FACTORS DETERMINING LIBYAN BANKING EMPLOYEES' READINESS TO SUPPORT THE TRANSFORMATION TO A FULL-FLEDGED ISLAMIC BANKING SYSTEM

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ABSTRACT

The purpose of this research is to examine the determinants of banking employees' readiness to support the transformation to the full-fledged Islamic banking system in Libya. Using the Theory of Planned Behaviour (TPB) and employing survey questionnaires of 323 employees of 10 conventional Libyan banks analysed using Structural Equation Modelling (SEM). This research revealed that the readiness of Libyan banks' employees is influenced significantly and positively by attitudinal, religious and subjective norms. Moreover, attitude toward transformation is the most critical factor that determines readiness among bank employees. This indicates that bank employees are willing to support the transformation process toward Islamic banking. Due to the unstable security situation in Libya, this research is confined to two states (Tripoli and Benghazi). Further researches may extend applying the proposed model to other states in the country, which may enhance the generalisability of this research's findings. Overall, this research provides support for the transformation process to Islamic banking as a way to evaluate the readiness of Libyan banking employees for such change. Also, this research emphasizes the importance of undertaking a pre-implementation evaluation of readiness for change in Libyan commercial banks.

Keywords: Bank employees, Libya, readiness, transformation to Islamic banking.

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1. INTRODUCTION

Islamic banking (IB) and finance has progressed and continues to grow rapidly toward becoming a true alternative and competitor to the global conventional banking system (CBS) (El Mallouli & Sassi, 2021). IB is spreading to and growing in several countries where CBS exists like in the United Kingdom, Luxembourg, and Australia (Bananuka et al., 2019). Moreover, there is an excess of 505 Islamic financial institutions across more than 50 countries and over 1410 funds that offer financial investments that are Shariah-compliant (Thomson Reuters, 2018). The current rate of growth of the Islamic financial industry in global financial markets is about 6.9% to 8.5% per annum, while the total assets of Islamic banking and finance institutions globally is up to USD 2.19 trillion in 2018 (Islamic Financial Services Board, 2020).

This is prompting banks that are highly capitalized to convert to Islamic banking, whether by adopting full-fledged Islamic banking or by applying Islamic banking through a window system (Abusloum et al., 2020). Libya is no exception to this trend. As the majority of the Libyan is Muslim, the plan to adopt and practice the Islamic banking system (IBS) has gathered momentum, especially after the change of the political power that occurred on 17th February 2011 (Saaid & Shafii, 2013). In order to actualize this, in 2013, Libya enacted Act No. 1 that bans the use of interest in the entire financial system, including the imposition or payment of *riba* or interest on deposits and loans. Moreover, the Act urged commercial banks to convert to a Shariah-compliant banking system (Saaid, 2016). This Act was expected to be enforced by the beginning of 2015 (Organisation for Economic Co-operation and Development, 2016). However, by 2015 all Libyan commercial banks failed to convert to a Shariah-compliant banking system. Libyan banks have faced several challenges that prevented them from meeting the requirements of act no 1 2013 (Saaid, 2016).

Banks could not arrange a clear and effective strategy for the beginning of the conversion process to a Shariah-compliant banking system (El-brassi et al., 2017). Moreover, commercial banks failed to set programs to prepare their employees for such a huge change process like the transformation to a Shariah-compliant banking system (Abusloum et al., 2020). Basically, what distinguishes the situation of transformation to Islamic banking in Libya is that abolishing the banking interest came from a legislation authority making it binding to all Libyan stakeholders that include government, banks, shareholders, etc.(Saaid, 2016; Omar, 2015; Baej, 2013).

Given these challenges, the planned enforcement of the act on corporations and institutions in 2015 was postponed by the Libyan House of Representatives until 2020 by issuing Act No. 7 of 2015 stating that all provisions of Act No. 1 of 2013 will be effective by January 2020 (Saaid, 2016). In reality, the abolishing of banking interest has created confusion among all stakeholders in the Libyan banking sector (Alhajam, 2017). Therefore, such a situation may lead to resistance by stakeholders especially those who have no interest in Islamic banking (Abusloum et al., 2020). Also, this decision failed to take into account the obstacles and challenges inherent in such a significant change (Saaid, 2016). Of these challenges is the readiness and capacity of Libyans, particularly those working in the banking sector, to practice full-fledged Islamic banking. After 8 years from the decision of abolishing banking interest in the Libyan banking sector, there is a need to re-examine the interaction of the employees with the transformation process toward the Shariah-compliant banking system before the change takes place to ensure employees are involved positively in this process (Abusloum et al., 2020).

Bank employees also have a prominent role to play in guaranteeing that the change is accomplished (Cummings & Worley, 2009). The conventional banks in Libya should be aware that the role of employees is critical to a successful transition to the Islamic banking system (Saaid & Shafii, 2013). According to studies related to the change process (Saaid, 2016; Strebel, 1994; Waddell & Sohal, 1998), the effectiveness of any transformation is dependent on the employees' readiness to adopt and support the change process.

Moreover, several scholars indicated that employee support is the primary antecedent to implementing an organizational change initiative successfully (Jimmieson et al., 2004; Peach et al., 2005; Ogbodoakum & Abiddin, 2017; Jimmieson et al., 2009) other studies determined that the failure or success of organizational changes depends on the employees' change-supportive behaviours or (readiness towards the change) (Kim et al., 2011; Rafferty et al., 2013).

According to the central bank of Libya, almost 20,000 employees are working in commercial banks (El-brassi, 2020). Ignoring the role of bank employees in terms of the ability to market and sell Islamic banking products and facilitate the transformation to full-fledged Islamic banking will likely lead to critical challenges facing the nascent Islamic banking industry (Baej, 2013). In this regard, the purpose of this paper is to analyse the readiness of Libyan banking employees to be involved in the change process, and what are the determinants of this readiness to support the transformation of the existing CBS to a full-fledged IBS (the transformation process)? This will help decision makers to evaluate the abilities of banking employees to involve in such a change process and avoid resistance that may lead to postponing the transformation process again in Libya.

