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ṢUKŪK AL-MUḌĀRABAH AS A FINANCING AND LIQUIDITY MANAGEMENT TOOL FOR ISLAMIC BANKS IN MOROCCO: EXPLORATORY ANALYSIS OF EXPECTATIONS AND OBSTACLES

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ABSTRACT

Purpose — The use of *ṣukūk al-muḍārabah* by Islamic banks (IBs), including in Morocco, is rare, and research on the subject is limited. This study seeks to fill in this gap by examining the perceptions of Moroccan professionals. Its aim is to highlight the challenges and opportunities associated with the use of *ṣukūk al-muḍārabah* by Moroccan IBs. By enlightening both professionals and academics on the potential of these Sharīʿah-compliant financial instruments, the study aims to highlight their ability to solve liquidity and funding problems.

Design/Methodology/Approach — This study employs a qualitative methodology, using interviews with branch managers of IBs in Morocco. Textual and thematic analyses were used to identify expectations, perceptions and challenges related to the adoption of *ṣukūk al-muḍārabah* for financing and liquidity management. Analysis tools used included content analysis, factorial correspondence analysis, and similarity analysis.

Findings — The findings reveal a diverse range of viewpoints among professionals, ranging from cautious optimism to reservations regarding the effectiveness and acceptability of *ṣukūk al-muḍārabah* in Morocco. *Ṣukūk al-muḍārabah* are viewed as a potential instrument for managing liquidity and financing, but they pose a significant risk for holders. Most of the professionals interviewed consider *ṣukūk al-muḍārabah* to be the most suitable tool for meeting these requirements, although some emphasise the need for an efficient regulatory system.

Originality/Value — The study highlights the potential of *ṣukūk al-muḍārabah* as a financing and liquidity management alternative for Moroccan IBs. It emphasises the significance of financial innovation in accordance with the principles of Islamic finance.

Practical Implications — For *ṣukūk al-muḍārabah* to realise their full potential, Moroccan IBs should adopt international best practices, enhance the sector's familiarity with these products, and effectively navigate the regulatory and tax challenges.

Keywords — IBs, Islamic finance, Morocco, *Ṣukūk al-muḍārabah*
Article Classification — Research paper

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INTRODUCTION

Liquidity risk is a central issue in the banking sector, drawing significant attention and presenting new challenges for banks, including Islamic banks (IBs). As highlighted by Hassan and Lewis (2007), IBs face limitations in their financial operations and liquidity as they have to adhere to Sharīʿah (Islamic law) compliance standards. These limitations can compromise the viability and continuity of these financial institutions, placing innovation in banking products and financial instruments, particularly in managing liquidity risks and funding sources, at the core of their strategic priorities. In the specific context of Morocco, IBs have experienced significant growth, with total financing reaching MAD19.256 billion (USD1.83 billion) in December 2022, according to the Central Bank of Morocco, even during the COVID-19 pandemic. IBs in Morocco face significant liquidity management challenges. The rapid growth of the sector, combined with a disproportion between deposits and financing, complicates the situation. In 2022, the financing-to-deposit ratio was 238 per cent for IBs, compared to 93 per cent for conventional banks. The competition for deposits and the predominance of non-remunerated accounts (71 per cent of sector deposits) limit customer appeal, exacerbating liquidity problems. Additionally, the Central Bank of Morocco highlights that the absence of a Sharīʿah-compliant interbank market restricts liquidity options, pushing IBs towards costly financing contracts (Bank Al-Maghrib, 2022).

However, a deeper analysis reveals that the majority of this financing is primarily directed towards *murābaḥah* (cost-plus financing), mainly for house acquisition financing. Furthermore, despite a 28.7 per cent increase in deposits in 2022, the level of these deposits remains disproportionate to the financing granted, indicating a potentially concerning imbalance in the liquidity of IBs. This situation raises questions about the need to find innovative and effective solutions to manage liquidity and support the financing of these institutions.

The literature on *ṣukūk al-muḍārabah* as a financing and liquidity management tool for IBs is relatively limited, if not non-existent. *Ṣukūk al-muḍārabah* are rarely implemented by IBs despite their theoretical alignment with Islamic finance principles. Much of the current literature points out that IBs often prefer debt-based financial instruments such as *murābaḥah*, over profit-sharing instruments such as *muḍārabah*. For instance, Miah *et al.* (2023) revealed that only 0.62 per cent of investments by IBs in Bangladesh were based on *muḍārabah*, compared to 99.38 per cent for debt-based products.

The challenges associated with the use of *ṣukūk al-muḍārabah* include moral hazard, low knowledge and understanding of *muḍārabah*-based financial products, and insufficiently developed regulatory and legal frameworks to support their adoption. Additionally, IBs face criticism for their tendency to imitate conventional financial services rather than promoting genuinely Islamic solutions such as *muḍārabah* (Miah *et al.*, 2023). Although *ṣukūk al-muḍārabah* have significant potential as a financing and liquidity management tool, existing literature and current practices of IBs indicate a lack of integration and promotion of these instruments. This highlights the need for academic research and critical analysis to overcome the barriers to their adoption and to demonstrate their practical viability in the Islamic banking sector.

In this context, *ṣukūk al-muḍārabah* emerges as a promising financial instrument that remains underexplored in Morocco. While the Moroccan Capital Market Authority has studied the potential development of the *ṣukūk* market in general, there is a lack of specific studies focusing on the use of *ṣukūk al-muḍārabah* as a liquidity management tool and funding source for Moroccan IBs. Given the absence of an Islamic interbank market in Morocco, this study proposes to closely examine the potential of *ṣukūk al-muḍārabah* to simultaneously address liquidity and funding challenges. By analysing the structure, mechanism and application of *ṣukūk al-muḍārabah*, this research aims to assess their effectiveness as a Sharīʿah-compliant financing alternative capable of providing financial stability and expanding funding options for IBs. The goal is to determine to what extent *ṣukūk al-muḍārabah* can contribute to energising the Moroccan financial market by offering innovative means for IBs to manage their liquidity and increase their funding sources whilst adhering to Islamic finance principles.

The article begins with a review of the literature on the development of Islamic finance in the Moroccan context. It then examines the legal foundations, trust and governance, as well as the configurations and consequences of *ṣukūk*, and the specific fiscal and legal challenges related to *ṣukūk*, with a particular focus on *ṣukūk al-muḍārabah*. Methodologically, the research adopts a qualitative approach, based on interviews with 60 branch managers of IBs in Morocco. The objective is to understand their assessment of the usefulness of *ṣukūk al-muḍārabah* as a financing and liquidity management tool for the country's IBs. The article analyses the data through content analysis, thematic analysis and textual analysis, using methodologies such as Descending Hierarchical Classification (DHC), Correspondence Factorial Analysis (CFA) and Similarity Analysis (SA) to break down responses and identify recurring patterns. It concludes with a discussion of the results, presenting a synthesis of perceptions and practical implications of the use of *ṣukūk al-muḍārabah* in the Moroccan Islamic banking sector.

LITERATURE REVIEW

Ṣukūk al-Muḍārabah in Financing and Liquidity Management of Islamic Banks

The constant evolution of Islamic finance over the last few decades has led to an increased interest in *ṣukūk al-muḍārabah*. Despite this growing interest, it is striking that there is still a lack of academic research devoted to the subject. Legally, *ṣukūk al-muḍārabah* are based on the *muḍārabah* contract which represents an investment partnership between the *rabb al-māl* (investor) and the *muḍārib* (entrepreneur). As Kusuma and Silva (2014) and Shahimi *et al.* (2022) pointed out, this contract defines the rights and responsibilities of the parties involved, particularly with regard to the distribution of profits and the assumption of losses. The profits generated by the project are divided between the investor and the entrepreneur according to a predetermined percentage. In the event of a loss, the *rabb al-māl* loses its financial contribution and the *muḍārib* assumes an opportunity cost represented by its effort invested in the project, which demonstrates a balanced structure from the point of view of responsibility.

