

The Interaction Effect of Religious' Obligations Between the Relationship of CARTER Model and the Intention to Subscribe the Islamic Banking in Libya

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Abstract: This study investigates the interaction effect of religious obligation between the relationship of CARTER Model and the intention to subscribe the Islamic banking system in the Libyan banking sector. The study looks into the potential causes behind of why Libya as a pure Muslim nation has not yet implemented full-fledged of Shariah compliant financial system (Islamic banking)? The study reported results of surveys taken by the Libyan people. Using the primary data collection method, 384 questionnaires distributed to target respondents comprising of Libyan banking subscribers from several cities in three major states. The 226 returned and completed questionnaires representing 58.9% response rate used in the analysis. The data were analyzed using Structural Equation Modeling (SEM) AMOS Version 21.0. The study proposes one direct causal effects and one investigation effect. The findings indicate that the religious obligation is a valid moderating construct in the prediction of the behavioral intention to subscribe Islamic banking in the Libyan banking sector.

Key words: Religious obligations, behavioral intention, Islamic banking system, Carter Model, religious

INTRODUCTION

The Islamic Banking System (IBS) is a financial system governed by Islamic law (Shariah) principles where the basic sources of Shariah are the Quran and the Sunna. These sources 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). However, 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". Recently, the mayor of the City of London declares that the Islamic finance is growing an increase of 50% of conventional finance growth, he add that this kind of system is made to stay and its effects are clear on Britain's largest landmarks. There are >500 Shariah Compliant Finance System (SCFS) organization "Institutions/banks" operating all over the globe. The current global vicissitudes in it's 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 institutes specifically and forced them to alter their strategies to respond to these developments. However, lately the World Trade Organization (WTO) has encouraged the countries that take on the agreement to open up their economies to all investors. The WTO organization agreement has widespread implications for the banking industry. For that reason, in under WTO agreement, the Shariah compliant finance system "banks and financial institutions" found themselves in straight competition with the universally well-established conventional financial system "banks and institutions", particularly since numerous of these conventional banks have realized that Islamic banking provides chances to tap into new markets. Therefore, it is not surprising and weird to see an amount of conventional banks such as Citibank, Barclays, HSBC and so on offering Shariah compliant products and services. In fact, the recent unprecedented achievements by the IBS have led the International Monetary Fund (IMF) and the World Bank (WB) to recognize Islamic financial products as valid means of financial mediation and have published studies and papers to this effect.

In the case of Libya for hundreds of years Islam has been the official religion. Soon after taking office, the revolutionary government expressed a clear desire to exalt Islam and restore it to its proper central place. Several steps have been taken by the government to show itself as a devout Islamic government. During the 1970s, Islam in Libya played a major role in legitimizing spheres of political and social reform but not in the realm of economics and finance. In fact during that time the Libyan banking sector witnessed significant transformation, characterized for more than three decades by massive state intervention in the commercial banking sector. This has led the sector to unacceptable performance and to be less diverse in term of its banking services and products compared to other developing countries. Hence, this study attempts to explore the possibility of practicing the IBS and its banking method's in Libyan context by analyzing it within the larger body of Libyan commercial banking and the transformation it has taken. However, it is worth mentioning that the research analysis is purely academic and does not suggest or imply a certain path for the state and monetary authorities to follow. Furthermore, there is indication that Islamic banking is about to become a major independent presence within Libyan banking.

Where the research objectives and questions in this study were examined based on the data collected from the Libyan banking sector. Therefore, the study was limited to the mentioned data gathered which was from about 16 Libyan banks' subscribers'/clients'. According to the Central Bank of Libya (CBL), the Libyan banking system consists of the Central Bank of Libya and fourteen commercial and two agricultural bank which can be classed as: fourteen are public banks, two are private banks, operators within almost 62 branches in all over the country. Although, the current research carried out in the Libyan context, its implication is significant and of potential value to/or for any other context since it investigates the business process and human interaction factors. The study employed the quantitative research design in which the questionnaire survey was the main tool for the data collection. The data were collected through self-administration approach putting in mind the bank branches as the unit of analysis. The study model was developed inconsistent with the relevant literature and based on several segregations of scholars.

Literature review

Islamic financial system and its foundations: The efficiency argument in favor of conventional interest

based financial system intermediation has been considerably weakened by its experienced crises in the last few decades (Chapra, 2007). According to Stiglitz (2003) and as stated by Chapra (2007), there is no such a particular geographical area or major country has been spared the effect of these crises. Hence, there is an uneasy feeling that there is something not right with the global financial system (Stiglitz, 2003). For that matter, this has concludes to a call for comprehensive improvement or even reform of the financial system to help avoiding the eruption of any new financial crises or at least, minimize their frequency and severity. The needed to reform has come to be labeled 'the new architecture'. Islamic financial system in general and IBS particular comes to reality to make available of better and variety of religiously suitable financial services to a better community. Over and above, unlike the conventional method/system, special function of the IFS and the Shariah compliant finance institutions, are anticipated to contribute richly to the accomplishment of the most important socio-economic objectives of Islam (Chapra, 2001). The components of the economic welfare with complete employment as well as a high growth rate of the economy, socio-economic justice and an equitable income distribution and wealth, price stability and mobilization and investment of savings for economic development to ensure a just profit-sharing return to all parties involved are considered as the most important components of these economic. Probably, the religious dimensions must be introduced in the manner of clear goal in the future which could be in the manner which the possibility to lead to religiously legitimate fiscal deals that has a value far beyond that of the mode of the financial process per se. Choudhury (2006) remarks that "IFS is pronounced under "Islamization" list of items but the system has no organized comprehensive vision of an interest free system, nor has it mobilized financial resources to enhance social well-being that is supported by Islamic economic development or ethics".

IBS which is based on Islamic tenets is dedicated to the elimination of the payment and receipt of interest in all forms. However, it is this kind of taboo so as to makes IFS and institutions different in its principle from their conventional counterparts (Choudhury, 2006). As a matter of fact, the essential sources of Islam are Quran and the Sunna (teachings and traditions of Prophet Muhammad, Peace Be Upon Him) as transmitted by the relatives and companions of that time. These sources see or clarify interest as an act of corruption and injustice hence it is totally inconsistent with Islamic ethics of justice and assets or property rights. The IFM derives its

way on the base of there is no place for the institution of Riba "interest" in the Islamic teachings which has been stated very clearly in the Quran.

"الَّذِينَ يَأْكُلُونَ الرِّبَا لَا يَقُومُونَ إِلَّا كَمَا يَقُومُ الَّذِي يَتَخَبَّطُهُ الشَّيْطَانُ مِنَ الْمَسِّ ذَلِكَ بِأَنَّهُمْ قَالُوا إِنَّمَا الْبَيْعُ مِثْلُ الرِّبَا وَأَحْلَلَتِ اللَّهُ الْبَيْعَ وَحَرَّمَ الرِّبَا فَمَنْ جَاءَهُ مَوْعِظَةٌ مِنْ رَبِّهِ فَانْتَهَى فَلَهُ مَا سَلَفَ وَأَمْرُهُ إِلَى اللَّهِ وَمَنْ عَادَ فَأُولَئِكَ أَصْحَابُ النَّارِ هُمْ فِيهَا خَالِدُونَ"
(سورة البقرة الآية 276)

"Those who eat Riba (usury) will not stand (on the Day of Resurrection) except like the standing of a person beaten by Shaitan (Satan) leading him to insanity". That is because they say: "Trading is only like Riba (usury), "whereas Allah has permitted trading and forbidden Riba (usury). So, who so ever receives an admonition from his Lord and stops eating Riba (usury) shall not be punished for the past his case is for Allah (to judge) but who ever returns [to Riba (usury)] such are the dwellers of the fire they will abide therein".
Al-Baqra Verse No: 275

Therefore, there were a number of scholars who have set forward economic reasons to clarify the prohibition of Riba "interest" according to the Islamic values. According to Farooq (2012), they believed that it is not necessary to introduce the intellectual arguments in order to support the Quranic injunctions against Riba. Alternatively, it should concentrate however, not about riba "usury", rather on its definition. The prohibition of Riba in Islamic teachings does not stop at the prohibition of Riba "usury" only but there are other things which is considered to be prohibited as well such as "Maysir" (game of chance and speculation) and "Gharar" (unreasonable uncertainty). This to say that the Islamic teachings are seeking to ensure that financial activities should be performed on the Halal based "permitted" and method and have to be in line with the requirement to positively impact on the well-being of society through the collection of Zakat (almsgiving) supervised by a special

supervisory board (Hassan and Lewis, 2007). According to Choudhury (2006), the refusal of interest by Islam philosophy and rule Shariha bring up the question of how to replaces the interest rate method or systems in an Islamic finance system and framework. With the assumption of prohibition of dealing with the interest "usury" either receive/paying which is not allowed at anyhow according to Islamic prospective what are the replacements instrument/method of system or in general how this system going to work?

