



ADDIS ABABA UNIVERSITY
SCHOOL OF COMMERCE
MASTER'S IN BUSINESS LEADERSHIP (MBL)

ASSESSMENT OF LEADERSHIP GAPS AND CHALLENGES IN
THE ADOPTION OF INTEREST FREE BANKING (IFB) IN
ETHIOPIA

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**ADDIS ABABA UNIVERSITY
SCHOOL OF COMMERCE**

**ASSESSMENT OF LEADERSHIP GAP AND
CHALLENGES IN ADOPTION OF INTEREST FREE
BANKING (IFB) IN ETHIOPIA**

**A THESIS SUBMITTED TO ADDIS ABABA UNIVERSITY,
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DECLARATION

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of Dr. Dakito A. This thesis has not been presented for earning any degree either in part or in full to any other higher learning institutions (University) and that all sources of material used have been appropriately acknowledged

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ENDORSEMENT

I, the undersigned, have been supervising this thesis. I declare that this paper is original and has not been presented for a degree in any other university. All source of materials used have been properly recognized.

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ACRONYMS

AAOIFI: Accounting and Auditing Organization for Islamic financial Institutions

AB: Awash Bank S.Co

BB: Buna Bank S.Co

BOA: Bank of Abyssinia S.Co

CBE: Commercial Bank of Ethiopia

CBN: Central Bank of Nigeria

CBO: Cooperative Bank of Oromia S.Co

DB: Dashen Bank S.Co

HB: Hibret Bank S.Co

HIJ: Hijra Bank S.Co

IB/IBs: Islamic Bank/Banks

IFB: Interest Free Banking

IFSB: Islamic Financial Services Board

NBE: National Bank of Ethiopia

NIB: Nib International Bank S.Co

OIB: Oromia International Bank S.Co

PBUH: Peace Be Upon Him/Prophet Muhammed

UK: United Kingdom

VAT: Value Added Tax

WB: Wegagen Bank S.C

ZB: ZamZam Bank S.C

ABSTRACT

As part of IFB fast Global growth, leaders in Ethiopia are responsible to remain competent to run Sharia-compliant products irrespective religion. In this regard the research aimed at assessment of leadership gaps and challenges in the implementation of IFB in Ethiopia. An exploratory research design is applied, with mixed research approach. Census sample strategy is utilized to choose banks, with the purposeful exclusion of banks that do not provide IFB services. Sample units of 75 managers were conveniently drawn, and the content of the responses and documents was thoroughly analyzed quantitatively and qualitatively, SPSS is used to tabularize the data summary and presentation. The analyses and interpretation yielded perception, knowledge, legal, and project management gaps and challenges: attention given by leaders to IFB found very minimal, leaders and employee lacks IFB personality and appearance, it happens in some cases due to fear of the unknown tailored to the IFB. Sustainable training and development programs are not placed properly, there lacks adoption of appropriate technology. The legal framework of IFB viewed through the lens of a typical conventional context. Leadership along the hierarchy should cultivate personality that favor to the success of IFB, perception should be surveyed to rectify and leaders should involve to IFB decision making to create IFB-friendly atmosphere that reflects its values. It requires to craft rigorous and diverse training program and public awareness. Establish a clear IFB institutional structure with appropriate technology adoption. NBE should look for ways to adopt internationally accepted IFB standards, reinforce and revisiting the current NBE directives and legal framework.

Key Words: Islamic/Interest Free Banking, Financing, Leadership, Shari'ah, Perception, Knowledge Gap, Legal Framework and Project Management.

CHAPTER ONE

1. Introduction

Interest-Free Banking (IFB) is a fast-increasing element of the global financial system; it is not limited to Islamic countries and is spreading wherever there are sufficient numbers of Muslims. It has also recently attracted the interest of conventional financial markets as well (Greuning and Iqbal, 2008). In Ethiopia banking industry leaders in charge of running the business are responsible and expected to remain competent in IFB services to adopt the business in holistic manner. Leaders in the IFB business should be aware of the reason behind the emergence of modern Islamic finance is to provide to specific market segment of Sharia-compliant financial services and products for those who are not able to access conventional financial services due to religious rationale but it is beyond that it is a business that could run to fulfill the business demand of the entire population irrespective of their religion as a separate business model.

African banks, like all financial institutions around the world, are under ongoing adjustments. In 2010, the Central Bank of Nigeria (CBN) sacked eight senior executives from eight banks for gross mismanagement and lack of leadership (Inyang, Enuoh, & Ekpenyong, 2014). The core business concern was that Nigerian banks' poor leadership practices resulted in poor business outcomes. The specific problem was that several Nigerian Bank CEOs lacked good leadership strategies for sustaining bank growth. So far, no research has been done in Ethiopia to look into leadership gaps and challenges in the banking industry, especially in the IFB sector. Newspapers have periodically commented on the NBE's actions, such as its warnings to some private banks for being ineffective and mismanaging their businesses. As a result, it was thought worthwhile to investigate leadership gaps and challenges.

In comparison to conventional banking, Islamic banking has five extra pillars that are essential measurements of religious legitimacy for which current leaders should be aware. It runs according to Shariah laws, known as Fiqh al-Muamalat (Islamic rules on transactions). The fundamental pillars of IFB, according to Franzoni and Allali (2018), are the prohibition of Riba, the prohibition of Gharar in financial contracts, the prohibition of Mayser, the prohibition on the use of trade involving any element of prohibited asset or activity known as Haram, the profit and loss sharing principle, and the requirement that any given financial transaction be backed by real assets. In Islamic banking, terms like profit sharing (Mudharabah), safeguarding (Wadiah), joint venture (Musharakah), cost plus markup (Murabahah), and leasing are used to describe goods (Ijarah),

Rather than financing the buyer, an Islamic mortgage transaction involves the bank purchasing an item from the seller and reselling it to the buyer at a profit, letting consumer pay the bank in cash. A natural consequence of this progress is the opening up of new challenges as well as more space for its advancement. On the intellectual and practical levels, Islamic finance is confronted with both new and old challenges which supposed to be identified and then taking corrective action, is a major milestone for business's success.

There are conditions in the banking industry for a new risk to emerge, a risk that, until now, has been the risk of not being able to achieve the intended goal owing to leadership deficiencies and obstacles and among the challenges there are absence of conducive legal framework and complicated internal norms and procedures Treapat and Anghel, (2013). Business has some targets for future success, but having goals is not enough, we need to take practical steps to get them done in a better way, and these steps and actions demand knowledge, skills, talent and corrected perception, proper project management practices in implementing of changes by leader in their business model with enabling legal framework (Caetano, 1999). Globally many people have faith in that leadership is a way to improve their personal, social, and professional lives, and organizations pursue those with leadership capacity in a sense that they bring special resources to their business and improve their bottom line. If firms do not prepare themselves in response to quickly changing events and scenarios, they risk losing their reputation and market share (Jofre, 2011).

In today's economy, leadership has become the primary source of competitive advantage, and many organizations have a poor track record in terms of their ability to build leadership capacity and have leadership gaps that threaten long-term organizational survival, so assessing local bank leadership practices in terms of gaps and challenges in adopting IFB business is critical. There was no legal framework in place in Ethiopia before 2008, when the National Bank of Ethiopia (NBE) issued Proclamation No: 592/2008 to regulate banking activities related to Islamic financing (Hailu and Bushra, 2020). Conventional banks have begun to accept IFB deposits from consumers who are interested in the service as a result of this directive. NBE issued a new proclamation in May 2019 with directive No:SBB/72/2019, allowing the establishment of full-fledged IFB in Ethiopia after 7 years of exclusive IFB window practice in Ethiopia, which is mostly associated with a cost-plus markup financing facility. Following this, the NBE granted Zamzam Bank and Hijra Bank a business license to begin full-fledged IFB services, which still have space for improvement. Although the approval of a full-fledged IFB in Ethiopia is a significant opportunity for IFB

business expansion, challenges such as a lack of a conducive legal framework, a shortage of skilled professionals, hostile attitudes toward Islamic banks, and a lack of leadership engagement may still have an impact on IFB performance in Ethiopia (Hailu and Bushra,2020)

1.1.Statement of The Problem

Among a number of Banks in Ethiopia those obtaining the permit from the NBE initially in 2013 were, Commercial Bank of Ethiopia (CBE) and Oromia International Bank (OIB), since then they provided both deposit and financing products to their customer, subsequently other private Banks one after the other followed the trend of this two local Banks and joined the IFB operation in a window model. The number of Banks that gives IFB service along with their conventional Banking reached to Eleven (11) as of March 2021 and their total deposit arrived at about 83.5 billion from which only 25% is consumed for financing. According to the report obtained from NBE (March, 2021) the total conventional banking deposit and loans of Banks goes beyond birr 1.2 trillion and about 1 trillion respectively in this regard the market share of IFB both in terms of deposit and financing is very minimal not more than 7% of the conventional banking. The IFB window's meager deposit mobilization status, low volume of funding, and restricted diversity of financing options all witness the presence of leadership gaps and challenges. For this and other potential to be realized, IFB's company must be in a state that is friendly to both customers and banks. However, in order for this business to flourish in a safe and sound manner, banks must have strategic leaders that analyze and fill organizational leadership gaps on a regular basis.

The current performance and challenges of IFB, among other things, are a reflection of leadership ineffectiveness; according to a report issued by Ethiopia Interest Free Finance Professionals Association (EIFFFPA) the proportion of Deposit to financing IFB is 25% and according to June, 2021 report of NBE the proportion of deposit to loan goes beyond 81% in the Banking industry which shows the IFB financing process is somehow slow as compared to the conventional one; the prospects that IFB owes in the industry in terms of deposit have yet to be touched; and the challenges that have surfaced in the IFB industry have forced clients to either remain conventional customers or go unbanked altogether. The prospective migration of Muslim and non-Muslim conventional banking clients to IFB will be determined by the leadership's ability to run the IFB business in a way that is favorable to such customers. Local research undertaken so far on IFB has been quite limited in scale, focusing on either a single bank district or a small number of banks (fewer than five), and at the time of their research, full-fledged Branches and Banks were not

included. Furthermore, no research into leadership gaps and barriers in the adoption of IFB business in Ethiopia has been undertaken.

Unless leadership deficiencies and problems are discovered and resolved on a regular basis, as well as crafting of enabling legal framework, the IFB will fail to achieve its stated goal of improving the well-being of the underserved people and the nation's economy as a whole. As a result, the purpose of this study is to undertake research into the leadership gaps and problems in the adoption of IFB in Ethiopia.

1.2. Research Questions

A basic research question is a question that a researcher seeks to answer, and it serves as the foundation for creating a research report. As a result, there are many different types of research questions based on the area of study, acceptable methodology, and themes of interest. Therefore, the following are the research question posed for the research which needs investigation to identify leadership gaps and challenges in Ethiopia:

- 1) What are leaders IFB business perception gaps in the adoption of IFB in Ethiopia?
- 2) What are the knowledge gaps of leaders in running of IFB business in Ethiopia?
- 3) What leadership gaps and challenges are observed in project management in the implementation of IFB?
- 4) What legal framework gaps and challenges contributed by leadership that hinders the success of IFB business in Ethiopia.

1.3. Objective of the Study

1.3.1. General Objective

The purpose of this study is to assess the leadership gaps and challenges in the implementation of IFB in Ethiopia at Conventional Banks and full-fledged interest free Banks.

1.3.2. Specific Objective

- To assesses IFB business perception gaps of leaders that affects the business.
- To investigate knowledge gaps of leaders in running of IFB business.
- To identify leaders project management gaps and challenges in the implementation of IFB.
- To explore the legal framework gaps and challenges contributed by leadership that hinders the success of IFB business in Ethiopia.

1.4.Scope of the Study

Data has been gathered in Addis Ababa since all the Banks Head Quarter dwell in the city. The major people under research consideration were leaders and professionals who are key informant of the subject matter from Commercial Banks in Ethiopia and Shari'ha advisory service boards who were conveniently accessed in Addis. Individuals both male and female without the differentiation of citizenship were in consideration and all were above eighteen years of old. The researcher used literatures from the latest date of publication and also some of the very important old publication

1.5.Significance of the Study

The findings of this study is useful: to the Bankers who are responsible in running of the business and to work on the development of leadership capacity in the area of IFB; for policy makers it helps to take appropriate action in designing inclusive and comprehensive legal framework that is flexible and easily adaptable ; for investors it help them to visualize the impact of the leadership gaps and challenges to their business before investment decision; this study for sure contribute to the pool of reference literatures in Islamic banking in Ethiopia as the freshness of the sector and unavailability of such research which focus on leadership gaps and challenges is the first in its kind. Furthermore, it will encourage researchers to do more investigations and academic studies on this area and make detail research or could refer in their related research.

1.6.Limitation of the Study

This research sample coverage excludes Branch incorporating them as part of leadership target respondent would have made the research more wide-ranging. However, within a given constraint the researcher was able to go through the tight duration all required steps and analysis not to compromised the quality of the output and filled with sample Bank branch onsite observation, yet it invites for further research to fill this gap.

1.7.Definition of Terms

Al Wadiah: Safe keeping

Allah: The creator and an Administrator of the universe; God

Amana/Amanah: reliability, trustworthiness, loyalty, honesty. Technically, an important value of Islamic society in mutual dealings. It also refers to deposits in trust. A person may hold property in trust for another, sometimes by implication of a contract.

Fatwah: A religious decree.

Fiqh: Islamic jurisprudence. The science of the Shariah. It is an important source of Islamic economics.

Fiqh al-Muamalat: Islamic rules on transactions.

Gharar: Uncertainty is a complex notion that encompasses various sorts of risk or contingency in a contract. The restriction against Gharar is frequently used to criticize traditional financial operations such as short selling, speculation, and derivatives.

Hadith: Technically, Hadith refers to the retelling of Muhammad's words, deeds, or approvals (Taqrir) (peace be upon him).

Hadith: Technically Hadith means the narration of the sayings, doings or approvals (Taqrir) of Muhammad (peace be upon him).

Hajj: Hajj means pilgrimage to Mecca and other holy places. **Hajj**, the fifth pillar of Islam.

Halal: Any activity or transaction that is according to law and also permitted in Islam is

Haram: Unlawful which is the opposite of Halal

Hawala: is a mechanism for settling international accounts, by book transfers. This obviates, to a large extent, the necessity of physical transfer of cash.

Ijara: A leasing deal in which a bank purchases an item for a customer and then leases it back to them over a set length of time.

