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Sharia Supervision and its Role in Developing Libyan Islamic Banking

Lutfi Alhadi Mohammed Abu Zayd[1], Seraj Moh Ekhlat[2]

[1]The Libyan academy for postgraduate studies.Economic development, [2]Sabratha University, Faculty of Economics and Political Science, Sorman, Libya

Email: Lotfiabozaid@yahoo.co.uk[1] , khalatserag@gmail.com[2]

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Abstract

This paper addressed the issue of Sharia supervision in Islamic banks, as it indicated that the Islamic society adopted a banking system borrowed from the West, which made banks usurious places. The paper presented the role of Sharia Supervision as a control body within the bank to ensure compliance with the provisions of Islamic Sharia in all financial transactions. The most important questions addressed in the paper included the concept of Sharia supervision and its role in Islamic banks, the mechanisms for exercising Sharia supervision in Islamic banks in Libya, the role and importance of Islamic banks. The paper adopted a descriptive, inductive approach to extrapolate studies related to the Sharia supervision of Islamic banks and derive a correct understanding of reality. It concluded with a set of results, the most important of which is that Islamic banks play an essential role in promoting economic and social development in Libya by providing Sharia-compliant financial services. Sharia supervision must remain sustainable and effective to ensure the sustainability of this positive impact and the development of Islamic banking. The paper recommended several points, the most important of which are: The role of Islamic banks in achieving economic and social development in Libya requires focusing on strengthening and deepening Sharia supervision, and developing strategies to confront economic challenges and crises. These measures will contribute to achieving development in Libyan society. In general, the paper highlights the importance of Sharia supervision in achieving compliance with the provisions of Islamic Sharia in Islamic banks and developing this sector in Libya.

Keywords*:* Islamic Banking, Sharia Supervision, Economic Development.

Introduction

The Islamic community has lived under a banking system derived from the West by spreading traditional banks in our Islamic society. As a result, banks have become places for usury, and it has become challenging to reform them and operate them correctly according to Islamic principles. One of the functions that emerged with establishing banks is "Sharia supervision". This means that all Islamic transactions are subject to the rules and regulations of Islamic law, which aims to ensure the implementation of Islamic business and activities. The Bank does not violate the provisions of Islamic law.

Sharia supervision is the regulatory authority over banks, an independent body within the Bank and attached to the General Assembly of shareholders, playing an integrated role in supervision and issuing fatwas, laying down administrative mechanisms to ensure the correct implementation of fatwas. The Sharia Director examines the individual's actions, identifies violations and errors, corrects them immediately, and reports to the relevant authorities. This ensures that these transactions and operations follow Islamic law's provisions and principles (Fawzia & Adam, 2021).

It can also be said that Sharia supervision is responsible for the review, inspection, monitoring, information gathering, and analysis of the results and serves as a safety valve in various Islamic institutions (Al-Shibily, 2008: p.2). This requires the legislative oversight bodies to meet and accomplish their goals, activate issues related to supervision and achieve legislative compliance based on clear principles and foundations to enhance performance in a general atmosphere of disclosure and transparency towards all parties related to Islamic financial institutions (Amara, 2015: p.5).

Research Problem

In financial institutions, the functions of Shari'a oversight bodies and legislative monitoring bodies bear significant similarities to those of external auditors, who rely on the scope of the internal control framework in the institution. However, Islamic banks, particularly those operating in Libya, have struggled with a lack of clarity surrounding the role of Shari'a supervision, which is evidenced by the ignorance or inadequate knowledge of bank employees and administrators on this matter. Given that the numerous financial transactions conducted by banks nowadays require comprehensive knowledge of the relevant provisions of Islamic finance, the management inefficiencies and discrepancies in specializations and roles between oversight bodies have created a void, prompting more research on this subject.

The primary research inquiry centres on determining the role of Shari'a supervision and its impact on Libyan banks

Therefore, we will answer this central research question by addressing several sub-questions that must be answered, which are

I. What are Sharia supervision and its role in banks in general?
II. What are the mechanisms for practising Sharia supervision in Islamic banks in Libya?
III. What are Islamic banks, their importance and their role?
IV. What is the extent of the role of Sharia supervision and its impact on the Libyan Bank? Or what is the role of Sharia supervision in developing the Libyan Islamic Bank?