As a matter of fact, it is obvious that riba interest in conventional fiscal transactions method of finance is in the common cases is to commence deals not on the basis of Profit and Loss Sharing (PLS) order or even else similar acceptable means of financing. However, the prohibition of the interest "usury" matter was envisaged by the Islam principals since about 1384 years ago when Islamic law "Shariha" stated that there shouldn't be any pre-agreed rates of interest on loans. According to Uzair noted that the Islamic philosophy emphasizes agreed ratios of profit sharing as preference against fixed predetermined percentages rates on loans. Instead, Halal transactions should be on the bases of profit and loss sharing (Siddiqui, 2001). However, within the contest of Islamic Shariha law, partnership and entirely forms of businesses are organized first and foremost for a single objective. The PLS arrangements should be between two parties which have to be clear joint and participation. Hence, PLS is a substitute for interest "Usury" as a method of resource allocation (Choudhury, 2006). Although, there are large numbers of different transactions in Islamic financing, some of these transactions are considered as major heart of IFS transaction. These include equity participation (Musharaka), trustee finance (Mudaraba) and "mark-up" methods. Some of these PLS transactions like Musharaka and Mudaraba roughly return to pre-dates the genesis of Islam. Figure 1 explains short summary about IBS growth and histories throughout the years since 1963-2013 as reported by Fortune.

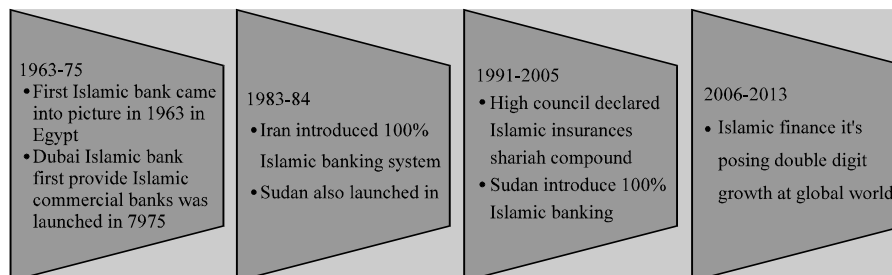


Fig. 1: IFS history

Islamic banking system definition and its history: There are several definitions that have been set to define and explain the nature of the IBS. However, all of these definitions agreed on the main objective of the IBS which is explain the real function and definition of the IBS. In general, IBS is banking activity which is depends on the values and philosophies of Shariah and its practical application through the development of Islamic economics. In actual fact, according to the Muslims' legislation (the Quran), it is prohibited for Muslims to deal with interest (Riba) at any level or business transaction therefore Muslims people will not be able to deal with these banks that conducts business depends or deals with interest (Riba) (conventional banks). Therefore, to solve this matter, the IFM have introduced an alternatives and better way of financial service which have been developed by the Islamic financial institutions as a range of halal (non-interest base) financing instruments that in line with Shariah ruling (Rammal and Zurbruegg, 2007).

The history of IBS cannot be denied, since almost a thousand's four hundred years back; the IFM was established his first roots in the city of Madina. Dealt with many of the research the financial situation in the state of the Prophet, "Peace Be Upon Him" to find out whether the emergence of money has in the house that era. In addition to having many conversations confirm that the Prophet, "Peace Be Upon Him" lived a life of poverty and asceticism there is an Islamic sources confirm that the house there is no money but in the era of Caliph Omar Abn Al Khattab.

However, the subject matter of Islamic banking system, first appearance to be written on paper was common to practice the expressions "Islamic banks or banking". At the present time, it has become more common to talk of IBS and financial institutions with reflect in part, the shift evident in Western markets as well as Islamic ones. Itturned away from what were conventional banking activities to be financing activities that occur earlier by investment firms as well as non-bank intermediaries. The first developed of IBS was in the 1950s and led to the establishment of the first generation of the Shariah compliant investment banks in Egypt where in Malaysia it appeared to be in the early of the 1960s through what's called Tabung Haji which is refers to (Malaysian hajj pilgrims fund board). 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. However, since nearly 35 years before, the time when IBS was not in practice or relatively unknown, IBS at present has long-drawn-out to and turn out to be a unique and fast growing sub-sector of the global financial systems and capital markets. According to a survey conducted by Americans' Global,

there are well over 500 Shariah compliant financial organizations working in >150 nations comprising most of Muslim and scores of Western nations as well as several figures of the Shariah compliant insurance (Takaful) companies which operating in >22 countries, Shariah compliant investment houses, leasing companies, mutual funds and product trading companies. On the other hand, recently report revealed that Islamic banking assets shows a grew at an average rate of 17% for the previous year's 2008-2012. Interestingly, there are around 25 countries has been identified to be as the most rapid growth market countries which they predict will account for half of global GDP by 2020. However, among these countries, ten countries have a high Muslim population, with estimated number of 38 millions of customers till the end of 2014. Furthermore, excepted are the largest Islamic fiscal organizations involved at a multilateral level. However, those statistics have be added these number of micro-Islamic monetary bodies for instance "the urban and rural cooperative credit societies, Islamic welfare societies and financial association operating at a homegrown level and dealing with rural units, macro business firms and individual households" (Hassan and Lewis, 2007).

Although, there are number individuals whom are interested in the marvel of Islamic finance system and the question of how it works and differs from conventional finance system despite the expansion over the last three decades, however, Islamic finance system still remains poorly understood in numerous Muslim nations and this is still to be an anonymous in much to the West (Hassan and Lewis, 2007). Nowadays, there have been a reasonable number of researches in the area and some of them are substantial, previous publications regarding to this subject in the past four decades (Hassan and Lewis, 2007). Figure 2 displays the percentages of the documentations types all over the world in regard to

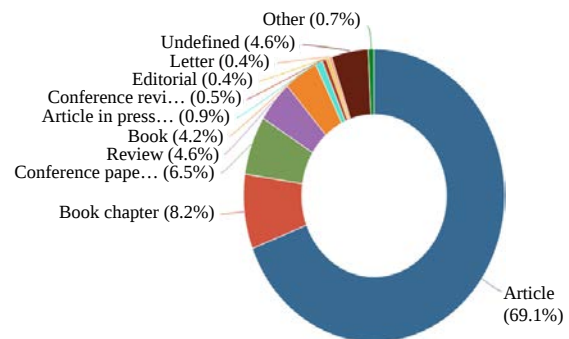


Fig. 2: Islamic finance' studies percentages of the documentations by types all over the world; analysis by Scopus. com (2015)

Islamic finance' studies as cited from Scopus website, (2013) where the recent comparison of the document counts for up to 15 countries (6 countries) displayed in Fig. 3, regards the Islamic banking studies that has been conducted since 1983-2015 are shown in Fig. 3.

However, the Islamic finance system prevalent is based on the prohibition of interest "Riba", it's not the only uniqueness but there are some other salient features which constitute the structure of the framework of the IFM and Islamic banking in particular. That prohibition of interest and other features are the essentials of the Islamic finance system which are however, the rules and injunctions of Islamic Shariah and they constitute a wider system and a comprehensive way of life based on the Islamic ideology. It is understood that the concept of Islamic finance system might be relatively new in terms of practicing; this concept was realized in practical terms and before that there were no such (a free interest banking system) prevalent in the capital markets of the world. Where, almost four decades ago was not well known. However, interestingly the concept of the illegitimate of dealing with interest is not a new phenomenon as it goes back to several centuries in Islamic world history.

