

**MINISTRY OF HIGH EDUCATION AND SCIENTIFIC RESEARCH**

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**MASTER THESIS IN MANAGEMENT OF ORGANIZATIONS**

**ELUCIDATION OF THE KEY FACTORS ESCALATING CREDIT RISK  
IN ISLAMIC BANKS.**

**Case: Al Salam Bank-Algeria**

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## ABSTRACT

Nowadays Islamic banking system is witnessing a tangible improvement and remarkable expansion that reached beyond the Islamic world borders, Algeria like the rest of the world has followed this current.

In light of recent development, the various risks, especially the credit risk remain a threat to their stability. In this study, we aim to shed light on credit risk in IBs through a field study in Al Salam Bank – Algeria to investigate the key factors of the increase of the overdue amount, from the perspective of the bank staff members on the one hand and from the perspective of the defaulting borrowers on the other hand.

**Keywords: Islamic finance, banking risks, credit risk, credit risk factors.**

## RÉSUMÉ

De nos jours, le système bancaire islamique assiste à une amélioration tangible et à une expansion remarquable qui dépasse les frontières du monde islamique. L'Algérie, comme le reste du monde, a suivi ce courant.

À la lumière de l'évolution récente, les divers risques, en particulier le risque de crédit, continuent de menacer leur stabilité. Dans cette étude, nous visons à mettre l'accent sur le risque de crédit dans les banques islamiques par le biais d'une étude de terrain à Al Salam Bank - Algérie pour étudier les facteurs clés de l'augmentation des créances impayées, du point de vue des membres du personnel de la banque, d'une part, et d'autre part du point de vue des emprunteurs défaillants.

**Mot clés : finance Islamique, risques bancaires, risque de crédit, les facteurs de risques de crédit.**

## المخلص

تشهد الصيرفة الإسلامية في الأونة الأخيرة انتعاشا ملموسا وتوسعا ملحوظا وصل صداه الى خارج حدود العالم الإسلامي والجزائر على غرار دول العالم ركبت هذه الموجة. وفي ظل هذا التطور تبقى المخاطر البنكية على اختلافها وخصوصا المخاطر الائتمانية هاجسا يهدد استقرارها. نهدف من خلال هذا البحث الى تسليط الضوء على المخاطر الائتمانية في المصارف الإسلامية، عن طريق دراسة ميدانية في مصرف السلام – الجزائر لكشف أسباب الزيادة في حجم المستحقات الغير مدفوعة من منظور موظفي البنك من جهة ومن منظور العملاء المتخلفين عن الدفع من جهة أخرى.

**الكلمات المفتاحية: الصيرفة الإسلامية, المخاطر البنكية, المخاطر الائتمانية, أسباب المخاطر الائتمانية.**

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### **In the name of Allah, the Beneficent, the Merciful.**

Praise be to Allah the Lord of the worlds and may the blessings and peace of Allah be upon the most honored of messengers our master Muhammad and upon all his family and companion.

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## LIST OF ABBREVIATIONS

- ASBA** : Al Salam Bank Algeria
- AD**: Algerian dinar
- App** : application
- BADR**: Banque de l’agriculture et du développement rural
- BDL** : Banque du développement local
- B2B**: business to business
- B2C**: business to consumer
- CAWI**: computed-Assisted Web Interviewing
- CNEP**: caisse nationale d’épargne et de prévoyance
- CBS**: conventional banks
- CPA**: credit populaire d’Algerie
- Eds**: editors
- IBs**: Islamic banks
- ISO**: International Organization for Standardization
- IFSB**: Islamic Financial Services Board
- GDP**: Gross Domestic Product
- LRM**: Liquidity Risk management
- MCA**: multiple correspondence analysis
- MMSCR**: mixed methods single case research
- MSME**: micro small medium enterprise
- MUP**: markup
- PLS**: profit-and-loss sharing
- PS**: profit sharing
- R**: response modalities ( see annexe A)
- Q**: question related to the questionnaire ( see annexe A)
- Sth**: Something
- STP**: straight through processing
- Swt**: Subhanahu wa ta'ala

# **INTRODUCTION**

Globalization and civilization phenomena, reintroduce the Islamic financing system to the economic world, by offering innovative financial instruments and transactions compliant with sharia's principles. In spite of this, Islamic financing system has been struggled by several events and passed by different phases until its emergence.

A large number of theoretical papers and experimental studies emphasized different aspects of Islamic banking such as its performance, challenges and particularly its risks and they drew more attention to credit risk, which was the focus of attention of many theorists and economists in finance in general and in Islamic finance particularly. However, the fact remains that there are a limited number of studies concern and highlight credit risk in IBs.

Credit risk remains the leading source of problems in banks all over the world. In fact, the subprime crisis showed that the credit risk is the single most important cause of major problems in financial institutions. To this extent, Sarker (1999) recognized that there is an increase in bad loans in IBs. Further, Khan and Ahmed (2001) found that bankers do not understand the risks included in IBs. This gap justifies new efforts to investigate the factors influencing credit risk.

Furthermore, almost all the contributions in the literature did not elucidate enough the factors influencing credit risk in Islamic banks except in few studies. Hence, there is a need to identify experimentally the factors influencing the credit risk in IBs – an area that has not received great attention and has not been largely studied.

By examining closely the factors influencing the credit risk in Al Salam Bank Algeria, which is recording unusual increase in the amount of overdue , this study contributes to the current literature in different ways . Firstly, we will investigate these factors , in order to ensure the efficiency of credit risk management in this bank . Secondly, the identification of these factors in ASBA provides for the others IBs a better understanding of the determinants of credit risk .

In order to provide a better understanding of the determinants of the credit risk in ASBA from the perspectives of the defaulting borrowers and staff members , a mixed methods research was adopted , hence we carried out semi-structured interviews with the bank staff members and questionnaire for the defaulting members .

The thesis is organized as follows: in the first chapter, we present the context of our research, the Research question and our internship site.

In the second chapter, we present a number of researches related to our topic and we define different concepts to provide for the reader a better understanding of the subject matter of our thesis.

In the third chapter, we present the worldview adopted in our study, methodology and the data collection instruments.

Finally, the fourth chapter presents the results of our empirical study and the synthesis of the findings.

# **CHAPTER I: RESEARCH CONTEXT**

The first chapter discusses the context, objectives of our study, the research question and the internship site.

## **1. Context and objectives of the study**

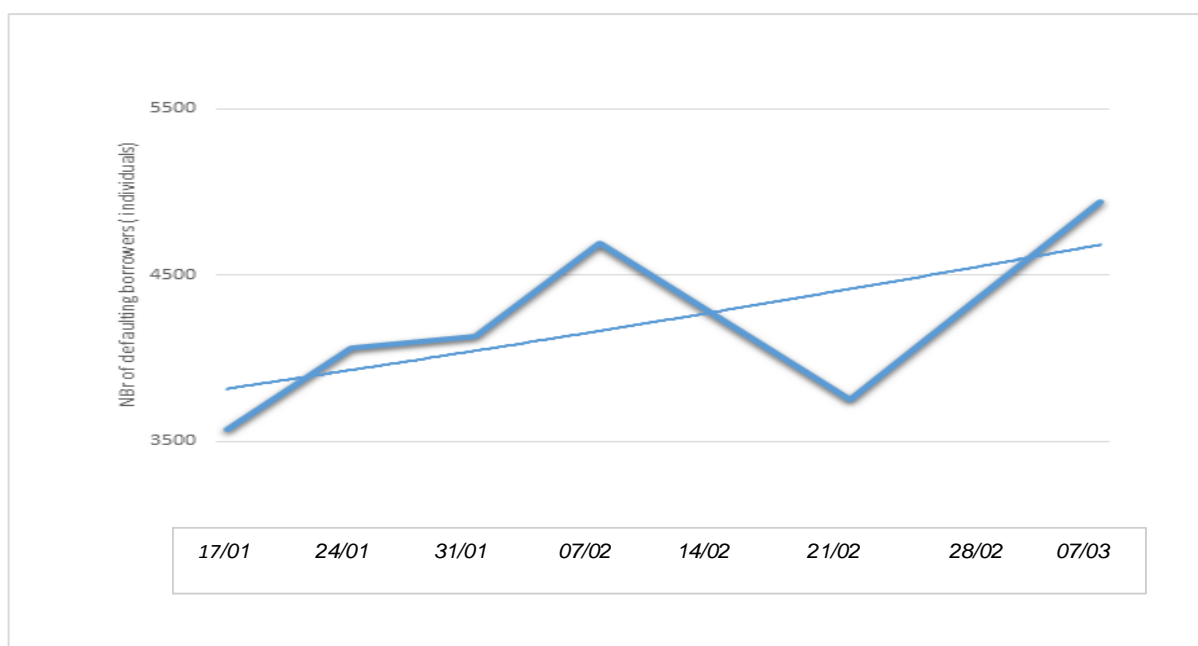
During the period from 1960 to 1980, the Islamic banking was widely expanded and spread around the world and several banks were implemented. In 1963, Ahmad Al Najjar created Mit Ghamr as the first Islamic saving bank in Egypt.

In Algeria , Al Baraka was the first Islamic bank implemented in 1991 , two partners contribute in its capital BADR bank ( Algerian partner ) and Dallal al Baraka group ( partner from Saudi Arabia ) , then in 2006 , AL Salam Bank Algeria was established but it started until 2008 . Besides these two Islamic banks , there are others mixed banks that offer besides the conventional operations ,financial transactions compliant with sharia principles , including Algeria golf bank and housing banks .Public banks also have entered into the Islamic banking system, including BADR, BDL and CNEP (Boukhennouf & Madani , 2018 ).

Our study sheds light on a crucial problem facing conventional and Islamic banks, which is the credit risk. The exception is that the credit risk in IBs is particular. This particularity occurs from the nature of Islamic financing instruments, which are totally different than the credit in convention banks.

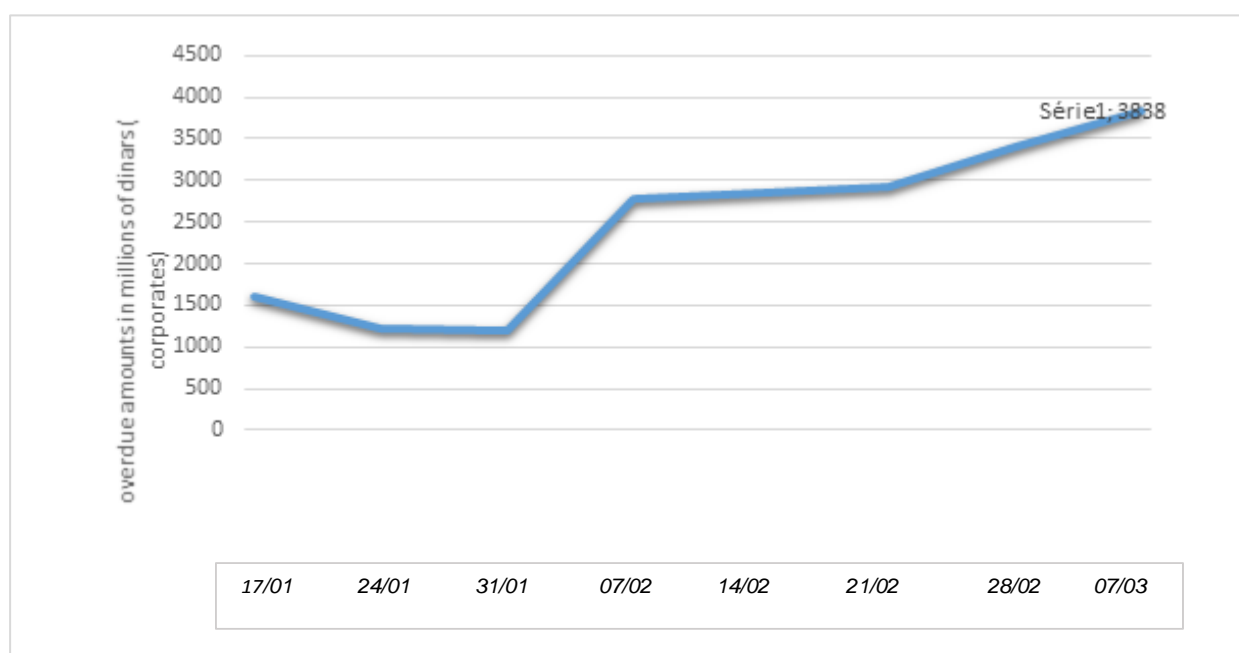
The credit risk or the Islamic financing instruments risk, is an umbrella term hence, in the study we focus our attention on the overdue amount.

Therefore, the aim of this study is to examine the key factors influencing the credit risk in Al - Salam Bank Algeria, which is recording an increase in the volume of overdue and the following figures show its variation during three months in 2019.

**Figure N° 1.** The volume of defaulting borrowers (individuals)

Source: adapted from internal document

The above figure presents the number of the defaulting borrowers (individual clients) over three months of 2019 in ASBA. During the period from 17/01 to 07/02 there has been an enormous increase in the number of defaulting borrowers, then in the next week it has decreased and from 21/02 their number has risen sharply again. We can see clearly that in this period the volume of defaulting borrowers in ASBA has increased expect in one week.

**Figure N° 2.** Overdue amounts (corporate)

Source : adapted from internal documents

The above figure presents the overdue amounts in millions of dinar (corporate) over three months of 2019 in ASBA, in which we see that the overdue amount has increased since 31/01 and it reached 3838000000 AD on 7<sup>TH</sup> of March.

From the above figures, we notice that the volume of defaulting borrowers “both persons and corporate ” is increasing in ASBA. This situation is in the first stage; hence, the present thesis contributes to find out its causes, in order to manage the situation from the beginning.

From this objective derives secondary objectives that are presented as follows:

- Understand the Islamic financing and its risks.
- Understand the credit risk in Islamic banks.
- Identify the reasons behind the default of borrowers in payment in ASBA.
- Identify the different factors influencing the overdue amount in ASBA from the perspective of the defaulting borrowers and the bank staff members.

## **2. Relevance of the study**

### **2.1 theoretical relevance**

The majority of studies, thesis and scientific articles, which treat the credit risk in IBs, focus on its assessment or measurement and offer a large number of scoring models of the credit risk. Yet few studies highlight its factors in IBs including the study of Akkizidis & Khandelwal (2007) ; Wilson (2007) ; Ahmad & Ahmad (2004) How, Karim & Verhoeven (2005) and Rahman & Shahimi (2010) this small number of studies cannot cover and explore the different factors of credit risk , whereas we find several researches reveal the determinants of the credit risk in CBs.

« Past studies have covered extensively on risk and factors contributing to risks of financial institutions in the conventional banking system (Khan and Ahmed, 2001; Hassan, 1993, 1994; Berger and DeYoung, 1997; Angbazo et al., 1998; Ahmad, 2003). Despite its importance to achieving good risk management in Islamic banking, these factors have not been widely investigated and documented » (Ahmad and Ahmad, 2004).

This study will be a contribution to fill the gap in literature by investigating the determinants of the credit risk in ASBA and it will provide new information.

## 2.2 Managerial relevance

The Islamic banks have recently entered the Algerian Banking system, which involves twenty private and public banks, hence in such competitive environment the IBs should develop competitive advantages, where every advantage counts for them to be well positioned to compete and to be placed in the top of the industry.

The present study contributes in the enhancement of the credit risk management to be a competitive advantage for ASBA, which is a leader in the Islamic banking, and provide for the bank managers answers for the increase of overdue amount.

## 3. Research question

The present research intends to supply answers for the problem facing the decision makers of Al Salam Bank Algeria, which is the increase of the volume of past due. Our research question has been formulated from decision problem as follows:

**« What are the different factors explaining the increase of the credit risk in Al Salam Bank Algeria? » .**

In order to provide response to the principal question it deemed necessary to ask secondary questions:

- How does ASBA grant the credit for the borrowers?
- Why did the defaulting borrowers of ASBA default in payments?
- How do the bank staff members influence the credit risk?

## 4. Presentation of the internship site

The study was conducted in Al Salam Bank Algeria, which is the second Islamic bank in Algeria and it is one of the branches of Al Salam Bank Bahrain , ASBA has several branches all over the country .

### 4.1 General Information

- Establishment date : 08 June.2006 .
- Headquarter Ouaked Street, Dely Ibrahim. Algiers.

- The system and the capital of the bank is the result of a partnership between investors from Emirates & Bahrain.
- Capital: 10 .000. 000. 000,00 AD.
- Number of employees: 325 (in 2017).
- Board of directors president : Mohamed Amir Youcef Ahmed Almhiri (from Emirates).
- General director: Nacer Haider (from Algeria) .
- Al Salam bank Algeria offers services and products compliant with sharia principles.

## 4.2 Mission; vision; values

### **Mission**

Facing the upcoming banking challenges of local, regional and global markets, while relying on the highest standards of quality and performance to best meet the expectations of its customers and investors.

### **Vision**

To be the leader of the Shariah-based universal banking finance by offering innovative banking products and services, certified by the Sharia Board of the Bank.

### **Values**

**Excellence:** This is the leitmotif that allows us to achieve our goals. At Al Salam Bank-Algeria we make excellence a general and individual culture; we transmit it to our customers through high quality services and at the cutting edge of technology.

**Commitment:** At Al Salam Bank-Algeria, showing commitment means having a sense of responsibility and devoting oneself completely to the expectations of its customers and employees.