Research Objectives

I. To identify the nature of Sharia supervision and Islamic banks.
II. To determine the mechanism of practising Sharia supervision in Libyan Islamic banks, its components, the number of members, their duties, and the reference materials for supervising them.
III. To understand the Sharia supervision role and its contribution to the development of the Libyan Islamic Bank, as well as comprehend the obstacles and difficulties hindering its work.

Significance of Research
The importance of research is represented in developing and improving banks directly. This allows jurists to see some economic aspects and economists to see some jurisprudential aspects.

Research Approach
This paper is one of the qualitative research that relied on the inductive descriptive approach by extrapolating the research specialized in the legal supervision of Islamic banks in order to derive the correct understanding of reality.

Research Scope
The limits of the objective study are represented in the role of Sharia supervision in developing Libyan Islamic banks as a model, represented by the Libyan Islamic Bank.

Definition of Terms
Sharia supervision: Sharia control is an emerging concept of a specific structure, and this concept must define its function, control its limits, and restrict its vocabulary. To avoid confusion with other concepts used and to ensure that the images illustrate this concept, search for its intended meaning and not be obscured by fog or ambiguity.
Islamic banks: referring to Al-Ajlouni, the Islamic Bank, was known to carry out financial and banking operations and services in a manner that achieves economic and social goals, attracts financial resources, ensures their growth, and achieves maximum profits from them, which are known as financial institutions in the currency that they use effectively in development within the framework of Islamic law. (Al-Ajlouni, 2008: 110).

The First Axis: Previous Studies
Many studies have dealt with Sharia supervision and its impact on general or Islamic banks in particular. Following are a number of these studies, including:

1) **A *Study (Askafei: 2018):*** Entitled: Suffering of Sharia Managers from Lack of Financial and Administrative Independence. The study concluded that Sharia supervision in Palestine has several forms in terms of its organizational status, as some banks consider it a different sector and others consider it a single one, and we have touched On the fact that being an independent circuit would be an ideal situation. Sharia managers suffer from a lack of financial and administrative independence in terms of organizational conditions, unable to perform their duties objectively, impartially and transparently.

2) **A *Study (Mishaal, 2016):*** Entitled: The Role of Sharia Supervision in Achieving the Shari'a Purposes of Islamic Finance Work inside banks and whether the mechanism of these purposes has been achieved and applied already to Islamic financial products and contracts within the Bank, and this was done through a supervisory perspective. Save the nation's money and provide for its people.

3) ***A Study (Murad, Dahdouh, 2015):*** Entitled: The extent of the audit committees' contribution to strengthening Sharia supervision in Syrian Islamic banks (a field study). This study aimed to highlight the extent of the audit committee's involvement in

strengthening Sharia supervision and its role in the Islamic Bank in Syria. Also, it aimed to identify statistically significant differences between the opinions of employees for auditing and those of employees in banking operations. The study population represented Syrian society, and the sample consisted of 85 workers—management of banking operations and personnel in the audit department.

4) ***A Study (Abdul - Qader, 2013):*** This research dealt with the concept of Sharia control, the basis on which it is based in carrying out the necessary tasks, and the importance of being in Islamic banking as a safety valve to ensure the application of the provisions of Islamic Sharia. The authorities considered it to implement the tasks and methods to overcome these obstacles. The most important results of this study are: The legal supervision of Islamic banking services is a legal supervision that is evidenced by the books, the Sunnah, the behaviour of citizens, reasonable legal considerations, and the legal institutions necessary to secure banking obligations.

5) ***A Study (Ali, 2014)*** This study was entitled: "The role of Sharia supervisory boards in mitigating the risks of banks' non-compliance with fatwas and Sharia controls through adherence to fatwas and jurisprudential evidence. One of the most important results of the study is that Sharia supervisory boards formulate legally regulated contracts and prepare jurisprudential evidence To help workers perform their duties, insufficient training in this field.

Through previous studies, we find that this research is compatible with previous studies but complements them by providing an overview of Sharia supervision in Islamic banking, including the Issue of supervision and its role in developing banking work. They also differ in terms of space and time.

