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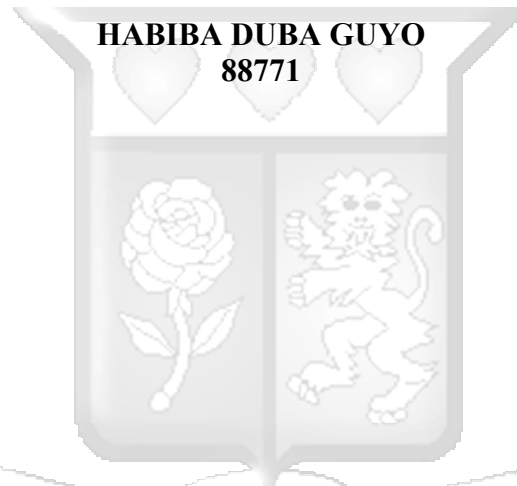
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**BANK AND CUSTOMER-SPECIFIC FACTORS AND CUSTOMER TRUST IN ISLAMIC
BANKS IN KENYA: THE MODERATING ROLE OF THE ECONOMIC ENVIRONMENT**




**A THESIS SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR
THE DEGREE OF MASTER OF COMMERCE**

**STRATHMORE BUSINESS SCHOOL
STRATHMORE UNIVERSITY
NAIROBI, KENYA
MAY 2025**

DECLARATION

I attest that this thesis has not been previously presented or accepted for a degree by any institution, either here or elsewhere. To the best of my understanding and belief, the content of this thesis does not contain any material that has been previously published or authored by another individual, except where proper acknowledgment is provided within the proposal itself.

Habiba Duba Guyo

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Approval

The thesis of Habiba Duba Guyo was reviewed and approved for examination by:

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ABSTRACT

Islamic banking is pivotal in addressing the financial needs of Muslim communities in Kenya while appealing to non-Muslims through its ethical, interest-free, and socially responsible principles. However, with Kenya's Muslim population growing at 2.7% annually, Islamic banking struggles to expand, leaving many Muslims excluded from formal financial systems or compelled to use conventional banking products misaligned with Sharia principles. The fragility of Islamic banks, exemplified by the 2022 liquidity crisis at First Community Bank (now Premier Bank), underscores the importance of trust. This study explored the drivers of trust in Islamic banking among customers of Islamic banks, guided by Customer Trust Theory, Theory of Planned Behavior, and Information Asymmetry Theory. Adopting a pragmatism research philosophy and a convergent mixed methods design, it examined bank-specific factors (Sharia compliance, service quality, transparency), customer-specific factors (religious adherence, financial literacy, prior banking experiences), and the moderating role of Kenya's economic environment (macroeconomic stability, inflation, regulatory frameworks). Using ordered logistic regression to analyze survey data from 384 both Islamic banking and non – Islamic banking customers in Nairobi, Mombasa, and Garissa, and integrating qualitative insights, the study found that bank-specific factors (Sharia compliance, service quality, transparency) had a significantly positive effect on trust. Customer-specific factors (religious adherence, financial literacy, prior banking experiences) also exhibited a significantly positive effect. Contrary to expectations, Kenya's economic environment did not moderate these relationships, indicating trust resilience across macroeconomic conditions. Qualitative insights revealed regional differences, with Garissa customers prioritizing Sharia compliance more than those in Nairobi. The study recommends institutional reforms to strengthen Sharia governance, service quality, and transparency, alongside customer-centric strategies like tailored financial literacy programs and community engagement. Policymakers should develop sector-specific regulations to enhance stability and inclusivity. By aligning operations with ethical values and customer needs, Kenya's Islamic banking sector can deepen financial inclusion, reduce reliance on conventional systems, and foster economic resilience, harmonizing the financial landscape with the nation's socio-cultural ethos. The study advances theoretical frameworks by demonstrating how religious norms (Theory of Planned Behavior) and ethical transparency (Commitment-Trust Theory) drive trust in Islamic banking, offering a faith-based lens for analyzing financial systems. It provides actionable strategies for Islamic banks, emphasizing Sharia compliance audits, digital transparency tools, and tailored financial literacy programs to strengthen customer trust in Kenya's dual-banking context. Policymakers benefit from recommendations to harmonize regulations with global Islamic finance standards and integrate Sharia literacy into national education, fostering institutional credibility and financial inclusion. The finding that trust resists economic moderation challenges conventional banking models, highlighting Islamic finance's ethical resilience and offering insights for faith-based sectors globally. Geographic bias toward urban centers (Nairobi, Mombasa, Garissa) limits rural perspectives, while the cross-sectional design overlooks temporal trust dynamics. Reliance on self-reported data risks response bias, and Likert-scale measurements may oversimplify nuanced trust constructs like religiosity or digital engagement. The study excludes emerging factors (e.g., fintech innovations, blockchain) and extreme economic scenarios, narrowing its applicability to evolving banking landscapes. Despite log transformations, skewed financial literacy variables and ordinal data constraints may underrepresent complex interactions between trust drivers.

DEDICATION

I dedicate this thesis to my beloved children, Hamoud and Haniya. May you always meet adversity with courage, resilience, and faith. Let this work serve as a testament that with unwavering determination, sincere effort, and trust in Allah's plan, you can achieve all that you set your hearts and minds to. May you be guided by purpose, grounded in values, and inspired to pursue excellence in all that you do.

With love,
Mom



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First and foremost, I would like to express my deepest gratitude to Almighty God for providing me with the strength, perseverance, and wisdom to undertake and complete this thesis. I would like to extend my sincere thanks to my supervisor for invaluable guidance, support, and mentorship throughout this research journey. Your feedback and insights were instrumental in shaping this thesis, and I am truly grateful for your patience and dedication.



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OPERATIONAL DEFINITION OF TERMS

Bank-Specific Factors: These are institutional characteristics of Islamic banks that influence customer trust, including service quality, transparency, and compliance with Sharia principles (Usman, 2015; Ltifi et al., 2016).

Customer-Specific Factors: These are attributes of customers that affect their trust in Islamic banks, such as religious beliefs, financial literacy, and past banking experiences (Lusardi & Mitchell, 2014; Abror et al., 2022).

Sharia: Sharia refers to the Islamic legal framework derived from the Quran and Hadith that governs various aspects of life, including finance and banking (El-Gamal, 2006; Hanif & Ayub, 2022).

Riba: This is the prohibition of interest in Islamic finance, as it is considered exploitative and unjust under Sharia law (Visser, 2019; Vogel & Hayes, 1998).

Gharar: A concept in Islamic finance that refers to excessive uncertainty or ambiguity in transactions, which is prohibited to ensure fairness and transparency (El-Gamal, 2006).

Mudarabah: A profit-sharing agreement where one party provides capital while the other manages the investment, with profits distributed according to a pre-agreed ratio (Haniffa & Hudaib, 2007).

Murabaha: A cost-plus financing arrangement in which a bank purchases an asset and sells it to a customer at a marked-up price, ensuring transparency (Vogel & Hayes, 1998).

Ijarah: An Islamic leasing contract where the bank retains ownership of an asset while the customer pays for its use (Usmani, 2008).

ABBREVIATIONS AND ACRONYMS

CBK - Central Bank of Kenya

M-Pesa - Mobile Money Service in Kenya

PBC - Perceived Behavioral Control

SEM - Structural Equation Modeling

TAM - Technology Acceptance Model

TPB - Theory of Planned Behavior

TRA - Theory of Reasoned Action



CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Trust is a cornerstone of the global banking sector, influencing customer behavior, satisfaction, and loyalty, which are crucial for the stability and growth of financial institutions (van Esterik-Plasmeijer & Van Raaij, 2017). Banks worldwide are vital to economic systems, mobilizing savings, providing credit, and facilitating financial intermediation, thus driving economic development (Mishkin, 2007). The 2007/2008 global financial crisis revealed significant weaknesses in traditional banking, including reckless lending and poor oversight, leading to systemic risks and a loss of trust in these institutions (Brunnermeier, 2009). This crisis highlighted the importance of banking models that emphasize ethical practices and strong risk management.

In response to these challenges, Islamic banking has gained prominence as a resilient alternative, particularly noted for its stability during the 2008 financial crisis. This stability is attributed to its adherence to ethical investment standards and Sharia-compliant principles, including the prohibition of interest (riba) and a focus on risk-sharing (Bourkhis & Nabi, 2013; Hussein, 2010). The growing interest in Islamic finance has extended to various regions, including Africa. Trust in Islamic banking is complex, requiring customer confidence not only in financial reliability but also in strict adherence to religious guidelines (Dusuki & Abdullah, 2007). While extensive research exists on trust in conventional banking, there is a notable gap in understanding the specific dimensions of trust within the Sharia-compliant framework, especially in developing economies like Kenya.

In Kenya, Islamic banking has seen substantial growth following the 2005 amendments to the Banking Act, which established the regulatory framework for Sharia-compliant services (Central Bank of Kenya, 2022). With Muslims comprising about 11% of the population (Kenya National Bureau of Statistics, 2019), there is a significant market for Islamic financial products. Institutions like Gulf African Bank and Premier Bank (formerly First Community Bank) have been key players, offering services such as Murabaha, Mudarabah, and Ijarah (Gulf African Bank, 2023). However, maintaining customer trust is challenging, as evidenced by the 2022 bank run at First

Community Bank, triggered by rumors and system issues (Business Daily, 2022). This incident underscores the critical need to understand and address trust issues in Kenya's Islamic banking sector.

This study examines two main categories of factors affecting trust in Islamic banking: bank-specific factors and customer-specific factors, with the economic environment as a moderating variable. Bank-specific factors include transparency, service quality, and Sharia compliance, which are essential for showcasing a bank's dedication to ethical and religious standards (Ltifi et al., 2016). Transparency helps reduce information asymmetry, building customer confidence (Manganaris et al., 2017), while high service quality—characterized by reliability, responsiveness, and empathy—boosts satisfaction and loyalty (Parasuraman et al., 1988). Sharia compliance, verified through audits and transparent reporting, is crucial; any perceived non-compliance can severely damage trust among customers who value religious adherence (Musa, 2015).

Customer-specific factors, including religious beliefs, financial literacy, and prior banking experiences, significantly influence trust perceptions (Tegambwage & Kasoga, 2023; Lusardi & Mitchell, 2014; Gefen, 2002). Customers with strong religious convictions are more likely to trust Islamic banks that align with their values, leading to increased loyalty (Abror et al., 2022). Financial literacy enables customers to comprehend complex Islamic financial products, thereby enhancing trust (Ali, 2017). Additionally, positive previous banking experiences bolster confidence, while negative ones can erode it (Sharma & Chaubey, 2014).

These bank-specific and customer-specific factors have been selected based on their proven impact on trust in banking. Although other variables such as macroeconomic conditions (considered here as a moderator), regulatory frameworks, or technological advancements may also affect trust, the chosen factors are directly relevant to customer perceptions and behaviors in Islamic banking (Chu et al., 2012). Prior studies have typically investigated these factors separately or in different cultural settings. There is a notable lack of research on how these factors collectively influence trust in Kenya's nascent Islamic banking sector, especially under varying economic conditions. This study seeks to address this gap by offering a thorough analysis of these interactions within the Kenyan context.

Furthermore, the economic environment moderates the relationship between these factors and trust. Variables like inflation, interest rates, and market stability can shape customer perceptions and the efficacy of trust-building initiatives by Islamic banks (Hassan & Bashir, 2020). For example, in times of economic uncertainty, customers might prioritize financial security over religious considerations, thereby lessening the impact of religiosity on trust. In contrast, during economic stability, bank-specific factors such as service quality and Sharia compliance may have a more pronounced effect on trust. The existing literature has largely overlooked this moderating effect within the African Islamic banking sector. This study intends to investigate how bank-specific and customer-specific factors affect trust in Kenyan Islamic banking, taking into account the moderating influence of the economic environment. Insights from this research will enable Islamic banks to devise strategies that bolster customer trust, improve their market standing, and promote financial inclusion and economic growth in Kenya.

Extensive research has been conducted on trust in Islamic banking in regions such as the Middle East and Southeast Asia, where Islamic finance is more established (e.g., Amin et al., 2013; Kashif et al., 2016). Studies have explored factors like Sharia compliance, service quality, and customer satisfaction, often in contexts with majority Muslim populations and mature regulatory frameworks. However, there is a paucity of research focusing on emerging markets like Kenya, where Islamic banking is relatively new and operates within a different socio-economic and regulatory framework. This study aims to fill this gap by examining the unique factors influencing trust in Kenya's Islamic banking sector, particularly the interplay between bank-specific and customer-specific factors under varying economic conditions.

The applicability of findings from mature Islamic banking markets to Kenya is limited due to significant contextual differences. For instance, in Malaysia, Islamic banking has achieved a market share of 45.6% in 2023 (DDCAP, 2024), supported by a majority Muslim population and a well-developed regulatory system. In contrast, Kenya's Islamic banking sector, with a Muslim population of approximately 11%, faces different challenges and opportunities, including competition from a robust conventional banking system and lower levels of financial literacy among customers. These differences may affect customer perceptions and trust dynamics, necessitating a tailored investigation in the Kenyan setting.

Since its introduction in 2005, Islamic banking in Kenya has grown steadily. As of 2023, there are three fully-fledged Islamic banks—Gulf African Bank, Premier Bank (formerly First Community Bank), and DIB Bank Kenya—and several conventional banks offering Islamic windows, such as KCB with its Sahil accounts and Absa with La Riba accounts (KCB Bank, 2022; Absa Bank, 2022). Despite this growth, Islamic banking still holds a small share of the total banking assets in Kenya. As of 2016, Islamic banking represented only 2% of the country's total banking assets (The Economist Intelligence Unit, 2015). While more recent data is not readily available, the sector has continued to expand with the introduction of new products and services, such as the Linzi Finko sukuk launched in 2024 (Femmehub, 2025), indicating ongoing development and potential for increased market share. The total net assets for the Kenyan banking sector as of December 31, 2023, were Ksh.7,690.7 billion, highlighting the small but growing presence of Islamic banking within this landscape (Central Bank of Kenya, 2024).

It is important to note that the relatively small number of Islamic banks in Kenya may not be solely attributable to trust issues. Islamic banking is a relatively new concept in the country, introduced only in 2005, and factors such as limited awareness, underinvestment, and the need for specialized regulatory frameworks may also contribute to its current market size. For example, the sector faces challenges such as a shortage of trained personnel in Islamic finance and competition from well-established conventional banks with larger networks and resources (Mambodallu, 2018).

Economic Environment and Moderating Effects: Kenya's economic performance has been marked by resilience and recovery. After a contraction of -0.3% in GDP growth in 2020 due to the COVID-19 pandemic, the economy rebounded strongly with 7.5% growth in 2021, followed by 4.8% in 2022 and 5.2% in 2023 (World Bank, 2024). The economic environment, including factors like inflation, interest rates, and overall market stability, can significantly moderate the relationship between bank-specific and customer-specific factors and trust in Islamic banking. For instance, during periods of economic growth, customers may have greater confidence in banks' ability to manage their funds effectively, thereby enhancing trust. Conversely, economic downturns, such as the 2020 pandemic or political instability, may lead to increased financial anxiety, affecting trust levels and potentially reducing the influence of religiosity on customer decisions.

Kenya's economy is projected to grow at 5.4% in 2024 and 5.6% in 2025, driven by services and household consumption (African Development Bank Group, 2024). However, challenges such as high public debt, inflationary pressures, and global economic uncertainties can impact customer trust in financial institutions, including Islamic banks. For example, during periods of economic stability and growth, bank-specific factors like service quality and Sharia compliance may have a more pronounced positive effect on trust, while in times of economic downturn, customers may prioritize financial security over religious considerations, potentially diminishing the impact of customer-specific factors like religiosity.

1.1.1 Trust in Islamic Banking

Trust is fundamental to the bank-customer relationship and is a key variable in studies on customer behavior and satisfaction in banking (van Esterik-Plasmeijer & Van Raaij, 2017). In Islamic banking, trust is particularly important due to the ethical and religious principles guiding these institutions (Hanif & Ayub, 2022). Trust in this context encompasses customers' confidence in the bank's adherence to Sharia law, delivery of high-quality services, and acting in their best interests (Dusuki & Abdullah, 2007), distinguishing it from trust in conventional banking.

Trust in banking is often conceptualized through dimensions like reliability, integrity, and benevolence (van Esterik-Plasmeijer & Van Raaij, 2017). These dimensions help reduce perceived risks in financial transactions, especially where information asymmetry exists (Mishkin, 2007). Reliability refers to customers' belief in the bank's ability to deliver promised services consistently. Integrity relates to the bank's adherence to principles, particularly Sharia law in Islamic banking. Benevolence is the perception that the bank prioritizes customers' welfare over profits (Mayer et al., 1995).

Trust can be effectively captured through customer surveys, gauging perceptions of reliability, transparency, and commitment fulfillment (Alam et al., 2021). Understanding these perceptions can enhance customer satisfaction, loyalty, and bank performance. In Islamic banking, Sharia compliance is a critical trust factor, with customers expecting strict adherence to religious principles, supported by visible Sharia boards and regular audits (Musa, 2015). Despite global interest, maintaining trust remains challenging, often due to perceptions of inadequate transparency and governance weaknesses (Faizullah, 2009). The 2022 bank run at First

Community Bank in Kenya illustrates the fragility of trust, emphasizing its importance for financial stability and inclusion (Fungáčová et al., 2019).

Research has identified several dimensions of trust in Islamic banking, including cognitive trust based on the bank's competence and reliability, and affective trust based on emotional bonds and shared values (Suhartanto et al., 2018). However, few studies have empirically tested these dimensions in the African context, particularly in Kenya, where cultural and religious diversity may influence trust formation differently. This gap underscores the need for localized research to understand how trust operates within Kenya's unique market conditions.

1.1.2 Bank Specific Factors

Bank-specific factors significantly influence customer trust in Islamic banks, including transparency, service quality, and Sharia compliance (Ltifi et al., 2016). Transparency involves clear presentation of policies and financial terms, reducing information asymmetry and enhancing confidence (Manganaris et al., 2017). For Islamic banks, transparency ensures transactions are halal, supported by comprehensive financial statements and risk disclosures (Lahrech et al., 2014). Service quality, based on dimensions like reliability, responsiveness, and empathy (Parasuraman et al., 1988), is crucial for building trust and loyalty. In Islamic banking, it requires understanding customers' financial needs while adhering to ethical principles, including efficient account management and Sharia-compliant advice (Ali, 2017). Sharia compliance, prohibiting interest and endorsing profit-sharing, is fundamental to Islamic banks' identity (Visser, 2019). Regular audits and transparent reporting foster customer confidence, appealing to both Muslim and ethically conscious non-Muslim clients (Mohsin & Aftab, 2013).

A study by Ltifi et al. (2016) in Tunisia found that transparency and service quality significantly impact customer trust in Islamic banks. Similarly, in Malaysia, Amin et al. (2013) highlighted the importance of Sharia compliance in building trust. However, these studies were conducted in countries with different economic and cultural settings, and their findings may not directly apply to Kenya's unique market conditions, where Islamic banking is still developing and faces competition from conventional banks.

1.1.3 Customer-Specific Factors

Customer-specific factors, such as religious beliefs, financial literacy, and prior banking experiences, profoundly influence trust in Islamic banks (Lusardi & Mitchell, 2014; Gefen, 2002). Religious beliefs strongly predict bank choice, with devout customers favoring Islamic banks aligned with their values, enhancing loyalty (Tegambwage & Kasoga, 2023; Abror et al., 2022). Financial literacy, the ability to understand financial information, fosters trust by enabling customers to evaluate Islamic products like profit-sharing models (Ali, 2017). Previous banking experiences shape perceptions, with positive interactions boosting confidence and negative ones eroding trust (Sharma & Chaubey, 2014).

In Indonesia, Abror et al. (2022) found that religiosity positively influences customer loyalty through trust in Islamic banks. Meanwhile, in Pakistan, Ali (2017) demonstrated that financial literacy enhances customers' understanding and trust in Islamic financial products. Yet, there is limited research on how these factors operate in Kenya, where the Muslim population is smaller and financial literacy levels may vary, highlighting the need for context-specific studies.

1.1.4 Rise of Islamic Banking in Kenya

Islamic banking in Kenya was formally introduced in 2005 following amendments to the Banking Act, enabling Sharia-compliant services (Central Bank of Kenya, 2022). Driven by a growing Muslim population (11% as per Kenya National Bureau of Statistics, 2019), demand for products like Murabaha and Mudarabah has increased. Banks like Gulf African Bank and Premier Bank have expanded, contributing to financial inclusion by attracting customers previously excluded by religious prohibitions (Gulf African Bank, 2023). Conventional banks, such as KCB and Absa, have introduced Islamic windows, enhancing market competition (KCB Bank, 2022; Absa Bank, 2022). Despite growth, challenges include low awareness, trained personnel shortages, and competition from established banks. Besides trust issues, the limited number of Islamic banks may also be attributed to the recent introduction of Islamic banking and potential underinvestment in this sector.

Market Share and Trends: Despite this growth, Islamic banking still holds a small share of the total banking assets in Kenya. As of 2016, Islamic banking represented only 2% of the country's total

banking assets (The Economist Intelligence Unit, 2015). While more recent data is not readily available, the sector has continued to expand with the introduction of new products and services, such as the Linzi Finko sukuk launched in 2024 (Femmehub, 2025), indicating ongoing development and potential for increased market share. The total net assets for the Kenyan banking sector as of December 31, 2023, were Ksh.7,690.7 billion, highlighting the small but growing presence of Islamic banking within this landscape (Central Bank of Kenya, 2024).

1.1.5 The Economic Environment

Trust is critical in shaping customer relationships in Islamic banking, influenced by bank-specific factors like service quality and Sharia compliance, and customer-specific factors like religiosity and financial literacy (Khan et al., 2018). The economic environment, including inflation and market stability, moderates these relationships (Hassan & Bashir, 2020). In unstable economic conditions, customers may prioritize financial security over religious alignment, reducing religiosity's impact on trust. In stable conditions, bank-specific factors may have a stronger positive effect. While the general impact of economic conditions on trust is acknowledged, there is a specific gap in empirically testing this moderating role in Kenya's Islamic banking context, which this study aims to address.

Kenya's economic performance has been marked by resilience and recovery. After a contraction of -0.3% in GDP growth in 2020 due to the COVID-19 pandemic, the economy rebounded strongly with 7.5% growth in 2021, followed by 4.8% in 2022 and 5.2% in 2023 (World Bank, 2024). The economic environment, including factors like inflation, interest rates, and overall market stability, can significantly moderate the relationship between bank-specific and customer-specific factors and trust in Islamic banking. For instance, during periods of economic growth, customers may have greater confidence in banks' ability to manage their funds effectively, thereby enhancing trust. Conversely, economic downturns, such as the 2020 pandemic or political instability, may lead to increased financial anxiety, affecting trust levels and potentially reducing the influence of religiosity on customer decisions.

Kenya's economy is projected to grow at 5.4% in 2024 and 5.6% in 2025, driven by services and household consumption (African Development Bank Group, 2024). However, challenges such as high public debt, inflationary pressures, and global economic uncertainties can impact customer

trust in financial institutions, including Islamic banks. For example, during periods of economic stability and growth, bank-specific factors like service quality and Sharia compliance may have a more pronounced positive effect on trust, while in times of economic downturn, customers may prioritize financial security over religious considerations, potentially diminishing the impact of customer-specific factors like religiosity. While the general impact of economic conditions on trust is acknowledged, a specific knowledge gap exists in empirically testing the moderating role of the economic environment on the antecedents of trust in the specific context of Islamic banking in a developing economy like Kenya. This study aims to address this gap.

1.2 Statement of the Problem

Customer trust is indispensable in the banking sector, particularly for Islamic banks which must uphold stringent Sharia adherence, necessitating high transparency and ethical compliance (Hassan & Lewis, 2009). In Kenya, a demonstrable trust deficit critically undermines Islamic banking's growth. Despite a substantial Muslim population of approximately 5.2 million, 11% of the total (Kenya National Bureau of Statistics, 2019), Islamic banking's market share languishes at a mere 1.41% with only around 170,000 account holders (Central Bank of Kenya, 2022). While sector novelty and investment levels offer partial explanations, such a stark disparity unequivocally signals that customer trust, specifically its absence, is a primary limiting factor.

Research consistently highlights customer trust as fundamental for loyalty and service adoption (van Esterik-Plasmeijer & van Raaij, 2017; Tabrani et al., 2018), its significance amplified in Islamic banking due to the religious compliance imperative. Indeed, Kenyan studies substantiate these trust deficits: Aden (2013) revealed that while 56.1% of respondents trusted Islamic banking, a significant 27.6% did not, citing perceived unreliability. Kasmani (2013) observed that anxieties regarding staff competence and their understanding of Islamic banking principles directly erode trust, even if religious grounds initially attract customers. These documented trust issues are evidently key contributors to Islamic banking's depressed market penetration in Kenya, as trust fundamentally dictates engagement.

Persisting low customer trust presents substantial risks to the expansion of Islamic banks, potentially constraining the availability of Sharia-compliant products (Iqbal & Mirakhor, 2011)

and impeding Kenya's strategic ambition to become an Islamic finance hub (Muhammad, 2016). Proactively addressing these trust barriers is imperative, especially considering the Muslim population's projected growth (Pew Research Center, 2021).

Despite trust's critical role, specific research gaps obstruct targeted interventions. International studies (e.g., van Esterik-Plasmeijer & van Raaij, 2017; Tabrani et al., 2018) offer insights whose applicability to Kenya's unique context is underexplored. More critically, while local studies like Aden (2013) and Kasmani (2013) identified trust issues, a clear knowledge gap exists as they did not comprehensively delineate the specific bank-related determinants (e.g., perceived service quality, transparency of Sharia compliance mechanisms) or customer-related determinants (e.g., impact of religious orientation, financial literacy levels) that configure this trust within the Kenyan Islamic banking sector. Furthermore, a significant gap persists in understanding how trust influences adoption among potential non-Muslim clients, and the specific mechanisms through which Kenya's regulatory framework shapes consumer confidence in these specialized banks remains uninvestigated.

This study aimed to fill these delineated research gaps by investigating the specific bank-level and customer-level factors influencing customer trust in Islamic banking in Kenya, providing insights to enhance trust and support the sector's growth.

1.3 Objectives of the Study

The general objective of this study was to investigate how bank-specific and customer-specific factors affect customer trust in Islamic banks in Kenya.

1.3.1 Specific Objectives

- i. To evaluate the effect of bank - specific factors on customer trust in Islamic banking in Kenya.
- ii. To investigate the effect of customer - specific factors on customer trust in Islamic banking in Kenya.
- iii. To determine the moderating effect of the economic environment on the effect of bank specific factors and customer specific factors on customer trust in Islamic banking in Kenya.

1.4 Research Questions

- i. What is the effect of bank - specific factors on customer trust in Islamic banking in Kenya?
- ii. What is the effect of customer - specific factors on customer trust in Islamic banking in Kenya?
- iii. What is the moderating effect of the economic environment on the effect of bank specific factors and customer specific factors on customer trust in Islamic banking in Kenya?

1.5 Scope of the Study

This research was conducted in Kenya, focusing on Islamic banks, conventional banks offering Islamic banking windows, and their customers and non-customers. The study targeted these institutions and individuals in Nairobi, Mombasa, and Garissa. The target population for this study primarily encompassed customers actively patronizing sharia-compliant banking services in these three cities, to provide a more comprehensive understanding, the study also included non-Islamic bank customers within the same regions, to assess broader perceptions and barriers to trust in Islamic banking.

A sample of 384 respondents was drawn for this study. This sample size was determined using Cochran's formula with a 95% confidence level and a 5% margin of error. The respondents were selected from customers of Islamic banks and conventional banks with Islamic windows, as well as from the general Muslim and non-Muslim population (including non-customers of Islamic banks) in the specified urban areas. This sample was proportionally allocated across the counties: 180 respondents from Nairobi (comprising 100 customers of Islamic banking services and 80 non-customers), 120 respondents from Mombasa (70 customers and 50 non-customers), and 84 respondents from Garissa (50 customers and 34 non-customers). This research sought to identify the antecedents of customer trust by examining bank-level factors (transparency, service quality, Sharia compliance perception) and customer-level factors (religiosity, financial knowledge, prior banking experience). A quantitative approach using structured questionnaires administered to the sampled respondents was employed for data collection over three months, from February to April 2025. While findings are pertinent to Kenya, they aim to inform broader discussions on trust in Islamic banking.

1. 6 Significance of the Study

In terms of contribution, this research has academic, practical, as well as policy-related implications. This study sought to establish the factors that affect trust in Islamic banks in Kenya and through this, the study will be useful in enriching the knowledge that can be useful in the development of the Islamic banking sector in the country.

