Analysis of the efficiency of financing mechanisms for SMEs in Morocco between commercial banks and participatory Islamic banks

1st EL KOTBI Mohamed
Researcher in economics and management
Laboratory of Economics and Management of Organizations
Ibn Tofail University of Kenitra - Morocco
mohamed.elkotbi@uit.ac.ma

2nd ZIKY Rachid
Economics researcher, Laboratory of Entrepreneurship, Finance and Organisational Management
University Ibn Zohr of Agadir - Morocco
ziky1987@gmaiol.com

3rd BAHIDA HICHAM
Economics researcher, Laboratory of Economics Sciences and Public
University Ibn Tofail of Kenitra - Morocco
bahida1hicham@gmail.com

Abstract:
Research on the theme of firms in general and small and medium-sized firms specifically are of great interest. Because of the place and crucial role it plays in the socio-economic development of states around the world. By highlighting our research work on the Moroccan reality, it clearly appears that despite the initiatives and efforts deployed to promote and encourage the access of this category of firms to traditional commercial bank financing, on the other hand, there is a set of obstacles and financing difficulties that it faces and thus stand as a barrier to its effective and continuous involvement in the economic development. Based on this observation, our research objective is to examine crowdfunding and present solutions to effectively respond to the problem of financing small and medium-sized businesses in the Moroccan context. Therefore, our research question can be posed as follows: To what extent can participatory financing be the ideal solution to address the problem of financing SMEs in Morocco? To answer this question, we will adopt a methodology which is based on an analytical study of the financing of medium and small businesses in Morocco between the periods 2002 and 2022. The analyzed results show that Moroccan participatory banks have an important and effective role as a positive contributor to addressing the problem of financing SMEs.
Keywords: SMEs, bank financing, participatory financing, Moroccan participatory banks.

Introduction

Small businesses play a crucial role in the economy of countries and people, and the matter is increasingly important in the countries of the Arab world, as an effective economic tool that contributes to the development and economic take-off of countries, they have their own needs that differ from large projects, a good number of developing countries and those on the path of growth and even developed have focused a large part of their efforts on the development of these institutions and development that has seen them as craftsmanship and creativity, and encouraging young people to enter into their various fields.

Looking for successful models of young entrepreneurs in our country, Morocco, we find that there are some distinguished models. It was able to develop its small projects, was able to establish itself in the local market, and achieved good results that enabled it to expand its activities increasingly. However, this outcome remains very weak for many reasons, foremost among them the problem of funding and its many obstacles. In view of the importance of entrepreneurship in the economy of peoples and countries, economists and legal scholars believe that the growth and development of the activities of firms with small projects and the stimulation of their emergence as well as their rehabilitation, are considered to be the most crucial determinants of the process of sustainable and healthy socio-economic development in developing countries, as being an essential starting point in order to increase productive capacity, on the one hand, and to participate in reducing unemployment and poverty rates on the other hand. It is for this reason that many countries have attached importance to these projects and given them assistance and support under multiple programs, modalities and services available (Al-Daas & Al-Jaarat, 2014; Alaa Mustafa Abdel Maqsoud, 2017).

Aware of this fact, the majority of developing states have concentrated their efforts on this type of projects, encouraging the creation of industrial firms, particularly after they have demonstrated their efficiency and their ability to solve major problems. Small and medium enterprises are living today many difficulties and challenges that stand as an impregnable barrier to their growth, prosperity and continuity, including in particular the difficulty of accessing bank financing, in addition to the weakness of self-capabilities, the high-risk rate, and insufficient guarantees (Al-Bakri & Al-Safi, 2010). Focusing on our country, it is clear that SMEs occupy a key place within the country's economic system, representing 96% of the Moroccan entrepreneurial fabric. However, this numerical importance conceals behind it a set of difficulties and constraints that it faces, thus preventing its activation and development, foremost of which are financial difficulties and the accompanying multiple real constraints, such as access to real estate, the poor level of education and training of the workforce, the weakness of its organizational structure, unfair competition for the informal sector, tax and administrative obstacles, and others. Despite the existence of these diverse and difficult constraints, the difficulties of financing remain the most important, the latter is the one that formed the basic research material to talk about in some of its major features.

Search problem: This research discusses the following problem: To what extent can participatory financing be the best solution to address the problem of financing SMEs in our country? Research plan: Based on this previous pivotal problem and the questions that arise from it, we tried to adopt a systematic plan based on it.

The first topic: We stood on the manifestations and limited bank financing for small and medium firms, we addressed the problem statement of the reality and constraints encountered by SMEs to receive bank financing (first requirement). This analysis was mainly for us to explore the prospects of overcoming the disadvantages and limitations of traditional commercial bank financing, and to study what participatory financing can offer as a financing alternative to our companies, which would accompany them in the rehabilitation process and strengthen their competitiveness (second requirement).

The second topic: We dealt with the manifestations and reasons for the limitations of traditional bank financing for SMEs, considering that the Moroccan banking system has known a set of reforms, among its objectives was to develop a free modern system capable of securing the mobilization of savings, and the allocation of funds more effectively. This mobility, in addition to reducing the cost of funds, will also improve the investment conditions of enterprises, more particularly SMEs, which have benefited from a set of mechanisms.

However, by assessing the effects of the reforms introduced by the regime in Morocco on bank financing for small businesses, it is possible to identify the manifestations of the limits of these reforms and their inability to provide quantitative and qualitative financing for this segment of firms (first requirement).

The reformist limits referred to are mainly due to a set of reasons, some of which we have worked to highlight through an analysis of the financing relationship between the two parties (second requirement).

The utilitarian orientation of banking institutions through their exaggeration in asking their customers to provide guarantees, especially those related to the financial disclosure of the enterprise, would affect the high cost of financing directed to SMEs (third requirement).

1. Manifestations and reasons for limited bank financing for small and medium enterprises

This research theme aims to show the most prominent manifestations and reasons for the limitations of traditional bank financing for SMEs, considering that the Moroccan banking system has known a set of reforms, and to assess the effects of the reforms that the system has known in Morocco on bank financing for small businesses, as well as the extent of their limitations and their inability to provide quantitative and qualitative financing to this category of businesses (first requirement).

While the second part of this section discussed the reformist limits referred to and the statement of their causes, and highlighted some of them through an analysis of the financing relationship between the two parties (second requirement).

