The role of trust in SMEs financing by participative banks: an exploratory study in the Moroccan context.

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Déclaration de divulgation : L'auteur n'a pas connaissance de quelconque financement qui pourrait affecter l'objectivité de cette étude.

Conflit d'intérêts : L'auteur ne signale aucun conflit d'intérêts.

Pour citer cet article : FELLAH. S, & BENSBAHOU. A (2024) « The role of trust in SMEs financing by participative banks: an exploratory study in the Moroccan context », African Scientific Journal « Volume 03, Numéro 23 » pp: 0885 – 0924.

Date de soumission : Mars 2024

Date de publication : Avril 2024

DOI : 10.5281/zenodo.11202705

African Scientific Journal
ISSN : 2658-9311
Vol : 3, Numéro 23, Avril 2024

Abstract :

Participative banks face significant distinctive risks, due to the specificity of their intermediation model and products. SME financing represents a high risk for these banks, because of the informational opacity and lack of visibility that characterize this category of company. The insufficiency of objective data for risk assessment has led researchers to introduce other subjective elements. This involves taking into account the social interactions between the banker and the company manager, creating a certain psychological comfort that facilitates communication and coordination between the two parties, and thus the building trust on both sides. The lack of research on the role of trust in the bank financing relationship in general, and in the context of participative banking in particular, leads us to adopt an exploratory approach. The aim of our study is to discover how trust (which can be built in the banking relationship) can impact the conditions of SME financing by participative banks in the Moroccan context. The questions concerned financing through Mourabaha, the only product offered by Moroccan participative banks. Semi-structured interviews with branch managers and bank advisors revealed that trust in the participative financing relationship has five determinants: the duration of the relationship, the interaction with the company manager, the perception of his competence, benevolence and integrity. The results also showed that trust has a positive impact on the financing conditions (access, cost, guarantee) granted by participative banks to SMEs.

Keywords: SMEs, participative banking, trust

1. Introduction :

Constraints on access to suitable financing represent serious obstacles that hinder the creation and growth of small and medium-sized enterprises that rely on external financing. For the case of Morocco, one in five companies resort to external financing and 69% of SMEs and micro-enterprises suffered from difficulties in accessing bank financing according to 2019 statistics[1]. 61.8 % of SMEs that did not receive a favorable response said that the insufficient collateral required by the bank was the main reason for the bank's refusal to finance them, and 24.1 % said that the reason for refusal was a lack of trust in the company.

The bank's decision to grant credit depends mainly on the quality of the information collected about the company applying for funds. As a result, the informational opacity that characterizes SMEs makes it complex to assess the quality of the company in order to decide whether or not to finance it. Generally speaking, the bank's decision is based on the production of quantifiable information ("Hard" information) based on an assessment of the company's achievements and financial prospects, in order to quantify the risk and thus estimate the probability of default. This is the transactional lending approach, based on objective risk evaluation using financial information provided by the company and other information from the environment.

This type of loan is based on the establishment of limited-time relationships, based on contract. These are anonymous relationships in which the customer represents a mere figure for the bank. According to Ferrary (1999), "The instrumentation of risk assessment for SMEs comes up against the difficulty of objectifying information" (Ferrary 1999). In fact, the financial elements on which Scoring is based do not make it possible to forecast sales for uncertain future conditions. Ferrary (1999) states that "it is impossible to determine a bankruptcy probability distribution based on a file profile characterized by a set of objective data". Assessing risk objectively, without taking into account contextual and subjective elements, and ignoring the person behind the project, does not allow us to estimate the real risk associated with financing. In addition to the inadequacy of objective valuation, there is the "punctuality assumption that transactions are entirely separate from all other past, present or future transactions" (Mandard, 2012). In other words, a transaction cannot be separated from those that precede or follow it. Hence the need to focus on personalized links based on lasting relationships. In this sense, the relational component includes a temporal element. This is relational financing, characterized by the establishment of a long-term relationship that enables the bank to accumulate private information not available in public thanks to multiple exchanges with the same corporate client

[1] Haut Commissariat au Plan

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(Berger and Udell, 2002, 2006), giving the latter the chance to develop a reputation and thus reduce information asymmetry (Diamond, 1989; Eber, 1999). In this way, each renewal of a loan contract is synonymous with recognition of the company's ability to honor its commitments (Lehman and Neurberger, 2001).

However, the long-term relationship does not eliminate the risk of opportunism. Opportunism may come from the bank, which may exploit the informational monopoly it holds over the company to grant it disadvantageous funding conditions in the future (Sharpe, 1990; Rajan, 1992; Boot, 2000). SMEs that maintain long-term relationships with their banks are more exposed to the "hold-up" problem (Berger and Udell, 2002). The company may also adopt opportunistic behavior in the context of a long-term relationship, is the "soft budgeting constraint" as defined by Boot (2000). In fact, the company may abuse its relationship with the bank and ask for additional loans, even though the company's situation requires it to be wound up. The long-term relationship between them obliges the bank to extend credit in the hope of recovering the funds granted. These contradictions are explained by the fact that the long-term banking relationship is analyzed from an economic point of view, taking into account only concrete information. The duration is considered a transactional variable, not a relational one. Gardés and Maque (2012) state in this regard that "while the duration condition seems necessary, it is not sufficient. It's not so much the duration per se as the way in which the parties wish to manage their relationship (duration not excluding a transactional approach to the relationship) that matters...It all depends on how the advisor, the bank and the company wish to manage their relationship". To study the relational aspect, we need to treat the financing relationship as a process of social interaction between banker and entrepreneur, enabling the production of mutual trust. In other words, the relationship between the two parties must be socialized because it is economically justified (Ferrary, 2001), i.e. their dependence on each other justifies the socialization of their exchanges, taking into account the interpersonal social interactions between banker and entrepreneur. These social interactions give rise to a certain psychological comfort that facilitates communication and coordination between the two parties, and thus the creation of mutual trust. In this way, the trust that emerges could play a very important role in the financing relationship of SMEs, which are characterized by a high level of informational opacity. The lack of information on these small and medium-sized structures can be rewarded by social interactions that enable us to get to know the person behind the project. A relationship based on trust is the best alternative to a purely commercial relationship based on quantifiable elements.

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ISSN : 2658-9311
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In contrast to conventional banks, participative banks are considered to be ethical banks, founded on a morality dictated by Islamic law, which aims to guide behavior, achieve social equity and prevent injustice. The Islamic vision does not correspond to classical maximalist rationality, which thinks only of one's own material and especially individual interest to the detriment of the collective interest. Rather, it has broader objectives that combine the realization of benefits with efforts to ensure spiritual health (sentiments and moral values), justice and well-being at all levels of human interaction (Chapra 2000). According to Beekun and Badawi (2005), the three main criteria of Islamic ethics in business management are: justice (Adl), trust (Amana) and benevolence (Ihsan). Thus, the application of ethics encourages the economic operator to act not only for material objectives, but also to integrate moral values and social motivations. Participative banks therefore face the challenge of reconciling the traditional practices of conventional banks with the requirements dictated by Islamic law. We can then suggest that participative bank is more likely to rely on trust and social interaction when it comes to relationships with SMEs characterized by informational opacity.

The paucity of literature on the role of trust between SME managers and bankers in bank financing relationships in general, and its scarcity in the context of participative banks, prompted us to explore the effect of trust in participative bank financing relationships. We have decided to adopt a qualitative exploratory approach, which will enable us to draw on the experience of participative bank advisors using an empirico-inductive approach. Indeed, "empirical exploration remains appropriate, however, when the researcher is interested in poorly understood phenomena...inductive-type inferences are appropriate because they make it possible to make sense of observations about which the researcher knows nothing" (Thietart et al , 2014).

Given the specificity of our variable (trust), which has a social dimension and reveals a complexity in its implementation, we decided to adopt a comprehension approach through direct contact with the field, interacting with bankers in order to obtain a wide range of information from which to draw conclusions. We therefore felt that the interpretivist approach is best suited to our research, which has an exploratory dimension.

Adopting an exploratory approach, our aim is to show how the introduction of trust into the financing relationship of participative banks enables SMEs to cope with the difficulty of accessing financing. We aim to answer the following questions: what are the main determinants of trust perceived by participatory banks with regard to SMEs? What is the impact of this trust on SME financing conditions? Our study was carried out in the Moroccan context through a series of semi-structured interviews with branch managers and corporate customer advisors at five participative banks and one participative window in several cities. The questions concerned SME financing through the different types of Mourabaha, which is the only available product adapted to SME financing for both operating and investment needs.

Our article is structured as follows: The first part is theoretical and concerns a review of the literature on: fist, the informational opacity of SMEs; second, the particularity of credit risk in participative banking; third, the definition of trust as a social phenomenon and its anchorage in Islamic principles. The final section presents empirical studies on the impact of trust on financing conditions. The second part is empirical, and is devoted to the presentation of the results of our exploratory study, namely: the determinants of trust in the context of the participative financing relationship and the impact of trust on the conditions of financing granted to SMEs by participative banks. We ended with a discussion before passing on to the conclusion.

