

PERSPECTIVES OF ISLAMIC BANKING IN MOROCCO

Fas'ta İslami Bankacılığının Perspektifleri

Yasser ERRABTİ*

Abstract

After few years of the marketing of alternative banking products in Morocco, it is advisable to make a preliminary assessment of the current situation of these products, their marketing and the satisfaction of Moroccans.

The objectives of this work are to diagnose the market of alternative products in Morocco, evaluate the satisfaction of Moroccans toward alternative products, observe the interest of Moroccans in the use of alternative products and develop a synthesis and recommendations based on the weaknesses identified in the study.

Data was collected using Google survey and help from some Moroccan bank's staff, and SPSS was used for data analysis.

Keywords: Islamic Banking, Alternative Banking Products, Morocco, Islamic Finance, Banking.

JEL Codes: F65, G21.

Özet

Fas'ta alternatif bankacılık ürünlerinin pazarlanmasından birkaç yıl sonra, bu ürünlerin mevcut durumu, pazarlanması ve Faslıların memnuniyeti hakkında ön değerlendirme yapılması tavsiye edilir.

Bu çalışmanın amacı, Fas'ta alternatif ürün pazarı hakkında bilgi vermek, Faslıların alternatif ürünlere karşı memnuniyetini değerlendirmek, bu

* MBA, Institute of Social Sciences, Istanbul Aydın University, Istanbul, Turkey, errabtiyasser7@gmail.com, Orcid Id: 0000-0002-6729-5371

ürünlerin kullanımında Faslıların ilgisini gözlemek ve çalışmada saptanan zayıflıklara dayalı sentezler ve öneriler geliştirmektir.

Veriler Google survey ve bazı Fas bankası personellerinin yardımıyla toplandı, veri analizi için ise SPSS programı kullanıldı.

Anahtar Kelimeler: İslami Bankacılık, Alternatif Bankacılık Ürünleri, Fas, İslami Finans, Bankacılık.

JEL Kodları: F65, G21.

1. Introduction

Many Moroccans consider banks not conform to the precepts of Islam and deal with them only in extreme need. Left to parallel channels, offering interest-free loans, especially for real estate financing. The attraction of this type of financing lies in the fact that it claims to be Sharia compliant, Shariah prohibiting any financial transaction carrying interest. But such practices, which exist outside the control of the financial authorities, present risks of fraud, money laundering or financing of criminal or terrorist activities (Jouini and Pastré, 2008).

The increase of the number of Islamic financial institutions around the world, as well as the growing number of conventional banking institutions that now offer compatible with Shariah financing solutions, confirm the rise of the Islamic finance business sector (Qorchi, 2005).

In Morocco, according to statements made in the press by Belkacem Boutayeb, consultant MENA / Africa, former director of the Dar Al-Maal Al-Islami group. Islamic finance has always shown interest. Since the early 1980s, several Islamic financial institutions have been approaching the Moroccan monetary authorities with a view to their implantation in the kingdom.

Also, there was an attempt by Wafabank to create a Moroccan-Moroccan Islamic bank in 1985. At that time, the president of the central bank of Morocco, Mohamed Sekkat, was completely against it (Nghaizi, 2013).

Moroccan government does not support the creation of an Islamic banking system. this latter, by bringing an ethical and moral dimension to the management of money, risks leading to an Islamization of business, society and also politics (Zaouali, 2005).

2. The central bank of Morocco gives in to banks and market pressure

In October 2006, BAM, the central bank of Morocco gave in to the pressures of the banks and the market, by developing a regulatory framework for three Islamic Shariah-compliant products called alternative products (to avoid the adjective “Islamic”). from Ijara, Murabaha and Moucharaka. The goal is to expand the range of banking services and contribute to a better banking of the economy.

However, the new authorized financial products only concerned financing, and not deposits, since, according to BAM, Moroccan citizens, preferring to conduct interest-free transactions, can deposit their money with traditional banks in the form of unproductive deposits, this is also the case, as they currently represent 53% of cash deposits in Moroccan banks. Moreover, demand deposits with banks continue to increase, they recorded, in June 2010, a positive variation of 7% compared to the same date of the previous year. While during the same period, term deposits experienced a negative variation of 8.6% (Radi and Bari, 2012).

Among the Moroccan banks that have already started to market these products, we will find Attijariwafa Bank ATWB which has unveiled its first two formulas since October 8, 2007 in its branches. Named “Miftah Al Kheir” and “Miftah Al Fath”, the two products are the declension of the concept of Murabaha and Ijara wa Iqtinaa (Zarouali, 2017).