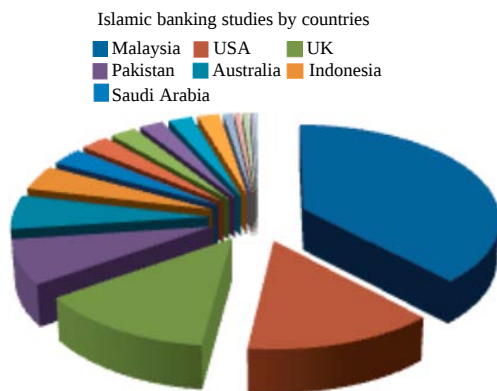


Fig. 3: Recent numbers of documents and study by countries; analysis by Scopus. com (2015)

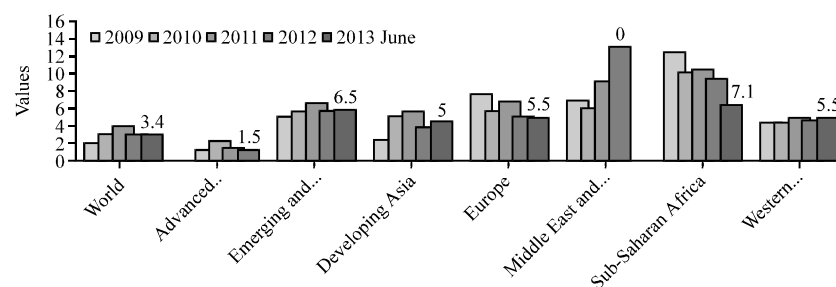


Fig. 4: Islamic banking products through time by region 2009-2013

However, according to Banker website (2010), managing liquidity has been one of the challenges faced by the Islamic finance industry. Throughout the past 5 years, a number of proposals have been advanced to address the problem of a lack of instruments available to Shariah compliant institutions to manage liquidity effectively.

The Islamic finance system is a viable model and competitive financial intermediation in both Muslim countries as well as non-Muslim countries across the globe. It has spread increasingly and significantly across segments of global financial market over time and has offered a widespread variety of fiscal services as well as the financial products. These services and products have begun with relatively small level ago, it beginning as a new vision of Islamic financial and banking system in the mid-1970s but rapidly expanded and developed in the few previous decades. This system shown to be as in actual fact one of the fastest growing industry in the financial world system for it has recorded annual growth rates of double-digit for almost 30 years (Iqbal and Molyneux, 2005). The general council of banks and Islamic financial institutions stated that approximately >283 fiscal organizations are functioning consistent with Sharia law principles "full-fledged of Islamic finance system" in 38 countries by managing 250 of billion US dollars in the world. However, these statistics are excluded the dual-window Islamic banking and conventional operations that works along with conventional banks "dual-system", it is estimated by the CIBAFI of managing approximately, 200 billion US\$ (Oseni, 2013). Figure 4 shows the Islamic banking products through time by region.

In the end of 2010, the Pakistan government has introduced an Islamic interbank money market called (Interbank Musharakah and Interbank Wakalah) and a Shariah compliant Islamic interbank offer rate to enable Islamic banks to lend excess funds to each other. In October 2010, the Islamic financial system bank signed a

memorandum of participation to establish the International Islamic liquidity management corporation to facilitate more comprehensive liquidity management among institutions operating internationally.

Nevertheless, the 8.85% asset growth of Islamic finance in 2010 appears very weak. However, contrasted against the global banking industry this modest growth is respectable. Several key challenges such as SME financing and increasing the diversity of the Shariah compliant product portfolio are on the horizon for “2010” as Islamic finance follows the recovery of global markets. Building the brands of Shariah compliant finance and ethical banking will demand that institutions reposition their product portfolios with their target market segments to include both Muslim and non-Muslim customers. Anyway there are many lessons can be learned from the global financial crisis for both conventional and Islamic financial institutions and systems, one of which is that today’s customer/investor perception is reality in terms of a bank’s future performance.

Notwithstanding, undoubtedly there are still much gaps in the reporting of Islamic finance of system topic (these can be remarkably in terms of management liquidity, handling of good organization of operation, marketing, risk management, stock market, mutual funds, project finance, government support of financing, multilateral institutions and fiscal centers) in several Islamic country and which is required to narrow down a number of related themes which pursued in wide-spread journals and articles in general for professional scholars regarding to the Islamic finance system area. The present study pursues to carry out the research agenda as well as the main concerns on the IBS in Libya context before a wider audience. For this reason, the researcher has review several articles and related material in order to clarify on several parts of Islamic Finance System (IFM) and trying to report these results regarding the existing status of play along with the related debates intricate in this process. Besides this study aims to make available of a clear, reachable sources of reference material on this existing practice and research in the mentioned country.

Islamic banking system in libya: Libya is an Arab state, located on the shores of the Mediterranean Sea North-central part of the continent of Africa. With almost 6,201,521 million of the overall population Libya covers an area of 1.77 million square kilometers (685,524 m²). As an Arabic country, the official language is the Arabic language whilst English and Italian languages have been used somehow in the field of business and commerce. Islam is the country religion where about 97% of Libyans

are Muslim. IBS has opened its doors at the first time in Libya since the act issuance of the banking (Act No. 1 of 2005). This act allowed the establishment of private banks as well as the work of foreign banks in Libya which was one of the repercussions and consequences of the global financial crisis. As matter of fact, the new emergence of IBS as an economic system has not been affected by the financial crisis. It has become imperative for banks and financial institutions in worldwide and in Libya specifically cope with these variables internally and evolution phenomenal worldwide. Moreover, this new emerging financial system has become a new visionary way of each bank who perseverance to survive in the competition among banks to prove the existence, the sophistication and diversity of services to ensure the survival and prosperity, therefore, develop their knowledge and abilities and strive to ensure customer satisfaction, because it affects the economy of the country and the nation to live up to the ranks of banks and other nations. However, the weak of budgetary data lack transparency as extra budgetary spending remained sizeable and overall economic performance has been widely discussed in the economist point of view. As matter of fact these issues related to the banking system performance where the unemployment reached its highest level in the past few years. As central bank which always plays the role of mediator and moderators the relationship between the individual and investment or government agencies for the Libyan central bank there are still lots of efforts to be done. For that reason, it is very essential for the Libyan banking sector to improve its financial services and economic development process by introducing new industry and market such as Islamic banking industry and give more intention to these mentioned weak bottom lines of the country economic in order to accomplish better economic performance in the future.

Behaviour intention and SERVQUAL “CARTER Model”:

The human behavioral intention has been given great attention in the literature where it has been defined by Swan and Trawick as an individual’s planned future behaviour. It has been associated with observed behaviour by Ajzen and Fishbein (1977) which is grounded on three constructs, namely attitude, subjective norm and perceived behavioural control. In fact, the literature is reach of several studies and theories which have been addressing the behaviour intention in different aspects (Ajzen and Madden, 1986; Ajzen, 1991; Netemeyer and Bearden, 1992; Netemeyer and Van Ryn, 1991). The literature relevant to service quality’ studies have plenty of definitions regarding to service quality

(Othman and Owen, 2001; Glaveli *et al.*, 2006; Parasuraman *et al.*, 1988; Ramdhani *et al.*, 2011). Nevertheless, in comparative study between these well pronounced theories “Ajzen and Fishbein (1980)’s theory of reasoned action (Ajzen and Fishbein, 1977) Theory of Planned Behaviour (TPB) and the Miniard and Cohen (1983) Model (MCM)”, a study conducted by Netemeyer *et al.* (1993) stated that intention represents the direct antecedent to behaviour the perceived behavioural control component of TPB. However, as stated by the Theory of Reasoned Action Behavior (TRAB), the theory is a straight direction of the behavioural intention (Wungwanitchakorn, 2002). According to the TRA theory, behaviour intention is in turn preceded by two major determinants which are attitude and subjective norm. Taylor and Todd (1995) have studied the consumer adoption intentions for a new product they offer an alteration of TRA by classifying attitudinal beliefs into relative advantage, compatibility and complexity which were found to be related to attitude which in turn is related to costumers’ purchase intention.