2. Literature review:

2.1. The opacity of SMEs is at the root of their financing difficulties:

Unlike large companies, the most important factor characterizing SMEs, often cited in the literature, is informational opacity (Berger and Udell, 1998). Opacity can be defined as "the inability of potential external financiers to fully understand the risk characteristics of companies, potentially due to poor business history or the lack of complete and reliable financial information available" (Vigneron, 2008). According to the literature, it is difficult to assess the risk associated with the financing of these structures, which makes them subject to credit rationing. In other words, their opacity is the main cause of their limited access to financing from financial institutions (Ang, 1991; 1992). Thus, Binks and Ennew (1996) confirm that start-ups have more difficulty in accessing finance than larger companies because of their lack of transparency. These small and medium-sized entities find themselves unable to demonstrate their good health in a concrete and credible manner in line with bank expectations, which limits the banks' willingness to finance them (Levratto N, 2000). This is the institution's natural behavior when faced with a lack of information and visibility.

The information opacity of SMEs is due to several factors. SMEs generally have an opaque information system, and the weakness of their information system is reflected in the deficiency of information (Binks and Ennew , 1997). This is also reflected in the quality of their financial statements, which are often considered inadequate. Thus, the lack of complete financial information overexposes them to credit rationing. Bink, Ennew and Reed (1992) also point to

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ISSN : 2658-9311
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the inability of entrepreneurs to assess their projects and their projected profitability, regardless of their willingness to share information.

These small and medium-sized structures generally have a short history, and the problem becomes more complicated when it comes to the birth of a small unit with no informational history. They also lack official records, and are often not listed on the stock exchange, so are not subject to reporting obligations. Anxious to maintain secrecy, SMEs believe that financial communication to the public does not concern them, and prefer to hide their information for fear of competitors and/or the tax authorities. So they prefer to provide little or incomplete information, as long as disclosure is not an obligation for them. All these conditions overexpose them to financing difficulties caused by the lack of transparency about their real situation.

2.2.Particularity of credit risk for participative banks:

Credit risk or counterparty risk, also referred to financing risk for participative banks, can be defined as the potential losses a bank assumes as a result of financing granted to an economic agent. This agent is unable to honor its commitments on a provided date as stated in the contract. The definition of credit risk is identical to that of conventional banks. The IFSB defines it as the risk that a counterparty will not fulfill its obligations in accordance with the agreed terms. Participating banks may be exposed to credit risk in all their contracts, depending on the nature of the instrument. Credit risk arises when the bank delivers a good or commodity in the case of Murabaha, advances funds in the case of Istisna and Salam, or rents an asset in the case of Ijara, before receiving the counterparty for the financing provided, thereby exposing it to a potential loss. In the case of participation contracts (Moudaraba and Moucharaka), the credit risk arises when the entrepreneur refuses or is unable to pay the bank his share of the profits.

The credit risk for participative banks is heightened by the specific nature of their activities, which must comply with the precepts of Shariaa law. Under Islamic law, participatory banks are not allowed to charge penalties for late payment. In other words, the margin fixed in the contract cannot be revised upwards. This is not the case with conventional banks, which can always calculate interest pending payment of the principal amount. This means that the bank is obliged to reschedule the debt without increasing the margin, or to allow the borrower sufficient time to settle the situation and pay off the loan. If the customer refuses to pay, the bank must prove its bad faith in order to claim compensation for the amounts not repaid. Legally speaking, the borrower's failure to comply with the contractual clauses is the only condition that can justify the application of penalties. In other words, "only the borrower's fault could justify the application of pecuniary sanctions likely to enable the lender to recover not only the nominal

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amount lent but also the expected profit. Thus, situations of force majeure or automatic acceleration of the term due to events not attributable to the borrower may pose a problem" (Grangereau and Haroun, 2004). In fact, the absence of penalties, which can exert pressure on the borrower to pay off the loan, exposes the bank to the risk of customer default.

2.3.Social ties and resulting trust as regulators of financing relationship:

To demonstrate the importance of social ties and the trust they engender in economic relations, we need to refer to Granovetter's embedding theory. The author states that exchanges in rational economic markets are impacted by social ties between individuals. In other words, interpersonal relationships between individuals have an impact on their professional relationships. The value of interpersonal social relationships in managing uncertainly situations is the resulting trust. Granovetter (1985) states that " This embeddedness argument emphasizes the role of concrete personal relations and structures (or “networks”) of such relations in generating trust and discouraging malfeasance". Indeed, market exchange embedded in social relations gives way to interpersonal knowledge between economic actors, which generates mutual trust and facilitates coordination.

A purely economic exchange is based on obligations specified in advance in the contract, whereas a socially embedded exchange calls on the notion of commitment, based on trust. Indeed, the individual will not be concerned with the instantaneous exchange, but rather with preserving the lasting, trusting personal tie that will be built up with the other party. Granovetter (1985) states that " I have argued that social relations, rather than institutional arrangements or generalized morality, are mainly responsible for the production of trust in economic life".

In the context of a bank financing relationship, information that is not conventionally required cannot be requested by the bank advisor if the company manager is unwilling to disclose it voluntarily. This type of information cannot be obtained in a purely commercial contractual exchange. Private information requires the socialization of the exchange. From this point of view, the insufficiency of traditional risk assessment and control mechanisms can be overcome by "the quality of the social link between bank advisors and borrowers, since the density of interpersonal relations gives access to information that is inaccessible in the context of strictly professional relations" (Ferrary, 1999). In this way, the financing contract is not just a transfer of financial resources, but also a basis for the creation of a social tie through which "emotions and social constraints" (Ferrary, 2006) are transmitted, enabling the creation of a climate of trust and confidence between the two parties, and thus the transfer of private information. This

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socialization of the financing relationship does not guarantee financing, but it is a necessary condition for reducing uncertainty.

The production of trust is dependent on long-term interactions that allow for the knowledge of a person's qualities (whether or not they respect commitments) and the creation of a certain intimacy (friendship) that creates a mutual obligation that guides the actions of both parties. In this context, it's in the individual's interest to preserve the present relationship by respecting commitments and avoiding behaviors that could undermine trust, thus creating the potential for a future relationship. The desire to make a lasting commitment motivates actors to enter into relationships based on trust (Gulati, 1990).

Repeated interactions over time are a key source of trust, as long-standing knowledge proves its worth. Repeated transactions enable the accumulation of information about the individual, and thus the formation of a judgment about his or her behavior. This reasoning is in line with the definition of trust proposed by Ring and Van de Ven (1994), who state that "trust in the goodwill of other parties is a cumulative product of repeated past interactions among parties through which they come to know themselves and evolve a common understanding of mutual commitments ". This form of trust is based on a judgment about the quality of the person, and takes the form of optimistic expectations about future reciprocal practices. Each party is in a position of dependence on the other, and therefore runs the risk of being vulnerable (Mayer et al, 1995).

The social tie and trust that arises between entrepreneur and banker will be a prerequisite for the transfer of financial resources, insofar as the social ties will be the means of obtaining the information needed to make financing decisions (reduction of information asymmetry). After the transfer of resources, it will be a means of observing the use of allocated financial resources. This observation will enable decisions to be taken in terms of future interactions between the two parties and the transfer of new resources. Thus, the completion of the exchange will contribute "either to strengthening the social bond, or to breaking it. The denser the social tie, the greater the resources transferred" (Ferrary, 2006).

The integration of trust into the bank financing model shifts the banking relationship from the classical economic approach (transaction cost economics and agency theory) to a more complex approach in which interpersonal relationships are taken into account (Barney, 1990). And so trust is born of credible information derived from previous experiences with the person. Trust is born of frequent contact, enabling the development of lasting relationships (Lewicki and Bunker, 1996).

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A study carried out by Howorth and Moro (2006), on the relationship between entrepreneurs and bank managers, shows that granting trust can increase trustworthy behavior, indeed, companies that perceive that their banker trusts them are more likely to behave honestly. They add that close monitoring by the bank can lead to a decline in trust and encourage less trustworthy behavior on the part of firms (Howorth and Moro, 2006).

2.4. Definition of trust and its rootedness in Islamic ethics:

2.4.1. Definition of trust:

Trust is a difficult concept to define. The diversity of approaches that have adopted the notion of trust is explained by the diversity of contexts in which the concept has been mobilized. Economists, starting from the principle of maximizing personal satisfaction, propose a calculating definition of trust that is not very operational and only emerges with the presence of governance mechanisms (contractual mechanisms). This rational approach has been widely contested by behaviourists, who defend the existence of trust in economic exchange even independently of legal protections.