1.1. The reality of limited access of SMEs to bank financing

Within the framework of the financing activity of banks, we find that there are sectors and economic actors who enjoy a large share in the distributed financing, and our SMEs remain outside this segment. This is what we found through a close reading of the proceeds of its bank financing until 2017 (World Bank, 2022), whether related to conventional loans and self-employment support loans, or those related to rehabilitation financing formulas and guarantee funds, and through this vision it is possible to come up with the following observations:

-*Firstly:* The decline and weakness of the volume and effectiveness of loans allocated to finance small and medium enterprises.

This can be confirmed by the study carried out by the Directorate of Economic Prospects of the Ministry of Finance, regarding the evaluation of the financing proceeds of SMEs in Morocco, during the period between 2002 - 2019, and until 2022 (Bank Al-Maghrib BAM, 2022), the matter continued in the same way with a slight change that did not include all enterprises well and sufficiently to qualify and develop them, which was revealed by the data issued by the National Office of Industrial and Intellectual Property (ONPI), on the total annual financial outcome of Moroccan companies. During 2021, especially after emerging from the Corona pandemic COV-19 (World Bank, 2022). Moroccan businesses declined to rely on financial loans to manage their management affairs and their expansion projects, and the Moroccan Situational Center explained that enterprises in Morocco still live many constraints that limit their productivity, inhibit their development, and limit their resilience...In his latest report on the outcome of the fiscal year 2022 and the prospects for 2023-2024 (Jouahri, 2022), he said that despite the efforts made by the state in recent years to increase the value of Moroccan enterprises and further strengthen the business space in which it is located, it continues to face several constraints, namely the difficulty of accessing financing loans, the lack of creative and innovative capacity, the lack of financial support for research, the strong competition coming from the informal sector, the high costs related to production, especially labor wages, in addition to of course - to the phenomena that fall within the circle of administrative and financial corruption (Wardi, 2011 & 2014). Perhaps what worries Moroccan entrepreneurs in the first place is the problem of access to finance, as it negatively affects start-ups and small businesses. The report confirmed that the volume of loans provided by banks to create enterprises declined between 2005 and 2022, from 65% to stand at the threshold of 42,5%, which is equivalent to a decrease of 13 points, noting that the contribution of banks in contracting remains dominant. At the same time, loans allocated to the public sector increased from 5% in 2005 to 12% in 2022, an increase of 7%, and loans directed to SMEs did not exceed the threshold of 20% in terms of loans, despite the efforts made since 2010 to finance them, as the entrepreneur usually has to rely on his own funds to strengthen the company's capital. Several international research and studies centers have concluded that one Moroccan company out of five cites corruption as the first obstacle to its inception, compared to only 9% of companies in the Middle East.

Although Morocco improved its score by nine points between 2017 and 2021 globally in the Corruption Perceptions Index, moving from 81th to 75st place in 180 countries, corruption is a nightmare for Moroccan businesses[1]. The final statistics of the performance of Moroccan companies revealed that (3460) companies declared bankruptcy during the year 2020 due to the difficulties they face, representing an increase of 15% compared to the previous year, with the bankruptcy of about (780) new companies recorded in December alone, compared to (450) companies that went bankrupt in December 2019. Several recent studies and scientific reports on the economic aspect in Morocco have confirmed that the general economic policy of the State highlights its continued response to the international trusteeship of donor institutions and the adoption of a policy of investment in which huge amounts of money are wasted in projects of the African orientation instead of mobilizing "billion balances" in the fragile national economy in its various aspects[2].

From these official and accurate data, it is clear that the policy of reviving SMEs in Morocco is counterbalanced by a weak mobilization of bank loans. Weak medium- and long-term financing is pushing SMEs towards short-term "easy" but costly borrowing. The Fund's facilities constitute more than half of the total debts of these enterprises, which would negatively affect their financial structure, which banks use as a pretext for refusing to provide them with the necessary loans so that the financing of our SMEs remains in the vicious circle of development and keeping pace with development (El Khir, 2010).

-*Secondly*: Weak Effectiveness of Self-Employment Support Loans (Moukawalati Program Model).

According to the latest statistics issued by the Ministry of Employment, this program enabled the creation of only (6500) small enterprises between the years (2012-2022), the Ministry attributed this to the failure of banks that did not contribute to financing only 54 projects in 2020 compared to more than 380 in 2019, and then since the beginning of the adoption of the program, banks have financed only 42% of the total youth holding projects, which have been showing increasing caution, justifying their refusal not to provide young people with viable projects (Bank Al-Maghrib BAM, 2022). For funding.

- *Thirdly*: The limited exploitation of the weak exploitation of guarantee funds and foreign lines to finance the rehabilitation of SMEs.

The search for new sources of financing for SMEs has led to the establishment of a group of guarantee funds as well as joint guarantee funds, aimed at accompanying the latter in the rehabilitation efforts. In addition, other financing lines with an external source came either through signed agreements, in addition to that, other financing lines came with a source, within the framework of the partnership with the European Union or the relations between our country and other countries, to accompany small and medium enterprises for rehabilitation and others were announced within the framework of industrial take-off programs for two basic measures to promote SMEs, the first program aims to accompany the enterprise in its efforts to modernize and improve its profitability (Musanada program). Second, Fermi aims to help her obtain financial support from Moroccan banks (Imtiaz program). However, by studying the latest outcome of these various mechanisms, we can conclude the limited support for financing SMEs, which is reflected in the following:

-*Fourth*: The modest proceeds of guarantee funds and joint financing.

In order to contribute to solving the problem of financing and qualifying SMEs, the so-called "guarantee funds" as well as "co-financing funds" have been solved, which are funds whose main purpose is to facilitate the access of these enterprises to bank financing through the guarantee of loans granted by banks (Enterprise Qualification Loan Guarantee Fund, Debt Structuring Fund "Continuation"), or jointly with the bank concerned in financing a company that meets the conditions for benefiting from These funds (the National Fund for the Rehabilitation of Enterprises, the Textile and Clothing Sector Contracting Structure Fund, the Hotel Unit Modernization Fund, and the Industrial Depollution Fund). With regard to the proceeds of these funds, we provide the following scientific data: As for the National Fund for the Rehabilitation of Enterprises: the number of projects benefiting from it reached sixty-seven (420) projects, while only 41,75% of the allocated budget had been exploited, as of October 2019 (Bank Al-Maghrib BAM, 2022).

- As for FOODIP, (290) projects had been funded, and by the end of 2019, only about 53,4% of the total grant amount had been utilized.
- As for the Hotel Units Modernization Fund, 60% of the financing of (62) projects were accepted, while the share of bank financing amounted to one, as of January 13, 2019.
- As for the Bank Debt Structuring Fund (Continuation): (45) MMAD liabilities have been secured for the benefit of (57) companies until the thirty-first of December 2019.

