

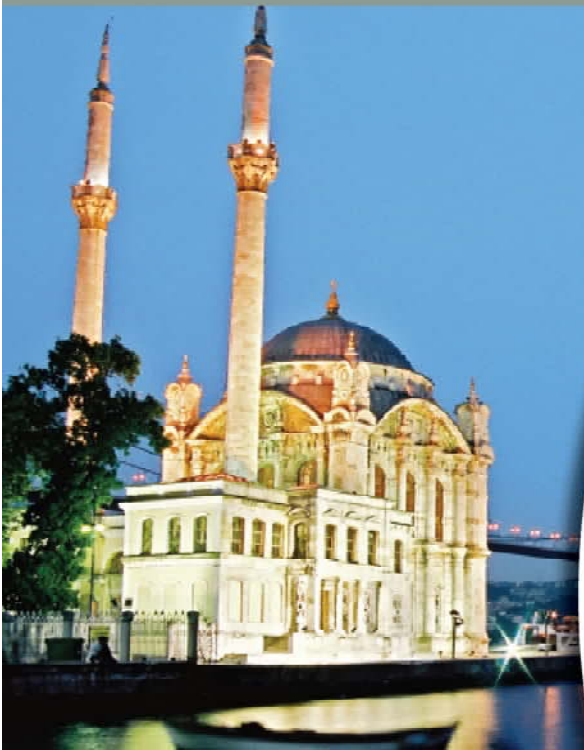
THE INTERNATIONAL



**ISLAMIC FINANCE
FORUM**

New Markets

The Growth Imperative



13 – 17 October 2008

Çırağan Palace Kempinski Hotel
Istanbul, Turkey

Omar Sheikh
Head of Islamic Banking

Barclays, Kenya

www.iiff.com

Evolution of Islamic Banking – Africa, the home place

- Though the principles of Islamic banking were laid down over 14 centuries ago, it was only first tried in the 1960s.
- Africa is the **original home** place of Islamic banking.
- The first Islamic bank was founded in Egypt in the 1960s setting the stage for first the generation Islamic banks.
- First generation banks were quite lukewarm as they functioned as savings investments rather than commercial banks.
- That first mover advantage got lost from the 1960s.
- In any real sense, whereas Africa should have been the centre of excellence, its now a late entrant

