



## Islamic Banking and the Perspectives of Savings Mobilization in Tunisia

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**Abstract:** This paper analyzed the prospects of Islamic banking perspectives in savings mobilization in order to finance the development process in Tunisia. Besides the examination of the savings reality in Tunisia, this study investigated and compared Tunisians' perceptions of savings in Islamic banks and conventional ones through a qualitative approach. The opinion poll of a sample of Tunisian adults proved that the potential of Islamic banking to mobilize savings is mediated by both the degree of Islamic banking saving awareness and contextual factors. Thus, Islamic banks can influence Tunisian savings by expanding knowledge of Islamic banking regardless of social demographic differences. Other obstacles to the adoption of Islamic savings products include the distrust and the questioning of the loyalty of Islamic banks as well as the limited number of Islamic banks and Islamic bank branches. Consequently, it is recommended to elaborate appropriate marketing strategies and highlight the specificities of Islamic savings products compared to conventional ones which in return would enable Islamic banking savings products to raise more funds for investment purposes.

**Keywords:** Islamic Banking, Hoarding, Financial inclusion, Savings, Tunisia

**JEL Classifications:** E21, N27, Z12

### 1. Introduction

Employment and regional development were basically the major requests of the Tunisian revolution of January 14<sup>th</sup> suggesting that Tunisia should then further consolidate its economic growth. In a context characterized by the scarcity and higher costs of external financing due to liquidity crisis and the competition among developing countries to access the available liquidity, the internal savings mobilization has to be further emphasized to finance development in Tunisia. Indeed, rating agencies such as Standard and Poor's, Fitch Rating<sup>1</sup> and Moody's have downgraded Tunisia's sovereign rating causing difficulties for the ability and access conditions to external financing.

<sup>1</sup> In May 25<sup>th</sup> 2018, Fitch Ratings has revised the Outlook on Tunisia's Long-Term Foreign-Currency Issuer Default Rating (IDR) to negative from stable and affirmed the IDR at 'B+'. This decrease in Tunisia rating is explained by increased pressures on external finances and the high uncertainty about the government's capacity to adopt required policies to reduce macroeconomic imbalances.



As an emerging economy suffering a harsh scarcity in natural resources, Tunisia needs a massive amount of savings in the medium and long terms to provide an ever growing investment for financial purposes. The Gross Domestic Savings (in Gross Domestic Product GDP) approximated an average of 22.44% from 1976 to 2010. Yet, it has experienced a dramatic decline since 2011 to reach 13.88 % in 2013 and 8.82% in 2016 (World Bank Indicators, 2018) due to the stressed economic conditions and the impact of the aggravation of financial imbalances on the behavior of the various economic agents (Tunisian Central Bank (TCB) Annual Report, 2017). Consequently, the Savings-investment balance gap (in GDP percentage) was established at -10.5 in 2017 (International Monetary Fund Country Report, 2018). Furthermore, this significant weakness in domestic savings has led to a decline in the financial system liquidity (TCB, 2017).

In this context, urgent measures should be taken to stimulate financial savings decisions and improve their canalization for an appropriate investment. Given the religious conviction prohibiting Riba (interest), some wealthy households refuse to save their money in conventional banks. The Islamic financial system can, therefore play a vital role in the economic development of Islamic countries by mobilizing savings that can be attracted outside of the conventional financial system (Iqbal, 1997). According to the Sharia principles, the “hoarding of money” is a prohibited act. It is considered as a negative type of savings. Indeed, it prevents money from meeting its economic functions through a circulation reflecting a real economic activity. Thus, it impedes economic development and prevents the individual from fructifying its funds for social welfare (Ruimy, 2008; Causse-Broquet, 2009). Moreover, in developing countries, households tend to rely on much more informal arrangements for their savings (Collins et al., 2009; Rutherford, 2000). In fact, Demirgüç-Kunt’s et al. (2014) study shows that religion may influence financial inclusion<sup>2</sup>. In this perspective, Islamic banking can boost the mobilization of savings and prosperity (Global Report on Islamic Finance 2016). As argued by Mohieldin et al. (2012), Islamic finance addresses the issue of “financial inclusion” or “access to finance”. In Tunisia, the level of accounts penetration (adult with account %) is only 27% in 2014 (World Bank, 2015). Among the 23 full service banks in Tunisia, only three Islamic banks – Al Baraka, Zitouna and Wifak founded respectively in 1983, 2010 and 2015 - may carry out more intense mobilization of financial resources by diversifying the offered financial products. In fact, these banks were backed by the new banking law n° 2016-48 of July 11, 2016 which has established a specific legal framework governing the overall exercise of Islamic banking in Tunisia.

