identify the types of IFB products & Services that are not provided for the customers at all branches uniformly
4. To Assess whether CBE has a mechanism of checking permissibility of Fund on IFB for the customers after account opening

1.5 SIGNIFICANCE OF THE STUDY

The study has a contribution practically and theoretically. Theoretically, the Research adds to the pool of knowledge as a basis for further research in the field of interest free banking.

While, practically, CBE in particularly & the Ethiopian commercial banks in generally can use the findings from this study to enhance their knowledge on the IFB Customer Service.

This study also can assist the bankers in formulating different strategies and policies who have not started providing the IFB service and to revise their existing strategies & policies who are being in operation like CBE so as to attract more banking users by knowing the customers level of intention towards use of interest-free banking.

Help for the Commercial Banks that do not offer interest-free banking and would like to adapt offering these products and services.

Help for customers in terms of knowledge of the products, the more knowledgeable the person is about the product, the more likely he or she utilizes the facilities. Therefore, in order to capture greater market share, customers must be well informed of the products as well as the interest-free banking system itself.

1.6 SCOPE OF THE STUDY

The study was bounded by both area coverage and problem addressed. There are many financial product and services provided by CBE, and the researcher emphasized on the interest-free financial products and services. The researcher conducted the study in dual banking systems because the study focused on interest-free banking and the study area is limited to Commercial Bank of Ethiopia West Addis Ababa District of branches that exist in Addis Ababa city and one Branch in Wolkite town due to the fact that the no of Customers in three scenarios (high, medium & small number of customers) were considered in the study based on 2016/17 IFB performance report of Branches. In addition the study included Interest

free account holders (customers), staffs of separated window, and Customer Service Managers of selected branches of Commercial bank of Ethiopia West Addis Ababa district. Descriptive research design method was employed for the study.

1.7 LIMITATION OF THE STUDY

The study is subject to several shortcomings that limit interpretation of findings. When conducting the study the researcher limited the scope to Assessment of IFB Service in CBE, thus, the results may not show other financial products and services of the bank. The study was focused only on CBE-WAAD among the banks with dual services and thus the results from this case might not be generalized to other banks with conventional banking services. The finding of this study is limited to Interest free account holders, customers of the bank, thus the generalization of the result for analysis of others account holders, firms and institutions must be made with caution. The other limitation is that as 89% of the study area was taken from Branches found in Addis Ababa, primary data collection especially from customer side was being difficult and time consuming.

1.8 ORGANIZATION OF THE STUDY

This paper was organized into five chapters, the first chapter deals with the introduction of the study that is, background, statement of the problem, objective of the study, and scope of the study. The second chapter discusses the theoretical and empirical literatures about Interest free Banking. The third chapter is about the methodology of the research that is the research design, Types & Source of data, sampling design, data collection techniques, and data analysis and ethical consideration. The fourth chapter presented about data analysis and discussion of results. The fifth chapter of the paper contains summary, conclusions and recommendations.

CHAPTER TWO

2. REVIEW OF RELATED LITERATURES

In this section of the study theoretical and empirical literature review has been conducted which has involved details in each of the sub sections.

2.1 THEORETICAL LITERATURE REVIEW

2.1.1 DEFINITIONS OF BASIC CONCEPTS

Interest free (Islamic) finance is defined as a financial service or product that is consistent or principally implemented to comply with the principles of Islamic law (Gait and Worthington, 2008).

An Interest free (Islamic) bank is a financial and social institution whose objectives and operations as well as principles and practices must conform to the principles of Islamic Sharia (Hassan and Ahmed, 2002). Interest free (Islamic) banking provides services to its customers free of interest, as the giving and taking of interest is prohibited in all transactions rather it provides awards or returns on the basis of Interest free (Islamic) banking performance through profit-and-loss sharing (PLS) as well as hibah or gift (Lewis and Algaoud, 2001 and Ahmed, 2008).

The customer perception refers to the extent to which a customer's assessment influences his decision to choose from alternatives observed with respect to the occurrence of an event and the relative probabilities of these alternatives (Rogers, 2003). Perception is the act of discerning, realizing, and becoming aware of through the senses (Albrecht, 2003). Customers' perception is often identified by their level of satisfaction toward particular products or services. Other important indicators determining customers' positive or negative perception is on their patronage criteria toward the service provider.

2.1.2 ISLAMIC AND CONVENTIONAL BANKING

Islamic banking is operating in the same society where conventional banks are operating and perform all those functions which are expected from a financial institution. However, the philosophy and operations are different. The basic principles underlying Islamic financial

transactions are that the purpose of financing should not involve an activity prohibited by Shariah. Islamic banking and finance (IBF) is an ideological discipline that draws on *Shariah* principles to expunge interest and other exploitative elements from the economic and financial spheres of human society (Khan & Bhatti 2008).

The main difference between Islamic and conventional banks is the use of money. In conventional banks, money is used as a commodity that is bought and sold through the interest's usage (Pasha 2014).

Just like conventional, Islamic banks are dependants on their depositors' money as a major source of funds, with the exception that they are not allowed guaranteeing any rate of return on the basis of interest. Moreover, the nominal value of some deposits accounts cannot even be guaranteed, because they are reliant upon the profit- and loss-sharing scheme. While the conventional banks guarantee the capital and rate of return, the Islamic banking system, based on the principle of profit and loss sharing, cannot, by definition, guarantee any fixed rate of return on deposits. In some cases the capital is not guaranteed either, because if there is a loss it has to be deducted from the capital (Mounira 2008).

Although profit sharing and interest-based lending may seem alike, the differences are clearly more than semantic ones. The yield is not guaranteed in the profit-sharing mode. In addition, in interest-based lending the loan is not contingent on the profit or loss outcome, and is usually secured, so that the debtor has to repay the borrowed capital plus the fixed (or predetermined) interest amount regardless of the resulting yield of the capital. Thus, with interest-based lending, the financial losses fall most directly upon the borrower (Kettell, 2011).

The utilization of the funds from the institution by a business house or an enterprise is on a profit and loss sharing basis. Gains from the business as well as losses earned due to the business are shared between the institutions and the enterprise. Investing in Islamic banks may provide more profit and less risk because the financial institution has its own interest as it acts as a partner (Mohammed 2013).

Each and every investment based on PLS leads to asset creation rather than debt creation. Islamic banking does not allow the creation of debt through direct lending and borrowing

because credit can only be provided through lease or sale-based financing. Consequently, Shariah compliant investments follow the structure of an exchange of ownership in tangible assets or services where money's role is to facilitate the payment mechanism to implement the transfer. Moreover, risks are supposed to be shared among all parties: investors and entrepreneurs bear the business risk for a share in the profits. This contrasts with conventional banking where transactions involving interest payments are common (Chong and Liu, 2009, Kahf, Ahmad, and Homud, 1998).

Islamic banks use the same tools and procedures as conventional banks in those areas where there is no conflict between banking operations and Islamic principles. These activities include foreign exchange transactions, domestic and international transfers, letters of credit and availing safe custody (Al-sultan 1999).

Table 2.1.2.1 Differences between Interest Free Banking and conventional Banking

Conventional Banking System	Interest Free Banking
Based upon Modern Commercial Law	Based upon Sharia
<i>Limited disclosure</i> (provision of information subject to public interest)	<i>Full disclosure</i> & transparency
<i>Personal accountability</i> (focus on individuals who control resources)	<i>Accountability</i> (focus on community)
Business Entity:- Separation between business and owners	Firm does not have to separate financial obligation
Going concern:- Business continues forever	Depend on contractual agreement (investment accounts)
Accounting period:- Periodical measurement	One Lunar year for measurement
Unit of measure:- Monetary Value	Quantity and monetary based, (charity fund)
Objectivity:- Reliability of measurement	Importance for the fulfillment of the duties and obligations to God, society and individual
Materiality:- Relative importance of information for decision making	Clear conscience with God in fulfilling all duties
Consistency:- based on GAAP	Consistence to sharia rules
Conservatism:- Use least favorable impact on owners	Most favorable to society (justice)

Source: IFB Accounting Procedures of CBE (April 2014)

2.1.3 MAJOR IFB PRODUCTS

Islamic financial products offer new opportunities for institutions to address previously unexplored consumer and business segments. The introduction of Islamic financial products across the world has been in response to the growing need of a significant segment of the marketplace that refused to deal with interest-based instruments. Islamic banks aim at addressing the needs of new segments by creating a range of Islamically acceptable products, the development of which pose significant challenges arising from the need for *Sharia* compliance in addition to regulatory complexities. Marketing such products is another challenge in light of competition from conventional banks and the need for innovative products (Hassan & Lewis 2007). Interest free/Islamic banking operates according to Islamic law which requires all the transaction to be Shariah compliant including the non receipt and payment of interest. It involves profit-sharing as per agreement and loss/risk sharing as per investment between banks and customers as its main method. It provides several products through different modes. The products are recognized based on the contracts instead of the commercial orientation (Kettell 2011). Islamic banks have devised (and still devising) new instruments/products to enable them achieve their objectives in accordance with Islamic laws (Al-Sultan 1999)

2.1.4 ISLAMIC BANKING DEPOSIT PRODUCTS

According to Kettell (2011), in the mobilization of funds, Islamic banks depend on four main sources that include shareholders' funds, current accounts, investment accounts and savings accounts. The bank and the investment deposit holders share the realized profit in accordance with the ratio agreed upon between the parties at the time of contracting. The deposit in the current account is treated as if they are loans from the clients to the bank and therefore, bear no yield to the account holders. However, being loans to the bank, their principal is guaranteed by the bank. According to Ziauddin (1994), Hassen & Lewis (2007) and Kettll (2011) the source of deposit mobilization of IFB products are shown as follows.

I. Unrestricted Investment Deposits (Unrestricted Mudaraba)

This type of deposit is an earning deposit which is mobilized with the knowledge that bank acts as the Mudarib (manager) and invests the fund without restriction and intervention of the capital provider in any Shariah compliant manner. The profit on the investment will be shared as per agreement and loss will be shared by the depositor (capital provider). The bank has discretion to participate in the investment. The bank can pool the money for its daily IFB business activities (Ziauddin (1994), Hassen & Lewis (2007) and Kettll (2011)

II. Restricted Investment Deposit (Restricted Mudaraba)

Such type of IFB deposit is an earning deposit which is mobilized with the knowledge that bank acts as the Mudarib (manager) and invests the fund in restricted investment based on active intervention of the capital provider complemented with professional advice from the bank side. The profit on the investment will be shared as per agreement and loss will be shared by the depositor (capital provider). Example: Investment in the aluminum industry, real estate, etc (Ziauddin *et al.*, 1994)

III. Wadiah (Safekeeping) Deposit

It is a peculiar non-earning type of IFB deposit that operates under the contract of Wadiah Yad Dhamanah (guaranteed custody). The bank accepts deposits from its customers looking for safe custody and convenience and requests permission to make use of the customer funds for investment purposes promoting transparency. The customers may withdraw their balances at any time. Profit generated from the use of the customers' funds belongs to the bank. However, the bank may at its absolute discretion reward the customers by declaring profits to them. Under the contract of Wadiah, the custodian i.e. the Bank is not allowed to mention or to promise any reward on the deposit received. The owner/depositors too cannot demand any rewards or return from their Bank on their savings (Ziauddin *et al.*, 1994)

IV. Demand Deposit (Amana Current Accounts)

Amana Current accounts are non-earning deposits that operate based on the principle of *alwadiah*, whereby the depositors are guaranteed repayment or withdrawal of their funds on demand. At the same time, the depositor does not receive return for depositing funds in a current account, because the guaranteed funds will not be used for profit and loss ventures (*Ziauddin et al., 1994*)

2.1.5 ISLAMIC BANKING FINANCING PRODUCTS

As a general rule, Islamic finance involves the carrying out of investment and /or the purchase of goods, services and assets. Islamic banks provide financing using two basic methods. The first depends on profit and loss sharing and the second involves the sale of goods and services on credit and leads to the indebtedness of the party purchasing those goods and services (Al-Jarhi and Iqbal 2001). Financial instruments based on Islamic principles have been developed to facilitate everyday banking activities by providing halal (Shariah-compliant) methods of lending or borrowing money and still offering some acceptable returns for investors. Theoretically, there are several IFB financing products which also include other than the below cited ones. Practically, banks do not provide all of the IFB products. Thus, this research also shows the popular IFB financing products which is described by the following researcher as major ones. According to Hassan & Lewis (2007), Al-Jarhi and Iqbal (2001); Kettell (2011); and Bello & Abubakar (2014) some of popular Islamic financing products being marketed worldwide by Islamic banks are:

I. Mudaraba (Silent Partnership)

A *mudarabah* contract is a financial transaction in which there are two partners in the contract. One of the partners will provide the needed capital (*Rabb-ul-Maal*) and the other partner will go into the business as entrepreneur (*Mudarib*). That is, the Islamic bank will act as the capital Provider (*Rabb-ul-Maal*). In this type of financial contract, profits are shared between Islamic bank and the entrepreneur (client) based on predetermined ratio. However, in the event of loss

the Islamic bank (or depositors) bears the loss while the entrepreneur loses his or her effort provided it was not as a result of his or her negligence. (*Hassan & Lewis, 2007*)

II. *Murabahah (Cost-Plus Sales Contract)*

This type of contract is mostly used in the procurement of equipment. It is a sales contract between Islamic bank and its client at a fixed profit called mark-up. In this contract, the client will provide all the specifications of the commodity and the Islamic bank will take the risk of purchasing it for the client at a cost plus mark-up which the client can either pay in installment or sum at a spot or at a stated period. (*Al-Jarhi & Iqbal, 2001*)

III. *Ijara (Lease)*

Ijarah is synonymous to leasing contract in conventional banking. It is a contract whereby an Islamic bank purchases an asset and leases it out to its client on the agreement that the client will be paying a fixed amount at regular interval usually monthly for a specified period of time to the Islamic bank. It may also include the option of the client purchasing the asset at the end of the contract from the bank. (*Kettell, 2011*)

IV. *Musharaka (Equity Partnership)*

Musharaka is a contract in which two or more persons contribute capital for the establishment of a particular business venture in such a way that each partner has right to either involve in the administration of the business or not. However, partners may decide to be active or sleeping partner at their own will. In this kind of transaction in Islamic banking, profits are shared based on agreed ratio which need not be equal to their individual capital contribution, but loss is shared strictly based on individual capital contribution. So, Islamic bank will act as a partner in this case in order to contribute to the capital formation as well as in sharing profits and loss. (*Bello & Abubakar, 2014*)

V. Salam (Forward Trade Contract)

This is a sale contract whereby Islamic bank agrees to supply some specific commodities to the buyer (its client) at a future date that is specified in exchange of an advanced full spot payment to the bank. That is, the client pays the full amount and delivery of the commodity to the client is done in specific future date by the Islamic bank. (*Hassan et al., 2007*)

VI. Istisna (contract of manufacture)

It is a contract in which a party orders another to manufacture and provide a commodity, the description of which, delivery date, price and payment date are all set in the contract. It is used by Islamic banks, and consists of two separate Istisna contract. (*Hassan et al., 2007*)

2.1.6 EVOLUTION OF MODERN INTEREST-FREE BANKING

Interest-Free Banking has a recent origin as compared to its conventional counterparts. Although scholars have discussed and analyzed issues with regards to a system of banking that is interest free based much earlier, much exclusive attention to the subject matter is a 20th century phenomenon (Bala, 2004). As Bala (2004) the history of interest free banking could be divided into two parts. First, when it still remained an ideal; second when it became a reality by private initiative in some countries and by law in others

2.1.7 Interest Free Banking as an Idea

Bala (2004) indicated as the earliest reference to the reorganization of banking on the basis of profit sharing was written by Anwar Qureshi (1946), NaiemSiddiq(1948) and Mohamed Ahmed (1952). They have all recognized the need of commercial banks that use profit and loss sharing mechanism and have proposed a banking system based on concept of Mudarabh (profit and loss sharing). In 1960th interest free banking attracted more attention because of emergency of young Muslim economists. The first idea emerged in that of Muhammedvzair (1955). Another set of idea emerged in the late sixties and early seventieth, Abdullahal-araby (1967), Nejatullahsiddigi (1961, 1969), Al Najjar (1971), Baqiral-sadr (1961, 1974) were the main contributors.

