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Moroccan consumer behavior during the introduction of participatory banks

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Abstract. Nowadays, participatory banks have emerged in Morocco and they are finally operational. Bank Al Maghrib gives the green light to five of them. Not only fierce competition between them, but also with conventional banks. An environment conditioned by the implementation of a marketing strategy that will be used by the participating banks. The purpose of this article is to analyze the results of the work done in this area. This contribution aims at first identifying the state of Islamic finance in Morocco, and second, to study the behavior of a demanding consumer.

Keywords. Participatory banking, Islamic finance, Consumer behavior.
JEL. G21, G30, G39.

1. Introduction

Since its inception, Islamic finance has been developing surprisingly fast and is attracting investors eager to comply with the precepts of sharia law and those who attach greater importance to this type of funding considered ethical and religiously accepted. After financial shocks, she was able to penetrate the global financial market and developed very large market shares. This development is considered as the most interesting in the recent history of the global financial services industry. Indeed, the institutions specialized in Islamic finance now recognize that their market is not intended for certain regions of the Muslim world, but begins to expand internationally as the case of Britain which is the first major center in Islamic finance in the world outside Muslim. That means that, the players in this market, in particular Islamic banks, are now facing economic and sociological constraints that require them to take into consideration the profound change in the banking behavior of individuals and to implement marketing strategies better than those implemented by conventional banks.

Kotler *et al.*, (2012) point out that the role of marketing is to respond to the needs and wants of the market more effectively than competitors. In this sense, several authors Wilson (1995), Dusuki & Abdullah (2007) emphasize that Islamic banks should no longer be seen as institutions whose only purpose is to satisfy the religious beliefs of a community, but rather as capable institutions, to attract new consumers while retaining their current clientele. In this context, Islamic banks must adopt a customer-oriented marketing approach. In order to achieve this objective, it is necessary for them to have a fine understanding of the wishes, feelings and decisions of consumers. This is an essential condition in order to be

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able to build a sufficiently high-value offer for each segment of the market (Kotler *et al.*, 2012), and to collect savings from a large unbanked population due to lack of non-existence of Shariah compliant products.

Morocco like other countries in the world decided to live the experience of Islamic finance through the establishment of Islamic banks under a new name "participating banks". It could be considered the most advanced country of North African neighbors in developing Islamic finance. In this regard, what will be the attitude of the Moroccan consumer to the introduction of this new financing method? We will bring elements of answer from a survey carried out on several people.

2. Evolution of participative finance in Morocco

Morocco, because of its geographical location, at the gates of Africa, by its political and economic development context, represents an ideal market for the development of Islamic finance or under its official name "Participative". With a structuring project (Casa Finance City) and a real desire to boost the Moroccan economy that suffers from a low savings rate, which does not allow it to finance the level of investment needed to maintain strong and stable economic growth. In addition to its low level, Moroccan savings are characterized by a maturity too short to finance investment projects over the long term since it is mainly composed of liquid assets and unpaid investments.

Islamic finance is also an ideal opportunity to encourage investment flows, particularly from the Persian Gulf regions, which would lead to rapid growth in several sectors. At the end of this overview, we wonder where we are in all this? What is the position of Morocco, a Muslim country adopting sharia as a reference and as a legislative framework? Why not seize this opportunity to boost the Moroccan economy in liquidity especially that the political environment is conducive to investment? (Boulahrir, 2015), and from the point of view of the consumer what are the determining factors that could push an informed client to opt for a participative bank rather than a conventional bank? Is the price a determinant? Does religion hold a place in the consumer's buying decision-making?

Indeed, the Moroccan economy needs more than ever to adopt a sustainable financing mode, if it wants to maintain a certain level of growth, jobs and equipment or infrastructure. Islamic finance is a necessity to encourage real investment, allowing the implementation of economic projects positively affecting the national GDP, while providing social prosperity.

3. Status of participatory finance in Morocco

The introduction of participatory finance in Morocco is a consecration of the level of development and maturity reached by the Moroccan financial system. Participatory financial products and services, in addition to strengthening the mobilization of savings and expanding the existing financing offer, are likely to boost demand by allowing new needs to express themselves and to find adapted offers. Participating banks will be subject to the same legislative and regulatory framework that organizes the activity of conventional banks with regard to supervision. Participating banks are also subject to the assent issued by the Higher Council of Ulema regarding the provisions and conditions of marketing of their products.

