EVALUATION OF FINANCIAL MEASURES ON PERFORMANCE OF ISLAMIC BANKS IN NAIROBI COUNTY, KENYA

FAIZA ALI ABDIRAHMAN

A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENT FOR THE AWARD OF MASTERS DEGREE IN BUSINESS ADMINISTRATION DEGREE OF

MOUNT KENYA UNIVERSITY

JUNE 2024

DECLARATION AND APPROVAL

This thesis is my original work and has not been presented for a degree in any other University or for any other award.

Signature ..... Date 20/6/23

STUDENT NAME: FAIZA ALI ABDIRAHMAN

REGISTRATION NUMBER: MBA/2022/45475

I confirm that the work reported in this project was carried out by the candidate under my/our supervision

Signature ..... Date 20/6/23

LECTURER NAME: Dr Peter Githae

DEPARTEMENT: FINANCE

MOUNT KENYA UNIVERSITY

DEDICATION

I dedicate this work to my mother Sahara Mohamed, my Father Ali Abdirahman and my brother Mohammed Ali Abdirahman for their encouragement.

ACKNOWLEDGEMENT

Gratitude to God for His mercies and good health. Much gratitude to my university supervisor Dr. Peter Githae for the comments and corrections that helped improve this work. I thank the management of the banks for allowing me access confidential information and conduct my research. Much gratitude to my data analyst for assisting in this work. I am highly indebted to my fellow colleagues for the constant motivation and encouragement that has pushed me to this level. Gratitude to friends and relatives for support in this journey.

ABSTRACT

Financial measures in Islamic banking include increased profitability, better liquidity and cost effectiveness. Islamic financial markets are not performing to their optimal point since Islamic banking cannot develop on its own without the other components of Islamic financial system. The aim of this study is to investigate the influence of financial measures on performance of Islamic banks in Nairobi County. The objectives were: - to explore the influence of market value measures on performance of Islamic banks in Nairobi county; to analyse the influence of liquidity measures on performance of Islamic banks in Nairobi county; to evaluate the influence of leverage measures on performance of Islamic banks in Nairobi county and to determine the influence of asset management measures on performance of Islamic banks in Nairobi county. The research was guided by cost management and asset management theory, theory of constraints, Modigliani and Miller propositions and the real options theory. Descriptive research design will be employed. The population were the three islamic banks in Nairobi county, which offer Islamic banking exclusively. These were DIB Bank Kenya Limited, First Community Bank and Gulf African Bank. A data collection sheet was used to gather secondary data from the Islamic banks in Nairobi County. Secondary data from the published financial statements of the three islamic banks in Nairobi county for 5 years was used, and spanned the years 2017 to 2021. The collected data was subjected to diagnostic tests. Data was analysed through descriptive and inferential statistics. Correlation and regression were used to show associations between the variables. Tables were used to present numerical data with interpretations. The study revealed a positive and significant effect of market value on performance of Islamic banks in Nairobi county (p-value < 0.05), a positive and significant effect of liquidity on performance of Islamic banks in Nairobi county (p-value < 0.05), a positive and significant effect of leverage on performance of Islamic banks in Nairobi county (p-value < 0.05) and a positive and significant effect of asset management on performance of Islamic banks in Nairobi county (p-value < 0.05). Market value of a firm helps investors assess the market value of the firm's stock and make informed decisions. Liquidity, leverage and asset management are critical financial measures of the performance of islamic banks. It was recommended that Islamic banks should conduct accurate market value, which can instill confidence among potential investors and existing shareholders. Islamic banks in Nairobi County should prioritize the enhancement of their liquidity position, through prudent working capital management. This study recommends that Islamic banks in Nairobi County should consider enhancing leverage to achieve an optimal capital structure and thereby, performance. Effective asset management is critical for Islamic banks to achieve optimal performance. It involves the prudent use of their assets to generate revenue streams that can, in turn, support the overall performance of the banks.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

LIST OF ABBREVIATIONS AND ACRONYMS

CBK	Central Bank of Kenya
DEA	Data Envelopment Analysis
DER	Debt Equity Ratio
DR	Debt Ratio
ESG	Environmental, Social, and Governance
HCE	Human Capital Asset Management
IBs'	Islamic Banks
ICR	Interest Coverage Ratio
IFSB	Islamic Financial Services Board
IFSI	Investing for sustainability impact
ISE	Intellectual Capital Asset Management
MM	Modigliani-Miller
NIM	Net Income Margin
NPM	Net Profit Margin
PLS-SEM	Partial Least Square Structural Equation Model
R&D	Research and Development
ROA	Return on Assets
ROE	Return on Equity
SCE	Structural Capital Asset Management
TANG	Asset Tangibility Ratio
TOC	Theory of Constraints
UAE	United Arab Emirates
US	United States of America
VIF	Variance Inflation Factor

CHAPTER ONE

INTRODUCTION

This chapter discusses the background and problem statement. The study's purpose and objectives are outlined. The study's significance and scope are explained. The study's limitations and assumptions are also highlighted.

1.1 Background to the Study

Financial measures are earliest forms of evaluating performance. Financial measures in Islamic banking include increased profitability, better liquidity and better customer loyalty and cost effectiveness. When costs are under control, growing sales also contributes to higher profitability. According to Al-Homaidi, Al-Matari, Anagreh, Tabash and Senan (2021), financial and accounting reports use a variety of profitability indicators. They either disclose revenue as a gross or a net amount. These sums are absolute, therefore assessing performance may not be relevant. At a certain stage, it became apparent that expressing profit numbers solely in their absolute values might not give a deep understanding of performance evaluation. To address this limitation, a shift was made towards expressing profits as a percentage of specific base amounts. This approach aimed to offer a more meaningful and comparative analysis of profitability. Rate of return on firm's business and gross profit margin were used in performance evaluation.

By calculating the amount of revenue left over after subtracting the product cost sold, the percentage of gross profit can be used as a gauge of a company's profitability. By representing this value as a percentage, it becomes easier to comprehend and compare the profitability of different companies or projects. It provides insights into how

efficiently a business is generating profits from its core operations. By incorporating these additional profitability metrics into performance evaluation systems, organizations can achieve a more nuanced understanding of their financial performance. The percentage of gross profit and the rate of return on investment offer valuable insights into operational efficiency, investment effectiveness, and overall profitability. This enables businesses to make informed decisions, identify areas for improvement, and drive sustainable long-term growth (Haddad, El Ammari & Bouri, ,2021).

Every organization needs performance measurement techniques to assess its accomplishments, hence balanced scorecards. This is as a result of greater globalization, fierce rivalry and technology advancements (Ahmadi, Alboneh & Ardiansyah,2021). Balanced performance measures, one of the tools used in the strategy process, assist the business in evaluating the success of the strategic goals and objectives. According to Ledhem and Mekidiche (2020), financial indicators do not illustrate financial performance. Managers who rely on financial performance indicators frequently have a partial understanding of what happens in their firms (Ledhem & Mekidiche,2020).

Asset management has emerged as a key priority in today's intensely competitive business environment. Throughout the past 25 years, there has been a significant transformation in both the cost accounting and management accounting disciplines (Al-Qudah, 2020). A more competitive environment has resulted from the introduction of new production and information technology, the focus on the customer, the growth of international markets, and the adoption of new management organization structures (Al-Qudah, 2020). Measurement of asset management involves identifying the ideal

combination of financial services that banks can offer based on a given set of inputs. On one hand, it is crucial to consider a bank's ability to efficiently and technically provide financial services to economic actors. Banks function as financial enterprises with the goal of generating profits. However, regulatory constraints limit their ability to maximize profits. While management has significant control over the cost of inputs, they have no control over the output side (Ekaningsih & Afkarina, 2021).

Economic development process involves the financial sector significantly. The primary intermediary mechanisms between saving and investing in a nation are financial institutions. The best financial systems reduce, measure, collect, and negotiate all operational risks and encourage savers to invest by paying them according to the magnitude of the assumed risks. When financial intermediaries are successful, they serve the economy as a whole as well as investors and recipients of investments (Zafar, Sulaiman & Nawaz,2022; Ekaningsih & Afkarina, 2021).

The cost/income ratio is a frequently employed ratio by bankers to assess an organization's overall cost effectiveness. This metric broadly indicates an organization's overall operating expenses as a share of its operational income (Tabash, 2019). The costs of maintaining the bank would include upkeep of current operational procedures or systems, which frequently provide little incremental value to a company. As a result, these expenses should be maintained as low as possible to maximize asset management (Ogilo, 2018). Costs for new goods or new delivery channels for current ones may be part of the costs associated with switching banks, and these costs may be correlated with the revenue these products provide. Kenyan banks are currently engaged in competition to increase performance and reorganize the supply of financial services into networks (Haddad et al.,2022).

Within the financial system, the size of banks plays a crucial role, and smaller banks face mounting challenges as competition intensifies. This is particularly evident as the availability of treasury bills, which serve as a source of income, diminishes. Furthermore, the private sector may have been marginalized by dependable income stream as a result of heavy reliance of banks on government securities. Due to the decrease in net treasury bill issuance, banks invest in these low-risk investments. This has increased competition among banks because they now need to find new lending opportunities and grow their clientele in order to make money. Resources are limited, and we cannot afford to waste them, the report acknowledges. Banks must be productive in order to improve service given the limitations they face and draw in additional consumers (Widarjono, Anto & Fakhrunnas,2021).

A variety of perspectives have been used to evaluate the effectiveness and asset management of commercial banks. A variation of ratio analysis among various banks utilizing financial ratios is used to evaluate asset management and bank performance (Baber, 2020). Financial ratios essentially serve as a gauge for a bank's overall health and managerial effectiveness. When compared to prior periods and used for peer comparison, these ratios should offer useful information about a bank's financial performance. Lack of consensus regarding the relative relevance of various forms of input or output is the major flaw in ratio analysis. If a bank makes up for poor management on some of these dimensions by performing exceptionally well on others, it may still appear to be performing well (Buallay, Al Hawaj & Hamdan, ,2021). The value of management activities and investment choices that will impact future performance as opposed to current performance is also not considered by the financial ratio.

Performance is a measure of how efficient an organisation, in this case the Islamic banks could utilise their assets to generate revenues. Islamic banking can be defined as banking which is conducted and conforms to the tenets and principles of Islam and that is also subject to the Shariah's (Islamic law) guiding principles for good governance and risk management. Interest-free banking, avoiding transactions that are prohibited by Shari'ah, and unethical acts that serve to advance the goals and purposes of an Islamic economy are characteristics of the Islamic financial system (Alnajjar & Othman, 2021). Islamic economics promotes human good through equitable allocation and distribution of resources (Nawaz, 2019).

Riba, which is literally translated as an excess, has been understood by Muslim scholars to represent interest. This is denoted with an agreed rate linked to principal amount and maturity date (Saidah & Bawono, 2021). In the Shari'ah economics, the financier and the businessperson split the business risks in exchange for a portion of the earnings. In the Mudharabah and Musharakah agreements, the money provider switches roles and becomes an investor rather than a creditor. An Islamic bank will buy an item directly from the seller and resale it to the customer at a profit (Nugroho & Mariyanti, 2021).

The growth of Islamic Commercial Banks from year to year demonstrates how successfully Islamic banking is developing in Indonesia (Andraeny & Putri, 2017). Performance in these banks ought to be enhanced in tandem with their growth (Mennawi, 2020). According to Tanko, Alhaji and Dabo (2017), these banks should demonstrate good performance due to the fierce rivalry in banks in Indonesia. It is crucial to assess effectiveness of Islamic banks. These assessments ensure that Islamic banks operate as per the principles of Islam, in addition to being primarily concerned with financial performance (Andraeny & Putri, 2017; Ogilo ,2018).

According to Chokri and Anis (2018), various groupings of ratios have been employed in the UAE (United Arab Emirates) to gauge performance. Based on the research conducted by Al-Homaidi et al. (2021), size of this banks and availability of Zakat information have substantial effect on performance. Furthermore, the period in which the bank has been in operation has an adverse impact on performance. Findings suggest that both Zakat data and the period in which the bank has been in operation has significant influence on performance. Similarly, Tabash (2019) has also found a strong relationship between performance and disclosure in these banks operating in United Arab Emirates. Higher levels of disclosure in these banks are associated with improved operational performance. Moreover, the kind of performance plays key role in determining extent of disclosure. Therefore, Islamic banks that demonstrate strong performance are more likely to provide comprehensive information to investors and other institutions. This is done with the aim of reducing the cost of equity and enhancing their market values.

Sudan's banking industry plays key role in promoting different sectors within the country, that enhances economic growth (Mennawi, 2020) When the Faisal Islamic bank began operating in Sudan in the middle of the 1980s, Islamic banking in that nation began to emerge. The Islamic finance sector then underwent many stages before becoming a fully-fledged Islamic financial system by 1992. Even though Islamic banks have expanded significantly in Sudan, they are still new, as compared with other Islam banks in other jurisdictions. This could be attributed to inadequate intermediation and the inadequate investments in the sector (Burger, 2018).

The banking industry dominates the Islamic economy, offering financing options and taking part in economic endeavors (IFSB, IFSI Stability Report, 2018). Nonetheless, there are numerous risks associated with the operations of Islamic banking. These

hazards include typical risk in the financial sector of an economy. Equity investment, rate of return, and Shariah noncompliance hazards are additional categories of risks that are exclusively associated to this banking sector (Mennawi, 2020). Establishment of an efficient risk diversification strategy and the application of elaborate measures of control would come in handy to deal with risk in Islamic bank business.

With over 170 million inhabitants, Nigeria is the most populous country in Africa. It is believed that more than half of the population is Muslim, which explains the significant demand for interest-free financial services (Tanko et al.,2017). Nothing is known about the viability of Islamic banking system, even with present healthy market. Academics looked at Nigeria's sole Islamic bank's performance. Secondary data from other conventional banks and the bank's public accounts for the time it has been in operation were mostly utilised in the study. According to the report, the bank did quite well when compared to other traditional banks and the industry average. The study's findings indicate that the bank utilized its inputs more effectively than certain conventional banks. Islamic banks should broaden their reach to include all of the federation's states, increase their efforts to raise awareness, and promote more investment in related industries that have an influence on their operations.

Islamic banks in Kenya operate in accordance to regulatory framework of the nation's Banking Act and supervised by the Central Bank of Kenya. They are comparable to regular banks in many ways. They must adhere to all Act regulations, just as other banks, in order to operate. Nonetheless, there are distinctions in the treatment of client deposits and borrower financings. The services offered by the two different types of banks are comparable, including the taking of customer deposits and the issuance of current accounts and savings accounts to both individuals and businesses. In Kenya, there is no distinction between the laws governing Islamic and regular banks.

Monitoring financial situation and evaluating overall performance are crucial for regulators, managers and other stakeholders. Financial ratios are a tool used by bank regulators to assess a bank's management effectiveness and financial performance. Since Islamic banks only use profit and loss sharing principle to sell their financial products, low earnings could harm them. Owners and investors act as company partners by splitting earnings and losses according to their contributions of capital, labor, and management expertise. In this situation, there can be no assurance of a certain rate of return, but certain investments offer more consistent returns than others. Because of their efforts and risks they took, the PLS financier's portion of the profit is justified by Islamic Shari'ah (Ousama, Hammami & Abdulkarim,2020).

Islamic banks performance is strongly associated with financial instruments (Ogilo ,2018). The success of Islamic banks is correlated with an increase in either of the relevant factors. Increased financial instrument diversity and diversification would improve the performance. To maximize their return on assets, Islamic banks in Kenya should boost the funding they provide for their products. There is a need to analyse financial measures on performance of this banks. The study answers the question: What is the influence of financial measures on performance of Islamic banks in Nairobi county?

1.2 Statement of the Problem

Creation of capital markets and mobilization of idle funds that are being kept out of interest-based financial channels are two important ways that Islamic financial system may contribute to the economic prosperity of Islamic and non-Islamic countries (Akbar & Nabiha, 2022). Since Islamic banking cannot flourish without the other components of an Islamic financial system, Islamic financial markets are

underperforming. According to Economist's Intelligence Unit Report (2019), Islamic banking contributes a paltry two percent of Kenya's total banking assets. As such, the contribution of Islamic banking to Kenya's economy is minimal. The performance of Islamic banking to GDP contribution necessitates the need for enhanced financial measures to enable the Islamic banks involvement in capital markets, encouraging alternative long-term financing and attracting foreign direct investments.

