

THE IMPACT OF DEMOGRAPHIC VARIABLES ON LIBYAN RETAIL CONSUMERS' ATTITUDES TOWARDS ISLAMIC METHODS OF FINANCE

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This paper investigates the extent to which Libyan retail consumers' demographic variables influence their attitudes towards potential use of Islamic methods of finance. A self-administered survey, covering a random sample of 385 consumers was conducted using phone interviews during the months of December 2007 and January-February 2008 to gather their demographic variables and their opinions towards Islamic methods of finance. Descriptive statistics is used to indicate the main characteristics of the sample and potential use of Islamic methods of finance. The results indicate that most of respondents (85.9%) are potential users of Islamic methods of finance. Discriminant analysis is used to indicate which of these demographic variables has much impact on the attitudes of Libyan retail consumers towards Islamic methods of finance. This analysis illustrates that professional status, monthly income, age and level of education are the most important variables in discriminating between the two groups of retail consumers (those who are potential users of Islamic methods of finance and those who are not).

1. INTRODUCTION

Islamic finance is one of the most rapidly growing segments of the global financial system. It is a financial system that is in accordance with the principles of the *Sharī'ah*. The principles of Islamic finance are inferred to provide guidelines to people in their financial transactions. The most significant of these principles is the prohibition of *ribā* and *gharar* which underpin commercial activities, also using the profit/loss sharing between people or people and firms as a financial equity method side by side to other Islamic methods of finance. There are many types of Islamic methods of finance linked to different economic activities, but this study focuses on those which are common in theory and practice, especially in Islamic

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banks as institutions worldwide. These methods are: *muḍarabah*, *musharakah*, *murābaḥah*, *bayʿ muʿajjal*, *bayʿ al-salam*, *istiṣnaʿ*, *ijārah* and *qarḍ al-ḥasan* (El-Gamal 2000; Obaidullah 2005). Islamic banking theory is based in the main on the prohibition of interest and the introduction of profit/loss sharing schemes and other accepted methods of finance as well as offering banks' operations such as deposit accounts (Obaidullah, 2005).

While there are many Muslim and non-Muslim countries have been practising these Islamic methods of finance in their financial institutions, Libya has not introduced these methods of finance on a formal basis such as Islamic banks. This could be seen unusual because most if not all Libyan people are Muslims (General Information Authority 2007). Therefore, there are many issues regarding Islamic finance in Libya still in need of investigation, such as the possibility of applying Islamic methods of finance for Libyans.

This paper involves a study of the impact of demographic characteristics on the attitudes of Libyan retail consumers towards Islamic methods of finance. More particularly, the contribution of the paper is in the exploratory findings on the role of various demographic variables on the opinions of Libyan retail consumers towards potential use of Islamic methods of finance. The paper proceeds with review of Islamic finance, including its sources, principles and most-common products and services, in Section 2. A literature review related to the findings of previous studies regarding this issue is presented in Section 3. Section 4 includes brief information about the research methodology used to achieve the objectives of this study. Descriptive statistics for the main characteristics of the sample and potential use of Islamic methods of finance are provided in Section 5. A discussion of empirical results (discriminant analysis results) is provided in Section 6. Section 7 concludes the paper by pointing out some future research directions.

2. REVIEW OF ISLAMIC FINANCE

Islamic finance is defined as a financial service or product principally implemented to comply with the main tenets of the *Sharīʿah* (El-Gamal, 2000). In turn, the main sources of *sharīʿah* are the *Qurʾān*, *ḥadīth*, *sunnah*, *ijmāʿ*, *qiyas* and *ijtihād*. The *Qurʾān* is the book of revelation given to the Prophet Muhammad (peace be upon him); *ḥadīth* is the narrative relating the deeds and utterances of the Prophet; *sunnah* refers to the habitual practice and behaviour of Prophet Muhammad during his lifetime; *ijmāʿ* is the consensus among religious scholars about specific issues not envisaged in either the *Qurʾān* or the *sunnah*; *qiyas* is the use of deduction by analogy to provide an opinion on a case not referred to in the *Qurʾān* or the *sunnah* in comparison with another case referred to in the *Qurʾān* and the *sunnah*; and *ijtihād* represents a jurist's independent reasoning relating to the applicability of certain *Sharīʿah* rules on cases not included in either the *Qurʾān* or the *sunnah*.