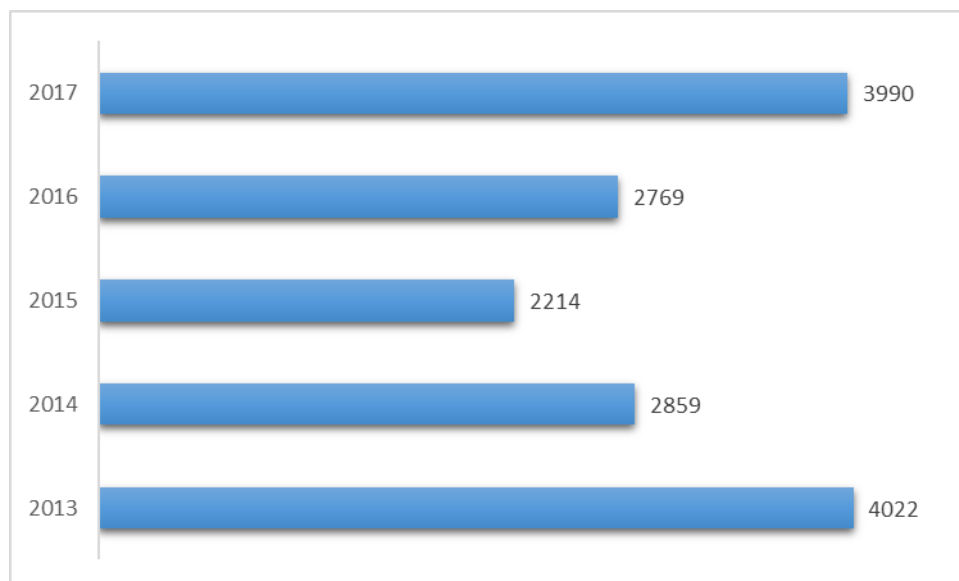
**Communication:** We make internal / external communication a priority because we remain aware that it is our best ally to better serve our customers.<sup>1</sup>

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<sup>1</sup> [www.alsalamalgeria.com](http://www.alsalamalgeria.com)

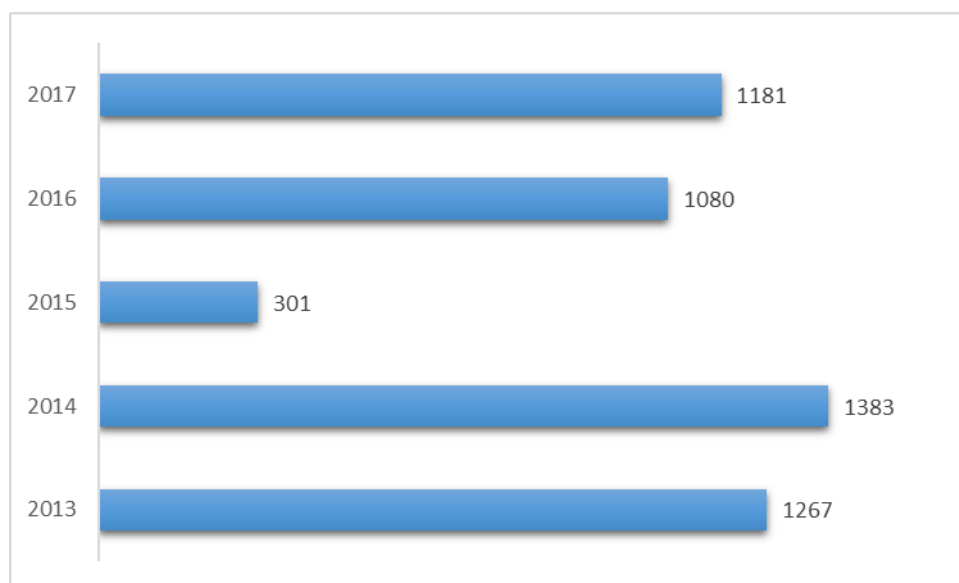
### 4.3 Financial information and organization chart of ASBA

**Figure N° 3** exploitation incomes in millions of dinars



Source: (Al Salam Bank Algeria, 2017)

**Figure N° 4** net results in millions of dinars



Source: (Al Salam Bank Algeria, 2017)

The following figure shows the organizations chart of ASBA .

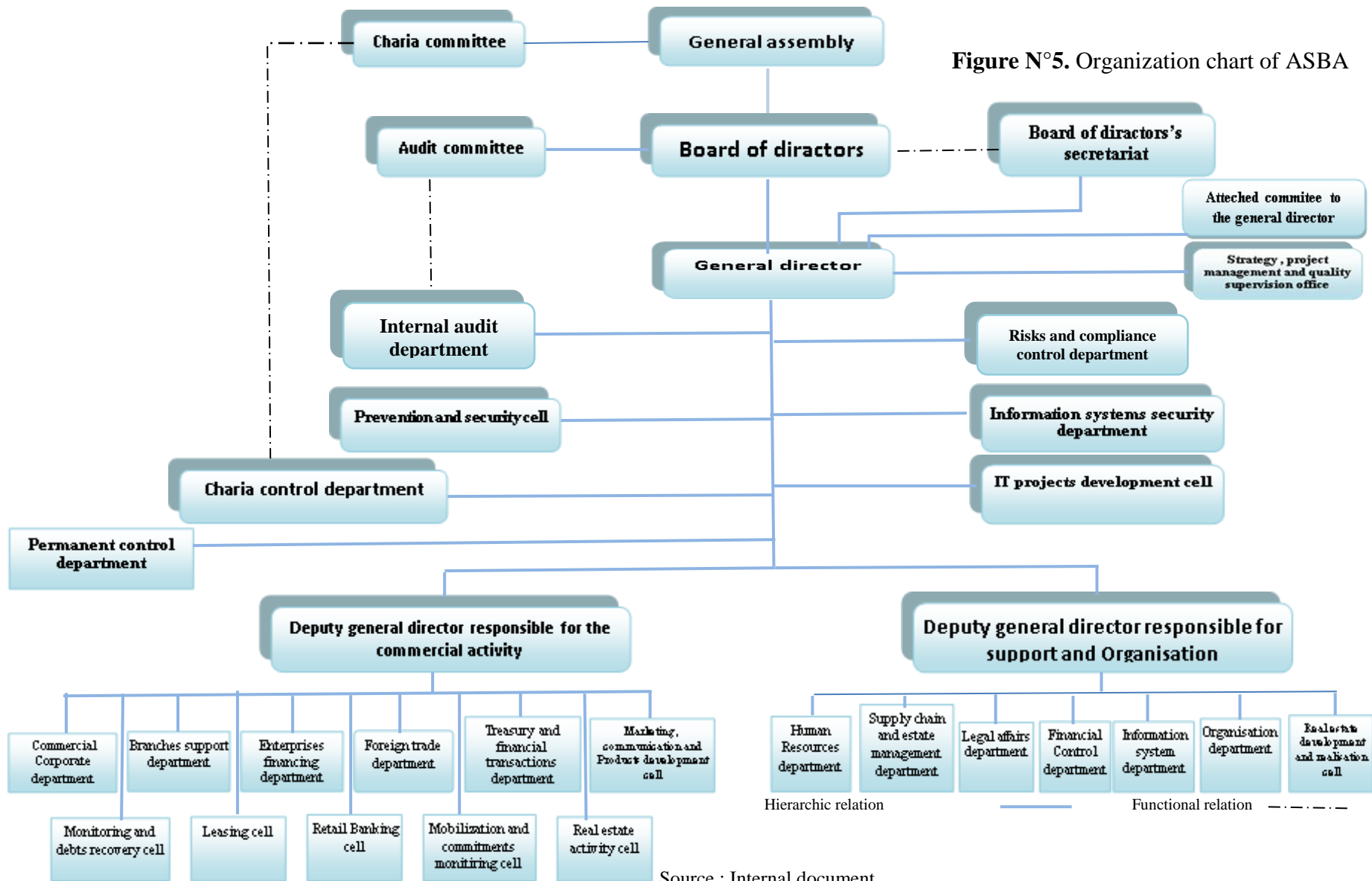


Figure N°5. Organization chart of ASBA

Source : Internal document

**Conclusion**

This chapter has discussed the underpinning for the thesis. It has explained the context of the research and its objectives, theoretical and managerial relevance of the study. The context and research have been outlined; the organizational context has been also presented.

In the following chapter, we present the literature review and conceptual framework.

**CHAPTER II: LITERATURE REVIEW  
AND CONCEPTUAL FRAMEWORK**

This chapter includes two main parties: literature review of the factors influencing the credit risk and conceptual framework of the main concepts related to the credit risk in Islamic banks and its factors.

## **1. Literature review**

This section presents the studies, which treat the key factors of credit risk in CBs and in IBs.

### **1.1 Key factors of credit risk in conventional banks**

Many empirical studies discuss the credit risk factors in CBs. Indeed, according to Saunders (1997); mentioned by (Aver, 2008) the credit risk is influenced by macroeconomic factors. We find in the literature that researchers such as Crouhy , Galai & Mark (2000) divide the credit risk into unsystematic and systematic forms , moreover each one of them is influenced by different factors .The systematic credit risk is caused by macroeconomic factors, including changes in economic policies and political changes. Louzis , Vouldis & Metaxas ( 2012) also reach the same results in their study , by investigating the determinants of credit risk in the case of Greece banking sector and they recognize that the non-performing loans are basically explained by macroeconomic variables as GDP, unemployment rate and the lending rate .The factors influencing the unsystematic credit risk are related to the individual customer and it includes credit insurance, general terms and conditions, financial situation and the personality of the borrower.While in the case of companies this includes both the industry factors such as : the stability , the maturity and the economic successfulness of the industry and the company factors, including financial position and the management style of the company (Mramor ,1996 ; mentioned by (Aver ,2008)) .

According to Bouloufat and Gasmi ( 2016/ 2017 ) the asymmetric information is the major factor of the credit risk and it has two types : the ex ante form which is the problem of adverse selection that emerges before the contract conclusion ,because the lender cannot evaluate the right value of the borrower and predict his exact capacity to refund the credit. As consequence, the probability of default in payment will increase. While the second form of asymmetric information is the ex post and it appears after getting the credit. In this case the borrower adopts an opportunistic behavior that leads to moral hazard ( Stiglitz et Weiss, 1981; mentioned by Bouloufat and Gasmi ( 2016/ 2017 )) ,which is also divided into ex ante and ex post types: The first one emerges before the term of the contract when the borrower uses the fund or the asset lent in risky projects not stipulated in the contract and probably cannot

fulfil his engagement with the bank . While the second type is the ex post moral hazard which appears during the term of the contract willingly or involuntarily.

In the study of ( Kortell & Rezzig , 2007;µµ mentioned by Al-Abedallat, 2016) , the authors examine the credit risk in Algerian banks , where they find that this problem may stem from economic conditions , the neglect of the technology development or factors related to the debtor himself . While Al-Abedallat (2016) finds in his empirical study of the Jordanian commercial banks that there are three main factors that may influence the credit risk. Which are the credit policy adopted by the bank itself, the laws and instructions of the central bank and inefficiency of the workers in banking credit.

## **1.2 Key factors of credit risk in Islamic banks**

According to Akkizidis & Khandelwal (2007 , p.109 ) the credit risk can be influenced by the individual counterparties or economic situations such as market recession , one further reason of the credit risk is the ambiguous definition of if and how credit risk is covered by collaterals and guaranties . Moreover, due to the latest establishment of the Islamic financial contracts there still lack of effective quantitative and qualitative criteria to select the most appropriate client. In addition, the tradition financial institutions had good relationship with their clients. In contrast to the new financial institutions that do not consider this aspect, for this reason it will be difficult for them to make accurate predictions about the behavior of the client. The large numbers of the granted financing can also influence the credit risk.

Wilson (2007) also mentions in his article the factors influencing the credit risk in IBs including, genuine financial difficulties, health problems or unexpected circumstances .One additional reason is the leniency of the bank members in selecting debtors and towards the mortgage defaulter. He also emphasizes the problem of moral hazard, which occurs when the debtor takes advantage from the gaps of the Islamic banks policies. The author also highlights the asymmetric information problem in Islamic financial instruments. In another study of Ahmad and Ahmad (2004) who investigate the different factors causing the credit risk in Malaysian Islamic banks. For this, they used a dataset of six Islamic windows and six CBs for the period of 1996-2002, so this study shows that the risk weighted assets, size and the management efficiency are the major cause of credit risk in IBs.

How, Karim and Verhoeven (2005) examined the risks in Islamic banks, in this study the researchers analyzed the data of 23 Malaysian commercial banks in the period of 1988-1996 and they found that the credit risk is influenced by the size of the banks in both Islamic and conventional banks.

Wadi (2011) « en cas de retard dans les paiements, il n'est pas possible de prévoir le paiement d'intérêt de retard, d'abord, parce que la pénalité fixe est assimilable à un taux d'intérêt. Mais aussi, parce que la philosophie musulmane réprouve toute provision dans un contrat financier qui pénalise un débiteur de bonne foi déjà en difficulté. » in the same context Rahman and Shahimi (2010) in their study note that the IBs are not permitted to impose penalties for defaulting borrowers, except in the case of intended delay and if this situation exceeds three months they can charge them only administration and legal fees. Unethical borrowers can abuse this rule and delay the payment intendedly which influences the credit risk.

## **2. Conceptual Framework**

The study of the factors influencing the credit risk in Islamic banks requires a brief understanding of the fundamentals of Islamic finance and the different Islamic financing modes that will provide a better comprehension of our study, for the reader in general and particularly the ignorant reader about the Islamic finance. Then we are going to enter to the heart of the subject by presenting the different risks in Islamic banks within that we emphasize the credit risk in Islamic banks.

### **2.1 Fundamentals of Islamic finance**

In this section we address the basic principles of Islamic banks that involve the prohibition of Riba, Gharrar, PLS and MUP principles, then we present an overview of the Islamic economic theory.

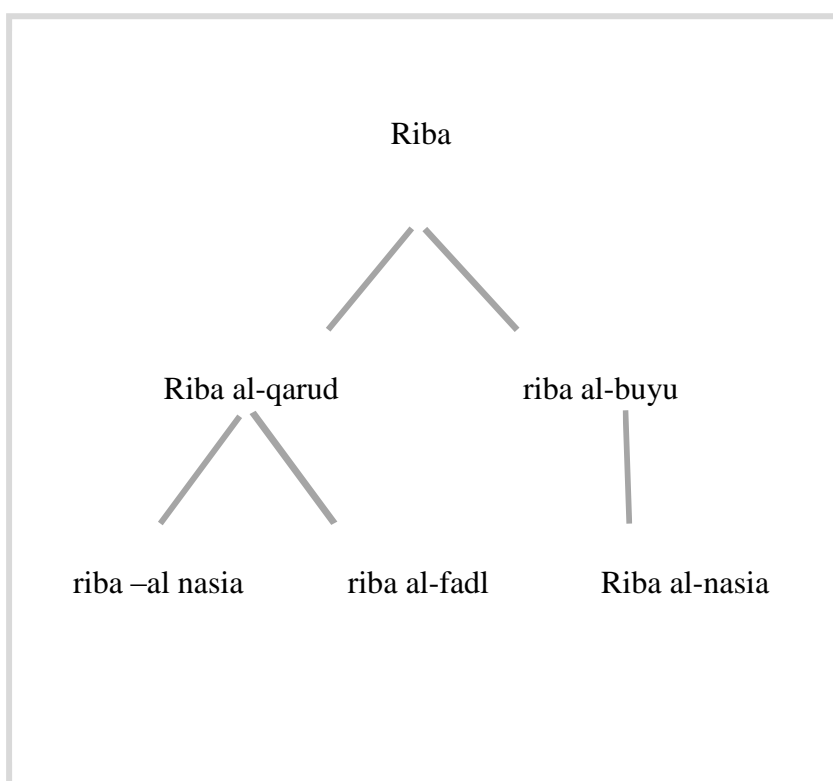
#### **2.1.1 The basic principles of IBs**

##### **a) Prohibition of interest (riba)**

The charging of interest has been considered wrong since the fourth century. Many philosophers and economists such as Aristotle and St Thomas Aquinas believed that money cannot reproduce itself. In later centuries the interest subject has been shifted in parliaments by Adam Smith (Schoon, 2016, p.10). Furthermore, the interest was prohibited in Judaism and Christianity more recently than in Islam (Causse, 2012).

We find in the literature, different definitions of Riba : one can definite it according to its characteristics which are : fixed , positive and predetermined rate tied to the capital (Iqbal ,Mirakhor ,2011, p.10) . The concept of riba , from an etymological point of view comes from the arabic root rab-a which means to increase ( Ahmad ,1982 ; mentioned by Hassan and Lewis , 2009, p.43 ) . There are two types of riba: riba al- qarud in loans and riba al-buyu in trades. The second type has two forms: riba –al nasia, which is the exchange of equal quantity and quality of the same good non-simultaneously, while riba –al fadl is the exchange of unequal quantity or quality of the same good in the same time (Hassan and Lewis, 2007, p. 43). The following figure illustrates the types of Riba.

**Figure N° 6 .** Different forms of Riba



Source: El Diwany ,2003; mentioned by (Hassan, Lewis , 2009, p 43 )

For Iqbal , Molyneux (2005 , p 9) : « in its basic meaning, riba can be defined as any thing ( big or small ) , pecuniary or non-pecuniary in excess of the principal in a loan that must be paid by the borrower to the lender along with the principal as a condition<sup>2</sup> ( stipulated or by custom) of the loan or for an extension in its maturity. According to a consensus of fuqaha ( Islamic jurists ) , it has the same meaning and import as the contemporary concept of interest»

### **b) Gharar**

Gharar is the uncertainty, or in other word it is the deception . The concept of gharar comes from the Arabic verb gharra which means deceive (Paldi ,2014) . Cattelan ( 2009 ) states that the word gharar refers to peril , danger , hazard and risk . According to (Nabil ,1992 ; mentioned by Waemustafa & Suriani ,2016) gharar in transactions emerges when entering into venture without enough knowledge and clear identification of the subject matter , belongings and prices. For Ahmed (1990 ) there are two kind of gharar : the first one is called gharar yasir which is very small in degree , while the second one is gharar fahish that is very large and serious gharar and affects the validity of the financial transaction and the contract . The later form occurs in three case : firstly , when the commodity is not available , secondly when you cannot bring it or deliver it , thirdly when the commodity differs from the one stipulated in the contract .

### **c) the profit-and-loss sharing (PLS) and the markup ( MUK) principles**

According to Aggarwal & Yousef (1996) « The PLS principle is unanimously accepted in the Islamic legal and economic literatures as the cornerstone of contractual transactions in finance in an Islamic economy. According to the PLS principle , the financier is entitled to a return on his loan provided he is willing to share in the risk of the investment and bear a loss of if the project fails . »

While Markup or ( MUP) principle according to Aggarwal & Yousef (1996) « has its historical roots in commercial trade activities . The bank finances the purchase of real goods or rents assets in exchange for a profit margin calculated as the difference between the cost price and sale or rental price. »

### **2.1.2 The Islamic economic theory**

In order to understand the Islamic financial system , it is necessarily to draw attention to Islamic economic theory and which can be summarized in five principals mentioned by

Causse ( 2012 ) :

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<sup>2</sup> Thus any excess given by the debtor out of his own accord, and without the existence of a custom or habit that obliges him to give such excess, is not considered as riba.

**a) Property management**

The individual is the successor of god in the earth. In the fact, only god is the possessor.

