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Abstract

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The main purpose of this study is to investigate the role of participative Finance and Microfinance in Morocco to enhance and empower entrepreneurship. The new banking law N° 103-12 reinforces the legal framework. It offers an opportunity to the participative financial institutions to implement their products and participate in the financial inclusion strategy in Morocco, which can facilitate the access of VSMs and auto entrepreneurs to several modes of financing. For this reason, it is necessary to determine the place of participative Microfinance in the ecosystem of participative Finance and the necessary conditions for its implementation. It is also necessary to know if the formal financial system is well designed to serve the financing needs of auto entrepreneurs in Morocco. The study proposes a conceptual framework to establish the relationship between participative Finance, Microfinance, and entrepreneurship in the case of auto-entrepreneur schemes. In this regard, it seems necessary to know the degree of importance of financial inclusion and if it is enough to empower the auto entrepreneurs, which also helps to determine the contribution of participative Finance and Microfinance in entrepreneurship. Understanding the overall socio-economic structures in Morocco will help determine the obstacles and level of awareness on the demand or supply side. It will help to know whether the Shariah-compliant products can meet on expectations of the VSEs segment. For this purpose, the perception and attitudes of auto entrepreneurs were analyzed using an online survey. A group of experts' perceptions was also analyzed using a qualitative approach, in which semi-structured interviews were conducted.

Keywords: Participative Finance, Microfinance, auto entrepreneurs, entrepreneurship

Introduction

INTRODUCTION

In the last two decades, the concept of financial inclusion was introduced as "a new approach that is supporting a market development approach to make financial sectors more inclusive" (Wilthagen & Tros, 2004). Participative or Islamic Finance was among the pillars of this approach that was supposed to positively contribute to reducing financial exclusion, eradicating poverty, and enhancing economic growth (Ahmed, Mohieldin, Verbeek, & Aboulmagd, 2015). However, this Finance focuses on debt-based modes of financing like *Murabahah* and *Ijarah* rather than the participative modes like *Mudarabah* and *Musharakah*. However, unlike mainstream Islamic bankers, many Islamic Microfinance providers with multiple bottom lines are not comfortable with techniques like *Murabaha* and *Ijarah* and view them as interest-based loan substitutes.

According to Bank al-Maghrib in Morocco, the banking rate passed from 20% in 2000 to 40% in 2007 and 70% in 2017 (Bennouna, 2019). The challenge now consists mainly of enhancing the economic and social inclusion besides the financial inclusion, and secondly, realizing the sufficiency or entrepreneurship and the self-economic empowerment (Ghiat, 2016). In 2010, Bank Al-Maghrib approved a license for the first participative financial institution in the country, Dar Assafaa Littamwil, as one of the subsidiaries of Attijariwafa Bank. Still, all its products are based on *Murabaha* contracts, such as

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Safaa Immo, Safaa Auto, Safaa Cons, and Safaa Tajhiz. In the second quarter of 2013, the Central Bank adopted a new Banking draft project N° 34-03, with new regulations, and it includes the participative banks, the project of this law deposited by the Moroccan government already voted and approved by the two chambers in 2014, appeared on official bulletin of January 22, 2015, under the project law N° 103-12. The poor segment and the very small enterprises (VSEs) in Morocco suffer from multiple problems, which put them in a very disadvantaged position and living in poor conditions that are significant, complex, and multifaceted (Kandachar & Halme, 2017). Yet the availability of suitable financial products would greatly enhance their financial inclusion. Still, the lack of information, training, access to investment opportunities, and entrepreneurship culture are necessary elements that can enhance the economic empowerment and social status of this segment. The matters of participative Finance and Microfinance, financial exclusion, entrepreneurship, economic empowerment, and development are gaining recognition at the highest ranks of the political and economic establishment in Morocco and the banking and financial services industry (Kustin, 2015). Therefore, the authorization of the participative Banks in 2017 was one of the successes and an important step toward financial inclusion.

On the other hand, it has been observed that the high-net-worth people benefit much from the financial banking industry, whereas the VSEs and poor people stay beyond the scope. Some attention and initiatives have been taken to address this issue but still not enough because of the complexity of the system and the insufficient alternative and competitive products. Although a great deal of research has been conducted to explore the role of participative Finance in financial inclusion using different methodologies (Chgoura & Hefnaoui, 2015; Elfaik & Hniche, 2021; Gazzotti, 2018), these studies are specific to a particular environment as most of them linked these two concepts directly with poverty alleviation only. Whereas our concern is how participative Finance and Microfinance can be the lever for entrepreneurship. So, the research focuses on the role of participative Finance and Microfinance in shaping financial inclusion, economic empowerment, entrepreneurship, and recognizing other determinants and related variables, which are economic development and poverty alleviation.

RESEARCH METHOD

To explain the relationship between the concepts, a case study of the auto-entrepreneur scheme is addressed. Participative Microfinance is the main proxy used to gauge economic empowerment and entrepreneurship. It is suggested that the participative Microfinance is generally associated with participative finance practice, and this latter could indicate the implementation of participative microfinance. The focus of this research has two angles:

1. As for the first angle, this research is concerned with deducing hypotheses to test and evaluate if the theory and practice of participative microfinance and financial inclusion can contribute to economic empowerment and entrepreneurship.
2. And for the second angle, which is more important, this research is concerned with the possible accordance of the financing of entrepreneurs with the rules of participative Finance in Morocco? The aim is to explore entrepreneur empowerment in Morocco in terms of sources, uses, attitudes, and constraints reflected in the research title and address the issues previously mentioned.

In addition, qualified as "An exploratory study" (Kumar, 2018; Stebbins, 2001), it is better suited to the inductive, and there are several reasons for this. First, the study will assist in building theory, adding new insights, and bridging the gap in research into entrepreneur's Finance and participative Finance. Second, understanding the perceptions and feelings of entrepreneurs and financial institutions is in line with constructivism philosophies. The study is also qualified as prospective descriptive research, and it

adopts both quantitative and qualitative approach that was articulated through the case of auto entrepreneurs. In the present research, it was somewhat difficult to determine and locate all the respondents (41 to entrepreneurs). It was needed to interact closely with them and divide them across many relevant categories of entrepreneurs: those who were self-financed, those who sought Finance from conventional or participative banks, and those who sought Finance from Microfinance providers or other special institutions. Because of the profile diversity of respondents, the survey questionnaire is written in Arabic/English through Google form.