Theoretical Background

Islamic Banks

The emergence and concept of Islamic banks: Historians agree that the emergence of Islamic banking dates back to 1963 when Dr Ahmed Abdel Aziz El-Naggar established the first Islamic Bank in the Dakahlia region of Egypt, known as the Savings Bank because it served as a savings fund for small farmers (Yassin, 1996: 120). In 1971, Nasser Social Bank was established in Cairo to collect and disburse zakat and signature loans. The Islamic Development Bank was established in the Kingdom of Saudi Arabia in 1974, followed by Dubai Islamic Bank in 1974. Faisal Islamic Bank of Sudan was established in 1975, Faisal Islamic Bank of Sudan in 1977, Kuwaiti Expenditure Savings Bank, and Fibel Bank. In 1978, the Jordan Islamic Bank for Finance and Investment and the Islamic International Arab Bank were established. In the past, a group of Islamic countries changed their entire banking system to an Islamic system, such as Sudan, Iran and Pakistan.

In the nineties of the last century, bodies regulating Islamic banking work appeared, such as the accounting and auditing body for Islamic monetary institutions and the Financial Services Board in Malaysia. Islamic banks and Islamic financial institutions began to increase significantly. The basis of Islamic law, and in the coming years, will witness a significant increase in establishing Islamic banks and financial institutions. The Islamic countries were divided into two parts. Some of them mixed between the two systems, the traditional system and the Islamic system, such as Egypt, Jordan, the United Arab Emirates and Kuwait, and some of them radically changed their financial and banking system based on Islamic law, such as Pakistan, Sudan and Iran (Khalidi, 2005).

The Concept of Islamic Banks

Islamic banking was defined as the principle of achieving profit based on Sharia, in addition to the performance of services. In 1971, Nasser Social Bank was established in Cairo to collect and disburse zakat and significant loans, and in 1974 the Islamic Development Bank was established in the Kingdom of Saudi Arabia, followed by In 1974 Dubai Islamic Bank. The Bank was established. Faisal Islamic Bank of Sudan in 1975, Faisal Islamic Bank of Sudan in 1977, Kuwaiti Expenditure Savings Bank, and Fibel Bank. In the same year, 1978, the Jordan Islamic Financial Investment Bank and the Islamic International Arab Bank were established. In the past, a group of Islamic countries such as Sudan, Iran and Pakistan completely changed their banking system to the Islamic system (Village, 2004).

Therefore, we can define the Islamic Bank: "It aims to achieve economic development, we follow the correct Islamic path through work teams that enjoy loyalty, efficiency and self-responsibility, and improve living standards and social solidarity within the society of the Islamic state. Additionally, Islamic banks are also known as financial institutions that provide banking and financial services and carry out financing and investment business in the light of the rules and provisions of Islamic law to instil values, ideals and morals in financial transactions as commanded by God Almighty in the Islamic religion to achieve social and economic development away from harm, deceit and greed—the principle of sharing profits and losses (Abdel-Baqi Ismail, 2016).

Islamic banks will launch investment operations that are fully committed to the foundations and pillars of the Islamic economy represented (Sultan, 2004p:55-56)

- Prohibition of profit dealing in all its forms (acceptance or bidding).
- Achieving social integration and balance in human society.
- Commitment to the rules of Islamic law and other Islamic trends (halal and forbidden).
- The profit principle is that you cannot make money without taking risks.
- Belief in the principle of work is the basis of income—prohibition of dealing with the interest rate and all its forms (taking or giving).
- Directing savings to areas that help economic and social development.

The Objectives of Islamic Banks

To achieve a mission, many goals lead to fulfilling that mission.

Financial Goals

Deviating from the fact that Islamic financial institutions are Islamic business institutions
that play the role of financial intermediation based on the principle of participation in the first place, as it reflects the extent of its success in playing this role and has many financial goals. In light of the provisions of Islamic law, these objectives are

a) **Attracting and developing deposits:** This is considered one of the essential objectives of Islamic banking as it represents the first part of the financial mediation process. This goal is essential because it is seen as an application of legal rules not to withhold funds or invest them in a way that benefits the Islamic community and its members. (Nasser, 2000: 47).

b) **Mutual Funds:** Investments represent the second part of the financial intermediation process. It is the main objective of Islamic banking. Islamic banks can use several legal investment schemes to invest the funds of shareholders and depositors, provided that the Bank considers them when investing available funds to achieve social development.
c) **Achieving profit:** Profit is the income from Islamic banking activities, and it is the result of the investment process and banking operations that are reflected in the form of profits distributed to depositors and shareholders. The increase in the Bank's profits increases the market value of its shareholders' shares. Islamic banking is an Islamic financial institution, and making a profit is one of its primary goals so that it can compete and continue to be successful in the banking market and a testament to the success of Islamic banking.