Kusuma and Silva (2014) discussed the need for transparency and communication to build and maintain investor confidence in these financial instruments. They stressed the relevance of establishing Sharīʿah-compliant practices and strong governance mechanisms to ensure the trustworthiness of *ṣukūk al-muḍārabah*. This dimension of trust is essential in Islamic finance, where religious compliance is a major concern. Salah (2010) examined *ṣukūk* structures and analysed the different structural models, profit-and-loss sharing mechanism, as well as the legal and financial implications of these instruments. He pointed out that stability and consistency in these structures are crucial to investor confidence, underlining the importance of robust designs and appropriate management of these financial instruments. From a structural point of view, *ṣukūk al-muḍārabah* stand out clearly from other types of *ṣukūk*. As Mohd Sadad *et al.* (2020) pointed out, these *ṣukūk* are issued in the form of participation certificates, representing a proportional share of the ownership rights and profits associated with the project. These certificates are then offered to investors on the market, making it easier to raise funds for the project. This unique structure allows for a diversification of Sharīʿah-compliant investment options, giving investors more choice.

An analysis of *ṣukūk al-muḍārabah* reveals a number of issues, particularly on the tax and legal fronts, as well as prospects for improvement and innovation. One of the major tax issues raised by Zulkhibri (2015) concerns the potential double taxation of profits generated by *ṣukūk al-muḍārabah*. Since these instruments involve revenue sharing between investors and the entrepreneur, there may be double taxation of these profits. This can lead to an excessive tax burden for investors, which in turn could hinder the development of these financial instruments. In addition, Salah (2010) pointed out that equity *ṣukūk*, including *ṣukūk al-muḍārabah*, may face challenges in terms of the tax treatment at the time of redemption. Since *ṣukūk* are considered debt instruments in several jurisdictions, principal repayments and interest payments may be subject to specific tax regulations in each country. Differences in tax treatment between countries may create obstacles to the cross-border circulation of *ṣukūk al-muḍārabah* and impact their attractiveness to investors.

On the legal front, Al-Amine (2008) highlighted the challenges of implementing laws and regulations for *ṣukūk al-muḍārabah*. The lack of harmonised legal frameworks and standards in many countries can lead to legal uncertainty and hinder the development of these instruments. In addition, the protection of investors' rights in *ṣukūk* is essential, as they involve an investment partnership. The lack of appropriate legal frameworks can make this protection difficult, which could deter potential investors. However, there is scope for improvement and innovation in *ṣukūk al-muḍārabah*. Some researchers have explored approaches to improve their structure and performance. For example, Mseddi (2023) examined the use of option contracts in *ṣukūk al-muḍārabah* to manage risk and improve profitability for investors. This approach has the potential to mitigate the market risks associated with these *ṣukūk*. In addition, the integration of financial technologies, such as blockchain, into *ṣukūk* is an avenue explored by some authors (Delle Foglie *et al.*, 2021). This innovation could enhance transparency, transaction traceability, and the operational efficiency of *ṣukūk al-muḍārabah*, thus opening up new prospects in a context of technological change.

Ṣukūk al-muḍārabah can play a key role in the Islamic banking sector, particularly in terms of diversifying funding sources and creating a broader investor base. Firstly, these *ṣukūk* allow IBs to raise capital by issuing *ṣukūk* certificates that represent a stake in a *muḍārabah*-type partnership. This diversified source of funding provides IBs with the flexibility to meet various needs, such as project financing, business expansion, and other funding requirements (Ibrahim, 2015). Diversification of funding sources is crucial to strengthen the financial resilience of IBs and reduce their dependence on deposits. *Ṣukūk al-muḍārabah* therefore play a significant role in providing an alternative solution for raising Sharīʿah-compliant capital (Shahimi *et al.*, 2022). This enhances their ability to raise funds efficiently and diversify their financial resources by accessing capital markets (Ledhem, 2022).

In addition, *ṣukūk al-muḍārabah* contribute to the diversification of investors' portfolios (Ghassan & Guendouz, 2019). By offering an attractive alternative in line with Islamic principles, these instruments promote the efficient allocation of resources and risk reduction. They also provide a long-term financing option for IBs, supporting the realisation of large-scale investment projects and promoting economic growth (Dimitris *et al.*, 2016; Naifar *et al.*, 2017). Furthermore, *ṣukūk al-muḍārabah* offer IBs the opportunity to diversify their investor base both nationally and internationally, enhancing their financial stability by reducing their exposure to region-specific risks (Zoghlami, 2020; Le *et al.*, 2022). By participating in the development of the *ṣukūk al-muḍārabah* market, IBs contribute to the creation of a liquid and active market for these instruments, thereby promoting more efficient capital mobilisation and stimulating financial innovation throughout the Islamic banking sector.

The Issue of Liquidity Shortages in Moroccan Islamic Banks

The existing literature on liquidity issues in Moroccan IBs is limited. Currently, Moroccan IBs manage their liquidity primarily through refinancing from their parent banks, all of which are conventional institutions. As they are all subsidiaries of conventional banks, they rely on their parent banks for Sharīʿah-compliant credit lines and treasury solutions. This dependence exacerbates liquidity challenges, as they cannot use conventional instruments such as interbank deposits. Furthermore, the absence of a developed Islamic interbank market and the lack of low-risk tradable instruments complicate their liquidity management. Instruments such as *murābaḥah* and short-term *ṣukūk* are used, but they incur high transaction costs, and their acceptance as Sharīʿah-compliant instruments is still debated. The works of El Hamdi and Benmahane (2022) as well as Zehra *et al.* (2022) emphasise the importance of effective liquidity management based on Islamic banking practices and the need for a supportive environment for IBs in Morocco.

To address these challenges, it is essential to analyse the assets and liabilities of Moroccan IBs and how these have evolved and are projected to develop. Unlike conventional banks, Moroccan IBs do not solely rely on credit sale-based assets like *murābaḥah*. They also use instruments such as *ijārah* (leasing) and equity investments (*muḍārabah* and *mushārakah*), which do not create monetary debts and therefore comply with Sharīʿah requirements for tradable *ṣukūk* and securitisation. This diversification of assets theoretically allows IBs to reduce their exposure to liquidity and compliance risks while increasing their financial flexibility. According to Rhanoui and Belkhoutout (2017), Morocco has the potential to become a hub for Islamic finance in North and West Africa, thanks to its growing financial system that is open to innovation. However, Moroccan IBs face competition from conventional banks and must innovate to maintain their liquidity and attract more customers, as noted by Khomsi and Britel (2018). Fakhri *et al.* (2024) highlighted the importance of the first sovereign *ṣukūk* issuance in 2018, which attracted investors from the Gulf and established Morocco's position in Islamic finance.

Islamic finance, according to Soudi and Cherkaoui (2015) and Ziky and El Hamidi (2023), was relatively late in integrating into the Moroccan financial system. Nevertheless, it has gained momentum since 2016, despite an initial setback in 2007. Echchabi *et al.* (2015) identified relative advantage, compatibility, and social influence as the main factors driving Moroccan clients to adopt Islamic banking. They also acknowledged the legal and regulatory challenges facing the sector. *Ṣukūk al-muḍārabah* offer a financing and liquidity management solution for IBs that is both innovative and less risky. This is achieved through their profit-and-loss sharing structure, which aligns the interests of investors and issuers, thereby reducing financial risk. *Ṣukūk al-muḍārabah* provide a unique approach to financial instruments as they do not rely on fixed interest rates or guaranteed returns. Instead, they promote a more balanced approach to risk, with returns directly linked to the actual performance of the financed project or business. This flexibility allows IBs to manage their liquidity more effectively by adjusting returns to current market conditions. Additionally, they provide a financing mechanism compliant with Islamic finance principles, promoting growth and financial stability in accordance with the Sharīʿah.