This research adopted a semi-structured interview designed to deal with professionals and academicians. After sharing the main concepts and results with the interviewers, the aim was to collect their opinions and conceptions regarding the Finance and empowerment of entrepreneurs in Morocco within the rules of participative Finance. An interview guide was developed for the interviews, consisting of a set of questions. The order of the interview guide was constructed by considering the research objectives and questions and to achieve fluent conversation with the participant. As for the interview environment, interviews were conducted in a manner and time chosen by the interviewee or proposed by the researcher. Each interview was about 90 to 120 minutes, and conversations were recorded automatically on the video conference platform (Zoom). To establish the survey, this first technique (probability sampling) is adopted in this research because the population of entrepreneurs is known to have an equal distribution. To conduct the interview in this study, data was collected from a small group of the target population without using the snowball technique because the interviewees are known and selected carefully by academicians and professionals from Morocco and Tunisia.

In this research, the pilot study is used as preliminary testing of the hypotheses to reduce the number of treatment errors and to try out a number of alternative measures. It also provided the clarity of the questionnaire items, the length of time needed to complete the survey, the interviews, and the reliability of the questions in the survey and the interview. The pilot study was designed to test the survey and interview structure, the question design, and any difficulties or misunderstandings relating to the questions. For the survey, it was piloted on several people before validating the procedure, which helped eliminate or add some questions as well as to correct and restructure some other questions. The interview procedure was also piloted on four persons before starting. The interview includes the preparation phase, collection of evidence, and recording. In this study, the researcher conducted data collection and analysis with interactive techniques (Miles, Huberman, & Saldaña, 2018). The data gathered were preserved in textual form, as digital recordings, and in the form of manual field notes that were taken during the interviews. Translated quotations from the interview transcriptions were used to support the findings.

RESULTS AND DISCUSSION

Result

Conceptual and theoretical framework

Regarding the conceptual framework of this paper, many concepts are closely related and can be subdivided into four categories: 1) Development and Poverty, 2) Islamic economy and Islamic Finance, 3) Islamic Microfinance and Financial inclusion, 4) Entrepreneurship and economic empowerment. The concepts of development and poverty, Islamic economy, and Finance are interrelated indirectly with our

topic, participative Finance and financial inclusion in one side, and entrepreneurship and economic empowerment in the other.

Participative finance, Microfinance and financial inclusion

In general, Microfinance can be defined as the provision of financial products and services to low-income populations otherwise excluded from the access to formal financial services (Ezzahid & Elouaouri, 2021). For a long time, microfinance was considered an appropriate tool to simultaneously accomplish social and financial goals, and over time it has become more commercialized (Iqbal, 2018). Despite the richness of the Islamic economy, Islamic microfinance has not witnessed many takers, unlike the mainstream of Islamic Finance. "In the context of Muslim societies, building inclusive financial systems would most certainly require integrating microfinance with Islamic Finance. They have much in common. Both advocate financial inclusion, economic empowerment, entrepreneurship, and risk-sharing. Both focus on developmental and social goals. Both involve participation by the poor (Obaidullah & Shirazi, 2014)."

Regarding the foundations and theoretical framework of Microfinance, academic researchers have been trying to investigate whether the theories of Finance relevant to large firms apply to VSMES. Concerning financial inclusion, conventional microfinance addressed this concept in isolation from the social inclusion while participative Finance addressed the two matters simultaneously. Participative microfinance is not targeting only the low-income group. It is also more appropriate for the unemployed and skills groups such as graduate students, educated people, farmers, and alike (Elzahi Saaid Ali, 2022). Globally, Islamic microfinance providers can be categorized into informal, member-based organizations, non-government organizations, and formal microfinance providers. In the Islamic countries, current and potential providers of Islamic MF are likely to be either the conventional MFIs expanding their services to include Islamic MF or the Islamic FIs expanding the scope of their services to include MF. However, Islamic banks are not typically involved in microfinance (Sheikh, 2021).

More recently, literature has emerged that offers contradictory findings on the impact of microfinance because of the divergent effect between the positive impact, no impact, and even a negative impact. In general, these studies demonstrate that the impact of microfinance works differently from one situation to another, and the impact depends on different factors ranging from financial literacy, population density, financial service providers, and multiple borrowing (Sultakeev, Karymshakov, & Sulaimanova, 2018). Financial inclusion is the source of improving access and removing the impediments to the lack of access through several channels, such as the provision of credit, savings, and insurance tools. These channels can help improve the financial resources for the poor and new entrepreneurs. The evidence is building that financial inclusion is a key enabler for reducing poverty and for achieving the goals of improved education, better health, food security, access to clean water, and more.

So, the issue of financial inclusion is still complex. There could be just simply too many issues that need to be studied. This is commonly referred to as an unfinished agenda. Note that financial inclusion is also constructed by several factors that range from psychological, socio-cultural, geographical, and economical to political issues. The Islamic financial system perspectives on financial inclusion have two dimensions: First, Islamic law promotes financial inclusion through risk-sharing contracts, which are the best alternative to conventional Finance. Second, the Islamic banking system promotes financial inclusion through instruments of redistribution of wealth among all groups in society (Iqbal & Mirakhor, 2012).

Participative Finance and entrepreneurship

The most popular definition of entrepreneurship belongs to Venkataraman & Shane (Venkataraman & Shane, 2000), who define the concept as "a field of business aimed at understanding how opportunities for innovation in terms of new products, services, markets, production process, raw materials, ways of organizing existing technologies, arise and are discovered by individuals who develop and exploit these opportunities through different ways to produce a wide range of effects." For this purpose, the rapid growth of the small-scale sector is necessary. Entrepreneurial development programs are designed to help a person strengthen the entrepreneurial motive. These programs assist prospective and potential entrepreneurs to set up small-scale units of their own and thus become self-employed. Furthermore, the issue of entrepreneurship development is so related to the financing issue. There is a myth regarding entrepreneurs that all they need is money or capital to start with, but he also needs financial assistance at every stage of the project, in terms of short, medium, and long-term Finance. The review of some literature and the early contributions in this area give classifications that can be regrouped on social, economic, cultural, and psychological theories subdivided into several categories.