This paper, therefore, aimed to analyze the opportunities offered by the development of the Islamic banking model in mobilizing savings in Tunisia. Through a deep examination of the savings reality in Tunisia, it tried to investigate Tunisians’ perceptions of savings in the context of Islamic banks and compare them to savings in conventional ones through a qualitative approach. The questionnaire addressed to some Tunisian adults (from June 2016 to March 2018) sought to determine whether the potential of Islamic banking to mobilize savings is mediated by the degree of Islamic banking awareness<sup>3</sup> or contextual factors (economic, social, cultural and personal factors such as sex, age, education...)-

This study attempted to add to the literature through a thorough exploration of the knowledge and preferences of Tunisian adults for Islamic banking savings products. The results of this study are of huge interest not only for Islamic banks, but also for the Tunisian authorities and researchers in Islamic finance. To the best of the authors’ knowledge, it is the first study that focuses on the contribution of Islamic banking in mobilizing savings in Tunisia.

<sup>2</sup> Financial inclusion is the access to financial services at affordable costs to large sections of disadvantaged and low income groups.

<sup>3</sup> E.g. the level of understanding and consciousness of the concepts of Islamic banking.



The remainder of the paper was organized as follows. The second section presented the potentialities offered by Islamic banking to mobilize savings. The third section highlighted the evolution and the structure of savings in Tunisia and focused on its limitations to meet the financial needs. The fourth section introduced the hypothesis of our study, analyzed the results of the questionnaire and forwarded many required conditions for a better mobilization of domestic savings by Islamic banks. Section 5 drew the major conclusions.

## 2. Islamic banking: A track to savings mobilization

Islamic banking, which advocates the prohibition of hoarding and contributes to a better financial inclusion, can increase savings mobilization.

### 2.1 The prohibition of hoarding

In Islam, the prohibition of hoarding stems in particular from these verses: "...And those who hoard gold and silver and spend it not in the way of Allah - give them tidings of a painful punishment. The Day when it will be heated in the fire of Hell and seared therewith will be their foreheads, their flanks, and their backs, [it will be said], this is what you hoarded for yourselves, so taste what you used to hoard." (Chapter 9 - Repentance (Etawba), verses 34 and 35)<sup>4</sup>. These verses have multiple meanings. To begin with, "spend in the path of God" gives hint to the payment of alms and Zakat (Causse-Broquet, 2009, 2010). Wealth must be purified: "The example of those who spend their wealth in the way of Allah is like a seed [of grain] which grows seven spikes; in each spike is a hundred grains. And Allah multiplies [His reward] for whom He wills. And Allah is all-Encompassing and Knowing." (Chapter 2 - The Cow (El Baqara), verse 261)<sup>5</sup>. Another meaning implied by the verses mentioned above is that the prohibition of hoarding relies particularly on the economic functions of money. The basic principle of Islamic economy is the circulation of money. Money must not deviate from its usual role as a medium of exchange and unit of account (Hideur, 2010). It should circulate among economic agents to stimulate the economy for the benefit of all members of society (Ruimy, 2008; Causse-Broquet, 2009). By imposing Zakat on hoarded goods, Islam ensured that money stays in the fields of consumption and investment, which is beneficial for the individual and society. In fact, the longer the duration of the hoarding is, the more the Zakat will absorb the hoarded capital. Abu Dhar Al-Ghifari<sup>6</sup>, one of the scholars of Islam, prohibits household savings that exceed the need for their children (Ibn Kathir, 2004). However, this opinion is disputed in the period of the Caliph Othman Ibn Affan<sup>7</sup>: the prohibition concerns savings which slows the economic growth. For instance, some projects require long-term savings due to the importance of their investment cost.

Moreover, if the flow of money does not reflect real economic transactions along with the absence of direct risk-taking, money cannot generate a legitimate income (Hideur, 2010). In other words, money can only grow if it is associated with physical capital and labor (Causse-Broquet, 2010). Money cannot be regarded as a commodity that is bought and sold (Kazi and Halabi, 2006). It must be backed by a tangible asset and invested in productive activity.