2.1.8 INTEREST FREE BANKING AS PRACTICE

The institutional and governmental involvement led to the application of theory to practice and resulted in the establishing of interest free banking. The practice of modern Islamic banking formally began in 1963 with a pioneering experiment in Egypt which established in the town of Mit-Ghamr, which lasted only for 4 years until 1967 due to a variety of political factors, the movement was short lived when the banks were unable to attract the required substantial numbers of small depositors. Ariff, (1988) noted that prior to Mit-Ghamr's experiment of 1963, a small scale or limited scope interest free banks had been tried before, one in Malaysia in mid 40s and the other in Pakistan in the late 1950s, neither of these two survived. It was the work of December 1970 conference that caused the establishment of Nasr social Bank in Egypt in 1971, the Philippine Amanah Bank in 1973 and the Dubai Islamic Bank in 1975 were established. Several others like the Faisal Islamic of Sudan and Faisal Islamic bank of Egypt were established in 1977 (Bala, 2004). Since then, there has been a steady expansion of Islamic banks in the 80sand 90s. In many Muslim countries especially in the Middle East, Islamic banks are rapidly gaining market shares in their domestic economies (Hassan and Bashir, 2003). By some estimates, Islamic banking has been growing at 10% worldwide and about 15% in the Gulf which is much higher than the growth rate of conventional banking (Schoon et al, 2003). At the present most Muslim countries have some type of Islamic banking although the degrees of practice conformance vary between countries. Lewis and Algaourd (2001) identified two basic forms of expansion of modern Islamic banking. The first involves the process of converting the entire financial intermediation of a country from a conventional system to a full-fledged Islamic system. The countries that had adopted such an approach are Pakistan, Iran and Sudan. The majority of other countries followed the second approach. In the second form, there are deliberate attempts by both the regulator and the market participants to establish Islamic banks to compete with conventional banks but essentially they maintain a mixed system where conventional banks and Islamic banks co-exist. Interest free banking seems to be of very recent origin in Ethiopia.

2.1.9 STATUS OF INTEREST-FREE BANKING IN SUB-SAHARAN AFRICA

The financial sector in some Sub Saharan Africa countries has been growing rapidly in the past two decades. New products have been introduced and financial institutions are playing an increasing role in financial intermediation, including cross-border financial flows. However, Islamic finance in Sub Saharan Africa remains small, although it has potential given the region's demographic structure and potential for financial expanding. As of end-2012, about 38 Islamic finance institutions comprising commercial banks, investment banks, and takaful (insurance) operators were operating in Africa (Dow Jones, 2012). As Estimates based on Bank scope and Zawya, April 18, 2012 out of this, 21 operated in North Africa, Mauritania and Sudan, and 17 in Sub-Saharan Africa. Botswana, Kenya, Gambia, Guinea, Liberia, Niger, Nigeria, South Africa, Mauritius, Senegal and Tanzania have Islamic banking activities.

There is also scope for development in Zambia, Uganda, Malawi, Ghana and Ethiopia as all but Zambia have relatively large Muslim populations Zambia is interested in using Islamic finance instruments to fund investment in the mining sector. In Uganda, the central bank has started the process of amending its banking regulations to allow for the establishment of Islamic banks and three Islamic banks have applied for a license. In particular, four countries have considerable potential for becoming a regional hub of Islamic finance activities such as South Africa, Nigeria, Kenya and Mauritius.

2.1.10 INTEREST-FREE BANKING IN ETHIOPIA

The Ethiopian banking sector has expanded in the few past decades and benefit only some part of the community so that introducing interest-free banks which is the way to improve the poor and the disadvantaged segments of the society is a logical next step. As far as Potential for interest free banking (Islamic bank) is concerned, the government facilitated the necessary legal framework about 8 years ago. The potential benefits of allowing Islamic banking include; decreased economic disparity between the rich and poor, better integration, and consequently accelerated economic growth (Mohamed Muhumed, 2012).

Government of Ethiopia can leap a step closer towards the fulfillment of the much appreciated dream of ``Middle Income Country `` by reforming its banking sector and allowing the establishment of Islamic Banks. Even if the developments of Islamic finance in the Ethiopia have taken place since the first individual and group initiatives surfaced in early 2008 years it is at developing stage. The past legal framework in Ethiopia does not permit full-fledged Islamic Banking which offers the owners of capital to share the profits made by the entrepreneur who comes up with investment projects, rather the National Bank of Ethiopia (NBE) issued a directive to banks allowing them to provide interest-free banking (Islamic banking) service using a separate window along with their other banking services to suit society's diverse financial needs. The National Bank of Ethiopia's directive came into force in October 2011 about first Islamic Financial Institution in Ethiopia, However, the implementation of this banking system was started only in 2013 by few commercial banks like Oromia international bank S.C, Commercial Bank of Ethiopia and united bank S.C. Customers who are interested in the interest free banking are assured that they will obtain all those services that they would get from a fully-fledged interest free banking. However, the implementation part is not as speedy as the business persons would prefer, who would like to move immediately and get financing for their projects as quickly as possible because the newly established interest free banking must first collect enough deposits, since the principle does not allow them to finance Murabaha projects from the bank`s conventional deposits.

The Interest Free Bank Window was commenced operation in mid of December 2013 which has contributed and promised a potential of differently mobilizing resources ahead of the Bank's time, the service being commenced on a limited number of branches only (Oromia international bank S.C (OIB) Annual report 2013/14). In addition the commercial bank of Ethiopia starting launching interest free banking services at the end of October, 2013 and has attained 6,000 customers for its interest free banking service, with 100 million Br in savings from 23 interest free banking Branches `` by the first week of May 2014. Currently as the Commercial Bank of Ethiopia interest free banking performance document indicated at June30, 2017 the total deposit was 5.1 billion birr from 450,000 customers of 824 branches. It

also indicated as 130 million birr of approved for finance granted by the bank from Murabahah financing during 2016/17 fiscal year.

2.2. EMPIRICAL LITERATURE REVIEW

2.2.1 EMPIRICAL LITERATURE REVIEW-GENERAL

IFB industry is highly nascent in comparison to the conventional banking industry. It is striving to develop its own institutional, operational, and regulatory infrastructures in order to grow and prosper (Khan & Bhatt 2008).

At international experience, many studies on challenges of Interest free/Islamic banking have been conducted. These studies have shown that Islamic banking in Muslim or non-Muslim countries have faced a number of challenges,(Iqbal, Ahmed & Khan 1998, Njamike 2010, Ibrahim 2012, Saleh and Zeitun (2005) & Karbhari, Naser & Shahin, 2004). Thus, Ethiopia is not an exception.

However, to the best knowledge of the researcher, there is paucity of research work on the topic under study in Ethiopian context and the researcher believed this will make the study to contribute knowledge and fill the gap in the area.

According to studies conducted on challenges of IFB at international level, the identified challenges in the researchers' respective countries differ due to the difference in each country's social, economical, cultural, religious, political, and technological and other factors though there are some common challenges to these countries. Thus, the researcher has reviewed some of the studies and has presented as follows.

Iqbal, Ahmed & Khan (1998) has divided the challenges of Islamic banking as institutional and operational challenges. The institutional challenges are poor institutional framework, inadequate legal framework and supervisory policies, poor supervisory framework, disparity in accounting standards, lack of equity institutions, absent of organized secondary financial market, and lack of short term market placement of funds. While the operational challenges are improper financial engineering, lack of teaching, training, research and development in

this institution, lack of profit sharing finance, inability to adequately mobilize deposits, competition, and finally globalization.

The study made by Njamike (2010) revealed that the major problems and challenges in introducing Islamic banking in Zimbabwe are political intervention in the selection of borrowers, financial instability, inability of the government to restore law and order in the country, resistance from the banking community, inadequate infrastructure for information dissemination, inconsistency in policy making and implementation of the fiscal and monetary authorities, Central bank control and supervision of Islamic banking with unqualified persons in Islamic finance, absence of Islamic interbank, misperception, current political and economic situation, and default culture.

The research made by Ibrahim (2012) showed that legal frame work, manpower, competition, financial literacy, religion and moral hazard constitute significant constraints on the operation of the interest-free window. and to overcome these challenges and improve the performance of the interest free banking system his work has recommended for vigorous public enlightenment (sensitization) program on interest-free banking, intensive manpower training and development, promotional efforts, introduction of innovative services and products, progressive monitoring and supervision of business partners/ clients, cooperation with other interest free institutions and relevant stakeholders, expansion of the scope of the operational guidelines of non-interest banking by the Central Bank of Nigeria and active government participation in Interest-Free Banking at all levels.

Saleh and Zeitun (2005) found that lack of public awareness and acceptance, lack of research and development institutions, inadequate manpower, and high competition from conventional banks offering Islamic windows are the major challenges of Islamic banking in Lebanon.

The study conducted in the United Kingdom regarding problems, challenges and opportunities of Islamic banking has identified the main problem as lack of expert staff and competition from the conventional banks. It has been concluded that the e-banking can play pivotal role for the success of Islamic banking. There is also a need to recruit professional individuals who have the knowhow about the Islamic banking (Karbhari, Naser & Shahin, 2004).

The research works reviewed so far were conducted in different countries which are based on the respective countries reality. However, the empirical findings of all of these researchers agree on one thing, that interest free banking faces challenges in its implementation and operation. These studies have revealed that though there are some challenges common to many countries, there are also challenges which are unique to each country. Thus, the researcher is motivated to assess the current research gap in delivering and using of IFB products & Services in the Ethiopian context.

2.2.2 EMPIRICAL LITERATURE REVIEW-ETHIOPIAN CONTEXT

In Ethiopia, IFB is a recent phenomenon. As a result, there is little empirical literature on the area. The studies conducted so far include the following: Mohammed, (2012) has conducted research on `Islamic Banking: Prospects, Opportunities and Challenges in Ethiopia`, research work conducted by Teferi, (2015) was on contribution of IFB to economic development and its prospect in Ethiopia`; on the other hand, study conducted by Debebe, (2015) is on ``Factors Affecting Customers to Use Interest Free Banking in Ethiopia``. Accordingly, their findings in brief and the gap thereto is presented as follows.

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 and development in Islamic studies, lack of qualified human resource as well as wrongful association with specific religion and the global terrorism. 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 and the respondents do not have real life experience on interest free banking products delivery and use.

Debebe (2015), has conducted a study on ``Factors Affecting Customers to Use Interest Free Banking in Ethiopia``. His study has centered on ``customers`` intention and willingness to use interest free banking``. The results 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". He assessed the contribution including the Muslim population in the banking (financial system) to the economic development and GDP growth.

Kerima (2016) has studied " Challenges on Interest Free Banking Services: The Case of Commercial Bank of Ethiopia" and his work has identified There is low demand for the other type of IFB deposit products, there is awareness problem about IFB and its products and there is and there is capacity problem to deliver full range of IFB products/services to its customers

Therefore, except in the international studies which took realities of other countries, to the best knowledge of the researcher, there is lack of empirical study in Ethiopian context related to assessing or evaluating the current performance level of IFB products & services. This study, therefore, attempts to fill this research gap by evaluating the current performance of IFB products & Service in Commercial Bank of Ethiopia whether there is availability demand of users, current status of interest-free financial products and services, the various types of IFB products & service and their consistency with Islamic law (sharia) and the extents of IFB service utilization in Commercial Bank of Ethiopia. In this case, Commercial bank of Ethiopia-West Addis Ababa District (WAAD) is taken as a case study.

2.2.3 PRINCIPLES OF ISLAMIC BANKING SERVICE

According to Bala et.al, (2009) Islamic finance is based on the themes of community banking, ethical banking, and socially responsible investing. Its goal is to be an ethical, indigenous, and equitable mode of finance.

The six key principles that govern Islamic banking are as follows:

2.2.3.1 Freedom from Interest

The Quran, the Muslim holy book, expressly forbids Interest, which includes any payment of interest (not only excessive interest) on monetary loans. A loan with a fixed return to the lender regardless of the outcome of the borrower's course of action is viewed as unfair. Interest is also believed to be exploitative and unproductive because it is considered to represent sure gain to the lender without any possibility of loss as well as a reward in return for no work. These factors are believed to lead, in turn, to inflation and unemployment and to stifle the social and infrastructural development of a nation. (*Bala et.al, (2009)*)

2.2.3.2 Risk-and-Return Sharing

The profit and loss sharing is related to the principle that profits are distributed according to contractually agreed shares but liability to losses should be proportionate to the capital contribution. Monzerkahn and Khan, (1992). Risk sharing principle applied because interest is prohibited, pure debt security is eliminated from the system and therefore suppliers of funds become investors, rather than creditors. The provider of financial capital and the entrepreneur share business risks in return for shares of the profits and losses. (Iqbal & Mirkahor, 2011) An Islamic banking service provider shares in the profit and loss of each borrower's business transaction. In turn, the bank divides its share of profits and losses with its general and special investors who have deposited funds in the bank. (*Bala et.al, 2009*) Sharia prohibits Muslims from earning income by charging interest but permits income generation through the sharing of risks and rewards between the parties to a transaction. This profit-sharing mechanism is believed to encourage people to become partners and work together rather than to enter into a creditor-debtor relationship. Partnership promotes mutual responsibility for the outcome of the financed project, which is believed to increase the likelihood of success of the venture. A tangential aim of the partnership approach is that such increases in successful projects also provide stimulus to the economy. (*Bala et.al, (2009)*)

2.2.3.3 Sharia - Approved Activities

Islamic banking service providers may engage in or finance only activities that do not violate the rules of Sharia and are permitted by Islam. To ensure that all products and services offered are Shari 'a compliant, each Islamic banking service has an independent Shari 'a supervisory board.

2.2.3.4 Sanctity of Contract

Yahiya Abdul-Rahman, (2010) explains that Interest free banking service providers cannot finance alcohol-related businesses, gaming, gambling, polluting businesses, or other unethical activities. They finance businesses in a fair and just way and serve all customers of all backgrounds. They scrutinize the businesses they finance to ensure that the business owners treat their employees fairly and without discrimination

2.2.3.5 Prohibition of speculative behavior

An Islamic financial system discourages hoarding and prohibits transactions featuring extreme uncertainty, gambling, and risk. Iqbal and Mirkahor, (2011) Islam views contractual obligations and the related full disclosure of information as a sacred duty. Full disclosure is intended to reduce financial speculation (gharar), which is strictly prohibited by Islam, by providing as much information as possible for investors to make accurate assessments about the risks and rewards of an investment. The conditions that are necessary for a contract to be valid include a competent understanding of the underlying asset(s) and the profit-sharing ratio, as well as the presence of a willing buyer and seller. Contracts must also not offend Islamic religious and moral principles; if they do, they will be deemed illegal and unenforceable. (*Bala et.al, (2009)*)

2.2.3.6 Segregation of Funds

An important principle behind Islamic finance is the desire to maintain the moral purity of all transactions. The funds intended for Sharia-compatible investments should therefore not be mixed with those of non-Islamic investments. This requirement is not based on the

assumption that the activities of non-Muslims are intrinsically impure. The rationale behind this principle is rather one of prudence, in the sense of taking all the necessary precautions to ensure that Islamic funds do not become mixed with other funds that may be involved with riba, gharar, or haram activities.

Therefore, in order to ensure compliance with Islamic principles, conventional banks wishing to offer IB products must guarantee and publicize that the funds devoted to conventional activities will not be mixed with those destined for Islamic activities. In operational terms, this requires that banks establish different capital funds, accounts, and reporting systems for each type of activity. In this sense then, when a conventional bank opens an Islamic window, to a large degree, it is in fact establishing a separate entity from the rest of the bank. Sole, (2007)

CHAPTER THREE

3. RESEARCH DESIGN AND METHODOLOGY

This part of the study explains the research methodology applied to obtain representative data from a sample of nine Branches of commercial bank of Ethiopia found in WAAD. The research design, Types & sources of data, sampling design, methods of data collection , data analysis used and Ethical consideration pertinent to the study were presented in this section.

3.1 THE RESEARCH DESIGN

To describe and summarize data for the research findings & to meet the research objectives due to its appropriateness, descriptive research design method was employed.

3.2 TYPE AND SOURCE OF DATA

The researcher used both primary and secondary data to assess IFB in CBE-WAAD. Primary data sources were employees, management and selected Customers from Sample Branches of CBE-WAAD. Secondary data sources such as literatures, scholars' research, relevant websites, the company's reports, IFB guidelines & procedures of CBE were used.

3.3 SAMPLING DESIGN

The aim of this thesis is to assess Interest Free Banking in CBE-WAAD. Because, out of the Four districts of CBE at Addis Ababa, namely North Addis Ababa District, South Addis Ababa District, East Addis Ababa District and West Addis Ababa District, West Addis Ababa District (WAAD) has the largest number of IFB customers consisting of the whole Branches found in Merkato where a number of Islamic businesses are running. Thus, target population of the study were employees at IFB dedicated windows, Customer service Managers and IFB customers from Branches. The total number of Branches in West Addis Ababa District as at June 30, 2017 was 110. Among these, 86 Branches are providing IFB service through their dedicated Windows.

Hence, to draw a representative sample of the population, the researcher was applied judgment (purposive) sampling method for Employees as the researcher uses his judgment to

select people that he feels are representative of the population and Convenience Sampling method for Customers respectively. Convenience Sampling is a type of Non Probabilistic sampling technique in which the most convenience population is chosen. This method is often used to save time and resources.