Both Western and Islamic economies provide significant incentives for engaging in entrepreneurial activities. However, while Western entrepreneurs often have profit maximization as a chief goal, Muslim entrepreneurs have an obligation also to pursue religious and societal needs. So, it is inappropriate to judge the relative success of Islamic entrepreneurial activity by the same metrics as the Western ones because Muslim entrepreneurs have altruistic and religious goals that inform their idea of a successful business enterprise (Hassan & Hippler, 2014). From the motivation side, we can distinguish between substantial entrepreneurship (Short-run), when the person does not have another job, so he decides to start a business, and trend entrepreneurship (Short-run), when a person uses imitation of other and start a business, and finally opportunity-based entrepreneurship (Long run) which is the most important when people come with a new idea and use the new opportunity in his business. But whether the motive is opportunity or necessity, Islam endorses entrepreneurship as long as it is morally and ethically sound and complies with the Islamic code of conduct.

On the other hand, entrepreneurship requires the capability approach that suggests that to overcome poverty, the poor must be helped to enhance their capabilities to join a mainstream society and have a decent life. The core claim of the Capability Approach is that the assessment of well-being should not primarily focus on resources or on people's mental states but on the effective opportunities that people must lead the lives they have reason to value (Gasper, 2017). While assets enable people to withstand shocks and expand their choices, capabilities are inherent in people and enable them to use their assets differently. Micro entrepreneurship development is considered an income-generating strategy that helps poor, low- to moderate-income, and other disadvantaged individuals start or expand micro-enterprises. Microfinance, which encompasses the management of small amounts of money through a range of products, and a system of intermediary functions that circulates money in an economy, represents the main pillar of micro-entrepreneurship. The development would be possible when an Islamic microfinance loan allows real and substantial investments in the production/investment capital and assets, not only personal assets (Farooqi, Qamar, & Chachi, 2017).

Survey Findings

It was realized that there were areas of agreement and disagreement between auto entrepreneurs. Yet nearly all auto entrepreneurs have the same attitude and vision regarding financing and

entrepreneurial matters. The first section concerns the demographic data. Below summarizes the response to this section.

1. 51% of auto entrepreneurs in Morocco are single, and 38% are married. Most auto entrepreneurs are between 25 and 35 years old, with a rate of 48%. Interestingly, 53% of auto entrepreneurs have higher studies (University degrees). Regarding gender, 77,2% of auto entrepreneurs are male, and only 28,8% are female.
2. 56% of auto entrepreneurs in Morocco have technical studies, followed by scientific education 27%, and only 19% who had studied literature. On the other hand, regarding the sector of activity, the services have the higher rate of 37%, 29% of auto entrepreneurs work in commercial activities, 15% in artisanal activities and handcraft, and only 7% in industrial activity, followed by 5% in IT domain.

The second section mainly concerns the auto-entrepreneur scheme. It contains four questions regarding the year of registration, the knowledge about the scheme, and the job experience and preference. Below summarizes the response to this section.

1. Regarding the year of registration, 24% of auto entrepreneurs registered in the scheme in 2019-2020, 19% in 2017-2018, 13% between 2015-2016, and 17% are not yet registered.
2. As for the source of knowledge, 50% know about the scheme from the internet and other media, and 39% know about it from their friends and family members.
3. Regarding the job status and experience before the registration in the auto-entrepreneur scheme, 32% had stable jobs for less than five years, whereas 28% had this kind of job for more than five years. On the other hand, a minority of participants (10%) reported being jobless before becoming auto entrepreneurs, and 25% had their work.
4. As for the preference between the stable job and own/private work, the majority of those who responded to this item (76%) reported that they prefer to have their work, only 11% prefer to have a stable job, whereas 11% are indifferent between stable job and own work.

The third section contains questions about the main features, characteristics, and advantages of the auto-entrepreneur scheme, such as tax advantages, administrative procedures in registration, mode of financing, marketing services, and social advantages, as well as the training and support.

1. Regarding tax advantages (VAT and % of gross sale), in response to this feature, most of those surveyed (80%) indicated that these advantages are favorable (medium to very high). In contrast, only 20% think they are not favorable (Low or very low).
2. On the same path, the overall response to this question was very positive regarding the administrative procedures. The table shows that 80% reported that these procedures are favorable (medium to very high), whereas only 20% think they are not favorable (Low or very low).
3. However, regarding modes of financing, the overall response to this question was very negative as only 16% reported these modes of financing are favorable (High to very high), whereas 84% think that they are not favorable (from very low to medium).
4. In the same line, regarding marketing services, the figure shows that only 27% reported that these services are favorable (High to very high), whereas 73% think they are not favorable (from very low to medium).
5. And regarding the social advantages (Social security), only 18% reported that these advantages are favorable (High to very High), whereas 82% think that they are not favorable (from very low to medium).

6. And finally, concerning training and support, the graphic shows that 17% reported that these two issues are favorable (High to very high), whereas 83% think that they are not favorable (from very low to medium). Interestingly, some respondents reported other important issues and additional features like time control, invoicing, work at home and the need for an auto entrepreneur's card.

This fourth section is the most important step of our survey; we expect to know the attitude and the perceptions of auto entrepreneurs toward the financial offer. It contains questions concerning the banking, microfinancing, and financial needs of auto entrepreneurs.