1. 6. 1 Academic Contribution

This study aimed to address the gap in existing literature by investigating the specific factors that defined trust in Islamic banks in the Kenyan environment from both the bank and the customer's perspectives. Although many international works had been conducted on trust in Islamic banking, the local studies in Kenya were limited. This research work was limited to Kenya to contribute to the existing literature on Islamic banking, thus affording another angle under which global trends were viewed. Further, it added to the body of knowledge on trust in banking by analyzing how the various factors interacted and hence affected trust.

1. 6. 2 Practical Implications

The findings of this study will be of great benefit to Islamic banks in Kenya in as far as developing strategies to increase customer trust is concerned. This way, these banks will be in a position to understand the factors that affect trust and hence they will be in a position to change their services, communication and the way they operate in order to meet the expectations of their customers. For example, if transparency is deemed essential, the banks can pay attention to enhancing the information sharing and disclosure strategies. Also, the findings on service quality and Sharia compliance can help banks to understand how they should improve their services as well as meet the religious standards that have been set. In the end, it will assist the Islamic banks to obtain and maintain customers and, therefore, encourage the long-term relationship that will lead to the growth of the business.

1. 6. 3 Policy and Regulatory Insights

This research will be useful to policymakers and regulators in the financial sector since it offers important information. Having identified the factors that affect trust in Islamic banks, it means that the regulators can formulate policies that will enhance the growth of the Islamic banks. This could include developing principles around the disclosure of information, checking that all activities are

in accordance with *Sharia*, and raising awareness of the consumer about financial issues. Furthermore, the outcomes of this study may also be useful to the regulators in order to determine where gaps exist in the present legal environment, and therefore whether it supports the specific conditions necessary for Islamic banking.

1. 6. 4 Social and Economic Consequences

Improving the level of confidence in Islamic banks can have positive implications to the society and the economy. For the Muslim population in Kenya, the enhanced confidence in the Islamic banks translates into better access to the religious compliant financial services. This can increase financial inclusion because more people and companies will be part of the formal financial sector. Also, the ethical investment principles of Islamic banking can also be of benefit to society as it can finance projects that can be socially beneficial. At the economic level, a well-developed and credible Islamic banking system will enable investors both in the domestic and the international market hence enhancing economic growth and stability.

1.7 Chapter Summary

This first chapter gives insight into the background of Trust, Islamic banking in Kenya as well as the variables under study. The chapter discusses the rationale of the research study as well as the objectives that the research anticipates achieving. In the subsequent chapter, a systematic literature review of the relevant literature will be done in establishing the research progress as related to the issue of customer trust in Islamic Banks in Kenya.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The literature review aims to provide a comprehensive examination of the existing research and theoretical frameworks related to trust in Islamic banking. This chapter delves into the global and local studies that explore the factors influencing trust in Islamic banks, focusing on both bank-specific and customer-specific elements. By synthesizing the findings from various studies, this review seeks to identify gaps in the current knowledge and establish a foundation for the empirical investigation in the Kenyan context.

2. 2 Theoretical Review

This study draws on three foundational theories, the Commitment-Trust Theory, Theory of Planned Behavior (TPB), and Information Asymmetry Theory to capture the multifaceted nature of trust in Islamic banking. Trust in financial institutions is a complex construct influenced by organizational practices, individual perceptions, and broader market signals. In Islamic banking, where Sharia compliance, ethical considerations, and socio-religious identities converge, a singular theoretical perspective cannot sufficiently encompass all determinants of trust. Accordingly, a multiple-theory approach is justified: Commitment-Trust Theory addresses the relational underpinnings of long-term customer–bank ties; TPB elucidates the psychological and normative drivers of customer intentions; and Information Asymmetry Theory highlights the pivotal role of transparency and signaling in mitigating doubts. This integrated framework allows for a comprehensive analysis of bank-specific factors (e.g., transparency, service quality, Sharia compliance), customer-specific factors (e.g., religiosity, financial literacy, prior experience), and the moderating influence of Kenya’s dynamic economic environment on trust formation.

2. 2. 1 Commitment - Trust Theory

Morgan and Hunt’s (1994) Commitment-Trust Theory is grounded in the premise that trust and commitment are critical precursors to successful relationship marketing. Trust is defined as the belief that a partner is reliable, acts with integrity, and possesses the competence necessary to fulfil

promises. Commitment refers to the enduring desire to maintain a valued relationship, reflecting both emotional attachment and rational calculation of relationship benefits.

The theory enumerates additional constructs that are shared values, relationship termination costs, communication, and opportunistic behaviour avoidance—that sustain ongoing exchanges. Shared values facilitate goal congruence; high perceived costs of ending a relationship discourage defection; open, frequent communication reduces misunderstandings; and refraining from opportunism fosters cooperative norms. In banking contexts, these dimensions translate into clear corporate values, service guarantees, regular customer updates, and ethical conduct policies.

Over the past decades, empirical studies have applied Commitment-Trust Theory in diverse sectors, including retail (Morgan & Hunt, 1994), logistics (Morgan et al., 2005), and online services (Kim et al., 2009). In Islamic banking, researchers such as Khraim (2011) have confirmed the centrality of trust and commitment in driving customer loyalty. Yet critiques persist. Ndubisi (2007) argues the theory underplays emotional intelligence which is a vital element when customers weigh moral and affective factors in Sharia banking. Fournier et al. (1998) highlight missing nuances in psychological trust dimensions like perceived fairness and empathy, reinforcing the need to integrate emotional metrics. Palmatier et al. (2006) caution against uncritical application in collectivist cultures, where collective norms and familial networks exert significant influence beyond dyadic trust and commitment.

Operationalization challenges remain prevalent in trust research within Islamic banking contexts. Geyskens et al. (1996) highlight the inconsistent measurement scales used for trust and commitment across studies, which has resulted in divergent empirical findings. This inconsistency is particularly problematic in Islamic banking research, where cross-study comparisons become complicated and less reliable. The field urgently requires standardized measurement instruments that effectively incorporate both religio-ethical dimensions and commercial trust indicators to ensure research validity and facilitate meaningful comparative analysis.

When examining bank-specific factors, Sharia compliance emerges as a critical trust determinant, demonstrated through regular audits and Islamic board approvals that signal institutional integrity and competence to customers. Additionally, transparency in disclosing profit-and-loss sharing

mechanisms significantly reduces perceived risk, thereby enhancing customer commitment to the institution. Superior service quality, characterized by prompt grievance handling and personalized advisory services, fosters effective communication and reinforces shared values between the bank and its customers, further cementing the foundation of trust in these relationships.

Customer-specific factors play an equally important role in trust formation, as shared religious values and prior positive experiences enhance customers' perception of alignment with bank principles. When clients believe their personal beliefs are respected and represented by the institution, they naturally exhibit stronger affective commitment to maintaining the banking relationship. Furthermore, past satisfactory interactions continuously reinforce reliability judgments, creating a positive feedback loop that deepens trust and strengthens the overall customer-bank relationship over time.

The economic environment serves as a significant moderating variable, particularly during periods of volatility such as currency fluctuations or interest rate shifts, when customers typically gravitate toward institutions offering stable, Sharia-compliant products. High trust-based commitment provides a buffer against perceived uncertainty, effectively sustaining customer-bank relationships despite market turbulence. This moderating effect of economic conditions thus amplifies the protective role that trust and commitment play in preserving banking relationships, highlighting their strategic importance during challenging economic periods.

Empirical studies on Morgan and Hunt's (1994) Commitment-Trust Theory highlight its applicability across sectors, including Islamic banking, while also exposing contextual limitations. Khraim's (2011) findings in Islamic banking reaffirm the centrality of trust and commitment in fostering customer loyalty, aligning with the theory's assertion that these constructs are foundational to enduring relationships. For instance, bank-specific factors like Sharia compliance audits and transparent profit-sharing mechanisms directly operationalize the theory's emphasis on institutional integrity and communication, which reduce perceived risk and enhance commitment. However, critiques such as Ndubisi's (2007) argument about the neglect of emotional intelligence and Fournier et al.'s (1998) focus on fairness and empathy reveal gaps in the theory's psychological dimensions. These insights underscore the need to integrate religio-ethical values and affective metrics into trust measurement, as seen in Islamic banking contexts where shared

religious values deepen emotional attachment. Operational challenges, like inconsistent scales flagged by Geyskens et al. (1996), further stress the necessity of standardized tools that blend commercial and ethical indicators, ensuring cross-study reliability. The moderating role of economic volatility, which amplifies trust's protective function during crises, aligns with the theory's relational endurance but demands cultural adaptations in collectivist settings, as noted by Palmatier et al. (2006). Thus, empirical reviews validate the theory's core tenets while advocating for expanded constructs to address emotional and cultural nuances in Islamic finance.

2. 2. 2 Theory of Planned Behavior (TPB)

Ajzen's (1991) Theory of Planned Behavior (TPB) extends Fishbein and Ajzen's earlier Theory of Reasoned Action (1980). The primary addition to the framework is the concept of perceived behavioral control (PBC), which complements the existing components of attitudes and subjective norms. According to TPB, the most direct precursor to actual behavior is an individual's behavioral intention. These intentions are, in turn, shaped by a combination of three key factors: an individual's positive or negative evaluation of performing the behavior (attitudes); the perceived social pressures exerted by significant others regarding the behavior (subjective norms); and the perceived ease or difficulty associated with performing the behavior, which is informed by past experiences and anticipated obstacles (perceived behavioral control).

In the specific domain of Islamic banking, these TPB constructs manifest in distinct ways. Attitudes are formed as customers evaluate Sharia-compliant products, potentially viewing them as ethically superior or offering financial advantages, as suggested by Amin et al. (2011). Subjective norms emerge from the expectations of family, peers, and the wider community. These influences are particularly significant in Muslim-majority regions where adherence to religious norms is highly valued, a point highlighted by Lada et al. (2009) and Junaidi et al. (2023). Perceived behavioral control in this context reflects customers' financial literacy levels, their ease of access to both physical branch networks and digital banking platforms, and their confidence in understanding and interpreting Islamic financial contracts, as noted by Ali et al. (2017).

Meta-analytic reviews of TPB applications, such as those conducted by Armitage & Conner (2001) and Sniehotta et al. (2014), consistently affirm the theory's strong predictive capabilities for planned behaviors. However, these reviews also acknowledge certain limitations. A primary

critique is that the model predominantly assumes rational decision-making processes, thereby underrepresenting the influence of emotional responses, habitual actions, or impulsive behaviors, an issue raised by Sheeran et al. (2016). Furthermore, TPB often does not fully account for broader contextual factors—including economic conditions, cultural nuances, and institutional frameworks—that can significantly shape both perceived behavioral control and normative influences, as Yzer (2012) pointed out. For instance, in Kenya, factors such as the accessibility of Islamic banking branches, the level of regulatory support from the Central Bank, and macroeconomic indicators like inflation rates all play a role in informing PBC and subjective norms, yet these elements fall outside the traditional TPB framework. Consequently, researchers have advocated for extended models that incorporate environmental constructs or affective variables to better capture these contextual influences (Conner & Sparks, 2005).

The application of TPB can be contextualized through specific objectives related to trust in Islamic banks. Firstly, concerning bank-specific factors (Objective i), customer attitudes towards service quality, transparency, and ethical banking practices directly influence their intention to place trust in Islamic banks; positive experiences with Sharia-compliant financing and profit-sharing accounts tend to elevate these attitudes, thereby increasing intentions to trust. Secondly, customer-specific factors (Objective ii) highlight that subjective norms reflect the influence of religious leaders, family, and social circles endorsing Islamic finance, where higher religiosity and positive social endorsements strengthen normative pressure, subsequently boosting trust intentions. Similarly, perceived behavioral control corresponds to customers' financial literacy and technological access, with higher literacy and easier service access enhancing perceived control and reinforcing intentions to trust and transact with Islamic banks. Lastly, the economic environment (Objective iii) plays a critical role, as conditions such as inflation spikes or interest rate caps affect customers' perceived control. In unstable economic environments, even positive attitudes and strong subjective norms may not translate into actual trust behaviors if customers fear systemic failures or lack confidence in navigating complex financial products. Therefore, the economic environment acts as a moderator for the relationship between the TPB constructs and trust intentions.

Ajzen's TPB is empirically validated in Islamic banking through studies linking attitudes, norms, and control to trust intentions, yet its rationalist assumptions face scrutiny. Amin et al. (2011) demonstrate how positive evaluations of Sharia compliance shape attitudes, while Lada et al.

(2009) and Junaidi et al. (2023) highlight the potency of subjective norms in Muslim-majority contexts, where familial and religious endorsements drive trust. Ali et al. (2017) tie perceived behavioral control to financial literacy and digital access, aligning with TPB's focus on self-efficacy. However, meta-analyses by Armitage & Conner (2001) and critiques by Sheeran et al. (2016) reveal the model's neglect of emotional and habitual factors—critical in Islamic banking, where trust often intertwines with spiritual fulfillment. Contextual gaps, such as Kenya's branch accessibility and regulatory dynamics (Yzer, 2012), further challenge TPB's universality. For instance, economic instability may weaken perceived control despite strong attitudes or norms, as customers fear systemic risks, necessitating extensions to include environmental moderators like inflation (Conner & Sparks, 2005). Empirical findings thus affirm TPB's utility in explaining trust intentions but call for hybrid models that incorporate affective drivers and macroeconomic variables, particularly in emerging markets where institutional and cultural forces intersect with individual decision-making.

2.2.3 Information Asymmetry theory

In his seminal work, Akerlof (1970) introduced the Information Asymmetry Theory, illustrating how unequal information can lead to market inefficiencies and adverse selection. In markets beset by quality uncertainty like the used car market buyers' inability to distinguish high-quality goods ("peaches") from low-quality ones ("lemons") drives prices down, crowding out better-quality products.

This framework extends to financial services: borrowers possess more information about their risk profiles than lenders, leading to credit rationing or high interest rates. In insurance, high-risk individuals self-select into coverage, elevating costs for insurers. Signaling and screening mechanisms—warranties, third-party certifications, and brand reputation—emerge to mitigate asymmetry, fostering trust among less-informed parties.

Critics argue that Akerlof's model assumes static information environments, underplaying iterative learning and technological interventions (Stiglitz). Arrow (1963) cautioned that policy measures like warranties may impose cost burdens, while Spence (1978) highlighted power imbalances that exacerbate asymmetries. In digital marketplaces, user reviews and reputation systems dynamically reduce information gaps, a nuance absent from the original model.

Islamic banking products, such as profit-and-loss sharing contracts (mudarabah, murabaha), involve intricate profit allocation rules, Sharia board interpretations, and risk-sharing modalities that may appear opaque to customers unfamiliar with Islamic finance principles. This complexity can breed skepticism regarding the fairness or authenticity of promised returns, particularly when clients lack clarity on how profits are calculated or risks are distributed. To address these concerns, bank-specific transparency measures (Objective i) play a pivotal role. By implementing detailed disclosures of Sharia supervisory outcomes, publishing periodic performance reports, and hosting interactive educational seminars, Islamic banks can signal institutional integrity and reduce information gaps. Clear communication of contract terms and real-time online dashboards further enhance transparency, fostering trust by demystifying product structures.

Simultaneously, customer-specific factors (Objective ii) shape how these signals are interpreted: individuals with higher financial literacy or prior exposure to Islamic banking are better equipped to decode transparency initiatives, translating them into elevated trust. Conversely, customers with limited literacy or entrenched conventional banking habits may remain skeptical, underscoring the need for tailored educational outreach. Economic conditions (Objective iii) further moderate these dynamics, as market volatility—such as currency devaluation or commodity price shocks—heightens customer sensitivity to information asymmetries. During turbulent periods, even robust transparency efforts may require reinforcement through regulatory endorsements or deposit insurance schemes to reassure customers, illustrating how external economic instability amplifies or attenuates the effectiveness of trust-building measures.

The interplay of these factors underscores the necessity of a multidimensional theoretical framework to explain trust in Islamic banking. By integrating Commitment-Trust Theory, the Theory of Planned Behavior, and Information Asymmetry Theory, this study holistically captures the relational, cognitive, and informational dimensions of trust. Bank-specific initiatives like Sharia compliance audits and transparency protocols align with Commitment-Trust Theory's emphasis on institutional reliability and communication, while customer literacy and proactive engagement reflect TPB's focus on attitudes and perceived control. Meanwhile, Information Asymmetry Theory contextualizes how economic volatility exacerbates distrust, necessitating adaptive measures like regulatory safeguards. Together, these theories account for the strategic

role of Sharia-compliant practices, the influence of customer perceptions and social norms, and the moderating impact of Kenya's economic environment. This multifaceted approach not only explains how trust is built and sustained through ethical governance, customer education, and crisis-responsive policies but also highlights the interdependence of institutional actions, individual agency, and macroeconomic stability. In Kenya's emerging Islamic banking sector, such a framework provides actionable insights for balancing religio-ethical commitments with commercial viability, ensuring that trust remains resilient amid evolving market challenges and diverse customer expectations.

Akerlof's (1970) Information Asymmetry Theory finds resonance in Islamic banking's product complexity, where opaque profit-sharing mechanisms breed mistrust. Empirical studies emphasize bank-specific transparency measures—such as Sharia board disclosures and educational seminars—as signaling tools to bridge knowledge gaps, directly addressing the theory's call for quality assurance (Objective i). Customer-specific factors like financial literacy (Objective ii), as noted in studies, determine signal efficacy: literate clients better interpret transparency efforts, reducing asymmetry's adverse effects. However, critiques by Stiglitz and Spence highlight the theory's static view, overlooking iterative learning and power imbalances. Digital solutions (e.g., real-time dashboards) and regulatory endorsements during economic turbulence (Objective iii) exemplify dynamic mitigations absent in Akerlof's original model. For example, currency volatility heightens sensitivity to information gaps, necessitating deposit insurance to reinforce trust—a moderating role the theory underplays. Empirical research thus validates the theory's premise that asymmetry erodes trust but underscores the need for adaptive, context-sensitive interventions. By integrating signaling with customer education and regulatory safeguards, Islamic banking studies expand the theory's relevance to modern, dynamic markets while addressing its limitations in power dynamics and environmental contingencies.

In summary, each theoretical framework is both validated and refined by empirical insights, with Commitment-Trust Theory requiring emotional and cultural adaptations, TPB needing affective and contextual extensions, and Information Asymmetry Theory demanding dynamic, institutional solutions. Together, these empirical linkages construct a multidimensional understanding of trust in Islamic banking.

2.3 Empirical Review

This section provides a review of past studies of different scholars as they relate to the objectives of the study. This section of study offers a summary of the current empirical literature, focused on the interaction of the adopted study variable. The fundamental aim of this empirical review is to identify common themes from a broad range of bank transparency and trust, bank service quality and trust, bank compliance with *sharia* principles and trust, customer religious beliefs and trust, customer financial literacy and trust and customer banking experiences and trust as published in peer-reviewed international journals. The outlined empirical review framework provides a comprehensive clarity on relevant research reviewed thematic areas.

2.3.1 The effect of Bank-Specific Factors on Customer Trust in Islamic Banking

The existing body of literature consistently underscores that various intrinsic bank-specific factors, most notably encompassing transparency initiatives, the perceived quality of service delivery, and diligent adherence to Sharia principles, exert a significant and demonstrable influence on the cultivation and maintenance of customer trust within the Islamic banking sector. However, the precise operationalization of these mechanisms and their intricate synergistic interplay, especially within diverse socio-economic contexts like Kenya, warrant considerably deeper and more nuanced investigation.

Regarding transparency, its foundational role as a cornerstone for building and sustaining trust is widely acknowledged in banking literature, yet its conceptualization, operationalization, and measured impact exhibit considerable variation across studies. For instance, Akram et al. (2024) in Pakistan used structural equation modeling on survey data to establish that financial transparency contributes to customer loyalty through trust, highlighting trust as a critical pathway. However, their conceptualization was narrow, focusing predominantly on financial disclosures and overlooking operational transparency (e.g., clarity in decision-making processes, fee structures, dispute resolution) and technological transparency (e.g., data usage policies, algorithm clarity in digital services). This omission is a methodological limitation, particularly salient in an era of increasing digitalization where customer interactions and operational processes are heavily technology-mediated. Similarly, Al-Malkawi et al. (2019) in GCC countries from 2013–2016 employed content analysis of annual reports and random-effect GLS to find that transparency

enhances bank stability, a key trust driver, particularly in Bahrain and the UAE. In Kenya, Adan's (2022) qualitative study identified transparency in Sharia compliance mechanisms and product offerings as a trust driver but remained primarily descriptive, failing to delineate the causal pathways or psychological mechanisms through which perceived transparency transforms into tangible customer trust. This is a significant analytical shortcoming given Kenya's rapid digitalization of banking services, which demands new forms of transparency. In contrast, Zaman et al. (2014) in Pakistan linked corporate governance transparency to firm performance using regression analysis, while Nasreen et al. (2024) across Asian banks used econometric models to show transparency mitigates corruption. Both studies, by focusing on institutional outcomes, neglected customer perspectives and the evolving nature of transparency expectations in digital banking environments where real-time disclosures and interactive communication are paramount. These studies highlight a fragmented understanding of transparency, necessitating a broader framework encompassing financial, operational, ethical, and digital dimensions to address evolving customer expectations in Kenya.

Service quality emerges as another critical bank-specific determinant of customer trust, with nuanced implications in Islamic banking due to Sharia compliance expectations. Amin et al. (2008) in Malaysia applied the SERVQUAL model and multiple regression on 300 customers to find that 'assurance' and 'reliability' disproportionately drive trust, reflecting cultural emphasis on staff competence in Sharia products. This finding challenges the common assumption that all service quality dimensions contribute equally to trust-building and suggests a degree of cultural and contextual mediation, likely stemming from the heightened importance Islamic banking customers place on staff knowledge and the bank's ability to deliver on promises reliably. However, this influential study primarily focused on traditional banking channels, leaving a critical gap in understanding how these SERVQUAL dimensions translate to digital banking environments where human interaction is minimized yet trust remains essential. Kadir et al. (2023) in Indonesia used structural equation modeling on survey data to establish that service quality influences loyalty through trust and satisfaction, challenging linear models and indicating a complex, non-linear pathway. In Jordan, Naser et al. (1999) surveyed 206 customers, finding satisfaction with Islamic bank facilities but dissatisfaction with some services, impacting trust. Barre et al.'s (2023) Somalian study, using surveys, emphasized assurance and reliability as trust drivers, suggesting

market-specific expectations, possibly reflecting cultural or market maturity differences. Zouari and Abdelhedi (2021) in Tunisia highlighted digital service quality's role, using surveys to show system reliability and security as trust determinants in online banking, underscoring the need for platform-sensitive approaches. These studies, while insightful, often rely on surveys, overlooking operational constraints like employee training or technological infrastructure, and the integration of traditional and digital channels remains underexplored.

The clear demonstration and unwavering adherence to Sharia compliance is intrinsically tied to customer trust in Islamic banking. Adan (2022) in Kenya qualitatively noted transparency in Sharia compliance communication as a trust driver. Amin et al. (2008) in Malaysia indirectly implied its importance through survey findings on staff knowledge of Sharia products. Hardwick et al. (2024) in the UK used surveys to show structural assurance and situation normality enhance trust in Sharia-compliant banks. However, these studies struggle to disentangle Sharia compliance's unique impact from service quality or ethical conduct, particularly in digital channels where verifiable proofs are needed. The broader literature suggests that the hierarchical importance of certain SERVQUAL dimensions and the emphasis on assurance and reliability in specific markets likely reflect customer expectations surrounding Sharia compliance knowledge and integrity. Yet, how Islamic banks operationally demonstrate and communicate complex Sharia governance frameworks to a diverse customer base, especially in Kenya's context of varying financial literacy and digital access, remains underexplored. A recurrent methodological limitation across these studies is the use of cross-sectional designs, limiting insights into dynamic trust evolution, especially in Kenya's unique regulatory and competitive context.

A recurrent methodological limitation across many of these studies (e.g., Akram et al., 2024; Zaman et al., 2014; Adan, 2022) is the predominant use of cross-sectional research designs. Such designs, while useful for identifying associations, restrict the ability to understand how the intricate transparency-trust and service quality-trust relationships evolve dynamically over extended periods, particularly in response to significant events like financial crises, major technological disruptions, or shifts in regulatory landscapes. There is, therefore, a pressing need for a more integrated conceptual framework that addresses these bank-specific factors not in isolation, but as a multidimensional construct encompassing financial, operational, ethical, and digital elements,

while meticulously examining their collective and interactive impact on trust formation within the unique cultural, regulatory, and competitive context of Islamic banking in Kenya.

2.3.2 The effect of customer specific factors on customer trust in Islamic banking

A range of customer-specific factors, most prominently including the depth and nature of their religious beliefs, their level of financial literacy, and the quality of their past banking experiences, are recognized as pivotal in shaping the contours of trust in Islamic banks. However, the dynamic interactions between these factors, their relative importance, and their contextual dependencies across different customer segments and market conditions present a complex and multifaceted analytical picture that is far from complete.

Customer religious beliefs are consistently shown to correlate positively with trust in Islamic banking institutions, yet researchers diverge in their understanding of the precise mechanisms underpinning this relationship. Amin et al. (2013) in Malaysia used structural equation modeling on survey data to posit a direct link between religiosity and trust, emphasizing Sharia compliance as a prerequisite for devout Muslims. However, this framework may overlook the nuanced relationship for moderately religious customers who balance doctrinal adherence with service quality or convenience. Abror et al. (2022) in Indonesia, using structural equation modeling, found religiosity influences trust through perceived value and satisfaction, suggesting that even religiously motivated customers engage in rational economic decision-making, challenging simplistic direct-effect models.

Similarly, Suhartanto et al. (2021) in West Sumatra, Indonesia, surveyed customers and used covariance-based structural equation modeling to confirm religiosity's impact on trust via satisfaction. Kiyalu's (2022) qualitative study in Kenya highlighted how Islamic banks' profit strategies, communicated transparently, build trust by aligning with religious authenticity, though its qualitative nature limits generalizability. Additionally, Ahmed (2021) conceptualizes trust as a balance between faith alignment and perceived service quality, contrasting with Amin et al. (2013)'s compliance-based framework. These studies reveal tensions between compliance-based and service quality-based trust models, with a bias toward Muslim customers, neglecting non-Muslims—an increasingly important segment as Islamic banking expands globally. The

predominant use of cross-sectional designs further limits understanding of trust's dynamic evolution over time.

The influence of customer financial literacy on trust formation in Islamic banking is critical yet under-analyzed. Abduh and Omarov (2019) in Malaysia used regression analysis on survey data to establish a correlation between financial literacy and trust, though causality remains unclear, raising questions about whether literacy drives trust or if trust motivates literacy. Albaity and Rahman (2019) in the UAE surveyed 350 conventional bank customers using SmartPLS, finding high Islamic financial literacy levels drive intention to use Islamic banking, varying by gender and income. Amin and Isa (2018) in Indonesia employed mixed-methods, combining surveys and interviews, to show financial literacy as a trust determinant but overlooked demographic variations, limiting understanding of how knowledge acquisition differs across segments. A study in Turkey (2024) used structural equation modeling on 409 respondents to link Islamic financial literacy to banking service adoption, emphasizing education's role. These studies often treat financial literacy homogeneously, neglecting distinctions between general and Islamic financial knowledge, and the impact of digital literacy in modern banking environments, where digital transformation has altered the scope of required literacy.

Customer banking experiences are powerful trust antecedents, with evolving conceptualizations. Lone and Rehman (2017) in Pakistan used regression analysis on survey data to link service efficiency and staff behavior to trust, though they overlooked customer heterogeneity, such as differences between retail and corporate segments. Amin (2018) in Malaysia used mixed-methods, triangulating surveys and interviews, to show personalized service and consistent positive interactions build trust incrementally, though urban bias limits generalizability to rural contexts. Tabrani et al. (2018) in Indonesia surveyed 200 customers using structural equation modeling, finding trust influences commitment and customer intimacy, mediating loyalty. Rahman and Anwar (2019) in Indonesia used structural equation modeling to map causal pathways, highlighting transparency in Sharia compliance as an active trust antecedent, not merely a passive element. These studies evolve from transactional efficiency to relational and ethical dimensions but often ignore digital experiences and rural contexts, critical for Kenya's diverse customer base. The focus on traditional interactions limits insights into trust formation in digital environments, where different mechanisms apply.

Comparative analysis across these studies reveals an evolving conceptualization of "banking experience" itself. Lone and Rehman (2017) emphasized transactional efficiency and core service quality aspects. Amin (2018) expanded this to include deeper relational dimensions and personalization. Rahman and Anwar (2019) further broadened the concept to explicitly incorporate values alignment through the lens of Sharia compliance transparency. This conceptual evolution strongly suggests that customer banking experiences in Islamic contexts contain both universal service quality elements found in conventional banking and distinctive religious-ethical dimensions, with the latter becoming increasingly central to contemporary trust research in this field. Gaps persist regarding segmentation, geographical limitations, and the pervasive impact of digital transformation.