Ijtihād: Independent or unique interpretation of issues not specifically covered by the Qur'an, Hadith (traditions relating the Prophet Muhammad's (PBUH) life and utterances), and ijma in Islamic law (scholarly consensus)

Istisna (Progressive Financing): A contract of acquisition of goods by specification or order where the price is paid progressively in accordance with the progress of a job.

Interest Free Banking: It is a banking business that involves the mobilization or advancement of funds in accordance with Islamic Finance principles (Shari'ah) and a form of operation that does not involve receiving or paying interest.

Maysir: Gambling, In Islamic finance, this is one of three fundamental prohibitions (the other two being riba and gharar). The restriction against maysir is sometimes invoked as a justification for criticizing traditional financial practices like speculation, traditional insurance, and derivatives.

Mudaraba: A joint venture for investment. It is a contract in which the Islamic bank provides all of the capital while the other party manages the firm as a financing mechanism used by Islamic

banks. The profit is divided according to pre-determined ratios, and any losses are absorbed by the investor.

Mudarib: In a mudaraba contract, the person or party who acts as entrepreneur.

Murabaha: Customers can use this type of credit to make purchases without needing to take up an interest-bearing loan. The bank purchases an item and then sells it to the customer on a later date.

Musharaka: Private Equity is a type of investment partnership in which profit-sharing conditions are agreed upon in advance and losses are tied to the amount invested.

Qiyas: Is a logical analogy technique in which hadith teachings are compared and contrasted with Quran teachings in order to apply a known injunction to a new situation and produce a new injunction. In this case, the rulings of the Sunnah and the Quran may be employed to answer or respond to a new problem that may occur.

Quard al Hassan: The bank lends the money in the hopes that the borrower will repay the whole amount within the agreed-upon time frame. The lender may be authorized to demand collateral in the form of an asset. Actual administrative charges involved in the functioning of the mechanism may be charged to the borrower by the lender.

Quran: The holy book of Muslim revealed on Hazarat Muhammad Mustafa (PBUH)

Rab-al-maal: In a mudaraba contract the person who invests the capital.

Riba: This phrase literally means "to add" or "to increase." In technical terms, it refers to any benefit or increase obtained by the lender as a result of the loan. Riba is defined as any risk-free or "assured" rate of return on a loan or investment. Riba is forbidden in Islam in all forms.

Shari'ah: Islamic law as revealed in the Quran and through the example of Prophet Muhammad (PBUH). A Shariah compliant product meets the requirements of Islamic law.

Shari'ah Compliant: An act or activity that complies with the requirements of Shari'ah

Shari'ah Advisory Board: Is the committee of Islamic scholars available to an Islamic financial institution for guidance and supervision in the development of Shariah compliant products.

Sunnah: The body of traditional Islamic social and legal custom and practice is comprised on the Prophet Muhammad's (PBUH) recorded sayings. It is a primary source of Shariah, or Islamic law, alongside the Quran (Islam's holy book) and Hadith.

Window: It is an IFB window service dedicated in at conventional branches of Banks.

Zakat: Is an Islamic finance word that refers to an individual's commitment to donate a particular percentage of their money to charitable charities each year.

1.8.Organization of the Paper

The research paper is divided into five chapters: Chapter one presents the introduction part, which contains, statement of the problem, basic research question, terms and definition, objectives of the study, scope & limitations of the study and significance of the research paper; Chapter two presents the literature review regarding both theoretical and empirical with respect to leadership perception, knowledge gap, project management and legal framework; Chapter three presents research methodology/design, data collection method and sources, sampling technique and methods of data analysis and presentation. The research findings and discussions presented in chapter four; The final part chapters five summarized the findings, concludes the paper, and forward some recommendations.

CHAPTER TWO

2. Review of Literature

In the early 1970s, Islamic banking emerged as a key player in the financial sector. However, the laws and regulations that govern the Islamic banking system have existed for centuries. Islamic finance was widespread in the Middle Ages, and it was widely acknowledged and applied. It aided in the expansion of trade and commerce in the Muslim world. In the European realm, Islamic traders began to play a significant role. Islamic finance has extended throughout Asia, the Middle East, and the Western world to create a worldwide system. Islamic banking is not limited to Muslim countries in the Middle East; it also operates in industrialized economies like the United States, Europe, and Asia. Today, there are over 500 Islamic banks operating from China to the United States, with assets in excess of 1.7 trillion dollars. This research assessed leadership gaps and Challenges in terms of perception, project management and implementation, leadership knowledge and legal frame work with supportive theoretical and empirical literature review as follows.

2.1. Theoretical Literature Review

2.1.1. Interest Free Banking Definition and Status

According to the Board term of the International Association of Islamic Banking an Islamic bank is defined as a Banking company which implements a new banking concept in that it adheres strictly to the rulings of Islamic Shari'ah in the fields of finance and other dealings. Furthermore, depending on the territorial architecture of the country or region, the word Islamic Bank may be defined in a different way. We can define an Islamic bank as "a banking institution that performs all of its business in accordance with Shari'ah, without involving itself or its clients in Riba."

IFB is inextricably linked to Islamic economics, which aims to achieve more fairness in human endeavors through the participation of all human institutions, including the financial sector (Adeniran, 2013). Islamic banking aims to reach this satisfying goal by prohibiting interest and other unethical and non-shariah compatible activities. Furthermore, it tries to improve all Halal aspects of business by providing shariah-compliant products and services, as well as implementing legitimate profit and loss sharing, monopoly, and other types of unethical commerce and transaction, such as dealing with pork, alcohol, and gambling (Sanusi, 2012).

As a result, the IB way of financing is predicated on the ability to address the inherent inequity associated with interest-based banking. Though the primary purpose of these principles is to open the path for social and economic improvement (Metawa & Almosawi, 1998), they have also created an alternative method of finance capable of disrupting conventional business's lengthy dominant position (Gumel & Othman, 2013).

2.1.2. The Principles of IFB

Along its definition of consensus, there are a common principle set by scholars commonly agreed up and extracted from standard setting organization the common ones discussed as follows:

- i) **Prohibition of Riba:** Interest cannot be paid or received on any transaction in which money is exchanged for money, according to Islam, money has no worth unless it is used in commerce. Many Muslim academics and some Western thinkers continue to believe that Islamic finance is just interest free banking. Interest is, in fact, strictly forbidden in Islam, as evidenced by the Qur'an and Sunnah. "The interest you pay to grow does not increase in the eyes of God; but the zakat you pay to gain God's favor, increase their wealth" (Luca Errico and Mitra Farahbaksh) (1998).
- ii) **Gharar and Maysir:** Uncertainty (Gharar), speculation (Maysir), and anything else that could lead to the wrongful enrichment or unfair exploitation of one of the contracting parties must be avoided. Speculation occurs when large investors and industrialists manipulate the economic financial system for their own personal gain.
- iii) **Unethical Businesses:** Because Islam strives to create a community that is ethical and friendly, transactions involving prohibited products or activities, such as alcohol, illicit drugs, or tobacco, are prohibited (Imeson, 2007).

2.1.2.1 Accounting and Auditing Organization for Islamic Financial Institutions

While implementing of the products the principles, concepts and prohibition should be strictly followed for this there is an international Islamic Banking standard setting organization at international level among this AAOIFI and IFSB are the common once. The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) was established in Bahrain in 1991 with the objective of developing and issuing standards for the global Islamic finance industry. It has around 88 conventions that are usually used in support of issuing standards for Islamic Banking, and it could also be used as a basis for putting together IFB policies in Ethiopia and

AAOIFI has members from all over the world. The benefit of implementing AAOIFI-compliant products is that they conform to internationally recognized standards and Muslim community has approved, evaluated, and accepted these products (Zaineb Sefiani, 2014).

2.1.2.2 International Financial Services Board

The International Financial Services Board (IFSB) was established in 2002 as an international standard-setting body that provides prudential standards and guidelines to regulatory and supervisory agencies in order to ensure the soundness and stability of the Islamic financial industry, which includes retail banking, capital markets, and Takaful (Islamic insurance). The International Financial Standards Board (IFSB) comprises 19 standards, guide notes, and technical notes. The IFSB's mission is to support the growth of a wise and transparent Islamic financial services industry by developing new or adapting current international standards that are Shari'ah compliant and proposing their acceptance.

2.1.3. The Basics of Interest-Free Banking Products

After aligning with the principles of IFB products developed with in the umbrella of Interest Free Banking which could be attributed with four fundamental concepts before dictating some of the financing products. Profit and loss sharing is the foundation of the first Islamic business principle, while fixed service Fees and charges are the second and third options, the product could be served free of cost respectively. The other principles are subject to change depending on the state of the business and how it is runs (Bellalah and Ellouz, 2004).

- i. Musharakah which is Partnership Finance**, is a contract in which the bank and the industrialist contribute jointly to the capital of a company or project to make a profit? Profit and losses are shared between the parties on agreed term and condition of the contract.
- ii. Mudarabah a Trust Financing** Is a contract, in this contract it is the responsibility of the bank provides all the capital, the partner contributes commercial efforts, professional skills and experiences. Finally, the bank receives a predetermined proportion of the profits. In the case of a loss, the bank bears all the financial loss whilst the manufacturer goes unrewarded (Rob, 1992). It is concluded that this system encourages the individual to participate in financial activity and prove himself as an active part of society (Kettell, B. 2011).

- iii. **Murabaha (Cost-plus financing)** is a contract in which the bank informs the industrialist about the acquisition cost of a good and negotiates with him the profit margin. It is one of the most popular modes used in Islamic banking system in different countries to promote interest-free transactions.
- iv. **Ijara (Leasing)** The Ijara is a rent contract by which the owner of the good rents it to another party. After that the latter can purchase it and rent is reduced until the good become the possession of the client (Bellalah and Ellouz, 2004). Home finance and Islamic mortgages are now based on the Ijara principle, which has proven to be a very successful tool in the Islamic financial system.
- v. **Quard Hassan:** - Customers who are facing financial issues or unexpected expenditures can get a welfare loan in the Islamic financial system without paying any fees or interest (Peter, 1992). According to Rob (1992), Islamic banks can raise capital by selling shares to the public and then depositing the proceeds in one of three types of accounts: investment deposits, savings deposits, and current deposits.

2.1.4. Leadership Theory and Islamic Banking

IFB's business model and products are well-known as ethical products, with respected leaders expected to conduct themselves in a respectful manner. Any breach of this code of ethics will have a negative influence on the company's success, in this sense leaders to the industry are expected to be knowledgeable and have corrected perception to each product to properly respect the principles, prohibition and standards set by shari'ah. IFB business is a new phenomenon to Ethiopian Banking industry with high potential growth following the adoption by two Ethiopian commercial Banks (CBE and OIB) in 2013. Since the business is new in Ethiopian market the role of leaders in this business model is very significant and their failure entails the failure of the overall business.

Leadership tailored to IFB is defined as "the process of persuading people to achieve group or organizational goals" by combining intelligence, value, emotional stability, cognitive capacity, desire to lead, and self-confidence with respect for and non-compliance with the respective business's laws and regulations (Zubair, A.K. & Sameer.J.B.I.H, 2017). There is no as such difference in the definition of leadership from the conventional one but when leadership is considered in Islamic finance it demands the understanding and implementation of the Shari'ah principles and standards. Trustworthy leaders are needed in the Islamic banking industry so that there is a sense of ownership in operating Islamic banks that has an impact on boosting

performance. On the other hand, present Islamic Banking is still reliant on management that comes from the parent bank, which is a traditional bank. The success of Islamic banks in establishing and gaining a position in the economy is inextricably linked to the role of Islamic bank leaders. The leader is responsible for nurturing, mobilizing, and channeling all of the organization's potential so that the organization's success in attaining its objectives is dependent on the leader's role. The rapid expansion of Islamic banking at this time has not been accompanied by the provision of enough human resources. The adequacy of an Islamic bank's human resources is defined not merely in terms of the quantity of personnel, but also in terms of people who have the skill, competence, and experience to manage Islamic banking.

2.1.5. Leadership Framework for Islamic Finance

Any community's development is impossible to envisage unless its members are well-developed. and individuals are responsible and accountable, the Prophet (PBUH) emphasized individual responsibility and accountability: “Each and every one of you is a shepherd and is responsible for his flock. The ruler is a shepherd and is in charge of his flock, the man is the shepherd of his family and is in charge of his flock, the woman is the shepherd of her husband's house and is in charge of her flock, the attendant is in charge of his master's wealth and is in charge of his flock, and each of you is a shepherd and is in charge of your flock.”. Without a question, Islamic finance has become a vibrant business with tremendous growth. The journey, however, is not without its difficulties and constraints. This industry lacks innovative leadership in the areas of capacity building, human capital development, and product innovation in order to cope with shifting scenarios. Leadership development and redesign must be approached from a variety of perspectives. As a result, a leader is not free to behave as he pleases, nor is he bound by the wishes of any group. He must only act in order to carry out Allah's rules on Earth. Hence there are ten crucial personal attributes of Muslim leaders in Islamic Finance (Habibur Rahman, 2012).:

- i. Conviction: To modify accepted patterns of behavior, one must have a strong belief in and commitment to a set of principles or values.
- ii. Mutual consultation or decision making. Obligation to seek guidance from individuals who are knowledgeable or can provide sound advice.
- iii. Knowledge: To be knowledgeable and well informed.
- iv. Eloquence: Ability to express thoughts and ideas clearly and eloquently
- v. Justice: Treat everyone equally, regardless of race, color, country origin, or religion.

- vi. **Patience.** Exhibit patience and trust in the face of adversity.
- vii. **Enterprise.** Self-assurance, boldness, diligence, and taking risks are all examples of this trait.
- viii. **Leniency.** The result of the leader's concern for the followers' well-being.
- ix. **Self-sacrifice.** The followers will make even larger sacrifices if the leader is seen to be making personal sacrifices.
- x. **Humility.** Respect for others is a mindset.

2.1.6. IFB Leadership Perception

Perception includes both actively and unconsciously searching for and digesting information in order to make sense of the world. Customers' perceptions of a brand, its products, and services are determined by how they chose, organize, and interpret information and stimuli related to them, deciding what they think and feel about them. Perception is the process of absorbing information about and making sense of the world around us. It requires deciding which data to focus on, how to categorize it, and how to interpret it in light of our previous knowledge. Through this process, people select, organize, comprehend, and respond to information from the world around them (Buck, C., Horbel, C.& Kessler, 2017).

