



THE IMPACT OF HUMAN SKILLS ON THE IMPLEMENTATION OF BASEL III CORD IN THE LIBYAN BANKING INDUSTRY

Ayoub Salem Mustafa Algreed¹; [S. M. Ferdous Azam](mailto:S.M.Ferdous.Azam@msu.edu.my)²; Adam Amril Jaharadak³

¹PhD candidate, Management & Science University, Shah Alam Malaysia; ayoub7a@gmail.com

²Senior Lecturer, Management & Science University, Shah Alam Malaysia; drferdous@msu.edu.my

³Senior Lecturer, Management & Science University, Shah Alam Malaysia; adam@msu.edu.my



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ABSTRACT

Basel III is an essential instrument for the banking industry's success. Some challenges accompany the Basel III implementation. This research aims to find out the implementation challenge for Basel III in the Libyan banking industry. For that matter, the researcher has been reading lots of literature about the challenges that face the implementation of Basel III; based on this literature, the researcher has proposed a conceptual framework to be implemented in the Libyan banking industry. In order to achieve that objective, this research proposed sub-objectives, which are to identify the impact of (human skills) on the implementation of Basel III by the Libyan banking industry.

This study has followed the quantitative approach. The required data for this study was collected from the banking industry in Libya. All the involved staff dealing with the Basel cord implementation forms the population of this study. The population of the study was all the banking employees that are dealing with the Basel cord in the Libyan banking industry. For the current research, the unit of analysis was 310 employees dealing with Basel III from 10 banks.

The findings of this research have confirmed a positive and significant relationship between human skills and the implementation of Basel III Cord in the Libyan banking industry. This research was limited to the Libyan banking industry. The conclusion is that it would be appropriate for Libyan authorities to consider methodologies alternatives for Basel III's implementation in the banking industry.

1. Introduction

Banks transform assets from savers and depositors to borrowers through a financial process by creating a special kind of debt immune to adverse selection by privately informed traders (Araya, 2015). These processes result in the recommendation of bank capitals. 1)The recommendations on bank capital are a central component of Basel III's new regulatory framework (Mignola, Ugoccioni, & Cope, 2016). These recommendations introduce essential modifications to the capital standard established in Basel II Pillar I (proposed by the BCBS in 2004 and inforced in many countries) countries during the international financial crisis). 2) The number of countries involved in incorporating the Basel III recommendations into their respective regulations is increasing (Bashir & Hassan, 2017). For example, in July 2013, the Federal Reserve of the United States approved a new law on capital requirements in line with Basel III. Additionally, the new European Capital Requirements Directive (CDR IV) has already entered into force and includes even stricter regulatory requirements than Basel III (Leonida & Muzzupappa, 2018).

The International Bank of Basel Payments has prepared the report to explain to the G20 the situation of international banking. It is the document that the leaders of the world's major economies will be able to analyze at the meeting to be held in Hangzhou's Chinese city on the 4th and 5th of September. While the text recognizes progress in the implementation of the Basel III capital requirements, which will come into force in full as of 2019, it also warns of the pending challenges to ensure that the financial sector ceases to be a threat world economy. That is, at least one risk as controlled as possible. The surveillance of banking by the G20 emerged as a priority after the bankruptcy of Lehman Brothers in September 2008 (Jones & Zeitz, 2017). At the summit held in November of that year in Washington, there was talk of refunding capitalism, a grandiose objective that has not come to fruition. Still, it does make progress in banking regulation and capital reinforcement (Penikas, 2015).

This study aims to determine the impact of human skills on the implementation of Basel III Cord in the Libyan banking industry. This research will provide a comprehensive literature review to the research variables. The following sections will show the methodology used in this research and the tests and examinations used in the study. This paper will also discuss the findings of this research and include a conclusion for this research.

