



Griffith Business School

Libyan Attitudes towards Islamic Methods of Finance: An Empirical Analysis of Retail Consumers, Business Firms and Banks

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By

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DECLARATION

I certify that the ideas, research work, results, analyses and conclusions reported in this dissertation are entirely my own effort, except where otherwise acknowledged. I also certify that the substance of this thesis has not already been submitted for any degree and is not currently being submitted for any other degree.

Alsadek Hesain Gait

ABSTRACT

Libya is a predominately Muslim country where Islamic finance has not yet been established. However, given the current extensive program of financial reform in Libya and the rapid growth and appeal of Islamic finance in comparable economies, there is growing pressure for a system of Islamic finance to be provided. There is then a pressing need for research into the prospects for Islamic finance from a consumer and provider perspective to inform this debate and thereby meet the needs of policymakers, financial service providers and prospective users. Accordingly, this study of Libyan attitudes towards Islamic methods of finance, the first study attempted in the Libyan context and one of few studies globally, applies a model derived from the Theory of Reasoned Action to analyse attitudes towards Islamic finance. The particular focus is to understand how the Theory of Reasoned Action can be used for predicting and understanding attitudes towards the potential use of Islamic methods of finance by Libyan retail consumers, business firms and banks. Four main research questions are posed to address this objective. First, does awareness of Islamic methods of finance influence attitudes towards the use of Islamic finance? Second, do socioeconomic, demographic and other factors influence attitudes towards Islamic finance? Third, what are the principal motivating factors towards the potential use of Islamic finance? Finally, is religion the major influence on the likelihood of engaging in Islamic finance? Three surveys of 385 retail consumers, 296 business firms and 134 bank managers in Libya are conducted in 2007/08 to achieve this objective. Descriptive analysis and multivariate statistical analysis (including factor analysis, discriminant analysis and binary logistic regressions) are used to analyse the data. The principal findings are that awareness of Islamic methods of finance and socioeconomic, demographic and business characteristics are key determinants of the likelihood of the use of Islamic finance. Further, religion plays a key, though not the only, role in influencing these attitudes. The thesis findings are of key importance in informing future financial industry practice and financial policy formation in Libya.

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