

# Libyan Islamic Banks Experience in Reducing Bank Liquidity from an Islamic

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## ABSTRACT

(1) Background: The problem with the study is that the problem of bank liquidity in Libyan Islamic banks is exacerbated by the excess of bank liquidity coverage. (2): Purpose: The study aims to learn about Libyan banks' experience in reducing bank liquidity from an Islamic perspective: Malaysian banks are a model. The study highlights the importance of highlighting Libyan Islamic banks' experience in reducing bank liquidity from the perspective of Islamic Malaysian banks as a model. (3) Method: The study followed a qualitative approach to evaluating internal and external factors, circumstances and variables associated with Libyan Islamic banks' experience in reducing bank liquidity from an Islamic perspective. Individual open interviews were conducted with employees of Libyan Islamic Banks, estimated at 15 employees from Libyan Islamic Banks. Fifteen questions were posed to participants, centered on internal control and its elements on bank liquidity and its components from an Islamic perspective. The study found several findings, (4) Results: including that bank liquidity risk is the risk to banks and may amount to a crisis related to the bank's lack of cash that enables it to fulfil its day-to-day duties to customers. And (5) Conclusion: include an attempt to adopt a peace model and to open the door to short, medium and long-term investments in order to maintain the levels and rates of bank liquidity of Libyan Islamic banks.

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## 1. INTRODUCTION

Bank liquidity includes all funds that are clearly at the disposal of the commercial bank management, as well as all foreign currencies, local currencies, deposits in local currency and foreign currencies, and all funds designated for the purpose of transferring between currencies to each other (Al-Jazawi, 2017). Through the present liquidity, banking institutions can apply the agreed standards and regulations received from the Central Bank regarding the non-disposition and preservation of

liquid reserves in order to ensure that the bank's operations are not significantly interrupted. Bank liquidity is also represented in all the liquidity available with the bank from securities, bills of exchange, shares, bonds, financial instruments, treasury bills and instruments with investment returns, and semi-liquid liquidity is characterized by the possibility of disposing of it by mortgaging or selling it very easily, and this liquidity is usually short-term liquidity ( Al-Ibrashi, 2017), and the current study focuses on the experience of Libyan Islamic banks from an Islamic perspective to limit the exacerbation of the bank liquidity problem and ways to benefit from the Malaysian experience in limiting the exacerbation of liquidity risks during the crisis that occurred in the nineties of the last century. In a related study, Al-Araibi (2020) stressed on the problems faced by the Islamic banks in Libya, wherein which strategic planning is deteriorating and crises are rampant owing to widespread liquidity crisis, Also, Al-Ghazali (2018) revealed that such administrative corruption is also present in the Libyan Insurance firms, while Al-Bakush (2020) indicated that administrative liquidity has permeated the entire Libyan governmental and private institutions. Evidently, Libyan commercial banks are no different, with their great financial and administrative corruption, characterized by bribery, theft, money laundering and illegal transfers.

Implementation of the Central Bank of Libya's instructions to reduce the problem of liquidity risks in Libyan Islamic banks The reality, however, has shown that Libyan Islamic banks have been exacerbated by the cash risk crisis as a result of the bank's exceeding the bank coverage ratio and the inability to cope with the accelerated increase in the demand for cash withdrawals for customers. This has exacerbated the problem of bank liquidity risk and that the use of fixed assets by Libyan Islamic banks has exacerbated bank liquidity risks, Furthermore, the Central Bank of Libya's instructions on bank liquidity are not clearly followed (Libyan Audit Office report, 2021). Previous studies have confirmed the worsening of the problem of liquidity risks to Libyan Islamic banks, with Saeed's study indicating (2016) The study indicated that Libyan banks in the city of Ajdabiya are exposed to many risks, notably the risk of lack of bank liquidity, as well as the Amari study (2020) highlighted the granting of bank credit by Libyan banks, which contributed to the worsening of the problem of bank liquidity risks in most Libyan Islamic banks. The 2020 Amari study also highlighted Libyan banks' weakness in controlling the problem of bank risk liquidity. The study's questions focus on several questions that can be summarized as follows:

1. What are the risks of bank liquidity from an Islamic perspective?
2. How can the risk of bank liquidity be analyzed from the Islamic perspective of Libyan banks?
3. What features of Malaysia's experience in reducing bank liquidity risk?