Hesse *et al.* (2008) noted that the absence of a Sharīʿah-compliant interbank market limits liquidity options for IBs, leading them towards costly *wakālah* financing contracts (Lotfi & Elaatchi, 2022). Achibane and Addouli (2020) emphasised the importance of *ṣukūk* in terms of refinancing and liquidity management for IBs. They suggested exploring alternative types of *ṣukūk* to counterbalance the decrease in deposits and address the significant drop in liquidity in Morocco. Hafiane and Allouch (2021) also recognised the liquidity issue, while Abniaz and Sassi (2020) highlighted the limitations of the accounting framework for Moroccan IBs. Although the development of Islamic finance in Morocco has seen notable progress, it still faces persistent challenges, particularly regarding liquidity. *Ṣukūk*, including *ṣukūk al-muḍārabah*, can be seen as instruments to address liquidity issues and facilitate the financing of the Moroccan economy by IBs. Diversification towards assets not based on credit sales is essential to ensure the compliance, financial stability and even viability of Moroccan IBs in the long term.

RESEARCH METHODOLOGY

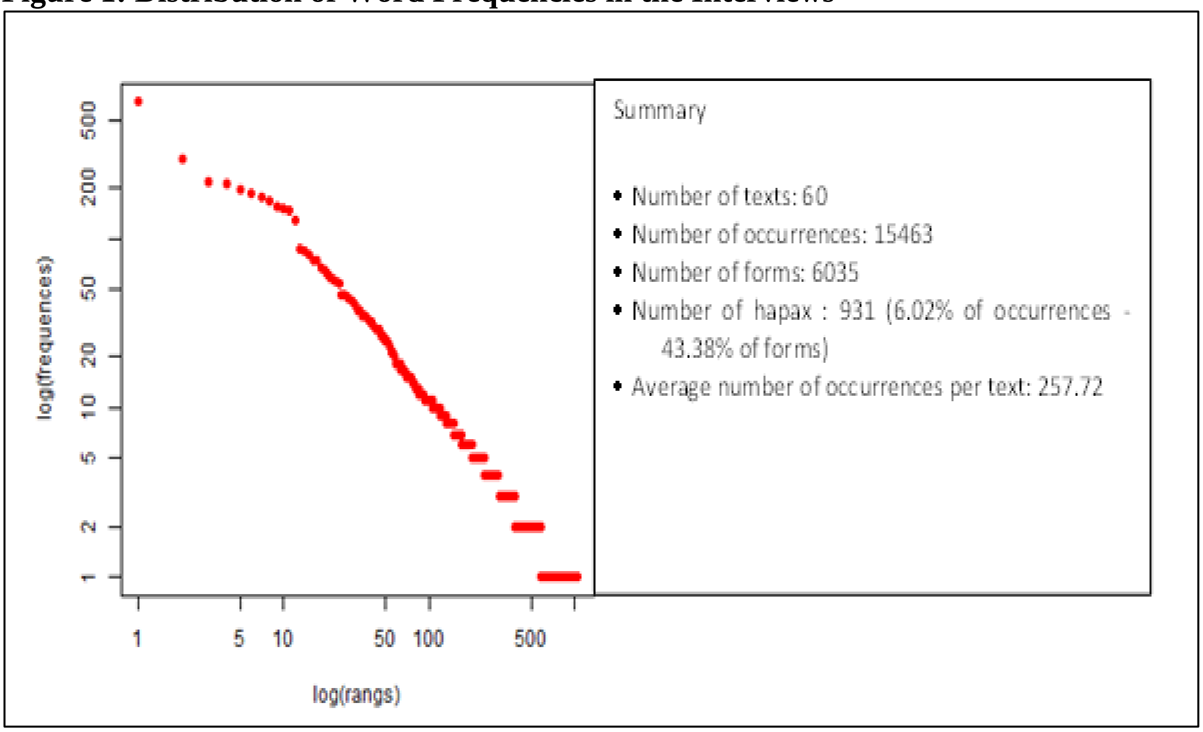
Sample Presentation and Data

Adopting an interpretivist approach, the study is based on interviews with 60 Islamic bank branch managers in Morocco conducted during the period 10 May 2023 to 15 June 2023 to understand their perceptions of the value of *ṣukūk al-muḍārabah* as a liquidity management tool. Although branch managers do not directly manage liquidity, their role is crucial in reflecting the overall management philosophy of the banking institution. A participatory approach to decision-making, supported by continuous training and strategic meetings, enhances this coherence and promotes a culture of organisational responsibility among branch managers. These managers are regularly consulted for recommendations in the process of self-evaluation and continuous improvement of banking activities. Their involvement ensures that the bank's management philosophy, including liquidity management, is consistently applied across various levels of operations, making them suitable subjects for this study.

Focusing on branch managers, rather than central or regional financial directors, addresses several challenges. Many IBs in Morocco do not have regional directors but only central directors. Limiting the study to central directors significantly reduces the sample size, raising concerns about the empirical validity of the study. Furthermore, central financial directors might not provide consistent or practical insights, as the financial product under discussion—*ṣukūk al-muḍārabah*—has never been issued before. Their responses would also be based on perceptions rather than concrete experiences. By involving branch managers who have practical understanding and familiarity with the bank's operations and management practices, more relevant and applicable data can be gathered. In our case, including a large number of branch managers (60) makes it possible to conduct an empirical study that would otherwise be unfeasible, thereby enhancing the overall validity of the research.

The qualitative methodology includes Berelson's content analysis, combining a systematic and quantitative description of the interviews. Two analysis methods are used: thematic analysis to manually identify themes in the data and textual analysis using an analysis grid to dissect the responses. In the textual analysis, Descending Hierarchical Classification (DHC), Correspondence Factorial Analysis (CFA), and Similarity Analysis (SA) were used. Following the textual analysis, a thematic analysis was carried out, aiming at identifying, analysing and reporting on patterns (themes) within the data. This methodical approach aims to transform complex responses into actionable conclusions about IBs' perceptions of *ṣukūk al-muḍārabah*. **Figure 1** shows the application of logarithmic scales to represent the frequency distribution of words collected in 60 interviews with Islamic bank branch managers in Morocco. The graph reveals an inverse relationship between the frequency of occurrence of words and their rank; the most common terms are those of lower rank, with the most frequent words positioned at rank 1.

Figure 1: Distribution of Word Frequencies in the Interviews



Source: Authors' own

Adopting logarithmic scales on both axes of the graph is an effective strategy for dealing with the wide variety of word frequencies, a common feature of language data. This approach facilitates the visual distinction between frequently and less frequently used words, allowing for a more accurate and balanced analysis of the language used. The summarised information reveals that the

60 texts analysed contain 15,463 occurrences and 6,035 unique forms. Of these forms, 931 are hapaxes, representing 6.02 per cent of occurrences and 43.38 per cent of unique forms, indicating lexical diversity within the corpus. Such diversity indicates the presence of a wide variety of terms, potentially reflecting the richness of Islamic banking jargon and the topics covered in the interviews. Furthermore, the average of 257.72 occurrences per text indicates that certain terms are repeated across the interviews, suggesting the existence of common themes or concerns among branch managers.

