THE ISLAMIC BANKING SYSTEM AS A TOOL FOR CREATING A MIDDLE CLASS IN DEVELOPPING COUNTRIES: THE CASE OF THE DEMOCRATIC REPUBLIC OF CONGO

THESIS OF MASTER DEGREE

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JUNE 2021

ESKİŞEHİR

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Eskişehir 2021

JÜRİ ONAY SAYFASI

ABSTRACT

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This study analyzes the Islamic banking and financial system in developing countries with the example of the Democratic Republic of Congo (DRC). It presents the Islamic financial system not only as the best alternative to the traditional financial system but also as the best tool for the creation of a middle class in developing countries, as in the case of the DRC. Unlike many other studies, this study provides a more specific analysis to reconcile the Islamic financial and banking system with the concept of the middle class in developing economies of Africa, without being limited to presenting only the alternative side of the Islamic financial system. Based on the proven role of creating the middle class in the development of developed countries, the role of the Islamic finance system in creating the middle class in developing countries is discussed.

Keywords: Islamic Banking, Development, Middle Class, Emerging Market, Africa Economy, Democratic Republic of Congo.

ÖZET

GELİŞMEKTE OLAN ÜLKELERDE ORTA SINIF YARATMANIN BIR ARACI OLARAK İSLAMİ BANKACILIK SİSTEMİ: DEMOKRATIK CÜMHURİYETİ ÖRNEĞİ

Aisha BANSENGA KAZADİ

Finansman Anabili Dili

Anadolu Üniversitesi, Sosyal Bilimler Enstitüsü, Hazıran 2021

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Bu çalışma, Demokratik Kongo Cumhuriyeti (DKC) örneği ile gelişmekte olan ülkelerdeki İslami Finans ve Bankacılık Sistemi'nin bir analizini yapmaktadır. İslami Finans Sistemi'ni sadece klasik finansal sistemine iyi bir alternatif olarak değil, aynı zamanda DKC örneğinde olduğu gibi gelişmekte olan ülkelerde bir orta sınıfın yaratılması için iyi bir araç olarak sunmaktadır. Diğer birçok çalışmadan farklı olarak, bu çalışma, Afrika'da gelişmekte olan ekonomilerde sadece İslami Fnans Sistemi'nin alternatif yanını sunmakla sınırlı kalmadan, Islami Finansal ve Bankacılık Sistemi'ni orta sınıf kavramıyla uzlaştırmaya yönelik daha spesifik bir analiz sunmaktadır. Orta sınıfın oluşturulmasının gelişmiş ülkelerin kalkınmasındaki ispatlanan rolünden yola çıkarak gelişmekte olan ülkelerde orta sınıfın yaratılmasınında İslami Finans Sistemi'nin rolü ele alınmaktadır.

Anahtar kelimeler: İslami Bankacılık Sistemi, Orta Sınıf, Gelişmekte Olan Ekonomiler Afrika Ekonomisi, Demokratik Kongo Cumhuriyeti.

Fore Word

The problem of the creation or even the development of the middle class remains a major concern of African countries in general and of the Democratic Republic of Congo (DRC) in particular. However, this problem remains a great challenge for most of these countries, while this situation is linked to several realities including economic realities.

Indeed, our study here constituted to reflect to adopt a means or an important system which could help these countries in the creation and the development of this class by the Islamic financial (banking) system. The main objective of this study being to analyze the possibilities that the Islamic financial or banking system has for the creation and or development of the middle class in developing countries in general and particularly in the DRC responds to this concern. It is therefore shown in this study that there is a relationship between the Islamic financial or banking system and the middle class. The Islamic banking system contributes to the creation of the middle class in some countries where this class does not exist and also to the development of the latter in some developing countries.

Thus, our study established a rapprochement between the Islamic financial or banking system and the middle class by showing that this system was at the origin of the middle class in certain emerging countries and can also be an effective means for the creation or the development of this class in the DRC. The special aspect of our study is that it established a link between the Islamic system and the conventional system represented by the Congolese system by not only its prohibitions, but also by the accompanying aspect found in this system. It is important to note the difference between the Islamic financial and banking system and the conventional banking financial system which resides on the participatory side found in this system. Islamic banks go beyond what customers can expect, because they do not only remain in its shoes as a lender, but go so far as to support their customers in the realization of their projects through the proposed contracts. . So faced with this, we have shown in this study that the Islamic banking system is an essential means that the Congolese financial system should think about adopting in the future days for the improvement of household income in order to create or develop this class.

It was at the cost of a thousand and one difficulties that we came to the end of our study. It is the fruit of efforts combined with the help of other people for whom we will not be able to conclude this foreword without offering them our sincere thanks. May we begin by thanking our God and the authorities of Anadolu University, in general and in particular to those of the Institute of Social Sciences.

It is with all our heart that we extend our sincere thanks to our supervisor, Prof. Dr. Serpil ALTINIRMAK who, despite all his multiple occupations and especially despite the wind of this disease the coronavirus (covid-19) has agreed to supervise this study. Our sincere thanks to our father, my older brother and my sister-in-law for their support and encouragement, as well as to all my brothers and my little sister. This study is made in memory of our very dear mother Henriette NTUMBA Roukiya, who would have given everything for the success of this study forever in our hearts. May everyone who helped carry out this study from near or far find here the expression of our deep gratitude.

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STATEMENT OF COMPLIANCE WITH ETHICAL PRINCIPLES AND RULES

I hereby truthfully declare that this thesis is an original work prepared by me; that I have behaved in accordance with the scientific ethical principles and rules throughout the stages of preparation, data collection, analysis and presentation of my work; that I have cited the sources of all the data and information that could be obtained within the scope of this study, and included these sources in the references section; and that this study has been scanned for plagiarism with "scientific plagiarism detection program" used by Anadolu University, and that "it does not have any plagiarism" whatsoever. I also declare that, if a case contrary to my declaration is detected in my work at any time, I hereby express my consent to all the ethical and legal consequences that are involved.

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Acronyms and Abbreviations

ADB : African Development Bank

BBC : Bank of the Belgian Congo

BCCE : Banque Central pour le Commerce Extérieur (Bank of Foreign Trade)

BIAC : Banque Internationale pour l'Afrique au Congo (International Bank for Africa in Congo)

BIC : Banque International de Crédit (International Credit Bank)

BOA : Bank of Africa

CADECO : Caisse Général d'Epargne du Congo (Congolese General Savings Bank)

CBBC : Central Bank of the Belgian Congo

CBC : Central Bank of Congo

DRC : Democratic Republic of Congo

FPI : Funds for the Promotion of Industry

FSA : Financial Services Authority

GDP : Gross Domestic Product

HIPC : Highly Indebted Poor Countries

HU : Humboldt Universitat zu Berlin

IDB : Islamic Development Bank

IFDI : Islamic Finance Development Indicator

IFSIS : Islamic Financial Services Industry Stability

IMF : International Monetary Fund

INSS : Institution National de Sécurité Sociale (National Institution of Social Security)

MB : Medium Business

MSMB : Micro, Small and Medium Business

MSME : Micro-credit for Small and Medium sized Business

SB : Small Business

SCCMI : Middle Class Credit Company and Industry

SMD : Small and Medium Business

SOCOBanque : Société Congolaise de la Banque (Congolese Society of Bank)

SOFIDE : Société de Financement de Développement (Development Finance Company)

SONAS : Société Nationale d'Assurance (National Insurance Company)

SOZABanque : Société Zaïroise de Banques (Zairian Bank Society)

TKBB : Türkiye Katılım Bankaları Birliği (Participation Banks Association of Turkey)

TMB : Trust Merchant Bank

ZBU : Zairian Bank Union

INTRODUCTION

Islamic finance is the subject of much scientific research in these days. It is presented by some authors as a better alternative for conventional finance. Indeed, it is now an integral part of the global economic environment and has established itself as a real alternative to conventional finance. The conventional financial system is characterized by a lack of transparency in the practice of granting credit, and this lack of transparency is the basis of the rejection of moral operations linked to ethics in its economic activities within conventional financial institutions or classic. However, we find on the other side a strong desire of nations to no longer be vulnerable to the point of being affected by any wind during crises, it is quite obvious to find an alternative finance that can solve the problems of this lack of transparency and that of the exorbitant interest granted by the conventional financial system.

Following the constant sadness that the international communities have since started to bring a rather particular look on the Islamic financial system. So we are witnessing the day to day improvement of this system which seems to have a considerable advantage over the traditional system. The Islamic financial system wants to link ethics, profit and the environment in its practice, it is quite correct that it is a system of the welfare of its community by its good practice. The important thing in this study is not limited to presenting this financial system as a simple alternative to the conventional system, but it goes further by studying the possibility that this system has of creating or developing a middle class in the emerging economies of developing countries.

However, we have found that the most important thing is not only to have an alternative system but rather to know who benefits from this alternative. Should we always continue to serve the strongest by destroying the weakest? This study goes beyond a simple look at the subject of considering the Islamic financial and banking system as an alternative means, it is important to think of a financial system that meets the expectations of the population. Thus, logic would say that if the conventional financial system is unable to facilitate the creation or development of the middle classes, the Islamic financial and banking system can manage to do so.

Indeed, the middle class is the middle place in society. It is obviously situated between the lower class and the upper class, that is to say situated between the upper class and the lower class. This is not necessarily developed or absent in developing countries like the example of several countries in sub-Saharan Africa. However, the Democratic Republic of the Congo is one of the country in sub-Saharan Africa that theoretically contains a middle class of less than 13% of the population which is equivalent in the 11,195,175 of the population over all of its population which is estimated at 89,561,403 inhabitants according to the 2020 report of the African Development Bank (ADB). It is important to note that this middle class remains theoretical and is not palpable compared to the standard of living of the population which remains low. It is true that there are political reasons behind this situation, but economic and financial reasons dominate the former. In this same logic of idea, it is important for us scientists to think about reflecting on this subject to help the country to develop a system allowing it to set up the techniques of the creation or the development of the middle classes in the country to enable the population to emerge from its extreme poverty.