2. Literature Review

2.1 Human Skills

Mignola et al. (2016), in his research, to evaluate and recognize the human skills of the managers and their association with the collection of the cooperation of the substitute persons In the companies Of the auxiliary and secondary schools of the city of Babolsar, the following results were obtained (Cummings, Baker, & Jagtiani, 2017):

- 1- There is a connection between the managers' human skills and the investment of the people who are not studying in the subjects of the school.
- 2- There is a connection between the model of recognition of character and respect for others by the manager and the recovery of the investment of the students' people in the companies of the school.
- 3- There is no connection between the skill to talk to others on the part of the manager and capture the interest of the high school student's interest in the school's topics.
- 4- There is a connection between the standard of understanding the needs and skills of others on the part of the manager and the attention of the students' interest in the topics of the school.
- 5- There is no connection between the paradigm of engaging others in the essential leadership on the part of the manager and collecting the investment of the students' people in the tasks of the school.

In their research Ozili (2019) found an essential connection between managers' social skills and the formation of a positive and valuable relationship with the association of instructors in the organization of school enterprises.

Likewise, in a research carried out by Katchova and Kim (2020), it was proposed that the human skills of managers are critical, whether in schools or business, it is the essential skill to obtain the support of representatives in companies, for example, finances, official matters, improvements. The ecological conditions and investment in the organization's exercises. Jafari (2017), in another review, deduced that social and communication connections mean establishing cosy relationships with representatives and getting the ladies to participate and collaborate to achieve the organization's objectives among the essential qualities for the practical work of the managers (Wicks, Yemen, Allayannis, & Dougherty, 2017).

David and Kovács (2017) showed an immediate connection between the dimension of interest of educators in basic leadership and managers' skills and skills. It presents the skills to build unique social connections as fundamental issues for instructors participating in essential direction. In another research, Jaara and Kadomi (2017) discovered a significant relationship between managers' human and communicational skills and educators' execution to show the system and advance in the presentation of procedures and guidelines.

In this way, as indicated by the research findings, it was discovered that no research had been completed in the area of preschool approaches. Concerning this research hole, researchers are trying to answer this essential question about whether preschool managers' human skills affect the dimension of mentor cooperation in taking instructional measures and choices in preschool approaches (care, kindergarten and kindergarten methods). Upon awakening, the orientation procedure results accept the best use of these results and work as a rule for the instructional experts dedicated to the training in preschool approaches (Yu, Zhao, Lin, & Lee, 2017).

2.2 The Implementation of Basel III Cord

The Understanding Memorandum (MOU) of the Basel III Program was marked in 2008 between the CBE and the European Central Bank; in collaboration with seven European National Central Banks (BCN) to be specific; Bulgarian National Bank, Czech National Bank, Deutsche Bundesbank, Bank of Greece, Banque de France, Banca d'Italia and National Bank of Romania (Ao & Salike, 2018). The duration of the program was three years beginning in January 2009. A committed team has been established within the CBE to address all the points of view that drive the Basel II structure implementation. Similarly, a facilitator of the community initiative of the inhabitants of Banque de France joined the program. The program's stages included the ability to work with the specific team and the administrators of banking supervision on Basel III issues, intense coordination with the financial framework dependent on the speech documents that were issued on the notable points identified with Basel III. The quantitative effect examines (QIS) to explore the results of future Basel II guidelines, creating another data centre distribution structure to improve data collection and finalizing the adjustment of guidelines identified with Basel III.

Basel III's implementation presents a unique agreement of difficulties for each organization, paying little respect to the starting point of the organization. Since Basel III is more a large number of principles than a specific provision of the rules, there is no simple solution when implementing it. This flexibility allows banks a lot of freedom because they meet the requirements (Batt, Christensen, Rikhardsson, & Rohde, 2018).

There are two basic approaches available to banks that are implementing the regulations. The most appropriate method for each organization will depend on the organization's current environment's stability and execution and the speed at which the organization wishes to implement the regulations and the available assets (Cross, 2018).

From time to time, the best option will be to redesign the existing environment to the fundamental standard by adding additional modules to address the other requirements, regardless of whether it is influence and liquidity management,

stress tests, information storage, or reports. Improving or updating the current environment allows an organization to adopt regulations at a rate that the organization can support, which is less detrimental to business operations. This implies that implementation could be less expensive for the company because, in many ways, it is easier to delineate the regulatory environment for the company than to shape the company around regulations. This methodology allows banks to capitalize on their existing investment, and for some organizations, it could be the least expensive and least disruptive way to deal with compliance (Ramlall, 2018).

