Demand And Supply Conditions For Islamic Banking And Finance In Libya

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ABSTRACT

This paper aims to explore the demand conditions for Islamic banking in Libya by referring to awareness, motivations, and expectations of the participants in relation to Islamic banking. In fulfilling the aims of this study, primary data were gathered through questionnaire (quantitative) method in the early months of 2012. The analysis of questionnaire data indicates that majority of the respondents had high hopes from Islamic finance as there is an overwhelming potential demand expressed by the respondents. There is a support for a banking reform in Libya by incorporating Islamic banking into the system. In addition, the results suggest that the Libyan people believe that promoting Islamic banking system will favour the process of economic development and social justice and in effect will alleviate poverty in the country. It is important to note that particularly participants’ socio-economic development related expectations from Islamic banking and finance are rather high. Therefore, study also found positive and strong support for non-banking Islamic financial institutions among the participants in Libya. The findings also depict that participants’ understanding and knowledge of Islamic finance principles and instruments is rather limited which requires proper training. As regards to the supply conditions, participants at the interviews particularly highlighted lack of proper regulative and legal environment and also of the shortcomings in human resources to develop Islamic banking and finance system.

Keywords: Islamic banking, Libya, demand conditions, awareness, motivation, expectations

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1. Introduction

Libya did not advance in terms of economic development due to negligence of equitable distribution of income, wealth and freedom of individuals. Hence, this failure lead to the (February 17th Revolution 2011). It is also important to mention that the defunct regime was trying to create barriers so as to stop the expansion of the Islamic financial industry. Thus, the country was lagging in terms of economic development. Therefore, Libyan people tend to put the blame on the defunct regime as being responsible of blocking the progress of the Islamic financial system in Libya. Moreover, they believe that the outgoing regime did not make any effort to promote the Islamic finance system in Libya and beyond. Therefore, the Islamic banking and finance system failed to make any progress in Libya as the defunct Qaddafi regime stood against the idea by frustrating the establishment of Islamic banks in the country. Despite the public demand over many years for the establishment of Islamic banking in Libya. For instance, Gait (2009:1) studied the attitudes of Libyans towards the potential use of Islamic methods of finance, and he reported that “The results indicate that most respondents (85.9%) are potential users of Islamic methods of finance”.

Following the collapse of the regime, the idea of establishing an Islamic banking system in Libya has gained momentum, as the new regime has spared no efforts to promote Islamic banking and finance in the country (Salisbury, 2011). That was obvious from the appeal made by Mustafa Abdul Galil, the head of the National Transitional Council (NTC), in his first address to the nation on October 23rd 2011, in which he called for the immediate implementation of Islamic banking and finance in the country in order to meet the people’s aspirations. In this regard, the NTC would confirm that it had a duty to establish a strong base for Islamic moral economy in Libya (Aljazeera.net, 2011). Accordingly, the governor of the Central Bank of Libya issued Resolution No. 3 for 2012 on the formation of the Advisory Committee for Islamic banking. The main task of the committee would be to focus on investigating the feasibility of establishing Islamic banking and finance in the country within the framework of the rules and regulations of the Central Bank of Libya. It is worth mentioning that the Central Bank of Libya managed to organize a workshop on the Islamic banking law to add a special chapter on Islamic banking to Law no (1) for the year 2005 (Almher, 2012). Eventually, the workshop organized on March 7th 2012 was attended by the president and members of the NTC, the Mufti of Libya, the chair and members of the Advisory Committee on Islamic banking and the governor of the Central Bank of Libya. Moreover, the council of Fatwa in Libya issued a statement on May 26 2012 at the end of its first meeting appealing for decision-makers to stop interest-based transactions in banks (riba), in the meantime requesting
them to speed up the process of transformation from conventional banking to Islamic banking as a commitment to *Shari’ah* principles. In addition, the Libyan General National Congress issued Resolution No. 1 for 2013 to abolish all interest-based transactions in the country.

This paper, hence, aims to explore and examine the demand conditions for Islamic banking in Libya in the post-conflict period, as the new political order has particularly made clear for the transformation of the banking system into an Islamic one. In doing so, this study explores and empirically examines the awareness of the participants of Islamic banking and also of Islamic financial products, their motivations for considering to customize with Islamic banks; and also the expectations they have from Islamic banks.

1.2. Data Collection

In fulfilling the aims and objectives, a questionnaire survey was administered by the researcher in Libya from January 2012 to March 2012. In the administration of the questionnaire, 410 questionnaires were distributed in the major Libyan cities of Tripoli, Benghazi, Musrata, Garyan, Nalut, Zawara, and Zawiya. In the selection of cities, the vast demographic distribution of the country is considered. In the end, 204 complete questionnaires were returned, of which 194 were suitable for analysis. Therefore, the response rate was 46.34%.

Considering that this study aims to measure the opinions and the perceptions of participants having bank accounts as business circles and ordinary individuals, it used ‘purposive’ and ‘convenience sampling’; hence, random distribution is ruled out. It should, however, be noted that the snowball method was useful in reaching out to other participants through the help of the participants who have already taken part in the study.

The following section presents the empirical findings of the study through statistical methods.

1.3. Assessing The Perceptions On Islamic Moral Economy And Finance In Libya

This section of the study investigates the respondents’ views on the progress of the Islamic finance system in Libya.
**Table 6**: Perceptions that Islamic Moral Economy and Finance Has Not Made any Progress in Libya

(Q.16) Please state your opinion on the statement that “The idea of Islamic moral economy and finance has not made any progress in Libya

|                | Frequency | Percent | Mean Value | Standard Deviation |
|----------------|-----------|---------|------------|--------------------|
| Valid          |           |         | 3.71       | 1.080              |
| Strongly disagree | 7         | 3.6     |            |                    |
| Disagree       | 26        | 13.4    |            |                    |
| Neutral        | 28        | 14.4    |            |                    |
| Agree          | 87        | 44.8    |            |                    |
| Strongly agree | 46        | 23.7    |            |                    |
| Total          | 194       | 100.0   |            |                    |

As can be seen in Table 1, 68.5% of the respondents would agree with the statement that Islamic moral economy has made no significant progress in Libya so far. This is also verified by the mean value of 3.71, which suggests that respondents have a high tendency to give positive responses to the statement. Considering that only 17% were opposed to this statement, it can be concluded that the former regime was not in favour of the idea of Islamic moral economy and finance. The reasons for such a strong response can be found in the analysis presented in Table 2. In other words, the analysis presented in Table 2 shows the factors that impacted the underdevelopment of Islamic finance in Libya.