According to Zeithaml *et al.* (1996), they suggested a conceptual model discusses the behavioural intention of the customers as one of the service quality elements consequences. However, in their model they argue that the level of the customer and propose service quality elements as well as the behavioral intentions are related therefore, service quality is contributing factors of whether a customer in the end will remain with or abandoned/defects from a company.

However, Zeithaml *et al.* (1996) proposed that positive behavioural intentions are associated with several quality elements’ of service. Moreover, the researchers suggested that more research on this regard need to be done specially when it comes to the reliability and the measurement scale and items. However, in the assessing of the quality effects and customer satisfaction on consumer behavioural intentions in service environments. Cronin *et al.* (2000) argued that services quality elements showed a positive relation along with behavioural intentions either directly or through the mediating effect of satisfaction. However, it’s worthy to mention that customers usually seats more weight on the moderators factors and issues such “bank’s reputation, good dealing of bank staff, convenient location and period of ATM work in selecting the bank” (Othman and Owen, 2001). However, all of these elements give the impression to be basis probably influence the level of customer behaviour intention in both systems either conventional or Islamic finance system banks/institutions.

The behavioural factors of service quality might mediate the relationship between service quality elements and the organization financial performance gains/losses from the retention or defection (Zeithaml *et al.*, 1990; Parasuraman *et al.*, 1985; Ravichandran *et al.*, 2010). However, once the customers’ perception of any service quality is high; the behavioural intentions supposed to be high as well which will strength, the relationship with the organization. On the other hand, alternatively when service quality evaluation is low, customers’ behavioural intentions will be low as well and the corresponding relationship of the customers’ towards the organization will be weak. Ajzen define the behavioural intention as “an indication of an individual’s readiness to perform a given behaviour. It is assumed to be an immediate antecedent of behaviour”.

However, this intention of the behavioural assumed to be an indication of customers’ behaviour which can be as consequences of the attitude based behavioural. However, Valarie *et al.* (1996) recommended behavioural intentions to be indicators which expected to show whether customers will continue with or defected from the firm. Hence, the concept of behavioural intention is a vital part of the model. However, Valarie recommended that favourable behavioural intentions included factors for instance “telling positive things and proposing the services/products to others, paying the price premium to the company and expressing cognitive loyalty to the organization”. Where, cognitive loyalty has been operationalized as the service that first comes to one’s mind when making a purchase decision and the service which was a customer’s first choice among alternatives (Bloemer *et al.*, 1999; Pritchard *et al.*, 1992). The relationship between service quality dimensions and the multi-dimensional model of behavioural intention has not been adequately investigated in the service quality literature (Baker and Crompton, 2000; Bloemer *et al.*, 1999). According to Boulding *et al.* (1993), they stated that the overall service quality perception positively were found to be related to willingness to recommend and negatively linked to switching and complaining behaviour. Contradictory results were reported in terms of the relationship between the overall service quality and behavioural intention (Bloemer *et al.*, 1999).

A study on the relationship between the service quality and behavioural intention has revealed that service quality has a significant role in predicting customer behavioural intention (Ravichandran *et al.*, 2010). Where, other studies have reported a significant and non-significant relationship between the two

variables. Cronin Jr. and Taylor (1992) stated that there non-significant relationship, however, they investigate the relationships between service quality, customer satisfaction and purchase intentions and ultimately they reported that performance based measure of service quality might be developed means of measuring the service quality construct where consumer satisfaction has a significant impact on purchase intentions whereas service quality has less impact on purchase intentions than does consumer satisfaction. Valarie in their study suggested a conceptual model they stated that financial performance can be a consequence of service quality dimensions. However, Valarie suggested a model of the impact of service quality dimensions on particular behaviours which it indicates of whether customers will remain with or not with the company, however, the study findings expose differences in the nature of the quality intentions link across different dimensions of behavioural intentions.

Nevertheless, Boulding *et al.* (1993) reported that there is a positive significant relationship between overall service quality and price sensitivity. However, research on the investigation of the relationship between both “overall service quality dimension or each of its factors separately” and the multi-dimensional model of behavioural intentions is still limited. Although, there are several studies supported the model and concluded that there are positive relationship between the variables but this positive relationship can be differ from fields and industries to another (Baker and Crompton, 2000; Bloemer *et al.*, 1999; Boulding *et al.*, 1993; Valarie *et al.*, 1996). Recently, Liu *et al.* (2013) conducted a research to examines the effects between experiential marketing and service quality of ecotourism and tourists’ behavioural intentions, the study concluded that research in regards to service quality by using other service quality scale to examine whether or not is needed. As a matter of fact, these suggestions left the door opened and have generated a new call for research. Nonetheless, still there is very little empirical research demonstrating the importance of service quality dimensions in determining behaviour intention of customers (Baker and Crompton, 2000; Bloemer *et al.*, 1999). However, the causal relationship between service quality and behaviour intention is still an area under discussion of great academic debated and no consensus has been reached (Cronin *et al.*, 2000; Theodorakis and Alexandris, 2008). Nonetheless, there are several studies that had identified several elements and dimensions which can determine customer behaviour intentions’ in the banking industry as well as other sectors in a variety of countries. These

studies have drawn out the clear inconsistency of result which is left unclear picture regarding to the customers behaviour intention (Jimenez-Martin *et al.*, 2007; Yu and Wu, 2007; Lee and Littrell, 2005; Lien *et al.*, 2011; Zeithaml *et al.*, 1996; Echchabi and Aziz, 2012; Boulding *et al.*, 1993; Amin and Nasharuddin, 2013; Gottlieb *et al.*, 2011; Yavas *et al.*, 2004; Jaffar and Musa, 2013; Theodorakis and Alexandris, 2008). Therefore, based on this discussion, the following hypothesis was proposed to be empirically tested:

- H₁: service quality (CARTER Model) has a direct relationship with the intention to subscribe the IBS (INT)

The religious obligation and behavioral intention:

Religion obligation refers to the “role of religion in affecting an individual’s choice or activities” (Amin *et al.*, 2011) by the reviews the related Islamic banking literature, it show big emphasized on the importance of the attitude towards Islamic banking or commitment in terms of the customers bank chosen (Jaffar and Musa, 2013). Haron *et al.* (1994) stated that the choice of an Islamic bank is based in part on a religious motivation also they specified the key differences points of the patronage of IBS and conventional banks regards to the Muslims and non-Muslims in Malaysia. However, Ennew *et al.* (1989), Erol and El-Radi (1989) and Erol *et al.* (1993) found that religious motivation factors was not the main reason for Muslims dealing with Islamic finance system. However, the religious obligation plays an important role as it concluded in several studies (Amin *et al.*, 2011). The measures of religious duty that involving perception to obedience with the basic of Shariah law and principles which is refers to the Riba (free interest), investment in Halal business and equal distribution of wealth (Butt *et al.*, 2011). This study suggests that the greater compliance to Shariah principle, the more favorable attitude is formed. Amin *et al.* (2011) conducted study by using two full-fledged Shariha compliant banks in system in one of the well pronounced counties it terms of operating and deal with this financial system they concluded that more similar research is hoped to be conducted on the use of the emerging Islamic financial product.

Other potential determinants of the intention to use Islamic personal financing have to be considered (Amin *et al.*, 2011). Indeed, there are some previous research emphasized on the need of study on the effect of religious obligations in the relationship between service quality and behavioural intention (Theodorakis and Alexandris, 2008; Yavas *et al.*, 2004). Yavas *et al.* (2004)

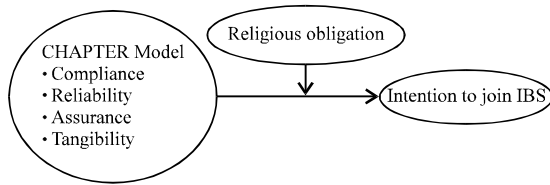


Fig. 5: Research framework

reported a significant relationship after investigated the nature of relationships between service quality, background characteristics and satisfaction and selected behavioural outcomes by using retail banking. Where, Amin *et al.* (2011) have reported insignificant relationships effects of the religious obligation on the intention to use Islamic personal financing. Mandatory forms of social responsibility refer to conduct that the Islamic finance system has to avoid in its capacity as a representative institution that serves a collective Islamic religious obligation (Farooq, 2012).