**b) Job ethic**

The work in Islam is an obligation and responsibility, besides the economic development is determined by the efforts made by the individual.

**c) Community spirit and solidarity**

In Islamic world, the collectivism predominates the economic and social life; moreover, the solidarity and the social justice values are privileged in Islam.

**d) Neutrality of time**

Any financial operation must be based on work, and any transaction based only on time is prohibited in Islam.

**e) Money role**

In Islam money does not have any value this is why it cannot be sold and it is only a tool to measure, exchange and reserve of value . The money cannot make money without the association of the work in any productive activity.

**2.2 Islamic financing modes**

For many years, the credit was the instrument for financing the economy by the conventional banks, until the implementation of interest-free banks as an alternative of CBs, which offer Islamic financing modes or instruments instead of granting credit. We are going to present through this section the different financing instruments in IBs.

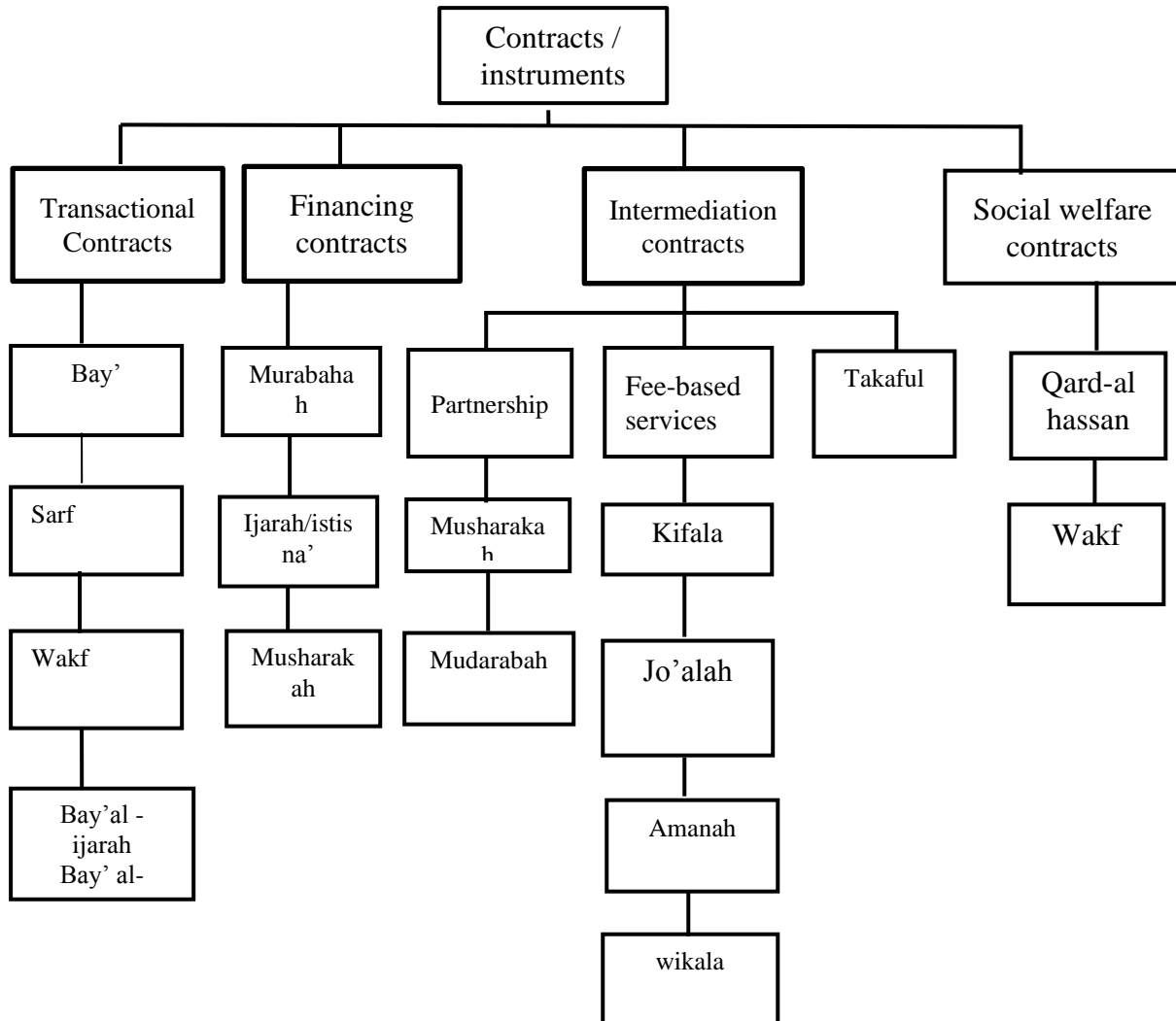
**2.2.1 Definition and Classification of financing instruments in IBs**

The prohibition of interest in Islam does not incriminate earning money or making profit (El Qorchi , 2005) . In contrast , Islam encourages making use of all resources created by Allah (swt) as much as possible and the non-exploitation of these resources is ungrateful, in addition the wealth is important by which Muslim can achieve his basic objectives ( Iqbal, Mirakhor,2011, p.40) . Therefore the forbidden of riba led the researchers in Islamic financing to start seeking alternatives for CBs until they succeeded to describe interest-free banks offer Islamic financing modes. We find in the literature different classifications of the Islamic financing tools such as : primary instruments ( mudarabah , musharakah) and secondary instruments ( murabahah,, ijarah , ijarah w iqtina' , salam and istisna' ) (Chapra ,1998 ) , or debt-creating Islamic modes of financing , these include ( ijarah , murabahah, istisna' , and

salam) and non-debt creating Islamic financial modes which involve ( musharah and mudarabah)(Kahf,2005).

While according to Zaher & Kabir Hassan (2001); Sundararajan & Errico (2002) and Siddiqui (2008) the Islamic financial tools are divided into two categories: the first one includes the core modes that are based on the principle of profit-and-loss-sharing (PLS) which are Musharaka and Mudaraba . While the second one includes the Marginal modes which are ( non-PLS) based however they are based on Mark-up principle such as Qard Al Hasanah , Bai'Mua'jjal Bai'Salam or Bai'Salaf , Ijara and Ijara wa iqtina' , Murabaha, Istisna'a , and Jo'alah .The following chart clarifies the different modes of financing in IBs.

**Figure N°7.** Contracts / instruments



Source: Mirakhor Iqbal (2011, p 76)

## 2.2.2 Description of major Islamic financing modes

The Islamic financing modes are divided into PLS and non-PLS modes.

### a) profit –and-loss- sharing modes

PLS modes are the main instruments of Islamic banking. Two instruments based on this principle: Musharahah and Mudarabah.

#### a.1) Musharakah

For Usmani (1999) the word Musharakah comes from the root Shirakah, which means partnership and it is defined as a joint venture formed between partners. Under the terms of the contract the partners share profit according to pre-agreed proportion, while they share losses depending on the proportion of the contribution provided by each partner in the financing of the project. There are two kinds of Musharakah:

**1-Shirakat-ul-milk:** it is a collective property between two or more partners, for example: an equipment possessed by three persons.

**2-Shirakat-ul-‘aqd :** it refers to a joint commercial enterprise or a contract of partnership , and it is divided into three types :

- ✓ **Shirakat-ul-amwal :** in this kind of shirakah all the partners contribute in the principal amount of the capital of commercial enterprise .
- ✓ **Shirakat-ul-A'mal:** in which each partner ensures a part of the service given to the customers, and the profit is shared according to the volume of work of each person.
- ✓ **Shirakat-ul-wujooh:** in this type of shirakah there is no investment, yet the partners buy commodities at a deferred value and exchange them in small amount and the profit made will be shared between them according to a ratio pre-agreed.

#### a.2) Mudarabah

Mudarabah is a type of financial contract which involves two parties: Rab-ul- mal who funds and provides the capital of the business, while the second party is Mudarib who contributes to the business by his efforts and his entrepreneurial skills .In this contract the profit is shared according to a ratio predetermined while Rab-ul-mal bears the losses ( Bacha,1997).

## **b) Non-profit-and-loss-sharing modes**

Besides the PLS modes, IBs offer Non-PLS modes.

### **b.1) Murabahah**

Murabahah is simply a sale of commodities with agreed, pre-determined and additional mark-up to its costs. It is divided in two types: in the first kind, the bank buys commodities without getting any promise from clients to purchase them and make the goods available to sale. While in the second kind the bank buys, the commodity commanded by the client from another party and sale it to the same client (Kettell, 2011, p.43).

According to Usmani ( 2005 ); mentioned by( Ebrahim & Sultan , 2011 ) a valid Murabaha contract should meet the following conditions :

- The cost of the sold goods must be mentioned by the seller then he can sell it by adding Mark-up.
- The cost of the goods of sale must be mentioned.
- In murabaha the profit can be an agreed percentage or a lump sum.
- The seller involves in the cost price all the expenses while, the mark-up can be applied on the total cost.

### **b.2) Salam**

According to Usmani ( 2002) Salam is a sale in which the saler who is Musalam ilaih , undertakes or promises to provide goods or Muslam fih in future date to the buyer or Rab-us-salam who pays the total price of goods or Ra's-ul-mal in cash at spot before receiving the commodities . After the prohibition of riba the Islam allowed the farmers to sell their agricultural products in advance in order to fulfill their needs. Buyer benefits from Salam by buying commodities in lower price while the seller receives the price in advance, any Salam contract should fulfill the following conditions:

- The buyer should pay the seller the total price of the products at the time of the sale, because the objective of Salam is to fulfill the needs of the seller.
- In Salam we can sell only the products that we can specify its quality and quantity.
- Salam cannot contract for specific commodities or field or agricultural products.
- They should stipulate all the details of the quality of the products in the contract.
- The quantity sold should be defined and measured in its normal measure.

- They should specify in the contract the date and the place of the delivery.
- They should avoid the product that must be delivered at spot.
- The goods for Salam must still right in the market during the period of the contract.
- The period of delivery should be between fifteen days and one month from the day of the contract.
- The price in Salam is lower than in normal sell.
- In order to ensure the delivery of the goods the bank can require guarantees or mortgage.
- In the date of the delivery the seller should deliver products and not money.

### **b.3) Istisnaa**

According to Akhtarzaite (2006); mentioned by (Muhammada & Chong, 2007) the word Istisna' originates from the root sana' which means to manufacture. Istisna is a kind of sale executed before the existence of commodities ( Shanmugam & Zahari , 2009 , p.35 ). What is more, in istisna' sale the seller undertakes to manufacture or produce property requested by the buyer to be delivered in a future date. In addition, the two parties in the sale should agree on the specifications and the price of the asset in the contract (Iqbal & Mirakhor, 2011, p.82).

### **b.4) Ijarah**

The word Ijarah originates from the root word ajara which means to recompense (Kamali, 2007 ) according to El-Gamal (2000 , p.13 ) Ijarah is not a sale of assets or goods ,but it is the sale of usufruct in other word the right to use an asset for a period of time specified in the contract of the sale . Ijarah as stated by Atai (2010 ) is a contract by which the financier ( lessor) permits the customer ( lessee) to use its object in exchange of rental fee.

### **b.5) Bai'bi taksit**

The sale by installments is the sale of an item at a deferred price that will be payed at intervals. The bank shall deliver the agreed commodity to the customer immediately and defers the payment for a set date, and the delay shall be for full or part of the price of the goods, usually they pay in installment. If the payment is made in installments from the beginning of the receipt of the item sold with the transfer of ownership at the end of the payment period, the sale in this case is called sale by installment. <sup>3</sup>

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<sup>3</sup> [www.alsalamalgeria.com](http://www.alsalamalgeria.com)

### **3. Islamic financing risk**

The risk was the subject matter of many researches in all fields. In the literature of risk, we find that each author defines this concept differently: in ISO (73, 2009) « is the effect of uncertainty on objectives ». This definition highlights the uncertain events that will probably occur or not, besides the uncertain results caused by the lack of information, moreover it emphasizes the negative or the positive impact of risk on the achievement of objectives. In Oxford dictionary (2010) the risk was defined as «the possibility of sth bad happening at some time in the future», the impact of the risk in this definition is negative, but the fact remains that events will probably happen.

In finance, the risk was the subject matter of many researches after the occurrence of several financial crisis such as the subprime crisis. Therefore, we aim through this section to focus on the major risks in Islamic banks in general and the credit risk in particular.

#### **3.1 Major financial risks in Islamic banks**

The Islamic banks in their transactions are exposed to several risks as the conventional banks, these risks can influence their performance .We find in the literature a large number of papers emphasize this concept and its different forms in IBs. Akhtar, Ali and Sadaqat (2011) focus their attention on the liquidity risk, so they compared between the LRM in IBs and CBs in Pakistan. While Waemustafa and Sukri (2016) investigate the different factors influencing liquidity risk in both IBs and CBs. Besides the liquidity risk, many authors discuss the issue of operational risk such as Abdullah, Shahimi and Ghafar Ismail (2011) ; Iqbal and Mirakhor ( 2011) ; Akkizidis and Khandelwal (2007 ) . According to the study of Izhar (2010) operational risk in IB is higher than in CBs due to its particular features .Besides these forms of risk other authors draw attention to others forms of risk , including Ahmed and khan ( 2001 ) ;Aldosari and Worthington (2016) who report in their researches market risk, legal risk, withdrawal risk, fiduciary risk and credit risk.

For better understanding of those forms of risks, we are going to define them in the following section.

### **3.1.1 Operational risk**

Due to the special features of Islamic banks system , Operational risk occurs because of human errors and the lack of qualified human resources who can fulfil efficiently the specific features of Islamic financial transactions ( Archer & Haron, 2013) . The operational risk is defined in IFSB ( 2005) as: « the risk resulting from inadequate or failed internal processes, people, and systems or from external events. » this definition involves legal risk and shari’ah-non-compliance risk.

### **3.1.2 Liquidity risk**

Liquidity risk emerges from adversities in getting cash at acceptable cost by selling assets or borrowing funds (Ahmed & Khan , 2007, p.145) . « Liquidity risk for banks arises from a mismatch between the demand for and the supply of funds. The supply of funds comes from customer deposits, repayments of credit facilities, borrowing from financial markets, interest and non-interest income and sales of banks’ assets. On the other hand, demand for funds comes from customer withdrawals, demand for credit, interest and non-interest expenses. The difference between the supply and demand of funds is called “the net liquidity position”, which banks must carefully manage in order to reduce their liquidity risk » (Rose & Hudgins, 2013; mentioned by Alzoubi (2017)).

### **3.1.3 Market risk**

The Market risk is defined as : « any risk that could incur losses in financial institution due to market price movement , which is commonly caused by changes in the prices of equity instrument and trade activities ( price risk ) , currencies ( exchange rate risk ) , quasi-fixed income securities ( rate of return risk ) , and commodities ( price risk ) » .( Wahyudi, Rosmanita, Prasetyo & Putri, 2015, p. 223 )

### **3.1.4 Fiduciary risk**

Abedifar, Molyneux & Tarazi (2013) mentioned by Aldosari & Worthington (2017) « a lower rate of return than that in the general market will cause depositors and investors to believe that the low rate of return is an indication of mismanagement of the funds by the bank and/or a potential breach of their investment contract . Banks not being fully compliant with the shari’ah requirements of the contract entered into is one example of a breach of contract

That can cause a fiduciary risk , as Islamic banks have no option other than full and strict compliance with shari'ah or else face serious confidence problems arising from the withdrawal of deposits »

### **3.1.5 Withdrawal risk**

Ahmed, Habib (2005) ; mentioned by (Ahmed &khan , 2007,p.146) : « a variable rate of return on saving/investment deposits introduces uncertainty regarding the real value of deposits. Asset preservation in terms of minimizing the risk of loss due to a lower rate of return may be an important factor in depositors' withdrawal decisions. From the bank's perspective, this introduces a 'withdrawal risk' that is linked to the lower rate of return relative to other financial institutions ».

### **3.1.6 Legal risk**

According to Ahmed & khan, 2007 Legal risk increases in IBs mainly because of three reasons:

- Firstly, the lack of specific laws for the IBs.
- Secondly, the contract are not standardized that makes the operations expensive and more difficult.
- Dearth of courts that may monitor the legal risks of Islamic contracts.

### **3.1.7 Credit risk**

IFSB « credit risk is generally defined as the potential that a counterparty fails to meet its obligations in accordance with agreed terms »

### 3.2 Generalities about credit risk in Islamic banks

The credit risk is the main risk faced by banks, which stems from the possibility that counterparty will fail to repay his loans and that may lead the bank to bankruptcy and influence the bank's growth Saunders (1997); mentioned by How & Verhoeven (2005). We realize from this definition the significant impact of the credit risk on the bank efficiency. Akkizidis & Khandelwal (2007, p.145) note that the credit risk in Islamic bank corresponds to: « lending in the Murabaha , leasing in the Ijarah , promises to deliver or to buy in Istisnaa and Salam , and investments failure in the Musharakah and Mudarabah contracts ». The authors here reveal that credit risk in IBs occurs in each mode of financing differently. In that context, Sundararajan & Errico (2002) argue that Islamic instruments introduce additional credit risk for IBs because of Shariah principles by which they operate.

#### 3.2.1 The concept of Credit risk and default risk

We find in the literature several studies deal with the credit risk, however this risk was mentioned differently.

According to (Bruyère , 2004; Roncalli, 2009 , mentioned by Karima Modrik , 2016 ) credit risk has two dimensions :

- ❖ Downgrading risk: If the quality of the borrower deteriorates (migration from a risk class to another one), the risk premium on this borrower increases, while the market value of this debt decreases.
- ❖ Default risk: according to Moody's agency mentioned by Karima Modrik (2016 ) is fail or delay in payment of the principal and/or interest . Desmich ( 2007) ; mentioned by Karima Modrik ( 2016 ) the default can be realized through three criteria :
  - Existence of doubt on the capacity of the borrower to fulfil his engagement.
  - Constitution of specific provisions, debt restructurings.
  - Existence of overdue payments.

Default risk is the uncertainty associated to the capacity of the borrower to fulfill his obligation. Due to the difficulty to evaluate the quality of the borrower, the bank can only calculate the default probability . The default is a rare event in which the probability of occurrence should be evaluated by rating system ( Gatfaoui , 2008; mentioned by Karima Modrik,2016).

In the new Basel capital accord II ( April 2003 , p.80 ) the default is defined as : « a default is considered to have occurred with regard to a particular obligor when either or both of the two following events has taken place.