Trust appears to be a multidimensional concept with multiple logics, sometimes appearing as a cause, other times as an expectation, an effect or a result. It is considered, for example, as a cause (common norms within communities) enabling economic performance to be measured (e.g. Fukuyama, 1995). Some authors have treated it as a result of factors attributed to the individuals with which we interact. (e.g. Mayer et al, 1995), while others have defined it as shared positive/social expectations (e.g. Zucker, 1986; Hosmer, 1995). Thus, trust cannot be considered as a behavior, as in the case of cooperation, or as a choice, as in the case of risk-taking, but rather as the cause or result of these actions. The variation in the level of risk and interdependence affects the level and the form of the resulting trust. According to the literature, trust can take several forms, most of which fall within the typology proposed by Zucker (1986), who distinguishes 3 forms of trust:

Interpersonal trust: is defined as the trust placed by individuals in other individuals. It is considered as a social resource that facilitates cooperation (Mayer et al. 1995). It requires a certain level of dependence between individuals and a predisposition to be vulnerable to the actions of the other party on which we depend (MacAllister, 1995; Mayer et al, 1995). According to the literature, there are two levels of interpersonal trust: an intentional trust and a competence trust (Sako, 1992). The intentional trust refers to an individual's positive belief in another's possible opportunism, and that he will trust the other if he believes that this person is honest and will respect the initial commitments. This type of trust is described as "strong trust" by Barney and Hansen (1994) and "resilient trust" by Ring (1996). The Competence trust refers to the individual's belief in the abilities and skills of another individual to undertake an action or fulfill a commitment. Interpersonal trust is essentially built on both cognitive and affective bases (McAllister, 1995). The cognitive dimension of trust is based on beliefs and objective information about the reliability of the other party (honesty, competence, reputation...). The Affective trust corresponds to a specific relationship associated to emotional attachment and an investment in terms of time and feelings.

Institutional trust: is the trust based on the existence of a formal social structure that guarantees the protection of individuals against moral hazards. This may take the form of a code of ethics, contracts, laws, etc., which are applied to everyone. This type of trust is independent of the exchange relations between individuals and the resulting consequences. It is a trust attributed to the context in which the relationship takes place. Institutional trust corresponds to a social contract in which all members agree to relinquish part of their freedom in order to establish common rules, the application of these rules is delegated to a higher authority. The rules imposed on everyone represent a code that will govern social life, and to which both parties will have to resort in the event of conflict.

Inter-organizational trust: goes beyond the interpersonal relationship and encompasses the entire partner organization. It describes the trust that is established in the relationship between at least two organizations as legal entities. According to Zucker (1986), inter-organizational trust is based on formal systems of procedures and norms. In this way, each organization develops a culture and imposes norms governing the behavior of its employees when interacting with external parties. It does this in order to preserve its reputation. Thus, trust is built up on the basis of interpersonal expectations between employees, and extends to the organization as a whole. Inter-organizational trust encourages cooperation, even between competitors. As with interpersonal trust, it develops through business relationships and previous experience, and through the adoption of cooperative and benevolent rather than opportunistic behavior.

The choice of the appropriate form of trust will have a impact on our research. Our objective is to analyze the impact of the trust that may exist between an SME manager and a participative bank banker on financing conditions. The definition that best suits our purpose is that of interpersonal (relational) trust, as defined by McAllister (1995): "interpersonal trust as the extent to which a person is confident in, and willing to act on the basis of, the words, actions, and decisions of another” It's a trust that comes from an individual will. In the same line, Mayer and al (1995) add the willingness to accept a state of vulnerability to the actions of others, defining trust as "the willingness to be vulnerable to the actions of another party based on the

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expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party". According to Gambetta (2000), trust "could not exist without the betrayal (Shklar 1984), deception, and disappointment our foolishness sustains ". According to these definitions, trust is based on interpersonal relationships and individual wills, it leaves room for judgment and does not exclude the problem of opportunism and the need for control.

2.4.2. The determinants of trust and their anchorage in Islamic principles:

The study by Mayer and al (1995) is one of the few studies that have dealt with the characteristics of the two parties involved in a relationship. The authors state that one of the factors influencing the trust placed by one person in another concerns the characteristics of the trustor, insofar as some parties are more likely to trust than others. It's about a person's general willingness to trust others. In this sense, trust is seen as a personality trait that the authors have termed "the propensity to trust". It is defined by the authors as "a stable within-party factor that will affect the likelihood the party will trust… Propensity will influence how much trust one has for a trustee prior to data on that particular party being available ". Among the criteria that influence the decision to trust are trustee attributes. The authors consider the concept of trustworthiness to be an essential factor in trust, defining it as the motivation (or lack thereof) to lie. For example, if the trustee had something to gain by lying, he or she would be seen as less trustworthy".

Mayer and al (1995) have surveyed the literature on the various factors that lead to trust, and finally propose three characteristics that often appear in the literature and which explain a large part of a trustee's trustworthiness, namely: Ability, Benevolence and Integrity.

- Ability: is defined as the set of skills, competencies and characteristics that enable a party to exert influence in a specific field. Competence is domain-specific (the trustee may be competent in a technical field). Skills, on the other hand, may be linked to training or experience in a given field.
- Benevolence: is defined as the perception of a positive orientation of the trustee towards the trustor. "A trustee is believed to want to do good to the trustor, aside from an egocentric profit motive".
- Integrity: is defined as the trustor's perception that the Trustee adheres to a set of principles that the Trustee finds acceptable. If the principles are not acceptable to the trustor, the Trustee will not be considered as a person of integrity.

The determinants of trust as cited by Mayer and al. (1995) are at the origin of Islamic principles. In our previous article entitled "Religiosity and the adoption of sociological concepts in the management of the participatory financing relationship of SMEs", we tried to analyze these different factors of trust from the perspective of Islamic principles. Concerning competence, Al Ghazali (2004) expresses that Trust requires entrusting responsibilities to people who are capable of managing them properly. Indeed, in Islam the competence is hugely important for trusting and delegating responsibility to a person even if that person is characterized by good moral character. Al Ghazali (2004) states that is possible a man has a good moral character and is a righteous person, but does not have the necessary skills to assume the responsibilities of a certain function.

Benevolence is the equivalent of "Al Ihssan" in Islam. According to Umar-ud-din (1991), Al Ihssan can be defined as an act that benefits people other than those from whom it comes without any obligation. Al Ihssan is also synonymous with excellence (Beekun and Badawi, 2005) and sincerity (Al Ghazali, 2004) in work. The Prophet (SAWA) said about the excellence in the work: “Verily Allah, most High, loves for you to perfect a good deed when you perform it”. Mastura and Yusof (2019) define Al Ihsan as : "An ihsanic value manifests itself when individuals perform work as sincerely and as efficiently as possible without the need for supervision as they believe that their work is being observed by a Being with a great power (Allah)".

Integrity is the equivalent of "Al Amana", which means being honest, sincere and of good faith; and consists in not devouring another person's possessions (Amana) by illegal means or substituting them with goods of inferior value (Beekun and Badawi, 2005), this emanates from the right belief in God. The Prophet (SAWA) informs us, in this regard, that "There are three signs of a hypocrite: When he speaks, he lies; when he makes a promise, he breaks it; and when he is trusted, he betrays his trust".

Consequently, we can say that these trust determinants are perfectly in line with Islamic values of business management. Thus, in the participative financing relationship, "the entrepreneur must be competent in the field of his activity (competence); he must guarantee hard work and excellence in the management of the business (benevolence) ; he must be honest and sincere after obtaining the funds and must not divert them from their initial objectives by following personal interest (Integrity); he must not lie or cheat, he must disclose all information reflecting the real state of the business, he must also respect repayment deadlines which are promises that must be kept (Openness). This implies that a committed Muslim entrepreneur must carry out his work for the love of God, and that God is watching him even if the other party is not " (Fellah and Bensbahou, 2022).

A minority of works are devoted to the role that trust can play in the bank financing relationship and the impact of this variable on borrowing conditions (e.g. Nguyen and al., 2006; Howorth and Moro, 2006; Howorth and Moro, 2012; Moro and Fink, 2013). These studies were carried out in the context of conventional financing. Trust is a sociological variable strongly impacted by the culture and religious convictions of its author (Fellah and Bensbahou, 2022) insofar as religiosity is a determining factor of interpersonal trust (Bègue, 2002). In other words, the more religious a person is, the more trusting he is (Bahr and Martin 1983). Participative banks based on religious principles and whose practices differ from those of conventional banks require a different study framework to investigate the role of trust in the financing relationship. Indeed, Fungáčová, and al. (2019) state that religions have different views on the interest charging and payment, which may influence how believers perceive banks. Unfortunately, studies that have analyzed trust's role in the participative financing relationship context are still extremely rare.