In brief, the principles of Islamic finance are as follows: (i) the prohibition of *ribā* (interpreted as usury or interest) and the removal of debt-based financing; (ii) the prohibition of *gharar*, encompassing the full disclosure of information, removal of asymmetric information in contracts and the avoidance of excessive risk-taking; (iii) the exclusion of financing and dealing in activities and commodities regarded as sinful or socially irresponsible (such as gambling, alcohol and pork); (iv) an emphasis on risk-sharing, the provider of financial funds and the entrepreneur share business risk in return for a pre-determined share of profits and losses; (v) the desirability of materiality, a financial transaction needs to have ‘material finality’, that is a direct or indirect link to a real economic transaction; and (vi) consideration of justice, a financial transaction should not lead to the exploitation of any party to the transaction [see El-Gamal (2000), Warde (2000), Lewis and Algaoud (2001), Iqbal and Llewellyn (2002), Abdul-Gafoor (2003), Obaidullah (2005), Iqbal and Molyneux (2005) and Gait and Worthington (2007) for suitable introductions to Islamic finance].

In practical terms, these prohibitions and recommendations manifest themselves as the following commercial products and services offered by Islamic financial institutions: (i) *muḍārabah*, the provision of capital to a partial-equity partnership in return for a share of profits, but where the losses on funds lent are borne by the lender; (ii) *mushārah*, full-equity partnerships where the provider of funds and the entrepreneur directly and wholly share in the business, (iii) *murābahah*, an instrument used for financing the purchase of goods and services where the financial institution purchases these on behalf of the customer; (iv) *bayʿ muʿajjal*, deferred payments on products encompassed under *murābahah*; (v) *bayʿ al-salam*, advance or pre-paid sale contracts of goods and services; (vi) *istiṣnaʿ*, or manufacturing contracts to cover work in progress and paid by the financial institution on behalf of the customer; (vii) *ijārah*, lease financing in the form of operating leases only; (viii) *takāful* or Islamic insurance in the form of cooperative self-help schemes, and (ix) *qarḍ al-ḥasan*, benevolent loans offered interest free.

In turn, these commercial products and services underlie the various depositor and investor accounts offered to retail customers. In terms of Islamic banks, these are again very similar to the products and services offered by conventional banks with the exception that Islamic financing principles apply to the underlying bank assets and liabilities. For example, unlike a conventional savings account, interest is forbidden on balances in Islamic accounts. Depositors can, however, obtain benefits in the form of ‘voluntary prizes’, whose value depends, in part, on the deposit’s balance and the bank’s profitability. These services are often offered fee-free to depositors.

Islamic products and services also increasingly manifest themselves as mutual funds underpinned by investments in *Shariʿah*-compliant equity or property, *ṣukūk* (Islamic bonds), *takāful* (Islamic insurance) or *ijārah* (Islamic leasing) constructed

with Islamic principles in mind. For example, a *Shari'ah*-compliant equity mutual fund would, through a process of sector screening and dividend 'purification', normally exclude: banking, insurance or any other interest-related activity; alcohol, tobacco, gambling, armaments; any activity related to pork; other activities deemed offensive to Islam; and any sectors or companies significantly affected by any of the above.

2. LITERATURE REVIEW

While the determination of consumers' attitudes towards Islamic banking has been studied by many researchers in Muslim and non-Muslim countries such as Erol and El-Bdour (1989); Erol, Kaynak, and El-Bdour (1990); Omer (1992); Haron, Ahmad and Planisek (1994); Metwally (1996); Al-Sultan (1999); Gerrard and Cunningham (1997); Hamid and Nordin (2001); Bley and Kuehn (2004); Dusuki and Abdullah (2007); Rammal and Zurbruegg (2007), there was relatively little related to the examining of the relationship between consumers' demographic and socioeconomic variables and their attitudes towards Islamic banking (Gait and Worthington 2008). The first study was conducted in Egypt by Hegazy (1995) who compared the demographic profiles of four hundred customers of two banks: the Faisal Islamic Bank and Bank of Commerce and Development (a conventional bank). The results showed that 98.8 percent of the Islamic bank's customers were married Muslims with children, while 32.4 percent of the conventional bank's customers were Christians and 54.3 percent were Muslims. This suggested that the choice of an Islamic bank is based, in part, on a religious motivation.

