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The Linkage between Islamic Intelligence Financial Instruments and the Libyan Economic Development

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Abstract
Purpose: This paper discussed and reviewed the concepts of Islamic intelligence financial instruments and the Libyan economic development
Design/methodology/approach: Review the previous studies that clarify the role of the Islamic intelligence financial instruments on Libyan economic development.
Findings: This paper has come up with a conceptual framework that can be implemented in the Libyan Islamic banking sector
Research limitations/implications: This research concerns the intelligence financial instruments in Libya perspective
Practical implications: The financial instruments are very important in financing the investments made because many savers enter the financial markets to evaluate their savings, especially in the Islamic banking sector.
Originality/value: This study provides a base understanding for a potential role of Islamic intelligence financial instruments toward the Libyan economic development

Keywords: Islamic intelligence financial instruments, economic development, Libya

Introduction

The intelligence finance is an old term, it is related to the management of people's economic resources. At first, it was unknown in such a way that there are not even authors that relate its ancestry, but over time it has been defined and linked to the origin of the currency and its commercial transactions. These operations are carried out from the creation of money, as a means of exchange, to obtain goods and services that formalize said purchasing activities (Leonov et al., 2020).
However, obtaining the economic resource is through work, and by virtue of this arises the undoubted need to properly manage money, but due to the absence of scientific and academic bases, the management of both personal and family money has been developed implicit way; since several people only consumed the essentials and the difference was saved for unexpected events, while others spent all the money on unnecessary things or simply could not cover all the needs of the month (Hassan et al., 2020).
With this precedent, during the 19th century the author Kyrk (1923), elaborating her doctoral thesis called “Consumer economics and family economics”, covered the field of personal finance; In this document, several theories were linked, such as that of Keynes, where he emphasizes that the demand for goods and services balances the productive system and also highlighted Marx's conclusion that people only acquire according to the availability of their income at the time of buy (1920).
From this, Margaret Reid in the chair of home economics was a pioneer in analyzing consumer

and household behavior with respect to the needs and available economic resources and inspired (Herber, 2019), to continue investigating about educational aspects and personal desires that directly affect individuals when making economic and consumption decisions. Subsequently, Ariely et al. (2009) conducted a variety of studies in 2009 on the events of the 2008 financial crisis; through which highlighted that people do not act rationally when making their purchases and that the market does not correct the economic imbalance or regulate itself until there are provisions or regulations focused on improving the situation (Mikalef and Gupta, 2021).

Finally, although intelligence finances do not have a defined origin, there are studies that describe the events and possible implicit events that caused it. Therefore, at the Undergraduate and Postgraduate level, the financial management of individuals and households has been investigated, due to the importance of inquiring into individuals with purchasing power; those who make decisions with the objective of satisfying their needs given the availability of economic resources and contingency measures to prevent unexpected events (Dubey et al., 2021).

A financial instrument is defined as a contract that indicates the ownership of an asset by one person and the obligation to another person. In the stock market, not all financial instruments can be traded. Checks, for example, are also counted as a financial instrument but are not traded in the financial markets (Zhang and Lu, 2021).

So, again, financial instruments are assets that can be traded, or they can also be thought of as packages of capital that can be traded. Most types of financial instruments can be transferred efficiently as of capital for all investors around the world. These assets can be exchanged for cash, and can be seen as a contractual right to deliver or receive cash or another type of financial instrument, or as evidence of an individual's ownership of an entity. Many people want to invest to get high returns without the risk of losing their capital or their primary investment. For this reason, many are still looking for the best investment plans where they can, within a few months or years, double their money with little or no risk (Huynh et al., 2020).

Understanding the basics of financial instruments is essential and key to the successful financial investment. Whatever the choice, whether it is day trading or a long-term investment, it must be aware of the characteristics and value of the financial instruments. Simply put, stock exchange prices fluctuate on a daily basis, and it involves exchanging financial instruments at different levels. This exchange is ongoing, people can make a profit from it and at other times they may not be so lucky. It is very important to have a good strategy and a well-designed investment plan, both in the short or long term, whether it want to hold the financial instruments for a long period of time or only for the short term (Lui and Lamb, 2018).

In the event of a stock collapse, the value of an investment portfolio consisting primarily of stocks will decrease. Fortunately, there are other financial instruments that belong to different groups of assets that are not generally related to the stock market. It depends on the period of time the investor needs exposure and also the level of risk he can take to choose the best one to buy. More light is once again shed on Islamic banks, which are gaining interest in the West, Russia and other countries. The German newspaper "Handelsblatt" recently reported that the Islamic "Kuwait Turkish Bank" will obtain a license to operate with full powers as the first bank of its kind in Germany (Soylu, 2019). The announcement of this license was preceded by the Swiss, American and British banks to significantly expand the circle of their Islamic financial services during the past ten years. In turn, German banks such as Commerzbank and Deutsche Bank in the past years have established departments and funds for these services, whether in Germany or in the Arab world (Robinson, 2018).