Uniqueness of the African continent

POPULATION

ACCOMODATES AN ESTIMATED 500M OF THE
WORLD'S 1.2 BILLION MUSLIMS

INFANT STAGE

ISLAMIC BANKINMG AT INFANT STAGE BUT WITH
HIGH POTENTIAL

DESIRED

ISLAMIC BANKING DESIRED BUT NOT
UNDERSTOOD

MAJORITY UNBANKED

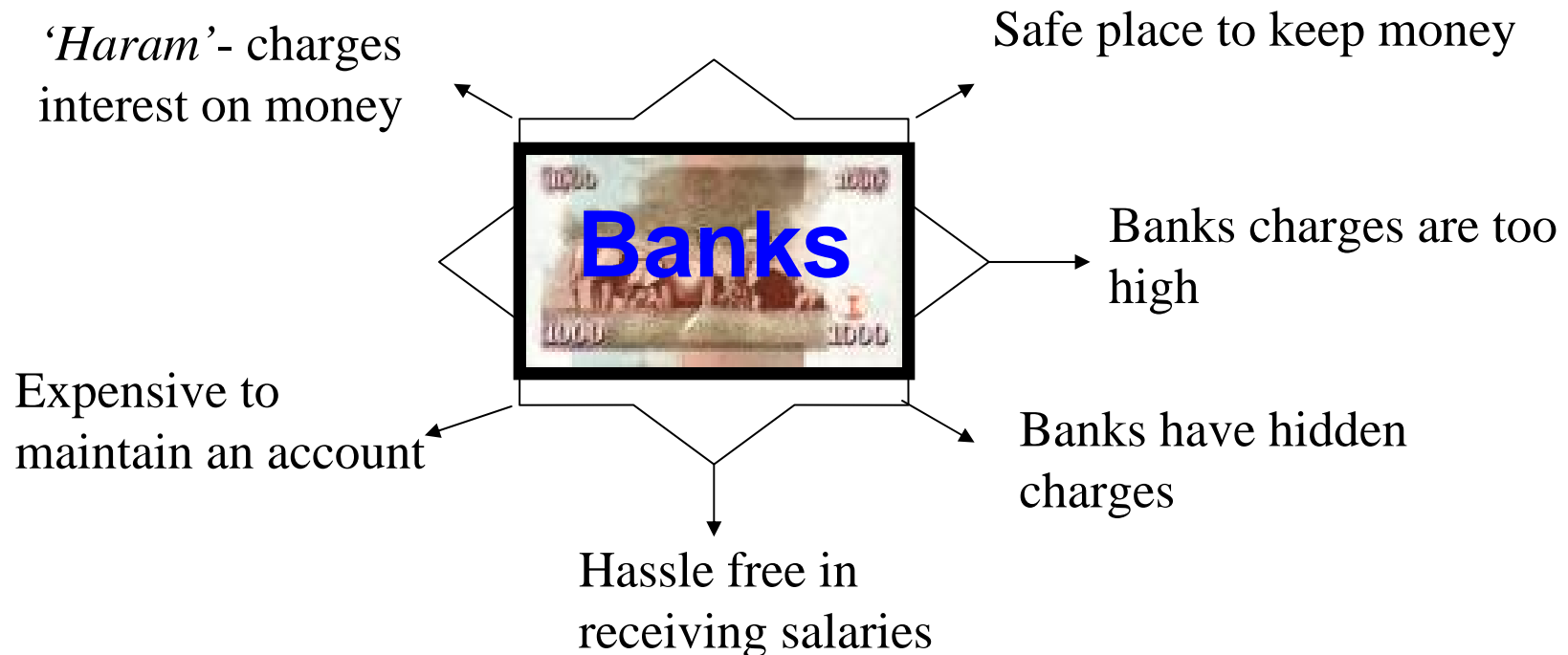
AFRICAN COMMUNITIES ARELARGELY
UNBANKED AND SHARE FORTUNES A LOT

Nature of the African Muslim market

- Over half of the African continent is **rural**
- A large portion of the population in Africa is **un banked**
- Largely locked out by **conventional banking** system but do trade well.
- Economic system and **currency exchange rates** mostly unstable
- Fixed method of **pricing** very attractive.
- Great opportunity in the **mass market** and **Small Business enterprises**.
- Abundant **agricultural commodities e.g** Maize, tea, sugar

Perceptions towards banking

Generally, the perception towards banking seems to be negative amongst Barclays users. They express banking to be:



Perceptions and Associations

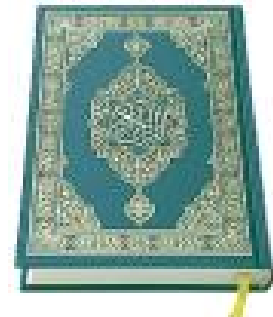
Run by Muslims



Interest free bank



A woman's bank (Among women)