The increased hoarding in Muslim countries can be explained by the absence of "financial deepening" and the reluctance of the population towards the banking sector based on interest. Because

<sup>4</sup> Quran.ksu.edu.sa/

<sup>5</sup> Quran.ksu.edu.sa/

<sup>6</sup> Abu Dhar al-Ghifari was a companion of the Prophet Mohamed.

<sup>7</sup> Othman Ibn Affan was the third Caliph of Islam and reigned between 644 and 656.



of the quasi-absence of Islamic financial institutions until the 70s<sup>8</sup>, many Muslims prefer keeping their money at home rather than place it in a conventional bank. Some depositors of conventional banks refuse to use the interest received by the bank (Siagh, 2003). Other Muslims keep the money allocated to the pilgrimage at home because they believe in using purified money that is not be deposited in usurious banks. So, fortunes exceeding 100 million dollars are held outside of the economic circuit (Siagh, 2003). Therefore, Islamic finance is likely to attract savings for religious reasons and profitability (BID et al., 2013).

## 2.2. Islamic banking and financial inclusion

The development of the Islamic finance sector may enhance financial inclusion according to the Global Report on Islamic Finance (2016) prepared by World Bank Group and Islamic Development Bank Group. For example, in countries such as Indonesia, Malaysia, and Pakistan, the Islamic financial sector development and financial inclusion are integrated within the financial development plans or national development. In this context, Islamic finance can not only address the issue of “financial inclusion” by promoting risk-sharing contracts, but also through specific instruments of redistribution of the wealth among the society (Mohieldin, 2012).

Financial inclusion enables the increase of the account penetration and the use of financial services. Indeed, using an account at a financial institution in the past 12 months is among three main measures of financial inclusion<sup>9</sup>. Consequently, through the increase of financial inclusion, Islamic banks can contribute to mobilizing more formal savings in Muslim countries. In fact, Demircuc-Kunt et al. (2014) consider that Islamic finance is a possible channel through which the financial inclusion among Muslim adults can expand. Using a sample of more than 65,000 adults from 64 economies, they show that Muslims are significantly less likely than non-Muslims to save at a formal financial institution after controlling for other individuals and country-level characteristics. In addition, their survey of adults in five North African and Middle Eastern countries shows that despite their higher costs, there is evidence of a hypothetical preference for Sharia-compliant products. Furthermore, the investigation of Naser et al. (1999) concludes that, in Jordan, religious issues are essential for 70 percent of Muslims when choosing an Islamic bank. Nevertheless, there are no significant differences between Muslims and non-Muslims in Malaysia in their choice of a bank. Their main choice criteria are not religious. They are based on the quality of services, the duration of transactions and the reputation of the bank (Haron et al., 1994).

Tunisia is becoming increasingly aware of the importance of financial inclusion. In this respect, the mission of Banking Services Observatory has been expanded to include financial inclusion and an Observatory of Financial Inclusion was launched (new article 93 of the law n° 2016-35 of April 25th). Tunisian Central Bank (2017) notes that the main axes for strengthening Financial Inclusion are: (1) developing financial infrastructure, (2) protecting users of financial services, (3) developing new financial products and services that meet the needs of consumers and (4) ensuring the financial education quality<sup>10</sup>.

In Tunisia, regulators believe that some Tunisian people keep their money out of the financial system, which constitutes a potential demand for Islamic finance (BID et al., 2013). The awareness

<sup>8</sup> The first experience dates from 1963. The initiator of this experience is called Ahmed Al Naggar who created a savings bank allocated to finance agricultural projects. This experience lasted until 1972 when there was the nationalization of the bank and it lost its specificity.

<sup>9</sup> The other two criteria are : -Formal account which refers to the fact that the individual has an account either at a financial institution or through a mobile money provider; -Formal credit which refers to the fact that the individual borrowed from a financial institution in the past 12 months.