In view of the above, we see that there is on the one hand a need to find an alternative to conventional finance, and on the other hand a need to create or develop the middle classes in the country. Faced with these different needs, we need a financial system capable of meeting these two needs, and we felt that the Islamic financial system is capable of facilitating this process, because it reconciles social welfare with profits. Indeed, Islamic finance is defined as finance that works with respect for Islamic morals and ethics. Thus, ethical finance is defined as finance that takes into account not only financial profitability but also the environmental, moral and social criteria in granting loans (Diaby, 2017). However, we have defined Islamic finance in this study as a finance based on three aspects, namely the moral aspect which refers to its Muslim ethical sense, the profitability or profit aspect which refers us to conventional finance that is - that is to say the search for profit and the environmental aspect which refers to the well-being of society. So we can say that Islamic finance is finance with three dimensions, one of which cannot exist without the other and that we can only talk about Islamic finance when these three dimensions come together.

Logically, when we look at the definition of Islamic finance, it is true that a finance that is full of all these characteristics is able to solve the problems on the middle classes in a society. However, since several studies have proven that the Islamic financial system is an alternative system to the conventional financial system, so we will not pursue this same issue in our study, but instead will focus on the issues of the middle classes. Thus, the questions which will be treated in this study would be to know:

- Can the Islamic financial and banking system be considered as a means of creating or developing middle classes in the emerging economies of developing countries in general and in the Democratic Republic of Congo (DRC) in particular?
- However, by what means or how can this system create or develop the middle classes in the emerging economies of developing countries in general and the Democratic Republic of Congo in particular?

This study will attempt to answer this problem, it is true that this study requires long and extensive research to concretely answer this question. But never mind, we will try to answer as best as possible beforehand. Starting from the way the financial system looks, we can posit our hypothesis and our questions, we can pose our hypothesis as follows:

- The Islamic financial system being an alternative system to the classic system, it is a good means for the creation or the development of the middle classes in the emerging economies of developing countries as in the case of the Democratic Republic of Congo when is used in accordance with the principles of Islamic law (Sharia).
- The Islamic financial and banking system uses several means in financing the activities of emerging economies. It is an important system which has made it possible to finance the activities of economic agents in several developing countries, even those in Africa, through its participatory financing. Thus in developing countries, the Islamic financial system will provide a system of participatory financing for the creation and development of micro, small and medium-sized businesses. So the Islamic financial and banking system will facilitate the financing of the activities of MSMEs (Micros, small and medium-sized enterprises) through participatory contracts for the creation or development of the middle classes in these countries.

Thus, the development of our study through the various researches enabled us to confirm our two hypotheses.

The Islamic financial system is a system that first responds to the principles imposed on it by Muslim law in its operation. It is important to stress here that this system is really an alternative in the truest sense of the word. However, it is true that to better consider Islamic finance as an alternative to conventional finance, it is important to know on what this finance that we call interest-free finance, participatory finance or even the finance of moral ethics is -it founded, know its origin as well as its theoretical principles. Since it is true that the fundamental difference between Islamic finance and conventional finance, is based on its theoretical principles and foundations.

However, when the principles are so well understood, then we will start from the middle class context. Considering this logic, Islamic finance must answer certain questions about the middle classes, the real goal being to create a socialism system which will act to challenge the capitalist system which is eating away at our society. The Islamic financial system in other countries is still conceived as a myth and not a reality as in the case of the Democratic Republic of Congo. However, this study could seem like a good way to promote this system in this country where the financial system is overwhelmed by the application of interest rates generally not appreciated by the population.

This study is not only a scientific need, but rather a desire to add our contribution to the much desired development of an entire nation. This study could be the source of the creation of a financial institution that will be able to meet the needs of the population by putting this system into practice. After the application of this system, the Islamic financial system will no longer be caught in the context of a myth, but would be experienced as an alternative means that can lead to development if it is put in place by the country.

Thus, the objective of this study is to make a general reflection first on the fundamental operating principles of Islamic finance and Islamic banking in particular. Indeed, the practice of interest in any form is strongly prohibited in Islam has captured our curiosity on this subject which has always prompted us to conduct an in-depth study on this subject on the one hand. On the other hand, we will present the solidarity aspect of Islamic finance in the application of their contracts by a participatory rather than a capitalist method. Thus, this aspect of application of interest is replaced by a system requiring financial solidarity between the contracting parties, and as a result the bank no longer appears as a simple provider of funds but rather as a real engine facilitating the social factor. -economic of developing countries. To conclude our analysis, we will present the relationship between the middle classes and the Islamic financial and banking system for the creation and maintenance of the development of this class in the emerging economies of developing countries and particularly in the DRC.

Our study will be both qualitative and quantitative, these two approaches will be taken into account in our analysis. We will start from an analysis in three stages, the first will consist in bringing a reflection on the Islamic financial system taking into account its theoretical foundations, the second approach will relate to a study on the Congolese financial system to end with a study on the functioning and the perspective of the Islamic financial system to be able to participate in the socio-economic development of developing countries through the creation and development of the middle class in the Democratic Republic of Congo.

Our study is to analyze the possibilities of the Islamic financial system to be able to create a middle class in developing countries like the Democratic Republic of Congo. So to do this we will use statistical and economic methods and documentary technique. The data that we will use will refer to several documents such as official documents, scientific journals, books, scientific articles and other important documents that can help us to better conduct our study. As part of our study, the qualitative data that we will collect will be processed by a comparative analysis between the methods used in the Congolese financial system for granting loans and the participatory methods used in the Islamic financial system to demonstrate that this system is a real means of the middle class in the Democratic Republic of Congo.

Besides the introduction and the general conclusion, our study will be divided into 4 chapters, the first chapter of which will present Islamic finance in general with an emphasis on its sources and origins, the second chapter will present the principles and foundations of finance Islamic, the third chapter will present the Congolese financial system and the last and fourth chapter will present the Islamic banking system as an alternative to the creation of the middle class in the DRC.

The first chapter will present a brief history of Islamic finance, this chapter will deal with four main points which will give a general aspect of the Islamic financial system. Among these four points, the first point will present the main concepts of Islamic finance, the second point will present the different sources of Islamic finance followed by its history to finally finish with the development of the Islamic financial system in the world. This chapter will allow us to have a general idea about Islamic finance, its origins, and the different definitions of the concept, its birth and its development in the world.

However, the second chapter will be divided into three main points, the first of which will present the various prohibitions of the Islamic financial system, the second point will present the different principles of Islamic finance to finish the third point which will present the different contracts used in the financial system. Islamic law, the different risks that these contracts run as well as the management of these risks in the Islamic financial system. Regarding the prohibitions, we will present 4 kinds among and others the Riba, the Gharar and Maysir, the illicit activities known as Haram and hoarding. The second point will present the different principles of Islamic finance here we will present three forms of principles namely: the principles of profit and loss sharing, the principle of Zakat and the principle of backing transactions to tangible assets (Asset- Backing). The third and last point brought together three other points, namely the contracts used in the Islamic financial system, which are participatory contracts, financing contracts and non-banking contracts. Then we will present the various risks incurred in the Islamic financial system and finally with the management of these risks in Islamic finance.

The third chapter will present the Congolese financial system, it will allow us to have a good knowledge of the Congolese financial system. And to do this, this chapter will present 4 main points that will allow us to have knowledge about the Congolese financial system in general and the banking system in particular. The first major point will address the problems on the context of the Congolese financial system which we will talk about the origins and development of this system. The second point will present the guiding roles or the main roles of the central bank in the Congolese banking system. The third point will be to present the role of the financial system in the economy of the Democratic Republic of Congo (DRC). The last point will give us an overview of the Congolese banking system. We started by making a brief history of the banking sector in the Democratic Republic of Congo to finish by taking stock of the different components of the banking system in the DRC.

CHAPTER I

ISLAMIC FINANCE: PRINCIPLES AND THEORETICAL FOUNDATIONS

The Islamic finance is the object of many scientific investigations in these days. It is presented by some authors as a better alternative to the conventional finance. It is true that in order to better consider Islamic finance as an alternative to conventional finance, it is important to know on what this finance called interest-free finance, equity finance or the finance of moral ethics is based, to know its origins and its theoretical principles. Since it is true that the fundamental difference between Islamic finance and conventional finance, rests on its principles and theoretical foundations, which explains the reason for this part.

The objective of this part is to present Islamic finance in its theoretical aspect, it presents the origins, sources of finance without interest through these principles and theoretical foundations as well as the contracts it deals with while presenting the risks run and the management of these risks by this finance.

Indeed, this chapter is subdivided into four main points, each of which also contains sub-points. The first point will talk about the main concept of Islamic finance, we will talk about the different definitions of Islamic finance. The second point will present the source of Islamic Finance. The third point will present the history of Islamic Finance, we will talk about the evolution of Islamic Finance in the world. Finally, the last point will present the development of the Islamic Finance system in the world.

1.1. Main Concepts of Islamic Finance

Under this heading, definitions of economic finance, Islamic finance and Islamic banking will be mentioned.

1.1.1. Definition of Islamic economics

The term Islamic economy refers us to two concepts that should first be defined before adjusting the two concepts. We have between and other the concept of economy and the concept of Islam.