Objectives of Islamic Bank Merchants

Multiple objectives that Islamic banks must strive to achieve (Al-Amin, 2007p: 3):

a) **Providing banking services:** The success of Islamic banks contributed to providing high-quality banking services to their customers and their ability to attract large numbers of customers and provide excellent banking services.

b) **Offer to investors**: Islamic banks can provide the necessary funds to investors, invest these funds through specialized subsidiaries, or invest these funds directly in the (local) markets, regionally and globally.

c) **Providing the depositor's guarantee:** One of the most critical factors for the success of banks is the depositor's trust in banks. One of the essential elements of confidence in banks is their ability to meet demand, from permanent cash liquidity to the ability to withdraw from customer deposits, especially demand deposits, without the need to liquidate fixed assets. The cash liquidity of banks is used, in addition to providing investors with the necessary funds to meet the needs of banks in terms of current withdrawal needs on the one hand and operational costs on the other.

Internal Goals

Islamic banks and financial institutions have many internal goals that they seek to achieve.

a) **Human Resources Development**: Human resources are essential in the Bank's profit process because funds alone do not generate income without investment. For any Islamic bank to achieve this human element in which this money cannot be invested, it must have experience in the banking industry, which allows him to reach the highest levels of performance of the human element in Islamic banking through training (Al-Sartawi, 2006: 153-154).

b) **Achieving growth rates:** Institutions, especially banks, are the mainstay of the economy of any country and are generally established for continuity for banking services to continue.

c) **Geographical and social expansion:** Islamic banks need to expand and open up to the public and provide banking and investment services to achieve their previous objectives. We offer them the closest banking services, which can only be achieved through our geographical spread within our community.

Innovative Goals

The competition between banks in the banking market is fierce to attract existing investors or investors, whether deposit holders or not. It has to keep up with banking developments (Al-Rawi 2001p: 509-510). We will provide Islamic banks with several facilities to establish their presence in the banking market efficiently and effectively.

Establishing financing programs: For Islamic banks to face competition from conventional banks, attracting investors requires providing the necessary financing for various projects, which is inconsistent with the provisions of Islamic Sharia.

Innovation and development of banking services: banking services activities are considered one of the main areas for developing the banking sector. Banks are developing current banking products which conventional banks do not offer in line with the provisions of Islamic Sharia. Islamic banks must strive to create banking services compatible with Islamic Sharia's provisions rather than limiting their activities to them.

The benefits and advantages of Islamic banks

Islamic banks are characterized by the provision of banking services that are compatible with Islamic Sharia and rely on financing their projects on the concept of Islamic finance by investing funds in various forms of investment that depends on the partnership, partnership financing, leasing financing and other mechanisms within the framework of these institutions' endeavour to achieve their goals that are compatible with Islamic Sharia (Nabila et al., 2021). Among the essential features of these banks are the following:

1. Providing legitimate financial services that are compatible with Islamic principles and values by not dealing with usury, in compliance with the legal texts contained in the Noble Qur'an and the noble Prophet's Sunnah, "God permitted selling and forbidden usury," and meeting the needs of Muslim customers who wish to meet their financial needs in a manner compatible with Islamic law (Raghad, 2010).
2. Enhancing financial inclusion and enabling broad segments of society, primarily low-income, small and medium-income individuals, to obtain financial services. That is, the investment of Islamic banks' funds should have an added value on production factors, and not by buying and selling stocks and bonds in the financial market (Abdel-Rahman, 2016).
3. Supporting financing for small and medium enterprises and providing new investment opportunities enhances economic growth and contributes to job creation and social development.
4. Stimulating innovation and diversification of banking products that meet customers' needs and aspirations.
5. Increasing the Volume of financial surpluses in Islamic countries, whether at the level of individuals or institutions and governments (Abdel-Basit, 2006).