Mosques

Source: Project Pearl Report, Kenya

Where conventional banks go wrong

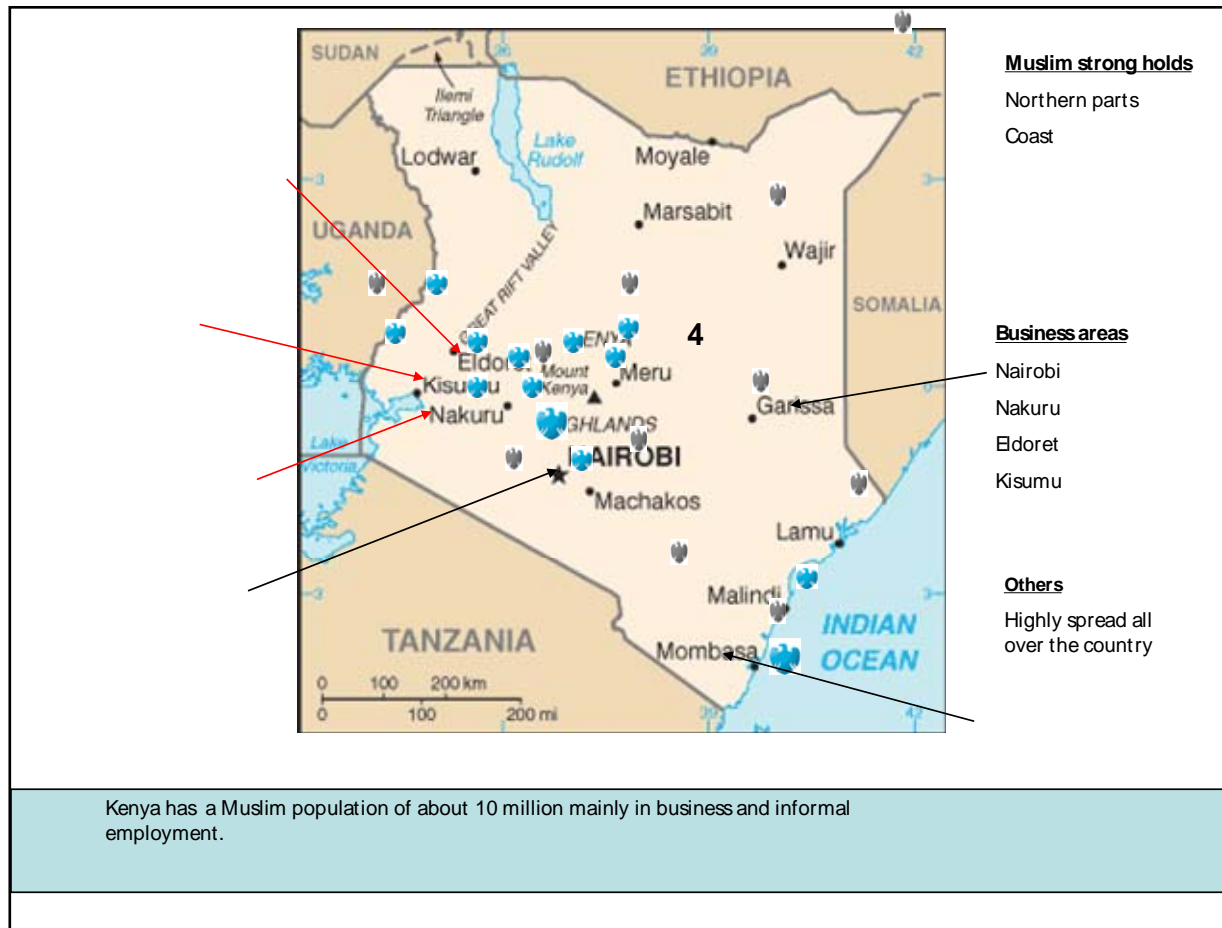
- Blind **following** of market players
- Lack of differentiation
- Failing **Shariah** compliance

Market entry strategies

To gain quick entry in new markets, the following are necessary:

- What do they people want?
- What are the gaps left out by other banks?
- Differentiation in Product innovation and service.
- Exclusive suites in an Islamic setting to provide personalized services
- Market acceptance through PR launch endorsement by respected Shariah Board.
- Leverage on existing networks

Kenya



The Kenyan experience - Challenges

- Very hostile reception at the defining stage of the project.
- Wide consultations and involvement of top scholars diffused tension.
- The launch of the first ever Shariah complaint product in Kenya and in Barclays History
- Excitement at the launch ceremony.
- Penetrating the Muslim market was hard initially as we assumed all will be normal despite big appetite shown by researches.
- The regulatory environment was quite conventional.

Key success factors

- Differentiation in **product innovation**. Bundled fee for most liability products and fixed pricing for lending.
- Micro market **segmentation** – Put up a suite housing SMEs, women and others served by staff familiar with their local languages.
- Organized a good **PR launch** of the La Riba suite endorsed by the Shariah Board
- DST model- **Direct sales teams** to recruit customers
- Partnered with the supreme most scholarly body of the country.
- Leveraged on the various market segments in the bank.
- Opened branches in Muslim areas.
- Provided separate **banking line for Women**.
- Accounts and deposits grew tremendously

Enhance Customer Relationship Management



ACTIVITY:

Luncheon for Top 50 existing & 50 potential La Riba customers at our largest branch



SHARIAH BOARD CHAIRMAN



The Islamic Banking touch

- Psychological appeal to customers in form of:
- Use of local **language** in the translation of brochures
- Exclusive **suites** in an Islamic setting
- Dates in **suites** and **Key branches**
- Animals for **Idd**





IDDUL HAJJ SLAUGHTER - CAMELS



Goats for top customers – Idd –ul Fitr



GOATS ARE SWEET AND IDEAL FOR IDD UL-FITR

Goats for top customers – Idd –ul Fitr



ACTIVITY: Goats for Idd – ul-Fitr

Muslims slaughter goats to celebrate Idd- ul -fitr. By giving such gifts to top customers in selected branches, we touched their hearts

Goats for top customers – Idd –ul Fitr



ACTIVITY: Giving a goat for slaughter for the Idd to one of the customers.

THANK YOU