The term economy is generally defined as a social science that studies the administration of scarce resources for the satisfaction of unlimited human needs in society. In this context, man's needs are considered as unlimited, i.e. they evolve as man evolves and these needs become difficult to satisfy, which refers to the notion of scarcity.

Indeed, (Guéranger, 2009, P. 9), presents the economy as a branch of social science that is concerned with the behaviour of men about the goods and services they produce and exchange. Whereas the term economy in Arabic "Iqtiçad" simply means the intermediate place between insufficiency and excess.

The term Islam refers us to a religious community operating according to the principles of the Muslim faith that respects legal norms by accepting the decisions of the law. It should be noted here that Islam is based on respect for the principles established by the Koran. While the word Islam in the linguistic sense means peace, obedience and submission to Allah. Therefore, Islam simply means voluntary obedience and total submission to Allah.

In fact, from these different definitions we can define Islamic economics as a science that studies the administration of scarce resources for the satisfaction of man's unlimited need while respecting the fundamental principles of Islamic jurisprudence for the improvement of man's situation in society.

1.1.2. Definition of Islamic finance

Finance has been defined as a branch of the economy that deals with the transfer and negotiation of resources and risks of economic agents aiming at the capacity to produce goods and services without aiming at the moral and ethical quality of these operations (Guéranger, 2009, p. 7).

Islamic finance is the subject of several research as we can currently see several authors define Islamic finance according to their different vision of this branch. Although there are several authors who try to define this finance, we find however almost no difference in their concepts. These definitions are not far from each other, but rather complement each other or remain the same as given by several authors. Let us consider here the short and small definition of (Diaby, 2017, p. 3) which defines Islamic finance as finance that operates in accordance with Islamic morality and ethics. The author goes on to define ethical finance as finance that considers not only financial profitability but also environmental, moral and social criteria when granting credit.

We can thus define Islamic finance as a finance based on three aspects, namely the moral aspect which refers to its Muslim ethical sense, the profitability or profit aspect which refers to conventional finance and the environmental aspect which refers to the well-being of society. So, we can say that Islamic finance is a finance with three dimensions, one of which cannot exist without the other, and that we cannot speak of Islamic finance if only these three dimensions are brought together.

1.1.3. Definition of Islamic banking

The bank is generally defined as a commercial enterprise that manages the resources of these customers. When we take a somewhat more technical definition of (Patat, 2002) which defines the bank as organizations that manage their customers' accounts as liabilities, it indicates that these monies can be withdrawn by cheque or wire transfer depending on the available account limit and these bills constitute the scriptural money. The bank grants credits to create the simultaneous and necessary resources for the financing of these operations. So we can explain it this way: the bank takes money from X with a lower interest rate to be determined and lends it to Y with an interest rate also to be determined and higher than the one granted to X, so that the acquired difference between the sum lent and the sum borrowed then allows the bank to create its own resources and to ensure its operation, not to mention the other activities it carries out.

The Islamic bank in turn is defined as an interest-free bank. This definition reflects the image that each of us may have about Islamic banking, i.e. when we talk about Islamic banking everyone thinks about the prohibition of charging interest. On those several questions can be asked on this subject on the functioning of this bank, everyone can ask himself the question of how the bank can function without the levying of interest. Or will we limit the definition of Islamic banking to the simple fact of lack of interest? (Wade, 2010, p. 2), goes beyond this simple definition of Islamic finance beyond this image that the public gives it. In his book, he gives a slightly more complex definition of Islamic banking, presenting Islamic banking as a participatory bank that grants loans at a reasonable interest rate.

However, the Research and Training Institute of Islamic Development in their periodic paper No. 4 (Al-Jargi & Iqbal, 2001, p. 25), define Islamic banking as a financial institution that receives investments and carries out all kinds of banking operations apart from all interest-bearing actions. All resources constitute liabilities in the Mudharaba or Wakala (agent) system. The bank also accepts investments for life which are considered interest-free loans that clients make to their bank and the bank is guaranteed by the client. While investments advanced by lenders on a profit and loss sharing basis or debt in accordance with Shariah principles and the latter constitute the assets. Indeed, the Islamic bank acts as an investment manager for its clients who make the investments of funds for the purpose of investing. The authors also add that: what constitutes an integral part of the Islamic bank is its participation in capital and financing of current[1] and fixed[2] assets.

Note also that the Islamic bank shares its net earnings with its clients proportionally according to the sum of each investment and the date of each investment. Clients are informed in advance of how the bank will share profits or losses.

1.2. Sources of Islamic Finance

Islamic finance has many sources, but in this point, we will only focus on its main sources. These are its four sources, including the Koran, the Sunnah, the Ijma and the Ijtihad.

1.2.1. Koran

The Qur'an has been defined in Islam as a holy book containing the words of Allah, revealed by His Messenger Muhammad. It is passed down through successive generations called "tawaatur"[3] whose reading is considered worship. The Qur'an is the perfect guide for man on earth, being a guide, it is important for the Qur'an to address the subject of society. It deals with issues related to the regularization of exchanges between believers, it gives the fundamental principles in financial exchanges to avoid conflicts. The Quran is considered as a constitution in Islamic legislation, it represents the constitution for Islam in the same way that legislation cannot function without the constitution in the same way that Islam cannot function without the Quran. It is therefore the basis or foundation

[1]Current assets: current assets are the tangible assets of the company that can be converted into cash in more or less a year, also called current assets in the specific case here it is commodity stock.

[2]Fixed assets: fixed assets are long-term assets, they represent or indicate the real value of the company unlike current assets, and the latter cannot be converted into cash in a year. They are also called fixed assets.

[3]Tawaatour: which quite simply means the succession of the Koranic reader which is passed on from generation to generation while respecting the origin whatever the number of reporters. So we can define it as the succession of the reading of the Koran from generation to generation.

of Islam. It is transmitted from generation to generation, its entirety is in Arabic and its translation into other languages is called the exegesis of the Quran.

Indeed, the Quranic narrative contains a total of 6219 verses that constitute the main sources of Islamic law, of which approximately 10% or 621 verses of this book involve rules of human law and of which 10 verses or 1.6% deal with issues related to economy and finance (Levy, 2012, p. 26).

1.2.2. Sunnah

The Sunnah is classified in Islamic legislation after the Qur'an, it refers to the words, deeds and approvals of the Prophet. It explains what has not been explained or referred to in the Qur'an, it can be considered as an independent part of Islamic legislation because it can evoke concepts that have not been touched upon in the Qur'an.

Indeed, the Sunnah is defined as a realized progression, in accordance with the acts and statements of the Prophet. It is generally based on statements and thoughts that allow for interpretations, comments, clarifications, digressions, adaptations, explanations, exegeses, paraphrases, etc. of the Qur'an (Levy, 2012, p. 26). Usually the Sunnah is made up of hadiths, the prophet dealt with important issues concerning commercial contracts between believers being himself a merchant. He spoke knowledgeably about the different contracts to enable Islamic finance to play its role of ethical finance and contribute to the good management of exchanges between believers.

1.2.3. Ijma

Ijma, which means consensus, is the third source of Islamic finance, it comes after Sunnah. It is the main source of Sharia and Islamic jurisprudence. Islamic finance operates according to the rules and principles established by the Sharia, which represents Islamic law. Islamic finance is bound to respect the principles established by the latter.

In fact, Sharia law establishes the legal rules from the Koran and the Sunnah that Islamic finance must follow and is in principle the very foundation of Islamic finance. Just as Islam cannot exist without the Koran, Islamic finance cannot exist without Sharia. Let us remember here that the Ijma is the main source of Islamic finance after the Koran and the Sunnah. It is in fact a mechanism that allows us to act in community conventions to follow the progress and transformations in time.

1.2.4. Ijtihad

Ijtihad is an important element that ensures the dynamics of the Shariah, it is in fact an exercise of reason and the personal judgment of Muslim scholars. It brings together all the analogical opinions of Muslim scholars. To this effect, it is the source of Islamic finance since it is important for the dynamism of Sharia.

1.3. History of Islamic Finance

In this small part we will present the history of Islamic finance in the world countries, starting with its evolution, development and the expansion in Muslim and non-Muslim countries. This part will allow us to have a global overview of the Islamic financial system in some countries of the word, its application in the financial system and its adoption in some Islamic and non-Islamic countries.

1.3.1. Evolution of Islamic finance in the world

It is true that Islamic finance dates to the Prophet Muhammad, but its expansion in the world is not as old as the development of Islam itself. However, the first appearance of Islamic finance began firstly in the Islamic countries, with the emergence of an Islamic bank in Malaysia and in Egypt around 157 and 1963.

Subsequently several Islamic countries have gradually begun to adopt this financial system, other Muslim countries have also adopted the Islamic finance industry such as some Gulf countries like Pakistan, Saudi Arabia, Iran and Dubai as well as the Maghreb countries Morocco, Tunisia and Algeria.

Indeed, the success of Islamic finance in these countries has begun to attract the attention of some other Muslim countries.

1.3.1.1. Evolution of Islamic finance in Muslim countries

Although the Islamic financial model has been applied since the time of the Prophet in the practice of this principles and prohibition, however no Islamic banks or financial institutions existed at that time for using the operation of fully Islamic financial activities even in the Arab countries. Islamic finance began to prove itself in Muslim countries to overcome the conventional financial system that did not meet the principles of Muslim ethics. (Haroun and Grangereau, 2004, p. 52), pointed out that thirty years before the Islamic financial system was nothing on the global financial system. To show the extent to which the Islamic financial system was less known and less practiced even in the Arab world.

However, we can group the evolution of the Islamic financial system in Muslim countries into two important stages, characterized by its birth and development in these countries.

