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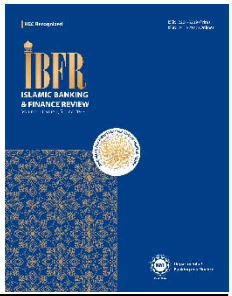

Title: **Islamic Banks in Morocco: Balancing Religious Monopoly and Financial Pragmatism**

Author (s): Abderrahmane Haddad
Affiliation (s): University of Moulay Ismail, Meknes, Morocco

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Islamic Banks in Morocco: Balancing Religious Monopoly and Financial Pragmatism

Abderrahmane Haddad*

University of Moulay Ismail, Morocco

Abstract

The objective of this research is to demonstrate how Moroccan banking legislation has succeeded in establishing Islamic banks in order to benefit materially from them while controlling their religious character and putting it at the service of the political and social stability of the country. This research found that Moroccan banking legislation has achieved a smooth integration of Islamic products by controlling their religious aspect through the establishment of several legal guarantees and guardrails in order not to threaten the political and social stability of the country. By reading this study, readers will be able to discover the underside of the Moroccan Islamic banking legislation, which could constitute a source of inspiration for other countries. Methodologically, we employed a critical analysis of legal discourse that combines an examination of the rules with an analysis of power dynamics and underlying issues. We also drew on a second database consisting of empirical data and official statistics.

Keywords: Morocco, Islamic banks, central bank, political legitimacy, social stability

Introduction

In his famous work, “The Protestant Ethic and the Spirit of Capitalism,” published in two parts during 1904 and 1905, the German economist Max Weber argues that Protestant values were favourable to the emergence of capitalism. He starts from the hypothesis that Protestant values allowed capitalism to free itself from the moral constraints that prevented its development. This link between religious values, or ethical values in general, and economics is also found at the level of Islam, where what is now commonly called Islamic finance has emerged.

Islamic finance aims to present itself as ethical finance based on moral values drawn from the teachings of Sharia law, and banks constitute the spearhead of this finance. Followers of this model like to go backwards in

*Corresponding Author : a.haddad@umi.ac.ma

history to find its foundations in the Koran and the Sunnah (sayings and teachings of the Prophet). However, it must be recognized that the guiding principles of the model were only recently laid down by a Pakistani scholar, Sayyid Abul Ala Maududi during the first half of the 20th century (Chapra, 2004; Kuran, 1995).

What intrigues us regarding the subject of this paper is that the founding person mentioned before is considered as one of the founders of modern fundamentalist Islam. This seems to be true since those principles were taken up and renewed in Egypt by Hamad Elnaggar, who is considered an economist close to the Muslim Brotherhood circles (Allard & Benchabane, 2010). Such an observation is likely to put some states in the face of a real paradox, even a dilemma: how to implement Islamic finance without contributing to radicalizing society.

This dilemma has indeed been faced by the Moroccan state when Islamic finance began to make its first attempts to integrate into the Moroccan banking market since 2007. This happened in a very particular political and social model. Indeed, the Moroccan state has always used religion to strengthen its political legitimacy without authorizing other parties to exploit religion or to use it in their relationships with the population. The risk is significant in the case of Islamic banks. Firstly, by their name including a displayed religious reference. Then there is the risk of seeing foreign banks infiltrating society, which would support or encourage the Islamist movement or a religious vision different from that of the concerned state.

If the theme of Islamic finance has been extensively covered before, the novelty of this paper comes from a paradox observed in international banking practice: While Islamic banking products are fashionable worldwide, many states avoid referring to the Islamic character of these products in their official marketing names, preferring to qualify them differently, which demonstrates sensitivity towards the origin and the religiosity of these products. Hence, the interest is justified in studying how it was possible to solve this equation. Morocco truly constitutes a pioneering case likely to serve as a model for other systems. Morocco has always tried to treat the religious question with great moderation but also with great vigilance.