The authorization given to local banks to market alternative products was hardly sufficient. It had to be accompanied by a whole zone of legal and fiscal change. The provisions of the Tax Circular relating to the 2010 Finance Law have significantly reduced the VAT on Murabaha, as well as they have introduced the deductibility of the bank margin of the beneficiary’s taxable income. Thus, since January 1st, 2010 VAT is applied only on the margin of the bank - and not on the entire maturity - and at the rate of 10% only against 20% previously. Once the atmosphere became relatively adequate, it was time to allow the installation of local institutions essentially dedicated to the marketing of alternative products for Moroccan citizens. It is essentially the house of alternative financing Dar Assafaa Litamwil (Zarouali, 2017).

3. Empirical Application:

3.1. Hypothesis

The Hypothesis tested are:

- i. Moroccan borrowers are not finding the existing offer of alternative loans satisfying.
- ii. The type of loan contracted (Alternative or conventional) is not dependent on a specific reason of contracting a loan.
- iii. The reason of contracting a loan doesn't influence the reasons blocking the choice or the development of the level of alternative loans contracted.
- iv. Knowing the difference between the alternative and the conventional type of loans does not influence the choice of the loan type.
- v. Whether the borrower is alternative or conventional they have the same idea about the principles of Islamic Finance.
- vi. Whether the user use classic or alternative loan they have same idea of new type of loan adoption.

3.2. Sampling Method

The sample size was calculated using the following formula which is below and found 384.

$$n = p \times q \times (z/\epsilon)^2$$

With:

n= sample size

p= (0.05)

q= (0.05)

Z= %95 confidence level (1.96)

e= confidence interval in order to have more generalizable results (0.05)

$$n = 0,05 \times 0,05 \times (1.96 / 0,05)^2 = 384$$

Our sample size was 401 person, with a confidence level of interval of 5.

The sampling mode was random-aleatory, including people who contracted a loan or not.

Data was collected using Google survey and help from some Moroccan bank's staff, and SPSS was used for data analysis.

3.3. Summary of Survey Frequencies

Table 1: Socio-Demographics

Gender	Frequency	Percentage
Male	200	49,9
Female	201	50,1
Total	401	100,0
Age	Frequency	Percentage
Less than 20	13	3,2
20 - 30	268	66,8
30 - 40	94	23,4
40 - 50	14	3,5
More than 50	12	3,0
Total	401	100,0
Salary	Frequency	Percentage
- 2000 MAD	80	20,0
2000 - 4000 MAD	81	20,2
4000 - 6000 MAD	69	17,2
6000 - 8000 MAD	60	15,0
+ 8000 MAD	111	27,7
Total	401	100,0
Socio-professional category	Frequency	Percentage
Student	106	26,4
Employee	222	55,4
Merchant	7	1,7
Liberal profession	53	13,2
Company manager	13	3,2
Total	401	100,0
City of residence	Frequency	Percentage
Casablanca	170	42,4
Rabat	44	11,0
Marrakech	11	2,7
Fes	8	2,0
Tanger	16	4,0
Agadir	9	2,2
Settat	2	,5
Other	141	35,2
Total	401	100,0

Table 2: Borrowers Behavior

Reason for contracting a loan	Frequency	Percentage
House	50	12,5
Vehicle	32	8,0
Consumption	31	7,7
Business	1	,2
Studies	15	3,7
Total	129	32,2
Type of the loan contracted	Frequency	Percentage
Classic	118	29,4
Alternative (Islamic)	11	2,7
Total	129	32,2

Table 3: Satisfaction Vis-à-vis Alternative Loans

Mark given to the alternative products	Frequency	Percentage
1	105	26,2
2	26	6,5
3	56	14,0
4	35	8,7
5	68	17,0
6	49	12,2
7	29	7,2
8	14	3,5
9	4	1,0
10	15	3,7
Total	401	100,0
Cost	Frequency	Percentage
Strongly Unsatisfied	146	36,4
Unsatisfied	99	24,7
Neither Satisfied Nor Unsatisfied	111	27,7
Satisfied	28	7,0
Strongly Satisfied	17	4,2
Total	401	100,0
Conformity to the Shariah	Frequency	Percentage
Strongly Unsatisfied	226	56,4
Unsatisfied	74	18,5
Neither Satisfied Nor Unsatisfied	48	12,0

