

Challenges and Prospects for the Development of Alternative products in Morocco

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ABSTRACT: The three financial techniques known under « Ijara », Murabaha » and « Musharaka » were introduced to Morocco in 2007 in the context of an international convergence towards Islamic finance. However, the integration of such techniques in traditionally-oriented Moroccan banks is facing various challenges. Marketing these products has proved to be limited. The present article targets the description of the so far adopted financial techniques and the analysis of the challenges they face, especially in terms of marketing. It also targets the provision of suggestions about their development through the synthesis of available studies as well as through a series of opinions given by bank managers, advisers and specialists in the realm of Islamic finance.

KEYWORDS: Moucharaka, Mourabaha, Ijara, financial crisis, alternative products.

1 INTRODUCTION

The number of Islamic Financial Institutions established worldwide has risen at once in 1975 to attain up to more than 300 in 75 countries. They have been regrouped in North Africa as well as in South East Asia (Bahrein and Malesia being major centers). They have also appeared in Europe and in the United States of America. The totals of their credit notes are worldwide . They accounted for 1000 billion dollars. The totals of their credit notes have increased at about 15% and 20% per year. Three reasons account for this. Firstly, a high number of Moslems lay a high claim for financial services in conformity with the Charia. Secondly, the rise of the petroleum manna has resulted into the improvement of investments being welcomed in the Golf Region. Competing financial Islamic products/ processes have attracted both Moslem and non Moslem investors.

No matter how hard Islamic banks have tried to operate in Morocco, they not been authorized to directly operate in a Moroccan context. The central bank, that is, Bank Al Maghrib (BAM, 2007 [1]) has faced internal pressures. Therefore, in October 2006, they developed the legal framework for the emergence of three products that were in line with the Sharia: Ijara, Mourabaha, and Moucharaka. In light of this short background, the present article purposes to study the Moroccan experience relating to this subject. Constraints placed on the commercialization of these three processes will notably be analyzed on the basis of the synthesis of already made studies as well as on the basis of qualitative data generated through soliciting the opinions of banking managers and of specialists dealing with Islamic finance.

Thus, the present study will start with the examination of the Moroccan banking sector, the enumeration of the ethics governing Islamic banking and the description of its advantages. It will then focus on the risks and the challenges encountered during the establishment of the system and on its progressive adaptation to particular needs.

2 THE DESCRIPTION OF THE MOROCCAN BANKING SECTOR

Economy cannot virtually develop unless it is given support by a financial sector which fully and efficiently collaborates with companies and the private enterprise. The Moroccan legislator targeted placing the banking and the financial system within a modern, open and evolutionary legal framework that has the propensity to adapt to different mutations. The objective is to reinforce the role of finance in the collection of deposits, in economy-funding and in the encouragement of investment endeavors in the private sector. As a matter of fact, the concretization of such aspirations have still been unsatisfactory due to the prevalence of intrinsic challenging factors within the system.

2.1 A HISTORICAL BACKGROUND OF THE MOROCCAN BANKING SYSTEM

The establishment of banking system-free market was initiated in 1991. Diverse measures were used for the achievement of this goal. The following measures were cases in point:

- The imposition of credit auditing as well as the substitution of direct quantitative control for indirect qualitative measures (Reserve fund, solvency ratio, liquidity, entity-risk).
- The establishment of a free market for interest rates on accounts payable, in addition to a gradually established free market for interest rates on debits. Here, two types of variable reference rates were accounted for: the first one was accounted for on a monthly basis. It was devised for long term payable accounts. The second one was accounted for on a year-basis. It was devised for medium and long term payable accounts.
- The elimination of obligated employments, those who are bound to gradually disappear being excepted
- The authority conferred to banking institutions to issue deposit certificates or securities whose life cycle vacillates between 10 days and 7 years. The reinforcement of their long productivity is a targeted objective.

Banking deregulation targeted the improvement of efficiency through setting three measures. While the first measure involved securing the best allocation of resources, the second measure involved the reduction of the costs of intermediation. The third measure involved the reinforcement of the role of the banking system in the collection of deposits. The objective was to give support to economic development, especially through the development of capital expenditures vote.

The 1993 banking law is relevant to this context. It targeted the enhancement of economic development through self-financing bank-based economy.