Metawa and Almosawi (1998) surveyed three hundred Bahraini customers using chi-square tests to determine the relationship between socio-demographic factors and the customer usage of Islamic bank products and services. They confirmed that there was a significant relationship between customer age and Islamic bank products such as the usage of current accounts and ATM cards. On the other hand they indicated that there were no observed patterns of relationship between customers' ages and other products of Islamic bank. In addition, there was a significant relationship between customers' income and the use of current accounts and investment accounts. Customers' level of education also showed a significant relationship with the use of current accounts and Automated Teller Machine (ATM) cards.

In Jordan, Naser, Jamal and Al-Khatib (1999) extended the early work by Erol and El-Bdour (1989) and Erol, Kaynak and El-Bdour (1990), but used the Kruskal-Wallis Test to examine the relationship between the degree of satisfaction towards Islamic banking and other demographic variables. In general this study illustrates that the respondents have certain degree of satisfaction towards Islamic bank regardless of their demographic characteristics. However, nationality and religion did not make any significant difference in the degree of customers' satisfaction towards Islamic banks. Metwally (2002) considered the role of socioeconomic and

demographic characteristics in the process of bank selection in Qatar. The results suggested that females, the elderly and public servants preferred to deal with Islamic banks over conventional banks, as did those with relatively low incomes and a moderate level of education. In contrast, conventional banks were favoured in Qatar by young, well educated working as professionals or highly-paid public servants, with foreign conventional banks favoured over domestic conventional banks by the relatively well-educated and wealthy.

Zainuddin, Jahyd and Ramayah (2004) also surveyed Malaysian bank customers to illustrate the different perceptions of users and non-users of Islamic banking services. They concluded that most Islamic bank users were older than thirty with relatively stable family incomes. On the other hand, most non-users were single, aged less than thirty years with low incomes. One important finding in this study was that the decision-making processes of Islamic banks' users were affected by spouses, friends and relatives, as well as their innate religious motivation. The final study is a work on the relationship between customer satisfaction with interest-free banking and socio-demographic factors such as gender, age, level of education and income in Turkey by Okumus (2005). It indicated that the respondents, regardless of their age, gender practicing religion, level of education and kind of employers expressed a certain degree of satisfaction with most aspects of the SFHs (The Special Finance Houses). In contrast, other factors such as number of years in business and monthly income did not show any significant relationships in the degree of Turkish customers' satisfaction with the SFHs.

3. SAMPLE METHODOLOGY

A questionnaire was designed to collect the relevant data from Libyan consumers. To ensure the speed of data collection, control of sample, good flexibility, and reasonable cost, data was collected by filling the questionnaires through telephone interviews. This method offers the researcher the opportunity to reduce any potential respondent confusion about the questions asked and to obtain a relatively high rate of cooperation (Hawes, Rao and Baker 1993). The sample for Libyan consumers is selected randomly in accordance with a 95 per cent confidence level. Therefore the sample size of the survey was 385 which were determined using the following assumptions (Waters 1994). The proportion (π) is .05, the safest possible assumption, a confidence level of 95% which corresponds to Z-value of 1.96 and an error or precision (E) of 0.05. Given the above, the optimal sample size N is estimated by:

$$N = \pi(1-\pi)Z^2 / E^2 \quad N = (0.5)(0.5)(1.96)^2 / (0.05)^2 \quad N = 384.16 = 385$$

Before going into data collection, preparation and analysis, a focus group was interviewed over the telephone. This group had a size of 20 (pre-screened)

respondents who represented about 5% of the sample. These interviews were to ensure effective questionnaire for data collection without confusion and in controlling time.

