

State of the Art of Islamic Finance in Morocco

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Abstract: Islamic finance is now an essential component of global finance. It knows vertiginous growth in several Muslim countries like the Gulf and Southeast Asia countries. It has shown innovation and has been able to set up in several non-Muslim countries where it coexists with conventional finance. Indeed, the increased demand for Islamic financial products has made it nowadays a primordial player that no country can no longer neglect. This is how we will try to focus on the ethical dimension of Islamic finance. Before explicating any issues that it would present for all socio-economic operators in Morocco, particularly to commercial banks, Bank Al -Maghrib, the Treasury and local financial market players. Then we will discuss the opportunities it would provide for its contribution to the financing of the priority sectors for Morocco, the banking of its population and the promotion of social solidarity through the establishment of the funds of the Zakat.

Keywords: Islamic banks, economic development, banking, social solidarity, sukuks.

1. INTRODUCTION

Morocco has considerable assets that allow it to position itself as a financial center that can drain consequent Islamic financing. First, Morocco enjoys political stability and a geopolitical situation giving it a platform status between Europe and Africa. It also has the most successful financial system in the MENA region: a competitive and very elaborate capital market, an insurance sector that is positioned as the second in Africa and a mature and highly developed banking sector that proves itself in several African countries. In addition, the country has put together several investment projects launched as part of sectoral strategies. It aims to develop priority sectors particularly in the fields of infrastructure (motorways, dams, shipyards ...), tourism, energy, agriculture, agri-food industry, Real estate, and its new global trades. These are in search of financing and therefore are likely to attract Islamic capital. Especially since Morocco can have a step ahead of all its competitors in the attractiveness of these capital and by its historical and privileged political links with the countries of the Gulf, recently sealed links by the invitation of Morocco to join the Gulf Cooperation Council. This is concretized by the interest posted by several major banks in the place like Qatar Islamic Bank, Kuwait Finance House, Dubai Islamic Bank, Islamic Bank of Bahrain ... who posted the Moroccan authorities their interests to settle in Morocco. Finally, Morocco, which aims to make the financial center of Casablanca (through the implementation of the project "Casablanca Finance City") a must at the crossroads of the continents, has every interest in seizing these opportunities by capitalizing on its assets.

So, is Morocco aware of such opportunities? What are the stakes and opportunities that Islamic finance could bring to the Moroccan economy? How is Islamic finance might be apprehended as a so-called "ethical" alternative? In this sense, our article will bring clarification on the ethical dimension of Islamic finance. Before,

to propose some trails of reflections on the issues and opportunities of Islamic finance for Morocco on the basis of an exploratory study.

2. THE ETHICAL ALTERNATIVE:

Disintermediation, deregulation and decompartmentalization of financial markets have been at the origin of the spectacular development of the conventional financial system. However, the recurrence of financial crises, the most recent of which "subprime" revealed the complexity of the system and its vulnerability, mainly due to financial innovations and the disproportionate liberalization of the economy. The observed failures have been partly linked to the problems of ethical and moral orders and the nature of the financing system that encourages debt through the credit and securitization systems.

The following example illustrates the importance of complementarity between the three blocks. In order to commercialize real estate financings, an Islamic retail bank needs Takaful contracts. To grow the premiums collected, Takaful Companies use investments in Sukuks as well as in Islamic investment funds. The latter solicit institutional actors such as banks and insurance companies for their financing. Thus, an integrated approach and therefore a coordination effort between the Bank, Takaful and capital markets would optimize the value chain. This harmonization also has the advantage, on the one hand, to reduce costs and facilitate the financial engineering of the products, and on the other hand, to improve the stability of the Islamic financial system by reducing risks. In the absence of an integrated vision, and therefore coordination between sectoral policies of the Islamic financial market, the products and services of an Islamic bank will be potentially less diversified and more expensive than a conventional bank.

The Malaysian market often cited in the model has endowed with an integrated approach to Islamic finance and has managed to impose itself as a global hub of Islamic finance, and therefore generating new capital. Morocco, meanwhile, was generally interested in Islamic finance. It was not until 2007 to see the first alternative products offered by conventional banks. Several factors explain the shyness of this experience, in particular the absence of an integrated approach to Islamic finance. So, to date, alternative banking products are marketed with conventional insurance products. Since 2012, there has been a renewed interest in the Islamic finance carried by the popular demand [1] and finally by the gloomy international context marked by dewatering cash and an increase in systemic risk. This new wave has thus realized by the preparation of three draft laws:

- The new bill on credit institutions and similar agencies prepared by Bank Al Maghrib, a chapter of which is devoted to participatory banks.
- A draft amendment of Law No. 33-06 on the securitization of receivables. This bill developed by the Ministry of Finance on securitization devotes a party to sukuku.
- A proposal for a Takaful bill is under discussion between the Insurance and Social Pension Branch (Ministry of Economy and Finance) and insurance companies.
- By analyzing in detail, the three texts piloted by Bank Al Maghrib and the Ministry of Economy and Finance, two major findings emerge.