Perceptual errors/Frequently used shortcuts in judging others,

- i. **Selective Perception:** Where people selectively interpret what they see based on their interests, background, experience, and attitudes;
- ii. **Halo Effect:** Drawing a general impression about an individual based on a single characteristic;
- iii. **Contrast Effects:** A person's evaluation is affected by comparisons with other individuals recently encountered;
- iv. **Projection:** Tendency for people to see their own characteristics in other people; **Stereotyping:** Judging someone on the basis of your perception of the group to which that person belongs;
- v. **Expectancy Theory:** Tendency to bias perception of events objects and people based on prior expectation.

In an increasingly competitive world where differentiating your product or service based on objective, functional attributes is becoming more difficult, marketers are focusing their efforts on customer perception, a hot topic that has been at the center of some of the most successful

marketing campaigns in recent years. The ability of various leaders and managers to grasp their customers' and employees' perceptions is critical to the success of IFB. Furthermore, leaders must be able to manage their own perception as well as that of their customers and employees in order to manage appropriately.

2.1.7. Leadership Knowledge Gap IFB Perspective

There are many different definitions of "knowledge," and most of them are broad, with significant changes based on practical settings. Knowledge is defined as "a form of instruction that specifies how a product or service can be manufactured (Blakeley, Lewis, & Mills, 2005). The fact or situation of knowing something earned via experience or education," Awareness, on the other hand, is described as "having or demonstrating realization, observation, or understanding of a situation or truth." (Jaffar & Musa, 2014). Knowledge is a concept generated by combining a variety of intellectual components, the most basic of which is information. Every excellent leadership theory emphasizes the importance of having a strong mentality. No amount of advice or small strategies supplied by management gurus would ever aid an aspiring leader unless they have a clear attitude on how to reach particular goals. When leaders try to execute a new method and it fails, it's usually because their basic thinking isn't up to the challenge. Make a clear difference between the specific mentality modifications needed to integrate a theory into how one thinks and acts in real life. Learn what leaders need to do and make sure their brain is ready to correct themselves every time they move away from the desired behavior needed to achieve their business goal (Abhary, A. Adriansen, H. K. Begovac, F. Quin, B. Spuzic, S, 2009).

Self-transformation is required for putting a leadership theory into practice, both in terms of thinking and behavior. The greatest way to ensure that you get through this period is to share your outcomes and mentality shifts with a trusted and informed associate who can assess your accountability levels. Even though there are a variety of leadership training institutes, leaders are still learning to be leaders by "trial and error." (Jonathan, 2017). Bank leaders are responsible for understanding the overall cognitive and conceptual rationale of the model, as well as the content and context of the product within it, and aligning with the existing business after developing the required strategy. It is the responsibility of leaders to have appropriate understanding of all parts of the IFB business before and after adoption. Furthermore, full-fledged Banks in the pipeline are not exempt from this, since the journey thus far should be evaluated to identify the gaps accessible to leaders, such as the sufficiency of IFB gained knowledge and the Banks' development plan.

2.1.8. IFB Project Management and Implementation

Project management success is measured by three major success factors: project delivery time, project cost, and quality, which symbolizes the project's fit-for-purpose. The foundations of project management theory may be traced back to Taylor's work on scientific method. Failure is a typical occurrence, especially in large and complex initiatives that are not well managed (Prieto, 2015). When discussing how project managers manage their schedules as part of leadership, we frequently bring up the term's efficiency and effectiveness. Because the IFB implementation project is not an exception. What we can do is focus on completing our most critical project management duties and completing projects. Not only does time have a role in project performance, but so do inherent flaws in the plan or planning process. Processes, people, and technology that are ineffective or insufficient; Inadequate control in light of changing internal capabilities and limits, as well as constantly changing external factors are ever evolving externalities.

2.1.9. IFB Legal Framework Leadership Challenge

Fundamental's factor of the legislation, institutional, administrative, political, social and economic conditions are components of Legal framework, which make the legislation enforceable and effective. The classical school of Natural law theory, states that law comes from divinely source. This school of thought asserts that laws descend through scripts like the Quran, Bible and Torah. Under this theory, the most important features of law are not to be found in its source-based character, but in the capacity of law to enhance the common good secure human rights and govern with integrity. Thomas Aquinas, a natural law legal theorists claim that the authority of at least some legal standards necessarily derives, from considerations of moral merit of those standards. The incorporation of moral considerations to the laws governing Islamic banking therefore gives merit to the natural law theory which holds that the law must be moral.

The Islamic economic code which is derived from both the Quran and Sunna, tries to maintain a balance between both the material and moral needs of human being so as to ensure the achievement of socio-economic goals. In this regard neither the capitalist nor the socialist theories are able to satisfy the requirement of Islamic banking (Abdulahi, 2016).

Metaphysical beliefs are not the only constituency to Islam but also provides a system for governing all forms of human activity. Thus, it regulates human being conduct both individually and collectively, it has a legal framework, with foundations, ideals, and principles underlying that

framework. It rather a simplified system with definite hold in every Muslims mind. Actualization of Islamic system of governance goes back to those times the Islamic Code has remained in force in all countries ruled by Muslim in Medina (Khan, 2010). The significance of Islamic economy in some instances are controversial, but it is proofed that Islamic finance is one of the prominent phenomena over the last decade in the Middle-East and South-East Asia especially in banking industry. In this aspect the legal framework in Islamic banking is more important. Scholars in many ways confirm that Islamic banking to expand and develop to the point where it can effectively compete with its conventional counterpart, there needs to set up proper legal and institutional frameworks that are dedicated to the governance of Islamic banks and adheres to the principles of Sharia law (Abdulahi, 2012). But there is no independent body for standardizing and regulating Islamic banking sector in Ethiopia other than National Bank of Ethiopia.

In 2021, various estimate indicated Ethiopia's total population has reached to close 117 million of which 35% to 40% are Muslims. Up until 2011, no banking products and service have been availed to serve such segmented market of Muslim community. Although the National Bank of Ethiopia (NBE) has launched an IFB directive, there is still a need to develop an adequate legal framework to effectively grow and capitalize on a prosperous IFB sector. In Ethiopia it is well identified that legal framework challenges like the exclusiveness of banking business activity, limitation on investment of banks, tax system and unavailability of controlling mechanism last but not least lack of experts and skilled resource are identified as the main impediments of the sector (Hailu and Bushera, 2020). midst others the central premise of this paper is to explores the gaps in current legal framework of IFB business in Ethiopia.

2.2. Empirical Literature Review

2.2.1. Leadership

The mentality and behavior of leaders are shaped by their life experiences and knowledge, which are heavily impacted by culture and religious beliefs. This study examines leadership gaps and problems in the implementation of IFB in terms of knowledge, perception, legal framework, time, and project management. Several Western leadership ideas are disputed, and it is still unclear which is the best and most sustainable. Some countries have accepted specific leadership approaches because they were obliged to follow or because they were still looking for the best. Early debates on the concept of leadership frequently suggested that such qualities were solely innate characteristics that people have from birth it is simply to imply "born to lead". Recent theories have claimed that, in addition to possessing some characteristics that help people become

natural born leaders, other significant aspects such as experience and dependent variables are also important in becoming a good leader.

The gap between theories and their application can be bridged through proper adaptation on the leader's part, having a clear mindset and creation of well-defined goals. The numbers of Interest Free Banks growing, with the aim of offering Islamic banking products and services. However, Since the inception of Islamic banks, there have been worries about operational issues such as a lack of skilled staff, a lack of human resource policy, and a lack of planning and training to accelerate IFB company growth. In this situation, it is critical for Islamic banking executives to address negative concerns and identify answers to certain significant impediments that jeopardize Islamic bank reputation (Tahreem Noor Khan, 2015).

2.2.2. Leadership Gap

A leadership gap is a weakness that a supervisor's capabilities in the workplace closely correspond with, something that prevents them from reaching their full potential. In Libya, Wahda bankers discovered that one of the greatest roadblocks to conversion was a lack of awareness among clients and bankers, as well as misunderstandings among senior management (Yahya, (2017). Islamic banks are getting their market in the overall banking industry, but the difference is that the Islamic bank works within the boundaries set by Shariah, thereby discouraging interest-based financing activities where Islamic banks take care of the moral and ethical standards by encouraging the real time economic activities through participatory modes of financing based on profit and loss concept (Fada and Wabekwa, 2012).

Increasing effective leadership in an organization requires to understand where a leadership gap currently exists. A leadership gap or deficit may have one of two causes: lack of mastery of the required competencies or lack of focus on necessary skills (Jean Brittain Leslie, 2015) in this research leadership gaps will be assessed in terms of knowledge, perception, legal framework, and project management. Addressing the leadership gap means committing to the holistic leadership approach where leaders are responsible among others Knowledge, Perception, Legal framework and Project management.

According to a research conducted in UK the majority of Muslims are unhappy and unsatisfied by products and services of Islamic banks for concern about the cost of products to conventional ones, lack of advertising, focus on the rich in society and just changing and rebranding the names of conventional products to produce Shariah-compliance; the absence of efforts to achieve social

justice and equality in the society; and employing the same Shariah scholars across Shariah-boards, thereby reducing opportunities for newer and younger scholars which shows leaders did not take the desired measures in a proactive manner (Umair Ahmad Riaz, 2014).

According to a study done in the United Arab Emirates, non-Muslim students saw Islamic finance as intrinsically desirable to Muslims, but not as a producer of superior products (Bley and Kuehn, 2004). IFB should no longer be viewed as a religious organization attempting to fulfill religious responsibilities, but rather as a successful business that can attract clients (Dusuki & Abdullah, 2006). Not only that, but the main apparent potential benefit of Islamic banks is the peace of mind that comes with knowing that money would not be used to fund “unethical” projects that leaders of the time should be aware of. However, banking personnel stated that they were unaware of Islamic products and that the business lacked qualified Shariah scholars (Riaz, 2014).

2.2.3. IFB Leadership Perception Gap

Employees are entrusted to managers in organizations, and they must work with and through them to achieve organizational goals. The climate and effectiveness of the working environment are shaped by the perceptions of leaders, managers, and employees in businesses. The way we interpret our events is referred to as perception. For any effective leader, having the appropriate perception is a crucial ability. It is critical to recognize that perspective is frequently expressed through communication in any business, large or small, and hence communication is a vital tool in leadership. What distinguishes exceptional leaders is their ability to control perceptions while dealing with organizational difficulties. What people see as a leader's abilities becomes their perception, which then becomes reality (Ottara, 2011).

Preconceived notions about product qualities influence product perception, as does the judgmental frame of reference. When these preconceived assumptions are about the product, they are referred to as perceptual or analytical expectations or product beliefs, and it is critical that the leader intervenes to correct the error. The most important bank selection criteria for clients who frequented Islamic banks were the provision of a quick and efficient service, the bank's reputation, and confidentiality. Religion, on the other hand, was shown to play a smaller effect in customers' decisions to use Islamic banks (Erol & El-Bdour, 1989). An assessment conducted by (Sohail, A., Hamza, M., Ijaz, F., & Azeem, 2014) on perception of individual consumers towards Islamic banking products and services in Pakistan most of respondents are not aware of Islamic banking

system, and they just believe that Islamic banking and conventional banking there doing the same thing with the same products and services.

The results show that bank switching is strongly influenced by various branch level and product related incidents as a matter seventy five percent of bank switching is caused by more than one incident and customer usually give warning before switching. Hence, understanding customer and employee perception is key for the success of IFB business and managing own perception towards IFB is by far relevant. Employees' standard of awareness and attitudes would be important in the future ascertainment of the employees' competitiveness in the Islamic Banking and Financial Institutions where leaders failed to fill it. The general customer attitude towards IB determines the adoption rates.

2.2.4. IFB Leadership Knowledge Gap and Challenges

Knowledge on IB is regarded as one of the key determinants of IB adoption and Islamic Bank embarks on knowledge sharing among employees and other motivations like promotion and reward system (Mariadas & Murthy, 2017). Islamic Banks encourage their employees to share knowledge and information. Level of understanding of Islamic banking concept as the influential factor in the use of Islamic banks in the country is low level of understanding of Islamic banking, hence little use of the banks (Nurdin, 2017). Information technology infrastructures have been a major support in the knowledge management projects in the Islamic banks.

The knowledge of bankers on IB products is critical in the transformation process and practice of Islamic banking, and it was one of the primary causes for delaying the process. One of the important things that will simplify the transition to the Islamic financial system, according to studies, is knowledge of Islamic banking. The majority of bank managers in Libya have a strong awareness of Islamic finance and its products such as Al Wadiah Amanah, Bai Muajjal.Hajj, Hawala, Ijara, Istisna, Mudaraba, Murabaha, Musharaka and Quard AL Hassan, although they were unaware of some Islamic products like mudarabah and murabahah (Yahya, 2017).

Because of rising interest in Islamic banking, knowledge of Islamic banking products has grown. This desire grew significantly following the 2008 financial crisis, which demonstrated the strength of the Islamic banking system in compared to the conventional banking system. Understanding IB principles, as well as knowledge of IB among bankers, is critical to Islamic banks' future success. (Wahid, 2013) Several studies have focused on this issue. There are constantly worries about whether banks workers have proper Islamic banking training and competence. According to

(Abdullah and Rahman, 2007), the majority of Islamic bankers do not comprehend the differences between Islamic and conventional banking due to a lack of education and training. Similarly, leaders could not achieve the ultimate goal of IFB without having the relevant knowledge of this business to their employee and themselves.

(Tara,N.; Irshad,M.; Khan, M.R.; Yamin, M. & Rizwan,M, 2014) looked into the role of knowledge in the intention to embrace and implement Islamic banking products, finding that while knowledge of IB was positively related to attitude and inclination to use IB products, most Islamic banking employees have limited knowledge of IB products. While going for the research work (Samad, S. A.; Imran, M. & Masood, R, 2010) found a gap in Islamic banking industry that most of the people do not even know about the procedures and nature of the products offered by Islamic banks, i.e., they have lack of knowledge about how these banking activities are Islamic. While trying to find out different reasons due to which the customers are satisfied with Islamic banks, two main reasons such as Islamic banks provide multiple channels of services and offer a variety of products.

2.2.5. IFB Leadership Project Management Gaps and Challenges

The difference and similarities between conventional financial institutions and IB in terms of business organization, supervisory roles, economic roles and law in terms of business organization, Islamic banks obtain their income from sharing profit and loss through transactions whereas conventional banks make profit through interests on lending. IBs focus on economic roles, whereas conventional banks focus on company expansion by charging interest; IB origin of laws is Sharia, although conventional banks are not; and IBs and conventional banks have similar financial boards in terms of supervisory functions. However, while the supervisors' approaches to administering the bank differ, the nature of governance structure follows the same pattern. (Ibrahim and Ismail, (2015). The active participation of Islamic scholars in the governance of the Islamic economy initiative has resulted in their banks' present improved performance. Many entrepreneurs have struggled to identify the program, project, or initiative that best matches their business circumstances in the midst of multiple initiatives for Small and Medium-Sized Enterprises (Choiruzzad, B.A.S., & Nugroho,E.B, 2012). Because Islamic finance's doors are open to pertinent monetary reforms in the recent existing economic environment, it can embrace the reform agenda for conventional finance.