In consequence, these responsibilities if not carried out will mean that the IBS is not adhering to fundamental edicts of the Quran. However, this form of social responsibility does not need a much expenditure of resources and is within the reach of all Islamic finance system regardless of their location or country of origin, legal form or size. This is because such mandatory forms of social responsibility are mostly prescriptions to avoid (for e.g., such as Riba) rather than prescriptions to act. However that does not necessarily mean that the IBS does not have to implement policy and therefore disburse some resources to avoid these actions (Farooq, 2012). Therefore, based on the related discussion, the following hypothesis was proposed to be empirically tested.

- H_2 : the Religious Obligation (RO) moderates the relations between SERVQUAL dimension's (CARTER Model) and the intention to subscribe to IBS (INT)

Theoretical framework of the study: In this study after reviewing the related literature and the theoretical gaps identified, the research framework of the current research study was designed and demonstrated in Fig. 5 which has been used in this research in order to test the hypotheses postulated.

MATERIALS AND METHODS

Population and sample of the study: A research population comprises of a collection of data and information whose properties are to be analyzed in a given

research. The population could be defined as the complete collection of the subject of interest to be studied in a research. A sample could be defined as part of the target population of interest to be studied it can be statistically referred to as a sub-collection that is selected from a population of interest. According to the recent official statistics records of the central bank of Libya CBL there is only one bank which deals and offer an Islamic productions window “dual-system” namely (Al-Gumhouribank) which operates in all over the country with a total population of almost (1,524.2) subscribers. However, as stated by the Development African Bank the estimated number of the Libyans’ banking sector subscribers was at 1.63 million which is represented 24.3% of the total population in 2006. The selection sample size of the current research was based on the review of research methodology literature. According to Kline (1998), the sample size must be at least 200 units to consider being large. Further, Roscoe highlighted that the most appropriate number of the most of research should be >300 and <500. Interestingly, Veal (2006) mentioned that when the populations are 10,000 the sample size should be 370 units and for 15,000 populations the sample size should be 375 units. Since, this research is interesting in INT, it considered the respondents who completed a survey procedure to ensure that they had sufficient experience dealing with the either Islamic or conventional banks, banking experience in general including, financial product information, evaluating the bank services and price. Therefore, in carrying out of the purpose of this study and to choose a safe number of sample sizes, 384 Libyan bank customers/clients was used as the sample for this study. The sampling method also took into consideration the reality that only those willing and able to participate can be taken as respondents for this study using random sampling method. Notwithstanding, although of the number of bank subscriber’s which was obtained from the highest financial authority in Libya, the daily changing in the number of subscriber or people who open a new account within those banks and unstable situation which is attributed to the political problems after were considered, therefore the total records somehow not totally accurate due to these mentioned factors. Therefore, 384 bank subscribers as the sampling size as recommended by Sekaran (2003) and Krejcie and Morgan (1970) were used. Thus, a total 384 questionnaires were distributed to the respondents in the three major states in Libya. Only 226 questionnaires were returned and were manually tested and three questionnaires were excluded due to the incomplete answers of questionnaire questions’. In this regard, out of 384 questionnaires

distributed, 174 were unreturned questionnaires and 226 were returned which representing a rate of 58.9% response rate. Finally, 223 were useful for the actual data analysis represent a rate of 58.9% which is considered to be highly acceptable since according to World Bank (1997) 30% of the total response rate considered to be remarkable percentage by the world development report in regards with what is called developed countries.

Variables measurement and data analysis: For addressing the research questions of this study, several items have been identified to represent the dependent, independent and moderating variables. Each of the multi-item measures were based on seven-point Likert-type scales anchored as described within each measure. All measures were adopted from previous studies. Furthermore, these items have been further refined through conducting a pilot study of the instrument.

On the other hand in order to achieve the research objectives of this study this empirical study has applied and used the Structure Equation Modelling (SEM) in analyzing the data obtained from the questionnaires. Though, the data analysis is a phase involving various activities including data entry of responses, data screening and selection of suitable data for the data analysis (Churchill and Iacobucci, 2005; Sekaran, 2003). Consequently and for the identification of data entry errors, data screening have been conducted which encompassed testing of missing data, validity, descriptive data and response bias. In this phase, the SPSS package (Version 21.0) used to conduct selected related statistical tests. Eventually, after the data screening procedures done, the final phase conducted using the Structural Equation Modeling (SEM) AMOS Version 21.0 to analyze the data and to test the hypotheses. However, for grantee of accurate result the researcher has used the Statistical Package for Social Science SPSS Software (Version 21.0) along with the Structure Equation Modelling (SEM) Software (Version 21.0) in analyzing the obtained data.

Measuring the reliability of the measurements: The data are considered to be contently validated if experts agree which the study instruments include items that are capable to cover the entire variables which are measured (Bhattacharjee, 2012; Sekaran, 2006). Additionally, Hair *et al.* (2006) noted that validation involves consulting a small sample of typical respondents and/or experts to pass judgments on the suitability of the items chosen to represent the construct. Validity refers to the indicators used in the questionnaire represent the concept in an accurate manner while the reliability refers to the

existence of the consistency between the indicators (Hair *et al.*, 2006). Conducting the reliability test resulted in achieving Cronbach's alpha's values of the ranges from 0.708-0.877 more than the required 0.6 cut off criterion that is generally regarded as sufficient for empirical research (Hair *et al.*, 2006; Nunnally, 1967). The reliability test Cronbach's alpha through SPSS Version 21.0 conducted and was confirmed to be above the recommended values of 0.60, acceptable value as stated and suggested by Sekaran (2003) and Hair *et al.* (2006). Where, the second reliability test was the Composite Reliability (CR) was conducted through SEM Version 21.0 which was for the reason that even though Cronbach's alpha is commonly utilized as a reliability indicator, it has been reported to underestimate (Bollen, 1989; Chin, 1998). The issue stems from the underlying assumption for Cronbach's alpha that all measured items are equally weighted or the path coefficients from the latent factor to the measured items are expected to be equal. If the value fails to meet the assumption, the Cronbach's alpha underestimates the reliability. However, for alternate options, Werts *et al.* (1974) created the CR to assess the reliability of a set of indicators. CR relaxes the rationale behind the assessment of Cronbach's Alpha and it is a nearer approximation under the assumption that the parameter estimates are accurate (Chin, 1998) and has been since viewed as a superior measurement compared to Cronbach's alpha (Fornell and Larcker, 1981a, b). However as shown in the existing literatures this study has made use of content reliability to determine if the hypothesized items are actually measuring their constructs or not (John and Reve, 1982). To achieve this, the researcher conducted a critical assessment of all the items' reliability to primarily examine loadings or the correlations of their measures with the construct with which they were hypothesized. Theoretically, a cronbach's alpha of a loading 0.60 has been suggested by Hair *et al.* (2006). Nevertheless, Bagozzi *et al.* (1991) suggested that CR value should not be <0.60. On the other hand, other researchers see that the CR value has to be high conservative benchmark of 0.70 (Nunnally and Bernstein, 1994). However, these points were argued, based on the fact that the internal consistency measures of a Cronbach's alpha primarily represent the extents that the hypothesized items actually converge to measure the variable of interest. The CR is the most commonly utilized indexes for the estimation of reliability in SEM analysis. Therefore, for the CR calculation for this research, the following formula as suggested by previous researches (Kearns and Lederer, 2003; Fornell and Larcker, 1981a, b; Hair *et al.*, 2006) used in order to calculate the target CR:

Table 1: Reliability cronbach alpha and composite reliability of the pilot study and actual data (main study)

Construct's name	Code	No. of items	Deleted items*	Cronbach's alpha α	Composite Reliability (CR)
Intention	IN	11	Nil	0.839	0.837
Religious obligation	RO	7	Nil	0.877	0.871
SERVQUAL	SERV	41	Nil	0.940	0.955
-	-	-	-	<0.600	<0.700