The objectives of the study are limited to the following objectives:

1. Determine what the risk of bank liquidity is from an Islamic perspective.
2. Learn how to analyze the risks of bank liquidity from the Islamic perspective of Libyan banks.
3. Explore the features of Malaysia's experience in reducing bank liquidity risk.

## 2. METHODS

The study used qualitative analysis to analyse individual open interviews, where participants were interviewed at the headquarters of Libyan banks, in particular the Bank of the Republic, the Deserts Bank and the Libyan Foreign Bank, and interviews were conducted according to Brown's style (2015), where the study prepared the format of interview questions and interviewees' participants were met, Answers to interviews were also obtained through audio recording and participants' answers were unloaded and returned again to participants to ascertain their answers After confirmation of the answers, content analysis techniques were used to discuss the study's findings through responses obtained through participants, It can be said that content analysis contributes to linking the events, dates, methods and frameworks they use in order to find logical solutions to the problem of the study in question.

### 3. FINDINGS AND DISCUSSION

#### Question 1: What are the risks of bank liquidity from an Islamic perspective?

The results of the M1, M2, M3, M4 interviews showed that bank liquidity risk is one of the greatest risks to the banking system. The interviewees agreed that the Islamic perspective was very keen to reduce bank liquidity risk and provide sufficient cash for people's and institutions' lives. The results of the interviews indicated that Libyan Islamic banks are exposed to many risks as a result of the banks' low internal control", where Libyan Islamic banks have been exposed to bank liquidity risks as a result of satisfying customers' demand and withdrawing from cash reserves; Despite all instructions from Libyan Islamic banks not to allow overstatement of cash reserves which exposes Libyan banks to many risks, including customer mistrust as a result of demand

Increased cash withdrawals to meet their needs, as well as the decline of many companies and institutions from branches and banks as a result of the lack of funds to expand bank credit and obtain loans through which businesses can operate and complete as soon as possible. Participants agreed that the increasing withdrawal from the cash reserve established by the Central Bank of Libya was a major override and error that had clearly exacerbated the liquidity crisis. and the lack of bank liquidity in Libyan banks, particularly the Bank of the Republic, the Sahara Bank and the Libyan Foreign Bank, Many other problems have arisen in relation to the large number of protests and the inability of the Central Bank of Libya to manage the crisis as a result of the failure of Libyan Islamic banks to implement the instructions of the Central Bank of Libya to limit bank credit, preserve the legal ratio established by the Central Bank of Libya, do not depart from it in any way and try to manage the crisis professionally. s Republic, the Sahara Bank and the Libyan Foreign Bank, this has contributed to the interruption of work in a number of branches. Although the Libyan Audit Office and the Administrative Supervisory Authority have indicated this crisis, its impact has been very significant and has directly affected all sectors in the Libyan State. Consequently, the violation of the Central Bank of Libya's instructions has significantly led to a deterioration in cash reserves and a clear inability to control the cash reserve. The results of the interviews agreed that the treatment of Libyan Islamic banks, especially the Bank of the Republic, the Bank of Deserts and the Libyan Foreign Bank, was not at the level of the event and the difficult attitude suffered by Libyan Islamic banks clearly Since the banking crisis is also exacerbated by many other reasons not related to Libyan Islamic banks, Obviously, oil revenues and oil revenues come from importers abroad and from many countries including Britain, America, Russia, Italy and other countries that transfer and pump more foreign exchange to the Central Bank of Libya and thus the crisis began with the onset of delays in the transfer of oil revenues to the Central Bank of Libya, This, in turn, has delayed the arrival of foreign exchange or cash liquidity in Libyan Islamic banks, especially the Bank of the Republic, the Sahara Bank and the Libyan Foreign Bank and the participants agreed in the interviews that Libyan Islamic banks could not find effective solutions to the issue of relentless liquidation of fixed assets, The recourse to such a method has clearly led to the exposing of Libyan Islamic banks, in particular the Bank of the Republic, the Sahara Bank and the Libyan Foreign Bank, to a significant worsening of the banking liquidity crisis. The results of interviews M5, M6, M7, M8 indicated that there was an inability to cope with the demand for cash as a result of widespread financial corruption and manipulation of Libyan banks' assets. There have been numerous reports of financial corruption in Libyan Islamic banks. The Libyan Accountability Office has received numerous reports from various years, publications and reports from the Libyan Administrative Supervisory Board of various issues, which have demonstrated beyond doubt that there is financial corruption and stock manipulation in Libyan banks, which clearly affects the liquidity crisis.