This said that Morocco has prepared all the regulatory, fiscal and legislative instruments necessary to launch the participatory banks. However, if there is another challenge, it is the challenge of communication and training. Indeed, banks will have a heavy task to educate their customers on this "new" finance. Ignorance, ignorance, gratuitousness and fanciful positions are the results that emerge from a micro-pavement realized with customers and presented during several investigations.

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On the other hand, and after study and analysis of applications in order to approve the exercise of the participative banking activity in Morocco, including share ownership plan, value added to the Moroccan market, governance and risks, and In the light of the additional information requested from the various applicants, the committee issued a favorable opinion on the requests made for the creation of participating banks, by:

- ✓ CIH Bank in partnership with la Qatar International Islamic Bank ;
- ✓ BMCE Bank of Africa jointly with saoudi/bahreiniDalla Al Baraka Group
- ✓ La Banque Centrale Populaire in partnership with saoudien Guidance Group
- ✓ CréditAgricole du Maroc with l'Islamic Corporation for the Development of the Private Sector "ICD", subsidiary company of the Islamic Bank of Development "BID";
- ✓ Attijariwafa Bank with his own subsidiary Dar Assafa.

The Credit Institutions Committee also issued a favorable opinion to authorize the Moroccan Bank of Commerce and Industry, Crédit du Maroc and SociétéGénérale to offer their clients participative banking products.

As part of this activity, the Dahir governing the Higher Council of Oulema was modified and completed to create within it a Sharia Committee for Participatory Finance, the only body empowered to issue Fatwas on the conformity of participatory finance products with the precepts of the Islam of the middle way, open on the universal and tolerant values, as promoted by King Mohamed VI.

In this sense, participatory finance is complementary to conventional finance. Indeed, the competition between the two markets will push conventional banks to innovate and react more quickly to align with new participatory offers. But it is unlikely that they shoot themselves in the foot because it is the same who have made this activity. Added to this is a diversification of the offer for the market in terms of financing and mobilization of savings. This would drain savings that escapes the banking circuit. Such a situation will contribute to the increase in the rate of banking of this category of clientele that escapes the system or partially frequents it. The maturity of the banking system is a trigger for the emergence of this new industry. "*The introduction of participatory finance is a logical extension of the development of the Moroccan banking sector,*" says Mohamad Hammour, Executive Director of Guidance Financial Group, a partner of the People's Central Bank.

4. Costumer Profile: An important measurement of consumer behavior

Several researchers have identified demographics as a very important tool for market segmentation to identify target clients and their needs. Others have looked at age, income and education as the demographic factors that shape the client's profile.

Religious orientation also plays a very important role. Indeed, the influence of culture on consumption has been demonstrated by several fields of research: Historians, sociologists and marketing researchers affirm the existence of a close relationship between cultural origin and consumers' choices in terms of consumption. According to Kotler (1994), consumer behavior is influenced by cultural (cultural, subcultural and social class), social (groups and opinion leaders, family, status and roles), personal (age and life cycle, occupation and economic position, personality and self-concept, lifestyle and values) and psychological (motivations, perceptions, learning and emotions). According to the author, these variables are decisive in the decision-making process of consumers, especially for choices relating to consumption, savings, investment and other economic activities. For McCracken (1989), consumer goods have a meaning that goes beyond their mere functional value, they convey an attachment to cultural values. For Singh (2003), an intense culture largely conditions all human activities. Religious beliefs

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that constitute an element of culture (Usunier & Lee, 2005) have a direct impact on people's habits, their visions of life and their social behaviors (the products they buy, the methods of payment they use, the choice of their food, their clothing, and the newspapers they read).

Scott & Joseph (2003) study the impact of religiosity on consumer beliefs and attitudes in various consumer practices. In their work, the authors put forward two interesting results that show, first of all, that religion and religiosity largely determine the personality traits of individuals.