3. Research Model and Hypotheses

In particular, Bessis (2011) has analyzed the Basel III agreement's implementation, the key to banking regulations. "Regulatory reforms have been fundamental to improving the resilience of the financial system" (O'Brien & Farooqi, 2019). And the Basel III framework, created between 2011 and 2017, has been a milestone in these reforms. One of the advances achieved has been the increase in more than 70% of the capital ratio CET1, used to measure banks' solvency. The major banks and the G20 countries have already successfully implemented Basel III. José Manuel González-Páramo has asked, however, that this application be consistent, but also flexible (Swamy, 2018). (Swamy, 2018). Therefore, to encourage a complete, timely, and consistent implementation, he said, it must take into account two relevant issues: the Basel Committee does not have a supranational authority as such and its standards are 'global minimum standards which can lead to inconsistencies between countries.

In this sense, the G20 countries have taken the lead, and most of them now comply with Basel, which will mitigate future banking crises. The good news is that a consistent implementation would bring benefits to both G20 and non-G20 countries. The executive director of BBVA considered Basel III's consistent performance necessary in areas such as Latin America since it could encourage, for example, that local banks could access international capital and debt markets since their capital ratios will be more comparable.

He also stressed that implementing the Basel III standards should be done flexibly to respond to the particular needs of financial institutions in all geographies. "It can understand flexibility from a triple perspective: proportionality in institutions, the idiosyncrasy of local markets and neutrality in banking models. Hence this research proposes the following hypothesis.

H1: There is a positive and significant relationship between human skills and Basel III Cord's implementation in the Libyan banking industry.

Based on the above arguments this research propose the following conceptual framework:

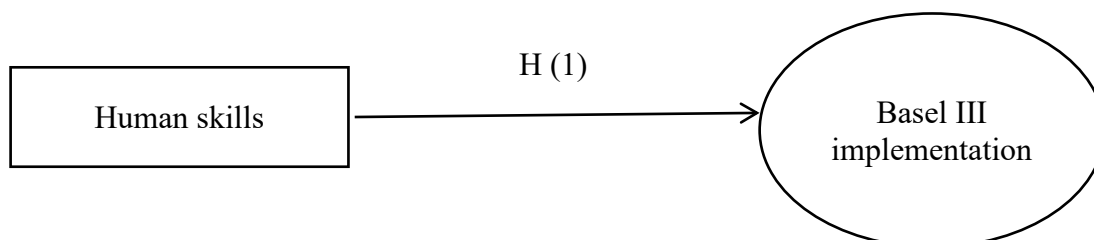


Fig. 1. Research conceptual model.

4. Methodology

4.1 Sampling

In the social sciences investigations based on a sample's results to generalize them to the whole population, different statistical tests available in the appropriate computer applications are used. The statistical tests can answer a great variety of questions that arise in the social sciences, which have their foundations in the inferential statistics that determine the conditions and the steps to follow in each case.

In general, for any research study, samples or subgroups of populations are included and, in a few cases, the total population or complete universe. The reasons for studying samples instead of populations are diverse and have: a) saving time, exploring a smaller number of individuals is necessarily done in less time; b) consequently resources are preserved; c) studying all the members with a specific characteristic, in many cases, it can be an inaccessible or impossible task; d) increase the quality of the study, by having more resources, the observations and measurements made to a small number of individuals can be more accurate; e) the selection of the sample will reduce the heterogeneity of a population, and f) in a strict and ethical sense it is not necessary to study the total population when with a proportion of subjects it can achieve the objectives of the study.

In statistics, the sample size is known as one specific number of subjects or things that make up the sample drawn from a population, necessary for the data obtained are representative of the population.

For the current research, the unit of analysis is going to be 310 employees that are dealing with Basel III from the mentioned ten banks.

4.2 Measurement

The questionnaire is a trendy format among quantitative approach. It consists of a selection of questions and answers that are used in the measurement of variables. It serves to register practically and straightforwardly data of interest, so it is one of the most used measurement instruments in the degree works. A questionnaire is organized based on the questions a researcher asks a representative sample of their study population. This is intending to find out how variable changes among the participants of a study. The researcher then analyzes the answers obtained through statistical procedures. The results are tabulated in tables and graphs. They offer a specific response field, that is, that the variability is already delimited in a range of options.