1.3.1.1.1. Birth of Islamic finance

The birth of the Islamic financial system began to make its days around the 1950s by a few Muslim scholars, who began to think theoretically about how to set up an alternative financial system to the conventional financial system that would respect the principles of the Koran. After some time in 1957, this theory took shape with the creation of Pilgrim's Administration and Fund (Tabung Haji) in Malaysia (Pastré & Gecheva, 2008, p. 199). The second experience took place in Egypt in 1963 with the creation of an Islamic Mit-Ghamar bank, which functioned as a rural savings bank. Note that these two Islamic financial institutions marked the possibility of the existence of financial institutions in the world through their experiences.

1.3.1.1.1.2. The development of Islamic finance in the remnants of Muslim countries

The success of these two Islamic financial institutions has not left other Islamic countries indifferent, several Islamic countries have adopted this system which has allowed a strong development in the Muslim world. This development started in the 1970s, when some Islamic countries changed their financial system to adopt the Islamic financial system. The Islamization of the financial system started with Pakistan in 1977 when Sharia law was recognized as the only law in the country. Around 1984 the Central Bank of Pakistan required all financial institutions in the country to adapt all their financial activities to Islamic financial principles with a two-year ultimatum (Karich, 2002, p. 7). This practice followed the same success in Iran; in 1979 Iran Islamized all its financial institutions in order to avoid the risks of capital flight in the Islamic revolution. All Iranian financial institutions have become purely Islamic and dominate the world ranking of Islamic banks stresses (Saidane, 2009, p. 17-18).

However, the development of Islamic finance has also proved its worth in the Gulf countries and the Maghreb countries. Indeed, in some Gulf countries, the expansion of

Islamic finance was achieved through the creation of the IDB (Islamic Development Bank) in 1975. The IDB was created by four founding member countries: Saudi Arabia, the United Arab Emirates, Kuwait and Libya. Apart from the IDB, there are also other Islamic financial institutions that were founded, which will be discussed in the following section. Contrary to other Islamic countries, the development of the Islamic financial system in the Maghreb is not remarkable enough as we will see later. In Algeria the Islamic financial system came into being with the creation of the Al Baraka Bank and in 1990, the Bank of Agriculture and Rural Development decided to merge to create a single bank which is the Al Baraka Bank of Algeria. In 2007 the central bank of Morocco authorized only a few alternative products of Islamic finance and at the same time Tunisia authorized the creation of an Islamic bank in the country Zitouna Bank.

Note that Muslim countries have differed from each other in adopting the Islamic financial system in their territories as mentioned above. Some countries have changed their conventional financial system by adopting the Islamic financial system, as was the case of Iran and Pakistan. However, other Muslim countries have adopted for the cohabitation of these two financial systems, as in Algeria, Saudi Arabia and Egypt, not to mention Morocco where the central bank has only authorized the application of a few contracts of the Islamic financial system.

1.3.1.2. Evolution of Islamic finance in non-Muslim countries

The success of the Islamic financial system in Muslim countries has not left indifferent some of Muslim countries for the adoption of this system. Some countries have adopted the financial system through the establishment of Islamic financial institutions and others have just added some Islamic finance contracts in their conventional institutions.

The United Kingdom was one of the first countries in Europe to install the Islamic financial system in its territory in the 1980s. The first bank was the Al Baraka Bank, which unfortunately a few years later, around 1993, suffered some problems related to the adaptation of the British financial system that led it to close its doors (Housbys, 2006, p. 28-29). The United States of America was the first Western country to adopt the Islamic financial system even before England, but the development of this system only began in

1997 with the agreement between the regulatory authorities and the United Bank of Kuwait on a mortgage offer.

The Islamic financial system has continued to expand in other non-Muslim countries around the world as we can see today, such as Germany, whose application of the Islamic financial system began with Turkish immigrants, Switzerland with the creation of Dar Al Maal Al Islami, which ranks among the most important Islamic financial institutions in Europe.

It should be noted here that the adoption of this system differs from one country to another as in Muslim countries. Some non-Muslim countries have not adopted the financial system by creating Islamic financial institutions in its entirety but have just adapted some applications of Islamic finance that works in conventional financial institutions. Some countries such as France where Islamic financial institutions have gradually started to open their branches in French territories. We also have other non-Muslim African countries that have also started opening Islamic windows such as South Africa, Kenya and others.

However, given the strong growth in the development of the Islamic financial system throughout the Muslim and non-Muslim world is the subject of several reflections on this subject. Let us understand in this sense that the Islamic financial system is no longer simply a question of religion, but a question of a financial system capable of reconciling financial profitability with ethical and environmental principles. This explains its extension even in countries with a small portion of the Muslim population.

1.4. Development of Islamic Finance System in the World

As noted above, the Islamic financial system has experienced strong growth in the Arab world, both Muslim and non-Muslim. The Islamic financial system has developed through the presence of Islamic banks in the world, financial institutions are represented throughout the world by the establishment of Islamic banks. In this point we will talk about the evolution of the Islamic banking system starting with the Arab world where we will mention some Islamic banking institutions, the evolution of the banking system in non-Arab Muslim countries and in non-Muslim countries.

1.4.1. Development of the Islamic finance system in the Arab countries

The Islamic banking system, as in the case with the Islamic financial system, has its origins in Muslim law. It is obvious that it is first more developed in Arab countries, since most Arab countries are generally from the Islamic community, although they are not necessarily all Muslims. Among the Arab countries, only Sudan today has imposed the Islamic banking system in its territory. Some other Arab countries have adopted a system of cohabitation as noted above (Ruimy, 2008, p. 43). We will examine these countries and practices below.

1.4.1.1. Egypt

It was one of the first Arab countries where Islamic banking was born, with the appearance in 1963 of the Mit-Ghamar Bank. This bank functioned as a rural savings bank, whose main objective was to practice banking activities with the principle of profit and loss sharing, and the granting of financial aid for pilgrims. (Saidane, 2009, p. 20-21), points out that this first experience was a great success through its expansion in the country because it counted more than 20 branches in a period of 4 years, but despite its success in 1967 this beautiful experience ended for political reasons.

It should be noted that despite the closure of this bank, the Islamic banking system resumed well in the 1970s with the creation of other Islamic financial institutions. The 1970s marked the rebirth of Islamic institutions in Egypt, and during this period Egypt introduced an Islamic bill. The success of these institutions encouraged some other Arab countries to adopt this banking system. Although Egypt was the first Arab country to establish an Islamic bank in the world, it is not ranked among the countries with a strong expansion of Islamic banks in its territory. Islamic banking continues to evolve, but not as in other Muslim countries, its evolution is low compared to Malaysia or Bahrain.

1.4.1.2. Saudi Arabia, United Arab Emirates, Kuwait and Libya (IDB)

These four Gulf countries together in 1975 created the Islamic Development Bank (IDB), which had as its main objective: the improvement of the economic system of the founding countries and the social development of these countries. The IDB follows the principles of the Islamic financial system, providing equity capital and interest-free loans as required by Islamic law.

It should also be noted that, in addition to these objectives, the IDB also plays the role of technical accompaniment for development projects and its most striking role is that it also finances international trade (Bouhadida, 1999, p. 104). The success of the IDB lies in the fact that it is involved in all aspects of development projects in both Muslim and non-Muslim countries. Its contribution to development projects is commendable and deserves high regard for this institution.

Indeed, after the creation of the Islamic Development Bank, other Gulf countries also proceeded to adopt the Islamic banking system with the creation of several banks namely: the establishment of the Islamic Bank of Dubai in 1975, the creation of Kuwait Finance House and Abu Dhabi Islamic Bank in 1977, and the creation of Al Rajhi Trading Exchange Corporation in 1978 (Saidane, 2009, p. 21), thus evolved the Islamic banking system in the Gulf countries to reach other Arab and Muslim countries and even non-Muslims.

1.4.1.3. Sudan

Sudan in turn adopted the Islamic financial system in 1977 with the establishment followed by a successful Faysal Islamic Bank. The success of this institution prompted the Sudanese authorities to reflect on the Islamization of the entire banking system in the country, and by the 1984's the Islamization of the entire Sudanese banking system took place. Let us note with (Ruimy, 2008, p. 50) that this process of Islamization remained in theory for more than 10 years, since fewer conventional banks still present in the country continued to grant loans with interest, until 1994 the authorities finally decided to Islamize banking system in a more structured way.

However, as the Sudanese banking system is completely Islamized, the Islamic Financial Services Industry Stability (IFSIS 2019) report indicates that Sudan has a 100% Islamic banking system. As such, Sudan is one of three countries in the world to adapt its conventional banking system to the Islamic banking system and it is the only country in Africa to adopt this fully Islamic system. It is also part of the pioneer of the Islamic banking system by its audacious behavior of the complete change of its system which some African countries with Islamic majority seek to follow.

1.4.1.4. Bahrain

In Bahrain, Islamic banking began with the establishment of the Islamic Bank of Bahrain in 1978. Ever since the banking system in this country emerged, it has always wanted to be the regional center of Islamic finance in the world. (Ruimy 2008, p. 53), reports that its evolution has been very remarkable in the world: An important volume of assets in 2007 with an increase of more than 32% during a sliding year that increased the country's GDP up to 14 times. It constituted a boom of Islamic banking in the world on the total of 47% of Islamic assets produced in one year, 68% of these assets came from Bahrain. It holds a high rate of bankarization with more than 60% of Islamic banks in West Asia. It holds several regional headquarters with the creation of several Islamic financial institutions. It has a respected and high-quality supervisory authority, and finally it has a developed and creative financial center.