When banking-applications were suppressed in 1998, financial authorities started to pay heed to the reinforcement of inter-banking-competition. This endeavor was denoted through the reinforcement of the strength of the banking system as well as through significantly decreasing interest rates on debits (F. Oualalou, 2002 [2])

The 34-03-Law was adopted to make up for the challenging aspect of the 1993 law, especially with regard to the strong and outstretching roles played by public accountants. It extended to the appraisal of internal auditing system employed in the so far concerned institutions.

The banking-system-reform targeted the development of the efficiency of the financial sector. It aimed to make the most of financial channels following the development of competition and the establishment of an optimal allocation of resources. It equally aimed to contribute to the rise of productivity gains through the rationalization of banking and financial activity, the consecutive decrease of the cost of intermediation and the diversification of offer. In light of this, discounted banking notes can be divided into two categories. The first category relate to the modification of interest rates. The second category bears relevance to the allocation of resources. Thus, it would be possible to witness a decrease of interest rates through a devised margin instrument. Such decrease might have a positive bearing on investment. Meanwhile, the amelioration of the channels designed for financing economic endeavors is expected to lead to a better exploitation of benefits. This goal could be achieved through giving due consideration to the application of resources in the most interesting and productive locations. This can consequently result into the amelioration of the efficiency of national economy (Centre Marocain de Conjuncture, 2002 [3])

2.2 THE CHARACTERISTICS OF THE MOROCCAN BANKING ENVIRONMENT

Today, the Moroccan banking system is diverse in terms of the ownership of stocks, significant foreign ownerships being inclusive. The banking system is also characterized by a scale of integration. (The first four banks control more than 50% of the market). The inputs and the outputs in the sector are hardly frequent. The distribution of market-dividends are stable. They are controlled by a limited number of banks. Competition in terms of pricing is also minimal. The prevalence of certain

rate-auditing and the deficiency of the financial market create an environment where banks fail to compete with other sources of financing.

The supervision of banks is quite intense both at the level of the global system (the central bank) and at the level of the individual bank. Thus, the internal management practices of lending institutions face the challenge of excessive centralization. Actually, important decisions relating notably to Credit are dealt with by central services. Consequently, local offices get reduced to mere deposit collectors, retard Loan-granting channels and they disharmonize the redistribution of resources generated through the system. This is to explain why the best level of expertise in terms of risk-analysis is manifested at the level of head offices. Local offices by contrast demonstrate the absence of expertise. As a result, risk analysis becomes just a series of formal procedures when a loan is applied for. Eventually, possible errors might be redressed through the allocation of a guarantee (Conjoncture, 2005 [4]).

The concentration of the system and the weak aspect of incidental competition are given effect through the establishment of a free market. They can empower some especially small and medium sized firms and disadvantage others. In this context, it is worthwhile noting that small and medium sized companies face serious difficulties when they try to get banking loans. This is to say that their claims for loans are refuted, notably due either to the absence or the inadequacy of guarantees (estimated to be heavy). This might also be due to the absence both of reliable company activities and reliable entrepreneur. (F Mourji & A El Gouch, 2001 [5]). As a result, small and medium sized companies can neither provide finance for their operations, nor could make any investments.

Furthermore, small and medium sized companies have a very limited access to expert financing (leasing, factoring). Venture capital has been hardly developed and biased.

Besides, banks have proclaimed a high level of liquidity. liquidity reports/ total assets have almost doubled between 1998 and 2004. They rose from 62.7% to 120.8%. They made the most of the situation rather than drain into investment into the productive sector.

Today, the Moroccan financial market is characterized by sub-liquidity that amounts to 22,3 billion dirhams. This state of affairs reflects some persistent disequilibrium at the level of the loan market which has prevailed since 2007.

In 2009, the annual surplus generated by lending institutions increased by 5%. It hit 10,5% billion dirhams thanks to notorious banking net proceeds. Gross net proceeds were generated through gross margins and to some extent through a high level of the current market income. Following the 22% rise achieved in 2008, the totals of the contribution of loan institutions recorded a progression which amounted to 10, 7%. However, the average rate of accounts receivable in a state of awaiting delivery relevant to the sector remained stable in general. It was limited to just about 6% (BAM, 2010 [6]).

Moroccan banking institutions are hardly exposed to a financial crisis. The reason is that they mainly use a strict control system. They also tightly restrict the direct access of financial institutions to financing using foreign currency. Actually just about 3 or 4% of assets and liabilities managed through the banking system are denominated in foreign currency. Such assets generally take the form of deposits paid to foreign banks, especially French ones. Just a little money is invested in the treasury bill. A lesser amount of money is reserved for investments in captive finance companies established in conformity with the local expansion strategies of Moroccan banks.