The participants agreed with A.9, A.10, M.12 in interviews that the Islamic perspective has clearly addressed the risks of bank liquidity, Where the Islamic perspective of the Quranic stories from the story of our Master Yusuf Allah peace and the story of the two centuries caution", in which the story of Mr. Yusuf pointed to the need for caution, This policy has succeeded in rationalizing consumption throughout the seven-year crop collection period, during which it has managed, collected, protected and maintained yields for use in the State's lean years. and therefore, the policy of rationalizing

consumption is the basis of the monetary policy to be pursued by Libyan Islamic banks to protect significantly against the risk of bank liquidity, The protection of Mr. Yusuf Ali Al Salam is the hard work over seven years to provide the State with wheat, wheat and barley supplies in the next seven years and seven years. in order to ensure that the State or State institutions are not destroyed, Therefore, Libyan Islamic banks must combine hard work with rationalizing consumption and the latter's policy is to protect the yields from the risk of misappropriation. financial and administrative corruption problems that have accompanied Libyan Islamic banks, in particular the Bank of the Republic, the Sahara Bank and the Libyan Foreign Bank, this requires the administrative leaders of the Libyan Islamic banks to drain the sources of financial and administrative corruption and try to strictly enforce control and clearly maintain cash and banking liquidity in order to maintain the balance of financial and banking liquidity significantly. which indicates the need to work in accordance with a clear strategy through which to work diligently and motivate customers to enter Islamic investment funds in order to attract capital and solve the problem of bank liquidity, This indicates that the Quranic stories alone suffice to find many solutions to the problem of the exposure of Libyan Islamic banks, especially the Bank of the Republic, the Sahara Bank and the Libyan Foreign Bank, to bank liquidity risks.

And it's not possible here to lose sight of the two-century experience, where people hired them and they don't know the essentials of life. The complaint of the Agoj and the Agoj was large and many, and when the two centuries found these people in ignorance and ignorance of their danger, he used dissolved iron to make a dam between him and them between the mountains, It can be said that one of the lessons learned from this Quranic story is that the elimination of ignorance comes through the use of those who can achieve the goals ", provided that a helping hand and assistance are given to him realistically, Thus, based on the case of Libyan Islamic banks, there is no problem if Libyan Islamic banks use one of the renowned banking experts with experience and competence in managing the liquidity crisis in order to manage the crisis with Libyan Islamic banks. By cooperating with these experts, Libya's crisis can be reformed, set the record straight again and return to normal rates. And the two-century has indicated that it cannot undertake all aspects of the dam's establishment without cooperation and concerted efforts among all individuals in society to achieve the goals, As measured in the case of Libyan Islamic banks, all necessary to use recognized experts to manage bank liquidity risks can be done in order to learn from them and apply what has been learned in the circumstances of the Libyan Islamic Banks. This may also open the door for the administrative leaders of the Libyan Islamic banks to achieve their objectives, control the liquidity crisis and develop policies and strategies to ensure that this type of crisis is prevented again in order to prevent Islamic banks from being exposed to further risks. The Prophet's Year was not far from giving Islamic banks more solutions The State of the Islamic Caliphate was managing the criticism needed to meet the needs of the poor, as was Abu Bakr al-Siddiq and Sedna Omar bin al-Khatib after the death of the Prophet, peace and blessings be upon him, Our master Omar bin al-Khattab solved Muslims' problems at night by walking the roads and identifying weaknesses and strengths in the legislation passed by the Emir of the Faithful in order to achieve self-sufficiency and try to address these gaps clearly.