2.2.6. IFB Legal Framework Leadership Gaps and Challenges

The increasing number of branches and size of Islamic banks indicates the growth and success of Islamic banking industry. The motives behind this growth are due to the initiatives taken by central Banks in Nations. This movement has generated new dimensions in this sector such as the financial need of small and medium enterprises, low-cost housing, car financing and agriculture financing in terms of global outlook (Beloufi and Chachi, 2014). The global market for Islamic banking is set to flourish significantly in the years ahead and has the potential for becoming a part of the international financial system (Nazeer, 2015). More importantly, during the global economic slowdown, Islamic finance has shown resilience whereas, conventional banks in the West experienced difficulties. The use of the Sharia principle is what distinguish IBs from conventional banks and this differentiates their governance and legal framework engagement in business system that create economic values (Nurdin, 2017). Due to absence of comprehensive and inclusive relevant legislation, each bank has adopted their own methodology, models and benchmarks for launching IFB products with little coherence or commonality in the market. There are two international regulatory bodies in the Islamic finance industry, which have been widely used as standard setting bodies and benchmarks for Islamic and IFB products: The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and International Financial Services Board (IFSB).

In Ethiopia, OIB has opted to follow AAOIFI and both NBE and OIB have undertaken discussions with the IFSB on the possibility of implementing their standards at a national or institutional level. CBE looked into the UK, South African and Bahrain to develop their IFB product offering whereas, United Bank has based their products on Pakistan and Saudi Arabia. The above effort shows that the directive seems to be simplistic and leaves too much room for offering products that may not be aligned with the actual Ethiopian needs (Zaineb Sefiani, 2014).

IFB windows do not fully and effectively adhere to Islamic principles, NBE Directive SBB/72/2019 sub article 2.2 states that IFB business “refers to banking business in which mobilizing or advancing funds is undertaken in a manner consistent with Islamic finance principles. Hence, to achieve Sharia compliance, IFB windows need to have an extra layer of governance to ensure that the principles outlined in the latter article are met (Zaineb Sefiani, 2014) Islamic Shariah law provides guidance in terms of belief, moral conduct, prohibitions, and practical rulings or laws to the Muslims under the Islam (Beloufi and Chachi, 2014). The two basic sources of Islamic Shariah the Holy Quran, and Hadith/Sunnah as the primary sources while

secondary sources are Ijtihad and Qiyas define Shariah law (Gait and Worthington, 2008). (Sardar, 2003) notes that Shariah is a “human construction; an attempt to understand the divine will in a particular context. Therefore, the bulk of the Shariah consists of Fiqh or jurisprudence, which is nothing more than legal opinion of classical jurists. Corporate collapses like Enron and WorldCom were caused by mismanagement and fraud by the organization's top management and even the external auditors. Although leadership was one of the aspects that contributed to Enron's demise, it is because the degree of governance has received little attention. Hence the tendency to focus on the leaders’ perceptions and acceptance towards IFB as well as its product offering is a paramount (Rezart Dibra, PhD, 2016).

(Saha, B. A.; Niazi, G.S.K.; Majid, 2017), examined the perceptions of employees in Islamic banks and Islamic branches in conventional banks concerning practices and growth of Islamic banking in Pakistan. The results disclose that most of the employees hold positive perception regarding the practices, objectives and growth of Islamic banking and they believe that banks and government are committed towards the development of Islamic banking in the country. It is necessary to analyze the presence of such participation in Ethiopia's instance. NBE presently does not have internal specialists to assess and monitor IFB windows in Ethiopia to ensure that they are compliant with the article. Because there is no regulatory system in place to address the issue of Sharia compliance, the products are at a significant danger of not adhering to true Islamic values (Zaineb Sefiani, 2014).

CHAPTER THREE

3. Research Methodology

This chapter explores into the study's methodology selection procedure, it has primarily relied on the problem to guide methodological decisions. It has also discussed why an exploratory research design is seen to be suited for the study. The chapter also outlined the procedures for gathering, analyzing, and reporting data.

3.1. Research Design

In conducting researches on the assessment of leadership gaps and challenges in the implementation of IFB in Ethiopia it is used an exploratory type of research design which enabled me clarify ambiguous situations or discovered ideas that is potential and real leadership gaps and challenges in Ethiopia in the IFB business, this research conducted is the first in Ethiopia. The purpose of exploratory study used as it provides a picture of situation, person, event and showed how things are related to each other and as it naturally occurs (Blumberg, Cooper and Schindler, 2005). and in my research assessment of leadership gaps and challenges in IFB in Ethiopia an exploratory research design is used as it best fitted. As this type of research design is particularly useful for new product/service implementation as it could be done with both structured and unstructured research approach (Ghauri & Gronhaug, 2005).

3.2. Research Approach

In general, there are three approaches or methods to conduct research these are qualitative, quantitative and mixed methods (Teddie and Tashakkori, 2009). As this research study involved collecting and analyzing both quantitative and qualitative data, a mixed methods approach was implemented to address the research questions. These Mixed methods provided me a more complete picture by noting trends and generalizations as well as in-depth content analysis of documents. The findings on quantitative approach are supplemented further by the qualitative research approach. Without a doubt, the three techniques are not as distinct as they appear. Qualitative and quantitative research methods should not be viewed as rigid categories, polar opposites, or dichotomies. Rather, they reflect the polar opposites of a spectrum. A qualitative study, on the other hand, is more likely to be qualitative than a quantitative investigation. Mixed methods research falls in the middle of the research spectrum since it incorporates elements of both qualitative and quantitative procedures.

3.3. Research Method

3.3.1. Data Collection Method and Sources

Considering the central and supplementary research questions, in this research it was used two options to collect the quantitative and qualitative data. The first is developed survey questionnaire on selected issues related to perception, project management, leadership knowledge gap and legal framework. This method had an advantage of conducting the study at different banks and incorporating diverse opinions of the bank community. Qualitative data consisted of bank procedure and policy documents and NBE directives were majorly used.

There is no single or best way for qualitative approach, and any of the following may produce narrative data that require analysis Open-end questions and written comments on questionnaires, testimonial, individual interviews, content analysis, focus group interviews, books, journals and directives, documents, reports and news articles (Powell and Renner, 2003).

Data was gathered both from primary and secondary sources for this study. A set of structured questionnaires have been designed and distributed to the selected respondents who are familiar to IFB process along the structure in the leadership position and an onsite observation was made to Conventional Branches window. Secondary data was gathered to augment primary data from a variety of sources, including interest-free banking rules, policy and procedures, NBE directives pertaining to IFB, annual reports, and other publications of Ethiopian commercial banks.

3.3.2. Sampling Technique and Size

The unit of analysis used in the current study is drawn from the population of commercial banks operating in Ethiopia. The study utilizes census approach in selection of Bank with purposive exclusion of a bank which does not operate IFB service and employee below managerial position. This is due to the small number of commercial banks operating in Ethiopia, which is only 19 as of 2021 (NBE quarter report, 2021) including the two (2) full fledged banks of which 13 of the banks engaged in IFB business were in consideration and since the target of this study is leadership gap and challenges in the adoption of IFB mainly leaders or employee at managerial positions who have IFB exposures were in consideration including conveniently selected shari'ah advisory boards.

In research, sampling refers to the selection of individuals, units, and/or environments to be investigated. While quantitative studies strive for random sampling, qualitative studies frequently employ deliberate or criterion-based sampling, which involves selecting a sample that possesses the qualities relevant to the research topic(s) (Lacey & Luff, 2001). When we decide size for

sample in researches, it is important to keep in mind that there is no one direct rules. However, we have to consider the sample sizes that reach saturation or redundancy and large enough sample is taken in order to assess an appropriate amount of diversity. Sampling in research typically starts with a specific group, type thus the goal is credibility and representativeness or the ability to generalize, in both qualitative and quantitative case (Nastasi, 2004). Hence defining sampling units clearly before choosing cases is essential in order to avoid mess and empirically shallow research. Therefore, more appropriate approach of sampling technique which I applied to my research was census in selection Banks and stratified convenient sampling was used in selection of target leadership respondents of survey questionnaire at all commercial Banks in Ethiopia those operating IFB business. As it is new product as a whole in Ethiopian market, the research considered those who have the exposure and expertise so far towards this business and was found to contribute significantly to the finding. I mainly stratified the population per Bank to conveniently distribute the questionnaire to those at leadership role in Head office. From the total population of 96 who are leaders along the IFB structure 16 of them were not in a situation to fill the questionnaire hence they are excluded and it was possible to get the willingness of 75 of the leaders to fill the questionnaire and yet only 65 of them responded the questionnaire and three conveniently selected Shari’ah advisory boards as it could be referred from the following table:

Table 3: 1:Population of Local Banks IFB Structure and Respective Sample Size taken in Consideration

Description	CBE	OIB	HB	CBO	NIB	WEG	ABAY	BOA	AB	DB	BB	ZZB	HIJ	Total
Number of VP/Deputy VP	1	1		1	1				1	1		2		8
Number of Directors	3	1	1	3	7	1	1	1	2	1	1	5	6	33
Number of Division/ Manager	13	3	2	3	2	2	5	5	5	5	2	5	3	55
Sum Leadership IFB Structure	17	5	3	7	10	3	6	6	8	7	3	12	9	96
Sample Size Taken Conveniently	5	4	2	7	10	2	6	5	6	7	4	11	6	75

3.4. Data Analysis Method

An in-depth quantitative and qualitative analysis of the survey response and content of the responses and documents were carried out respectively. The structured data was analyzed using Statistical Package for Social Scientists (SPSS) computer software package and presented manly

in tables and percentage to give a clear depiction of the findings. Moreover, to make it more simplified the data gathered from questionnaire were summarized and analyzed using descriptive statistics method of data analysis. Then the data were described and presented using tables. These aided in making the assessment of leadership gaps and Challenges in adoption of Interest IFB more successful.

3.5. Research Reliability and Validity

3.5.1. Research Reliability

Threats to research reliability are Participant error, Participant bias, Researcher error and Researcher bias. In order to maintain the reliability of the research it is expected to act in such a way that such error and bias will be minimal to the maximum possible

In this research to avoid participant error and bias the researcher used simple English word in developing the questionnaire to make respondents comfortable in understanding the essence of the research items and further supported by on site observation and brainstorming session with sharia advisory board to triangulate some of the research items. The respondents are clearly communicated the purpose of the research is being for academic purpose to let the respondent possess confident and minimize bias. The respondent has given sufficient time to carefully fill the questionnaire to their convenient time. With regard to researcher's interpretation all cares have been taken care of to avoid any factor which alters the researcher's interpretation and careful attention is given to avoid any personal bias of the researcher in recording of the data.

3.5.1. Research Validity

This research is the first to be conducted in Ethiopia hence I have used exploratory type of research design with a mixed research approach and it is inductive which maintains Construct validity of my researches. However, no internal validity is established since my research is not investigating any causal relationship between two variables.

3.7. Ethical Consideration

The researcher being aware of the Ethical consideration have maintained the information given by respondents confidentially in no way had/will disclose the respondents identity and would not be used for personal interest in any way. Moreover, the questionnaires were only distributed to voluntary respondents and all the secondary information sources and materials referred were appropriately acknowledged.

CHAPTER FOUR

4. Data Presentation, Analysis and Discussion

The overall methodology, which centered on the research aim, research approach, research design, and the specific data collection and data analysis method employed in the study, was described in the previous chapters. The analysis and outcomes of data acquired by questionnaire, onsite observation, intermittent sessions with sharia advisory boards, and document analysis are then presented in this chapter.

This chapter has dedicated to discuss the finding of the data collected, presents the discussion, analyses the information and interpret the result concerning the assessment of leadership gaps and challenges in adoption of IFB in Ethiopia from four major dimensional aspect which include Leadership Perception, Leadership Knowledge gap, Project Management and Legal Frame work.

4.1. Demographic and General

Based on the four primary categories of perception, knowledge, legal framework, and project management, the researchers devised a questionnaire to evaluate and identify leadership gaps and Challenges. As a result, 75 questionnaires were issued to leaders/managers at banks across the IFB business structure, and 65 of them responded, accounting for 86.67 percent of the questionnaires distributed and of which 83.08% of the respondents are male the rest are female which shows that the IFB line of structure at leadership position are highly dominated by male as can be referred from the following table.

Table 4: 1 Respondents Gender Structure

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	54	83.08	83.08	83.08
	Female	11	16.92	16.92	100
Total		65	100.0		

With regard to Educational qualification 38 of the respondents are Master's holder whereas 27 of them are BA/BSC holder this implies all the respondents are above BA/BSC it happens because all the respondents are at leadership position and it is part of the requirement to possess such qualification to assume a managerial position and it is a good indicative that academically all the

respondent fits the qualification to possess leadership position, and if the appropriate attention and training given these leaders are capable of to cope up with the business, please refer the following table of educational qualification.

Table 4: 2 Respondent Educational Qualification

Diploma	BA/BSC	Master's	PhD
Count	Count	Count	Count
0	27	38	0

Respondent category of managerial level has been gathered accordingly from the total of the respondent 46.15% are at middle level of manager and almost the equivalent of which 47.69% are at lower level and 6.16% participated from the top-level manager hence the mix of leadership who give the response for the research are from all level of the position which makes the research more complete and valid please refer the following table managerial level count of the respondent.

Table 4:3 Respondents Managerial Level Category

Managerial Level	Frequency	Percent	Valid Percent	Cumulative Percent
Lower level	31	47.69	47.69	47.69
Middle Level	30	46.15	46.15	93.84
Top Level	4	6.16	6.16	100.0
Total	65	100.0	100.0	

Among the 65 respondents there are Vice President, Directors, Division Managers, Relationship Managers who have leadership role along the IFB business. Almost all of the respondent has exposure to IFB line of business, as summarized as follows.