The remaining parts of this paper are organized into five sections. Following this first section, Section Two focuses on a review of the literature and the proposed research model. Section Three introduces and explains the methodology and process of collecting data. Section Four discusses the major outcomes and finally, Section Five presents and discusses the inferences and offers some recommendations for farther related research.

2. LITERATURE REVIEW AND THE PROPOSED RESEARCH MODEL

Transformation to the full-fledged IBS is a move to avoid interest and other elements in the practices of conventional baking which are forbidden in Islam. The IBS is a system deemed appropriate within an Islamic principles framework (Al-Rabiaa, 1989). Furthermore, Ababneh (2016) stated that the concept of conversion to Islamic banking involves switching or transforming the conventional bank system which is engaged in transaction practices forbidden in Islam. Concerning the adoption of IB, the change from CBS to IBS is complex as it involves changing from a system that is based on debt to one that is based on equity and from a system based on interest to a system that is essentially based on profit-loss sharing (Garas, 2006). This is an entirely different system with different foundation, objectives, and processes which require new structures, policies, and strategy. It also involves a notable change in the thinking and attitude of those employed in this sector.

In this regard, the readiness to change is defined as "the extent to which employees hold positive views about the need for organizational change (i.e. change acceptance), as well as the extent to

which employees believe that such changes are likely to have positive implications for themselves and the wider organization" (Jones et al., 2005, p. 362). Therefore, organizations and managers should be able to predict the readiness   of their employees toward adopting the change in order to boost the likelihood of accomplishing the change. As a result, changing the behaviour and creating readiness among employees is an important factor for achieving the change process inside the organizations (Jones et al., 2005; Kwahk & Lee, 2008). In Libya, the provisions of the Act no .1 2013 enforce a new reality on the Libyan banking sector and its stakeholders. It should be noted that the Act has been issued due to major popular pressure from the people on the new authority in Libya (Alhajam, 2013).This act comprised from seven articles addressed the several issues regarding the prohibition of dealing in banking interest (Riba).

The Act No1(1). 2013 clearly stated that *"Interest on deposits and loans in all civil and commercial transactions between natural and legal entities shall be prohibited. All usurious interest, whether evident or concealed, earned from such transactions shall be invalidated on an absolute basis"* (Belal, 2018, P .50).

Article1 (2) states *"Forms of concealed usurious interests shall include the charging by the creditor of a commission or benefit, of whatever type and nature; if it is proven that no actual and legitimate benefit or service has been provided by the creditor in return for obtaining such commission or benefit"* (Belal, 2018, P .50).

Among the other articles in this Act, article 5 strictly required that all Libyan banking stakeholders must reorganize their business to be shariah-compliant (Belal, 2018, P .50).

Article 5: *All the legislations and law that contradict these provisions of law no 1 2013 are cancelled. All corporate government bodies related to the Libyan financial system shall reorganize its transactions to be compliant with Islamic law* (El-brassi et al., 2018) .

Lastly, the article 7 sets the 1st January 2015 as date of enforcing the provision of the act on all corporate bodies and banks in Libya (El-brassi, 2020) .

However, the Libyan house of representatives issued the act No,7 2015 which postponed the enforcement of the Article 7 until 2020 (Saaid, 2016). This postponement came due to several issues that have been raised after declaration of this act (Abusloum et al., 2020) . For example there is a significant lack of knowledge of Islamic banking services and products among Libyan banking stakeholders such as customers, banks managers, and employees at all levels (El-brassi et al., 2020). Also, among the challenges facing the transformation to Islamic banking is the poor Islamic banking training programs offered by commercial banks. Such weakness also relates to the poor technological infrastructure (IT) of Libyan banking (Baej, 2013).

The banning the banking interest left all Libyan banking stakeholders with no choice but to adapt to the transformation. In such situation the role of banking employees is very important because, they are going to bear the burden of implementing the transformation. In this regard, the positive attitude towards transformation, level of knowledge of Islamic banking products, training of Islamic banking and others can be decisive factors in determining whether banks employees are willing to be involved in the Islamic banking system in Libya (El-brassi, 2020). After 5year postponement, to what extent are Libyan banks ready for the transformation to Islamic banking?

And what are the factors that significantly contribute to the readiness of banking employees towards such change process. This study fills this gap by empirically examining the factors that affect Libyan banking employee's readiness towards transformation to Islamic banking system.

The next section will address in details the model developed for this study as well as the Hypotheses Development chosen based on the literature review.

2.1.   *Research Model and Hypotheses Development*

Generally, organizations set change plans in order to gain customer satisfaction and loyalty, otherwise, they will not survive in the current fast paced business environment (Jimmieson et al., 2009).One of the main concerns to managers and leaders ensure the involvement of their employees smoothly in the change process and avoid resistance among them during change. Several scholars such as (Jones et al., 2005; Kwahk & Lee, 2008) insisted that change behaviour of employees and creating readiness among them to support the change process is a decisive factor to implement the change.

Theory of planned behavioural (TPB) provides a framework to examine how human behaviour can be predicted (Ajzen, 1991). In fact, TPB comprises three unique dimensions to determine the intention to execute the behaviour which are (Attitude, subjective norm, and perceived behavioural control). The connection between the TPB and individual's readiness to change happens when a person has positive evaluation of the effort to change (attitude), is supported by his close peers (subjective norm) and is confident that such change efforts will be undertaken successfully (perceived behavioural control) leading to improved motivation (intention) to actually engage in the change effort (readiness   for change)" (Jimmieson et al., 2009). One of the major features of the TPB approach which is based on underlying beliefs of individuals is the capability to distinguish between individuals who are willing to perform the behaviour under consideration and those who are not willing to undertake the behaviour (Ajzen, 2011).

In an organizational change context, interestingly, the role of TPB has been extended to test and understand the employees' readiness toward organizational change at institutions (Jones et al., 2005; Kwahk & Lee, 2008). The reason behind scholars' preference to use TBP to test the readiness of workers or employees towards the change process is that TPB contains attitudinal and behavioural components that could be decisive in achieving a smooth and successful change initiative process Janssen (2015). In principle , studies of (Jimmieson et al., 2004; Jimmieson et al., 2008; Peach et al., 2005; Jimmieson et al., 2009; Janssen, 2015; Dawkins & Frass, 2005) found that TPB is applicable to understand employees' readiness to support the change process. However, they recommended that further researches need to be conducted to confirm the applicability of TBP to test the overall employees' reactions toward different types of organizational change.