<sup>10</sup> Newsletter on the concept of Financial Inclusion, published by TCB in 27/4/2017.



of Sharia-compliant financial services is highest in Tunisia (57%) against 41% in Morocco and 35% in Algeria (Gallup, 2014). In addition, the study of Mcconaghy et al. (2015) note that it is estimated that 30 to 40% of the adult population (2.5 to 3.5 million people), and more than half of the firms in Tunisia (between 245 000 and 425 000 declared enterprises) do not have or have a limited access to the traditional financial sector. Yet, as highlighted by Demirguc-Kunt and Klapper (2012, p.11):« A formal account makes it easier to transfer wages, remittances, and government payments. It can also encourage savings and open access to credit ».

Nevertheless, the report of the World Bank and the Center of Arab Woman for Training and Research (CAWTAR) (2015) indicates that while Tunisia has focused its efforts on Microcredit in recent years, the demand for other financial services such as micro-savings services and inexpensive means of payment is greater. Their study was conducted with 1,200 Tunisians over 15 years old, in 17 governorates. It concludes that 64% of the Tunisian population over the age of 15 do not have access to formal financial services, or have minimal use of these services. The financial inclusion rate is only 36%. We conclude following Mouley (2014) that the degree of penetration of bank accounts is lower than the international comparators. Moreover, the study of World Bank-CAWTAR (2015) highlights that 81% of Tunisians are interested in micro-savings: they want to access a product to set aside small amounts daily or weekly. Yet, this product is not available in Tunisia until today. So, Islamic banking can contribute to establishing micro-savings in order to increase the savings collect. It is worth noting that as argued by Demirguc-Kunt et al (2014), Muslims are more likely to use conventional credit products than savings products since credit pressures are often greater than savings pressures.

### 3. Savings in Tunisia

This section looks into the evolution of savings at the macroeconomic level, its components and the key measures for its dynamism. The objective is to identify the stylized facts characterizing Tunisian savings.

#### 3.1 Evolution of savings

The Tunisian national savings has evolved (See Fig 1). Indeed, the national savings rate is around an average of 22.44 % during the period 1976-2010 (World Bank Indicators, 2018). It ranges between 20% and 27.5 % of GDP during this period. However, since the revolution of January 2011, the savings rate has shown a remarkable decline reaching 16% and 9.04 % in 2011 and 2016 respectively (World Bank Indicators, 2018).

Precisely, the evolution of the savings experienced different changes: between 1976 and 1985, the national savings rate was of 24.82% on average. It was unstable from 1986 to 1998. From 1999 and 2010, it fluctuated around 21% and 14% from 2011 to 2014 to settle at 10% in 2015-2016.

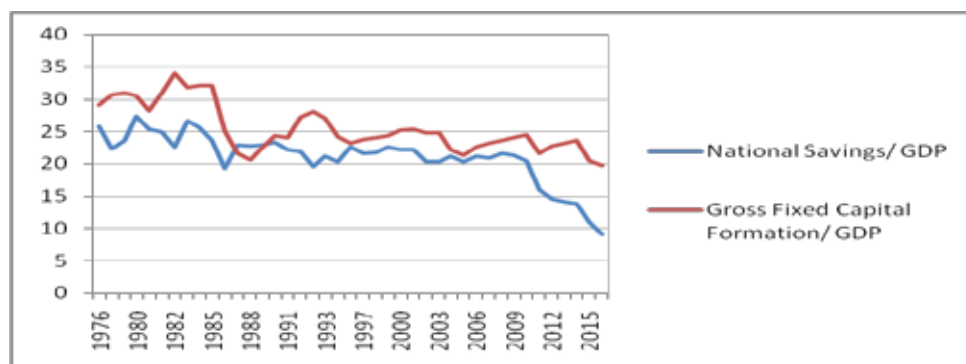
Fig 1 shows that the investment rate is almost consistently higher than the savings rate. The ratio National Savings/ GDP is about 21.06% on average over the period 1976-2018 while the ratio Gross Fixed Capital Formation/ GDP is about 25.30% on average for the same period (World Bank Indicators, 2018). The gap between the investment rate and the savings rate has grown in the early 80s and also from 1992 to 1995 of about 5 points of GDP. Nevertheless, the gap widened from 2011 to 2016 (10.6 in 2016). In 2017, National savings / Gross Fixed Capital Formation ratio is 50, 1% (TCB Annual Report, 2017)<sup>11</sup>.