From these introductory elements, the major object of this paper is to show how the Moroccan legislation has succeeded in reconciling the sensitive religious question with the financial and economic usefulness of the Islamic new banks. It is a question of understanding the basis of this legislation, which could constitute a source of inspiration for other countries' legislators. We deliberately avoid any debate on the conformity of these banks to religion or on their comparison with products traditionally offered by the banking market. Likewise, we consider it unnecessary to return to the principles of Islamic finance and their practical mechanisms, given the considerable amount of literature that has extensively dealt with these elements.

Our basic hypothesis is that Moroccan lawmakers sought to adopt a middle-ground position. So, they legalized the creation of Islamic banks while properly trying to frame their religious aspect, or even to make it work for their benefit. Thus, to ensure the implementation of this vision and its success, the legislator initially showed reluctance towards the creation of Islamic banks in Morocco. Then, reluctance gave way to pragmatism, which aimed to take advantage of the economic dynamics of these banks. The conciliation between reluctance and pragmatism was achieved, thanks to the establishment of guardrails as a form of vigilant mechanisms.

Literature Review

The literature on Islamic finance is not very abundant, perhaps because of the relatively recent appearance of this notion (Archer & Karim, 2007; Mollah & Zaman, 2015). Bibliometric studies have identified no more than 595 studies appearing on the Scopus database between 1991 and 2020, which are distributed as follows (Abubakar & Aysan, 2023):

Table 1

Number of Studies Devoted to Islamic Finance

Journals	Book chapters	Conference papers
485	63	47

Note. Source: (Abubakar & Aysan, 2023).

Another paper that confirms this relative lack of studies is based on Google Scholar, ScienceDirect, and ResearchGate.com data and demonstrates that between 2010 and 2020, only 74 articles were identified (Ridhwan, 2021).

The literature on Islamic banks is generally uncritical and rather analytical. However, great care must be taken when considering the results, as the religious factor may lead to biased or less than objective conclusions. It can sometimes veer towards outright praise. To better understand this basic warning, and by reviewing various writings on the subject, it is possible to divide the literature into two distinct categories in terms of their approach: the first is conducted inside the religious box, and the second is outside the religious box.

The first studies on Islamic finance attempted to highlight its ethical character concerned with equity and social justice (Abdul-Rahman, 2010; Beekun & Badawi, 2005; Ghlamallah, 2022; Saeed et al., 2001). Other studies have tried to situate the analysis of Islamic banking products within the framework of the fundamental principles of Islam, the essence of which is to regulate the various aspects of relations between individuals, including economic relations. They have endeavored to demonstrate the originality of these rules in comparison with modern Western banks (Khan & Mirakhor, 1989; Iqbal & Mirakhor, 2011). The most classical part of this movement has emphasized the Sharia prohibition on interest (*Riba*) and the conformity of Islamic finance with this prohibition (Abdul-Rahman, 2010; Naqvi et al., 2015).

The proponents of this discourse have strived to demonstrate that Islamic finance constitutes a true alternative economic model capable of moralizing the financial market while serving economic development (Alatassi & Letza, 2018; Safieddine, 2009). For this, they highlighted the basic principles of Islamic finance, including the prohibition of all forms of interest and speculation (Baloch, 2023; Dusuki, 2008). The ethical approach took advantage of the global financial crisis of 2008 to argue against the unethical and adventurous market practices and, at the same time, to present Islamic finance as a credible alternative (Fasih, 2012; Vojtěch, 2015) or at least as a model for Western banks. In this context, some of the literature has focused on developing a comparison between Islamic banking products and conventional banking products.

Grassa and Matoussi (2014) analyzed the governance structures of the two banking models in order to demonstrate the importance of a number of factors, particularly cultural factors, in the composition and operation of these structures. Other researchers carried out a comparative study that showed that Islamic banks are more beneficial and more efficient than conventional ones (Nafla & Hammas, 2016; Sahut et al., 2015).