The sample size was determined at 95% of confidence level and 5 % margin of error for 91,163 target populations. Hence, the sample size was 398 using Yamane (1967) approach).

$$n = \frac{N}{1+N(e)^2}$$

Where n is the sample size,

N is the population size, and

e is the level of precision or sampling error = (0.05)

$$n = \frac{91,163}{1+91,163(0.05)^2}$$

$$n = 398$$

Hence, the total sample size is 398 (three hundred ninety eight)

The study was conducted on 86 Branches of commercial bank of Ethiopia under West Addis Ababa District and the total population of the study was 91,163 from the fourth Quarter of the Fiscal year 2016/17

**Table 3.1: Population Number of Branches providing IFB service
Under WAAD as at 30/06/2017**

Particular	No
Customer Service Managers	177
Employees at IFB dedicated Windows	100
IFB Customers	90,886
Total	91,163

Source: 4th Quarter of 2016/17 Branches under CBE WAAD Performance Report of IFB

Out of 86 Branches providing IFB service through dedicated windows under WAAD, Nine Branches for which three with higher, three with medium and three with lower no of customers respectively were taken as a sample.

Table 3. 2: Selected Sample Branches providing IFB Service

S. No	Name of Branch	Grade level	Location	Number of			
				CSM	Employees at IFB Windows	IFB Customers	Total
1	Alem Bank	IV	A.A.	5	5	3533	3543
2	AnuwarMesgid	IV	A.A.	5	4	3061	3070
3	Abakoran	IV	A.A.	5	4	2991	3000
4	Wolkite	III	Wolkite	4	3	1553	1560
5	Paulos	IV	A.A.	5	3	1105	1113
6	Addisu Michael	III	A.A.	4	3	975	982
7	CokaMazoaria	II	A.A.	2	1	300	303
8	Dubai Tera	I	A.A.	2	1	270	273
9	Taiwan	II	A.A.	2	1	250	253
	Total			34	25	14038	14097

Source: 4th Quarter of 2016/17 IFB Performance Report

Note West Addis Ababa District (WAAD)- Consists of Branches in Addis Ababa City, Branches under SebetaWoreda, Branches under South-West Shoa Zone, Branches under Gurage Zone, Branches under Silte Zone and one Branch under Jimma Zone (Tolay-Wayu Branch)

Since the number of people in each branch was not the same, the number of samples for each branch was calculated by the following formula what is called **Proportional Sampling**

$$n_1 = \frac{nN_1}{N}$$

Where **n**= total number of samples

N= total number of population within Sample Branches

N₁= total number of population in each Branch

n1= number of samples in each Branch

Table 3.3- Number of Population and proportion of samples taken

from each Branch (Proportional Sampling)

Name of Branch	Total number of Population	Total number of Sample
Alem Bank	3543	100
AnuwarMesgid	3070	87
Abakoran	3000	85
Wolkite	1560	44
Paulos	1113	31
Addisu Michael	982	28
CokaMazoaria	303	8
Dubai Tera	273	8
Taiwan	253	7
Total	14097	398

Source: 4th Quarter of 2016/17 IFB Performance Report

The logic behind selecting the above branches as representing the research population was among the 86 Branches which were providing IFB window service under WAAD, Each three of the selected branches has large, medium and small number of IFB customers respectively. In addition all CBE Branch Grade level from small (Grade I) to big (Grade IV) were included in the Sample. So per the Researcher judgment it helps to have a clear picture on the assessment of IFB Service in CBE-WAAD

3.4 DATA COLLECTION METHOD

To collect primary data, questionnaire and interview were used. The preferred instrument for primary data collection instrument is a self-administered questionnaire. This is because primarily it provides relatively simple and straight forward answer as to how the implementation of IFB looks like in CBE-WAAD. Secondly, it allows respondents relative freedom and thirdly it is efficient in providing large amounts of data relatively at lower cost in a short period. The questionnaire were developed by using five point likert scale with 5 = strongly agree 4 = Agree 3 = Neutral 2 = Disagree 1 = strongly disagree choices and were distributed to respondents which are composed of employees at IFB dedicated Windows,

Customer Service Managers, and Selected Customers from Sample Branches. The distributed questionnaire was collected for further analysis. In addition to the questionnaire, interview was made with the Branch managers.

3.5 DATA ANALYSIS METHODS

The collected data was checked, sorted and screened for any errors and then they were tallied to prepare tables for making analysis. Besides, the researcher was attempted to analyze the various issues that were involved in the introduction of Islamic banking service in the country in the context of CBE based on the principles, Legal and regulatory requirements. The researcher was used both qualitative and quantitative data analysis techniques. Finally the data was processed and analyzed by statistical package for social science (SPSS) version 16. To analyze the data descriptive statistics method was used.

3.6 RELIABILITY TEST STATISTICS

Reliability is the degree to which the measure of a construct is consistent or dependable. It implies consistency but not accuracy (Bhattacharjee, (2012). The most popular test of internal consistency is the Cronbach`s alpha. The higher the coefficients, the better the measuring instrument (Sekaren, (2003). According to *Hair, et al., (2006)*, if α is greater than 0.7, it means that it has high reliability

Table 3.4 Reliability Statistics of Customers

Cronbach`s Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.795	.854	33

Source: Output of SPSS, 2018

Table 3.5 Reliability Statistics of Employees

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.764	.829	35

Source: Output of SPSS, 2018

3.6 ETHICAL CONSIDERATION

The study has taken ethical issues into consideration. When collecting questionnaires from customers and Employees of Commercial Bank of Ethiopia their permission and mutual consent was asked and the purpose was thoroughly explained. Name of the respondents' and details were not asked to write in order to increase the confidentiality of the information they gave. And also the questionnaire explained that the purpose of research would be for academic purpose only. Finally the respondents were included based on their willingness

CHAPTER FOUR

4. RESULT, DISCUSSION AND INTERPRETATION

This chapter presents the results and analysis of data that were gathered from primary and secondary sources through questionnaire and interview. The collected data have been analyzed, and interpreted accordingly. In this study 339 and 59 questionnaires were distributed to IFB customers and employees of the bank respectively. And the entire questionnaires distributed to employees have been collected, however, out of questionnaires distributed to bank's IFB customers 301 (89%) have been collected. In addition to the questionnaire data was collected through interview and response obtained are summarized and presented accordingly.

Table 4.1: Questionnaire Response Rate

Sample	Distributed		Collected		Uncollected	
	Number	Percentage	Number	Percentage	Number	Percentage
Customer	339	100%	301	89%	38	11%
Staff	59	100%	59	100%	0	0%

Source: Own survey, 2018

4.1 CHARACTERISTICS OF RESPONDENTS

In this section personal profile of respondents which are collected through questionnaire have been summarized that include their Gender, Age, qualification, Job position, religion, year of banking experience on the bank's conventional and/or IFB for both sample types of customers and Employees respectively. Descriptive statistics has been used to analyze the demographic items as a means of describing the respondents

Table 4.1.1: Characteristics of Sample Customers

Demographic Characteristic	Outcome	
	Frequency	Percentage
Gender		
Male	200	66.4
Female	101	33.6
Total	301	100.0
Age		
Below 25 years	62	20.6
25-35 years	133	44.2
36-45 years	93	30.9
46-55 years	12	4.0
above 55 years	1	.3
Total	301	100.0
Religion		
Muslim	301	100.0
For how long have you been the customer of CBE on Conventional Banking System?		
I was not a customer	42	14.0
Below 5 years	9	3.0
5-10 years	25	8.3
11-15 years	82	27.2
above 15 years	143	47.5
Total	301	100.0
For how long have you been as Interest Free Banking customer in CBE?		
Below 1 year	17	5.6
1-2 years	69	22.9
3-4 years	117	38.9
More than 4 years	98	32.6
Total	301	100.0

Source: *Own Survey, 2018*

Table 4.1.1 shows that 200 (66.4%) and 101(33.6%) of the respondents were male & female respectively indicating the major customer respondents were male. When we look at the age of respondents, 133 (44.2%) were between 25-35 years, 93 (30.9%) were between 35-45

years, 62 (20.6%) were below 25 years, 12 (4%) were between 45-55 years and 1 (0.3 %) was above 55 years indicating majority of the customers were on youth and Adult stage. The table also shows all of the respondents 301 (100%) were Muslim customers indicating Muslim societies are encouraged to use the product. When we look at the characteristics related to years of Conventional banking relationship, 143 (47.5%) of the respondents were above 15 years, 82 (27.2%) of the respondents were 10-15 years, 42 (14%) were not been customers of the bank indicating the Muslim societies were expecting this product earlier, 25 (8.3%) of them were 5-10 years and 9 (3%) of the respondents were less than five years, respectively. In addition to this 117 (38.9%), 98 (32.6%), 69 (22.9%), and 17 (5.6%) of respondents have IFB banking relationship of 2-3 years, above 3 years, 1-2 years, and less than 1 year respectively. Thus, as their experience seems satisfactory, we can use the response obtained from these respondents as matured for the conclusion of this research work.

Table 4.1.2: Characteristics of Sample Employees

Demographic Characteristic	Outcome	
	Frequency	Percentage
Gender		
Male	48	81.4
Female	11	18.6
Total	59	100.0
Age		
Below 25 years	4	6.8
25-35 years	45	76.3
36-45 years	8	13.6
46-55 years	2	3.4
Total	59	100.0
Educational qualification		
Diploma	1	1.7
BA/BS	52	88.1
Masters Degree	6	10.2
Total	59	100.0
Current Job Position in the bank		
CSM	34	57.6
CSO	21	35.6
JO	4	6.8
Total	59	100.0
Banking Experience in number of years		
Below 5 Years	23	39.0
5-10 years	27	45.8
11-15 years	7	11.9
above 15 years	2	3.4
Total	59	100.0
Exposure to Interest free banking		
Below 1 year	12	20.3
1-2 years	11	18.6
3-4 years	16	27.1
More than 4 years	20	33.9
Total	59	100.0

Source: Own Survey, 2018

Table 4.1.2 shows that about 48 (81.4%) and 11 (18.6%) of the respondents were male & female respectively indicating the majority of the respondents were male staffs consisting of CSMs and employees at IFB dedicated windows. When we look at the respondent's age 45 (76.3%) were between 25 and 35 years, 8 (13.6%) were between 35-45 years, 4 (6.8%) were below 25 years & 2 (3.4%) were between 45 and 55 years respectively. On the other hand as depicted on the table 52 (88.1%) of the respondents have 1st degree, 6 (10.2%) have masters' degree and 1 (1.7%) has Diploma consisting of CSM 34 (57.6%), CSO 21 (35.6%) and JO 4 (6.8%) respectively. Regard to their banking experience as a whole 27 (45.8%) of the respondents have between 5 and 10 years, 23 (39%) less than 5 years, 7 (11.9%) have between 10 and 15 years and 2 (3.4%) have above 15 years experience. With respect to exposure to IFB 20 (33.9%) of the respondents have more than 3 years, 16 (27.1%) have between 2 and 3 years, 12 (20.3%) have less than 1 year and 11 (18.6%) have between 1 & 2 years experience. Generally, the data tells us that respondents who have participated in the study constitute both CSMs and line staffs that have direct contact with customers and real work experience which could provide the ups and downs of IFB issues. Thus, data obtained from them would be fair enough to draw reasonable conclusion.

4.2 CUSTOMERS & EMPLOYEES VIEW REGARDING IFB PRODUCTS AND SERVICE IN CBE

This section deals with the analysis and interpretation of data that was obtained from the response collected through the distributed questionnaire that was processed with **SPSS version 16**. It also presents the data obtained via interview with the management position staff and secondary data was also analyzed.

A likert scale rating was conducted. The 5 point likert scale was rated as Strongly Disagree (SD) = 1, Disagree (D) = 2, Neutral (N) = 3, Agree (A) = 4, and Strongly Agree (SA) = 5.

4.2.1 PRACTICE OF CBE ON IFB PRODUCTS & SERVICE

The survival of any business in the market highly depends on its practice to deliver its products or services to its customer. Practice in this study means resources which are

necessary to provide the required products or services to customers which include human resources to develop promote and deliver IFB products- adequate, knowledgeable and experienced manpower- and infrastructure- related to IT, Convenient Branch location & Promotional Materials. Questionnaires for both IFB customers and Employees have been prepared to get their opinion about the bank`s practice to deliver IFB products/services. Under this section views regarding practice of CBE in providing IFB Products and Services based on both customer and employees` response is presented below.

**Table 4.2.1.1 Practice of CBE in providing IFB products & Service
(Customers Response)**

I t e m	Statements	Re spo nse	Response Categories					Me an valu e	Stand ard dev.
			SD	D	N	A	SA		
1	CBE has Experienced manpower to provide interest free banking Products & service	F	1	11	57	221	11	3.76	0.589
		%	0.3	3.7	18.9	73.4	3.7		
2	CBE has the necessary infrastructure to process & delivery IFB products & Service to the customers	F	2	9	39	243	8	3.82	0.551
		%	0.7	3	13	80.7	2.7		
3	The bank is providing interest free banking products that meet the current demand of its customer	F	4	7	71	203	16	3.73	0.656
		%	1.3	2.3	23.6	67.4	5.3		
4	Information I get from different media promotions, brochures & CBE websites about IFB products and service influenced me on using it	F	1	13	107	175	5	3.56	0.622
		%	0.3	4.3	35.5	58.10	1.7		
5	CBE provides its interest free banking products at convenient branches with the customer expectation	F	2	17	222	50	10	3.16	0.597
		%	0.7	5.6	73.8	16.60	3.3		

Source: Own Survey, 2018

F indicates Frequency

Table 4.2.1.2 Practice of CBE in providing IFB products & Service

(Employees Response)

I t e m	Statements	Re sp on se	Response Categories					Me an val ue	Stan dard dev.
			SD	D	N	A	SA		
1	CBE has qualified staffs and scholars in Islamic banking to ensure that Islamic banking Services are up to date and fully comply with Sharia law	F	6	8	26	17	2	3.02	0.991
		%	10.2	13.6	44.1	28.8	3.4		
2	CBE provides its interest free banking products at convenient branches with the customer expectation	F	3	5	15	31	5	3.51	0.954
		%	5.1	8.5	25.4	52.5	8.5		
3	Interest Free Banking service is one means of resource mobilization Strategy in CBE	F	0	1	0	24	34	4.54	0.597
		%	0	1.7	0	40.7	57.6		
4	CBE has the skill to develop interest free banking products that suites the current and future Ethiopian market	F	1	2	7	35	14	4	0.809
		%	1.7	3.4	11.9	59.3	23.7		
5	CBE is providing interest free banking products that meet the current demand of its customer	F	4	3	21	25	6	3.44	0.987
		%	6.8	5.1	35.6	42.4	10.2		

Source: Own Survey, 2018

F indicates Frequency

As shown in item 1 of Table 4.2.1.1, 232 (77.1%), 57 (18.9%) and 12 (4%) of customers response were agreed, neutral and disagreed respectively while in item 1 of Table 4.2.1.2, 26 (44.1%), 19 (32.2%) and 14 (23.8%) of employees response were neutral, agreed & disagreed respectively with Average mean value of 3.39 & Standard deviation of 0.790 respectively that CBE has experienced manpower to provide IFB products & Service. This implies that CBE has no well experienced manpower in each branch to provide IFB products & service.

As shown in item 2 of Table 4.2.1.1 based on the sample customer response, 251(83.4%), 39 (13%) and 11 (3.7%) of Customers response were agreed, neutral & disagreed respectively with mean value of 3.82 & Standard deviation of 0.551 that CBE has the necessary infrastructure to process & delivery IFB products & Service to the customers.

As shown in item 3 of Table 4.2.1.1, 219 (72.7%), 71 (23.6%) and 11 (3.6%) of customers response were agreed, neutral and disagreed respectively while in item 5 of Table 4.2.1.2 31 (52.6%), 21(35.6%) and 7 (11.9%) of employees response were agreed, neutral & disagreed respectively with Average mean value of 3.39 & Standard deviation of 0.792 respectively that CBE is providing interest free banking products that meet the current demand of its customer .

As shown in item 4 of Table 4.2.1.1, 180 (59.8%), 107 (35.5%) & 14 (4.6%) of Customers response were agreed, neutral & disagreed respectively with mean value of 3.56 & Standard deviation of 0.622 that information they get from different media promotions, brochures & CBE websites about IFB products and service influenced them on using it.

As shown in item 5 of Table 4.2.1.1, 222 (73.8%), 60 (19.9%) and 19 (6.3%) of customers response were neutral, agreed and disagreed respectively while in item 2 of Table 4.2.1.2 36 (61%), 15 (25.4%) and 8 (13.6%) of employees response were agreed, neutral & disagreed respectively with Average mean of 3.33 & Standard deviation of 0.775 respectively that CBE provides its interest free banking products at convenient branches with the customer expectation. This implies CBE is not providing IFB services at convenient branches with the customer expectation.