First, by adding the various bills, we do not find the general vision of the Kingdom for the Islamic Finance Sector and the way in which the various proposed amendments are part of this vision. Second, these bills are at different levels of advancement. Thus, it is likely that the new law on participatory banks be promulgated well before that on Takaful. This scenario would make the new provisions less effective and reproduce the same current mistrust towards alternative products.

3. THE CHALLENGES OF ISLAMIC FINANCE FOR SOCIO-ECONOMIC OPERATORS IN MOROCCO

The opportunities offered by Islamic finance in Morocco are important in view of the assets of the country. It strengthens and diversify the national financial sector by responding to strong latent domestic demand. Islamic finance is mainly a must-see pillar to position Morocco as a financial hub draining capital for local or regional development projects. To seize these opportunities, it is essential to perform a break with the silos approach and to have a clear vision, declining on objectives concerning Islamic finance, something that is not known to date, at least General public. Financial instruments by Sub-Fund (Bank, TakaFul and Capital Markets) will be added to this vision to serve the interest of the sector in a specific way and the national financial market in a general way. A possible governance scheme to strengthen this coordination would be to entrust this project to an independent body composed of actors from the financial world as well as ulemas and experts. This instance would ensure the development of the national strategy in Islamic Finance and the monitoring of its implementation while ensuring coherence between sectoral policies. The opportunities offered by Islamic finance in Morocco are important in view of the assets of the country. It strengthens and diversify the national financial sector by responding to strong latent domestic demand. Islamic finance is mainly a must-see pillar to position Morocco as a financial hub draining capital for local or regional development projects. To seize these opportunities, it is essential to perform a break with the silos approach and to have a clear vision, declining on objectives concerning Islamic finance, something that is not known to date, at least General public. Financial instruments by Sub-Fund (Bank, TakaFul and Capital Markets) will be added to this vision to serve the interest of the sector in a specific way and the national financial market in a general way. A possible governance scheme to strengthen this coordination would be to entrust this project to an independent body composed of actors from the financial world as well as ulemas and experts. This instance would ensure the development of the national strategy in Islamic Finance and the monitoring of its implementation while ensuring coherence between sectoral policies.

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Thus, without a coherent and coordinated policy, the country is likely to miss the important opportunities that present itself today.

4. BANKING OF THE POPULATION

From the original definition⁶ of the service activity attributed to Jean GADREY, the provision of solidarity finance service is characterized by the management of the provision for a determined time of means of payment by the provider, ie the solidarity finance organization, intended for the user, ie the individual or collective project leader. Then, the service relationship is built from the interactions between the service provider and the user, the object of the service being the financing of the project.

The provision of solidarity finance services differs from the bank financing service: on the one hand by the nature of the actors involved, that is to say the solidarity finance organizations and users, and on the other hand by the nature of the service. First, the Solidarity finance [9] organizations are not banking intermediaries, they rely on market, public (grants), philanthropic (donations) and cooperative resources. They use several financing tools (loans, guarantees, taking out participations ...) according to market or non-market access conditions: a market interest rate (ADIE)[11] or non-market interest rate (honor loans), market guarantee or moral or reciprocal guarantee ... Then, the users are characterized by their difficulties in accessing bank credit, which result from an absence of a good quality bank financing relationship and from the nature of the project (small projects, innovative projects, collective projects, etc.) (GUERIN & VALLAT, 1998, 1999, 2000, FERRATON & VALLAT, 2003, VALLAT, 1999) [6]. Finally, the provision of service is based on socio-financial support

which makes it possible to validate, or create, a relationship of trust. In this process, the user-borrower is a co-producer of the expression of needs [8] in figure 1,



Figure 1. Attractiveness of Islamic finance products

5. SOCIAL SOLIDARITY: ZAKAT FUNDS

In the dynamics of territories "socially constructed" and carriers of a more autonomous economic development, the SSE is led to present itself not only as a heterogeneous set of economic and social agents, but as a unifying logic capable of supporting and to influence territorial regulation. "What is at stake in subnational territorial regulation, whatever the scale considered, is the capacity of a localized social system to guarantee a certain level of accumulation in its territory, to maintain economic activities there and protect its natural resources, but also to maintain a minimum of economic and social cohesion there, allowing all the fractions of the population actually present in a given place to live there without major conflict "(Gilly, Lung, 2008).[3,4] From "the way in which the evolutions of the elements of a system are adjusted to the overall functioning" (Benko, Lipietz, 1995), the analysis of the nature and the role of the SSE on the territories questions him. in terms of allocation and coordination of activities, jobs and income; it is therefore a question of understanding its participation in "institutionalized compromises" at the local level in their articulation with the sectoral and global levels.