In a second time, a positive link between the religiosity and the ethical beliefs of the individuals. Starting from the observation that the very religious person behaves more according to the norms and the principles of the religion to which it adheres, the works of (Mokhlis, 2006) show the influence of the religious affiliation on the consumption patterns adopted by the individuals, the use of the media, the perception of advertising messages, family decision-making, risk aversion in purchasing and finally the choice of stores.

5. The selection criteria of a bank by the Moroccan consumer

Financial industries, especially banks, are becoming very competitive day after day, due to product differentiation, quality of service, the supply of culture / religion-based products, as well as the technology used in service delivery, banks are facing more challenges than ever before. So, to attract the customer, it is crucial to know what are the selection criteria that customers adopt when choosing a bank. These selection criteria open up a field of research on "customer banking selection criteria". Different empirical research using different methodologies and approaches has been conducted in several parts of the world to study client banking selection criteria.

According to a survey conducted in the United States, Anderson, Cox & Fulcher (1976) found that satisfied clients chose "friend recommendation" as their most important factor, followed by "location," "reputation," "service" and "helpfulness of bank staff"; While service customers rated "credit availability" as the most important factor, followed by "reputation", "friends recommendation", "friendliness of staff" and "interest in loans" . Tan & Chua (1986) stating that the council of friends, neighbors and family members has a stronger influence on client decisions, compared to other variables in the choice of financial institutions, support these findings. . This finding is consistent with the ethos of Eastern culture, which emphasizes social and family ties. Again, Kaynak *et al.*, (1992) reported that the bank's reputation, hours of operation, parking, range of services, recommendations from friends and relatives, prompt and efficient service, and financial advisory services were considered more male clients than female clients in their choice of a commercial bank in Turkey. In addition, the location of the bank played a more important role for clients of banks under 40 compared to other age groups.

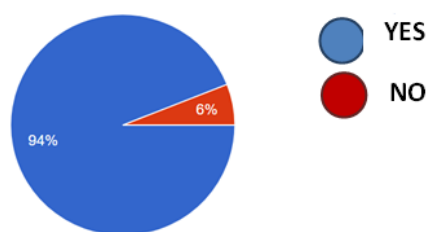
6. Empirical part

In this part, the survey concerns both a part of the unbanked population and a sample of a banked population that is either for the conventional system or for the participative system.

The investigation seeks to detect the judgment of the Moroccan community with the establishment of the participating banks in Morocco. That is why we have a field survey. Our study is based on a sample of 384 people scattered over Moroccan territory, composed of all ages and socio-professional categories. The questionnaire contains 19 questions.

94% of people questioned are banked.

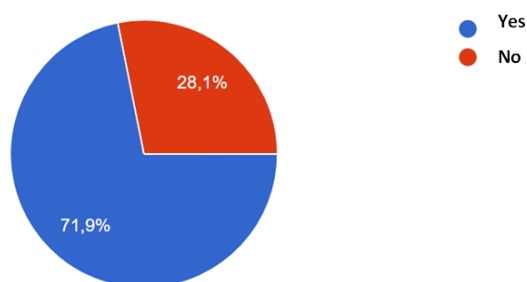
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Graph 1. *Banked people VS unbanked people*

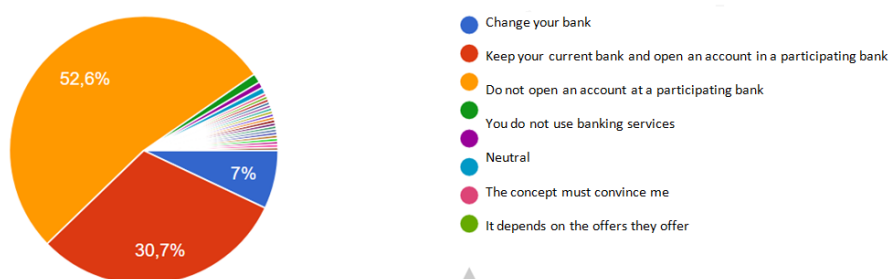
So the rate of banking has increased and banks are attracting more customers because the bank rate reached 71% in June 2017, against 69% six months ago, according to Bank Al-Maghrib. The number of wickets has also increased in the last six months, to 6.309, from 6.283 in December 2016. The bank density, measured by the number of inhabitants per wicket, has also increased to 5,500 instead of 5,400 Six months ago. Bank Al-Maghrib also emphasizes that the Moroccan banking system remains composed of 83 institutions, including 19 banks, 6 offshore banks, 33 finance companies, 13 micro-credit associations and 10 intermediary companies in the field of funds transfer.