*No. of item as sequenced in questionnaire

Table 2: Summary of AVE, Cr and MSV of constructs

Variable name	CR	AVE	MSV
Intention	0.837	0.992	0.539
Religious obligation	0.871	0.883	0.346
Overall SERVQUAL	0.955	0.837	0.539
	CR = Composite Reliability >0.7	AVE = Average Variance Extracted >0.5	MSV < AVE * MSV = Maximum Shared Variance

$$\text{Composite Reliability (CR)} = \frac{S/\sum \left(\frac{\text{Standardized loading}}{\text{Factor loading}} \right)^2}{S/\sum \left(\frac{\text{Standardized loading}}{\text{Factor loading}} \right)^2 + S/\sum \epsilon_j}$$

However, Table 1 displays the outcomes of the Cronbach's alpha and composite reliability. In the current study, all latent variables in both cases have achieved the mentioned value. The results above have shown that the measurement items both at the pilot and main study are all good where the Cronbach's alpha value ranged from 0.755-0.940 while CR values ranged from 0.747-0.871 and both values for all variables were greater than the recommended value of >0.60. On the other hand, Table 2 shows the calculation of the CR and the descriptive statistics of indicators and their reliable results for all the constructs. Part of the existing literatures in support of these results are that well-structured items that are measuring any single construct would statistically exhibit a higher and better Cronbach's alphas results while those items that have low internal consistency measures of <0.60 in a construct might theoretically indicate a poor definition of the construct (Hair *et al.*, 2006). These results further confirm the fitness of the data for the measurements in this study.

Validity test of the measurements: For the purpose of insuring the validity of the research's instrument, validity test has been conducted. The discriminant validity shows the level to which a measure is distinct from other measures that are not related to the measurement of a particular construct (Nunnally, 1978). Hence, low correlations among variables show the existence of discriminant validity which can be calculated through the Average Variance Extracted (AVE) for each construct exceeding the squared correlation between a particular construct and any other (Fornell and Larcker, 1981a, b; Bagozzi *et al.*, 1991). However, Rourke and Hatcher

claimed that for small sizes, the estimate is often <0.50 and reliabilities are acceptable. To satisfy the basic requirement that is guiding discriminant validity, the AVE of any two constructs that is measured must be greater than the square of correlations that exist between these constructs (Fornell and Larcker, 1981a, b). Nevertheless, AVE refers to the proportion of variance explained by the measurement errors. Values range from 0 and 1, AVE should exceed 0.5 to suggest the adequate convergent validity (Bagozzi *et al.*, 1991; Fornell and Larcker, 1981a, b).

Therefore, the AVE value of at least 0.5 indicates sufficient convergent validity, indicates that a latent variable is able to explain more than half of the variance of its indicators on average (Hatcher, 1994). However, AVE is reached by using the following calculating formula suggested by Kearns and Lederer (2003):

$$\text{Variance Extracted (VE)} = \frac{(S/\sum (\text{Standardized Square Multiple Correlation}) SMC)}{(S/\sum (\text{Standardized Square Multiple Correlation}) SMC + \sum \epsilon_j)}$$

Thus, by using Microsoft Excel, AVE has been calculated by following and applying the above mentioned formula, however, the cut-off value of AVE used for this study is 0.50 (Hair *et al.*, 1998) where reliable constructs should exceed this value while with Cronbach's alphas researchers usually use a cut-off value of $\alpha = 0.70$ for studies in advanced phases (a1) and for exploratory studies alphas ranging from 0.50-0.60 (a2) are considered adequate (Nunnally, 1978; Van-de-Ven and Ferry, 1979). All of the constructs attain the suggested

cut-off values by using all of the three measures of construct reliability. Table 2 summarized the calculation of the composite reliability, maximum shared variance, Variance Extracted (VE/AVE) through the Squared Multiple Correlation (SMC) and Standard Error (SE).

However, the discriminate validity is demonstrated as the AVE value more than the squared correlations for each set of construct. The AVE constructs values were found to be more than the values of the squared correlations for each set of construct. The square root of the AVE for all given variables were found to be greater than the absolute values of the standardized correlation square of these variables with any other construct in the analysis ($AVE > \text{correlation square}$). Therefore, discriminant validity was reinforced and hence all variables were supported of the discriminant validity. The variance value extracted for all the constructs explained 50% or more of the variance which met the recommendation that VE/AVE value should be at least 0.50 for each construct (Barclay *et al.*, 1995; Bagozzi *et al.*, 1991). Moreover, all of the research constructs had a correlation value less than the recommended cutoff of 0.80 (Sekaran, 2003). Thus, discriminant validity is supported and therefore, all constructs used for this empirical study support discriminant validity.

Furthermore, in order to insure the level of connections between the chosen items to result in a summated scale and conceptual definition, content validity test was conducted. It is linked to the subjective agreement by the professionals stating that the scale's purpose is to reflect what it is expected to measure in a rational way. However, the measurement scales chosen along with its items were examined by five academics from Universiti Utara Malaysia (UUM), along with the above, nine experts and lecturers from Sabha University, Benghazi University, Tripoli University and two of ex-bankers chairman's also had a hand in examining the scales. All of them have a good knowledge in the research field and banking sector. Modifications obtained from the feedback of the above experts were applied to the questionnaires. Some questions regarding demographic profile and number of questions were changed. Hence, it can be stated that content validity of the research is confirmed and backed by comprehensive and extensive literature review. Besides this study had made use of two types of statistical validity tests, firstly by using SPSS and then SEM analysis; a convergent validity was conducted essentially in the measurement model as the first type of validity tests to determine if the indicators in a scale load together on a single construct. While the

discriminate validity test is the second type of validity to verify if the items developed to measure different constructs are definitely evaluating different constructs. As a matter of fact, it is important for the researcher to verify the construct and variables, validity of any research and relate it to the hypothesized concept and the situation is such that the higher construct validity is used the higher validity is constructed will obtain.

Demographic distribution of the respondents: It is appeared from demographic distribution of the respondents by variables that on average, respondents are about 26-35 years of age with 31.8% of the total distribution. To be more specific, the second largest number of respondents was 36-45 years old with 27.4%. Where, in terms of gender it seems that Libyan male has the big quota of the response rate with 75.3% compared with the 24.7% of female. However, it is a fact that individuals' occupations have a bearing on the person's personality. Salary as well as decent, quality and comfortable life which is determined by an individual's occupation and the incomes that derives from it, socialized the person's in a particular fashion which in turn reflects the pattern of the person's behaviors and his level of understanding of particular phenomena. However, it seems that most of government officials participated and interaction in terms of responding to fill in of the questionnaire with 59.2%. Where, Benghazi state found to have the highest rate of respondents rate with 44.8% followed by 29.6% for Tripoli and 25.6% for Sabha state.

Testing the measurement model: One of the main limitations of the Exploratory Factor Analysis (EFA) approach is that an item is to be assigned to the factors on which the loading is the highest regardless the fact this item may be also has a loading on other factors. However, this fact may affect the distinctiveness of factors due to the cross loadings. In addition to that the items are assigned to factors in EFA based on statistical reasoning and not on theoretical justifications. Finally, the concept of unidimensionality concept has not been taken care of in EFA unlike the case of Confirmatory Factor Analysis (CFA). Therefore, the measurement model was assessed before further analysis was made. Following the two steps approach suggested by Anderson and Gerbing (1992), this study due to a relatively small number of the study population employed only the first step as to test the measurement model. Therefore, CFA was employed to validate the measure through examining the association between items and their

respective underlying constructs. SEM Version 21.0 was used to estimate the parameters utilizing Maximum Likelihood Estimation (MLE) Method which is suitable for sample size exceeding 100 as reported by Ding *et al.* (1995).

However, before start examining the theoretical and conceptual aspect of the second order constructs in the model, more explanation has been provided on the differences between the first and the second order measurement models as displayed in Fig. 6 and 7.