In a study conducted by Alhazmi (2019) on trust in participative financial services by considering the religiosity of the customer and the religiosity of the bank. The authors concluded that the customer's religiosity has a positive effect on his willingness to trust insofar as these religious people are more likely to engage in relational activities. The second factor affecting customer trust is the religious conformity of the bank's services. This is explained by the fact that religious commitment has an important effect on the basic elements of behavior and the way we perceive and evaluate the people and things around us(Cornwall et al. 1986; cited by Alhazmi, 2019). So customers who frequent participative banks for religious reasons trust their bank. Firstly, because they are convinced that their religious and financial requirements are well served by their bank. Secondly, this trust is due to the emotional satisfaction linked to the personal satisfaction of respecting religious commandments (Fellah and Bensbahou, 2022).

2.5.Trust and SME financing conditions, empirical studies :

In the financing relationship, trust emerges when the information shared by the company's manager reduces information asymmetry and ambiguity concerning project risk. Information shared through social interaction provides the basis for building trust, which is an essential factor for accessing to finance on the best possible terms. As SMEs are opaque on informational level, their lending process is more affected by the quality of their relationship with their bank

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ISSN : 2658-9311
Vol : 3, Numéro 23, Avril 2024

(Petersen and Rajan, 1994; Berger and Udell, 1995), so trust can be a determining factor in the lending decision.

Empirical literature on trust in the SME financing relationship is scarce. SMEs are characterized by remarkable informational opacity, and their financing constitutes a significant risk for the bank. Building trust in their case will depend on the quality of the firm-bank relationship, which will have an effect on financing conditions. Among the initial researches addressing trust in the bank financing relationship, we find the study by Harhoff and Korting (1998) on relationship lending's role in the determination of borrowing costs and collateral requirements for German SMEs. The results reveal that both lending relationship length and bank exclusivity are important factors for access to loans, and have a positive impact on collateral requirements. However, they have no significant impact on the loan costs. Harhoff and Korting (1998) state that these two variables may not be sufficient to adequately characterize lending relationships. The results also show that the trust is a significant variable for the interest rate granted. Regarding the existence of mutual trust in the financing relationship, it implies lower collateral requirements. The final results suggest that German SMEs that establish a trust-based relationship with their bank incur lower interest rates and offer less collateral.

Likewise, another study on the effect of relationship lending indicators on SME borrowing conditions, this time in the Spanish context. The study was carried out by Hernandez-Canovas and Martınez-Solano (2010) on the effect of trust, concentration (number of banks from which the company borrows) and relationship length on loan availability and cost, as well as collateral requirements. The results showed that companies with long-term relationships have better access to financing, but with higher financing costs. SMEs with trust-based banking relationship benefit from flexible access to financing with low costs but a higher probability of providing collateral. Finally, Hernandez-Canovas and Martınez-Solano (2010) stipulate that a long-term or concentrated relationship are not always advantageous for SMEs, since they reduce their flexibility to change banks, which can lead to high financing costs (bank's informational monopoly effect). The authors specify that trust-based relationships appear to be a better strategy for improving SMEs' access to financing.

In the same line, a qualitative study by Howorth and Moro (2012) examined whether loan officers' assessment of SME managers' trustworthiness is associated with the interest rate charged. The results showed that trust goes beyond the manager's competence, to include considerations of his benevolence (the manager's tendency to act in other's interests) and his integrity (behaviors based on moral and ethical principles). The interviews revealed that long-term relationships enable a good assessment , but do not have a direct impact on the loan's availability and cost. Rather, it is trust (resulting from these longer relationships) that impacts the banker's decision-making.

Moro and Fink (2013) examine this time the effect of trust on credit amount granted and SME's risk of being subject to credit constraints. The results showed that when credit managers attach a high level of trust to their client firm, access to credit improves (trust has a positive relationship with credit granted and a negative relationship with being credit constrained). According to the authors, these results can be explained by the fact that the lending relationship cannot be reduced to a quantifiable evaluation. Thanks to close relationships, the resulting trust can increase the quality and quantity of tangible and intangible information (from the SME manager) that can be crucial to the loan manager's decision-making. The results also suggest that, relying on a transactional lending relationship, the loan manager may misjudge a credit application and thus miss the opportunity to lend to a good business manager who will provide effort to repay their debt. Building on trust and assessing the SME manager's benevolence (fulfilling obligations due to established social ties with the loan manager) and integrity (honoring commitments due to attachment to certain values), credit managers can make a more comprehensive assessment and reduce the 'procyclical' effect of transactional assessment (Moro and Fink, 2013).

A additional study in Moro's research set on the role that trust plays in the firm-bank relationship. Moro, Lucas and Kodwani (2012) analyzed the effect of loan officers' assessment of SME managers' trustworthiness on the personal guarantee required by the bank. The statistical analysis showed that trust has a low impact on the reduction of personal guarantee requirements. The bank managers interviewed indicated that collateral is generally set at the beginning of the relationship (lack of trust), and collateral already provided to the bank does not change even after the development of the relationship. They added that they may even ask for additional personal guarantees if necessary. The most frequent comment during the interviews was, "there's nothing wrong with being over-covered" stated by the authors. Refusal to pledge collateral is interpreted negatively by bank managers, as a " warning signal ", i.e. SME managers know that their pledged assets are threatened by the deterioration of the company's situation. Some SME managers have indicated that they have no problem to provide guarantees and that it is a standard practice to obtain financing. Finally, Moro, Lucas and Kodwani (2012) believe that the irrelevance of the results is due to the fact that personal commitments are required at the beginning of the relationship, i.e. when the level of trust between the two parties is low.

The studies cited above were carried out in a conventional banking context, and in countries characterized by a certain level of individualism that varies from one part of Europe to another (Bréchon, 2023). Only two recent studies have been conducted in the participative banking context. They are the first to address the role of trust in the participative banking relationship. The first one is a comparative study between conventional and participative banking regarding the impact of trust on access to financing by opaque small businesses, carried out by Wijaya and al. (2018). The survey was conducted among banks in Indonesia, a Muslim country characterized by a strong collectivist culture (Hofstede, 2010). The results also showed that trust is based more on the borrower's moral character (i.e. integrity and benevolence) than on his competence (ability to manage the business). The authors point out that opaque small firms may have better access to financing from participative banks, despite a limited relationship duration, if managers invest in a relationship characterized by a high level of trust.

The second recent study was carried out by Wijaya and Moro (2022), this time on the impact of trust on the reduction of the margin charged for Mourabaha, the most popular product offered by participative banks. The survey was conducted among Indonesian participatory banks, Bankers were asked about the benevolence and integrity of small-business managers. The results show that a high level of trust can have a positive impact on the margin applied to small businesses for the different types of Mourabaha products. According to the authors, soft information and the resulting trust play a very important role in the financing of small businesses by participative banks.

From what has been said above, we can say that the importance of trust in the bank financing relationship can be extended to the context of participative banks. We can thus formulate the following propositions, which will be tested during our empirical phase:

Proposition 1 : The establishment of a trusting banking relationship depends on the banker's perception of the SME manager's competence.

Proposition 2 : The establishment of a trusting banking relationship depends on the banker's perception of the SME manager's benevolence.

Proposition 3 : The establishment of a trusting banking relationship depends on the banker's perception of the SME manager's integrity.

Proposition 4 : Trust has a positive effect on SMEs' access to financing from participative banks.

Proposition 5 : Trust has a positive effect on the margin rate granted to SMEs by participative banks.

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Proposition 6 : Trust has a positive effect on the amount of collateral required from SMEs by participative banks.

3. Empirical study:

3.1.Methodology:

The scarcity of research on our problem leads us to adopt a qualitative exploratory approach that will enable us to identify trust determinants in the participative bank financing relationship and the effect of trust on SME financing conditions, based on the experience of bankers who are in direct contact with these small and medium-sized structures. We opted for semi-structured interviews, asking open questions so that interviewees could freely describe their thoughts, experiences and interpretations of the phenomenon under study. Interviews lasted between 45 min and 1h 15min. The study sample was composed of bank branch managers and corporate client advisors from 6 different participative banks, as they are in direct contact with SMEs managers and are best placed to describe the social relationship between banker and entrepreneur. To determine the number of interviewees, we chose to be guided by the principle of theoretical saturation, i.e. the sample is limited when the information gathered does not provide any new data. The table below represents our final sample:

Table 1: sample of bankers interviewed

Code assigned	Position held	Interview length
BK 1	Bank branch manager	50 min
BK2	Bank branch manager	1 hour
BK3	Bank branch manager	50 min
BK4	Bank branch manager	1h 10 min
BK5	Bank branch manager	45 min
BK6	Corporate client advisor	45 min
BK7	Bank branch manager	1h 10 min
BK8	Bank branch manager	1h 15 min
BK9	Bank branch manager	1 hour
BK10	Corporate client advisor	50 min

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3.2.Study results:

3.2.1. Determinants of trust in the participative financing relationship:

We speak of the interest of trust between two parties when there is a conflict of interest and a risk of moral hazard. As in the case of conventional banks, participative banks find themselves incited to take risks when granting financing to SMEs. These small and medium-sized enterprises are characterized by a high level of informational opacity, making their financing highly risky. The bank is then faced with the risk of moral hazard related to payment default and/or misappropriation of financed assets. Participative banking is characterized by a distinctive risk because of the bank's intermediation model, which follows Islamic principles. This is the mark-up risk, which means that the margin is defined in advance and can never be restructured to add charges, even in the event of a delay in payment. So if the entrepreneur behaves dishonestly, the bank will pay for it dearly. Given these specifications, we assume that participative banks relies more on trust when it comes to SME financing.