Before any long-term strategy is created, a lot of restrictions and difficult problems must be resolved (Saidah & Bawono, 2021). Since depositors and shareholders have a residual claim to an Islamic bank's profits, the essence of bank's profitability as success indicator for this institution cannot be overstated. Performance evaluation of Islamic banks is critical. Managers are must be willing to learn and implement strategies that enhance performance. Bank performance is monitored by bank regulators, who are in charge of ensuring the safety and stability of the financial system and maintaining public confidence. Continuous performance monitoring is crucial since problems that are already there could go unreported and result in future financial failure (Nawaz, 2019).

Insufficient academic studies have been performed on the influence of financial indicators on the performance of this banks. According to Andraeny and Putri (2017), the study explored the Islamicity Financial Performance Index in Islamic banks in Indonesia. They found that performance is greatly influenced by non-financial metrics. Due to the study's emphasis on non-financial indicators of bank performance, a conceptual gap exists. Chokri and Anis (2018) evaluated islamic banks performance. The ratios that were used to measure performance include profitability and liquidity. There is a contextual gap as the study was conducted in another jurisdiction. Tabash (2019) examined the linkage between disclosure and the financial success of Islamic

banks in UAE. Higher levels of disclosure by Islamic banks were associated with improved performance. Ogilo (2018) assessed how Kenyan Islamic banks' performance was affected by financial instruments. Their studies found that improving Islamic banks' profitability would require diversification and the addition of more financial instruments. These researches reveal gaps, to be addressed by this proposed research. The research, therefore, investigates performance of Islamic banks in Nairobi County and the influence of financial measures.

1.3 Purpose of the Study

The aim of this research is to investigate the influence of financial measures on performance of Islamic banks in Nairobi County, Kenya.

1.4 Objectives of the Study

The objectives are: -

i. To assess the influence of market value measures on performance of Islamic banks in Nairobi county
ii. To explore the influence of liquidity measures on performance of Islamic banks in Nairobi county
iii. To evaluate the influence of leverage measures on performance of Islamic banks in Nairobi county
iv. To determine the influence of asset management measures on performance of Islamic banks in Nairobi county

1.5 Research Questions

i. What is the influence of market value measures on performance of Islamic banks in Nairobi county?

ii. How does liquidity measures influence performance of Islamic banks in Nairobi county?

iii. To what extent do leverage measures influence performance of Islamic banks in Nairobi county?

iv. What is the influence of asset management measures on performance of Islamic banks in Nairobi county?

1.6 Significance of the Study

The study may be important to the management of Islamic banks. Management can use the outcome of this research to assess their policies on how financial measures influence Islamic bank performance. The management of Islamic banks may implement the study's recommendations to improve financial measures and thereby performance. The managers of commercial banks will benefit from this study's discussionof financial measures and performance of Islamic banks. They will thus be able to better understand the market and may introduce new products to meet customer needs. This study's findings may assist the general public and bank customers who require Islamic products from banks that are compliant with shariah in understanding the fundamentals of Islamic banking. It will assist in understanding the operational requirements of Islamic banking and allow supervisory agencies and other stakeholders to establish guidelines for financial reporting in Islamic banks. This tudy will add to theory on financial measures and performance of this banks. It will form a basis upon which future scholars will evaluate the influence of financial measures on performance of this banks and other related topics.

1.7 Scope of the Study

This study was conducted in Nairobi County, specifically focusing on Islamic banks. Three banks, namely DIB Bank Kenya Limited, First Community Bank, and Gulf African Bank, have been chosen due to their specialization in providing exclusive products and services within Islamic banking. This study will specifically examine the influence of financial measures on performance of Islamic banks operating in Nairobi County. While there could be other factors that contribute to the performance of these banks, it will primarily concentrate on the impact of financial measures in Nairobi County. The study was conducted in three months.

1.8 Study Limitations

Study limitations are the elements what the researcher cannot influence. Researchers attitudes and perceptions cannot be controlled. This is due to the respondents' potential inclination to provide responses that are regarded acceptable. The study only uses the information and data that the study respondents provide. The respondents may thus be inclined to provide information that they perceive acceptable. This prejudice will be mitigated by the researcher's assurance of confidentiality to the participants.

1.9 Delimitations of the Study

The research acknowledges that several factors influence the performance of Islamic banks. The study will only concentrate on the influence of market value measures, liquidity measures, leverage measures and asset management measures on performance of Islamic banks. The research will be conducted within a specified time frame, scope and will target Islamic banks in Nairobi County. The study will only

issue research instruments to respondents who are willing and comfortable to participate. This is geared towards achieving honesty and credibility.

1.10 Assumptions of the Study

Respondents are assumed to be familiar with the concept of financial measures. Consequently, they will be able to give relevant and reliable data required for the research. It assumes that performance of Islamic banks is affected by profitability measures, liquidity measures, leverage measures and asset management measures. The study assumes that respondents are able to link financial measures and performance of this banks. It assumes that respondents will be honest when providing responses.

1.11 Operational Definition of Key Terms

Asset management Measures used to evaluate capability of an organization to turn a profit from its assets (Ogilo, 2018)

Leverage Measures financial metric that compares a company entity's level of debt to a number of other accounts on its financial statements (Nawaz, 2019)

Liquidity Measures used to assess a debtor's capacity to repay current debt without obtaining external funding (Baber, 2020)

Performance a measure of how well an organization can leverage the resources from its main businesses to create revenue (Chokri & Anis, 2018)

Market Value Measures measures the prevailing share price of a company's stock (Mennawi, 2020).

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This section shows theories for the research and reviews of empirical literature on financial measures on Islamic banks' performance. The empirical studies are organised under the influence of profitability measures, liquidity measures, leverage measures and asset management measures on islamic banks' performance. A conceptual framework is proposed and explained. A recap of literature review is done.

2.2 Theoretical Review

This study is guided by the real options theory as the anchor theory. Additionally, supportive theories are the theory of constraints, the Modigliani and Miller theory and the cost management and asset management theory.

2.2.1 Real Options Theory

The theory was developed by Myers (1977). The evolution of valuation model anchored on pricing strategies of financial options was motivated by the strong resemblance between financial options and some of a company's "actual" initiatives and assets (Myers, 1977). The ability to make a decision that could potentially add value is a real option, not the responsibility to do so should the market conditions improve. A project for research and development (R & D) is an excellent illustration. A company evaluating such a project is aware of the unpredictability it will encounter regarding not only R&D but also market conditions. The state of the market is typically quite unstable at the time of valuation. Nonetheless, the value of the R&D project is not always negatively impacted by such uncertainty. If market conditions are

unprofitable at the conclusion of R&D, the company will not be required to make the expenditure in marketing the new product. Instead, the company has managerial flexibility that includes the option to forgo any future investments, so restricting its losses to the cost of research and development (Chi, Trigeorgis & Tsekrekos, 2019).

According to research on return on turnover (Hajdini & Windsperger, 2020), the worthiness of a real option relies on the project's risk as well as the amount of management flexibility that the company has at its disposal. The option value is at its highest for investment projects with high risk and flexibility. The justification for this is that management flexibility can shield the company from a bad evolution of market conditions without compromising the opportunity to benefit from the good evolutions. Uncertainty is necessary in the context of return on turnover for a real option to have value. In a specific universe, none of the options would actually matter because the decision-maker would be able to properly plan for the future from the outset of the undertaking. The asymmetry of a real option's payoffs is determined by the interaction of uncertainty and flexibility (Kithinji, Rotich & Kihara, 2021). The real options concept is in line to this research since it explains importance of market value measures in enhancing the Islamic banks' performance. The Islamic banks should devise competitive products and ensure optimal pricing to enhance the value of their stock. This would enhance shareholder wealth.

2.2.2 Theory of Constraints (TOC)

Eliyahu Goldratt, in 1995, formulated this theory, which is a theory of systems management. At the heart of this concept lies a fundamental principle: the performance of any system is limited by its constraints. In other words, the effectiveness and efficiency of a system are determined by the factors or bottlenecks that hinder its

optimal functioning. By identifying and addressing these constraints, organizations can strive to enhance their overall performance and achieve better results. Few basic limitations are found in the vast majority of businesses. To increase performance of an organization, managers, as per the proponents of this concept, ought to focus on efficiently managing the capacity and capabilities of these constraints. Originally thought to as nothing more than a production-scheduling method, TOC has numerous uses in a variety of organizational contexts (Pacheco, Antunes & de Matos, 2021). The bottlenecks and restrictions inside the organization that slow down production are the main emphasis of the theory of constraints. The fundamental idea is to increase the organization's throughput by increasing the rate of manufacturing output. This necessitates looking at the identified bottlenecks and constraints: A bottleneck is a situation in which an organization's supply of a resource cannot keep up with demand (Ikeziri, Souza, Gupta & Fiorini, 2019).

A limitation is an external circumstance that makes achieving goals harder than it would otherwise be. The absence of qualified staff, a dearth of customer orders, or the requirement to provide a high caliber product production are just a few examples of constraints. According to the definition given above, a bottleneck is always a constraint, but a constraint does not necessarily have to be a bottleneck (Zhao & Hou, 2022). Concept of limitations pushes managers to reevaluate their core beliefs regarding accomplishment of the objectives of their firms, what they regard to be fruitful acts, and what the accurate goal of cost management is. The sales theory of limitations, which emphasizes the need to optimize objectives and profits produced via sales, concentrates on comprehending and regulating restrictions that hinder a business from achieving its objectives (Gupta, Digalwar, Gupta & Goyal, 2022). The financial professional employs management accounting to concentrate on discovering,

evaluating, and reporting major events and opportunities influencing the firm. This function of the financial professional in theory of limitations implementation is crucial. Management accounting emphasizes the creation and upkeep of fundamental management information sources inside an organization and provides the framework for integrating the many data sources available to decision makers (Ikeziri et al., 2019). This theory is pertinent to this study since it reveals the limitations that Islamic banks operate with, in their quest to attain liquidity. An optimum mix of resources should be maintained so as to attain the highest liquidity.

2.2.3 Modigliani-Miller Prepositions

The Modigliani-Miller (MM) (1958) serves as the foundation for contemporary financing structure ideas. The foundation for capital structure is widely acknowledged to be the result of MM's numerous studies. MM demonstrated that the value of capital doesn't change with changes to the financial system in society without taxes. This is only possible in an idealized market economy because equivalent businesses with equal financial structures must charge the same prices. Shareholders will trade until the market values of the two companies are equal if this is not the case and they are aware of the variations in company value. They will sell stock in the inflated firm and exchange their stakes in it. According to Neugebauer, Shachat and Szymczak (2023), the financial structure puzzle can be solved by removing each of the propositions in MM.

MM argues that a firm with leverage is more valuable than one without. This is because dividends are now forbidden by tax restrictions, although interest payments are tax deductible expenses. Debt can only be used up to a certain level, according to MM. If the business goes over this threshold, it will have to pay for supervisory and bankruptcy fees, which would ultimately reduce liquidity levels and raise the risk of a

financial distress (Chen, 2021). Accordingly, this theory applies to islamic banks which should constantly review and take note of their capital structures for optimal returns.

2.2.4 Cost Management and Asset management Theory

According to the cost management and asset management theory, managers may better plan and manage spending by arming themselves with knowledge about when and where costs arise as well as which costs increase a product's value. Costs are categorized as either constant or variable in the "conventional model of cost behavior," and variable costs change according to changes in the activity driver (Owusu & Alhassan, 2021). In the second paradigm, managers consciously shift resource allocation in response to volume changes. While the ideal combination is specified by efficient production, a number of factors may intervene to prevent or restrict resource modifications. According to the theory, these variables cause costs to adapt asymmetrically, more quickly for increases in demand than for decreases.

The price of adjustment itself plays a significant role in whether adjustment takes place. For instance, if labor inputs are increased, search, recruitment, and training expenses may be necessary, and if labor inputs are decreased, severance payments may be necessary. Managers assess the costs of releasing resources when activity declines versus the alternative of not adapting when adjustment costs are present. Adjustment occurs when the additional earnings brought about by producing profitably at a higher level of output outweigh the adjustment costs (Piryonesi & El-Diraby, 2020).

As in the case of labor adjustments, adjustment costs may be a characteristic of the production function, or they may develop if managerial incentives differ from those of the company. For instance, a manager's choice to cut labor resources may be

influenced by personal adjustment costs if he or she loses status or position as the number of his or her subordinates reduces (Labunska, Petrova & Prokopishyna, 2017). According to agency theory, the presence of private adjustment costs incentivizes managers to pursue growth rather than contraction, particularly when their salary, job satisfaction, or other rewards are linked to the extent of resource control they have. Consequently, testing of asymmetric cost behavior could be motivated by a hypothesis regarding individual adjustment costs. If so, one argument in favor of the null hypothesis is that the firm's conduct won't become sticky because of the influence of individual managers because there are sufficient management controls in place and proper rivalry among the firm's employees for limited resources.

In addition to the expenses of change, uncertainty regarding upcoming events adds additional barrier to adjustment. Managers can easily determine a payback period for recovering adjustment expenses related to reestablishing the ideal resource level for future output when they have confidence in the level of demand going forward. When there is an expectation of sustained high demand or when adjustment costs are manageable, organizations proceed with the necessary adjustments. However, the decision-making process becomes more complex in situations where future demand is uncertain. For instance, even if adjustment costs are certain, the timing of their recovery remains uncertain (Almeida, Trindade, Komljenovic & Finger, 2022). Uncertainty arises from the possibility of future requirements for additional and different modifications. The presence of significant ambiguity often favors the "do nothing" option, but it is important to recognize that this decision itself is a form of cost management.

The presence of asymmetric adjustment, where there is a preference for upward rather than downward activity changes, is not associated with uncertainty. Similarly, firm-

level adjustment costs are also unrelated to uncertainty. Furthermore, no analysis of how adjustment costs affect asset management choices is complete without considering managers' assessments of the losses brought on by using an unfavorable resource mix. In a market with perfect competition, failing to adapt would result in higher costs for the company than competitors who did so while getting the same pricing (Owusu & Alhassan, 2021). The concept is pertinent to this research since it indicates the role that asset management plays on Islamic banks' performance. Management of islamic banks should endeavour to reduce costs and maximise revenue.

2.3 Empirical Literature

Every organization needs performance measurement methods for evaluating its achievements. Due to the increasing impact of globalization, intense competition, and advancements in technology, many businesses have adopted a blend of financial and non-financial performance indicators. This combination, often referred to as balanced scorecards by various authors, allows organizations to gain a comprehensive understanding of their overall performance. By considering both financial and non-financial metrics, businesses can better navigate the challenges posed by a globalized market, fierce competition, and technological advancements (Marie, Ibrahim & Al Nasser, 2018). Balanced performance measures, one of the tools used in the strategy process, assist the business in evaluating the success of the strategic goals and objectives. To fully depict a company's performance, financial measures of performance fall short. Managers that just rely on financial performance indicators frequently have a partial understanding of what transpired. The incorporation of balanced performance metrics, encompassing both financial and non-financial measurements, serves as a central instrument for organizations to identify and

communicate their priorities to diverse stakeholders. By utilizing these comprehensive metrics, organizations can effectively align their objectives and communicate their strategic focus to different stakeholders (Azad, Azmat & Hayat, 2020).

The most traditional model for performance evaluation is the financial framework. Its foundations are in the areas of accounting, and financial management and economics. Research supports the assertion that cost containment and reductions contribute to higher earnings. On the other side, when costs are under control, growing sales also contributes to higher profitability. Financial and accounting reports use a variety of profitability metrics. They either disclose revenue as a gross or a net amount. These amounts are absolute, therefore assessing performance may not be relevant (Marie, Ibrahim & Al Nasser, 2018). Over time, there was a recognition that expressing profit numbers as raw figures might not provide a meaningful basis for performance evaluation. To address this, it became more logical to express profit numbers as a percentage of certain base amounts. As a result, two additional profitability metrics, namely the percentage of gross profit and the rate of return on investment, have been introduced into performance evaluation systems. These metrics allow for a more comprehensive assessment of profitability and enable better comparisons across different entities.