Therefore, the Tunisian economy has experienced a need for funding. It suffers from a structural deficit of savings compared to investment as argued by Mouley (2014). Besides, the TCB's Annual

<sup>11</sup> The weak growth in savings in 2017 reflects the improvement in economic growth and the increase in Tunisian remittances abroad which have increased by 16.9% since 2016.



Report in 2017 notes a “structural weakness of savings” in Tunisia. Its level is structurally low compared to the MENA average (TCB Annual Report, 2017). So, the economic growth goal requires a higher investment rate and therefore a higher savings mobilization and more efforts to establish the “culture of savings”.



Source: World Bank Indicators (2018)

**Fig.1. Variation of National Savings/ GDP and Gross Fixed Capital Formation/ GDP ratios in Tunisia from 1976 to 2016**

### 3.2 Measures taken to mobilize savings

Since independence (1956), Tunisia has adopted some measures aiming at mobilizing savings particularly with Structural Adjustment Plan (SAP) in 1986: the trade policy was oriented to slow down the consumption through selective pricing and rationing the credit for consumption. Moreover, the liberalization measures have aimed at a better mobilization of domestic and external resources. Since the 90s, some measures have been taken to mobilize savings of Tunisian migrants: they can hold a savings account in foreign currency convertible in national currency with collateral against the currency risk. Also, they are exempt from customs duties for imported equipment.

Furthermore, new savings products aimed at the reorientation of savings to the financial market. The Share Savings Account launched in 1999 permitted to invest the funds in the stock market. Also, it offered tax benefits given the fact that the amounts deposited in this account are deductible tax up to a limit of 50% with a ceiling of 5,000 dinars per year<sup>12</sup>. The Investment Savings Account is a special account devoted to purchasing securities of companies for approved projects of Investment Promotion Agencies. It provides tax benefits. Besides, among the recovery measures for savings, we find the Bank Circular No. 2003-10 related to Special Savings Accounts (Financial Statistics, BCT, 2018).

In addition, Tunisian authorities have chosen to fix the interest rate of savings at a high level in order to stimulate the bank savings. In January 1987, the Tunisian Central Bank unified the remuneration of compensation and savings deposits indexed to the money market rate. Since January 2004, the remuneration of Special Savings Accounts has been modified by the introduction of the loyalty

<sup>12</sup> At least 80% of the funds deposited in the Share Savings Account are placed in publicly traded companies and the residue is placed in treasury bills.



bonus and the changing of the frequency of calculation and also the capitalization of interest (Apbt, 2005). Nevertheless, the decision of the Tunisian Central Bank in September 2011 to disconnect the remuneration savings rate from the Money Market Rate and to fix it at 2% seeks to ensure a minimum return to small depositors (BCT, 2013). The floor rate was then increased to 2.5% in December 2012 and 4% in April 2017 and recently in December 2017 at 5% (Financial Statistics, TCB N°202, 2018). However, if the interest savings rate is fixed at 5% and the inflation rate is about 7,7 % in April 2018 (National Institute of Statistics, 2018)<sup>13</sup>, the consumer suffers from a nominal devaluation of 2.7%. Consequently, he has no sufficient motivation for the renunciation to consumption. This does not encourage savings mobilization in interest-conventional accounts.

### 3.3 Features of savings

Tunisian savings presents many features and stylized facts including:

- A preference for precautionary savings: Precautionary savings allow providing against unexpected events (illness, unemployment, retirement)<sup>14</sup>. Deposit growth in special accounts reflects the preference for precautionary savings (TCB, 2013). Overall, in Africa, Demirgüç-Kunt et al. (2015) highlight that, while savings for old age is the main motivation for individuals worldwide and notably those of high-income economies, the main motivations of savings in Africa are “education” (21.3%) and “farm or business” (19.6%).

- Preference for non-financial savings: Savings can be both financial and non-financial. Financial savings include monetary liquidity, remunerated liquid savings (Special Savings Accounts, Housing Savings Account, etc...), securities (stocks and bonds) or life insurance. The non-financial savings are allocated to purchase housing, jewelry or land and productive assets by individual companies. Household savings is particularly oriented to housing investment. The savings in « Habitat Bank» have experienced significant growth from 570,912 million TND in December 2001 to 5143,544 million TND in December 2017 (Financial Statistics, TCB 2018).