The second part of studies is characterized by its thinking outside the religious box. They focus, instead, on the economic and financial aspect of Islamic finance, trying to show the operating mechanisms of this finance and its repercussions on the stability of financial transactions (Fang, 2014; Rosmanidar et al., 2021). This current of literature may have developed when Islamic banking formulas began to be established outside Islamic regions, particularly in Europe, with the result that the cultural or religious element lost its value in favor of more material factors such as profit and security (Hardjito, 2015; Syah & Rahmadani, 2024; Thaker et al*.,* 2020).

A good part of these studies has the merit of trivializing Islamic products, which, however, involve a different terminology and culture for a large part of the target audience, while another part has focused on establishing comparisons between Islamic banks and conventional banks in order to highlight the originality of the Islamic formula (Rahman, 2019; Watkins, 2020). In 2015, the International Monetary Fund also published a study comparing the Islamic banking system and the conventional banking system during the global financial crisis and concluded that the Islamic banking system was more resilient during the crisis (International Monetary Fund, 2010).

In all cases, the above studies have not developed a theoretical or even empirical model that could be used as a matrix to study the case of Morocco or any other country. Thus, the originality of this paper comes from the fact that it neither intends to praise Islamic financial ethics nor resigns itself to a descriptive approach or a comparative apprehension. The above-mentioned sources served as tools to approach the subject differently from a socio-political point of view, which aims to show how in Moroccan practice, the religious character has been manipulated for political and social reasons. Morocco provides a rich case study insofar as it is a regime that aims to modernize its structures, including its financial and banking structures, while remaining faithful to its religious fundamentals.

Methodology

In order to demonstrate the validity of the hypothesis formulated in the introduction, we opted for a methodological approach based on three elements. Firstly, we carried out an analysis of the legal texts adopted to organize the creation and functioning of Islamic banks in Morocco. This is essentially the law n° 103-12 of December 24, 2014, which constitutes the basic reference on the subject. The epistemological contribution of legal analysis goes beyond the simple analysis of legal norms. Instead of remaining locked in a narrow mission of words and concept explanations, legal analysis seeks, instead, to contribute to the intelligence of the social context and to enrich its understanding (Munagorri et al., 2019). Legal concepts lose all utility and relevance once the link of their belonging to a social phenomenon is severed. Bourdieu (1991) had argued in this sense that the law consecrates the established order by consecrating a vision of this order, which is a vision guaranteed by the state.

Keeping all this in mind, we analysed the last Moroccan banking law. Our goal was to identify the attitudes of the Moroccan legislator towards Islamic banks and, above all, to explain the changes experienced by this attitude relating to the national and international context. The reluctance and, subsequently, the pragmatism of Moroccan banking law find their explanation in this context.

To further verify these results, we used a second methodological approach, which is an empirical one based on quantitative data and statistics. With this in mind, we have tried to diversify the sources of data, the cross-checking of which would be a guarantee of the results' reliability. These data have been drawn from documents and reports published by official national and international bodies. Internally, we have referred to data published by the Central Bank and the Ministry of Economy and Finance. We also used quantitative data published by Moroccan private banks. Internationally, we have mainly used data published by the International Monetary Fund. The analysis of this data is likely to support the results of the legal analysis because the dynamics of so-called Islamic banks have experienced a real about-face if we compare the data before the 2014 law and those after this law.

Finally, doctrinal works and data already collected by some research centres have also served as a secondary database in this context. The fundamental usefulness of certain elements of this literature comes from the fact that they are the result of empirical work and surveys carried out among commercial companies or households in order to clarify the impact of the religious variable on their attitude towards Islamic finance. These different data have been analyzed using a comparative approach that avoids simple juxtaposition and takes into account the specificity of the Moroccan context.

We therefore propose to first demonstrate Morocco's initial skepticism toward Islamic banking products, before examining the safeguards implemented to overcome these reservations and successfully leverage Islamic finance while maintaining control over its religious dimensions.

Results

Morocco's Distrust of Islamic Banking Products

Moroccan banking legislation has oscillated between two main positions regarding the question of the establishment of Islamic banks: reluctance and pragmatism. This is evidenced by the long and delicate process of introducing these new entities into the country's financial market.