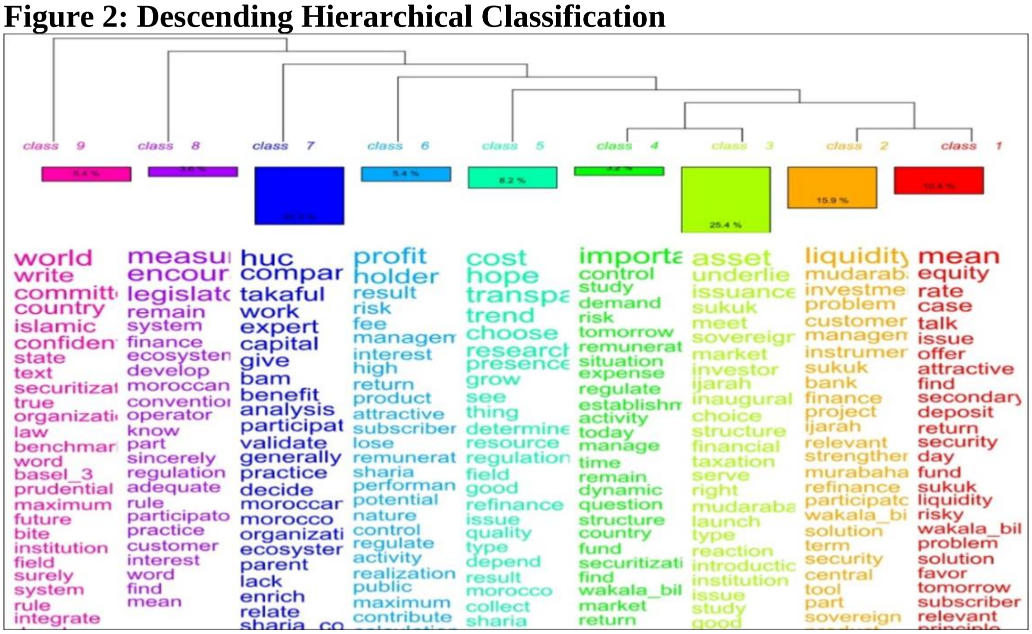
RESULTS

Textual Analysis

Descending Hierarchical Classification

The application of DHC in this study reveals important results. The analysis identified nine distinct categories among the textual data. The detailed structure of the classifications reveals a complex and informative organisation. The first category stands out as an independent branch, representing 12.6 per cent of all forms. This categorisation then branches out into two. The first branch is divided into classes 4 and 5, which represent 17.6 per cent and 8 per cent of the forms respectively, thus illustrating specific themes or concepts within this study. The second branch is also divided into two sub-branches. Class 8, representing 11.3 per cent of the forms, constitutes the first sub-branch. The second sub-branch is divided into two distinct segments: class 7 with 12.1 per cent of the forms, and class 6 with 13.4 per cent. This segmentation highlights particular nuances and different perspectives on the subject. Finally, classes 1 and 2, which together account for 21.7 per cent of the forms, are connected to class 3, which represents 3.4 per cent of the forms. This configuration indicates a potential interrelationship between these categories, suggesting thematic or conceptual links between them.

Figure 2: Descending Hierarchical Classification



Source: Authors' own

The DHC (as shown in **Figure 2**) applied in this study, provides some insights. The dominant class 4, encompassing terms such as 'assets', 'choice', 'issuance', 'sukuk' and 'tax', focuses on aspects of financing and risk management in IBs. These terms refer to the lexicon of financing and suggest a focus on liquidity issues, highlighting the importance of *ṣukūk al-muḍārabah* in addressing these challenges. Class 7, including words such as 'enrich', 'Sharīʿah', 'HUC (the Higher Ulema Council)', 'BAM (Bank Al-Maghreb)', 'capital' and 'give', relates to the components of the institutional system and more specifically to the Islamic financial ecosystem. This class highlights the importance of the regulatory and institutional framework in the operation of *ṣukūk al-muḍārabah* and their integration into the Islamic financial system. Class 2 includes terms such as 'liquidity', 'deposit', 'customer', 'instrument', 'management', '*wakālah bi istithmār*', 'Sharīʿah-compliant' and 'strengthen'. These words belong to the lexical field of financing methods available to IBs, indicating a diversity of Sharīʿah-compliant financing solutions.

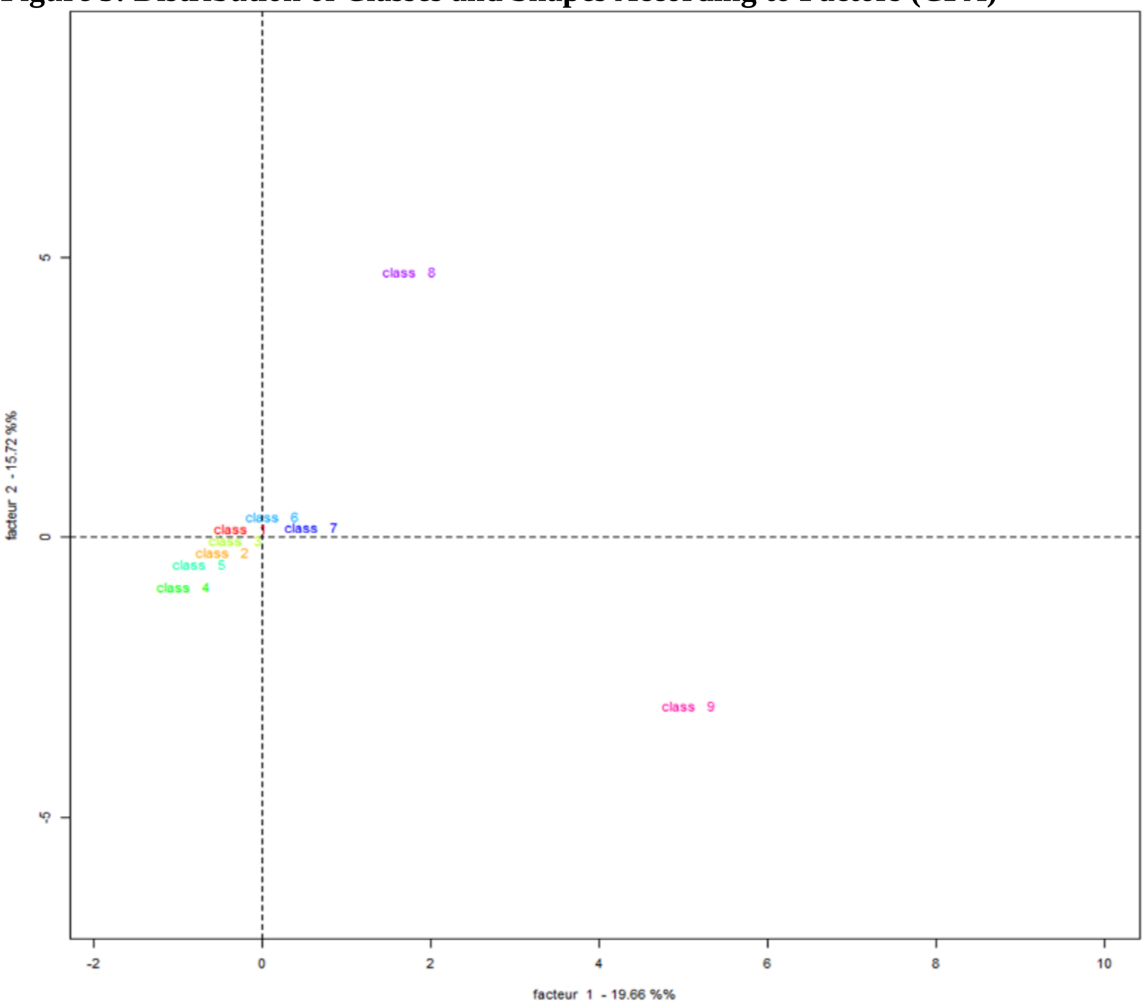
Following this, class 1 brings together forms that reflect customers' expectations in terms of return and legitimacy of *ṣukūk al-muḍārabah*, following terms such as 'equity', 'attractive', 'deposits', and 'return'. This class emphasises the importance of meeting customers' needs for Islamic financial products. Class 5—including terms such as 'cost', 'trend', 'choose', 'grow', 'resource', 'refinance', and 'trust'—refers to the strategies and procedures adopted by IBs. These terms reflect the banks' efforts to meet financial and regulatory requirements. Class 9, with words such as 'law', 'organisation', 'country', 'Islamic', 'security', and 'benchmark', focuses on regulation, highlighting the importance of a sound legal framework for the success of *ṣukūk al-muḍārabah*. Risk management is addressed in class 6, which includes terms such as 'profit', 'result', 'risk', 'management', 'return', 'remuneration', and 'performance'. This class highlights the relationship between return and risk, as well as the importance of efficient allocation of funds to achieve expected returns. Class 8, which includes words such as 'measures', 'encouragement', 'legislator', 'system', 'ecosystem', 'convention' and 'regulator', focuses on the legislative aspects of *ṣukūk* and the impact of the ecosystem on the proper functioning of the *ṣukūk* market, in particular *ṣukūk al-muḍārabah*. Finally, class 3, although representing the smallest percentage of active forms, focuses on the procedure for issuing *ṣukūk al-muḍārabah*, with terms such as 'important', 'study', 'demand', 'dynamics' and 'structure'.