At the level of loan chapters, non-resident deposits represent only 1% of the total deposits paid by clients. At the level of local inter-bank markets, bank- requirements in foreign currency are dealt with by Bank Al Maghrib. Average term loans lent by foreign banks are rare. New financial assets, especially those suggested for inclusion in Moroccan pension funds were timidly developed in 2007. They were in a state of gross stop loss when economy drew to a crisis (L Tayebi, 2009 [7]).

Real-estate loans and consumer credits chiefly benefit from support given by banks. Thus, consumer credits in particular can contribute to the improvement of consumption. However, they are considered as imported assets, the consequence of which is that local companies are placed at a disadvantage. This in turn results into serious commercial deficit.

The 80% of the population, the ones bereft of postal accounts excepted, do not resort to banks either because they are not well off, or because their professional status does not permit it or else because their religious creed stands in the way.

Thus, the banking rate imposed by Bank Al Maghrib corresponds to income generated through a series of accounts, including postal checking accounts and local credit unions open at Barid Al Maghrib. In light of this, the banking rate imposed by Bank Al Maghrib has involved 40% of the population in 2007. This is to say that a similar percentage is recorded by high standing countries. However, the recorded percentage is somehow estimated as inferior when it is compared to the percentage recorded by developed countries.

If Moroccan banks are wishful to develop the banking rate, they should reinforce and diversify their commercial offer. OMC (the international Organization of Commerce) signed an agreement in December 1997 on the abolition of restrictions imposed upon financial services. It was decided that the agreement be put into practice starting from 1999, whereby international operations undertaken by the 95% of diverse financial firms operating on the global market would benefit from the reduction of restrictions.

Although the number of international independent financial firms in Morocco is still scarce, the OMC (the international Organization of Commerce) incites banking institutions to get ready to face the challenge of international competition. It also incites them to adapt their structures to the new constraints of global financial markets.

3 THE FOUNDATIONS AND THE ADVANTAGES OF ISLAMIC BANKING

Islamic banking is based on direct intervention into the transactions for which it provides funding. It can be remunerated either for its qualitative characteristics as a condominium or for the income summary account of the project it might have funded (whether it is a matter of loss or of gain) within the realm of Moudharaba or Moucharaka or else for deals received. Islamic banking can also be remunerated for renting properties. This is applicable in the case of Mourabaha technique, or in the case of Ijara technique (known under leasing/ rental-purchase) or in the case of Salam technique. Islamic banking is also remunerated for the manufacturing/ the construction of personal movables or real estates either by the Islamic bank itself or by a third party. This bears relevance to Istsina'a.

From an Islamic perspective, the general rule is that currency is solely a medium, a measurement-instrument characterizing the inter-exchange of products. Although currency ensures the prevalence of value-reserve, it cannot yield any surplus unless it is transformed into a real asset (Albaraka Bank, 2007 [8]).

However, Islamic finance adopts a particular strategy relating to loss and profit made by parties making a financial transaction. The Charia advocates that the investor (the lender) and the contractor (the receiver) equitably share profits and risks regardless of the financing method used. This indicates that the transmission of liability to just one party in the deal contradicts the ethics of the Charia. However some other financing methods appertaining to the traditional financial system is in line with the spirit of the Charia. It can be incorporated into an Islamic financial system. Other traditional financing methods, especially the classical debt contract, are excluded (E Jouini & O Pastré, 2008 [9]).

Participation in company risks might be conducive to the need to establish a link between banks and companies. The link is supposed to be different from the one established by classical banks. As long as Islamic banks partake in projects, they might enter into partnerships with companies, especially if they experience concern for competition and performance. Thus, they might play the part of advisers and they might even assign the task to some of their company executives to directly partake in company management (M Zein, 1992 [10]).

The obligation to finance small and medium sized companies requires long and average term credits. It is also important to note that the development of small and medium sized companies requires that a strategy based on long-term resources be considered. As a matter of fact, commercial banks have always opted for short-term financing. They have carried on imposing important warrants because their resources are generated through demand or through term deposits.