As depicted in Table 2, the great majority (90.8%) of respondents attributes the underdevelopment of Islamic finance in Libya to the previous regime, which failed to promote the Islamic finance system in Libya. This is substantiated by the answers to the second question in the section (Q.18-2), as 77.3% of the respondents stated that the public had not been allowed by the former regime to express their demand for Islamic finance in Libya, while only 13.4% of the respondents disagreed with this statement.

**Table 7**: Perceptions on Underdevelopment of Islamic Finance in Libya and the Future of Islamic Finance

(Q.17-1) The former regime did not promote Islamic finance

|                | Frequency | Percent | Mean Value | Standard Deviation |
|----------------|-----------|---------|------------|--------------------|
| Valid          |           |         | 4.32       | .847               |
| Strongly disagree | 4         | 2.1     |            |                    |
| Disagree       | 5         | 2.6     |            |                    |
| Do not know    | 9         | 4.6     |            |                    |
| Agree          | 82        | 42.3    |            |                    |
| Strongly agree | 94        | 48.5    |            |                    |
| Total          | 194       | 100.0   |            |                    |
| (Q.17-2) People could not express demand for Islamic finance under the former regime | Frequency | Percent | Mean Value | Standard Deviation |
|---------------------------------|-----------|---------|------------|--------------------|
| Valid                           |           |         |            |                    |
| Strongly disagree               | 10        | 5.2     | 3.92       | 1.108              |
| Disagree                        | 16        | 8.2     |            |                    |
| Do not know                     | 18        | 9.3     |            |                    |
| Agree                           | 84        | 43.3    |            |                    |
| Strongly agree                  | 66        | 34.0    |            |                    |
| Total                           | 194       | 100.0   |            |                    |

| (Q.17-3) There were not enough *Shari'ah* scholars | Frequency | Percent | Mean Value | Standard Deviation |
|---------------------------------------------------|-----------|---------|------------|--------------------|
| Valid                                             |           |         |            |                    |
| Strongly disagree                                | 23        | 11.9    | 2.82       | 1.154              |
| Disagree                                         | 67        | 34.5    |            |                    |
| Do not know                                      | 36        | 18.6    |            |                    |
| Agree                                            | 56        | 28.9    |            |                    |
| Strongly agree                                   | 12        | 6.2     |            |                    |
| Total                                            | 194       | 100.0   |            |                    |

| (Q.17-4) The new regime should promote Islamic finance | Frequency | Percent | Mean Value | Standard Deviation |
|-------------------------------------------------------|-----------|---------|------------|--------------------|
| Valid                                                 |           |         |            |                    |
| Strongly disagree                                    | 1         | .5      | 4.46       | .603               |
| Disagree                                             | --        | --      |            |                    |
| Do not know                                          | 5         | 2.6     |            |                    |
| Agree                                                | 89        | 45.9    |            |                    |
| Strongly agree                                       | 99        | 51.0    |            |                    |
| Total                                                | 194       | 100.0   |            |                    |

| (Q.17-5) After February 17th Revolution, Libyan people are ready to accept Islamic banking and finance system | Frequency | Percent | Mean Value | Standard Deviation |
|----------------------------------------------------------------------------------------------------------------|-----------|---------|------------|--------------------|
| Valid                                                              |           |         |            |                    |
| Strongly disagree                                                  | --        | --      | 4.41       | .639               |
| Disagree                                                           | --        | --      |            |                    |
| Do not know                                                        | 16        | 8.2     |            |                    |
| Agree                                                              | 82        | 42.3    |            |                    |
| Strongly agree                                                     | 96        | 49.5    |            |                    |
| Total                                                              | 194       | 100.0   |            |                    |

| (Q.17-6) The transitory government and the following governments must work for establishing an Islamic moral economy based on social justice | Frequency | Percent | Mean Value | Standard Deviation |
|----------------------------------------------------------------------------------------------------------------|-----------|---------|------------|--------------------|
| Valid                                                              |           |         |            |                    |
| Strongly disagree                                                  | --        | --      | 4.56       | .536               |
| Disagree                                                           | 1         | .5      |            |                    |
| Do not know                                                        | 1         | .5      |            |                    |
| Agree                                                              | 79        | 40.7    |            |                    |
| Strongly agree                                                     | 113       | 58.3    |            |                    |
| Total                                                              | 194       | 100.0   |            |                    |
In addition to political economy–related factors accounting for the underdevelopment of Islamic finance in Libya, other functional factors are also considered, such as a shortage of *Shari’ah* scholars who are considered able to facilitate Islamic finance through their injunctions; however, 46.4% of the respondents did not consider this a major issue, while 35.1% thought that the shortage of *Shari’ah* scholars was indeed an issue. This statement has political economy implications, and was therefore included immediately after the most obvious political economy statements, as the former regime did not facilitate religious demand in society, including the development of Islamic scholarship that could lead the way forward for the institutionalization of Islamic finance. It should be noted that just over 35% of the respondents agreed with this statement, while 46.4% did not consider it a problem.

Considering that Libya’s political economy has gone through major change in a recent revolution, this study also aimed at measuring the participants’ perceptions and expectations of the new regime. Therefore, they were asked to express their opinion on the statement that ‘the new regime should promote Islamic banks’. As the results depicted in Table 2 show, a great majority of respondents (96%) considers this an important duty of the new regime in Libya in the sense that it is expected to make more efforts to promote the idea of Islamic finance.

The formation of an Islamic finance industry requires demand as well as supplying institutions. Since there are expectations from the supply side, this study also aimed to explore the conditions for the demand side. As can be seen in Table 2, 91.8% of the respondents agree with the statement that ‘following the February 17th Revolution, the people of Libya are ready to accept reforms in the financial system favouring the Islamic system of finance’. This result, as can be seen, corresponds to the supply side–related findings presented above.

Since it is expressed that there is a demand for Islamic finance in post-revolution Libya, respondents’ opinions on the potential role of the new regime and its governments in relation to establishing Islamic moral economy based on the principle of social justice were sought. Table 2 depicts that 99%

| (Q.17-7) The new constitution must state that the economy should be based on Islamic moral economy |
|--------------------------------------------------|------------------------|
| Valid    | Strongly disagree | Disagree  | Do not know | Agree       | Strongly agree | Total  |
|----------|-------------------|-----------|-------------|-------------|---------------|--------|
|          | 2                 | 12        | 13          | 79          | 88            | 194    |
|          | 1.0               | 6.2       | 6.7         | 40.7        | 45.4          | 100.0  |
|          | 4.23              | 0.90      |             |             |               |        |

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of the participants are in support of the statement. As can be seen, this statement goes beyond Islamic finance, asking participants for their opinions on the moral economy by essentialising social justice. The result is overwhelmingly in favour of Islamic moral economy, which should be considered meaningful, as one of the reasons for the Arab Spring has been the socio-economic failures of the Arab regimes in North Africa. Thus, it is entirely understandable that respondents to have such strong opinions on Islamic moral economy. It is important to note that the percentage of individuals essentialising Islamic moral economy (99%) is larger than the percentage agreeing with the previous statement that the Libyans are ready to embrace Islamic finance (91.8%), which indicates attachment for Islamic moral economy in the form of developmentalism.