[1] The Situational Center paints a bleak picture of the reality of Moroccan entrepreneurship: weak financing, innovation, and heavy taxes are factors that threaten startups with bankruptcy, Al-Ittihad Al-Ishtiraki newspaper, dated: July 16, 2022.

[2] Morocco report in 2022, completed by: Economic and Financial Studies Unit.

As for the Financial Support Fund for very small and SMEs, which was launched at the initiative of Bank Al-Maghrib, the Professional Group of Moroccan Banks and the Central Guarantee Fund in June 2019with the objective of strengthening the financial balance of micro and small firms, as well as enabling them to contribute to economic growth, it was known at the beginning of its launch a tangible contribution to guaranteeing the loans granted to these enterprises, exceeding three (3) billion dirham's for the benefit of (560) companies, but this activity soon witnessed a significant decline of (-30%), with regard to Financing the Central Guarantee Fund, at a rate of (-30%) for loans granted by commercial banks (Bank Al-Maghrib BAM, 2022).

It is worth noting that in 2017, the "Logistics Qualification" program for SMEs was launched for the benefit of about 600 SMEs with a financial cost of 63 million dirham's, and in this regard a partnership agreement was signed to activate this program. This program, initiated by the Moroccan Agency for the Development of "Logistic)s Activities" in partnership with the General Confederation of Moroccan Enterprises (CGEM), falls within the framework of the activation of the national "logistics strategy", especially the axis related to the development of efficient and integrated "logistics operators", and extends for the period (2017-2024) with a first phase (2017-2020), and as officials told him, it translates the common will of public and private sector actors in order to make “logistics” a pillar and lever to improve the general competitiveness of Moroccan SMEs in an international environment characterized by great economic competition. From these recent data, it is clear that the total burdens of the Central Guarantee Fund in its relationship with the various guarantee funds are modest, compared to the needs of strengthening and supporting the entrepreneurial fabric, a large part of which remains on the margins of the rehabilitation process (Bank Al-Maghrib BAM, 2022).

We take here, for example, the “Financial Support Fund for very small, small, and medium enterprises,” which, through its terms, shows that it re-supports strong enterprises that face temporary financial difficulties, thus excluding a large segment of enterprises that are in the process of growth, and that may need support. Mali to raise its level and stability in the world of economics and regional and international changes. Therefore, this remains tangible evidence of the banks’ reticence in dealing with the guarantee system in order to finance small and medium enterprises, especially financing investment needs and supporting the competitiveness of enterprises, which of course need long-term financing (Salhi, 2013).

-*Fifth:* Poor exploitation of foreign financing lines.

Until the end of 2019, only 68,5% of the total budget for these lines had been committed (Bank Al-Maghrib BAM, 2022).. The weak use of foreign lines of credit can be explained by a number of reasons, perhaps the most prominent of which are the following:

The first reason: lies in the weakness of mediation, especially before the establishment of the National Agency for the promotion of SMEs.

The second reason: It is represented by the lack of incentive for Moroccan banks, which prefer to offer their own financing products that they are proficient in using, and reap significant profits from that, instead of engaging in heavy and poorly profitable procedures.

The third reason: It is evident in the weight of the procedures and the nature of the conditions for the loans granted within the framework of these lines. From the above, it becomes clear to us that:

1) The limits of bank financing for SMEs are not due to the lack of financing mechanisms, but the problem lies in the difficulty of accessing this financing in order to benefit from these resources, which is also criticized for not keeping pace with the various stages of the enterprise’s development and the needs it produces special financing.

2) These manifestations of limited financing are not a coincidence, but rather result from a set of reasons and factors controlling the relationship of SMEs with banks, and the resulting effects on determining the frequency and type of bank financing from which these enterprises benefit.

1.1. The fragility of the relationship between SMEs and banks, or the reasons explaining the limited bank financing

The difficulty of small and medium enterprises accessing bank financing has been - and still is - the subject of intense debate in Morocco. On the one hand, enterprises complain about banks’ caution and their weak interest in financing them, while banks answer that the reason is the poor quality of investment files and loan applications. These manifestations reveal the fragility of the “credit” relationship between SMEs, and the matter becomes clearer to us if we know the circumstances under which loans are granted by banks, and the latter’s high cost (Balaji, 2016). In this context, we should explain this problem and the reasons leading to it through the following sections:

1.1.1. Banks’ caution and fear regarding financing small and medium enterprises

The controlling reasons: Banks are often afraid to grant loans, especially to companies with a fragile financial structure, due to the risks of failure in performance that could result from this (Al-Shawarbi & Al-Shawarbi, 2007). This view is based on reasons, including:

- *Firstly*: The weakness of the structure of SMEs:

As is known, there are two sources of financing, namely: permanent financing consisting of personal capital and financing debts, then short-term debts that can be from a commercial source in the form of performance facilities granted by suppliers. Or from a bank source. Own capital is considered synonymous with the enterprise achieving financial independence, with the resulting reduction in credit risks. However, by analyzing the composition of the financial structure of these enterprises, we notice a weak percentage of these funds, compared to a high percentage of short-term debt, which is an increase controlled by a group of reasons.

- The predominance of term deposits within banks' resources, which prompts them to be keen to carry out short-term transactions.

- The importance of working capital needs and periodic financing within small and medium enterprises. Given that there is - often - a difference between the period of the enterprise's spending and the availability of resources to cover these expenses, SMEs (Belletante, 2001; Masmoudi, 2006; Boulharir, 2017) in light of the inability of exploitation resources to meet these needs, resort to short-term bank loans, of which both the discount and the overdraft account constitute the most important financing resources used. It should be noted that these loans are not used only as temporary resources, but as permanent resources to finance working capital needs, which would contribute to an excessive increase in short-term debt.

- The banking approach that adopts the financial liability of the company as an important criterion in its dealings with the latter. From an economic point of view for banking sector employees, providing small and medium enterprises with long-term loans remains a task that carries with it great risks. Due to the weakness of its own funds compared to its debts.

Given the weakness of the structure of SMEs and their confusion regarding bank financing, contemporary writings have focused on paying attention to and supporting them, and moving forward in encouraging them, as they are an effective tool that drives the country's economic and social development[3].