Fourth: Development in Islamic banks

Islamic banking needs a complete development strategy to keep abreast of economic and financial developments in the international arena, and the application of such strategies will enhance the competitiveness of the Islamic banking system through well-studied mechanisms and plans. Among the most important of these strategies are the following

Performance appraisal strategy: Performance appraisal is an advanced extension after a modern oversight that indicates the degree of effectiveness and efficiency, ensuring and avoiding the use and oversight of the Bank's effectiveness and achieving goals and reasons that hinder capital (Qalawi, 1988p: 267).
Performance evaluation is summarized in a series of steps in which the achieved results of an activity are compared with the objectives of this activity, and due attention should be given. The results of the study represent the essential criteria for evaluating and determining the Bank's performance and the degree of development.
Stability Strategy: Strategies to protect and enhance the competitiveness of banks in the current behaviour and the services they provide. It can create a competitive advantage over conventional banks (Joaan, 2005p: 1679).
We will enhance our research and development process and conduct extensive research to improve the position of these banks so that they can distribute profits from depositors from investors at an equal or greater rate than their traditional competitors from the banks.

Legal Supervision

First, the emergence of legal control and the concept of legal control.

The Establishment of Legal Supervision

Sharia supervision of Islamic banks arose as part of efforts to regulate the Islamic financial sector and improve its transparency and practice of financial business following Islamic Sharia. Sharia supervision began in the form of Sharia advisors to Dubai Islamic Bank and Kuwait Development House. It then chose the advisor from prominent scholars without scrutinizing his experience in the jurisprudence of commerce, followed by primary and subsidiary sciences. Islamic banks still do that.

The Concept of Legal Supervision

Concerning Sharia supervision, it can be defined generally as the examination of the operations of financial institutions to protect them from violations of Sharia (Al-Khulaifi, 2003: 20).
The administrative standards issued by the Audit and Supervision Board for Islamic Financial Institutions clarify the nature of Sharia supervision. Moreover, the work involved in it, where Sharia control is defined as follows: This includes: contracts, agreements, policies, products, transactions, articles of incorporation, articles of incorporation, financial statements, reports, especially internal audit reports, central banks and circulars (Al-Masry, 1995: Research Series of the Islamic Economic Center - King Abdul Aziz University (Jeddah, 1995-1416).
Sharia supervision can also be defined as a process of verifying the compliance of financial institutions, such as banks, with Sharia rules and regulations that regulate their financial and investment activities. This means ensuring they comply with Islamic Sharia's provisions, following up on banking operations, indicating violations, if any, and proposing appropriate solutions to correct them (Hiyam, 2013), preserving the interests of customers and investors, and avoiding activities that Sharia prohibits.

The Importance and Purpose of Legal Oversight

Sharia supervision is essential in Islamic banks because Islamic banks adhere to Sharia rules in banking and investment operations. Therefore, Sharia supervision ensures that Islamic banks adhere to Sharia rules and controls in all economic, social and intellectual aspects and maintain their reputation and credibility. Legitimacy in the eyes of its customers and the public of citizens who do not deal with usurious banks (Fethiye & Zabit, 2014). Sharia supervision is essential for Islamic banks for several reasons, most notably:

1- The basis on which modern Islamic banking is based is to provide a legal alternative to illegal sharks, which is the institution that supervises and supervises the work of Islamic banks, so legal supervision is necessary for Islamic banks, and it is no secret that it is necessary. Islamic Bank. It is the body that supervises and monitors the functions, duties and application of Islamic banking in Sharia transactions.

2- Non-compliance with the rules of Islamic trade by all employees of Islamic banks (Al-Zuhaili, No. (199): 31).

3- The picture of commercial transactions has become complex, and new commercial transactions, such as credit cards and old legal accounts, have become common.

4- Banks, especially in investment and lending, need input from the Fatwa Committee, which is in constant contact with Sharia supervisors because they always need children in times of crisis and the reality they face in their work.

5- The presence of Sharia supervision in banks gives legitimacy to bankers. Monitoring reassures most of those dealing with banks (Al-Qaradawi,2005 Issue (238): 15).

6- The emergence of incomplete financial and investment entities (Za'ir1996 No. (186): 44).

Objectives of Sharia Supervision

The Sharia supervision of Sharia banks has several objectives, including (Ahmed, 2010: 25) :

1. Achieving the commitment of Islamic financial institutions to the provisions and principles of Islamic Sharia.
2. Achieving the highest goals of Islamic banking to adopt halal profits away from the interest rate system.
3. Preventing workers in Islamic banks from becoming usurers.
4. Reassuring those who deal with Islamic financial institutions and regulatory bodies of the legitimacy of their activities and operations (Ali, 2014: 16).
5. Work to establish subsidiary institutions such as bank deposit guarantee funds, Islamic insurance companies, financial services companies, and zakat departments.
6. Developing applied Islamic formulas and products, introducing new formulas and products, and preparing research and studies in the fields of Islamic economics and Islamic banking (Abu Ghuddah, 2001: 9).