Following the focus group interviews, a survey was designed in final draft and conducted during the three months from December 2007 to February 2008. The respondents were selected at random using systematic sampling. The population size was estimated using the telephone directory for Libya's four largest cities: Tripoli, Benghazi, Misratah and Al Murgub. The directory indicated 79,056 private numbers in these cities. This number was regarded as the population size (i.e. $P = 79,056$) in this study. Dividing P by the sample size $N = 385$, the sample interval equals 205. A random number between 1 and 205 was selected using the table of random numbers (Malhotra and Birks 2003). That number was 48 and the sample therefore consisted of elements 48, 253, 458, 663 and so on. Using the telephone directory as a sampling frame, the elements were alphabetically organized. When the number was not successful the next number on the same page was dialed.

The respondents were requested in the first part of the questionnaire to indicate their knowledge about the existence of Islamic banks and their methods of finance. The second part in the questionnaire was used to indicate the respondents' attitudes towards Islamic methods of finance. According to Malhotra (2006), a seven-point scale is best suited for discerning individuals' attitudes towards products and services: this study used a seven-point scale from 1 to 7 where 1 is not important at all and 7 is very important for 16 statements that represent reasons for the use of Islamic methods of finance. The questionnaire also collected information on the socioeconomic characteristics of the respondents. Descriptive analysis is used to indicate the main characteristics of the sample and potential use of Islamic methods of finance; discriminant analysis is used to determine which of these demographic variables account the most impact on the Libyan consumers' attitudes towards using Islamic methods of finance (Metwally 2002 and Curhan & Kopp 1988).

5. DESCRIPTIVE STATISTICS

5.1 The Main Characteristics of the Sample

The main characteristics of the sample are shown in Table 1: 92.9% of the respondents are males and 7.1% are females. The majority of respondents were male because householders' heads in Libya are generally men. According to Al-Nouri (1995, p. 331), in Libya a boy is repeatedly reminded of the responsibilities awaiting him when reaching adulthood, particularly his role as breadwinner, husband and father. However, girls are kept in anticipation of marriage, motherhood, and housekeeping. Accordingly, women in Libya and many other

Arab countries are still not readily welcomed to engage in gainful jobs. This socio-cultural stance may account in part for women’s vast dependency on men (Al-Nouri 1993). Therefore, males usually tend to make most financial decisions.

Table - 1
The main characteristics of the sample

Variables	Frequency	%	Variables	Frequency	%
Sex			Professional status		
Male	358	92.9	Public sector	292	75.8
Female	27	7.1	Private sector	46	11.9
Age			Self-employed	41	10.6
Less than 25 years of age	9	2.3	Retired	6	1.7
26 to 35 years of age	79	20.5	Income		
36 to 45 years of age	123	31.9	Less than L.D 200 per month	17	4.4
46 to 55 years of age	153	39.7	201 to 300 per month	211	54.8
More than 55 years of age	21	5.6	301 to 400 per month	138	35.8
Highest level of education			More than L.D 400 per month	19	5.0
No education	9	2.3	Nationality		
Primary school only	47	12.2	Libyan	376	84.9
High school only	94	24.4	Non-Libyan	9	16.1
Secondary school only	61	15.8			
Diploma only	116	30.1			
University only	54	14.0			
Postgraduate only	4	1.2			

Over two-thirds (71.6%) of the respondents are aged 36 to 55. Approximately 45.9% of all respondents reached an education level at the diploma or secondary level. However, about 14% of respondents completed university. Most people interviewed (75.8%) are public servants (i.e. work in the government sector) and only 10.6% are self-employed. 54.8% of the respondents have an average monthly income of LD200 – 300 and approximately 35.8% had LD301–400. The majority of the respondents (84.9%) are Libyans and only 16.1% are non-Libyans.

5.2 Potential Use of Islamic Methods of Finance

Libyan retail consumers were asked to indicate their intention to use Islamic methods of finance. In particular, Table 2 indicates Libyan retail consumers' potential use of Islamic methods of finance. Most of the respondents (85.9 %) are potential users of Islamic methods of finance.