However, it should also be noted that the country's success was due to the Lebanese civil war in the 1975's, when several foreign banks chose Bahrain as a country of refuge. In spite of this fact, Bahrain continues to prove itself, it counts today more than 24 banking institutions in its territory. Its development in the banking sector has made it an attractive and innovative country. According to the Islamic Finance Development Indicator (IFDI, 2016), Bahrain ranks first among the countries of the Middle East and second in the world after Malaysia. The development of the banking system in this country is out of the ordinary.

1.4.1.5. The Maghreb

The Maghreb is the Arab part that has set up the Islamic banking system lagging behind other Arab or Muslim countries, the Islamic banking system is not very developed in the Maghreb as elsewhere. Among all the Maghreb countries, only Algeria has the most dynamic Islamic banking system now.

The development of the Islamic banking system in the Maghreb began with the establishment in 1991 of Al Baraka Bank in Algeria, which carries out operations in accordance with Islamic law (Sharia). Then a second bank appeared in 2008, the Al Salm Bank of Algeria with the vision of financing private companies and the agricultural sector. The development of this system has continued with the authorization of the Tunisian government in 2007 of the creation of the Islamic bank Zitouna Bank, followed by the opening of a branch of the Dubai Noor Islamic Bank in 2008. Also, around 2007, the Moroccan authorities authorized the application of certain Islamic contracts in conventional banks before creating Islamic banks.

Thus, as noted above, not all countries have adopted the Islamic banking system in the same way. This remark is proved even in the Arab world some countries such as Sudan to adopt for the Islamization of its banking system, while most countries that despite the success of this system as in Bahrain, the two systems still coexist. Others as in the Maghreb, including Morocco until now is not yet completely in the depth of this system.

1.4.2. Development of the islamic finance system in muslim countries

In this small point, we will present the evolution of the banking system in Muslim countries. Let us note here that when we talk about Muslim countries, we are not only talking about countries whose constitutions recognize Islam as the universal religion, but also about any other country where the majority of the population is Muslim, i.e. countries that are constitutionally recognized as secular, but where Islam is the majority religion, such as Turkey and Indonesia.

1.4.2.1. Malaysia

One of the first Islamic banks was established in Malaysia in 1956 with the creation of the Islamic bank Pilgrim's Administration and Fund (Tabung Haji). The development of this system in Malaysia is linked to the Malaysian government's desire to improve their economic growth. This bank was created with the objective of facilitating the savings of people wishing to make a pilgrimage. The Malaysian government has made the Islamic banking system an engine of development and Malaysian economic growth, which has made this system more attractive. It should be noted, however, that the innovation and diversification of products offered by the Islamic banking system in Malaysia have interested different customers, Muslims and non-Muslims.

Indeed, the Islamic Finance Development Indicator report (IFDI, 2016), indicates that its contribution to the Islamic banking system worldwide has not been better in 2015, but the same report places it as the first country before Bahrain to have the most developed Islamic banking system in the world. Until 2018, Bahrain had 12 participating banks and

4 conventional banks, which puts it ahead in the global ranking of the Islamic Financial Services Industry Stability report (IFSIS, 2019). The diversification of activities in the Islamic banking system in Malaysia and its somewhat independent Islamic system are at the origin of the attraction of clients to it. The evolution of the banking system in Malaysia remains perhaps the best of all time.

1.4.2.2. Pakistan

When Sharia law was introduced as the official law of the country in 1977, it was at that time that the process of Islamization of all systems began. Pakistan was among the three countries in the world to adopt the Islamization of their system. To this end, all institutions in the country were Islamized including the country's banking and financial institutions. In 1984, the Central Bank of Pakistan required all banking institutions to comply with Sharia law and granted a 2-year delay to all institutions in the country.

However, despite these changes, the Islamic banking system has evolved very well in Pakistan. It is also important to note that despite the Islamization of the Pakistani banking system, there are also some conventional banks that continue to exist, but still operate under Muslim law. The Islamic Finance Development Indicator report (IFDI, 2016), indicates that the development of equity banks is more significant than for conventional banks, as equity banks are evolving at a faster pace and there are currently more than 7 equity banks and 3 conventional banks.

1.4.2.3. Iran

The current of Islamization that took place in Sudan and Pakistan also took place in Iran. This process of change in Iran has also been successful, but its difference with Pakistan is observed on two important points, the first is that this process of Islamization of the banking system took place in a revolutionary aspect which had as an objective to impose the Shiite Islamic law. The second is that Iran to adopt a system of Islamization immediately, it demanded a transition from the conventional system to the Islamic system without giving the institutions the time to regularize their systems to completely adapt the Islamic banking system as desired by the country. The Islamization of Iranian banking institutions took place around 1979.

1.4.2.4. Turkey

The Islamic financial system in Turkey came into being around 1985 with the emergence of the Islamic banking sector. In February 2001, this sector experienced 2 serious problems because of the economic crisis for their conversions. Despite these problems around the same years, the participatory banking system also began to strengthen and to know some regulations. Islamic banks have remained in conventional banks for the reasons of its structures. The authors point out that, the participatory banks were able to survive during the crisis that Turkey experienced in 2001 thanks to their flexible structures and they were able to emerge from the crisis without problem. During this period, the principle of profit sharing helped the Turkish participatory banks to cope with the high interest rate problems that conventional banks experienced during this period (Gedıklı & Erdoğan, Aralık 2016, s. 210-212). It is also important to point out that the Turkish participatory banks experienced less risk by eliminating the application of the interest rate in their systems, they also experienced some problems certainly, but these problems were solved when an economic and social life stable to begin to take place around the years 2003 again underline the authors.

However, thanks to the successes enjoyed by participatory banks in Turkey, its expansion was strongly noticed during all these periods. Thus, it is shown that the year 2015 the participatory banks experienced a strong growth of their capital leaving from 144 million Turkish Lira in 2014 to expect 405 million Turkish Lira in 2015, which allowed Turkey to be ranked in the (IDB's 2016) report as a country that owns a greater number of equity assets. The report also points out that Turkey is the country that contained more participatory banks compared to the size of its economy in 2015, despite experiencing a small decrease in 2014, followed by strong growth in 2015.

Turkey is ranked in the Islamic Finance Development Indicator (IFDI, 2016) report as a country with the highest ranking of globally participating banks relative to the size of its economy. Note that this report points out that there is a need for clarity to hope for significant growth in its market for the regulation of its participatory banks. The same report points out that Turkey is among the countries with a growing participatory banking sector. However, the Association of Turkish Participation Banks (Türkiye Katılım

Bankaları Birliği) registers 6 participatory banks in Turkey in its 2019-2020 report (TKBB, 2020).

1.4.2.5. Indonesia

Indonesia compared to Turkey, it seems to have a promising future for the participatory banking system, only that the evolution of participatory banking in Indonesia is following a turtle-step development. The report (IFDI, 2016) points out that following the Indonesian authority's initiative to develop the participatory banking system, the authority is also considering developing an environment that could further attract participatory banks to the country. Indonesia has a total of 6 participatory banks and 4 conventional banks.

The list of Muslim countries with better developed Islamic banking systems is too long, we could not mention some of the other countries in this point. We have cited a few to demonstrate the contribution of this system to the socio-economic development of these countries. We can also note that, these countries have had great success with the establishment of the Islamic banking system in their territory, this has pushed some others to change their conventional systems completely to the Islamic system, and others have opted for the coexistence of these two systems. However, the success of this system is at the origin of its adoption in some African countries, such as Nigeria, Niger, Senegal, and other countries that we will not be able to mention in this work. The Islamic banking system is the engine of economic growth in several Muslim countries around the world.

1.4.3. Development of the islamic finance system in non-muslim countries

The development of the Islamic banking system has not only been limited in Muslim and Arab countries, but also in non-Muslim countries where the Muslim population is a minority. The Islamic banking system to continue with its success beyond the Muslim border, it has crossed the Western countries until waiting for the African countries with low percentage of Muslim peoples.

1.4.3.1. The United Kingdom

The United Kingdom remains to date the center of the European banking system, i.e. the country with the most developed Islamic banking system in Europe. The Islamic banking system was established in the United Kingdom in 1980 with the opening of the activities of the Al Baraka Bank of Bahrain to English soil. The opening of this institution started a new history of banking activities in the United Kingdom. This new experience of the banking system worked with the opening of current accounts and simple investment accounts for a few years, until its closure in 1993 following some complications from the government. (Housbys, 2006, p. 29), points out that this failure was due to the very limited number of products and to non-complementary pricing that imposed double taxation on property contracts.

A few years later, however, the central bank of England decided to get involved mainly in the recovery of this sector, and some participative contracts of the Islamic banking system began to be applied to allow this system to better position itself in the country. The Financial Services Authority (FSA), the body in charge of the supervision of the Islamic banking system, was able to cancel the double taxation in 2003, and following this cancellation several Islamic banks started little by little to launch their activities in the country. This institution was able to obtain a supervision of the Islamic financial sector in 2004, which allowed Islamic banks to provide activities in accordance with the standards of Islamic law, i.e. the Sharia standard (Ruimy, 2008, p. 64).

1.4.3.2. The United States

Qualified as an Islamophobic country, the United States has more than 6 million Muslims in its territories. It is among the first Western countries to install the Islamic banking system in its country following the sufficiently high number of Muslims in the years 1997. Institutions operating in accordance with Sharia principles have been able to show good development in the United States, such as the LARIBA Bank of America Finance House which is developing in more than 13 states. Followed also by the development of another Islamic institution, the Amaria Mutual Fund Bank, this fund has allowed investors to have access to a large number of Shariah-compliant institutions in the United States, such as the LARIBA Bank of America Finance House, which is developing in more than 13 states. Followed also by the development of another Islamic institution, the Amaria Mutual Fund bank, this fund allowed investors to have access to various activities in accordance with Islamic banking principles (Karich, 2002, p. 88).