However, it seems that products supplied Islamic banks need to adapt to the needs of small and medium sized companies. Four reasons account for this:

- Small and medium sized companies are short of capital. Such shortage sets a major obstacle in the way of having access to banking loans. Furthermore, Islamic financing places less focus upon cash contribution. It places a lesser focus upon guaranties than it is the case for classical banks. The problem is that excessive debt being the outcome of a shortage in terms of owner's equity generates important financial expenses. It threatens the financial health of small and medium-sized companies. Yet, Islamic financing does not permit the imposition of fixed interests. It lends a credit to the principle of sharing both losses and profits.
- A bank can impose its strengths and relations. Small and medium-sized companies cannot independently assert themselves upon the market. They are bound to experience important fluctuations in the procuration of inputs.
- A bank might not be imbued with a sense of confidence if it manages of a high number of small and medium-sized companies. To counter-act this tendency, Islamic financing establishes a partnership based on long-term relationships with small and medium sized companies. Of course, the bank is supposed to play a key-role in the management of the situation (see Musharakah). (I.B A, 2006 [11])

4 THE MOROCCAN SITUATION

A high number of Moroccans consider banking institutions to be at cross purposes with Islamic precepts. They would not resort to them unless they are extremely in need. Rather, they resort to alternative channels that offer loans exempt from interest relating, especially to financing real estates. The positive side of this sort of financing is that it complies with the principles of the Charia which forbids the conclusion of transactions generating an interest. However, because such practices are not subjected to any control by financial authorities, they might lead to fraudulent acts, to money laundering or to criminal or terrorist-activity-funding (E Jouini & O Pastré, 2008 [9]). Therefore, while Morocco's North African neighbors have permitted the introduction of Islamic Banks into their countries, Morocco has refuted many claims raised for them, (especially those suggested by the Qatar International Islamic Bank and the Noor Islamic Bank)

The truth is that Morocco faces the challenge of legislation adapted to the needs of Islamic banking. The actual contracts and obligation law has mostly drawn inspiration from French law. It just does not regulate contracts that relate to Moslem law. It is the same for company law.

Islamic Banks have achieved success in some Islamic countries, which Moroccan banks resist. For this reason, Moroccan Banks are lobbying in order to prevent the creation or the emergence of the Islamic banking system.

The Moroccan government does not encourage the establishment of Islamic Banks. The reason is that ethical regulations governing money and its management might result into the Islamization of commerce, of society and of politics (H Zaouali, 2005 [12]).

In 2006, BAM has surrendered to pressure exerted by banks and by the market. It has developed a legal context for the prevalence of three types of alternative products conforming to the requirements of the Charia which are Ijara, Mourabaha and Moucharaka. The goal was to enlarge the line of banking services and to contribute to the establishment of a better banking system.

Thus, the introduction of novelty relating to launching new financial products placed the focus exclusively upon financing rather than on deposits. However, According to BAM (Bank Almaghreb), Moroccans prefer to conclude transactions exempt from interest. Therefore, they are given two options at once. They can deposit their money in traditional banks in the form of non productive deposits. And because the 53% of their deposits are in cash, they can also pay cash deposits.

The findings revealed that the number of demand deposits paid into Moroccan banks is rising. They recorded in June 2010 a positive variation surpassing last year's variation by 7%. Term deposits were rather slow. They surpassed last year's variation just by 8% (BAM, 2010 [6])

Therefore, the management of such deposits is regulated through prudential and accounting rules devised by BAM. Interestingly enough, the measures taken for the management of risks are identical to the ones taken for the management of risks associated with traditional products. Furthermore, for such products to adapt to international standards, contracts evolving round offer were ratified depending on rules enacted by AAOFI (the Accounting and Auditing Organization for Islamic Financial Institutions).

5 RISKS AND CHALLENGES FACING THE ESTABLISHMENT AND THE ADAPTATION OF A GRADUALLY ESTABLISHED FINANCIAL CONTEXT

The success of Islamic products depends to a larger extent on a series of factors prevailing at banking institutions. Co-contracting banks deal with infrequent risks where a selling contract is ratified. A series of risks associated with the transfer of a property by the banker are not considered by traditional schemes. Legally speaking, this involves some serious risk-outcomes and it would be worth wondering whether the banker would necessarily accept the hidden-defects-guarantee. This state of affairs can be understood in the light of risks with which traditional bankers are not familiar. (A El Akhdari, 2008 [13]).