Period of Reluctance

Morocco has fallen far behind in introducing the Islamic financial industry into its banking environment in comparison to other Arab and Muslim countries. The first Islamic bank was created in Egypt in 1963. Aware of the economic and especially ethical issues of banks with Islamic connotations, Morocco has taken the longest route to introduce them into its financial industry. This path was marked by three key moments: first the refusal, then the tattooing and consultation, and finally legalization.

The observation of the Moroccan banking field shows that Islamic banks only started in 2017. To justify this delay, we can put forward two hypotheses: The first is the lack of a legal framework that could have regulated this creation. The second is the reluctance of the political and social context.

The beginnings of the debate on the introduction of Islamic banks in Morocco date back to the 80s of the last century. During this period, the country was approached by several Islamic banks, particularly from Gulf countries, in order to legalize their entry into the Moroccan market. Already in 1984, the Saudi businessman *Mohamed Alfaissal* expressed his desire to open an Islamic bank in Morocco. However, these multiple requests were rejected by the Moroccan Central Bank at a time when Islamic banks were experiencing an exponential rise all over the world. Moreover, one of the Moroccan banks took the initiative to launch products similar to those of Islamic banks in 1989, but they were immediately suspended by the Central Bank.

These facts show, however, that despite the absence of a legal framework, several attempts have been made to create Islamic banks in Morocco. The justification for the delay in this creation must therefore be sought outside of legal constraints. Several reasons could explain this attitude, some of which may be listed as follows (Belfatmi & Rigar, 2021):

- A political reason linked to Islamophobia and security. However, this point must be taken with great caution because the religious factor is far from constituting a phobia in Morocco. On the contrary, religion is a tool of government, and the authorities monopolize its management to avoid any exploitation by anyone. For this, they work to avoid any instrumentalization of Islamic precepts in business and, by extension, in society and politics by the other parties (Arroub, 2020).
- A diplomatic reason given the risk that the selective granting of licenses to certain foreign banks belonging to some specific states would have entailed. Morocco did not wish to allow the rivalries between certain Gulf states – notably Saudi Arabia and Qatar – to spill over into its territory, thereby continuing to uphold its diplomatic neutrality
- An economic reason based on the low absorption of the national financial sector. Market shares are dominated by a few banks, and credit rate competition is very limited.
- A social reason, which highlights the strong lobbying of the national banking sector, which considered the new banks as a threat and an unfair competitor. They were afraid of losing or having to share their shares in the banking market with new competitors, especially since traditional banks were little involved in the marketing of Islamic banking products.

However, this attitude of rejection could not resist in the face of the proliferation of Islamic finance worldwide and also in the face of the advantages that this finance promises to bring in terms of economic dynamics and the banking of business and household activities. In the year 2019, Islamic banks were already present in more than 105 countries with assets of around $1.814 trillion, and the majority of these states had a regulatory framework specific to this type of banks (Stoika, 2019). Here in Morocco, studies have estimated that Islamic banks could mobilize a sum of around 30 billion dirhams, the equivalent of 6% of the country's GDP (Boularas & Lakir, 2022). This is how an intermediate period begins, which, without definitively legalizing Islamic banks, nevertheless contributes to preparing the ground for them. Thus, in October 2007, Bank AL Maghrib adopted the first regulatory framework relating to Islamic banking product formulas (Bank AL Maghrib, 2007). However, he took care to avoid any reference to religion by deliberately replacing the appellation "Islamic products" with that of "alternative products." A year later, the marketing of three “alternative” formulas was legalized by the Moroccan Central Bank. These are “*Murabaha*,” “*Musharakah,*” and “*Ijara*.” Leading Moroccan banks then began to market Islamic products under neutral names. This is the case of AttijariWafa Bank, which put on the market “Miftah El Keir” and “Miftah Al Fath,” which are respectively the equivalents of Mourabaha and Ijara (Nahhahl, 2020).