This research used closed questions; the closed questions offer greater control by limiting the change of the variables that are intended to be measured. However, the investigator should consider all possible answers to a problem. So, although it gives more control, it does not allow for exclusion.

5. Data Analysis and Results

To achieve the research objective, the descriptive statistics analysis was used to clarify the respondent's profile and the research's assigned factors. The descriptive analysis shows the mean, median, and standard deviation. Before proceeding to the inferential tests, explanatory tests were used; the purpose of conducting the explanatory test is to examine the reliability and validity of the used model, several tests such as normality test, reliability test, and convergent validity. The correlation between two variables is concluded by a correlation coefficient, whose value oscillates between -1 and +1. If the correlation coefficient is towards +1, it indicates a positive relationship between the variables, and -1 indicates a negative relationship between the two variables.

5.1 Respondents Profile

The respondents' profiles are tests that are used to make sure that all the respondents were selected randomly. This test was also used to identify the background of the respondents. Thus, the profiles of respondents contained five criteria, which are gender, bank type, and bank tenure.

According to the following table 1, the research respondents had two gender categories, which are male and female. The male category had 60.3% with $n = 187$ from a total of 310 respondents. Simultaneously, the female category had a 39.7% with $n = 123$ from the total 310 respondents. It is confirmed that most of the respondents were males.

Table 1: Gender

	Frequency	Percent
Male	187	60.3%
Female	123	39.7%
Total	310	100

According to the following table 2, the research respondents had two bank categories, which are private and public. The privately held bank category had a 59% with $n = 183$ from the total 310 respondents. Simultaneously, the public bank category had a 41% with $n = 127$ from the total 310 respondents. It is confirmed that most of the respondents worked in private banks as the public bank operates as a controller for implementing the Basel III code.

Table 2: Bank Type

	Frequency	Percent
Private	183	59.0%
Public	127	41.0%
Total	310	100

The bank tenure refers to the working experience within the same bank. According to the following table 3, the research respondents were divided into several years of experience groups, which are 1-5 years, 6-10 years, 11-15 years, and above 16 years. The first group, 1-5 years, had 34.2% with $n = 106$ from the total 310 respondents. The second group, 6-10 years, had 40.3% with $n = 125$ from the total 310 respondents. The third group, 11-15 years, had 14.8% with $n = 46$ from 310 respondents. The last group above 16 years had 10.6% with $n = 33$ from 310 respondents. It is confirmed that most of the respondents were having experience between 1-10 years old.

Table 3: Bank Tenure

	Frequency	Percent
1-5 years	106	34.2%
6-10 years	125	40.3%
11-15 years	46	14.8%
above 16 years	33	10.6%
Total	310	100

5.2 Normality Test

The normality test has been used to ensure that the questionnaires had a normal distribution of the data. This test has used the Skewness and Kurtosis values to determine the normality. According to Joe F Hair, Sarstedt, Ringle, and Mena (2012), Skewness's accepted values are to be between -1 and 1, while the accepted values for Kurtosis are to be between -2 and 2.

According to the following table 4, Basel III's variables and implementation had an acceptable range of Skewness and Kurtosis values. The Skewness values were ranged between -0.860 and -0.456. In the same line, the Kurtosis values were varied between 2.113 and 2.762.

Table 4: Results of Skewness and Kurtosis for Normality Test

Constructs	Skewness	Kurtosis Statistic
Human skills	-0.860	2.113
Implementation of Basel III	-0.456	2.762

5.3 Construct Reliability

The construct reliability test has been used in the study to find out the variables' items' internal consistency. This test has used two main factors to determine internal consistency: Cronbach alpha and composite reliability; these two factors should be greater than 0.7 to be acceptable. The following conclusion was drawn based on the results from the following table 5:

- Human skills items have shown great internal consistency with Cronbach alpha and composite reliability = 0.816 and 0.878, respectively.
- Implementation of Basel III items has shown great internal consistency with Cronbach alpha and composite reliability = 0.922 and 0.937, respectively.