1.4.3.3. France

Compared to the United Kingdom, France agrees with a large in relation to the adoption of the Islamic banking system. Although, we can see France's willingness to develop a banking system that complies with Islamic principles, this system is limited to the application of only a few financial activities that comply with Sharia rules.

However, Islamic financial instruments are often offered by Islamic windows opened by conventional institutions, also by other British Islamic institutions approved by the French state. This authorization is granted following the high number of requests for Islamic banking operations by the Muslim population in France.

Indeed, the Islamic banking system is developing considerably in the world, it breaks Islamic borders to wait for the secular constitutional countries. It crosses the world thanks to its success in every country it is adopted, so we can count several countries that are happy to have it installed in their territories. It’s developed in other countries we have not mentioned above such as Switzerland, Germany, Canada, Kenya, South Africa, Ivory Coast, Tanzania, and others where we can find Islamic banks operating normally.

Other countries qualified as secular, have had difficulty accepting this system just because it is called "Islamic Financial System". As a result of its expansion into the non-Muslim world, they have understood that the Islamic banking system is not about religion, just a system that allows a good balance between profitability, morale, and the environment. It is true that economic activity aims at profitability, but should we sacrifice our environment for profit? Or should we continue to question ethics, impoverishing the poor to enrich the rich?

However, as we continue to consider that the purpose of an activity is to make profit, we can never expect the true purpose of a participatory banking system, only when we can consider profit as a means to achieve the objectives, at this level we can then speak of a participatory banking system that meets the standards of ethics. Today we have countries that are called small, highly indebted poor countries (HIPC), we find ourselves in this appellation because the great powers have over-indebted the already poor countries in order to save the rich countries from bankruptcy (Lévy, 2012, p. 46).

The main objective in this work is to present the financial and banking system as a tool for the creation and development of the middle class in the developing country generally and more particularly in the Democratic Republic of Congo. However, to achieve this objective, it is important to start with a small presentation of Islamic finance, specifying its evolution both in Arab and non-Arab countries as well as in Arab, Muslim and non-Muslim countries.

Indeed, the present chapter as underlined at the beginning presents us a brief history of Islamic finance, it includes four major points which give a general aspect of the Islamic financial system. Among the four points discussed in this chapter, the first point presented the main concepts of Islamic finance, the second point presented the different sources of Islamic finance followed by its history to finally finish with the development of the Islamic financial system in the world.

Thus the first point which presents the main concepts of Islamic finance, gives us the definitions of the main terms related to this system. However, this first point tried to give the definitions starting with the term Islamic economy, followed by Islamic finance and ending with banks or Islamic financial institutions. This point has tried to give us an idea of how several authors define the terms related to the Islamic financial system. So the most important thing to remember in this point was whether it is about the economy, finance or Islamic banking, all are bound to follow the ethics imposed on him by Islamic law which differs from the system classic or conventional. Like any company whose objective is to make a good profit, the Islamic financial system differs from the classical system because in this system profit is not the main objective, but rather in this system the profit is used to achieve the objective which is to have a socially livable environment. The objective of the Islamic financial system is to create a world where the 3 aspects will be linked together, namely: profit, ethics, and social, so with the consideration of these 3 aspects we can then leave a capitalist world to a world where socialism reigns.

The second point of this chapter presented the different sources of Islamic finance which are the Quran, Sunnah, Ijma and Ijtihad. Among these four sources, the main source of Islamic finance is the Quran which is the holy book of Muslims inspired by God (Allah), this book teaches Muslims how to live among brothers and sisters to avoid conflicts and in case of conflicts what to do to resolve it. However, the other three sources are inspired by the Prophet Muhammad by his teachings on the behaviors of believers when financial matters are brought up in order to be able to keep a balance among believers and resolve financial conflict issues. So these four different sources are important to each other and generally complement each other.

The third point of this chapter presented the history of the Islamic financial system in the world, including Muslim and non-Muslim countries. However, he approached the evolution of Islamic finance around the world starting with Muslim countries and ending with non-Muslim countries around the world. Thus in this point we have seen the first appearances of Islamic banks in the world, it is here about two first Islamic banks paired in two countries of which one is a country and Arab and the other is a Muslim country and not Arab namely Egypt and Malaysia followed by its appearance in other countries passing through Muslim countries until reaching non-Muslim countries such as the United Kingdom and the United States.

The fourth and final point presented the development of the Islamic financial system. This point discusses the evolution of this system in the world, it presents us with a mature and developed system even in the most secular countries of the world which have no influence of any religion like the United Kingdom for example. However despite that the financial system is adopted as a universal financial system or imposed in some Muslim countries such as Pakistan as the only system in the country by the Islamization of the financial system, some other Islamic countries like Egypt do not has not adopted this system of Islamized the financial system in the country both systems are present in the country. However each system has its institutions, there are also some countries of which the Islamic financial system is only a part in conventional institutions where banks or financial institutions have just started to settle in the country independently.

So we can notice in this chapter that despite the success of the Islamic financial system in the world, its adoption is not the same in all countries. Thus each country adopt this system differently from the other, some countries have completely changed their financial system to adopt this system by the Islamization of the financial or economic system of the country, some others have proceeded to the cohabitation of these two systems and others even have just opened a few Islamic counters in conventional or traditional banks or financial institutions. However, the Islamic financial system, given its expansion in the world and its contribution to the socio-economic development of countries, is no longer a question of religion, but rather of human well-being. Our first chapter allowed us to have a good knowledge of Islamic finance and its evolution in the world before approaching the chapter on its foundations, with this first chapter we know the history of finance which will allow us to Addressed questions on the basis of this finance is the subject of our next chapter.

CHAPTER 2

THE FOUNDATIONS OF ISLAMIC FINANCE

Islamic finance differs from conventional finance on the basis of its foundations. Thus, today we can present this finance as an alternative to conventional finance thanks to its principles and prohibition linked to Muslim law. We can in no case separate Islamic finance from Sharia, because it differs from conventional finance through the rules imposed by Sharia. Without Muslim law, there would be no difference between these two financial systems.

Indeed, in general the foundations of the Islamic financial system is based on 5 principles namely: the prohibition of usury (riba: pre-established interest rate), the prohibition of deception and speculation, the ban on investing in activities considered prohibited in Islam (products considered Haram), backing and sharing of profit and loss. To be more precise in our work, we have subdivided these principles into 2 groups which are: prohibitions and principles. By prohibition, we will focus on everything that is prohibited in Muslim law, and in principle, we will talk about the rest of principle.

However, in this chapter, we will focus on the foundations of the Islamic financial system. We will talk about the points that characterize this system, so we will talk about its prohibitions and its principles.

2.1. Prohibitions

Regarding the prohibitions, we have enumerated 4 kinds of prohibitions which are: the prohibition of interest (Riba or Usury), the prohibition of uncertainty of sale and speculation (Gharar and Maysir), prohibition of illicit activities (Haram) and finally the prohibition of hoarding. We can show them as in Figure 2.1.

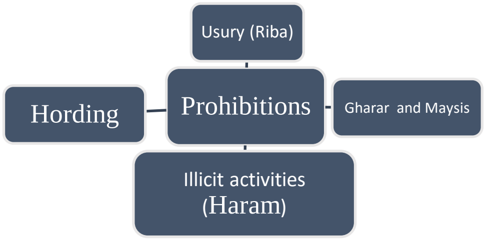

Figure 2.1. *Prohibitions in Islamic finance (Source: Our elaboration from prohibition in Islamic Finance).*

2.1.1. The prohibition of interest/usury (Riba)

The prohibition of interest (Riba) is the very basis of the Islamic financial system. In most cases when we elaborate on the subject concerning the Islamic financial system, several refer to the lack of interest or the prohibition of interest. Certainly, it is true that Islamic finance prohibits the granting of credit with a predetermined rate of interest, but this does not mean the complete absence of interest in the Islamic financial system. Undoubtedly the Koran prohibits any form of commercial transaction with interest. The Quran as a whole contains 6219 verses, among these 6219 verses there are 80 verses which speak about believing behavior, that is, how believers should live among themselves in society. So we can say, the verses that set the standards by which believers must follow to accomplish the will of God, and among these 80 verses we find at least 5 verses that speak or prohibit the taking of usury between believers[4].

Generally speaking, Muslim law is opposed to the fixed and predetermined nature of the rate of interest (Riba). However, Islam accepts the principle of profit over investment, provided that the latter is placed in a risk situation. The Islamic financial system believes that the principle of the payment of invested money is its profitability so it excludes any sort of idea of a payment fixed in advance which may be beyond the profitability of invested capital (Ruimy, 208, p. 13). Generally speaking, "riba" means the augmentation or regeneration of a thing from itself and this practice is prohibited by Sharia. Muslim law assumes that an interest that relates only to a financial flow is a levy on work belonging to another person without having participated and also without having

[4]Quran: Surah of the Cow (AL BARAKA) verse 275, 278. Surah of the family of IMRAN verse 130. Surah of the ROMANS verse 39. The Quranic verses which prohibit the practice and consumption of the usuries.

taken a risk. So when the investor bears the loss alone, this is no problem because Sharia rule assumes that work is more valuable than money (Levy, 2012, p. 50). As the entrepreneurs is supposed to have wasted his time, then in case of loss he does not have to reimburse the lender for his initial investment as in the case of the conventional finance system.

Indeed, Islamic law distinguishes two kinds of usury namely: usury of time limit and usury of superiority (Diaby, 2017, p. 12).