The DHC has revealed several key implications. Firstly, it highlights the complexity and diversity of Islamic financial products which can meet the different financial and ethical needs of customers while respecting the Sharīʿah. Secondly, *ṣukūk al-muḍārabah* are emerging as a solution to the liquidity and risk management problems of Moroccan IBs, offering a profit-sharing structure instead of fixed interest. Thirdly, the DHC highlights the importance of a sound regulatory and institutional framework for the success of these instruments. Lastly, it identifies challenges for Moroccan IBs, particularly in terms of the returns expected by customers and Sharīʿah compliance, while highlighting the need to diversify financing methods to cater for a broader customer base.

Correspondence Factorial Analysis

Figure 3 is the result of a correspondence factorial analysis (CFA) based on the textual data. A CFA is often used in statistics to visualise and analyse relationships between categories of data, in this case, 'classes' that were identified during the textual analysis. The graph on the left shows the distribution of the different classes identified. The mention of 'class 9' and its distinct separation from the others suggests that the terms associated with this class have their own characteristics which clearly differentiate them from the other classes. These terms are linked to specific concepts, such as regulation and Sharīʿah compliance, which is essential for the acceptability of *ṣukūk al-muḍārabah* as financial instruments.

Figure 3: Distribution of Classes and Shapes According to Factors (CFA)



Source: Authors' own

Figure 3 provides a visualisation of the terms and their correlation with the main factors, suggesting central themes in the discourse of the study participants. Words such as 'important', 'profit', and 'holder' are particularly prominent, suggesting that the importance of *ṣukūk al-muḍārabah* is well recognised in terms of their profit potential and their role in attracting investors. The proximity of the terms 'measure' and 'encourage' suggests that the study has identified recommendations or strategies to encourage the use of *ṣukūk al-muḍārabah*. This could imply that the industry is actively seeking to promote these instruments to improve liquidity and funding options for IBs. The presence of terms such as 'Islamic', 'world' and 'committee' on the periphery of the main cluster indicates the importance of integrating Islamic financial standards at a global level and the role of Sharīʿah compliance committees. The scattered terms reflect a variety of sub-themes and opinions regarding risk management, financial performance and the effectiveness of *ṣukūk* as a financing tool.

The CFA analysis reveals that the first factor of the dendrogram clearly distinguishes the classes linked to regulations and governance (classes 8 and 9) from those associated with the financing operations and management of IBs (classes 1 to 7). This distinction illustrates the conceptual separation between the internal mechanics of Islamic financing and the external framework that governs it. Compliance with Sharīʿah and legal concerns appear to be separate issues, yet they are intrinsically linked to the banks' operational processes. The second factor highlights the separation between the internal management objectives of IBs and the expectations of investors. The classes grouped around this factor seem to reflect the twofold aspects of IBs' objectives: respecting the precepts of the Sharīʿah while meeting investors' financial requirements. The analysis of the zones reveals several dimensions of the text corpus:

- Procedures and methods of financing: The first area indicates the procedures that IBs must follow and the financing methods they employ. This may mean that banks are actively engaged in finding innovative financing solutions that remain Sharīʿah-compliant.
- Seeking liquidity: The second area shows a concern for seeking liquidity, a key element in the financial management of IBs.
- Islamic financial ecosystem: The third area focuses on the Islamic financial ecosystem, suggesting that *ṣukūk al-muḍārabah* are seen as an integral part of this ecosystem.
- *Ṣukūk* issuance and management: The fourth area, which lies at the heart of the dendrogram, relates directly to the process of issuing and managing *ṣukūk al-muḍārabah*, highlighting the need to balance return and risk.
- Regulation and governance: The fifth area involves interaction between IBs and financial authorities, reflecting the importance of regulatory compliance in the management of *ṣukūk al-muḍārabah*.

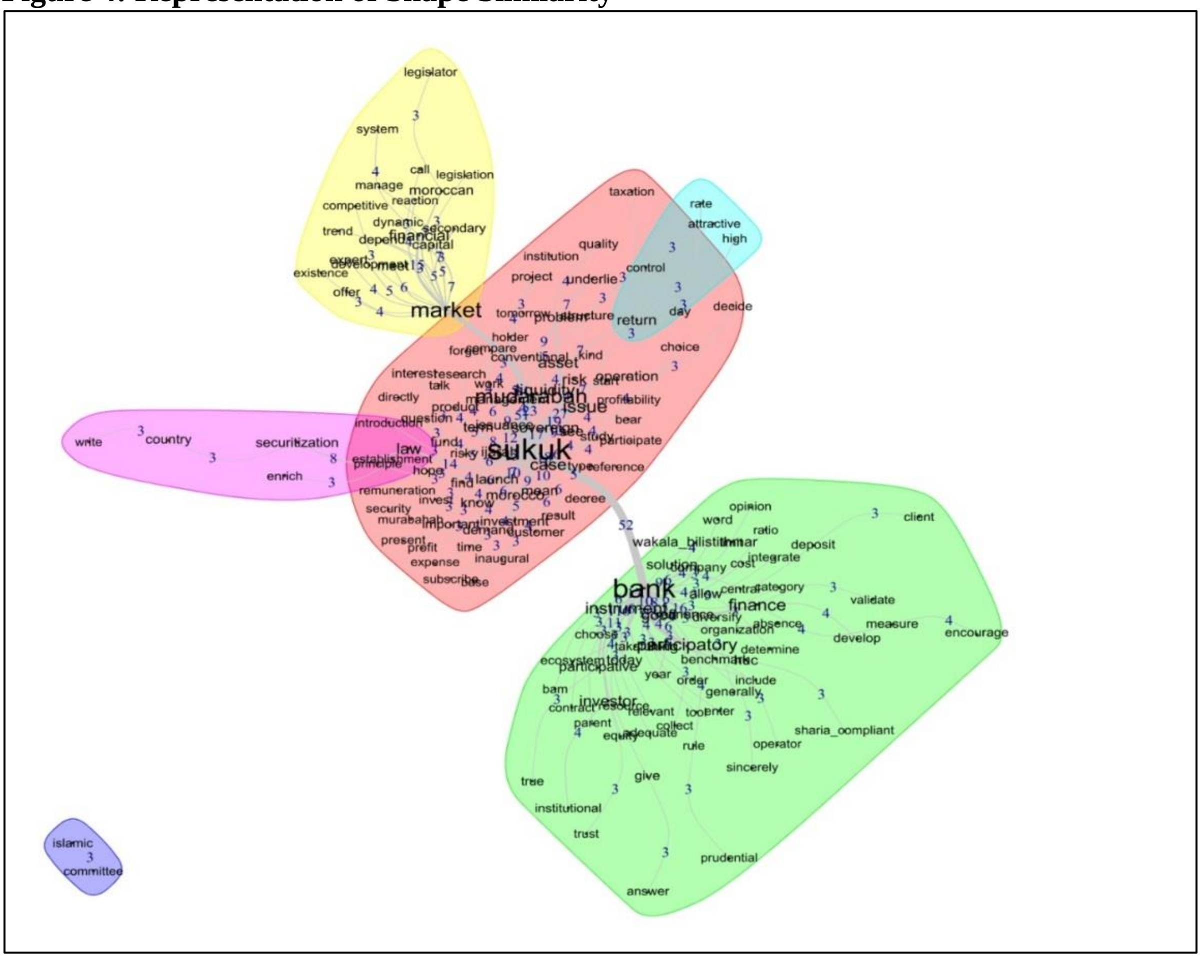
The central position of class 6 echoes its pivotal role between regulatory compliance and operational practices, suggesting that IBs need to navigate skillfully between these two areas to successfully issue *ṣukūk al-muḍārabah*. Class 1, although at the centre of the dendrogram, appears to play a less prominent role, perhaps due to its focus on investor return expectations, which, while central, are only part of the broader picture of Islamic financial management. Finally, class 8 highlights the interactions between IBs and the regulatory and financial environment in which they operate. The importance of terms such as '*ṣukūk*', 'choice' and 'benchmark' indicates that