In support of the findings from the answers to these questions in this section, the respondents were also asked their opinions on whether the new Constitution of the country should be based on Islamic moral economy principles in identifying the economic system of the country. As the results in Table 2 suggest, 86.1% of the respondents are of the opinion that the idea of Islamic moral economy and finance should be incorporated in the new Constitution. Compared to the support for the previous statements, this is a lower level of support, but it is still an overwhelming position representing a very large majority.

As the results and analysis in this section show, there is a consistency between the findings established in this section: there is a very strong tendency, occasionally an absolute tendency, in favour of Islamic finance in Libya and, hence, a very strong expectation of the new regime and its government to facilitate the provision of Islamic finance in the country. Importantly, respondents are clear on the political economy implications and their demand for Islamic moral economy with its larger socio-economic implications.

Table 3 summarizes the results in the preceding discussion through mean ranking, by ranking the most preferred statement at the top.

As the mean ranking in Table 3 depicts, the highest mean value is attributed to the formation of Islamic moral economy as an expectation of the new regime and its governments, which carries important messages related to the political economy of Islamic moral economy. As can be seen, lack of *Shari’ah* scholars was considered as a least important issue.
Table 3: Mean Ranking: Expectations from Future

| Statement                                                                 | Mean Ranking |
|---------------------------------------------------------------------------|--------------|
| (Q.17-6) The transitory government and the following governments must     | 4.56         |
| work for establishing an Islamic moral economy based on social justice     |              |
| (Q.17-4) The new regime should promote Islamic finance                     | 4.46         |
| (Q.17-5) After February 17th Revolution, Libyan people are ready to       | 4.41         |
| accept Islamic banking and finance system                                 |              |
| (Q.17-1) The former regime did not promote Islamic finance                | 4.32         |
| (Q.17-7) The new constitution must state that the economy should be      | 4.23         |
| based on Islamic moral economy                                           |              |
| (Q.17-2) People could not express demand for Islamic finance under the    | 3.92         |
| former regime                                                             |              |
| (Q.17-3) There were not enough Shari‘ah scholars                         | 2.82         |

1.4. Exploring Demand Conditions For Islamic Banking And Finance In Libya

The main purpose of this section is to explore the opinion of participants regarding the demand conditions for Islamic banking regardless of whether they will be potential users of the service or not.

Table 4: Perceptions on Islamic Banking and Finance in Libya

| (Q.18) Do you know that Islamic banking is available as Islamic windows in Libya for mainly car purchase? | Frequency | Percent | Mean Value | Standard Deviation |
|------------------------------------------------------------------------------------------------------|-----------|---------|------------|--------------------|
| Valid                                                                                                 |           |         |            |                    |
| Yes                                                                                                   | 102       | 52.6    | 1.59       | .693               |
| No                                                                                                    | 69        | 35.6    |            |                    |
| I am not interested                                                                                    | 23        | 11.9    |            |                    |
| Total                                                                                                | 194       | 100.0   |            |                    |

(Q.19) Would you support and feel more comfortable using an Islamic bank and financial institution in Libya?

| Valid                                                                                                 |           |         |            |                    |
| Strongly disagree                                                                                      | 3         | 1.5     |            |                    |
| Disagree                                                                                               | 5         | 2.6     |            |                    |
| Neutral                                                                                                | 10        | 5.2     |            |                    |
| Agree                                                                                                  | 87        | 44.8    | 4.30       | .812               |
| Strongly agree                                                                                        | 89        | 45.9    |            |                    |
| Total                                                                                                | 194       | 100.0   |            |                    |
(Q.20) Would you agree that the entire banking system should be Islamised in Libya?

| Valid                          | Yes, should be fully Islamized | 111 | 57.2 | 1.42 | .496 |
|--------------------------------|--------------------------------|-----|------|------|------|
| No, as conventional and Islamic banks should operate together | 83 | 42.8 |      |      |      |
| Total                          | 194 | 100.0 |      |      |      |

(Q.21) If there was an Islamic bank, would you open an account with an Islamic bank?

| Valid | Frequency | Percent | Mean Value | Standard Deviation |
|-------|-----------|---------|------------|--------------------|
| Yes   | 184       | 94.8    | 1.05       | .221               |
| No    | 10        | 5.2     |            |                    |
| Total | 194       | 100.0   |            |                    |

The initial section analyzes the primary data on participants’ perceptions regarding the present and future situation of Islamic banks in Libya. The findings of the analysis are depicted in Table 4.

Table 4 reveals important findings on the Islamic banking system in Libya as suggested by the responses of participants. Responses to Q.18 on whether the participants know that Islamic banking is available as Islamic windows in Libya mainly for car purchase indicate that 35.6% of the respondents had no idea that Islamic banks existed in Libya, while 11.9% of respondents seemed to be indifferent as they were not interested in knowing about the service. Despite not knowing about the existing operations of Islamic banks in Libya, 90.7% of the respondents stated that they were happy with the idea of Islamic banks and would feel comfortable using the service, as indicated by responses given to Q.19 (Would you support and feel more comfortable using an Islamic bank and financial institution in Libya?). As the findings in Table 7.5 show, in responding to Q.20 (Would you support and feel more comfortable using an Islamic bank and financial institution in Libya?) more than half of the respondents (57.2%) expressed their support for the idea of full Islamisation of the banking system in Libya. For this reason, the majority of respondents (94.8%) expressed their readiness to open an account with an Islamic bank, as responses to Q.21 (If there was an Islamic bank, would you open an account with an Islamic bank?) indicate.

1.5. Measuring The Knowledge On Islamic Banking And Finance

In this part of the questionnaire, the knowledge and awareness of respondents in the area of Islamic banking and finance is assessed. In other words, the main aim of this part is to find out whether the respondents are able to
distinguish between the Islamic banking system and the conventional banking system in terms of financial transactions. The results are depicted in Table 5.