Time limit usury

Islamic law defines usury as a way of requiring payment of an amount given to compensate for the delay of the loan that the lender agrees to give to its borrower. At this level the interest is seen as a price, which the borrower pays the lender to compensate for the time that has elapsed from the day of signing the contract until the repayment of his debt. Considering this requirement, Islamic law prohibits any form of interest on the occasion of the loan agreement.

Islamic law also prohibits the application of penalties on late payment of a debt, since the latter is considered a modality of interest, says Alhassane Diaby. So if the creditor bears the costs such as debt collection, in this case he has the right to demand reimbursement of this cost from his debtor (Diaby, 2017, p. 11).

Superiority usury

The usury of superiority exists when one exchanges the good of the same nature. So this usury is also prohibited in Islamic law, this denier requires a balance between quantity. It's used a lot more for consumer goods, you lend 1 kilogram of potato and the person pays you back 1.5 kilogram of potato when due. The latter is not possible in the monetary plan.

In view of the foregoing, Professor Jean Benoit Vittrant, he considered as usury any "contract which requires the granting of credit to someone or even anything the use of which is assumed for consumption or the use of which is for alienation, with an obligation to repay on the date fixed not only the part borrowed but also with a percentage of interest”.

On the subject of Riba which is becoming more and more debated among Muslim scholars, some authors encourage interest and others have completely opposed it. With the adage which says that "all Riba is interest, but that all interest is not necessarily Riba", some authors maintain that the interest prohibited in Islam is the Riba which they define as an exorbitant interest that the Koran has qualified as "usury" which alludes to a form of excessive interest. According to this approach, we find that there is a difference between usury and interest which can compensate for the level of inflation. However other Muslim jurists are against this theory, they prove in their analyzes that all interests and interests whatever the cause and that the latter is forbidden by Allah. In view of the above (Yanpar, 2014, s. 64), considers in this sense that each side of the scholar is right, he thinks that each opinion is correct. He concludes in the sense that as long as there is inflation, progressive interest will exist, that we will not be able to know what the prohibited interest is, as long as the granting of credit will exist in the banking system, the Interest earned on the money deposited will be considered as accumulated savings and as problems will continue to exist between applicants and lenders discussions on the subject of Riba will continue to exist (Yanpar, 2014, s. 64-65).

2.1.2. The ban on sales uncertainty and speculation (Gharar and Maysir)

In this point, we will talk about two prohibitions namely uncertainty in sales and speculation which is also considered in the same context as games of chance.

2.1.2.1. Gharar

The term Gharar means lack of certainty, in the sense of a debt, it expresses uncertainty in the contract. The financial system as a whole does not prohibit risk, it is a means that compensates for the lack of interest in the development of the contract, and however this contract must be clear to each party. When there is uncertainty in the contract of sale, it is considered a fraud and is condemned under Muslim law. This uncertainty is then called "Gharar". Unlike Riba which is also prohibited in other religions such as Judaism, Christianity and others, Gharar is only prohibited in Islam. It is characteristic of the Muslim religion (Ruimy, 2008, p. 23).

However the term Gharar is not mentioned in the Quran, but rather forbidden in the hadiths of the Prophet Ruimy also adds that this term is used several times in the hadith. It is compared in the classical financial system as a random transaction. Gharar is prohibited in financial transactions or in the Islamic sales contract, because it contains information that may harm others. In sales uncertainties, one person is considered to have more information than the other; so on this matter the contract is bound up with uncertainties which can be an advantage for one or a disadvantage for the other and this kind of contract is not allowed in the Islamic banking system. Sharia also has the role of ensuring that the contract of sale with uncertainty is prohibited.

Indeed Professor Servet Bayındır (Bayındır, 2015, s. 35) emphasizes that Gharar intervenes when it comes to a property contract, a cost or an uncertainty at the end of the contract. This kind of contract can occur when it comes to a fictitious sale, when one has information that the other does not have, that is to say when it comes to the cheating of the part of one of the party. This contract is regarded as an uncertain contract is called Gharar when it is made for the purpose of deceiving the other (Bayındır, 2015, s. 35). So one party seeks to have the advantage over the other, it is at this level a Gharar contract which is prohibited in the Islamic financial system.

2.1.2.2. Maysir

The Maysir unlike Gharar, it has its origins in the Quran[5], it is cited in two Koranic verses. The latter translates into Muslim scholars as gambling, gambling and betting are strictly prohibited in the Quran. He is often associated with Gharar, since they are prohibited in the Quran, it is not normal for them to be processed in Islamic banks. It is in this sense that Sharia prohibits Maysir, it requires that contract identifiers be known everywhere and that signatures must be preceded by meetings to determine the subject of the contract at the outset.

Indeed, in the Maysir contract unlike Gharar, here the two parties do not know the outcome since it is the game or the bet. With this kind of contract, it is just luck and there are no such things as trades that have economic value (Yanpar, 2014, s. 72). This contract may seem to be advantageous since it can save a lot of money, but it is not legal under Sharia law as in the end one person always has to lose to the other. So it is normal that it be banned because it is not morally good and encouraging, it does not respect the rules of Muslim ethics and good conduct.

[5]Quran: Surah AL-BARAKA verse 219 and Surah AL-Maida verse 90-91.

2.1.3. The prohibition of illicit activities (Haram)

There is a category of activities that are considered illegal activities in Islam, and these activities are prohibited under Muslim law, such as pork production although it is among the most profitable activities, trading in alcoholic products and other activities. The Sharia also aims not only to ensure the prohibition of usury, gharar or maysir but also to prevent the financing of illicit activities.

Indeed, respect for Muslim morals and ethics requires this selection of products to benefit from financing in Islamic financial institutions. So to face it, a committee composed of specialist in Islamic law is required in these institutions to verify the conformity of these requirements. The aim in this is that Islamic financial institutions are required to support projects that promote sustainable and responsible development, both in religious respect and also socio-economic development.

2.1.4. The prohibition of hoarding

In Muslim law, money has no intrinsic value. It is seen as a tool to facilitate trade in the market, at this level Sharia condemns any activity that increases wealth in a judicious way, that is to say by hoarding one's money. However, the practice of hoarding, being prohibited in the Quran[6], people who do not spend their money in the works of God and instead prefer to hoard it will be painfully chastised to taste their hoarding. So, as a result of this when one has excess income, he has to give it to a certain category of people in the form of Zakat so that his possessions are purified and avoid overinvestment.

It is important at this level to stress that Islam is a religion of principles, and it is important that a system which is in principle Islamic must follow the principles demanded by Muslim morals and ethics. Thus, Islamic financial institutions must ensure that these prohibitions are respected by their clients as well to make the difference with the traditional system. However, the failure to extend credit with predetermined interest is the very basis of the Islamic financial system, and to overcome this principle Islamic financial institutions are turning to other methods for their survival.

In sum, the most observed prohibitions in the Islamic financial system remain of course the application of usury (interest or riba) and also the gharar and maysir which in

[6]Quran: Surah Al-Tawba verses 34-35.

general includes the remains of the prohibitions. Already, when we elaborate on the topics on the Islamic financial system or on Islamic financial institutions, it brings us directly to the subject of lack of interest in granting credit. Islamic financial institutions are characterized by this aspect. It is impossible to talk about the Islamic financial system without talking about the prohibition of the application of usury in Islamic financial contracts. However, there are other contracts that can only be found in the Islamic financial system, the contracts specific to Islamic financial institutions which we will discuss in the next point. The major difference between the conventional financial system and the Islamic financial system is based on the principles of their functioning.

2.2. The Principles

Regarding the principles of the Islamic financial system, we have grouped them into three including: the principle of Sharing Profits and Losses, the principle of backing transactions to tangible assets (Asset-Backing) and the principle of Zakat. We can show these principles as in Figure 2.2.

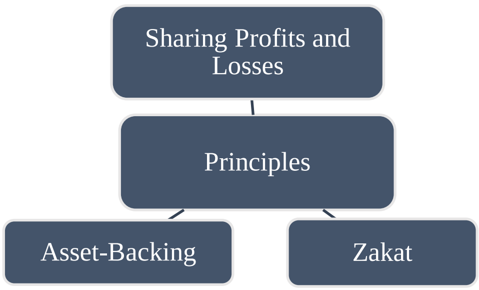

Figure 1.2. *Principles in Islamic finance (Source: our elaboration from principles in Islamic Finance).*

2.2.1. The principle of profit and loss sharing (PPP)

The Islamic financial system does not prohibit the granting of credit although interest is prohibited in this system, so some other way must be found to alleviate this problem. Since Islamic financial institutions are not charities, they have to look for another way to involve the investor in the risks to the entrepreneur and this system is the profit and loss sharing principle. The principle of profit and loss sharing is the alternative to overcome the prohibition of interest, it requires that the contract be determined at the outset with precision on the sharing.

The principle of profit and loss sharing being the basis of the Islamic financial system, it demands respect for the principles of Islam which are: fraternity, social equality and justice in its application. With this principle, the bank does not appear only as a simple provider of funds, but also as a support for the projects of its clients. Thanks to this principle, we can see the solidarity side of Islamic financial institutions which cannot be found in the classical financial system. This principle requires a certain transparency in the execution of the project, the entrepreneur is called to be loyal to the investor. Note also that this principle is not applied to the entire Islamic financial system contract, but only to the participatory contract.