But this first experiment was a clear failure. Not only did it suffer from very timid communication with the potential clients, but the non-involvement of the religious Council of Ulemas[1] cast doubt on its “Islamic” character. We should add to this the heaviness of the taxation system. The competitiveness of the alternative products proposed was widely limited by the taxation system, which could reach double that which was applicable to traditional banks. This is how, in 2011, and according to a report from the African Development Bank, the share of these products in Moroccan banking finances did not exceed 0.1% (Boularas & Lakir, 2022). Ultimately, this first legal initiative did not allow independent Islamic banks to be established.

It must be recognized that this situation of indecision is not exclusive to the Moroccan case. In a different political and cultural context, the United States of America also had to face the delicate introduction of Islamic banks into its banking system. Hamoudi (2013) noticed that this introduction was highly desired but also impossible. However, the attitude of rejection of Islamic financial products was not linked to the very nature of these products but rather constituted an aspect of Islamophobic sentiment and reluctance towards the Islamist presence on American territory, particularly after the terrorist events of September 11, 2001. Therefore, the integration of Islamic banks into the American banking sphere would symbolize, in some way, an attempt at reconciliation with Islam in America. (Hamoudi, 2013). In Morocco too, and after a period of rejection, Islamic banking would experience a positive turning point. This amounts to saying that legal

[1]The Superior Council of Ulemas is a religious Moroccan institution created in 1981 to serve the country's religious public policy through preaching, awareness-raising and orientation missions. The Council is placed under the supervision of the King.

constraints were not the real obstacle to the establishment of Islamic banks in Morocco. The latter first wanted to have more visibility on the issues of the project.

The Pragmatic Turn

The coming to power of a so-called Islamist political party, the Justice and Development Party (PJD), in 2011 reactivated the process of creating Islamic banks in Morocco. In its program, this party said it was time for the legalization of this model of banks, given the needs of both households and the economy. This link between the political rise of parties of Islamist persuasion and the renewal of the question of Islamic finances seems to be very obvious. This is also the case in Tunisia, where the *Ennahda* party, which came to power in 2012, had promised to transform Tunisia into a platform for Islamic banks (Amara, 2012).

Following this political accession, a consultation process was initiated on the basis of a bill prepared by the new government. However, the State wanted to treat the subject with great caution because the issue was much more than commercial. Consulted in this context, the Economic, Social, and Environmental Council did not express any reservations. However, this Council warned against the absence of support measures, which could handicap the project Conseil économique, social et environnemental [CESE], 2014). The Council also considered that new banks can only operate within the framework of a global financial system in order to promote the emergence of an integrated banking system (CESE, 2014).

Furthermore, surveys were carried out by research offices and scientific institutes to measure demand for these new banks. These surveys, thus, proceeded to collect quantitative data in order to identify regularities and scientifically viable conclusions. Thus, a survey carried out in 2014 by Thomson Reuters and the Islamic Research and Training Institute, which covered a sample of 300 Moroccan companies, concluded that 71% of companies in Morocco said they were very interested in Islamic banking (Islamic Development Bank Institute, 2014). Moreover, according to the survey carried out by a private study office, which involved 1,300 companies and whose results were published in 2016, it turned out that 24% of Moroccan companies are not banked and do not use bank loans for religious reasons (Abwab Consultants, 2016).

For its part, the Moroccan Ministry of Economy and Finance, in its introductory note presenting the bill, the Ministry was strongly convinced that the introduction of Islamic finance (participatory finance) could boost savings and the development of inclusive social finance. According to the government, two main expectations could legitimize this official attitude. On the one hand, the investment and financing potential that this activity holds for the country; on the other hand, the need to offer a range of financial products and services not only to the resident fellow citizens but also to the Moroccan community residing abroad whose host countries offer participatory finance products. It is within this framework that the new banking law No. 103-12 relating to credit establishments and similar organizations was adopted on December 24, 2014.

It is clear from these cited considerations that no reference to the religiosity of the new banking products has been made, directly or indirectly. The reasons officially given are essentially and exclusively economic and financial, which is not without surprise when we know that Morocco is a Muslim country, that Islam is the religion of the state, and that religion constitutes one of the constitutional fundamentals of the Moroccan nation. The express reference to the religiosity of the new banking products by the state would undoubtedly have contributed to legitimizing it further. And yet the new law preferred to ignore this aspect. On the contrary, it seems that this aspect constituted a source of embarrassment for the Moroccan legislator to the point that it decided to ban the Islamic qualifier and replace it with the participatory qualifier. In its various articles, the banking law speaks of "participatory banks" but not of 'Islamic' ones.