The difficulties encountered in SME financing were evident in all the bankers' speeches. They all revealed that they have difficulty processing SME files, as they are often poorly structured and lack credible information that reflects the real situation of the company, this makes risk assessment difficult. This is mostly due to fiscal requirements. This makes their access to financing much more difficult compared to large companies. *“SMEs don't declare all their turnover to avoid taxes”BK8; “the majority of their operations are under the table and are not claimed”BK7; “they often work in cash, which is difficult to track”BK3; “Their balance sheets are often unfinanceable, and they increase expenses to avoid paying taxes”BK1; “The business is profitable, whereas he declares himself to be in deficit for fear of the tax authorities”BK4.*

The information constraints that characterize SMEs do not allow for better risk assessment. Given the limitations of instrumental methods for obtaining credible information, bankers are obliged to look for other ways of obtaining information. The aim is to rely on subjective information to assess the entrepreneur who is at the origin of the project. It would be appropriate to give greater importance to the quality of the banker-SME manager relationship, the interactions that take place and the trust that can result. The majority of bankers interviewed stressed the importance of physical contacts and interactions with their client-manager. These contacts help to create a certain psychological comfort and sympathy between the two parties, to ensure a climate conducive to the creation of mutual trust and thus the sharing of information. *“relationships are essential to our profession, we have to create personal relationships with our customers to be able to get information, share information and ensure advice service” BK7; “ meetings are very important; the customer must feel comfortable so that he can explain his*

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project and exactly what he wants to achieve. We conduct site visits together, and I try to be friendly to create a climate of trust so that he can disclose information to me" BK7; "To gain your customer's loyalty, you have to keep up contact with him. You become a friend with time and he won't hide anything from you thereafter. For me, I create bonds of friendship with my customers, especially the most important ones. I meet them, I call them often, they call me on my private number even outside working hours" BK2; "Frequent meetings are very important, they allow you to know a lot about the person. I have very private secrets about my customers, but they don't come out of this door. Confidentiality is essential in our profession" BK4; "When I've a little free time, I visit my customers in their companies to say hello, it's the time where I can judge their behaviors and the work organization. There are those who are happy to see me, so we sit down and have a coffee together and exchange family news, this is especially the case with my former clients". BK7 ; "I'm used to meeting my clients outside the agency, for a coffee or lunch, we can even organize football matches. We become friends over time. But that won't affect my objectivity when it comes to funding applications. I tell them that anyway, we're friends yes but when it comes to work we should take things seriously" BK8.

The interviewed bankers also insist on the role of the duration of the relationship in generating trust, insofar as the time spent allows the accumulation of private information and thus a better knowledge of the SME's manager. This contributes to the generation of knowledge and transparency, and thus a reduction in uncertainty over time. This helps to develop a relationship of mutual trust. *"The length of the relationship is very important to us. Duration reflects the quality of the relationship between the bank and the firm. A long-term relationship implies a good understanding between the banker and the entrepreneur" BK 4; "I have entrepreneurs who have been my clients for a long time, and when I left the conventional sector, they came looking for me and opened their account with me in the participative bank" BK 7; "A long-standing customer who has become accustomed to a banker over a long period of time and has built up a bond of friendship with him, an advisor who knows everything about him on a personal and professional level, it will be difficult for him to change his banker. It's not easy for the entrepreneur to start a new relationship with a new banker and have to repeat the information all over again. I know quite a number of customers with whom I maintained a good relationship, they left the branch after my departure" BK 8; "A long-standing relationship generates an important exchange of information. The older a client is, the less ambiguity we have and the easier the assessment of his file becomes" BK2; "With the passing of time, we get used to talking, interacting and exchanging information, because trust is built up over time" BK 7; "I prefer to work with my old good clients who I already know and have enough* *information about them" BK1; "Trust is developed over time, not overnight. It must be earned."; "five years of seniority, that's it, we become friends, I can make transactions for him if it's urgent, without having to come to the agency, sometimes we violate the rules when the person deserves it". "The length of the relationship gives you a better idea of the quality of the person in front of you, whether he is worth to be trusted or not"BK10.*

Some interviewees expressed that competence is one of the constitutive elements of the trust granted by the banker. According to them, competence is reflected in the number of years in business in the same field of activity, reflecting the entrepreneur's expertise and reputation in the market. *"The number of years' experience in the field and his established reputation in the Business sector can be the constitutive trust components," BK 9; "I have clients who have over 26 years of experience in their particular fields of activities, these people wield greater power on the market. they earn the trust and respect of all they partners" BK7; "Profound market knowledge is a good sign" BK6; "there are sectors that require special skills and a good and long experience to be able to cope better with the aggregates" BK4; "Good experience in the field is a great asset for me" BK 8; "For us, trust is based on both objective and subjective factors. The objective elements are the company's structure, the balance sheets reading and the manager's seniority in the sector" BK1; "For our bank, expertise in the field is a absolute requirement, as is the entrepreneur's seniority and clout in the market, especially when it comes to commercialization. I'll give you the example of the property development sector: any estate developer can construct, but when it comes to commercialization, if you don't have a good reputation, it won't be easy to sell." BK3.* This type of trust is based on a perception specific to a particular area (Zand, 1972). In other words, the person has specific characteristics that make him trustworthy. According to the Mayer and al. (1995) model, competence is the first important element in the target person's perception of trustworthiness.

The importance of transparency has been widely evoked by the bankers interviewed. In their view, transparency means that the firm's manager is willing to disclose information, to report problems in sufficient time, and to hide nothing from the banker. In this way, the banker will have a better understanding of the company's situation and of the entrepreneur's needs, and will therefore ensure better support for the entrepreneur. Mutual trust is established, because the entrepreneur hides nothing, and the banker will do his best to resolve any problems encountered by his client, who trusted him and revealed to him confidential information. *"A person who shows transparency and a willingness to share information, who decide to be very clear at the outset, you can trust him, you go out of your way to help him succeed in his project" BK6; "SMEs generally hide their true results for fear of the tax authorities. The balance sheet*

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analysis shows that the company is in a very bad shape, whereas in reality the business is going so great. When they inform us about the firm's real situation and what's going on behind the scenes, trust is built quickly." BK 8; "Sometimes a little information can shake things up, we're advisors, to give advice we need to have enough information, sharing information creates a climate of trust that facilitates the coordination" BK7; "Transparency on his part builds trust with us" BK6; "Someone who tells you everything about the firm's real situation right from the beginning, it's a person who enters in a good faith, he helps you to build up trust in him" BK10; "He should be clear with me. There are those who give us decorticated and unreliable information. In any case, i can check the truth of his contention, if I find out he had lied to me, of course I'll be disappointed and i can't trust him after that" BK5; "In case of difficulty, I must be informed . He has to explain to me what's going on, this is a question of mutual trust and credibility" BK3; "During our first interview with the entrepreneur, we give him a form to fill out, asking him about his property and its value. From his first reaction i can know that he's reluctant to give out information and he wants to hide something. In this case, the relationship is biased at the outset." BK 2; "Trust is an extremely important element for us participative banks, because we don't have the option of charging interest if the entrepreneur can't pay us (as is the case with conventional banks). Sharing information is the master key to trust. A bank advisor can be likened to a doctor who needs to know everything about a patient's health. Any information not contained in the documents must be disclosed to us, including what's happening under the table. Transparency is very important. If a doctor doesn't have enough information about his patient, he can't provide good follow-up care and spot health problems. This is also the case even for us bankers, if we have the necessary information we can anticipate problems" BK9; "He has to fully disclose and hide nothing so that I can show him the way to mount the file in his case. He needs to trust me if he wants me to defend him. Anyway, he'll be unveiled in front of the committee, in which case I can't defend him," BK4. Transparency refers to a manager's benevolence towards his banker. Benevolence is regarded as the second concept essential to the perception of Trustworthiness, defined as the motivation (or lack of motivation) to lie (Mayer et al. 1995).