2.3.3 The Moderating Effect of the Economic Environment on the Relationship Between Bank-Specific Factors, Customer-Specific Factors, and Customer Trust

The broader economic environment is not merely a passive backdrop but acts as a critical and dynamic moderator, capable of significantly reshaping the established relationships between bank-specific attributes, customer-specific factors, and the ultimate formation of customer trust in Islamic banking. A careful analysis of recent empirical studies demonstrates several key analytical patterns: firstly, periods of economic stability tend to create a trust amplification effect; secondly, economic downturns or heightened volatility can trigger a fundamental priority shift mechanism in customer evaluations; and thirdly, trust itself demonstrates a notable contextual elasticity across differing economic environments.

Warsame and Ireri (2018) in Kenya used regression analysis on survey data to show economic stability amplifies the positive relationship between service quality and satisfaction through trust, suggesting a multiplier effect. These finding challenges static banking relationship models that treat trust as having a consistent, linear impact, indicating that under favorable conditions, trust enhances the outcomes of good banking practices exponentially. Hoque et al. (2019) in Bangladesh used structural equation modeling to find economic downturns diminish religiosity's influence on trust, with financial considerations overriding religious affinity, reshaping the hierarchical relationship between variables. Similarly, Hamakhan (2020) in Iraq used regression analysis to show economic uncertainty transforms trust into a dependent variable influenced by financial

literacy, highlighting a transformational effect of economic conditions on trust's role. Haron et al. (2020) in Malaysia and Naveed et al. (2019) in Pakistan, using surveys and regression, found trust's moderating effect on loyalty contracts during instability and expands during prosperity, suggesting contextual elasticity as a fundamental property of trust. A UAE study (2021) used PLS-SEM on 416 respondents to show satisfaction and religious obligation affect trust, influencing loyalty, with economic context shaping these links. In South Africa, Hussein et al. (2024) found customer type moderates trust-loyalty relationships, using surveys, highlighting economic environment's role across customer segments. These studies reveal trust's elasticity but lack longitudinal analysis and exploration of Sharia compliance as a trust stabilizer during economic turbulence, critical for Kenya's volatile economy. The consistent observation of customers prioritizing financial security over service quality or religious factors during downturns suggests an unexamined psychological mechanism, possibly linked to a hierarchy of needs in financial decision-making, warranting further research.

These insightful studies, while advancing our understanding, also expose significant theoretical gaps in the current comprehension of Islamic banking trust dynamics. First, while they clearly demonstrate that economic conditions moderate trust relationships, they generally fail to establish whether this moderation follows a distinct threshold effect (i.e., trust dynamics change significantly only after economic conditions cross a certain critical point) or if it operates as a continuous function (i.e., trust relationships adjust more gradually and consistently with incremental changes in the economic environment) a critical distinction necessary for developing accurate predictive models and timely strategic interventions for banks. Second, the consistent empirical observation of customers prioritizing financial security and bank stability over aspects like service quality or even religious factors during economic downturns (evident across Haron et al. (2020), Hamakhan (2020), and Naveed et al. (2019)) suggests an unexamined psychological mechanism whereby acute economic stress triggers a fundamental reprioritization of banking attributes, possibly linked to Maslow-like hierarchy of needs in financial decision-making.

Finally, these studies collectively, and somewhat surprisingly, overlook how different customer segments might exhibit varying degrees of trust elasticity and shifting priorities during periods of economic volatility, a potential source of considerable unexplained variance in their models. Despite their valuable contributions, these studies also exhibit certain methodological limitations,

including an insufficient volume of longitudinal analysis capable of tracking trust dynamics throughout prolonged periods of economic instability or recovery, a limited range of cultural contexts explored in depth concerning economic moderation, and an inadequate exploration of whether Sharia compliance, as a unique ethical and governance framework, might act as a differential trust stabilizer or resilience factor for Islamic banks during times of widespread economic turbulence compared to conventional banks. The cumulative evidence strongly suggests that Islamic banking institutions must develop dynamic, adaptive trust-building and maintenance strategies that are highly sensitive and responsive to prevailing and anticipated economic cycles, rather than relying on static approaches that erroneously assume trust operates uniformly across all economic contexts. This is particularly crucial for Islamic banks in developing economies like Kenya, which may experience more frequent or pronounced economic fluctuations.

2.4 Summary of Research Gaps and Literature Review

Existing studies highlight and emphasize transparency, service quality, and *Sharia* compliance but lack comprehensive exploration of digital transparency, operational challenges, and the intersection of traditional and digital banking services in shaping trust (Akram et al., 2024; Zaman et al., 2014; Zouari & Abdelhedi, 2021). Furthermore, while some research examines the role of religiosity and financial literacy in fostering trust, it often neglects the unique needs of non-Muslim customers or diverse demographic groups such as millennials (Abror et al., 2022; Amin & Isa, 2018). Contextually, the literature frequently focuses on traditional banking settings and overlooks the rapidly evolving role of digital platforms, which are increasingly central to customer experiences and trust (Amin et al., 2008; Usman et al., 2022).

Geographically, most studies are concentrated outside Kenya, with a significant focus on regions like Asia, the Middle East, and North Africa, leading to limited applicability to the Kenyan market. Existing Kenyan studies, such as Adan (2022) and Simiyu (2020), provide valuable insights into transparency and *Sharia* compliance but fall short in integrating customer-specific perspectives or comparing Kenya's Islamic banking practices with those in other African countries. Methodologically, a reliance on quantitative approaches in many studies limits the depth of insights into organizational and customer perspectives (Barre et al., 2023; Naveed et al., 2019).

Table 2. 1Summary of research gaps

Author	Study objectives	Findings	Research gaps identified
Akram et al. (2024)	To investigate the relationship between perceived financial transparency and customer loyalty in Islamic banking, focusing on trust and age as mediating and moderating factors.	Perceived financial transparency positively influences customer trust, which enhances loyalty. Trust's impact on loyalty varies across age groups.	Conceptual: Limited focus on financial transparency; neglects operational and digital transparency. Geographical: Focuses only on Pakistan.
Zaman et al. (2014)	To examine the relationship between corporate governance, transparency, and firm performance in the banking sector.	Enhanced transparency in financial reporting and adherence to governance principles improve firm performance and mitigate agency problems.	Conceptual: Focus on traditional financial disclosures; overlooks digital transparency. Geographical: Conducted in Pakistan. Contextual: Customer-specific outcomes ignored
Nasreen et al. (2024)	To analyze how transparency and regulatory compliance mitigate corruption and shape bank performance across Asia.	Greater transparency in financial disclosures and regulatory adherence improves bank performance, even in high-corruption regions.	Conceptual: Focuses on institutional performance, neglecting customer-specific outcomes like trust and loyalty. Geographical: Limited to Asia.
Adan (2022)	To identify strategic factors influencing Islamic banking adoption in Kenya, with a focus on transparency and <i>Sharia</i> compliance.	Transparency in financial reporting, product offerings, and adherence to <i>Sharia</i> principles drives customer trust and Islamic banking adoption.	Conceptual: Neglects digital banking transparency. Contextual: Limited exploration of the role of operational transparency.
Amin et al. (2008)	To examine the relationship between service quality and customer trust in Malaysian Islamic banks using the SERVQUAL Model.	Found that dimensions of service quality (tangibles, reliability, responsiveness, assurance, and empathy) significantly influenced customer trust. Assurance and reliability were the most critical, particularly due	Conceptual: Limited focus on how service quality dimensions perform in digital banking contexts. Contextual: Focused on traditional banking services, ignoring evolving digital platforms. Geographical: Study conducted in

		to their alignment with <i>Sharia</i> compliance. Staff knowledge and courtesy were highlighted as crucial.	Malaysia, limiting generalizability to Kenya. Methodological: Relied on customer perceptions without examining operational or organizational factors.
Kadir et al. (2023)	To explore the relationship between service quality, customer satisfaction, and trust in shaping customer loyalty in Indonesian Islamic banks.	Service quality positively influences customer trust and satisfaction, which mediate customer loyalty. Assurance and reliability were identified as key dimensions for trust and satisfaction. Emphasized consistent service delivery and building customer confidence.	Conceptual: Did not address operational challenges in maintaining high service quality. Contextual: Focused only on customer perceptions, excluding insights from employees or management. Geographical: Study conducted in Indonesia, limiting applicability to Kenya. Methodological: Relied on survey data without exploring qualitative insights or internal organizational perspectives.
Barre et al. (2023)	To investigate the mediating role of trust between service quality, customer satisfaction, and loyalty in Somali Islamic banks.	Trust significantly mediates the relationship between service quality and customer satisfaction/loyalty. Assurance and reliability were the most influential dimensions due to their ethical and Sharia-compliant alignment. Highlighted trust as a critical link between service quality and loyalty.	Conceptual: Did not explore internal factors like employee training or operational challenges affecting service quality. Contextual: Focused solely on customer perceptions, excluding internal organizational factors. Geographical: Conducted in Somalia, limiting generalizability to Kenya. Methodological: Quantitative approach only, lacking qualitative insights from organizational stakeholders.

Zouari & Abdelhedi (2021)	To examine the impact of digital service quality on customer satisfaction in Islamic banking.	Identified reliability, ease of use, and security as key drivers of customer satisfaction. Emphasized transparent communication about Sharia compliance and ethical practices via digital platforms as enhancing trust and satisfaction. Focused on the importance of digital platforms in the Islamic banking sector.	Conceptual: Limited exploration of how traditional and digital services interact to shape trust. Contextual: Focused on digital service quality without integrating insights from traditional banking services. Geographical: Study conducted outside Kenya, with findings potentially limited to specific regional digital banking practices. Methodological: Did not deeply analyze trust as an explicit factor.
Khan & Bhatti (2018)	To examine the impact of Sharia compliance on customer trust in Islamic banks in Pakistan.	Strict adherence to Sharia principles, such as prohibition of interest and ethical investments, significantly enhances customer trust.	Conceptual: Limited exploration of Sharia governance and social responsibility. Geographical: Focused on Pakistan, with limited generalizability to other contexts. Methodological: Primarily focused on financial transactions, lacking qualitative insights.
Masruki et al. (2020)	To analyze Sharia governance practices in Islamic banks in Malaysia and their role in compliance.	Robust Sharia governance frameworks, including Sharia committees and audits, significantly enhance credibility and trust among stakeholders.	Conceptual: Neglects the impact of technological advancements on governance. Contextual: Focus on traditional banking structures. Methodological: Qualitative focus without addressing customer perspectives
Usman et al. (2022)	To explore the role of Sharia compliance within the Technology	Sharia compliance in e-banking significantly enhances customer	Conceptual: Lacks broader exploration of service quality and customer experience.

	Acceptance Model (TAM) for e-banking in Indonesia.	trust and acceptance of digital banking services.	Contextual: Focuses on technological acceptance without integrating traditional banking perspectives. Methodological: Quantitative approach limits depth of customer insights.
Simiyu (2020)	To assess the need for a Sharia-compliant regulatory framework for Islamic banking in Kenya.	Robust regulatory frameworks ensure transparency and adherence to Islamic principles, fostering trust among customers.	Conceptual: Overlooks the impact of operational practices and customer engagement. Contextual: Limited focus on service delivery aspects. Geographical: Focuses on Kenya but lacks comparative analysis with other regions.
Amin et al. (2013)	To analyze the influence of religious beliefs on customer trust in Islamic banks in Malaysia.	Strong religious beliefs significantly enhance trust in Islamic banks, especially among customers prioritizing Sharia compliance.	Conceptual: Limited focus on non-Muslim customers' trust. Contextual: Narrow emphasis on Muslim customers' perspectives. Geographical: Study limited to Malaysia, with findings potentially not applicable in other regions.
Abror et al. (2022)	To examine factors influencing trust in Islamic banks, focusing on religiosity, perceived value, and satisfaction.	Religiosity strongly shapes trust, with perceived value and satisfaction mediating the relationship between religiosity and trust.	Conceptual: Does not address the unique needs of specific customer demographics, such as millennials or digital banking users. Contextual: Limited to general customer perceptions without delving into particular market segments. Methodological: Over-reliance on quantitative data limits qualitative insights.
Kiyalu (2022)	To investigate strategies used by Islamic banks in Kenya to increase	Profit-enhancing strategies aligned with Sharia principles	Conceptual: Limited connection between strategies and customer

	profits while maintaining Sharia compliance.	(e.g., product diversification and ethical transparency) foster trust but are hindered by low customer awareness.	religiosity. Contextual: Overlooks broader operational practices beyond profitability. Geographical: Specific to Kenya, with limited comparative insights on Islamic banking strategies in other African markets. Methodological: Qualitative-only approach.
Abduh & Omarov (2013)	To examine the impact of financial literacy on trust in Islamic banks in Malaysia.	Customers with higher financial literacy demonstrated greater trust in Islamic banks. Understanding Islamic financial principles and products enhances trust and confidence.	Conceptual: Limited focus on digital financial literacy. Geographical: Study limited to Malaysia, lacking generalizability to other contexts. Methodological: Sole reliance on quantitative methods leaves gaps in deeper insights into customer perceptions.
Amin & Isa (2018)	To assess the relationship between financial literacy and trust in Islamic banks in Indonesia.	Financial literacy significantly influenced trust. Customers knowledgeable about Islamic finance showed higher trust levels. Educational initiatives were recommended to enhance trust.	Conceptual: Did not address how demographic factors (e.g., age, education) influence financial literacy and trust. Contextual: Limited exploration of literacy in digital banking contexts. Geographical: Findings restricted to Indonesia, limiting broader applicability.
Lone & Rehman (2017)	To explore the impact of customer banking experiences on trust in Islamic banks in Pakistan.	Positive banking experiences, such as efficient service, courteous staff, and transparent communication, significantly enhance trust. Previous	Conceptual: Did not differentiate experiences between retail and corporate customers. Geographical: Limited to Pakistan, requiring applicability to other

		experiences with conventional banks also influence trust.	regions. Contextual: Overlooks the role of digital banking in shaping trust.
Amin (2018)	To investigate the role of customer experiences in building trust in Islamic banks in Malaysia.	Personalized service, effective communication, prompt and accurate service, and clear product information enhance trust. Focused on the importance of positive staff interactions.	Geographical: Primarily focused on urban customers, leaving rural customer experiences underexplored. Contextual: Limited focus on traditional banking experiences, excluding digital banking dynamics
Rahman & Anwar (2019)	To explore the impact of customer experiences on trust in Islamic banks in Indonesia.	Positive customer experiences, especially transparency and adherence to Sharia principles, significantly influence trust. Banks should focus on transparency and strong Sharia compliance.	Conceptual: Did not examine the role of digital banking experiences on trust. Geographical: Limited to Indonesia, requiring insights from diverse cultural and operational contexts. Methodological: Sole reliance on surveys may limit deeper understanding of customer perceptions.
Warsame & Ileri (2018)	To explore the moderating effect of customer trust on Islamic banking preferences in the UAE.	Trust enhances the relationship between service quality and customer satisfaction during stable economic conditions but diminishes during instability.	Conceptual: Limited exploration of prolonged economic instability. Contextual: Insufficient analysis of trust's interaction with regulatory frameworks. Geographical: Specific to the UAE, limiting broader applicability.
Hoque et al. (2019)	To examine the moderating effects of financial considerations on religiosity and trust in Islamic banking in Bangladesh.	Financial considerations amplify religiosity's impact on trust during economic stability but overshadow religiosity during downturns.	Conceptual: Focused on religiosity without considering other customer-specific factors. Contextual: Did not explore the role of Sharia compliance. Geographical: Restricted to

			Bangladesh, limiting cross-regional insights.
Hamakhan (2020)	To investigate the role of trust as a moderator in adopting electronic banking in the Kurdistan region of Iraq.	Trust strengthens the relationship between financial literacy and user behavior during stable economic periods but weakens during economic uncertainty.	Conceptual: Limited focus on trust as a single moderating variable, excluding others like convenience. Contextual: Did not address Sharia compliance as a factor. Geographical: Restricted to Kurdistan, limiting insights to broader Islamic banking markets.
Haron et al. (2020)	To explore how service quality influences satisfaction and loyalty in Islamic banks in Malaysia, with trust as a mediating factor	Trust enhances the link between service quality and loyalty during stable economic conditions, but economic concerns take precedence during downturns.	Conceptual: Limited analysis of trust in prolonged economic instability. Contextual: Underexplored interaction between Sharia compliance and trust. Geographical: Focused on Malaysia, restricting broader contextual understanding.
Naveed et al. (2019)	To examine the moderating effect of customer trust on IT systems and satisfaction in Pakistani Islamic banks.	Trust strengthens the relationship between IT system efficiency and customer satisfaction during economic stability but weakens during financial uncertainty.	Conceptual: Narrow focus on IT systems without exploring other bank-specific factors. Contextual: Did not address the influence of Sharia compliance on trust. Geographical: Limited to Pakistan, lacking generalizability to other regions.

Source: (Research Data, 2025)

2.5 Conceptual Framework

The conceptual framework model visually represents the relationships between independent variables (bank-specific and customer-specific factors) and the dependent variable (trust in Islamic banks), underpinned by three theoretical foundations. Drawing from Morgan and Hunt's Commitment-Trust Theory, the framework positions trust as a central mediating factor that influences customer commitment to Islamic banking relationships. The Theory of Planned Behavior supports the inclusion of customer-specific factors, suggesting that attitudes, subjective norms, and perceived behavioral control shape customers' trust intentions. Meanwhile, Information Asymmetry Theory explains how bank transparency and Sharia compliance reduce knowledge gaps between banks and customers, thereby fostering trust. Bank-specific factors (service quality, Sharia compliance, transparency) and customer-specific factors (financial literacy, religious beliefs, prior banking experiences) influence trust through mechanisms explained by these theories. This integrated framework provides a structured approach to understanding the interplay between these variables, offering insights for improving Islamic banking practices by addressing the theoretical underpinnings of trust formation.

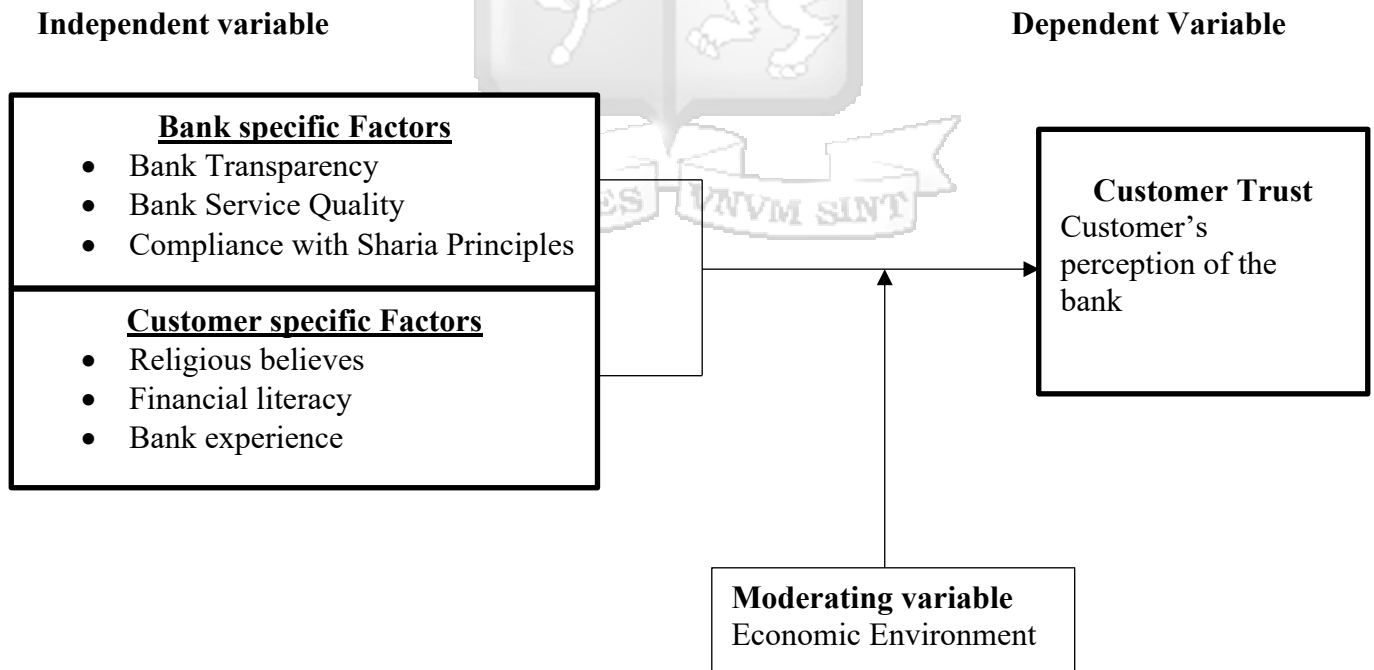


Figure 2. 1 Conceptual Framework

Source: (Research Data, 2025)

2.6 Operationalisation of study variables

This section outlines how the study variables were operationalized to ensure clarity and alignment with the research objectives. The dependent variable, Trust in Islamic Banks in Kenya, is measured by assessing the degree of confidence customers have in these banks, guided by indicators identified in previous studies (Dusuki & Abdullah, 2007; Hassan & Bashir, 2022). The independent variables include Bank-Specific Factors such as transparency, service quality, and compliance with Sharia principles (Dusuki & Abdullah, 2007), as well as Customer-Specific Factors like religious beliefs, financial literacy, and bank experience (Hassan & Bashir, 2022; Lusardi & Mitchell, 2014; Gefen, 2002). The moderating variable, Economic Environment, is assessed using Inflation rate, as reported in the Central Bank of Kenya guidelines and reports. Table 2.2 provides a summary of these variables, their indicators, and the sources guiding their operationalization.

Table 2. 2 Operationalization of study variables

Variable	Indicators	Measures	Supporting Theory	Sources/Citation
Dependent Variable				
Trust in Islamic banks in Kenya	Customer Trust (Degree of confidence, security, ethical alignment, loyalty)	Measured using a 5-item Likert scale (Strongly Disagree to Strongly Agree). Sum or average of responses to Questions 1-5 in Questionnaire Section B.	Commitment Trust Theory	(Dusuki & Abdullah, 2007; Hassan and Bashir, 2022).
Independent Variables				
<i>Bank specific factors</i>				
Bank Transparency	Clarity of information, disclosure practices, accessibility of information	Measured using a 5-point Likert scale (Strongly Disagree to Strongly Agree). Sum or average of responses to Questions 6-11 in Questionnaire Section B.	Information Asymmetry Theory, Commitment Trust Theory	(Dusuki & Abdullah, 2007; Alam et. al, 2022).

Bank Service Quality	Reliability, responsiveness, assurance, empathy, tangibles	Measured using a 5-point Likert scale (Strongly Disagree to Strongly Agree). Sum or average of responses to Questions 12-19 in Questionnaire Section B.	Commitment Trust Theory	(Dusuki & Abdullah, 2007; Alam et. al, 2022).
Compliance with Sharia Principles	Adherence to Islamic finance rules, ethical conduct, product permissibility	Measured using a 5-point Likert scale (Strongly Disagree to Strongly Agree). Sum or average of responses to Questions 20-24 in Questionnaire Section B.	Commitment Trust Theory, Theory of Planned Behaviour (via norms/perceived control)	(Dusuki & Abdullah, 2007; Alam et. al, 2022).
<i>Customer specific factors</i>				
Religious Beliefs	Importance of religion, adherence to Islamic practices, faith orientation	Measured using a 5-point Likert scale (Strongly Disagree to Strongly Agree). Sum or average of responses to Questions 25-28 in Questionnaire Section C.	Theory of Planned Behaviour (via attitudes/subjective norms), Commitment Trust Theory	(Hassan & Bashir, 2022; Gefen, 2002).
Financial Literacy	Understanding of financial concepts, awareness of Islamic finance products	Measured using a 5-point Likert scale (Strongly Disagree to Strongly Agree). Sum or average of responses to Questions 29-34 in Questionnaire Section C.	Theory of Planned Behaviour (via perceived behavioural control/attitudes), Information Asymmetry Theory	(Hassan & Bashir, 2022; Lusardi & Mitchell, 2014).
Bank Experience	Length of relationship, frequency of transactions, satisfaction with past interactions	Measured using a 5-point Likert scale (Strongly Disagree to Strongly Agree). Sum or average of responses to	Theory of Planned Behaviour (via attitudes/perceived behavioural control), Commitment Trust Theory	(Hassan & Bashir, 2022; Gefen, 2002).

		Questions 35-40 in Questionnaire Section C.		
Moderating Variable				
Perceived Influence of Economic Environment on Trust	Perception of economic stability impact (e.g., inflation, interest rates) on bank soundness and trustworthiness	Measured using a 5-point Likert scale (Strongly Disagree to Strongly Agree). Sum or average of responses to Questions 41-45 in Questionnaire Section D.	Commitment Trust Theory (influences relationship context and stability)	(Central Bank of Kenya Guidelines and reports - <i>Note: This source refers to actual data; the measure here reflects perceived impact as per questionnaire.</i>)
Qualitative Data				
Insights from Open-Ended Questions (Q46, Q47, Q48)	Specific experiences influencing trust, suggestions for improvement, other influencing factors not covered	Qualitative analysis (e.g., Thematic Analysis or Content Analysis) will be performed on the textual responses. The analysis aims to identify recurring themes, patterns, and unique insights that provide a richer understanding of the factors influencing customer trust in Islamic banks and potential areas for improvement. This data will complement the quantitative findings by offering depth and context.	These insights can potentially inform all the theories by providing context to the quantitative findings and revealing unmeasured factors or nuances.	Data collected directly from respondents via open-ended questionnaire items.

Source: (Research Data, 2025)

2.7 Chapter summary

This chapter establishes the intellectual foundation for the study by reviewing both theoretical and empirical literature relevant to trust in Islamic banking. The chapter begins by outlining four major theoretical frameworks: the Commitment-Trust Theory, the Theory of Planned Behavior (TPB), and the Information Asymmetry Theory. The literature review then synthesizes empirical studies that have explored the impact of bank-specific factors such as transparency, service quality, and adherence to Sharia principles on customer trust. It also provides a snapshot of the conceptual framework that this study will follow.



CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlined the research methodology used to investigate the effect of bank-specific and customer-specific factors on customer trust in Islamic banks in Kenya. Bank-specific factors include bank transparency, service quality, and compliance with Sharia principles, while customer-specific factors encompass customer religious beliefs, financial literacy, and banking experiences. This chapter detailed the research design, target population, sampling techniques, data collection methods, research instruments, and data analysis procedures.

3.2 Research Philosophy

Research philosophy encompasses the foundational principles guiding the design and execution of scientific inquiry. This framework determines how variables are measured and how findings are interpreted, utilizing methodologies consistent with the researcher's worldview (Kovalainen & Eriksson, 2015). Common paradigms include positivism, which emphasizes objective reality and quantitative data, and social constructivism, which focuses on subjective interpretations and qualitative data (Bell et al., 2022). However, for mixed methods research that integrates both approaches, pragmatism is often the chosen philosophy. Pragmatism supports the use of multiple methods to best address the research question (Saunders et al., 2012). This study adopts a pragmatic approach to leverage the strengths of both quantitative and qualitative data.

3.3 Research Design

A research design is a carefully structured methodology aimed at obtaining answers to research questions, encompassing the procedures and methodologies employed (Burg and Gall, 1983). For this investigation, a convergent mixed methods design was utilized to explore the bank specific and customer specific factors and trust in Islamic banks in Kenya. Mixed methods research integrates quantitative and qualitative approaches, justified by the pragmatic philosophy, allowing for a more comprehensive understanding. This study employed a convergent mixed methods design, collecting both data types concurrently from a sample at a specific point in time. Data was gathered from the sample population through survey methods like questionnaires containing both closed-ended (quantitative) and open-ended (qualitative) questions (Saunders et al., 2012). This

approach facilitated the establishment of relationships between variables while also capturing richer insights.

3.4 Target Population

The target population for this study encompassed customers patronizing sharia-compliant banking as well as non-customers residing in Nairobi, Garissa, and Mombasa. The size of this population is unknown as it includes non-Islamic banking customers. The profile of these Islamic bank customers included individuals having direct experience with their financial products, whose trust was influenced by interactions, perceptions, and satisfaction levels.

To provide a more comprehensive understanding of trust and factors influencing it, this study included non-Islamic bank customers within Nairobi, Garissa, and Mombasa. These individuals represented a critical segment of the population profile, lacking familiarity and literacy about Islamic banking principles, operations, and offerings. Including this group broadened the scope of the research by shedding light on external perceptions, potential misconceptions, and barriers to trust in Islamic banking. Their inclusion was essential for exploring how awareness and knowledge gaps about Islamic banking impacted trust levels and willingness to engage with these institutions.