### **Question 2: How can the risk of bank liquidity be analysed from the Islamic perspective of Libyan banks?**

The results of interviews A.9, A.10, M.12 indicated that the analysis of bank liquidity risks from an Islamic perspective has a significant impact on Libyan Islamic banks. The results of the interviews agreed that one of the most serious subjects of the Libyan Islamic banks is the country's deteriorating political and security conditions, in particular the increased political and security risks surrounding the Libyan Islamic banks. central banks in the East and West are key factors to the high rates of lack of bank liquidity in Libyan Islamic banks, The state of division has also divided political and economic decision east and west. The Central Bank of Libya was also divided east and west; This clearly reflects the deterioration of the situation in Libyan-Islamic banks and employees cannot comply with the instructions of the Central Bank of Libya in Tripoli, particularly at the Central Bank of Libya branch in eastern Libya, as a result of the substantial receipt of administrative orders from eastern Libya.

Participants in the interviews agreed that Libyan Islamic banks suffer from increased rates of financial and administrative corruption and the flight of more foreign exchange outside the country and the presence of many shell accounts located in Libyan banks; This has exposed Libyan Islamic banks to further aggravating the liquidity crisis and the results of interviews M1, M2, M3 and M4 indicated that there were many erroneous policies that led to the liquidity crisis in Libyan Islamic banks, especially the Bank of the Republic, the Bank of Deserts and the Libyan Foreign Bank and alternative plans decided by the Central Bank of Libya on the legalization of bank liquidity, This has further exacerbated the banking liquidity crisis of Libyan Islamic banks, particularly the Bank of the Republic, the Sahara Bank and the Libyan Foreign Bank.

The results of interviews M13, M14, M15 agreed that there were clear errors in the application of the Central Bank of Libya's decisions regarding bank cash liquidity. This has been confirmed by the World Bank's financial sector report on the situation of Libyan Islamic banks and compliance with the instructions and decisions of the Central Bank of Libya which has adversely affected the risk of bank cash liquidity, This has weakened Libyan Islamic banks, as well as failure to comply with CBL decisions, declarations and regulations may expose the bank's system to many risks rather than bank liquidity. The results of the interviews confirmed that the increasing demand for cash withdrawals has increased as a result of many customers' interest in cash withdrawals of salaries and profits greatly which has adversely affected the capacity of Libyan Islamic banks, in particular the Bank of the Republic, the Sahara Bank and the Libyan Foreign Bank, The reputation of Libyan Islamic banks has also been significantly affected by the lack of a direct policy to clearly limit Libya's increased withdrawals.

The results of interviews m1, m2, m3, m4 indicated that the Central Bank of Libya had prohibited Libyan Islamic banks, in particular the Bank of the Republic, the Bank of Deserts and the Libyan Foreign Bank, from overdrafts and approaching the legal reserve of all Libyan Islamic banks; There are significant breaches in the cash withdrawal of the Libyan Islamic banks, especially the Jumhouria Bank, the Sahara Bank and the Libyan Foreign Bank. The results of the interviews agreed that the Libyan Islamic banks, especially the Bank of the Republic, the Bank of Deserts and the Libyan Foreign Bank, were able to analyse liquidity risks as a result of tracking the situation in the Libyan Islamic banks. Thanks to the presence of many highly qualified banking leaders, the risks of bank liquidity can be significantly controlled in the Libyan Islamic banks, especially the Bank of the Jumhouria, the Bank of Sahara and the Libyan Foreign Bank.