Most of the bankers interviewed said that the entrepreneur's history is a very determining factor when it comes to trust. They are interested to meet deadlines for repayments and returned/ dishonored Checks. These two criteria enable bankers to verify the borrower's sincerity. *"We're especially interested in his payment history, if there's a single non-payment, I'll stop everything, sincerity is essential to be able to trust someone" BK4; "if we find out that the entrepreneur has a bad history with other banks, the application will be rejected, an irresponsible person*

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who may be coming to make use of our inability to charge an extra margin in the event of non-repayment. It's obvious, a bad history means he's not trustworthy, and I'm not going to take the risk and finance him" BK8; "Respecting repayment deadlines is also an important element to trust the entrepreneur, firstly because it reflects the good health of the firm and secondly it means that he is a serious and honest person" BK9; "to trust him, first he must be a good payer before looking for other criteria" BK1; "when the deadline falls it must be paid immediately if he is interested in developing our relationship. I trust him when it comes to financing, from his part, he must honour his commitments. if not he won't get any other financing" BK3; "Yes, an entrepreneur who always keeps his words and fulfills his commitments leaves no doubt about his seriousness. I finance him with eyes closed" BK2 ; "payment history data is a crucial factor in building trust, as it reflects the quality of the person in front of you. I'll give you a concrete example of a firm owned by two associates who came to request financing for their project. Their file was perfect so we decided to validate it but after consulting the BAM, we discovered their devastating situation, reams of unpaid checks. They ended up in prison in the end" BK7; "late payments concerning the bank or suppliers are a sign of dishonesty" BK 10. The sincerity reflected in compliance with commitments refers to the perception of integrity according to the Mayer et al. (1995) model. It's about being honest, consistent and keeping the word. These principles, which the manager must apply with respect to his banker, have been considered very important so that he can trust the entrepreneur.

We can say that the banker's trust is born from his perception of the manager's reliability. This perception is made via frequent and repeated interactions over time. So his intention to make himself vulnerable is based on perceived elements that are concrete and which are the basis for the decision to trust and thus to provide financing. Finally, trust comes from the evaluation of the entrepreneur's competence, benevolence and integrity. The duration of the relationship and the repeated interactions are essential elements in the perception of the entrepreneur's reliability. Competence is expressed by the number of years of experience in the business field; benevolence refers to transparency and communication of information needed for the evaluation; and integrity is expressed by respect of previous commitments. Based on the above, we can confirm our proposals:

H 1 : The establishment of a trusting banking relationship depends on the banker's perception of the SME manager's competence.

H 2 : The establishment of a trusting banking relationship depends on the banker's perception of the SME manager's benevolence.

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H 3 : The establishment of a trusting banking relationship depends on the banker's perception of the SME manager's integrity.

3.2.2. The impact of trust on financing conditions:

Social interaction plays an important role in generating trust between economic actors (Granovetter, 1985). These interactions, which are repeated over time, provide a better knowledge of the individual and help to reduce the asymmetry of information which is the cause of mistrust in economic relations. The bankers interviewed have emphasized the importance of frequent interaction with the firm's manager, and the durability of the relationship insofar as it creates a climate of trust conducive to the sharing of specific information not available at the file level. They reduce information asymmetries, enabling better risk assessment. This has a positive impact on financing conditions. According to the interviewees, the confidential information obtained through regular contact could have an impact on their decision-making. The sharing of information on the part of the entrepreneur stimulates the banker's trust, which becomes ready to defend the entrepreneur with his bank. *"Relational is very important, it enables us to get to know a bit more the people you have in front of you. Because he's become a friend doesn't mean that I'm going to give him money blindly, I have to evaluate the file objectively first. Relational helps to facilitate communication between us, so I can easily understand his needs and advise him. This helps me to provide him appropriate financial support" BK8 ; "The confidential information I obtain during my discussions with my client allow me to better evaluate the application. This has an impact on my decision to defend it in committee" BK 4; "the quality of the relationship that I build with my client has a positive impact on my decisions when he applies for financing. If I have a customer I often meet and I know all about him, I don't even need to see his file, I'm talking about former clients I've established a very good relationship with" BK 2.* A lasting relationship creates knowledge of the client. The majority of interviewees say that their former customers are privileged because they get to know them well over time. They then become more credible in the eyes of their bankers with time. *"Evaluating the client becomes easier with time, when the person is known we skip several steps" BK 4; "I have entrepreneurs who have been my clients for a long time, and when I left the conventional sector, they came looking for me and opened their account with me in the participative bank. These clients are spoiled, I know them since such a long time, I feel very comfortable when I deal with their cases" BK 7; "A long-standing relationship generates an important exchange of information. The older a client is, the less ambiguity we have and the easier the assessment of his file becomes" BK2; "I prefer to work with my old*

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good clients who I already know and have enough information about them. We've often worked together and they know exactly what to do when it comes to putting together a dossier, I don't hesitate to defend them in my speeches during meetings at head office" BK1; "Of course, the length of the relationship is very important for us. The relationship with a new client is not the same as with an existing client. Former clients are privileged" BK9. Bankers see the passing time as a generator of useful information and may impact on their decision-making regarding these former entrepreneurs' access to future financing.

According to the interviewees, the entrepreneur's recognized competence can have an impact on the financing decision. In fact, borrowers with good experience in their area of expertise have easy access to financing. *"I have clients who have over 26 years of experience in their particular fields of activities, these people wield greater power on the market. they earn the trust and respect of all they partners. They have ready access to financing, in addition to their good reputation, the age and sustainability of their firm are sufficient to grant them financing." BK7; "For our bank, expertise in the field is a absolute requirement, as is the entrepreneur's seniority and clout in the market, especially when it comes to commercialization… For us, an entrepreneur who is an expert in his field of activity has a direct access to financing and can even benefit from a reduced mark-up" BK3.*

Other bankers insist on the need for transparency. The entrepreneur is called to share credible information necessary for risk assessment. The more information is shared, the easier is the financing access for the entrepreneur. *"Transparency by the entrepreneur can reduce our reluctance, especially when it comes to SMEs. Financial information is not always credible, and they don't report their real turnover in order to pay less tax" BK 10; "His transparency and cooperation will help him a lot to obtain financing" BK5; "A person who shows transparency and a willingness to share information, who decide to be very clear at the outset, you can trust him, you go out of your way to help him succeed in his project" BK6; "SMEs generally hide their true results for fear of the tax authorities. The balance sheet analysis shows that the company is in a very bad shape, whereas in reality the business is going so great. When they inform us about the firm's real situation and what's going on behind the scenes, trust is built quickly. We can then give him advice on how to present his case so that he can obtain the financing agreement" BK 8.*

Some bankers state that they make their financing decisions based on the history of the relationship with the entrepreneur. They are interested in meeting payment deadlines, and the absence of unpaid checks or disputes. These criteria reflect the entrepreneur's sincerity. *"if we find out that the entrepreneur has a bad history with other banks, the application will be*

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rejected, an irresponsible person who may be coming to make use of our inability to charge an extra margin in the event of non-repayment. It's obvious, a bad history means he's not trustworthy, and I'm not going to take the risk and finance him" BK8; "A company that has always honored its commitments will have easy access to financing. I'll give you an example: I have a company to which I financed 2 projects for the first time, and it repaid me in time, without any problem. Today, I finance two projects a year readily" BK 8; "when the deadline falls it must be paid immediately if he is interested in developing our relationship. I trust him when it comes to financing, from his part, he must honour his commitments. if not he won't get any other financing" BK3; "a clean history, i.e. no checks returned unpaid, no legal problems, it makes me want to deal with his file" BK 10; "It's obvious that if a client has always been committed to refund me, I'll finance him another time. Meeting the deadlines is a very important criterion for me, more than anything else" BK 5; "My decision is based primarily on his commitment and respect for deadlines. Someone who will do everything possible to pay, especially when I know he is having financial problems, and he pays despite the difficult conditions. He knows we can't charge an extra margin and he doesn't take advantage of the situation. This person deserves to be financed" BK6.

The analysis of the bankers' interviews confirms our proposal:

H4 : Trust has a positive effect on SMEs' access to financing from participative.