Table - 2

Libyan retail consumers' potential use of Islamic methods of finance

Variables	Frequency	%	Potential user	%	Not a potential user	%
Potential use of Islamic methods of finance						
Potential user	331	85.9	331			
Not a potential user	54	14.1			54	
Sex						
Male	358	92.9	306	92.4	52	96.3
Female	27	7.1	25	7.6	2	3.7
Age						
Less than 25 years of age	9	2.3	3	0.9	6	11.1
26 to 35 years of age	79	20.5	53	16	26	48.1
36 to 45 years of age	123	31.9	110	33.2	13	24.1
46 to 55 years of age	153	39.7	148	44.7	5	9.3
More than 55 years of age	21	5.6	17	5.2	4	7.4
Highest level of education						
No education	9	2.3	9	2.7	0	000
Primary school only	47	12.2	29	8.7	18	33.4
High school only	94	24.4	87	26.2	8	14.8
Secondary school only	61	15.8	45	13.6	16	29.6
Diploma only	116	30.1	107	32.3	8	14.8
University only	54	14.0	51	15.3	4	7.4
Postgraduate only	4	1.2	4	1.2	0	000
Professional status						
Public sector	292	75.8	285	86.1	7	12.9

Table-2 continued on next page

Variables	Frequency	%	Potential user	%	Not a potential user	%
Private sector	46	11.9	39	11.8	7	12.9
Self-employed	41	10.6	4	1.2	37	68.5
Retired	6	1.7	3	0.9	3	5.6
Income						
Less than L.D 200 per month?	17	4.4	17	5.1	0	000
201 to 300 per month?	211	54.8	201	60.8	10	18.5
301 to 400 per month?	138	35.8	109	32.9	29	53.7
More than L.D 400 per month?	19	5.0	4	1.2	15	27.8
Nationality						
Libyan	376	84.9	327	98.8	49	90.7
Non-Libyan	9	16.1	4	1.2	5	9.3

However, only 14.1% of Libyan retail consumers are not potential users. Therefore, most Libyan retail consumers are potential users of Islamic methods of finance. From these potential users, 92.4% are male who are in majority (86.1%) civil servants and who work in the public sector.

In addition, they are in majority Libyans (98.8%) who have an average monthly income of LD200–300. Over three-fourth of potential users aged more than 36 years old with diploma or high level of education. However, most of the respondents who are not potential users of Islamic methods of finance are younger than 36 years old, self-employed (68.5%) and majority of them have monthly income more than LD300. One explanation is that this group would prefer to deal with conventional banks that provide them with funds in accordance with fixed or variable interest rates.

6. EMPIRICAL RESULTS

As per questionnaire used in present study, the respondents were asked to indicate their personal demographic and socioeconomic variables including, sex, age, education, professional status, monthly income, nationality and their attitudes towards potential use of Islamic methods of finance. Discriminant analysis is performed on the first six variables as explanatory variables with the primary goal of determining which of these variables account the most impact on the Libyan consumers' attitudes towards potential use of Islamic methods of finance. The potential use of Islamic methods of finance is used as dependent variable. Thus,

consumers are divided into two groups, those who are potential users of Islamic methods of finance and those who are not. The results of discriminant analysis are shown as follows:

Table 3 gives discriminant analysis results that include information between the mean and standard deviation for the two groups. The group means suggest that the two groups are widely separated in terms of value of professional status, income, age and education. Differences between the two groups are very insignificant due to their dissimilarity in nationality and sex. The Wilks' lambda statistic in Table 3 is calculated as the ratio of the within-groups sum of squares to the total sum of squares. Because all the Wilks' lambda values are smaller than 1, the most of the observed variability can be attributed to differences between groups (Norusis 2006). Moreover, the significance of the univariate ratios shows that, when the predictors are considered individually, all predictors significantly differentiate between the two groups (Metwally 2000).

Table - 3:
Group statistics, tests of equality of group means and pooled within-groups matrices

Groups		Mean	Std.	Valid N (listwise)	
		Unweighted	Deviation Weighted	Unweighted	Weighted
Not potential users	Sex	1.037	.190	54	54
	Age	2.537	1.058	54	54
	Education	3.333	1.359	54	54
	Profession	2.666	.777	54	54
	Income	3.092	.680	54	54
	Nationality	1.092	.292	54	54
Potential users	Sex	1.075	.264	331	331
	Age	3.371	.844	331	331
	Education	4.172	1.347	331	331
	Profession	1.169	.468	331	331
	Income	2.302	.582	331	331
	Nationality	1.012	.109	331	331
Total	Sex	1.070	.255	385	385
	Age	3.254	.922	385	385
	Education	4.054	1.378	385	385
	Profession	1.379	.737	385	385
	Income	2.413	.656	385	385
	Nationality	1.023	.151	385	385