The participants agreed on the importance of risk analysis from an Islamic perspective, with the Quranic stories telling the story of Queen of Saba Balkis, where the Quranic stories emphasized that risk analysis was substantial, as she was Queen of Saba. Belquis is Queen of Yemen. Queen of Saba fought many wars and triumphs and died with defeat, turning defeat into a partisan victory. Belquis was bint Al-Yashrah Ben Djoub Ben Aili. who took over Yemen after her father and her father's opponents wanted to get rid of her and crawled and defeated her, However, she was then able to eliminate her opponents and kill them, and she achieved Queen of Saba (Balkis) Many well-known victories in Islamic history, triumphing over Persians and Rum and defeating the Babylon Empire, Through her reign, she was able to establish a Marib dam, and the trade, industry and agriculture movement flourished significantly and her rule was greatly stabilized. It is worth mentioning that the Qur 'ani stories told us that they were highly counselling to their leaders, which is not inconsistent with their ability, wisdom and judgement. The sun was worshipped without God Almighty, and God sent Nabih Suleiman peace to them.

Although the Queen of Saba (Balkis) has sufficient wisdom and sovereign decision in her property and judgment, she has hired all the advisers who left it to her. which indicates that the lesson in Libyan Islamic banks is expertise only, The liquidity risks of Libyan Islamic banks need not only experience in dealing with the crisis. It needs advice, and through advice many groups in the Islamic community can get as much information and opinions as possible that may change the logic of the radical solution seen by the official. liquidity risk analysis requires expertise in addressing the banking liquidity risk crisis, as well as a meeting of views, knowledge and good listening to all possible solutions and noteworthy

that the participants' views indicated that Islamic solutions also focus on achieving the purposes of Islamic law in risk analysis, As the legitimate rule says that spoiler's ward is highly likely to bring benefit crisis ", which points to the importance of risk analysis in order to prevent spoiler in the banking liquidity crisis, Given the story of the Queen of Balkis and after the rejection of the gift of the Queen of Saba Mr. Suleiman succeeded in testing and identifying the truth of his invitation and I delivered Balqis, This indicates that the risk analysis and the use of the consultation are very much in line with the requirements of the stage clearly undergoing by the Libyan Islamic Banks Risk analysis corresponds to the Islamic perspective on the importance of obtaining information to prevent financial crises and lack of bank liquidity, This points to the need to use the Islamic perspective and to use wisdom, reason and logic in addressing Libya's liquidity crisis significantly. The Islamic perspective is also highly compatible with the traditional solutions sought by the administration of Libyan Islamic banks, in particular the Bank of the Republic, the Bank of Deserts and the Libyan Foreign Bank.

#### 4. CONCLUSION

The results will be discussed in the light of the findings of the study. The results will be discussed on the clear basis of the study's objectives. After reviewing the respondents' answers, individual open interviews were conducted with the staff of the Libyan Islamic Banks, estimated at 15 staff members from the Libyan Islamic banks, in particular the Bank of the Libyan Republic, the Libyan Sahara Bank and the Libyan Foreign Bank. Fifteen questions were posed to participants, centered on internal control and its elements on bank liquidity and its components from an Islamic perspective. Malaysia's experience has been addressed as one of the inspiring experiences of the financial experience in applying Islamic finance instruments as one of the most prominent solutions contributing to reducing the risk of bank liquidity. The study followed Brown's 2019 method of interviewing and preparing interview questions. The interview time lasted about two hours for each participant and the interviews began for a month from 11 to 1 p.m. at the headquarters of the Libyan Islamic Banks, in particular the Bank of the Republic, the Sahara Bank and the Libyan Foreign Bank. We will review the results of the study in accordance with the objectives of the study and to answer its questions. The qualitative analysis concluded some of the terms indicating the results of the qualitative analysis in the Libyan Islamic banks clearly.

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- APPENDIXS
- a. " Interview question forms distributed to 10 participants from Libyan banks (Libyan Foreign Bank, Jumhouria Bank, Sahari Bank)
  - b. What is the impact of risk identification in Libyan banks (Libyan Foreign Bank, Jumhouria Bank, Sahari Bank)?