According to a number of experts (Zafar et al., 2022), whilst financial measurements are significant, they are insufficient for a sound performance evaluation system. Non-financial performance measures should be included in the system. According to Widarjono et al. (2021), this tendency has one explanation. He said that many actions that support essential success criteria lead to the creation of business value. These elements include creativity, excellence, productivity, and client satisfaction. These success elements ultimately enhance future financial performance (Saidah & Bawono,

2021). Operating income and return on investment, two common summary financial indicators used to report financial outcomes, probably do not accurately capture the long-term effects of these actions. As a result, many businesses also use non-financial measurements to highlight important value-creating activities (Nawaz, 2019). However, according to Ledhem and Mekidiche (2020), there isn't enough data to say whether and how non-financial indicators can boost management success.

2.3.1 Market value measures on Islamic banks' performance

Azad, Azmat and Hayat (2020) carried out research to examine how market value affects islamic banks' performance. The study analyzed data from 20 nations from 2000 to 2015. It was noted that bank charges take a crucial part in determining profitability of this banks. Their research's theoretical model and empirical results demonstrate that Islamic banks have a greater capacity to boost profitability by not relying on returns from loans rather than fee-based income.

It is intriguing to note that metrics commonly used in assessing bank profitability, such as loan-to-deposit ratio, have comparatively smaller influence on profitability of Islamic banks. Islamic banks may experience lower credit risk as they exhibit reduced sensitivity to changes in loan-to-deposit ratio (Azad, Azmat & Hayat, 2020). Relying extensively on fee-based income in the long run may have negative consequences on the sustainability, profitability and banks' growth. The study concentrated on fee income and bank lending, which are distinct from the current study's proposed variables.

Andraeny and Putri (2017) undertook a study to examine how Islamic market value, intellectual capital, social reporting and presence of a Sharia supervisory board affect

the financial performance of this banks. The study selected ten Islamic commercial banks. The study employed the Islamicity Financial Performance Index. Findings indicated a favorable and significant influence on Islamic banks of Islamicity financial performance index. These factors contribute to enhancing the financial islamic banks' performance, highlighting the importance of Islamic social reporting practices, intellectual capital management, and effective governance through a Sharia supervisory board. The study's variables did not include financial measures, hence a conceptual gap.

Al-Homaidi, Al-Matari, Anagreh, Tabash and Mareai (2021) carried out a research to explore link between Islamic banks performance in Yemen and various factors, including the publication of zakat information and market value. The study focused on three banks operating in Yemen, utilizing panel data for analysis. The measurement of zakat disclosure information was based on a 16-item disclosure index. Results pertaining to ROA indicated that the dimension of banks had minor impact on banking performance, while zakat data and bank age had a significant influence on financial results as measured by ROA. Bank size was found to have favorable influence on performance. Bank age had significant influence on bank performance as evaluated by ROA. However, bank size exhibited a negative and relatively minor effect on bank performance as evaluated by ROE. This study focused on zakat data and not financial measures, hence a conceptual gap. Additionally, a contextual gap is evident, as the study was conducted in Yemen.

Chokri and Anis (2018) evaluated two Islamic banks' financial performance. To evaluate the effectiveness and compare these two banks' performances, various ratios were applied. The ratios measured share performance, capital structure, management

capacity, profitability and liquidity. The analysis also measured the two banks' financial stability. Descriptive statistical analysis was utilized to assess performance variability and stability. Results showed that both banks performed well during the aforementioned time. Moreover, Dubai Islamic Bank had a lower level of liquidity than its competition while it had a better level of profitability than Abu Dhabi Bank. Compared to Dubai Islamic Bank, Abu Dhabi Bank was more stable. The study was carried out in UAE, hence contextual gap.

Nawaz, Haniffa and Hudaib (2021) explored whether shariah governance and intellectual capital have an impact on financial Islamic banks' performance. As contrasted to earlier studies, this one examined whether corporate governance and informational control (IC) qualities are mutually connected to economic success. Necessary information is manually gathered from 512 yearly reports so as to identify the various components of intellectual capital asset management and governance system. The study discovered that both capital asset management and shariah governance proxies had a substantial positive link with accounting measure of performance. Yet, just one proxy for the shariah governance system was determined to be substantial but in the wrong direction based on market performance metrics. These findings have major legislative and practical ramifications.

Saputra, Sukoco, Suyono and Elisabeth (2019) conducted research on the fiscal performance of companies in the paper and pulp industry, with market value as the independent variable. Data was gathered through website information and literature reviews. Results revealed that market value was highly correlated with performance. Meanwhile, Voon and Muthaiyah (2021) focused on the widely recognized performance degree. These metrics are crucial for shareholders and managers to

evaluate a company's performance in wealth creation. The study aimed to explore the relationship between market value in generating shareholder value, analyzing 476 publicly listed companies across eight sectors in Bursa Malaysia over a ten-year period (2007-2016). Results indicated a deliberate connection between market value for Malaysian companies, suggesting the importance of reliable measures for thoughtful performance evaluation and aiding investors in sound decision-making and capital allocation. A contextual gap exists as the study was conducted in Malaysia.

Odat and Bsoul (2022) investigated the correlation between financial performance and the market value as well as market value of firms. Utilizing the value-added intellectual coefficient model, which comprises structural capital efficiency, human capital efficiency and capital employed efficiency, they assessed intellectual capital efficiency. Their research, conducted on a sample of 113 service and manufacturing companies highlighted on the Amman Stock Exchange from 2014 - 2018, employed multiple regression analysis. Results indicated a significant positive association between market value and financial performance, while no correlation was observed with market value. Human and structural capital positively influenced financial performance but did not affect market valuation. Capital employed displayed positive associations with both market value and financial performance. The study's findings facilitate companies' comprehension of intellectual capital's role in enhancing value for stakeholders and underscore the usefulness of recognizing or disclosing intellectual capital in financial reports, potentially bolstering financial reporting credibility.

In contrast, Obeidat and Darkal (2018) evaluated the impact of economic performance and accounting measures on the share market value of manufacturing firms highlighted on the Abu Dhabi Stock Exchange. They aimed to determine which type

of measures, accounting-based or economic-based, exerted a greater influence on share market value. Analyzing cross-sectional data from annual reports issued by these firms from 2014 to 2016, they employed multiple linear regression to check the effects of two independent variables on share market value: accounting-based measures and economic-based measures. Their review indicated that both groups of measures significantly affected share market value, with grouping all measures together yielding a more pronounced effect on share price than treating them separately. Additionally, through individual analysis, only market value added was significantly to significantly impact the share market value of listed companies.

Ionescu, Pirvu and Vilag (2019) assessed the correlation between social, environmental and governance factors and the market value of tourism and travel companies. Additionally, the study explored whether strong ESG scores in these companies could serve as predictors of performance. Utilizing a structured version of the Ohlson (1995) model, the study analyzed a global sample of 73 listed firms from 2010 to 2015. Results aligned with the value-enhancing theory, with governance factors exerting the most significant influence on market value across diverse geographic regions. These findings offer valuable insights for stakeholders in measuring economic impact and predicting economic performance.

In a separate study, Orazalin, Ntim and Malagila (2023) scrutinized the connections among board sustainability committees, outcome-based carbon performance and market value, procedure-based climate change initiatives, employing social and economic based theoretical approaches. Analyzing a dataset of 8,408 observations from 35 nations between 2002 and 2019, the research revealed a negative association between actual market value and greenhouse gas radiation Procedure-based climate

change initiatives showed a positive link with market value, although they were associated with increased emissions. The presence of a board sustainability committee positively impacted market value but did not enhance outcome-based carbon performance. The study highlighted variations in relationships across country-groups, sector-groups, periods and country-groups supporting the symbolic legitimation/greenwashing view, suggesting companies use process-based initiatives for symbolic reasons and positive stakeholder impressions.

Agomor, Onumah and Duho (2022) assessed the influence of market value and profitability through a dataset of 20 identified companies in Ghana spanning from 2008 to 2017 and found out that firm performance was affected by market value. On the other hand, Awawdeh and Kareem (2018) evaluated the influence of market value added, traditional accounting measures and economic value added on stakeholders' value in Jordanian commercial banks, utilizing a sample of 13 banks from 2010 to 2016. Shareholders' value served as the dependent variable, with five independent variables. Common regression analysis indicated that ROA and Economic Value Added had a statistically and positive significant influence on maximizing stakeholders' value, while market value and traditional accounting standards showed no significant impact. The research summarized that traditional accounting standards remained essential alongside modern performance measures, recommending the assessment of banks based on ROA and EVA. The study presents a contextual gap as it was conducted in Ghana.

Sujati and Januarti (2021) empirically examined the relationship between company's market evaluation and its intellectual capital efficiency, with financial performance as an intervening variable. Using data from listed provision firms in Indonesia, the

research comprised 109 companies. Regression models demonstrated that a company's intellectual capital influenced its market valuation, and financial performance acted as a full mediator in this relationship. The study's findings provided valuable insights for companies' management to enhance intellectual capital efficiency, subsequently improving financial performance and overall company value.

Pavic, Miletic and Piplica (2021) note that the intricacies of profitability and its determining factors have long captivated scholars. Despite numerous international studies on the subject, their research sheds new light by addressing registered firms in developing economy, examining two performance measures. The study's objective was to present insights into the performance of non-financial firms in Croatia registered on the Zagreb Stock Exchange during the period 2015–2019. The authors compared accounting-based performance, depicted by ROA, with Tobin's Q, a market-based estimate of firm value or performance. Independent variables considered as potential components of registered firms' performance included productivity, liquidity measured by both quick and current ratios, inventory management and size estimate based on total assets and sales and total assets. Findings indicated a statistically significant influence of the size variable based on assets and ROA.

Tabash (2019) looked at the degree of disclosure, market value, and operation of Islamic banks. Performance was assessed by the use of return on assets metric, while their level of disclosure was measured using a disclosure index. The study also incorporated specific variables such as size to analyze the data. Through regression analysis, it was determined that Islamic banks that disclosed a greater amount of information achieved better operating results. Furthermore, performance was

identified as a significant factor influencing disclosure level. The study focused on islamic banks' operations, not performance, hence a conceptual gap.

2.3.2 Liquidity Measures on Islamic banks' performance

Amba and Almukharreq (2018) performed research to examine the effect of financial crisis on Islamic banks' performance. The study utilized a T-Test to analyze any significant variations in the islamic banks' performance. ROA, ROE and NIM were used as indicators of bank profitability. Additionally, two variables were employed to measure specific bank characteristics. Financial crisis related negatively to profitability. During the crisis, the factors influencing profitability operated differently among Islamic banks. It was observed that Islamic banks generally maintained a stronger capital structure. In another study by Khan, Ahmad, Rahman, and Haleem (2018) noted that the Islamic banks exhibited inefficiency and illiquidity.

Akber and Dey (2020) examined the effectiveness of Islamic banks by gathering necessary information from the banks' websites. It analyzed a sample of five banks and compared their performance, considering the average ratio for each year. Performance analysis of this banks was conducted using a standard test format. Results of the research demonstrated that, apart from management quality, there was no significant differences in the Islamic banks' performance.

Non-bank financial institutions and the capital market perform a minor task in the financial sector, which is dominated by the commercial banking system. An important segment of the financial system's assets is held by the banking sector alone. Islamic banks make a large direct or indirect contribution to economic growth through the creation of key economic indicators. Safiullah (2020) study focused on financial

performance of Islamic financial institutions. According to the analysis, both banks' streams' financial performance is noteworthy. Based on the study findings based on dedication to the economy and community, production, and asset management, conventional banks that charge interest perform better.

Islamic banks have played an increasingly key role in economic growth of nations like Bangladesh in the contemporary era of banking. Masudur (2022) evaluated the islamic banks' performance in Bangladesh. Five Islamic banks' annual reports were used to gather secondary data for the study. Researchers applied panel data to analyze and identify critical aspects affecting performance. Results showed that credit to deposit does not have a major influence on performance of this banks, but total asset, capital adequacy, and liquidity factors had a momentary effect on these banks.

Ardila and Siregar (2022) conducted an analysis of the financial performance banks for the years 2017 to 2020, employing liquidity ratio analysis. The liquidity ratios used to assess financial performance were the Current Ratio and Cash Ratio. The research used financial statement data extracted from the annual reports of the banks. The analysis method employed was horizontal analysis, comparing financial statements across specific time intervals. The findings of the data analysis showed that the current ratio the banks affected performance.

Chen, Shen, Kao, and Yeh (2018) assessed liquidity on performance for 12 banks and concluded that variables positively correlated. Wang and Sahyouni (2019) explored the distinctive balance sheets of Islamic banks compared to conventional ones, from 2011 to 2016. The study, covering 491 commercial banks across 18 countries, revealed that conventional banks surpassed Islamic ones in overall liquidity creation, but Islamic banks exhibited higher liquidity creation per asset. Regression research

showed that the production of liquidity, as determined by return on average equity, significantly correlated negatively with bank performance. Although the study only included data from 2011 to 2016, it offered fresh perspectives on the association between liquidity creation and bank performance.

Agustina and Suprayitno (2020) employed liquidity ratio calculations to assess the financial performance of the company from 2017 to 2019. Using a descriptive qualitative method, the study analyzed the company's financial statements and found that its liquidity ratios improved over the three-year period. The quick ratio, cash ratio and current ratio indicated a healthy financial condition, demonstrating the company's capability to control short-term obligations and pay off debts promptly. The study concluded that the bank's financial performance had strengthened, showcasing its capability to balance current assets and debts.

Khan, Scheule, Harry, and Wu (2018) delved into the influence of Basel III liquidity standards on asset liquidity, funding stability, and the financial performance of US banks. The study discovered that improved funding stability resulted in a lower cost of deposit funding, contributing to enhanced financial performance. Larger banks exhibited improved financial performance with greater funding stability but experienced a decrease in financial performance with higher asset liquidity. Banks with higher capital buffers benefited from cheaper deposit funding when their funding stability increased. The findings provided valuable insights for policymakers in guiding further bank regulatory reforms.

Pramita, Wahyuni and Subaida (2022) focused on the firms registered on the Indonesia Stock Exchange, analyzing the influence of liquidity on dividend policy with gains as an intervening variable. Using Structural Equation-Partial Least Square (PLS-SEM)

analysis, the study discovered a significant and positive direct impact of liquidity on profitability. However, the direct effect of liquidity on dividend policy was positive but not significant, while profitability exhibited a positive and significant impact on dividend policy. The study highlighted the nuanced association between liquidity, profitability, and dividend policy in the setting of companies.

Nurwita and Rodhiah (2022) assessed the financial performance of various firms employing ratio analysis. The study revealed that the company maintained healthy liquidity ratios, indicating its ability to meet short-term obligations. However, the profitability ratios suggested a decline in the company's capacity to make profits. Despite the challenges in profitability, the study concluded that the company's liquidity remained robust, allowing it to achieve its short-term obligations effectively.

Alqemzi, Aziz and Yahaya (2022) investigated liquidity components and liquidity risk management's influence on the financial performance of Islamic banks in the United Arab Emirates. The study emphasized the positive and crucial influence of liquidity factors on financial performance. It recommended that banks create sound governance and risk management systems, integrate liquidity factor strategies into risk management practices, and develop contingency plans to address liquidity shortfalls during stress or emergencies.

Haji (2021) examined stock liquidity characteristics and their influence on stock performance during the 2008–2009 pandemic. The research emphasized the role of liquidity risk, rather than the level of liquidity, in describing stock performance during the crisis. The findings suggested an interaction or overlap between the level of liquidity risk and level of liquidity with both factors contributing to stock performance during the crisis.

Yahaya, Mahat, and Yahya (2021) investigated liquidity risk and credit risk's individual and joint effects on the performance of banks in Sub Saharan Africa. The study, utilizing a two-step system generalized way of moment, revealed that both liquidity risk and credit risk had significant and negative influence on banks' performance in the region. The findings underscored the demand for effective risk management strategies to mitigate these risks and enhance banking performance.

Nasution and Yusleny (2023) conducted a detailed analysis of on financial performance from 2016 to 2020, utilizing profitability and liquidity ratios. The study concluded that the company demonstrated favorable profitability, as evidenced by various ratios, and maintained a healthy liquidity position, allowing it to meet short-term obligations effectively. The fluctuation in ratios over the period was acknowledged, but overall, the financial condition of the company was deemed satisfactory.