Table 4: 4 Respondent Year of Exposure for Interest Free Banking (IFB) Business

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Up to 2 years	12	18.5	18.5	18.5
	2-4 years	20	30.8	30.8	49.2
	4-6 years	24	36.9	36.9	86.2
	Above 6 years	9	13.8	13.8	100
	Total	65	100	100	

The respondent who are in leadership position under consideration have different Interest Free Banking year of experience of which more than 50% of the respondent have a more than 4 years of Interest Free Banking exposure and 81.5% at least possess two year and above year of IFB exposure, hence it is valid to take their response to evaluate leadership gaps and challenges and the duration of leaders exposure to IFB worthy to get valid information regarding Perception, knowledge, Project management and legal framework gaps in the adoption of IFB in Ethiopia. All eleven banks that start the IFB service, as well as two full-fledged IFB banks, ZamZam Bank and Hijira Bank, are eligible to provide data to the researcher (Operationalized and to be operationalize soon respectively). Furthermore, the researcher was able to critically evaluate the contents of the NBE directive, sample Bank Policies and Procedures, as well as conduct an onsite visit and observation, and the data and information gathered are analyzed as follows.

Table 4: 5 Banks and Number of Respective Leadership Participated to the Survey

Bank	Frequency	Percent
Hibret Bank S.Co	2	3.1
Abay Bank S.Co	5	7.7
Bank of Abyssinia S.Co	3	4.6
Awash Bank S.Co	4	6.2
Cooperative Bank of Oromia S.Co	7	10.8
Hijra Bank S.Co	4	6.1
Commercial Bank of Ethiopia	5	7.7
Valid Nib International Bank S.Co	7	10.8
Dashen Bank S.Co	5	7.7
Buna Bank S.Co	4	6.1
Oromia International Bank S.Co	4	6.1
Wegagen Bank S.Co	4	6.1
ZamZam Bank S.Co	11	17
Total	65	100

Among censes selected banks all have participated to the questionnaire from 3% least at conventional Bank (Hibiret Bank) to maximum of 16% IFB full-fledged (ZamZam Bank) have participated to respond the questionnaire hence it is inclusive of all Banks currently in operation yet respondents are selected conveniently based on their willingness to respond the questionnaire

since all respondents are at a managerial position and some of the respondents have a tight schedule and are not willing to respond hence their convenience is checked prior to questionnaire distribution and it is found 75 willing respondents out of 96.

4.2. Leadership Perception Gap Towards IFB Business

The researcher's first alternative metric for weighing the leadership gap in the IFB industry is perception of leadership. This is because careful management of leaders' personal perceptions and taking suitable measures to fix detected perception gaps will help the IFB product succeed.

As it was well presented in the literature review part of this paper evaluating the leadership's image focus on the leaders' perceptions of the IFB product, their perceptions of the business's potential, and their perceptions of the goods' core principles, perceptions of the scope of product usage, gaps in customer perception management, and leaders' attitudes toward Shariah advisory boards at banks and in some instances employee perception who run the IFB business and customer perception are the key areas the researcher decided to assess leadership gaps that hinder the successes of IFB business in Ethiopia. Accordingly, the researcher summarized the data gathered through distributed questionnaires that enable to identify leadership perception as follows.

Table 4: 6: Respondent’s Summary of Leadership Perception towards IFB

Leadership Perception about IFB Product and Service		Strongly Agree	Agree	Uncertain/ Not applicable	Disagree	Strongly Disagree	Missing
1.	IFB is equally competitive as conventional in terms of products and services	13(20%)	27(41.5%)	6(9.2%)	17(26.2%)	1(1.5%)	1
2.	IFB products are more affordable than conventional banks	8(12.3%)	21(32.3%)	16(24.6%)	14(21.5%)	4(6.2%)	2
3.	Adequate attention is given for IFB operation as did for conventional	1(1.5%)	12(18.5%)	8(12.3%)	30(46.2%)	13(20%)	1
4.	Enough IFB retail products and services are introduced	3(4.6%)	12(18.5%)	10(15.4%)	32(49.2%)	8(12.3%)	0
5.	Banks continuously enhancing product and service quality of IFB like conventional	0	19(29.2%)	11(16.9%)	26(40%)	9(13.8%)	0
6.	Enough financing products are introduced in an ongoing basis	1(1.5%)	9(13.8%)	14(21.5%)	32(49.2%)	8(12.3%)	1
7.	I think Interest Free Banking (IFB) is promoting Islam	4(6.2%)	15(23.1%)	17(26.2%)	20(30.8%)	9(13.8%)	0
Leadership Perception of IFB Business Potential							
8.	I believe that IFB has strong potential business for Banks	38(58.5%)	22(33.8%)	3(4.6%)	1(1.5%)	1(1.5%)	0
9.	There is high potential of customer conversion or migration from conventional to IFB	9(13.8%)	33(50.8%)	16(24.6%)	5(7.7%)	2(3.1%)	0
10.	IFB performance should be Judged through good percentage of profit/return	5(7.7%)	27(41.5%)	8(12.3%)	20(30.8%)	5(7.7%)	0
11.	I think IFB services, do not exploit its customer in any way	6(9.2%)	27(41.5%)	15(23.1%)	14(21.5%)	1(1.5%)	2
Leadership Perception Regarding the Fundamental Principle of IFB							

Leadership Perception about IFB Product and Service		Strongly Agree	Agree	Uncertain/ Not applicable	Disagree	Strongly Disagree	Missing
12.	The Bank has IFB conducive environment that properly reflect the values in which the business is based	0(0%)	19(29.2%)	16(24.6%)	22(33.8%)	6(9.2%)	2
13.	There is no as such wrong in trading money for money in IFB services	4(6.2%)	22(33.8%)	14(21.5%)	10(15.4%)	14(21.5%)	1
14.	IFB is first in conformity with the norms of Islam then customer	16(24.6%)	30(46.2%)	8(12.3%)	11(16.9%)	0(%)	0
Perception on Product Implementation Scope							
15.	I think Islamic Banking Service offered to both Muslim and none Muslims	26(40%)	28(43.1%)	5(7.7%)	5(7.7%)	1(1.5%)	1
Perception with respect to Shari'ah Advisory Board							
16.	Sharia board comments are applied during operation and issuing of products	13(20%)	31(47.7%)	14(21.5%)	6(9.2%)	1(1.5%)	1
Gaps in Managing Customers Perception							
17.	Customers trust the sources of shared profit or loss for their investment account (Mudaraba and/or Musharaka) free from interest	15(23.1%)	18(27.7%)	24(36.9%)	7(10.8%)	0(%)	1

As it could be referred from table 4:3: for sake of simplifying the analysis the response further categorized in to five sub categories and the analysis is presented as follows.

4.2.1. Leadership Perception about IFB Product and Service

In terms of perceived competence of IFB products versus conventional banking products and services, 61.5 percent of respondents believe IFB products are equally competitive to conventional, while only 27.7 percent believe the opposite. This show that the proportion of leaders who believe that IFB is not as competitive as conventional banking which is contradictory with the need for the establishment of IFB in such Bank unless such perception is alleviated.

On the other hand, 44.6 percent of respondents believe IFB products and services are more affordable than conventional, while 27.7 percent believe the opposite. However, in terms of the level of attention provided to IFB in comparison to traditional priorities, the majority of respondents (66.2%) either strongly disagree or disagree that IFB receives appropriate attention from the leadership. This is the extension of those leaders who believe that IFB is not as competitive as conventional in addition those who believe IFB is a competitive product still they are not ready to give the relevant attention IFB require which challenges the IFB business as a whole and it is of course a major leadership gap.

Likewise, among various IFB retail and financing products currently in use in the industry around the world, 61.5 percent of respondents disagree or strongly disagree that Ethiopian banks have adopted enough IFB products. Furthermore, 53.8 percent of respondents disagree that Ethiopian banks are introducing various IFB products on a regular basis. Furthermore, 61.5 percent of respondents say that there aren't enough finance options released on a regular basis. Surprisingly, around 55.5 percent of the respondents either believe or prefer not to believe that IFB company promotes Islam. From this we could understand that the type of financing adopted by banks are very limited and further more from Banks policy and procedures and the report produce on June 30, 2021 of NBE the type of financing category adopted by this Banks are not more than two hence very limited and further more leaders along the IFB structure still believes that IFB promotes Islam.

4.2.2. Leadership Perception of IFB Business Potential

According to the Global IFM Report 2019, Islamic Banking is the largest industry, accounting for 71 percent of total Islamic Finance, or USD 1.72 trillion. In line with this, 92.3 percent of respondents agree or strongly agree that IFB is a prospective company. Furthermore, 64.6 percent of those surveyed thought that IFB has a high potential for consumer transfer from traditional to

IFB. However, contrary to the shari'ah basic principles Half of the respondent think that IFB performance should be judged through good percentage of profit return.

In the researcher's observation and data acquired from Ethiopian Interest Free Finance Professional Association (EIFFPA) as of March 31, 2021, from the total 83.5 billion Birr IFB deposit of commercial banks in Ethiopia, 99.6% of the total deposit is maintained in the Wadia Amana account, although banks do not share any advantage for such account. While it is a normal practice around the world for Wadia Amana accounts to be reimbursed with Hiba (a variety of gifts organized by the banks), this is not the case with Ethiopian banks that operate IFB businesses, which abuse practically all IFB depositors. True, the IFB business should make money, but not in any way; rather, it will be monitored against Shariah principles. In this regard, the majority of respondents agree that a good percentage of profit/return should be used to judge a bank's performance in terms of IFB. However, Islamic finance is based on adhering to Islamic principles and ensuring the well-being of society through equitable wealth distribution.

4.2.3. Leadership Perception Regarding the Fundamental Principle of IFB

In support of this claim, researcher observation of Branches physical environment is a reflection. About 53.8 percent of respondents disagree or are unsure that the Bank has an IFB conducive environment that adequately reflects the principles on which the business is based. It is not conducive because IFB customers expect employees to wear uniforms, which the majority of Bank Branches do not provide. Separation of IFB service from conventional in terms of employee, window is not provided, and separation of record keeping is not found to be reliable.

Although trading money for money is prohibited under sharia law, a significant number of respondents (61.5%) believe that there is no such thing as wrong trading money for money. Contradicting to their response, nearly 90% of respondents believe that they understand the underlying principles used in IFB. Hence, Customers trust the sources of shared profit or loss for their investment account (Mudaraba and/or Musharaka) free of interest (Riba), yet a large proportion of respondents disagree, leading some customers to question whether the essential sharia principle is maintained or not.

It is true that religious norms have an impact on deciding what form of banking to use on customers, however the principles on which the business is founded are aligned with the value of the customer, whether they are Muslims or non-Muslims, and the ideas are said to be common to most religions, Hardius Usman (2015), contrary to this argument most of the respondent perceived

that IFB is first in conformity with Islam then customer that is 71%. But presence of the IFB principle is in an alignment of the customer want regardless of their religion and on top of that more than 83.1% of the respondent agree that IFB is meant for both Muslim and non-Muslim.

4.2.4. Perception with Respect to Shari'ah Advisory Board

The Shari'ah Advisory Board (SASB) has an advisory function in most banks, with management making the final decision; nonetheless, SASB recommendations are applied during operations. SASB, on the other hand, has reservations about how rigidly their suggestions are enforced; in addition, they have observed gaps in the application of their remarks, and they feel that many of the concerns they forwarded are still pending implementation.

4.3. Leadership Knowledge Gaps towards IFB

Following the evaluation of leadership perception gaps and issues, the following step is to rate leadership expertise and understanding of IFB business, as this is one of the areas where the research is looking for knowledge gaps or issues. As a result, seventeen (17) questions were created to assess respondents' knowledge gaps. See the following table:

Table 4: 7 Leadership Knowledge and Uptake of Interest Free Banking (IFB)

Level of Understanding IFB Product and Service		Strongly Agree	Agree	Uncertain/ Not Applicable	Disagree	Strongly Disagree	Missing
1.	It is simple to understand the difference between IFB and conventional banking system	15(23.1%)	31(47.7%)	8(12.3%)	11(16.9%)	0(0%)	0
2.	I know the underlying principles or concept applied in IFB	18(27.7%)	36(55.4%)	4(6.2%)	6(9.2%)	1(1.5%)	0
3.	Terminologies used in IFB are difficult to understand	0(0%)	22(33.8%)	11(16.9%)	28(43.1%)	4(6.2%)	0
4.	Employee properly know IFB services currently offered by banks	0(0%)	19(29.2%)	17(26.2%)	22(33.8%)	6(9.2%)	1
5.	Shari'ah Board/Advisors having technical expertise of financial treatments other than Shari'ah	5(7.7%)	19(29.2%)	28(43.1%)	10(15.4%)	2(3.1%)	1
6.	I am aware of the instruments used in the financing products IFB offer like Mudharabah and Musharaka	11(16.9%)	39(60%)	8(12.3%)	6(9.2%)	1(1.5%)	0
7.	Customers know IFB products/services offered through window and full-fledged bank and branches	1(1.5%)	11(16.9%)	8(12.3%)	30(46.2%)	15(23.1%)	0
8.	Operationally, Mudaraba and Musharak financing products are simpler and more effective than other financing products	1(1.5%)	9(13.8%)	24(36.9%)	26(40%)	5(7.7%)	0
9.	Goods and service judged illegal by the Sharia'ah can't be financed by IFB	33(50.8%)	18(27.7%)	6(9.2%)	5(7.7%)	2(3.1%)	1
Availing, Man Power, Training and Development for IFB							
10.	Branch's Technical staff in charge of IFB are professionally trained & qualify	1(1.5%)	12(18.5%)	19(29.2%)	29(44.6%)	4(6.2%)	0
11.	Technical staff in charge of IFB are professionally trained and qualified at H.O	1(1.5%)	30(46.2%)	15(23.1%)	17(26.2%)	2(3.1%)	0
12.	IFB training is frequently delivered to managers	1(1.5%)	16(24.6%)	20(30.8%)	21(32.3%)	7(10.8%)	0

Level of Understanding IFB Product and Service		Strongly Agree	Agree	Uncertain/ Not Applicable	Disagree	Strongly Disagree	Missing
13.	Training session are arranged regularly on IFB for the understanding of Shari'ah advisors	1(1.5%)	12(18.5%)	20(30.8%)	28(43.1%)	3(4.6%)	1
14.	Banks use variety of methods to educate people about IFB products/services	3(4.6%)	21(32.3%)	20(30.8%)	15(23.1%)	6(9.2%)	1
IFB Product and Service Communication							
15.	Encourages branches to avoid customers for IFB banking service if the customer business is involving alcohol, tobacco and pork	15(23.1%)	34(52.3%)	11(16.9%)	5(7.7%)	0(0%)	0
16.	Banks have good advertising strategies to inform public about the financing opportunities in Ethiopia	2(3.1%)	20(30.8%)	15(23.1%)	25(38.5%)	3(4.6%)	0
17.	Customers have gained good understanding of IFB financing products	1(1.5%)	14(21.5%)	17(26.2%)	33(50.8%)	0(0%)	1

4.3.1. Leadership Knowledge and Understanding towards IFB Products and Services

From the total respondent's 70.8 percent of believe that distinguishing IFB from traditional banking is simple, and 83.1 percent believe that they understand the underlying principles or concepts used in IFB; However, 61.5 percent of them are unaware of the basic principle of prohibition of trading money for money. Furthermore, more than half of the respondents said that the terminology employed in IFB is difficult for them to understand. Moreover, 69.2 percent of respondents agreed, strongly agreed, or are unsure that their employees are not fully aware of the IFB services currently supplied by their bank, which is a symptom of knowledge gaps at the employee level.