-*Secondly:* The high degree of risk of financing SMEs from a banking point of view:

Banks often use risks related to financing SMEs to justify weakness, its financing is for the benefit of this segment of enterprises. The weak financial management of this segment of closed family enterprises, in addition to the lack of most of them on the necessary guarantees, justify the caution and reservation of banks in most cases regarding this financing. The bank, as an enterprise, is subject to a set of basic controls in its management. When he is concerned with distributing the available financial resources to various uses, he tries to choose the best possible uses. The best use of financial resources, from the Bank's point of view, is one that responds to many financial and non-financial considerations.

The first is more related to the criteria of profitability, return and liquidity. As for the second, it actually constitutes one of the sources of threats to the bank, represented by the changes that may occur between the moment the loan is granted and the moment it is recovered.

For the bank, the risks of financing SMEs, with one name, are often represented by a decrease or final loss of profitability, especially since this type of enterprise remains weak in the face of the changes that may occur in its general environment, and what economic policy may determine. From profound transformations on more than one level (economic modes of production, rhyming values, social traditions, etc.). The risks here are more related to the returns and the degree of balance of the financial structure, as well as to the changes that could affect them, which is not favored by many interested people who see the possibility of the failure of an investment project based on an - in principle - good financial structure. The expectation of a high degree of risk in financing small and medium enterprises by banks affects - without a doubt - the ways in which they study and accept the loan files submitted by the latter, and this is what I discussed in the next request.

1.1.2. The ineffectiveness of the approved methods for accepting loans to SMEs

The bank, whatever the sources of its resources used, wants to employ the latter in a way that preserves them and ensures their safety. This becomes necessary when it comes to using the resources of others. However, what is wrong with commercial banks in Morocco is their adoption of a classic approach in studying loan files and their exaggeration in requesting guarantees.

-*Firstly:* Adopting the traditional approach in studying bank loan files

Every day, banks examine a significant number of loan applications and make a set of decisions, a large part of which may be inappropriate. If it is acceptable to judge that the decision to grant a loan to a "bad" company is harmful, then there are also other decisions that may harm the "good" company, which are often due to not adopting good diagnostics of the company's financial situation.

To elaborate on this, we relied on the conclusions of a study conducted by a university researcher on the subject: Loan distribution strategy and diagnosing debtors' cessation of payment (Al-Kashbour, 2002) through which he attempted to study the criteria adopted in decisions to grant loans to enterprises on the one hand, and explain the determinants of the latter's cessation of payment on the other hand (Malhaoui, 2017). Thus, a distinction was made between two types of approved financial transactions and ratios, one of which One: related to exploitation activity (productivity factor, return factor), while the other, is related to the financial structure: the share of financial expenses in the results factor, the ability to repay factor, the debt factor, then the solvency factor (Al-Sharqawi, 2000).

[3] Speeches and seminars by His Majesty King Mohammed VI, July 23, 1999, July 18, 2000, pp. 101-249, and the banking system in Morocco and the problem of financing small and medium enterprises, previous reference, pp. 190-202.

International Journal on Optimization and Applications IJOA.

Vol. 3, Issue No. 3, Year 2023, www.ijoa.ma

Through comparison between these factors and others controlling the default of enterprises, it became clear that among the five factors that were approved on the occasion of studying the loan file, we find that only the "debt factor" and "solvency factor" were influential in granting the latter, while they were not. The two main controllers of the negligence of the companies in question, which could constitute an injustice against a group of sound companies that did not benefit from a good classification, as a result of an incorrect assessment of risks, are the two main controllers of the negligence in performance, while the "return factor" and the "financial expenses factor" were in the shortcomings of these companies, but they did not affect the decision to grant financing.

Essentially relying on the degree of "solvency" and the level of "debt" could lead the bank to either exaggerate and over-estimate the risk of default or underestimate it, and thus classify "sound companies" among those whose financing carries a high risk, and vice versa, contributing thus the bank itself realizes the credit risk.

-*Secondly:* Banks are strict in requesting bank guarantees in Morocco.

Banks resort to requesting guarantees as one of the criteria for allocating and restricting the distribution of their resources among their customers. However, we find that this is done at the expense of SMEs, which are always required to mortgage all of their funds in order to demonstrate the fulfillment of their obligations in the future. The excessive guarantees requested by banks remain one of the most important criticisms directed at the latter. The matter will become clearer, with the data of the World Bank's report on "Assessing the Investment Climate in Morocco," which indicates that it is among the percentage of companies that requested a loan and whose files were rejected. Because 69% of them do not have guarantees[4]. As for the types of guarantees that banks often request, real estate guarantees play the role of an "entry card" to the credit market (Bank Al-Maghrib BAM, 2022).

Despite what the Central Guarantee Fund does - as a public financial institution similar to the banking institutions that were created in 1949 - it contributes, as a state mechanism, to stimulating private initiative by encouraging the creation, development and modernization of enterprises, in addition to supporting access to housing, and guaranteeing investment, exploitation and return loans. Financial structuring and other services. Although it is described as a natural partner for banks and has concluded cooperation agreements with the latter in the field of using guarantee and joint financing products, these efforts remain minimal and do not keep pace with the desired economic development the world is witnessing. Thus, in the Moroccan reality, ownership of land remains an important condition for obtaining bank loans, which harms small and medium enterprises that often do not have this type of guarantee[5]. In addition to these guarantees, Moroccan banks tend to mobilize other guarantees, such as mortgages. For business assets, possessory mortgage for equipment. The utilitarian orientation of banking institutions, through their exaggeration in asking their customers to provide guarantees, especially those that are linked to the financial liability of the enterprise, would affect the rise in the cost of financing directed to SMEs.

1.2. The high cost of bank financing for SMEs

Small businesses have continued to bear very high interest rates, without having a share in benefiting from the most advantageous financing conditions like their large counterparts, thus being forced to pay high compensation for risks. The fragility of SMEs alone does not explain the latter's vulnerability to high interest rates. Rather, the "mismatch of information" between the two parties on the one hand and the weak negotiating position of the enterprise on the other hand, influence the high cost of this financing.

-*Firstly:* the inconsistency of information

Often, "information asymmetry" is used to indicate a situation in which information is not perceived in the same way by different actors. They may have the same information, but some of them are better aware of it than others. "Information asymmetry" remains a general problem for all external financing, which can lead a bank to grant a loan based on the same interest rate to companies presenting different risks. It could also lead to very strict selectivity in granting loans to SMEs, as well as their high cost. In Morocco, a group of SMEs remains excluded from the loan market for a long time. Because its relationship with the bank is not based on good and necessary information for the latter to anticipate risks, as long as it remains unmotivated to make its accounts more transparent, it cannot risk the tax cost in order to obtain a bank loan[6].