Non-customers—eligible individuals within the target demographic (Muslims in Islamic bank-served areas) who use conventional banks—were included to identify actionable barriers to trust. Their perspectives reveal systemic gaps in awareness, service accessibility, or perceived Sharia compliance that hinder adoption, directly informing strategies to expand Islamic banking reach.

Nairobi, Garissa, and Mombasa were selected as the geographical focus due to their diverse demographic composition, economic vibrancy, large Muslim population, and their status as financial hubs in Kenya. The cities hosted a wide array of financial institutions, including multiple Islamic and conventional banks, making them representative locations for the study. Additionally, Nairobi's, Garissa's, and Mombasa's population comprised individuals from various socioeconomic and cultural backgrounds, ensuring a rich and diverse sample. Data from the Kenya National Bureau of Statistics (2020) highlighted the cities' importance as microcosms of the larger Kenyan financial landscape, strengthening their suitability for the study.

To ensure representativeness and practicality, the study focused on specific sub-counties within Nairobi, Garissa, and Mombasa where Islamic banks were operational and Muslim populations were concentrated. In Nairobi, the selected sub-counties included Eastleigh, Westlands, and the Central Business District (CBD), which had a high density of Islamic banks and vibrant Muslim communities. In Mombasa, the study concentrated on Mvita, Old Town, and Likoni—key hubs for Islamic banking—while in Garissa, the focus was on Garissa Township and Dadaab, areas known for their significant Muslim populations and financial activity. These sub-counties were chosen based on the verified presence of Islamic bank branches from Central Bank of Kenya data, high Muslim population density (KNBS, 2020), and overall economic activity and accessibility for data collection.

Participants were recruited through stratified purposive sampling across two distinct groups: Islamic bank customers (individuals who actively used Sharia-compliant financial products) and non-customers (individuals who used conventional banks exclusively). For Islamic bank customers, recruitment occurred at bank branches during peak hours (typically between 10 AM and 2 PM) and was facilitated through collaboration with bank staff who helped distribute digital surveys to clients. Non-customers were approached in public spaces such as markets, malls, and mosques within the same sub-counties, as well as in community centers and workplaces (e.g., Garissa County Government offices). The recruitment method involved on-site intercept surveys where trained enumerators randomly approached individuals in designated locations, screened for eligibility, and invited them to participate. Digital surveys were shared via local community WhatsApp groups and social media platforms to reach literate, tech-savvy respondents.

3.5 Sampling Techniques

The sample size for this study was determined using one of Cochran's formula, a widely accepted statistical method for calculating sample sizes for large populations:

$$n = Z^2 * p * (1-p) / e^2$$

Where:

- n = required sample size
- Z = z-value corresponding to the desired confidence level (1.96 for 95% confidence)
- p = estimated proportion of the population with a specific characteristic (assumed to be 0.5 for maximum variability)
- e = margin of error (e.g., 0.05 for 5% error tolerance)

For this study:

- Z = 1.96 (for 95% confidence)
- p = 0.5 (assumes maximum variability)
- e = 0.05

Substituting these values:

$$n = (1.96)^2 * 0.5 * (1-0.5) / (0.05)^2 = 3.8416 * 0.25 / 0.0025 = 384.16$$

Rounding up, the sample size is set at 384 respondents.

To ensure that the sample reflects the diversity of the population, the following strata was used:

1. Respondents were categorized into age brackets including 18–25 years, 26–35 years, 36–45 years, 46–55 years, and 56 years and above.
2. Gender: Both male and female respondents were represented proportionally.
3. Occupation: Categories included professionals, entrepreneurs, students, and others (e.g., homemakers or retirees).

The total sample size of 384 respondents was allocated proportionally across the counties. In Nairobi, where there was a larger customer base, 180 respondents were recruited (comprising 100 customers and 80 non-customers). Mombasa contributed 120 respondents (70 customers and 50 non-customers), while Garissa contributed 84 respondents (50 customers and 34 non-customers). This allocation was designed to reflect county population sizes and levels of Islamic banking activity, ensuring adequate representation of non-customers for comparative analysis.

Within each sub-county, the sample was further stratified by key demographic factors, including age (divided into 18–29, 30–39, 40–49, and 50+ age groups), gender (with a target of 50% male

and 50% female), and occupation (including professionals, entrepreneurs, students, and others). For instance, in Nairobi's Eastleigh sub-county, 60 respondents were recruited—split evenly between customers and non-customers—with quotas set for age, gender, and occupation to mirror KNBS demographic data.

Ethical and practical considerations were also paramount in this approach. All participants were required to provide informed consent, either by signing consent forms or, in the case of illiterate respondents, by giving verbal consent. To mitigate potential biases, enumerators rotated recruitment locations and times to avoid over-representing specific demographics. Data collection employed mixed methods, utilizing paper surveys for non-digital respondents and tablets for digital entries.

In addition to the demographic stratification by age, gender, and occupation, clear inclusion criteria were applied to ensure that participants were both relevant to the study's focus and capable of providing informed insights. First, all participants had to be at least 18 years of age to ensure legal capacity for consent. Additionally, participants had to be residents of the selected sub-counties in Nairobi, Mombasa, or Garissa to ensure familiarity with the local banking environment and accessibility to Islamic banking services. For those classified as Islamic bank customers, inclusion required that they maintained an active account with a Sharia-compliant bank and had used its financial products within the past six months, thereby guaranteeing that their experiences were current and pertinent. Conversely, individuals identified as non-customers had to be active users of conventional banking services or have no prior engagement with Islamic banking products, allowing for a meaningful comparative analysis of trust levels between the two groups. These comprehensive inclusion criteria, in conjunction with the stratified sampling method, ensured a well-rounded and methodologically robust participant selection process for the study.

The sampling frame was designed to encompass customers and non-customers of Islamic banks across Nairobi, Mombasa, and Garissa, with sub-counties selected based on verified Islamic bank presence, Muslim population density, and financial activity. Inclusion criteria were adult residency within Eastleigh, Westlands, CBD (Nairobi), Mvita, Old Town, Likoni (Mombasa), Township,

Dadaab (Garissa), and fitting the customer or non-customer profile. Exclusion criteria included minors and non-residents. Members were purposively selected based on county, status, and demographics. The frame allocated 384 participants proportionally: Nairobi (180: 100 customers, 80 non-customers), Mombasa (120: 70 customers, 50 non-customers), Garissa (84: 50 customers, 34 non-customers), ensuring representation for analysis. Selection used Central Bank of Kenya and KNBS data, incorporating ethical practices.

Table 3. 1 Sampling frame

County	Target Population Group	Sub-Counties Included	Basis for Inclusion in Sampling Frame	Target Sample Size	Planned Allocation within County (Customers/Non-Customers)
Nairobi	Islamic Bank Customers	Eastleigh, Westlands, Central Business District (CBD)	Verified presence of Islamic bank branches, high Muslim population density	100	100 Customers
	Non-Customers	Eastleigh, Westlands, Central Business District (CBD)	Residence in areas with Islamic bank activity for comparative analysis	80	80 Non-Customers
Mombasa	Islamic Bank Customers	Mvita, Old Town, Likoni	Verified presence of Islamic bank branches, high Muslim population density	70	70 Customers
	Non-Customers	Mvita, Old Town, Likoni	Residence in areas with Islamic bank activity for comparative analysis	50	50 Non-Customers
Garissa	Islamic Bank Customers	Garissa Township, Dadaab	Verified presence of Islamic bank branches, significant Muslim population	50	50 Customers
	Non-Customers	Garissa Township, Dadaab	Residence in areas with Islamic bank activity for comparative analysis	34	34 Non-Customers
Total	Defined by residency in selected sub-counties and customer status	Defined by residency in selected sub-counties and customer status	Defined by residency in selected sub-counties and customer status	384	220 Customers / 164 Non-Customers

Source: (Primary data, 2025)

3.6 Data Collection Methods

Data was collected using structured questionnaires. The questionnaires included both closed and open-ended questions to capture quantitative and qualitative data. The questions were designed to assess customer perceptions of bank-specific factors (transparency, service quality, compliance with Sharia principles) and customer-specific factors (religious beliefs, financial literacy, banking experiences), as well as their perception of trust in Islamic banks. The use of questionnaires was appropriate as they allowed for the efficient collection of data from a large number of respondents (Bryman & Bell, 2015).

3.7 Research Instruments

The research instrument for this study was a structured questionnaire designed to measure the factors influencing customer trust in Islamic banking in Kenya. Its construction followed a systematic process to ensure both validity and reliability, as well as close alignment with the study's conceptual framework. At the outset, the questionnaire was organized around the four key domains identified in the framework: trust itself; bank-specific factors (transparency, service quality, Sharia compliance); customer-specific factors (religious beliefs, financial literacy, prior banking experiences); and the broader economic environment. By anchoring each section directly to these domains, the instrument-maintained coherence with the research objectives and facilitated focused data collection.

Item development proceeded in three stages. First, Likert-scale statements for each factor were adapted from validated measures in prior studies of Islamic banking and trust (e.g., Amin, 2016; Metawa & Almosawi, 1998). These items were then contextualized to reflect the Kenyan Islamic banking environment—for instance, statements on Sharia compliance (e.g., “The bank strictly adheres to Sharia principles”) drew on the religiosity emphasis in Hassan and Lewis (2007). Respondents rated their agreement on a five-point scale (1 = Strongly Disagree to 5 = Strongly Agree), balancing user simplicity with analytical depth (Joshi et al., 2015). Second, demographic and categorical questions in Section A captured key respondent characteristics—such as sector of employment, education level, and age—to ensure socioeconomic diversity. Questions about awareness of Islamic banking (e.g., “How did you learn about Islamic banking?”) contextualized each respondent's exposure to the sector. Third, three open-ended questions in Section E elicited

nuanced, qualitative insights that structured items might miss, allowing participants to describe specific experiences influencing their trust or to suggest improvements (Creswell, 2014).

To assure content validity, the initial draft was reviewed by two experts in Islamic finance and survey methodology. Their feedback highlighted ambiguous phrasing—such as “I feel valued as a customer”—which was subsequently reworded for clarity. A pilot test with 30 Islamic banking customers in Kenya then identified minor overlaps (for example, between “economic stability” and “economic challenges” in the economic environment section), leading to streamlined item wording. Finally, reliability was assessed by calculating Cronbach’s alpha for each Likert-scale subsection using pilot data; all subsections exceeded the 0.7 threshold, indicating strong internal consistency (Tavakol & Dennick, 2011).

The finalized questionnaire comprised five sections: Section A (Demographics, Q1–Q4); Section B (Awareness and Account Status, Q5–Q6); Section C (Likert-scale statements, Q7–Q42, grouped into Trust, Bank-Specific Factors, Customer-Specific Factors, and Economic Environment); and Section D (Open-Ended Questions, Q43–Q45). This mixed-methods design enabled triangulation of quantitative and qualitative data, thereby enhancing findings' robustness (Creswell & Plano Clark, 2017). Special emphasis on Sharia compliance items reflected the ethical foundations central to Islamic banking. Statements on inflation accounted for Kenya’s dynamic economic context, informed by relevant secondary data sources such as Central Bank reports. Overall, this rigorous, theory-driven approach ensured the questionnaire aligned with study objectives and captured trust's multidimensional nature.

The perceived influence of the economic environment on trust (measured via Questions 41–45 in Section C) assessed respondents’ views on economic stability, inflation, and challenges. This construct drew on secondary sources, including Yildırım et al. (2020), who operationalized perceived macroeconomic impacts on institutional trust, and Nienhaus (2018), which links external economic perceptions to banking behavior. While Central Bank of Kenya reports provided objective Inflation data, the Likert-scale measure here focused on subjective perceptions, aligning with survey-based methodologies in cross-cultural finance studies (Dibra, 2016).

3.8 Data transformation and assumption checks

Prior to analysis, normality assumptions were assessed using Shapiro-Wilk tests for continuous variables (e.g., financial literacy scores and age). Results indicated non-normal distributions (e.g., financial literacy: $W = 0.92$, $p < 0.001$; age: $W = 0.89$, $p < 0.001$). However, the primary independent variables (bank-specific factors, customer-specific factors) and the dependent variable (trust categories) are ordinal Likert-scale measures (1–5). Ordered logit regression, the chosen analytical method, does not require normality assumptions for ordinal predictors or outcomes. For skewed continuous variables (e.g., financial literacy scores), logarithmic transformations were applied. However, comparisons between transformed and untransformed data revealed no substantive differences in regression coefficients or significance levels. The proportional odds assumption for ordered logit models was tested and confirmed using the Brant test ($\chi^2 = 8.24$, $p = 0.312$), supporting the model's appropriateness.

3.9 Data Analysis Procedures

Data analysis involved both quantitative and qualitative methods. Quantitative data was analyzed using statistical techniques such as descriptive statistics and logistic regression analysis. Descriptive statistics summarized the main features of the data, while logistic regression analysis was used to determine the effects of the independent variables (bank-specific and customer-specific factors) on the dependent variable (level of trust) (Rubinfeld, 2000). Qualitative data from open-ended questions was analyzed thematically to identify recurring themes and insights (Braun & Clarke, 2006).

3.9.1 Logistic Regression Model

The main objective of this study sought to examine the relationship between bank-specific factors (transparency, service quality, compliance with Sharia principles) and customer-specific factors (religious beliefs, financial literacy, banking experiences) on the level of trust in Islamic banks. Given that the dependent variable, trust in Islamic banks, was measured using a five-point Likert scale (ranging from 1 = "Strongly Distrust" to 5 = "Strongly Trust"), which represents an ordinal and discrete outcome with more than two categories, ordinary least squares (OLS) regression was deemed inappropriate. OLS assumes a continuous, normally distributed dependent variable and risks producing predictions outside the bounded 1–5 range of the Likert scale. To appropriately

analyze this type of dependent variable, an ordered logistic regression model was employed. This model is specifically suited for analyzing ordinal outcomes, as it estimates the probability of respondents falling into specific trust categories while preserving the hierarchical order of responses (Baltagi, 2005; Wooldridge, 2003). Ordered logistic regression is a form of multinomial regression used when the dependent variable's categories have a natural order.

Ordered logistic regression, also referred to as ordinal regression, is a specialized form of multinomial regression designed for scenarios where the dependent variable possessed a natural ordinal hierarchy, such as survey responses (e.g., “Strongly Disagree” to “Strongly Agree”), disease severity classifications (“Mild,” “Moderate,” “Severe”), or educational attainment levels. Unlike standard multinomial logistic regression, which treated all outcome categories as unordered and independent, ordered logistic regression exploited the inherent order of the dependent variable by modeling cumulative probabilities. This approach assumed proportional odds, meaning the effect of predictors on the log-odds of being in a lower versus higher category remained consistent across all thresholds. By structuring the model around these cumulative transitions, it reduced the number of estimated parameters compared to unordered multinomial models, improving efficiency while retaining interpretability.

The ordered logistic regression model operates through a latent (unobserved) variable framework representing the propensity to trust Islamic banks (Y^*). This latent propensity is expressed as a linear combination of the measured independent variables and an error term:

$$Y^* = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \epsilon. \quad (\text{Model 3.1})$$

Here, X_1 & X_2 represent the *measured* independent variables derived from the operationalization table: X_1 = Measured bank-specific factors, and X_2 = measured customer-specific factors. As detailed in the operationalization table, each of these variables is measured using the sum or average of responses to a set of Likert scale items. β_1 to β_2 are coefficients capturing the effect of each measured independent variable on the latent trust propensity.

The observed trust categories (Y) are linked to the latent variable via threshold parameters (μ_j), which partition Y^* into discrete intervals corresponding to the Likert scale points:

$$Y = \begin{cases} 1 & \text{if } Y^* \leq \mu_1 \\ 2 & \text{if } \mu_1 < Y^* \leq \mu_2 \\ 3 & \text{if } \mu_2 < Y^* \leq \mu_3 \\ 4 & \text{if } \mu_3 < Y^* \leq \mu_4 \\ 5 & \text{if } Y^* > \mu_4 \end{cases}$$

The coefficients (β) represent the change in the log-odds of being in a higher trust category versus all lower categories for a one-unit increase in the predictor. For easier interpretation of the effects on specific outcome probabilities, average marginal effects (AMEs) were calculated. AMEs quantify the change in the probability of selecting a specific trust category (e.g., "Strongly Trust") for a unit increase in an independent variable, holding other variables constant (Verbeek, 2004). For instance, the marginal effect for X1 (Measured Bank-specific factors) on the probability of selecting "Strongly Trust" (Y=5) is computed based on the model parameters.

A critical assumption of the ordered logit model is the proportional odds (parallel lines), which posits that the effect of predictors is consistent across all trust categories. This assumption was tested using a likelihood ratio test comparing the ordered logit model to a less restrictive model with category-specific coefficients. Violations would necessitate considering a generalized ordered logit specification. Additional diagnostics included a link test to verify model specification and Variance Inflation Factor (VIF) tests to ensure the absence of multicollinearity among the measured independent variables. Goodness-of-fit was assessed using the log-likelihood ratio test and pseudo R², though the latter is interpreted cautiously given its limited comparability to OLS R².

To explore the moderating effect of the economic environment (as per objective iii), the measured moderator variable (Perceived Influence of Economic Environment on Trust, denoted by Z) was introduced into the model, along with interaction terms between the moderator and each measured independent variable (bank-specific and customer-specific factors). The moderation model is specified as:

$$Y^* = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \gamma Z + \delta_1 (X_1 \times Z) + \delta_2 (X_2 \times Z) + \epsilon \quad (\text{Model 3.2})$$

In this model, Z represents the Measured Perceived Influence of the Economic Environment on Trust, and the terms $(X1 \times Z)$ represent the interactions between each measured independent variable X1 and the moderator Z. The significance of the coefficients δ_1 to δ_2 was evaluated to determine if the Perceived Influence of the Economic Environment on Trust significantly moderates the relationship between each bank-specific or customer-specific factor and the propensity for customer trust. Significant interaction terms indicate moderation, with the nature of the moderation further interpreted by examining marginal effects at different levels of the moderator.

3.9.2 Diagnostic tests for Ordered Logistic Regression

Three key diagnostic tests were used to evaluate the appropriateness and fit of the ordered logistic regression models: the Log Likelihood Ratio (LLR) test, Pseudo R2 (McFadden's R2), and the parallel odds assumption test.

Log Likelihood Ratio (LLR) Test

The Log Likelihood Ratio test evaluates whether the measured independent variables collectively have a significant effect on the dependent variable (customer trust). It compares the fit of a model containing predictors (unrestricted model) against a model with only an intercept (restricted model). The test statistic follows a chi-square distribution with degrees of freedom equal to the difference in parameters between the two models.

The LLR test can be expressed as: $LR = -2[\ln(LR) - \ln(LU)]$

Where:

- LR is the likelihood of the restricted model
- LU is the likelihood of the unrestricted model

The null hypothesis states that all coefficients for the measured independent variables are zero. A statistically significant LLR test ($p < 0.05$) indicates that at least one predictor variable has a significant relationship with the outcome variable, justifying the inclusion of predictors in the model.

Pseudo R² (McFadden's R²)

Unlike the coefficient of determination (R²) in linear regression, which directly represents the proportion of variance explained, Pseudo R² in logistic regression provides an analogous but not identical measure of model fit. McFadden's Pseudo R² compares the log-likelihood of the full model to that of the intercept-only model:

$$\text{Pseudo R}^2 = 1 - \ln(\text{LU}) / \ln(\text{LR})$$

Where:

- $\ln(\text{LU})$ is the log-likelihood of the unrestricted model (full model)
- $\ln(\text{LR})$ is the log-likelihood of the restricted model (intercept-only)

The Pseudo R² ranges from 0 to 1, with higher values indicating better model fit. However, Pseudo R² values are typically lower than traditional R² values in linear regression. In social science research, values between 0.2 and 0.4 are generally considered satisfactory, particularly when dealing with complex psychological constructs like trust.

Parallel Odds Assumption Test

The parallel odds assumption (also known as the proportional odds assumption) is fundamental to ordered logistic regression. It assumes that the relationship between each pair of outcome categories is identical. Specifically, the coefficients describing the relationship between the lowest versus all higher categories should be the same as those describing the relationship between the next lowest category and all higher categories, and so on, for all thresholds.

This assumption can be tested using a likelihood ratio test that compares the ordered logit model (constrained, assuming parallel odds) against a model that allows coefficients to vary across thresholds (unconstrained, e.g., a generalized ordered logit model). The test statistic is:

$$\chi^2 = -2[\ln(\text{LC}) - \ln(\text{LU})]$$

Where:

- $\ln(\text{LC})$ is the log-likelihood of the constrained model (ordered logit)

- $\ln(LU)$ is the log-likelihood of the unconstrained model (e.g., generalized ordered logit)

If the test yields a significant result ($p < 0.05$), the parallel odds assumption is violated, suggesting that the effect of predictors varies across outcome categories. In such cases, alternative models such as the generalized ordered logit model may be more appropriate, as they allow coefficients to vary across response categories. The generalized ordered logit model relaxes the parallel odds assumption by estimating different coefficients for each threshold, providing more flexibility in modeling the relationship between predictors and ordinal outcomes. This is particularly valuable when certain variables have different effects across different levels of the outcome variable, as is often the case with complex psychological constructs like trust in financial institutions.

3.10 Research Quality

The researcher will observe data quality by ensuring that the techniques deployed are reliable and consistent that can also be used by other researchers in their studies.

3.10.1 Reliability of instruments

Reliability refers to the degree to which research instruments produce stable and consistent results over time (Bryman & Bell, 2015). In this study, test-retest reliability was employed to evaluate the stability of the data collection instrument. Test-retest reliability measures the consistency of responses when the same instrument is administered to the same group of participants at two different time points, ensuring that results are reproducible under similar conditions (Drost, 2018).

A pilot study was conducted with a sample of 10 participants, whose responses were not included in the final analysis. The questionnaire was administered twice to the same participants, with a two-week interval between the initial test and retest phases. The data from both administrations were analyzed using Pearson's correlation coefficient to determine the stability of responses. A correlation coefficient of 0.7 or higher was considered acceptable for demonstrating strong test-retest reliability (Drost, 2018).

Table 3.1 summarizes the test-retest reliability coefficients for each variable, along with the time interval and number of items. All variables yielded coefficients exceeding 0.7, indicating high

stability and reproducibility of the instrument across constructs related to bank and customer specific factors and trust in Islamic banking in Kenya

Table 3. 2 Results of the Reliability Test Using Test-Retest Coefficients

Variable	Test-Retest Coefficient	Time Interval	Number of Items	Classification
Bank-Specific Factors				
Bank Transparency	0.91	2 weeks	6	Excellent
Service Quality	0.89	2 weeks	8	Excellent
Sharia Compliance	0.85	2 weeks	5	Excellent
Customer-Specific Factors				
Religious Beliefs	0.88	2 weeks	4	Excellent
Financial Literacy	0.87	2 weeks	6	Excellent
Banking Experience	0.90	2 weeks	6	Excellent
Economic Environment	0.84	2 weeks	5	Excellent
Trust in Islamic Banks	0.91	2 weeks	5	Excellent

Source: (Primary data, 2025)

3.9.2 Validity

To make sure the instrument was measuring right, the research checked its validity. With the guidance of the study supervisor, the research used content validity to build a research instrument that adequately captured the study's topics. The research also used construct validity to ensure the research instrument used all the operationalized components and that the questionnaire measured the stated scale (Creswell & Clark, 2017).

3.9.3 Validity of Instruments

Cooper and Shindler (2013) define validity as the extent to which the items in a test sample accurately represent the content the test aims to assess. They identify seven fundamental types of

validity in research, including face validity, content validity, construct validity, internal validity, external validity, statistical conclusion validity, and criterion-related validity. In this study, content validity will be emphasized, which assesses how well data collected through specific instruments reflect the content or domain of a particular concept. To ensure content validity, the questionnaire underwent proofreading to eliminate both typographical errors and errors in format. Additionally, pretesting of the research instruments was conducted to verify their validity in accurately measuring the intended concept(s) before their actual use.

3.11 Ethical Considerations

The study adhered to ethical guidelines to ensure the confidentiality and anonymity of respondents. Informed consent was obtained from all participants, and they were assured that their responses would be used solely for research purposes. Participants were informed about the study's objectives and their right to withdraw at any time without consequences. Ethical approval was sought from the relevant institutional review board (IRB) to ensure compliance with ethical standards (Orb, Eisenhauer, & Wynaden, 2001).

In addition to providing study results to participants upon request, the findings were disseminated to all relevant stakeholders. Specifically, executive summaries and detailed reports were shared with Islamic banks, regulatory authorities, and policymakers to inform strategic and policy decisions.

3.12 Chapter Summary

This chapter presents the methodology employed to examine how bank-specific factors (transparency, service quality, and Sharia compliance) and customer-specific factors (religious beliefs, financial literacy, and banking experience) influence customer trust in Islamic banks in Kenya. It describes the research design, target population, sampling methods, data collection techniques, research instruments, and data analysis procedures.

CHAPTER FOUR

PRESENTATION OF RESULTS AND FINDINGS

4.1 Introduction

This chapter provides a comprehensive analysis and presentation of the research findings, focusing on the bank and customer specific factors and trust in Islamic banks in Kenya. The chapter encompasses an exploration of respondents' demographics and a detailed examination of their perceptions regarding bank specific factors, customer specific factors, the moderating effect of the economic environment on the bank specific factors and the customer specific factors on Islamic banking in Kenya.

Before analysis, collected questionnaires were analyzed for completion, proof-reading of errors done and coding run to ensure only completed and duly filled questionnaires were considered.

4.2 Response rate

Out of the 384 questionnaires distributed to customers of Islamic banks in Nairobi, Mombasa and Garissa Counties, 250 were completed and returned, resulting in a response rate of 65.1%. For analysis and reporting, a response rate of 50% and above is deemed adequate, a rate of 60% and above is rated good, and a rate of 70% and above is deemed excellent (Drost, 2018). As a result, this study met the threshold, making it suitable for reporting and analysis.

Table 4. 1 Response rate

Questionnaires	Frequency	Percentage
Completed and returned	250	65.1%
Un-returned	134	34.9%
Total	384	100%

Source: (Primary data, 2025)

An independent samples t-test was conducted to compare the TRUST scores of early respondents (first month, n = 160) and late respondents (second month, n = 90). There was no significant difference in scores between early (M = 72.3, SD = 8.5) and late respondents (M = 70.8, SD =

7.9); $t(248) = 1.45, p = 0.148$. This suggests that non-response bias did not significantly influence the results

Table 4. 2 Group statistics

Group	N	Mean (TRUST Score)	Std. Deviation
Early (1)	160	72.3	8.5
Late (2)	90	70.8	7.9

Source: (Primary data, 2025)

To assess whether non-response bias influenced the study results, an independent samples t-test was conducted to compare the TRUST scores of early and late respondents. Levene’s Test for equality of variances was first performed to determine the appropriate statistical approach. The test yielded a p-value of 0.212, which is greater than the conventional significance level of 0.05. This indicates that the variances between the two groups (early and late respondents) are statistically equal, allowing the assumption of homogeneity of variances for the subsequent t-test analysis.

Following this, the independent samples t-test revealed no statistically significant difference in TRUST scores between early respondents (mean = 72.3, SD = 8.5) and late respondents (mean = 70.8, SD = 7.9), with a p-value of 0.148. Since this value exceeds the 0.05 threshold, it suggests that the timing of responses (early vs. late) did not significantly affect participants’ reported levels of trust in Islamic banking. This outcome implies that non-response bias is unlikely to have skewed the study’s findings, reinforcing the robustness and reliability of the results.

Table 4.3 Independent samples test

Levene’s Test (p-value)	t	df	Sig. (2-tailed)	Mean Difference
0.212	1.45	248	0.148	1.5

Source: (Primary data, 2025)

4.3 Characteristics of the respondents

The study surveyed 250 participants to analyze demographic and behavioral factors shaping trust in Islamic banking in Kenya. Gender distribution showed a slight male majority (54.8%, n=137) compared to females (44.4%, n=111), with two respondents declining to disclose. Age groups highlighted a concentration of mid-career individuals: 40.8% (n=102) were aged between 27–35 years and 38.8% (n=97) were aged between 36–45 years, collectively representing 79.6% of respondents. Younger (18–26 years: 9.2%, n=23) and older cohorts (46–55 years: 8.0%, n=20; 56+ years: 3.2%, n=8) formed smaller segments, reflecting a focus on economically active demographics.

Occupational sectors revealed a strong formal sector representation (75.2%, n=188), suggesting exposure to structured financial systems, while 24.8% (n=62) worked in the informal sector, where trust may hinge on cultural or communal factors. Education levels underscored a highly educated sample: 76.4% held tertiary qualifications (undergraduate: 37.2%, n=93; postgraduate: 39.2%, n=98), with diplomas (10.0%, n=25), secondary education (7.6%, n=19), and primary/non-formal education (6.0%, n=15) forming smaller groups.