Around a quarter of the respondents disagree or are unsure about their understanding of the basic instruments utilized in financing products such as Mudharabah and Musharaka. And more than half of the respondents believe that Mudaraba and Musharaka finance packages are simpler and more effective than other financing options. However, the global practice shows that rather the Murabaha product financing is the most widely used and simpler for implementation. Therefore, this is a good implication that leaders themselves are not clearly aware of the basic IFB products. It is common knowledge that if employees have knowledge gaps, this will have an impact on customer knowledge, which is the ultimate success factor for a firm and has an impact on the bottom line. As a result of the knowledge gap at the bank level, just 29.2 percent of respondents felt that clients are aware of IFB products supplied through window, full-fledged branches, and banks. where banks fail to adequately educate or inform their customers about IFB products.

Despite the fact that Sharia Advisory Boards or consular have appropriate knowledge of Shariah rules, only approximately 37% of respondents agree on their Sharia'ah advisory boards technical competency in financial treatment. The Shariah advisory council appears to be successful in its argument that goods and services deemed forbidden by them cannot be financed by interest-free banking (IFB), and that just about 11% of respondents disagree.

4.3.2. IFB Man Power Placement, Training and Development

The discrepancy between one's current level of knowledge and the level of information or aptitude required to achieve a goal is known as a knowledge gap. It is an activity that leads to skilled behavior; it is the foundation of a continuous effort to increase employee competency and organizational performance by teaching individuals the fundamental skills they require to accomplish their jobs. Training benefits everyone since it gives them a greater understanding of

their responsibilities as well as the knowledge and skills, they need to do their jobs. This will increase their self-assurance, allowing them to perform better in general. The higher the quality of training, the faster the company will grow. However, 80% of respondents disagree or are dubious if the staff at their bank branch is professionally trained and knowledgeable. In Ethiopia Banking industry we have witnessed that most of the employee assigned along the IFB structure trying to acquire the technical knowledge with their own effort. Employees, as well as supervisors at all levels of the IFB structure and business, lack training.

As a consequence, roughly 74 percent of respondents disagree that IFB training is routinely offered to managers, and an additional 80 percent disagree that training sessions arranged on IFB for the knowledge of Shari'ah advisory board are held on a regular basis. Furthermore, according to 63.1 percent of survey respondents, not only the frequency, but also the range of techniques for providing training are not applied.

4.3.3. Communicating IFB Product and Service

More than 92 percent of respondents agreed that if a customer's company involves alcohol, tobacco, or pork, branches are encouraged to refuse IFB service. But In terms of public communication, the majority of respondents 66.2% disagree that banks have excellent advertising strategies to tell the public about financing alternatives in Ethiopia, and more than 75% disagree that customers have a good comprehension of IFB financing products.

4.4. Gaps on Project Management and Implementation towards IFB

The researcher showed a knowledge gap in the adoption of IFB in Ethiopia in the previous section of data analysis; in this part, the researcher assesses leadership gaps and problems in the IFB project management in Ethiopia, the following is a breakdown of IFB adoption project management gaps and challenges. Project management, in this context, refers to the complete life cycle of an IFB, from ideation to implementation and seamless operation as a bank's routine activity. The researcher summarized the response in the table below, which corresponds to the analysis in the following section.

Table 4: 8: Gap and Challenges in IFB Project Management and Implementation

		Strongly Agree	Agree	Uncertain/ not applicable	Disagree	Strongly Disagree	Missing
Time Management of IFB Projects							
1.	Introducing IFB business took long time than it did by conventional	11(16.9%)	29(44.6%)	12(18.5%)	12(18.5%)	0(0%)	1
2.	Lag of Full-fledged IFB under formation attribute to organizers distant for banking exposure	5(7.7%)	35(53.5%)	18(27.7%)	6(9.2%)	0(0%)	1
3.	Services offered by IFB are efficient and time effective	3(4.6%)	19(29.2%)	18(27.7%)	21(32.3%)	4(6.2%)	0
4.	IFB Business is Promoting sustainable development projects	13(20%)	32(49.2%)	12(18.5%)	6(9.2%)	2(3.1%)	0
5.	Features of IFB offered in window can fit with customers banking needs	5(7.7%)	14(21.5%)	16(24.6%)	27(41.5%)	3(4.6%)	0
Project Management Structure							
6.	IFB institutional structure is conflicting and confusing at conventional Banks	5(7.7%)	16(24.6%)	18(27.7%)	23(35.4%)	3(4.6%)	1
7.	The shortage of experienced professionals in the IFB sector is a problem in providing the service	15(23.1%)	36(55.4%)	8(12.3%)	6(9.2%)	0(0%)	0
8.	Adequate, Qualified, and Presentable personnel is placed along the IFB structure including Board member in terms of business and shari'ah	4(6.2%)	14(21.5%)	24(36.9%)	20(30.8%)	3(4.6%)	0
9.	Full-fledged IFB Bank incorporates sufficient well experienced Bankers in their Board	5(7.7%)	17(26.2%)	21(32.3%)	18(27.7%)	4(6.2%)	0
10.	Accountability and performance of IFB are ensured	6(9.2%)	36(55.4%)	10(15.4%)	9(13.8%)	3(4.6%)	1
11.	The bank has partnered with religious leaders to sensitize the public about the importance of IFB	3(4.6%)	23(35.4%)	23(35.4%)	13(20%)	3(4.6%)	0
12.	My Bank has an active Shari'ah Advisory Board	11(16.9%)	26(40%)	15(23.1%)	11(16.9%)	2(3.1%)	0

Time Management of IFB Projects		Strongly Agree	Agree	Uncertain/ not applicable	Disagree	Strongly Disagree	Missing
13.	Establishing Shari'ah Advisory Board Involves Extended Bureaucracy	5(7.7%)	19(29.2%)	20(30.8%)	17(26.2%)	4(6.2%)	0
14.	IFB are transparent in its dealings and annual reports with respect service	11(16.9%)	33(50.8%)	15(23.1%)	6(9.2%)	0(0%)	0
Technology Implementation Gaps and Challenges							
15.	Investing in technology for sake of IFB business is worthy	17(26.2%)	32(49.2%)	8(12.3%)	6(9.2%)	2(3.1%)	0
16.	IFB Use Modern technology in performing banking transaction	15(23.1%)	29(44.6%)	11(16.9%)	8(12.3%)	2(3.1%)	0
17.	There is a system automatically calculate Mudarabah deposit profit sharing	6(9.2%)	23(35.4%)	18(27.7%)	14(21.5%)	4(6.2%)	0
18.	System is established that separately record accounting transaction of IFB	15(23.1%)	37(56.9%)	5(7.7%)	5(7.7%)	3(4.6%)	0
19.	There is IFB system that separately maintain general ledger account of IFB transaction at conventional bank	13(20%)	40(61.5%)	7(10.8%)	4(6.2%)	1(1.5%)	1
20.	It is possible to get IFB transactions financial reports like conventional	16(24.6%)	36(55.4%)	6(9.2%)	7(10.8%)	0(0%)	1

4.4.1. Analysis of IFB Business Project Management

The project implementation alignment and completion as per established time schedule is one of the parameters that defines the effectiveness of a project management, and for the purposes of this study, the time management of IFB is measured using four survey questionnaires questions presented by the researcher. In response to the first question, the majority of respondents agreed that introducing IFB business took longer than it did by conventional means, and that coming live is well behind the timeframe set for IFB implementation, with just about 20% disagreeing.

Full-fledged IFB Banks failing to meet their go live schedule is partly attributed to the organizers' lack of experience in the banking business, with just about 10% refuting this point. Not only that, after the project or product is operationalized, more than 66.2 percent of respondents believe the IFB service is inefficient and time consuming.

Banks are concentrating their efforts on the Murabaha finance market, which is cost plus markup and differs from project financing. Although the primary premise of the business is to produce sustainable development of projects, only 12.3% of respondents are aware that IFB Business is not yet encouraging sustainable development of projects. Furthermore, the majority of respondents (more than 70%) are unsure whether the IFB features presented in the window would meet IFB banking needs.

4.4.2. Gaps Related with Project Management Structure

Project failure is not solely due to poor time management; structure throughout the project management process plays a role in both success and failure. Accordingly, 67.7 Percent of respondents acknowledged that IFB institutional structure is contradictory and unclear at traditional banks, while more than 90 Percent disagree that a shortage of skilled people in the IFB industry is a difficulty in providing service. Moreover, more than 72 Percent of respondents disagree with the placement of Adequate, Qualified, and Presentable individuals, including Board members, along the IFB structure in terms of IFB financing, business, and Shari'ah awareness. Furthermore, just 34 Percent of agreed full-fledged IFB Banks have enough well-experienced bankers on their board of directors. It is not the only structural flaw; just around 57 percent of respondents favor their Bank Shari'ah Advisory Board's active participation, and only about 33 percent believe that forming a Shari'ah advisory Board entails extensive bureaucracy. As a result, their influence on the success of IFB product and service implementation is limited, with only about 40% of respondents agreeing that the Bank has partnered with religious leaders to raise

public awareness about the importance of IFB, which would have been better done in coordination with the Shari'ah advisory board if they had been actively involved.

This leads to a determination of whether IFB accountability and performance are assured. As a result, 64.6 percent of respondents are held accountable for their actions, but in practice, according to the March 2021 IFB consolidated report of commercial banks, only 25% of total deposits mobilized are financed, and some banks have no financing at all, and accountability was not maintained in keeping those funds idle. Majority of respondents believe that IFB is transparent, but in actuality, certain banks' IFB activity is not separately reported and there is no easily maintained separate general ledger.

Table 4: 9: IFB Financing to Deposit Proportion of Banks as at End of March 2021

SN	Name of Bank	Total Value of Deposit	Outstanding Financing	Deposit to Financing
1	Abay Bank	1,115,895,144	438,408,571.43	39%
2	Awash Bank	5,701,838,343	1,634,415,408.94	29%
3	Bank of Abyssinia	6,388,137,591	486,305,010.28	8%
4	Buna Bank	535,000,000		0%
5	Commercial Bank of Ethiopia	45,995,292,645	5,656,475,643.47	12%
6	Cooperative Bank of Oromia	9,586,597,947	5,827,361,624.04	61%
7	Dashen Bank	3,992,561,075	1,212,043,637.39	30%
8	Hibret Bank	1,686,313,008	764,906,397.23	45%
9	Nib International Bank	2,683,999,698	690,706,749.29	26%
10	Oromia International Bank	4,487,486,000	3,641,716,690.00	81%
11	Wegagen Bank	1,365,725,689	380,287,084.61	28%
12	Total	83,538,847,141	20,732,626,817	25%

4.4.3. In Leadership Role IFB Technology Placement Gaps and Challenges

There is Shari'ah compliant technology that is approved by AAOIFI and is suitable for Islamic Banking, and the majority of respondents think that investing in technology for the benefit of IFB business is worthwhile, and they believe that IFB employs modern technology in banking transactions. However, in practice, less than half of the respondents agreed that their system is capable of automatically calculating profit sharing for Mudarabah saving deposits. Furthermore, while there is a system that separates IFB GL from conventional GL, most banks fail to record separate GL of IFB in an automatic manner in many cases. Furthermore, more than 80% of

respondents agreed that IFB transactions financial reports could be obtained in the same way as traditional financial reports. In truth, the majority of the bank's yearly financial reports do not present IFB's financial situation in its entirety.

4.5. Legal Framework Content Analysis Presentation

It was stated in the preceding section of this document that leadership comprises those who are responsible for assisting the IFB company by developing an enabling legal framework, which leaders at all levels are expected to follow once it is formed. Furthermore, to guarantee that it is correctly executed, it is advisable to have close monitoring and follow-up.

Today's organizations operate in a highly regulated environment, posing significant obstacles for many executives. Regulation may compel an organization to update its resource needs, skill sets, and examine the overall impact of the legislation on the organization; in this section of the analysis, the legal framework gaps and the function of leader with respect to NBE directives are assessed.

In Ethiopia Interest Free Banking legal framework is mainly composed of

- i. Banking Business Proclamation No. 592/2008, in its Sub Article 22(2);
- ii. Licensing and Supervision of Banking Business Directives to Authorize the Business of Interest Free Banking Directives Number SBB/51/2011;
- iii. Replaced by Licensing and Supervision of Banking Business (1st Replacement) Directive to License and Authorize Interest Free Banking Business Number SBB/72/2019

The most recent IFB order (SBB/72/2019), titled "1st Replacement," incorporated the full-fledged IFB Banking Business. The mission of the IFB is to increase financial inclusion. "Interest-free banking business" refers to a banking enterprise in which funds are mobilized or advanced in accordance with Islamic law or Sharia principles.

"Interest Free Bank" refers to a bank that has been licensed by the National Bank to conduct interest-free banking solely. "Interest Free Banking Window" refers to a unit within a conventional bank that specializes in interest-free banking. Method of separating funds from other businesses in the interest-free banking window. To achieve successful fund segregation, a bank that operates an interest-free banking window must keep separate books of accounts for the operation of the interest-free banking window and keep proper records for all transactions.

- i. The NBE directive does not contain a standardized methodology to ensure that the product complies with Islamic Banking Principles and does not explicitly benchmark any norm. With the exception of the National Bank's interest rate guideline, banks must follow all regulatory and supervisory criteria when undertaking IFB transactions. This allows IFB

products to be regarded within the legal framework of traditional banking, which may be solved by bench-marking some IFB international standards, which is currently not being done by the legal framework's leaders. Leaders in charge of building legal frameworks fail to complete this task.