-*Secondly:* The weak negotiating position of SMEs in their relationship with banks

In light of the weakness of alternative financing channels, SMEs remain largely linked to bank financing. With this situation, it remains obligated to pay a large part of the fixed bank expenses associated with the provision of performance tools and consulting services. The decline in government spending on the one hand, and the decline in bank financing on the other hand, has created a difficult financial situation

[4] The same report states that the average value of the guarantee is approximately 250% of the average value of the loan obtained. It is also one of the highest arithmetic averages yet of the Republic of Georgia, this is often explained by the difficulty, as well as the length of the procedure for verifying bank guarantees.

[5] Only 22% of small enterprises own land, according to data from the climate assessment report investing in Morocco.

[6] https://www.albankaldawli.org/ar/news/press-release /2022/11/03/climate-investments-will-reap-big-dividends-for-morocco-says-world-bank-report

for private sector institutions that are trying to organize their financial affairs to face the new situation in the market. On the other hand, reality has proven that the high cost of loans is mainly due to illegal banking practices that harm these companies. Thus - for example - using the banking year consisting of 360 days instead of 365 days, with regard to deducting interest, leads to higher rates of the latter.

Once this is done, the 18% interest will become (18% x 366 / 360 = 18,3%), which at the same time leads to converting normal interest rates to usurious ones. If the Bank of Morocco had required that the ceiling not exceed 19,26%, then by adopting a 360-day banking year, this percentage would rise to 20,15% (Bank Al-Maghrib BAM, 2022).

2. Possibilities of overcoming the problems of financing SMEs in light of the Participatory Banking Law

The current reality of SMEs in Morocco, in its relationship with commercial banks and the obstacles it knows, reveals the extent of the need to overcome the latter and work to remedy them. Here, the importance of alternative products that contribute to solving the problems of participatory finance, with their distinct characteristics and attributes, in creating and presenting them, appears financing SMEs(first requirement), provided that a set of obstacles and challenges facing their approval are removed (second requirement).

2.1. The extent to which participatory finance products are able to respond to the financing needs of SMEs

The committee stated in its decision issued in the Official Bulletin, issue No. (6548), that “the draft circular presented to it, in its final form, is consistent with the provisions of Islamic Sharia and its objectives, and there is nothing in it that contradicts these provisions, based on Sharia evidence and considered jurisprudential jurisprudence[7].” In principle, and through the characteristics of these products, it becomes clear to us that they are suitable for the needs of enterprises at the present time, as they carry within them characteristics that can respond to the needs of SMEs, which can be verified by relying on the experiences of some Islamic banks in financing the latter.

Knowing that from a practical standpoint, there is still stumbling and legitimate fear of financing this type of enterprise at the beginning of the transactions of participatory banks, according to the testimony of economists in the field. The debate is still ongoing about the extent of the ability of these banks to provide financing services for SMEs (Mourid, 2012). Private small businesses are also expected by Moroccan companies and the private sector, which is looking for financing that, is compatible with the provisions of Sharia. According to the opinion of specialists, participatory banks - similar to traditional commercial banks - only finance enterprises that have the ability to pay, while financing these banks for individuals is easy. Through high guarantees, such as mortgaging real estate and other legal methods, and even companies that have strong guarantees, it is easy for them to benefit from bank financing, but with regard to financing companies, the matter is difficult, because it relates to their monthly and annual income and assets: are they large or not? Taking into account its material value in all cases.

2.1.1 The suitability of participatory financial products to the financing needs of SMEs

Participatory (Islamic) banking financing is either by sharing funds that may not be available to the customer, or giving the customer the money as a form of speculation according to Islamic law, or intervening in trade by increasing the customer’s trading capital (goods) or at least leasing machinery and equipment and other forms of benefit. That is, financing is the provision of money to be a participating share in capital, or it is the direct purchase of goods to be sold to a purchase orderer. Hence, it is necessary to research participatory financing formulas for small and medium enterprises and compare them with others[8].

-Firstly: Murabaha financing formula and its suitability for SMEs

Murabahah in language (Heni, 2003). : It is derived from “profit”, and profit is growth and increase, and in trade: it is the positive difference between the cost achieved when he sold his commodity on a Murabaha basis and it is said: a Murabaha sale, and it is also said: I made a profit on the commodity and its selling price, so if I sold it then I gave him a known profit. The jurists - despite their different schools of thought - have agreed on the concept of the Murabahah sale, as it does not deviate from being “a sale equivalent to the first price for which the commodity was paid in the hands of its owner (i.e. the seller) and an increase in a known, agreed-upon profit.”

What is meant by the first price of the commodity is the cost of obtaining it, which is equal to the purchase price plus the elements of the costs spent on it contemporary researchers have defined it as: “the sale of a commodity for the capital it was made with, plus an agreed-upon known profit...”, meaning: a sale for more than the capital. Murabaha sales are included in trust sales. Because the seller is entrusted with informing him of the price at which he purchased the item (Ben Hafou, 2015).

- Definition of the Murabaha sale contract:

It is an agreement between a buyer and a seller for the purpose of selling a specific commodity that the seller may

[7] Opinion of the Sharia Committee for Participatory Finance of the Supreme Scientific Council, No. (3), date: December 10, 2016, Official Gazette, No. (6548), pp. 639-641

[8] Royal Decree No. 1- 02 -188 issued on Jumada al-Ula 12, 1423 (2002), implementing Law No. 5300, relating to the Small and Medium Enterprises Charter, Official Bulletin, No. 5031 (February 19, 2002), pp. 1-2368.

International Journal on Optimization and Applications IJOA.

Vol. 3, Issue No. 3, Year 2023, www.ijoa.ma

have or provide to resell it to the buyer, according to specific specifications for the commodity and on the basis of a price that represents the cost plus a profit margin agreed upon by both parties. Delivery may take place immediately or after a deadline, and payment may also be made. In cash or in installments. This type of modern sales has been widely used in Islamic banks as one of the means of financing internal and external trade, by purchasing the commodity that the customer requests from the producer, and then the bank sells it to him after it is actually received.

The Murabaha system in participatory banks depends on the participatory (Islamic) bank purchasing the goods and commodities requested by the customer with the Islamic bank on the basis of the requester's commitment to buy what he ordered according to the cost price with the addition of the wind agreed upon according to the bank's regulations. These are the ratios that average between 8 and 10% usually if calculated on the annual basis of capital return. Given that this percentage is lower than the actual profit that can be obtained through participation, the management of the Islamic bank may see the possibility of creating a new contract in the form of a Murabaha company according to specific rules (Bank Al-Maghrib BAM, 2022).