As shown in item 3 of Table 4.2.1.2, 58 (98.3%) & 1 (1.7%) of Employees response were agreed & disagreed respectively with mean value of 4.54 & Standard deviation of 0.597 that Interest Free Banking service is one means of resource mobilization Strategy in CBE.

As shown in item 4 of Table 4.2.1.2, 49 (83%),7 (11.9%) & 3 (5.1%) of Employees response were agreed, neutral & disagreed respectively with mean value of 4 & Standard deviation of 0.809 that CBE has the skill to develop interest free banking products that suites the current and future Ethiopian market.

Based on secondary data from CBE documents (IFB performance report of CBE, June 30, 2017) and Interview made with Managers at IFB department and Branch Managers of Sample Branches relating to Practice of CBE in providing IFB products & Service

In generally the current status of IFB is good. However, comparing the product categories, the performance of the financing products are lagging behind the plan: both in terms of the number of customers and volume of financing. On the other hand, the performance of the depository products is above the plan for all of the periods since the establishment of the service.

4.2.2 AWARENESS LEVEL OF IFB PRODUCTS & SERVICES

The other research question that this study aimed to answer was customer awareness about IFB products. Awareness problem has been identified as one of the major challenges by several researchers that have negatively affected the utilization of IFB products. Thus, to meet this objective data have been gathered from customers through close ended questions. In addition to this, data have also been obtained from staff (CSMs & Employees) to triangulate the response obtained from the customer. The collected data have been analyzed and produced the following result.

Table 4.2.2.1 Customer Awareness Level about IFB products & Service

(Customers Response)

I t e m	Statements	R e s p o n s e	Response Categories					Me a n v a l u e	Stan d a r d d e v.
			SD	D	N	A	SA		
1	I have good awareness on IFB products & Service of CBE	F	1	16	148	131	5	3.41	0.634
		%	0.3	5.3	49.2	43.5	1.7		
2	I know properly the Interest free banking services currently offered by commercial bank of Ethiopia	F	0	7	59	229	6	3.78	0.510
		%	0	2.3	19.6	76.10	2		
3	I know that Interest free banking service is offered to Muslim and non Muslim based on the Interest of the Customers	F	4	4	96	188	9	3.64	0.630
		%	1.3	1.3	31.9	62.5	3		
4	It is simple to understand the differences between IFB and conventional banking system	F	4	14	69	208	6	3.66	0.663
		%	1.3	4.7	22.9	69.1	2		
5	CBE has well done on awareness creation of IFB products and services to the public	F	8	23	224	40	6	3.04	0.628
		%	2.7	7.6	74.4	13.3	2		
6	In CBE I know about the types of IFB deposit products provided to customers	F	2	11	38	245	5	3.80	0.556
		%	0.7	3.7	12.6	81.4	1.7		
7	In CBE I know about the types of Financing products provided to customers	F	8	19	236	35	3	3.02	0.571
		%	2.7	6.3	78.4	11.6	1		

Source: Own Survey, 2018

F indicates Frequency

**Table 4.2.2.2 Awareness Level about IFB products & Service
(Employees Response)**

Item	Statements	R e s p o n s e	Response Categories					Me a n v a l u e	Stan d a r d d e v.
			SD	D	N	A	SA		
1	The Muslim Community has awareness about Islamic banking system	F	1	6	33	15	4	3.25	0.801
		%	1.7	10.2	55.9	25.4	6.8		
2	Customers have awareness about the major types of interest free banking products.	F	2	12	10	35	0	3.32	0.918
		%	3.4	20.3	16.9	59.3	0		
3	The customers know the Interest free banking products that currently provided by the bank	F	0	10	10	36	3	3.54	0.837
		%	0	16.9	16.9	61	5.1		
4	The customers Know that Interest free banking products are offered to Muslim and non Muslim users	F	5	9	16	24	5	3.25	1.092
		%	8.5	15.3	27.1	40.7	8.5		
5	The customers know about the types of IFB deposit products provided by CBE	F	2	12	13	32	0	3.27	0.906
		%	3.4	20.3	22	54.2	0		
6	The customers know about the types of IFB Financing products provided by CBE	F	4	12	30	13	0	2.88	0.832
		%	6.8	20.3	50.8	22	0		
7	CBE is doing better on marketing of IFB products and services to the public	F	4	9	15	28	3	3.29	1.018
		%	6.8	15.3	25.4	47.5	5.1		

Source: Own Survey, 2018

F indicates Frequency

As shown in item 1 of table 4.2.2.1, 148 (49.2%), 136 (45.2%) & 17 (5.6%) of Customers response were neutral, agreed & disagreed respectively while in item 1 of Table 4.2.2.2, 33 (55.9%), 19 (32.2%) & 7 (11.9%) of Employees response were neutral, agreed & disagreed respectively with Average mean value of 3.33 & Standard deviation of 0.717 respectively that Customers have a good awareness on IFB products & service. This implies that customers have not a good awareness on IFB products & service

As shown in item 2 of table 4.2.2.1, 235 (78.1%), 59 (19.6%) & 7 (2.3%) of Customers response were agreed, neutral & disagreed respectively while in item 3 of Table 4.2.2.2, 39 (66.1%), 10 (16.9%) & 10 (16.9%) of Employees response were agreed, neutral & disagreed respectively with Average mean value of 3.66 & Standard deviation of 0.673 respectively that customers properly know the IFB services currently offered by commercial bank of Ethiopia.

As shown in item 3 of table 4.2.2.1, 197 (65.5%), 96 (31.9%) & 8 (2.6%) of Customers response were agreed, neutral & disagreed respectively while in item 4 of Table 4.2.2.2, 29 (49.2%), 16 (27.1%) & 14 (23.8%) of Employees response were agreed, neutral & disagreed respectively with Average mean value of 3.44 & Standard deviation of 0.861 respectively that Interest free banking service is offered to Muslim and non Muslim based on the Interest of the Customers. This indicates customers did not know that IFB service is offered to Muslim and non Muslim based on the Interest of the Customers.

As shown in item 4 of table 4.2.2.1, 214 (71.1%), 69 (22.9%) & 18 (6%) of Customers response were agreed, neutral & disagreed respectively with mean value of 3.66 & Standard deviation of 0.663 that it is simple to understand the differences between IFB and conventional banking system.

As shown in item 5 of table 4.2.2.1, 224 (74.4%), 46 (15.3%) & 31 (10.3%) of Customers response were neutral, agreed & disagreed respectively while in item 7 of Table 4.2.2.2, 31 (52.6%), 15 (25.4%) & 13 (22.1%) of Employees response were agreed, neutral & disagreed respectively with Average mean value of 3.16 & Standard deviation of 0.823 respectively that CBE has well done on awareness creation of IFB products and services to the public. This implies that CBE has not well done on awareness creation of IFB products and services to the public

As shown in item 6 of table 4.2.2.1, 250 (83.1%), 38 (12.6%) & 13 (4.4%) of Customers response were agreed, neutral & disagreed respectively while in item 5 of Table 4.2.2.2, 32 (54.2%), 13 (22%) & 14 (23.7%) of Employees response were agreed, neutral & disagreed respectively with Average mean value of 3.53 & Standard deviation of 0.731 that Customers know about the types of IFB deposit products provided to them.

As shown in item 7 of table 4.2.2.1, 236 (78.4%), 38 (12.6%) & 27 (9%) of Customers response were neutral, agreed & disagreed respectively while in item 6 of Table 4.2.2.2, 30 (50.8%), 16 (27.1%) & 13 (22%) of Employees response were neutral, disagreed & agreed respectively with Average mean value of 2.95 & Standard deviation of 0.701 respectively that customers know about the types of financing products provided to them. This indicates that customers did not know about the types of financing products provided to them.

As shown in item 2 of table 4.2.2.2, 35 (59.3%), 14 (23.7%) & 10 (16.9%) of Employees response were agreed, disagreed & neutral respectively with mean value of 3.32 & Standard deviation of 0.918 that Customers have awareness about the major types of interest free banking products.

4.2.3 AVAILABILITY OF IFB PRODUCTS & SERVICE IN CBE

One of the major focus areas of this research for which the researcher aimed to get an answer was about the current provision of IFB especially financing product. From the bank's sources, the researcher has identified that the bank is currently, providing limited IFB financing product as compared to the internationally renowned major IFB products. To identify reasons for why the product is limited, the researcher has made an interview with the bank officials (Managers of IFB department at HO) and Branch Managers from Sample Branches after collecting of Questionnaire responded by both types of respondents (Customers & Employees) as presented in the following tables.

Table 4.2.3.1 Availability of IFB products & service (Customers Response)

Item	Statements	Response	Response Categories					Mean value	Standard dev.
			SD	D	N	A	SA		
1	CBE is providing Wadia-Amana (safekeeping) type of deposit product to its Customers through dedicated windows	F	1	6	15	260	19	3.96	0.471
		%	0.3	2	5	86.4	6.3		
2	CBE is providing Qard type of deposit product to its Customers through dedicated windows	F	2	10	17	254	18	3.92	0.550
		%	0.7	3.3	5.6	84.4	6		
3	CBE is providing Mudaraba type of deposit product to its Customers through dedicated windows	F	2	7	15	260	17	3.94	0.506
		%	0.7	2.3	5	86.4	5.6		
4	CBE is providing all types of deposit products to its Customers through dedicated windows	F	2	5	15	261	18	3.96	0.485
		%	0.7	1.7	5	86.7	6		
5	CBE is financing only Murabahah to its customers through dedicated windows	F	2	13	135	146	5	3.46	0.640
		%	0.7	4.3	44.9	48.5	1.7		
6	CBE is financing only Bai-Selamto its customers through dedicated windows	F	2	27	254	16	2	2.96	0.442
		%	0.7	9	84.4	5.3	0.7		
7	CBE is financing only Istisna to its customers through dedicated windows	F	3	31	249	16	2	2.94	0.469
		%	1	10.3	82.7	5.3	0.7		
8	CBE is financing only Ijarah to its customers through dedicated windows	F	6	61	216	16	2	2.82	0.576
		%	2	20.3	71.8	5.3	0.7		
9	CBE is financing only Kafala to its customers through dedicated windows	F	10	110	170	11	0	2.60	0.616
		%	3.3	36.5	56.5	3.7	0		
10	CBE is financing only Musharaka to its customers through dedicated windows	F	20	110	157	12	2	2.55	0.708
		%	6.6	36.5	52.2	4	0.7		
11	CBE is providing all types of IFB financing products to its customers through dedicated	F	4	16	237	39	5	3.08	0.544
		%	1.3	5.3	78.7	13	17		

Source: Own Survey, 2018

F indicates Frequency

Table 4.2.3.2 Availability of IFB products & service (Employees Response)

Item	Statements	Responses	Response Categories					Mean value	Standard dev.
			SD	D	N	A	SA		
1	CBE is providing Wadia-Amana (safekeeping) type of deposit product to its Customers through dedicated windows	F	1	0	0	38	20	4.29	0.645
		%	1.7	0	0	64.4	33.9		
2	CBE is providing Qard type of deposit product to its Customers through dedicated windows	F	1	1	4	40	13	4.07	0.716
		%	1.7	1.7	6.8	67.8	22		
3	CBE is providing Mudaraba type of deposit product to its Customers through dedicated windows	F	1	3	5	38	12	3.97	0.809
		%	1.7	5.1	8.5	64.4	20.3		
4	CBE is providing all types of deposit products to its Customers through dedicated windows	F	2	3	7	37	10	3.85	0.887
		%	3.4	5.1	11.9	62.7	16.9		
5	CBE is financing only Murabahah to its customers through dedicated windows	F	8	10	15	23	3	3.05	1.151
		%	13.6	16.9	25.4	39	5.1		
6	CBE is financing only Bai-Selamto its customers through dedicated windows	F	8	9	31	8	3	2.81	1.008
		%	13.6	15.3	52.5	13.6	5.1		
7	CBE is financing only Istisna to its customers through dedicated windows	F	8	11	33	3	4	2.73	0.997
		%	13.6	18.6	55.9	5.1	6.8		
8	CBE is financing only Ijarah to its customers through dedicated windows	F	10	15	27	4	3	2.58	1.020
		%	16.9	25.4	45.8	6.8	5.1		
9	CBE is financing only Kafala to its customers through dedicated windows	F	11	17	25	2	4	2.51	1.056
		%	18.6	28.8	42.4	3.4	6.8		
10	CBE is financing only Musharaka to its customers through dedicated windows	F	11	19	23	3	3	2.46	1.022
		%	18.6	32.2	39	5.1	5.1		
11	CBE is providing all types of IFB financing products to its customers through dedicated	F	3	3	30	8	15	3.49	1.089
		%	5.1	5.1	50.8	13.6	25.4		

Source: Own Survey, 2018

F indicates Frequency

As shown in item 1, table 4.2.3.1 of Customers response, 279 (92.7%), 15 (5%) and 7(2.3%) were agreed, neutral and disagreed respectively. The mean value of the distribution of the response was found 3.96 and standard deviation of 0.471. On the other hand as shown in item 1, table 4.2.3.2 of Employees response, 58 (98.37%) & 1 (1.7%) were agreed and disagreed respectively. The mean value of the distribution of the response in this case was found 4.29 with standard deviation of 0.645 and the average of the two mean values is 4.12 which is closer to the value of agree. Accordingly, CBE is providing Wadia-Amana (safekeeping) type of deposit product to its Customers through dedicated windows.

As depicted in item 2, table 4.2.3.1 of Customers response, 272 (90.4%),17 (5.6%) and 12 (4%) were agreed neutral and disagreed respectively. The mean value of the distribution of the response was found 3.92 with standard deviation of 0.550. On the other hand as shown in item 2, table 4.2.3.2 of Employees response, 53 (8.9%), 4 (6.8%) and 2 (3.4%) were agreed, neutral and disagreed respectively. The mean value of the distribution of the response in this case was found 4.07 with standard deviation of 0.716 and the average of the two mean values is 4 which is agree. Accordingly, CBE is providing Qard type of deposit product to its Customers through dedicated windows.

As shown in item 3, table 4.2.3.1 of Customers response, 277 (92%), 15 (5%) and 9 (3%) were agreed, neutral and disagreed respectively. The mean value of the distribution of the response was found 3.94 with standard deviation of 0.506. On the other hand as shown in item 3, table 4.2.3.2 of Employees response, 50 (84.7%), 5 (8.5%) and 4 (2.8%) were agreed, neutral and disagreed respectively. The mean value of the distribution of the response in this case was found 3.97 with standard deviation of 0.809 and the average of the two mean values is 3.96 which is closer to the value of agree. Accordingly, CBE is providing Mudaraba type of deposit product to its Customers through dedicated windows.

As depicted in item 4, table 4.2.3.1 of Customers response, 279 (92.7%), 15 (5%) and 7 (2.7%) were agreed, neutral and disagreed respectively. The mean value of the distribution of the response was found 3.96 with standard deviation of 0.485. On the other 8.5.1%) were agreed, neutral and disagreed respectively. The mean value of the distribution of the response in this case was found 3.85 with standard deviation of 0.887 and the average of the two mean values is 3.91 which is closer to the value of agree. Accordingly, CBE is providing Amana,

Qard and Mudaraba types of IFB deposit products to its Customers through dedicated windows.

As shown in item 5, table 4.2.3.1 of Customers response, 151 (50.2%), 135 (44.9%) and 15 (5%) were agreed, neutral and disagreed respectively. The mean value of the distribution of the response was found 3.46 with standard deviation of 0.640. On the other hand as shown in item 5, table 4.2.3.2 of Employees response, 26 (44.1%), 18 (30.5) and 15 (25.4%) were agreed, neutral and disagreed respectively. The mean value of the distribution of the response in this case was found 3.05 with standard deviation of 1.151 and the average of the two mean values is 3.26 which is closer to the value of neutral. Accordingly, CBE is not providing Murabahah type of IFB financing product to its Customers through dedicated windows.

As depicted in item 6, table 4.2.3.1 of Customers response, 254 (84.4%), 29 (9.7%) and 18 (6%) were neutral, disagreed and agreed respectively. The mean value of the distribution of the response in this case was found 2.96 with standard deviation of 0.442. On the other hand as shown in item 6, table 4.2.3.2 of Employees response, 31 (52.5%), 17 (28.9%) and 11 (18.7%) were neutral, disagreed and agreed respectively. The mean value of the distribution of the response in this case was found 2.81 with standard deviation of 1.008 and the average of the two mean values is 2.89 which is closer to the value of neutral. Accordingly, CBE is not providing Bai-Selam type of IFB financing product to its Customers through dedicated windows.