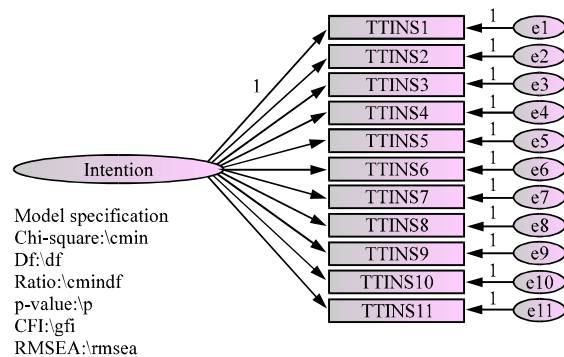


Fig. 6: First order measurement before fit (Intention to Subscribe IBS)

However, as illustrates in Fig. 6 and 7 intention to subscribe the Islamic banking (INT) as a latent variable was measured by a set of measured variables namely INT 1 to INT 11.

Where, Fig. 8 and 9, displayed the CARTER Model construct which was measured indirectly by many items through other layer of latent variables. Therefore, for this reason SERVQUAL was called a Second Order Measurement Model. In other word, the second order factor structure has two layers of latent variables. As in

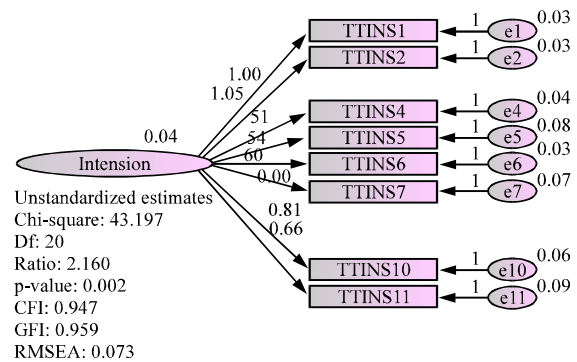


Fig. 7: First order measurement after fit (Intention to Subscribe IBS)

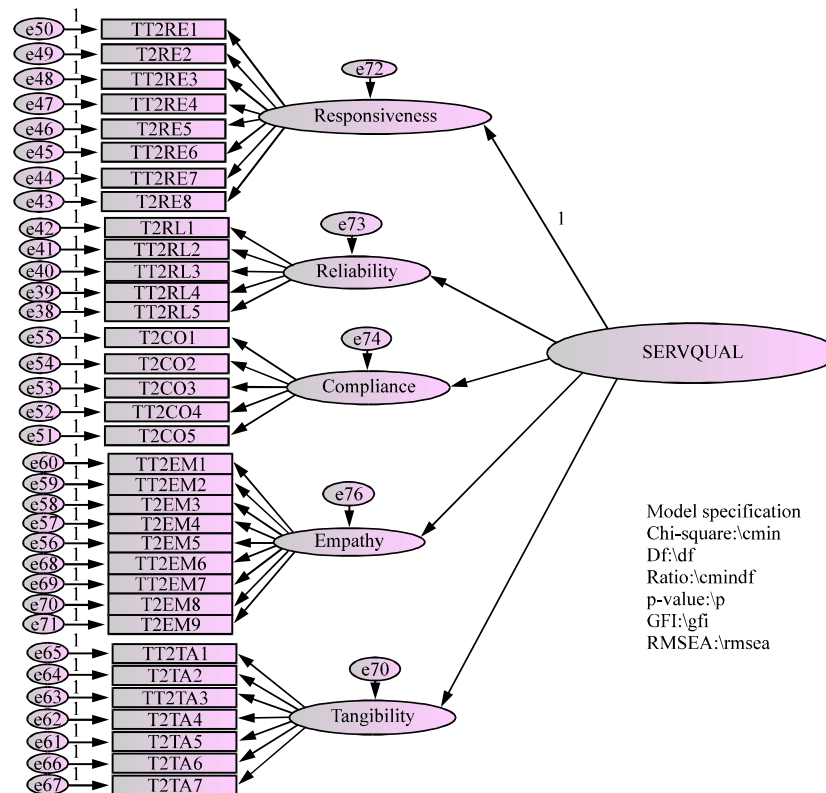


Fig. 8: Second order measurement CARTER Model before fit

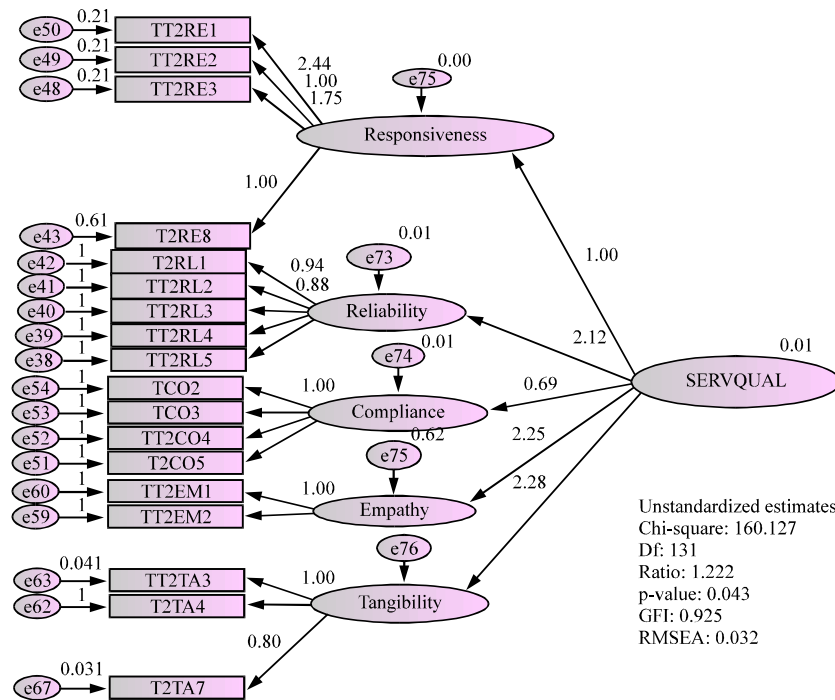


Fig. 9: Second order measurement CARTER Model after fit

Table 3: Correlations among variables

Variable name	Covariance	Variable name	Estimate correlations p
Intention	<-->	Religious Obligation	0.473
Intention	<-->	Overall SERVQUAL	0.665
Religious obligation	<-->	Overall SERVQUAL	0.451
Religious obligation	<-->	Intention	0.473
Overall SERVQUAL	<-->	Intention	0.665
Overall SERVQUAL	<-->	Religious obligation	0.451

**Correlation is significant at the 0.01 level (2-tailed); *Correlation is significant at the 0.05 level (2-tailed)

this study, SERVQUAL (CARTER Model) is a second order factor structure as it's caused multiple first order latent factors, structure latent variable may have many first order latent variables.

Correlation matrix of constructs and test of multicollinearity: Multicollinearity refers to the degree to which a variable can be described by other variables. It is imperative that the correlation values of the study are less than the value of 0.80 as had recommended by Hair *et al.* (2006). Hence as long as this correlation's values of the study more than the recommended value than multicollinearity issues have to be considered. Therefore, from the correlation results which demonstrate the correlations between independent and dependent variables, it shows that there were no existences of multicollinearity cases amongst the variables'. In relation to that the correlation matrix results extracted from in Table 3, indicated that the values are <0.80 as well which means there is consistent with the SPSS result and

confirming that no multicollinearity between all the exogenous variables as well (Cooper and Schindler, 2003; Sekaran, 2003).

Measurement of the model evaluation and modification:

CFA analysis method was conducted to test the convergent validity for each variable individually as shown in the following sections. Likewise, the following section addressing and explaining the CFA for the exogenous and endogenous constructs together and the researcher ensured that each exogenous and endogenous construct has the correct observed variable. Besides, the items of constructs theoretically should be close to each other with regard to the factor loading and GOF. Since, the measurement model aims to improve the model before the estimation of the hypothesized model, the standardized regression weights for the research indicators were first examined by conducting the CFA for each variable. As recommended, all items have loaded >0.50 on their underlying construct had been careful deleted using Modification Indices (MI). Nevertheless, several researchers have statistically recommended a loading that is above 0.50 as the cut off criterion (Hair *et al.*, 2006; John and Reve, 1982). On the other hand, there are some other researchers who believe that any item of 0.40 and above should be given a trial as long as they have been theoretically tested as a valid instrument for measuring the constructs of interest (Hu *et al.*, 1992; Kaiser, 1974). Anyhow, all of the present study items were found related

to their each specific construct and thus there is a satisfactory evidence of the convergent validity of the model. The convergent validity was measured through factor loading which aptly depicts the loadings of each item for measuring predictor variables that was based on the bank's customers' opinion of the utilization of SERVQUAL theory on the analysis of the INT in the Libyan banking sector and the factors affecting fully fledged of IBS in Libyan banking and its financial sector. Nevertheless, the results shown that the larger percentage of the items are above the 0.50 cut off criterions with the majority being above 0.60. However, some items showing <0.40 which and treated which eventually demonstrates that the hypothesized items are truly having a strong relationship with the conceptualized model.