- A mostly-banking financial savings: The financial markets do not yet play a key role in mobilizing savings and financing the real economy. Mouley (2014) indicates that the Tunisian financial market is weakly endowed with tools of savings mobilization. The Deposit Savings Account is the most used financial service. The total banking savings (excluding housing savings) experienced an increase of 166% from 2001 to December 2012 (TCB, 2014) and an increase of 54.33% from 2013 to 2017 (Financial Statistics, TCB 2018). In addition, the savings preference is increasingly confirmed for quasi-money bank deposits. Nevertheless, Labidi (2013) states that the dominant role of Tunisian banking sector in the savings mobilization of economic agents is among the factors that prevent the commitment of structural reforms towards a new model of development. Indeed, the Tunisian banking sector which suffers from weak capitalization (capital adequacy ratio is 8.69% in 2015) was not performing effectively (Hamdi et al, 2017).

- A low sensitivity of savings to interest rates: According to a study of the savings evolution over 1970-2002 by Apbt (2005), the volume of savings in Tunisia does not seem to be affected by the increase of interest rate despite the SAP of 1986, which in return indicates a low sensitivity to interest rate evolution. Furthermore, this study explains that “The complexity of the transmission channels of monetary and financial shocks in the real economy makes the “arbitrage” consumption-savings more dependent on other factors, notably those psychological” (Apbt, 2005, p. 8).

<sup>13</sup> <http://www.ins.nat.tn>.

<sup>14</sup> Household savings is motivated by different reasons: (1) precautionary savings, (2) voluntary savings to finance a project and delaying consumption in the future (e.g. retirement savings plan), (3) savings of capital accumulation to increase and accumulate wealth.



In sum, savings are largely non- financial and at short-term. The Qualitative surveys of Findex study in 2014 suggest that Tunisian people are not planning their spending and can quickly incur the financially insecure in the case of unexpected event or illness. This proves the need for savings and insurance services. On the other hand, it demonstrates an encouragement for a better culture of savings over the longer term<sup>15</sup>. Thus, efforts should be directed towards mobilizing more savings and notably long-term products. The question is a matter of both volume and structure. In this context, the development of Islamic banking may present opportunities for savings mobilization in Tunisia. Notably, “investment accounts” which are based on Profits and Losses Sharing, provide Islamic banks with more stable and long run deposits.

#### 4. Islamic banking and savings mobilization in Tunisia: A qualitative approach

##### 4.1. Hypothesis

Our qualitative approach aims to investigate Tunisian residents’ perceptions towards savings in the Islamic banking system and to compare them to the conventional one. The measure instrument was a questionnaire, which was completed by the respondents to access the potential role of Islamic banking in influencing the savings intention behavior. We notably investigated the following hypothesis:

H0: The potential of Islamic banking to mobilize savings is mediated by the degree of the Islamic banking saving awareness and contextual factors.

H1: The potential of Islamic banking to mobilize savings is not mediated by the degree of the Islamic banking saving awareness and contextual factors.

##### 4.2. Sample

The target population of this study consists of Tunisian adults aged 18 years and older who are likely to deal with a bank. The opinion survey of Tunisian adults was conducted through a questionnaire containing 25 questions (from September 2016 to March 2018). The questionnaire was addressed directly to 150 Tunisian adults, but the final achieved sample represents 75% of the initial one. The answers were collected from a “face-to-face” interview. There were multiples choice questions and others where the respondents need to justify and explain his/her answer. Furthermore, the demographic data about age, gender, level of education and contextual factors (economic, social and cultural factors) were also collected.

The majority of the respondents are men aged between 30 and 50. The sample was dominated by 30-60-year-old (68.29%) respondents who are more likely to save. So, this sample is appropriate to fulfill the objective of this research. The life cycle hypothesis advocated by Ando and Modigliani (1963), considers that agents borrow at about their market entry, save and accumulate wealth during their working lives, but dissave during their retirement. In addition, 80% of respondents have already had bank or postal accounts. Table 1 reveals the sample details:

**Table 1: Sample Description**

Gender	Age		Level of Education
Male 60.71%	21.81%	20-30	Primary-secondary 21.06%
Female 39.29%	68.29%	30-60	Superior 78.94%
	% Over 60	9.9	

<sup>15</sup> The empirical study of Zins and Weill (2016) for 37 African countries highlighted that “Savings habits” are different on the African continent compared to the world and that African people resort more to informal savings club or a person outside the family (21.6%) than to financial institution (15.4%).