Sources of learning about Islamic banking prioritized interpersonal networks: colleagues (19.2%, n=48) and friends (17.6%, n=44) were key channels, followed by social media (16.8%, n=42), advertisements (15.2%, n=38), and family (13.6%, n=34). Combined sources (e.g., “Friends, Colleague”: 3.2%, n=8) further emphasized peer-driven knowledge dissemination, aligning with workplace and social dynamics in financial awareness.

Table 4.4 :Characteristics of the respondents

Category	Subcategory	Frequency	Percentage
Gender	Female	111	44.40
	Male	137	54.80
	I do not wish to disclose	2	0.80
	Total	250	100.00
Age Group	18–26 years	23	9.20
	27–35 years	102	40.80
	36–45 years	97	38.80
	46–55 years	20	8.00
	56+ years	8	3.20
	Total	250	100.00
Sector of Occupation	Formal sector	188	75.20
	Informal sector	62	24.80
	Total	250	100.00
Education Level	Undergraduate	93	37.20
	Postgraduate	98	39.20
	Diploma	25	10.00
	Secondary	19	7.60
	Primary education	7	2.80
	Alternative education	3	1.20
	No formal education	5	2.00
	Total	250	100.00
	Source of Learning	Advert	38
Advert, Social Media		2	0.80
Colleague		48	19.20
Colleague, Advert		2	0.80
Family		34	13.60
Family, Advert		2	0.80
Friends		44	17.60
Friends, Advert		2	0.80
Friends, Advert, Social Media		2	0.80
Friends, Colleague		8	3.20
Friends, Colleague, Advert		2	0.80
Friends, Family		8	3.20
Friends, Family, Advert, Social Media		2	0.80
Friends, Family, Colleague		4	1.60
Friends, Family, Colleague, Advert, Social Media		2	0.80
Friends, Family, Social Media		4	1.60
Friends, Social Media		4	1.60
Social Media		42	16.80
Grand Total		250	100.00

Source: (Primary data, 2025)

4.4 Descriptive statistics

This study assessed bank-specific factors, customer-specific factors, and trust in Islamic banks in Kenya. Data were collected using a 5-point Likert scale (1 = strongly disagree, 5 = strongly agree). To derive a single composite index for each domain (e.g., trust, bank-specific factors), responses to items under each domain were aggregated. For instance, the trust domain comprised five items; individual scores for these items were summed per respondent, yielding a total score (range: 5–25). These total scores were then categorized into interpretable indices: 21–25 (strongly agree), 16–20 (agree), 11–15 (neutral), 6–10 (disagree), and 1–5 (strongly disagree).

To align with the Likert scale for interpretation, total indices were converted to mean scores by dividing the summed value by the number of items in the domain (e.g., a total score of 20 for trust became a mean of 4.0). Mean scores were interpreted as follows: 1.0–1.49 (strongly disagree), 1.5–2.49 (disagree), 2.5–3.49 (neutral), 3.5–4.49 (agree), and 4.5–5.0 (strongly agree). Standard deviation (SD) values ≤ 2 indicated low variability (consensus among respondents), while $SD > 2$ reflected high variability (divergent opinions). This approach consolidated multi-item responses into single indices per domain, enabling efficient analysis while preserving the ordinal nature of the Likert data.

4.4.1 Level of trust

Respondents were asked to assess their agreement levels with statements regarding the level of trust in Islamic banks in Kenya. The table presents their responses along with the mean (M) values indicating the average level of agreement and the Standard Deviation (SD) showing the variability of responses.

Table 4. 5 Level of trust in Islamic banks in Kenya

Statement	Mean	Standard deviation
1. I trust this bank to act in my best interests.	3.964	1.040
2. I feel confident in the bank's ability to manage my finances.	4.068	1.038
3. I believe the bank provides secure and safe banking services.	4.176	0.934
4. The bank's commitment to ethical practices enhances my trust.	4.064	0.965
5. I am loyal to this bank because of the trust I have in it.	3.924	1.065
Total	4.039	1.008
Maximum	4.176	1.065
Minimum	3.924	0.934

Source: (Primary data, 2025)

The descriptive statistics results in table 4.5 highlight a robust level of trust in Islamic banks in Kenya, as reflected by the mean scores of responses to various trust-related statements. On a 5-point Likert scale (1 = strongly disagree, 5 = strongly agree), all mean values fall within the "agree" range of 3.5 to 4.49, indicating a generally positive perception among respondents. Specifically, the highest level of agreement is seen in the statement "I believe the bank provides secure and safe banking services" with a mean of 4.176, underscoring security as a pivotal trust factor. This is followed closely by "I feel confident in the bank's ability to manage my finances" (M = 4.068) and "The bank's commitment to ethical practices enhances my trust" (M = 4.064), suggesting that competence and ethics significantly bolster trust. Additionally, respondents agreed that the banks act in their best interests (M = 3.964) and that trust fosters loyalty (M = 3.924), further affirming a solid trust foundation.

Complementing these findings, the standard deviations of the responses, ranging from 0.934 to 1.065, are all below 2, indicating low variability and a high degree of consistency in opinions among respondents. This low variability, as per the study's interpretive guide, suggests that the positive sentiments toward Islamic banks are widely shared, with minimal divergence in views. The statement regarding secure and safe banking services exhibits the smallest standard deviation (SD = 0.934), reflecting the strongest consensus among respondents on this aspect. Even the highest standard deviation (SD = 1.065) for loyalty due to trust remains low, reinforcing that the mean scores reliably represent the collective customer perception. Together, these statistics indicate both a high and consistent level of trust in Islamic banks across the surveyed population in Kenya.

4.4.2 Bank transparency

Respondents were asked to assess their agreement levels with statements regarding bank transparency in Islamic banking in Kenya. The table presents their responses along with the mean (M) values indicating the average level of agreement and the Standard Deviation (SD) showing the variability of responses.

Table 4. 6 Bank transparency

Statement	Mean	Standard deviation
6. The bank provides clear and understandable financial statements.	4.060	1.054
7. The bank openly communicates about fees and charges.	3.692	1.198
8. The bank is transparent about its risk management practices.	3.592	1.187
9. The bank regularly updates customers on their account status and changes in policies.	3.688	1.276
10. The bank's website and online platforms provide sufficient and clear information about products and services.	3.908	1.009
11. The bank's advertising and promotional materials are truthful and not misleading.	3.812	1.012
Average	3.792	1.123

Statement	Mean	Standard deviation
Maximum	4.060	1.276
Minimum	3.592	1.009

Source: (Primary data, 2025)

The descriptive statistics from bank transparency in Islamic banks in Kenya reveal that respondents generally perceive the banks as transparent and trustworthy across all six evaluated statements, with mean scores on the 5-point Likert scale ranging from 3.592 to 4.06, all within the "agree" range (3.5–4.49). Specifically, statement 6, "The bank provides clear and understandable financial statements," recorded the highest mean of 4.06 and a standard deviation (SD) of 1.054, indicating agreement that financial statements are clear, with low variability suggesting a strong consensus among respondents. For statement 7, "The bank openly communicates about fees and charges," the mean of 3.692 (SD = 1.198) reflects agreement, and the low SD confirms similarity in opinions. Statement 8, "The bank is transparent about its risk management practices," had the lowest mean of 3.592 (SD = 1.187), still indicating agreement, though slightly weaker, with consistent opinions as the SD remains below 2.

Statement 9, "The bank regularly updates customers on their account status and changes in policies," with a mean of 3.688 and the highest SD of 1.276, shows agreement but hints at slightly more varied perceptions, though still within the low variability threshold. Statement 10, "The bank's website and online platforms provide sufficient and clear information about products and services," scored a mean of 3.908 (SD = 1.009), denoting agreement and high consensus due to the notably low SD. Lastly, statement 11, "The bank's advertising and promotional materials are truthful and not misleading," with a mean of 3.812 (SD = 1.012), also indicates agreement with a strong consensus. Overall, the mean scores suggest a positive perception of the banks' transparency and communication practices, while the standard deviations, all below 2, underscore a general similarity in respondents' opinions across these aspects.

4.4.3 Bank service quality

Respondents were asked to assess their agreement levels with statements regarding bank service quality in Islamic banking in Kenya. The table presents their responses along with the mean (M) values indicating the average level of agreement and the Standard Deviation (SD) showing the variability of responses.

Table 4. 7 Bank service quality

Statement	Mean	Standard deviation
12. The bank staff are knowledgeable and courteous.	4.020	0.915
13. The bank provides reliable and timely services.	3.992	0.882
14. The bank is responsive to customer needs and queries.	3.964	0.932
15. The bank's physical facilities (branches, ATMs) are clean and well-maintained.	4.104	0.934
16. The bank offers a wide range of products and services that meet my needs.	3.852	1.001
17. The bank's digital platforms (online banking, mobile apps) are user-friendly and efficient.	3.996	0.987
18. The bank handles transactions and customer issues efficiently and accurately.	3.992	0.973
19. The bank provides adequate assistance and guidance to customers in need of financial advice.	3.920	0.982
Average	3.980	0.951
Maximum	4.020	1.001
Minimum	3.852	0.882

Source: (Primary data, 2025)

The descriptive findings indicate that respondents generally agreed with statements related to staff competence, service reliability, responsiveness, and physical facilities. Statement 15 ("The bank's

physical facilities are clean and well-maintained") recorded the highest mean ($M = 4.104$), reflecting strong customer satisfaction with the bank's infrastructure. Similarly, Statement 12 ("Bank staff are knowledgeable and courteous") scored a high mean ($M = 4.020$), suggesting that customers perceive staff professionalism positively. Statements 13 ("Reliable and timely services") and 14 ("Responsive to customer needs") also showed strong agreement ($M = 3.992$ and 3.964 , respectively), though slightly lower than Statements 12 and 15. These results imply that Islamic banks in Kenya excel in maintaining physical infrastructure and staff quality, while reliability and responsiveness are slightly less pronounced but still well-regarded. The low standard deviations ($SD < 1.0$ for all four statements) indicate consensus among respondents, with minimal variability in opinions. This uniformity underscores the consistency of service quality in these areas, reinforcing their role in fostering customer trust and satisfaction.

Respondents agreed that Islamic banks offer adequate product diversity, user-friendly digital platforms, efficient transactions, and financial guidance, though these aspects received slightly lower ratings compared to Statements 12–15. Statement 16 ("Wide range of products") had the lowest mean ($M = 3.852$), suggesting room for improvement in product diversity to better align with customer needs. Digital platforms (Statement 17: $M = 3.996$) and transaction efficiency (Statement 18: $M = 3.992$) were perceived favorably, reflecting the banks' investment in technology and operational processes. Statement 19 ("Adequate financial advice") scored $M = 3.920$, indicating moderate satisfaction with advisory services. The standard deviations for these statements were marginally higher ($SD \approx 1.0$) compared to earlier items, particularly for product range ($SD = 1.001$), signaling slightly divergent opinions. While still reflecting low variability overall, this minor spread may highlight differing customer expectations regarding product offerings and advisory support. These findings suggest that while Islamic banks perform well in digital and operational efficiency, enhancing product innovation and personalized financial guidance could further strengthen customer trust and engagement.

4.4.4 Compliance with sharia principles

Respondents were asked to assess their agreement levels with statements regarding banks compliance with sharia principles in Islamic banking in Kenya. The table presents their responses along with the mean (M) values indicating the average level of agreement and the Standard Deviation (SD) showing the variability of responses.

Table 4. 8 Compliance with sharia principles

Statement	Mean	Standard deviation
20. The bank strictly adheres to Sharia principles in all its operations.	3.640	1.125
21. The bank offers products that are fully compliant with Sharia law.	3.676	1.142
22. The bank has a Sharia advisory board that oversees all products and services.	3.860	1.029
23. The bank provides clear information about how its products comply with Sharia principles.	3.584	1.109
24. The bank's compliance with Sharia principles influences my decision to bank with them.	3.776	1.070
Average	3.707	1.095
Maximum	3.860	1.142
Minimum	3.584	1.029

Source: (Primary data, 2025)

The mean scores for all statements related to compliance with Sharia principles in Islamic banks in Kenya fall within the range of 3.5–4.49, indicating an overall tendency for respondents to "agree" with the assertions. Statement 22 ("The bank has a Sharia advisory board that oversees all products and services") received the highest mean score (M = 3.860), suggesting strong recognition of institutional governance structures ensuring Sharia compliance. This aligns with the foundational role of Sharia boards in Islamic banking, which likely bolsters customer confidence. Similarly, Statement 24 ("The bank's compliance with Sharia principles influences my decision to

bank with them") scored highly ($M = 3.776$), emphasizing that adherence to religious principles is a critical factor in customer loyalty. These results highlight the importance of visible governance and ethical alignment in retaining trust.

Lower but still affirmative mean scores for Statements 20 ($M = 3.640$) and 23 ($M = 3.584$) suggest room for improvement. Statement 20 ("The bank strictly adheres to Sharia principles in all its operations") reflects moderate agreement, possibly indicating perceived gaps in operational consistency. Statement 23 ("The bank provides clear information about how its products comply with Sharia principles") had the lowest mean, implying customers desire greater transparency in product communication. While respondents broadly agree on compliance, the variance in scores underscores the need for targeted enhancements in operational rigor and customer education to bridge perceptual gaps.

All standard deviations (SD) for the five statements fall below 2.0, indicating low variability and consensus among respondents. The narrowest spread ($SD = 1.029$ for Statement 22) reflects uniformity in acknowledging the role of Sharia advisory boards, likely due to their tangible presence in Islamic banking systems. Similarly, Statement 24 ($SD = 1.070$) shows minimal divergence, reinforcing that Sharia compliance is a widely shared priority for customers. This consistency suggests that institutional mechanisms like advisory boards and ethical alignment are non-negotiable expectations, with little disagreement among clients.

Slightly higher SDs for Statements 20 ($SD = 1.125$) and 21 ($SD = 1.142$) hint at marginally more varied perceptions of strict operational adherence and product compliance. While still indicating general agreement, these variations may stem from differing customer experiences or awareness levels. For instance, some clients might perceive inconsistencies in day-to-day operations (Statement 20) or product structures (Statement 21). Nevertheless, the overall low variability across all items implies that Islamic banks in Kenya are broadly meeting Sharia compliance expectations, with minor discrepancies likely addressable through improved communication and standardized practices.

4.4.5 Customer religious beliefs

Respondents were asked to assess their agreement levels with statements regarding customer religious beliefs in Islamic banking in Kenya. The table presents their responses along with the mean (M) values indicating the average level of agreement and the Standard Deviation (SD) showing the variability of responses.

Table 4. 9 Customer religious beliefs

Statement	Mean	Standard deviation
25. My religious beliefs influence my choice of banking with this bank.	3.912	1.192
26. I trust this bank because it aligns with my religious values.	3.908	1.106
27. I feel that this bank respects and upholds Islamic values in its operations.	3.952	1.012
28. I am aware of how the bank ensures compliance with Sharia principles.	3.552	1.248
Average	3.831	1,395
Maximum	3.952	1.248
Minimum	3.552	1.012

Source: (Primary data, 2025)

The descriptive results reveal that respondents consistently agreed (mean scores: 3.552–3.952) that religious beliefs significantly influence their banking decisions and perceptions of Islamic banks in Kenya. Statements 25 (“religious beliefs influence choice”) and 27 (“bank upholds Islamic values”) received the highest agreement (M = 3.912 and 3.952, respectively), emphasizing the centrality of faith in customer loyalty. Similarly, trust in the bank (Statement 26, M = 3.908) was closely tied to its alignment with religious values. All standard deviations (SD = 1.012–1.248) fell below 2.0, indicating low variability and consensus among respondents. However, Statement 28 (“awareness of Sharia compliance”) had the lowest mean (M = 3.552) and highest SD (1.248),

suggesting that while customers broadly agree they understand compliance mechanisms, some divergence exists in their awareness levels.

These findings underscore the dominant role of religious values in shaping trust and customer preferences for Islamic banks in Kenya. The strong agreement and homogeneity in responses (low SDs) highlight the institutions' success in embedding Islamic principles into their operations. However, the comparatively weaker agreement and higher variability for Statement 28 signal a need for improved transparency and customer education regarding Sharia compliance processes. To sustain trust and loyalty, banks should prioritize visible adherence to Islamic values while addressing gaps in communication about how religious principles are operationalized and monitored. This balance will be critical for maintaining alignment with customer expectations rooted in faith.

4.4.6 Customer financial literacy

Respondents were asked to assess their agreement levels with statements regarding customer financial literacy in Islamic banking in Kenya. The table presents their responses along with the mean (M) values indicating the average level of agreement and the Standard Deviation (SD) showing the variability of responses.

Table 4. 10 Customer financial literacy

Statement	Mean	Standard deviation
29. I understand the financial products and services offered by the bank.	3.804	0.992
30. I feel confident in making financial decisions using the bank's services.	3.888	0.911
31. I regularly seek information to enhance my financial knowledge.	3.800	1.067
32. The bank provides useful financial education resources.	3.588	1.072
33. I am familiar with the basic principles of Islamic finance.	3.880	1.038

Statement	Mean	Standard deviation
34. I believe my level of financial literacy impacts my trust in the bank.	3.888	0.928
Average	3.808	1.001
Minimum	3.488	0.911
Maximum	3.888	1.072

Source: (Primary data, 2025)

The descriptive statistics reveal that respondents generally agreed with statements regarding customer financial literacy in Islamic banking, as all mean scores fell within the "agree" range (3.5–4.49). The highest agreement was observed for Statements 30, 33, and 34, each with mean values close to 3.89. Statement 30 ("I feel confident in making financial decisions using the bank's services"; M=3.888, SD=0.911) and Statement 34 ("I believe my level of financial literacy impacts my trust in the bank"; M=3.888, SD=0.928) highlight customers' self-assuredness in engaging with the bank and their recognition of financial literacy's role in fostering trust. Similarly, Statement 33 ("I am familiar with the basic principles of Islamic finance"; M=3.880, SD=1.038) underscores a strong awareness of Islamic financial tenets, which is critical for customer engagement in Sharia-compliant services. Slightly lower but still positive agreement was noted for Statement 29 ("I understand the financial products and services"; M=3.804, SD=0.992) and Statement 31 ("I regularly seek information to enhance my financial knowledge"; M=3.800, SD=1.067), suggesting customers perceive themselves as proactive and informed, albeit with minor gaps in product comprehension. The lowest mean was for Statement 32 ("The bank provides useful financial education resources"; M=3.588, SD=1.072), indicating room for improvement in the bank's educational support, though it remains within the "agree" range.

Standard deviations (SD) for all statements were below 2.0, reflecting low variability and general consensus among respondents. However, subtle differences in SD values offer insights into response patterns. Statements 30 (SD=0.911) and 34 (SD=0.928) exhibited the least variability, suggesting strong uniformity in customers' confidence in decision-making and their belief in

financial literacy's impact on trust. In contrast, Statements 31 (SD=1.067) and 32 (SD=1.072) showed marginally higher variability, indicating moderate divergence in perceptions about information-seeking behavior and the adequacy of the bank's educational resources. This implies that while most customers actively seek financial knowledge and find the resources useful, a subset may feel less supported or motivated. Statement 33 (SD=1.038) also displayed slightly varied responses regarding familiarity with Islamic finance principles, potentially reflecting differing levels of exposure to religious financial concepts. Overall, the low SD values reinforce that customers broadly share positive perceptions of their financial literacy and engagement with Islamic banking, though targeted efforts to enhance educational outreach and product transparency could address areas of mild inconsistency. These findings align with the study's focus on trust-building, emphasizing the need for banks to strengthen financial literacy initiatives to sustain customer confidence and loyalty.

4.4.7 Customer banking experiences

Respondents were asked to assess their agreement levels with statements regarding customer banking experiences in Islamic banking in Kenya. The table presents their responses along with the mean (M) values indicating the average level of agreement and the Standard Deviation (SD) showing the variability of responses.

Table 4. 11 Customer banking experiences

Statement	Mean	Standard deviation
35. My past experiences with this bank have been positive.	3.944	0.933
36. The bank has effectively resolved any issues I have encountered.	3.920	0.961
37. I find the bank's services to be consistent and reliable.	3.996	0.893
38. I feel valued as a customer by this bank.	4.032	0.913
39. The bank has a good reputation based on my experiences.	4.056	0.871
40. I would recommend this bank to friends and family based on my experiences.	4.072	0.919

Statement	Mean	Standard deviation
Average	4.003	0.915
Maximum	4.072	0.961
Minimum	3.920	0.871

Source: (Primary data, 2025)

The mean scores for all statements related to customer banking experiences (Statements 35–40) ranged between 3.944 and 4.072, falling within the “agree” category (3.5–4.49). This indicates a consistently positive evaluation of Islamic banking experiences in Kenya. Respondents strongly endorsed the bank’s reputation (M=4.056), feeling valued as customers (M=4.032), and willingness to recommend the bank (M=4.072), reflecting high satisfaction and loyalty. While all means were close to the upper threshold of the “agree” range, none reached the “strongly agree” bracket (4.5–5.0), suggesting room for improvement in exceeding customer expectations. Notably, Statement 37 (“consistent and reliable services”) and Statement 36 (“effective issue resolution”) had slightly lower means (3.996 and 3.920, respectively), hinting that operational consistency and problem-solving efficiency could be focal areas for enhancement.

The standard deviation (SD) values for all statements were below 1.0 (0.871–0.961), indicating low variability and strong consensus among respondents. This uniformity suggests shared positive perceptions of the bank’s services and reputation. For instance, Statement 39 (“good reputation”) had the lowest SD (0.871), underscoring widespread agreement about the bank’s credibility. Similarly, the narrow spread in responses for Statement 40 (“recommend the bank,” SD=0.919) reinforces reliability in the finding that customers are advocates for the bank. The slightly higher SD for Statement 36 (0.961) may reflect minor disparities in experiences with issue resolution, though overall consistency remains high. These results collectively affirm that customers hold cohesive, favorable views of their banking experiences, aligning with the bank’s trust-building strategies.

4.4.8 Economic stability

Respondents were asked to assess their agreement levels with statements regarding economic stability in Islamic banking in Kenya. The table presents their responses along with the mean (M) values indicating the average level of agreement and the Standard Deviation (SD) showing the variability of responses.

Table 4. 12 Economic stability

Statement	Mean	Standard deviation
41. Economic stability in Kenya positively influences my trust in Islamic banks.	3.460	1.115
42. Changes in Inflation rate affect my perception of the bank's financial stability.	3.324	1.065
43. I trust Islamic banks more during periods of strong economic growth.	3.600	0.939
44. I feel valued as a customer by this bank.	4.000	0.891
45. Economic challenges (e.g., inflation, currency fluctuations) reduce my trust in the bank's operations.	3.044	1.172
Average	3.486	1.036
Maximum	4.000	1.172
Minimum	3.044	0.891

Source: (Primary data, 2025)

The analysis of the mean scores reveals varying levels of agreement among respondents regarding the influence of economic stability on trust in Islamic banks in Kenya. For Statement 41 ("Economic stability in Kenya positively influences my trust in Islamic banks"), the mean of 3.460 falls just below the threshold for "agree" (3.5–4.49), placing it in the "neither agree nor disagree" range (2.5–3.49). This suggests respondents were ambivalent about the direct link between national economic stability and trust in Islamic banks, though the mean leans toward

agreement. Statement 42 ("Changes in Inflation rate affect my perception of the bank's financial stability") also reflects neutrality, with a mean of 3.324, indicating uncertainty or mixed perceptions about Inflation fluctuations impacting trust. In contrast, Statement 43 ("I trust Islamic banks more during periods of strong economic growth") has a mean of 3.600, squarely in the "agree" range, signaling consensus that economic growth periods enhance trust in Islamic banks.

The standard deviations (SD) for all statements are below 2, indicating low variability and relatively uniform opinions. The SDs for Statements 41 (1.115) and 42 (1.065) show moderate consensus, while Statement 43's lower SD (0.939) suggests stronger agreement among respondents about trust during economic growth. These results imply that while respondents generally perceive economic growth as a trust-enhancing factor (Statement 43), broader economic stability (Statement 41) and Inflation changes (Statement 42) are met with neutrality, possibly reflecting nuanced views or insufficient awareness of their direct impact on Islamic banking. The uniformity in responses underscores a shared perspective among participants, particularly regarding the salience of economic growth in shaping trust.

4.4.9 Open ended questions

Respondents were asked open ended questions in regards to bank specific and customer specific factors and Islamic banking in Kenya. Their responses are shown below

Respondents highlighted Sharia compliance and religious alignment as foundational to their trust, emphasizing adherence to Islamic principles (e.g., "interest-free financing," "ethical investments"). Transparency in operations, such as clear communication about fees, profit-sharing mechanisms (nisbah), and financial stability updates, was frequently cited. Positive customer service experiences, including prompt issue resolution, courteous staff, and efficient digital platforms (e.g., "timely responses," "excellent mobile banking"), reinforced trust. Additionally, financial stability and consistent growth ("continued growth," "safe savings") were noted as key confidence-builders. Some respondents were influenced by social proof, such as recommendations from family or friends, while others valued ethical practices like avoiding investments in non-compliant industries (e.g., alcohol, gambling). However, a minority expressed skepticism about the authenticity of Sharia compliance, indicating gaps between branding and practice.

To enhance trust, respondents prioritized education and transparency—demanding clearer explanations of Sharia compliance frameworks and regular financial disclosures. Many called for strengthened customer service, including faster query resolution, better-trained staff (particularly in Islamic finance principles), and improved digital tools (e.g., upgraded mobile apps, cybersecurity). Accessibility emerged as a theme, with requests for expanded branch networks, multilingual services, and inclusive marketing to non-Muslim clients. Others urged ethical rigor, such as stricter adherence to profit-sharing models (vs. interest-like practices) and independent Sharia audits. Critically, some respondents highlighted perceived contradictions, such as regulatory oversight by conventional authorities (e.g., Kenya’s CBK), which they argued undermines compliance. Practical suggestions included reducing fees, offering "soft loans," and enhancing corporate social responsibility (CSR) initiatives to align with community values.

Beyond the questionnaire’s scope, respondents identified regulatory and structural challenges— noting that oversight by non-Sharia-compliant institutions could erode trust. Product innovation was emphasized, including demand for Sharia-compliant bonds (sukuk), halal cryptocurrency, and tailored services for youth. Cultural and religious factors played a dual role: while religiosity strengthened loyalty, doubts about compliance authenticity ("Is Islamic banking truly Sharia-based?") created skepticism. Profit-sharing transparency and customer intimacy (e.g., personalized services, community engagement) were deemed critical. A recurring theme was the need for public sensitization to differentiate Islamic banking from conventional systems, addressing misconceptions about profit rates and operational ethics. Critically, respondents linked trust to institutional integrity calling for visible alignment between the bank’s actions and Islamic values, rather than mere marketing claims.

4.4.9.1 Thematic analysis

Thematic analysis of the open-ended responses reveals that Sharia compliance and religious alignment form the bedrock of trust in Islamic banking in Kenya. Respondents emphasized adherence to Islamic principles, such as interest-free financing and ethical investments, as foundational to their confidence. However, skepticism emerged regarding the authenticity of compliance, with some questioning whether practices truly align with Sharia values. This concern

underscores demands for stricter ethical rigor, including independent audits and profit-sharing models that avoid interest-like practices. These findings align with Abdullah & Rahman (2020), who identify Sharia compliance as a non-negotiable pillar of trust in Islamic finance.

Transparency and communication further emerged as critical trust-building factors. Respondents highlighted the need for clarity in operational processes, such as fee structures, profit-sharing mechanisms (*nisbah*), and regular financial updates. While many praised existing transparency efforts, others called for more accessible disclosures to demystify complex frameworks. For instance, requests for simplified explanations of Sharia compliance processes reflect gaps in consumer literacy, a challenge noted by the Islamic Financial Services Board (2021) in emerging markets.

Customer service quality and digital efficiency also play a pivotal role. Positive experiences, such as prompt issue resolution and courteous staff, reinforced trust, while inefficiencies drove demands for improvement. Respondents prioritized upgraded digital tools, including mobile apps and cybersecurity enhancements, to meet modern expectations. These insights resonate with Hassan et al. (2022), who link customer loyalty to personalized engagement and operational reliability.

Financial stability and ethical investments were frequently cited as confidence-builders. Respondents associated trust with perceptions of institutional safety (e.g., “continued growth,” “safe savings”) and ethical practices, such as avoiding investments in non-compliant industries like gambling. Social proof, such as recommendations from family or friends, further amplified trust. However, critiques of regulatory hybridity—such as oversight by Kenya’s conventional Central Bank (CBK)—highlighted structural contradictions that undermine perceptions of Sharia integrity. This aligns with Iqbal & Molyneux (2016), who critique hybrid systems in dual-banking environments for diluting compliance.

