THE MODERATING EFFECTS OF GOVERNMENT SUPPORT AND RELIGIOUS OBLIGATIONS ON THE RELATIONSHIP BETWEEN SERVICE QUALITY, KNOWLEDGE AND AWARENESS OF ISLAMIC BANKING SYSTEM AND THE INTENTION TO SUBSCRIBE THE SYSTEM IN LIBYA

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DOCTOR OF BUSINESS ADMINISTRATION
UNIVERSITI UTARA MALAYSIA
June 2015
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By

KHAIRI MOHAMED OMAR

A Dissertation Submitted to
Othman Yeop Abdullah Graduate School of Business,
Universiti Utara Malaysia,
in Partial Fulfillment of the Requirement for the Degree of Business Administration
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ABSTRACT

This study investigates the moderating effects of both the government support and religious obligations on the relationship of the service quality of CARTER’S model, knowledge and awareness of the Islamic banking system towards the intention to subscribe to the Islamic banking system in the Libyan banking sector. The study looks into the potential causes behind the delay in implementing the full-fledged Islamic banking system in Libya. The study reports the results of the surveys that were conducted among Libyan bank clients/customers. Using the primary data collection method, 384 questionnaires were distributed to the targeted respondents comprising Libyan Islamic banking subscribers and conventional banks from three main states in Libya. Only 226 (58.9 %) questionnaires were returned and analyzed using Structural Equation Modeling (SEM). The study proposed two direct relationships and two moderating effects in the structural model. The findings revealed that government support and religious obligations were significant predictors of behavioral intention to subscribe to the Islamic banking system where the significant influence of the overall service quality dimensions of the CARTER model and knowledge and awareness of Islamic banking in the Libyan context fund existed. The study supported the premises of the CARTER model confirming the importance of government support for any successful strategy implementation planning. These findings, therefore, strongly suggest that the CARTER model should be developed prior to any strategy implementation planning. The findings also indicated that it (CARTER model) is a valid model in predicting customer behavioral intention.

Keywords: intention, Islamic banking system, CARTER’S model, religious obligation, Libya.
ABSTRAK


Kata Kunci: niat, sistem perbankan Islam, model CARTER, kewajipan agama, Libya.
ACKNOWLEDGEMENTS

In the name of Allah, the Most Gracious and Most Merciful, All praise to Allah for all his blessing and guidance which provide me the strength to face all the tribulations and trails in completing this research. My love and appreciation goes to my parents, brothers and sisters who instilled in me the value of hard work and dedication. The innumerable sacrifices which they have made for me are something for which I will always be grateful.

I would like to convey my grateful thanks to my supervisor Prof. Dr. Abdullah B Hj Abdul Ghani, who had been giving me a support and advice for the completion of this research. Professor Abdullah had spent a lot of his time patiently and painstakingly giving valuable information, correcting errors, just to ensure the best effort has been given in the completion and achievement of this work. Needless to say, I could not have completed this study if it has not been for his admirable diligence and resourcefulness. Without the intelligent idea and guidance from him this research will not exist at all. I would like to thank all of the UUM staff those whom also had been giving me a support and advice for the completion of this work. Also, thank going to all DBA (Accounting) and other curriculum, programs and courses and PhD professors, doctors, lecturers, for outstanding accounting and management knowledge during knowledge building time.

Again, sincere appreciations are given to my beloved mother, father and my dear brother, “Ibrahim” and to all of my family members and friends for their patience, prayers and understanding over the entire period of my study.
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<td>Analysis of Moment Structures</td>
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<td>AVE</td>
<td>Average Variance Extracted</td>
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<td>KU</td>
<td>Knowledge and Awareness of the Islamic Banking System</td>
</tr>
<tr>
<td>LISREL</td>
<td>Linear Structural Relationships</td>
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<tr>
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<td>Maximum Likelihood Estimation</td>
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<tr>
<td>PLS</td>
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</tr>
<tr>
<td>R2</td>
<td>R-squared values</td>
</tr>
<tr>
<td>RMSR</td>
<td>Root Mean Square Residual</td>
</tr>
<tr>
<td>Abbreviation</td>
<td>Definition</td>
</tr>
<tr>
<td>--------------</td>
<td>------------------------------------------------</td>
</tr>
<tr>
<td>RO</td>
<td>Religious Obligations</td>
</tr>
<tr>
<td>SCFS</td>
<td>Shariah Compliant Finance System</td>
</tr>
<tr>
<td>SEM</td>
<td>Structural Equation Modelling</td>
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<td>SERVQUAL</td>
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<tr>
<td>SMC</td>
<td>Squared Multiple Correlation</td>
</tr>
<tr>
<td>SPSS</td>
<td>Statistical Package for the Social Sciences</td>
</tr>
<tr>
<td>SPV</td>
<td>Special Purpose Vehicle</td>
</tr>
<tr>
<td>TLI</td>
<td>Tucker-Lewis Index</td>
</tr>
<tr>
<td>VE</td>
<td>Variance Extracted</td>
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<td>WTO</td>
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CHAPTER ONE
INTRODUCTION

1.1 Background of the Study
The Islamic Banking System (IBS) is a financial system which is governed by Islamic law (Shariah) principles, where the basic sources of Shariah are the Quran and the Sunna, which are followed by the consensus of the jurists and interpreters (scholars) of Islamic law. The central feature of the IBS is the prohibition in the Quran of the payment and receipt of interest usury (Riba). The strong disapproval of interest by Islam and the vital role of interest in modern commercial banking systems led Muslim thinkers to explore ways and means by which commercial banking could be organized on an interest-free basis.

Basically, unlike conventional finance system, IBS undertakes its operations with no paying either receiving any Riba “Interest”. However, the first developed of IBS was in the 1950s and lead to the establishment of the first generation of the Shariah compliant investment banks in Egypt. While, in the Malaysia case, it appeared to start in the early 1960s with what is called Tabung Haji (saving box to perform the Haji) (Abdullah, 2011; Marketplace, 2015; Nasser & Muhammed, 2013; Wikipedia, 2010). Whereas, Dubai Islamic Bank established in 1974 as the leading private interest free bank; and since then, the idea of the IBS has turned out to be widespread. According to the Banker website, (2010) the amount of the Shariah compliance finance system organization “Institutions/ banks” around the globe goes above 500.

Furthermore, the current global vicissitudes in the global economy, the revolutions in the information technology industry, as well as the globalization, causing in dramatic changes in world trade, placed pressures on businesses in general and banks/financial
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