Below is a summary of the hypotheses of this study formed based on the model developed. These hypotheses include six direct hypotheses and one non- direct hypotheses to test the moderation effect.

Factor 1: Attitude

Attitude toward behaviour indicates "the degree to which a person has a favourable or unfavourable evaluation or appraisal of the behaviour in question" (Ajzen, 1991, p. 181). There is a considerable number of studies that identified the attitude as important factor in testing the reaction of employees toward organization change process. On this subject, Jimmieson et al. (2004) identified attitude as kay predictor variable to readiness of employees towards change process. In a similar vein, Yang et al. (2018) stated that attitude was found to significantly predict employees' reaction towards organizational change in three form of change, although , there is limited empirical evidence in the area of transformation process to Islamic banking as to whether attitude is a possible determinant for Libyan banking employees readiness to support change to shariah- complaint banking system. Hence, the following hypothesis is proposed.

> *H1: Attitude is significantly and positively related to employees' readiness to transform into IB and finance.*

Factor 2: Subjective Norm

According to Ajzen (1991, p. 188), subjective norm "refers to the perceived social pressure to perform or not to perform the behaviour". It does also refer to the social influence by others to perform a particular behaviour. Subjective norms found to be associated with level of readiness to change. In reality, subjective norm found to be the most significant predictor of employees behavioural intention to change (El-brassi, 2020). However, past research showed contradicted results, Ali et al. (2015) found subjective norm to have no significant influence on the intention to change to Islamic banking system. In contrary, Jimmieson et al. (2009) and Janssen (2015) proved that subjective norms were significantly related to intention of employees to support the organizational change process. Therefore, the following hypothesis is proposed.

> *H2: Subjective norm is significantly and positively related to banking employees' readiness to transform to IB and finance.*

Factor 3: Perceived Behavioural Control (PBC)

Perceived behavioural control (PBC) indicates "the perceived ease or difficulty of performing the behaviours, and it is assumed to reflect experience as well as anticipated impediments and obstacles" (Ajzen, 1991, p. 183), also (PBC) allows individuals to evaluate their ability to perform or not perform a particular behaviour through assessment of the availability of resources, information, and skills to perform that behaviour. Several studied tested (PBC) as predictor to readiness to change and found that (PBC) is kay factor to understand individual's reaction towards change initiative (Ajzen, 2011).   In this vein, Farah (2017) stated that (PBC) found to be statistically related to intention to change. Moreover, Janssen (2015) suggested that (PBC) was a strong predictor to willingness of employees to involve in organizational change. Furthermore, Wilopo et al. (2016) and Jimmieson et al. (2008) reported a significant relationship between (PBC) and employees intention towards organizational change. In view of the above researches, the following hypothesis is proposed:

H3: PBC is significantly and positively related to banking employees' readiness to transform into IB and finance.

As mentioned, TPB uses three unique factors as the main determinants of intention or readiness to perform the specific behaviour. Nonetheless, in several studies, the level of prediction of intention measured by total variance was quite low (Rise et al., 2010). For this reason, several studies assumed that the TBP model may not adequately capture all individual's intentions to perform the behaviour in consideration. In this regard , when Ajzen developed this theory, he illustrated that the TPB is, generally, receptive to including extra predictor factors if they enhance the enlarged difference in behavioural intentions (Rise et al., 2010). Several researches have followed the approach of extending the TBP model by proposing external factors in order to increase the level of intention prediction (Jimmieson et al., 2004; Janssen, 2015; Yang et al., 2018; Jimmieson et al., 2008; Bakari et al., 2017; Obeid & Kaabachi, 2016).

As a result, the current research adopts the same approach and extends the TPB by proposing some external factors which are assumed to have a significant influence on banking employee's readiness toward the transformation process in the Libyan context. Thus, this study proposes the following hypotheses:

Factor 4: Religiosity

Refers the role of religion's influence in individuals' decisions and activities (Amin et al., 2011). Islamic religious principles are widely spread around the world, and all Muslim communities are keen to respect the shariah principles. Therefore, many Muslims seek to deal in financial activities that are shariah- compliant (Amin et al., 2011). In this regard, the Islamic religion is considered as one of the most important components that influence the Libyan community as all Libyans are Muslims and they seek financial services that are compliant with Islamic law. This might motivate the banking employees to support the transformation to the Islamic banking system (Alhajam, 2013; Omar, 2015). Thus, this study proposes that religion factor will have significant influence on readiness of bank employees to transform to Shariah-compliant system.

H4: Religiosity is significantly and positively related to the readiness of banking employees toward transformation to IB.

Factor 5: Government Support

government support indicates decisions, procedures and plans which influence the behaviour and decisions of corporate bodies and stakeholders in the businesses sector (Amin et al., 2011). In Libya, the government owns 85% of the Libyan banking sector (Saaid, 2016). Thus, the government is among the most important stakeholders in the Libyan banking sector. Previous studies highlighted the role of government in supporting the adoption of Islamic banking. For example, in Malaysia Islamic banking would have never succeeded without the government support (Amin et al., 2006). In Libyan context, Omar (2015) concluded that government support as a moderating factor has a significant influence on Libyan customers to adopt Islamic banking system. Moreover, the central bank of Libya (CBL) plays a crucial role in the development and implementation of banking policies in the country (Omar, 2015; Saaid, 2016). Therefore, government support to the transformation to Islamic banking could be crucial in increasing Libyan

banking employee's readiness to support the transformation process. Thus, the following hypothesis is proposed:

> *H5: Government support is significantly and positively related to the readiness of Libyan banking employees toward the transformation to the IBS.*

Factor 6: Knowledge of Islamic Banking

Knowledge of Islamic banking "indicates rules, procedures, information, experience, and interpretation of Islamic finance and banking products".(Harun, et al. 2015,P.24). According to Jaffar and Musa (2014) knowledge of Islamic banking products is a key factor in the adoption of the Islamic banking system. On the other hand, evidence shows that there is a lack of knowledge among bankers regarding Islamic banking products (Harun et al., 2015). Further, El-brassi (2020) concluded that Libyan bankers need urgent effective Islamic banking training programs to develop the Islamic banking system in this country. To this end, this research assumed that knowledge of Islamic banking products significantly influences the readiness of banking employees toward transformation to Islamic banking. Thus, the following hypothesis is proposed.