In Russia, a project is being worked on to rely on local and international financing methods in accordance with Islamic law, with the aim of reducing the consequences of economic recession and Western sanctions on the Russian economy. In addition to providing banking services in accordance with Islamic law, there is also a growing interest in teaching Islamic financial instruments in academic and research institutions, as is the case at the University of Strasbourg, which introduced these systems into its curricula years ago (Artavanis and Karra, 2020).

Islamic Finance in Libya

Islamic banks appeared in the country in the late eighties, with the emergence of the first Islamic bank, Al Baraka Islamic Bank, which was established in 1985 AD, and this experiment witnessed a great stumbling due to the obstacles to the actual and practical application of the experiment before it was reinforced again with a new experience in the field of Islamic transactions, which is started with the establishment of the National Bank for Transactions (NBT), and a group of other banks that have emerged recently. These tried to overcome the problems and obstacles that encountered the first experience, but now - according to my point of view - they are experiencing a number of problems (Abdulsaleh, 2017). He divides these problems that Islamic banks suffer from into two parts:

The first section: issued from outside the Islamic bank, such as the regulations that govern banking activity, and the economic approach prevails in the environment in which the Islamic bank is located.

The second category: It is issued by the bank itself, such as its leniency in some of the legal rulings and its falling into suspicions, and it's imitating the contradictory methods in a way that makes it lose its distinction, and so on. Undoubtedly, this part of the problem is blamed on the Islamic bank because it is issued by it, so it is able to overcome it. Many Islamic banks in Mauritania suffer from it (Abusloum et al., 2020). Rather, this study will suffice here only with the problem of financing.

It is well known that Islamic banks depend for their financing on sales and trade, such as Murabaha, and Musharaka, meaning that money in Islamic banks is not an end but a means (Miah and Suzuki, 2020). For example, the needy for a commodity does not give the Islamic bank money that enables him to buy it as the interest-based bank does, but he brings the commodity and then sells it to him. In a way that suits it, and here lies the paradox between Islamic and interest-based banks, and between selling and usury.

And the one who contemplates today the method of financing in Islamic banks through the Murabaha process, in particular, which has the highest value in the work of Islamic banks, will find it proceeding in a way that brings it closer to financing in its usurious concept (Al-Sulaiti et al., 2018). This is because many Islamic banks in the country are lenient in the matter of the commodity, which is the basis of the sale. Among the manifestations of this leniency and lack of desire for the commodity:

A_ The negligence of some Islamic banks in receiving the goods.
B_ obligating the ordering customer to promise to buy.
C_ Taking a serious margin from the client as soon as the date and before the contract by obligating him to his promise.

This phenomenon indicates a clear indication that the bank did not intend to trade, so it formed usurious banks, and this problem enters this transaction into the fever of suspicious sales, which the scholars consider usury and pretexts as if the saying of al-Dardari is true to them." So, they go to the merchants to buy it, at a price so that they sell it to the student, and whether he sells it to the requester for an immediate or deferred price, or part of it is immediate or deferred." Al-Sharh al-Sagheer C/3 p. 129. It thinks that the problem of this type of financing is due to two main points:

First: that the Islamic bank has settled in his mind and the approach that interest banks follow, rather the approach that is teeming with the economic arena in general, and this is very clear to

the beholder, since all the managers and human cadres of Islamic banks in the country specialize mainly in traditional economics, and most of them do not have Background on the economic doctrine, and this is what made the Islamic bank go with the knees in terms of whether it feels or not
Second: The money that Islamic banks take from individuals, either in the form of a loan or a deposit, makes them fear to trade in them, and are keen to convert them into cash as much as possible in order to preserve the depositors' money. It obliges the customer to purchase and demands compensation from the customer when he neglects it. Whatever the case, this approach came from an economy that is not like ours, and an environment that is not like the Libyan environment.