Using data from five banks over a ten-year period, Onyekwelu, Chukwuani and Onyeka (2018) examined the impact of liquidity on the financial performance of deposit money institutions in Nigeria. Using multiple regression analysis, the study discovered that liquidity and return on capital employed had a significant and favorable impact on profitability ratios. The study advocated measures such as investing in human capital, creating awareness forums for clients, and monitoring liquidity policy tools to effectively manage liquidity and enhance overall performance. a contextual gap exists as the study was conducted in Nigeria.

2.3.3 Leverage Measures on Islamic banks' performance

Afiqoh and Laila (2018) assessed how financial performance affected the likelihood of sharia bank insolvency. The research utilized panel data regression analysis

methods and quantitative methodology. The study's findings indicated that the variable Capital Adequacy Ratio had a considerable favorable impact in part. Ratio of Loan to Assets Leverage has a large detrimental impact. The impact of Return on Asset is both favorable and negligible.

Abdallah and Bahloul (2021) investigated how Shariah governance and disclosure affected financial performance. Regression modeling was utilized in the study to explore the interrelationship between transparency, Shariah governance, and financial performance of 47 Islamic banks. Three sub-indices were employed in the study to quantify Shariah governance. The findings showed a bad correlation between Islamic banks' two performance metrics and disclosure. Performance was significantly associated with effective governance. The study focused on shariah governance and not financial ratios, which is the focus of the proposed study.

Islamic Banks must decide as newcomers to the market. To increase the value of Islamic Banks, management must choose the right capital structure. Al-Kayed (2018) focused at how capital structure affected IBs' performance in an effort to advise management on the topic of capital raising. The study investigates whether IBs' capital decisions are first-order determined by regulatory capital requirements. Additionally, the study determines the sample IBs' ideal capital structure and uses that result as a guide when making capital structure decisions. Findings showed that islamic banks' performance metrics respond favorably to increases in equity. The outcome conforms to the signaling hypothesis, stating that banks with better performance should reliably communicate this information through increased capital. Regarding the inverse relationship between performance and capital structure, the findings show that more successful Islamic banks use more leverage. This was in line with the asset management-risk hypothesis, which states that more successful businesses will select

equity ratios that are lower. The lack of significance of risk in determining leverage suggests that capital requirements for these banks and the variance in this banks' book capital can be explained by normal capital structure determinants. The capital-asset ratio has a rising effect on profitability of Islamic banks, according to outcomes of the optimal capital structure research. It was discovered that a capital ratio of 37.41% was ideal. Investors will perceive Bs as safe and solid if they have minimum capital ratios of 37.41%, which will also reduce the price of issuing new equity.

Mennawi (2020) examined how credit, liquidity, and leverage issues affected the financial performance of Islamic banks in Sudan. Panel dataset contained 143 observations. Two NPM and ROA designs were constructed using robust random effects estimations, which were then tested against the research hypotheses. Liquidity risk was evaluated. Credit risk was assessed by analyzing nonperforming loans and the provision of loan loss ratios. Higher levels of credit risk and greater financial leverage pose challenges to the profitability and overall islamic banks' performance. The financial performance was significantly and favorably impacted by liquidity risk. The study was conducted in Sudan, a different jurisdiction form Kenya, hence a contextual gap.

Akhtar, Yusheng, Haris, Ain and Javaid (2022) conducted a study to investigate the influence of financial leverage on performance and concluded that short-term debt is a primary source of debt contributing to higher refinancing risk, subsequently exerting a detrimental effect on performance. Alipour and Pejman (2015) assessed the economic value added as a performance estimate model in comparison to six traditional accounting performance estimates within the context of registered firms. The study also explored efficiency on market value ,financial leverage and the impact

of the measure of operating leverage. Analyzing a sample of 450 firm-year observations from the Iranian market, the study employed panel data regression and pooled ordinary least squares. The findings indicated that market value did not exhibit superiority over other performance estimates, with return on assets and return on sales found to be more potent in describing firm market value. The study concluded that due to the lack of correlation between leverage and market value, investors cannot rely on internal value creation. It marked one of the initial studies examining the relevance of value-based performance measures and traditional accounting in elucidating market values.

Ali, Tahira, Amir, Ullah, Tahir, Shah and Tariq (2022) determined the association between ownership structure, leverage and firm performance. The study utilized accounting-based estimates, specifically ROE and ROA, as dependent variables. Independent variables included leverage, represented by short term debt and total debt ratios and long-term debt and ownership proxies such as institutional ownership, managerial ownership and family-owned ownership. Managerial variables encompassed the size of the firm and net income. Employing panel data review on data from 70 companies registered on the Pakistan Stock Exchange over the period 2010 to 2016, the study revealed a statistically significant negative association between leverage and firm performance for both ROE and ROA. Additionally, the study identified negative but statistically significant relationships between managerial ownership, family-owned ownership, organizational ownership and firm performance in the listed firms on the Pakistan Stock Exchange.

Danso, Lartey, Gyimah and Ameyaw (2020) delved into the influence of financial leverage on company performance, investigating the function of firm size and crises

in the leverage-performance association. Applying panel econometric methods on data from 2403 Indian companies spanning the years 1995–2014, the study focused on Tobin's Q as the main performance measure. The study uncovered a significantly negative association between financial leverage and firm performance, with the influence of financial leverage being less pronounced for smaller firms compared to larger ones. Furthermore, the study observed that the 2007/08 financial crisis did not significantly alter the connection between firm performance and financial leverage. Drawing insights from agency theory, the findings provided fresh evidence on the influence of leverage on performance within the Indian context, while also addressing the influence of financial crises and firm size on the connection.

Rdaydeh, Almansour and Omari (2018) explored the moderating role of competitive strategy in the linkage between firm performance and financial leverage. Utilizing a sample of industrial firms in Jordan over the period 2007 to 2016, the study revealed that the interaction between financial leverage and competitive strategy influenced the effects of financial leverage on firm performance. The findings aligned with the notion that firms adopting a cost leadership strategy experienced tax advantages and increased efficiency through debt financing. This study extended the understanding of how competitive strategy moderates the association between financial leverage and firm performance, particularly in the setting of an emerging market like Jordan.

Putri, Rokhmawati, and Fitri (2022) examined the impact of firm size and leverage on the financial performance of service companies in the utilities, transportation and infrastructure entities listed on the Indonesia Stock Exchange from 2018 to 2020. Using structural equation modeling-partial least squares, the study discovered that firm size had a positive and significant and positive influence on the company's

financial performance. However, the leverage variable had an insignificant and negative influence on financial performance. Additionally, good corporate governance, as a moderating variable, negatively strengthened the association between financial performance and firm size. However, as a moderating variable, good corporate governance did not influence the relationship between leverage and the company's financial performance.

Ottaviani, Hendra, Kurniati, Islam and Surakarta (2023) aimed to assess the influence of leverage, capital structure, liquidity and company size on the financial performance of manufacturing firms in the consumer goods industry sector listed on the Indonesia Stock Exchange from 2017 to 2021. Employing multiple linear analysis, the study analyzed data from 31 companies, revealing that firm size and leverage had a significant influence on financial performance. On the other hand, liquidity and capital structure did not exhibit a significant influence on financial performance. The findings provided valuable insights for various stakeholders to consider when evaluating factors influencing a company's financial performance and making investment decisions.

The study focused on the financial decisions made by management regarding the optimal capital structure to maximize shareholder wealth. The study investigated the impact of three types of leverage—degree of operating leverage and degree of combined leverage and degree of financial leverage on the financial performance of companies in the food and fertilizer sector in Pakistan. Using a sample of 20 listed firms for the year 2008-2015, the study employed statistical tests, including correlation analysis, unit root test, descriptive statistics and a random influence regression model. The results indicated that the measure of financial leverage and combined leverage

had no significant influence on financial performance measured by ROA. However, the measure of operating leverage had a negative and significant influence on ROA. The study also found that firm size had no impact on financial performance measured by ROA. Additionally, when considering financial performance measured by economic value added, the study revealed a significant and inverse relationship with the degree of operating leverage and measure of financial leverage. Notably, the study supported the pecking order theory of capital structure, emphasizing the need for firms to control fixed costs and focus on equity and optimal debt financing to avoid liquidation.

Sambuaga, Laksamana, Soetemto and Karundeng (2022) examined the influence of leverage on the company performance, considering the moderating role of the board of director's gender. Using net profit margin as the company performance estimate and debt ratios as leverage measures, the study employed a sample of 69 out of 100 firms listed on Kompas 100 in 2018. Through purposive sampling, the data was gathered and analyzed using statistical software. The results indicated a negative influence of leverage on firm performance, and the gender constitution of the board of management weakened this negative relationship. The findings suggested that excessive borrowing might not always be beneficial for a firm, and the presence of females on the board of directors neutralized this negative effect.

Obia (2018) addressed the role of financial leverage in the company performance by examining its effect on listed agricultural companies in Nigeria. Focusing on seven firms over a five-year period (2011-2015), the study used four financial leverage ratios -debt equity ratio (DER), debt ratio (DR) interest coverage ratio (ICR) and asset tangibility ratio (TANG)—to assess their impact on earnings per share as the

dependent variable. The study employed Pearson correlation, regression analysis and descriptive statistics for the investigation. The findings showed that interest coverage ratio and debt ratio had a negative effect on earnings per share and these effects were statistically significant. In contrast, asset tangibility and debt equity ratio were statistically insignificant in impacting the financial performance of agricultural companies in Nigeria. The study recommended that managerial focus should prioritize debt ratio and interest coverage for improving the financial performance of agricultural companies.

2.3.4 Asset Management Measures on Islamic banks' performance

Rehman, Aslam and Iqbal (2022) examine intellectual capital asset management (ICE) and islamic banks' performance. The research utilized the resource-based theory. Data from 129 Islamic banks were analyzed using a two-step approach generalized method of moments estimator. This research provides proof that investments in intellectual capital asset management significantly impact the operational islamic banks' performance. The findings revealed that structural capital asset management (SCE) and relational capital asset management (RCE) are key factors in attaining top performance in these banks. Human capital asset management (HCE) has a detrimental impact on this banks' performance. Ownership and bank dimension play key duty in shaping overall performance outcomes of this banks. As the primary forces behind maintaining competitive advantage and boosting bank productivity, this study aids IBs in maintaining their ICE assets. Stakeholders and policymakers should be aware of the important ICE components and a fair distribution among them to enhance bank performance.

Firmansyah (2018) examined the operational asset management of Islamic banks using the operational expense to operational revenue ratio as a measure of operational asset management, Maqashid sharia index as a measure of bank performance in accordance with Islamic banking principles, and cluster quadrant analysis of each Syariah bank using both Maqashid sharia performance and asset management analysis. The financial statements of Indonesia's Islamic banks were gotten through every bank's website for all study data. Panin Syariah Bank had efficient operations and had outperformed other Indonesian Islamic banks in terms of sharia Maqashid performance.

Hidayat, Sakti, and Al-Balushi (2021) examine asset management and bank performance. The study analysed 12 Islamic and 34 conventional banks. Findings revealed that asset management impacted on financial performance. However, the study identified notable disparities in levels of asset management, risk, and profits between the two types of banks. These findings shed light on the distinctive characteristics and dynamics of conventional and Islamic banking models. It was discovered that the negative consequences of credit risk had less of an influence on Islamic banks. Islamic banks saw an increase in ROA and ROE due to lower cost-income asset management.

Kadri, Rahim and Abdillah (2021) looked at the effectiveness of Islamic banks. The findings indicated that pure technological asset management in the worldwide Islamic banking sector outperforms scale asset management. The findings showed that international Islamic banks have excellent levels of technical asset management. The total technical in asset management of the global Islamic banking sectors was discovered to be more strongly influenced by technical asset management.

Rusydiana and Firmansyah (2018) used the Data Envelopment Analysis (DEA) technique to assess the effectiveness of Islamic banking. The study's calculation of effectiveness of Islamic banks was substantial. According to findings, the first quadrant's Islamic banks had the highest asset management and best performance. The most effective and least effective Islamic banks were those in quadrant 2. Islamic banks in quadrant 3 had strong performance while having the lowest asset management. The study used the Data Envelopment Analysis (DEA) method, while the proposed study uses financial measures hence methodological difference.

Tajudin, Norziaton and Ismail (2021) focused on the function of accrual accounting and information systems in asset management activities within the Malaysian public sector. The research, based on reviews of Auditor-General Reports and other relevant sources, highlighted the impact of accrual accounting and information systems on asset management activities. Accrual accounting provided accurate financial information on assets and liabilities, while information systems facilitated systematic data collection, processing, and distribution, supporting asset management throughout the life cycle. The conceptual paper contributed valuable insights to understanding the role of accrual accounting and information systems in asset management practice.

Sousa and Meireles (2023) evaluated the relationship between quality and asset management. The study examined the distinctions and commonalities between these two management domains, shedding light on the imperative of integrating infrastructure management for the sake of sustainable development. There emerged a conceptual similarity between quality and asset management. Moreover, Sousa and Meireles (2023) advocated for a balanced approach to risk and performance as a key metric for assessing the quality of management decisions, especially in contexts

characterized by uncertainties in infrastructure management. In such situations, where unpredictability and variability are inherent, striking a balance between risk and performance becomes crucial. This metric provides a nuanced evaluation of the effectiveness of management decisions, considering both the potential risks involved and the desired outcomes. The study's emphasis on integrated infrastructure management aligns with the contemporary understanding that effective governance and development in the public sector necessitate a holistic and interconnected approach.

Loon and Mohd (2016) evaluated the effect of asset management control on the financial performance of both Islamic and conventional banks in Malaysia during the period from 2010 to 2013. The research aimed to provide insights into the relationship between various key variables and ROE, a widely used measure of bank profitability. The study encompassed six Islamic banks and six conventional banks in Malaysia. Asset management variables were selected to gauge the multifaceted nature of asset liability management and its potential influence on the financial performance of banks. Asset liability management involves the strategic balancing of assets and liabilities to optimize returns while managing risks. The research employed quantitative analysis techniques, utilizing regression and correlation methods to discern patterns and relationships among the selected variables. The findings of the study revealed a positive association between asset liability management and bank financial performance, particularly as measured by ROE. This implies that effective management of assets and liabilities has a beneficial impact on the profitability of both conventional and Islamic banks in Malaysia.

2.4 Conceptual Framework

It is a set of interrelated hypotheses or assumptions that seek to describe the nature of a phenomena or the relationships among its component parts (Perry & Towers, 2018). The suggested connections are easier to picture with the help of a diagrammatic schematic explanation (Perry & Towers, 2018). It outlines the framework for comprehending association between the observations and their interpretations. The independent variables are market value, liquidity, leverage and asset management. The dependent variable is performance of Islamic banks.