Satisfied	28	7,0
Strongly Satisfied	25	6,2
Total	401	100,0
Duration	Frequency	Percentage
Strongly Unsatisfied	115	28,7
Unsatisfied	96	23,9
Neither Satisfied Nor Unsatisfied	126	31,4
Satisfied	29	7,2
Strongly Satisfied	35	8,7
Total	401	100,0
Monthly payment	Frequency	Percentage
Strongly Unsatisfied	100	24,9
Unsatisfied	79	19,7
Neither Satisfied Nor Unsatisfied	148	36,9
Satisfied	46	11,5
Strongly Satisfied	28	7,0
Total	401	100,0
Process of according a loan	Frequency	Percentage
Strongly Unsatisfied	109	27,2
Unsatisfied	86	21,4
Neither Satisfied Nor Unsatisfied	126	31,4
Satisfied	42	10,5
Strongly Satisfied	38	9,5
Total	401	100,0
Brakes to the choice of alternative loans	Frequency	Percentage
Lack of communication:	197	49,1
Cost	107	26,7
Sold by commercial banks	30	7,5
Non conformity with the Shariah	56	14,0
The offer is not suitable	11	2,7
Total	401	100,0
Absence of interest	Frequency	Percentage
Strongly don't support	30	7,5
Don't support	20	5,0
Neither Support Nor don't support	72	18,0
Support	31	7,7
Strongly Support	248	61,8
Total	401	100,0

Prohibition of speculation	Frequency	Percentage
Strongly don't support	22	5,5
Don't support	19	4,7
Neither Support Nor don't support	93	23,2
Support	61	15,2
Strongly Support	206	51,4
Total	401	100,0
No funding to unlawful sectors	Frequency	Percentage
Strongly don't support	53	13,2
Don't support	20	5,0
Neither Support Nor don't support	96	23,9
Support	58	14,5
Strongly Support	174	43,4
Total	401	100,0
Sharing risks	Frequency	Percentage
Strongly don't support	48	12,0
Don't support	7	1,7
Neither Support Nor don't support	82	20,4
Support	81	20,2
Strongly Support	183	45,6
Total	401	100,0
Criteria to be modified to increase alternative loan's demand	Frequency	Percentage
Cost of credit	251	62,6
Duration	19	4,7
Conformity to the Shariah	95	23,7
Offer diversification	36	9,0
Total	401	100,0
Willingness to adopt an Islamic (alternative) loan in the future	Frequency	Percentage
Yes	290	72,3
No	111	27,7
Total	401	100,0
Knowledge about the difference between alternative and classic loans	Frequency	Percentage
Yes	282	70,3
No	119	29,7
Total	401	100,0

There was about the same frequency of female and male, most them aged between 20-40, and with a distribution of salaries from all classes of the society. The majority of participant are employees. Casablanca the economic capital of Morocco is the city where the majority are from and about 46% of them from Rabat the capital and other cities.

Most borrowers used the loan to purchase a house or vehicle, about 91% of them used classic loan, and the rest used an alternative one said Islamic.

3.4. Hypothesis Tests

i. Moroccan borrowers have different ideas of criteria based on their cost, conformity to Shariah, duration, monthly payment and process of according the loan attitude.

$$H_0: M_{\text{cost of credit}} = M_{\text{Duration}} = M_{\text{Conformity to Shariah}} = M_{\text{Offer diversification}}$$

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$$H_1: \text{At least one is not equal}$$

Table 4: Result of Kruskal Wallis Tests

	Cost	Conformity to Shariah	Duration	Monthly payment	Process of according the loan
Chi square	9,373	8,436	11,280	9,310	3,879
df	3	3	3	3	3
asympt. Sig.	,025	,038	,010	,025	,275

ii. The type of loan contracted (Alternative or conventional) is not dependent on a specific reason of contracting a loan.

$$H_0: M_{\text{House}} = M_{\text{Vehicle}} = M_{\text{Consumption}} = M_{\text{Business}} = M_{\text{Studies}}$$

$$H_1: \text{At least one is not equal}$$

Table 5: Result of Kruskal Wallis Tests

	Which kind of loan you contracted?
Chi square	4,412
df	4
asymp. Sig.	,353

iii. The reason of contracting a loan isn't influenced by the reasons blocking the choice or the development of the level of alternative loans contracted.

$$H_0: M_{House} = M_{Vehicle} = M_{Consumption} = M_{Business} = M_{Studies}$$

$$H_1: \text{At least one is not equal}$$

Table 6: Result of Kruskal Wallis Tests

	Why people doesn't choose alternative loans?
Chi square	18,608
df	4
asymp. Sig.	,001

iv. Knowing the difference between the alternative and the conventional type of loans does not influence the choice of the loan type.

$$H_0: M_{Alternative} = M_{Conventional}$$

$$H_1: \text{At least one is not equal}$$

Table 7: Result of Mann-Whitney Tests

	Do you know the difference between the classic and the alternative loans?
Mann-Whitney U	528,000
asymp. Sig. (2-tailed)	,126

v. Whether the borrower is alternative or conventional they have the same idea about the principles of Islamic Finance.