The importance of this contract - i.e.: Murabaha - lies in the fact that it is not usurious, and despite the fact that this process is relatively expensive, it is free from usury (Al Khamlichi, 2010), its flexibility, and its coverage of various fields and sectors, in addition to the fact that the bank adheres to the theory of risk and the rule of (the sheep with the share), which is what It is not available in usurious (traditional commercial) banks.

-*Secondly:* The leasing financing formula and its suitability for SMEs

IJARA[9], as defined by the Participatory Banking Law (Murad, 2000), is: Every contract under which a participatory bank places, by way of rent, a specific movable or immovable property in the ownership of this bank at the disposal of a client for the purpose of a legally permissible use. Given the advantages of this formula, it is - in principle - capable of reducing a number of financing obstacles for small enterprises, including:

1) Overcoming the problem of guarantees that SMEs lack

The leasing formula limits the credit risks related to the inability to collect installments, due to the sale being coupled with the leasing formula. Legally and legally, ownership of the leased property remains in the hands of the lessor, and if the customer stops paying or becomes bankrupt, the lessor recovers the leased property.

The ownership of the production unit by the Participatory Bank is one of the most important forms of guarantees, which contributes to overcoming the most important obstacles of enterprises that do not have guarantees.

2) Meeting the financing needs of the exploitation cycle of SMEs

The leasing contract allows the enterprise to allocate its available funds to finance its exploitation cycle over a period that is generally longer than that allowed by other financing methods. Thus, it meets the needs of owners of SMEs who do not wish to access traditional commercial bank financing, either because they want to obtain financing for the longest term, with installments according to their profit expectations, or because they are unable to obtain this financing.

-Thirdly: The formula for participatory financing and its suitability for SMEs

According to the requirements of the new law for participatory banks, a participation contract is: "Every contract whose purpose is for a participatory bank to participate in a project with the aim of achieving a profit."The parties participate in bearing the losses within the limits of their contribution and in the profits according to pre-determined ratios between them.

Participation may take one of the following two forms:

1) Fixed participation. This participation is also called permanent participation or "participation in the project capital."

2) Diminishing Musharaka: This is the alternative formula for financing with long-term loans in usurious banks. This is because the contribution means: the continuity of the diminishing participation, which suggests that the bank will exit after a certain period in a gradual manner within the framework of an organized and agreed-upon arrangement. Accordingly, the decreasing contribution represents a means of financing medium and long-term investments in all areas of investment and development: the bank gradually withdraws from the project according to the terms of the contract.

The methods of managing a group of companies make them far from gaining the trust of the bank, while this type of financing, which is based on creating a long-term relationship between the two parties, in which the bank plays an effective role in managing the project, also remains a means of long-term financing for SMEs.

-*Fourth:* The Mudaraba financing formula and its suitability for SMEs

The Mudaraba formula is a form of establishing and organizing investment projects, in which the speculator undertakes management, while the joint-venture bank secures the financial and material resources necessary to establish the project, and the profits are distributed between the bank and

[9] Recommendation of the Bank of Morocco, (2007). No. 33/9/2001, related to IJARA, Musharaka and Murabaha products.

the employer in an agreed-upon ratio, and if a loss occurs, the bank bears it in the event that the speculator does not default. And without violating the agreed upon terms of speculation. Therefore, this formula, with its many advantages, is able to confront the obstacles of traditional commercial financing for SMEs, and this is evident to us through the following:

- Reducing the problem of guarantees, as the guarantees here are not in-kind or personal guarantees, but rather they are more related to the product, the market, and the personality of the contractor, which must be taken into account.

- Overcoming the problem of lack of sufficient financing for the enterprise.

-*Fifth:* The ladder financing formula and its suitability for SMEs

Ladder is an investment contract according to which the enterprise's production or expected agricultural crop is pre-purchased in exchange for the selling company obtaining advance financing through which it carries out its production or commercial activity. This formula is more suitable for agricultural projects for small farmers, as well as financing artisans and small industries.

This formula, with its advantages, can play a role in providing cash liquidity to these establishments, through the bank purchasing the company's production, with the original ladder contract (cash payment and deferred receipt), or concluding agreements with companies that use the production of small companies as components of their final product and selling it to them through Parallel ladder contract or agreement with some of its clients (distributors) to sell them the final products of the contracting companies either as a parallel ladder or Murabaha. This highlights the significant role that this formula can play in financing the working capital of these companies

-*Sixth:* The formula for Istisna financing and its suitability for small and medium enterprises

Contracting companies can be financed using the Istisna method in two forms:

- The first: Under which the bank, in cooperation with the authorities concerned with SMEs, conducts a study of the local and foreign markets to determine the goods that are most popular and most suitable for consumer tastes and requirements, as well as searching for new goods or existing goods with improvements to them and promoting them to attract investors and finance them through the Istisna contract. The bank assigns the manufacturing of these goods to several SMEs.

- As for the second: Under it, the bank manufactures the commodity through one of the companies and then leases it as a financial lease to small enterprises.

2.1.2. The reality of participatory financing's response to the needs SMEs in Morocco

Among the effects of SMEs weak internal funds is their inability to finance fixed capital. Thus, on the one hand, it is more complicated for these firms to use the financial market, as well as the difficulty for them to obtain forms. Traditional commercial bank financing (where it remains either unable to fully finance fixed capital, or is caught up in a debt that it may not be able to fulfill...), on the other hand, reveals the importance of leasing operations or diminishing partnership operations, as well as Murabaha.

From the practical aspect of financing projects, especially SMEs ones, we find that Murabaha has been able to serving thousands of owners of these projects, through which they were able to obtain financing directly related to their productive activity, with conditions hundreds of times better, and not even comparable to the conditions of traditional financing.

Regarding leasing: experience has proven its flexibility - albeit relative - and its ability to respond to needs SMEs, despite their high cost. We now come to the solutions that these products can provide regarding the problem of guarantees, and it is noted that by studying this aspect, the rest of the hypotheses presented were verified.

It is known that the issue of insurance is related to the recruitment process and the nature of the risks to which one is likely to be exposed.

The nature of the risks to which the bank is exposed in the case of financing with traditional loans differs from those to which it is exposed in the case of financing with the aforementioned alternative products.

The risks facing the bank in the first case are the risks of non-compliance with payment, and therefore the necessary guarantees must be provided. The quality of the guarantee must ensure that he recovers his rights (in-kind and personal guarantees).