As shown in item 7, table 4.2.3.1 of Customers response, 249 (82.7%), 34 (11.3%) and 18 (6%) were neutral, disagreed and agreed respectively. The mean value of the distribution of the response in this case was found 2.94 with standard deviation of 0.469. On the other hand as shown in item 7, table 4.2.3.2 of Employees response, 33 (55.9%), 19 (32.2%) and 7 (11.9%) were neutral, disagreed and agreed respectively. The mean value of the distribution of the response in this case was found 2.73 with standard deviation of 0.997 and the average of the two mean values is 2.84 which is closer to the value of neutral. Accordingly, CBE is not providing Istisna type of IFB financing product to its Customers through dedicated windows

As shown in item 8, table 4.2.3.1 of Customers response, 216 (71.8%), 67 (22.3%) and 18 (6%) were neutral, disagreed and agreed respectively. The mean value of the distribution of the response in this case was found 2.82 with standard deviation of 0.576. On the other hand as shown in item 8, table 4.2.3.2 of Employees response, 27 (45.8%), 25 (42.3%) and 7 (11.9%) were neutral, disagreed and agreed respectively. The mean value of the distribution of the response in this case was found 2.58 with standard deviation of 1.056 and the average of the two mean values is 2.7 which is closer to the value of neutral. Accordingly, CBE is not providing Ijarah type of IFB financing product to its Customers through dedicated windows.

As depicted in item 9, table 4.2.3.1 of Customers response, 170 (56.53%), 120(39.8%) and 11 (3.7%) were neutral disagreed and agreed respectively. The mean value of the distribution of the response in this case was found 2.60 with standard deviation of 0.616. On the other hand as shown in item 9, table 4.2.3.2 of Employees response, 28 (47.4%), 25 (42.4%) and 6 (10.2%) were disagreed, neutral and agreed respectively. The mean value of the distribution of the response in this case was found 2.51 with standard deviation of 1.056 and the average of the two mean values is 2.56 which is closer to the value of neutral. Accordingly, CBE is not providing Kafala type of IFB financing product to its Customers through dedicated windows.

As shown in item 10, table 4.2.3.1 of Customers response, 157 (52.2%), 130 (43.1%) and 14 (4.7%) were neutral, disagreed and agreed respectively. The mean value of the distribution of the response in this case was found 2.55 with standard deviation of 0.708. On the other hand as shown in item 10, table 4.2.3.2 of Employees response, 30 (50.8%), 23 (42.4) and 69 (10.2%) were disagreed, neutral and agreed respectively. The mean value of the distribution of the response in this case was found 2.46 with standard deviation of 1.022 and the average of the two mean values is 2.51 which is closer to the value of disagree. Accordingly, CBE is not providing Musharaka type of IFB financing product to its Customers through dedicated windows.

As depicted in item 11, table 4.2.3.1 of Customers response, 237 (78.7%), 44 (14.6%) and 20 (6.6%) were neutral, agreed and disagreed respectively. The mean value of the distribution of the response in this case was found 3.08 with standard deviation of 0.544. On the other

hand as shown in item 11, table 4.2.3.2 of Employees response, 30 (50.8%), 23(39%) and 6 (10.2%) were neutral agreed and disagreed respectively. The mean value of the distribution of the response in this case was found 3.49 with standard deviation of 1.089 and the average of the two mean values is 3.29 which is closer to the value of neutral. Accordingly, CBE is not providing all type of IFB financing products to its Customers through dedicated windows.

Regarding Availability of IFB products and Service, based on response of both customers & employees and interview questions made to managers of IFB department at HO & Sample Branch Managers, the three main deposit products such as Wadia- Amana (Safe Keeping), Qard /Current/Checking/Demand Deposit Account and Mudarabah (Profit & Loss Sharing Account) can be provided in almost all IFB Performing Branches except performance variation from Branch to Branch due to problem on awareness creation to customers. However no financing product is provided at Branch level. Only Murabahah which is markup (cost plus profit) mode of financing is disbursed to customers at HO only.

As interview made with Managers at IFB department and Branch Managers regard to factors which made the bank to limit its current IFB product type only to the existing ones shown that, there are various limitations: among others, religious, legal, directive related are the major ones:

- Three pages of NBE directive is inadequate to establish “another bank within a bank” i.e., IFB (SBB 51/2011)
- Limitation on joint ownership of a venture is another (SBB 12/1996), while the best products of IFB are Joint ownership based Musharakah and Mudarabah
- The shariah dictates that ownership of the asset is mandatory before sale which will create legal problems related with double ownership fees and double taxation: i.e, legal limitation
- Religious limitation: product development by making sharia compliance in mind

.Regard to the types of IFB products & Services that are not provided for the customers at all branches uniformly, Except financing products, which is given at HO for the time being, all depository and investment products & service availing branches is uniform except some issues related to proper usage of banks formats and entertaining customers outside the designated IFB window.

On the other hand among a number of IFB Financing Products, CBE is financing only Murabahah to its Customers, this is because the legal complications of the other modalities,

most probably, the success of Murabahah lies on its resemblance with conventional loan contracts.

4.2.4 TRUST & PERMISSIBILITY OF FUND

As IFB refers to a system of banking that is consistent with Islamic law (Sharia), not all types of business qualify for income source. There are prohibited business types- trading of Pork, Alcohol, dead animals, gambling, extreme uncertainties and the likes are not qualify as source of income in Islamic economic principles.

Integrity, Honesty, Piety, Disclosure of faults, Avoiding deception and Misrepresentation –are Integral parts of IFB Contracts-theoretically. Views regarding trust & Permissibility of fund by customers & employees are presented with the following tables.

Table 4.2.4.1 Trust & Permissibility of fund (Customers Response)

I t e m	Statements	R e s p o n s e	Response Categories					Mea n value	Stand ard dev.
			SD	D	N	A	SA		
1	Ensuring of all products & Services, related policies & Agreements of IFB whether in compliance with Sharia rules & principles are the responsibility of Sharia board	F	0	6	16	234	45	4.06	0.529
		%	0	2	5.3	77.7	15		
2	CBE is providing IFB Services to customers which substitute the conventional banking system	F	1	4	10	241	45	4.08	0.510
		%	0.3	1.3	3.3	80.1	15		
3	Commercial Bank of Ethiopia is trusted by its customers for Interest free banking Service as it depends on sharia law	F	2	4	13	217	65	4.13	0.598
		%	0.7	1.3	4.3	72.1	21.6		
4	The Sharia -compatible funds should not be mixed with non-Sharia funds or investments	F	1	3	13	146	138	4.39	0.651
		%	0.3	1	4.3	48.5	45.8		
5	IFB Customers of CBE share profit with the bank instead of paying Interest on Loans	F	2	3	17	148	131	4.34	0.691
		%	0.7	1	5.6	49.2	43.5		

Source: Own Survey, 2018

F indicates Frequency

Table 4.2.4.2 Trust & Permissibility of fund (Employees Response)

I t e m	Statements	Res pon se	Response Categories					Mea n value	Stand ard dev.
			SD	D	N	A	SA		
1	Segregation of fund from the conventional banking service is mandatory to attract the potential customer of Islamic banking	F	1	1	5	30	22	4.20	0.805
		%	1.7	1.7	8.5	50.8	37.3		
2	Commercial Bank of Ethiopia is trusted by its customers for Interest free banking Service as it depends on sharia law	F	2	4	4	34	15	3.95	0.954
		%	3.4	6.8	6.8	57.6	25.4		
3	Interest free banking that offered under separate windows is a good complement to their values as it depends on sharia	F	2	1	3	34	19	4.14	0.860
		%	3.4	1.7	5.1	57.6	32.2		
4	The Sharia-compatible funds should not be mixed with non- Sharia funds or investments	F	2	2	3	33	19	4.10	0.904
		%	3.4	3.4	5.1	55.9	32.2		
5	Customer shall take burden of proof for the source of Income at the time of opening the account	F	3	3	7	31	15	3.88	1.018
		%	5.1	5.1	11.9	52.5	25.4		
6	CBE has a mechanism to control source of Income of the customers after account opening	F	9	3	20	22	5	3.19	1.167
		%	15.3	5.1	33.9	37.3	8.5		

Source: Own Survey, 2018

F indicates Frequency

As shown in item 3 of table 4.2.4.1, 282 (93.7%), 13 (4.3%) & 6 (2%) of Customers response were agreed, neutral & disagreed respectively while in item 2 of Table 4.2.4.2, 49 (83%), 6 (10.2%) & 4 (6.8%) of Employees response were agreed, disagreed & neutral respectively with Average mean value of 4.04 & Standard deviation of 0.776 respectively indicating that

Commercial Bank of Ethiopia is trusted by its customers for Interest free banking Service as it depends on sharia law.

As shown in item 4 of table 4.2.4.1, 284 (94.3%), 13 (4.3%) & 4 (1.3%) of Customers response were agreed, neutral & disagreed respectively while in item 4 of Table 4.2.4.2, 52 (88.1%), 4 (6.8%) & 3 (5.1%) of Employees response were agreed, disagreed & neutral respectively with Average mean value of 4.24 & Standard deviation of 0.777 respectively that implies the sharia -compatible funds should not be mixed with non- sharia funds or investments.

As shown in item 1 of table 4.2.4.1, 279 (92.7%), 16 (5.3%) & 6 (2%) of customers response were agreed, neutral & disagreed respectively with mean value of 4.06 & Standard deviation of 0.529 indicating that Ensuring of all products & Services, related policies & Agreements of IFB whether in compliance with sharia rules & principles are the responsibility of sharia board.

As shown in item 2 of table 4.2.4.1, 286 (95.1%), 10 (3.3%) & 5 (1.6%) of Customers response were agreed, neutral & disagreed respectively with mean value of 4.08 & Standard deviation of 0.510 that implies CBE is providing IFB Services to customers which substitute the conventional banking system .

As shown in item 5 of table 4.2.4.1, 279 (92.7%), 17 (5.6%) & 5 (1.7%) of customers response were agreed, neutral & disagreed respectively with mean value of 4.34 & Standard deviation of 0.691 indicating that IFB Customers of CBE share profit with the bank instead of paying Interest on Loans.

As shown in item 1 of table 4.2.4.2, 52 (88.1%), 5 (8.5%) & 2 (3.4%) of Employees response were agreed, neutral & disagreed respectively with mean value of 4.20 & Standard deviation of 0.805 that indicates Segregation of fund from the conventional banking service is mandatory to attract the potential customer of Islamic banking.

As shown in item 3 of table 4.2.4.2, 53 (89.8%), 3 (5.1%) & 3 (5.1%) of Employees response were agreed, neutral & disagreed respectively with mean value of 4.14 & Standard deviation

of 0.86 indicating Interest free banking that offered under separate windows is a good complement to their values as it depends on sharia.

As shown in item 5 of table 4.2.4.2, 46 (77.9%), 7 (11.9%) & 6 (10.2%) of Employees response were agreed, neutral & disagreed respectively with mean value of 3.88 & Standard deviation of 1.018 that implies Customer shall take burden of proof for the source of Income at the time of opening the account.

As shown in item 6 of table 4.2.4.2, 27 (45.8%), 20 (33.9%) & 12 (20.4%) of Employees response were agreed, neutral & disagreed respectively with mean value of 3.19 & Standard deviation of 1.167 that indicates CBE has not a mechanism to control source of income of the customers after account opening

As interview made with the concerned managers relating permissibility for source of fund shown that unless the bank gets substantial proof, the burden of proof solely lies on customers. Checking the permissibility of fund is one time activity (at the time of account opening), no need to do it regularly.

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CHAPTER FIVE

5 CONCLUSIONS AND RECOMMENDATIONS

The main objective of this study is to assess interest free banking service in commercial bank Ethiopia West Addis Ababa District. In order to meet this objective, Views regarding Practice, Awareness, Availability, and Trust & Permissibility of Fund on IFB Products & Service in CBE have been distributed to 339 customers and 59 Employees respectively. From the distributed Questionnaire 301 and 59 were collected respectively. The collected data was duly examined. In addition, Interview was made to concerned Managers (Accounts & operation and Finance managers at IFB department of HO) and selected Branch managers from sample Branches. Based on the collected data and analysis work, this part provided the major findings, conclusions drawn from analysis results and possible recommendations of the researcher.

5.1 SUMMARY OF THE MAJOR FINDINGS

With regard to Practice of CBE on IFB Products & Service:

- Majority of the respondents from customer side (77.1%) were agreed that CBE has experienced manpower to provide IFB products & Service while 44.1% of employee's response was being neutral with on this issue.
- Majority the respondents from customer side (72.7%) were agreed that CBE is providing interest free banking products that meet the current demand of its customer but 35.6% of Employees response were being neutral on this issue.
- Majority the respondents from customer side (73.8%) were being neutral that CBE provides its interest free banking products at convenient branches with the customer expectation while 61% of Employees were agreed on this issue.

With Regard to Awareness level of IFB Products & Service:

- Majority of the customer (49.2%) and Employees (55.9%) respectively were being neutral on the issue that the customers have a good awareness on IFB products & service.

- Majority of Customers response (78.1%) and Employees response (66.1%) respectively were agreed that the customers properly know the IFB services currently offered by commercial bank of Ethiopia.
- Majority of of Customers response (65.5 %) indicates that they know that Interest free banking service is offered to Muslim and non Muslim based on the Interest of the Customers while 27.1% of Employees response was being neutral on this issue.
- Majority of Customers response (74.4%) and 25.4% of Employees response respectively were being neutral that CBE has well done on awareness creation of IFB products and services to the public.
- Majority of Customers response (83.1%) agreed that they know about the types of IFB deposit products provided to customers while 22% of Employees response was being neutral on this issue.
- Majority of Customers response (78.4%) and Employees response (50.8%) respectively were being neutral that in CBE customers know about the types of financing products provided to them.

With regard to Availability of IFB Products & Service in CBE:

- The analysis of the study from both sides of respondents' shows that CBE is providing Wadia-Amana (Safekeeping), Qard & Mudarabah types of deposit products where as no financing product is provided to customers through dedicated window at Branch level.

With Regard to trust & Permissibility of Fund

- Majority of Customers (93.7%) and Employees (83%) respectively were agreed that Commercial Bank of Ethiopia is trusted by its customers for Interest free banking Service as it depends on sharia law
- Majority of Customers (94.3%) and Employees (88.1%) respectively were agreed that the sharia-compatible funds should not be mixed with non-sharia funds or investments

5.2 CONCLUSION

Comparing the product categories of IFB in CBE, the performance of the financing products are lagging behind the plan: both in terms of the number of customers and volume of financing.

Even though CBE has well trained & experienced officials in IFB at HO, the study revealed that finding well trained officer in IFB at each Branch is being difficult.

The study shows that CBE is not providing interest free banking products that meet the current demand of its customer in generally and Financing Products in particularly. Besides, the provision of interest free banking products and service at some of CBE Branches is not convenient with the customer expectation.

The study also shows that there is awareness creation gap on IFB products & service to customers. More or less, Customers have awareness on IFB deposit products such as Amana, Qard and Mudaraba respectively however; there is a big awareness gap on IFB financing products.

The finding of the study indicates that the three IFB deposit products mentioned above are provided almost in all potential CBE Branches. From the deposit products Amana has been utilized significantly while the utilization of Qard and Mudaraba products is not notable as compared to Amana account. In addition the performance of Mudaraba deposit account is varying from Branch to Branch due to awareness problem. On the other hand, due to the current credit policy of CBE, no financing product is provided to customers at all Branches. Among a number of IFB financing products, CBE is limited to Murabahah financing product only which is facilitated at the centre (HO). This is because the legal complications of the other modalities, most probably, the success of Murabahah lies on its resemblance with conventional loan contracts.

The study revealed that except financing products, which is currently given at HO, all depository and investment products on IFB service availing Branches is uniform apart from some issues related to proper usage of banks formats and entertaining customers outside the designated IFB window.

Concerning permissibility for source of income both before and after Account opening, the study of the findings also indicates that, the burden of proof solely lies on the shoulder of customers. Checking the permissibility of fund is one time activity (at the time of account opening), no need to do it regularly.

The study revealed that, CBE has the capacity to provide the other interest free banking products & Service to its customers with competent employee, equipped IT & other necessary infrastructures provided that there is commitment and support from all stakeholders of the bank including NBE. IFB could do better and has a capacity to launch other IFB products, save the improvement of limitations stated above. In general, the researcher can concluded that the bank should exert maximum effort in order to improve the products coverage. In other words, IFB will have a brighter future if CBE do better for the future.

5.3 RECOMMENDATIONS

This section presents recommendations of the study based on the results of analysis and conclusions which believed to enhance the delivery and use of IFB products in CBE.