$$H_0: M_{Absence\ of\ Interest} = M_{Prohibition\ of\ speculation} \\ = M_{No\ funding\ to\ unlawful\ sectors} = M_{Sharing\ the\ risk}$$

$$H_1: \text{At least one is not equal}$$

Table 8: Result of Kruskal Wallis Tests

	Conventional and Alternative loan contractors			
	Absence of Interest	Prohibition of speculation	No funding to unlawful sectors	Sharing the risk
Chi square	11,055	3,982	2,623	3,697
df	4	4	4	4
asympt. Sig.	,026	,408	,623	,449

vi. Whether the borrower used classic or alternative loan they have same idea of new type of loan adoption.

$$H_0: M_{\text{Alternative}} = M_{\text{Conventional}}$$

H₁: At least one is not equal

Table 9: Result of Mann-Whitney tests

	Are you ready to adopt an islamic loan in the future?
Mann-Whitney U	495,000
asympt. Sig. (2-tailed)	,074

3.5. Result Summary

i. Moroccan borrowers have different ideas of criteria based on their cost, conformity to Shariah, duration, monthly payment and process of according the loan attitude.

There is a statistically significant difference ($p < 0,05$) in the four groups). Thus, we can say that based on the importance of the cost of the loan, its conformity to Shariah, duration, monthly payment, Moroccan borrowers have different attitudes through kind of criteria. Except for the process of according the loan ($p = 0,275$; $p > 0,05$). Thus, no statistically difference and borrowers have common attitude regarding these criteria.

ii. The type of loan contracted (Alternative or conventional) is not dependent on a specific reason of contracting a loan.

There is a no statistically significant difference ($p = 0,353$, $p > 0,05$) in the five groups. Thus, we can say that for Moroccan borrowers, the reason of contracting a loan is dependent on the type of loan.

iii. The reason of contracting a loan isn't influenced by the reasons blocking the choice or the development of the level of alternative loans contracted.

The reason of contracting a loan is not, indeed, influenced by the criteria blocking the development of the level of alternative loans contracted. From the result, there is a statistically significant difference ($p=0.001$, $p<0,05$) in the five groups.

iv. Knowing the difference between the alternative and the conventional type of loans does not influence the choice of the loan type.

There isn't a statistically significant difference ($p=0.126$, $p>0,05$) in the two groups. Thus, we can say that the choice of the loan type (conventional or alternative) for Moroccan borrowers is influenced by their knowledge of the difference between them.

v. Whether the borrower is alternative or conventional they have the same idea about the principles of Islamic Finance.

We can observe that there is no statistically significant difference in the two groups for 3 principles of Islamic Finance, which are: prohibition of speculation ($p=0,408$, $p>0,05$), sharing the risk ($p=0,449$, $p>0,05$) and no funding to unlawful sectors ($p=0,623$, $p>0,05$). But for the principle named "Absence of Interest" ($p=0.026$, $p<0,05$), there is a statistically significant difference. Thus, all borrowers accept these principles of Islamic Finance, except the absence of interest.

vi. Whether the borrower used classic or alternative loan they have same idea of new type of loan adoption.

We observe that the result of our test ($p=0,074$; $p>0,05$). Which means that there isn't a statistically difference in the groups. Thus, whether the borrowers used a conventional or alternative loan, they have the same idea about adopting a new type of loan in the future.

4. Conclusion

An empirical application has been done to investigate the situation of Islamic banking product, said alternative in Morocco. To go through this, a sample of 401 person was used, and elaborated hypothesis to test after collection answers of the participators.

To test hypothesis, Kruskal Wallis and Mann Withney tests have been used. There was significant difference concerning the attitude of the borrowers towards loan criteria such as cost, conformity to shariah, duration and monthly payment, but no significant difference for the loan according process. This goes with our hypothesis for the first 4 criterias.

The type of loan contracted, alternative or conventional, from the test, shown that it is dependent on the reason why it is contracted such as spending it on a house, vehicle. The test shown that there is a significant difference between the five groups that have been used in the survey.

Also, the results shown that the criteria blocking the development of the alternative loans does not influence the reason of contracting a loan, there was a statistically significant difference and that aligns with our thought.

Further, knowing the difference between the type of loan, alternative or conventional, makes a difference and it influences the choice of the type of loan, as the results shown.

The test also proved that Moroccan borrowers accept the principles of Islamic finance, such as prohibition of speculation, no funding to unlawful sectors and the risk sharing. But they don't have a common thought about the absence of interest. For this latter, the test shown that there was a statistically difference. Thus, this result align with our thought except for the absence of interest.

Finally, the test proved that all borrowers are ready to adopt a new type of loan, whether they used a conventional or alternative loan previously. The results shown that there wasn't statistically difference and that goes well with our hypothesis.

At the end, Islamic finance is still in the midst of several challenges that it must surpass in order to align itself with the level of current finance. These challenges are all the more human, financial and ethical. Indeed, will it be able to ensure a strong expansion and a global development while remaining faithful to its values and its principles? Here is a major problem that Islamic finance must manage in order to claim its status and ensure its development on a global scale.

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