> *H6: Knowledge of IB products is significantly and positively related to the readiness of Libyan banking employees toward transformation to the IBS.*

Factor 7: Training of Islamic Banking: (Moderating Factor)

Regarding technical factors, previous researches stressed that both knowledge of Islamic banking products and training are important for the transformation to Islamic banking system (Omar, 2015). In this regard, Saleem et al. (2011) indicates that training has a positive and significant effect on employee's behaviour toward the change. In the same context, Harun et al. (2015) found that improving the knowledge of Islamic banking products among banking employees is significantly related to the effective training program. Moreover, Janssen (2015) tested a training as moderator factor to examine the willingness of employees to change and concluded that training is among the important factors that helps Integrate employees into the change process. For that reason, this research will test the role of training in Islamic banking as a moderator in the relationship between knowledge of products and readiness of banking employees toward transformation to the Islamic banking system. Thus, the following hypotheses is proposed:

> *H7: Training moderates the relationship between the knowledge of IB products and the readiness of Libyan banking employees toward transformation to the IBS.*

Figure 1: Proposed Framework of the Study
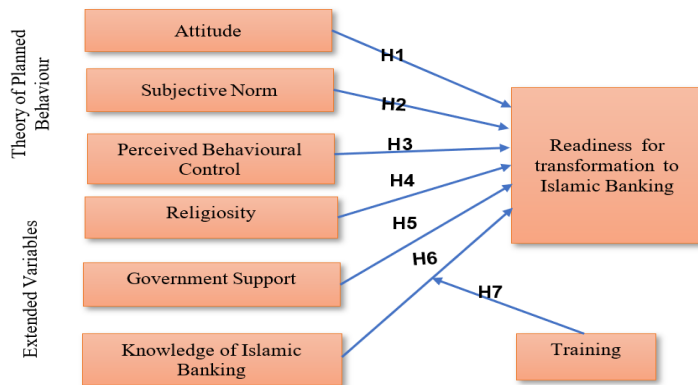
3. METHODOLOGY

This study follows a quantitative research method. The data were obtained employing a self-administered questionnaire, which was distributed to bank employees in Libya. Libya's banking sector is dominated by four state-owned commercial banks – Jumhouria Bank, National Commercial Bank, Wahda bank, and Sahara Bank which manage more than 85% of Libya's banking assets (Central Bank of Libya, 2014). These banks are supposed to lead any transformation to the Islamic banking system in Libya. Furthermore, the majority of employees are working in these banks. Also, the author selected six private banks which have opened Islamic banking windows and could transform into an Islamic bank system. Also, these are big private and mixed banks. The researcher selected these ten banks to involve the largest segment of commercial banks operating in the Libyan banking sector. Regarding the sample size, this research follows the recommendations given by Krejcie and Morgan (1970), which stated that the populations of approximately 20,000 members can be represented by 377 as a sample. However, since the researcher is not sure of obtaining 100 percent of the targeted number of this research, the total number of distributed questionnaires was 500, which is larger than the targeted sample size. Geographically, the questionnaires will be distributed to bank branches in the two largest provinces in Libya, namely Tripoli and Benghazi, which contain the largest number of state-owned and private conventional banks as well as the biggest number of banking branches and windows. At the end, a total of 323 questionnaires was collected from employees of conventional banks in Tripoli and Benghazi.

In terms of analysis, the current research adopted the SEM using analysis of a moment structures (AMOS), version 23.0. In this respect, Kline (2011) states that, SEM introduces modelling that is unique and appropriate to perform the data analysis. SEM can offer statistical indicators that cover the entire model.

The questionnaire was designed based on a 5-point Likert scale that ranged from "strongly disagree" (1) to "strongly agree" (5). This study used convenience sampling due to several difficulties such as the limitation of time and resources and most importantly, the volatile security situation in Libya, which makes accurately identifying the entire population very difficult. Also,

the lack of security in the county prevented the distribution of more questionnaires in other states. The total scale items for the current study are 49. The confirmatory factor analysis (CR) revealed that 35 items were used and eight factors were extracted, namely attitude toward transformation (AT), SN, PBC, religiosity (RL), government support (GS), knowledge of IB products (KNOW), training in IB (TRA) and readiness to transform to full-fledged Islamic banking (IB).

The socio-demographic profile of the participants is summarized and presented in Table 1 below. The research sample comprises 323 banking employees of Libyan commercial banks. A total of 232 (72%) of the participants were males and 91 (28%) females. Of the respondents, 133 (41%) were aged 26-35 years, while 81 (13%) were 36-45 years old, 61 were aged 46 - 55 years (19%), 33 were less than 26 years old (10%), and 15 were aged over 55 years (5%),

Concerning the education levels of the participants, the Responses revealed that 176 (54%) participants have a Bachelor's degree; 91 (29%) have a diploma, and 31 (10%) a Master's degree. The categories of "no qualifications" and "others" showed the lowest response rates, with 4% and 2% respectively, while there was only 1% with a Ph.D. degree as displayed in table 1.

In the same context, the distributive analysis of the response rate regarding years of work experience in the banking sector showed that 105 respondents have 5 to 10 years' experience (32%), whereas the staff with less than 5 years represented 20% of the response rate with 64 respondents. This is followed by staff with 11 to 15 years' experience with 55 (17%). A total of 51 (16%) respondents has in excess of 20 years' working experience. Staff with 16 to 20 years' experience comprised only 48 (15%) respondents. Table1 shows the descriptive statistical results for the demographic variables of this research.