Moroccan IBs are actively engaged in integrating regulatory requirements into their funding strategy while taking into account the specificities of their financial context. The concerns expressed by the interviewees highlight the need for a balance between Islamic financial innovation and regulatory compliance in order to respond effectively to the financing needs of the economy.

Similarity Analysis

SA is a method of textual analysis which aims to reveal the relationships between different forms (words or terms) present simultaneously in a discourse. SA has been used to examine how certain forms relate to each other in the text. **Figure 4** shows these relationships.

Figure 4: Representation of Shape Similarity



Source: Authors' own

The analysis of Shape representation, Shape similarity, and Similarity highlights the following elements:

1. Central community: At the heart of the graph is a central lexical community represented by the form ‘sukuk’. This form is surrounded by several other forms, indicating that it is strongly associated with these terms. Among the terms directly related to *ṣukūk* are ‘risk’, ‘bank’, ‘liquidity’, and ‘asset’. This core community reflects the importance of ‘*ṣukūk*’ in the text and its connection to concepts such as risk, liquidity, and Islamic banking assets. From the central community, four distinct branches develop. Each branch brings together related forms on a specific theme:
   - The first branch concerns the lexicon of financing and is centred around the form ‘bank’, with an extension to ‘Islamic’. This suggests a relationship between IBs and *ṣukūk* as financing instruments.
   - The second branch focuses on the form ‘market’ and includes forms such as ‘study’, ‘dynamic’ and ‘development’. This branch refers to the financial market and its role in the context of *ṣukūk al-muḍārabah*.
   - The third branch is characterised by the ‘law’ form, which is closely linked to the ‘security’ form. This branch highlights the regulatory and legislative framework surrounding *ṣukūk* and IBs.
   - A sub-branch of the community centred around the ‘liquidity’ form suggests a strong link between solving the liquidity problem and the act of investing.

2. Peripheral community: On the periphery of the graph, a small lexical community is linked to ‘other countries’, particularly Anglo-Saxon countries. This may indicate a certain influence or comparison with international financial practices.
3. Strength of links: The graph also shows the strength of the links between certain forms. For example, the link between ‘*ṣukūk*’ and ‘bank’ is particularly strong, highlighting the importance of this relationship. Other links, such as those with ‘market’, ‘law’, and ‘educational’, help to structure the discourse by highlighting specific themes.

First, the SA highlights the close links between key terms such as ‘*ṣukūk*’, ‘risk’, ‘banking’, ‘liquidity’, and ‘asset’. These associations emphasise that *ṣukūk al-muḍārabah* are intrinsically linked to IBs’ risk management, liquidity, and asset structuring. Banks can therefore consider *ṣukūk* as an essential financial instrument to meet their funding needs while effectively managing their risks and liquidity. Furthermore, the SA shows that *ṣukūk* are strongly associated with the capital market, regulation and legislation. This indicates that *ṣukūk al-muḍārabah* are subject to a specific regulatory framework, which can reassure IBs that they comply with Sharīʿah and legal standards. Banks can therefore consider *ṣukūk* as a means of financing that fits within the regulatory framework of the Moroccan financial sector. The SA reveals that *ṣukūk al-muḍārabah* are linked to considerations of return, investment, and investor satisfaction. IBs may see *ṣukūk al-muḍārabah* as a way of attracting investors concerned about Sharīʿah compliance while offering attractive returns. This approach can strengthen the competitive position of IBs in the Moroccan financial market.

Thematic Analysis

This section of the study focuses on a thematic analysis of the perceptions and practices of Moroccan IBs regarding *ṣukūk al-muḍārabah* as a financing and liquidity management tool. It examines in detail current attitudes, challenges and future prospects related to *ṣukūk al-muḍārabah*.

Ṣukūk al-Muḍārabah as a Solution to the Liquidity Problem

Professionals' Views on *Ṣukūk al-Muḍārabah* Financing

All the interviewees confirmed the effectiveness of *ṣukūk al-muḍārabah* in the management and mobilisation of funds by banks. Some believe that *muḍārabah* is the best structure for issuing senior (Tier 1) and subordinated (Tier 2) assets, benefiting the entire ecosystem. On the other hand, some believe that the current law does not allow the issuance of *ṣukūk al-muḍārabah*. This will be possible, in the view of those interviewed, when the Higher Ulema Council (HUC) issues the appropriate rulings (The HUC considers IBs' proposals, but the final decision is ultimately made by the HUC). The structure of current IBs also hinders the issue of this type of *ṣukūk*, according to some respondents, who suggest that IBs should incorporate investment banking activities. The explanation for this is that banks primarily focus on traditional banking operations and lack the necessary investment banking functions. This structural limitation affects their ability to issue and manage more complex financial instruments such as *ṣukūk al-muḍārabah*.

To address these challenges, Moroccan IBs need to integrate investment banking activities. This integration would enable them to leverage the expertise and capabilities required to structure and issue *ṣukūk* more effectively. Investment banking services could enrich their product offerings and improve their ability to manage liquidity and asset portfolios in a Sharīʿah-compliant manner. Moreover, the Moroccan government's efforts to develop the Islamic finance sector include legislative changes and the issuance of sovereign *ṣukūk*, which have been well-received. However, for IBs to fully capitalise on these opportunities, they need to adopt a more comprehensive approach that includes diversifying their financial services to incorporate investment banking activities.

Resources Mobilised for Financing and Liquidity Management

The demand for *murābaḥah* products is increasing in Morocco, particularly as traditional fundraising efforts face a decline. In response to liquidity issues, two solutions are being considered: *wakālah bi al-istithmār* and *ṣukūk al-ijārah*. Both *wakālah bi al-istithmār* and *ṣukūk al-ijārah* present specific limitations that affect their effectiveness in addressing liquidity issues. *Wakālah bi al-istithmār*, a structure where an agent invests funds on behalf of a principal, is limited in scope due to its complexity. This structure requires investors to have a high level of sophistication and understanding of the investment process, which can exclude smaller or less experienced investors. As a result, the pool of potential investors is restricted, limiting the amount of capital that can be raised through this method. On the other hand, *ṣukūk al-ijārah* is often viewed primarily as a tool for generating profit rather than for financing purposes. This perception can hinder its use in meeting immediate financing needs, as it is not always aligned with the short-term liquidity requirements of IBs. Therefore, while both instruments have their merits, their limitations necessitate a more diversified approach to effectively address the financial needs of IBs.