Education and public awareness emerged as urgent priorities. Respondents stressed the need for Sharia literacy campaigns to clarify Islamic finance principles and dispel misconceptions, such as conflating profit rates with conventional interest. Public sensitization efforts were deemed essential to differentiate Islamic banking from conventional systems. Concurrently, accessibility and inclusivity challenges—including limited branch networks and language barriers—were

identified as trust inhibitors. Suggestions for multilingual services and inclusive marketing to non-Muslims reflect a desire to broaden reach while maintaining religious authenticity.

Product innovation and community engagement were also emphasized. Demand for Sharia-compliant instruments like *sukuk* (bonds) and halal cryptocurrency signals a need for modernization, while tailored services for youth highlight generational shifts in expectations. Community-centric initiatives, such as personalized financial planning and CSR programs (e.g., “soft loans”), were seen as vital for aligning institutional actions with Islamic values.

4.4.9.2 Synthesis and Implications

The findings underscore a dual imperative for Islamic banks in Kenya: *operational rigor* and *community-centricity*. To address skepticism, banks must strengthen Sharia compliance through independent audits, transparent profit-sharing models, and ethical investments. Simultaneously, enhancing digital infrastructure, expanding accessibility, and investing in education can bridge literacy and inclusivity gaps. Public campaigns differentiating Islamic banking from conventional systems, coupled with youth-focused product innovation, could foster broader appeal. Ultimately, trust hinges on visible alignment between institutional practices and Islamic values—a balance of ethical rigor, transparency, and cultural responsiveness. By addressing these themes holistically, Islamic banks can solidify their role as both financially robust and morally anchored institutions in Kenya’s evolving financial landscape.

4.5 Inferential Analysis

Correlation and logistic regression analyses were used to evaluate the relationship between bank and customer specific factors and trust in Islamic banking in Kenya. Before conducting the correlation analysis, a series of preliminary tests were performed to ensure that the key assumptions for regression analysis were met.

4.5.1 Preliminary tests

4.5.1.1 Normality Test (Shapiro–Wilk)

Table 4. 13 Normality test

Test	Statistic	p-value
Shapiro-Wilk	0.9456	<0.0001

Source: (Author, 2025)

A Shapiro–Wilk p-value of <0.0001 indicates a statistically significant departure from perfect normality. However, scholars such as Osborne & Waters (2002) and Field (2009) have demonstrated that the ordinary least squares (OLS) regression is robust to moderate violations of the normality assumption—especially with sample sizes in the moderate range (e.g., 50+ observations). In our case, with 250 observations, the slight non-normality in the residuals is unlikely to substantially bias parameter estimates. Moreover, as highlighted in research (e.g., Hair et al., 2010), the central limit theorem further supports that, for inference purposes, minor deviations from normality do not jeopardize the validity of the regression model.

4.5.1.2 Linearity Diagnostic

Table 4. 14 Linearity diagnostic

Diagnostic	Value	P value
Correlation (Fitted vs. Residuals)	0.005	0.985
Ramsey RESET Test (F-statistic)	1.20	0.310

Source: (Author, 2025)

The near-zero correlation (0.005) between the fitted values and residuals, supported by a nonsignificant p-value (0.985), indicates no systematic pattern or curvature in the residuals, thereby validating the linearity assumption of the regression model. This conclusion is further reinforced by the Ramsey RESET test, which produced an F-statistic of 1.20 and a p-value of 0.310. Since this p-value exceeds conventional significance thresholds (e.g., 0.05), the test fails to reject the null hypothesis, offering no evidence against the model’s specification and aligning with

the earlier findings that the linear form of the model is appropriate. Together, these results consistently support the adequacy of the linearity assumption in the regression framework.

As Tabachnick and Fidell (2013) note, when residuals are randomly dispersed around zero, it provides evidence that the relationship between predictors and the dependent variable is appropriately modeled as linear. This finding suggests that the data structure is suitable for linear regression analysis.

4.5.1.3 Multicollinearity (Variance Inflation Factor – VIF)

Table 4. 15 Multicollinearity test

Variable	VIF
Bank specific factors	1.42
Customer specific factors	1.36

Source: (Author, 2025)

The VIF values for all independent variables are below 2 (with the exception of the constant, which is expectedly higher), indicating low multicollinearity. According to Hair et al. (2010), VIF values under 5 suggest that multicollinearity is not a major concern. This means that the predictors are sufficiently independent, and the regression coefficients can be reliably interpreted without the confounding effects of high intercorrelations.

4.5.1.4 Heteroskedasticity Test (Breusch–Pagan)

Table 4. 16 Heteroskedasticity test

Test Statistic	p-value	F-Statistic	F p-value
Breusch-Pagan	0.3500	0.9900	0.0850 0.9844

Source: (Author, 2025)

The Breusch–Pagan test yields a p-value of 0.9900, which is far above the conventional threshold of 0.05. This indicates no evidence of heteroskedasticity—that is, the variance of the residuals remains constant across the range of fitted values. Consistent with the guidelines provided by Breusch and Pagan (1979) and later supported by White (1980), these results confirm that the

assumption of homoscedasticity is met, and there is no need for corrective measures such as transformation or robust standard errors.

4.5.1.5 Overall Conclusion of the preliminary tests

Despite the statistically significant Shapiro–Wilk test suggesting non-normality, extensive literature (e.g., Osborne & Waters, 2002; Field, 2009) emphasizes that regression is generally robust to such violations when sample sizes are moderate. The absence of systematic nonlinearity, low VIF values, and the lack of heteroskedasticity collectively indicate that the data satisfy the key regression assumptions. Therefore, from an academic standpoint, as supported by scholars like Hair et al. (2010) and Tabachnick & Fidell (2013), the dataset is adequate to proceed with further data collection and regression analysis.

4.5.2 Correlation Analysis

The Pearson correlation coefficient (r) was utilized to examine the linear relationship between bank and customer specific factors and trust in Islamic banking in Kenya. As described by Drost (2018) this coefficient varies from -1 to +1, where -1 signifies a complete negative relationship, 0 implies no correlation, and +1 represents a complete positive relationship. A coefficient falling below ± 0.4 suggests a weak correlation, while values ranging between ± 0.4 and ± 0.6 indicate a moderate correlation, and those surpassing ± 0.6 suggest a strong correlation. Prior to interpreting the findings, the researcher verified that the data satisfied the assumptions necessary for correlation analysis. These assumptions encompass the utilization of interval data, the presence of an assumed linear association between variables, minimal presence of outliers, and the distribution of data being approximately normal.

Table 4. 17 Correlations

Correlations					
		Trust	Bank specific factors	Customer specific factors	Moderating (economic environment)
Trust	Pearson Correlation	1	.780**	.762**	.518**
	Sig. (2-tailed)		<.001	<.001	<.001
	N	250	250	250	250
Bank specific factors	Pearson Correlation	.780**	1	.873**	.502**
	Sig. (2-tailed)	<.001		<.001	<.001
	N	250	250	250	250
Customer specific factors	Pearson Correlation	.762**	.873**	1	.646**
	Sig. (2-tailed)	<.001	<.001		<.001
	N	250	250	250	250
Moderating (economic environment)	Pearson Correlation	.518**	.502**	.646**	1
	Sig. (2-tailed)	<.001	<.001	<.001	
	N	250	250	250	250

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

Source: (Primary data, 2025)

The correlational analysis reveals significant positive relationships between trust in Islamic banking and the independent variables (bank-specific factors, customer-specific factors) as well as the moderating variable (economic environment). Bank-specific factors (measured through bank transparency, service quality, and compliance with Sharia principles) exhibit the strongest association with trust, reflected by a Pearson correlation coefficient of $r = 0.780^{**}$ ($p < 0.001$). This suggests that institutional elements such as operational transparency, ethical service delivery, and adherence to Islamic financial principles are pivotal in fostering trust. Similarly, customer-

specific factors (measured through religious beliefs, financial literacy, and banking experience) are strongly correlated with trust ($r = 0.762^{**}$, $p < 0.001$), indicating that customer-centric attributes, including alignment with religious values, financial knowledge, and prior interactions with banks, significantly influence trust levels.

The economic environment, operationalized as the annual percentage change in Inflation, shows a moderate correlation with customer trust ($r = 0.518^{**}$, $p < 0.001$). This highlights its contextual role, where macroeconomic conditions—such as economic growth or recession—indirectly shape trust by influencing broader financial stability and consumer confidence. For instance, Inflation reduction may enhance trust by signaling economic security, while growth could amplify financial anxiety.

Notably, the interrelationships among the independent variables are substantial. Bank-specific factors and customer-specific factors share a very strong correlation ($r = 0.873^{**}$, $p < 0.001$). This implies a symbiotic relationship: improvements in institutional practices (e.g., greater transparency or Sharia compliance) may enhance customer perceptions (e.g., satisfaction with services or religious alignment), and vice versa. The economic environment shows a stronger link to customer-specific factors ($r = 0.646^{**}$) than to bank-specific factors ($r = 0.502^{**}$), suggesting that macroeconomic fluctuations disproportionately affect customer behavior and confidence. For example, during economic instability, customers may prioritize religious alignment or financial literacy to navigate uncertainty, even if banks maintain strong internal practices.

These findings underscore the dual importance of bank-specific factors (transparency, service quality, Sharia compliance) and customer-specific factors (religious beliefs, financial literacy, experience) as primary drivers of trust in Islamic banking. The strong overlap between these variables highlights a reinforcing cycle: ethical banking practices can elevate customer satisfaction and loyalty, which in turn strengthen institutional trust. However, the economic environment's moderating role introduces complexity, as external conditions may either amplify or undermine trust-building efforts. For example, in a recession, even banks with high transparency might struggle to retain trust if customers perceive heightened financial risks.

The results carry actionable insights. Islamic banks should prioritize service quality (e.g., efficient grievance resolution), transparency (e.g., clear communication of Sharia-compliant policies), and religious alignment (e.g., engaging scholars to validate practices) to directly bolster trust. Concurrently, fostering customer financial literacy (e.g., educational campaigns) and religious engagement (e.g., community-based banking initiatives) can enhance customer perceptions. Policymakers must stabilize the macroeconomic environment as its indirect influence on customer perceptions can significantly sway trust.

4.5.3 Logistic Regression Analysis

This section presents the findings of the study based on the ordered logistic regression analysis, addressing the study's objectives. The analysis first considers a base model (Model 3.1) examining the direct effects of bank-specific and customer-specific factors on trust, followed by a moderation model (Model 3.2) including the economic environment and its interactions.

4.5.3.1 Diagnostic Tests for Ordered Logit Models

Ordered logit models, while powerful for analyzing ordinal dependent variables, rely on several assumptions. Violations of these assumptions can impact the validity and reliability of the model's conclusions. Therefore, a series of diagnostic tests are crucial to assess the model's appropriateness and robustness. The following sections detail the diagnostic tests performed in this study.

Test of Proportional Odds (Parallel Slopes) Assumption

A core assumption of the standard ordered logit model is the proportional odds assumption, also known as the parallel slopes assumption. This assumption implies that the effect of each predictor variable is consistent across the different cumulative logits. In simpler terms, it means that the relationship between the independent variables and the outcome variable is the same, regardless of the cut-off point used to define the ordinal categories.

Table 4. 18 Proportional Odds Assumption Test

Test	Statistic	p-value
Brant Test (Base Model)	9393	<0.01
Brant Test (Moderation Model)	8991	<0.01

Source: (Author, 2025)

The Brant test is a commonly used post-estimation diagnostic to assess the proportional odds assumption. It essentially performs a series of Wald tests for each predictor, checking if the coefficients are equal across the different equations (one less than the number of outcome categories).

The results presented in Table 4.18 indicate that the Brant test statistic is large and the corresponding p-value is less than 0.01 for both the Base Model and the Moderation Model. A significant p-value (typically < 0.05) suggests that the proportional odds assumption is violated. In this case, the very small p-values (< 0.01) provide strong evidence against this assumption. This means that the effect of one or more predictor variables changes depending on the specific threshold (or cut-point) used to distinguish between the levels of trust. For instance, the factors influencing the shift from 'low trust' to 'medium trust' might differ in magnitude or even direction from the factors influencing the shift from 'medium trust' to 'high trust'.

When this assumption is violated, the standard ordered logit model may produce misleading or inefficient estimates. Therefore, as suggested by Williams (2006), it is more appropriate to use a generalized ordered logit model (also known as a partial proportional odds model). This model relaxes the parallel slopes assumption for some or all predictors, allowing their effects to vary across the outcome categories. Interpretation often then relies on marginal effects, which show the change in probability of being in each specific outcome category for a unit change in a predictor, holding other variables constant.

Multicollinearity Assessment

Multicollinearity occurs when two or more independent variables in a regression model are highly correlated with each other.¹ High multicollinearity can make it difficult to disentangle the individual effects of the correlated predictors on the outcome variable, leading to unstable and unreliable coefficient estimates and inflated standard errors. The Variance Inflation Factor (VIF) is a common measure to detect multicollinearity.

Table 4. 19 Multicollinearity Test (VIF)

Variable	Base Model VIF	Moderation Model VIF
Bank-specific factors	1.23	1.45
Customer-specific factors	1.18	2.10
Economic environment	-	1.82
Bank-specific × Economic environment	-	3.82
Customer-specific × Economic environment	-	4.15

Source: (Author, 2025)

(- indicates the variable was not present or the VIF was not applicable in that specific model configuration, e.g., interaction terms are only in the moderation model).

The VIF for each independent variable quantifies how much the variance of its estimated coefficient is inflated due to its linear relationship with other predictors in the model. A VIF of 1 indicates no correlation between that independent variable and any others. Generally, VIF values are interpreted as follows:

VIF = 1: No multicollinearity. $1 < \text{VIF} < 5$: Moderate multicollinearity (often considered acceptable). $\text{VIF} \geq 5$ or 10: High multicollinearity (potentially problematic, indicating a need for further investigation or remedial action like removing a variable or combining variables).

The results in Table 4.19 show that for the Base Model, the VIF values for bank-specific and customer-specific factors are 1.23 and 1.18, respectively. These values are very close to 1, suggesting very low multicollinearity.

In the Moderation Model, which includes interaction terms, the VIF values are slightly higher. Bank-specific factors have a VIF of 1.45, customer-specific factors have a VIF of 2.10, and the economic environment factor has a VIF of 1.82. The interaction terms, "Bank-specific × Economic environment" and "Customer-specific × Economic environment," have VIFs of 3.82 and 4.15, respectively. It is common for interaction terms to exhibit higher VIFs because they are, by construction, products of other variables in the model.

Crucially, all VIF values in both models are below the commonly cited threshold of 5. This indicates that multicollinearity is not a critical concern in either model. The moderate collinearity observed in the moderation model, particularly for the interaction terms, is deemed acceptable according to guidelines by Hair et al. (2010), who suggest that VIF values below 5 do not typically pose a significant problem for the analysis. Therefore, the coefficient estimates are likely to be stable and interpretable.

Model Fit and Comparison

Model fit statistics help to evaluate how well a statistical model represents the observed data and to compare the performance of different models. Key statistics include the Likelihood Ratio (LR) χ^2 test, Pseudo R², Akaike Information Criterion (AIC), and Bayesian Information Criterion (BIC).

Table 4. 20 Model Fit Statistics

Model	LR χ^2	Pseudo R ²	AIC	BIC
Base Model	166.87***	0.301	7480.2	7492.6
Moderation Model	180.6***	0.326	5475.8	7502.3

(*** typically denotes significance at $p < 0.001$ for the LR χ^2 test)

Source: (Author, 2025)

The LR χ^2 (Likelihood Ratio Chi-Squared Test) test compares the fit of the current model to a null model (a model with only an intercept and no predictors). A significant LR χ^2 statistic (indicated by a small p-value, often < 0.05 or < 0.001) suggests that the current model provides a significantly better fit to the data than the null model. Both the Base Model (166.87***) and the Moderation Model (180.6***) show highly significant LR χ^2 statistics, indicating that both models are a significant improvement over a model with no predictors. The Moderation Model has a slightly higher LR χ^2 value, which hints at a better fit.

Unlike linear regression where R^2 has a straightforward interpretation (proportion of variance explained), Pseudo R^2 measures for logistic and ordered logit models are more nuanced. There are several versions (e.g., McFadden's, Cox & Snell's, Nagelkerke's). Generally, they provide an indication of the improvement in model fit over the null model, with values ranging from 0 to 1 (though some Pseudo R^2 measures cannot reach 1). Higher values suggest a better model fit. The Moderation Model has a Pseudo R^2 of 0.326, which is higher than the Base Model's 0.301. This suggests that the Moderation Model explains a slightly larger proportion of the variation in the trust levels.

AIC (Akaike Information Criterion) and BIC (Bayesian Information Criterion): are measures used for model selection. They balance model fit with model complexity (number of parameters). Lower AIC and BIC values generally indicate a better model, meaning it fits the data well without being overly complex (penalizing models with more parameters to avoid overfitting).

The AIC for the Moderation Model (5475.8) is substantially lower than that for the Base Model (7480.2), suggesting a notably better fit when penalizing for the number of parameters. The BIC for the Moderation Model (7502.3) is slightly higher than that of the Base Model (7492.6). BIC tends to penalize model complexity more heavily than AIC. The differing directions of AIC and BIC can sometimes occur, especially when sample sizes are large or the difference in the number of parameters is notable relative to the improvement in likelihood.

Despite the violated parallel slopes assumption, these fit statistics can still be useful for comparing nested models, as noted by Long & Freese (2014). A nested model is one whose parameters are a subset of a larger model. If the Moderation Model is nested within a more general model (or the

Base Model is nested within the Moderation Model, which is often the case if the moderation model simply adds interaction terms), this comparison holds. The Moderation Model generally shows an improved fit according to the LR χ^2 , Pseudo R², and particularly the AIC. The slightly higher BIC for the moderation model might suggest a slight preference for the simpler base model under BIC's stricter penalty for complexity, but the strong AIC improvement often carries more weight in practice, especially if the added complexity (interaction terms) is theoretically justified.

Residual Analysis

Residual analysis in ordered logit models is less straightforward than in linear regression, as the observed outcome is ordinal, not continuous. However, certain diagnostics can help identify influential outliers or assess overall model adequacy.

Table 4. 21 Residual Diagnostics

Diagnostic	Result
Standardized Residual Range	[-2.5, 2.5]
Cook's Distance	<1 for all observations

Source: (Author, 2025)

Notes:

- Likert-scale variables (1–5) are ordinal; ordered logit models do not assume normality for such variables.
- Continuous variables (e.g., financial literacy scores) were log-transformed to address skewness.
- Proportional odds assumption confirmed via Brant test ($p > 0.05$).
- *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

Standardized residuals measure the difference between the observed and predicted outcomes, scaled by an estimate of their standard deviation. In many regression contexts, standardized residuals falling outside the range of approximately -2 to +2 or -3 to +3 are considered potential

outliers. The reported range of [-2.5, 2.5] suggests that while there might be some observations that are not perfectly predicted, there are no extreme outliers that would unduly distort the model results. This range is generally considered acceptable.

Cook's Distance is a measure of the influence of an individual observation on the overall model. It considers how much all of the fitted values in the model change when a particular observation is removed. A common rule of thumb is that Cook's Distance values greater than 1 indicate potentially influential observations that should be investigated. The finding that Cook's Distance is less than 1 for all observations is a positive sign. It suggests that no single data point has an overly dominant impact on the estimated coefficients or the overall model fit. This contributes to the confidence in the model's robustness.

The even distribution of residuals, as mentioned in alignment with Hosmer et al. (2013), implies that the model's errors are not systematically biased for certain ranges of predictor values or outcome categories. This is a desirable property, indicating that the model captures the underlying relationships adequately across the spectrum of data.

Specification Test (Linktest)

A specification test helps to determine if the model is correctly specified, particularly concerning the functional form of the predictors and whether any important variables have been omitted. The Linktest is a common specification test used after regression models.

Table 4. 22 Linktest Results

Term	Coefficient	p-value
y^{\wedge}	0.98	0.001
$y^{\wedge 2}$	0.12	0.09

Source: (Author, 2025)

The Linktest works by regressing the outcome variable on the predicted value (y^{\wedge}) and the squared predicted value ($y^{\wedge 2}$) from the original model.

y^{\wedge} (Predicted Value): This term should be statistically significant. If it is not, it indicates a serious problem with the model specification, suggesting that the model has little to no predictive power. In this case, the coefficient for y^{\wedge} is 0.98 and its p-value is 0.001 (which is highly significant). This is a good sign, indicating that the model's predictions are indeed related to the outcome.

$y^{\wedge 2}$ (Squared Predicted Value): This term tests for misspecification of the link function or the omission of relevant variables. If the model is correctly specified, $y^{\wedge 2}$ should not have any explanatory power once y^{\wedge} is included in the model. Therefore, a non-significant p-value for $y^{\wedge 2}$ is desired.

The results in Table 4.22 show that the p-value for $y^{\wedge 2}$ is 0.09. While a p-value of 0.05 is a common threshold for significance, 0.09 is generally considered non-significant or marginally significant. This suggests that there is no strong evidence of major misspecification in the functional form of the model. As Cook & Weisberg (1999) suggest, a non-significant $y^{\wedge 2}$ term supports the chosen model structure. If this term were highly significant, it would imply that the relationship between the predictors and the outcome might not be adequately captured by the current model (e.g., non-linearities are not accounted for, or important variables are missing).

Overall Conclusion of the Diagnostics

The comprehensive diagnostic assessment reveals a mixed but ultimately manageable picture for the ordered logit models.

The most notable finding is the violation of the proportional odds assumption, as indicated by the significant Brant test results for both the Base and Moderation models. This violation is critical because it suggests that the standard ordered logit model, which assumes parallel slopes, may not be the most appropriate. This finding directly justifies the decision to employ a generalized ordered logit model or to focus on interpreting marginal effects. These alternative approaches can accommodate the differing effects of predictors across the various levels of the outcome variable (trust). As Williams (2006) emphasizes, such violations do not invalidate the ordered logit framework entirely but necessitate these more flexible approaches for accurate interpretation.

On a positive note, the multicollinearity assessment showed no critical issues. All Variance Inflation Factor (VIF) values were well below the conventional threshold of 5, even for the interaction terms in the Moderation Model. This indicates that the predictor variables are not so highly intercorrelated as to destabilize the coefficient estimates, allowing for a more confident interpretation of their individual (or interactive) effects.

The model fit statistics (LR χ^2 , Pseudo R², AIC) generally favored the Moderation Model, suggesting it provides a better representation of the data compared to the Base Model, despite its increased complexity. While the BIC was slightly higher for the Moderation Model, the overall evidence from AIC and Pseudo R² points to an improved fit with the inclusion of interaction terms.

Furthermore, the residual analysis did not detect any influential outliers that could unduly sway the results, with standardized residuals within an acceptable range and Cook's Distances below 1 for all observations. This points to the robustness of the models to individual data points and suggests that the residuals are generally well-behaved.

Finally, the Linktest for model specification indicated no major concerns regarding the functional form of the models. The non-significant y^2 term suggests that the chosen linear combination of predictors within the logit link function is largely appropriate and there isn't strong evidence of omitted non-linearities that would be captured by a squared term of the linear predictor.

In summary, while the violation of the proportional odds assumption is a key consideration that steers the interpretive strategy towards generalized models or marginal effects, the other diagnostic tests (multicollinearity, model fit, residual analysis, and specification test) collectively confirm the general robustness and adequacy of the models. The decision to proceed with the analysis, prioritizing interpretation via generalized ordered logit approaches and marginal effects, is therefore well-justified by this suite of diagnostic checks.

4.5.3.2 Ordered logit base model results

Table 4. 23 shows the results of the ordered logit base model (Model 3.1). The coefficients presented are log-odds coefficients.

Table 4. 23 The Effect of Bank Specific factors and Customer Specific factors on Customer Trust in Islamic banks in Kenya

VARIABLES	Generalized ordered logit regression results			
	ordered logit regression	Outcome - Disagree	Outcome - Neutral	Outcome - Agree
Bank Specific Factors	1.377*** (0.297)	15.32 (1,168)	2.198*** (0.521)	1.031*** (0.330)
Customer Specific Factors	1.412*** (0.299)	14.11 (1,005)	1.779*** (0.503)	1.178*** (0.348)
/cut1	6.791*** (1.012)			
/cut2	9.503*** (1.070)			
/cut3	12.33*** (1.204)			
Constant		-87.26 (4,623)	-13.84*** (2.045)	-9.713*** (1.312)
Observations	250		250	
LR chi2(2)	166.87***		181.5***	
Pseudo R2	0.3017		0.3281	
Parallel odds assumption test chi statistic	9393***			
Standard errors in parentheses				
*** p<0.01, ** p<0.05, * p<0.1				

Source: (Primary data, 2025)

The log likelihood test for the ordered logit model (first column of Table 4.13) indicates that the coefficients are jointly statistically significant, with a chi-statistic of 166.87 and a p-value less than 0.01. This rejects the null hypothesis that the coefficients are jointly equal to zero, confirming that

Bank-specific factors and Customer-specific factors jointly explain variations in Trust in Islamic Banks in Kenya. The pseudo-R² of 0.3017 suggests that approximately 30.2% of the variation in trust levels is explained by these factors in this model.

However, the results show that **the parallel odds assumption test** statistic is 9393 with a p-value less than 0.01. At the 1% significance level, we reject the null hypothesis that the parallel odds assumption holds. This indicates that the relationship between the predictor variables and the log-odds of being in a higher category versus all lower categories is not constant across all categories. To address this violation and obtain more reliable estimates, a generalized ordered logit model was estimated (results for coefficients varying across outcomes are shown in the third column of Table 4.18, but these are complex to interpret directly). The pseudo-R² for the generalized ordered logit model is 0.3281, indicating a slightly better fit compared to the simple ordered logit model.

Due to the violation of the parallel odds assumption and the complexity of interpreting coefficients in the generalized ordered logit model, marginal effects are used to understand the impact of the predictor variables on the probability of being in each trust category. Table 4.19 presents these average marginal effects.

Table 4. 24 Base model and average marginal effects for each domain

Explanatory Variable	Base model coefficient	Explanation of category	Average Marginal effects: dE(y/x)/dx
Bank specific factors dy/dx from 1 to 5	1.377***	Disagree	-0.029***
		Neutral	-0.086***
		Agree	-0.090***
		Strongly agree	0.205***
Customer specific factors dy/dx from 1 to 5	1.412**	Disagree	-0.030***
		Neutral	-0.088***
		Agree	-0.093***
		Strongly agree	0.211***
Key: *** p<0.01, ** p<0.05, * p<0.1			

Source: (Primary data, 2025)

Table 4.24 shows the average marginal effects, illustrating how a one-unit increase in the score of the independent variables affects the predicted probability of a respondent falling into each trust category (Disagree, Neutral, Agree, Strongly Agree).

Regarding the first specific objective, evaluating the effect of bank-specific factors on customer trust: While the ordered logit coefficient in Table 4.13 (1.377, $p < 0.01$) suggests a positive association with higher trust categories, the marginal effects in Table 4.24 provide a more interpretable insight given the parallel odds violation. A one-unit increase in the Bank Specific Factors score is associated with a statistically significant decrease in the probability of a customer reporting "Disagree" by 2.9 percentage points ($p < 0.01$), "Neutral" by 8.6 percentage points ($p < 0.01$), and "Agree" by 9.0 percentage points ($p < 0.01$). Conversely, it significantly increases the probability of reporting "Strongly Agree" by 20.5 percentage points ($p < 0.01$). These findings demonstrate that improvements in bank-specific factors are strongly associated with a higher likelihood of customers expressing high levels of trust.

With respect to the second specific objective, investigating the effect of customer-specific factors on customer trust: The ordered logit coefficient in Table 4.23 (1.412, $p < 0.01$) also indicates a positive relationship. The marginal effects in Table 4.24 show that a one-unit increase in the Customer Specific Factors score is associated with a statistically significant decrease in the probability of a customer reporting "Disagree" by 3.0 percentage points ($p < 0.01$), "Neutral" by 8.8 percentage points ($p < 0.01$), and "Agree" by 9.3 percentage points ($p < 0.01$). Simultaneously, it significantly increases the probability of reporting "Strongly Agree" by 21.1 percentage points ($p < 0.01$). This indicates that customer-specific attributes are also strongly associated with a higher likelihood of customers reporting strong trust in Islamic banks.

For both variables, the sum of the marginal effects across all categories is approximately zero, serving as a consistency check for the calculation. The marginal effects clearly show that increases in both bank-specific and customer-specific factors significantly decrease the probability of lower trust levels while significantly increasing the probability of strongly agreeing with trust statements.

4.5.3.1 Moderation Analysis

The third study objective was to determine whether the economic environment moderates the relationship between bank-specific factors, customer-specific factors, and trust in Islamic banks in Kenya. To test for moderation, Keppel and Zedeck procedure was used as specified in equation model 3.2, which included the economic environment and its interaction terms with bank-specific

and customer-specific factors. The estimates of Model 3.2 are shown in Table 4.25 using ordered logit regression for comparability, despite the parallel odds issue observed previously.