**Table 5: Perceptions on Riba**

| (Q.25) Are you familiar with the term riba? | Frequency | Percent | Mean Value | Standard Deviation |
|---|---|---|---|---|
| Valid | Not familiar at all | 9 | 4.6 | | |
| | Not familiar | 12 | 6.2 | | |
| | Not sure | 4 | 2.1 | | |
| | Familiar | 57 | 29.4 | | |
| | Very familiar | 112 | 57.7 | | |
| | Total | 194 | 100.0 | | |

| (Q.26-1) Riba is the same as interest | Frequency | Percent | Mean Value | Standard Deviation |
|---|---|---|---|---|
| Valid | Strongly disagree | 6 | 3.1 | 4.34 | .948 |
| | Disagree | 6 | 3.1 | | |
| | Do not know | 11 | 5.7 | | |
| | Agree | 64 | 33.0 | | |
| | Strongly agree | 107 | 55.2 | | |
| | Total | 194 | 100.0 | | |

| (Q.26-2) Interest on deposit paid by conventional bank is the same as the profit on deposit paid by Islamic bank | Frequency | Percent | Mean Value | Standard Deviation |
|---|---|---|---|---|
| Valid | Strongly disagree | 89 | 45.9 | 1.85 | 1.088 |
| | Disagree | 75 | 38.7 | | |
| | Do not know | 12 | 6.2 | | |
| | Agree | 6 | 3.1 | | |
| | Strongly agree | 12 | 6.2 | | |
| | Total | 194 | 100.0 | | |

| (Q.26-3) It is sinful to take conventional bank deposit interest. | Frequency | Percent | Mean Value | Standard Deviation |
|---|---|---|---|---|
| Valid | Strongly disagree | 6 | 3.1 | 4.11 | 1.016 |
| | Disagree | 7 | 3.6 | | |
| | Do not know | 33 | 17.0 | | |
| | Agree | 61 | 31.4 | | |
| | Strongly agree | 87 | 44.8 | | |
| | Total | 194 | 100.0 | | |

Table 5 indicates that most of the respondents (87.1%) are familiar with the term usury or riba (Q.25). This result is confirmed by the high mean value of 4.29. In verifying this, almost the same majority of respondents (88.2%) believe that an interest-based transaction is an act of riba and that the term
interest is synonymous with riba (Q.26-1). In this respect a large majority of respondents (84.6%) seem to disagree with the idea that interest paid by conventional banks is the same as profits given by Islamic banks, as the responses to Q.26-2 would suggest. Thus, for this reason, as can be understood from responses to Q. 26-3, the majority of respondents (76.2%) believe that accepting interest from conventional banks is religiously sinful. This result seems to be consistent with previous results, thus reflecting the religious nature of the Libyan people who attempts to refrain from practices which are religiously taboo, such as riba.

Table 6: Awareness on Islamic Financial Contracts

|   | (Q.27-1) Murabaha |   |   |
|---|----------------|---|---|
|   | Frequency | Percent | Mean Value | Standard Deviation |
| Valid | Yes | 142 | 73.2 | 1.37 | .673 |
|   | No | 31 | 16.0 |   |   |
|   | Not sure | 21 | 10.8 |   |   |
| Total | 194 | 100.0 |   |   |

|   | (Q.27-2) Musharakah |   |   |
|---|----------------|---|---|
| Valid | Yes | 149 | 76.8 | 1.30 | .608 |
|   | No | 30 | 15.5 |   |   |
|   | Not sure | 15 | 7.7 |   |   |
| Total | 194 | 100.0 |   |   |

|   | (Q.27-3) Mudarabah |   |   |
|---|----------------|---|---|
| Valid | Yes | 108 | 55.7 | 1.61 | .767 |
|   | No | 52 | 26.8 |   |   |
|   | Not sure | 34 | 17.5 |   |   |
| Total | 194 | 100.0 |   |   |

Table 6 shows the participants’ awareness related to transactions associated with Islamic banks such as murabahah, musharakah and mudarabah. It seems that the majority of respondents are more or less aware of the terminology. In this regard, 73.2% of the respondents are aware of the term murabahah, while 76.8% are aware of the term musharakah, and the term mudarabah is only known to 55.7% of the respondents, as indicated by responses to Q.27. Thus, a considerable number of respondents remain unaware of the terminology associated with Islamic banks, particularly the term mudarabah, with just under half of the respondents stating that they had never heard of the practice. Hence, the above results appear to be compatible with the religious nature of the people of Libya, although it seems that the absence of inadequacy of Islamic financial institutions in Libya might be the reason for the poor
knowledge of some sectors in the community regarding transactions associated with Islamic banking.

After establishing the nature of the awareness among the participants of the Islamic financial contracts, this sections aims to analyze the sources of the perceived knowledge as raised by Q.28 and Q.29; the results are featured in Table 7.

**Table 7: Sources of Awareness**

| (Q.28) If you replied positively to the above questions (26 and 28), how did you get to know about the principles of Islamic finance? | Frequency | Percent | Mean Value | Standard Deviation |
|---|---|---|---|---|
| Prior knowledge from reading(newspaper, internet, bank’s brochure) | 137 | 69.6 | 1.57 | .962 |
| Education(learn in university or college) | 14 | 7.2 | | |
| Explanation by the bank’s staff during the opening of the account | 32 | 16.5 | | |
| Explanation from friends and family | 11 | 5.7 | | |
| Total | 194 | 100.0 | | |

| (Q.29) If your answer is ‘no’ in question 27 and 29, why do not you know about the underlying principles of Islamic finance? | Frequency | Percent | Mean Value | Standard Deviation |
|---|---|---|---|---|
| Difficult to understand | 7 | 3.6 | 2.98 | .955 |
| Bank’s staff does not explain it | 19 | 9.8 | | |
| Do not know where to get the information about the underlying contract | 39 | 20.1 | | |
| Not interested | 26 | 13.4 | | |
| Assume it is the same as conventional banks | 3 | 1.5 | | |
| Total | 94 | 48.5 | | |
| Missing System | 100 | 51.5 | | |
| Total | 194 | 100.0 | | |

It is clear from responses to Q28 that a considerable percentage of respondents (69.6%) have obtained their knowledge about the Islamic financial system through reading, while just over half of the respondents (51.5%) explain their ignorance about the system by the fact that it is non-existent, as indicated by responses to Q.29. Interestingly, only 16.5% of the respondents stated they
have obtained their knowledge from the staff working in the banks (Q.28), while 13.4% of respondents expressed a lack of interest in the subject (Q.29). Therefore, the Libyan people, as Muslims, have the desire to increase their knowledge of the Islamic financial system, and the majority of them have managed to do so through reading. Therefore, the state has a duty to promote the idea of the Islamic financial system in order to raise the awareness of the people about the principles of Islamic finance as a religious obligation, in particular under the free and democratic political setting.

The following section aims to gather the opinions of the participants on a number of statements aiming to define and express the features of Islamic banking. The analysis is presented in Table 8.