Economic development in Libya

The Libyan economy, which depends almost entirely on oil and gas exports, has been struggling since 2014 due to security and political instability, disruption of oil production, and slumping global oil prices. The Libyan dinar has lost much of its value since 2014, and the resulting gap between the official and black-market exchange rates has stimulated the growth of the shadow economy and contributed to inflation. The country suffers from widespread power outages, due to a lack of fuel for power generation. Living conditions, including access to clean drinking water, medical services, and safe housing, have all deteriorated since 2011, according to the CIA's World Factbook. Oil production in 2017 reached a five-year high, driving GDP growth, with average daily production rising to 879,000 barrels per day (Elmansouri et al., 2020).
As the oil sector is the main source of growth, economic activities remain constrained by frequent clashes over oil infrastructure facilities with the aim of controlling oil wealth. The World Bank considers that the country's ambition to raise oil production to 1.6 million barrels per day (the highest levels of production before the revolution) is excessively optimistic; This goal is frequently disrupted by political conflicts. Associated insecurity and reforms impede investment and private sector development (Capasso, 2020).
The Bank also believes that achieving stability is out of the question in the current situation scenario, which is defined by competition for resources with delays in resolving the political conflict, the continuation of internal division and the failure of institutions to perform their functions. This fragile situation is further weakened by the frequent clashes around oil terminals and in large cities, mostly aimed at controlling oil wealth. In this context, Libya - according to the World Bank Group - cannot but maintain oil production at an average rate of one million barrels per day during 2019 and 1.1 million barrels per day during the next few years, which represents only two-thirds of the production capacity (Capasso, 2020).
The Central Bank of Libya continued to pay government salaries to the majority of the Libyan workforce and fund subsidies for fuel and food, resulting in a budget deficit estimated at 17% of GDP in 2017. Declining consumer confidence in the banking sector and the economy as a whole has led to a severe shortage of liquidity.
Given the Libyan economy's heavy dependence on hydrocarbon activities, its performance continues to be severely affected by the security situation, particularly around major oil fields and facilities. The improvement in the political and security conditions during the second half of 2017 allowed Libya to more than double its oil production, achieving record growth last year (an increase of 26.7%) after the years of stagnation. But this situation did not last through the first half of 2018, as reported by the World Bank (Omar et al., 2020).
The status quo scenario, drawn by the delay in resolving the political conflict and the continuation of the internal division, makes achieving stability out of the question. A feature of this situation is the frequent clashes around oil installations and in major cities, which means that any emerging recovery will lead to increased competition for resources. In this context,

Libya can only resume oil production at an average rate of 1 million barrels per day by the end of this year, and maintain production around that level for the next few years, which will represent only two-thirds of production capacity. The World Bank expects that GDP will grow by 6.8% in 2019 (the catch-up effect) and 2% on average in 2020-2021, which means that GDP per capita will rise by 62.5% from the 2010 level.
The Central Bank of Libya was established in 1956. For most of the Gaddafi era, it was almost exclusively supervised by a state-owned banking system. In 1993, private sector banks were re-established, but their achievements were very limited. Bank privatization efforts began in 2007. BNP Paribas bought 19% of Sahara Bank, and the ratio was expected to reach 51% by 2012. In early 2008, the Arab Bank bought Al Wahda Bank, with a similar ownership schedule. When the revolution against Gaddafi began, the BNP group withdrew all of its employees who did not return until May 2013.
The National Transitional Council was established in Benghazi in 2011, which quickly established its own central bank to manage financial affairs until the occupation of Tripoli. In March 2011, the United Nations Security Council froze Libyan assets in offshore banks. The governor of the Central Bank of Libya, Farhat Omar bin Qadara, resigned in March 2011, and the National Transitional Council appointed Sadiq al-Kabir as his successor. The asset freeze was lifted in December. In January 2012, the Central Bank of Libya began withdrawing the old currency to restore liquidity to the country's banking sector because the vast majority of funds were deposited outside banks. On December 6, 2013, the General National Congress issued a law establishing the Islamic banking system and prohibiting banking interests on financial transactions, giving banks two years to comply fully with Islamic law.
Al-Sadiq Al-Kabeer was removed from his position in July 2013 without giving reasons, but perhaps because he was working under Gaddafi. The Libyan Stock Exchange (the Stock Exchange) was opened in 2006. In 2007, Libya signed a training agreement with the London Stock Exchange. In February 2011 the stock exchange closed to be reopened in March 2012, listing the shares of 12 companies, mostly banks and the stock exchange itself, with a market capitalization of $3 billion. In July 2013, the Stock Exchange signed an agreement to enhance the role of Islamic finance in the Libyan economy.

Intelligence Financial Instruments in Libya

Despite the recent experience of Islamic banks compared to the long history of their traditional counterparts, Islamic banks have been able to achieve clear successes at the regional and global levels through the growth in the number of these banks and the expansion of their geographical spread. However, the countries of the Maghreb region have remained far from Islamic banking, as their market share in these countries in general did not exceed 2%, despite the great role that this vital sector can play in the development of the economies of the countries of this region (Fakir, 2021).
Despite the similarity of the situation in many aspects in these countries in terms of the environment that embraces Islamic financial activity, there is a noticeable disparity in terms of the spread of banks operating according to Islamic systems on the one hand, and the obstacles that limit their effectiveness on the other hand. While Mauritania knows the largest number of Islamic banks in the Maghreb, Islamic banking in it has not yet known legalization, just as is the case in Tunisia and Algeria, while Morocco recently issued a law regulating this activity, and Libya decided to convert all conventional banks to Islamic banks, but the instability that it know has not allowed the implementation of this decision on the ground so far (Abdelrahim, 2020).
Libya adopted the Western liberal system after its independence from the state of Italy, and accordingly its first legislation after 1952 was moving in this direction, but after that Libya embarked on the adoption of the socialist economy, and in the same endowment it began to

amend the legislation issued after independence in accordance with Islamic Sharia. This study highlight here the most prominent legislations and steps that have been taken in this regard, which are:
1- Issuance of Circular No. 9/2009, which allowed existing banks to open Islamic windows and provide alternative "Islamic" banking services.
2- Issuance of the second circular for the regulation of Islamic banking No. 9/2010, which served as a precise regulatory regulation for the regulation of Islamic banking activity in Libya.
3- Some banks have started Islamic banking activity since the end of 2009.
4- The Central Bank of Libya established the Investment Committee for Islamic Banking Affairs in 2012.
5- The issuance of Law No. 46/2012 amending Banking Law No. 1/2005. Which included the following advantages:

- Exempting the trading ownership contracts of Islamic banking from property registration fees and taxes.
- Establishment of the Infringement and Default Guarantee Fund.
- Adopted and allowed the establishment of windows, branches and full Islamic banks.
- Obligating the monetary authorities to provide appropriate legitimate alternatives for investing the liquidity of Islamic banks.
- Establishment of a central Shariah supervisory body to be established by the Administrative Committee of the Central Bank of Libya.

6- Name the members of the Central Sharia Supervisory Board of the Central Bank of Libya at the end of 2012, which started its work at the beginning of 2013.
7- The issuance of the "Prevention of usurious transactions" Law No. 1/2013 at the beginning of 2013.
8- Preparing the statute of the good loan fund.
9- Preparing the Islamic Banks Governance Manual.
10- Preparing 20 regulatory and banking standards.
11- Preparing 12 procedural guidelines for bank financing formulas.
12- Supervising the implementation of 1000 training opportunities to qualify workers in the field of Islamic banks.
13- Initiation of work by the Shariah Supervisory Board.
14- Granting five licenses to establish new Islamic banks.

However, Libya's ambitious project to convert to Islamic banking faces several difficulties, which we summarize as follows:

- Not announcing a strategy or official approved plans with clear features and objectives to manage the banking transformation project.
- Weak administrative, political, and sometimes security stability.
- State or public sector ownership of the bulk of the banking sector.
- The weak performance of the existing traditional Libyan banking institutions that are targeted for transformation.
- Loading the shift, the burdens of settling bad debts accumulated from the previous era.
- The slow pace of rehabilitation and restructuring programs for the departments and institutions supervising the transformation project.
- Scarcity of data available to follow up on the banking transformation project in Libya.
- The scarcity of qualified local expertise in the field of Islamic banking.
- Weak coordination between the administrative units involved in the

transformation project.

- Weak capabilities of banking institutions in the technical areas qualified to plan and implement the transformation project.
- Weak technical support and supervision of the regulatory institutions on the transformation project.
- The weakness of the independence, powers and capabilities of the central body for Sharia supervision and the lack of clarity in its administrative relationship with the supervisory banking institutions working in the field of Islamic banking.
- Weakness in the process of exploring, attracting and qualifying local human resources and expertise.
- The weak efficiency of administrative leaders in banking institutions in the field of Islamic banking, and their limited conviction of the feasibility of the transformation project.
- Weak cooperation with the relevant international institutions that support Islamic banking.
- The scarcity of training plans and their failure to base them on the actual training needs of the banking sector.
- The Islamic banking products used in the Libyan banking sector focus on the Murabaha product, and the adoption and circulation of approved product guides has been delayed.
- Weak efforts in preparing Islamic tools to manage bank liquidity.
- The modest size of the private banking sector in Libya, which makes it a secondary player in the transformation project.
- Failure and difficulty in completing the establishment procedures for the new private banks.
- The sharp resistance of the opponents of the law to prevent usurious transactions.

The decision of complete and immediate transformation also contributed to the involvement of the transformation project since its birth in an unfavorable environment and conditions (Husien and Liyan, 2021). Therefore, researchers and specialists in Islamic banking put forward a set of recommendations to overcome these problems, such as:

- Formulating clear vision, strategy, and transformation plans.
- Preparing legal, administrative and societal infrastructure.
- Qualification and development of human resources and the establishment of the necessary training and educational institutions
- Develop Islamic banking products, procedures and applications
- Activating the financing formulas that have the most impact on economic and social development
- Innovating and developing innovative liquidity management tools
- Adopting appropriate supervisory measures on the Islamic banking sector
- Avoiding the difficulties and obstacles encountered in previous experiences
- Adopting the principle of comprehensive and partial, systematic and gradual banking transformation for an increasing number of traditional commercial and specialized banks.
- Determine the appropriate time period for implementing the transformation strategy and plans.
- The supervision of the Central Bank, in conjunction with the authorities, financial institutions and religious institutions, “legal” on the formulation and implementation of a strategy and a transformation plan with clear features and

objectives.