- The bank considers that the obligor is unlikely to pay its credit obligations to the banking group in full. Without recourse by the bank to actions such as realizing security (if held).
- The obligor is past due more than 90 days on any material credit obligation to the banking group. Overdrafts will be considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than current out standings ».

### 3.2.2 Types of risky credit

#### **Regulation n ° 2014-03 of February 16, 2014 relating to the classification and provisioning of claims and commitments by signature of banks and financial institutions**

**Article 5:** Claims, which exhibit one of the following features, are considered as doubtful:

- Probable or certain risk of part or all non-recovery.
- Unpaid debt for more than three months, these debts are divided into three categories:

**Category 1.** Claims with potential problems:

This category includes receivables from companies whose financial situation and business prospects are in difficulty, and which may delay the repayment of their receivables from three (03) to six (06) months. They can be provisioned at 30% maximum.

**Category 2.** high risk claims:

This category includes receivables that have a risk of repayment delays of six (06) to twelve (12) months, and which are held on companies that are financially restructured and reveal probable losses. Their provisioning can reach 50% maximum.

**Category 3.** doubtful claims with no prospect of recovery.

These are debts whose repayment is uncertain and which are held on companies threatened with bankruptcy, or cessation of payment and / or in the process of liquidation. Their eventual recovery will depend on the lawsuits and the property situation of the debtor, for these claims, the required provisioning is 100%.<sup>4</sup>

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<sup>4</sup> <https://www.bank-of-algeria.dz/>

### **3.2.3 Concepts of Credit risk factors**

In order to provide a support and better understanding of the literature review of the factors influencing the credit risk, we consider important to define the following concepts.

#### **Asymmetric information**

According to Iqbal & Llewellyn (Eds.) (2002, p.7) in the asymmetric information « three problems are pertinent : not everyone has the same information , everyone has less than perfect information , and some transactors have ‘ inside’ information which is not made available to counterparties to transactions . Decisions are therefore made ex ante on the basis of less than complete information and sometimes with counterparties who have superior information with the potential for exploitation. »

#### **Moral hazard**

This problem is generally caused by asymmetric information, which refers to superior information, which can allow one party to behave against the interest of others, and it arises much more in PS contracts than in interest-based contracts when for example borrower in mudaraba hides the right level of profit. (Iqbal & Llewellyn (Eds.) 2002, p.9)

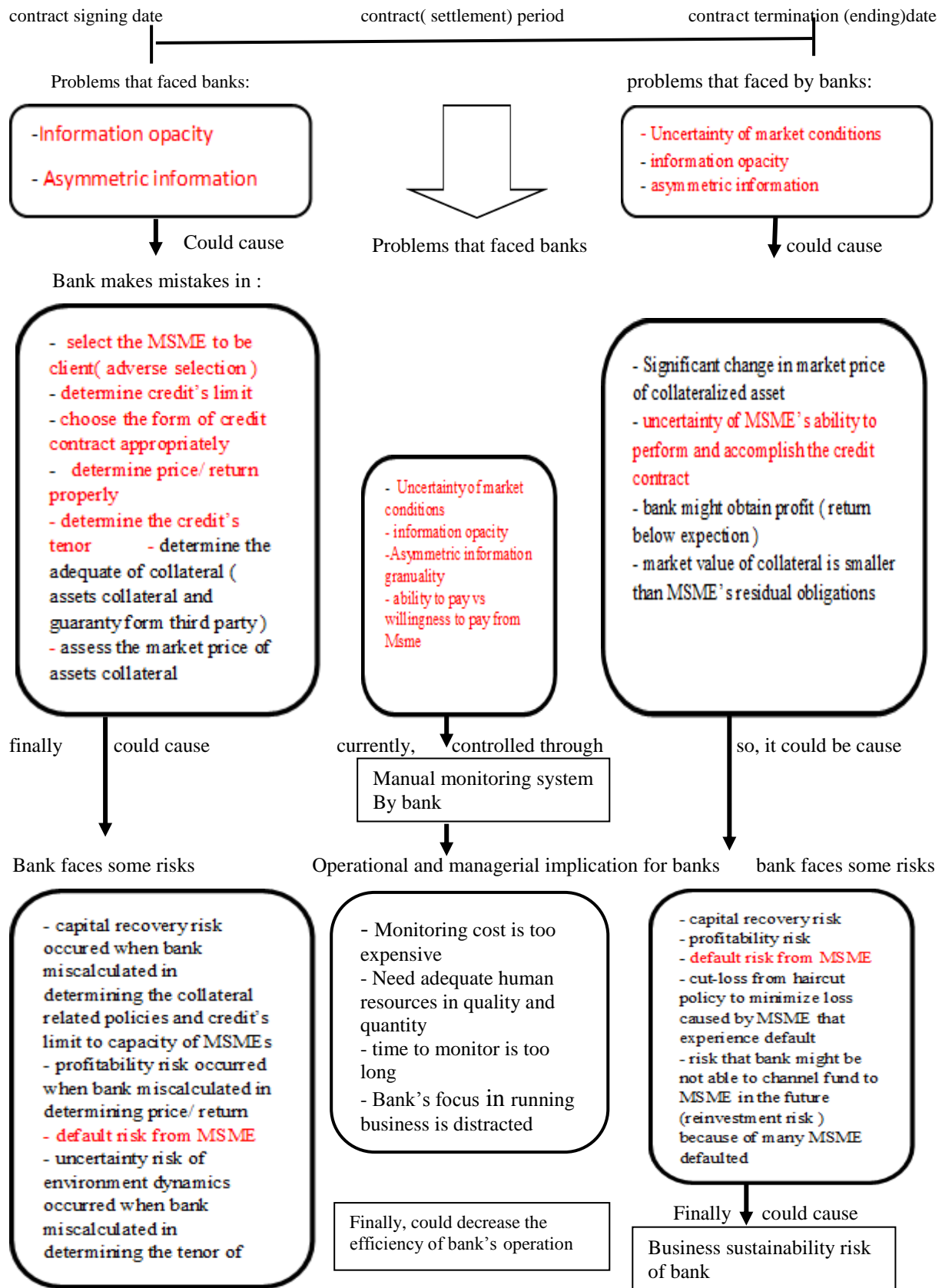
#### **Adverse selection**

« Adverse selection is the difficulty to select and distinguish healthy companies, with a high credit rating, from those that are riskier. Adverse selection in the field of banking intermediaries is an issue concerning the ex-ante problem related to the provision of funding. In fact, many companies look for funding from the bank that has to select, given its limited resources. Screening is a useful technique to solve this problem. Adverse selection arises with asymmetric information and is of particular relevance in the areas of contractual relationships, such as in the definition of optimal contracts between principals agents. » (" adverse selection", 2018) .

#### **Information Opacity**

The opacity is defined as the incapacity of the external funding providers, to understand entirely the characteristics of the risk of enterprises. Due to the lack of complete , reliable and available financial information ( Ang ,2001; Besanko & kanatas , 1993 ); mentioned by ( NGONGANG, Dagobert , 2015) , while according to Levine (2004) ; mentioned by Boussaada( 2012) define it as the difficulties of the outsiders to control the behavior of the insiders .

**Figure N° 8.** The business process of an Islamic bank’s financing



Source: wahyudi (2014), mentioned by Wahyudi, Rosmanita, Prasetyo & Putri, (2015)

According to Wahyudi, Rosmanita, Prasetyo, & Putri (2015) the credit risk or the financing risk ( default risk ) is also called counter-party – risk (because it stems mainly from the inability of the debtor to repay his engagement) .In the above figure the author identified the key factors influencing the financing risk which are :

- ❖ The uncertainty of the market conditions that influence the ability of the client to fulfill his engagement.
- ❖ The problem of information opacity or in other word the credibility of the information given by the client to get the credit leads to asymmetric information between the debtor and the bank that also can set off the adverse selection. Because of this, the bank selects unsuitable debtors and/or grants the wrong financing mode for the borrower.
- ❖ The inability or the unwillingness of the debtor to repay his obligation.
- ❖ The moral hazard problem stems from the personality of the debtor and because of the lack of qualified human resources this problem still difficult to be supervised by the bank.

## **Conclusion**

The aim of the literature review was to view the studies offered that emphasize the factors of the credit risk in CBs and IBs in order to build a basis of our study and reveal the gaps in the literature. By examining the existing literature, we found similarities and differences between the determinants of credit risk in CBs and IBs, but the fact remains that the number of researches explored these factors in Islamic banks is few.

The purpose of the conceptual framework was to define the concepts related to the topic in order to give the reader a better understanding of the study.

**CHAPTER III:**  
**RESEARCH METHODOLOGY**

The purpose of this chapter is to present the research methodology, which includes the research paradigm, research methodology and data collection instruments.

### **1. The research approach**

Through the following section, we present and justify the research design, paradigm, the methodology and the instruments used in our study.

#### **1.1 research design**

In the present study we adopted mixed methods single case research (MMSCR) , in order to provide answers and understand the problem of the increase of the overdue amount in ASBA that is the unit studied in the present research . According to Onghena, Maes & Heyvaer (2018) « Mixed methods single case research (MMSCR) is research in which single case experimental and qualitative case study methodologies, and their accompanying sets of methods and techniques, are integrated to answer research questions that concern a single case» .

#### **1.2 research paradigm :**

According to Jonker & Pennink (2010 ,p25 ) « the research paradigm : how the research views ‘ reality’ . A paradigm is expressed in his ‘ basic approach ‘ » .instead of the term paradigm the authors used others terms to refer to it , such as epistemology and ontology (crotty ,1998; mentioned by ( john, creswell & clark, 2017 ) and worldviews (creswell & clark , 2017 ). Worldviews is defined as « a basic set of beliefs that guide action » Guba 1990; mentioned by creswell & poth 2017, p.19) . There are four worldviews widely discussed in the literature and they are presented in the following table

**Table N° 1 .Four worldviews**

<i>Philosophical question</i>	<i>Post positivism</i>	<i>Constructivism</i>	<i>Transformative</i>	<i>Pragmatism</i>
<b>ontology</b> ( what is the nature of reality )	Singular reality ( e.g., researchers reject or fail to reject hypotheses )	Multiple realities ( e.g., researchers provide quotes to illustrate different perspectives )	Multifaceted and based on different social and cultural positions (e.g, researchers recognize different power positionalities in our society )	Singular and multiple realities (e.g., researchers test hypotheses and provide multiple perspectives )
<b>Epistemology ( what is the relationship between the researcher and that being researched ? )</b>	Distance and impartiality (e.g., researchers objectively collect data on instruments	Closeness and subjectivity (e.g., researchers visit with participants at their sites to collect data )	Collaboration (e.g., researchers actively involve participants as collaborators , build trust , and honor participant standpoints )	Practicality (e.g., researchers collect data by “ what works” to address research question)
<b>Axiology ( what is the role of value ?)</b>	Unbiased (e.g., researchers use checks to eliminate bias )	Biased (e.g., researchers actively talk about and use their personal biases and interpretations )	Based on human rights and social justice for all (e.g., researchers begin with and advocate for this premise )	Multiple stances (e.g., researchers include both biased and unbiased perspectives )
<b>Methodology ( what is the process of research?)</b>	Deductive (e.g., researchers test an a priori theory )	inductive (e.g., researchers start with participants views and build “up” to patterns, theories , and interpretations)	Participatory (e.g., researchers involve participants in all stages of the research and engage in cyclical reviews of results )	Combining (e.g., researchers collect both quantitative and qualitative data and mix them
<b>Rhetoric ( what is the language of research )</b>	Formal style (e.g., researchers use agreed-upon definitions of variables )	Informal style ( e.g., researchers write in a literary .informal style )	Advocacy , activist-oriented (e.g., researchers use language that will help bring about change and advocate for human rights and social justice)	Formal or informal( e.g., researchers may employ both formal and informal style of writing )

Source :adapted from Creswell, 2013, mentioned by Creswell & Clark 2017.

In order to answer the research question we conduct a mixed research , in which we use multiple methods , we employ both qualitative and quantitative data collection instruments , hence we consider that the pragmatism paradigm is the most appropriate worldview for mixed methods research and because it gives us freedom to choose methods procedures , techniques to meet our purpose .

In pragmatism worldview « Individual researchers have a freedom of choice. They are "free" to choose the methods, techniques, and procedures of research that best meet their needs and purposes. Pragmatists do not see the world as an absolute unity. In a similar way, mixed methods researchers look to many approaches to collecting and analyzing data rather than subscribing to only one way (e.g., quantitative or qualitative) ». ( Cherryholmes (1992) & Murphy (1990) ; mentioned by Creswell & Poth, 2017 ).

### 1.3 Research methodology

In mixed methods, the researcher should follow a framework or design to plan his study.

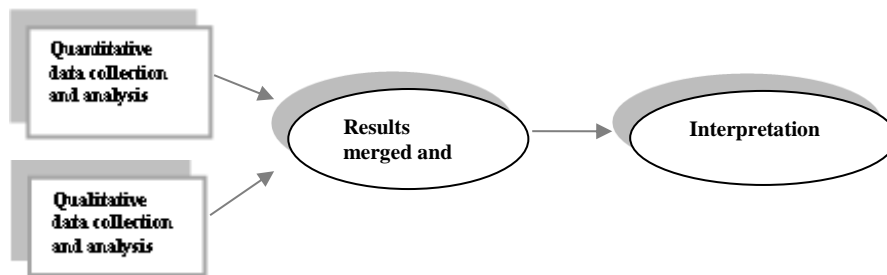
In order to ensure that the resulting design in mixed methods is of a high quality and rigorous Creswell ( 2017 ) provides three designs in mixed methods ,from which the researcher choose the most appropriate to answer his research question which are : convergent design , the explanatory sequential design and exploratory sequential design .

- **Convergent design:** In this case, the researcher brings together the outcomes of qualitative and quantitative data analysis to either combine or compare between them.
- **Explanatory sequential design:** In this design, the researcher starts by collecting and analyzing quantitative data, then in order to explain or expand the result he collects and analyzes qualitative data.
- **Exploratory sequential design:** In this design, the researcher starts from qualitative data to get exploratory results, which will help to build quantitative results in order to explain and /or interpret the qualitative data.

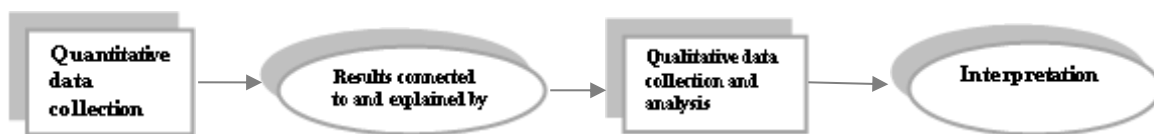
The following chart represents the tree diagrams of the three core designs:

**Figure N°9.** General diagrams of the three designs in mixed methods

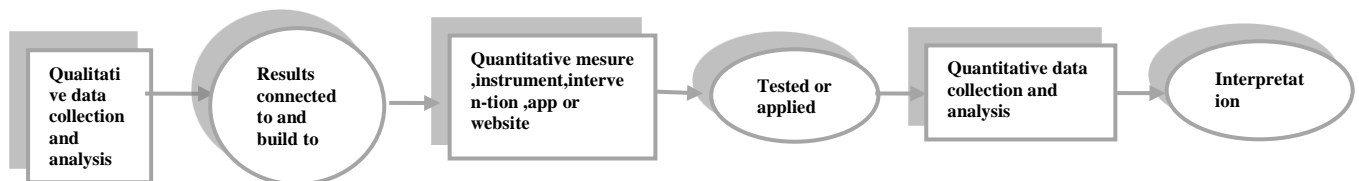
(a) Convergent design.



(b) Explanatory sequential design.



(c) Exploratory sequential design.



Source: adapted from creswell & clark ,2011; mentioned by same authors 2017

We adopted the exploratory sequential design in our study, which we consider the most appropriate to the research, and it is presented as follows:

### 1.3.1 Qualitative approach (first phase)

Qualitative approach can prove to be proper to explore complex phenomena such as the credit risk; therefore, we should be present in ASBA, which is our internship site, wherein we try to understand the subject matter of the study within its context. Jonker & Pennink (2010, p .77) define the qualitative research as: « it is research in which the researcher makes an attempt to understand a specific organizational reality and occurring phenomena from the perspective of those involved».

During the internship, we should be near to the participants (bank staff members) to observe their behaviors and to understand the factors influencing the credit risk from their perspectives and experiences.

The qualitative data findings help us to construct the questionnaire to conduct the quantitative research, which is the second phase of the study. Qualitative research includes induction process.

#### **a) Data collection instruments**

There are different tools to collect data in qualitative research:

##### **✓ Interview:**

We consider semi- structured interviews more relevant to undertake the qualitative study , they are suitable to explore the opinion and perceptions of the interviewees regarding complex areas and allow probing for more clarification of answers , therefore we prepared the interview guide ( see annex B ) which consists of a group of questions based on two themes beforehand defined .

The interviewees refused to be taped; hence, the interviews were recorded manually and it is important to note that the interviews were in Arabic and Arabic dialect in order to break down the language barriers with the respondents, then we have translated all of them into English.

##### **✓ Documentation :**

Documents is crucial source of collecting data in our study. During the internship we were allowed to consult number of borrower's credit files this enable us to better understand the process of granting credit, and we were allowed to consult the financial scoreboards for months, wherein we noted clearly the increase of the overdue amount and others documents. This source of collecting data increases also the validity of the findings of the interviews.

##### **✓ Participatory observation :**

The participatory observation is an important tool to collect data in the research. During the internship, we attended to number of interviews between defaulting borrowers and a staff member in recovery, wherein we observed the behavior of the defaulting borrowers and we listened to their justifications for the mortgage default, which helped us to construct the questionnaire.

#### **b) Sampling and selection**

In order to provide reliable answers to our questions, we selected a group of bank staff members who contribute directly or indirectly in the process of granting the credit and/or who usually deal with borrowers in general and particularly the defaulting borrowers.

This allowed us to reveal their quality from the perspective of the interviewees and helped us to construct questionnaire for the defaulting borrowers, in order to probe deeper and find why the borrowers defaulted in payment.

