

Origin of the Islamic Banking Business in Traditional Libyan Banks

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Abstract- The phenomenon of turning conventional banks to Islamic banking has been accompanied by the phenomenon of the spread of Islamic banks in the second half of 20th century. Studies in this area are infrequent in Libya because of the absence of Islamic banks. Some conventional banks in Libya have recently started to transform into Islamic. From here the view of the researcher doing the study to help these banks to identify the measures are necessary to turn to Islamic banks and thus enter the Islamic banks to the Libyan arena to contribute to raising the level of dealing with banks, many of the Libyans do not prefer to deal with conventional banks, considering that Libyan society is an Islamic society. Islamic banking services include whether conventional banks close branches for Islamic finance and conventional banks to become Islamic. Libya is trying to impose a particular authorization for Sharia based banks.

Index Terms- banks, banking services, Islamic banking

I. INTRODUCTION

The phenomenon of turning conventional banks to Islamic banking has been accompanied by the phenomenon of the spread of Islamic banks in the second half of this century. It started in Egypt in 1980, when the Bank of Egypt's first Islamic branch was established in the area of Al-Azhar in Cairo. The same bank reached the number of 29 branches later. According to the statistics of Central Bank of Egypt on 30/8/2004, the total number of branches for Islamic transactions of conventional banks in Egypt was 54, while 12 banks still follow the traditional conventional banking. During last years, especially with starting of financial crisis in 2008, this phenomenon spread to many Arabic, Islamic and also Western countries.

II. PROBLEMS STANDING IN FRONT OF ISLAMIC BANKS IN LIBYA

Sharia based banks all over the world are in front of a number of challenges, and Libya is no exception. Islamic banks are still not well-devised mechanism banking without interest that could provide funding in the short term and are faced with the problem of financing of consumer loans and the government deficit. All Sharia based Libyan banks have resorted to financing that delivers a predetermined return on investment to avoid the increased risk of short-term financing, and then the banks have only changed the name of their transactions. Banks that are based on the Sharia do not have the support of the central bank of Libya, and a lack of trained staff to choose, evaluate and revise the projects require financial support. Thus, because of this they can not enlarge their portfolio, even if they have large monetary

resources. Free banking in Libya is faced with the following possible problems: [1]

A) Problems Related to Macro operation of Islamic Banks

1. Capital and liquidity,
2. Bank property estimation,
3. Monetary firmness,
4. Bank possessions,
5. Lack of capital market and interest,
6. Inadequate legal safety,
7. Control and supervision by the central bank,
8. Absence of Islamic money market,
9. Accounting principles and procedures,
10. Shortage of skilled and trained manpower,
11. Lack of support among Islamic banks,
12. Harsh rivalry in the financial sector,
13. Economic and political situation,
14. Lack of infrastructure for worldwide Islamic trade,
15. Evasion of borrowers culture,
16. Lack of courses on Islamic economics and banking,
17. Lack of uniform operational procedure,
18. Lack of harmonization of Islamic financial practices,
19. Missing of secondary securitization market,
20. Deficient of studies of Sharia based banking, economic and financing.

B) Problems related to micro procedures of Sharia based banking:

1. Enlarged price of information,
2. Cost of funds control,
3. Markup and despoiled financing,
4. Exploitation of interest rate for fix margins of profit,
5. Social concerns,
6. Deficient of constructive answer to the necessity of government financing,
7. Breakdown of Sharia based banks in financing projects with high return,
8. Loss of distributive effectiveness,
9. Profit depression,
10. Fraud, forgery or corruption,
11. Minimized budget for expansion and exploring,
12. Poor work surroundings,
13. Deficient of Sharia guidebooks or procedures,
14. Investment risk investigation and measurement methods,
15. Deficient of Sharia supervisory bodies.

It is evident from the list of problems that operational work and research must be undertaken in order Islamic banks may thrive with the highest quality and strength. A problem of Islamic

banking in general and especially in Libya, cause a challenge for survival and promotion of system in Libya. It should be the conventional banking system to review and adopt the advantages of Islamic banking has within the framework of the country's economy, not to Islamic banking fits into the existing classical banking system. [2] One of the latest research shows that Libya has not made more progress in the implementation of Islamic banks in the banking system of Libya.