The study of the SSE on 4 employment zones in the Rhône-Alpes region leads us to propose an analysis framework capable of characterizing the modes of participation of the SSE in territorial regulation. It shows that the relations between SSE and territories present various characteristics depending on the history defining the "territorial matrix" (Itçaina, 2007) and the mode of socio-economic development constituting the "territorial configurations" (Pecqueur, 2005); that the nature of the participation of the SSE in territorial regulations, through complex relationships, largely depends on the representations of the actors on their belonging and their contribution to the territory; and that this participation is reinforced by the action of "institutional mediations" which accompany the reorganization of production systems towards more transversality and cooperation.

The employment zone seems a priori a relevant territory for studying the territorial role of the SSE because, by concentrating home-work journeys, it covers both the living areas around which local associative life is organized, and the places of employment where there are more cooperatives [6] this ESS study on the Grenoble conurbation,... Nevertheless, the employment zone can bring together several employment areas which correspond to poles of attractiveness and specific identities, therefore constructions of distinct social and cultural networks, linked to particular geographical configurations. There can thus coexist convergences on the socio-

economic development model of the territories and tensions on the cultural representation of these same territories [15,16].

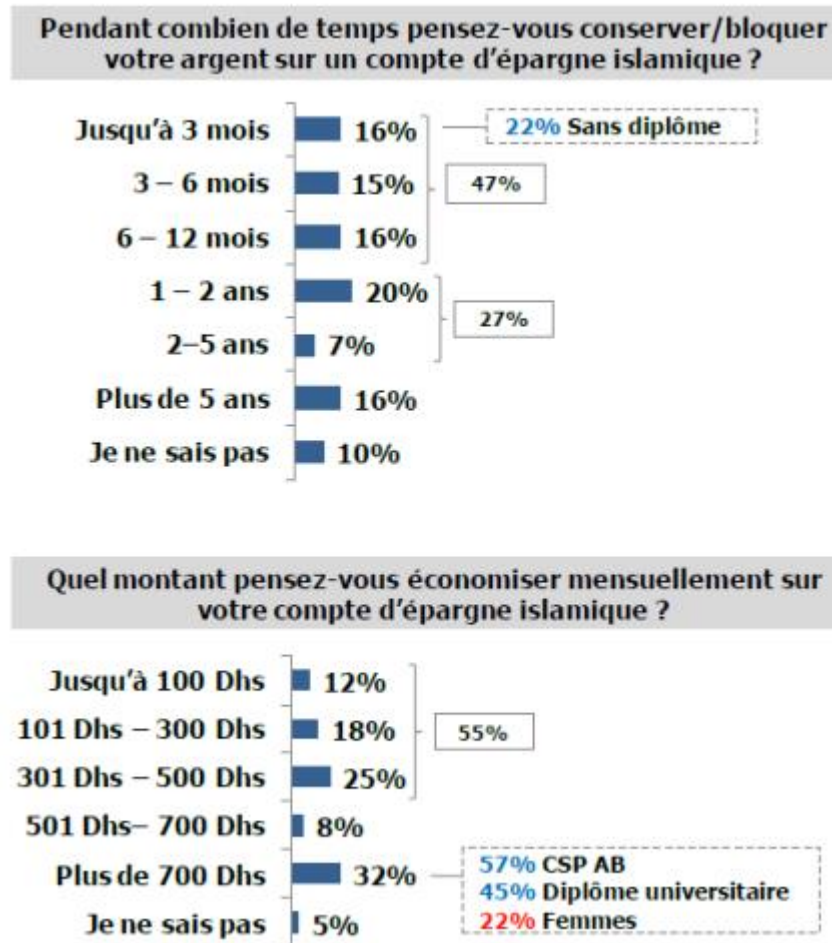


Figure 2. Intention to use Islamic savings

6. CONCLUSION

In conclusion, Islamic finance in Morocco presents enormous opportunities for the socio-economic development of the country. Indeed, it will facilitate the raising of national and international investment funds in order to finance the major projects expected and priority sectors for Morocco. It will contribute to the development of the level of banking services by including the categories which refuse to use conventional products for religious reasons. Islamic finance in Morocco will contribute to the resolution of major economic and social problems, in particular unemployment, the fight against poverty and precariousness and the development of social solidarity through the creation of zakat funds.

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