Out of the 60 interviewees, some expressed positive views on the future of *ṣukūk al-muḍārabah*, while others had negative perceptions. Several interviewees emphasised that for each issuance of *ṣukūk al-muḍārabah* to be successful, it must be preceded by thorough market research and a promotional roadshow. Islamic bank managers highlighted that the choice between *ṣukūk al-muḍārabah* and other types of *ṣukūk* should be based on the specific needs of the banks. Since *ṣukūk al-muḍārabah* do not fulfil the short-term financing requirements of IBs, these institutions need to diversify their financial instruments to effectively manage their liquidity needs. *Ṣukūk al-muḍārabah* are structured to facilitate long-term investments and profit-sharing arrangements, which are not ideal for meeting the immediate cash flow demands of banks. This mismatch means that relying solely on *ṣukūk al-muḍārabah* could leave banks without the necessary funds to cover short-term obligations or take advantage of immediate investment opportunities.

Reasons for Choosing *Ṣukūk al-Muḍārabah*

According to the majority of interviewees, there are four factors that can encourage the choice of *ṣukūk al-muḍārabah*, namely:

- The existence of a benchmark for determining financing premiums.
- Favourable tax benefits for *ṣukūk* issuances, including *ṣukūk al-muḍārabah*.
- Good quality underlying assets to support *ṣukūk al-muḍārabah*.
- Lower cost of funding for *ṣukūk al-muḍārabah* compared to other structures.

For the majority of IBs, *ṣukūk al-muḍārabah* are considered the most appropriate tool for financing and liquidity management. However, some interviewees felt that this was not enough and called for Bank Al-Maghreb's intervention. The responses collected show that *ṣukūk al-muḍārabah* can solve the financing problem and contribute to the liquidity management of IBs. However, they have a high level of risk which will be supported by *ṣukūk* holders.

Behaviour of IBs and Reaction of the Financial Market to Ṣukūk al-Muḍārabah

Reaction of the Financial Market to the Introduction of *Ṣukūk al-Muḍārabah*

On 5 October 2018, Morocco successfully issued its first sovereign *ṣukūk* certificates. These *ijārah*-based certificates amounted to one billion dirhams (approximately USD104 million), with a five-year maturity period. The demand for this inaugural issuance indicated a promising future for the *ṣukūk* market in Morocco, suggesting increased dynamism, particularly with the potential issuance of *ṣukūk al-muḍārabah* aimed at financing IBs. However, the market remains constrained by regulatory delays and the pending approval from the HUC. These regulatory hurdles need to be addressed to fully capitalise on the opportunities presented by the *ṣukūk* market and to facilitate the effective financing of IBs through diversified Sharīʿah-compliant instruments. Interviewees were optimistic about the reaction of the financial market. Some stressed that the market's reaction will depend on the quality of the *ṣukūk* issued and the ability of IBs to manage the risks associated with them. On the other hand, some believe that *ṣukūk al-muḍārabah* will consolidate the available financial assets and attract a large segment of investors motivated by religious beliefs. Generally, Islamic bank managers are confident about the expected positive market response.

Behaviour of IBs with regard to *Ṣukūk al-Muḍārabah* Yields

In certain situations, banks should intervene to preserve their reputation by offering to buy back *ṣukūk* to prevent a decline in value on the secondary market. This intervention is essential because the specific nature of *ṣukūk al-muḍārabah* generally means that future returns and capital repayment cannot be guaranteed, which can lead to instability in the market. Interviewees suggested that IBs could restructure *ṣukūk al-muḍārabah* after receiving approval from the HUC to protect the rights of each involved party, including *ṣukūk* holders and investors. Two-thirds of interviewees expressed positive perceptions, indicating confidence that the behaviour of IBs following the introduction of *ṣukūk al-muḍārabah* will be positive. They believed that proactive measures taken by these banks will lead to a favourable reaction in the financial market, enhancing overall market stability and investor confidence.

Advantages and Obstacles of Ṣukūk al-Muḍārabah

Obstacles and Constraints Likely to Affect the Emergence and Development of *Ṣukūk al-Muḍārabah*

The introduction of *ṣukūk al-muḍārabah* in Morocco presents several significant challenges that must be addressed to ensure successful implementation and market acceptance. Insights from interviewees have highlighted various obstacles that could impede this process. These challenges range from the complexity of structuring *ṣukūk al-muḍārabah* and rigid legal provisions to the lack of benchmark curves and a secondary market. Additionally, uncertainties in potential returns and a general lack of knowledge about *ṣukūk al-muḍārabah* among investors further complicate the landscape. The responses gathered from the interviewees revealed several potential obstacles that could significantly impact the introduction and successful implementation of *ṣukūk al-muḍārabah*. These obstacles include:

- Complexity of the process and structuring of *ṣukūk al-muḍārabah*: The intricate nature of *ṣukūk al-muḍārabah* involves detailed Sharīʿah compliance and financial structuring, making it challenging for banks to implement them effectively. This complexity requires specialised knowledge and resources, which may not be readily available in all financial institutions.
- Rigid legal provisions and tax requirements: The current legal and tax frameworks in Morocco may not be conducive to the smooth issuance and management of *ṣukūk al-muḍārabah*. These frameworks often lack the flexibility needed to accommodate the unique characteristics of Islamic financial instruments, necessitating reforms and adjustments to facilitate their adoption.
- Uncertain potential returns: Due to the profit-and-loss sharing nature of *ṣukūk al-muḍārabah*, future returns are not guaranteed. This inherent uncertainty can deter investors who are accustomed to more predictable and stable investment outcomes, making it harder to attract capital to *ṣukūk al-muḍārabah* offerings.
- Lack of benchmark curves to assess performance: Without established benchmarks, it is difficult to measure the performance of *ṣukūk al-muḍārabah* accurately. Benchmark curves are essential for providing investors with a reference point to evaluate the risk-and-return profile of their investments, and the absence of such benchmarks can undermine investor confidence.

- Lack of a secondary market: The absence of a developed secondary market for *ṣukūk al-muḍārabah* limits liquidity and the ability of investors to trade these instruments. This lack of liquidity can make *ṣukūk al-muḍārabah* less attractive to investors who may need to exit their positions before maturity, thus reducing the overall appeal of *ṣukūk al-muḍārabah*.
- Lack of knowledge of the *ṣukūk al-muḍārabah* product: There is a general lack of awareness and understanding of *ṣukūk al-muḍārabah* among potential investors and market participants. This knowledge gap can pose a significant barrier to the widespread adoption of *ṣukūk al-muḍārabah*, as investors are less likely to invest in products they do not fully understand.

According to the interviewees, it is essential to overcome these challenges to ensure the successful establishment of *ṣukūk al-muḍārabah*. Potential solutions include regulatory reforms to accommodate *ṣukūk al-muḍārabah*, educational initiatives to raise awareness and understanding among investors, and the development of supportive market infrastructure to facilitate *ṣukūk al-muḍārabah* issuance and trading. Addressing these issues will be crucial for fostering a robust and dynamic market for *ṣukūk al-muḍārabah* in Morocco.

Attractiveness of the Moroccan *Ṣukūk al-Muḍārabah* Market

The interviewees stressed that the active presence of IBs in the field and the publication of clear and transparent information is an advantage that will stimulate the *ṣukūk* market, particularly in *ṣukūk al-muḍārabah*. As a result, Moroccan banks can raise more funds for liquidity management and financing purposes.

The Place of *Ṣukūk al-Muḍārabah* in Law 33-06 Governing Securitisation in Morocco

Law 33-06, governing securitisation in Morocco, was enacted in 2006 and introduced a comprehensive legal and regulatory framework for asset securitisation. This law has significantly diversified the financing instruments available on the Moroccan market by enabling the structuring of *ṣukūk* as debt securities that represent a share in a pool of underlying assets. These instruments are particularly appealing to investors seeking Sharīʿah-compliant financing options. Interviewees unanimously agreed that Law 33-06 is well-drafted and heavily inspired by Anglo-Saxon legal systems. This law has broadened the scope of action and increased satisfaction among players in the Islamic finance ecosystem. Some interviewees highlighted that the uniqueness of Law 33-06 lies in its incorporation of Sharīʿah principles, allowing investors with religious convictions to place their funds in projects that comply with these principles. This alignment with Sharīʿah principles enhances the attractiveness of these financial instruments to a broader range of investors.