- CBE should improve the provision of IFB financing products & service to customers both in type & Volume
- CBE has to provide its staff with the essential and standardize training and seminar by well qualified and experienced trainer to increase the capacity of its staff to develop and deliver IFB products & services
- CBE has to be ready and committed in all aspect to deliver IFB products & service that meet the demand of its customers.
- CBE should provide IFB products & service at all Branches with the customer expectation
- As a new business IFB should be given the necessary attention and support from all stakeholders including NBE to stand and succeed in the business
- CBE in collaboration with NBE should go extra miles to satisfy the needs of its customers. Moreover, the bank by itself:

- Should organize mass public awareness creation programs. Moreover, the bank should implement effective promotional campaigns by targeting specific customer groups to stimulate IFB usage
- Should strengthen its effort to finance many more customers who engage in domestic trade sector
- Should strengthen professional Sharia' advisory board, which advise the bank on IFB, related Sharia' issues.
- CBE should hire qualified and skilled manpower especially experienced in interest free banking. This will create for the existing staff good opportunity to acquire on Job training and experience too
- Should train its IFB staff well
- CBE should revise its IFB Credit policy since limited product is only available at Centre.
- As burden of proof solely lies on the shoulder of customers, the bank should make adequate awareness to its customers concerning the source of income before account opening.
- As IFB products are new to the market, it is the responsibility of CBE to market its products. Thus, CBE has to promote the products & services aggressively by developing good marketing and promotion strategy that will promote the products to the market and create awareness to the general public. As the finding of this research showed that customers have low level of awareness about IFB products, awareness creation particularly towards the target market (the Muslim community) must be done consistently.
- The Bank has to increase the accessibility of IFB products through increasing IFBW at customers` convenience and avail its products & services in most of the branches with the necessary facility that will increase the marketability of IFB products & services

5.4 IMPLICATION FOR FUTURE STUDY

The contribution of this study is vital as it has assessed Practice, Awareness, Availability, and Trust & Permissibility of Fund on IFB Products & Service in CBE. However, the study is bounded by both area coverage and problem addressed. Future studies may be conducted with wider scope and the effects of this assessment on the success of IFB. Therefore future research should be conducted on large scale by considering more on conventional bank customers and including rural areas dual banking system

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APPENDICES

Appendix- A. Output of SPSS

Appendix-A.1 SPSS output of Customer

Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	200	66.4	66.4	66.4
	Female	101	33.6	33.6	100.0
	Total	301	100.0	100.0	

age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below 25 years	62	20.6	20.6	20.6
	25-35 years	133	44.2	44.2	64.8
	36-45 years	93	30.9	30.9	95.7
	46-55 years	12	4.0	4.0	99.7
	above 55 years	1	.3	.3	100.0
	Total	301	100.0	100.0	

Religion

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Muslim	301	100.0	100.0	100.0

For how long have you been the customer of CBE on Conventional Banking System?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid I was not a customer	42	14.0	14.0	14.0
Below 5 years	9	3.0	3.0	16.9
5-10 years	25	8.3	8.3	25.2
11-15 years	82	27.2	27.2	52.5
above 15 years	143	47.5	47.5	100.0
Total	301	100.0	100.0	

For how long have you been as Interest Free Banking customer in CBE?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Below 1 year	17	5.6	5.6	5.6
1-2 years	69	22.9	22.9	28.6
3-4 years	117	38.9	38.9	67.4
More than 4 years	98	32.6	32.6	100.0
Total	301	100.0	100.0	

I. Statistics

	CBE has Experienced manpower to provide interest free banking Products & service	CBE has the necessary infrastructure to process & delivery IFB products & Service to the customers.	The bank is providing interest free banking products that meet the current demand of its customer	Information I get from different media promotions, brochures & CBE websites about IFB products and service influenced me on using it	CBE provides its interest free banking products at convenient branches with the customer expectation
Valid	301	301	301	301	301
Missing	0	0	0	0	0
Mean	3.7641	3.8173	3.7309	3.5648	3.1628
Std. Deviation	.58950	.55061	.65626	.62179	.59728

CBE has Experienced manpower to provide interest free banking Products & service

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	1	.3	.3	.3
	Disagree	11	3.7	3.7	4.0
	Neutral	57	18.9	18.9	22.9
	Agree	221	73.4	73.4	96.3
	Strongly Agree	11	3.7	3.7	100.0
	Total	301	100.0	100.0	

CBE has the necessary infrastructure to process & delivery IFB products & Service to the customers.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	2	.7	.7	.7
	Disagree	9	3.0	3.0	3.7
	Neutral	39	13.0	13.0	16.6
	Agree	243	80.7	80.7	97.3
	Strongly Agree	8	2.7	2.7	100.0
	Total	301	100.0	100.0	

The bank is providing interest free banking products that meet the current demand of its customer

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	4	1.3	1.3	1.3
	Disagree	7	2.3	2.3	3.7
	Neutral	71	23.6	23.6	27.2
	Agree	203	67.4	67.4	94.7
	Strongly Agree	16	5.3	5.3	100.0
	Total	301	100.0	100.0	

Information I get from different media promotions, brochures & CBE websites about IFB products and service influenced me on using it

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	1	.3	.3	.3
	Disagree	13	4.3	4.3	4.7
	Neutral	107	35.5	35.5	40.2
	Agree	175	58.1	58.1	98.3
	Strongly Agree	5	1.7	1.7	100.0
	Total	301	100.0	100.0	

CBE provides its interest free banking products at convenient branches

with the customer expectation

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	2	.7	.7	.7
	Disagree	17	5.6	5.6	6.3
	Neutral	222	73.8	73.8	80.1
	Agree	50	16.6	16.6	96.7
	Strongly Agree	10	3.3	3.3	100.0
Total		301	100.0	100.0	

II. Statistics

	I have good awareness on IFB products & Service of CBE	I know properly the Interest free banking services currently offered by commercial bank of Ethiopia	I know that Interest free banking service is offered to Muslim and non Muslim based on the Interest of the Customers	It is simple to understand the differences between IFB and conventional banking system	CBE has well done on awareness creation of IFB products and services to the public	In CBE I know about the types of IFB deposit products provided to customers	In CBE I know about the types of Financing products provided to customers
N Valid	301	301	301	301	301	301	301
Missing	0	0	0	0	0	0	0
Mean	3.4086	3.7774	3.6445	3.6578	3.0432	3.7973	3.0199
Std. Dev.	.63440	.51018	.62972	.66271	.62833	.55569	.57120

I have good awareness on IFB products & Service of CBE

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	1	.3	.3	.3
	Disagree	16	5.3	5.3	5.6
		148	49.2	49.2	54.8
	Agree	131	43.5	43.5	98.3
	Strongly Agree	5	1.7	1.7	100.0
	Total	301	100.0	100.0	

I know properly the Interest free banking services currently offered by commercial bank of Ethiopia

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	7	2.3	2.3	2.3
	Neutral	59	19.6	19.6	21.9
	Agree	229	76.1	76.1	98.0
	Strongly Agree	6	2.0	2.0	100.0
	Total	301	100.0	100.0	

I know that Interest free banking service is offered to Muslim and non Muslim based on the Interest of the Customers

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	4	1.3	1.3	1.3
Disagree	4	1.3	1.3	2.7
Neutral	96	31.9	31.9	34.6
Agree	188	62.5	62.5	97.0
Strongly Agree	9	3.0	3.0	100.0
Total	301	100.0	100.0	

It is simple to understand the differences between IFB and conventional banking system

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	4	1.3	1.3	1.3
Disagree	14	4.7	4.7	6.0
Neutral	69	22.9	22.9	28.9
Agree	208	69.1	69.1	98.0
Strongly Agree	6	2.0	2.0	100.0
Total	301	100.0	100.0	

CBE has well done on awareness creation of IFB products and services to the public

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	8	2.7	2.7	2.7
Disagree	23	7.6	7.6	10.3
Neutral	224	74.4	74.4	84.7
Agree	40	13.3	13.3	98.0
Strongly Agree	6	2.0	2.0	100.0
Total	301	100.0	100.0	

In CBE I know about the types of IFB deposit products provided to customers

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	2	.7	.7	.7
Disagree	11	3.7	3.7	4.3
Neutral	38	12.6	12.6	16.9
Agree	245	81.4	81.4	98.3
Strongly Agree	5	1.7	1.7	100.0
Total	301	100.0	100.0	

In CBE I know about the types of Financing products provided to customers

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	8	2.7	2.7	2.7
Disagree	19	6.3	6.3	9.0
Neutral	236	78.4	78.4	87.4
Agree	35	11.6	11.6	99.0
Strongly Agree	3	1.0	1.0	100.0
Total	301	100.0	100.0	

III. Statistics

	CBE is providing Wadia-Amana (safekeeping) type of deposit product to its Customers through dedicated windows	CBE is providing Qard type of deposit product to its Customers through dedicated windows	CBE is providing Mudaraba type of deposit product to its Customers through dedicated windows	CBE is providing all types of deposit products to its Customers through dedicated windows	CBE is financing only Murabahah to its customers through dedicated windows	CBE is financing only Ba`I Salam to its customers through dedicated windows	CBE is financing only Istisnaa to its customers through dedicated windows	CBE is financing only Ijarah to its customers through dedicated windows	CBE is financing only Kafala to its customers through dedicated windows	CBE is financing only Musharakah to its customers through dedicated windows	CBE is providing all types of financing products to its customers through dedicated windows
N(Valid Missing)	301 0	301 0	301 0	301 0	301 0	301 0	301 0	301 0	301 0	301 0	301 0
Mean	3.9635	3.9169	3.9402	3.9568	3.4618	2.9635	2.9435	2.8239	2.6047	2.5548	3.0831
SD	.47116	.55053	.50637	.48456	.63982	.44196	.46918	.57639	.61632	.70792	0.54444

CBE is providing Wadia-Amana (safekeeping) type of deposit product to its Customers through dedicated windows

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	1	.3	.3	.3
Disagree	6	2.0	2.0	2.3
Neutral	15	5.0	5.0	7.3
Agree	260	86.4	86.4	93.7
Strongly Agree	19	6.3	6.3	100.0
Total	301	100.0	100.0	

CBE is providing Qard type of deposit product to its Customers through dedicated windows

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	2	.7	.7	.7
Disagree	10	3.3	3.3	4.0
Neutral	17	5.6	5.6	9.6
Agree	254	84.4	84.4	94.0
Strongly Agree	18	6.0	6.0	100.0
Total	301	100.0	100.0	

CBE is providing Mudaraba type of deposit product to its Customers through dedicated windows

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	2	.7	.7	.7
Disagree	7	2.3	2.3	3.0
Neutral	15	5.0	5.0	8.0
Agree	260	86.4	86.4	94.4
Strongly Agree	17	5.6	5.6	100.0
Total	301	100.0	100.0	

CBE is providing all types of deposit products to its Customers through dedicated windows

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	2	.7	.7	.7
Disagree	5	1.7	1.7	2.3
Neutral	15	5.0	5.0	7.3
Agree	261	86.7	86.7	94.0
Strongly Agree	18	6.0	6.0	100.0
Total	301	100.0	100.0	

CBE is financing only Murabahah to its customers through dedicated windows

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	2	.7	.7	.7
Disagree	13	4.3	4.3	5.0
Neutra	135	44.9	44.9	49.8
Agree	146	48.5	48.5	98.3
Strongly Agree	5	1.7	1.7	100.0
Total	301	100.0	100.0	

CBE is financing only Ba`I Selam to its customers through dedicated windows

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	2	.7	.7	.7
Disagree	27	9.0	9.0	9.6
Neutral	254	84.4	84.4	94.0
Agree	16	5.3	5.3	99.3
Strongly Agree	2	.7	.7	100.0
Total	301	100.0	100.0	

CBE is financing only Istisna to its customers through dedicated windows

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	3	1.0	1.0	1.0
Disagree	31	10.3	10.3	11.3
Neutra	249	82.7	82.7	94.0
Agree	16	5.3	5.3	99.3
Strongly Agree	2	.7	.7	100.0
Total	301	100.0	100.0	

CBE is financing only Ijarah to its customers through dedicated windows

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	6	2.0	2.0	2.0
Disagree	61	20.3	20.3	22.3
Neutral	216	71.8	71.8	94.0
Agree	16	5.3	5.3	99.3
Strongly Agree	2	.7	.7	100.0
Total	301	100.0	100.0	

CBE is financing only Kafala to its customers through dedicated windows

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	10	3.3	3.3	3.3
Disagree	110	36.5	36.5	39.9
Neutral	170	56.5	56.5	96.3
Agree	11	3.7	3.7	100.0
Total	301	100.0	100.0	

CBE is financing only Musharaka to its customers through dedicated windows

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	20	6.6	6.6	6.6
Disagree	110	36.5	36.5	43.2
Neutral	157	52.2	52.2	95.3
Agree	12	4.0	4.0	99.3
Strongly Agree	2	.7	.7	100.0
Total	301	100.0	100.0	

11. CBE is providing all types of IFB financing products to its customers through dedicated windows

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	4	1.3	1.3	1.3
Disagree	16	5.3	5.3	6.6
Neutral	237	78.7	78.7	85.4
Agree	39	13.0	13.0	98.3
Strongly Agree	5	1.7	1.7	100.0
Total	301	100.0	100.0	

IV. Statistics

		Ensuring of all products & Services, related policies & Agreements of IFB whether in compliance with Sharia rules & principles are the responsibility of Sheria board	CBE is providing IFB Services to customers which substitute the conventional banking system	Commercial Bank of Ethiopia is trusted by its customers for Interest free banking Service as it depends on sharia law	The Shariah-compatible funds should not be mixed with non-Shariah funds or investments	IFB Customers of CBE share profit with the bank instead of paying Interest on Loans
N	Valid	301	301	301	301	301
	Missing	0	0	0	0	0
	Mean	4.0565	4.0797	4.1262	4.3854	4.3389
	Std. Deviation	.52928	.51018	.59778	.65140	.69146

Ensuring of all products & Services, related policies & Agreements of IFB whether in compliance with Sharia rules & principles are the responsibility of Sheria board

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	6	2.0	2.0	2.0
	Neutral	16	5.3	5.3	7.3
	Agree	234	77.7	77.7	85.0
	Strongly Agree	45	15.0	15.0	100.0
	Total	301	100.0	100.0	

CBE is providing IFB Services to customers which substitute the conventional banking system

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	1	.3	.3	.3
Disagree	4	1.3	1.3	1.7
Neutral	10	3.3	3.3	5.0
Agree	241	80.1	80.1	85.0
Strongly Agree	45	15.0	15.0	100.0
Total	301	100.0	100.0	

Commercial Bank of Ethiopia is trusted by its customers for Interest free banking Service as it depends on sharia law

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	2	.7	.7	.7
Disagree	4	1.3	1.3	2.0
Neutral	13	4.3	4.3	6.3
Agree	217	72.1	72.1	78.4
Strongly Agree	65	21.6	21.6	100.0
Total	301	100.0	100.0	

The Shariah-compatible funds should not be mixed with non-Shariah funds or investments

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	1	.3	.3	.3
Disagree	3	1.0	1.0	1.3
Neutral	13	4.3	4.3	5.6
Agree	146	48.5	48.5	54.2
Strongly Agree	138	45.8	45.8	100.0
Total	301	100.0	100.0	

IFB Customers of CBE share profit with the bank instead of paying Interest on Loans

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	2	.7	.7	.7
Disagree	3	1.0	1.0	1.7
Neutral	17	5.6	5.6	7.3
Agree	148	49.2	49.2	56.5
Strongly Agree	131	43.5	43.5	100.0
Total	301	100.0	100.0	

Appendix A.2 SPSS output of Employees

Gender

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Male	200	66.4	66.4	66.4
Female	101	33.6	33.6	100.0
Total	301	100.0	100.0	

age

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Below 25 years	62	20.6	20.6	20.6
26-35 years	133	44.2	44.2	64.8
36-45 years	93	30.9	30.9	95.7
46-55 years	12	4.0	4.0	99.7
above 55 years	1	.3	.3	100.0
Total	301	100.0	100.0	

Religion

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Muslim	301	100.0	100.0	100.0

For how long have you been the customer of CBE on Conventional Banking System?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid I was not a customer	42	14.0	14.0	14.0
Less than 5 years	9	3.0	3.0	16.9
5-10 years	25	8.3	8.3	25.2
11-15 years	82	27.2	27.2	52.5
above 15 years	143	47.5	47.5	100.0
Total	301	100.0	100.0	

For how long have you been as Interest Free Banking customer in CBE?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Less than 1 year	17	5.6	5.6	5.6
1-2 years	69	22.9	22.9	28.6
3-4 years	117	38.9	38.9	67.4
More than 4 years	98	32.6	32.6	100.0
Total	301	100.0	100.0	

I. Statistics

		CBE has the necessary infrastructure to process & delivery IFB products & Service to the customers.	The bank is providing interest free banking products that meet the current demand of its customer	Information I get from different media promotions, brochers & CBE websites about IFB products and service influenced me on using it	CBE provides its interest free banking products at convenient branches with the customer expectation
N	Valid	301	301	301	301
	Missing	0	0	0	0
Mean		3.7641	3.8173	3.7309	3.5648
Std. Deviation		.58950	.55061	.65626	.62179