Some studies such as Iqbal et al. (2018) and Mohd Thas Thaker et al. (2019) focus on the importance of following a phased policy in this context, by gradually shifting towards Islamic banking, starting with the idea of opening branches within existing banks, or transferring existing branches to the Islamic banking system after deciding that through legislation, or within the scope of Article Sixteen of the Law Banks No. 1 for the year 2005, ending with the complete transformation towards Islamic banks.
These studies conclude that the method of gradual transformation, in addition to being a divine and divine method, connects the philosophy of Islamic banks to the traditional banking system in a way that encourages coexistence between the two systems instead of confrontation between them, and thus survival of the fittest. The strategy of gradual transformation towards Islamic banking has been successful in a number of Islamic countries.
The Smart Financial Services Department seeks to achieve leadership and innovation in the management and governance of cash flows through the electronic payment gateway to the Government of Libya and to provide distinguished smart financial services, through the rational management of smart financial services and cash flows through the electronic payment gateway and the control and development of their operations, within the framework of the Department's strategy Finance aimed at applying best practices in managing the government's financial resources, and strengthening relations with strategic partners.
The Smart Financial Services Department, which was established in 2014, works to provide a better control environment to keep pace with the transition to smart government and the ability to provide the best government services by the Department of Finance and to meet and support the needs of government agencies. The department aims to ensure comprehensive control, reconciliations and settlements of smart financial services revenues with high efficiency, and to develop mechanisms for collecting public money revenues for smart financial services through the electronic payment gateway and other smart systems in order to raise the efficiency of electronic collection and support smart transformation, in cooperation with the concerned authorities. The department also aims to follow best practices in providing smart financial services to ensure customer satisfaction (Husien and Liyan, 2021).
The administration is keen to raise the efficiency of information security in the process of smart transformation to reduce the risks of fraud, forgery and complaints to raise customer satisfaction, in addition to its keenness to rationalize spending public money by reducing the expenses of electronic services through the smart payment portal of the Government of Libya, and developing revenues for smart financial services by attracting institutions Financial and service providers operating through the electronic payment gateway.

Literature review
In this section, the main theories, concepts, references and antecedents that have to do with the topic to be developed throughout the research work will be presented.

1- Theory of Personal Finance
Figueroa (2009) explains that personal economic prosperity comes from applying the tools of business finance in managing resources and choosing alternatives. However, the priority of this resides in making assertive decisions when considering the immediate and important needs of people with the preparation of periodic budgets based on income, expenses and savings; Although the monetary management of individuals is similar to that of business, there is a difference in which the goals and interests of each take root. Therefore, planning pursues personal goals by seeking a favorable and carefree quality of life. Financial success, according to Popkova and Parakhina (2018), is achieved after the application of several paradigms that

expose common mistakes when handling money, but affirm that the principles of business finance help in the administration of one's own monetary resources, these are (Figueroa, 2009):
• Paradigm of progress. The accumulation of assets ensures economic and long-term stability, so that a monetary reserve is generated that allows the possibility of future consumption;
• Financial paradigm. People accumulate the largest possible amount of liquid assets or real estate, with the income that they receive periodically;
• Low income paradigm. The administration of economic resources depends on the factors that influence the decisions and immediate needs of individuals;
• Paradigm of good luck. Although luck is subjective, it is important to consider the possible favorable events to occur, and accordingly set goals and economic objectives that it want to achieve.

Despite the fact that paradigms are a fundamental basis for the proper management of income, there are two situations where it is shown that many people are unaware of the subject and make purchasing decisions influenced by aspects that encourage them to pretend a lifestyle within the scope or not of the monetary resource (Carnielli and Lima-Marques, 2017). The first deals with those individuals with a high standard of living, who are characterized by possessing luxurious and expensive goods, high indebtedness and low savings rates, economic instability and lack of financial culture. On the other hand, the second is identified by financial planning, where periodic actions are proposed that ensure economic sustainability in a given term and maintain a comfortable quality of life, also does not compromise their income in merely unnecessary goods, but there is constant control in the disbursements made but without occasionally depriving oneself of small consumptions not corresponding to the first necessity (Frank, 2017). Therefore, financial planning is attributed to the organization, allocation and control of the resource as required in the financial goals and objectives set by the person for a certain period, for this purpose people evaluate their current situation and make decisions that meet the needs, but also consider important variables (taxes, laws, inflation or others), which if ignored, can affect future financial success.
As mentioned previously, financial stability is achieved with the planning and use of essential strategies in economic development; which must be related to the budget and personal objectives, in order to guarantee better money management and financial health. The stages that encompass all the aforementioned to be successful in managing personal finances are (James et al., 2017):
• Stage 1. Analysis of the current situation
In this stage, all sources of income are determined, all expenses and outstanding debts or the savings that people have; and that according to the numerical results obtained, a balance is made where the relationship of income with respect to expenditures is appreciated in order to know which is greater;
• Stage 2. Definition of economic goals and objectives
After knowing his current situation, he sets goals that improve people's lifestyle, without the need to resort to debt or spend all the income received; These objectives must be concrete and realistic since the aim is to achieve them consecutively as planned. So, the link between the stages is necessary, because if one is inaccessible, the result will not be the desired one;
• Stage 3. Approach of the measures or actions
Actions must be activities that people are willing to carry out, such as minimizing or stopping consuming a certain product or service until expenses are balanced with income; also increase the sources of income with investment decisions, savings and contingency measures to prevent future effects, since in this way improvisation is avoided in situations of force majeure that affect economic stability (Shen et al., 2017);
• Stage 4 and 5. Execution and control of activities

According to what is planned in terms of time, resources and objectives, the progress obtained in each one should be controlled gradually after the execution of tasks or planned actions, in order to determine in a timely manner the shortcomings or adjustments required to achieve the fulfillment of the proposed goal and also the errors. detected are teachings that will be avoided in the future to be repeated in subsequent planning.