1. The first question concerns the banking rate of this population in Morocco, which is one of the indicators of financial inclusion. When asked whether they already have a bank account, 84,2% of the respondents reported that they already had a bank account. Only 15,8% said that they did not have an account with banks before their registration in the auto entrepreneur scheme.
2. To explain the negative answer, the respondents were asked to give reasons why they didn't have a bank account. The most interesting result is that the majority of auto entrepreneurs who didn't have a bank account reported that it's because of the high cost of financing (39%), 33% of them thought there was no need to have a bank account, 16% report that the reason is the complexity of the system and only a few of them reported that it's because religious and ethical reasons (12%).
3. For those who had a bank account, the majority, 44%, used the account mainly for saving, 39% used it for transfer services, and only 16% to have a banking loan, and finally, only a small number of respondents (11%) indicated that they had an insurance service.
4. As for the question if the banking system satisfies the need of auto entrepreneurs in general, 61,5% report negatively with "NO," which means that there is no satisfaction from the banking services; and 34% are satisfied and report positively with "YES," and 10% gave a different answer and comments like: somewhat, satisfy some needs, do not know the complexity.
5. To explain the negative answer "NO," the majority (more than 98%) report that the reason is the high cost (55%) and system complexity (43%); which also confirms the above result "why some auto entrepreneurs didn't have a bank account?". Some other auto entrepreneurs mentioned the need for a guarantee as a reason for the negative answer.
6. The second question of this section concerns the formal microfinance sector and the "Daret system" experience (the informal sector). Regarding the formal sector, more than 84% report that they have never used these institutions to have a loan, and only 16% did use the services of these institutions. As for the experience, a description was an optional question, so most respondents didn't give answers. But some of them thought it was a bad experience. Others believe it was like "training," and only a few thought it was a good experience. As for the informal manner of financing based on solidarity, known in Morocco as the "Darat" system, surprisingly, 44% of auto entrepreneurs did use this system, and more than half of those surveyed (56%) reported that they did not use it. And as for the experience evaluation, the result was interesting as all the respondents, without exception, confirmed that it was a good experience. Still, some of them reported that sometimes this system shows some problems and difficulties.

This fifth section concerns the alternative of conventional Finance, which is the perception of auto entrepreneurs toward Islamic or participative financing. We did introduce and briefly describe the Participative products that are offered by participative banks and the product that will be launched in the future to clarify the concepts.

1. As for the Participative banks, 61,1% of auto entrepreneurs answer that they will use and want to use their services, and 32,6% refuse to do so. And for the Participative Microfinance institutions, 58% want to use their services when they are implemented, whereas 30% refuse to do so.
2. For Murabaha; which is the only financing participative product offered actually by the participative/Islamic banks, 33% report that it's shariah-compliant, and 42% report that it's similar to the loan provided by conventional Bank; and only 28% thought that Murabaha is suitable for auto entrepreneur's needs.
3. On the other hand, Mucharkah and Ijarah are considered more important because 50% consider these modes suitable for Auto entrepreneurs, and 39% think that these products are Shariah-compliant. However, 25% consider that these modes are like conventional banking financing. However, some auto entrepreneurs mentioned that it's against the requirements of the auto-entrepreneur scheme, which requires the amendment of the law to allow the application of the participative modes.
4. For the other services, 66% want to use the savings and investment services provided by these banks, 35% want to use the insurance services (Takaful), and 36% are agreed to pay Zakat, which is also a good indicator of the religious aspect of this category.
5. As for the additional services required from IMFIs, 74% prefer to get a free or good loan without interest, which reflects the need to integrate the no-profit oriented model, 57% need marketing services, 57% need training, and 43% need support, whereas 54% need Marketing services.
6. The final part of this section concerns the amount needed by auto-entrepreneur from IMFi; which reflects their financing needs, 32,3% need an amount of more than 150000 Dhs, 37,5% need an amount from 50000 to 150000 Dhs, and only 26% need an amount less than 50000 Dhs. So, the target of MFI is 63,5%, which is above the average; as per the law, they cannot provide more than 150000 Dhs. The remaining auto entrepreneurs who request more than 150000 Dhs can provide initial financing or gradual financing, and the auto-entrepreneur can look for another source of financing.

The overall findings showed that the respondents provided insight into the research questions, some responses provided more insight into the financing problems, obstacles, and challenges faced by auto entrepreneurs; and other responses provided more insight into how the Participative financial institutions can meet the needs of the AEs; and how Participative Finance could develop further support to meet the needs of AEs in Morocco. The survey highlights that the AE scheme should become a strategic tool for addressing such challenges as reducing dependence upon stable jobs. Thus, this body of work provides evidence that it is vital that the Participative Microfinance institutions can give support and finance this category. The research found that Participative microfinance can be most compatible with AEs scheme in terms of providing them with support and Finance; furthermore, the data showed that it would be a good idea to develop a specific institution for this category. This research suggests that Participative instruments, especially *Musharakah* and *Ijarah*, are more suitable than commercial instruments; moreover, they indicate that *ijarah* ends with ownership (hire-purchase), and *Musharaka*, would be particularly helpful sources of Finance for AEs. The research found that Zakat, charity, waqf, and *qard hassan* would also be helpful, even if all these instruments are useful in theory but absent in practice.

Interview findings

The main issues that were investigated in the interviews were related to the following:

1. VSME and AEs challenges.

2. Participative Finance and Microfinance as an alternative mode of financing.
3. The correlation and relationship between financial inclusion, economic empowerment, and entrepreneurship.

VSME and AEs Challenges.

In this step, the interviewees were asked about the factors that affect AEs in Morocco when they decide to start or expand a business and when they wish to take Finance from financial institutions. The question also concerns the gaps in the AE scheme. The main target of these questions was to investigate their opinions about VSME attitudes and perceptions. Questions about the importance of collateral, the importance of training and capability, and market access were asked, amongst others, during the interviews. One of the desired objectives of this question is to highlight and uncover the most common problems and challenges faced by AEs in Morocco from expert opinion. Responses show that the AEs face many challenges that can be divided into many categories.

Most of the respondents believe there is inconvenient empowerment, and for AEs, there is no program for this empowerment. They insist on the need for a suitable ecosystem, including the legal framework for this category of entrepreneurs. Some interviewees mentioned that the AE scheme targets mainly graduate and educated people. The survey results support the same finding. Whereas less educated people are still excluded, the procedure and advantages do not attract them. In addition, the gross sale/turnover does not represent the true size of the company. The amount is not enough to attract AE because, after deducting the expenses, the income is not sufficient to satisfy their needs and match their ambition.