III. DEVELOPMENT OF BANKING SERVICES

There are several steps to develop a replacement as are: the macro level, direction, and geographic locations of the demand for service and as a result of this selection is divided by the market and the wishes of the customers and learn how awareness of the competitors. The bank contains an internal analysis identify the sources of bank finance and knowledge of the bank in the selection of a specific number of sections of the market that the bank intends to provide banking services to new or existing. Finally, analysis of competitors, which is to specify the strengths and weaknesses of the bank and its light is excellent as a whole to determine the purpose or intensity of certain banking, and link those concepts with the analysis procedure of the bank it is direct and focus the strengths of the service to target market segments, it is through the integration of the three types of analysis the above-mentioned are as we analyze the market, competitors and internal environment of the bank and therefore we have a list of replacements, which are components of banking services offered in this market, and determine the willingness of the customer adoption of these services.

Marketing must be able to develop a specific marketing plan of action is linked to expectation of the estimated profits, and could therefore benefit from all the previous steps that lead to the development of work specific marketing of the bank, to take into account all the above considerations to the plan and take into account the initiation and guidance towards the development of service or action plan reached by the bank.

One of the important goals of the process of developing banking services to increase productivity of the bank and through the use of technology applications submitted in various banking services over the adequacy and effectiveness of the Bank's performance, through the speed of service delivery, through the precision in the implementation, and significant savings through the use of models in stock used in the various traditional methods for the implementation of banking services, it all eventually lead to increased productivity of the bank.

The progress of technology and information-gathering instruments and regulations in particular, lead to revolution in the running of banking services. Technology is not only improving the current banking services, but also is source of many new banking services, deserve information systems, including communications, special treatment in the search for competitive experience through technology and automation systems, has also opened up information systems and database systems for an entire area and new services, including banking services, new technology advanced, especially in the field of information processing, new What They need to deliver training and education of these new concepts for the efforts of clients in how to use those services (i.e. ATMs). There is a wide gap between

the implementation of different processes using paper from the hand or by using electronic means on the other hand, can also note that there is a big difference in costs, with regard to process checks, for example, the use of electronic means in implementing the various phases of this process, to reduce their own costs to the extent possible, while raising costs significantly by using a traditional party that relies on the use of paper.

There is also several areas of the use of technology in the development of banking services and increase its efficiency, using advanced computer systems, which Imam be able to find a service or group and advanced services, which may be able to find a service or a more complex banking services so that they are most important to customers and especially representatives Corporations, including - in addition to the use of sophisticated communications systems between the various branches of banks on the one hand and points of distribution of these services Neshanic to reduce the costs of these advanced banking services and raise efficiency.

As previously stated that the bank always worked to reach for new banking services to ensure the survival and continuation and growth, and is dangerous when the Bank is working this, on the other side and even if we assume that it is easy to make several new services. "How many of them can made success? That a new service needs to make the effort, as well as sufficient time to provide it with conditions and in spite of all this may be successful, or part of success. However, the risk of failure and the list of high rate of new banking services, in general, to reach both the amount of new products or services is not easy due to several reasons": [3]

1) With the technological development are based services we meet the multiple needs of difficult to discover new things.

2) The shift of competition on the market without control room fully but requires market segmentation and divides it into segments, and therefore aim to provide the new service.

3) It is imperative for the new service to achieve saturation of the consumer or the client give him adequate benefits at the same time achieve adequate profit.

4) There is a problem of the high cost of a new service, in fact, does not include the cost by the bank in order to deliver this service, but also the cost of services or other ideas that have been excluded at any stage of the development of new service.

5) There is a problem the number of services that fail as the probability of success is less than the probability of failure. Using the profit criterion for judging the success or failure of the service can be the distinction between three cases: when they do not nor have enough income to cover the new service, variable costs and thereby achieving a complete failure of the service. Second, as this partial failure of the new service, and clear, when revenues cover variable costs and fixed costs with a profit margin of slightly less than revenue achieved by the investment bank's other investment alternatives, are considered failures of this relatively to some extent.

6) The short duration of the success of the new service, reliance after passing the service to all stages of development, the success achieved by competitors may be attracted to the tradition is usually the bank or its products, leading to influence the degree of success of the new service to the bank.

IV. DEVELOPMENT OF BANKING SYSTEM IN LIBYA AS PRECONDITION FOR TRANSFORMATION

The development of the banking system is a key objective to attach the greatest importance in the present as an issue that is crucial in the future of the economy, so we can not activate the role to be played by the State and its various institutions, particularly the Central Bank to activate this development as:

1) Create a legislative environment to suit the latest developments in international banking, especially in light of globalization and global economic liberalization.