Finally, planning tools with respect to budgeting are important to achieve financial success and proper management of monetary resources. However, at the beginning it depends on the discipline of each person to comply with their plans and rigorously control the level of unnecessary expenses, since the practice of it generates habit that will gradually improve personal finances and quality of life (Kuele and Cepik, 2017).

2- Consumer Theory

Mendieta (2005) stated that consumers acquire goods and services according to daily needs and through the optimal distribution of income towards the purchase, the payment of debts and / or savings in order to make the most of their utility. He also stressed that the purchasing decisions of the theory come from the main assumption about the rational behavior of individuals when consuming (Walsh, 2017).

Therefore, the rationality of the consumer is part of the acquisition of goods or services according to daily requirements and available resources, by demanding only what is essential for daily living and according to the problems that lie ahead; since it is planned taking into account the budget restriction and prioritizing income by minimizing purchases but at the same time satisfying needs. It should be noted that consumption decisions are based on three relevant aspects, which cover the requirements and expectations of the individual by acquiring the cheapest goods in greater quantity and those that are expensive in less. The choice mechanisms mentioned by the author are made up of:

• Preference of individuals. It refers to the motives and tastes that predominate in people when buying goods and services offered in the market;
• Budget restrictions. Here we consider the monetary limits from the liquid utility of each individual to acquire consumer goods, without the need to resort to loans;
• Consumer decisions. Corresponds to the purchase of goods and services offered in the market, considering income, prices, tastes and preferences or others.

Of the components previously exposed, other factors that predominate in the mechanisms at the time of purchase also coexist, such as: the requirements of the food basket, the substitute and complementary products of others, the level of satisfaction; They depend on the evident needs of people or households at a certain time. Therefore, according to the behavior of the buyers, the demand function is projected based on the quantity that each individual acquires in order to achieve the well-being of him as a consumer (Walstad et al., 2017).

Given that the demand function represents the appropriate choice of people at the time of purchase, several assumptions are established that describe the different behaviors that consumers have; which are:

• Complete preferences. The properties and prices of the products are compared to prepare the food basket with all possible goods, taking into account the consumption requirements and the available resource at that time;
• Transitive preferences. The products in each basket are carefully analyzed and the one that best suits their needs is purchased;
• Convexity preferences. The products of the different baskets are carefully observed and the best option is acquired according to their requirements;
• Insatiable consumers. Prices of the various commercial brands are contrasted on the same

product and its substitutes, to demand in greater quantity those that are cheaper.

The assumptions as well as the mechanisms are important when choosing the product or service to be consumed, since people analyze the current situation and according to current needs and requirements, they buy what is necessary to be able to satisfy it. Ewers et al. (2018) also explained that the consumer buys according to the influences of the immediate social environment and based on two ideologies. The first is the Marshallian or ordinary demand that refers to the consumption of goods and services depending on prices and people's purchasing power, in order to make the most of income and considering economic restrictions. The second corresponds to Jamison (2018) or compensated demand where the optimal quantity of necessary products is analyzed at the price, so as not to spend all the money and save the difference.

For this reason, the consumer plans according to the income received the demand for goods or services according to their requirements, tastes and preferences or economic restrictions that they have. In addition, due to the diversity of consumption alternatives, they will choose the most convenient according to their purchasing power or that best suits the budget, because the individual makes decisions based on the temporary situation they are going through and after analyzing the prices on the same product that must acquire, in order to establish the quantity of each essential good and service and those related to the lifestyle in order to ensure the impeccable quality that it has up to now (Devanny et al., 2018).
Finally, he cites the neoclassical theory of the consumer adapted to personal finance, with the concept of decreasing income, where he mentions that the excessive purchase of goods and services causes the income received to decrease and considerably affect future consumption due to other situations that lie ahead. In this way, people interact in the market when carrying out commercial transactions by consuming what is offered according to tastes and preferences, taking into account the monetary amount that they are willing to pay for said acquisition.