The relationship here between the two parties (the company and the bank) is that of creditor and debtor. On the other hand, in the context of participatory financing, we find that its nature is a relationship of sharing in profits and losses (especially in light of the participation contract), and in light of this, the risks here are not only due to the possibility of the client not committing to repay, but are also related to the quality of the investment process.

The first of these risks to which the bank may be exposed in this regard comes from the investor client requesting financing. It represents an essential element for the success or failure of the investment process, as some of it is due to its technical and administrative incompetence, while others are due to its dishonesty and its attempt to falsify documents. Hence, the nature of the guarantees that must be available here must be appropriate to the nature of the risks.

International Journal on Optimization and Applications IJOA.

Vol. 3, Issue No. 3, Year 2023, www.ijoa.ma

It is clear from the above that the guarantees necessary to confront this type of risk are concentrated around two types: basic guarantees, which are the availability of ethical and practical competence in the customer, and complementary guarantees, which are: personal guarantees, and real guarantees.

2.2. The challenges of participatory banks in facing the expectations of SMEs

In contrast to the difficulties and obstacles presented by traditional bank financing, SMEs are showing widespread interest in participatory products, despite the failure of the experience with alternative products. The Economic, Social and Environmental Council revealed that "the contribution of this type of product to the total bank deposits did not exceed 3,4%." In late 2022, according to a field study conducted by a researcher that focused on small and medium enterprises in our country accessing alternative banking products, only 24% of the approved sample used these products (Bank Al-Maghrib BAM, 2022).

This is what was revealed by a group of field studies, which examined on the ground the expectations and aspirations of these companies regarding the process of participation banks entering the Moroccan banking market. Before moving on to monitoring the challenges that participatory banks must raise in order to win the bet of contributing to the development of the enterprises in question, we first briefly explain the most prominent of them in the following topics:

2.2.1. The expectations of SMEs from the entry of participatory banks into the banking market in Morocco.

Based on the data of the two field studies that monitored the expectations of SMEs from participatory financing in our country, we came up with this focused conclusion, shown in numbers in the following table:

Table 1. A brief table synthesis prepared by the authors (based on the data and results of the two studies

Expectations of SMEs	Study No. (1)			Study No. (2)		
Reducing the cost of financing	97,4%			61,2%		
Desired types of financing	Murabaha	Musharaka	Mudaraba	Murabaha	Musharaka	Mudaraba
-	19,5%	8,2%	72,3%	8,9%	64,1%	27%

Source: developed by the authors

Through a close reading of the data of these two studies, the researcher finds a number of difficulties that small and medium enterprises are still struggling with. On the other hand, there are ambitions and aspirations that the concerned enterprise would like to achieve, and some of them can be monitored - based on the available data - in the following:

The desire of SMEs to accelerate work with participatory products is not only linked to the ideological (legal) aspect, but is also linked to the desire to obtain financing at an appropriate cost, which can be produced by the competition expected to be created through the expected multiplicity of participants in the Moroccan banking market (Islamic banks - Gulf, Moroccan Islamic windows, commercial banks).

Perhaps the search for a low cost for these financing formulas explains the extent of the financing difficulties that our companies suffer from, which are mainly linked - as I mentioned earlier - to the high cost resulting from high interest rates, as well as the impossible nature of the guarantees demanded by traditional banks.

Enterprises prefer to benefit from financing through Musharaka and Mudaraba, which come in first place, followed by Murabaha and IJARA in second place. This reflects the desire of SMEs for financing in which Musharaka replaces guarantees and costly credit interest. This is what makes participatory banks invited to provide participatory financing based primarily on profit sharing, in which they play the role of partner, investor, and also the financial and administrative advisor who ensures that they accompany the project in its various stages. If it is clear to us from the above that these ambitions are the most important thing that SMEs in our country expect from participatory banks to achieve, then what are the challenges that must be raised - first - in order to respond to them?

2.2.2. Realistic challenges for participatory banks.

-First: The necessity of giving priority to the participatory role of participatory banks over the role of mediation:

The most important challenge that must be raised by Islamic banks in Morocco is to move away from "imitating" traditional commercial banks in how they deal with small and medium enterprises, through their refusal to bear risks, and the constant search for "safety" with regard to investing their funds.

This new category of banks must focus on their participatory and reasonable financing role, and establish a relationship based on trust and exchange of information between both parties, which are the most important factors in reducing the credit restriction that this segment of enterprises suffer from, in addition to reducing the cost of financing, which is not Many companies and sectors are still struggling with its negative consequences. In order for there to be trust and exchange of information, the bank must be seen as an effective and true partner, relying on a personalized understanding of its customer and not on procedures of a general nature that may be based on an evaluation that is not logical or accurate in some cases.

-Secondly: Attention to qualifying human resources for Islamic banks:

The availability of qualified human competencies is considered a major challenge for the participatory finance sector in general, as the latter's formulas require a special type of worker to be applied, to the point that the availability of this type is a major obstacle that prevents the possibility of their application. This is because the systems of operation of these formulas represent a special intellectual structure originating from Islamic jurisprudence in its connection with doctrine and transactions and Islamic jurisprudence in its connection with conditions and new developments, also, the mechanisms of work in them differ from the mechanisms of work in systems that rely on the interest rate as a basic starting point in their transactions, which calls for the necessity of the availability of qualified competencies who understand the overall Sharia rules and controls that govern the work of these contemporary transaction formulas, while ensuring their continuous training - as we mentioned-; because there are always Arab and international developments that affect the taxpayers from time to time, which requires continuous research and diligence informed by the spirit of the times that keeps pace with them.

Conclusion

Through our treatment of this thorny topic, we concluded a set of findings and recommendations, which we present in summary and focus in the following points:

1- A set of factors control the problem of financing SMEs, above all the problem of the weakness of the necessary data and communication between the two parties, the problem of exaggeration in requesting guarantees from banks, the problem of the high cost of bank financing directed to SMEs...despite the reforms coming with the necessary conditions and mechanisms. To strengthen the latter's financial capabilities and prepare it to face the challenges of the increasing openness of the Moroccan economy, he was unable to influence the behavior of both parties in the direction of forging a participatory relationship that serves the interests of both. Hence the importance that participatory banks can play in terms of contributing to solving this financing problem.

2- It is mandatory for participatory banks to give priority to the participatory approach in their financing transactions when they are adopted in Morocco. To overcome the negatives of previous reforms, and to establish new credit conditions, through which attention shifts from lending management to investment management, and from focusing on guarantees - of various types - to focusing on the search for economic feasibility, and from granting credit to obtain interest to stimulating saving and investment.