On the other hand, there is an agreement among all interviewees that AEs under this scheme have obstacles in capacity building, access to the market, business opportunities and information, absence of customized educational programs and training as well as marketing tools and smart partnerships. The interview has shown that most respondents believed that access to Finance was not one of the most important obstacles facing VSMEs and AEs in Morocco. The same evidence also concerns the types or modes of financing.

The Role of Participative Finance and Microfinance

The study's second research question aims to investigate how participative finance institutions meet the needs of VSMEs and AEs in Morocco. In this section, the interviewees were asked about the features of participative finance instruments and how they can satisfy the needs of AEs. It concerns the necessary condition to make participative Microfinance more suitable for this category as a component of participative Finance. The main objectives of these questions were to investigate their opinions about the comparative advantages of these instruments. During the interviews, the interviews asked questions about the Murabaha, Ijarah, Salam, Musharkah, and Mudarbah mode of financing. Additional objectives of this question are to highlight the level and priorities of these modes of financing as a lever for entrepreneurship.

Most interviewees said that AEs were not satisfied with the financial resources that are mainly profit-oriented for big companies in Morocco. Therefore, the banks in Morocco do not have an appetite for financing VSMEs and AEs. So, the findings of these questions suggest that AEs will struggle to find access to finance in Morocco because the banks are unwilling to finance and support them. It is also apparent from the findings that the banks and financial institutions face difficulties when financing AEs. Data shows that although the Moroccan government has established institutions to finance VSMEs, they are

insufficient. This is either because the participative banks in Morocco do not have an appetite for financing VSMEs, or because the available sources are not appropriate for the financing of VSMEs because the financial institutions seek high-profit margins.

After collecting their opinions about the conventional financing system, the interviewees were asked about their opinions concerning the new banking legislation and the participative finance instruments. The new law for establishing participative banks in Morocco would be helpful for financing VSMEs. The findings suggested that the interviewees believed that the participative instruments were more suitable than commercial instruments. Results also show that the interviewees agreed that participative financial institutions have many financial products that can be used to finance VSMEs, such as Leasing, *Murabaha*, *Musharaka*, and *istisna*. The findings indicated that all the respondents recognized that VSMEs represent an important segment of Moroccan economic growth. Some interviewees highlighted the main characteristics and features of Islamic modes of financing, such as the attachment to the real economy, the customers' needs, the flexibility, and diversification besides other non-financial services. They propose Salam, partnership modes, and *Istisna* better than *Murabaha*, a debt-based financing model.

On the other hand, some responses reported that the financial approach is not enough and cannot solve the problem of AEs category. They added that even though the participative modes of financing are important, they must be combined and integrated with a global (economic and social) approach to enhance entrepreneurship. The findings showed that the experts provided insight into the financing problems and challenges faced by VSMEs and AEs, how the participative financial institutions met the SMEs, and how participative Finance could develop further support to meet the needs of VSMEs in Morocco. The research found that the participative Microfinance institutions are most compatible with Moroccan VSMEs, in terms of providing them with support and Finance. Furthermore, the data showed that it would be a good idea to develop a specific institution for AEs. The findings suggest that participative instruments are more suitable than commercial ones; moreover, they indicate that *ijarah* ending with ownership (hire-purchase), and *Musharaka*, would be particularly helpful sources of Finance for AEs. Charity instruments like *waqf* and *qard hassan* would also be helpful, but all these instruments are useful in theory but absent in practice. However, this finding must be taken under the global economic empowerment approach and not a part that is limited to the financial approach.

Participative Finance, Financial Inclusion, and Entrepreneurship

This question is related to our conceptual framework that establishes the relationship and correlation between Islamic Finance as a tool of financing, financial inclusion as an immediate objective, and entrepreneurship as an indirect objective. In this section, the interviewees were asked about the priorities and the relationship between the concepts. Responses show that financial inclusion is somewhat important, but it is insufficient to realize economic empowerment and enhance entrepreneurship. Financial inclusion cannot achieve the objective of economic empowerment that needs an economic approach or "global approach" that focuses on capacity building, providing suitable infrastructures, and financing via smart partnership. It aims to discover profitable investment opportunities and sustainable projects that consider the poor and VSEs as real economic actors. Under the economic empowerment approach, the financial institution participates directly and actively in the value chain, starting from the strategic partner and the good suppliers to have better price negotiations and the final clients to sell the goods in good conditions. This participation needs good management and governance.

As for entrepreneurship, the interviewees insist that the AE scheme must also target the unemployed who are not schooled and are less educated. For that, there is a need to classify and score diploma categories (High school, university, qualification, specialized). The entrepreneurship must be under a collective (pooled) project and not only individual orientation for AEs. Government and private sector must encourage self-employment and VSME creation by including them in the big project. Yet some people can have successful experience under the financial inclusion approach, but they arrange to be empowered otherwise, for example, through family and friends. This scenario is not available for everyone and must be structured and standardized. Entrepreneurship should deal with innovation instead of imitation and copy/paste projects. And it is linked to educational background. In Morocco, it is more oriented toward employment than entrepreneurship. Microfinance helps shape this spirit. But it needs training and coaching all over the career.

Discussion

Participative Finance, Microfinance, and Entrepreneurship in Morocco

The microfinance sector in Morocco

Regarding the Microfinance sector in Morocco, many associations offer micro-financing through conventional instrument use, especially short-term loans. But despite this late start, Morocco is a leader in microfinance among MENA countries, and the sector is of strategic importance for the country. The sector that emerged in 2011 was stronger than the one in 2007: "According to a report by Grameen Jameel, there were 13 microfinance institutions in Morocco, and by the end of 2012, they were serving 803,780 clients" (Reuters, 2014). These institutions can carry out microcredit loans, but the current usage of microfinance products is significantly lower. "With 5% only of adults' report having credit from a microfinance institution. The sector remains a global anomaly, limited in its capacity to expand outreach product offering" (International finance corporation, 2014). In parallel, the informal sector contributes to Microfinance provision through cooperation via a solidarity system. Some poor people in Morocco obtain financial services through informal arrangements with friends and neighbors. In this regard, 14% of adults report using credit self-help groups such as "Daret" to save, and 33% of adults report saving at home" (International finance corporation, 2014).