71.9% of respondents were satisfied with the service of their current banks from which the 56.9% who did not consult the participating banks.



Graph 2. *Are you satisfied with the service of your current bank or not ?*

The figure shows that the people questioned are satisfied with their current banks, this is explained the current competition in the banking market and the diversification of the offer, which allows the customer to choose the bank that suits his needs according to the criteria that he alone can define them.

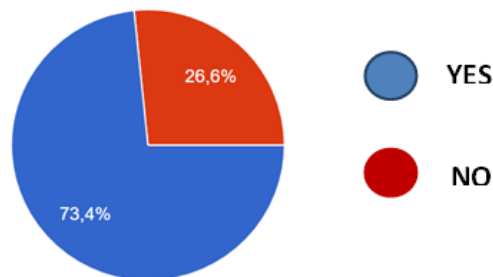


Graph 3. *Attitude to a participative bank*

The figure clearly shows the judgment of the Moroccan community in this sense. 30,7% of people are willing to host a participatory bank, and are also ready to make concessions about changes to their home institutions. Most often, there are people who are sensitive to the riba issue.

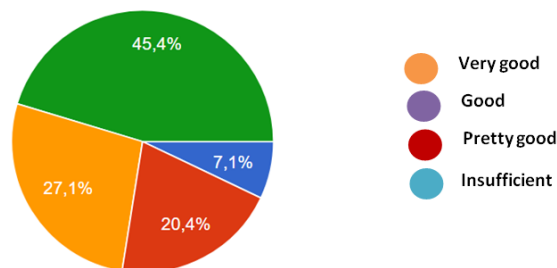
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But the majority prefers to keep its current bank because it chose this bank out of conviction, and they believe that the participative bank is only a marketing concept that has nothing to do with the real Islamic banks as long as these Participatory banks are subsidiaries or windows of conventional banks and their goals is mainly to make gains by hiding behind the sharia rule.



Graph 4. *Would you be interested if your current bank offers financial products compatible with the principles of shariaa?*

For reason of trust, people questioned would be interested if their current banks offer products compliant with the principles of sharia law. Except that there is a certain contradiction between the answers to this question and the answers to the question we asked before, since these same banks have subsidiaries of the participating banks. So it is assumed that the people interviewed will want to have Islamic offers but in the same place (same agency) under the same name of the entity.



Graph 5. *Your knowledge of Islamic financial products are they products compatible with the principles of shariaa?*

In terms of knowledge of financial products by the population, it is considered globally weak. People lack financial literacy and education in this area. Basically, this is a communication problem in the participatory banking sector.

Financial education is considered a key to success of these banks. And the media can play a very important role in this.

The sale of a product can not be successful while the customers have a poor knowledge in the domain. Education and training as well as media coverage are considered as the pillars of success.

7. Conclusion

When the concept of Islamic bank with its ethical values came into being, the financial world did not believe it. Everyone was wondering what values or ethics had to do with finance. However, attitudes are changing and the concept of Islamic banking is gaining ground every day.

Currently, the Islamic bank or its name participatory bank has emerged in Morocco, it is under the spotlight in recent weeks between granting approvals,

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training programs that are set up to support this emerging market in Morocco and the many events that are being held to discuss them.

Conducted with a sample of 384 adults representative of the banked and unbanked Moroccan labor force, our article was based on a survey whose objective was to find out the perception of Moroccans compared to the participative banks that came into being in Morocco.

We went to the consumer to know his perception of financial products as well as his knowledge of these products.

Among the obstacles of the participating banks is a lack of interest in the subject, and even a certain indifference towards the products offered by these banks, the cherished financial products since many people find that the products offered are expensive, not to mention the limited knowledge of Moroccans on this subject.

What is important to catch up is to establish a financial education through the media, sensitization campaigns, the organization of conferences...

And this is even more true for these participative banks that must adopt an effective communication strategy and put the concerns of the Moroccan consumer at the center of their concerns.

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