Most of interviewees emphasized seniority as a better criterion for improving financing conditions notably in terms of financing costs. However, a portion of the interviewees stated that it has no impact on the cost of the granted financing. According to them, the margin is calculated according to quantitative and objective elements. *"The seniority is not a criterion allowing to decrease the margin, there are no privileges in terms of cost, these are objective calculations that are the same for all my borrowers" BK4; "No, we can't act on the cost, even for former clients, the margin is fixed and doesn't change depending on each client's profile" BK1; "Even if there is a personal relationship with an entrepreneur, thing I would rather not have, it won't have any impact on my financing decisions. The decision to grant finance is based on objective criteria related to the company's health, seniority, financial analysis and calculation of ratios..." BK9; "The seniority of a client with a good history can have an impact on his access to financing, but no more than that" BK 5. Other bankers express that decision-making in terms of cost is limited, they don't have enough room to maneuver because the final decision is taken at a highest level of the hierarchy. "At our bank, we are strapped to a scale because our objective is to reach 'the breakevent': we have 5 years to declare to the BAM our self-financing capacity and our arms-length from the parent bank. In addition, the key rate has*

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increased and we are forced to increase our margin. So even if we want to reward our former good clients, we cannot" BK 7. Some bankers argue that seniority characterized by a good behavior on the part of the entrepreneur can have a positive impact on their decision to reduce the margin rate. *"Yes, I can do a favor to a a respected former client who has proved his reliability, but only if it's a part of my decision-making power, because in practice the final decision is taken at head office" BK 3; "For a former customer who has always honored his promises and I have never had any problem arising from him. I can make an effort in terms of margin rate in his favor. But it must be someone I really trust. I'll give you the example of an entrepreneur I've been working with for 12 years, even before I changed my bank. He came to create an account at my participative bank agency. He's a privileged client, I'm his guarantor with the bank, I always try to convince the bank to provide him a reduced margin" BK 8. One banker expresses that a great experience in the field of activity can have a positive effect on the margin rate granted. "… For us, an entrepreneur who is an expert in his field of activity has a direct access to financing and can even benefit from a reduced mark-up" BK3.* Other bankers, in addition to trust, rely on the commercial interest they have with the entrepreneur to grant him a reduced margin rate. *"Minimizing financing costs is doable, but is a very rare thing. We can do this if our customer benefits from a high level of trust and he's an important client for the bank (allowing us to make significant profits)" BK 9; "Reducing margins is a difficult thing to do, but it is possible. To be able to reduce the margin, firstly, the client must be someone the bank knows and trusts, and secondly, he must provide us economics contributions such as bringing an important client, the commercial interest comes into play" BK7.*

The analysis of the interviews allows us to confirm our proposal concerning the margin rate:

H 5 : Trust has a positive effect on the margin rate granted to SMEs by participative banks.

The majority of the surveyed bankers confirmed that the amount of the guarantees is calculated on the basis of objective criteria reflecting the level of risk associated with the financing. They represent a security for the bank and cannot be abandoned or reduced under any circumstances, even with seniority. Some bankers express that negotiating the guarantee may be evidence of bad faith on the part of the entrepreneur. *"Generally speaking, seniority changes nothing in terms of guarantee requirements. For me, it makes no sense, they're there to incite the entrepreneur to reimburse us. If the entrepreneur asks to minimize them, it could trigger doubt for me." BK8; "We have no flexibility with regard to guarantees. Guarantees are indispensable; they represent security for the bank. Their value is calculated according to the degree of risk and does not diminish over time" BK2; "A person who negotiates guarantees with me is someone who only thinks about litigation. An entrepreneur who's sure of his ability*

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to repay his bank will not be concerned about guarantees, they're there just as a security" BK9; "I cannot, under any circumstances, abandon the guarantees. For me, the mortgage is an obligation" BK1; "I don't think the guarantee can be based on subjective criteria such as seniority or the quality of the relationship with the client. The guarantee value is set according to standard terms and conditions" BK4; "Guarantees are usually requested at the beginning when we don't really know each other, so they're calculated on the basis of objective criteria. I see no point in minimizing them over time. While the entrepreneur entered with a good faith and his project works very well, He need fear nothing" BK10; "It's important to know that the guarantee is not a credit component, but comes after the application has been accepted, i.e. after the financing access that we speak about guarantee. So financing is not based on the amount of collateral proposed to the bank. I think it has nothing to do with trust. The bank won't benefit from the guarantee, it's a means of inciting repayment, that's all. Increasing or decreasing it shouldn't change anything for the entrepreneur" BK9.

Some interviewees confirm that trust can have a positive effect on the demand for guarantees. In fact, the integrity of the entrepreneur, reflected in his good behavior and the long-lasting relationship with the bank, can reduce or even eliminate the need for guarantees. *"We don't ask for collateral to grant financing, this doesn't comply with Shariaa law. Instead, we ask for the owner's assets in order to increase his chances of accessing to finance, and not to mortgage it. In any case, when the entrepreneur exceeds the fourth year of seniority and still has a good image with the bank, that's it, we don't ask for a guarantee" BK7; "There are exceptional cases when I can minimize/eliminate personal guarantees, but I have to be sure of his loyalty, it's something that reveals itself over time" BK8.*

We can then confirm our proposal related to warranty requirements:

H6 : Trust has a positive effect on the amount of collateral required from SMEs by participative banks.

4. Discussion:

According to the literature, trust is considered to be a lubricant of social relations and a stimulant for the establishment of relationships between economic actors (Arrow, 1972; Dasgupta, 1988). In this regard, Arrow (1972) states that "every commercial transaction has within itself an element of trust, certainly any transaction conducted over a period of time."

Many authors have stressed the role of interpersonal trust in reducing transaction costs (Williamson, 1985). This is essentially due to the fact that trust makes it possible to avoid resorting to formal procedures (contracts) and control mechanisms, which generate high costs.

Bromiley and Cummings (1995) state that "Higher levels of trust reduce the need for and cost of making, monitoring, and enforcing agreements". According to the author, in classic commercial transactions, when dealing with a known customer, a company can rely on its past experience with him or on his reputation (he respects agreements, pays the bills...), or it can be content with verbal commitments or a brief note. On the other hand, when dealing with an unknown customer, a complete contract may be necessary. This means that drafting and enforcing a contract generates high costs for the company. So a relationship of trust based on previous experience and reputation saves the cost of implementing contractual agreements.

In the banking relationship, transaction costs are generated by monitoring activities, which generate high costs (Stigliz and Weiss, 1981), especially when financing small and medium-sized structures characterized by high opacity. A financing relationship based on trust can be a good alternative. A relationship based on trust allows better information sharing, thus reducing information asymmetry and the risk of moral hazard. The availability of information reduces control costs, which in turn ensures access to financing on the best possible terms for SMEs.

The literature has revealed the importance of long-term relationships between the firm and the bank in obtaining specific information and thus generating trust (Berger and al. 2001), insofar as the long-term banking relationship enables the accumulation of information on the firm's reliability through its history with the bank, thus reducing uncertainty. A large number of empirical studies have sought to identify the effect of duration on credit availability. (Petersen and Rajan, 1994 ; Cole, 1998 ; Scott et Dunkelberg, 2003; Scott, 2006; Harhoff and Korting, 1998; Lehmann and Neuberger, 2001; Ziane, 2003) , credit costs (Petersen and Rajan, 1994; Harhoff and Körting, 1998 ; Angelini, Di Salvo and Ferri, 1998 ; Berger and Udell, 1995 ; Elsas and Krahnen, 1998 ; Ziane, 2003 ; Lehmann and Neuberger, 2001; Lehmann, Neuberger and Rathke, 2004 ; Degryse and Ongena, 2005) and guarantee request (Berger and Udell, 1992, 1995 ; Harhoff and Korting, 1998 ; Machauer and Weber, 1998 ; Lehmann and Neuberger, 2001 ; Elsas and Krahnen, 2002 ; Lehmann, Neuberger and Rathke, 2004; Pozzolo, 2004 ; Ziane, 2003 ; Degryse and van Cayseele, 2000), whose results are divergent and did not take into account the effect of variables relating to interpersonal interactions between the banker and the entrepreneur.

In a study referring to Lehmann and Neuberger (2001), the authors stipulate that duration remains an insufficient transactional variable to explain the lending conditions of companies, and that other interactional variables come into play: These include positive past experiences which stimulate trust; cooperation between the two parties, which generates a sense of obligation towards the partner; and the flow of shared information, which implies that both

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parties understand each other better. For the authors, these interactional variables stimulate mutual trust and are advantageous for parties, the bank and the company.