- ii. Prior to the adoption of the IFB in Ethiopia, the Limitation on Bank Investments Directive No. SBB/12/1996 limited banks' participation in non-banking enterprises to 20% of the company's share capital and total interests in such businesses to 10% of the bank's net value. This has an impact on the use of finance solutions like Mushareka and Mudaraba which is still maintained in this case leaders responsible to craft the directive or legal framework fail to devise a way of filling such visible gap, and NBE directive SBB/72/2019 undressed it.
- iii. The legal framework that NBE leaders left in a room with directive SBB/72/2019 sub article 7(2) did not openly direct the construction of a sharia advisory board, nor did NBE take responsibility for establishing a national Sharia Supervisory Authority. It lacks standards that ensure IFB products adhere to Shariah principles, leaving up the possibility of customers losing faith in Shariah compliance.

4.6. Legal Framework Contributes for Leadership Gap

A legal framework, is a system of rules that control governments', corporations', and people' rights and responsibilities. In Ethiopia, NBE was principally responsible for establishing the IFB legal framework. This research evaluates the legislative framework developed in governing of IFB in view of leadership gaps and challenges, and the analysis is based on the respondent perspective and content the NBE Directive. A summary of respondents may be found in the table below.

Table 4: 10 Response Summary of Legal Framework that Contributes to Leadership Gap

Legal Framework Impacting Leadership		Strongly agree	Agree	Uncertain/ not applicable	Disagree	Strongly disagree	Missing
1.	NBE regulatory framework explicitly recognizes Islamic banking practices	3(4.6%)	31(47.7%)	9(13.8%)	16(24.6%)	5(7.7%)	1
2.	The current legal spans are suitable for IFB business	3(4.6%)	12(18.5%)	14(21.5%)	20(30.8%)	15(23.1%)	1
3.	Effective prudential regulations for IFB are lacking in Ethiopia	16(24.6%)	27(41.5%)	15(23.1%)	5(7.7%)	0(0%)	2
4.	IFB in Ethiopia is viewed by a conventional regulatory framework	14(21.5%)	27(41.5%)	11(16.9%)	10(15.4%)	1(1.5%)	2
5.	Regulatory framework ensures uniqueness of IFB as compared to conventional	7(10.8%)	19(29.2%)	13(20%)	21(32.3%)	4(6.2%)	1
IFB Legal Framework Structure in Ethiopia							
6.	IFB regulatory structure creates difficulties in banking operations	5(7.7%)	22(33.8%)	21(32.3%)	11(16.9%)	5(7.7%)	1
7.	Shari'ah board has the legislative authority over Shari'ah issue	13(20%)	28(43.1%)	14(21.5%)	7(10.8%)	2(3.1%)	1
8.	Supervisory framework ensures appropriate corporate governance structure for IFB	4(6.2%)	21(32.3%)	16(24.6%)	20(30.8%)	2(3.1%)	2
9.	The first measure that banks to offer IFB require to appoint a Shari'ah advisory board	11(16.9%)	19(29.2%)	14(21.5%)	19(29.2%)	1(1.5%)	1
10.	Lack of bridges between NBE and Banks Shari'ah advisory board	13(20%)	19(29.2%)	22(33.8%)	9(13.8%)	2(3.1%)	0
11.	Coordination among regulators and banks are adequate	2(3.1%)	11(16.9%)	15(23.1%)	25(38.5%)	12(18.5%)	0
12.	In Ethiopia Standardization and Harmonization of IFB Shari'ah practices followed strictly	0(0%)	14(21.5%)	22(33.8%)	23(35.4%)	5(7.7%)	1

Legal Framework Impacting Leadership		Strongly agree	Agree	Uncertain/ not applicable	Disagree	Strongly disagree	Missing
13.	Shari'ah permissible modes and guidelines are explicit to Islamic Bankers by IFB regulators	5(7.7%)	26(40%)	16(24.6%)	14(21.5%)	3(4.6%)	1
14.	Licensing requirement clearly address the issues of Shari'ah compliance	3(4.6%)	16(24.6%)	19(29.2%)	21(32.3%)	5(7.7%)	1
5.	Clear instructions by NBE are available to develop IFB products	1(1.5%)	14(21.5%)	16(24.6%)	25(38.5%)	9(13.8%)	0
16.	IFB supervisory framework ensures auditing in relation to Shari'ah compliance	2(3.1%)	15(23.1%)	20(30.8%)	22(33.8%)	6(9.2%)	0
17.	NBE measures and monitor uniformity of IFB contract and products	2(3.1%)	8(12.3%)	20(30.8%)	30(46.2%)	5(7.7%)	0
18.	On-site inspection is performed adequately by NBE to ensure performance, stability and compliance	1(1.5%)	18(27.7%)	18(27.7%)	20(30.8%)	8(12.3%)	0
19.	NBE directive enforce IFB liquidity to be managed separately from conventional	6(9.2%)	23(35.4%)	16(24.6%)	11(16.9%)	8(12.3%)	1

4.6.1. Leadership Challenges and Gaps, Regulatory Framework

A substantial percentage of bankers, 46.1 percent, are unaware that the NBE regulatory framework specifically acknowledges Islamic banking practices, despite the fact that the NBE, in its Directive SBB/72/2019 Sub item 2(2), explicitly recognizes Islamic banking practices. However, the preceding chapter's analysis of the legal framework directive contents revealed that the legal framework is not yet appropriate for conducting the IFB business, and only around a quarter of respondents disagree. Around 90% of respondents do not clearly reject the statement that Ethiopia lacks effective prudential rules for IFB businesses. Furthermore, just 63 percent of respondents are aware that IFB is governed by a traditional regulatory framework in Ethiopia. More than half of the respondents disagreed with this assumption, claiming that the regulatory environment has yet to build a mechanism that ensures the distinctiveness of IFB in comparison to conventional.

4.6.2. Legal Framework Structure Impacting IFB Leadership in Ethiopia

The majority of respondents 74% agreed or remained neutral that the IFB regulatory structure causes challenges in banking operations, while 38.5 percent agreed that the supervisory framework ensures a suitable corporate governance structure for IFB in Ethiopia. In practice, however, there is no clear guidance put forth by the NBE in order to ensure the existence of suitable corporate governance among commercial banks in their IFB operations, and the majority of respondents agree that the Shariah board has legislative jurisdiction over sharia issues confined to each bank. There is no directive that controls an IFB product's Shariah validity, and the lack of an organ to oversee such compliance causes clients to be hesitant to use the product because they are unsure of its Shariah compliance. However, bank leaders can fill this gap by appointing their own Shariah advisory as a first measure, with more than half of respondents seeing the benefit of having this. There is undoubtedly a gap between the NBE and the bank's Shari'ah advisory board, which could be explained by the fact that the legal framework does not establish a structure to regulate the product's shari'ah compliance at the central level. Furthermore, there is no clear direction for banks on how to establish a shari'ah advisory board in their organizational structure, according to more than half of the respondents, and the lack of such a system leads to looser coordination between regulators and banks, according to 80 percent of the respondents.

4.6.3. Legal Framework Practice Monitoring and Follow-up

In Ethiopia, the majority of respondents dispute that IFB regulators maintain standardization and harmonization of Shari'ah practices, and 47.7% of respondents believe Shari'ah permissible modes and norms are explicitly communicated to banks by IFB regulators. However, nowhere in the directive does it state that the permitted mode of the items must be explicit, other than that all IFB products must comply with the Shariah concept in general. The directive clearly states current legislation issues limit Sharia based products that are feasible to offer to Muslim population. The licensing requirement clearly addresses Shari'ah compliance difficulties, and while 69 percent of respondents agreed, the directive simply states segregation of accounting treatment and reporting as a licensing requirement, which does not include the entire Shari'ah IB principle.

About 85 percent of respondents did not demonstrate their agreement that NBE measures and monitors consistency of IFB contracts and goods, and not only that, but a similar number of respondents did not agree that NBE measures and monitors uniformity of IFB contracts and products. Furthermore, respondents disagree that NBE does appropriate on-site inspections to assure performance, stability, and compliance. Many respondents agree that NBE mandate requires IFB liquidity to be managed independently from conventional liquidity, however this is not the case at banks that operate IFB.

CHAPTER FIVE

5. Summary, Conclusion and Recommendation

5.1. Summary

This paper considers leadership those involved mainly along the IFB line of business. Data was collected from windows-based banks, as well as full-fledged IB banks and analyzed and interpreted accordingly and identified the following major findings:

5.1.1 Leadership Perception Gap

The study revealed the attention given to IFB is very minimal due to perception and knowledge gap, in some instance leaders perceive IFB promote religion and is not considered as a viable commercial opportunity by some leaders in the industry, and they are not ready to capitalize the potential of IFB customer.

Existing IFB consumers are not treated fairly, and some leaders think the Bank should make money in whatever way possible, regardless of respecting Shari'ah principles or not, as a result Bank fail to have an IFB-friendly atmosphere that adequately reflects its values and principles.

5.1.2 Leadership Knowledge Gaps

With respect to Employees at Branch they are not professionally trained and qualified. Employees allocated to the IFB line of business are mostly attempting to grasp the business on their own, and trainings at the managerial level are also insufficient, Further more Customers are not sufficiently informed about IFB products available through window and full-fledge services. Banks lack effective advertising tactics to inform the public as a result, customers are unfamiliar with IFB.

Although the acceptance of the comments of Shari'ah Advisory Board is evident, yet according to the feedback of the Shari'ah advisory service board and some of the respondent, establishing a Shari'ah advisory Board requires extensive bureaucracy and Shari'ah advisory board comments are not seriously applied. The Shariah advisory board lacks technical knowledge in financial topics and they are not sufficiently provided with relevant financial training. Employees at the Banks are unaware of the detail of IFB services, financing products, terminologies used in IFB and its basic principles of IFB currently supplied by their bank.

5.1.3 Leadership Gaps and Challenges in Project Management

Offering of IFB products and services took far longer than it did with traditional methods, and going live is taking even longer since most of the organizers have no banking experience.

IFB sector institutional structure is contradictory and complex, and there is a scarcity of experienced experts, which has an impact on product implementation. It is found worthwhile to invest in technology for IFB's business. However, in practice majority of the Bank fail to adopt proper technology to run IFB banking business properly.

5.1.3 Leadership Gaps and Challenges in IFB Legal Framework

Although NBE regulatory framework clearly recognizes IB, in practices, the legal frameworks are not adequate and placed in a manner to prudently controls for IFB businesses. Furthermore, the regulatory system does not ensure that IFB is distinct from other forms of finance; rather, IFB in Ethiopia is governed in view of conventional framework.

NBE have no Shariah supervisory board centrally, standardization and harmonization of Shari'ah practices are not maintained, and IFB authorities do not make Shari'ah legal modes and standards apparent to Islamic Bankers. It lacks clear instructions from NBE on how to design IFB products. Although the acceptance of the Bank Shari'ah Advisory Board is evident yet, significant number of the respondent and conveniently identified shar'ia advisory board feel that leadership is not found satisfactory to act up on Sharia'ah advisory comments.

Furthermore, Shari'ah advisory service board noticed absence of proactive participation, and fail to create convenient IFB environment, specially most of the employee at some banks window is not presentable to IFB customer at all according to their observation.

In summary they have observed absence of IFB personality in most Bank leadership, they have noticed negligible attention is given to the growth of IFB due to fear of the unknown exceptional to IFB service due to wrong perception.

5.2. Conclusion

The analyses and interpretation of this research paper yielded highly useful results regarding leadership gaps and problems in the adoption of IFB demonstrating research paper's goal has met. It is found that attention given to IFB by leaders is minimal due perception and knowledge gaps. Their lacks IFB personality and presentability by leaders in their leadership action it happens in some cases just due to fear of the unknown. As a result, Banks fail to have an IFB-friendly atmosphere that properly reflects the values on which the IFB is established.

Employees found unaware of their IFB services as they are not found professionally trained and qualified. Moreover, customers aren't aware of the IFB products and service available at Bank and Banks fail to communicating the public in a strategic way.

Training and development initiatives for leadership and employee are not well-organized and delivered to the level of expectation. The institutional structure of the IFB sector is contradictory and complex, and there is a scarcity of experienced experts in the IFB sector, which has an impact on product implementation, Organizers at Full-fledged IFB Banks lacks banking experience.

The other point is although it has been determined that investing in technology for the benefit of IFB is worthwhile, in practice, the system is not in place to independently record IFB transaction and maintain separate record of general ledgers. Even getting financial data of IFB transactions such as traditional activities and daily operations is difficult. Hence IFB technology adoption is very sluggish that makes the IFB operation suffer at conventional Banking. Although the NBE regulatory framework clearly recognizes Islamic banking practices, Ethiopia's current legal environment is unsuitable for IFB activity due to a lack of effective prudential rules. The regulatory structure does not ensure that IFB is distinct from conventional, rather, IFB in Ethiopia is evaluated through the lens of a typical regulatory framework. There are no bridges between the NBE and the Shariah consular of Banks and NBE fail to maintain Sharia Supervisory Board at the center. In Ethiopia Standardization and Harmonization of Shari'ah practices in IFB line of business are not carefully maintained. The IFB supervisory system does not provide for continuing Shariah compliance and auditing.

5.3. Recommendation

- The first step is all Banks are expected to Established an IFB champion from leadership position who will be responsible to manage the change in the adoption of IFB
- As part of IFB's expansion, it's more important to focus on the development of the company's leadership team by assessing perception gaps at each managerial level, then bridging them by sharing critical information.
- Allow leaders to participate at each level of the decision-making hierarchy, and facilitating dialogue with respective employees to correct own and staff perceptions.
- Following the correction of wrong perception, Banks should develop an IFB-friendly atmosphere that accurately reflects the company's values and instills trust in IFB customers by ensuring that key IFB business principles are correctly executed at Banks with no compromise.
- All Banks should conduct rigorous and diverse training program to improve leadership knowledge. The training should be organized at all leadership level, as well as Shari'ah advising boards. Placing professionally trained, skilled, and sufficient manpower along the IFB

structure. And establish effective public, customer awareness about IFB and set specific marketing budget.

- Leaders in charge IFB, mainly full-fledged one, should assemble a team having experience in banking, project management, placing institutional structure and corporate governance. Moreover, Banks should take the initiation to implement IFB technology that resolve handling manually.
- In addition to revising, elaborating, and reinforcing the current NBE directives, NBE leadership should craft a suitable legal framework that is independent of conventional banking in collaboration with appropriate regulatory organ, and NBE should adopt internationally accepted standards like AAOIFI, IFSB and ensure that IFB in Ethiopia has an appropriate corporate governance structure and establishing coordination between regulators and banks.
- In addition, NBE should establish Shari'ah supervisory board that have legislative authority over Shari'ah issues and Banks should have pre-determined Shariah Advisory Board selection criterion.