**Table 8: Defining Islamic Banking**

| (Q. 30-1) Banking without interest | Frequency | Percent | Mean Value | Standard Deviation |
|-----------------------------------|-----------|---------|------------|--------------------|
| Valid                             |           |         |            |                     |
| Strongly disagree                 | --        | --      | 4.13       | .752               |
| Disagree                          | 6         | 3.1     |            |                    |
| Do not know                       | 25        | 12.9    |            |                    |
| Agree                             | 99        | 51.0    |            |                    |
| Strongly agree                    | 64        | 33.0    |            |                    |
| Total                             | 194       | 100.0   |            |                    |

| (Q. 30-2) Discouraging debt-based finance | Frequency | Percent | Mean Value | Standard Deviation |
|-------------------------------------------|-----------|---------|------------|--------------------|
| Valid                                     |           |         |            |                     |
| Strongly disagree                         | 2         | 1.0     | 3.78       | .866               |
| Disagree                                  | 13        | 6.7     |            |                    |
| Do not know                               | 47        | 24.2    |            |                    |
| Agree                                     | 95        | 49.0    |            |                    |
| Strongly agree                            | 37        | 19.1    |            |                    |
| Total                                     | 194       | 100.0   |            |                    |
| (Q.30–3) Being an alternative to capitalism and socialism |  |  |  |  |
|---|---|---|---|---|
| Valid | Strongly disagree | 3 | 1.5 | 3.89 | .865 |
| | Disagree | 7 | 3.6 |
| | Do not know | 45 | 23.2 |
| | Agree | 92 | 47.4 |
| | Strongly agree | 47 | 24.2 |
| Total | 194 | 100.0 |

| (Q.30–4) Having Shari‘ah-compliant products |  |  |  |  |
|---|---|---|---|---|
| Valid | Strongly disagree | -- | -- |
| | Disagree | 7 | 3.6 |
| | Do not know | 12 | 6.2 |
| | Agree | 106 | 54.6 |
| | Strongly agree | 69 | 35.6 |
| Total | 194 | 100.0 |

| (Q.30–5) Banking for Muslims only |  |  |  |  |
|---|---|---|---|---|
| Valid | Strongly disagree | 55 | 28.4 | 1.96 | .898 |
| | Disagree | 111 | 57.2 |
| | Do not know | 12 | 6.2 |
| | Agree | 11 | 5.7 |
| | Strongly agree | 5 | 2.6 |
| Total | 194 | 100.0 |

| (Q.30–6) An ethical banking |  |  |  |  |
|---|---|---|---|---|
| Valid | Strongly disagree | -- | -- | 4.07 | .701 |
| | Disagree | 5 | 2.6 |
| | Do not know | 26 | 13.4 |
| | Agree | 113 | 58.2 |
| | Strongly agree | 50 | 25.8 |
| Total | 194 | 100.0 |
| (Q.30-7) Promoting social welfare | Frequency | Percent | Mean Value | Standard Deviation |
|----------------------------------|-----------|---------|------------|--------------------|
| Valid                            |           |         |            |                    |
| Strongly disagree                | --        | --      | 4.03       | .682               |
| Disagree                         | 4         | 2.1     |            |                    |
| Do not know                      | 30        | 15.5    |            |                    |
| Agree                            | 116       | 59.8    |            |                    |
| Strongly agree                   | 44        | 22.7    |            |                    |
| Total                            | 194       | 100.0   |            |                    |

| (Q.30-8) Being a charitable entity | Frequency | Percent | Mean Value | Standard Deviation |
|-----------------------------------|-----------|---------|------------|--------------------|
| Valid                             |           |         |            |                    |
| Strongly disagree                 | 13        | 6.7     | 3.19       | 1.133              |
| Disagree                          | 46        | 23.7    |            |                    |
| Do not know                       | 50        | 25.8    |            |                    |
| Agree                             | 61        | 31.4    |            |                    |
| Strongly agree                    | 24        | 12.4    |            |                    |
| Total                             | 194       | 100.0   |            |                    |

| (Q.30-9) Banking for the poor     | Frequency | Percent | Mean Value | Standard Deviation |
|----------------------------------|-----------|---------|------------|--------------------|
| Valid                            |           |         |            |                    |
| Strongly disagree                 | 44        | 22.7    | 2.34       | 1.132              |
| Disagree                          | 85        | 43.8    |            |                    |
| Do not know                       | 33        | 17.0    |            |                    |
| Agree                             | 19        | 9.8     |            |                    |
| Strongly agree                    | 13        | 6.7     |            |                    |
| Total                             | 194       | 100.0   |            |                    |

| (Q.30-10) Similar to other commercial banks | Frequency | Percent | Mean Value | Standard Deviation |
|---------------------------------------------|-----------|---------|------------|--------------------|
| Valid                                       |           |         |            |                    |
| Strongly disagree                           | 64        | 33.0    | 1.98       | .984               |
| Disagree                                    | 93        | 47.9    |            |                    |
| Do not know                                 | 20        | 10.3    |            |                    |
| Agree                                       | 10        | 5.2     |            |                    |
| Strongly agree                              | 7         | 3.6     |            |                    |
| Total                                       | 194       | 100.0   |            |                    |

Table 8 indicates the various perceptions of respondents of the idea of Islamic banking. In this respect the majority of the respondents agree with the description of Islamic banking as being interest-free, discouraging debt based financing, being Shari’ah-compliant, and providing a third option other than capitalism and socialism, as can be understood from responses to the statements under Q.30-1, Q.30-2, Q.30-3 and Q.30-4, respectively. As a matter of fact, the great majority of respondents (85%) would also agree with the idea that Islamic banking services should be available for everyone irrespective of their religious background Q.30-5. Hence, the majority of respondents would also approve of the description of Islamic banking as being
ethically oriented, as responses to Q.30-6 indicate. Furthermore, most of the respondents would agree with the idea that Islamic banking should promote activities associated with social welfare and charity work and should favour the poor, as indicated by responses to Q.30-7, Q.30-8 and Q.30-9 respectively. Finally, the vast majority of respondents (80.9%) expressed disagreement with the idea that Islamic banks could be described as being similar to commercial banks. This should confirm the fact that the great majority of the Muslim people in Libya consider the practices of the commercial banks as being incompatible with Shari’ah principles, and that it becomes a religious obligation not to do business with those banks.

After identifying the perceptions and opinions on the definition of Islamic banks, the following section aims to measure the perceptions and opinions on the objectives of Islamic banks. The results of the analysis are depicted in Table 9.