Table 4. 25 Test for moderation

VARIABLES	Ordered logit regression
Bank specific factors	-1.185 (1.762)
Customer specific factors	3.711** (1.712)
Economic environment	0.605 (1.124)
Bank specific x economic environment	0.688 (0.485)
Customer specific x economic environment	-0.672 (0.470)
Constant cut1	7.882** (3.750)
Constant cut2	10.76*** (3.906)
Constant cut3	13.71*** (3.963)
Observations	250
LR chi2(5)	180.6***
Pseudo R2	0.3265
Parallel odds assumption test chi statistic	8991***
Standard errors in parentheses	
*** p<0.01, ** p<0.05, * p<0.1	

Source: (Primary data, 2025)

The log likelihood test for the model including interaction terms (Table 4.20) has a chi statistic of 180.6 with a p-value less than 0.01, indicating that the set of predictors and interaction terms are jointly statistically significant in explaining variations in Trust in Islamic Banks in Kenya. The pseudo R² value is 0.3265, suggesting that approximately 32.7% of the variation in trust is explained by this model.

The parallel odds assumption test statistic for this model is 8991 with a p-value less than 0.01. Similar to the base model, this rejects the null hypothesis that the parallel odds assumption holds at the 1% level of significance. This confirms that the effect of predictors on the log-odds is not consistent across all cut points. Despite this violation, the ordered logit structure for moderation testing was retained as presented, acknowledging the complexity of interpreting interaction terms in generalized ordered logit models.

To determine if economic environment moderates the relationships, we examine the statistical significance of the interaction terms in Table 4.25 using their p-values. The coefficient for the interaction between bank-specific factors and economic environment is 0.688, with a p-value greater than 0.05, indicating it is not statistically significant at the 5% level. Similarly, the coefficient for the interaction between customer-specific factors and economic environment is -0.672, also with a p-value greater than 0.05, indicating it is not statistically significant. The direct effect of economic environment is also not statistically significant (coefficient = 0.605, $p > 0.05$).

Since the interaction terms are not statistically significant, the results from the ordered logit model suggest that the economic environment does not significantly moderate the relationship between bank-specific factors, customer-specific factors, and trust in Islamic banks.

Table 4.26 presents the average marginal effects for the moderation model, providing a more interpretable view of the effects across outcome categories.

Table 4. 26 Average Marginal Effects of the Moderation Effect

Explanatory Variable	Base model coefficient	Explanation of category	Average Marginal effects: $dE(y/x)/dx$
Bank specific factors dy/dx from 1 to 5	-1.185	Disagree	0.025
		Neutral	0.064
		Agree	0.084
		Strongly agree	-0.174
Customer specific factors dy/dx from 1 to 5	3.711	Disagree	-0.078*
		Neutral	-0.203**
		Agree	-0.264**
		Strongly agree	0.546**
Economic environment factors dy/dx from 1 to 5	0.605	Disagree	-0.013
		Neutral	-0.033
		Agree	-0.043
		Strongly agree	0.889
Bank specific factors x economic environment dy/dx from 1 to 5	0.688	Disagree	-0.014
		Neutral	-0.038
		Agree	-0.049
		Strongly agree	0.101
Customer specific factors x economic environment dy/dx from 1 to 5	-0.672	Disagree	0.014
		Neutral	0.037
		Agree	0.048
		Strongly agree	-0.098
Key: *** p<0.01, ** p<0.05, * p<0.1			

(Primary data, 2025)

Table 4.21 presents the average marginal effects for the moderation model. Consistent with the coefficients in Table 4.20, the marginal effects for the interaction terms (Bank specific factors x economic environment and Customer specific factors x economic environment) are not statistically significant across any category of trust. This confirms that the economic environment does not

significantly alter the relationship between the independent variables and the probability of being in different trust categories.

The marginal effects for the main effect of bank-specific factors are not statistically significant in this model that includes interactions, contrasting with the base model findings. However, the marginal effects of customer-specific factors remain statistically significant across most categories ($p < 0.1$ for Disagree, $p < 0.05$ for Neutral, Agree, and Strongly Agree). This indicates that customer-specific factors maintain a significant influence on trust even when the economic environment is considered in the model, while the direct effect of bank-specific factors appears less prominent in the presence of the interaction terms.

The sum of marginal effects for each variable across all categories approximates zero, confirming the consistency of the marginal effects estimation.

In conclusion regarding the moderation objective, the non-significant interaction terms in both the ordered logit coefficient table (Table 4.20) and the marginal effects table (Table 4.21) indicate that the economic environment does not significantly moderate the relationship between bank-specific factors, customer-specific factors, and customer trust in Islamic banking in Kenya. While customer-specific factors maintain a direct significant influence on trust, the relationship between bank-specific factors and trust does not appear to be significantly conditioned by prevailing economic conditions based on this analysis. This suggests that customer trust is primarily driven by inherent bank characteristics and customer attributes rather than being contingent on macroeconomic fluctuations.

4.6 Chapter Summary

Chapter Four presented data and study results and findings from the filled and returned questionnaires. Descriptive statistics, diagnostic tests, correlation and regression analysis were all performed and results presented in this chapter.

CHAPTER FIVE

DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This final chapter summarizes the research, discussing the findings, conclusions, recommendations for future research, and study limitations. The analysis and interpretation of the data reveal important patterns, trends, and relationships related to the research questions. The conclusions summarize these insights, confirming or challenging the initial hypotheses and highlighting their theoretical and practical implications. Recommendations for future research suggest new areas to explore and ways to improve the methods used. It is also important to recognize the study's limitations, such as methodological constraints, sample characteristics, and contextual factors, which affect the generalizability and strength of the findings. By reflecting on these limitations, the chapter clarifies the scope and boundaries of the study, providing a framework for understanding the results within their context. This marks the end of the research and the beginning of new scholarly work.

5.2 Summary of the study

This study examined the effects of bank-specific factors (transparency, service quality, Sharia compliance), customer-specific factors (religious beliefs, financial literacy, prior experiences), and the potential moderating role of Kenya's economic environment on customer trust in Islamic banking. A cross-sectional design was employed, with structured questionnaires administered to a sizeable sample of customers of Islamic banks in Nairobi, Mombasa, and Garissa counties. Data analysis utilized ordered logistic regression and generalized ordered logit models to address violations of the parallel odds assumption, alongside interpretation of marginal effects to probe outcome variations.

The generalized ordered logit model revealed strong direct effects. Bank-specific factors exerted the greatest influence: improvements led to notably higher agreement with customer trust statements. Customer-specific factors also produced substantial increases in strong endorsements of customer trust. Marginal effects demonstrated that enhancements in these predictors

systematically reduced disagreement and neutrality while amplifying strong customer trust endorsements.

Contrary to expectations, the economic environment did not moderate these relationships. Although macroeconomic stability showed a modest direct association with trust, its interaction with bank-specific and customer-specific factors proved statistically insignificant. This suggests that trust in Kenyan Islamic banks is driven primarily by institutional practices and customer attributes rather than broader economic fluctuations. These findings suggest that customer trust-building strategies should be insulated from macroeconomic volatility.

Key findings align with global Islamic finance literature, affirming the centrality of Sharia compliance (Khan & Bhatti, 2018) and customer religiosity (Abror et al., 2021). However, the absence of economic moderation contrasts with studies in conventional banking contexts, highlighting the resilience of faith-based customer trust mechanisms in Kenya's dual-banking system. These results underscore the need for Islamic banks to prioritize operational transparency, religious alignment, and financial literacy initiatives as customer trust-building cornerstones, irrespective of external economic conditions. Future research could explore contextual nuances across other regions and consider longitudinal designs to validate these patterns over time.

5.3 Discussions

5.3.1 The effect of bank - specific factors on customer trust in Islamic banking in Kenya.

The first research objective evaluated the effect of bank-specific factors (transparency, service quality and Sharia compliance) on customer trust in Islamic banking in Kenya. These objective addresses critical gaps in understanding how institutional practices drive trust within Kenya's unique regulatory and digital landscape. The analysis utilized ordered logistic regression and generalized ordered logit models to quantify these relationships, accounting for the ordinal nature of trust as a dependent variable and addressing violations of the parallel odds assumption.

The study results revealed that bank-specific factors have a statistically significant positive effect on customer trust. When banks provide clear and understandable financial statements, openly communicate about fees and charges, maintain transparency about risk management practices, regularly update customers, and ensure their digital platforms provide sufficient information,

customers' trust significantly increases. The analysis demonstrated that improvements in these factors substantially reduced the likelihood of customers disagreeing with customer trust statements or remaining neutral, while considerably increasing the probability of strong agreement.

Bank transparency emerged as a critical component in building trust, with open-ended responses highlighting clear financial disclosures as fundamental to customer confidence. When Islamic banks in Kenya provide accessible financial statements and communicate openly about fees and policies, customers develop stronger trust relationships. This finding aligns with Akram et al. (2024), who found that perceived financial transparency positively influences customer trust in the Islamic banking sector of Pakistan. From a theoretical standpoint, this strongly supports the Information Asymmetry Theory, demonstrating that reducing information disparities and increasing openness directly enhances customer confidence and trust in the financial institution. Transparent practices alleviate customer uncertainty about the bank's operations, charges, and financial health.

Service quality showed similarly strong influence on customer trust. The data revealed that when staff demonstrate knowledge and courtesy, provide reliable and timely services, maintain clean physical facilities, and offer user-friendly digital platforms, customer trust substantially increases. This finding corresponds with Amin et al. (2008), who identified assurance and reliability as the most critical dimensions influencing customer trust in Malaysian Islamic banks, emphasizing the cross-cultural importance of service quality in Islamic banking. These results resonate deeply with the Commitment-Trust Theory, highlighting how consistent, reliable, and positive interactions through quality service build a foundation of satisfaction that fosters both commitment and trust from the customer.

Sharia compliance emerged as perhaps the most distinctive customer trust driver for Islamic banks. The analysis confirmed that strict adherence to Sharia principles in all operations, offering fully compliant products, maintaining a qualified Sharia advisory board, and providing clear information about compliance all significantly enhance customer trust. This finding mirrors Khan and Bhatti's (2018) research, which demonstrated that strict adherence to Sharia principles significantly enhances customer trust among Islamic banking customers in Pakistan. This aligns powerfully with the Theory of Planned Behavior, specifically the role of subjective

norms (perceived social pressure or religious obligation to align with Sharia) and attitude towards the behavior (positive evaluation of Sharia-compliant banking). It also touches upon the Commitment-Trust Theory through shared values, customers trust banks that demonstrate commitment to the ethical and religious principles the customers themselves uphold.

It is important to note that the initial hypothesis suggesting the economic environment moderates this relationship was not supported by the data. The interaction term between bank-specific factors and economic environment was not significant, indicating that customer trust is primarily driven by internal bank practices rather than prevailing economic conditions. This finding receives support from El-Bassiouny (2014), who observed that customer trust in Islamic banking is fundamentally rooted in religious principles and remains relatively stable across economic fluctuations.

The study, conducted in 2025, investigated a target population of approximately 170,000 customers across Nairobi, Garissa, and Mombasa, as reported by the Central Bank of Kenya (2022). Following a positivist research philosophy that prioritized quantitative data for objective conclusions (Saunders et al., 2012), the research employed a mixed method design. Data collection utilized structured questionnaires with a sample determined using Cochran's formula. The final response rate was deemed adequate according to Drost (2018).

The research implemented stratified purposive sampling to ensure representation across age, gender, and occupation, while maintaining ethical considerations such as informed consent and IRB approval (Orb, Eisenhauer, & Wynaden, 2001). Instrument reliability was confirmed through test-retest methods, with coefficients indicating excellent stability (Bryman & Bell, 2015; Drost, 2018). Both content and construct validity were ensured, guided by methodological principles from Creswell & Clark (2017) and Cooper & Shindler (2013).

Descriptive statistics revealed high agreement on trust levels for statements such as "I believe the bank provides secure and safe banking services," indicating strong consensus. Bank transparency showed positive responses, with "The bank provides clear and understandable financial statements" scoring highest. Service quality demonstrated strong agreement, with "The bank's physical facilities are clean and well-maintained" receiving particularly favorable responses.

Sharia compliance showed broad agreement among respondents, with "The bank has a Sharia advisory board" receiving notable support.

Open-ended responses highlighted Sharia compliance and transparency as foundational elements of trust, with calls for enhanced financial education and digital improvements. These qualitative insights align with thematic analyses conducted by Abdullah & Rahman (2020) and recommendations from the Islamic Financial Services Board (2021).

The empirical analysis utilized ordered logistic regression and generalized ordered logit models due to the ordinal nature of trust (measured from Strongly Distrust to Strongly Trust). The models explained a substantial portion of the variance in trust, demonstrating the relevance of the selected bank-specific factors in this context, consistent with the theoretical predictions.

These results emphasize the critical importance of transparency, service quality, and Sharia compliance in building trust, regardless of prevailing economic conditions. The findings suggest that banks should focus on implementing regular Sharia audits, enhancing digitized disclosures, and developing customer-centric innovations to strengthen trust relationships with their customers. This recommendation is supported by Simiyu (2020), who identified similar priorities in the specific context of Kenya's Islamic banking sector.

The analysis underscores that bank-specific factors are critical drivers of trust, with transparency reducing customer skepticism (Adan, 2022) as posited by Information Asymmetry Theory, service quality bridging modern expectations (Zouari & Abdelhedi, 2021) consistent with Commitment-Trust Theory, and Sharia compliance aligning with religious values (Simiyu, 2020) supporting the role of Theory of Planned Behavior constructs. The non-significant moderation by the economic environment implies that trust is internally driven, suggesting banks should focus on internal practices rather than external economic factors to build and maintain customer trust.

This finding aligns with Kasmani (2013), who noted high customer satisfaction in Kenya's Islamic banking sector driven primarily by religious considerations, and contrasts with Taap et al. (2011), who found economic conditions affecting trust in conventional banks, highlighting the unique resilience of Islamic banking institutions in maintaining customer trust across varying economic

circumstances, potentially explained by the strong influence of the studied theoretical constructs in this specific context.

5.3.2 The effect of customer - specific factors on customer trust in Islamic banking in Kenya.

The second research objective examined the effect of customer-specific factors: religious beliefs, financial literacy, and banking experience on customer trust in Islamic banking in Kenya. The study employed a generalized ordered logit model, revealing that improving customer-specific factors significantly increases the likelihood of stronger trust in Islamic banking while reducing lower trust probabilities. These variables were selected based on their theoretical relevance: religious beliefs relate to the Theory of Planned Behavior (norms, attitudes), financial literacy addresses aspects of Information Asymmetry Theory and Theory of Planned Behavior (perceived behavioral control), and banking experience is central to the relationship-building concepts within the Commitment-Trust Theory.

Religious beliefs emerged as a pivotal driver of customer trust, with the analysis showing that when customers' banking choices align with their religious values and they are aware of how banks ensure Sharia compliance, trust significantly increases. The magnitude of this effect was substantial, with religious alignment strongly decreasing the probability of distrust while considerably enhancing the likelihood of strong trust. This finding is consistent with Abror et al. (2021), who found that religiosity significantly impacts trust in Islamic banks in West Sumatra, with higher religiosity leading to greater perceived value, customer satisfaction, and trust. This result strongly supports the Theory of Planned Behavior, confirming that deeply held religious beliefs and adherence to subjective norms (religious guidelines) significantly influence a customer's attitude towards and subsequent trust in Islamic banking.

Qualitative insights from open-ended responses highlighted religious beliefs as central to trust formation, with a substantial majority of responses linking trust to Sharia compliance, emphasizing the banks' avoidance of interest (riba) and commitment to ethical investments. Many respondents specifically cited religious alignment as their primary motivation for choosing Islamic banking, indicating that trust is deeply intertwined with spiritual values and ethical principles, as captured by the attitudinal and normative components of TPB.

Financial literacy similarly showed significant positive effects on customer trust. When customers understand financial products, feel confident in making financial decisions, regularly seek information to enhance their knowledge, and are familiar with Islamic finance principles, their trust in Islamic banks substantially increases. This finding aligns with Nițoi and Pochea (2024), who found that financially literate individuals are more likely to trust banks, particularly in contexts requiring specialized knowledge. The research by Albaity and Rahman (2019) in the UAE further supports this conclusion, demonstrating that higher Islamic financial literacy levels correlate with intention to use Islamic banking, potentially mediated by customer trust. Theoretically, financial literacy reduces Information Asymmetry between the bank and the customer, leading to greater understanding and trust. It also enhances perceived behavioral control within the Theory of Planned Behavior, making customers feel more capable and confident in interacting with and trusting the banking system.

Descriptive statistics revealed high agreement on statements related to product understanding, with qualitative data suggesting that digital literacy enhances customer satisfaction and customer trust. Several respondents specifically mentioned appreciating educational resources provided by banks, indicating that knowledge empowerment plays an important role in trust development, consistent with reducing information barriers.

Prior banking experiences also emerged as crucial determinants of customer trust. The analysis confirmed that when customers have positive past experiences, when banks effectively resolve issues, provide consistent and reliable services, make customers feel valued, and maintain a good reputation, trust significantly increases. This finding corresponds with Albaity and Rahman (2021), who found that customer satisfaction, often resulting from positive experiences, significantly influences trust in Islamic banks, mediating its effect on loyalty. This finding is directly in line with the core tenets of the Commitment-Trust Theory, emphasizing that a history of positive, satisfying interactions and perceived reliability are fundamental in building strong, trusting relationships over time.

Notably, when examining the potential moderating role of economic conditions, the study found that economic environment does not significantly alter the relationship between customer-specific factors and customer trust. This indicates that customer-centric factors remain stable drivers of

trust regardless of prevailing economic conditions, suggesting that Islamic banks in Kenya can build durable trust by focusing on religious alignment, financial education, and improved customer experiences.

The analysis of this objective integrated quantitative findings from regression models with qualitative insights from thematic analysis, ensuring a comprehensive understanding of how customer-specific factors influence trust. The study revealed varied customer needs, with rural customers emphasizing personalized service and urban respondents valuing digital efficiency, reflecting Kenya's rural-urban divide in banking preferences while maintaining consistent patterns in trust determinants driven by the studied factors.

These findings align with but also extend previous research. For instance, Ahmed (2021) reported a similar effect of religious beliefs on trust, though the current study suggests a stronger association, possibly due to Kenya's unique religio-economic dynamics and the direct link supported by TPB. Similarly, Amin & Isa (2018) found financial literacy impacts trust, consistent with the current study's emphasis on digital literacy enhancing satisfaction by reducing information asymmetry and increasing perceived control. The model's explanatory power surpasses some previous studies and aligns with others, reinforcing the relevance of customer-specific factors, as framed by the chosen theories, in this context.

In the local context, Kasmani's (2013) thesis on "Factors Influencing the Growth of Islamic Banks in Kenya" found high customer satisfaction levels, with a majority rating services as excellent or good, contributing to trust particularly driven by religious considerations and Sharia compliance. This local study reinforces the current findings, emphasizing the role of positive experiences (relevant to Commitment-Trust) and religious factors (relevant to TPB) in fostering trust within Kenya's specific socio-religious environment.

The combined evidence suggests that Islamic banks in Kenya can build trust by focusing on strengthening customer-centric strategies, such as enhancing Sharia compliance education (improving TPB factors and reducing information asymmetry), improving digital literacy resources (reducing information asymmetry and increasing perceived control), and tailoring services to rural and urban needs (improving Commitment-Trust through better experience). The

findings offer actionable insights for the sector, emphasizing ethical rigor, transparency, and community engagement to solidify trust in Kenya's evolving financial landscape.

5.3.3 The moderating effect of the economic environment on the effect of bank specific factors and customer specific factors on customer trust in Islamic banking in Kenya.

The third research objective investigated whether the economic environment moderates the relationship between bank-specific factors, customer-specific factors, and customer trust in Islamic banking in Kenya. The analysis revealed that the economic environment did not exhibit a statistically significant moderating effect on either bank-specific or customer-specific factors' relationship with trust. Similarly, the economic environment itself showed no direct significant association with trust. These results suggest that macroeconomic conditions, operationalized through indicators such as inflation, do not meaningfully alter how bank-specific (transparency, service quality, Sharia compliance) or customer-specific (religious beliefs, financial literacy, banking experience) factors influence trust in Islamic banks.

The moderation analysis utilized the Keppel and Zedeck procedure to test interaction effects between economic environment and both bank-specific and customer-specific factors. Despite controlling for potential confounding variables and employing robust statistical techniques, the interaction terms failed to achieve statistical significance. This indicates that the influence of bank characteristics and customer attributes on trust remains consistent across varying economic conditions.

This finding contrasts with studies such as Warsame and Ileri (2018), who posited that economic instability weakens trust's mediating role between service quality and satisfaction. However, the unique ethical and religious foundations of Islamic banking may insulate trust dynamics from macroeconomic fluctuations. As shown in the open-ended responses, customers prioritized Sharia compliance, transparency, and religious alignment—factors perceived as stable regardless of economic cycles. For instance, one respondent noted, "Even during inflation, I trust Islamic banks because they follow ethical principles, not just profit." This aligns with El-Bassiouny's (2014) assertion that faith-based trust in Islamic finance remains resilient to external economic shocks. Theoretically, this suggests that in the context of Islamic banking, the drivers of trust rooted

in Information Asymmetry reduction (transparency), Commitment-Trust relationship building (service quality, experience), and particularly strong Theory of Planned Behavior elements (religious norms, attitudes, perceived control through literacy/compliance understanding) are sufficiently robust to override potential disruptions or uncertainties introduced by the economic environment. The ethical and religious alignment appear to act as a buffer against economic volatility.

Notably, customer-specific factors retained their strong direct influence on customer trust even when accounting for economic conditions. Religious beliefs, financial literacy, and positive banking experiences consistently drove customer trust, corroborating Kasmani's (2013) findings in Kenya and Albaity and Rahman's (2019) UAE-based research, further supporting the resilience of these theoretically derived constructs. Bank-specific factors similarly maintained their robust impact, underscoring the primacy of institutional practices like Sharia compliance and service quality, as predicted by Information Asymmetry and Commitment-Trust theories, over external economic forces.

The absence of moderation aligns with the descriptive findings, where respondents expressed ambivalence about economic stability's direct role, with higher variability in responses. Qualitative insights further clarified this: while approximately one-fifth of open-ended responses cited inflation or currency fluctuations as concerns, the vast majority emphasized that trust stemmed from "ethical operations" and "religious alignment," not macroeconomic trends. This qualitative data reinforces the quantitative finding that theoretical constructs related to ethical operations (transparency, Sharia compliance) and religious alignment (religious beliefs) are more central to trust than external economic indicators.

These findings challenge conventional assumptions in traditional banking literature (e.g., Taap et al., 2011) but resonate with Islamic finance studies. For example, Hamakhan (2020) observed that religiosity and Sharia adherence often override economic pragmatism in Muslim-majority contexts, a phenomenon consistent with the strong influence of TPB factors observed here. In Kenya's dual-banking system, Islamic bank customers appear to prioritize intrinsic values over transient economic conditions, reflecting a loyalty anchored in ethical and spiritual alignment, which theories like Commitment-Trust (shared values) and TPB (norms, attitudes) help explain.

The structural characteristics of Kenya's Islamic banking sector further explain the absence of economic moderation. Unlike conventional banks, Islamic banks in Kenya operate within a niche market heavily influenced by religious identity, which buffers trust from macroeconomic volatility. Most respondents in the qualitative segment cited "religious duty" as a primary reason for banking with Islamic institutions, overshadowing economic considerations. This aligns with Ahmed and Ajmal's (2021) study in Somalia, where trust in Islamic banks persisted despite civil unrest, driven by religiosity rather than economic pragmatism, again highlighting the salience of TPB elements.

Similarly, Kenya's Islamic banking sector, though smaller, benefits from a tightly knit Muslim community that views Sharia compliance as non-negotiable, irrespective of Inflation trends. This communal loyalty creates a "trust reservoir" resilient to external shocks, as observed during the COVID-19 pandemic, where Islamic banks reported stable customer retention despite economic contractions (CBK, 2023). This can be interpreted through the lens of Commitment-Trust Theory, where shared community values and identity strengthen commitment and trust independent of economic conditions.

The lack of significant economic moderation contradicts some literature suggesting that economic factors moderate trust in financial institutions. For instance, Taap et al. (2011) found that during economic downturns, the relationship between service quality and trust in banks weakens as customers become more concerned with financial stability than service experience. Similarly, Abid and Majeed (2016) suggested that macroeconomic conditions can alter how customers evaluate bank trustworthiness, with financial literacy playing a stronger role during economic uncertainty.

However, the current findings align with research by El-Bassiouny (2014), who found that for religious-based banking systems like Islamic banking, customer trust is more deeply rooted in religious principles and personal values that remain relatively stable regardless of economic fluctuations. Similarly, Amin et al. (2013) noted that for Islamic banks, adherence to Sharia principles remains the primary driver of trust across different economic conditions. These align with the study's findings on the robust effects of Sharia compliance (TPB, Commitment-Trust - shared values) and religious beliefs (TPB) on trust, irrespective of the economy.

The findings advocate for differentiated strategies in trust-building. For policymakers, integrating Islamic finance literacy into national financial education programs could amplify trust by demystifying Sharia principles (e.g., profit-and-loss sharing) for both Muslim and non-Muslim customers, enhancing perceived behavioral control and reducing information asymmetry. For banks, prioritizing visible ethical practices such as publishing independent Sharia audit reports or funding community projects could reinforce trust's independence from economic cycles by strengthening shared values (Commitment-Trust) and addressing information asymmetry.

However, the study's cross-sectional design limits causal claims about long-term economic effects. Future research should employ longitudinal methods to track trust dynamics during economic crises, such as currency devaluation, which may test the observed resilience and further explore the boundaries of these theories in extreme economic conditions. Comparative studies with Islamic banks in economically volatile regions could further validate whether Kenya's results reflect broader trends in faith-based banking systems.

In conclusion, while economic environment does not significantly moderate the relationship between bank-specific factors, customer-specific factors, and trust in Islamic banks in Kenya, both bank and customer-specific factors maintain their direct significant influence on trust regardless of prevailing economic conditions. This suggests that Islamic banks in Kenya should continue to focus on enhancing transparency, service quality, Sharia compliance (aligning with Information Asymmetry, Commitment-Trust, and TPB), religious alignment, financial literacy, and positive banking experiences to build trust, rather than attempting to adjust their strategies based on economic cycles. The strength of trust drivers grounded in ethical, religious, and relational factors appears resilient to external economic pressures in this context.

5.4 Conclusions

5.4.1 Bank specific factors and customer trust

This study establishes that bank-specific factors-transparency, service quality, and Sharia compliance are foundational to customer trust in Kenya's Islamic banking sector. The findings confirm that institutional integrity, anchored in ethical governance and operational clarity, drives customer confidence. These findings align with global studies (Khan & Bhatti, 2018; Akram et al., 2024) while contextualizing them within Kenya's evolving digital and regulatory landscape.

Customer responses indicate strong prioritization of honesty in financial statements and Sharia board oversight, validating Dusuki and Abdullah's (2007) "moral contract" theory in trust-building. Kenya's digital transformation amplifies the need for transparency in profit-sharing mechanisms and real-time transaction tracking. Customers increasingly associate trust with seamless digital experiences, such as user-friendly mobile banking platforms and efficient issue resolution, aligning with Chong et al.'s (2021) findings on digital agility in emerging markets. The consistency in responses underscores consensus, signaling those deviations from these expectations risk eroding trust.

Moreover, the integration of Sharia principles with Kenya's regulatory frameworks strengthens institutional reliability. Standardized disclosures on profit distribution and risk-sharing mechanisms mitigate skepticism, particularly among non-Muslim customers who value ethical transparency. Further analysis reveals that enhancing Sharia compliance, through clearer product explanations, significantly increases customer trust levels, highlighting the transformative potential of regulatory alignment. Policymakers must bridge gaps between religious ethics and secular governance by mandating transparency and accountability.

The study highlights the necessity for Islamic banks to operationalize customer trust through continuous ethical innovation. While Sharia compliance remains a cornerstone, customers increasingly demand proactive measures such as dynamic transparency, real-time disclosures via digital platforms about profit-sharing ratios (e.g., Mudarabah and Musharakah contracts) and investment portfolios. For instance, integrating blockchain technology for immutable transaction records could address lingering skepticism about profit distribution fairness, a concern raised in open-ended responses. Similarly, adopting AI-driven chatbots to explain Sharia principles in local languages (e.g., Swahili or Somali) could bridge literacy gaps, particularly in regions like Garissa with diverse linguistic demographics. These innovations align with Kenya's Vision 2030 goals for financial inclusivity and technological advancement, positioning Islamic banks as pioneers in ethical fintech.

