

## Islamic banks in Tunisia: Vision and figures

In the case of Tunisia, Islamic finance made its first appearance in the early 1980s in the banking sector with the creation in June 1983 of the offshore bank called BEST Bank (Beit Ettamouil Saoudi Tounsi) between Sheikh Salah Abdallah Kamel and the Tunisian state. Since that day, several changes have marked the evolution of the legislation governing Islamic finance in the country, which has created the mosaic that currently characterizes the Tunisian financial market and the development of its figures. With banking structures offering diversified financial services, the figures exploded especially after the promulgation of a law governing its financial structures in 2013, modified and developed in 2016 and 2022. KARIM AMOUS explores.



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### Quality of service

A study carried out in 2022 shows that Tunisian customers of Islamic banks consider that factors such as perceived quality of service as well as trust and compliance with Shariah are of significant importance when making a decision about Islamic financial institutions. This then requires banks to pay particular attention to them in order to respond to the concerns of their customers.

Similarly, trust in Islamic banks is based on compliance to Shariah for clients who want to feel that they can trust Islamic banks in their investments. This is consistent with the literature, which proposes that the level of trust is a function of the level of risk.

Regarding the quality of the service factor offered by Islamic banks, customers attach great importance to the various services delivered by banking establishments such as the time required for the approval of financing, respect from the personnel in contact, the follow-up on requests from customers, the transaction speed of financial operations and such.

The results of the study revealed that there is a moderating effect of gender and age between the choice of an Islamic bank and these determinants (quality of service, trust and compliance with Shariah).

Women are more sensitive to the choice of Islamic banks than men. The form of service delivery, the level of trust and the compliance of a financial institution with Shariah will influence women to choose this bank more than men. This encourages us to advise Islamic financial institutions to adopt gender as one of the main criteria for segmenting and classifying their customers.

Similarly, the age of the consumer exerts a moderating effect on the relationship between the choice of an Islamic bank and the quality of service/trust/compliance with Shariah. Those below the age of 35 have a greater propensity to choose their Islamic bank based on the perceived quality of service, the trust granted to the financial institution and its compliance with Shariah than those above the age of 35.

This study is justified by the development of the figures made by the Islamic financial institutions of the place. The next part of the article will tell you more.

### The previous year in numbers

The net result of the three Islamic banks active in Tunisia recorded, over the past two years, an exceptional increase of 265% to reach TND62 million (US\$19.33 million), according to the annual report on banking supervision published by the Central Bank of Tunisia.

The cost to income ratio of Islamic banks also improved by 12.9 percentage points compared with the previous year, to stand at 56%; this level remains high since the three banks are in an expansion phase.

This development is the result of the combined effect of certain elements, namely: the doubling of a bank's net profit in relation to the increase in credits resulting in an increase in its profit margin and its net banking income (NBI) and the drop for another bank of the cost of risk in connection in particular with the exceptional measures relating to the postponement of maturities and recovery on certain classified relationships.

Similarly, the NBI of Islamic banks recently experienced a significant improvement of 39.1% against 18.5% a year earlier, and remains dominated by the strong contribution of the profit margin, ie 71%.

These banks account for 7.4% of total deposits and 6.2% of total loans in the banking sector. For the operating jobs of these banking institutions, they amount to

US\$6.61 billion registering an increase of US\$1.11 billion or 20.1% compared with the previous year.

The credit portfolio of Islamic banks reached US\$5.75 billion million composed mainly of Murabahah (72%) and Ijarah (15.5%) operations. The resources of Islamic banks evolved at the same rate as the previous year, ie 16.4%.

According to the Central Bank of Tunisia, the activity of Islamic banks in Tunisia has developed strongly. Indeed, the share of assets they hold has increased from 5.1% to 6.4% in three years.

The outstanding amount of classified loans of Islamic banks went up by US\$38 million (or 9.9%) compared with the previous year to stand at US\$430 million.

The deposits of banks engaged in Islamic operations amount to US\$6.12 billion and are made up of 36.4% by current accounts, 41.4% by savings accounts and 15.9% through participatory deposits. The medium- and long-term resources of Islamic banks increased slightly, against a decline over the last two years, to only constitute 1.6% of the total operating resources of Islamic banks against 5.3% of the previous three years.

### Ambitions for the end of 2022

The effect of legislation on the development of financial services in Tunisia has meant that Islamic banks (Al Baraka, Zitouna Bank and El Wifak) aim to hold, by the end of 2022, 15% of banking assets, against 6.5% previously. This should help support the Tunisian economy and attract foreign capital. Islamic banks are unable to reinvest excess deposits; Law No 48 of 2016 adopted in July 2016 will allow local Islamic banks and foreign banks wishing to invest in Tunisia to find windows specialized in Islamic finance.

In this sense, control mechanisms will certainly be put in place, as soon as the legislative and procedural texts governing the Islamic finance sector are finalized. ☺