In our opinion, it is this point that could explain both the reluctance and the enthusiasm of the Moroccan legislator regarding Islamic, or rather participatory, banks. It is Islamist phobia that would have blocked the accession of the new banks in Morocco. However, it is also the camouflage of their expressly religious character while taking advantage of their financial mobilization, which would have justified their later legalization. The Moroccan legislator tried to make a happy medium between the two considerations. However, it remains a concern whether a reasonable balance was created, questioning the precautions taken to succeed in this act.

Resolving the Financial and Religious Equation

The analysis of banking law n°. 103-12 and its successive implementing legal texts shows that Moroccan legislation has successfully reconciled religious ethics and financial pragmatism. Its strategy has consisted of taking advantage of the second element while controlling the sensitivity of the first one. For this, banking legislation has carefully developed two major measures that are at the same time guardrails:

- Prevent the Islamic character of the new banks from calling into question the religious foundation of the state or the stability of society.
- Diluting the participatory (Islamic) products into the existing banking system.

Preventing Religious Character's Repercussions on the State or on Society

Two essential factors have pushed the Moroccan legislator to treat, with great caution, the Islamic character of new banking products. The first is political, and the second is societal. On the political level, we have already emphasized that religion is fundamental to the Moroccan state, and it is a source of political legitimacy for its political regime. Islam is the religion of the state. Thus, Moroccan law prohibits any exploitation of religious symbols for political or commercial purposes. The state has a monopoly on these symbols and their use. On a societal level, Moroccans practice the Muslim religion according to the same rite, namely the Maliki rite. This choice of rite, whose teachings are different from others used in other Muslim countries, is constitutionally enshrined. This factor draws its importance from the fact that Islamic banks from other countries, and therefore other rites not in compliance with the Maliki, could threaten the spiritual stability of the Moroccan faithful.

To avoid such risks, and in order to achieve a smooth implementation of new banking products into the national socio-political context, banking law no. 103-12 carefully took three preventive measures. The first measure consists of removing their Islamic qualifier from the new products. If in other states the new banks can boast of their religious qualification, in Morocco, the law has preferred to qualify them as "participatory" ones. This choice is not neutral nor a simple play on words. The use of the term Islamic would have given the impression that the other banks are not in compliance with Sharia law and that their products are un-Islamic or even prohibited (Franzoni & Allali, 2018; Nahhahl, 2020), which would have introduced in Morocco the dichotomy "*bank halal*" and "*bank haram*". This would have divided Moroccans themselves into those banked according to Sharia and those who are not, with all the risks of destabilization that such a distinction entails. In a guide developed by Bank Al Maghrib and relating to the marketing of participatory products, it was clearly assigned to banks that they must not make any reference to religious terms promotional strategies and communication initiatives for new banking products, such as halal, Fokaha[2], fatwa, Islamic, Sharia, or religious advice (Bank Al Maghrib, 2013). Furthermore, it seems that Morocco has succeeded in its bet. A survey carried out in 2016 among a sample of 500 customers of participatory banks in Morocco found that social influence is more important than religious commitment in the choice of Islamic products (Abourrig & Rachidi, 2016). The religious variable does not play a decisive role in the banking choices of individuals.