**Table 9: Perceptions on the Objectives of Islamic Banks**

| (Q. 31-1) Prohibition of riba’ | Frequency | Percent | Mean Value and Rank | Standard Deviation |
|-------------------------------|-----------|---------|---------------------|-------------------|
| Valid                         |           |         |                     |                   |
| Not important at all          | 3         | 1.5     |                     |                   |
| Not important                 | --        | --      | 4.67 (1)            | .595              |
| Do not know                   | 4         | 2.1     |                     |                   |
| Important                     | 46        | 23.7    |                     |                   |
| Very important                | 141       | 72.7    |                     |                   |
| Total                         | 194       | 100.0   |                     |                   |

| (Q. 31-2) Providing Shari’ah- compliant products | Frequency | Percent | Mean Value and Rank | Standard Deviation |
|-----------------------------------------------|-----------|---------|---------------------|-------------------|
| Valid                                         |           |         |                     |                   |
| Not important at all                          | --        | --      | 4.53 (2)            | .510              |
| Not important                                 | --        | --      |                     |                   |
| Do not know                                   | 1         | .5      |                     |                   |
| Important                                     | 88        | 45.4    |                     |                   |
| Very important                                | 105       | 54.1    |                     |                   |
| Total                                         | 194       | 100.0   |                     |                   |

| (Q. 31-3) Non-debt-based financing            | Frequency | Percent | Mean Value and Rank | Standard Deviation |
|-----------------------------------------------|-----------|---------|---------------------|-------------------|
| Valid                                         |           |         |                     |                   |
| Not important at all                          | 1         | .5      | 4.02 (6)            | .774              |
| Not important                                 | 4         | 2.1     |                     |                   |
| Do not know                                   | 38        | 19.6    |                     |                   |
| Important                                     | 98        | 50.5    |                     |                   |
| Very important                                | 53        | 27.3    |                     |                   |
| Total                                         | 194       | 100.0   |                     |                   |
| (Q. 31-4) Contributing to social welfare | Frequency | Percent | Mean Value | Standard Deviation |
|----------------------------------------|-----------|---------|------------|-------------------|
| Valid                                  |           |         | 4.20 (5)   | .687              |
| Not important at all                   | 4         | 2.1     |            |                   |
| Not important                          | --        | --      |            |                   |
| Do not know                            | 18        | 9.3     |            |                   |
| Important                              | 107       | 55.2    |            |                   |
| Very important                         | 65        | 33.5    |            |                   |
| Total                                  | 194       | 100.0   |            |                   |

| (Q. 31-5) Promoting sustainable development | Frequency | Percent | Mean Value | Standard Deviation |
|---------------------------------------------|-----------|---------|------------|-------------------|
| Valid                                       |           |         | 4.28 (4)   | .668              |
| Not important at all                       | --        | --      |            |                   |
| Not important                              | 1         | .5      |            |                   |
| Do not know                                | 20        | 10.3    |            |                   |
| Important                                  | 96        | 49.5    |            |                   |
| Very important                             | 77        | 39.7    |            |                   |
| Total                                      | 194       | 100.0   |            |                   |

| (Q. 31-6) Alleviating poverty | Frequency | Percent | Mean Value | Standard Deviation |
|-------------------------------|-----------|---------|------------|-------------------|
| Valid                         |           |         | 4.32       | .629              |
| Not important at all          | --        | --      |            |                   |
| Not important                 | 2         | 1.0     |            |                   |
| Do not know                   | 11        | 5.7     |            |                   |
| Important                     | 103       | 53.1    |            |                   |
| Very important                | 78        | 40.2    |            |                   |
| Total                         | 194       | 100.0   |            |                   |

| (Q. 31-7) Maximising profits | Frequency | Percent | Mean Value | Standard Deviation |
|-------------------------------|-----------|---------|------------|-------------------|
| Valid                         |           |         | 3.60 (7)   | 1.129             |
| Not important at all          | 5         | 2.6     |            |                   |
| Not important                 | 40        | 20.6    |            |                   |
| Do not know                   | 27        | 13.9    |            |                   |
| Important                     | 77        | 39.7    |            |                   |
| Very important                | 45        | 23.2    |            |                   |
| Total                         | 194       | 100.0   |            |                   |
As the findings in Table 9 show, responses to statement under Q.31-2 indicate that almost all respondents (99.5%) would agree with the statement that the main objective of Islamic banks is to provide Shari’ah-compliant products and services. Most importantly, those services should feature interest-free transactions in order to avoid riba and debt-based financing, as responses to Q.31-1 and Q.31-2 indicate with 96.4% agreement and 77.8% agreement, respectively. Other important objectives of Islamic banks perceived by the majority of respondents include ‘promoting social welfare and sustainable development’ as well as ‘alleviation of poverty’, as suggested by responses to Q.31-4 with 88.7%, Q.31-5 with 90.2% and Q.31-6 with 93.3%. Hence, the economic aspect seems to be an important objective to most of the respondents, albeit to a lesser extent compared to the above objectives, as only 62.9% of the respondents agree with the statement that the main objective of Islamic banks is profit maximization Q.31-7. Furthermore, 88.1% of the respondents believe that encouraging Islamic values should be an important objective of Islamic banks with 88.3% Q.31-8. However, in terms of the mean ranking, with the mean value of 3.60, maximizing profit is located at the bottom of ranking among the objectives of Islamic banking. This seems to be in conformity with the general inference that, for the Libyan people as Muslims, the religious obligations come top of the list of priorities, as the mean ranking indicates.

1.6. Gauging Motivation For Consideration To Bank With Islamic Banks

After presenting the results on the participants’ perceptions of the current and future developments related to Islamic banking, this section focuses on individual motives for dealing with an Islamic bank. As the results in Table 10 demonstrate, 86.8% of the respondents consider Islamic banking important as a religious obligation in their response to the statement proposed in Q.22-1 on religious obligation/requirement. In describing the nature of Islamic banking accounts, in responding to Q.22-2, 84% believe that the idea of interest-free accounts is the most important criterion of Islamic banks, while
59.8% of them stated in response to Q.22-3 that the brand or name of the bank would be of little concern to them. In considering whether to choose an Islamic bank account, the responses to Q.22-4 show that the economic factor remains an important factor in motivating individuals to open accounts with an Islamic bank, as 62.4% of the respondents stated that Islamic banks would pay higher returns on deposits. In addition, 46.4% of the respondents stated in responses to Q.22-5 that they have opened accounts with Islamic banks due to encouragement from friends, while 63.9% of the respondents deem it important that Islamic banks provide alternative packages of services and products (Q.22-6). Furthermore, other criteria such as provision of other financial facilities and sound reputation of the bank could provide important incentives for opening accounts with Islamic banks, as could be inferred from responses to Q.22-7 (opportunity to obtain other financing facilities such as house or car financing) and Q.22-8 (sound financial reputation of the bank) where 85% and 86.6% of the participants are in favour of the statements, respectively.