Components of the Sharia Supervisory Board

The oversight of the internal Sharia board is one of the most prominent functions in the Islamic Bank because its mission is to evaluate the Bank's work so that it does not violate Islamic Sharia, and this is what distinguishes the Islamic Bank from all other traditional banks. It is one of the fundamental differences between them. The Sharia Supervisory Board in Islamic banks consists of two parts:

The Fatwa Committee: It undertakes the theoretical aspect of finding legal alternatives and developing practical solutions to the problems of Islamic banks.

The Shari'a Follow-up Board: It performs the practical aspect, i.e. ensuring that the Bank's management adheres to the limits set for it from the Shari'a point of view and its commitment

to the directives of the Fatwa Board the fatwas issued by it. The Shari'a Follow-up Board is affiliated with the Fatwa Board here, called the internal Shari'a control (Ahmed, 2006).
In addition to the banking supervision that the Islamic Bank is subject to, it is subject to the Sharia supervision that is unique to it, which is the essential difference between it and the traditional banks, and without it, the Islamic Bank becomes an indefinite name (Al-Rifai & Fouad, 2004). It can be said that it is the supervision of the Sharia Supervisory Board on all activities. This body consists of a group of jurists in Sharia, banking economics, and law, and it represents the legal guardianship over the Bank that corresponds to the muhtasib in Islamic economics. It is necessary that the conditions that the jurists mentioned in the muhtasib be met (Muhammad, 2017).

Third: the difficulties facing the work of Sharia supervision
1- The lack of independence of the Sharia Supervisory Board: If an Islamic bank is established and its own Sharia Supervisory Board is appointed, then this body must be independent, and independence means that the organization means that you have the authority to exercise the authority: capacity, fairness, and complete freedom (Al-Khulaifi, 2005: pp. 378-388).
2- The failure of the Bank's management to respond quickly to the decisions of the Sharia Supervisory Board is the foundation of cooperation between the Islamic Banking Authority and the Fatwas and Sharia Supervisory Boards. There are clear imbalances in some Islamic financial institutions. Traditional banks have a mentality that only understands profit and profit and is less concerned with adhering to legal fatwas and decisions. Supervisory boards lead to a lack of prompt response to the Sharia Supervisory Board's decisions, continuous violations of Islamic law and civil custom, and conflicts and violations of principles between the board of directors and management. Cooperation between them and making the Sharia Supervisory Board a fake and meaningless institution (Ben Zughaiba, 2009: 26).
3- The lack of professional lawyers in banking and contemporary economic issues, and with the rapid and significant development of economic transactions, there is a need for lawyers specialized in banking and contemporary economic issues. These issues are apparent and point of view. It is not easy to reach a correct legal ruling on it.
Therefore, officials in these banks do not support forming legal oversight bodies on the pretext that they are an adequate and insufficient methodology to confront the problem, even if they lead to the banking discipline (RadiDina, 2005 AD, 276).

Topic Three: The Libyan Islamic Bank and Its Sharia Supervisory System
First, introducing the Libyan Islamic Bank: It is the first fully owned Islamic Bank in Libya by the Libyan private sector, established in 2017 with a capital of 250 million Libyan dinars (Al-Gharbani, 2020). It is an Islamic financial institution that practices Islamic banking operations according to Islamic Sharia and its regulations. The Bank operates based on financial and investment intermediation in the field of accepting deposits. In addition to providing banking services, it invests funds in areas of sales, financing, and investment in the form of partnerships or mudarabah to add economic and social value to the Libyan community.
The Bank is the first fully Islamic Bank in Libya that adopts and embodies a distinctive Islamic section and provides its customers with an integrated package of banking solutions through its advanced and diverse offerings of banking products and services. The Bank seeks to adopt and use the latest technologies compatible with the glorious Islamic Sharia.