According to some interviewees, the *muḍārabah* structure is considered the most appropriate for *ṣukūk* issuance, as the risks are generally borne by the *ṣukūk* holders. They also mentioned that the securitisation law allows IBs to initiate securitisation transactions, thus widening the range of underlying assets by introducing the notion of eligible assets. This indicates that banks could issue *ṣukūk al-muḍārabah* in the future based on practices established in countries experienced in securitisation.

Recommendations of Professionals Regarding Ṣukūk al-Muḍārabah

The participants interviewed provided several key recommendations to ensure the successful development and issuance of *ṣukūk al-muḍārabah*. Their insights highlight the importance of a thorough and collaborative approach, professional expertise, and learning from international best practices. These recommendations include:

- Collaborative preparation: Working collegially before each issuance to thoroughly examine and finalise all aspects, such as compliance, prudential rules, taxation, regulation, and accounting, ensuring that all relevant factors are adequately addressed.
- Sovereign benchmark issuance: Encouraging a first sovereign issue of the *muḍārabah* structure, which would serve as a reference and example to build investor confidence and stimulate further issuances by banks in this category.
- Integration of investment banking activities: Integrating investment banking functions into IBs to enhance their capacity for managing and issuing *ṣukūk* effectively.
- Involvement of international experts: Involving experts with international experience in launching *ṣukūk* to ensure that the process is conducted professionally and meets high standards.
- Learning from international benchmarks: Drawing on real benchmarks from countries with extensive experience in *ṣukūk* issuance to avoid past mistakes and benefit from their know-how.
- Practical implementation: Moving from theoretical frameworks to practical applications to concretely develop the market.

In summary, these recommendations emphasise the necessity for collaborative efforts, a professional approach, involvement of key players, selection of profitable projects, and learning from international best practices. Additionally, accelerating regulatory procedures is crucial to allow IBs to diversify their financing and liquidity management assets, ultimately fostering a robust market for *ṣukūk al-muḍārabah* issuances.

DISCUSSION

The study is based on qualitative methods involving interviews with Islamic bank branch managers. It highlights these professionals' perceptions of *ṣukūk al-muḍārabah*. It identifies several key challenges, such as the complexity of structuring *ṣukūk al-muḍārabah*, tax and legal constraints, and a general lack of familiarity with these products. An analysis of the outlook for the *ṣukūk* market, particularly *ṣukūk al-muḍārabah*, reveals a promising future and a positive trend in Morocco. This analysis is based on several key aspects that determine the dynamics and attractiveness of this market. The *ṣukūk* market, including *ṣukūk al-muḍārabah,* is poised to attract new investors. These investors, often motivated by criteria of compliance with the principles of Islamic finance, are looking for alternatives to traditional financing instruments. The expansion of this market could therefore considerably broaden the investor base, enabling funds to be mobilised more effectively. This is due to the growing interest in investments that combine financial return along with adherence to Sharīʿah standards. *Ṣukūk al-muḍārabah* operations are designed to comply with the laws and principles of Islamic finance, which is a crucial factor in attracting investors with strong religious convictions. This compliance not only ensures that the requirements of Muslim investors are met but also broadens the appeal of these financial instruments to a wider audience sensitive to financial ethics issues.

Transparency and regulation play a vital role in ensuring the smooth functioning and credibility of the *ṣukūk al-muḍārabah* market. A strong and transparent regulatory framework is essential to build investor confidence, minimise risk, and ensure healthy and sustainable market growth. This implies rigorous supervision, clear reporting standards, and effective communication on the performance and risks associated with *ṣukūk*. Finally, Moroccan expertise in Islamic finance is a key factor. Morocco has a number of renowned experts and committees in the field, affiliated to institutions such as the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and Islamic Financial Services Board (IFSB). This expertise, coupled with the experience gained with the implementation of IBs, positions Morocco favourably to influence and boost the *ṣukūk al-muḍārabah* market. As a result, the outlook for the *ṣukūk* market and for *ṣukūk al-muḍārabah* in particular, is favourable. This trend is underpinned by growing investor appeal, compliance with Sharīʿah principles, and a robust and transparent regulatory framework. Together, these factors create an environment conducive to this market's development and growth.

CONCLUSION

The paper surveys bank managers on the challenges and opportunities associated with the use of *ṣukūk al-muḍārabah* by IBs in Morocco. The study focuses on how these Sharīʿah-compliant financial instruments can be used to address the specific liquidity and funding issues facing Moroccan IBs. Moroccan IBs face significant liquidity and funding challenges, exacerbated by the rapid growth of the sector and the imbalance between deposits and financing. Against this backdrop, *ṣukūk al-muḍārabah* are emerging as a viable option, offering an alternative structure based on investment partnership that aligns with Islamic principles. However, their adoption is not without challenges. The complexity of their structuring, tax and legal constraints, and a general lack of knowledge about these products in the sector are major obstacles.

The study uses a qualitative methodology, including interviews with Moroccan Islamic bank branch managers, to capture their perspectives on *ṣukūk al-muḍārabah*. Through textual and thematic analysis, it identifies expectations, perceptions and challenges related to the adoption of *ṣukūk al-muḍārabah*. The results show a diversity of opinions among professionals, ranging from cautious optimism to reservations about the effectiveness and acceptability of *ṣukūk al-muḍārabah* in the context of Islamic finance. *Ṣukūk al-muḍārabah* are seen as a potential means of managing liquidity and funding, but they carry a high level of risk for investors. The majority of professionals interviewed perceive *ṣukūk al-muḍārabah* as the most appropriate tool to meet these needs, but some point to the need for greater intervention by the regulatory authorities.

With regard to IBs, the study reveals general optimism about the acceptance of *ṣukūk al-muḍārabah*, with professionals expecting a positive market reaction. However, this positive outlook is contingent upon IBs' ability to effectively manage the risks associated with *ṣukūk al-muḍārabah*. Despite the challenges, *ṣukūk al-muḍārabah* represent a promising opportunity for Moroccan IBs. To fully capitalise on these instruments, banks are advised to adopt international best practices, enhance familiarity with the product, and overcome regulatory and tax hurdles. The future success of *ṣukūk al-muḍārabah* will depend on the ability of Moroccan IBs to integrate these elements into a comprehensive strategy that addresses financing and liquidity management needs while remaining compliant with Sharīʿah principles.

This paper could set the stage for future research to better understand and further investigate the use of *ṣukūk al-muḍārabah* in Morocco. Firstly, a comparative analysis between the performance of *ṣukūk al-muḍārabah* and other types of *ṣukūk* in different Islamic banking systems could be a hot topic. Longitudinal studies tracking the performance and risk profiles of *ṣukūk al-muḍārabah* over time would also be interesting. Finally, studying the perspectives of other stakeholders, such as regulators and investors, could provide a more comprehensive understanding of the factors influencing the acceptance and success of *ṣukūk al-muḍārabah* in Morocco.

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DECLARATION

Credit Authorship Contribution Statement

The authors, Mustapha Ziky, Jamal Rafia and Nabil El Hamidi, confirm that they have contributed equally in the writing, review and editing, data collection, methodology, data analysis, and interpretation of output.

Declaration of Competing Interest

The authors state that they have no known financial conflicts of interest or personal relationships that may have influenced the research work.

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Ethical Statement

The authors declare that they understand the Ethical Guidelines and have adhered to all the statements regarding ethics in publishing. They also confirm that this paper is original and has not been published in any other journal nor is under consideration by another publication.

Data Availability

Data will be made available on request.

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Appendix

None