2) Acceleration of the enactment of Law, which aims to make certain the appropriate running of the bank structure and keeps pace with global trends and the development of the financial sector to support the banking system and positioned to face foreign competition.

3) The speedy enactment of legislation on electronic payment systems that govern the relationship between the parties to the process, along with the setting up of a body to oversee the documentation of electronic signature and resolution of any disputes that might arise between banks and customers, as well as studying the establishment of specialized departments for consideration in the conflicts of credit cards.

4) To develop and strengthen regulatory and supervisory role of the Central Bank on banks to suit the many risks that are faced by banks in light of the growing *Ikabbalha* to provide banking products developed, so is the development of process of making regulatory principles issued by the Basel Committee in 1997 and undergone modifications.

5) Work to strengthen the rules of accounting and auditing banks.

6) The need for the central bank to provide the technical staff required quantity and quality of the analysis of data from the banks of the survivor and to meet the exact needs of the field inspection and continuing throughout the banking system on the other.

7) Cooperation between the organs of banking supervision in different countries to ensure the subordination of any foreign bank no matter how many of its branches and its subsidiaries - for supervision and control necessary for the safety performance.

V. CONCLUSION

In the near future is necessary to make strategic promotion of Islamic banks in order to simultaneously promote Islamic solvent banks. [4] Banks operating under the rules of Shari'ah should be constantly monitored and they must check wider impact on business in the distribution of income between banks, depositors and entrepreneur, and only then to allocate income to various social groups. Banks operating under the rules of Shari'ah can improve their efficiency, while meeting the conditions for social benefits, as follows: they must operate in accordance with modern business performing through the development and growth of business in the banking sector. Therefore it is necessary to provide comprehensive banking and other services to clients and at the same time take benefit of new technological achievements in areas such as electronic infrastructure, computing, etc.

VI. RECOMMENDATIONS

After closely examining researcher can make the following recommendations about successful transition of commercial banks in Libya to Islamic banks:

1) Transition in the Libyan commercial banks to Islamic banking, from center of attention, to provide banking services on an ongoing basis to the stage to increasing quality and technology of banking services.

2) Conducting studies and analyzes the theory and field to find out the causes of success and failure of new Islamic banking services, to benefit from the results of these studies and find out problems relating to development and to find solutions to them, and to avoid weaknesses and errors, and to emphasize the strengths and opportunities to compete in the market.

3) Test the system to provide Islamic banking services and its implementation through the marketing strategy for its banking services, and determine the form and method of the geographical area.

4) The banks, training and forcing it using modern training for their employees at all levels of administrative terms objectives, levels and programs for trainers and trainees to raise the level of performance and skills development and opportunities for advancement and to consider the expenses of the training expenses are necessary and useful investment so that it is working on the allocation of annual budgets to achieve this purpose.

5) The need to adapt and develop the activities and elements of Sharia based banking marketing different accord with the development of banking services, and the need to note the importance of marketing is personal increasingly important with the increase in dealing with electronic devices to provide banking services to customers directly without the presence of staff members of the bank.

6) The trend towards specialization in service and building an integrated Islamic banking system in the Libya from commercial banks and banks that the current community needs to make in the future.

7) The necessity of commitment to strategic planning to the Libyan banks through the attention of senior management of the future direction of the Islamic Bank and its commitment to and support for the planning and work to develop a good database and the establishment of effective control systems, including systems of incentives for staff.

8) The need for a strategy to develop new Islamic banking services in the Libyan commercial banks.

9) It can be supposed that the development of Islamic banking intangible commodities have the quality of services how they are providing these services, so as to satisfy the maximum amount of unmet needs for customers to accomplish their work and achieve their goals.

10) Need to take advantage of developments in Islamic and other kind of banking services on a global level.

11) Exchange of expertise between the staff in Libyan Islamic banks and Arab and Islamic world through mutual visits, seminars and scientific conferences to exchange periodic and expansion of banking culture.

12) Attention to equipment machinery, including computers electronics that will improve banking services and to provide precise statistical data at full speed and diversity required for the management of Sharia based banks and open novel horizons to work based of the circumstances and economic considerations prevailing in Libya.

13) Libyan commercial banks play an effective role in giving advice and financial and economic advice to clients and work on the promotion of these essential services and development with the provision of internal organizations, including banks in allows you to do this role as effectively.

14) Need to work with marketing plans determine the detailed operational work programs for the various elements of marketing of Islamic banking (Product - Pricing - Distribution - Promotion).

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