Finally, Leadership at each commercial Bank and regulatory organ should cultivate personality that favor the success of IFB and avoid fear of the unknown tailored to the IFB service refereeing to global practice as it usually happens due to lack of experience, knowledge gap and wrong perception.

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APPENDICES

Appendix 1 Survey Questionnaire

Assessment of Leadership Gaps and Challenges in Adoption of Interest Free Banking (IFB) in Ethiopia

Data Collection Instruments

Questionnaire

Dear Respondents, the questionnaire is designed to collect information to be used in the study under the topic the “**Assessment of Leadership Gaps and Challenges in Adoption of Interest Free Banking (IFB) in Ethiopia**” for partial fulfilment of Masters in Business Leadership (MBL) at Addis Ababa University School of Commerce, be confident that any information collected will be used only for academic purpose. For the successful accomplishment of the study, your response will have a pivotal role by providing valuable input. Thus, your genuine and honest response is very crucial for attaining the aim of the research and the researcher would like to thank you for your cooperation in advance.

Attention

You do not need to write your name

Instruction for each part of the questionnaire is given at the beginning of the questions

Kindly respond to all questions

Part One: Background Information

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

1 Educational Qualifications:

<input type="checkbox"/> Diploma	<input type="checkbox"/> BA/BSC	<input type="checkbox"/> Master's	<input type="checkbox"/> Degree PhD
2 Current Job Position in the Bank:			
3 Banking Experience in Number of Years:			
<input type="checkbox"/> Up to 5 years	<input type="checkbox"/> 6-10years	<input type="checkbox"/> 11-15 years	<input type="checkbox"/> above 16 years
4 Exposure to Interest-Free Banking:			
<input type="checkbox"/> Up to 1–2-year	<input type="checkbox"/> 2-4 year	<input type="checkbox"/> 4-6 year	<input type="checkbox"/> above 6 years
5 Gender			
<input type="checkbox"/> Male	<input type="checkbox"/> Female		
Your Position Level in the Bank:			
<input type="checkbox"/> Officer/Clerical	<input type="checkbox"/> Operative, Lower Level of Management	<input type="checkbox"/> Middle Level of Management	<input type="checkbox"/> Top Level Management

Part Two: Perception of Interest Free Banking Leadership Gaps

Below are statements/items the researchers need to rate through respondents by putting mark “√” in the available space in front of the items from alternatives given (Strongly Agree, Agree, Uncertain, Disagree and Strongly Disagree) related with perception in implementation of IFB in Ethiopia

Perception towards IFB		Strongly Agree	Agree	Uncertain/ Not applicable	Disagree	Strongly Disagree
1.	IFB is equally competitive as conventional in terms of products and services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.	IFB products are more affordable than conventional bank products	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.	Adequate attention is given for IFB operation as did for conventional	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.	I believe that IFB has strong potential business for Banks	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.	There is high potential of customer conversion/migration from conventional to IFB	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6.	Enough IFB retail products and services are introduced	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7.	Banks continuously enhancing product and service quality of IFB like conventional	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8.	Enough financing products are introduced in an ongoing base	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9.	IFB performance should be Judged through good percentage of profit/return	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10.	Do you think IFB services, do not exploit its customer in any way	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11.	The Bank has IFB conducive environment that properly reflect the values in which the business is based	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12.	There is no as such wrong in trading money for money in IFB services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13.	Shari'ah board comments are applied during operation and issuing of products	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14.	I think Islamic Banking Service offered to both Muslim and none Muslims	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15.	Customers trust the sources of shared profit or loss for their investment account (Mudaraba and/or Musharaka) will be free from interest	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
16.	IFB is first in conformity with the norms of Islam then customer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
17.	Do you think Interest Free Banking is promoting Islam	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Part Three: Leadership Knowledge and Uptake of Interest Free Banking (IFB)

This statement would like to rate your level of agreement regarding awareness and understanding of Interest Free Banking (IFB) in Ethiopia, rate by putting mark “√” in the available space in front of the items from alternatives given (Strongly Agree, Agree, Uncertain, Disagree and Strongly Disagree)

Knowledge and understanding towards IFB Product and Service		Strongly Agree	Agree	uncertain/ not applicable	Disagree	Strongly Disagree
1.	It is simple to understand the difference between IFB and conventional banking system	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.	I know the underlying principles or concept applied in IFB	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.	Terminologies used in IFB are difficult to understand	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.	Employee properly know IFB services currently offered by banks	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.	Shari'ah Board/Advisors having technical expertise of financial treatments other than Shari'ah	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6.	I am aware of the instruments used in the financing products IFB offer like Mudharabah and Musharaka	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7.	Customers know IFB products/services offered through window and full-fledged bank and branches	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8.	Operationally, Mudaraba and Musharak financing products are simpler and more effective than other financing products	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9.	Goods and services judged illegal by the shari'ah can't be financed by IFB	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
IFB Man Power and Training						
10.	Branch's Technical staff in charge of IFB are professionally trained & qualify	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11.	Technical staff in charge of IFB are professionally trained and qualified at H.O	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12.	IFB training is frequently delivered to managers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13.	Training session are arranged regularly on IFB for the understanding of Shari'ah advisors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14.	Banks use variety of methods to educate people about IFB products/services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
IFB Product and Service Communication						
15.	Encourages branches to avoid customers for IFB banking service if the customer business is involving alcohol, tobacco and pork	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
16.	Banks have good advertising strategies to inform public about the financing opportunities in Ethiopia	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
17.	Customers have gained good understanding of IFB financing product	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Part Four: IFB Project Management and Implementation Leadership

Please put your level of agreement regarding IFB Implementation progress, please, rate by putting mark “√” in the available space in front of the items from alternatives given (Strongly Agree, Agree, Uncertain, Disagree and Strongly Disagree).

Project Management and Implementation towards IFB		Strongly Agree	Agree	Uncertain/ not applicable	Disagree	Strongly Disagree
1.	Introducing IFB business took long time than it did by conventional	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.	Full-fledged IFB under formation lag attribute to organizers distant for banking exposure	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.	Full-fledged IFB Bank incorporates sufficient well experienced Bankers in their Board	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.	IFB institutional structure is conflicting and confusing at conventional Banks	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.	Adequate, Qualified, and Presentable personnel is placed along the IFB structure including Board member in terms of business and Shari'ah	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6.	Services offered by IFB are efficient and time effective	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7.	The shortage of experienced professionals in the IFB sector is a problem in providing the service	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8.	Establishing Shari'ah Advisory Board Involves Extended Bureaucracy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9.	My Bank has an active Shari'ah Advisory Board	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10.	The bank has partnered with religious leaders to sensitize the public about the importance of IFB	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11.	IFB Business is Promoting sustainable development projects	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12.	Accountability and performance of IFB are ensured	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13.	Investing in technology for sake of IFB business is worthy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14.	Currently features of IFB offered in window fit with customers banking needs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15.	IFB are transparent in its dealings and annual reports with respect service	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Continued...

Project Management and Implementation towards IFB		Strongly Agree	Agree	Uncertain/ not applicable	Disagree	Strongly Disagree
16.	IFB Use Modern technology in performing banking transaction	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
17.	There is a system that automatically calculate the profit sharing in a Mudarabah deposit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
18.	System is established that separately record accounting transaction of IFB	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
19.	There is IFB system that separately maintain general ledger account of IFB transaction at conventional bank	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
20.	It is possible to get financial reports about IFB transactions like conventional activities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Part Five: Legal Frame work that Touch on Leadership Gaps and Challenges

Please, rate by putting mark “√” in the available space in front of the items from alternatives given (Strongly Agree, Agree, Uncertain, Disagree and Strongly Disagree) in the IFB legal framework arena in Ethiopia

Legal Framework		Strongly agree	Agree	Uncertain/ not applicable	Disagree	Strongly disagree
1.	NBE regulatory framework explicitly recognizes Islamic banking practices	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.	IFB in Ethiopia is viewed by a conventional regulatory framework	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.	Regulatory framework ensures uniqueness of IFB as compared to conventional	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.	Effective prudential regulations for IFB are lacking in Ethiopia	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.	The current legal spans are suitable for IFB business	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6.	IFB regulatory structure creates difficulties in banking operations	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7.	NBE directive enforce IFB liquidity to be managed separately from conventional	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8.	Supervisory framework ensures appropriate corporate governance structure for IFB	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9.	Licensing requirement clearly address the issues of shari’ah compliance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10.	The first measure that banks to offer IFB require to appoint a shari’ah advisory board or counsellor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11.	Shari’ah board has the legislative authority over shari’ah issue	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12.	In Ethiopia Standardization and Harmonization of Shari’ah practices in IFB followed strictly	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13.	Shari’ah permissible modes and guidelines are explicit to Islamic Bankers by IFB regulators	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14.	Coordination among regulators and banks are adequate	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Continued...

Legal Framework		Strongly agree	Agree	Uncertain/ not applicable	Disagree	Strongly disagree
15.	Clear instructions by NBE are available to develop IFB products	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
16.	IFB supervisory framework ensures auditing in relation to Shari'ah compliance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
17.	NBE measures and monitor uniformity of IFB contract and products	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
18.	On-site inspection is performed adequately by NBE to ensure performance, stability and compliance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
19.	Lack of bridges between NBE and Banks Shari'ah advisory board	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Appendix 2 Checklist for Qualitative Data

Variable	Item	Assessment/Scoring Criteria
Regulatory Framework	Interest Free Banking Directives	What gaps and challenges are there that impact leadership
	Shari'ah Supervisory Board (SSB)	Assess Whether SSB exists
	Level of coordination between the NBE and Sharia Boards	Assess the presence of links between NBE and Sharia Boards
	The Financial Reporting Status	Assess presence of monitoring and reporting in IFB
Shari Advisory Board	Leadership Gap and Challenge observation	Assess their observation on presence of Perception, Knowledge, project management, legal framework of leadership gaps and challenges

Appendix 3 Glossary of Interest Free Banking and Related Terms

Al Wadiah: Safe keeping

Allah: The creator and an Administrator of the universe; God

Amana/Amanah: reliability, trustworthiness, loyalty, honesty. Technically, an important value of Islamic society in mutual dealings. It also refers to deposits in trust. A person may hold property in trust for another, sometimes by implication of a contract.

Fatwah: A religious decree.

Fiqh: Islamic jurisprudence. The science of the Shariah. It is an important source of Islamic economics.

Fiqh al-Muamalat: Islamic rules on transactions.

Gharar: Uncertainty is a complex notion that encompasses various sorts of risk or contingency in a contract. The restriction against Gharar is frequently used to criticize traditional financial operations such as short selling, speculation, and derivatives.

Hadith: Technically, Hadith refers to the retelling of Muhammad's words, deeds, or approvals (Taqrir) (peace be upon him).

Hadith: Technically Hadith means the narration of the sayings, doings or approvals (Taqrir) of Muhammad (peace be upon him).

Hajj: Hajj means pilgrimage to Mecca and other holy places. **Hajj**, the fifth pillar of Islam.

Halal: Any activity or transaction that is according to law and also permitted in Islam is

Haram: Unlawful which is the opposite of Halal

Hawala: is a mechanism for settling international accounts, by book transfers. This obviates, to a large extent, the necessity of physical transfer of cash.

Ijara: A leasing deal in which a bank purchases an item for a customer and then leases it back to them over a set length of time.

Ijtihād: Independent or unique interpretation of issues not specifically covered by the Qur'an, Hadith (traditions relating the Prophet Muhammad's (PBUH) life and utterances), and ijma in Islamic law (scholarly consensus)

Istisna (Progressive Financing): A contract of acquisition of goods by specification or order where the price is paid progressively in accordance with the progress of a job.

Interest Free Banking: It is a banking business that involves the mobilization or advancement of funds in accordance with Islamic Finance principles (Shari'ah) and a form of operation that does not involve receiving or paying interest.

Maysir: Gambling, In Islamic finance, this is one of three fundamental prohibitions (the other two being riba and gharar). The restriction against maysir is sometimes invoked as a justification for criticizing traditional financial practices like speculation, traditional insurance, and derivatives.

Mudaraba: A joint venture for investment. It is a contract in which the Islamic bank provides all of the capital while the other party manages the firm as a financing mechanism used by Islamic banks. The profit is divided according to pre-determined ratios, and any losses are absorbed by the investor.

Mudarib: In a mudaraba contract, the person or party who acts as entrepreneur.

Murabaha: Customers can use this type of credit to make purchases without needing to take up an interest-bearing loan. The bank purchases an item and then sells it to the customer on a later date.

Musharaka: Private Equity is a type of investment partnership in which profit-sharing conditions are agreed upon in advance and losses are tied to the amount invested.

Qiyas: Is a logical analogy technique in which hadith teachings are compared and contrasted with Quran teachings in order to apply a known injunction to a new situation and produce a new injunction. In this case, the rulings of the Sunnah and the Quran may be employed to answer or respond to a new problem that may occur.

Quard al Hassan: The bank lends the money in the hopes that the borrower will repay the whole amount within the agreed-upon time frame. The lender may be authorized to demand collateral in the form of an asset. Actual administrative charges involved in the functioning of the mechanism may be charged to the borrower by the lender.

Quran: The holy book of Muslim revealed on Hazarat Muhammad Mustafa (PBUH)

Rab-al-maal: In a Mudaraba contract the person who invests the capital.

Riba: This phrase literally means "to add" or "to increase." In technical terms, it refers to any benefit or increase obtained by the lender as a result of the loan. Riba is defined as any risk-free or "assured" rate of return on a loan or investment. Riba is forbidden in Islam in all forms.

Shari'ah: Islamic law as revealed in the Quran and through the example of Prophet Muhammad (PBUH). A Shariah compliant product meets the requirements of Islamic law.

Shari'ah Compliant: An act or activity that complies with the requirements of Shari'ah

Shari'ah Advisory Board: Is the committee of Islamic scholars available to an Islamic financial institution for guidance and supervision in the development of Shariah compliant products.

Sunnah: The body of traditional Islamic social and legal custom and practice is comprised on the Prophet Muhammad's (PBUH) recorded sayings. It is a primary source of Shariah, or Islamic law, alongside the Quran (Islam's holy book) and Hadith.

Window: It is an IFB window service dedicated in at conventional branches of Banks.

Zakat: Is an Islamic finance word that refers to an individual's commitment to donate a particular percentage of their money to charitable charities each year.