**Table 10: Perceptions on Factors to Open an Islamic Banking Account**

| (Q.22-1) Religious obligation/ requirement | Frequency | Percent | Mean Value | Standard Deviation |
|-------------------------------------------|-----------|---------|------------|--------------------|
| Valid Valid                                |           |         |            |                    |
| Strongly disagree                         | 3         | 1.5     | 4.13       | .939               |
| Disagree                                  | 7         | 3.6     |            |                    |
| No opinion                                | 35        | 18.1    |            |                    |
| Agree                                     | 65        | 33.5    |            |                    |
| Strongly agree                            | 84        | 43.3    |            |                    |
| Total                                     | 194       | 100.0   |            |                    |

| (Q.22-2) The account is free from any interest | Frequency | Percent | Mean Value | Standard Deviation |
|-----------------------------------------------|-----------|---------|------------|--------------------|
| Valid Valid                                   |           |         |            |                    |
| Not important at all                          | 1         | .5      | 4.39       | .882               |
| Not important                                | 8         | 4.1     |            |                    |
| Neutral                                      | 22        | 11.3    |            |                    |
| Important                                    | 46        | 23.7    |            |                    |
| Very important                               | 117       | 60.3    |            |                    |
| Total                                        | 194       | 100.0   |            |                    |
| (Q.22-3) The brand name of the Islamic bank (Islamic reputation and image) | Not important at all | Not important | Neutral | Important | Very important | Total |
|---|---|---|---|---|---|---|
| Valid | 3 | 18 | 57 | 54 | 62 | 194 |
| | | | | | | 3.79 |

| (Q.22-4) Islamic Bank will pay out higher return on deposits | Not important at all | Not important | Neutral | Important | Very important | Total |
|---|---|---|---|---|---|---|
| Valid | 22 | 26 | 25 | 78 | 43 | 194 |
| | | | | | | 3.48 |

| (Q.22-5) Encouragement from friends and family | Not important at all | Not important | Neutral | Important | Very important | Total |
|---|---|---|---|---|---|---|
| Valid | 19 | 38 | 49 | 47 | 41 | 194 |
| | | | | | | 3.27 |

| (Q.22-6) Islamic banks will provide attractive product package and services (such as free takaful coverage, attractive competition prize) | Not important at all | Not important | Neutral | Important | Very important | Total |
|---|---|---|---|---|---|---|
| Valid | 5 | 16 | 49 | 72 | 52 | 194 |
| | | | | | | 3.77 |
However, in terms of mean value (MV) scoring, the top factor that encourages respondents to patronage Islamic banks is the fact that accounts are interest-free, with MV of 4.39. The bank’s reputation comes second in the list of factors with MV of 4.37, reflecting respondents’ concern about their deposits and encouraging them to go to the most secure bank with the soundest financial reputation. In third place comes the economic factor, indicating that respondents will take advantage of the economic offers provided by the bank, with MV of 4.15. The religious obligation comes in fourth place with a MV of 4.12, reflecting the religious nature of the Libyan people. The bank name or brand ranks fifth in the list of factors with MV of 3.79, indicating that this factor remains insignificant as long as the bank is reliable and trustworthy in terms of service and products. In this regard, the factor featuring attractive packages and products comes third from bottom with MV of 3.77. Although this factor could be considered important in terms of its economic value, it seems that the respondents assigned it less significance compared to the previous factors. The statement associating Islamic banks with high returns produced an MV of 3.48, as an economic incentive for customers to open accounts with Islamic banks. As before, despite being an economic factor, it appears near the bottom of the rankings. At the bottom of the list is the factor featuring encouragement from friends, with an MV of 3.27 indicating that, compared to other factors, encouragement from friends had a less significant influence on respondents.
1.7. Socio-Economic Expectations Of Islamic Banks In Libya

This part of the questionnaire featuring Q.23 aims at gauging the effectiveness of Islamic banks in contributing to socio-economic development in Libya. The result of the analysis for this is depicted in Table 11.

Table 11: Perceptions on Whether Islamic Banks in Libya Will Effectively Contribute to Socio-Economic Development

| (Q.23) Do you think Islamic banks in Libya will effectively contribute to socio-economic development? | Frequency | Percent | Mean Value | Standard Deviation |
|---------------------------------------------------------------|-----------|---------|------------|-------------------|
| Valid                                                         |           |         |            |                   |
| Strongly disagree                                             | 2         | 1.0     | 4.30       | .730              |
| Disagree                                                      | 2         | 1.0     |            |                   |
| No opinion                                                    | 13        | 6.7     |            |                   |
| Agree                                                        | 95        | 49.0    |            |                   |
| Strongly agree                                                | 82        | 42.3    |            |                   |
| Total                                                         | 194       | 100.0   |            |                   |

As can be seen in Table 11, 91.3% of the participants agree and strongly agree with the statement that Islamic banks will effectively contribute to socio-economic development, with a mean value of 4.30. This is a very high expectation, as there is a conviction that, because it is ‘Islamic’, it will be the solution to all the economic and financial problems. The problem is that a very large percentage of these participants may eventually be disappointed considering the ‘commercial nature’ of Islamic banking and finance. Nonetheless, this result indicates that Islamic banks in Libya would be expected to play an ever-increasing role in the economy in favour of the process of socio-economic development in the country.

In continuation of this result, Q.24 aims at measuring the perceptions of the participants on the identified and articulated outcomes of the socio-economic development role of Islamic banks in Libya. These outcomes are as follows: ‘alleviation of poverty’, ‘environmentally friendly economy’, ‘supporting small business enterprises’, ‘supporting individual business initiatives’, ‘improving community development through social projects’, ‘job opportunities’, ‘women’s participation in economy’, and ‘provision of social lending’. The results are presented in Table 12.

The results in the previous section are further confirmed by responses to Q.24 in that the majority of respondents tend to believe that people would be better off with Islamic banks. In this respect, 86.3% of respondents believe that Islamic banks will contribute to the alleviation of poverty (Q.24-1), while...
73.7% of respondents agree that Islamic banks will positively concern with environment (Q.24-2). In addition, with regard to supporting small businesses (Q.24-3), a great majority of respondents (95.3%) consider that Islamic banks will provide support to small business enterprises, while 91.8% of the participants ‘agreed’ and ‘strongly agreed’ with the statement that Islamic banks will support individuals in their business initiatives.