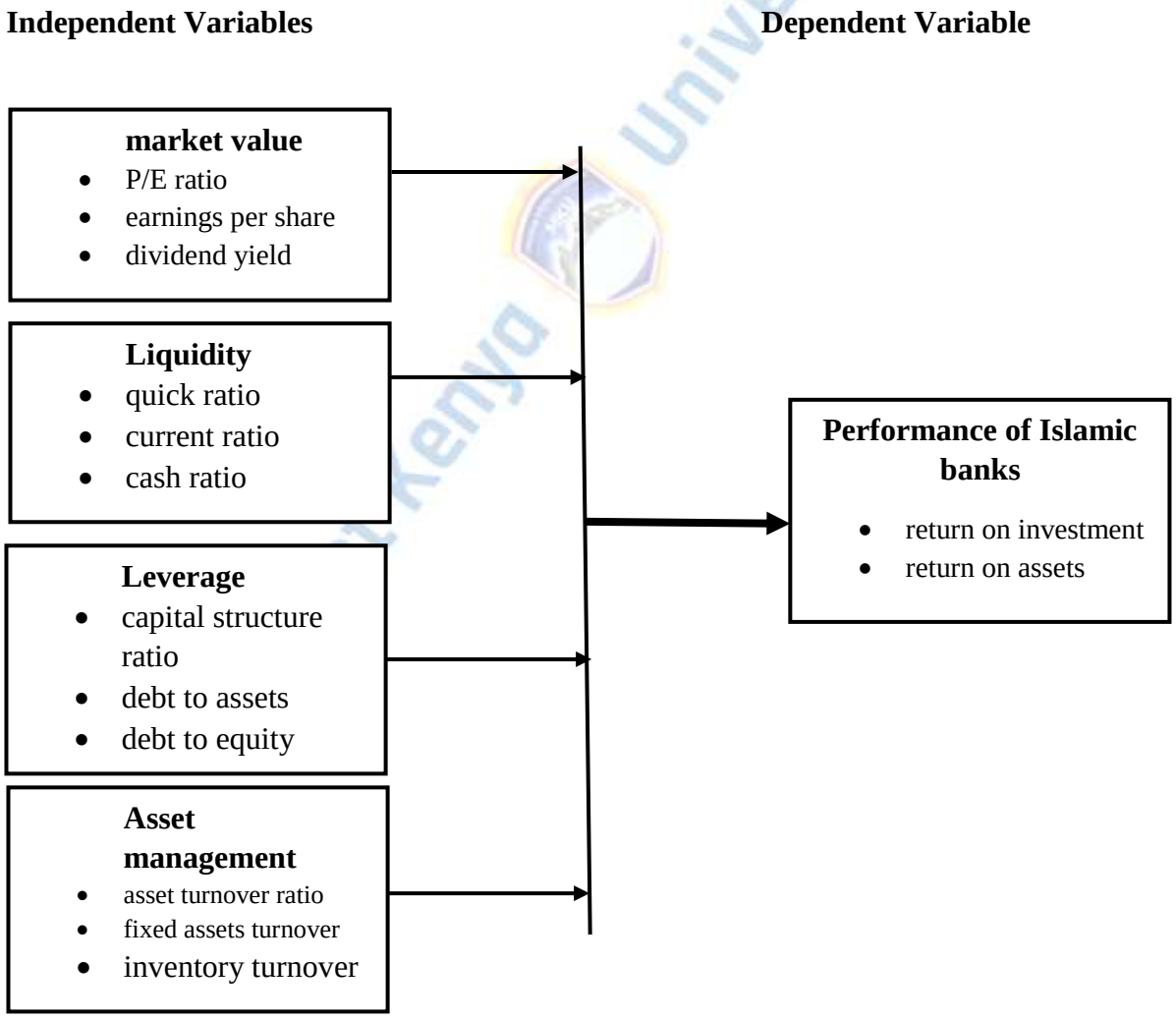

Figure 2.1 Conceptual Framework **(Researcher, 2023)**

2.5 Research Gaps

Previous studies present knowledge gaps, that necessitate the need for this study. Azad, Azmat and Hayat (2020) carried out research to examine how market value affects islamic banks' performance. The study concentrated on fee income and bank lending, which are distinct from the current study's proposed variables. Andraeny and Putri (2017) undertook a study to examine how Islamic social reporting, market value, intellectual capital and presence of a Sharia supervisory board affect the financial performance of Islamic banks. The study's variables did not include financial measures, hence a conceptual gap. Al-Homaidi, Al-Matari, Anagreh, Tabash and Mareai (2021) carried out a research to explore the association between the performance of Islamic banks in Yemen and various factors, including the publication of zakat information and market value. The study focused on zakat data and not financial measures, hence a conceptual gap.

Tabash (2019) looked at the degree of disclosure, market value, and operation of Islamic banks. The study focused on islamic banks' operations, not performance, hence a conceptual gap. Abdallah and Bahloul (2021) investigated how Shariah governance and disclosure affected financial performance. The study focused on shariah governance and not financial ratios, which is the focus of the proposed study. Chokri and Anis (2018) evaluated two Islamic banks' financial performance. The study was carried out in UAE, hence contextual gap. Likewise, Mennawi (2020) examined how credit, liquidity, and leverage issues affected financial performance of Islam banks in Sudan.

2.6 Recap of Literature Review

Azad, Azmat, and Hayat (2020) concentrated on fee income and bank lending, which are distinct from the study's proposed variables. Andraeny and Putri (2017) e variables exhibit conceptual gaps. Chokri and Anis (2018) evaluated the financial performance of Islamic banks. Since the research was conducted in UAE, the context is different. Tabash (2019) looked at the degree of disclosure, market value, and operation of Islamic banks presenting conceptual gaps as variables studied are different. Amba and Almukharreq (2018) investigated how financial crisis affected performance of Islamic and conventional banks. The study was comparative, hence a different methodology form proposed study. Akber and Dey (2020) study was comparative, hence a different methodology form proposed study. Afiqoh and Laila (2018) and Abdallah and Bahloul (2021) variables present conceptual gaps. Mennawi (2020) examined how credit, liquidity, and leverage issues affected performance. The variables present conceptual gaps.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter provides a comprehensive account of the study's methodology. The method employed for the study is explained. Research style utilized for the study is discussed. Details on how a sample was chosen from the target population to participate in the study are also highlighted, along with information about the target population. Along with the methods utilized to conduct this study, the tools that were used for data collecting are also outlined. The methods used to examine the data were covered in the chapter's later sections.

3.2 Research Methodology

Planning, implementation and analyzing a study are done within the context of research. Good research can be conducted with the right selection of a research methodology. A researcher can accomplish their intended objective by using an appropriate approach. This study adopted a descriptive methodology. This was justified as it helped to understand a phenomenon (Aggarwal & Ranganathan, 2019). In this case, the methodology helped to understand financial measures on performance of Islamic banks in Nairobi county.

3.3 Research Design

It is the methodical approach used by a researcher to perform scientific investigations (Abutabenjeh & Jaradat, 2018). A descriptive research design involves observing and documenting a subject's actions without making any changes. Thus, a descriptive research design was applicable to this study. The design helped in the examination of

the influence of market value measures, liquidity measures, leverage measures and asset management measures and performance of Islamic banks.

3.4 Location of the Study

Research was carried out among Islamic banks in Nairobi County. The county hosts Kenya's capital. The islamic bank's headquarters are all based in Nairobi County, hence the researcher will access all the information required.

3.5 Target Population

The target population included three Islamic banks in Nairobi County. These are DIB Bank Kenya Limited, First Community Bank and Gulf African Bank. The three banks offer purely islamic bank products (CBK,2023).

3.6 Sample Size

The study was a census. All the three banks were used in the study. This was because they are manageable and financial statements easily available.

3.7 Construction of Research Instruments

This study used a data collection sheet to gather secondary data from the Islamic banks in Nairobi County. Data collection sheet collected secondary data on market value measures, liquidity measures, leverage measures and asset management measures on performance of Islamic banks. These measures was represented by financial ratios.

3.8 Data Collection Methods and Procedures

This research used secondary data from the published financial statements of the three banks in Nairobi County for 5 years that is the years 2017 to 2021. Generally Accepted

Accounting Principles were used to prepare financial statements. The statements were reliable in collection of data on the subject matter (Chokri & Anis, 2018; Mennawi, 2020).

3.9 Data Analysis Techniques and Procedures

This is the process of examining data gathered in a study in order to draw conclusions and inferences. Data was updated, sorted for completeness, and analyzed via SPSS. The collected data was subjected to diagnostic tests to check for multicollinearity, normality, heteroscedasticity, unit root, and serial correlation. Multicollinearity explained the correlation among the different variables of the study. It was thus a good measure of the level of correlation of variables, with lower levels of multicollinearity often being preferred. The normality test was conducted to determine whether data sets were suitably designed by a normal distribution and to compute the likelihood of the underlying random variable for the set of data that was considered to be normal. Heteroscedasticity ensured that error terms had no effect on the model's individual variables. The unit root test was important to determine if the variables were stationary because the study used panel data. The serial correlation test removed bias and enhanced the asset management of the panel data model. Data was then analyzed using descriptive statistics. Tables were used to present numerical data with interpretations. A correlation table was presented to show the links between variables. The study also conducted regression analysis to exhibit the relationship between market value measures, liquidity measures, leverage measures, asset management measures, and the performance of Islamic banks. A regression analysis was conducted with the model: -

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where:

Y is performance of Islamic banks

α is a constant

$(\beta i; i=1, 2, 3, 4\}$ are the Beta coefficients of independent variables

X_1 is market value measures

X_2 is liquidity measures

X_3 is leverage measures

X_4 is asset management measures

ε is the error term

Correlation coefficient will be used to assess the variables' association.

3.10 Ethical Considerations

The purpose was to guide the researcher in ensuring the protection of participants while also fostering their confidence. Ethical considerations centered on the respondents' right to privacy as well as the intended use of the data collected. The study analyzed financial reports published by firms and made available to investors and other stakeholders. The researcher made every effort to adhere to ethical principles: data was collected objectively, as specified in data collection schedules, to ensure that the results were objective. The researcher cited and referenced all sources of information in the document. Additionally, the researcher followed all applicable procedures when conducting such a study. This included obtaining approval from the University to proceed to the field and collect research data, as well as obtaining a license from the National Commission for Science and Technology to carry out research in the area of interest.

CHAPTER FOUR

RESULTS AND DISCUSSIONS

4.1 Introduction

This chapter presents the findings from an investigation of the Islamic banks in Nairobi County. Both inferential and descriptive statistical techniques are used, and the data is displayed in tables. The outcomes of the study are discussed in light of its aims. The research findings are presented in accordance with the goals of the study.

4.2 Descriptive Statistics

This part describes various variables. These were provided in the form of ratios. The study variables were presented in the form of market value measures, liquidity measures, leverage measures and asset management measures and performance, measured by ROI. This is shown in Table 4.1.

Table 4. 1 Descriptive statistics

Measure	N	Minimum	Maximum	Mean	Std. Deviation
Market value	15	0.0127	0.6826	0.2592	0.1792
Liquidity	15	0.5417	0.8043	0.3678	0.3467
Leverage	15	0.0205	0.8673	0.1939	0.1991
Asset management	15	0.0125	0.7935	0.5529	0.3098

Source : Research data

Table 4.1 indicates that the minimum market value for set of data was 0.0127, the maximum was 0.6826 , the mean was 0.2592 and standard deviation was 0.1792. Liquidity measures indicated that the minimum in the panel data was 0.5417, the maximum was 0.8043, mean was 0.3678 and standard deviation was 0.3467. Leverage minimum was 0.0205, maximum was 0.8673, mean was 0.1939 and standard deviation

was 0.1991. Asset management minimum was 0.0125, maximum was 0.7935, mean was 0.5529 and standard deviation was 0.3098.

4.3. Diagnostic Tests

Diagnostic tests were performed to validate assumptions crucial for applying the multiple regression model. These tests were imperative to avoid potential pitfalls such as inaccurate predictions, overly confident or under-confident estimations of regression coefficients, and the misinterpretation of confidence levels regarding the significance of variables. By completing these diagnostic tests, the study aimed to enhance the robustness of its findings and ensure the reliability of the subsequent regression analysis results. The comprehensive approach taken in validating assumptions helped fortify the accuracy and validity of the connections made between variables in the multiple regression model.

4.3.1 Normality test

Test of normality was part of the diagnostic tests that were to indicate if the sample data came from a normal population. Shapiro-Wilk was run, as the sample panel data size was less than 50.

Table 4. 2 Normality test

Measure	Statistic	df	Sig.
ROI	0.829	13	0.009
MARKET	0.883	13	0.202
LIQ	0.879	13	0.171
LEV	0.866	13	0.073
ASSET	0.826	13	0.007

Source : Research data

Table 4.2 indicates that the significance level for panel data for ROI was 0.009, market value was 0.202, liquidity measure was 0.171, leverage measure was 0.073 and asset management was 0.007. The significance levels were all more than 0.005 (P >0.005), indicating that the data was from a normal distribution, allowing for multiple regression analysis.

4.3.2 Multicollinearity test

The purpose of the test was to assess the level of correlation among independent factors within a regression model. Multicollinearity, characterized by high correlation among predictors, is undesirable in a regression model as it can distort the accuracy of results. This phenomenon can introduce inaccuracies in the regression analysis, impairing the model's numerical robustness and compromising the clarity of estimated outcomes. Multicollinearity undermines the ability to distinguish the individual impact of each predictor variable, making it challenging to interpret their specific contributions to the dependent variable. This can lead to incorrect conclusions and limit the reliability of the regression model's numerical strength. To evaluate multicollinearity, the test utilized the variance inflation factor (VIF), a metric that gauges how much the variance of an estimated regression coefficient increases when predictors are correlated. The results of the test, presented in the table below, provide insights into the presence and extent of multicollinearity. Identifying and addressing multicollinearity is essential for refining the reliability and interpretability of the regression model, ensuring more accurate and trustworthy analytical results. Table 4.3 illustrates the results of multicollinearity test.

Table 4. 3 Multicollinearity test

Measure	VIF
MARKET	2.6352
LIQ	2.9952
LEV	1.8772
ASSET	1.5282
a. Dependent Variable: ROI	

Source : Research data

The Variance Inflation Factor (VIF) values for market value, liquidity, leverage, and asset management were computed as 2.6352, 2.9952, 1.8772, and 1.5282, respectively. These values, all falling below 4, show that there was no significant correlation among the independent variables. In the context of VIF, a value less than 4 is generally considered acceptable, suggesting that the predictors are not highly correlated. Therefore, no corrective measures were deemed necessary. The absence of multicollinearity in any of the independent variables is a positive finding. Multicollinearity can pose challenges in regression analysis by inflating standard errors, making it difficult to precisely estimate the contribution of each independent variable. With VIF values below the threshold, it implies that the chosen predictors—market value, liquidity, leverage, and asset management—do not exhibit strong intercorrelations. This enhances the reliability of the regression analysis, allowing for a more accurate interpretation of the individual effects of these variables on the dependent variable. Overall, the low VIF values affirm the robustness of the model and indicate that the chosen independent variables can be effectively utilized in the regression analysis without concerns about multicollinearity.

4.3.3 Heteroscedasticity

The study used the white test and scatter plot to identify heteroscedasticity. It ascertains whether any of their squares, or cross products or regressors have an impact on the error variance. Figure 4.1 illustrates the results.

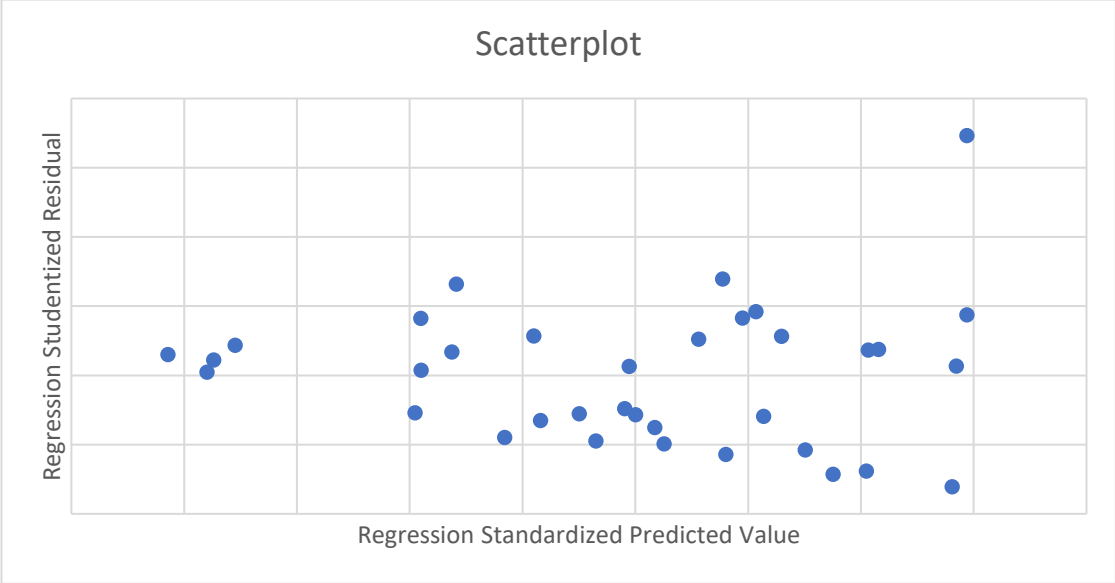

Figure 4.1 : Scatterplot

The scatter plot's output reveals that the spots are scattered and don't clearly form a pattern. Therefore, there was no heteroscedasticity in the model.

4.3.4 Autocorrelation

The Durbin-Watson test was employed to assess whether there was autocorrelation in the residuals of a multiple regression analysis. In the event of detecting autocorrelation, the study implemented variable transformations to eliminate the autocorrelation parameter using the Cochrane procedure. The outcomes of the test are presented in Table 4.4 .