Secondly, the Bank's objectives and aspirations: The Libyan Islamic Bank seeks to achieve several objectives, including:

• Excellence and leadership in Islamic banking operations and providing all services according to Islamic Sharia.
• Achieving profits and growth.
• Contributing to the development of the Libyan banking sector.
• Contributing to reconstruction projects.
• The Bank aims to drive the economy forward by offering advanced and innovative Islamic banking products and services that comply with Islamic law. This is achieved by attracting cash liquidity from individuals in the community and providing them with the best financing and investment solutions.
• The Bank strives to improve and develop the performance of its employees by providing a stimulating work environment for innovation and creativity.
• The Bank aims to win numerous awards in the field of Islamic banking, including Best Islamic Bank in Libya, Best Islamic Bank in Providing Islamic Products, Best Management of an Islamic Bank, and Fastest Growing Islamic Bank in North Africa and the Middle East (Libyan Islamic Bank, 2020).

Secondly: The Economic Role of the Bank.

• The Bank participates in productive activities, seeking the best in production. Thus, a partnership is created between capital and practical experience in developing the national economy.
• Capital owners who deposit money in banks receive a fair return, encouraging them to invest their money in the banks.
• By investing in partnerships and not relying on differences in interest rates on credit and discounts, banks direct all their technological capabilities to support the development process in society.
• The profit-sharing system ensures economic development for the Islamic world, as Islamic banks do not adopt the interest rate as a guide for investments but look at real profits alongside social responsibility.
• Islamic banks try to curb inflation. Instead of saving deposits, Islamic banks keep only a portion of deposits, and Islamic banking does not issue credit money but ties the return on the deposit to the actual yield of production, which does not lead to inflation.

Thirdly: Sharia Supervision in the Libyan Islamic Bank

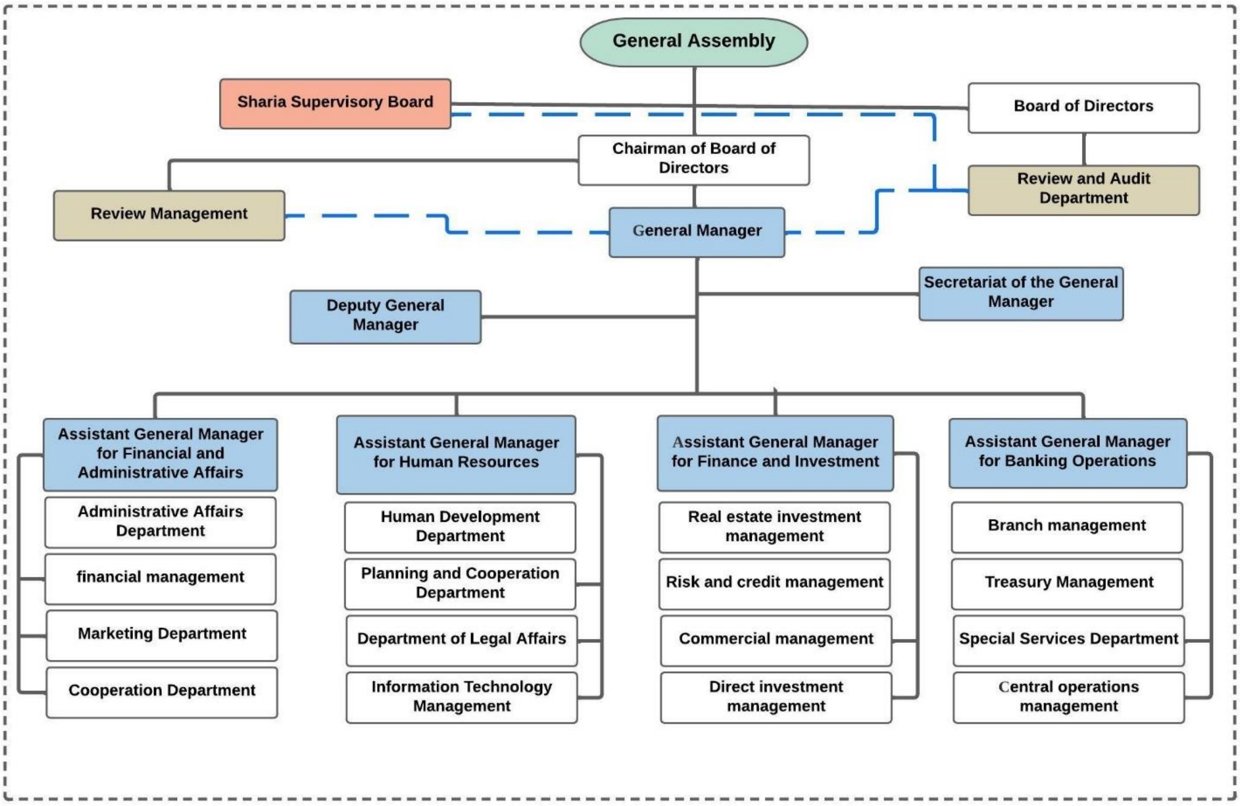
The Sharia Supervisory Board is an independent entity affiliated with the General Assembly of Banks. It consists of many legal scholars specialized in Islamic law, the jurisprudence of Islamic transactions, and sciences related to Islamic banking operations.