In Morocco, there is a strong awareness of microfinance institutions though about 1/10 adults (5%) report having ever used a microfinance product or service. The microfinance sector has grown quickly and remains large because the government has also improved the regulatory framework and secured liquidity for the sector that faced a few difficulties starting in 2007. Morocco is regularly included in the pantheon of microfinance crisis markets (Daher & Le Saout, 2015). The sector started recovering around 2009 and has shown progress in terms of gross loan portfolio growth and the number of borrowers. And by 2011, the sector can be said to have fully recovered. In addition, the Microfinance sector is one of the Kingdom's leading employers and has created 6,000 direct and almost 1,000,000 indirect jobs. It ranked 14th in the Global Microscope Index in 2015 and gained a remarkable 30-seater in 5 years (Rank in 2009: 44th place). Morocco is the fourth African country, behind Tanzania (6th), Ghana (10th), and Kenya (11th). The 1999 law governing microfinance requires NGOs to isolate their microfinance activities to control risks better and ensure their financial viability". The law defines Micro-credit as any credit allowing low-income people to create or develop their activities for their inclusion.

Table 1. Micro credit associations indicators in milliards MAD

Milliard MAD	June 19	December 18	June 18	December 17	Var % June 19/June 18
Total Balance sheet	7,8	7,9	7,8	7,6	-0,3%
Outstanding Loans	7,3	6,8	6,9	6,6	5,9%
Rate of bad debt	4,9%	3%	6,2%	3,3%	-21%
Net Income	0,14	0,19	0,11	0,18	31,7%

Source: Edited by the author 2022

Table 1 shows that for 2017-2019, the total balance sheet did not know many variations. It was always around 7,8 Billion MAD. However, the outstanding loans are increased by 5,9%, whereas the bad debts decreased by 21%, and finally, the net income increased by 31,7% in the same period, which a good indicator of the sector's performance. Generally, the performance of the existing micro-credit institutions in Morocco is still low for many reasons, such as the lack of information and transparency of their book record, unlike the banks and other companies, no clear and continuous supervision and control of their activities as well as the absence of marketing tools and divulgation of information. In addition, besides the high-interest rate, there is also the problem of the contractual terms and conditions that are not respected as stipulated, such as the concealment of conditions included in the contract and the pressure of the institutions in the event of non-payment and the lack of awareness.

Regarding the sector's supervision, Bank Al-Maghrib established various laws for credit institutions and Micro-credit associations (MCAs) (Leone, Leo, Panetta, & Porretta, 2014). Thus, MCAs are, under the new banking law n° 103-12, assimilated into credit institutions and fully integrated with the perimeter of BAM's intervention in terms of accreditation and regulation. In addition, through the Ministry of Finance, the government considers Microfinance as an important lever for its role in financial inclusion, the fight against poverty, and the integration of the economically weak through creating jobs and activities generating income. Among other actors in the Microfinance sector, there is JAÏDA Fund, which was established as a financing company as a limited company accredited by BAM, and it is now endowed with a capital of 328 million dirhams with the main objective to facilitate the financing of all MFIs, promote institutional development of MFIs and risk-bearing and management. The second factor is the center for supporting Solidarity Micro-credit that helps the population to be able to access microfinance services, so the center decided to support sector actors to enhance their activities and thus, open the horizons of hope and dignity to many beneficiaries (Beckmann, Hielscher, & Pies, 2014). The third factor is the National Federation of Micro-Credit Associations (FNAM) which was created on October 4, 2001, under Law 18/97 governing micro-credit in Morocco and is the legal representative of the MCAs in Morocco. FNAM's vision is to be a major player in the fight against poverty by creating job opportunities and income-generating activities.

Participative Finance and Microfinance in Morocco

Participative Microfinance can also encourage the VMSEs, a major part of the Moroccan economy. They account for over 95% of the total operating enterprises, contributing over 30% to GDP and 48% to employment. SMEs struggle with access to capital, and Islamic micro-financial institutions could fill this gap" (IRTI-Thomson-Reuters, 2014). Summary of the evolution of Participative Finance in Morocco:

1. 1985: Requests from two international groups for the creation of Islamic banks.
2. 1987: The creation of the Moroccan Association for Studies and Research in Islamic Economics (ASMECI)

3. 1990: Islamic Development Bank (IDB) and Bank Al-Maghrib, organized a conference on Islamic Finance in Casablanca.
4. 1991: WafaBank requested to open a window on participative Finance.
5. 2007: Conventional banks were allowed to offer a limited alternative (Islamic) product (*Murabaha*, *Ijarah*, and *Musharkah*) through windows.
6. 2010: "Dar Assafa," a subsidiary of Attijariwafa Bank, received approval from Bank Al-Maghrib to offer Islamic products mainly based on *Murabaha* contracts.
7. 2012: The delivery of a draft law N° 34-03 modifying the banking system by allowing the creation of participative banks.
8. 2013: Parliament approved the government and companies to issue *Sukuk*, IDB announced its support for the first issue of sovereign *Sukuk* in Morocco.
9. 2014: the draft banking law was ready in the first half of 2014, and the same for *Takaful* within the insurance code.
10. 2015: The new banking law N° 103-12 was approved by the two chambers and published in an official bulletin, allowing the participating banks to market: *Murabaha*, *Ijarah*, *Musharkah*, *Mudarabah*, *Salam*, *Istisnaa*, and investment accounts. The authorized products are aligned with BAM's prudential and accounting rules, with objectives to increase financial inclusion and complete the banking offer.
11. 2016: Adoption of new fiscal measures in the 2016 finance law project concerning *Murabaha* and *Ijarah*, and distribution of accounting schemes by BAM in September 2016
12. July 2017: BAM approvals and licenses to 5 participative banks and three windows.
13. October 2018: Launch of Sovereign *Sukuk* on the financial market.
14. August 2019: approval of the *Takaful* regulations.