CBE has Experienced manpower to provide interest free banking Products & service

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	1	.3	.3	.3
	Disagree	11	3.7	3.7	4.0
	Neutral	57	18.9	18.9	22.9
	Agree	221	73.4	73.4	96.3
	Strongly Agree	11	3.7	3.7	100.0
	Total	301	100.0	100.0	

CBE has the necessary infrastructure to process & delivery IFB products & Service to the customers.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	2	.7	.7	.7
Disagree	9	3.0	3.0	3.7
Neutral	39	13.0	13.0	16.6
Agree	243	80.7	80.7	97.3
Strongly Agree	8	2.7	2.7	100.0
Total	301	100.0	100.0	

The bank is providing interest free banking products that meet the current demand of its customer

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	4	1.3	1.3	1.3
Disagree	7	2.3	2.3	3.7
Neutral	71	23.6	23.6	27.2
Agree	203	67.4	67.4	94.7
Strongly Agree	16	5.3	5.3	100.0
Total	301	100.0	100.0	

Information I get from different media promotions, brochures & CBE websites about IFB products and service influenced me on using it

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	1	.3	.3	.3
Disagree	13	4.3	4.3	4.7
Neutral	107	35.5	35.5	40.2
Agree	175	58.1	58.1	98.3
Strongly Agree	5	1.7	1.7	100.0
Total	301	100.0	100.0	

CBE provides its interest free banking products at convenient branches with the customer expectation

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	2	.7	.7	.7
Disagree	17	5.6	5.6	6.3
Neutral	222	73.8	73.8	80.1
Agree	50	16.6	16.6	96.7
Strongly Agree	10	3.3	3.3	100.0
Total	301	100.0	100.0	

II. Statistics

	The Muslim Community has awareness about Islamic banking system.	Customers have awareness about the major types of interest free banking products.	The customers know the Interest free banking products that currently provided by the bank.	The customers Know that Interest free banking products are offered to Muslim and non Muslim users.	The customers know about the types of IFB deposit products provided by CBE	The customers know about the types of IFB Financing products provided by CBE	CBE is doing better on marketing of IFB products and services to the public
N Valid	59	59	59	59	59	59	59
Missing	0	0	0	0	0	0	0
Mean	3.2542	3.3220	3.5424	3.2542	3.2712	2.8814	3.2881
Std. Deviation	.80072	.91803	.83711	1.09219	.90650	.83221	1.01796

The Muslim Community has awareness about Islamic banking system.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	1.7	1.7	1.7
Disagree	6	10.2	10.2	11.9
Neutral	33	55.9	55.9	67.8
Agree	15	25.4	25.4	93.2
Strongly Agree	4	6.8	6.8	100.0
Total	59	100.0	100.0	

Customers have awareness about the major types of interest free banking products.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	2	3.4	3.4	3.4
Disagree	12	20.3	20.3	23.7
Neutral	10	16.9	16.9	40.7
Agree	35	59.3	59.3	100.0
Total	59	100.0	100.0	

The customers know the Interest free banking products that currently provided by the bank.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Disagree	10	16.9	16.9	16.9
Neutral	10	16.9	16.9	33.9
Agree	36	61.0	61.0	94.9
Strongly Agree	3	5.1	5.1	100.0
Total	59	100.0	100.0	

The customers Know that Interest free banking products are offered to Muslim and non Muslim users.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	5	8.5	8.5	8.5
Disagree	9	15.3	15.3	23.7
Neutral	16	27.1	27.1	50.8
Agree	24	40.7	40.7	91.5
Strongly Agree	5	8.5	8.5	100.0
Total	59	100.0	100.0	

The customers know about the types of IFB deposit products provided by CBE

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	2	3.4	3.4	3.4
Disagree	12	20.3	20.3	23.7
Neutral	13	22.0	22.0	45.8
Agree	32	54.2	54.2	100.0
Total	59	100.0	100.0	

The customers know about the types of IFB Financing products provided by CBE

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	4	6.8	6.8	6.8
Disagree	12	20.3	20.3	27.1
Neutral	30	50.8	50.8	78.0
Agree	13	22.0	22.0	100.0
Total	59	100.0	100.0	

CBE is doing better on marketing of IFB products and services to the public

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	4	6.8	6.8	6.8
Disagree	9	15.3	15.3	22.0
Neutral	15	25.4	25.4	47.5
Agree	28	47.5	47.5	94.9
Strongly Agree	3	5.1	5.1	100.0
Total	59	100.0	100.0	

III. Statistics

	CBE is providing Wadia-Amana (safekeeping) type of deposit product to its Customers through dedicated windows	CBE is providing Qard type of deposit product to its Customers through dedicated windows	CBE is providing Mudaraba type of deposit product to its Customers through dedicated windows	CBE is providing all types of deposit products to its Customers through dedicated windows	CBE is financing only Murabahah to its customers through dedicated windows	CBE is financing only Ba`I Salam to its customers through dedicated windows	CBE is financing only Istisna to its customers through dedicated windows	CBE is financing only Ijarah to its customers through dedicated windows	CBE is financing only Kafala to its customers through dedicated windows	CBE is financing only Musharakato its customers through dedicated windows	CBE is providing all types of IFB financing products to its customers through dedicated windows
N (Valid)	59	59	59	59	59	59	59	59	59	59	59
Missing	0	0	0	0	0	0	0	0	0	0	0
Mean	4.2881	4.0678	3.9661	3.8475	3.0508	2.8136	2.7288	2.5763	2.5085	2.4576	3.4915
SD	.64463	.71594	.80870	.88695	1.15107	1.00815	.99707	1.02054	1.05655	1.02254	1.08870

1. CBE is providing Wadia-Amana (safekeeping) type of deposit product to its Customers through dedicated windows

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1. Strongly disagree	1	1.7	1.7	1.7
Agree	38	64.4	64.4	66.1
5. Strongly Agree	20	33.9	33.9	100.0
Total	59	100.0	100.0	

2. CBE is providing Qard type of deposit product to its Customers through dedicated windows

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1. Strongly disagree	1	1.7	1.7	1.7
Disagree	1	1.7	1.7	3.4
Neutral	4	6.8	6.8	10.2
Agree	40	67.8	67.8	78.0
Strongly Agree	13	22.0	22.0	100.0
Total	59	100.0	100.0	

3. CBE is providing Mudaraba type of deposit product to its Customers through dedicated windows

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	1	1.7	1.7	1.7
Disagree	3	5.1	5.1	6.8
Neutral	5	8.5	8.5	15.3
Agree	38	64.4	64.4	79.7
Strongly Agree	12	20.3	20.3	100.0
Total	59	100.0	100.0	

4. CBE is providing all types of deposit products to its Customers through dedicated windows

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	2	3.4	3.4	3.4
Disagree	3	5.1	5.1	8.5
Neutral	7	11.9	11.9	20.3
Agree	37	62.7	62.7	83.1
Strongly Agree	10	16.9	16.9	100.0
Total	59	100.0	100.0	

5. CBE is financing only Murabahah to its customers through dedicated windows

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	8	13.6	13.6	13.6
Disagree	10	16.9	16.9	30.5
Neutral	15	25.4	25.4	55.9
Agree	23	39.0	39.0	94.9
Strongly Agree	3	5.1	5.1	100.0
Total	59	100.0	100.0	

6. CBE is financing only Ba`l Selam to its customers through dedicated windows

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	8	13.6	13.6	13.6
Disagree	9	15.3	15.3	28.8
Neutral	31	52.5	52.5	81.4
Agree	8	13.6	13.6	94.9
Strongly Agree	3	5.1	5.1	100.0
Total	59	100.0	100.0	

7. CBE is financing only Istisna to its customers through dedicated windows

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	8	13.6	13.6	13.6
Disagree	11	18.6	18.6	32.2
Neutral	33	55.9	55.9	88.1
Agree	3	5.1	5.1	93.2
Strongly Agree	4	6.8	6.8	100.0
Total	59	100.0	100.0	

8. CBE is financing only Ijarah to its customers through dedicated windows

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	10	16.9	16.9	16.9
Disagree	15	25.4	25.4	42.4
Neutral	27	45.8	45.8	88.1
Agree	4	6.8	6.8	94.9
Strongly Agree	3	5.1	5.1	100.0
Total	59	100.0	100.0	

9. CBE is financing only Kafala to its customers through dedicated windows

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	11	18.6	18.6	18.6
Disagree	17	28.8	28.8	47.5
Neutral	25	42.4	42.4	89.8
Agree	2	3.4	3.4	93.2
Strongly Agree	4	6.8	6.8	100.0
Total	59	100.0	100.0	

10. CBE is financing only Musharaka to its customers through dedicated windows

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	11	18.6	18.6	18.6
Disagree	19	32.2	32.2	50.8
Neutral	23	39.0	39.0	89.8
Agree	3	5.1	5.1	94.9
Strongly Agree	3	5.1	5.1	100.0
Total	59	100.0	100.0	

11. CBE is providing all types of IFB financing products to its customers through dedicated windows

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	3	5.1	5.1	5.1
Disagree	3	5.1	5.1	10.2
Neutral	30	50.8	50.8	61.0
Agree	8	13.6	13.6	74.6
Strongly Agree	15	25.4	25.4	100.0
Total	59	100.0	100.0	

IV Statistics

	Segregation of fund from the conventional banking service is mandatory to attract the potential customer of Islamic banking.	Commercial Bank of Ethiopia is trusted by its customers for Interest free banking Service as it depends on sharia law	Interest free banking that offered under separate windows is a good complement to their values as it depends on sharia	The Shariah-compatible funds should not be mixed with non-Shariah funds or investments	Customer shall take burden of proof for the source of Income at the time of opening the account	CBE has a mechanism to control source of Income of the customers after account opening
N Valid	59	59	59	59	59	59
Missing	0	0	0	0	0	0
Mean	4.2034	3.9492	4.1356	4.1017	3.8814	3.1864
Std. Deviation	.80472	.95455	.86018	.90392	1.01853	1.16670

1. Segregation of fund from the conventional banking service is mandatory to attract the potential customer of Islamic banking.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	1	1.7	1.7	1.7
Disagree	1	1.7	1.7	3.4
Neutral	5	8.5	8.5	11.9
Agree	30	50.8	50.8	62.7
Strongly Agree	22	37.3	37.3	100.0
Total	59	100.0	100.0	

2. Commercial Bank of Ethiopia is trusted by its customers for Interest free banking Service as it depends on sharia law

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	2	3.4	3.4	3.4
Disagree	4	6.8	6.8	10.2
Neutral	4	6.8	6.8	16.9
Agree	34	57.6	57.6	74.6
Strongly Agree	15	25.4	25.4	100.0
Total	59	100.0	100.0	

3. Interest free banking that offered under separate windows is a good complement to their values as it depends on sharia

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	2	3.4	3.4	3.4
Disagree	1	1.7	1.7	5.1
Neutral	3	5.1	5.1	10.2
Agree	34	57.6	57.6	67.8
Strongly Agree	19	32.2	32.2	100.0
Total	59	100.0	100.0	

4. The Shariah-compatible funds should not be mixed with non-Shariah funds or investments

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	2	3.4	3.4	3.4
Disagree	2	3.4	3.4	6.8
Neutral	3	5.1	5.1	11.9
Agree	33	55.9	55.9	67.8
Strongly Agree	19	32.2	32.2	100.0
Total	59	100.0	100.0	

5. Customer shall take burden of proof for the source of Income at the time of opening the account

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	3	5.1	5.1	5.1
Disagree	3	5.1	5.1	10.2
Neutral	7	11.9	11.9	22.0
Agree	31	52.5	52.5	74.6
Strongly Agree	15	25.4	25.4	100.0
Total	59	100.0	100.0	

6. CBE has a mechanism to control source of Income of the customers after account opening

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	9	15.3	15.3	15.3
Disagree	3	5.1	5.1	20.3
Neutral	20	33.9	33.9	54.2
Agree	22	37.3	37.3	91.5
Strongly Agree	5	8.5	8.5	100.0
Total	59	100.0	100.0	

Appendix B. Questionnaire

Appendix B.1 Employees

Wolkite University

College of Business and Economics

Department of Management

MBA Program

Questionnaires for Employees & Customer Service Managers

Dear Respondents,

I am conducting research on `Assessment of interest free banking service with particular reference to commercial bank of Ethiopia- West Addis Ababa District` as a partial fulfillment of MBA study at college of business and economics, Wolkite University. The main objective of this research is to investigate the overall products & Service delivery and utilization of IFB in CBE. For the successful accomplishment of the study, your response will have a pivotal role by providing valuable input for the study. Thus, your genuine and honest response is very essential for attaining the aim of the research and the researcher would like to thank you for your cooperation in advance.

If you need please, contact me through:

Phone: +251913410520

Email: [Birhanubeyene@cbe.com.et](mailto:birhanubeyene@cbe.com.et)

Important aspects of the Questionnaire

- No need to write your name
- Instruction for each part of the questionnaire is given at the beginning of the questions
- Kindly respond to all questions

Thank you in advance for your cooperation

Part one: Background Information

Dear respondents, please label a characteristic that correspondent to your background data by using “√” mark.

1.1 Gender: Male Female

1.2 Age: Below 25 years 25-35 years 36-45years

46-55 years above 55 years

1.3 Educational qualification: Diploma BA/BS Masters Degree PHD

1.4 Current Job Position in the bank: Br. Manager CSM SCSO CRO

SBC BC CSO JO

1.5 Banking Experience in number of years: Less than 5 years 5-10 years

11-15 years above 16 years

1.6 Exposure to Interest free banking: Less than 1 year 1-2 years 3-4 years

More than 4 years

Part Two: Views regarding Practice, Awareness, Availability, Trust &

Permissibility of Fund on IFB Products & Service in CBE

This part is divided in to four sections, in each section there are statements which address issue about Practice of CBE to deliver IFB products & service, Awareness level about IFB products & Service, Availability of IFB products & Service and Trust of Customers & Permissibility of fund on IFB products & Service in CBE. Therefore, please read the statements in each section carefully and rate your level of agreement or disagreement with each statement by using a tick mark “√” on one of the five alternatives as follows:-

1= strongly disagree 2= Disagree 3= Neutral 4= Agree and 5= strongly agree

1. Views Regarding Practice of CBE in providing IFB products & Service

S N	Statement	Strongly disagree	Disagree	Neutra l	Agree	Strongly Agree
		1	2	3	4	5
1	CBE has qualified staffs and scholars in Islamic banking to ensure that Islamic banking Services are up to date and fully comply with <i>Sha'riah</i> law.					
2	CBE provides its interest free banking products at convenient branches with the customer expectation					
3	Interest Free Banking service is one means of resource mobilization Strategy in CBE					
4	CBE has the skill to develop interest free banking products that suites the current and future Ethiopian market					
5	CBE is providing interest free banking products that meet the current demand of its customer.					

2. Views regarding Awareness Level about IFB Products & Services

S N	Statement	Strongly disagree	Disagree	Neutra l	Agre e	Strongly Agree
		1	2	3	4	5
1	The Muslim Community has awareness about Islamic banking system.					
2	Customers have awareness about the major types of interest free banking products.					
3	The customers know the Interest free banking products that currently provided by the bank.					
4	The customers Know that Interest free banking products are offered to Muslim and non Muslim users.					
5	The customers know about the types of IFB deposit products provided by CBE					
6	The customers know about the types of IFB Financing products provided by CBE					
7	CBE is doing better on marketing of IFB products and services to the public					

3. Views regarding Availability of IFB products & service in CBE

S N	Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly Agree
		1	2	3	4	5
1	CBE is providing Wadia-Amana (safekeeping) type of deposit product to its Customers through dedicated windows					
2	CBE is providing Qard type of deposit product to its Customers through dedicated windows					
3	CBE is providing Mudaraba type of deposit product to its Customers through dedicated windows					
4	CBE is providing all types of deposit products to its Customers through dedicated windows					
5	CBE is financing only Murabahah to its customers through dedicated windows					
6	CBE is financing only Ba`I Salam to its customers through dedicated windows					
7	CBE is financing only Istisna to its customers through dedicated windows					
8	CBE is financing only Ijarah to its customers through dedicated windows					
9	CBE is financing only Kafala to its customers through dedicated windows					
10	CBE is financing only Musharaka to its customers through dedicated windows					
11	CBE is providing all types of IFB financing products to its customers through dedicated windows					

4. Views Regarding trust & Permissibility of Fund

S N	Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly Agree
		1	2	3	4	5
1	Segregation of fund from the conventional banking service is mandatory to attract the potential customer of Islamic banking.					
2	Commercial Bank of Ethiopia is trusted by its customers for Interest free banking Service as it depends on sharia law					
3	Interest free banking that offered under separate windows is a good complement to their values as it depends on sharia					
4	The Sharia-compatible funds should not be mixed with non-Sharia funds or investments					
5	Customer shall take burden of proof for the source of Income at the time of opening the account					
6	CBE has a mechanism to control source of Income of the customers after account opening					

5. If you have any other opinion regarding to Interest Free banking Products & Service in CBE, Please specify?

_____ **THANK YOU!!!** _____

Appendix-B.2 Customers (English)

Wolkite University

College of Business and Economics

Department of Management

MBA Program

Questionnaires for Customers

Dear Respondents,

I am conducting research on `Assessment of interest free banking service with particular reference to commercial bank of Ethiopia- West Addis Ababa District` as a partial fulfillment of MBA study at college of business and economics, Wolkite University. The main objective of this research is to investigate the overall products & Service delivery and utilization of IFB in CBE. For the successful accomplishment of the study, your response will have a pivotal role by providing valuable input for the study. Thus, your genuine and honest response is very essential for attaining the aim of the research and the researcher would like to thank you for your cooperation in advance.