In a different context, the United Kingdom sought to establish the same neutrality of the legal name of the new banks. Instead of "Islamic banks," the Financial Act of 2005 rather used the appellation "Alternative Finance Arrangements" (Baeck et al., 2014). In the Financial Act of 2005, as in the Financial Act of 2006, which constitute the legal framework of the new alternative products, no reference to their religious quality is mentioned (Coste, 2019). It seems that the British legislator was aware of the sensitivity of the choice of terminology and was able to avoid what happened in October 2009 in France, where deputies appealed to the Constitutional Council against two articles of the law on access to credit for small and medium-sized businesses that wanted to introduce the Islamic financial instrument *Sukuks*, considering that it was in contradiction with the secular choice of the Republic. The Council responded favorably to this request (Le Monde, 2009). In the United Kingdom, *Sukuks*, the subject of litigation in France, were introduced flexibly into the banking system, but just with a new appellation: the alternative finance investment bond. This is also the case with the Musharaka product, which was adopted by the British but introduced under a different name: diminishing shared ownership (HM Treasury, 2024).

The second measure was the involvement of the Superior Council of Ulemas in the validation procedure for the creation of the new banks and the marketing of the new products, which is likely to legitimize these operations (Rethel, 2011). Article 54 of the law subjects the creation of

[2]Religious scholars in Islam.

participatory (Islamic) banks to the assent of this council. Likewise, article 59 of the same law specifies that any participatory bank can also offer its customers any other product subject to the assent of the Superior Council of Ulemas. The intervention of this council is carried out by a specialized commission composed of 9 Ulemas.

The role of the council is therefore to decide on the conformity of the new bank's actions and products with the provisions of Sharia. And even on this function, the legislator was meticulously careful by specifying in article 54 of the law that the control of the Ulemas Council relates to "the activities and products" of the banks and not to the banks themselves. Furthermore, the Council's scope of intervention is limited to the stage of issuing an opinion. On the other hand, implementation and monitoring are the exclusive competence of Bank Al Maghrib, as a unique finance regulatory authority. It is clear that Moroccan banking legislation, while recognizing a certain role for the religious body, considerably limits the field of intervention of this body, which is in harmony with the deliberate choice of the state to control the religious aspect.

The third measure is the adoption of the uniqueness of the religious framework and religious guidance of the new banks and their products. This highly important measure for the spiritual and social stability of the country involves the application of the rules of the Maliki rite, which is also the official and unique religious rite of the Moroccan State and the religious practice of Moroccans. To ensure this uniqueness, the competence of religious guidance has been exclusively recognized by the Superior Council of Ulemas. Only this council is competent to issue notices of conformity. On the other hand, in other countries, the banks have each created their own Sharia board whose members are appointed by the management direction (Al Amer, 2018). Some banks have even financed programs for the training of their own Sharia scholars (Karasik et al., 2007). There can be as many boards as there are banks, with all the risk that this plurality entails in terms of divergent interpretations and opinions. Hence, the originality of the Moroccan experience, which opted for the standardization and unification of religious opinion by entrusting it to a single central institution, which has the advantage of avoiding ambiguity, the multiplication of references, and conflicts of interest.

Diluting the Participatory (Islamic) Products into the Existing Banking System

In order to control the impacts of the integration of the new banks on the social and political context of the country, the legislator adopted a practical strategy designed to absorb and align the new banks within the national banking system without making or presenting them as a new system or even as any alternative to the banks already operating. In other words, Moroccan banking legislation has deliberately avoided setting up a dual banking system. The law opted for the approach of assimilation between the participatory banking sector and the conventional banking one.

This assimilation policy was implemented thanks to two types of provisions. The first one consisted of subjecting all banks, participatory and conventional, to the same law, namely banking law no. 103-12 of 2014. This law aims to establish a comprehensive reform of the banking sector in Morocco. Only a few special provisions have been introduced to take into account the particularity of participatory banks. This is the same logic that has been adopted in several countries, such as Turkey or Malaysia (CESE, 2014). To dilute the new banks in the global financial system, the banking law provided them with neither a special central bank nor a participatory interbank market.

The second provision consisted of generalizing participatory products to all banks. According to the law, these products are not an exclusive prerogative of the new participatory (Islamic) banks. Even traditional banks have been granted authorization by Bank Al-Maghrib to market participatory products to their customers. These banks haven't hesitated to open counters especially dedicated to market participatory products. In January 2017, Bank Al Maghrib granted approval to five participatory banks and three participatory counters (Mrhar & Bensbahou, 2021).