Table 2. KPIs of participative banks in Morocco (2017-2019)

Indicator	2017	2018	2019	Evolution %	Structure%
Branches	44	100	133	33,00	
Accounts:	27000	56918	87272	53,33	
Deposit Dhs	570000	1 546 679	2 909 771	88,13	
Current account Dhs	570000	1 546 679	2 556 647	65,30	
Investment account Dhs	0	0	353 124		
Financing* Dhs	159000	4 556 528	9 100 933	99,73	
Murabaha real estate Dhs	159000	4 209 376	8 185 125	94,45	89,94
Murabaha Auto Dhs	0	347 152	813 469	134,33	9,94
Murabaha equipment Dhs	0	0	102 339		12,58

*The financing includes the profit margin on *Murabaha*

Source : Bank Al Maghrib (2020)

Table 2 shows the level of performance of bank participation in Morocco. The new banking law 103-12 mentioned that Microfinance institutions could be providing participation using the same financial instruments mentioned in the law (article 61). In addition, according to the law, they can propose a new product subject to Sharia Board approval. This legal framework offers important advances in the Microfinance sector. Regarding the status of participative Microfinance in this new banking law, it seems that there is no clear recognition of this status as only one article mentioned expressly participative Microfinance. Hence, the main question concerns the place and status of Islamic microfinance in this new banking law because even if the law introduces a batch of innovations and motivating regulations, it doesn't give details or separate regulations regarding participative Microfinance.

It is worth mentioning that "Microfinance is important for the participative banks for two reasons: first, microfinance covers a much larger number of individuals and includes groups that do not reach the commercial banks. Second, the current situation of microfinance is characterized by a very high-interest rate, amounting from 2 to 5% per month" (IRTI-Thomson-Reuters, 2014). But "If Microfinance is to help build inclusive financial systems; it must develop strong linkages with the formal banking sector and the capital markets. However, Islamic financial institutions can be considered the main provider of participative microfinance services because they are already aware of their instruments and objectives. The classic NGO providers lack the necessary resources and competencies and are costlier unless they are not integrated with the participative banks. However, the public sector focuses on satisfying the basic needs of the poor more than other important objectives such as financial inclusion.

International organizations consider financial inclusion one of the major social and economic development challenges since it promotes economic growth and the fight against social disparities. Morocco's experience with financial inclusion dates to 2007 and is part of a more comprehensive strategy to position the country as a regional financial hub. In this regard, the Central Bank's commitment was clearly announced in the Maya declaration during the Alliance for Financial Inclusion in Kuala Lumpur (2013). Bank Al-Maghrib has acted on the following six dimensions (Bank Al-Maghrib, 2014): improve banking, promote access of MSMEs to bank financing, develop the micro-credit sector, foster competition, and customer protection, promote financial education, and finally, set up measurement indicators. At the end of 2014, the World Bank implemented a financial capability survey in response to a request of the Bank Al-Maghrib. The survey includes financial inclusion, financial capability, and consumer protection considered highly important on the agenda of the BAM and the Ministry of Finance. The study explores the financial inclusion landscape in Morocco and gives an overview of Moroccans' levels of financial capability, in particular their financial knowledge, attitudes, and behaviors. It discusses the relationship between financial capability and inclusion and investigates if the products used effectively meet the needs of the excluded people (World-Bank, 2014). The survey report focuses on financial inclusion, capability, and consumer protection. Still, unfortunately, the report did not mention any indicators or recommendations regarding the economic empowerment and the role of entrepreneurship that should be achieved not only by the banking sector but also in the Microfinance sector and especially participative Microfinance by using relevant instruments and programs.

Entrepreneurship in Morocco (Auto entrepreneur scheme)

The Auto entrepreneur scheme was implemented firstly in France on January 1, 2005, for better recognition of self-employment. At the origin of this scheme, there was the law of modernization of the economy n° 2008-776 dated August 4, 2008, which had as its main objective to contribute to the creation of Micro enterprises in France. The scheme offers people who wish to be "self-employed" various advantages in terms of creating and managing a business (union auto entrepreneurs, 2009). Morocco adopted this experience in January 2015 with the main objectives of reducing the weight of the informal economy and developing the spirit of "company" and self-entrepreneurship. Before the adoption of this status, Morocco has implemented many projects and programs on self-entrepreneurship and the promotion of small enterprises, such as:

1. The implementation of the Fund for the promotion of youth employment in 1994. This project targeted the Moroccan "Young entrepreneur" aged between 20 and 45 who needed joint loans and did not meet the conditions of higher education or professional qualification (article3). The government, through the Fund for the Promotion of Youth Employment, provides financing for

training actions in favor of the candidates for the creation of companies and for the young graduates for their integration into working life, especially those who have been looking for a job for more than 12 months article15).

2. Since its launch in 2005, a national human development initiative has supported the most vulnerable segments of the population through its program for combating precariousness. This support essentially consists of providing care for beneficiaries in specialized centers such as shelters for abandoned children, centers for people with special needs, retirement homes, etc. At an international level, the initiative was recognized as Top 3 of the best high-impact social programs in the world (Worldbank.org, 2014).
3. The Financial Support Fund for very small enterprises: This was set up in July 2014 at the initiative of Bank Al-Maghrib, the professional group of Moroccan banks (GPBM), and the central Fund of guarantee (CCG). Its purpose is to co-finance and grant bank loans to ensure the sustainability of the financial equilibrium of the VSMEs considered viable but experiencing temporary difficulties.