If you need please, contact me through:

Phone: +251913410520

Email: [Birhanubeyene@cbe.com.et](mailto:birhanubeyene@cbe.com.et)

Important aspects of the Questionnaire

- No need to write your name
- Instruction for each part of the questionnaire is given at the beginning of the questions
- Kindly respond to all questions

Thank you in advance for your cooperation

Part one: Background Information

Dear respondents, please label a characteristic that correspond to your background data by using “√” mark.

1.1 Gender: Male Female

1.2 Age: Below 25 years 26-35 years 36-45 years

46-55 years above 55 years

1.3 Religion: Muslim Christian Other

1.4 For how long have you been the customer of CBE on Conventional Banking System?

I was not a customer Less than 5 years 6-10 years

11-15 years above 15 years

1.5 For how long have you been as Interest Free Banking customer in CBE?

Less than 1 year 1-2 years 3-4 years More than 4 years

Part Two: Views regarding Practice, Awareness, Availability, Trust &

Permissibility of Fund on IFB Products & Service in CBE

This part is divided in to four sections, in each section there are statements which address issue about Practice of CBE to deliver IFB products & service, Customer awareness level about IFB products & Service, Availability of IFB products & Service and Trust of Customers & Permissibility of fund on IFB products & Service in CBE. Therefore, please read the statements in each section carefully and rate your level of agreement or disagreement with each statement by using a tick mark “√” on one of the five alternatives as follows:-

1= strongly disagree 2= Disagree 3= Neutral 4= Agree and 5= strongly agree

1. Views Regarding Practice of CBE in providing IFB products &

Service

S N	Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly Agree
		1	2	3	4	5
1	CBE has Experienced manpower to provide interest free banking Products & service					
2	CBE has the necessary infrastructure to process & delivery IFB products & Service to the customers.					
3	The bank is providing interest free banking products that meet the current demand of its customer.					
4	Information I get from different media promotions, brochures & CBE websites about IFB products and service influenced me on using it.					
5	CBE provides its interest free banking products at convenient branches with the customer expectation					

2. Views regarding Customers Awareness Level about IFB Products & Services

S N	Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly Agree
		1	2	3	4	5
1	I know properly the Interest free banking services currently offered by commercial bank of Ethiopia					
2	I know that Interest free banking service is offered to Muslim and non Muslim based on the Interest of the Customers					
3	It is simple to understand the differences between IFB and conventional banking system					
4	CBE has well done on awareness creation of IFB products and services to the public					
5	In CBE I know about the types of IFB deposit products provided to customers					
6	In CBE I know about the types of Financing products provided to customers					

3. Views regarding Availability of IFB products & service in CBE

SN	Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly Agree
		1	2	3	4	5
1	CBE is providing Wadia-Amana (safekeeping) type of deposit product to its Customers through dedicated windows					
2	CBE is providing Qard type of deposit product to its Customers through dedicated windows					
3	CBE is providing Mudaraba type of deposit product to its Customers through dedicated windows					
4	CBE is providing all types of deposit products to its Customers through dedicated windows					
5	CBE is financing only Murabahah to its customers through dedicated windows					
6	CBE is financing only Ba`I Selam to its customers through dedicated windows					
7	CBE is financing only Istisna to its customers through dedicated windows					
8	CBE is financing only Ijarah to its customers through dedicated windows					
9	CBE is financing only Kafala to its customers through dedicated windows					
10	CBE is financing only Musharaka to its customers through dedicated windows					
11	CBE is providing all types of IFB financing products to its customers through dedicated windows					

4. Views Regarding trust & Permissibility of Fund

S N	Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly Agree
		1	2	3	4	5
1	Ensuring of all products & Services, related policies & Agreements of IFB whether in compliance with Sharia rules & principles are the responsibility of Sheria board.					
2	CBE is providing IFB Services to customers which substitute the conventional banking system					
3	Commercial Bank of Ethiopia is trusted by its customers for Interest free banking Service as it depends on sharia law					
4	The Shariah-compatible funds should not be mixed with non-Shariah funds or investments					
5	IFB Customers of CBE share profit with the bank instead of paying Interest on Loans					

5. If you have any other opinion regarding to Interest Free banking Products & Service in CBE, Please specify?

THANK YOU!!!

Appendix-B.2 Customers (Amharic)

ወልቂጤ ዩንቨርሲቲ

ቢዝነስና ኢኮኖሚክስ ኮሌጅ

የቢዝነስ አመራር ማስተር ፕሮግራም

ከወለድ ነፃ የባንክ አገልግሎት የተጠቃሚ ደንበኞች መጠይቅ

ይህ መጠይቅ በወልቂጤ ዩንቨርሲቲ የቢዝነስ አመራር ማስተር ተማሪ የተዘጋጀ ሲሆን ዓላማው በኢትዮጵያ ንግድ ባንክ ስለሚሰጠው ከወለድ ነፃ የባንክ አገልግሎት መረጃ ለመሰብሰብ ነው። መረጃው የሚያገለግለው ርዕሱ 'በኢትዮጵያ ንግድ ባንክ ምዕራብ አዲስ አበባ ዲስትሪክት ከወለድ ነፃ የባንክ አገልግሎት የዳሰሳ ጥናት' ላይ የተመሠረተ ሲሆን የሚሰበሰበው መረጃም ለጥናቱ ዓላማ ብቻ የሚውል ነው። ስለዚህ የእናንተ መጠይቁን በትክክል መሙላት ጥሩ ጥናት እንዳደርግ ይጠቅመኛል እና እባክዎን የሚከተሉትን ጥያቄዎች በትክክል እንዲሞሉልኝ ዘንድ በአክብሮት እየጠየቁ ለትብብርዎት በቅድሚያ አመሰግናለሁ።

ቢያስፈልግዎ በዚህ አድራሻ ያግኙኝ

ስልክ ቁጥር **0913410520**

ኢ-ሜል **berhanucbe2012@gmail.com**

ማሳሰቢያ

1. ስምዎትን መፃፍ አያስፈልግም
2. ለሁሉም መጠይቆች ከተሰጡት አማራጭዎች \surd በማድረግ ይምረጡ

መደብ አንድ: የግል መረጃ

- 1.1 ስም: ወንድ ሴት
- 1.2 ዕድሜ : ከ25 ዓመት በታች ከ25-35 ዓመት ከ36-45 ዓመት ከ46-55 ዓመት
ከ55 ዓመት በላይ
- 1.3 ሀይማኖት: ሙሴሊም ክርስቲያን ሌላ
- 1.4 የኢትዮጵያ ንግድ ባንክ የመደበኛ የባንክ አገልግሎት የስንት አመት ደንበኛ ናት? ተጠቅሜ አላውቅም
ከአንድ አመት በታች ከ1-2 አመት ከ3-4 አመት ከ4 አመት በላይ
- 1.5 የኢትዮጵያ ንግድ ባንክ የስንት አመት ከወለድ ነፃ የባንክ አገልግሎቶች ደንበኛ ናት?
ከአንድ አመት በታች ከ1-2 አመት ከ3-4 አመት ከ4 አመት በላይ

መደብ ሁለት:

ይህ መደብ በአራት ክፍል የተከፈለ ስሆን በእያንዳንዱ ክፍል ውስጥ ከወለድ ነፃ የባንክ አገልግሎት ጋር በተያያዘ የባንኩ አሠራር ፣ የተጠቃሚ ደንቦች ግንዛቤ፣ የአገልግሎትና የምርት አቅርቦት እንዲሁም የደንበኞች አመኔታ እና የገቢ ምንጭን የሚመለከቱ ጥያቄአዊ ዐረፍተ ነገሮችን ያካተተ ነው። ስለዚህ እንደስምምነታችሁ እና አለመስማማታችሁ መጠን ከታች በቀረቡት አምስት አማራጭዎች ውስጥ አንዱን በመምረጥ ይህን ምልክት \surd ያድርጉ።

1 = በጣም አልስማማም 2 = አልስማማም 3 = ገለልተኛ 4 = እስማማለሁ 5 = በጣም እስማማለሁ

1. ከወለድ ነፃ የባንክ አገልግሎት ጋር በተገናኘ የባንኩ አሠራር ለመለካት

ተ. ቁ.	ጥያቄ	በጣም አልስማማም	አልስማማም	ገለልተኛ	እስማማለሁ	በጣም እስማማለሁ
		1	2	3	4	5
1	ባንኩ ከወለድ ነፃ የባንክ አገልግሎቶቹን ለማቅረብ የሚያስችል በቂ ልምድ ያለው የሰው ሀይል አለው።					
2	ባንኩ ከወለድ ነፃ የባንክ አገልግሎቶችን ለማቅረብ የሚያስችለው አስፈላጊ መሰረተ ልማቶች አሉት።					
3	ባንኩ የተጠቃሚውን ፍላጎት የሚመጥን ከወለድ ነፃ የባንክ አገልግሎቶችን ለመፍጠር የሚያስችለው አቅም አለው።					
4	በኢትዮጵያ ንግድ ባንክ ስለ ከወለድ ነፃ የባንክ አገልግሎት ላይ የሚያወጣቸው የተለያዩ የቴሌቪዥንና የሬዲዮ ማስታወቂያዎች ፣ በራሪ ወረቀቶች፣ በባንኩ ድህረ ገጽ የሚወጡ መረጃዎች ሰፊ እና ግልፅ መሆናቸው አገልግሎቱን እንድጠቀም ተጽዕኖ አሳድሮብኛል።					
5	ባንኩ ከወለድ ነፃ የባንክ አገልግሎት ለደንበኞቹ በሚጠበቀው ደረጃ በበቂ ሁኔታ ያቀርባል።					

2. ስለ ከወለድ ነፃ የባንክ አገልግሎት የተጠቃሚ ደንቦች ግንዛቤ ለመለካት

ተ ቁ	ጥያቄ	በጣም አልሰማም	አልሰማም	ገለልተኛ	አሰማለሁ	በጣም አሰማለሁ
		1	2	3	4	5
1	ስለ ከወለድ ነፃ የባንክ አገልግሎቶች በቂ እውቀት አለኝ።					
2	አሁን በባንኩ እየተሰጡ ያለትን ከወለድ ነፃ የባንክ አገልግሎቶችን አውቃለሁ።					
3	ከወለድ ነፃ የባንክ አገልግሎቶች የተለያዩ ሀይማኖት ተከታዮች መጠቀም እንደሚችሉ አውቃለሁ።					
4	በነባሩ እና ከወለድ ነፃ የባንክ አገልግሎት መካከል ያለውን የቁጠባ እና የብድር አገልግሎት ልዩነታቸውን አውቃለሁ።					
5	የኢትዮጵያ ንግድ ባንክ ከወለድ ነፃ የባንክ አገልግሎት ላይ በቂ የሆነ ለህዝብ የማሳወቅ ሥራ ሰርቶዋል።					
6	ከወለድ ነፃ የባንክ አገልግሎት የቁጠባና የተንቀሳቃሽ የሂሳብ ዓይነቶችን አውቃለሁ።					
7	ከወለድ ነፃ የባንክ አገልግሎት የብድር ዓነቶችን አውቃለሁ።					

3. የወለድ አልባ የባንክ አገልግሎትና ምርት አቅርቦትን በተመለከተ

ተ. ቁ	ጥያቄ	በጣም አልሰማም	አልሰማም	ገለልተኛ	እሰማለሁ	በጣም እሰማለሁ
		1	2	3	4	5
1	በኢትዮጵያ ንግድ ባንክ ዋዲያ አማካኝ የተሰኘ የተቀማጭ ሂሳብ በልዩ መስኮት እንደሚሰጥ አወቃለሁ።					
2	በኢትዮጵያ ንግድ ባንክ ቀርድ የተሰኘ የተቀማጭ ሂሳብ በልዩ መስኮት እንደሚሰጥ አወቃለሁ።					
3	በኢትዮጵያ ንግድ ባንክ ሙዳራባ የተሰኘ የተቀማጭ ሂሳብ በልዩ መስኮት እንደሚሰጥ አወቃለሁ።					
4	በኢትዮጵያ ንግድ ባንክ ሁሉም ዓይነት የተቀማጭ የሂሳብ ዓይነቶች በልዩ መስኮት እንደሚሰጡ አወቃለሁ።					
5	በኢትዮጵያ ንግድ ባንክ ሙራባሃ የተሰኘ የብድር ዓይነት ብቻ በልዩ መስኮት እንደሚሰጥ አወቃለሁ።					
6	በኢትዮጵያ ንግድ ባንክ ባይሰላም የተሰኘ የብድር ዓይነት ብቻ በልዩ መስኮት እንደሚሰጥ አወቃለሁ።					
7	በኢትዮጵያ ንግድ ባንክ ኢስትሰና የተሰኘ የብድር ዓይነት ብቻ በልዩ መስኮት እንደሚሰጥ አወቃለሁ።					
8	በኢትዮጵያ ንግድ ባንክ ኢቫራ የተሰኘ የብድር ዓይነት ብቻ በልዩ መስኮት እንደሚሰጥ አወቃለሁ።					
9	በኢትዮጵያ ንግድ ባንክ ካፋላ የተሰኘ የብድር ዓይነት ብቻ በልዩ መስኮት እንደሚሰጥ አወቃለሁ።					
10	በኢትዮጵያ ንግድ ባንክ ሙሻራካ የተሰኘ የብድር ዓይነት ብቻ በልዩ መስኮት እንደሚሰጥ አወቃለሁ።					
11	በኢትዮጵያ ንግድ ባንክ ሁሉም ወለድ አልባ የብድር ዓይነቶች በልዩ መስኮት እንደሚሰጡ አወቃለሁ።					

4. የህዝብ አመኔታና የገንዘብ ምንጭን በተመለከተ

ተ ቁ	ጥያቄ	በጣም አልሰማምም	አልሰማምም	ገለልተኛ	እሰማለሁ	በጣም እሰማለሁ
		1	2	3	4	5
1	የባንኩን ወለድ አልባ የባንክ አገልግሎት ሥራ የመቆጣጠርና አሠራሩ የሼርዓ መርሕ የተከተለ መሆኑን የማረጋገጥ ኃላፊነት የሼርዓ ቦርድ ነው።					
2	የኢትዮጵያ ንግድ ባንክ የሚሰጠው ከወለድ ነፃ የባንክ አገልግሎት ነባሩን የባንክ አሰራር በተገቢው ሁኔታ ይወክላል።					
3	በኢትዮጵያ ንግድ ባንክ ወለድ አልባ የባንክ አገልግሎት በሽሪዓ ሕግ ላይ የተመሠረተ እንደመሆኑ መጠን በደንበኞቹ ዘንድ ትልቅ አመኔታ አለው።					
4	በሽሪዓ ሕግ ላይ የተመሠረተው ወለድ አልባ የባንክ አገልግሎት ገንዘብ ከመደበኛ የባንክ ገንዘብ ጋር መቀላቀል የለበትም።					
5	በኢትዮጵያ ንግድ ባንክ የወለድ አልባ የባንክ አገልግሎት የብድር አሰራር መሠረት ደንበኞች ለባንኩ ትርፍ ይሰጣሉ እንጂ ወለድ አይከፍሉም።					

5. ከወለድ ነፃ የባንክ አገልግሎቶች አቀራረብ እና አጠቃቀም ላይ ተጨማሪ ሀሳብ ወይም አስተያየት ካሎት ቢገልፁልኝ ?

አመሰግናለሁ።

Appendix- C

Interview Questions for Branch Managers

1. What do you think about the current status of interest free banking in Commercial Bank of Ethiopia? Is it going as it planned? What do you think about IFB in the future?
2. What are the factors which made the bank to limit its current IFB product type only to the existing ones?
3. Do you think that CBE has the capacity to provide the other interest free banking products & Service to its customers with competent employee, equipped IT & other necessary Infrastructures?
4. What are the types of IFB products & Services that are not provided for the customers at all branches uniformly?
5. Among a number of IFB Financing Products, CBE is financing only Murabahah to its Customers. Why?
6. How CBE knows whether the fund is from permissible source or not after account opening for the customers?
7. Do you think CBE is providing IFB products and services that meet the demand and expectation of Customers?