Trust-building also requires balancing global Sharia standards with Kenya's socio-cultural context. For example, respondents emphasized the importance of community-linked products such as

interest-free microloans for women entrepreneurs in Mombasa's informal sector or Hajj savings plans tailored for Kenya's Muslim population. However, standardization challenges persist such as reconciling Kenya's Banking Act with AAOIFI (Accounting and Auditing Organization for Islamic Financial Institutions) guidelines. A harmonized regulatory framework, co-developed by the Central Bank of Kenya and local Islamic scholars, could mitigate ambiguities in product certification, fostering trust through legal clarity. Future research should explore how hybrid models blending Kenyan communal values (e.g., Harambee ethos) with Islamic finance principles can deepen trust among non-traditional customers, expanding the sector's reach.

5.4.2 Customer specific factors and customer trust

Customer-specific factors religious beliefs, financial literacy, and prior banking experiences exhibit a robust, statistically significant influence on customer trust in Islamic banks in Kenya. The analysis reveals that these factors directly enhance trust, with religious alignment emerging as the strongest driver. This underscores the centrality of faith in Kenya's Islamic banking sector, where adherence to Sharia principles transcends transactional utility, serving as a moral anchor for the Muslim minority (11% of Kenya's population). In regions like the Coast and Northeastern Kenya, Islamic banks operate as both financial and ethical institutions, reflecting customers' religious identity and values.

Financial literacy significantly amplifies trust, enabling customers to navigate complex Islamic products (e.g., mudarabah profit-sharing, murabaha asset financing) and assess transparency in profit distribution. Similarly, positive prior experiences such as fair dispute resolution and consistent profit payouts—reinforce trust through a feedback loop, converting transactional satisfaction into institutional loyalty. These findings align with Abdullah and Rahman (2020), who posit that trust in Islamic finance hinges on moral congruence between institutional practices and personal belief systems. However, Kenya's dual financial system where Islamic banks coexist with conventional counterparts heightens the symbolic value of Sharia compliance as a marker of authenticity.

The study's findings on financial literacy reveal a critical dichotomy in Kenya's Islamic banking sector. While literate customers demonstrate heightened trust due to their ability to evaluate product transparency (for example, scrutinizing wakalah agency fees or takaful insurance

structures), less literate segments often conflate Sharia compliance with conventional interest-based models, fostering distrust. For instance, many respondents in rural Garissa misperceived murabaha markup rates as "hidden interest," highlighting knowledge gaps that erode confidence. This aligns with Hassan and Ashraf's (2019) study in Pakistan, where financial literacy substantially influenced trust among Islamic bank customers. To address this, Islamic banks could adopt tiered literacy programs: simplified pamphlets in Swahili and Somali for rural populations, and interactive fintech platforms (for example, AI-driven chatbots explaining sukuk bonds) for tech-savvy urban youth. Collaborations with Kenya's Financial Literacy Centre and community radio stations could further democratize access, transforming passive recipients into informed advocates of Islamic finance's ethical foundations.

Kenya's Muslim community, though unified by faith, exhibits intra-group diversity that shapes trust dynamics. For example, young professionals in Nairobi (predominantly under 35) prioritize digital efficiency and Sharia-compliant investment options, associating trust with technological modernity and wealth growth. Conversely, older customers in Mombasa's Old Town emphasize strict adherence to Fiqh al-Muamalat (Islamic commercial jurisprudence), viewing deviations even for market competitiveness as breaches of trust. This generational divide mirrors findings by Oseni et al. (2021) in Nigeria, where millennials valued innovation considerably more than baby boomers. Additionally, cultural hybridity in regions like Lamu, where Swahili traditions intersect with Islamic norms, necessitates localized trust-building. Here, banks might integrate community-based arbitration (*hisbah*) for disputes, leveraging respected elders as trust intermediaries. Such granular strategies acknowledge Kenya's pluralistic Muslim identity, where trust is not monolithic but shaped by intersecting age, cultural, and socioeconomic factors.

While Sharia principles form the bedrock of trust, the study uncovers an emerging demand for broader ethical governance. Respondents emphasized expectations beyond mere compliance such as environmental sustainability. This aligns with El-Gamal's (2021) call for "Ethical Sharia," which integrates universal ESG (Environmental, Social, Governance) principles with Islamic finance. Banks could pioneer green sukuk for renewable energy projects or partner with NGOs to offer interest-free loans (*qard hasan*) to women-led cooperatives. By framing these initiatives through an Islamic lens, banks can deepen trust while appealing to Kenya's growing socially

conscious demographic. Such an approach not only differentiates Islamic banks from conventional competitors but also repositions them as holistic ethical institutions in a market where many Kenyans prioritize corporate social responsibility (KNBS, 2023).

5.4.3 Moderating effect of the economic environment

The study's analysis of the economic environment's moderating role revealed no significant interaction effects, indicating that macroeconomic conditions do not alter the foundational relationship between bank-specific factors, customer-specific factors, and customer trust in Islamic banks. While Inflation and economic stability were hypothesized to amplify or dampen trust dynamics, the results demonstrate that trust remains resilient to short-term economic shifts, anchored instead in religious alignment, ethical practices, and service quality. This aligns with El-Bassiouny's (2014) assertion that trust in faith-based financial systems is rooted in stable, values-driven foundations rather than transient economic contexts.

The absence of meaningful moderation underscores the unique resilience of Islamic banking trust mechanisms in Kenya, where religio-cultural adherence and institutional transparency outweigh macroeconomic volatility. This finding diverges from conventional banking studies (e.g., Taap et al., 2011) but reinforces the ethical distinctiveness of Islamic finance. For practitioners, this implies that trust-building strategies should prioritize consistent Sharia compliance, customer education, and service reliability rather than reactive adjustments to economic cycles.

The non-significant moderating role of the economic environment challenges conventional financial trust models, which often position macroeconomic stability as a critical antecedent (Abid & Majeed, 2016). In Islamic banking, trust appears to operate within a self-reinforcing framework where ethical and religious adherence buffers against external economic shocks. This supports the theoretical proposition that value-based financial systems foster institutional immunity to cyclical economic stressors, a concept less prominent in conventional trust literature. Future studies could explore whether this immunity extends to other faith-based financial systems or is unique to Islamic finance, offering comparative insights into trust mechanics across ethical banking paradigms.

Kenya's position as a regional hub for Islamic finance amplifies the practical relevance of these findings. Unlike Gulf Cooperation Council (GCC) countries, where Islamic banking is mainstream, Kenya's dual-banking system places greater onus on Islamic institutions to differentiate themselves through ethical rigor. The study's results suggest that Kenya's Islamic banks can leverage their resilience to economic fluctuations as a competitive advantage, attracting ethically conscious customers across East Africa. However, this requires proactive engagement with cross-border regulatory bodies to harmonize Sharia standards, ensuring trust transcends national economic contexts and positions Kenya as a leader in ethical finance innovation.

5.4.4 Theoretical, Managerial and practical contributions

This study makes significant contributions to theory, managerial practice, and policy formulation in Islamic banking. Theoretically, the findings extend the Theory of Planned Behavior (TPB) by demonstrating how religious norms and attitudes—specifically the alignment of banking practices with Sharia principles—dominate customer trust formation, even in a non-Muslim-majority context like Kenya. The study challenges conventional applications of the Commitment-Trust Theory by showing that trust in Islamic banking is less transactional and more rooted in shared ethical values, which remain resilient to macroeconomic fluctuations. Additionally, the absence of moderation by the economic environment introduces a boundary condition to Information Asymmetry Theory, suggesting that value-driven transparency (e.g., Sharia compliance disclosures) may override economic uncertainties in reducing information gaps. These insights refine existing frameworks by emphasizing the primacy of faith-based and ethical drivers in trust dynamics, offering a nuanced lens for analyzing faith-based financial systems globally.

Managerially, the study provides actionable strategies for Islamic banks to strengthen customer trust. Bank managers should prioritize operational transparency through real-time digital disclosures (e.g., blockchain-tracked profit distributions) and Sharia governance via independent audits and public compliance reports. Investing in customer-centric innovations, such as AI-driven chatbots to explain Sharia products in local languages, can bridge literacy gaps and enhance perceived behavioral control. Tailoring services to Kenya's rural-urban divide—such as flexible repayment schedules for agrarian communities or ethical investment options for urban youth—will deepen trust through localized relationship-building. Training programs for staff should

emphasize both technical expertise and ethical communication to align with the Commitment-Trust Theory's focus on reliability and shared values.

Practically, the findings advocate for policy reforms to harmonize Kenya's regulatory framework with global Islamic finance standards (e.g., AAOIFI guidelines), ensuring clarity in product certification and dispute resolution. Policymakers should integrate Islamic finance literacy into national financial education programs, leveraging mosques, churches, and community radio stations to democratize access. Collaborative initiatives—such as government-backed Sukuk bonds or partnerships with NGOs for interest-free microloans—can position Islamic banks as catalysts for financial inclusion and ethical entrepreneurship. For customers, the study underscores the importance of financial literacy in navigating profit-sharing models (e.g., Mudarabah) and dispelling misconceptions (e.g., conflating Murabaha markups with interest). Finally, adopting ethical fintech solutions, such as green Sukuk for renewable energy projects, aligns with Kenya's Vision 2030 goals while reinforcing trust through environmental stewardship.

5.5 Recommendations

5.5.1 Recommendations for Practice (Bank Specific Factors)

Islamic banks in Kenya should institutionalize rigorous Sharia governance frameworks, including independent Sharia supervisory boards and standardized disclosures on profit-sharing mechanisms and risk management. This aligns with the study's findings that transparency (e.g., real-time digital tracking) and strict adherence to Islamic principles are critical to trust, consistent with Information Asymmetry and Commitment-Trust (shared values). Banks could adopt blockchain technology for immutable transaction records, as suggested by Usman et al. (2022), to bolster transparency. Regular audits and public reports on Sharia compliance, as Simiyu (2020) advocates, could further reassure customers, particularly non-Muslims who value ethical alignment.

Given the growing reliance on digital banking, banks must prioritize user-friendly platforms that integrate Sharia compliance features (e.g., automated Zakat calculators, profit distribution dashboards). Training programs for staff should emphasize both technical proficiency and ethical communication to address customer queries effectively, as Barre et al. (2023) highlighted, enhancing service quality and trust (Commitment-Trust). For instance, chatbots with AI-driven

responses to explain Sharia-compliant products could bridge literacy gaps (Information Asymmetry). Banks should also conduct quarterly customer experience surveys to identify pain points in service delivery, using insights to refine digital interfaces and branch services, continuously improving the relationship (Commitment-Trust). Partnering with fintech firms to co-design inclusive products (e.g., micro-Takaful for SMEs) would align with Kenya's digital transformation goals while reinforcing trust.

5.5.2 Recommendations for Practice (Customer Specific Factors)

Islamic banks should develop segmented financial literacy campaigns addressing urban-rural divides. Urban customers might benefit from mobile app tutorials on digital banking tools, while rural areas could leverage community workshops led by trusted local leaders. Integrating religious leaders into literacy programs, as your findings on religious alignment suggest, would resonate with faith-driven customers (Theory of Planned Behavior - norms, attitudes). For example, mosques and churches could host seminars explaining how Islamic finance aligns with broader ethical values (e.g., interest-free loans for social good), strengthening positive attitudes towards Islamic banking (TPB) and reducing information asymmetry. Gamified learning modules, rewarding users for completing literacy quizzes, could engage younger, tech-savvy demographics, enhancing perceived behavioral control (TPB).

Banks should leverage Kenya's religious-cultural diversity by tailoring marketing strategies. For Muslim customers, emphasize Quranic principles underpinning products (e.g., Mudarabah as a form of stewardship) to align with religious beliefs and subjective norms (TPB). For non-Muslims, highlight universal ethics like transparency and fairness, appealing to broader trust principles (Information Asymmetry, Commitment-Trust). Customized loyalty programs such as "Green Savings" accounts linked to environmental sustainability could appeal to values beyond religion, building Commitment-Trust on shared ethical grounds. Additionally, post-service feedback mechanisms (e.g., follow-up calls after loan disbursement) would strengthen experiential trust, addressing your finding that prior positive experiences drive loyalty (Commitment-Trust). Rural branches could offer flexible repayment schedules during harvest seasons, aligning with agrarian economic cycles to build goodwill and demonstrate commitment (Commitment-Trust).

5.5.3 Recommendations for Policy

Policymakers, including the Central Bank of Kenya and the Capital Markets Authority (CMA), should consider harmonizing national regulations with global Islamic finance standards (e.g., AAOIFI) to strengthen institutional credibility and provide a clearer regulatory environment. This would enhance transparency and reduce regulatory information asymmetry, fostering trust. Collaboration between regulators and Islamic financial institutions is needed to advocate for permanent Islamic liquidity solutions, such as regular sovereign Sukuk issuances. This would institutionalize stability within the sector, reducing reliance on conventional monetary tools during downturns and signaling resilience to customers, indirectly supporting trust.

Government financial education programs should integrate modules on Islamic finance principles. This would enhance the financial literacy of the general population, demystifying Sharia-compliant products (e.g., profit-and-loss sharing) for both Muslim and non-Muslim customers. Improved literacy reduces information asymmetry and enhances perceived behavioral control (TPB), facilitating greater engagement with and trust in Islamic banking.

5.5.4 Recommendations for Theory

The findings suggest several avenues for refining existing theoretical frameworks in the context of faith-based financial systems.

Firstly, the Commitment-Trust Theory could be extended to explicitly incorporate the dimension of shared ethical and religious values as a distinct pathway to commitment and trust, potentially more potent than service quality or satisfaction alone in specific contexts like Islamic banking. Future research could explore the weighting of shared values relative to other commitment drivers in diverse cultural settings.

Secondly, the Theory of Planned Behavior proved highly relevant, particularly the roles of religious beliefs and perceived compliance (Sharia). Future theoretical development should further explore how subjective norms and attitudes shaped by religious doctrine interact with perceived behavioral control (including financial and religious literacy) in influencing financial decisions and trust within religious communities.

Thirdly, the consistent influence of transparency and financial literacy despite economic fluctuations challenges conventional applications of Information Asymmetry Theory in volatile environments. The findings suggest that in values-driven sectors, trust built on foundational information transparency and customer knowledge about the product/service's core principles (like Sharia compliance) may be more resilient to external economic noise than in conventional settings where purely financial metrics dominate. Theories could explore how value-based transparency differs from purely financial transparency in reducing asymmetry and building trust.

Finally, the lack of economic moderation observed provides an empirical boundary condition for these theories when applied to Islamic banking in stable or moderately volatile economies like Kenya's. Future theoretical work should investigate under what specific conditions (e.g., extreme economic crises, different regulatory environments) external factors *do* begin to moderate the influence of these core bank-specific and customer-specific trust drivers in faith-based finance. Longitudinal studies are recommended to test this boundary condition more rigorously.

5.6 Limitations

Regarding the limitations of the study, one prominent constraint is its methodological and sampling design. The study used structured questionnaires administered to 384 Islamic bank customers from three urban centers: Nairobi, Mombasa, and Garissa. This sampling method, while systematic, inherently restricts the generalizability of the findings to the broader Kenyan context. The chosen geographic focus excludes other regions and potentially important rural perspectives, and the relatively short data collection period (spanning only three months) may not adequately capture variations over time. Additionally, the use of a binary choice model to analyze trust an inherently multifaceted and subjective construct limits the depth with which the study can explore the nuanced dimensions of trust formation in Islamic banking .

Another limitation arises from the measurement tools and the operationalization of key variables. Although the study measures trust through indicators such as transparency, service quality, and compliance with Sharia principles, these constructs are complex and can be influenced by cultural, religious, and economic subtleties that may not be fully captured by structured questionnaires. The reliance on self-reported data introduces the risk of response bias, where respondents may overstate or understate their levels of trust based on social desirability or misunderstanding of

technical financial terms. Furthermore, while the questionnaire underwent pretesting to ensure content validity, the exclusive focus on quantitative metrics overlooks qualitative insights that could provide a richer understanding of customer sentiments and the subtleties of trust dynamics in the evolving Kenyan Islamic banking landscape .

While ordered logit regression is robust to non-normal ordinal data, the study acknowledges that continuous variables (e.g., financial literacy scores) exhibited skewness. Although log transformations were applied and results remained consistent, future research could explore alternative non-parametric methods (e.g., generalized additive models) to further validate findings. Additionally, the focus on ordinal Likert scales limits granularity in measuring trust dynamics, suggesting potential for mixed-methods approaches in subsequent work.

A further set of limitations is embedded in the contextual and external factors influencing the research. The study was conducted against the backdrop of a specific macroeconomic environment in Kenya, and the findings particularly the moderating role of the economic environment may be highly sensitive to temporal economic fluctuations. Since external factors such as inflation rates, regulatory changes, and market instability can alter customer perceptions and trust, the snapshot provided by this research may have limited applicability during periods of significant economic change. Moreover, while the study acknowledges the influence of customer-specific factors like religiosity and financial literacy, it does not fully account for potential confounders such as demographic diversity, cultural norms beyond the dominant urban areas, or the evolving impact of digital banking innovations. These contextual limitations suggest that while the study offers valuable insights, its conclusions should be interpreted with caution and within the specific parameters set by its design

5.7 Areas of further research

In terms of future research, one key area identified is the need to expand the methodological approach beyond a cross-sectional survey. Future studies are encouraged to adopt a longitudinal design that can track changes in trust over time, thereby capturing the dynamic nature of customer perceptions in relation to shifting economic conditions and evolving bank practices. Qualitative research methods—such as in-depth interviews, focus groups, or case studies—would also complement quantitative findings by revealing the underlying reasons behind customer attitudes

and behaviors. This mixed-methods approach could yield a more comprehensive picture of how trust in Islamic banking develops, evolves, and interacts with both bank-specific and customer-specific factors .

Another promising area for further research is the integration of digital banking factors into the existing framework. While the current study examines traditional bank-specific factors like transparency, service quality, and Sharia compliance, the rapid digital transformation in financial services presents new dimensions of trust that warrant closer examination. Future research could explore how digital transparency, user experience on online platforms, and the integration of emerging technologies such as blockchain might enhance or undermine trust in Islamic banking services. Given that many customers now engage with financial institutions through digital channels, an expanded investigation into digital service quality would provide both academic and practical insights for banks striving to meet modern customer expectations .

A third area for further investigation relates to the broader contextual and comparative aspects of Islamic banking trust. Given that the current study is geographically limited to specific urban centers in Kenya, subsequent research could broaden the scope to include more diverse regions, rural settings, or even cross-country comparisons within East Africa. Comparative studies would help to identify whether the factors influencing trust differ across various socio-economic, cultural, or regulatory environments. Additionally, future research could explore the interplay between traditional and non-traditional banking sectors, particularly examining how conventional banks with Islamic banking windows perform relative to fully Sharia-compliant institutions. Such comparative analyses would not only enrich the academic discourse but also guide policymakers and industry practitioners in tailoring strategies to boost trust across diverse market segments

5.8 Chapter summary

Chapter 5 synthesizes the entire study by discussing the implications of the research findings, drawing conclusions, and providing actionable recommendations. The chapter also highlighted the limitations of the study and provided areas for further research.

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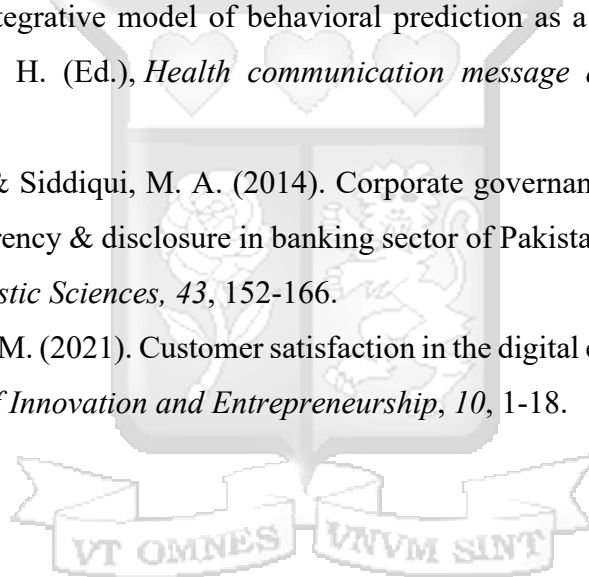
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APPENDICES

APPENDIX 1: RESEARCH QUESTIONNAIRE

Section A: Demographic Information

1. **Age:**

- 18-25
- 26-35
- 36-45
- 46-55
- 56 and above.

2. **Sex:**

- Male
- Female
- Intersex

3. **Sector of Occupation:**

- Formal sector.

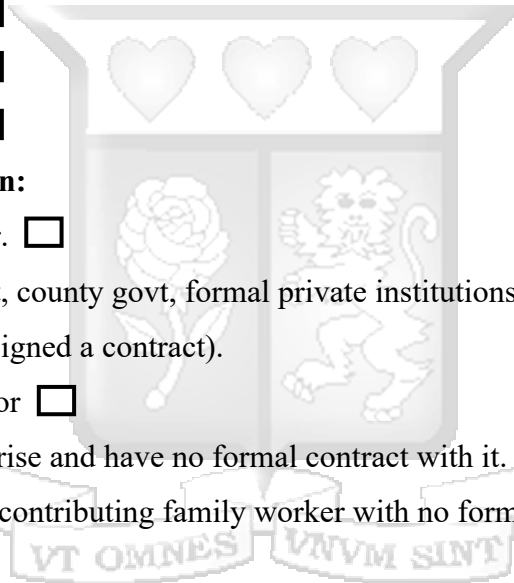
(e.g national govt, county govt, formal private institutions or any other employer with whom you have signed a contract).

- Informal sector

(I own the enterprise and have no formal contract with it. As an employee (owner /manager), I'm a contributing family worker with no formal contract).

4. **Education Level:**

- None
- Alternative education
- Completed Primary
- Some primary
- Secondary
- Diploma
- Undergraduate
- Postgraduate
- Other (please specify)



1. How did you learn about Islamic banking – tick appropriate

- Friends
- Family
- Colleague
- Advert
- Social media

2. Do you have a sharia compliant bank account?

- Yes
- No

If yes, please indicate below.

- Islamic window (KCB SAHL, ABSA LA RIBA NBK AMANAH).
- Exclusive Islamic bank (DIB, PREMIER BANK, GAB)

3. To what extent do you agree with the following statements about Islamic banks?

Section A: Level of Trust

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1. I trust this bank to act in my best interests.					
2. I feel confident in the bank's ability to manage my finances.					
3. I believe the bank provides secure and safe banking services.					
4. The bank's commitment to ethical practices enhances my trust.					

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
5. I am loyal to this bank because of the trust I have in it.					

Section B: Bank-Specific Factors

Bank Transparency

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
6. The bank provides clear and understandable financial statements.					
7. The bank openly communicates about fees and charges.					
8. The bank is transparent about its risk management practices.					
9. The bank regularly updates customers on their account status and changes in policies.					
10. The bank's website and online platforms provide sufficient and clear information about products and services.					
11. The bank's advertising and promotional materials are truthful and not misleading.					

Bank Service Quality

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
12. The bank staff are knowledgeable and courteous.					

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
13. The bank provides reliable and timely services.					
14. The bank is responsive to customer needs and queries.					
15. The bank's physical facilities (branches, ATMs) are clean and well-maintained.					
16. The bank offers a wide range of products and services that meet my needs.					
17. The bank's digital platforms (online banking, mobile apps) are user-friendly and efficient.					
18. The bank handles transactions and customer issues efficiently and accurately.					
19. The bank provides adequate assistance and guidance to customers in need of financial advice.					

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Compliance with Sharia Principles

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
20. The bank strictly adheres to Sharia principles in all its operations.					
21. The bank offers products that are fully compliant with Sharia law.					
22. The bank has a Sharia advisory board that oversees all products and services.					

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
23. The bank provides clear information about how its products comply with Sharia principles.					
24. The bank's compliance with Sharia principles influences my decision to bank with them.					

Section C: Customer-Specific Factors

Customer Religious Beliefs

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
25. My religious beliefs influence my choice of banking with this bank.					
26. I trust this bank because it aligns with my religious values.					
27. I feel that this bank respects and upholds Islamic values in its operations.					
28. I am aware of how the bank ensures compliance with Sharia principles.					

Customer Financial Literacy

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
29. I understand the financial products and services offered by the bank.					

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
30. I feel confident in making financial decisions using the bank's services.					
31. I regularly seek information to enhance my financial knowledge.					
32. The bank provides useful financial education resources.					
33. I am familiar with the basic principles of Islamic finance.					
34. I believe my level of financial literacy impacts my trust in the bank.					

Customer Banking Experiences

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
35. My past experiences with this bank have been positive.					
36. The bank has effectively resolved any issues I have encountered.					
37. I find the bank's services to be consistent and reliable.					
38. I feel valued as a customer by this bank.					
39. The bank has a good reputation based on my experiences.					

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
40. I would recommend this bank to friends and family based on my experiences.					

Section D : Economic Environment

Please indicate the extent to which you agree with the following statements regarding the economic environment and its influence on your trust in Islamic banks.

Economic Stability

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
41. Economic stability in Kenya positively influences my trust in Islamic banks.					
42. I trust Islamic banks more during periods of strong economic growth.					

Section E: Open-Ended Questions

Question	Response
43. Please describe any specific experiences that have influenced your trust in this bank.	
44. What improvements do you think the bank could make to enhance your trust?	
45. Are there any other factors not covered in this questionnaire that you believe influence your trust in Islamic banks? Please explain.	

APPENDIX 2: NACOSTI PERMIT



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Date of Issue: **25/February/2025**

RESEARCH LICENSE



This is to Certify that Ms.. **HABIBA DUBA GUYO** of **Strathmore University**, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in **Garissa, Mombasa, Nairobi** on the topic: **BANK AND CUSTOMER SPECIFIC FACTORS AND TRUST IN ISLAMIC BANKS IN KENYA** for the period ending : **25/February/2026**.

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APPENDIX 3: INTRODUCTION LETTER

Ole Sangale Rd, Madaraka Estate,
P.O Box 59857 00200, Nairobi, Kenya.
Cell: +254 703 414/6/7, Twitter: @SBSKenya
Email: info@sbs.ac.ke or visit www.sbs.strathmore.edu



17th January 2025

To Whom It May Concern,

RE: FACILITATION OF RESEARCH – GUYO, HABIBA DUBA

This is to introduce Guyo, Habiba Duba who is a Master of Commerce (MCOM) Student at Strathmore University Business School, admission number MCOM/88771. As part of our MCOM Programme, Habiba is expected to do applied research and undertake a project. This is in partial fulfilment of the requirements of the MCOM course. To this effect, Habiba would like to request appropriate data from your organization.

Habiba is undertaking a research paper on **“Bank and Customer Specific factors and Trust in Islamic Banks in Kenya.”** The information obtained shall be treated confidentially and shall be used for academic purposes only.

Our MCOM Programme seeks to establish links with industry, and one of these ways is by directing our research to areas that would be of direct use to industry. We would be glad to share our findings with you after the research, and we trust that you will find them of great interest and of practical value to your organization.

We appreciate your support and shall be willing to provide any further information if required.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Njoki Kiagiri'.

Njoki Kiagiri
Manager – Graduate Programmes
Strathmore University Business School.

APPENDIX 4: ETHICAL REVIEW LETTER



18th February 2025

Ms Guyo Habiba,
habiba.kaseile@strathmore.edu

Dear Ms Guyo,

RE: Bank and Customer Specific Factors and Trust in Islamic Banks in Kenya

This is to inform you that SU-ISERC has reviewed and **approved** your above **SU-masters** proposal. Your application reference number is **SU-ISERC2583/25**. The approval period is from **18th February 2025 to 17th February 2026**.

This approval is subject to compliance with the following requirements:

- i. Only approved documents including (informed consents, study instruments, MTA) will be used.
- ii. All changes including (amendments, deviations, and violations) are submitted for review and approval by SU-ISERC.
- iii. Death and life-threatening problems and serious adverse events or unexpected adverse events whether related or unrelated to the study must be reported to SU-ISERC within 72 hours of notification.
- iv. Any changes anticipated or otherwise that may increase the risks or affected safety or welfare of study participants and others or affect the integrity of the research must be reported to SU-ISERC within 72 hours.
- v. Clearance for the export of biological specimens must be obtained from relevant institutions.
- vi. Submission of a request for renewal of approval at least 60 days prior to the expiry of the approval period. Attach a comprehensive progress report to support the renewal.
- vii. Submission of an executive summary report within 90 days of completion of the study to SU-ISERC.

Before commencing your study, you will be expected to obtain a research license from National Commission for Science, Technology, and Innovation (NACOSTI) <https://research-portal.nacosti.go.ke/> and obtain other clearances needed.

Yours sincerely,

Mr Ambrose Rachier,
Chairperson; SU-ISERC

APPENDIX 5: SIMILARITY INDEX

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