3- Adopting the participatory approach by Islamic banks remains subject to removing a set of obstacles that will undoubtedly affect the scope of supposed legitimate competition between them and commercial banks through reconsidering monetary policy.

We can take here - for example - the discount rate mechanism or interest rate that the central bank adopts in the process of providing banks with liquidity, in which Islamic banks will find themselves not benefiting from this mechanism.

Because this lending is based on interest, it will thus be forced to maintain a high liquidity coefficient, which will naturally affect its investment capacity, which requires addressing this legal problem, by seeking to develop a method that is compatible with Islamic banking work, so that the central bank also becomes a refuge safe for these banks.

4 - A group of studies that concerned financial systems have shown that the difficulties of accessing credit are, in large part, related to the lack of honest and up-to-date information about the financial position of debtors, and about the level of their debt, which prompts banks to be more cautious and to restrict credit[10], which is a problem they suffer from. From Islamic bank financing in general. Improving financial information about Moroccan enterprises is considered one of the important and essential measures in order to establish an appropriate environment for financing SMEs, and we appreciate - here - the efforts of the Bank of Morocco regarding the establishment of an observatory on SMEs, in partnership with the National Agency for the promotion of SMEs, which aims To develop indicators of a qualitative nature, relating to the conditions for these companies to access bank financing, as well as follow-up mechanisms; Which leads to the development of a comprehensive and shared vision at the national level on the problem of financing these companies.

Recommendations

1- There must be continuous and effective development of government programs such as: Musanada, Imtiaz, and Moukawalati. Considering that it has not currently achieved what is required of it, as evidenced by the fact that a large number of young contractors are being prosecuted before the courts and are threatened with imprisonment.

2- The necessity of seriously activating the plans, recommendations and seminars that were held in this regard, which have not yet found their way to actual implementation due to the absence of a real government policy to qualify SMEs, and enhance their ability to withstand and optimal continuity in the market.

3- It is necessary to emphasize the necessity of finding channels of communication between SMEs with sufficient diversity of offers presented in the national financial market, bringing contractors closer to the privileges provided to them by financial institutions, and having a clear vision of the projects presented by the enterprises while resorting to institutions. An intermediary responsible for completing financial transactions between the two sides.

[10] Royal Decree No. 1-14-193, issued on Rabi' al-Awwal 1, 1436 (2014), implementing Law No. 12-103, relating to credit institutions, published in Official Bulletin No. 6328 (January 22, 2015).

4 - A clear plan must be developed to finance SMEs, and a “strategy” related to issues must be developed and the concerns of small enterprises, and identifying and controlling reasonable solutions capable of strengthening the path of this category of enterprises in an accurate and clear manner without confusion or problems.

References[11]

Alaa Mustafa Abdel Maqsoud, Abu Ajila. (2017). Islamic finance and its role in financing small enterprises, *Dar Al-Fikr Al-Jami'i*, Alexandria, Egypt.

Al-Bakri, A., & Al-Safi, W. (2010). Money and banks between theory and practice, first edition, *Dar Al-Mustaqbal*, Amman, Jordan.

Al-Daas, A., & Al-Jaarat K.J. (2014). The role of Islamic banks in financing small and medium enterprises in Jordan, *Zarqa Journal of Humanitarian Research and Studies, 69(2)*, 195-179.

Al-Kashbour, M. (2002). The Concept of Stopping Payment, *Journal of Al-Muntada, (47)*, 39-66.

Al Khamlichi, A. (2010). Usury between the texts and their interpretation and what the theory and practice have led to, *Dar Al-Kalima for Publishing and Distribution,* Egypt.

El Khir, R. (2010). The banking system in Morocco, and the problem of financing small and medium enterprises, Hassan II University, *Faculty of Economic and Social Legal Sciences*, Ain Chock, Morocco.

Al-Sharqawi, A. (2000). Islamic banks: the experience between jurisprudence, law and application, *Arab Cultural Center*, Casablanca. Morocco.

Al-Shawarbi, A., & Al-Shawarbi, M. (2007). Managing the risks of banking default from the banking and legal points of view: A banking reform system between theory and practice through a philosophical, methodological, and enlightening vision, *Al-Maktab Modern University*, Alexandria, Egypt.

Balaji, A. (2016). Islamic Participatory Banks in Morocco, *Top Press*, Rabat, Morocco.

Bank Al-Maghrib, BAM. (2022). Annual Report on the control of the activity and results of credit institutions.

Belletante, B. & others (2001). Economic diversity and financing methods for SMEs, preface by Jean Claude TRICHET, L'Harmattan, Paris, France.

Ben Hafou, H.A. (2015). Murabaha in Participatory Banks, *Al-Manbar Legal Journal*, *(9)*, 17-33.

Boulharir, L. (2017). The challenges of crowdfunding in the face of the financial constraints of SMEs, what contribution and what reality? A survey of Moroccan businesses, *Research and Applications in Islamic Finance*, *1(1)*, 40-58.

Heni, M. (2003). A dictionary of economic and financial terms (Arabic-English), with a glossary of key English terms, foreword by Khalil Hosni Sayegh, *Library of Lebanon*, Beirut.

Jouahri, A. (2022). Bank Al-Maghrib and the investment situation, Committee on Finance and Economic, *Development House of Representatives*, 1-54.

Malhaoui, Y. (2017). The Concept of Stopping Payment from a Judicial Perspective, Al-Qasr Journal, *A Quarterly Journal of Legal Studies and Documents, (17),* 98-104.

Masmoudi, H. (2006). Loan granting strategy and analysis of entrepreneur failure, application of models on business data, *Hassan II University, FSJES*, Casablanca, Morocco.

Mourid, J. (2012). Islamic banks in light of regulatory developments for financial products in Morocco, *Al-Muttaqi Printer*, Mohammedia, Morocco,

Murad, A. (2000). Encyclopedia of Banks, Alexandria, Egypt.

Salhi, S. (2013). Financial Efficiency of Investment Formulas and Islamic Financing Methods, *Research Files in Economics and Management, (1),* 17-50.

Wardi, S.M. (2011). Fundamentals of Islamic Economics and its Contemporary Applications, *Top Press*, Rabat, first edition, Morocco.

Wardi, S.M. (2014). Participatory financing in Islamic banks between the desired development goal and the reality of the witnessed challenges, publications of the Moroccan Association for Islamic Economics, *Top Press*, Rabat, first edition. Morocco.

World Bank, (2022). Ministry of Commerce and Industry in Morocco. Investment Climate Assessment.

[11] In the bibliographical references listed below, there are French-language articles and books that have been translated into English.