**Table N°2.** Interviewees profile

<b>Participants</b>	<b>Description</b>
<b>1</b>	Head of Monitoring and debts recovery cell.
<b>2</b>	Head of Monitoring and debts recovery of corporates department.
<b>3</b>	Polyvalent delegate in monitoring and debts recovery ( retail)
<b>4</b>	Responsible of financing ( Credit)
<b>5</b>	Polyvalent delegate in mobilization and commitments monitoring cell
<b>6</b>	Polyvalent delegate in financial Control department
<b>7</b>	Responsible in retail banking cell

Source: created by the student.

### **1.3.2 Quantitative approach (second phase)**

In the second phase of our study, we adopt quantitative method, which is based on the results of the qualitative findings, by which we construct the questionnaire for the clients to describe the causes of mortgage default. the quantitative research provide us with numerical answers we want to minimize the subjectivity of the interviewees and reveal the factors of the credit risk from the perspective of the defaulting borrowers . Through this research, we aim also to conduct sample segmentation in which we categorize the defaulting borrowers into groups. Therefore, we conduct Multiple Correspondence Analysis to achieve the objective aimed.

#### **a) Sampling**

##### **Type of sampling**

We consider the non-probability sampling (convenience or accidental sampling) the most appropriate type of sampling for our case, the selection is based on the availability of the units.

##### **Population**

The population of the study consists of the defaulting borrowers of ASBA.

##### **Sample**

The sample consists of 195 defaulting borrowers of ASBA.

### **b) Administration mode of the survey**

The chosen administration modes of the questionnaire are CAWI (computed-Assisted Web Interviewing) and face to face. The first mode permitted us to send the questionnaire designed by email for a number of defaulting borrowers and post the questionnaire in the web site of ASBA «Al Salam Moubachir » during the period from 17th to 26th February , we posted also the questionnaire on the page of ASBA on Facebook during the period from 11ST to 21 ST March, for this we requested permission from the bank .

The face-to-face method allowed us to ask a number of defaulting borrowers to complete the questionnaire.

### **c) Results analysis**

Statistical analysis and treatment are crucial steps in quantitative research, hence we used two software (SPSS, EXECL) and three types of analysis as follows:

#### **Univariate analysis**

This analysis enables us to examine the distribution of one variable (question).

#### **Bivariate analysis**

We use this analysis to examine the relation between two variables ( questions ) by drawing pivot table which enables us to know the number of observations (respondents) within every combination ( variables or questions ) the results of this analysis support the results of the multivariate analysis .

#### **Multivariate analysis**

The objective of MCA are : « (1) to provide a typology of the individuals, that is, to study the similarities between the individuals from a multidimensional perspective; (2) to assess the relation-ships between the variables and study the associations between the categories; and (3) to link together the study of individuals and that of variables in order to characterize the individuals using the variables.» ( Husson & Josse, 2014) .

### **Conclusion**

In this chapter we have outlined the research methodology adopted in the study, by presenting the paradigm , the research methods and the instruments used .

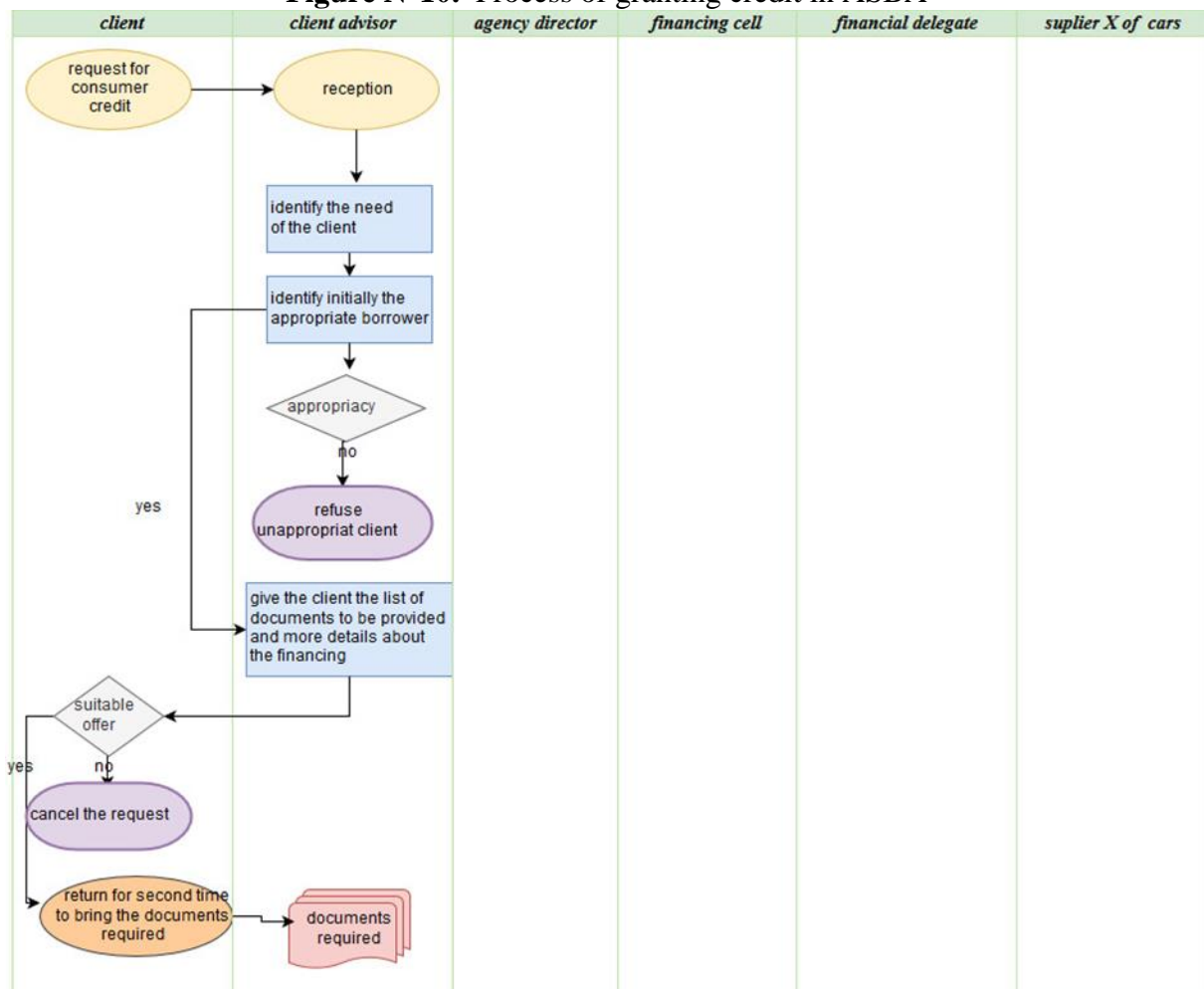
**CHAPTER IV:**  
**RESULTS AND DISCUSSION**

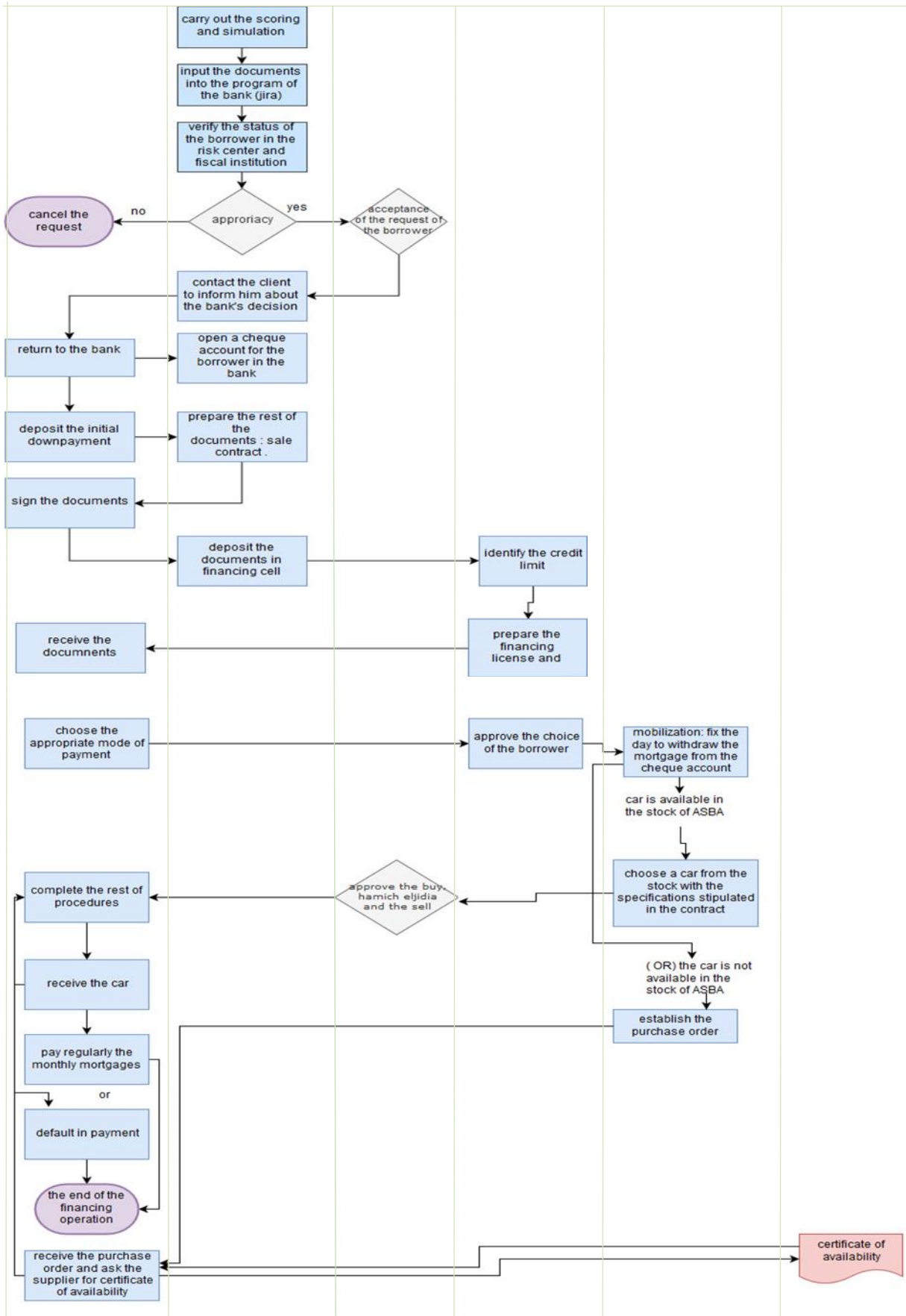
The goal of this study was to reveal the factors increasing the amount of overdue in AL SALAM BANK; hence, a questionnaire and interviews were conducted to gather information to answer the main question. This chapter discusses the findings of this research, it is structured as follows: firstly, we present the process of granting credit in ASBA then we introduce the qualitative data collected, after that, we present the quantitative data and in the final stage, we synthesize the previous results.

### 1. The process of granting credit in ASBA

In order to provide a better understanding of the study we draw the process of granting consumer credit, which is a type of financing instrument provided by ASBA for the individual borrower. This process shows clearly on the one hand the contribution of each actor, on the other hand, it helps the reader to situate the credit risk (default in payment) in the process; it also helps the reader to understand the qualitative and quantitative findings. The following figure shows the process of granting consumer credit.

**Figure N°10.** Process of granting credit in ASBA





Source: created by the student

## **2. Qualitative data analysis and results**

In this sequence, we present the coding and categorizing qualitative data then we discuss the findings.

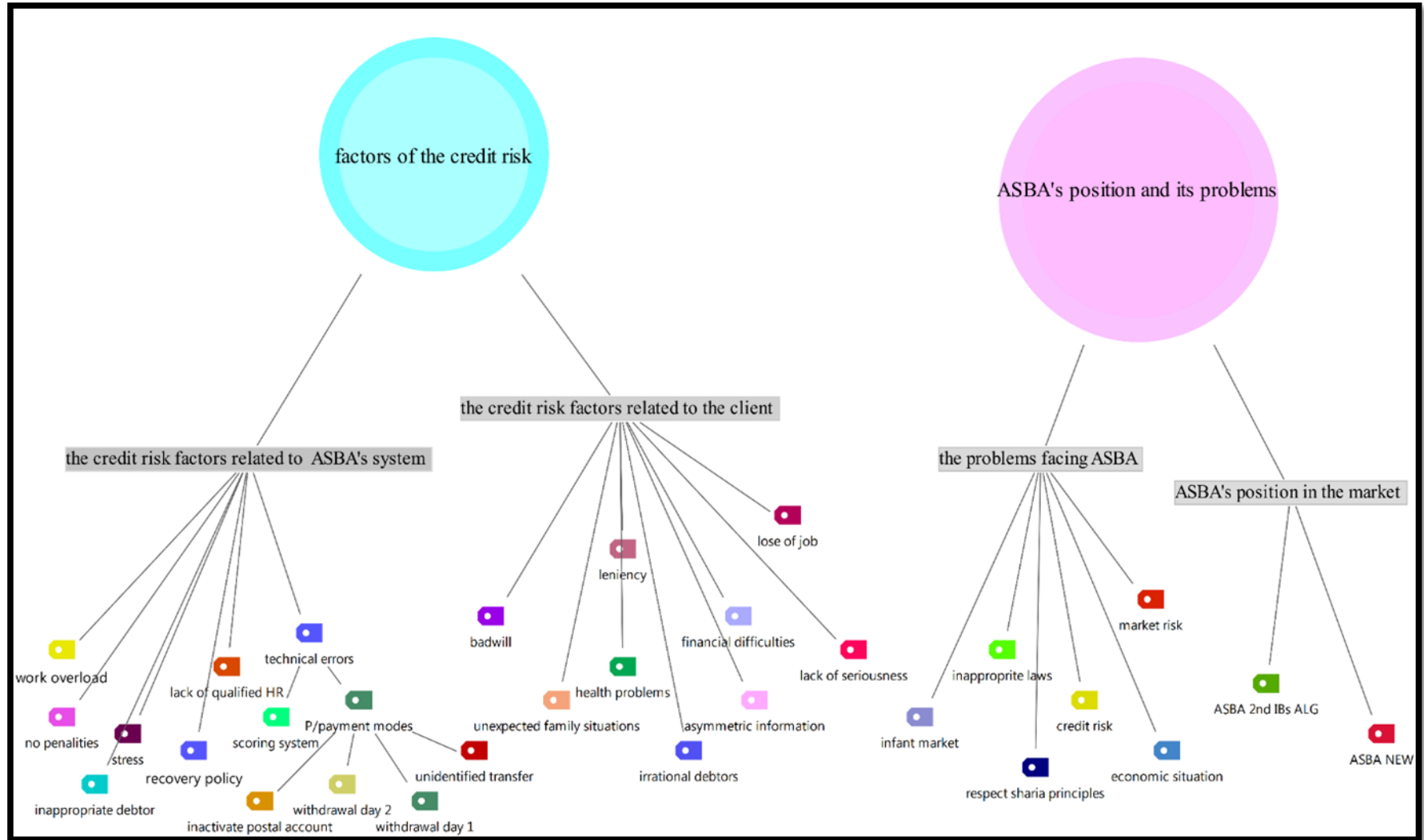
### **2.1 coding and categorizing of qualitative data**

The interview guide is based on two themes beforehand defined from the literature and through our observation during our presence in the bank, which are:

- ❖ The first theme is ABSA's position and its problems, through which the interviewee informs us about the place occupied by ASBA on the Algerian market and the obstacles placed in its path in order to reveal its weaknesses and threats that can influence the credit risk.
  
- ❖ The second theme is the factors influencing the credit risk, through which the interviewee gives us the causes behind the increase of the amount of the overdue from its perspective. The transcription and the analysis of the interviews by the software MAXQDA permit us to categorize and code the qualitative data. Therefore, from each theme derives two categories, which regroup many codes.

The following figure shows the categorizing and coding of qualitative data.

Figure N° 11. Coding system of verbatim



Source : created by the student

## 2.2 Presentation of the results

We are going to present all the categories and codes related to each theme and the verbatim transcriptions of the interviews will form the basis for our discussion.

### 1. ASBA's position and its problems

This theme involves two main categories: ASBA's position in the market and the problems facing ASBA.

#### 1.1 ASBA's position in the market

This category involves two codes each one of them is detailed as follows:

##### a) ASBA NEW

Al Salam Bank Algeria is the last bank implemented in Algeria in 2008 as mentioned by the interviewee. Besides the head office, it had only two agencies. In 2019, the number of agencies increases from two to fourteen branches and two others will be opened shortly, ASBA still infant bank. In 2018, it celebrates its 10TH years, ASBA offers multiple Islamic products. They used to adopt only B2B strategy and exclusively with 'ADASSAT' client' they apply B2C , then since May 2016 they start applying B2C strategy besides B2B , as it is mentioned by the interviewee : *« Uhu ... , as you know AL SALAM BANK is the second Islamic bank in ALGERIA , it was established in 2008 after ALBARAKA ,in the beginning we had just two agencies then with the celebration of our 10TH years the number of agencies increases from two to fourteen branches and we will soon open two others agencies ... from 2008 until 2016 we adopted B2B we exclusively worked with only one individual borrower , and from may 2016 we start adopting also the b2C with the new product Bai'bi taksit ».* **participant 4 .**

##### b) ASBA's 2nd IBs ALG

the Islamic banking system in Algeria is still infant , the IBs entered into the Algerian banking system before about 28 years with the establishment of ALBARAKA BANK , then it began expanding with the implementation of ASBA and the creation of several Islamic windows in conventional banks . While the first CB was established in 1966 so the time gap between the two systems is about 23 years, this is why the CBs are more experienced and further expanded than the IBs. Although that, ASBA occupied good position in the Algerian Islamic banking system with high service quality. In consequence of preserving during this year good quality of services and due to the rate of STP ( straight through processing ) reached by ASBA which is a process that the bank use in order to speed up their operation processing time JP MORGAN BANK gave to ASBA in 2017 THE ELITE QUALITY RECOGNITION AWARD STP RATE.