Table 4. 4 Autocorrelation analysis

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.738[a]	0.673	0.5127	0.3913616	1.907

a. predictors: (constant), market, liquidity, leverage, asset management

b. Dependent Variable:
ROI

Source : Research data

Upon reviewing the results, it was found that the Durbin-Watson test yielded a value of 1.907. This value, falling within the range, indicates no significant correlation among the study variables. This lack of correlation is deemed appropriate for subsequent analysis, suggesting that the assumptions regarding the independence of residuals in the multiple regression model are satisfied.

4.3.5 Stationarity tests

The Levin-Lin-Chu unit-root test was employed to ascertain the stationarity of a time series. In this test, the alternative hypothesis posits that panels are stationary, indicating stability over time, while the null hypothesis suggests that panels contain unit roots, signifying a lack of stability. This is shown in table 4.5

Table 4. 5: Stationarity Tests Results

Variable		Statistic	p-value
Market value	Unadjusted t	0.02422	0.0064
	Adjusted t*	0.02212	0.0056
Liquidity	Unadjusted t	1.18272	0.0098
	Adjusted t*	1.12612	0.0181
Leverage	Unadjusted t	0.13282	0.0296
	Adjusted t*	0.12582	0.0268
Asset management	Unadjusted t	0.49908	0.0060
	Adjusted t*	0.47718	0.0137

Source: Research Data

The outcomes of this test were presented in Table 4.5. It was observed that the Levin–Lin–Chu bias-adjusted t statistics for all variables were below the 0.05 threshold. This result led to the rejection of the null hypothesis. Therefore, the study concluded that the time series was stationary. In practical terms, this implies that the variables under consideration did not exhibit significant trends or systematic patterns over time, enhancing the reliability of analyses and inferences drawn from the time series data. The rejection of the null hypothesis supports the notion that the panels are stationary, aligning with the underlying assumptions necessary for robust statistical analyses in the context of time series data.

4.4 Correlation Analysis

4.4.1. Market value measures on performance of Islamic banks

The study assessed the influence of market value measures on performance of Islamic banks in Nairobi county.

Table 4. 6 Correlations between market value measures and performance

			ROI	MKTVALUE
Spearman's rho	ROI	Correlation Coefficient	1	0.672
		Sig. (2-tailed)		0.001
		N	15	15
	MKTVALUE	Correlation Coefficient	0.672	1
		Sig. (2-tailed)	0.001	
		N	15	15

Source : Research data

Table 4.6 shows a correlation analysis of market value measures and performance of islamic banks.

4.4.2 Liquidity measures on performance of Islamic banks

The study examined the influence of liquidity measures on performance of Islamic banks in Nairobi county. Table 4.7 shows a correlation of liquidity measures and Islamic banks performance in Nairobi County.

Table 4. 7 Correlations between liquidity and performance

			ROI	LIQUIDITY
Spearman's rho	ROI	Correlation Coefficient	1	0.782
		Sig. (2-tailed)		0.000
		N	15	15
	LIQUIDITY	Correlation Coefficient	0.782	1
		Sig. (2-tailed)	0.000	
		N	15	15

Source : Research data

The study showed a significant and positive correlation between market value measures and performance of Islamic banks in Nairobi county ($r=0.672$; value < 0.05).

These findings suppport those of Azad et al. (2020) , who carried out research to examine how market value affects islamic banks' performance. It was noted that banks' market value has a strong association with performance, in terms of profitability. Islamic banks have a greater capacity to boost profitability by relying on fee-based income rather than returns from loans. Likewise, Andraeny and Putri (2017) undertook a study to examine how Islamic social reporting, market value, intellectual capital and presence of a Sharia supervisory board affect the financial performance of this banks. These factors were found to contribute to islamic banks' performance. In the same vein, Al-Homaidi et al. (2021) carried out a research to explore link between performance of Islamic banks in Yemen and various factors, including market value. Bank size , in terms of market value was found to have favorable influence on performance. Additionally, Nawaz et al. (2021) explored whether shariah governance and intellectual capital have an impact on financial Islamic banks' performance. The study discovered that the banks' market value had a significant and positive link with performance. Tabash (2019) looked at the degree of disclosure, market value and operation of Islamic banks. Performance was assessed by the use of return on assets metric, while their level of disclosure was measured using a disclosure index. It was determined that Islamic banks that disclosed a greater amount of information achieved better operating results. Furthermore, market value was identified as a significant factor influencing performance.

The study revealed a significant and positive correlation between liquidity measures and performance of Islamic banks in Nairobi county ($r=0.782$;value < 0.05). These findings suppport those of Chokri and Anis (2018), who evaluated Islamic banks' financial performance. Results showed that liquidity of islamic banks has a great influence on performance. In the same breadth, Safiullah (2020) focused on financial

performance of Islamic financial institutions. It was noted that liquidity is a major contributor to banks' performance. Masudur (2022) evaluated the islamic banks' performance in Bangladesh. Five Islamic banks' annual reports were used to gather secondary data for the study. Researchers used panel data to analyze and identify critical aspects affecting performance. Results showed that credit to deposit does not have a major effect on performance of this banks, but total asset, capital adequacy, and liquidity factors had a momentary effect on these banks. Additionally, Akber and Dey (2020) examined the effectiveness of Islamic banks by gathering necessary information from the banks' websites. Results of the research demonstrated that, apart from management quality, liquidity played a significant role in the Islamic banks' performance. Amba and Almukharreq (2018) observed that Islamic banks generally maintained a stronger capital structure. In another study , Khan et al. (2018) noted that the Islamic banks exhibited efficiency and liquidity. Table 4.8 illustrates the correlations between liquidity and performance.

4.4.3 Leverage measures on performance of Islamic banks

The study examined the influence of leverage measures on performance of Islamic banks in Nairobi county. Table 4.8 shows a correlation of leverage measures on performance of Islamic banks in Nairobi county. Table 4.8 illustrates the correlations between leverage measures and performance.

Table 4. 8 Correlations between leverage

			ROI	LEVERAGE
Spearman's rho	ROI	Correlation Coefficient	1	0.537
		Sig. (2-tailed)		0.002
		N	15	15
	LEVERAGE	Correlation Coefficient	0.537	1
		Sig. (2-tailed)	0.002	
		N	15	15

Source : Research data

The research revealed a positive and significant correlation between leverage measures on performance of Islamic banks in Nairobi count (r=0.537; p-value < 0.05). These findings suppport those of Afiqoh and Laila (2018), who assessed how financial performance affected the likelihood of sharia bank insolvency. The study's findings indicated that the variable capital adequacy ratio had a considerable favorable impact in part. Ratio of loan to assets leverage has a large detrimental impact. The impact on return on asset was significant. Likewise, Mennawi (2020) examined how credit, liquidity, and leverage issues affected the financial performance of Islamic banks in Sudan. Higher levels of credit risk and greater financial leverage pose challenges to the profitability and overall islamic banks' performance. The financial performance was significantly and favorably impacted by liquidity risk. Additionally, Al-Kayed (2018) focused at how capital structure affected islamic banks' performance. Findings showed that islamic banks' performance metrics respond positively to increases in equity. The outcome conforms to the signaling hypothesis, stating that banks with better performance should reliably communicate this information through increased capital. Regarding the inverse relationship between performance and capital structure, the findings show that more successful Islamic banks use more leverage. This was in

line with the asset management-risk hypothesis, which states that more successful businesses will select equity ratios that are lower. The lack of significance of risk in determining leverage suggests that capital requirements for these banks and the variance in this banks' book capital can be explained by normal capital structure determinants. A study by Abdallah and Bahloul (2021) investigated how leverage affected financial performance. Findings indicated a strong correlation between leverage and financial performance.

4.4.4 Asset management measures on performance of Islamic banks

The study determined the influence of asset management measures on performance of Islamic banks in Nairobi county. Table 4.9 shows a correlation of set management measures and performance of Islamic banks in Nairobi county.

Table 4. 9 Correlations between asset management measures and performance

			ROI	ASSETMGT
Spearman's rho	ROI	Correlation Coefficient	1	0.684
		Sig. (2-tailed)		.000
		N	15	15
	ASSETMGT	Correlation Coefficient	0.684	1
		Sig. (2-tailed)	0.000	
		N	15	15

Source : Research data

4.5 Regression Analysis

The results of the panel data fixed effects regression model are presented in Table 4.10.

These findings suppport those of Rehman, Aslam and Iqbal (2022), who examined capital asset management and islamic banks' performance. Findings revealed that capital asset management contributes to attainment of performance in banks. Stakeholders and policymakers should be aware of the important capital asset management components and a fair distribution among them to enhance bank performance. Kadri et al. (2021) looked at the effectiveness of Islamic banks. The findings indicated that pure technological asset management in Islamic banking sector outperforms scale asset management. The findings showed that international Islamic banks have excellent levels of technical asset management. The total technical in asset management of the global Islamic banking sectors was discovered to be more strongly influenced by technical asset management. In the same breadth, Hidayat et al. (2021) examined asset management and bank performance. Findings revealed that asset management impacted on financial performance. However, the study identified notable disparities in levels of asset management, risk, and profits. It was discovered that the negative consequences of credit risk had less of an impact on Islamic banks. Likewise, Firmansyah (2018) examined the operational asset management of Islamic banks and concluded that asset management significantly associates with performance of Islamic banks.

The findings indicate that R, a multiple correlation coefficient, is 0.738, indicating how well an independent variable predicts a dependent variable.This suggests a connection quite strongly. The four independent variables in the model account for 67.3% of the performance of Islamic banks in Nairobi County, according to the R-Square, or coefficient of determination. After taking into consideration model inefficiencies, the Adjusted R-Squared indicates that the independent variables may account for 51.27 percent of the performance of Islamic banks in Nairobi County.

Table 4. 10 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.738[a]	0.673	0.5127	0.3914

a. Predictors: (Constant), MARKET, LIQUIDITY, LEVERAGE, ASSET MANAGEMENT

b. Dependent Variable: ROI

Source : Research data

Table 4.10 includes various statistical metrics such as the R value, indicating the degree to which the explanatory variable influences the explained variable, the R2, the Adjusted R Square reflecting the impact of explanatory factors on the depicted variables while accounting for the number of predictors, and the R Square, providing insight into the credibility of the regression results. The study revealed a statistically significant and positive correlation between leverage measures and the performance of Islamic banks in Nairobi County, with a correlation coefficient of 0.684 and a p-value below 0.05. This implies that changes in leverage measures are associated with significant variations in the performance of Islamic banks, as indicated by the strength and significance of the correlation.

The overall significance of the model is assessed using the Analysis of Variance (ANOVA). The table shows evidence that the model is significant in explaining performance of Islamic banks in Nairobi count (p-value < 0.05).This is illustrated in Table 4.11 :

Table 4.11 ANOVA

ANOVA[a]					
Model	**Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**
Regression	0.559	2	0.147	0.408	.000[b]
Residual	10.973	13	0.279		
Total	11.782	15			

a. Dependent Variable: ROI

a. Predictors: (Constant), MARKET, LIQUIDITY, LEVERAGE, ASSET MANAGEMENT

Source : Research data

The coefficients in table 4.12 were used to construct the linear regression model which explains the interrelationship amongst the study variables. Hence ;

$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$

Factoring in the values we have;

ROI = 0.457 + 0.057 X_1 **+ 0.093** X_2 **+ 0.077** X_3 **+ 0.237** X_4

Constant = 0.457 in the regression model above indicates that if all of the independent variables were zero, ROI would be 0.457. The study revealed a positive and significant effect of market value on performance of Islamic banks in Nairobi county (p-value < 0.05). Keeping the other factors unchanged, a unit increase in market value would result in a 0.057 increase in ROI. The study revealed a positive and significant effect of liquidity on performance of Islamic banks in Nairobi county (p-value < 0.05). With all other variables held constant, a unit increase in liquidity would result in a factor of 0.093 rise in ROI. The study revealed a positive and significant effect of leverage on performance of Islamic banks in Nairobi county (p-value < 0.05). With all other variables held constant, a unit increase in leverage would result in a 0.077 increase in ROI. The study revealed a positive and significant effect of asset management on

performance of Islamic banks in Nairobi county (p-value < 0.05). With all other variables held constant, a unit increase in asset management would result in a factor of 0.237 rise in ROI.

Table 4. 12 Regression 1

Coefficients[a]					
	Unstandardized Coeff.		**Standardized Coeff.**	**t**	**Sig.**
	B	**Std. Error**	**Beta**		
(Constant)	0.457	0.301		0.678	
MARKET	0.004	0.387	0.057	0.324	0.000
LIQ	0.903	0.624	0.093	0.273	0.002
LEV	0.273	0.729	0.077	0.174	0.000
ASSET	0.672	0.661	0.237	0.719	0.001
a. Dependent Variable: ROI					

Source : Research data

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary of the research findings on influence of market value measures, liquidity measures, leverage measures and asset management measures on performance of Islamic banks in Nairobi county. Conclusions derived from findings are discussed. Additionally, recommendations from the study's findings are presented for practitioners and researchers' action.

5.2 Summary of the result findings

This section of research findings is presented in line with the objectives of the research.

5.2.1 Influence of liquidity measures on performance of Islamic banks

The study revealed a positive and significant correlation between market value measures and performance of Islamic banks in Nairobi county. Regression analysis results indicated a positive and significant effect of market value on performance of Islamic banks in Nairobi county.

5.2.2 Influence of market value measures on performance of Islamic banks

The study revealed a significant and positive correlation between liquidity measures and performance of Islamic banks in Nairobi county. Regression analysis results showed a significant and positive effect of liquidity on performance of Islamic banks in Nairobi county.

5.2.3 Influence of leverage measures on performance of Islamic banks

The study revealed a positive and significant correlation between leverage measures and performance of Islamic banks in Nairobi county. Regression analysis results

indicated a positive and significant effect of leverage on performance of Islamic banks in Nairobi county.

5.2.4 Influence of asset management measures on performance of Islamic banks

The study revealed a positive and significant correlation between asset management measures and performance of Islamic banks in Nairobi county. Regression analysis results showed a positive and significant effect of asset management on performance of Islamic banks in Nairobi county.

5.3 Conclusions

The study concludes that there is a positive and significant association between market value measures and performance of Islamic banks in Nairobi county. Dividend Yield, Price-to Earnings (P/E) Ratio, and Earnings Per Share (EPS) are indeed critical measures in the world of finance and investing. These metrics help investors assess the market value of a company's stock and make informed decisions about whether to buy or sell.

There exists a positive and significant link between liquidity measures and performance of Islamic banks in Nairobi county. Liquidity is a critical financial concept that measures a firm's ability to meet its short-term financial obligations and convert its assets into cash without incurring significant losses. It's a key indicator of a company's financial health and its ability to weather financial challenges.

A positive and significant association exists between leverage measures and performance of Islamic banks in Nairobi county. Debt to Assets, and Debt to Equity and Capital Structure Ratio are metrics that gauge a firm's leverage. Capital structure ratio assesses the mix of debt and equity in a firm's financing. Debt to assets reveals

the proportion of assets financed by debt. Debt to Equity quantifies the relationship between a firm's debt and equity financing, helping assess its financial risk and leverage.

There's a significant and positive correlation between asset management measures and performance of Islamic banks in Nairobi county. Asset Turnover Ratio, fixed assets turnover, and inventory turnover are measures of a company's operational efficiency and how effectively it utilizes its assets and inventory to generate revenue. Leverage, on the other hand, relates to the use of debt in a company's capital structure.

5.4 Recommendations for practice

This study recommends that Islamic banks in Nairobi County should take measures to enhance their market value. This is achievable through accurate valuation of their stocks, which can instill confidence among potential investors and existing shareholders. Additionally, offering shareholders consistent value for their investments is essential in building trust and attracting further investment. Islamic banks should also focus on maximizing shareholders' wealth through strategies such as profit maximization. When shareholders perceive that their investments are growing and profitable, they are more likely to remain committed and continue investing, ultimately leading to the enhanced performance and overall success of the banks. These recommendations can contribute to the stability and growth of Islamic banks in Nairobi County while fostering a positive investment environment.