The multiplication of selling and buying transactions might result into the accumulation of registration risks. Operative risks increase. In addition, they might get nourished under the effect of legal risks which spring from contract-inflation. Besides, risks rise out of the application of ratified contracts. A Simple disbursement can engender them.

Actually, organizational slowness caused by insufficient flexible processes can retard the performance of Islamic banks which constitute a competitive advantage for Morocco today. As a matter of fact, systematic risks are accruing (A Hassoune, 2008 [14]).

Islamic finance is an integral part of ethical finance. And because it is grounded in religion, its activities are psychologically and socially-oriented. As a consequence, the reputation of the capital invested into it, its image, its credibility are intangible assets but they can also be powerful too as a source of risk. Reputation-risks can hardly be identifiable, discerned, quantifiable or be reduced (A Hassoune, 2008[14])

An Islamic financial system is also supposed to meet the challenges of common risks facing traditional banks too as intermediaries (granting loans, providing market, cash or operative services etc). It is also expected to meet the challenges of its own risks. It is important to note that the remuneration of investment deposits through punctuated profits can lead to a withdrawal risk, to a fiduciary risk and to transferred commercial risks (T Khan and H Ahmed, 2002 [15]).

Moroccan banks started to deal in Islamic products in October 2007. Such products denominated "alternative products" were successively and discreetly launched on justified grounds.

The structure of Islamic fund-mounting gives the chance to many owned properties to be bound for transfer. Each transfer of property leads to a transfer of a right (a tax imposition).

Interestingly enough, customers are attracted to Islamic products. However, when Islamic products are launched, they hardly experience flow because they are more expensive than classical products. Firstly, the profit rates required by the bank are set at their uttermost. The reason is that contrary to interest rates, prices are fixed and they cannot be subjected to any revision. Consequently, margins are generated at the expense of the customer. In light of this, the margins supported by clients are more valuable than those supported by customers in the context of traditional financing. (Qorchi, 2005 [16])

Furthermore, even though the Moroccan banking system is found to be one of the most developed systems in North Africa, it proves to be the most expensive banking system even when it is compared to traditional banking.

The analysis of prices used at the level of the Moroccan banking market has proved that alternative financing is more expensive than traditional financing at an average of 26%.

The situation is complex in so far as the two products denominated Ijara and Iqtinaa are concerned. Costs are averaged at 86% over classical products (Alaoui and Meftah, 2010 [17]).

Similarly, alternative products offered for sale have not up to now covered the Moucharakat product as it is difficult to estimate or to manage the risk that is supposed to be shared with the investor. The focus is solely placed either upon housing-financing or upon consumption products because they are not highly exposed to risk. In addition to this, the legal Moroccan framework was not as yet adapted to Islamic financing. Consequently, the problem of a double taxation rose. This phenomenon could concretely be perceived in the light either of a double payment of (Value Added Taxation/ (TVA imposed on the purchase of goods) or in the light of the right of a financial transfer or in the light of the right of registration when shares are transferred. Supplementary expenses have heavily weighed upon these products. They have somehow sanctioned them at the level of competition. (KPMG, 2010 [18]).

The product denominated Mourabaha is central in the alternative package. It faced a similar challenge because it consisted of a double transfer of property. Up to 2008, it was subjected to a double imposition in terms of the right of registration. This could occur either when goods are purchased by the credit institution or else when the final customer repurchases them. The final client is bound to pay accumulated financial expenses from the beginning up to the end. The 2009 financial law redressed this dysfunction through the application of registration law at the first instance of a purchase made by the bank. Thus, the purchaser would not be obliged to pay for the right of registration.

This and other products (notably Ijara) have been subjected to a Value Added Tax (TVA). A 20% rate averaging a rate imposed upon commercial deals as well as on the reimbursement of the principal capital and on bank margins was imposed.

Finance law decreased Value Added Tax (TVA) as late as 2010 at a 20 average being the rate imposed on financial operations by banks at the time. Contrary to habit, it was applicable on the benefit margins realized by the bank without any due consideration given to the principal amount of the debt contracted. Therefore, the taxation of alternative production will in this context conform to Classical rules. (RADI, 2007 [19])

Finance law dating back to 2000 established other fiscal reforms privileging alternative products. Thus, in the context of a Mourabaha contract, a remuneration paid in advance through a bank leads to the reduction of about 10% of the lump sum of the benefit realized by a wage earner. Thus, the treatment of purchases through a finance contract on real estate leasing has conformed to the method of financing the rights of registration.