The interviewee said about this : « *the conventional banking system began with the establishment of BEA in 1966 while the Islamic banking system started with the implementation of ALBARAKA in 1991 ... so as you see the competition in Algerian Islamic banking is between two Islamic banks and some conventional banks with Islamic windows , uhu... , I don't know if we can call it competition because the Islamic financial market here is still virgin and can support a large numbers of competitors , so AL Salam Bank Algeria takes up an important position in the market because of the appropriate products offered to satisfy the need of the Algerian citizen with also the spread of our agencies all over the country, our market share is increasing widely ,the quality of services also is good proven by the award got from jp Morgan bank. ... » participant 4 .*

## **1.2 The problems facing ASBA**

The interviewee emphasizes the different difficulties facing ASBA, this category includes many codes each one involves one problem as follows:

- ✓ **Inappropriate laws**
- ✓ **Respect of sharia principles**

The following verbatim clarify those problems:

« *... as it is known the Islamic banks in Algeria are regulated by the same laws as the conventional banks and this is restricting our activity, why ?because on the one hand, we have to ensure full compliance with sharia principles , on the other hand we have to respect laws set up by the central bank . So as you see , we are supervised by two completely different laws , as you also may know that this problem has been solved in the others countries like Malaysia by setting up specific laws for Islamic banks which facilitate their works ... » participant 4 .*

- ✓ **Infant market**
- ✓ **Market risk**
- ✓ **Credit risk**

These verbatim clarify these problems:

« *the Islamic banking system is still at a developmental stage the Islamic bank as the conventional bank suffers from many risks such as : market risk , the credit risk which is the major risk because it charged us additional costs , efforts and problems with the central bank clients and the court booh ruinous situation and now we are noticing an increase in the credit risk. ...*» **participant 4.**

### ✓ **Leniency**

The interviewee said also about this problem:

«... *The leniency of both the client and the staff members...* » **participant 3**

## **2. Factors of credit risk**

The second theme includes two categories.

### **2.1 The credit risk factors related to the client**

This category includes many codes and each one refers to a factor related to the client that influences the credit risk.

### ✓ **Lack of seriousness**

About this factor, the interviewees said:

« *Grrr, they are not serious at all I'm fed up with them , some of them don't pay for months and when I call them they either give me unaccepted raisons or they tell me we cannot pay now , and when I block their accounts they immediately call us or come to the bank to pay or negotiate an arrangement boo , if we don't force them to pay they don't pay* » . **Participant 3**

« *grrr yet the worst thing is that they don't at least call us or inform us about their problems !!! they don't care at all !! and they are not afraid of anything , I'm wondering how can they sleep at night with clear conscience . D'oh !!* » **participant 3.**

### ✓ **Financial difficulties**

Besides the problem of the lack of seriousness, the interviewees emphasize the fact that the client can pass by financial problems and default in payment, they also said about this:

« *... some of them pass by real difficult situations and they come to the bank to inform us , and we carry out for him a date shift of payment if it is possible ...* » **participant 2.**

« *...on the one hand the borrower can pass by financial difficulties ...*» **participant 3.**

In the following verbatim, the interviewees mentioned others factors:

- ✓ **Health problem**
- ✓ **Unexpected family situations**
- ✓ **Lose of job**

« Uhu..., something like health problems, unexpected family situations like wedding or relocation or lose of job » **participant 4 .**

- ✓ **Bad will (bad faith)**

« ...We have never imposed penalties for the individual borrowers this is why they abuse the particularity of Islamic banks and they intend to delay in payment ...» **participant 2.**

- ✓ **Irrational debtor**
- ✓ **Economic situation**

«... furthermore the large number of defaulted borrowers are salaried and theirs monthly incomes are less than 50000 AD ( and despite the fact that borrowers are conditioned to receive a salary that exceeds 40000 AD we still find defaulted borrowers who receive lower salaries than this ) and with the volatile economic situation they can't repay regularly theirs engagements ,in addition some borrowers default in payment because they repay many credits in the same time ... » . **Participant 4.**

- ✓ **Asymmetric information**

«... and we are aware that even with this system there will be defaulted borrowers because of the asymmetric information ...» **participant 5.**

## **2.2 The credit risk factors related to the ASBA's system**

The second category as well involves many codes as follows:

- ✓ **Work overload**

« ... Since 2018, with the launch of the new product 'BAI' bi taksit that consists of selling cars since that the numbers of requests for financing and borrowers are increasing, as well the number of defaulted debtors is increasing. ...» **participant 6.**

✓ **Leniency**

« *The leniency of both the client and the staff members* » **participant 1.**

✓ **Recovery policy**

« *...and the recovery policy... uhu they are not severe with defaulted debtors* » **participant 3.**

✓ **Lack of qualified HR**

« *... uhu ... as you know the Islamic banks are recently implemented in Algeria .and there are few numbers of experts and specialists in this fields' .Who can give added value for the Islamic financial in general...* » **participant 7**

« *... However, there are more problems facing our activity such as, the lack of qualified human resources ...*» **participant 1.**

✓ **no penalties**

« *... We have never imposed penalties for the individual borrowers ...* » **participant 2.**

✓ **Inappropriate debtor**

« *...and despite the fact that borrowers are conditioned to receive a salary that exceeds 40000 AD we still find defaulted borrowers who receive lower salaries than this ...* » **participant 4.**

✓ **Stress**

« *... The client advisors can make mistakes when they input information to calculate the score because of task load, stress, and especially during challenges ...*» **participant 7.**

✓ **technical errors**

« *... One Further reason , when a client has two accounts in ASBA saving account and cheque account from which the bank should withdraw the monthly loan installment and not from the saving account , so most of time the client deposits his monthly loan installment regularly but the cashier deposits the amount of money in the saving account instead of the cheque account so when the withdrawal day arrives the system finds the cheque account empty and this situation can still for months and the borrower will be considered as defaulted*

... When two Clients or more have the same name, the cashier can make mistake and deposit the money in the wrong account as result one of the borrowers will be considered as defaulted debtor...» **participant 7** .

From these codes, derive sub-codes as follows:

✓ **scoring system**

«...The scoring is a rating system by which the bank evaluates the quality of the borrower, we based on information about the borrower to calculate his rate. ... Actually , this system is developed by human so it may be exposed to human errors and the information gathered about the borrower are insufficient to select the right borrower and they must be reviewed because in many times we find defaulted borrowers with high score ( EX : borrower X with 92 point and he is in late payment for more than 107 days !! ) but the fact remains that it is not evident to recognize the quality of the borrower and we are aware that even with this system there will be defaulted borrowers because of the asymmetric information , the unexpected problems which can happen to the borrowers. As you see here that the ex-ante evaluation is just a prediction of what can really happen in the future , and it is just way to minimize as much as possible the risk of counterparty » **participant 5** .

✓ **p/payment modes**

« ... the problems related to the different modes of payments from which the borrower chooses the most appropriate to his need , and each mode derives from it many problems can influence the credit risk or the amount of the overdue ...» **participant 1** .

From this sub-code derives as well many other sub-codes as follows :

✓ **withdrawal day 1**

«... Recently, Al Salam bank signed an agreement with the post office of Algeria under which the borrower has the possibility to repay his monthly mortgage due from any post office , so the postal staff member withdraws the monthly amount of money from the borrower postal account then he transfers it to the borrower cheque account in AL SALAM BANK each 27th of the month for free exclusively in this date , and if this date comes and the account will be found empty ,the sweeping account will be immediately applied ( they withdraw automatically the amount of money when it arrives to the account , they also

*deduct 5% from it ) , the problem here is that not all the borrowers are informed that the withdrawal day is in 27th of the month , hence if they deposit money after this date they will be considered automatically as defaulted borrower ...» **participant 3 .***

✓ **Withdrawal day 2**

*« ... Another case related to the mobilization operation , so when the borrower receives the car the bank staff member fixes the withdrawal day( when the system withdraw money from his cheque account ) three or four days after receiving the car ( ex : XX receives the car 3rd of the month , the withdrawal day will be 7th or 8th of the month ) and if the system does not find the amount of money due in his account in this date he will be considered as defaulted , the problem emerges because the withdrawal day prior the date in which the borrower receives his salary ( ex : withdrawal day : 10th Receive the salary: 30th ) they do not consider this...».*

**Participant 4.**

✓ **inactivated postal account**

*« ... Moreover, there is another problem related to this mode of payment, as I have mentioned before this agreement is recently established. You know the employees are not familiarized with this operation. So in many times we find that the borrower deposits regularly the monthly amount of money due and because his postal account has not been activated so the money will not be sent to his cheque account as result he will be considered as defaulted ». **participant 4***

✓ **unidentified transfer**

*« ... One further reason, AL SALAM BANK signed an agreement with some enterprises of sale and purchase of vehicles for theirs employees. The payment procedure of the monthly amount of money due , is done by the administrative agents of the enterprises , I will give you an example to understand better the operation (every month , the agent of SONATRACH goes to BEA bank to debit the account of SONARACH in BEA and credit its account in AL Salam Bank with the total monthly amount of money due for Al Salam Bank of their employees ,while BEA gives the agent a copy of the transfer order that he should send to AL SALAM BANK with the list of the employees concerned ) if the agent forget to send the transfer order and/or the list of the employees(unidentified transfer) the system consider the borrowers as defaulted which increases the amount of overdue in the BANK »**participant 4.***

### 3. Quantitative data analysis and results

This section complements the previous one and it discusses the quantitative data and the results of the questionnaire.

#### 3.1 respondents profile

The sample represents 195 defaulted borrowers Of ASBA .

**Table N° 3.** Respondents profile.

<b>Variables</b>	<b>Variable characteristics</b>	<b>Frequency</b>	<b>Percentage ( % )</b>
<b>Gender</b>	Male	156	80
	Female	39	20
<b>Age</b>	18-25 years old	5	2,6
	26-35 years old	69	35,4
	More than 36 years old	121	62,1
<b>Academic qualification</b>	Without qualification	59	30,3
	Bachelor's degree	108	55,4
	Master's degree	28	14,4
	Ph.D.	0	0
<b>Occupation</b>	Employee	118	60,5
	Trader	29	14,9
	Retired	6	3,1
	Officer	42	21,5
<b>Perception of the borrower about ASBA Q8 ( see questionnaire annexe A)</b>	R1	103	/
	R2	141	/
	R3	23	/
	R4	32	/
	R5	00	/
	R6	5	/
	R7	00	/
	R8	11	/

<b>Financing instrument Q9( see questionnaire Annexe A)</b>	<b>Musharaka</b>	<b>00</b>	<b>/</b>
	<b>Ijara</b>	<b>11</b>	<b>/</b>
	<b>Istisnaa</b>	<b>00</b>	<b>/</b>
	<b>Bai'bi taksit</b>	<b>123</b>	<b>/</b>
	<b>Mudarabah</b>	<b>00</b>	<b>/</b>
	<b>Murabahah</b>	<b>61</b>	<b>/</b>
	<b>Salam</b>	<b>00</b>	<b>/</b>
	<b>Bai'al ajil</b>	<b>00</b>	<b>/</b>

The above table shows the characteristics of the sample, where all the respondents are defaulting borrowers, 80% of them are male while only 20% of them are female.

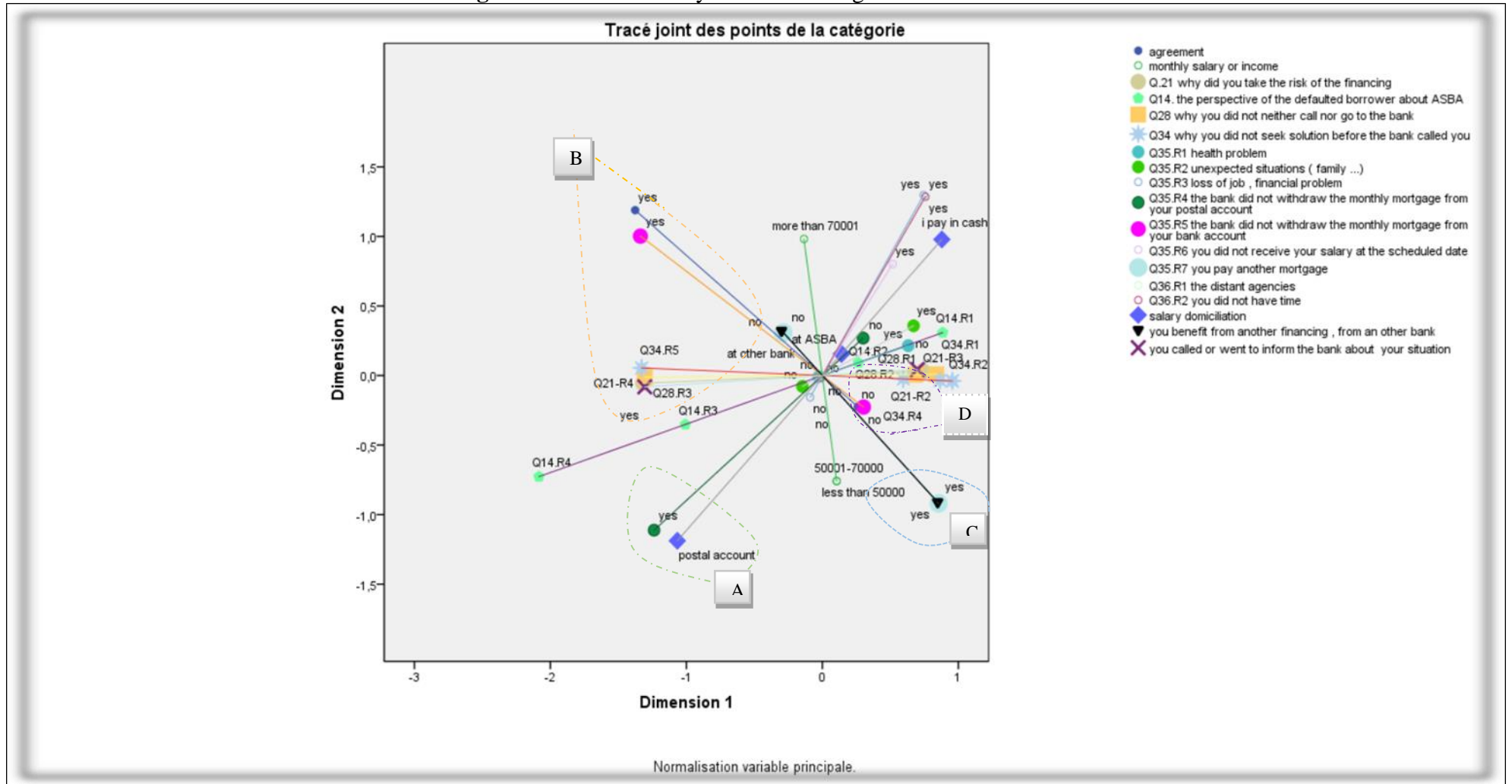
We notice that 62,1% of the respondents are more than 36 years old ,while 35,4 % are between 26 and 35 years old and only 2,6 % of the sample are 18 to 25 years old . We note that 55,4 % of the respondents have Bachelor's degree and it is the dominated category ,while 30,4 % of them are without qualification , among the respondents 14,4 % of them have master's degree and no one of them have Ph.D.

We notice 60,5 % of the respondents are employees , while 21,5 % of them are officers . Traders represent 14, 9 % of the sample, while only 3, 1% of them are retired.

From the above table we note that 103 respondents choose ASBA because it is an Islamic bank while 141 respondents choose it because of the appropriate products offered, 23 of them choose it because of its reputation while 32 of them choose it because of the quality of the product, 5 of them know someone who works in the bank that helped them to get the financing and 11 of them have already accounts in ASBA .

We note from the table above that 11 respondents benefit from Ijara product , while 123 of them benefit from Bai'bi taksit and 61 of the them benefit from Murabahah and none of them benefit from the rest of the products .

Figure N°12. MCA analysis of defaulting borrowers.



Source: elaborated by spss .

Table N°4. Variables correlation.

	Variables																			
Variables	monthly salary or income	salary domiciliation	agreement	Q. 21 why did you take the risk of the financing	you benefit from another financing, from an other bank	you called or went to inform the bank about your situation	Q28 why you did not neither call nor go to the bank	Q34 why you did not seek solution before the bank called you	Q14. the perspective of the defaulted borrower about ASBA	Q35.R1 health problem	Q35.R2 unexpected situations ( family ...)	Q35.R3 loss of job , financial problem	Q36.R2 you did not have time	Q36.R1 the distant agencies	Q35.R7 you pay another mortgage	Q35.R6 you did not receive your salary at the scheduled date	Q35.R5 the bank did not withdraw the monthly mortgage from your bank account	Q35.R4 the bank did not withdraw the monthly mortgage from your postal account	Dimension	Valeur propre
monthly salary or income	1,0	,50	-,47	,08	,45	-,09	,09	,14	-,09	,03	,03	-,40	-,12	-,08	-,44	-,20	-,41	,33	1	6,7
salary domiciliation	,50	1,0	-,10	-,61	-,11	,60	-,60	-,56	-,63	,00	-,17	-,46	-,15	-,10	-,11	-,04	-,03	,80	2	2,9
agreement	-,47	-,10	1,0	-,58	-,26	,54	-,57	-,59	-,45	-,09	-,20	-,15	-,04	-,03	-,25	-,08	,91	-,21	3	2,0
Q. 21 why did you take the risk of the financing	,08	-,61	-,58	1,0	,45	-,93	,99	,97	,82	,15	,35	,26	,08	,05	,43	,13	-,64	-,60	4	1,3
you benefit from another financing, from an other bank	,45	-,11	-,26	,45	1,0	-,44	,50	,53	,11	-,12	-,25	-,21	-,06	-,04	,95	-,11	-,28	-,26	5	1,1
you called or went to inform the bank about your situation	-,09	,60	,54	-,93	-,44	1,0	-,94	-,93	-,77	-,15	-,34	-,25	-,07	-,05	-,42	-,07	,54	,65	6	1,1
Q28 why you did not neither call nor go to the bank	,09	-,60	-,57	,99	,50	-,94	1,0	,97	,78	,14	,33	,24	,07	,05	,49	,12	-,63	-,62	7	1,0
Q34 why you did not seek solution before the bank called you	,14	-,56	-,59	,97	,53	-,93	,97	1,0	,76	,13	,29	,22	,06	,04	,51	,11	-,62	-,59	8	1,0
Q14. the perspective of the defaulted borrower about ASBA	-,09	-,63	-,45	,82	,11	-,77	,78	,76	1,0	,22	,40	,32	,11	,08	,11	,12	-,46	-,55	9	,29
Q35.R1 health problem	,03	,00	-,09	,15	-,12	-,15	,14	,13	,22	1,0	-,10	-,07	-,02	-,01	-,12	-,04	-,10	-,10	10	,22
Q35.R2 unexpected situations ( family ...)	,03	-,17	-,20	,35	-,25	-,34	,33	,29	,40	-,10	1,0	-,16	-,05	-,03	-,27	-,08	-,22	-,23	11	,12
Q35.R3 loss of job , financial problem	-,40	-,46	-,15	,26	-,21	-,25	,24	,22	,32	-,07	-,16	1,0	-,04	-,02	-,20	-,06	-,17	-,17	12	,09
Q36.R2 you did not have time	-,12	-,15	-,04	,08	-,06	-,07	,07	,06	,11	-,02	-,05	-,04	1,0	-,01	-,06	-,02	-,05	-,05	13	,06
Q36.R1 the distant agencies	-,08	-,10	-,03	,05	-,04	-,05	,05	,04	,08	-,01	-,03	-,02	-,01	1,0	-,04	-,01	-,03	-,04	14	,05
Q35.R7 you pay another mortgage	,44	-,11	-,25	,43	,95	-,42	,49	,51	,11	-,12	-,27	-,20	-,06	-,04	1,0	-,10	-,28	-,29	15	,04
Q35.R6 you did not receive your salary at the scheduled date	-,20	-,04	-,08	,13	-,11	-,07	,12	,11	,12	-,04	-,08	-,06	-,02	-,01	-,10	1,0	-,08	-,09	16	,02
Q35.R5 the bank did not withdraw the monthly mortgage from your bank account	-,41	-,03	,91	-,64	-,28	,54	-,63	-,62	-,46	-,10	-,22	-,17	-,05	-,03	-,28	-,08	1,0	-,17	17	,01
Q35.R4 the bank did not withdraw the monthly mortgage from your postal account	,33	,80	-,21	-,60	-,26	,65	-,62	-,59	-,55	-,10	-,23	-,17	-,05	-,04	-,29	-,09	-,17	1,0	18	,01
Dimension	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18		
Valeur propre	6,7	2,9	2,0	1,3	1,1	1,1	1,0	1,0	,29	,22	,12	,09	,06	,05	,04	,02	,01	,01		

Source : elaborated by spss.