### 4.3. Findings

Our findings show that the religious factor matters for almost half of the respondents in their choice of accounts in Islamic Banks (see Table 2). Indeed, 50% of the interviewed Tunisian adults choose an Islamic bank in order to be in conformity with the prohibitions of the sharia, notably the forbidden interest.

**Table 2: Religious factors and the choice of Islamic bank saving products**

Rank	Religious factors	Responses Percentage
1	Avoiding the forbidden interest	50%
2	Fulfillment of <i>Maqasid al sharia</i> by Islamic banks	46%
3	The <i>sharia compliant</i> activity of Islamic banks even if the agent loses the preferential treatment with conventional banks	44%
4	The <i>sharia compliant activity</i> of Islamic banks even if the quality of services are worse than those of conventional banks	34%

Meanwhile, 44% of interviewers are willing to lose the preferential treatment offered in conventional banks. Therefore, the survey conducted by the Islamic Development Bank for the Tunisian case in 2013 has shown that the criterion that encourages 55% of the population to deal with Islamic banks is “the compliance with the precepts of Islam”. This percentage is higher than that of our findings. This may be explained by the fact that, five years later, the Tunisian people are less convinced by the religious motive. This finding supports the results of Gallup (2012) which indicate that following the respect of Islam precepts, 31% of Tunisians people prefer loan from an Islamic bank although Islamic financing costs are higher than those of conventional banks. Manzoor’s et al., (2010) finding demonstrates that the main factor for the growth of Islamic banking in Pakistan is their compliance with the precepts of Islam. Additionally, the majority of Metwally’s (1996) survey respondents stressed the importance of religion, confidentiality and economic determinants in choosing Islamic banks. Muslims want the security and growth of their money without Riba (Rashid et al., 2009).

Furthermore, our questionnaire suggests that although the level of awareness seems high (72% of the Tunisian respondents, see Table 3), the use of Islamic banking accounts is low. This result is in line with that of Naser et al. (1999) for the Jordanian case, which concludes that the use of Islamic banking was much lower despite the high awareness level. In their study, they conclude that 38% of the respondents had neither savings accounts nor investment accounts. This result means that the higher level of understanding of Islamic banking specificities does not lead automatically to an important use of Islamic banking products. So, the understanding should not be limited to the fundamental principles of Islamic banking but integrates the characteristics of the Islamic financial product. Indeed, Gerrard and Cunningham, (1997) indicate that although the people in Singapore are aware of the fundamental Islamic principles, they do not understand the meaning of specific Islamic financial terms like *mudaraba*, *musharaka* and *ijara*. Thus, we can conclude that the major hurdle hampering the popularity of Islamic savings products is the lack of knowledge regarding these products and their specificities. In fact, 87% of the respondents do not know “what accounts can be opened at Islamic banks” (see Table 3).

**Table 3: Awareness about Islamic bank saving products**

Rank	Nature of Awareness	Percentage responses
1	Islamic banks are interest-free banks	72%
2	Having a simple idea about Islamic finance	61%
3	Knowledge of the differences between Islamic banking and conventional banking.	40.6%
4	Knowledge of types of accounts which can be opened in Islamic banks	12%

In addition, our findings identified many factors considered as obstacles to the mobilization of savings through Islamic banking. Among those representing economic concerns, we note the reduced remuneration of savings in Islamic Banks compared to conventional ones (67%), more expensive transactions costs due notably to the distance separating the clients from Islamic banks branches (there are three Islamic banks in Tunisia) and the riskier nature of Islamic banking savings. We may also add the lack of trust and confidence in the Islamic bank abilities to be more loyal in its operations than the conventional ones (63%).

**Table 4: Main others hindrances to the popularity of Islamic bank products**

Rank	Arguments	Percentage responses
1	Less savings remuneration in an Islamic Bank compared to a conventional one	67%
2	Less confidence in the loyalty of the Islamic bank operations compared to the conventional ones	63%
3	More expensive operations of Islamic banks compared to the conventional ones	51%
4	Riskier saving in Islamic Banks compared to saving in the conventional banks	28.3%

Consequently, our findings highlight that the respondents' level of understanding Islamic banking saving products and economic concerns appear as the main factors influencing Islamic banking savings. Thereby, Islamic banks can influence Tunisian savings by a better disseminated knowledge of Islamic banking and a bigger economic attraction regardless of demographic differences. The Tunisian savings was not affected by the demographic factors (sex, age, level of education) given that when we classify the responses by gender, age group, we find the same percentages, which means that the choices are not affected by these personal demographic factors. Besides, the social and cultural factors do not seem to affect the choice of Islamic banks savings since respondents from different social backgrounds reveal the same preferences when they come to choosing bank savings.