Table-3 continued on next page

	Wilks' Lambda	Univariate ratios	df1	df2	Sig.
Sex	.997	1.052	1	383	.306
Age	.901	42.021	1	383	.000
Education	.955	17.947	1	383	.000
Profession	.501	381.470	1	383	.000
Income	.825	81.501	1	383	.000
Nationality	.966	13.577	1	383	.000

Correlation	Sex	Age	Education	Profession	Income	Nationality
Sex	1.00	-.028	-.022	-.011	-.030	.035
Age	-.028	1.000	-.165	.193	.360	-.003
Education	-.022	-.165	1.000	.001	.377	-.083
Profession	-.011	.193	.001	1.000	-.019	-.067
Income	-.030	.360	.377	-.019	1.000	-.079
Nationality	.035	-.003	-.083	-.067	-.079	1.000

The pooled within-groups correlation matrix in the end of Table 3 is obtained by averaging the separate covariance matrices for the two groups and then computing the correlation matrix from the pooled-covariance matrix. This matrix indicates remarkable low correlations between the variables. Therefore, multicollinearity is not a serious problem in this analysis (Norusis 2006).

Table - 4:
Test results and log determinants

Box's M		230.741
F	Approx.	10.531
	df1	21
	df2	32002.831
	Sig.	.000
Groups	Rank	Log Determinant
Not potential users	6	-6.924
Potential users	6	-10.062
Pooled within-groups	6	-9.025

Table 4 indicates the level of significant of *Box's M* which suggests that we should reject the null hypothesis that the covariance matrices are equal. This is confirmed also by the logs of the determinants of the variance-covariance matrices shown in Table 4. The logs of the determinants are quite different in value between the two groups.

Table - 5
Eigenvalues and Wilks' Lambda

Function	Eigenvalue	% of Variance	Cumulative %	Canonical Correlation
1	2.475	100.0	100.0	.844
Test of Function(s)	Wilks' Lambda	Chi-square	df	Sig.
1	.288	473.323	6	.000

The eigenvalue in Table 5 is remarkably large (2.475) and it accounts for 100% of the explained variance. The canonical correlation is another measure of the degree of association between the discriminant scores and the groups. The canonical correlation of the discriminant function is about 0.85. The square of this coefficient shows that 72.2% of the variance of the dependent variable is explained or accounted for by this model (Norusis 2006, Metwally 2003). The Wilks' lambda associated with the discriminant function in Table 5 is 0.288 which is the ratio of the within-groups sum of squares to the total sum of squares. This can be transformed to a chi-square value of 473.323, which is statistically significant at the 0.0 level with degrees of freedom equal to the number of predictor variables. Therefore, it is acceptable to reject the null hypothesis that respondents who are potential users have the same average discriminant function score in the population (Norusis 2006 and Malhotra and Birks 2003).

The absolute magnitude of the standardized canonical discriminant function coefficients in Table 6, suggests that professional status (0.806), monthly income (0.795), age (0.743) and highest level of education (0.546) are the most important variables in discriminating between the two groups of retail consumers (those who are potential users of Islamic methods of finance and those who are not). In other words, professional status as a demographic variable has the most impact on the retail consumer's attitudes towards Islamic methods of finance (Malhotra 2006, Metwally 2000).

Another way to assess the relative importance of the predictors can be obtained by examining the structure correlations between the values of the function and the values of the variables. Table 6 indicates that professional status, monthly income, age and level of education respectively have much impact on Libyan retail

consumers' attitudes towards Islamic methods of finance. Noticeably, there is an agreement between the results of the standardized coefficient and the structure matrix.

The group centroids in Table 6 shows the unstandardized canonical discriminant functions evaluated at the group means. As shown, Group 1 (those who are not potential users of Islamic methods of finance) has a positive value while Group 2 (those who are potential users of Islamic methods of finance) has a negative value. Since the sign associated with the value of profession, income and nationality in both standardized canonical discriminant function coefficients and structure matrix is positive and since the age, level of education and sex have a negative sign, this suggests that a person who is a self employed with relatively high income, small age and low level of education will be among those who are not potential users of Islamic methods of finance. Therefore, Islamic methods of finance will be preferred by those who are public servants and old Libyans with relatively low incomes.