The Auto entrepreneur scheme is a simplified status/regime allowing the potential entrepreneurs to be self-employed through the creation of micro-enterprise, established by law 114.13 published in the official bulletin in March 2015 (decree N ° 2-15-303 of 30/12/15 published in BO n ° 6432 of 21/01/16). It has a slogan: "You are not born an entrepreneur; you become so" by embarking on the path of success in an interactive relationship between effort, learning, and mastering difficulties. The law defined the auto-entrepreneur as any natural person who exercises, on an individual basis, an industrial, commercial, or craft activity or service provider whose annual turnover does not exceed: 500,000.00 dirhams, for commercial, industrial and craft activities 200,000.00 dirhams, for the provision of services. Since its launch in 2015, the total number of auto-entrepreneurs has been 2614. In 2016, it reached 32440 with a growth rate of 1114%, and in 2017 it grew by 82% to reach 59060 (FSB, 2017). The number is still very low as the potential population is 4,2 million. In 2018 the number was 85000 with a growth rate of 43%. The roadmap presented in October 2017 to the National Committee of auto entrepreneurs targets 150,000 people at the end of 2019, reaching only 117000 with a growth rate of 27%. The challenge was to attract more than 100000 new registrations in 2020. The main advantages and features of the auto-entrepreneur scheme are:

1. Simplification of the creation and cessation procedures
2. Exemption from the obligation to register in the Commercial Register.
3. The non-subjection to VAT (Value Added Tax): The amounts invoiced are outside the scope of VAT.
4. Reduced taxation: in the beginning, the taxation rate was 1% of turnover for industrial, commercial, and craft activities and 2% for services, which means: "No turnover, no income tax."
5. The possibility of invoicing: The auto-entrepreneur being recognized by the tax administration, under Law No. 114.13, can issue invoices for the benefit of its customers.
6. The possibility of exercising the activity at home;
7. Single point of contact: The network of branches of Poste Maroc/Barid Bank as the main partner
8. Exemption from accounting and book-keeping.
9. Social security coverage: In waiting for the publication of the decrees related to the medical coverage and retirement law, which is not yet implemented.

In 2019, according to the statistics of the Barid Al-Maghrib group, out of a target population of auto entrepreneurs registered, 36% are women, 44% operate in commerce, 32% in services, 18% in industry,

and 6% in crafts/artisans. Note that 50% of them carry out their activities at home. 54% are youth between 15-34 years old. 84% have permanent activities, and 16% work in seasonal activities. As for the turnover achieved, it amounted to 416 MDH in 2018, which allowed the State to collect up to 7.8 million in income tax. On the other hand, 'Maroc PME' is working on strengthening support for auto entrepreneurs by including them in industrial ecosystems in each region. Partnerships have been implemented with the regions and entrepreneurship advisers to launch support systems that facilitate entrepreneurs' access to the business opportunities offered by industrial ecosystems, enhancing their economic empowerment.

As for the supply side, the small enterprises are at the heart of a battle in the banking sector. The competition is exacerbated by the activation of the "Auto-entrepreneurs" program to which the government and the monetary authorities have devoted a package of incentives. As for the demand side, Maroc PME estimates the small enterprises at 2 million, while banks estimate the potential of auto entrepreneurs at 800,000. This pool must be sought, sometimes removed from the informal sector, and supported in structuring and empowerment. At the end of 2019, there was the launch of a new support and financing initiative for small businesses and project leaders, Indeed following the high orientations of his majesty King Mohammed 6, outlined in his speech of October 11, 2019, at the opening of the parliamentary, the "INTELAKA" program was implemented by the Ministry of Finance and administrative reform as well as Bank AL Maghrib, it is mainly an integrated support and financing program offering small businesses and project leaders offers of financing and support under very favorable conditions. On April 20, 2020, the Caisse Centrale de Garantie (CCG) launched a guarantees mechanism for bank loans in favor of auto-entrepreneurs called "Garantie Auto-Entrepreneurs Covid-19". It is a good loan of 15000 Dhs given during the period of Coronavirus. The CCG guarantee covers credits granted by banks to eligible auto-entrepreneurs, the purpose of which is to cover the necessary expenses which cannot be deferred. The credit has an interest rate of 0% spread over three years, one year deferred. No security is required, and the guarantee's commission is fixed at 100 DH only.

CONCLUSION

The approach to economic empowerment considers the VSMEs as a great economic power. If empowered, they are a source of opportunity, not a penalty, so the real market and real fortune exist and can be accumulated when doing business with them. And empowering them will enhance their life (poverty alleviation) and society (economic and social development). The institution using this approach can play an economic role and enhance customer well-being through capacity building, marketing services, market and information access, and a suitable financing model. Therefore, the institutionalization of the economic empowerment approach can enhance employment, reduce the informal sector, increase GDP, reduce poverty, and realize economic and social (sustainable) development because it is mission-based. However, unemployment is not necessarily reduced only through Micro Finance; the concept is narrowly linked to the economic agent's mindset. For an entrepreneur agent, self-employment is the basis for economic activity. Poverty and development are considered subjective concepts. Merging the entrepreneurship and economic empowerment, the recent literature evokes the "Entrepreneurial Empowerment," which is the enhancement of assets and capabilities of diverse individuals and groups. While assets enable people to withstand shocks and expand their choices, capabilities are inherent in people and enable them to use their assets in different ways, such as education and training, skills, assets, and self-reliance. Human, physical, and social components have been identified as necessary elements of entrepreneurial empowerment.

So, the study confirmed that participative microfinance services are necessary for entrepreneurial empowerment that is necessary for clients' well-being because it is not the abundance of money. Still, it is the management of funds that makes VSMEs and AEs successful and competitive, and that is a real challenge that faces the entrepreneurs in the new world economic order. This research has generated many findings and conclusions that may affect policymakers, practice, and research. These findings are intended to stimulate thinking on how the insights from this research might impact and support AEs in Morocco. This research finds that it should be necessary for the government to act as a facilitator and strategic partner with the financial and empowerment institutions to enhance the well-being of this category. A further implication of the study relates to the Government Programs that should support the AEs by offering them training and suitable modes of Finance. The programs should also not be limited to financial aspects but must be a global economic empowerment approach. A further limitation of this present study is that the sample was limited to using Participative finance methods and instruments, mainly Participative Microfinance, prospectively, which is not yet implemented in Morocco. Therefore, the generalization of such findings is inappropriate. It is difficult to generalize from these two cases and samples to all the sectors without the wider population. However, a broader question is whether the findings could be generalized to any other country. On the one hand, the MENA countries have many similarities with Morocco regarding the economy, culture, and social life. Therefore, some of the results can be generalized to the MENA countries especially in North Africa.

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