RESULTS AND DISCUSSION

As has been mentioned earlier this study aims to achieve a set of objectives. Therefore, grounded on the research objectives the research hypothesized was formulated. The current research carried out to test and achieves two direct hypotheses and two indirect hypotheses as discussed earlier study. Correspondingly, the present study has started with correlation analysis; Confirmatory Factor Analysis (CFA) followed by achieving the Goodness of fit of the proposed model. The correlation analysis used in order to have an initial image of the association relationships between the dimensions of SERVQUAL and the INT.

Accordingly and to test, the hypothesis regarding the direct and indirect hypotheses of this study, direct paths of multiple regression analysis were employed. Furthermore, as the fit indication of the model shown a good fit to the data as well as the reliability tests convergent and discriminant validities assumption were reinforced, consequently, the generated model is considered adequate for testing the path coefficient that estimates the hypothesized relationships of the model under study (Anderson and Gerbing, 1992). Interestingly, the findings of this study indicated that the CARTER Model is a valid model in the prediction of the SERVQUAL (CARTER Model dimensions) and consumers' behavioral intentions to subscribe and choosing the IBS in Libya banking sector.

Where, overall service quality dimensions CARTER Model (SERVQUAL) p-value has a significant positive influence on the intention to subscribe the Islamic banking (INT) with (Std. Estimate/ β = 0.588, $p < 0.001^{***}$). In actual fact this result revealed that the probability of getting a critical ratio as large as 6.266 in absolute value is < 0.001 . Hence, the regression weight for SERVQUAL in

the prediction of the INT is significantly different from zero at 0.001 level (two-tailed). Nevertheless, the direct results also revealed that the knowledge and awareness on IBS was found to be a good predictor of INT at the 0.005 level of significance with the indicators (Std. Estimate/ β = 0.128, $p < 0.025$). Therefore, these findings supported the hypothesis H_1 and H_2 . Furthermore, result regarding to RO interaction revealed that the interaction of RO found to be significantly moderating the relationship between overall service quality and the INT within the Libyan banking sector context. Corresponding to that the three-way interaction revealed that RO is more beneficial to the INT with high RO than to low RO generally, RO enhances the positive relationship on between KU, overall service quality and intention. Hence, it can conclude that particle moderation found to be existed between overall service quality and INT once OR comes into the model, therefore, H_2 accepted. However, since the RO expressing the religion roles in influencing the choice of the individual's or activities this result might be explained as Libyan as Muslims society, they are led by their beliefs and their Islamic obligation towards Islamic banking. Most of the Libyans bank client and customers think that by dealing and subscribing in such banks they will be protected from committing the sin such as (Riba). Infact, religious motivation factors seem to be powerful factors that lead Libyan bank customers/clients dealing with Islamic finance system.

Goodness of fit of structural model: This study examines the set of exogenous variables: SERVQUAL (CARTER dimensions) RO and INT as endogenous variables. Table 4 shows the resulting statistical estimates before and after fit of all exogenous and endogenous models.

The statistical result estimates after fit model of all exogenous and endogenous models indicates that most of the variables indicated achieved a good fit as per the recommended value. However, the process of the model modification was based on re-estimation of the model fit after removing some of the problematic observed variables. The final modified model for each exogenous variables model yields a good result of fit as recommended by Hair. Table 4 summarizes the overall goodness-of-fit indices of the CFA measurement model of this research.

Table 4 shows that the good of fit index for χ^2 , df, Ratio/CMIN/DF, CFI, GFI, AGFI, NFI, RMSEA and p-value, statistical estimates achieve of goodness-of-fit for exogenous model including SERVQUAL (CARTER six dimensions and KU. Furthermore, Table 4 shows the resulting statistical estimates of the exogenous model.

Table 4: CFA of all measurement and structured model (goodness of fit indices)

V/COD	Items		χ^2	df	Ratio/CMIN/DF	CFI	GFI	AGFI	NFI	RMSEA	p-values
	Items	remaining									
SERVQ	41	24	404.572	246	1.645	0.929	0.871	0.842	0.839	0.055	0.004
INT	11	9	42.747	27	1.583	0.968	0.959	0.932	0.920	0.052	0.028
RO	7	4	3.531	2	1.765	0.991	0.992	964.000	0.979	0.059	0.171
EXO	46	16	124.50	97	1.284	0.982	0.937	0.911	0.926	0.036	0.031
ENDO	29	11	62.423	42	1.486	0.980	0.953	0.926	0.941	0.047	0.022
Exo and endo	75	25	280.79	255	1.101	0.989	0.911	0.886	0.890	0.021	0.128
Hypo	75	27	370.388	309	1.199	0.977	0.895	0.871	0.879	0.030	0.009
Recommended value	-	-	N/A	-	-	≥0.900	-	-	-	<0.080	-

Most of the indices indicated achieved a good fit as per recommended value. Therefore, since the research has make used SEM, two direct regression paths/hypotheses have been drawn in SEM 21.0 in order to analysis these assumptions. However, two hypotheses were found to be supported (H_1 overall dimensions SERVQUAL have a significant and positive relationship with the intention to subscribe the IBS (INT). However, empirical evidence revealed from this research reported that overall SERVQUAL (CARTER) Model has a significant positive relationship effect on the INT which is support the first hypothesis H_1 . Accordingly, there are a number of past empirical evidence that have reported similar results and indicated that overall SERVQUAL (CARTER) Model is a good predictor and plays a very significant role in predicting the behavioral intention which is aligned with prior findings such as Boulding *et al.* (1993), Echchabi and Aziz (2012), Boulding *et al.* (1993), Gottlieb *et al.* (2011) and Yavas *et al.* (2004). The empirical findings revealed from this study indicate that Libyan bank's customers have a high intention when the overall SERVQUAL (CARTER) is being implemented in the Islamic banking sectors. Therefore, all the above reasons could make the Libyan intention to subscribe the IBS to be quite high since the Islamic banking sectors emphasize on the implementation of overall SERVQUAL (CARTER) all together. In other words, it might be concluded that the more positive by the emphasizing on the overall SERVQUAL (CARTER) the more likely that customer attraction and intention to subscribe the IBS will be by the Libyan bank's client/customers.

CONCLUSION

In conclusion, this empirical study has revealed a magnificent result in regards behavioral intention to subscribe IBS in Libyan context. The service quality elements (CARTER Model) of banks, whether by reinforcement of the Islamic system or conventional will keep on as one of the major issues related to the overall banks' or organizations' development and growth of their performance. This study investigated the hypothesized variables as suggested from the relevant literatures that

could influence the behavioral intention to subscribe the IBS in Libyan context. The study has adopted CARTER model to be the underpinning theory in order to study its effect on the behavioral intention to subscribe the IBS in Libyan context. The study has adopted the religious obligations to test its interaction effect on between (CARTER Model) and the Libyans behavioral intention to subscribe the Islamic banking system which appeared to be a very important factor and predictor in determining behavioral intention of the individual to choose a particular product or commodity. On the other hand, the result revealed that (CARTER Model) is a valid model in predicting customer behavioral intention. Where it is very important for the Libyan banks to concentrate as well as put more consideration on these elements in order to enhance the Islamic banking system in a better and easy way for the customers. However, the study results showed a significant influence of overall service quality dimensions (CARTER Model) on predicting the Libyans' behavioral intention to subscribe the IBS in Libyan context.

There are several limitations inherent in the study. The sample size used for the analysis for example was the constituents of the intention to subscribe the Islamic banking system and where this all highly. Further studies would need to examine these issues with large sample and would need to compare the results of IBS and with other conventional banks and country which has an experience in dealing with IBS.

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