The purpose behind quantitative data analysis is to seek the factors influencing the credit risk from the perspective of the defaulted borrowers, or in other word to understand why the client defaulted in the payments.

We aim through the Multiple Correspondence Analysis to find which variables are associated together and the significance of these associations or in other word understand the information within each category. Furthermore, the table of variables correlation (table N°4) provides the value of the correlation between the variables associated that offer further support for the information provided by the figure of MCA analysis ( figure N°12).

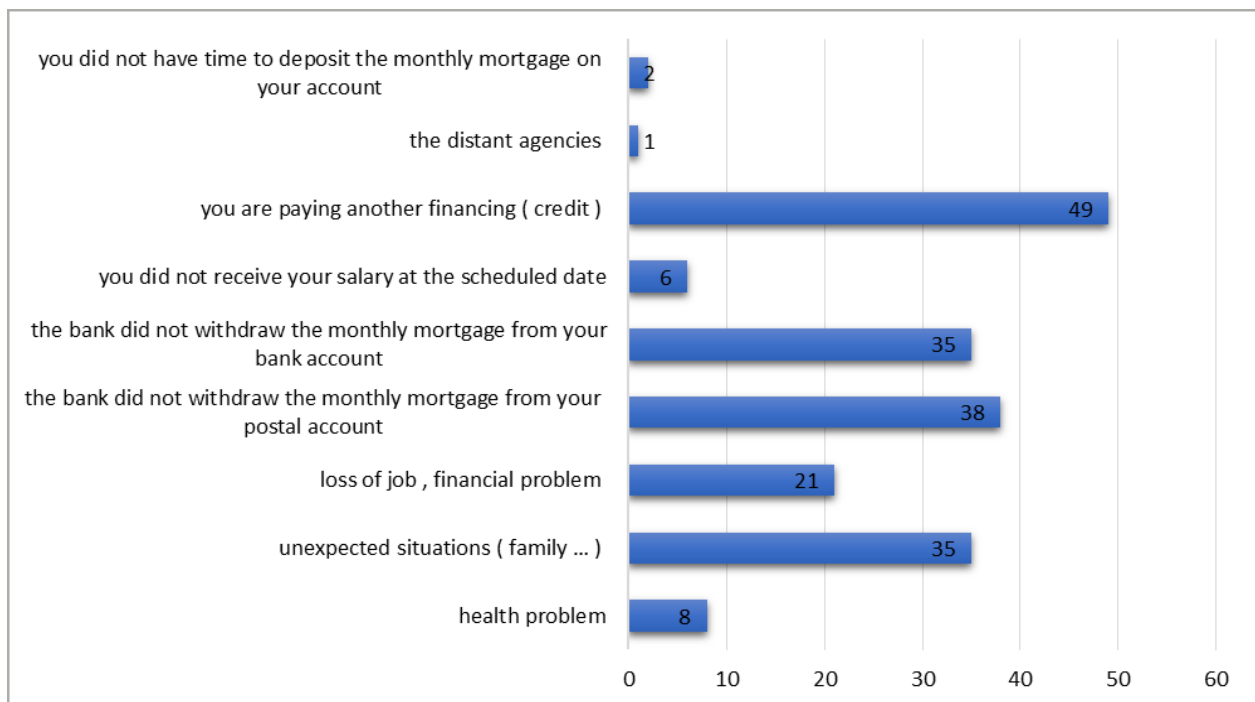
So every category represents one group of defaulting borrowers who defaulted in payment because of the same reasons and/or have the same characters (attitude towards credit and the loan repayment ...etc.) Then we are going to present and interpret of the findings.

### 3.2 Results

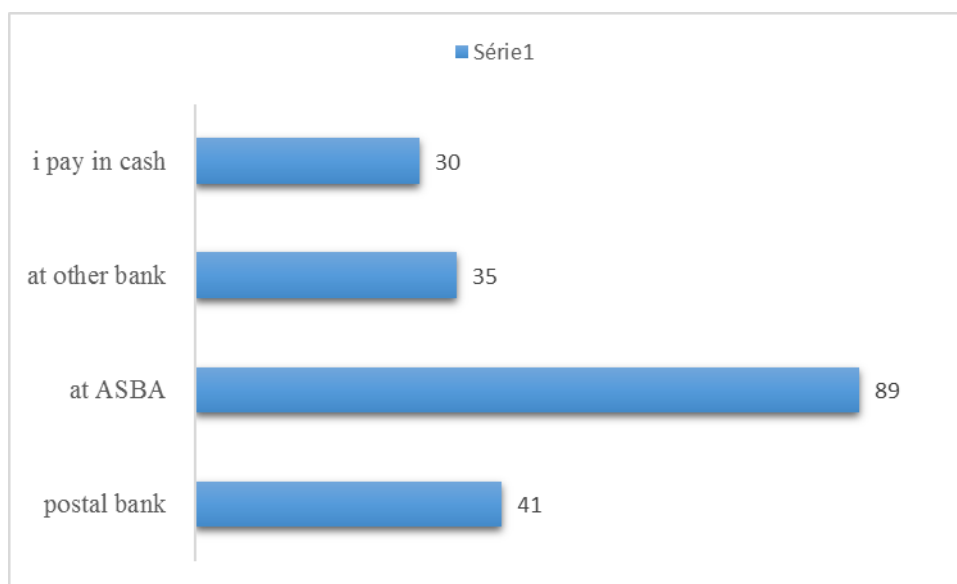
From the quantitative data analysis we get four categories of borrowers , present these results as follows:

#### 3.2.1 Category A

**Figure N°13.** Reasons behind the default in payment.



Source : elaborated by spss.

**Figure N° 14.** Salary domiciliation.

Source : elaborated by spss.

**Table N° 5.** Reason Q35.R4 of the default in payment

**Tableau croisé Q35.R4 the bank did not withdraw the monthly mortgage from your postal account**

		Fréquence	Pourcentage	Pourcentage valide	Pourcentage cumulé
Valide	Yes	38	19,5	19,5	19,5
	No	157	80,5	80,5	100,0
Total		195	100,0	100,0	

Source: elaborated by spss.

- From the figure MCA analysis, we note that two modalities of two variables are associated within this category, which are **Q35R4** and the **Postal account**.
- From table of variables correlation (table N°4) we notice that there is positive correlation between these two variables = 0, 8.
- Salary domiciliation figure (figure N°14) shows that 41 defaulted borrowers are domiciled in postal bank ( pcc ).

•From the figure N°13, we note that 38 defaulted borrowers said that they defaulted in payment because the bank did not withdraw the monthly mortgage from their postal accounts.

From this, we recognize that this category includes the borrowers who are domiciled in postal bank where a large number of them defaulted in payment because the bank did not withdraw the money due from their postal account (technical error from the bank).

### 3.2.2 Category B

•From the MCA analysis (figure N° 12) we notice that the modality **Q35R5** is associated with the variables: **AGREEMENT**, **Q21R4, you called or went to the bank to inform them about your situation** and **Q34R5** within the category B.

**Table N°6.** Number of borrowers who got the financing through an agreement and defaulted in payment because the bank did not withdraw the monthly mortgage from your bank account

table croisé Q35.R5 the bank did not withdraw the monthly mortgage from  
your bank account \* agreement

Effectif		agreement		Total
		Yes	no	
Q35.R5 the bank did not	Yes	31	4	35
withdraw the monthly	No	0	160	160
mortgage from your bank				
account				
Total		31	164	195

Source: elaborated by spss .

• From the table of variables correlation ( table N°4) we note that the correlation between Q35R5 & agreement is 0.91 .

• We also notice from the table N° 6 that among 35 respondents who defaulted because the bank did not withdraw the monthly mortgage from their bank accounts there are 31of them got the financing through an agreement between ASBA and their enterprises, so all of them defaulted because of technical error.

**Table N°7.** Reasons for taking the risk of financing of the borrowers who Defaulted because the bank did not withdraw the monthly mortgage from their bank accounts.

**Tableau croisé Q.21 why did you take the risk of the financing \* Q35.R5 the bank did not withdraw the monthly mortgage from your bank account**

Effectif

		Q35.R5 the bank did not withdraw the monthly mortgage from your bank account		Total
		Yes	No	
Q.21 why did you take the risk of the financing	Q21-R2	0	75	75
	Q21-R3	0	50	50
	Q21-R4	35	35	70
Total		35	160	195

Source: elaborated by spss.

- From the table of variables correlation (table N°4), we note that the correlation between Q35R5 & Q21 is -0, 64.
- From table N° 7 we notice that all the 35 borrowers who belong to this category defaulted because the bank did not withdraw the mortgage from theirs bank accounts. They took the risk of financing because they thought that they could pay regularly (Q21-R4), and none of them took the risk because they knew that the ASBA do not impose penalties (Q21-R2) or the products offered were attractive (Q21R3).

**Table N °8.** Reaction(1) of borrowers after defaulting because the bank did not withdraw the monthly mortgage from their bank accounts

**Tableau croisé you called or went to inform the bank about your situation \* Q35.R5 the bank did not withdraw the monthly mortgage from your bank account**

Effectif

		Q35.R5 the bank did not withdraw the monthly mortgage from your bank account		Total
		Yes	No	
you called or went to inform the bank about your situation	Yes	31	37	68
	No	4	123	127
Total		35	160	195

Source: elaborated by spss.

- From variables correlation table (table N°4), we notice that the correlation between **Q35R5 & you called or went to the bank to inform them about your situation** is 0,54
- From the above table we note that among the 35 respondents who defaulted in payment because of the bank account problem, there are 31 of them called or went to the bank.

**Table N°9.**Reaction (2) of the borrowers after defaulting because the bank did not withdraw the monthly mortgage from their bank accounts.

**Tableau croisé Q28 why you did not neither call nor go to the bank \* Q35.R5 the bank did not withdraw the monthly mortgage from your bank account**

Effectif

		Q35.R5 the bank did not withdraw the monthly mortgage from your bank account		Total
		Yes	No	
Q28 why you did not neither call nor go to the bank	Q28.R1	4	51	55
	Q28.R2	0	73	73
	Q28.R3	31	36	67
Total		35	160	195

Source: elaborated by spss.

- From variables correlation table ( table N°4), we notice that the correlation between Q35R5 & Q28 is -0,63
- From the above table we note that among the 35 respondents who defaulted in payment because of the bank account problem, there are 31 of them called or went to the bank (Q28.R3).

**Table N°10.** reasons for not seeking solution for the default in payment because the bank did not withdraw the monthly mortgage from their bank accounts

**Tableau croisé Q34 why you did not seek solution before the bank called you \*  
Q35.R5 the bank did not withdraw the monthly mortgage from your bank account**

Effectif

		Q35.R5 the bank did not withdraw the monthly mortgage from your bank account		Total
		Yes	No	
Q34 why you did not seek solution before the bank called you	Q34.R1	0	2	2
	Q34.R2	0	4	4
	Q34.R3	0	47	47
	Q34.R4	1	73	74
	Q34.R5	34	34	68
Total		35	160	195

Source : elaborated by spss.

- From table of variables correlation ( table N° 4) we note that the correlation between Q35R5 & Q34 is - 0, 62.
- we note from table N°10 that from 35 borrowers who defaulted in payment because the bank did not withdraw the mortgage from the account of the borrower there are 34 of them did not seek a solution before the bank calls them because they think that it is the bank's error Q34.R5 .

We recognize that this category includes the borrowers who are domiciled in “other bank” where a large number of them defaulted in payment because the bank did not withdraw the money due from their accounts (technical error from the bank).

### 3.2.3 Category C

- we notice from MCA analysis ( figure N°13) that **Q35R7** and “**you benefit from another financing from another bank**” variables are associated within this category.

**Table N°11.** Number of borrowers who benefit from another credit and they defaulted in payment because of this reason.

**Tableau croisé Q35.R7 you are paying another financing \* you benefit from another financing , from another bank**

Effectif

		you benefit from another financing , from another bank		Total
		Yes	No	
Q35.R7 you are paying	Yes	48	1	49
another financing	No	3	143	146
Total		51	144	195

Source: elaborated by spss.

- From the table of variables correlation ( table N°4) we note that the correlation between **Q35R7 & you benefit from another financing from another bank** variables is 0,95 and from the table N°11 we notice that from 51 borrowers who benefit from another financing or credit there are 48 of them cannot repay the financing for ASBA because they are paying another financing .

#### 3.2.4 Category D

- From the MCA analysis we notice that **Q28R2 , Q21R2, Q34R4** , “**you called or went to inform the bank about your situation** “ are associated within the category D .

**Table N°12 .** Reasons for taking the risk of financing and not seeking solution for the default in payment

**Tableau croisé Q34 why you did not seek solution before the bank called you \* Q.21 why did you take the risk of the financing**

Effectif

		Q.21 why did you take the risk of the financing			Total
		Q21-R2	Q21-R3	Q21-R4	
Q34 why you did not seek	Q34.R1	1	1	0	2
solution before the bank	Q34.R2	0	4	0	4
called you	Q34.R3	2	45	0	47
	Q34.R4	72	0	2	74
	Q34.R5	0	0	68	68
Total		75	50	70	195

Source : elaborated by spss.

- From the table of variables correlation (table N°4) we note that the correlation between the variables Q34 & Q21 is 0,97.
- From the table N ° 12, we note that 72 borrowers within this category took the risk of the financing because they thought that Islamic banks do not impose penalties for late payment (Q21.R2) and they did not seek solution before the bank calls them because they were sure that ASBA does not make the defaulting borrowers under pressure (Q34.R4).

**Table N°13.**Reasons for not seeking solution for the default in payment and the perspective of the defaulted borrowers about ASBA.

**Tableau croisé Q34 why you did not seek solution before the bank called you \* Q14. the perspective of the defaulted borrower about ASBA**

Effectif

		Q14. the perspective of the defaulted borrower about ASBA				Total
		Q14.R1	Q14.R2	Q14.R3	Q14.R4	
Q34 why you did not seek	Q34.R1	1	1	0	0	2
solution before the bank	Q34.R2	3	0	1	0	4
called you	Q34.R3	39	4	3	1	47
	Q34.R4	12	59	2	1	74
	Q34.R5	6	0	62	0	68
Total		61	64	68	2	195

Source: elaborated by spss.

- From the table of variables correlation ( table N°4) we note that the correlation between the variables Q34 & Q14 is 0,76 .
- from the table N°13 we also notice that 59 borrowers who belong to this category did not seek solution before the bank calls them because they were sure that the bank does not make the defaulting borrowers under pressure ( Q34.R4) and they think that ASBA gives the defaulting borrowers chance before imposing legal action ( Q14.R2) .

**Table N°14.**Reasons for not seeking solution for the default in payment and not calling or going to the bank .

**Tableau croisé Q34 why you did not seek solution before the bank called you \* Q28 why you did not neither call nor go to the bank**

Effectif

		Q28 why you did neither call nor go to the bank			Total
		Q28.R1	Q28.R2	Q28.R3	
Q34 why you did not seek solution before the bank called you	Q34.R1	1	1	0	2
	Q34.R2	4	0	0	4
	Q34.R3	45	2	0	47
	Q34.R4	1	70	3	74
	Q34.R5	0	0	68	68
Total		51	73	71	195

Source : elaborated by spss.

- From the table of variables correlation (table N°4) we note that the correlation between the variables Q34 & Q28 is 0,97 .
- From the table N° 14 we also note that 70 borrowers did not seek solution before the bank calls them because they were sure that the bank does not make the defaulting borrowers under pressure ( Q34.R4) and they did neither call nor go to the bank because they were also sure that the bank does not make the defaulting borrowers under pressure and gives them much more time to repay their engagements ( Q28.R2).

**Table N° 15.** Reactions of borrowers after defaulting in payment and their reasons for not seeking solution for this default.

**Tableau croisé Q34 why you did not seek solution before the bank called you \* you called or went to inform the bank about your situation**

Effectif

		you called or went to inform the bank about your situation		Total
		Yes	No	
Q34 why you did not seek solution before the bank called you	Q34.R1	0	2	2
	Q34.R2	0	4	4
	Q34.R3	0	47	47
	Q34.R4	3	71	74
	Q34.R5	65	3	68
Total		68	127	195

Source: elaborated by spss.

- From the table of variables correlation ( table N°4) we note that the correlation between the variables Q34 & you called or went to inform the bank about your situation is - 0, 93.
- From the table N° 15 we also note that 71 defaulting borrowers who belong to this category did not seek solution before the bank calls them because they were sure that the bank does not make the defaulting borrowers under pressure (Q34.R4) and they did not call or go to inform the bank about their situations.