Table 12: Perceptions on Islamic Banks Playing Role in Socio-Economic Development in Libya (Q24)

| (Q.24-1) Alleviation of poverty | Frequency | Percent | Mean Value | Standard Deviation |
|--------------------------------|-----------|---------|------------|--------------------|
| Strong disagree                | 1         | .5      |            |                    |
| Disagree                       | 6         | 3.1     |            |                    |
| Do not know                    | 19        | 9.8     |            |                    |
| Agree                          | 107       | 55.2    |            |                    |
| Strong agree                   | 61        | 31.4    |            |                    |
| Total                          | 194       | 100.0   | 4.13       | .752               |

| (Q.24-2) Environmental friendly economy | Frequency | Percent | Mean Value | Standard Deviation |
|-----------------------------------------|-----------|---------|------------|--------------------|
| Strong disagree                         | 1         | .5      |            |                    |
| Disagree                                | 7         | 3.6     |            |                    |
| Do not know                             | 43        | 22.2    |            |                    |
| Agree                                   | 96        | 49.5    |            |                    |
| Strong agree                            | 47        | 24.2    |            |                    |
| Total                                   | 194       | 100.0   | 3.93       | .808               |

| (Q.24-3) Supporting small business enterprises | Frequency | Percent | Mean Value | Standard Deviation |
|------------------------------------------------|-----------|---------|------------|--------------------|
| Strongly disagree                          | 1         | .5      |            |                    |
| Disagree                                   | 2         | 1.0     |            |                    |
| Do not know                                | 6         | 3.1     |            |                    |
| Agree                                      | 119       | 61.3    |            |                    |
| Strongly agree                             | 66        | 34.0    |            |                    |
| Total                                      | 194       | 100.0   | 4.27       | .621               |
### (Q.24-4) Supporting individuals’ business initiatives

| Valid   | Strongly disagree | Disagree | Do not know | Agree | Strongly agree | Total |
|---------|-------------------|----------|-------------|-------|----------------|-------|
|         | 1                 | 4        | 11          | 116   | 62             | 194   |
|         | .5                | 2.1      | 5.7         | 59.8  | 32.0           | 100.0 |
|         |                   |          |             |       |                |       |

| Mean    | Standard Deviation |
|---------|--------------------|
| 4.20    | .681               |

### (Q.24-5) Improving community development through social projects

| Valid   | Strongly disagree | Disagree | Do not know | Agree | Strongly agree | Total |
|---------|-------------------|----------|-------------|-------|----------------|-------|
|         | --                | 1        | 10          | 100   | 83             | 194   |
|         | --                | .5       | 5.2         | 51.5  | 42.8           | 100.0 |
|         |                   |          |             |       |                |       |

| Mean    | Standard Deviation |
|---------|--------------------|
| 4.36    | .606               |

### (Q.24-6) Increases job opportunities

| Valid   | Strongly disagree | Disagree | Do not know | Agree | Strongly agree | Total |
|---------|-------------------|----------|-------------|-------|----------------|-------|
|         | --                | 3        | 13          | 102   | 76             | 194   |
|         | --                | 1.5      | 6.7         | 52.6  | 39.2           | 100.0 |
|         |                   |          |             |       |                |       |

| Frequency | Percent | Mean Value | Standard Deviation |
|-----------|---------|------------|--------------------|
| 194       | 100.0   | 4.29       | .660               |

### (Q.24-7) Increases women’s participation in economy

| Valid   | Strong disagree | Disagree | Do not know | Agree | Strong agree | Total |
|---------|-----------------|----------|-------------|-------|--------------|-------|
|         | 2                | 14       | 34          | 83    | 61           | 194   |
|         | 1.0              | 7.2      | 17.5        | 42.8  | 31.4         | 100.0 |
|         |                   |          |             |       |              |       |

| Mean     | Standard Deviation |
|----------|--------------------|
| 3.96     | .935               |

### (Q.24-8) Providing social loans for education, housing, health and wedding

| Valid   | Strong disagree | Disagree | Do not know | Agree | Strong agree | Total |
|---------|-----------------|----------|-------------|-------|--------------|-------|
|         | 3                | 3        | 6           | 94    | 88           | 194   |
|         | 1.5              | 1.5      | 3.1         | 48.5  | 45.4         | 100.0 |
|         |                   |          |             |       |              |       |

| Mean     | Standard Deviation |
|----------|--------------------|
| 4.34     | .754               |

As can be seen in Table 12, with regard to community development, 94.3% of the respondents are of the opinion that Islamic banks will finance social
projects for community development. Furthermore, 91.8% of respondents stated that Islamic banks have the potential to create jobs (Q.24-6) in the economy, while 74.2% of the respondents expect Islamic banks to play a role in increasing women’s employment opportunities (Q.24-7).

Finally, as can be seen in Table 12, the majority of the respondents (93.9%) have the expectation that Islamic banks will contribute to social welfare in the form of education, health, housing and weddings through social loans (Q.24-8).

It could be concluded from the results presented in this section that the majority of respondents have positive and high expectations with respect to the potential economic role of Islamic banks. These results seem to be consistent with the religious nature of the Libyan people who put their trust in Islamic banks rather than conventional banks. However, Islamic banking is not only a religious proposal but also a commercial business; therefore it seems that people may have an unrealistically high level of trust in and developmentalist expectation of Islamic banks.

1.8. Conclusion

The findings from the analysis suggest that certain groups of respondents who are well exposed to Islamic banking operations, including employees of Islamic banks, those with higher levels of education, and those with a longer duration of banking relationships, have better awareness and knowledge of Shari’ah muamalath matters related to Islamic banks.

Despite the fact that differences in opinion existed within the various control categories with regard to the participants’ responses to the questions, generally speaking it could be maintained that the respondents were of the opinion that the Islamic banking system should be established in Libya in response to the people’s demands. In other words, basic reforms need to be introduced to the banking policies in Libya by incorporating Islamic banking into the system. In this respect the defunct Gaddafi regime was either unwilling or not sufficiently serious about implementing the idea of Islamic moral economy in Libya, whereas the majority of respondents believe that such an idea should feature in the new Constitution of the country. In this regard, most of those who took part in the survey would prefer to do business with Islamic banks and are motivated by the high returns that may be provided by those banks; more importantly, they are motivated by their compliance with shari’ah principles. For that reason, the majority of respondents would consider Islamic banking in Libya as economically viable. However, it is worth mentioning that most of the respondents have a better understanding of the Islamic banking system, particularly those employed by banks or in possession of high academic qualifications. Finally, there is a consensus
among participants that, besides their banking duties, Islamic banks should undertake other economic and social responsibilities in order to contribute to the process of socio-economic development in Libya.

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