Our objective was to explore the determinants of this trust in the context of participative banking and the impact of these variables on the financing conditions granted to SMEs. Our analysis of bankers' discourse revealed that trust in the participative financing relationship has several determinants. The first is the long-standing relationship between the SMEs manager and the bank. The durability of the relationship with the same client means, on the one hand, that both parties in the relationship have overcome the difficulties encountered (Anderson and Weitz, 1989), so they know each other much better than before. On the other hand, it allows the accumulation of specific information useful for the evaluation of the case. This involves the generation of information through the history of the bank-business relationship (Berger and al. 2001, Berger and Udell, 2002, 2006), which enables better prediction of the entrepreneur's behavior (Doney and Cannon, 1997). The second determinant is the interaction between the banker and the manager: it's about frequent physical contact to get to know the person behind the project. Repeated interactions create a conviviality that will help to get to know the entrepreneur better, his personality, his personal projects, his ability to cope with events, the quality of his personal relationships that may affect his professional life... this type of information can be used to financing risk assessment (Ferrary, 1999). Competence has also proved important in building trust (Mayer et al, 1995; Doney and Cannon, 1997). Entrepreneurial competence is reflected in the number of years of experience in the company's field of activity. Competence can refer to technical skills, knowledge of the market and competitors (Selnes, 1998). In the eyes of the banker, the entrepreneur's expertise is a crucial element in restoring trust with the entrepreneur. The fourth component of trust is benevolence, defined by Mayer et al (1995) as the perceived positive orientation of the tustee towards the trustor. In our case, benevolence translates into transparency. It is the manager's willingness to share information relevant to his banker. Distrust stems from imperfect information. The availability of relevant information enables a certain degree of observability of the company's real situation, which in turn allows optimal decision-making and better support. In this way, transparency creates the conditions for shared trust between banker and entrepreneur. The manager's benevolence is reflected in the voluntary and intentional sharing of confidential information. The final determinant is integrity, defined as the belief that the other party is fair and just (Hon and Grunig, 1999). The entrepreneur's integrity is perceived by the banker through his respect for commitments and keeping promises. This is reflected in a good banking history (meeting deadlines, absence of returned checks, absence of legal problems). These

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criteria provide the perception of his honesty and sincerity on which the banker's decision to maintain and continue the banking relationship is based. Mayer et al (1995) define integrity as the trustor's perception that the trustee adheres to a set of principles that he finds acceptable. So the entrepreneur's respect for ethical standards reassures the banker about future transactions.

In brief, we can say that the exchange between the bank advisor and the company manager will be governed by a relationship of trust when the availability of information on the manager (through repeated interactions over time) reduces the risk of moral hazard. Thus, the banker's perception of the manager's competence, benevolence and integrity will have an impact on the availability of financing and the terms granted.

Analysis of bankers' discourse has enabled us to conclude that the decisions they make are strongly influenced by the trust they have in their entrepreneurial clients. In other words, trust has a positive impact on SMEs' financing conditions with participative banks. Our results are in line with those obtained from studies carried out in the context of conventional banks. Harhoff and Korting (1998) showed that the duration and the degree of exclusivity do not have a significant impact on the borrowing conditions granted to SMEs; rather, it is the existence of mutual trust in the financing relationship that implies the application of favored borrowing conditions, namely: easy access to credit, lower interest rate and less demanding guarantee requirements. Canovas and Solano (2010) in turn confirmed the role of trust (in the banking relationship) on flexible access to credit and the reduction of borrowing costs, but did not (according to the authors) have a positive effect on requests for guarantees.

A number of studies carried out by Moro and other authors on the effect of perceived trustworthiness of the SME manager on borrowing conditions in the context of conventional banks, based on the three determinants of trust defined by Mayer et al (1995): competence, benevolence and integrity. Thus, the reliability (of the SME manager) perceived by the banker has a positive effect on the interest rate applied (Howorth and Moro, 2012), on the access to credit and the amount of credit granted (Moro and fink, 2013) and on the personal guarantee requested (Moro, Lucas and Kodwani, 2012). Our results confirm that trust, based on the perceived competence, benevolence and integrity of the SME's manager, plays an important role in the conditions of financing granted, even in the case of participative banks. A study conducted by Wijaya and al (2023) on the role of trust in the SME financing relationship showed that in the context of participatory banks, trust is based mainly on the moral character of the borrower, i.e. his integrity and benevolence more than anything else. These findings were confirmed in a second study, which surveyed Indonesian participatory bankers about the benevolence and integrity of small-business managers. The results showed that trust can have an impact on the margin rate applied by participative banks to SMEs (Wijayaa and Moro A. 2022).

Participative banks face higher risks than their counterparts (they can't charge additional fees in the event of late payment, and can't control the assets financed), and therefore rely more on trust when it comes to financing opaque structures. Participative banks are founded on ethical principles, notably the prohibition of interest and illicit activities, so they are naturally interested in the respect of ethical and moral principles by the company's management. The determinants of trust are rooted in Islamic teachings and are therefore religious requirements. Through the perception of these determinants, the bank can assess the good faith of the manager. The relationship between a bank founded on ethical values and a manager who frequents participative banking (in most cases) for religious conviction, cannot be a purely transactional one. It must be a relationship founded on shared ethical values that represent the essence of mutual trust. This trust will have a positive impact on both parties: providing access with better financing conditions for the company; avoiding payment defaults (opportunistic behavior on the part of the entrepreneur) and reducing control costs for the participative bank.

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5. Conclusion :

The main objective of this research was to analyze the effect that trust can have on SMEs' financing conditions by participatory banks. No much research is dedicated on the effect of trust (in its social dimension) on the banking relationship and its contribution to improving SME financing conditions, which are characterized by informational opacity. In the case of participative banking, empirical studies on the effect of trust are rare, and no study takes into account the social setting of the banker-manager relationship.

According to the bankers' discourse analysis, the trust granted by the banker depends on his perception of the SME's manager's reliability through the assessment of his competence (expertise in the field of activity), his benevolence (willingness to share sensitive information) and his integrity (respect for commitments). The seniority of the entrepreneur and the repeated interactions (between the two parties) over time play a very important role in the reliability assessment, and thus in the establishment of trust, insofar as time proves its worth. Intensive communication enables the bank to obtain reliable information on the entrepreneur's quality, thus reducing the uncertainty linked to the risk of non-repayment. It also provides greater visibility and thus a positive expectation of the future behavior of the entrepreneur applying for the fund.

In this context, the financing relationship will be characterized by strong interpersonal relations that generate non-economic satisfaction (moral attributes), enabling the creation of mutual obligations. In this case, the financing contract becomes a pretext and a starting point for the interpersonal relationship between banker and entrepreneur. The experience of interaction between the two parties generates trust, which in turn has a positive impact on the availability of financing and the terms granted. So we can say that setting the financing relationship within a social context that stimulates trust (synonymous with comfort and security) is a good alternative to the transactional relationship, which has proved inadequate for assessing the risk involved in financing opaque SMEs, in addition to the advantage of minimizing the transaction costs generated.

Trust remains a complex concept, and measuring its impact on bankers' decision-making proved difficult. According to the results obtained, we found that the banker's decision strongly depends on the trust he has in the SME's manager. Thus, financing conditions depend on the perceived trustworthiness of the manager. This reliability depends on the manager's willingness to share/produce credible information, which in turn leads to greater transparency and better risk assessment. Once the banker has gathered sufficient information about the entrepreneur, trust is established and the assessment of the file becomes much easier, with many steps being skipped in this case. The bankers we interviewed stated that the time it takes to process a file is reduced when they are familiar with the client.

The bankers of the participative banks have confirmed that trust in the SME's manager enables easy access to financing, sometimes on privileged terms. Indeed, even if the bank's policy doesn't always allow it, they can make efforts in terms of margin rate reduction and collateral requirements when the entrepreneur gains their trust. The results obtained (a limited number of studies) in the context of conventional banks can be extended to the context of participative banks, where it has been shown that the element of trust plays an important role in their relationship with SMEs. A high level of trust is linked to preferential financing conditions for small and medium-sized businesses.

Our study is part of a body of research that addresses the issue of how the financing relationship fits into a social context, and the benefits that can be derived from it. In other words, actors' decisions go beyond purely economic objectives. To the best of our knowledge, our research is the first to explore the impact of trust on the financing conditions granted by participative banks, namely: access, margin rate and the amount of collateral required. However, our exploratory study was limited to the Mourabaha product, which is the only one offered by Moroccan participative banks. Other types of product do not represent the same level of risk, so trust will not necessarily have the same impact when it comes to SME financing. The notion of trust remains a social variable strongly influenced by the context and societal culture in which it is applied. Our research is limited to the Moroccan context, considered as a collectivist country (Hofstede, 2001) where individuals tend to define themselves on the basis of their relationships with others (Singelis; 1994).

Perceived company trust depends on the subjectivity and personal judgment of the banker receiving the information. The absence of sufficient delegation of decision-making authority (Stein, 2002) in the context of Moroccan participative banks is problematic. The quality of subjective information loses its relevance when it is transmitted to other hierarchical levels. Moreover, trust requires human contact and direct interaction with the person concerned. Participative banks, as ethical banks concerned with social values, are called upon to give branch managers more autonomy in decision-making, as they are in direct contact with the company manager behind the project and therefore best placed to assess it.

While our study has focused on the perception of trust on the part of the banker, it would be useful to explore the role of trust on the part of the SME manager, since the decision to share sensitive information, to be transparent and to have an obligation towards the bank depends heavily on the trust that the manager may have towards his bank. If we take into account the spiritual satisfaction of frequenting the participative bank (through religious conviction), the manager is likely to be confident towards his participative bank.

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