Therefore, we recognize from the previous results that the defaulting borrowers who belong to this category were sure that the bank does not put pressure on the defaulted debtors. Moreover, approximately all of them did neither call nor go to the bank because they were sure that the bank does not put pressure on the defaulted debtors and gives them much more time to repay their engagements.

In addition, approximately all of them took the risk of the financing because they thought that the IBs do not impose penalties we recognize that the defaulted borrowers who belong to this category they intended to delay in payment and he intended to act in bad faith.

## 4. Synthesis

By highlighting the key factors of the credit risk from the perspectives of the staff members of ASBA and the defaulting borrowers, the study provides a wider understanding of the motives of the increase of the overdue amount in ASBA, which can be summarized as follows:

The staff members of ASBA influence the amount of overdue by making technical errors because of stress, work overload and leniency. There is also a lack of qualified human resources to select the appropriate borrowers and handle the different areas of IBs and particularly the credit risk. Furthermore, the inefficient recovery policy and the uniqueness of the IBs which arises from the sharia principles that prohibit the imposition of late-payment penalties, which helps number of borrowers to act in bad faith.

« Consumer character is rarely the result of single motive. Several factors combine to make one buy or consume a product or service; or a borrower to promptly repay or default repayment of a facility » (Nguyen, 2007; mentioned by Ramanujam & Vidya, 2017). The borrowers do not default because of only a single cause, yet there are other motives besides the main factor that influence his willingness to repay or default in payment. Through the MCA, we found out categories, each one of them involves the associated motives, which explain the reason behind the mortgage delinquency of the group who belongs to this category:

- ✚ **Category A:** it represents the defaulting borrowers who are domiciled in postal bank and they defaulted in payment because of technical error.
  
- ✚ **Category B:** it represents the defaulting borrowers who got the credit through an agreement between their enterprises and ASBA and they defaulted in payments because of technical errors.
  
- ✚ **Category C:** this category represents the irrational defaulting borrowers who are paying another credit.
  
- ✚ **Category D:** it represents the defaulting borrowers who act in bad faith.

## Recommendations

- ❖ For the problem of the transfer of the mortgages from the postal accounts to the cheque accounts in ASBA, we suggest the implementation of on demand cooperation inter-companies ( transfer from PCC to ASBA accounts ) similar to the project developed by Belhamri Zahra (2017 ), in which she created new service-oriented information system architecture by CSOMA approach to support the cooperation between CPA with postal bank for the automatic transfer of money from ( PCC to CPA accounts ) , this project will also enable the transfer of the mortgages momentarily and automatically from the PCC to ASBA account online via“ virtual platform ” .
- ❖ In the above cooperation, ASBA can also cooperate with several partners such as others banks, in order to resolve the problem of the borrowers domiciled in the others banks, or it can require from the members of this category to domicile their salaries at ASBA.
- ❖ In scoring system and in the selection of borrowers, they should take into consideration the borrowers who are paying several credits in the same time.
- ❖ The recovery policy should be reviewed and ASBA should start imposing for the individual borrowers who delay the payments intendedly to donate percentage of money that the bank deducts from their accounts to the charitable funds of ASBA.

# **CONCLUSION**

The improvement of the Islamic banking system requires, the development of efficient management covers all areas of IBs, including credit risk, which is the major risk in banks. In order to cope the credit risk in ASBA, the pioneer in the Algerian Islamic banking market, which is recording an increase in the overdue amount, we attempt to reveal the key factors of this increase. Therefore, the aim of this study is to provide for the decision makers answers and explore the determinants of the credit risk, which is represented by the increase of the overdue amount.

In the present study we investigate the causes of the credit risk in ASBA from both the perspectives of the bank staff members and the defaulting borrowers, hence we adopted Mixed methods single case research (MMSCR) wherein we combine between methods and techniques as follows:

- In the first phase of the study, we adopted qualitative data collection, in which we conducted semi- structured interviews with the bank staff members to explore these factors from their perspective.
- In the second phase of the study, we adopted quantitative data collection, in which we carried out questionnaire for the defaulting borrowers to reveal these factors from their perspective.

The above research has yielded the following results:

- There are numbers of deficiencies in the system of the bank that influence the credit risk , including technical errors in the payments of mortgages ( transfer from PCC or others banks accounts to ASBA accounts ) for this problem we have recommended the implementation of on demand cooperation inter-companies for the online mortgages transfer .
- The recovery policy enables the borrowers who act in bad faith to abuse the particularity of the Islamic principles, hence we have recommended for the bank to deduct from the accounts, of the defaulting borrowers who delay the payments intendedly, percentage of money to the charitable funds of ASBA.

Our study contributes in the literature; it has also managerial contributions , which are presented as follows:

- The present study contributes in the Islamic financing literature in general and it highlights particularly an area of IBs, which is the credit risk, by examining closely this issue in an Algerian Islamic bank. Furthermore it emphasizes a particular feature of the credit risk which is the key factors influencing it that has not been enough discussed in the literature of IBs.
- The present study contributes in decision making in ASBA by describing and presenting for the responsible of the credit granting, the key factors of the increase in the overdue amount.

As every study, ours has limitations. The first limitation was the nature and the small size of the sample of survey , in which all the respondents are individual borrowers , although the similarities of number of factors of the credit risk for both individuals and corporates debtors but there are several differences should be revealed in the future studies .

The second limitation is related to the findings of the study. The key factors of the credit risk revealed are specific to ASBA and they cannot be generalized for all the others IBs.

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# **ANNEXE A- QUESTIONNAIRE**

## Questionnaire aux clients d'AL- SALAMBANK Alegria



Nous avons l'honneur de solliciter un peu de votre disponibilité, pour répondre à notre questionnaire sur le risque de crédit à AL SALAM BANK- Algeria, dans le cadre de notre mémoire de fin de Cycle à l'Ecole Nationale Supérieure de Management ENSM. Merci d'avoir accepté de répondre à notre requête. La précision de votre réponse détermine le succès de notre étude et sera traitée de manière confidentielle.

### استبيان خاص بعملاء مصرف السلام

نتشرف بالطلب منكم التكرم و الاجابة على هذا الاستبيان لدراسة مخاطر الائتمان بمصرف السلام , في اطار مذكرة تخرج من المدرسة الوطنية العليا للمناجمنت . شكرا لموافقتكم على الاستجابة لطلبنا دقة اجابتم تحدد نجاح دراستنا وسيتم التعامل معها بسرية .

هل أنت عميل لدى بنك السلام ? Etes-vous un client d'AL SALAM BANK ?

اختر جواب واحد Choisissez une seule réponse

1. OUI نعم
2. NON لا

### Renseignements personnels

### البيانات الشخصية

A travers cette section, nous cherchons à identifier les clients d'Al Salam Bank

نهدف من خلال هذا القسم الى تعرف على زبائن مصرف السلام

اختر جواب واحد Choisissez une seule réponse

Quelle est votre agence ? أي فرع نتعامل معه ?

- |                                                   |                                        |                                               |
|---------------------------------------------------|----------------------------------------|-----------------------------------------------|
| 1. Dely Brahim دالي ابراهيم <input type="radio"/> | 6. Adrar ادرار <input type="radio"/>   | 10. Sétif سطيف <input type="radio"/>          |
| 2. Ouargla ورقلة <input type="radio"/>            | 7. Oran وهران <input type="radio"/>    | 11. Blida البلدية <input type="radio"/>       |
| 3. Kouba القبة <input type="radio"/>              | 8. Biskra بسكرة <input type="radio"/>  | 12. Sidi yahia سيدي يحي <input type="radio"/> |
| 4. Constantine قسنطينة <input type="radio"/>      | 9. Hassiba حسيبة <input type="radio"/> | 13. Batna باتنة <input type="radio"/>         |
| 5. Bab Azzouar <input type="radio"/>              |                                        |                                               |

باب الزوار

### Genre الجنس

1. Femme انثى
2. Homme ذكر

### Age العمر

1. 18-25 ans بين 18 و 25 سنة
2. 26-35 ans بين 26 و 35 سنة
3. Plus de 36ans اكثر من 36 سنة

### Qualification académique المؤهل العلمي

1. Sans diplôme بدون مؤهل علمي
2. Licence ليسانس
3. Master ماستر
4. Doctorat دكتوراه
5. Autre .....

### Quelle est votre catégorie socio-professionnelle ? ماهي مهنتك؟

1. Employé(e) موظف (ة)
2. commerçant(e) تاجر (ة)
3. Retraité (e) متقاعد (ة)
4. Cadre اطار (ة)
5. Autre

### Quel est votre revenu mensuel ? معدل مدخولك الشهري؟

1. Moins de 50000Da اقل من 50000 دج
2. 50001- 70000 DA اكثر من 50001 و اقل من 70000 دج
3. plus de 70001 DA اكثر من 70001 دج

**Q8** Quels sont les critères qui vous ont poussé à choisir ALSALAMBANK ?

لماذا

اخترت التعامل مع مصرف السلام

Vous pouvez choisir plus d'une réponse يمكنك اختيار اكثر من اجابة

1. La banque Fonctionne conformément aux dispositions de la Sharia يعمل وفق احكام الشريعة الإسلامية
2. La banque propose des produits adaptés à mes besoins الصيغ التمويلية المقدمة تتكيف مع احتياجات
3. La réputation de la banque سمعة البنك
4. La qualité de service (la rapidité) جودة الخدمة (السرعة)
5. Proximité et accessibilité des agences قرب و سهولة الوصول الى الوكالات
6. Je connais quelqu'un à la banque اعرف شخص في البنك
7. Transparence dans la publication des frais /taux de marges الشفافية في عرض التكاليف وهامش الربح
8. J'ai un compte ouvert dans cette institution لدي حساب جاري في هذه المؤسسة
9. Autre

**Q9** De quel type de financement bénéficiez-vous actuellement ?

ماهي الصيغة التمويلية التي تستفيد منها حاليا؟

Vous pouvez choisir plus d'une réponse يمكنك اختيار اكثر من اجابة

1. Musharaka مشاركة
2. Ijara إيجاره
3. Istisnaa استصناع
4. Bai'bi taksit بيع بالتقسيط
5. Mudarabah مضاربة
6. Murabahah مرابحة
7. Salam سلم
8. Bai'al ajil بيع الاجل

Domiciliation الوطن ( Vaut mieux poser une question)

1. CCP حساب بريدي
2. Compte courant bancaire à Al Salam Bank Alegria حساب بنكي جاري في مصرف السلام
3. Compte courant bancaire dans une autre banque حساب بنكي جاري في بنك اخر
4. Je paye en espèces أدفع نقدًا

**Q 14** À votre avis, comment Al Salam Bank traite les débiteurs défaillants ?  
في رأيك كيف يتعامل بنك السلام مع العملاء الذين يتأخرون عن الدفع؟

1. Elle ne les tolère jamais et elle applique immédiatement les sanctions légales لا تتسامح ابدا معهم   
و تتخذ ضدهم على الفور الاجراءات القانونية
2. Elle leurs donne une chance avant d'imposer des sanctions légales تعطي لهم فرصة قبل فرض   
عقوبات قانوني
3. Elle préfère les arrangements amicaux تفضل حل النزاع بطرق ودية
4. Elle est très indulgente avec eux متساهلة جدا معهم

Avant de demander le financement, aviez-vous envisagé la possibilité de ne pas pouvoir payer vos engagements ?

قبل طلبك للتمويل هل فكرت في احتمال عدم قدرتك على دفع مستحقات البنك؟

1. OUI نعم
2. NON لا

**Q 21** Si, oui pourquoi vous avez pris ce risque ?

إذا اجبت بنعم . لماذا قُمت بالمخاطرة ؟

2. Je pensais que les banques islamiques n'imposent pas de pénalités de retard  ظننت ان البنوك الاسلامية لا تفرض عقوبات عن التأخر في الدفع
3. Les offres proposées sont attrayantes  العروض المقدمة من البنك مغرية
4. Je pensais pouvoir payer régulièrement  ظننت اني استطيع الدفع بانتظام
5. Autre

### Analyse des impayés

### تحليل الارصدة الغير مدفوعة

A travers cette section, nous cherchons à identifier les clients d'Al Salam Bank  
هذه القسم مخصص لدراسة الارصدة الغير مدفوعة.

Aviez-vous déjà éprouvé des difficultés à rembourser vos échéances d'AL SALAM Bank ? هل سبق لك أن واجهت صعوبة في سداد المدفوعات الشهرية الخاصة بك؟

1. OUI نعم
2. NON لا

**Q 24** Bénéficiez-vous d'un autre financement d'une autre banque ?

هل تستخدم من تمويل آخر من بنك آخر؟

1. OUI نعم
2. NON لا

Avez-vous essayé de contacter ou partir à la banque pour renégocier un arrangement ?  
هل حاولت الاتصال او ذهبت للمصرف للتفاوض على حل؟

1. OUI نعم
2. NON لا

Q28 لماذا لم تفكر في الاتصال او الذهاب في البنك؟  
Pourquoi vous n'avez pas pensé à contacter ou à partir à la banque ?

1. Je n'ai pas eu d'explications convaincantes pour ce retard mais ma réputation est très importante pour moi  
لم يكن لدي تبرير مقنع للتأخر عن الدفع لكن سمعتي تهمني جدا
2. J'étais sûr que la banque ne fait pas pression aux clients et elle leurs donne du temps pour payer  
كنت على يقين أن البنك لا يضغط على العملاء ويمنحهم الوقت للدفع
3. Non , j'ai contacté la banque car il y avait un problème technique  
لا اتصلت بالبنك لانه كان هناك مشكل تقني

Avez-vous cherché un moyen pour rembourser vos engagements avant que la banque vous contacte ?  
هل بحثت عن طريقة لسداد التزامك قبل أن ينصل بك البنك؟

1. OUI نعم
2. NON لا

Nous allons vous montrer deux scénarios. Veuillez répondre à un seul scénario  
سوف نعرض عليك سنريوهان اختر الاجابة على واحد فقط

Scénario I : vous avez cherché une solution pour payer l'obligation avant que la banque vous contacte  
السبنااريو الاول: بحثت على حل لتسديد الالتزام قبل ان يتصل البنك بك

لمادا بحثت ؟ لماذا ابحثت قبل ان يتصل البنك بك؟  
على حل قبل ان يتصل البنك بك؟

1. Car ma réputation est très importante pour moi  لان سمعتي مهمة
2. Pour éviter les sanctions légales  اخاف ان تتخذ اجراءات قانونية ضدي
3. Pour éviter le paiement des pénalités de retard  لكي لا اضطر لدفع عقوبات التأخير
4. Autre ....

Scénario 2 : vous n'avez pas cherché une solution avant que la banque vous contacte

السبنااريو الثاني: لم ابحث على حل قبل ان يتصل البنك بي

Q34 Pourquoi vous n'avez pas cherché une solution avant que votre banque vous contacte ?

لمادا لم تبحث على حل قبل ان يتصل البنك بك

1. Le montant dû n'est pas important  المبلغ المستحق ليس كبير
2. Je ne connais aucune personne qui peut me prêter le montant requis  لا يوجد شخص يمكن ان يعيرني المبلغ المطلوب
3. Je n'ai pas trouvé une solution mais ma réputation est très importante pour moi  لم يكن لدي اي حل و لكن سمعتي تهمني
4. J'étais sûr que la banque ne fait pas pression aux clients et elle leurs donne du temps pour payer  كنت على يقين أن البنك لا يضغط على العملاء ويمنحهم الوقت للدفع
5. La banque avait un problème technique  كان هناك مشكل تقني

Autre...

Q35 Quels sont les facteurs de ce retard ? لماذا تأخرت عن الدفع؟

1. Un problème de santé  مشكل صحي
2. Une situation familiale inattendue  احداث عائلية غير متوقعة
3. (un problème financier) Je viens de perdre mon emploi (مشكل مالي)  فقدت عملي
4. La banque n'a pas prélevé de l'argent de mon compte courant postal ccp  لم يسحب البنك الأموال من حسابي البريدي الحالي
5. La banque n'a pas prélevé de l'argent de mon compte courant bancaire  لم يقوم البنك بسحب الأموال من حسابي البنكي
6. Mon salaire n'est pas arrivé à la date prévu sur mon compte courant,  لم يصل راتبي في تاريخ الاستحقاق على حسابي

Q36 Si vous payez en espèces, quels sont les facteurs à l'origine de ce retard ?

إذا كنت تدفع نقداً، فما هي العوامل التي تُثقف وراء هذا التأخير؟

1. J'habite très loin des agences d'ALSALAM BANK  أسكن بعيداً عن وكالات السلام
2. Je n'avais pas le temps  لم يكن لدي الوقت
3. Autre...

Avez-vous eu le financement par le biais d'une convention entre AL SALAM BANK et entreprise où vous travaillez ? هل حصلت على التمويل من خلال اتفاقية بين بنك السلام والشركة التي تعمل فيها؟

1. OUI  نعم
2. NON  لا

une seule réponse  جواب واحد

choix multiple  عدة اجوبة

# **ANNEXE B-INTERVIEW GUIDE**

<b>Thematic</b>	<b>Questions</b>
<i><b>POSITION OF ALSALAM BANK IN THE MARKET AND ITS PROBLEMS</b></i>	<ul style="list-style-type: none"> <li>✓ What is the actual position occupied by AL Salam Bank in the Algerian banking system?</li> <li>✓ What are the different difficulties faced by the bank that can affect its activity?</li> </ul>
<i><b>CREDIT RISK</b></i>	<ul style="list-style-type: none"> <li>✓ Do you record an increase in the amount of the overdue this period?</li> <li>✓ When did this situation start?</li> <li>✓ Who is the responsible of this situation?</li> <li>✓ What are the reasons behind the increase of the overdue amount?</li> </ul>
<i><b>Factors related to the client</b></i>	<ul style="list-style-type: none"> <li>✓ Which kind of excuses do the defaulted debtors provide?</li> <li>✓ In your opinion, why the defaulted debtors behave like this?</li> <li>✓ What do you suggest for this problem ?</li> <li>✓ Why does the borrower fail to repay his engagement regularly?</li> </ul>

<p><i>Factors related to the bank's staff</i></p>	<ul style="list-style-type: none"><li>✓ How do you select the borrowers?</li><li>✓ What are the criteria of the appropriate borrower?</li><li>✓ Could you clarify more the mechanism of the scoring?</li><li>✓ Do you think those information can allowed you to select the appropriate borrower?</li><li>✓ What are the human errors, which can happen and affect the credit risk and increase the amount of the overdue?</li></ul>
---------------------------------------------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------