3- Savings Theory
García and Indavera (2009) theorize that savings are generated when the difference between the income received (not committed) and the expenses or acquisitions made in a given period are allocated to a reserve fund.
For this reason, several models support this terminology, such is the case of neoclassical economic theory where it is alluded that people consign a part of their income to savings, when this activity has the purpose of ensuring the increase of their own wealth (with accumulation of assets that enables future consumption) or save it.
The different reasons that encourage savings are not only based on the increase in assets, since there are others such as fear of economic crises, running out of money to cover events of force majeure, the provision of resources after retirement, spending important aspects of the life cycle (food, health, clothing, housing, education), maintain a consumption rhythm according to the current lifestyle; All this encourages people to periodically plan the allocation of a monetary percentage towards a reserve fund in order to ensure stability and future financial well-being (Lui and Lamb, 2018).
However, on certain occasions when the desire to save reduces investment there is a greater probability of business failure, because the savings are delivered to an agent in charge of boosting the national economy by lending said money to a third party, in exchange for receiving the capital plus interest and deliver a part of it to the saver as a percentage of profit.
Otherwise, net non-investment saving would cause demand to stagnate with a subsequent depressing effect on other organizations. The decrease in consumption directly affects companies due to the reduction in sales; which would cause the production, import and supply

of products and / or services to be in less quantity, reaching the point of not having the necessary economic resources to pay the corresponding compensation to the workers and having to fire them, that is, with all this benefits to stakeholders are minimized (Majumdar and Bose, 2018).

Proposed conceptual framework

Financial instruments in an economy is a whole that is formed as a result of the coming together of certain people and institutions, markets, tools and organizations to perform various functions together. The function of transferring savings to investments is realized through the financial instruments. This system, in which money and various financial instruments that perform the functions of money at different levels are produced and inserted into the functioning of the economy, is also the determinant of the micro and macro performance of the economy (Méndez-Coto and Rivera Vélez, 2018).

The basic elements of the financial instruments; fund suppliers, fund demanders, financial intermediaries (institutions), financial instruments, and legal-institutional regulations. Within the system, there is the segment that does not consume all of their income and has a surplus of funds, and on the other hand, there is the segment that needs funds (with a deficit in funds) and needs to spend more than their income. In the financial instruments, savers make their savings available to fund demanders as fund suppliers, through various instruments and intermediaries, and in an environment of trust provided by legal and institutional arrangements (Apergis et al., 2019).

The financial instruments are described as the most important subsystem of the economic system. This is because it is central to the process of fund transfer that contemporary economies need most. Overall economic success appears to be highly dependent on the efficiency of the financial instruments. On the other hand, within the framework of the systems approach, it should be noted that the efficiency of the financial instruments necessitates the stability and efficiency of both the general economic system and other subsystems. The financial instruments cannot be separated from the general economic conditions and the conditions of other subsystems (Daly-Groves, 2019). The order of importance of the functions of the financial instruments varies according to the years and the level of development of the countries. In an economy, the functions of the financial instruments can be basically classified as follows:

• Mediating the exchange of goods, services and assets.
• Spreading ownership to the base by creating a savings accumulation and risk distribution system in order to facilitate financing of large-scale projects.
• Ensuring the transfer of economic resources between geographical regions and sectors over time.
• Development of risk management and risk control methods.
• Providing price information.
• Facilitating the solution of the asymmetric information problem.

Financial instruments are of vital importance for economic performance. It is possible to collect the determinants of growth in three groups. Capital accumulation that includes all investments made in land, physical equipment and human resources, population growth and, accordingly, the increase in labor force can be listed as technological development. The financial instruments are directly related to the accumulation of capital.

Capital accumulation is the event that a portion of current income is saved and invested in order to increase future production and income. Differences in economic growth rates between countries result from the difference in efficiency in using these resources rather than the wealth of natural resources these countries have. In this context, the importance of its relationship with the financial instruments should be underlined. The financial instruments cause economic growth to accelerate by providing more investment in the economy and increasing the average investment efficiency. Financial instruments development can encourage technological development as well as influencing savings (Ackert et al., 2020).

The financial instruments are very important in financing the investments made, because many savers enter the financial markets to evaluate their savings. Financial markets accumulate these in a pool and transfer these resources to investment owners who cannot meet their investment expenditures, through loans. The national income of a country consists of the sum of investment expenditures, consumption expenditures, public expenditures and net exports. Investments made in a country within a certain period increase the national income with the multiplier effect and it is seen how important the financial instruments are in terms of economic development (Rønn and Søe, 2019).

Financial development, which can be defined as the development of financial institutions, financial markets and financial instruments, contributes positively to the financial intermediation process and plays an important role in increasing savings. These savings increases can increase investments in terms of quantity and quality. It is expected that the efficiency of investments as well as the level of investments will increase with financial development. In other words, with the development of the financial instruments, it is possible to reduce investments with low or even negative returns in companies, to use capital markets more intensively instead of banks for credit, to change from capital-intensive investments to another form due to high capital costs, and to eliminate useless or limited markets. The development of the financial instruments facilitates portfolio diversification, which reduces the risk of savers and provides more options for investors to increase their returns. Another important function of the financial instruments is to provide the most cost-effective investment project information to increase efficiency in order to reduce the investment cost of individual investors (Asebedo et al., 2020).