Table 1: Demographic Profile and Business Characteristics

| Variable		Frequency	Percent
Gender	Male	232	72
	Female	91	28
Age	Less than 26	33	10
	26-35 years	133	41
	36-45 years	81	25
	46-55years	61	19
	More than 55years	15	5
Education of Level	Bachelor	176	54
	Diploma	93	29
	Master	31	10
	PhD	2	1
	No Qualification	13	4
	Other	8	3
Years of Working experience	Less than 5 years	64	20
	5 to 10 years	105	32
	11 to 15 years	55	17
	16 to 20 years	48	15
	More than 20 years	51	16

4.   DATA ANALYSIS AND EMPIRICAL RESULTS

4.1.   *Structural Equation Modelling (SEM)*

Generally, SEM analyses the statistical data gathered from the survey using several analytic steps, namely reliability, CFA and path analysis to examine construct validity, reliability, measurement loadings and the hypotheses. In this study SEM AMOS 23 was used to study the measurement model and assess the research hypotheses (Hair et al., 2010).

4.2.   *The Measurement Model*

The measurement model is an important step in SEM analysis. It is part of the data preparation process since the measurement framework is commonly used to present the normality of the measurement instruments. The most important feature of this model is the ability to examine the relationships between the latent constructs and their observed measures. In the same context, Confirmatory Factor Analysis (CFA) primarily deals with the relationship among factors and their latent variables (Byrne, 2001). According to Ho (2006), the measurement model establishes a set of principles that guide how the observed variables are measured in relation to the latent constructs. This means that the measurement model demonstrates how the observed and latent variables are linked. Fig. 2 reveals the CFA results for the eight constructs. In this research, most of the indices demonstrate a good fit, as suggested by Hair et al. (2010). The results of the final model revealed that the chi-square to the degree of freedom (normed x^2) was 1.821, which is less than 5, thereby indicating a good fit. Moreover, RMSEA was 0.50, which is less than 0.08, which is a good fit (Hair et al., 2006). The values of other indices, CFI = 0.948, IFI=0.948, and ITL=0.940 values are above 0.90, which are acceptable and a good fit (Chou & Bentler, 1995; Schumacker & Lomax, 2004). The p-value refers to the ability of the model to generalise the findings. In this regard, the result was p <.001, which indicates that the result of this study can be generalised to the entire target population (Hair et al., 2006). The outcomes of the measurement model are shown in Table 2:

Figure 2: Test Measurement Model of Libyan Bank Employees Readiness
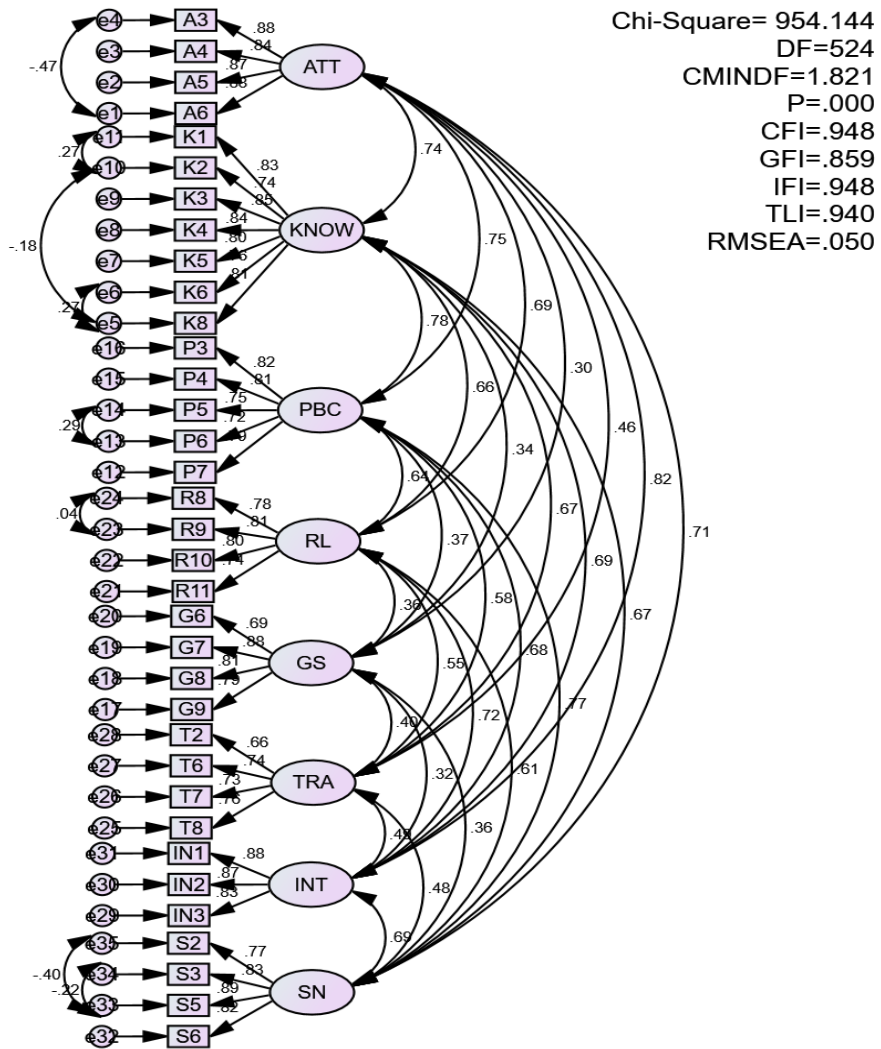
Table 2: Confirmatory Factor Analysis of the Study

Factor	Numbers Of items	Items	Factor loading	Composite Reliability	Cronbach's Alpha)
ATT	4	A3	0.878	0.923	0.917
		A4	0.838		
		A5	0.869		
		A6	0.881		
KNOW	7	K3	0.848	0.928	0.930
		K8	0.811		
		K5	0.799		
		K6	0.765		
		K2	0.745		
		K4	0.836		
		K1	0.833		
PBC	5	P3	0.817	0.85	0.892
		P4	0.815		
		P5	0.751		
		P6	0.719		
		P7	0.790		
RL	4	R11	0.803	0.864	0.866
		R8	0.752		
		R10	0.735		
		R9	0.762		
GS	4	G9	0.789	0.873	0.873
		G8	0.810		
		G7	0.883		
		G6	0.688		
TRA	4	T2	0.657	0.815	0.814
		T6	0.738		
		T7	0.734		
		T8	0.763		
SN	4	S5	0.891	0.899	0.885
		S3	0.835		
		S2	0.770		
		S6	0.821		
INT	3	IN3	0.834	0.895	0.884
		IN1	0.878		
		IN2	0.868		

4.3. *Convergent Validity*

Convergent validity addresses the concept that "scores obtained with two different instruments measuring the same concept are highly correlated" (Sekaran & Bougie, 2016, p. 222). Hair et al. (2010) stated that convergent validity can be assessed through factor loading for each variable. If the factor loading value for each factor is 0.50 or greater, then it refers to high convergent validity. To test the convergent validity, we performed a confirmatory factor analysis. The results indicate that after conducting the MI, all the constructs have shown high factor loadings, which means that most factors have values greater than 0.70, as illustrated in Table 1. As a result, the test of factor

loading gave sufficient evidence on the convergent validity in this current work on the basis of the views of Hair et al. (2010) and Fornell and Larcker (1981).