Other problems arose. Islamic products were perceived as a threat to the prevalence of conventional ones. Besides, human resources in this context were insufficient at that time.

Banks and finance companies needed money to be lent to customers on the so far prevailing inter-banking markets. The problem was that while the concerned product conformed to the spirit of the Charia, the system was heterogeneous. For this reason, Moroccan religious theoreticians (denominated Oulama) were litigant about the legal characteristics of this line of products.

The debate evolving around the legitimate aspect of these products was re-launched. Alternative products were more expensive than those requiring an interest. Therefore, it was worthwhile wondering whether they were more licit than those requiring an interest, taking it for granted that Moroccan economy does not target the maximization of profits but just on average benefits. Besides, alternative products are legally bound to a police insurance on death. The Takaful Islamic insurance model is missing. Therefore, can it acquire the Islamic label?

In addition to this, Moroccan authorities have not established a national religious strong system of control which could conform to the spirit of the Charia. Instead, they solicited the opinions of a foreign organisms known under (AAOIFI). This explains why the conformity of products to the spirit of the Charia could not be regularly performed. This accounts for the breach that has always separated theory from practice which might require that the adaptability of financing performances to particular standards be questioned.

To avoid getting the issue of conformity questioned, some banks have already started to establish "specialized" structures which are exclusively dedicated to the commercialization of alternative products. The latter will dispose of their own capital. They could even prove that their funds could be generated through margin products which conform to the spirit of the Charia (Dar Assafa institution being a case in point). This option is relevant at the technical level because it permits the agglomeration of alternative banking products in just one subsidiary, which could facilitate the establishment of specialized accounts being exempt of interest.

Findings revealed that alternative products are not given any publicity. Ads or pamphlets used for the advertisement of alternative products are scarce. Furthermore, access to banking agencies revealed that officials placed in charge of commercialization did not adopt a neutral stance towards the two types of products. Rather, they usually recommend that customers solicit classical products.

Likewise, alternative contract products have proved to be highly unreliable. Here is an illustration of this observation:

- It is not possible to negotiate a commercial margin as it is the case for interests.
- the police-insurance is paid depending on the total amount of the financed good including the amount paid by the customer.
- If the customer passes away, the paid for good is not automatically deferred to his/her inheritors unless it is subjected to a complicated procedure proclaiming ambiguous requirements.

During an international financial period, an Islamic product can give the chance to national economy to experience new opportunities and to develop banking. At the international level, deep mutations occur giving the chance to these products to take roots and to prosper. Therefore, the national banking system could make the most of this situation. It could be reconsidered in ways that could permit a better integration of Islamic finance into Moroccan economy.

6 CONCLUSION

Islamic products are costly and are hardly given any publicity. However, they have been highly solicited by a high number of Moroccan customers. The number of the files demonstrating claims for the Mourabaha-product has almost doubled between 2008 and 2009. They rose from 2768, (that is, 344 million dirhams) to 4081 files, (that is, 457 dirhams).

Therefore, it is worthwhile noting that in addition to the three Islamic products being so far commercialized, which are Mourabaha, Ijara and Moucharaka, two other new products designed for companies will be launched by BAM and the Groupement Professionnel des Banques. They are denominated Salam-contract and Al Istisnaa. Salam-contract is suitable for the provision of financing to artisans and to agriculturists. Al Istisnaa is somehow similar to leasing. It could be suitable for professionals. It might involve both movables and real estates.

However, launching the two new products cannot be achieved unless they are subjected to a fiscal treatment achieved through the collaboration of taxation-management. This poses the problem of expertise in the field. Henceforth, Morocco is expected to contribute more efforts in terms of training that meets the challenges of Islamic financing as well as taxation and judiciary reforms.

Certainly, the establishment of specialized structures relevant to Islamic products can benefit their commercialization. It can also increase the rate of banking economy. Therefore, Morocco needs to re-examine its dealing with Islamic banks.

Traditional banking subsidiaries cannot really substitute for Islamic banks because they commercialize just five products in the least (which are Mourabaha, Ijara, Moucharaka, Salam and Istina'a). The line of products offered by Islamic banks is larger. In addition to this, part of the population might refuse to have recourse to these subsidiaries due to a heterogeneous system.

Broadly speaking, Islamic banks might contribute to the creation funding input that might result into the development of investment, hence, to the development of the country. The actual banking system has failed to do so.

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