Financial development also refers to the change that the financial instruments has undergone in terms of both size and structure. In this case, the development in the financial instruments is explained by the concept of financial deepening. Financial deepening, on the other hand, shows to what extent the financial instruments has expanded and how diversified the financial instruments have been. Financial deepening, which is defined as the increase in the ratio of the total financial assets in an economy to the national income, is seen as the increase in the monetization level of the economy and the expansion of the services provided by financial intermediaries (Gioe et al., 2020).

The increase in financial deepening depends on the increase in the country's savings, the conversion of low-yield savings into financial assets, and the shift of funds from high-risk unorganized markets to organized markets. On the other hand, the level of monetization of the country's economy and the organizational structure of the financial instruments are also effective in the deepening of financial markets. In financially shallow economies, financial development usually starts with banking, as the banking system is dominant, but as it continues and economic growth continues, the banking system loses its importance (Han and Yoon, 2020).

Financial development and economic growth are highly related and this relationship has been discussed since Schumpeter. Schumpeter (1964) stated in his book that "financial intermediaries contribute to economic growth through their savings accumulation, project evaluation, and risk management functions". According to the Schumpeterian view, the development of financial intermediaries positively affects technical change and productivity growth, which directly affects growth.

On the direction of the relationship between financial development and economic growth, supply-leading and demand-following hypotheses put forward by Patrick have an important place. The supply-side hypothesis has two important functions: the transfer of resources from traditional to modern sectors and to accelerate and encourage entrepreneurial responses in modern sectors". In this context, supply-led research is based on the view that liberalized financial markets have an accelerating effect on economic growth by encouraging savings on the one hand and providing an efficient allocation of savings on the other. If the demand is followed, the developments in the real sector reveal the demand, and financial institutions and instruments become intermediaries to meet the demand (Truby et al., 2020).

The demand-following approach implies that finance is a fundamentally passive element in the growth process. Another hypothesis that Patrick created apart from these two conflicting hypotheses is the "development stage hypothesis". According to this hypothesis, in the early stages of economic growth, financial development leads to real capital accumulation. Innovations and the development of new financial services provide new opportunities for investors and savers and lead to self-sustaining growth. As financial and economic development progresses, the supply-led feature of financial development diminishes and eventually the demand-following situation becomes dominant. Patrick (1966) in his study on underdeveloped countries concluded that "the financial system triggers economic growth by leading the economic growth process". Goldsmith (1959) examined 35 countries, 19 of which were developed and 16 of which were underdeveloped, using time series analysis. Goldsmith concluded that "there is a link between financial development and economic growth, and financial development begins with the development of the banking system."

The idea that financial development is closely related to real interest rates stems from the McKinnon-Shaw hypothesis. The basis of the hypothesis is the real interest rate.

The increase in the rate of increase in financial savings will increase the funds and investments to be used in financing the investments. Theoretical developments were carried out by Ronald McKinnon, Edward Shaw and their supporters. According to McKinnon (2010), "Financial development increases the volume of investment in the economy and the average investment efficiency. There is a positive correlation between high interest rates and financial growth, and also between financial growth and the growth rate of GDP".

Furthermore, the current paper has come up to conclude this study with proposing the following conceptual framework as shown in Fig. 1.

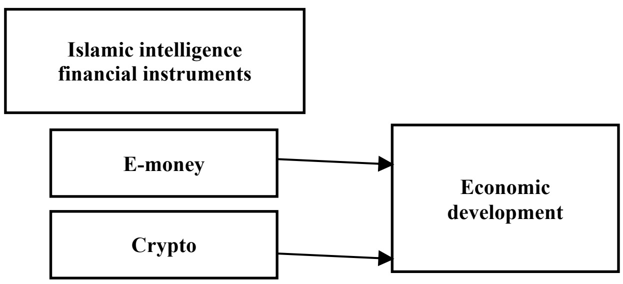

Figure 1: Proposed framework

Conclusion and recommendations

Not much of the economic literature has focused on the functions and role of Islamic intelligence financial instruments in economic growth (Moşteanu, 2020). Islamic intelligence financial instruments play an important role in economic activities by reducing the cost of providing information, enforcing contracts, and facilitating transactions. In addition, financial instruments produce information about the returns and indicators of investments, thus reducing tax evasion, unethical behavior, and adverse selection problems. Financial instruments also help move capital towards higher-yielding investments. In addition, financial instruments facilitate more efficient use of resources, affect savings and investment decisions, and thus increase economic activities.

It is a long-standing and controversial issue between finance and economic growth. Although there is strong evidence that the developed financial sector and the strong economy go together, the direction of causality remains doubtful. While many believe that finance is the major determinant of economic growth, others argue that the development of Islamic intelligence financial instruments is simply responsible for changing demand due to economic development. However, in the majority of empirical studies, there is strong evidence that the development of Islamic intelligence financial instruments accelerates economic growth.

The current study recommends that Islamic banks in Libya should establish a department specialized in managing intelligence financial services, and therefore in order to help develop and develop smart financial tools for Islamic banks.

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