To ensure that the data is reliable and valid, convergent validity is another test to confirm the data's validity. This test uses the average variance extracted (AVE) values. According to Joseph F. Hair, Hult, Ringle, Sarstedt, and Thiele (2017), AVE should be greater than 0.5. Based on the following table 5, the variables (human skills and implementation of Basel III) have acceptable AVE values, which ranged between 0.642 and 0.681.

Table 5: Reliability and convergent validity

Constructs	Cronbach's alpha (≥ 0.7)	Composite Reliability (≥ 0.7)	Average Variance Extracted (AVE) (≥ 0.5)
Human skills	0.816	0.878	0.642
Implementation of Basel III	0.922	0.937	0.681

5.4 Descriptive Statistics

The descriptive statistics test is used in the statistical analysis to identify the respondents' perceptions of the variables' items. The current test uses the mean scores and standard deviations. According to Table 6, the minimum measurement scale was 1, while the maximum measurement scale was 5. The mean scores for the variables (human skills and implementation of Basel III) = 3.633 and 3.778 respectively. These results confirm that most respondents were in average agreement with the items stated in the questionnaire. These results also confirm the essential role of the independent variables on the implementation of Basel III. Furthermore, the standard deviations for the variable were 0.698 and 0.688, respectively.

Table 6: Descriptive Statistics for Study Variables

	N	Minimum	Maximum	Mean	Std. Deviation
HS	310	1.00	5.00	3.633	0.698
BI	310	1.00	5.00	3.778	0.688

HS: human skills; IB: Implementation of Basel III

5.5 Direct Effect Test

The direct effect test is the most crucial in the study. It is also called the correlation test. This test aims to identify the type of relationship between the independent variable and the dependent variable. The following conclusion was drawn based on the results on the next table 7:

- There is a positive and significant relationship between human skills and Basel III Cord's implementation in the Libyan banking industry with $r = 0.607$, $t\text{-value} = 13.006$, and a substantial level of 0.000.

Table 7: Summary of the Direct Effect

Hypothesis	Relationship	Std Beta	Std Error	t-value	p-value	Decision
H1	HS -> BI	0.607	0.047	13.006	0.000	Supported

6. Discussion and Implications

The discussion section is the last step in the process of the findings. This section presents the results related to the research hypothesis and compares them with the results and conclusions of the previous studies. The most important result of this research can be seen in the development of the direct effect test, which was that there is a positive and significant relationship between human skills and the implementation of Basel III Cord in the Libyan banking industry with $r = 0.607$, $t\text{-value} = 13.006$, and a considerable level of 0.000.

This result is supported by the previous studies, where Bessis (2011) has analyzed the Basel III agreement's implementation, the key to banking regulations. "Regulatory reforms have been fundamental to improving the resilience of the financial system," he explained. And the Basel III framework, created between 2011 and 2017, has been a milestone in these reforms. One of the advances achieved has been the increase in more than 70% of the capital ratio CET1, used to measure banks' solvency. The major banks and the G20 countries have already successfully implemented Basel III. José Manuel González-Páramo has asked, however, that this application be consistent but also flexible. To encourage, therefore, a complete, timely, and consistent implementation, he said, it must take into account two relevant issues: the Basel Committee does not have a supranational authority as such, and its standards are 'global minimum standards, which can lead to inconsistencies between countries.

Xiong, Li, Wang, and Stanley (2018), in their research, showed that there is an immediate connection between the dimension of interest of educators in essential leadership and the skills and skills of managers. It presents the skills to build unique social connections as fundamental issues for instructors participating in crucial direction. In another research, Ramlall (2018) discovered a significant relationship between managers' human and communicational skills and the execution of educators to show the system and advance in the presentation of procedures and guidelines.

7. Conclusion

Basel III is a vital instrument for the banking industry's success. Some challenges accompany the Basel III implementation. This research aims to find out the implementation challenge for Basel III in the Libyan banking industry. For that matter, the researcher has been reading lots of literature about the challenges that face the implementation of Basel III; based on this literature, the researcher has proposed a conceptual framework to be implemented in the Libyan banking industry. To achieve that objective, this research proposed sub-objectives, which are to identify the impact of (human skills) on Basel III's implementation by the Libyan banking industry. The findings of this research have confirmed a positive and significant relationship between human skills and the implementation of Basel III Cord in the Libyan banking industry.

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