4.4. *Composite Reliability*

In measuring the reliability of a construct model, composite reliability was conducted using SEM version 23.0. Composite reliability is defined as "the process of general reliability and estimation of consistency with the construct itself and includes the stability and equivalence of the construct." (Hair et al., 2010). Composite reliability can establish a logical basis to evaluate the reliability with parameter estimates that are more accurate than any other measure of reliability. This makes the composite reliability more favoured than Cronbach's alpha having confirmed the value of the reliability of the constructs (Fornell & Larcker, 1981; Werts et al., 1974). Table 2 reveals the result of the test of composite reliability. Hair et al. (2010) suggests that 0.70 or above is considered a reliable indicator of composite reliability (CR). In this study, all constructs were good indicators with CR values between 0.815 and 0.928. This outcome indicates that all constructs have values higher than the recommended value for CR. Therefore, the reliability tests showed that data is strongly fit as a measurement in this study.

4.5. *Discriminant Validity*

Discriminant validity indicates "the degree to which two conceptually similar concepts are distinct." (Hair et al., 2006, p. 137). This means that two constructs measured in a model provide different results. Thus, the primary purpose of testing discriminant validity is assuring that no two constructs measure the same idea or concept. On this subject, discriminant validity is verified by computing the Average Variance Extracted (AVE) for every variable that is related rather than the squared correlation among one construct and any other constructs (Fornell & Larcker, 1981; Bagozzi et al., 1991; Holmes-Smith, 2001)To guarantee discriminant validity, the AVE values of two constructs must exceed the squared correlations among these constructs and other constructs (Fornell & Larcker, 1981). Moreover, the absolute value of the correlation square between the two constructs should be less than the square root of AVE of the construct (AVE> correlation square). Table 3 illustrates that all the values of the AVE exceed 0.50 as recommended by Hair et al. (2010) as the values of AVE of all constructs are between 0.524 and 0.751. In the table, the square root of the AVE for every construct exceeds the absolute values of correlation square between two constructs in this research (AVE > correlation square), Thus, discriminant validity was supported.

Table 3: Discriminant Validity

|	KNOW	PBC	RL	GS	TRA	SN	ATT	INT
CR	0.928	0.885	0.864	0.873	0.815	0.899	0.923	0.895
AVE	0.650	0.607	0.615	0.633	0.524	0.690	0.751	0.740
MSV	0.605	0.605	0.521	0.161	0.444	0.594	0.664	0.664
MaxR(H)	0.931	0.889	0.866	0.889	0.819	0.906	0.925	0.897
INT	0.689	0.675	0.722	0.317	0.488	0.694	0.815	**0.860**
ATT	0.741	0.755	0.695	0.304	0.463	0.711	**0.867**	
SN	0.675	0.771	0.614	0.362	0.477	**0.831**		
TRA	0.666	0.584	0.554	0.401	**0.724**			
GS	0.345	0.370	0.357	**0.796**				
RL	0.662	0.639	**0.784**					
PBC	0.778	**0.779**						
KNOW	**0.806**							

Notes: Square root AVE estimates are presented on the diagonal axis. Correlations are below the diagonal. Square root AVE estimates > correlation coefficients

Hypothesis Results

Figure 2 shows that all goodness-of-fit measures of the model were within the ideal threshold, so the model of the current study is a good fit for the data. This means that it is possible to run a structural model to test the hypothesis. The significance level (α=0.05) was set. Moreover, Figure 3 demonstrates that the results came from the structural model referred to that, more than 73% of the variance of the dependent variable i.e., readiness for transformation to full-fledged Islamic banking are explained by the predictor variables that entered into the Structural Equation Modelling.

Figure 3: Standardized Structural Model for Banking Employee's Readiness Toward Transformation to Full-Fledged Islamic Banking
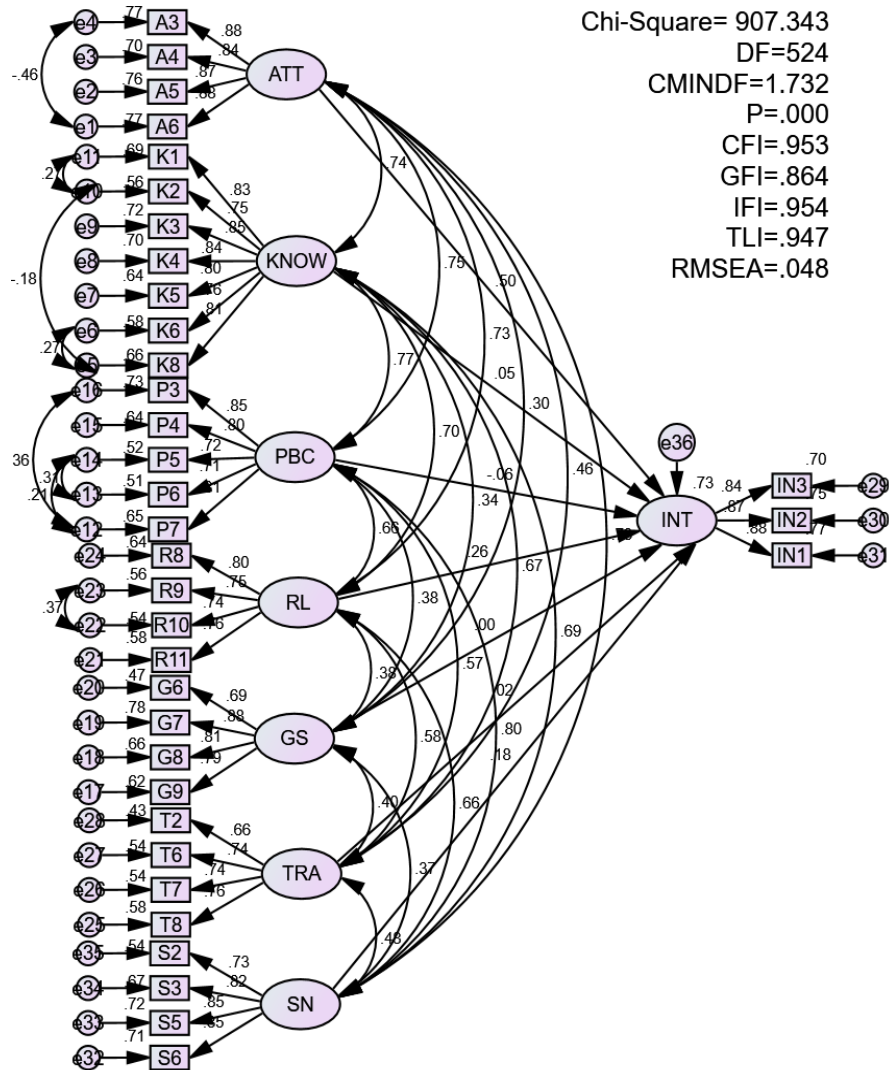
To attain the research goals, path analysis using SEM was applied to test the hypotheses. Six direct hypotheses were tested, and one indirect hypothesis was tested by the standardized regression weights of the individual path between two groups. We then performed the analysis of moderation using Microsoft Excel to test the differences between the groups of data.