#### 4.4. Discussion and Recommendations

The evidence of our qualitative investigation shows that Islamic banks are lacking advertisements for their saving products. Then, Bank Managers should direct more of their attention to develop and implement marketing strategies and to improve the quality of their services. By following these steps, the hurdles of the expansion of Islamic bank saving can be removed. For example, Islamic banks have to appoint some agents who explain in a simple and clear way the strengths of Islamic savings products for their clients. However, some of the other conditions that are required to guarantee the development of savings in Islamic banking are:

- Avoid the simple substitutability between savings in Islamic and in conventional banks: If Islamic banks are confined to substitute conventional banks, they cannot mobilize more savings (BAD, 2011). So, Islamic banks carry out "net contribution" to saving mobilization.



- Offer Islamic banking savings products with comparable advantages to those of conventional ones: In 2011, African Development Bank highlighted that Islamic products are more costly than conventional bank products.
- Elaborate suitable regulatory background permitting to establish Islamic windows in conventional banks: As suggested by Taktak and Ben Slama (2014), it is necessary to adopt a specific legal and fiscal framework to allow conventional banks to open Islamic windows.
- Enjoy a better remuneration of investment deposits in Islamic banks to attract funds: The higher performance of banking account requires high profitability, high transparency, good governance, and skilled human resources.
- Ensure a moderate inflation level because the inflationary process in which is committed the Tunisian economy since 2011 impedes the mobilization of financial funds at both Islamic and conventional banks.
- Guarantee political stability which helps to enable more savings in both Islamic and conventional banks: In fact, the potential of the development of Islamic products requires a favorable political environment, the adoption of Islamic financial legislation and the increasing institutionalization of the Tunisian Islamic sector (Taktak and Ben Slama, 2014).

## 5. Conclusion

Facing the challenges of financing economic growth, Tunisia can further rely on the intense mobilization of domestic savings through the development of Islamic banking. We emphasized the fact that savings in Tunisia is small compared to the financing needs of the economy. Two main issues need to be answered: How to mobilize more savings? How to channel savings towards long term savings? The Islamic finance which forbids hoarding can offer a solution to mobilize funds and assign them for the financing of the real economy. Furthermore, through the improvement of financial inclusion, the Islamic banking is able to mobilize more funds.

Our qualitative approach aimed to investigate Tunisian residents' perceptions towards savings in Islamic banking system and compare them to the conventional banking. The opinion survey of a sample of Tunisian adults conducted through a questionnaire demonstrates that the potential of Islamic banking to mobilize savings is mediated by the degree of Islamic banking saving awareness and economic factors. The religious factors accounts for almost half of the respondents in the choice of Islamic banking. Further, we concluded that the Islamic bank can influence Tunisian savings by a better knowledge dissemination on Islamic banking regardless of demographic differences. Others hurdles of the popularity of Islamic savings products are the lack of trust and confidence in the loyalty of Islamic banks and economic concerns related to a reduced remuneration, more expensive transactions due to small number of Islamic banks causing a hindrance to the proximity of Islamic bank branches.

To improve the mobilization of savings in Islamic banks, the main recommendations consist in avoiding high costs of Islamic banking, inadequate regulatory framework, shortcomings in terms of transparency, governance and liquidity management, high inflation level and lack of political stability.

The results of this study are optimistic about Islamic banks and Tunisian authorities. Bank Managers should focus more on developing and implementing marketing strategies and improve their services quality. As for the government, it ought to create an adequate regulatory framework.

Nevertheless, this study might have been limited in issues related to collecting and interpreting the results and the sample's size. First, the fact that the questionnaire was distributed over a specific period of time might limit the respondents' perception longitudinally. Second, the sample size was somehow small.

As a perspective, our future research can include the perception of Tunisian adults of other Islamic finance products such as Islamic investment funds or Takaful.



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