Standardized canonical discriminant function coefficients	Function
	1
Sex	-.040
Age	-.743
Education	-.546
Profession	.806
Income	.795
Nationality	.190
Structure matrix	Function
	1
Profession	.634
Income	.293
Age	-.211
Education	-.138
Nationality	.120
Sex	-.033
Functions at group centroids	Function
Groups	1
Not potential users	3.885
Potential users	-.634

classification results		Predicted Group Membership		Total	
		Not potential users	Potential users		
Original	Count	Not potential users	51	3	54
		Potential users	2	329	331
	%	Not potential users	94.4	5.6	100.0
		Potential users	.6	99.4	100.0

A 98.7% of original grouped cases correctly classified.

The classification matrix in the end of Table 6 gives hit ratio of 98.7% which indicates highly significant classification for most cases included in the sample. In other words there are only five cases that are misclassified and this is acceptable when the non-potential user group is much smaller than the potential user group (Norusis 2006). It is possible also to calculate the Press's Q statistic for the sample by:

$$Q = [N - (n * k)]^2 / [N(k - 1)]$$

Where: N is total sample size, n the number of observations correctly classified, and k number of groups. The calculation gives a Q statistic equal to 365.2. The critical value at a significant level of .01 is 6.63 which suggests that the predictions are significantly better than chance (Metwally 2000).

Table - 6
Standardized canonical discriminant function coefficients, structure matrix, functions at group centroids and classification results

Standardized canonical discriminant function coefficients	Function
	1
Sex	-.040
Age	-.743
Education	-.546
Profession	.806
Income	.795
Nationality	.190
Structure matrix	Function
	1
Profession	.634

Income					.293
Age					-.211
Education					-.138
Nationality					.120
Sex					-.033
Functions at group centroids					Function
Groups					1
Not potential users					3.885
Potential users					-.634
classification results		Predicted Group Membership		Total	
			Not potential users	Potential users	
Original	Count	Groups			
		Not potential users	51	3	54
		Potential users	2	329	331
	%	Not potential users	94.4	5.6	100.0
		Potential users	.6	99.4	100.0

A 98.7% of original grouped cases correctly classified.

7. CONCLUDING REMARKS

The goal of this paper is to develop a better understanding of the effects of various demographic variables on Libyan retail consumers' attitudes towards potential use of Islamic methods of finance. While most of the respondents (85.9 %) are potential users of Islamic methods of finance, which can be due the religiously motivated people of Libya who are in majority Muslims, the discriminant analysis indicates that it is possible to separate Libyan retail consumers into two groups (those who are potential users of Islamic methods of finance and those who are not) on the basis of some predictors which reflect on the demographic variables of Libyan retail consumers.

The analysis shows that profession, monthly income, age and level of education respectively have much impact on Libyan consumers' attitudes towards potential use of Islamic methods of finance. In other words, consumers who are public servants with relatively low monthly income, older in age and moderate level of education are potential users of Islamic methods of finance. In contrast, Libyan retail consumers who are self employed with relatively high income, younger in age and low level of education are among those who are not potential users of Islamic methods of finance.

A number of directions for further research are indicated. First, little is still known on how Muslims and non-Muslims are affected by religious convictions in their financial decision-making. Despite the evolving literature on Islamic finance, much work remains to be done on consumer behaviour using more sophisticated choice modelling techniques and more extensive samples. Second, this work on the impact of demographic variables on consumers' attitudes towards Islamic finance has been undertaken in a particular national context. It would then be interesting to compare feedback from a survey administered in, say, a country with a predominately Islamic finance system, to one done in a country with a dual-finance system where there are other factors such as the effect of a subjective norm factor, and another at an early stage of the introduction of Islamic finance. Finally, one reason for the growth of Islamic finance worldwide has been the willingness of national governments with a sectarian-orientation to support its establishment. It is not known what particular role these governments have played in attempting to modify the perceptions, attitudes and knowledge of Islamic banking alongside any direct or indirect support or encouragement to the institutions themselves.

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