The outcomes of hypotheses testing are demonstrated in Table 4. The results show that attitude P-value has a significant positive influence on the readiness to transformation to the Islamic banking with (Std Estimate /β= 0.505, P< .001***). This indicates that attitude has a significant positive influence on the readiness of Libyan banking employees concerning the transformation process. As such, H1 is supported. This outcome aligns with those concluded by Jimmieson et al. (2008) and Janssen (2015). It means that Libyan banking employees believe that changing from conventional to Islamic banking will be more profitable and will produce positive outcomes. The result also means that positive attitudes will likely lead to a positive transformation to the Islamic banking system.

Table 4: Hypotheses Testing Results

Hypothesised relationships			Unstandardized Regression Weight Estimate (B)	S.E.	C.R.	P	Label
Readiness	←	Attitude	.505	.083	6.051	***	Supported
Readiness	←	Subjective Norms	.176	.080	2.199	.028	Supported
Readiness	←	Perceived B Control	-.063	.091	-.691	.490	Not Supported
Readiness	←	Religiosity	.288	.087	3.329	***	Supported
Readiness	←	Government Support	.001	.043	.365	.715	Not Supported
Readiness	←	Knowledge	.047	.078	.609	.543	Not Supported

Notes: Significant at p< 0.001 (t > ± 3.29) *** Significant at p <0.01 (t > ± 2.57) **Significant at p<0.05 (t > ± 1.96).

The subjective norm significantly and positively impacts the readiness of banking employees toward the transformation process with (Std. Estimate /β=0.176, C.R.= 2.199, p-value= 0.028). Hence, H2 is supported, this outcome concurs with the outcome of Jimmieson et al. (2008), Sahi and Mahajan (2014), and Wilopo et al. (2016). It denotes that social pressure from referent groups which include peers, colleagues, parents, friends, and managers in addition to advanced technological media tools, should be used to promote the transformation to Islamic banking among employees.

In contrast, the analysis provides an empirical proof that PBC and the readiness of Libyan banking employees toward the transformation to the IBS are not significantly related (Std. Estimate /β= -0.063, C.R.= -0.691, p-value=.490). Therefore, H3 is not supported, this result appears to be aligned with Jimmieson et al. (2009) and Chatzoglou & Vraimaki (2009) who found that PBC is not a significant variable in terms of employees' readiness.

Regarding the readiness to transform into Islamic banking, this result appears to be consistent with Echchabi et al. (2016). However, these findings could be plausibly explained in the view that employees may believe they have little choice over the eventual transformation to Islamic banking-

related activities. This is due to several barriers in the Libyan banking system, such as most banking employees lack experience and are unskilled in Islamic banking operations and products.

On the other hand, the result revealed that religiosity is significantly and positively related to readiness with (Std. Estimate /β=0.228, C.R.= 3.329, p-value= 0.001). Thus, H4 is supported, this result is consistent with the findings of Zafar et al. (2012). The findings could be justified by the fact that since Libya is a Muslim country, religiosity is considered as one of the major factors for Libyan banking employees. Furthermore, as the transformation to the IBS is associated with Shari'ah principles, it is expected that their desire to be Shari'ah compliant as Muslims will significantly influence readiness toward creating an IBS in Libya.

In contrast, the SEM outcomes show that government support has no significant influence on the Libyan banking employees' readiness toward transformation with (Std. Estimate /β= 0.001, C.R.= 0.356, p-value=0.715). Therefore, H5 is not supported. The outcome of this hypothesis concurs with that of Amin et al. (2011). The outcomes of this study might be explained by the fact that the CBL is assumed to play a vital role in the success of the transformation process. Unfortunately, did not show strong support to the transformation. Thus, the Libyan banking employees believe that the CBL, which is supposed to be representative of the government in the banking sector, did not play a helpful role in the transition to the Islamic banking system. Its role is restricted to issuing publications on the work of Islamic banking, without any guide or support related to transforming the banking system.

Furthermore, knowledge of Islamic banking products has no significant influence on the relationship with the readiness of banking employees toward transformation with (Std. Estimate /β= 0.047, C.R.= -0.609, p-value= 0.543). This means that knowledge of Islamic banking products has no significant and direct effect on the readiness for the transformation to the IBS. Thus, H6 is not supported. In this regard, the outcomes of this study concur with those of Addis (2017), Dzulkarnain and Hatta (2017) and Johan et al. (2017). These outcomes could be due to IB being a new concept in Libya. The Libyan Islamic banks' financial products include only *Murabaha* products which account for approximately 91% of the products offered. *Musharakah* makes up just 9% and is only available in Gumhouria Bank. These services are offered through Islamic branches and windows at a very small scale compared to the size of commercial banks. Therefore, the majority of the bank employees did not gain experience with such products. Thus, Libyan banking employees believe that the current availability of Islamic banking products is not a significant factor in their readiness toward transitioning to the IBS.