Islamic banks in Nairobi County should prioritize the enhancement of their liquidity position. Liquidity is a fundamental financial metric that assesses a financial institution's capacity to meet its short-term financial obligations and convert its assets into cash without incurring substantial losses. It serves as a measure of the bank's

financial health and its resilience in meeting financial obligations. Ensuring robust liquidity can be achieved through efficient working capital management. Striking the right balance between holding an adequate amount of cash and making prudent investments is pivotal in achieving optimal financial performance. Efficient working capital management involves streamlining processes related to accounts payable, accounts receivable, and inventory management. Islamic banks should maintain a healthy cash flow and remain ready to meet any immediate financial obligations, such as customer withdrawals or other short-term liabilities. Furthermore, sound liquidity management also contributes to the banks' ability to seize opportunities for growth and navigate economic fluctuations. It provides them with the flexibility to invest in income-generating assets or respond to emerging market conditions.

This study recommends that Islamic banks in Nairobi County should consider enhancing leverage to attain an optimal capital structure and thereby, performance. The appropriate balance between equity and debt is crucial for the banks. Ensuring that the bank's assets can effectively support revenue generation and debt repayments is fundamental. The Debt to Equity ratio, which quantifies the relationship between a firm's debt and equity financing, serves as a valuable tool for evaluating financial risk and leverage. By maintaining an ideal level of leverage, these banks can attain financial performance. This balance helps in taking advantage of the financial benefits of debt, such as tax deductions and potential amplification of returns, while also managing the associated risks. An optimum leverage level is essential to ensure that the banks can maximize profitability and create sustainable growth.

Effective asset management is critical for Islamic banks to achieve optimal performance. It involves the prudent use of their assets to generate revenue streams

that can, in turn, support the overall performance of the banks. By ensuring that their assets are deployed efficiently and in accordance with Islamic finance principles, these banks can not only safeguard their financial stability but also enhance their profitability. Efficient asset management entails making strategic decisions about where to invest and how to allocate resources to ensure that the bank's portfolio aligns with its goals and risk tolerance. It's important for Islamic banks to select investments that are not only financially sound but also in compliance with Sharia principles. By effectively managing their assets, Islamic banks can optimize their returns, mitigate risks, and serve their customers in a manner consistent with ethical and Islamic financial principles. This, in turn, will enable these institutions to achieve financial performance.

5.5 Recommendations for further research

The study was limited to islamic banks in Nairobi county. However, there exists an opportunity for broader exploration within the entire islamic banking sector in Kenya. Conducting similar studies across the entirety of the islamic banking industry could significantly enrich the findings of this research, thereby granting it a more extensive and comprehensive scope. The results gotten from analysis reveal an R-squared value of 0.673. This statistical data indicates that 67.3% of the variability observed in the performance of islamic banks in Nairobi county could be attributed to changes in market value, liquidity, leverage and asset management measures. Hence, changes in these variables have a substantial effect on islamic banks' performance. Other factors, accounting for 32.7% of the variance, that influence the Islamic banks performance in Nairobi County but were not determined. Consequently, further research to better understand the other variables contribution to performance should be conducted. The study employed secondary data in collection This study recommends adoption of a

mixed methods approach ,so as to gain more insights on the influence of financial measures on Islamic bank performance.

REFERENCES

Afiqoh, L., & Laila, N. (2018). Pengaruhnya kinerja keuangan terhadap risiko kebangkrutan bank umum syariah di indonesia (metode Altman z-score modifikasi periode 2011-2017). *Jurnal Ekonomi Dan Bisnis Islam (Journal of Islamic Economics and Business)*, 4(2), 166. https://doi.org/10.20473/jebis.v4i2.10757

Aggarwal, R., & Ranganathan, P. (2019). Study designs: Part 2 - Descriptive studies. Perspectives in Clinical Research. Wolters Kluwer Medknow Publications. https://doi.org/10.4103/picr.PICR_154_18

Agomor, P. E., Onumah, J. M., & Duho, K. C. T. (2022). Intellectual capital, profitability and market value of financial and non-financial services firms listed in Ghana. International Journal of Learning and Intellectual Capital, 19(4), 312–335. https://doi.org/10.1504/IJLIC.2022.123841

Ahmadi, P. F., Alboneh, Z., & Ardiansyah, F. (2021). Analisis Kinerja Keuangan Perbankan Syariah Sebelum Merger Menjadi Bank Syariah Indonesia. *Jurnal Riset Akuntansi Dan Bisnis Indonesia*, 1(1), 95–110. https://doi.org/10.32477/jrabi.v1i1.326

Akbar, T., & Siti-Nabiha, A. K. (2022). Objectives and measures of performance of Islamic microfinance banks in Indonesia: the stakeholders' perspectives. *ISRA International Journal of Islamic Finance*, 14(2), 124–140. https://doi.org/10.1108/IJIF-11-2020-0231

Akber, S. M., & Dey, A. (2020). Evaluation of the Financial Performance between Traditional Private Commercial Banks and Islamic Banks in Bangladesh. *International Journal of Islamic Banking and Finance Research*, 4(2), 1–10. https://doi.org/10.46281/ijibfr.v4i2.640

Akhtar, M., Yusheng, K., Haris, M., Ain, Q. U., & Javaid, H. M. (2022). Impact of financial leverage on sustainable growth, market performance, and profitability. Economic Change and Restructuring, 55(2), 737–774. https://doi.org/10.1007/s10644-021-09321-z

Al-Awawdeh, H. A., & Kareem Al-Sakini, S. A. (2018). The Impact of Economic Value Added, Market Value Added and Traditional Accounting Measures on Shareholders' Value: Evidence from Jordanian Commercial Banks. International Journal of Economics and Finance, 10(10), 40. https://doi.org/10.5539/ijef.v10n10p40

Al-Haji, A. (2021). Liquidity level or liquidity risk? A fresh look with new measures. Revista Espanola de Financiacion y Contabilidad, 50(4), 395–408. https://doi.org/10.1080/02102412.2020.1863126 Lou and Sadka, in a study that was published in 2011

Al-Homaidi, E. A., Al-Matari, E. M., Anagreh, S., Tabash, M. I., & Mareai Senan, N. A. (2021). The relationship between zakat disclosures and Islamic banking performance: Evidence from Yemen. Banks and Bank Systems, 16(1), 52–61. https://doi.org/10.21511/bbs.16(1).2021.05

Ali, J., Tahira, Y., Amir, M., Ullah, F., Tahir, M., Shah, W., … Tariq, S. (2022). Leverage, Ownership Structure and Firm Performance. Journal of Financial Risk Management, 11(01), 41–65. https://doi.org/10.4236/jfrm.2022.111002

Alipour, M., & Pejman, M. E. (2015). The impact of performance measures, leverage and efficiency on market value added: Evidence from Iran. Global Economics and Management Review, 20(1), 6–14. https://doi.org/10.1016/j.gemrev.2015.04.001

AL-Kayed, L. T. (2018). Capital Structure and Performance of Islamic Banks: Determinants and Optimality. (March).

Almeida, N., Trindade, M., Komljenovic, D., & Finger, M. (2022). A conceptual construct on value for infrastructure asset management. Utilities Policy, 75. https://doi.org/10.1016/j.jup.2022.101354

Alnajjar, A., & Abdullah Othman, A. H. (2021). The Impact of Capital Adequacy Ratio (CAR) on Islamic Banks' Performance in Selected MENA Countries. *International Journal of Business Ethics and Governance*, 116–133. https://doi.org/10.51325/ijbeg.v4i2.70

Alqemzi, A. A. M., Aziz, N. A. A., Yahaya, S. N., & ... (2022). Liquidity Factors and Liquidity Risk Management for Financial Performance Improvement in the UAE Islamic Banking System. Journal of Positive …, 6(3), 4628–4635. Retrieved from http://mail.journalppw.com/index.php/jpsp/article/view/2663%0Ahttp://mail.journalppw.com/index.php/jpsp/article/download/2663/1697

Al-Qudah, H. A. (2020). The Impact of Financial Performance of Stock Prices of Jordanian Islamic Banks (During Period From 2010 To 2018). *International Journal of Economics and Financial Issues*, 10(1), 228–234. https://doi.org/10.32479/ijefi.9157

Al-Rdaydeh, M., Almansour, A. Y., & Al-Omari, M. A. (2018). Moderating effect of competitive strategies on the relation between financial leverage and firm performance: Evidence from Jordan. Business and Economic Horizons, 14(3), 626–641. https://doi.org/10.15208/beh.2018.44

Amba, M. S., & Almukharreq, F. (2018). Impact of the Financial Crisis on Profitability of the Islamic Banks vs Conventional Banks- Evidence from GCC. *International Journal of Financial Research*, 4(3). https://doi.org/10.5430/ijfr.v4n3p83

Andraeny, D., & Putri, D. D. (2017). Islamicity Financial Performance Index in Indonesian Islamic Banks. Shirkah: *Journal of Economics and Business*, 2(3). https://doi.org/10.22515/shirkah.v2i3.170

Ardila, I., & Siregar, S. A. (2022). Analysis of Liquidity Ratio to Measure Financial Performance. Proceeding International Seminar on Islamic Studies, 3(1), 790–794.

Azad, A. S. M. S., Azmat, S., & Hayat, A. (2020). What determines the profitability of Islamic banks: Lending or fee? International Review of Economics and Finance. https://doi.org/10.1016/j.iref.2019.05.015

Baber, H. (2020). Financial inclusion and FinTech: A comparative study of countries following Islamic finance and conventional finance. Qualitative Research in Financial Markets, 12(1), 24–42. https://doi.org/10.1108/QRFM-12-2018-0131

Ben Abdallah, M., & Bahloul, S. (2021). Disclosure, Shariah governance and financial performance in Islamic banks. *Asian Journal of Economics and Banking*, 5(3), 234–254. https://doi.org/10.1108/ajeb-03-2021-0038

Buallay, A., Al Hawaj, A. A., & Hamdan, A. (2021). Integrated reporting and performance: a cross-country comparison of GCC Islamic and conventional banks. *Journal of Islamic Marketing*, 12(8), 1619–1636. https://doi.org/10.1108/JIMA-08-2017-0084

Burger, J. (2018). The Financial Services Sector in Sudan", How We Made it in Africa. Africa Business Insight. Retrieved from https://www.howwemadeitinafrica.com/the-financial-services-sector-in-sudan/61452

Carini, C., Comincioli, N., Poddi, L., & Vergalli, S. (2017). Measure the performance with the market value added: Evidence from CSR companies. Sustainability (Switzerland), 9(12). https://doi.org/10.3390/su9122171

Chen, J. (2021). On the theoretical foundation of corporate finance. Structural Change and Economic Dynamics, 59, 256–262. https://doi.org/10.1016/j.strueco.2021.08.012

Chen, Y. K., Shen, C. H., Kao, L., & Yeh, C. Y. (2018). Bank Liquidity Risk and Performance. Review of Pacific Basin Financial Markets and Policies, 21(1). https://doi.org/10.1142/S0219091518500078

Chi, T., Li, J., Trigeorgis, L. G., & Tsekrekos, A. E. (2019, June 1). Real options theory in international business. Journal of International Business Studies. Palgrave Macmillan Ltd. https://doi.org/10.1057/s41267-019-00222-y

Chokri, T., & Anis, E. A. (2018). Measuring the Financial Performance of Islamic Banks in Selected Countries. *Journal of Business & Financial Affairs*, 07(01). https://doi.org/10.4172/2167-0234.1000328

Danso, A., Lartey, T. A., Gyimah, D., & Adu-Ameyaw, E. (2020). Leverage and performance: do size and crisis matter? Managerial Finance, 47(5), 635–655. https://doi.org/10.1108/MF-10-2019-0522

Ekaningsih, L. A. F., & Afkarina, F. I. (2021). Good Corporate Governance Pengaruhnya Pada Kinerja Keuangan Perbankan Syariah di Indonesia. *Jurnal Akuntansi Terapan Dan Bisnis*, 1(1), 83–94. https://doi.org/10.25047/asersi.v1i1.2758

Firmansyah, I. (2018). Asset management and Performance of Islamic Bank: Quadrant Analysis Approach. *International Journal of Islamic Business and Economics* (IJIBEC), 15–25. https://doi.org/10.28918/ijibec.v2i1.1251

Gupta, M., Digalwar, A., Gupta, A., & Goyal, A. (2022). Integrating Theory of Constraints, Lean and Six Sigma: a framework development and its application. Production Planning and Control. https://doi.org/10.1080/09537287.2022.2071351

Haddad, A., El Ammari, A., & Bouri, A. (2021). Impact of Audit Committee Quality on the Financial Performance of Conventional and Islamic Banks. *Journal of Risk and Financial Management*, 14(4), 176. https://doi.org/10.3390/jrfm14040176

Haddad, A., El Ammari, A., & Bouri, A. (2022). The effect of audit committee quality on the conventional and Islamic banks' financial performance between subprime and Corona crises. *Asian Journal of Accounting Research*, 7(3), 230–251. https://doi.org/10.1108/AJAR-11-2020-0121

Hajdini, I., & Windsperger, J. (2020). Real options in franchise contracting: an application of transaction cost and real options theory. European Journal of Law and Economics, 50(2), 313–337. https://doi.org/10.1007/s10657-020-09665-3

Haque, F., & Ntim, C. G. (2020). Executive Compensation, Sustainable Compensation Policy, Carbon Performance and Market Value. British Journal of Management, 31(3), 525–546. https://doi.org/10.1111/1467-8551.12395

Hidayat, S. E., Sakti, M. R. P., & Al-Balushi, R. A. A. (2021). Risk, asset management and financial performance in the GCC banking industry: Islamic versus conventional banks. *Journal of Islamic Accounting and Business Research*, 12(4), 564–592. https://doi.org/10.1108/JIABR-05-2020-0138

Ikeziri, L. M., Souza, F. B. de, Gupta, M. C., & de Camargo Fiorini, P. (2019). Theory of constraints: review and bibliometric analysis. International Journal of Production Research. Taylor and Francis Ltd. https://doi.org/10.1080/00207543.2018.1518602

Ionescu, G. H., Firoiu, D., Pirvu, R., & Vilag, R. D. (2019). The impact of ESG factors on market value of companies from travel and tourism industry. Technological and Economic Development of Economy, 25(5), 820–849. https://doi.org/10.3846/tede.2019.10294

Islamic Financial Services Board – IFSB. (2018). Islamic Financial Services Industry Stability Report (2018). Kuala Lumpur, Malaysia. Rederived from https://www.ifsb.org

K, O. J., & Obia, C. E. (2018). Effect of Financial Leverage on Firms' Financial Performance: A Study of Listed Companies in Agricultural Sector. Journal of Economics and Sustainable Development, 9(2), 156–170. Retrieved from https://www.iiste.org/Journals/index.php/JEDS/article/view/40700

Kadri, N., Rahim, R. A., & Abg. Abdillah, D. S. Z. (2018). The Asset management Performance of Global Islamic Banks. UNIMAS Review of Accounting and Finance, 1(1). https://doi.org/10.33736/uraf.293.2016

Khan, M. S., Scheule, H. (Harry), & Wu, E. (2018). Will Basel III Liquidity Measures Affect Banks' Funding Costs and Financial Performance?: Evidence from U.S. Commercial Banks. SSRN Electronic Journal. https://doi.org/10.2139/ssrn.2647368

Khan, T., Ahmad, W., Rahman, M. K. U., & Haleem, F. (2018). An Investigation of the Performance of Islamic and Interest Based Banking Evidence from Pakistan. HOLISTICA – *Journal of Business and Public Administration*, 9(1), 81–112. https://doi.org/10.1515/hjbpa-2018-0007

Kithinji, J., Rotich, G., & Kihara, A. (2021). Influence of divestment strategy on performance of large manufacturing firms in Kenya. American Journal Of Strategic Studies, 3(1), 21–33. https://doi.org/10.47941/ajss.720

Labunska, S., Petrova, M., & Prokopishyna, O. (2017). Asset and cost management for innovation activity. Economic Annals-XXI, 165(5–6), 13–18. https://doi.org/10.21003/ea.V165-03

Ledhem, M. A., & Mekidiche, M. (2020). Economic growth and financial performance of Islamic banks: a CAMELS approach. Islamic Economic Studies, 28(1), 47–62. https://doi.org/10.1108/ies-05-2020-0016

Loon Mun, Y., & Mohd Thas Thaker, H. (2016). Asset Liability Management of Conventional and Islamic Banks in Malaysia. Al-Iqtishad: Journal of Islamic Economics, 9(1). https://doi.org/10.15408/aiq.v9i1.3334