Through this provision, the banking regime succeeded in absorbing Islamic products and putting them at the service of its commercial logic. This is evidenced by the number of Islamic banks created by conventional banks. The five existing Islamic banks at the end of 2024 were all founded by the classical banks.

Table 2

The Founders of Islamic Banks in Morocco

The Islamic Bank	The founding bank
Bank Al Yousr	Banque Populaire
Al Akhdar Bank	Crédit Agricole
Bank Assafa	Attijariwafa Bank
BTI Bank	Banque Marocaine de Commerce Extérieur
Umnia Bank	CIH Bank

Conventional banks sometimes preferred to create simple windows dedicated to Islamic products.

Table 3

The Founders of Islamic Bank Windows in Morocco

Islamic windows	The founding bank
Arreda	Crédit du Maroc
Najmah	Banque Marocaine du commerce et de l'Industrie
Dar Al Amane	Société Générale Marocaine des Banques

After reading the two previous tables, it is clear that the legal system put in place has made it difficult to create Islamic banks that are truly different from conventional banks. Only these have been able to change to attract new customers.

Other legal systems have also opted for integrating Islamic financial products into the same fold as other financial products. This is the case of the United Kingdom, where no distinction is made between banking operations according to religious criteria or reference to Sharia. British tax law treats both types of banking transactions indiscriminately and without invoking any religious consideration. This choice of dilution of Islamic products in the global banking system is justified in the United Kingdom by some considerations that are different from those that we presented in the case of Morocco. In the United Kingdom, it was the fight against social exclusion through financial inclusion that constituted the main driving force. This is what emerges from the report "Promoting Financial Inclusion" annexed to "Pre-Budget" of 2004 (HM Treasury, 2004). From this perspective, the British legislator has been very vigilant. Financial inclusion through the implementation of Islamic products had no identity or cultural basis. Moreover, in a report published in 2000 on the barriers to financial inclusion, the question of bank interests is not cited as one of the potential barriers (Financial Services Authority, 2013).

Conclusion

To conclude, it should be noted that the religious variable was more decisive than any other variable in defining the Moroccan official position regarding Islamic banks. Morocco has a specific vision of Islamic banks' accommodation so that Moroccan banking legislation has been able to integrate Islamic banking while avoiding the delicate dichotomy between halal products and products that are not, without disrupting the political or the social order. This was a fundamental and preliminary question for the implementation of participatory products. So we can perhaps understand why Morocco has fallen behind in implementing these products. Indeed, the challenge was not only technical or related to a question of legal vacuum, but the issue was much more sensitive. It concerned the political and social stability of the country. And on this point, Morocco could constitute a source of inspiration for other legal regimes where the question of the religiosity of banking products could contradict the principles of secularism.

If we return back to the experience of the USA, we will be able to highlight the specificity of Morocco's attitude towards Islamic banks. If in the USA the Islamic bank integration would essentially come from a desire for inclusion and tolerance (Hamoudi, 2013), in Morocco, beyond the financial pragmatism, it is rather a question of two challenges:

- Preserving the exclusivity of religious legitimacy of the political regime
- Protecting the stability of Moroccan society.

Once completely reassured on this point, Moroccan legislators could pave in the future for the establishment of legislation devoted specifically to participatory banks. Specific legislation would also be necessary so that participatory banks can carry out certain financial operations that they are unable to carry out today. The submission of these banks to unified banking legislation exposes their deposits to the risk of interest or prohibited *Riba* and financing of activities considered, religiously speaking, illicit (Islamic Research and Training Institute, 2019). In any case, a purely technical and financial analysis of Islamic banks—or simply comparing them with their conventional counterparts—risks skewing our understanding of them in the

Moroccan context. It is essential to view this issue within the framework of the country's religious policy.

Author Contribution

Abderrahmane Haddad: sole author

Conflict of Interest

The author declares no conflict of interest, financial or otherwise, related to the subject matter or the elements addressed in this manuscript.

Data Availability

The data supporting the results of this study will be made available by the corresponding author upon request.

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