4.5.1. Hypotheses Moderation Result

Regarding the test of moderation effect, Hair et al.'s (2010) mentioned as a rule of thumb that the path is moderated by moderator if Beta (β) for group 1 is significant while beta (β) the other group is non-significant, or betas (β) for both groups are significant, but one is positive, and the other is negative. Thus, the moderation data has been divided into two groups. The role of training (moderator) was categorised into "high role of training" and "low role of training". The groups were measured using a 5-point Likert scale (from 1- strongly disagree to 5-strongly agree). Thus, a low role of training is assumed to be group '1', and the high role of training is assumed to be group '2' respectively. After dividing the data into two groups, we performed the analysis of moderation using Microsoft Excel to test the differences between the groups of data.

Table 5: Result of Moderating Test of Role of Training on the Relationship Between Knowledge of Islamic Banking Products and The Intention of Transformation to Islamic Banking

			Low		High					
			Estimate	P	Estimate	P	Label	Label	z-score	Label
Readiness	←	KNOW	0.046	0.676	0.03	0.793	Par 43	Par 91	-0.47	Not supported

Table 5 above shows that the findings were inconsistent with the hypothesis as training has no moderating effect on the relationship between knowledge of Islamic banking products and the readiness to transform within the Libyan banking sector where the results show that the role of training groups (significant role of training, (β =0.046, p-value =0.793) and (low role of training, (β =0.046, 0.676, p>.05) based on this result the interaction terms of moderation training of Islamic banking was found to be not moderating the relationship between knowledge of Islamic banking products and readiness of banking employees to transform to Islamic banking system . Therefore, H7 is not supported. This result is consistent with Noor and Nasirun (2015), who found that training is not a moderator of employees' knowledge. Moreover, this result is consistent with Alzayed and Murshid (2017), who found that training does not significantly affect banking employees' intention. The results may be explained from a cultural viewpoint. Even though Act No. 1 of 2013 paved the way for the adoption of the IBS, the Libyan government and banks did not invest in establishing training centres and educational programs to prepare for this transition. Libya has only two institutions to cater to educational and training needs, namely the Libyan Association for Islamic Banking and the Institution of Banking Studies of the Central Bank. Both institutions offer training programs, and most of these programs focus on theoretical aspects such as the basic elements of Islamic banking. These are not sufficient to meet the needs of transforming the current banking system to that of Islamic banking. Although training is important, in Libya, there is a lack of effective training in IB products. Therefore, most employees perceive training as insignificant in developing their skills.

5.   DISCUSSION AND CONCLUSION

The transformation of CBS to the IBS is one of the major challenges of the Libyan banking sector. This study examined the determinants of the readiness of the Libyan banking employees toward transformation to full-fledged Islamic banking and identified the factors that influence the changed behaviour toward such a process. This study applied the TPB and four external factors to investigate the phenomenon. The result revealed that the TPB model is valid for predicting banking employees' readiness in Libya. Specifically, the outcomes indicated a considerable influence of attitude toward transformation, subjective norms (social influence) and religiosity on predicting Libyan banking employees' readiness toward the transformation process. The empirical outcomes derived from the research framework show that bank employees feel positively toward the process of shifting to IB. This indicates that they are willing to support the transformation process and adopt Islamic banking. Noticeably, religious factors and social influence are also important factors in engaging the employees to support the transformation process. In contrast, the study showed that the Libyan banking sector lacks the proper infrastructure and government support in respect of implementing the IBS as well as the transformation process, particularly in terms of training and education about IB operations and IB products. Thus, the creation of an enabling environment for the acceptance of IB will help to establish a proper foundation for the transformation process. This

is a vital issue in Libya to guarantee the sustainability and growth of Islamic banks. Further research needs to be done regarding these issues.

The research contributes significantly to the existing literature by establishing a new relationship between the TPB and transformation process to a full-fledged Islamic banking system. It extends the transformation process literature through mixing transformation process to IBS and employees' readiness with organisational change initiative literature. Also, the results provide empirical evidence about the vital role of religion as a significant factor in organizational change to engage banking employees in supporting the IBS in Libya.

In this aspect, the most important contribution is that this belief variable and attitude and religion factor simultaneously have a major influence on banks employees' readiness towards the transformation process in Libya. These findings should subsequently allow banks to establish the necessary strategies to engage their staff effectively in the process of converting their banks to the Islamic banking system. It should also help to improve their personal beliefs about such transformation to avoid resistance during the implementation of the process.

Overall, the outcomes of this research offer a beneficial foundation for developing the transformation process to the IBS with all its related activities. With this information, decision-makers, Libyan government officials, and bank managers will be much more informed and equipped to address these issues, to avoid the failure of the transition process and causing damages and losses to the Libyan banking sector.

This study, like other academic studies, faced several limitations. Firstly, due to the lack of security in several Libyan states, as well as time and resources constraints. This work was limited to two states, namely, Tripoli and Benghazi, thus the current study could not reach more branches in other states such as Misrata, Tobruk, and Sabha in South Libya. Furthermore, the sample size is considered comparatively small. Therefore, the outcomes of the present study may not generalizable to the whole country's population. In this regard, future researches may cover these states. This would give an overall evaluation of the level of readiness among a vast segment of Libyan banking employees towards transformation to Islamic banking.

Secondly, this study does not cover all the factors that can play roles in identifying the readiness of Libyan banking employees towards transformation to IBS. Therefore, more future research should focus on other factors that may influence the readiness of Libyan banking employees toward transformation to the Islamic banking system like the role of leadership, trust, and organizational commitment.

Finally, the research concentrates on the banking sector and employees. Future studies should focus on testing the factors affecting the adoption of Takaful (Islamic Insurance) among Libyan citizens especially after the issuance of Act No. 1 of 2013 which prohibited dealing in Riba among individuals. This would help to bridge the gap in the literature about the transformation initiative being implemented in Libyan financial institutions and their effective.

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