Marie, A. A., Ibrahim, M. E., & Al Nasser, A. D. (2018). Effects of Financial and Non-financial Performance Measures on Customers' Perceptions of Service Quality at Islamic Banks in UAE. *International Journal of Economics and Finance*, 6(10). https://doi.org/10.5539/ijef.v6n10p201

Mennawi, A. N. A. (2020). The Impact of Liquidity, Credit, and Financial Leverage Risks on Financial Performance of Islamic Banks: A Case of Sudanese Banking Sector. Risk and Financial Management, 2(2), p59. https://doi.org/10.30560/rfm.v2n2p59

Mohammad Hedayet Ullah and S.M. Masudur Rahman (2022) Financial Performance Comparison between State-Owned Commercial Banks and Islamic Banks in Bangladesh. (2022). *Journal of International Business and Management*. https://doi.org/10.37227/jibm-2022-01-5295/

Nasution, Y. A., & Yusleny, Y. (2023). Financial Performance Measurement Using Profitability Ratios And Liquidity Ratios. Proceeding Medan International Conference on Economic and Business, 1(0), 1730–1741. Retrieved from https://proceeding.umsu.ac.id/index.php/Miceb/article/view/282

Nawaz, T. (2019). Intellectual capital profiles and financial performance of Islamic banks in the UK. *International Journal of Learning and Intellectual Capital*, 16(1), 87–97. https://doi.org/10.1504/IJLIC.2019.096935

Nawaz, T., Haniffa, R., & Hudaib, M. (2021). On intellectual capital asset management and shariah governance in Islamic banking business model. *International Journal of Finance and Economics*, 26(3), 3770–3787. https://doi.org/10.1002/ijfe.1986

Neugebauer, T., Shachat, J., & Szymczak, W. (2023). A test of the Modigliani-Miller theorem, dividend policy and algorithmic arbitrage in experimental asset markets. Journal of Banking and Finance. https://doi.org/10.1016/j.jbankfin.2023.106814

Nugroho, L., & Mariyanti, T. (2021). Discourses of Islamic Performance Ratio Based on Tawhid String Relationship. *Journal of Islamic Economics and Social Science (JIESS)*, 2(1), 44. https://doi.org/10.22441/jiess.2021.v2i1.005

Nurwita, N., & Rodhiah, R. A. (2022). Liquidity Ratio and Profitability Analysis To Measure Financial Performance in Pt. Ultrajaya Milk Industry & Trading Company Tbk. International Journal of Economy, Education and Entrepreneurship, 2(1), 110–119. Retrieved from http://ije3.esc-id.org/index.php/home/article/view/50

Obeidat, M. I., & Darkal, N. M. A. (2018). Accounting versus economic based measures of performance and the share market value: The evidence of the industrial listed firms at abu dhabi stock exchange. WSEAS Transactions on Business and Economics, 15, 363–374

Odat, M., & Bsoul, R. (2022). THE ROLE OF INTELLECTUAL CAPITAL IN FIRMS' PERFORMANCE AND MARKET VALUE: EVIDENCE FROM JORDAN. International Journal of Management and Sustainability, 11(4), 258–272. https://doi.org/10.18488/11.v11i4.3232

Ogilo, F. (2018). Effects of Financial Instruments on Performance of Islamic Banks in Kenya. *The International Journal of Business & Management*, 4(8), 40–45.

Oktaviyana, D., Hendra Titisari, K., Kurniati, S., Islam, U., & Surakarta, B. (2023). The effect of leverage, liquidity, capital structure and company size on financial performance. COSTING:Journal of Economic, Business and Accounting, 6(2), 2597–5234.

Onyekwelu, U. L., Chukwuani, V. N., & Onyeka, V. N. (2018). Effect of Liquidity on Financial Performance of Deposit Money Banks in Nigeria. Journal of

Economics and Sustainable Development, 9(4), 19–28. Retrieved from www.iiste.org

Orazalin, N. S., Ntim, C. G., & Malagila, J. K. (2023). Board Sustainability Committees, Climate Change Initiatives, Carbon Performance, and Market Value. British Journal of Management. https://doi.org/10.1111/1467-8551.12715

Ousama, A. A., Hammami, H., & Abdulkarim, M. (2020). The association between intellectual capital and financial performance in the Islamic banking industry: An analysis of the GCC banks. *International Journal of Islamic and Middle Eastern Finance and Management*, 13(1), 75–93. https://doi.org/10.1108/IMEFM-05-2016-0073

Owusu, F. B., & Alhassan, A. L. (2021). Asset-Liability Management and bank profitability: Statistical cost accounting analysis from an emerging market. International Journal of Finance and Economics, 26(1), 1488–1502. https://doi.org/10.1002/ijfe.1860

Pacheco, D. A. de J., Antunes Junior, J. A. V., & de Matos, C. A. (2021). The constraints of theory: What is the impact of the Theory of Constraints on Operations Strategy? International Journal of Production Economics, 235. https://doi.org/10.1016/j.ijpe.2020.107955

Pavic Kramaric, T., Miletic, M., & Piplica, D. (2021). Determinants of Accounting and Market-based Performance Measures – Case of Croatian Non-financial Listed Companies. SHS Web of Conferences, 92, 02049. https://doi.org/10.1051/shsconf/20219202049

Piryonesi, S. M., & El-Diraby, T. E. (2020). Data Analytics in Asset Management: Cost-Effective Prediction of the Pavement Condition Index. Journal of Infrastructure Systems, 26(1). https://doi.org/10.1061/(asce)is.1943-555x.0000512

Pramita, R. Y. R., Wahyuni, I., & Subaida, I. (2022). PENGARUH LIKUIDITAS TERHADAP KEBIJAKAN DIVIDEN DENGAN PROFITABILITAS SEBAGAI VARIABEL INTERVENING (STUDI EMPIRIS PERUSAHAAN LQ 45 YANG TERDAFTAR DI BEI PERIODE 2016-2020). Jurnal Mahasiswa Entrepreneurship (JME), 1(8), 1662. https://doi.org/10.36841/jme.v1i8.2211

Putri, R. A., Rokhmawati, A., & Fitri, F. (2022). THE EFFECT OF FIRM SIZE AND LEVERAGE ON FINANCIAL PERFORMANCE WITH GOOD CORPORATE GOVERNANCE AS A MODERATING VARIABLE (STUDY ON INFRASTRUCTURE, UTILITIES, AND TRANSPORTATION SECTOR SERVICE COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE IN 2018-2020). INTERNATIONAL JOURNAL OF ECONOMICS, BUSINESS AND APPLICATIONS, 7(2), 37. https://doi.org/10.31258/ijeba.7.2.37-52

Rusydiana, A. S., & Firmansyah, I. (2018). Asset management versus Maqashid Sharia Index: an Application on Indonesian Islamic Bank. Shirkah: *Journal of Economics and Business*, 2(2). https://doi.org/10.22515/shirkah.v2i2.154

Safiullah, Md. (2020). Superiority of Conventional Banks & Islamic Banks of Bangladesh: A Comparative Study. *International Journal of Economics and Finance*, 2(3). https://doi.org/10.5539/ijef.v2n3p199

Sahyouni, A., & Wang, M. (2019). Liquidity creation and bank performance: evidence from MENA. ISRA International Journal of Islamic Finance, 11(1), 27–45. https://doi.org/10.1108/IJIF-01-2018-0009 Agustina, Y. N., & Suprayitno, H. (2020). ANALYSIS OF FINANCIAL STATEMENTS USING LIQUIDITY RATIO TO MEASURE FINANCIAL PERFORMANCE IN 2017-2019. JOSAR (Journal of Students Academic Research), 5(2), 32–39. Retrieved from http://ejournal.unisbablitar.ac.id/index.php/josar/article/view/1144

Saidah, A., & Bawono, A. (2021). Analysis of The Influence of Islamic Income Ratio, Total Comprehensive Income, and NPF on Company Value with Profitability as Moderating Variables in Sharia Commercial Banks in Indonesia 2015-2019. MALIA: *Journal of Islamic Banking and Finance,* 5(1), 1. https://doi.org/10.21043/malia.v5i1.9825

Sambuaga, E. A., Laksamana, L., Soetemto, K., & Karundeng, A. (2022). THE EFFECT OF BOD GENDER AND LEVERAGE TOWARDS FIRM PERFORMANCE. Klabat Accounting Review, 3(1), 1. https://doi.org/10.60090/kar.v3i1.574.1-19

Saputra, W. E., Sukoco, A., Suyono, J., & Elisabeth, D. R. (2019). Analysis of Economic Value Added and Market Value Added to Measure Financial Performance in Pulp and Paper Companies. IJEBD (International Journal Of Entrepreneurship And Business Development), 3(1), 77–85. https://doi.org/10.29138/ijebd.v3i1.952

Sousa, V., & Meireles, I. (2023). Quality and asset management: conceptual compatibility towards sustainable infrastructures management. Total Quality Management and Business Excellence, 34(5–6), 743–767. https://doi.org/10.1080/14783363.2022.2105201

Sujati, K. A., & Januarti, I. (2021). The Effect Of Intellectual Capital Efficiency On Company's Market Value With Company's Financial Performance As Intervening Variables. Jurnal Reviu Akuntansi Dan Keuangan, 11(2), 332–345. https://doi.org/10.22219/jrak.v11i2.15116

Sutrisno, S. (2017). pengukuran kesehatan bank syariah dengan sharia compliance and performance. *Jurnal Keuangan Dan Perbankan,* 21(1). https://doi.org/10.26905/jkdp.v21i1.1234

Tabash, M. I. (2019). An empirical investigation on the relation between disclosure and financial performance of Islamic banks in the United Arab Emirates. *Journal*

of Asian Finance, Economics and Business, 6(4), 27–35. https://doi.org/10.13106/jafeb.2019.vol6.no4.27

Tajudin, A., Norziaton, I. K., & Ismail, A. H. (2021). The Role of Accrual Accounting and Information Systems on Asset Management Practice in the Malaysian Public Sector : A Conceptual Paper. IPN Journal of Research and Practice in Public Sector Accounting and Management, 11(01), 39–60. https://doi.org/10.58458/ipnj.11.01.03.0069

Tanko, P. M., Alhaji, Y. H., & Dabo, Z. (2017). An Empirical Analysis of the Performance of Islamic Banking in Nigeria: A DEA Approach. *SSRN Electronic Journal*. https://doi.org/10.2139/ssrn.2838637

Ur Rehman, A., Aslam, E., & Iqbal, A. (2022). Intellectual capital asset management and bank performance: Evidence from islamic banks. Borsa Istanbul Review, 22(1), 113–121. https://doi.org/10.1016/j.bir.2021.02.004

Voon Choong, Y., & Muthaiyah, S. (2021). Economic Value Added (EVA) And Market Value Added (MVA) Towards Value Creation. Turkish Journal of Computer and Mathematics Education (TURCOMAT), 12(10), 6046–6050. Retrieved from https://turcomat.org/index.php/turkbilmat/article/view/5429

Widarjono, A., Anto, M. B. H., & Fakhrunnas, F. (2021). Is Islamic Bank More Stable Than Conventional Bank? Evidence from Islamic Rural Banks in Indonesia. *International Journal of Financial Research*, 12(2), 294. https://doi.org/10.5430/ijfr.v12n2p294

William, F., Gaetano, M., & Giuseppe, N. (2019). The impact of intellectual capital on firms financial performance and market value: Empirical evidence from Italian listed firms. African Journal of Business Management, 13(5), 147–159. https://doi.org/10.5897/ajbm2018.8725

Yahaya, A., Mahat, F., & Yahya, M. H. (2021). Effect of liquidity and credit risk on banking performance: evidence from sub–Saharan Africa. Journal of Economic Cooperation and Development, 42(2), 69–102.

Zafar, M. B., Sulaiman, A. A., & Nawaz, M. (2022). Does corporate social responsibility yield financial returns in Islamic banking? *Social Responsibility Journal*, 18(7), 1285–1310. https://doi.org/10.1108/SRJ-04-2020-0160

Zhao, X., & Hou, J. (2022). Applying the Theory of Constraints Principles to Tourism Supply Chain Management. Journal of Hospitality and Tourism Research, 46(2), 400–411. https://doi.org/10.1177/1096348021996791

APPENDICES

Appendix I: Data Collection Sheet

Bank	Year	P/E ratio	quick ratio	capital structure ratio	asset turnover ratio	ROI
DIB Bank Kenya Limited	2017					
	2018					
	2019					
	2020					
	2021					
First Community Bank	2017					
	2018					
	2019					
	2020					
	2021					
Gulf African Bank	2017					
	2018					
	2019					
	2020					
	2021					

Appendix II: Ethical review clearance certificate

Mount Kenya University

REF: MKU/ISERC/3159
TO: FAIZA ALI ABDIRAHMAN

Date: 28 September 2023

REG: MBA/2022/45475

Dear Sir/Madam,

RE: EVALUATION OF FINANCIAL MEASURES ON PERFORMANCE OF ISLAMIC BANKS IN NAIROBI COUNTY, KENYA

This is to inform you that **Mount Kenya University** has reviewed and approved your above research proposal. Your application approval number is **2203**. The approval period is **28/09/2023 - 27/09/2024**

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 **Mount Kenya University**
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 **Mount Kenya University** within 72 hours of notification
iv. Any changes, anticipated or otherwise that may increase the risks or affect the safety or welfare of study participants and others or affect the integrity of the research must be reported to **Mount Kenya University** within 72 hours
v. Clearance for 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 expiry of the approval period. Attach a comprehensive progress report to support the renewal
vii. Submission of an executive summary report within 90 days upon completion of the study to **Mount Kenya University**

Prior to 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 also obtain other clearances needed.

The Chairman
Mount Kenya University
Ethics Review Committee
P. O. Box 342 - 0100, Thika

Yours sincerely,

Dr. Alfred Owino, PhD
Chairman, Mount Kenya University ISERC

Main Campus, General Kago Road, P.O. Box 342-01000 Thika
Cell: +254 709 153 000 / +254 709 153 200
Email: info@mku.ac.ke, Web: www.mku.ac.ke
Chartered and ISO 9001 : 2015 Certified Institution
Unlocking Infinite Possibilities

Appendix III: Introduction Letter

Mount Kenya University

DIRECTORATE OF GRADUATE STUDIES

MBA/2022/45475

6th October, 2023

National Commission for Science Technology & Innovation (NACOSTI)
Off Waiyaki Way, Upper Kabete,
P.O Box 30623- 00100
NAIROBI, KENYA

Dear Sir/Madam,

RE: FAIZA ALI ABDIRAHMAN – REGISTRATION NO. MBA/2022/45475

The purpose of this letter is to introduce the above named student who is pursuing **Master of Business Administration** in the department of **Accounting and Finance** in the school of **Business and Economics**

The title of the research is **"Evaluation of Financial Measures on Performance of Islamic Banks in Nairobi County, Kenya."** It has been cleared by the University's Ethics Review Committee (Certificate attached) and now has to proceed to the field to collect data between **October, 2023 and December, 2023.**

Any assistance accorded to the student will be highly appreciated.

Thank you.

Mount Kenya University
P.O. Box 342-01000, THIKA
Office of the Director,
Graduate Studies

FOR

Dr. Samuel M. Karenga, Ph.D
Director, Graduate Studies
Enc.

Main Campus, General Kago Road, P.O. Box 342-01000 Thika.
Tel: 020-2878 000, Cell: +254 709 153 000
Email: info@mku.ac.ke, Web: www.mku.ac.ke
Chartered and ISO 9001 : 2015 Certified Institution.
Unlocking Infinite Possibilities

Appendix IV: Research permit from NACOSTI

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Ref No: 577736

Date of Issue: 09/December/2023

RESEARCH LICENSE

This is to Certify that Ms. FAISA ALI ABDIRAHMAN of Mount Kenya University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Nairobi on the topic: EVALUATION OF FINANCIAL MEASURES ON PERFORMANCES OF ISLAMIC BANKS for the period ending : 09/December/2024.

License No: **NACOSTI/P/23/31646**

577736

Applicant Identification Number

Director General
NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Verification QR Code

NOTE: This is a computer generated License. To verify the authenticity of this document, Scan the QR Code using QR scanner application.

See overleaf for conditions