Criteria for selecting members of the supervisory board:

- They should have the necessary experience to perform their assigned tasks.
- They should be independent, meaning that they are not shareholders who have a real influence in the Bank's general meetings.
- At least one-third of them should be experts in Islamic law, the jurisprudence of Islamic transactions, or Islamic banking, and they should not have experience in transactional law. The remaining members could be experts in banking in general, and there is flexibility in this regard.
- Members must have high qualifications in their area of expertise.

The Sharia Supervisory Board

The independence of the Sharia Supervisory Board in the organizational structure and its position gives it a high status in decision-making and carrying out its activities. Its subordination to the Board of Directors and the general manager, whether executive or general, is on neutrality and does not face any barriers to the functional hierarchy within the organizational structure. It also avoids overlapping interrelated tasks. Therefore, the organizational structure of the Bank is headed by all its departments, indicating the positive aspect of this entity, as shown in the following diagram of the organizational structure of the board



The proposed organizational structure for the work of Islamic banks in Libya and the location of the Sharia Supervisory Board

The responsibilities of banks towards the regulatory authority include:

- Providing all necessary agency requirements regularly or upon request to facilitate their work.
- Notifying the authorities before engaging in non-standard transactions or presenting new contracts that the Bank intends to use in the future for regulatory approval before issuing them.
- Not responding to any contract under legal review until it is amended, replaced, or approved by the regulatory authority.
- Providing clarifications requested by the authorities, especially those related to operations that the authorities believe violate Islamic law.

The application of Sharia supervision on Libyan banks includes four levels of control

1. Sharia supervision: According to article 100 (7) of Law No. 1 of 2005, as amended by Law No. 46 of 2012, the Bank's operations are monitored by a Sharia supervision authority to ensure compliance with Islamic law.

2. Internal control: Law No. 46 of 2012 obliges the creation of a Sharia audit and review department, as well as a risk management unit, compliance unit, and internal audit department, to ensure the quality of internal control systems.
3. External auditors review the accounts of banks in accordance with the provisions of Article 83 of Law No. 1 of 2005 regarding banks and their amendments.
4. The Central Bank of Libya exercises control over banks and currency, while the Central Authority for Sharia Supervision reviews the financing contracts offered by banks to their customers from a Sharia perspective. Additionally, listed banks are subject to oversight by the securities market (Central Bank of Libya Report, Banking Supervision, 2022)

Conclusion

The conclusion of this study generally showing that, the analysis of "Shariah supervision and its Role in the Islamic Banking in Libya" underscores its importance for economic and financial transformations in the Libyan society. This perspective offers a valuable framework for researchers and stakeholders in Islamic economics, aiding in the enhancement of Libya's Islamic financial and banking system. However, the pivotal role of Shariah supervision in building trust and fostering the success of Islamic banking is evident. However, future research in this field will undoubtedly benefit from this theoretical and contextual approach, both in Libya and on a global scale.

Firstly, the study resulted in several findings that can be summarized as follows

1. The positive economic and social impact of Islamic banks on the Libyan society that rejects transactions with high-interest rates.
2. Shariah supervision in Islamic banking in Libya is an important and effective factor in its development due to its Shariah dimension, and it is one of the main factors in the process of development and innovation. However, there are still challenges facing banks, such as those related to the banking sector in general, political and economic conditions, and the COVID-19 pandemic.

Secondly, the research recommends the following

1. Each branch of the Bank should have a Shariah supervisory board in addition to the general manager.
2. Self-supervision is essential, so every banker should have a Shariah supervisor.
3. The Islamic research sector and its products should keep up with all developments in Islamic banking, including discovering new financing methods and improving banking services, to adapt to the major developments in the banking industry.
4. Educating employees on the rules and legal provisions of Islamic banking transactions and developing human resources capable of dealing with Islamic transactions and products through seminars, workshops, and specialized courses until a specialized cadre is formed in this field.

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