However, classical institutions treat this principle as a disguise of the application of interest, because for the latter the rate is determined at the outset. While this is not the case, of course the rate is determined at the outset to avoid some conflict when sharing the result. The principle of sharing is not only for profits, but also for losses as well which of course makes the difference between Islamic financial institutions and conventional financial institutions. As we all know that in the conventional financial system, the bank grants credit while determining the rate of interest the customer will pay at the end of their contract. This means that at the end of the due date the bank expects the capital plus the interest ($R = C + I$), failing which if the customer does not manage to pay his debt the bank can even seize his personal property. Which is not the case with the profit and loss sharing principle of the Islamic financial system. Indeed, when accepting this principle, the bank agrees to lose with the entrepreneur, at this level the bank acts as a partner of its customers and the person who deposits his money at the bank is considered as a shareholder of the bank which he too agrees to lose if the bank loses.

In view of the above, we can say that the principle of profit and loss sharing remains for us the best alternative to overcome the prohibition of ‘interest in the Islamic financial system. Financial institutions in general cannot easily accept losing money on a project, so the bank not only uses its agent to finance the project, but also uses its experiences and skills to help the entrepreneur succeed since this is in the interests of two parties. The bank does not limit itself only to financing, but also intervenes in the management of the project by supporting the entrepreneur who is its partner, according to his expertise as is the case with the IDB (Islamic Development Bank). The IDB not only finances projects, but it goes beyond a simple financing by supporting its entrepreneurs with training to better execute their projects.

In short, when we promote this principle, there is no question of rejecting other principles. The objective being to seek to create a tool that will facilitate the creation of a middle class, it is important to also choose the best principle to achieve our end. At this level, it is not a question of impoverishing the poor to enrich the rich, no longer a question of destroying the environment to enrich the rich, but rather a question of working together hand in hand while respecting the principles of ethics while helping the poorest to break out of their vicious circle by creating a middle class. Indeed, it is then important to choose a better alternative to meet this need in developing countries so as not to continue talking about the smallest poor countries with the most debt. Because the traditional financial system, over indebted entrepreneurs with the interest rate multiplication system when the person is unable to pay their debts when due. Which can cause the person to lose their possessions later instead solve their problems, the person sees their problems multiply? When someone receives the loan at a traditional institution, she does not work for him, but rather for the institution that granted them these loans. So he can barely meet his needs because of the interest rate which is increasing day by day.

2.2.2. The principle of backing transactions to tangible assets (Asset-Backing)

The Islamic financial system requires that a financial transaction adhere to the principles of Sharia for it to be valid. The latter requires the existence of an asset that must be tangible, with real value and materiality for it to be valid. These latter principles are required to facilitate traceability to help Islamic financial institutions to control risks. This principle of asset-backing therefore meets these requirements. This principle requires that any Islamic financial transaction must be made in a tangible asset and which must also be identifiable. This means that the goods must be real and not a contract on the money supply whose real value is unknown. As a result, investors in the Islamic financial system are called upon to invest in projects which should facilitate the real economy of a community.

2.2.3. The principle of zakat

Zakat is counted among the 5 pillars of Islam, it has the main objective of the purification of Muslims and their goods by its meaning which is purification, blessing, growth, etc. However, there are 2 kinds of Zakat in Islam the one given at the end of the month of Ramadan called Zakat El Fitr and the one given at the end of the year considered as a religious tax or taxes called Zakat El Mal. The latter is 2.5% of the individual's patrimony, it is compulsory for Muslims as for the case of prayer. Indeed, as it is obligatory for a Muslim to perform the 5 prayers in the day, it is also the case for each Muslim to give a Zakat to be purified and have blessing or growth on the point. This also reveals the solidarity character of Islam to help what is lacking.

Although it is required for every Muslim, there is a threshold for giving Zakat. Every Muslim who has an income or assets above this threshold, he is obligated to pay Zakat, but for those who do not have any, they are not obligated to pay Zakat, but rather they are beneficiary of Zakat. This shows this solidarity character of Zakat. Zakat has its origins in the Qur'an God requires Muslims to pay Zakat out of all the goods they own[7] so that they can be purified and their goods as well. However, the required threshold is that the person must carry at least 85 grams or 595 grams of pure silver called An-nisab which the person must have acquired during a linear year. Thus the beneficiaries of Zakat are cited in the Quran[8] where God describes the categories of people who should benefit from Zakat.

Indeed, Zakat is intended as a cleanser or purification of people and their property and its binding character is intended to encourage people to do so. Muslims are recommended to help the poor and the needy without requiring usury, the Zakat given to the poor or needy constitutes a debt given to God and its reward is multiple. The importance of Zakat is not only to purify the soul or property of the person giving it, but also to purify or cleanse the souls of people who reside in the same house as the Zakat giver. So from the point of view of its purifying character, it is advisable even for the poor to make the effort to give it too, for God promises a reward of 700 times to those who give it (Rahman, 2015, s. 121-127).

In this point we have presented the foundations of the Islamic financial system, we have talked about its prohibitions and its principles. As we pointed out above, what makes the Islamic financial system an exceptional system or an alternative to the conventional

[7]Quran: Surah Tawba verse 103 and Surah Al Bakara verse 267.
[8]Quran: Surah Tawba verse 60.

financial system is precisely its theoretical foundations based on its prohibitions and its principles in its practice. However, we cannot separate Islamic finance from its basics, otherwise we will talk about conventional finance instead; to say that no Islamic financial system without its theoretical foundations.

Indeed, the Sharia which is the body made up of Muslim scholars, that is to say those who master Islam well is responsible for ensuring respect for its principles and prohibition is in other words, the very engine of the Islamic financial system. It has established laws on the basis of the Qur'an and the hadiths of the prophet and ensures that in all Islamic financial institutions these rules are taken into account. It is also important to point out that, all Islamic financial institutions are classified as such financial institutions because the Sharia charter has recognized them as such or because they meet the standards established by it. One cannot in any case call oneself an Islamic financial institution, when this charter does not approve it, and for the charter to approve it the conditions must be met. So Sharia has the power to approve or disapprove Islamic financial institutions, whether or not the rules are followed.

Generally, as we pointed out at the start of the point, Islamic finance is qualified as interest-free finance which is quite true, because the application of usury or the pre-established interest rate is prohibited in the Islamic financial system. But in this point, we have shown that what makes the exception or the difference in the Islamic financial system is not only the lack of application of the interest rate; but also the set of different rules that we invoked above which make it an alternative finance or an exceptional finance. However, the question of the application of usury in Islamic finance still remains a debate even among Islamic economists, some agree that this finance is described as uninteresting while others support it, idea that there is the application of the interest rate in Islamic finance, except that this rate is reasonable. Debates still continue on the difference between interest rate and usury (Riba), each of which gives its own reasoning on the subject.

In short, when the debate on the application of interest rates is closed, there are also other principles that will not be found in the conventional financial system, such as the principle of profit and loss sharing that found in Islamic financial institutions. The principle of profit and loss sharing is unique to Islamic finance, it marks a big difference between the classical system and the Islamic system, and it is even at the basis of our work. Thanks to this principle, Islamic financial institutions are called participatory institutions. Islamic banks do not appear simply as providers of funds like their conventional counterparts, but rather as supporters of their clients' projects. Thus, at this level Islamic banks participate in the socio-economic developments of their countries and we can also find solidarity between Islamic financial institutions and customers who become partners or shareholders. Let us not also forget the principle on Zakat which is put into practice by Muslims to help the necessities, this principle is also laudable since it also helps to fight against extreme poverty in the Muslim world, but unfortunate this principle does not is done only once or twice a year except by the personal will of the individual to want to do it.

Islamic Finance Contracts and the Risks Associated with These Contracts

Islamic finance like conventional finance uses contracts to do its operations, it is important to present the different contracts processed in the Islamic banking system. Let us also remember that each contract is also linked to different risk, when we elaborate the subjects on the contracts, it is also important to think about the risks; which explains the reasons for these points. It is true that the Islamic financial system is based on principles, but also note that the Islamic financial system faces several risks that we will present in this point. Admittedly, the contracts in this system are also linked to several risks, but the Islamic financial system obviously has the means which they put in place to deal with these risks.

In this point, we will first talk about the different contracts of the Islamic financial system which are grouped into 3 groups namely: participatory contracts, financing contracts and contracts of non-banking institutions. Secondly, we will talk about the different risks involved in the Islamic banking system. Finally, we will discuss the concept of risk management in the Islamic financial system.

2.3.1. The different contracts in the Islamic financial system

In this point, we have 3 kinds of contracts which are: participatory contracts, financing contracts and non-banking contracts which we will try to present in the following lines.

2.3.1.1. Participatory contracts

Participatory contracts are generally contracts related to the sharing of profits and losses in the Islamic financial system, we distinguish 2 forms of participatory contracts namely the Mudharaba contract and the Musharaka contract. These two contracts developed by the Islamic banking system are intended to involve the entrepreneur and the investor in the sharing of the results of the project. The investor participates not only in profit sharing, but also in sharing the risk that the project may run, here the entrepreneur is not the only person to bear the risks of the project.

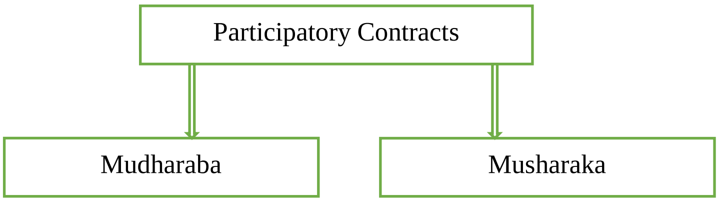

Figure 2.3. *Participatory contracts (Source: our elaboration from participatory contracts).*

2.3.1.1.1. Mudharaba

The Mudharaba participatory contract can be compared to a sponsorship contract in the classic system, with this contract the investor is considered as a backer he gives his money to a person to whom he gives the power to manage and himself n 'not enter into the management of the project. That is to say, the investor agrees to finance a project for which he agrees to share the risks with the entrepreneur, but he himself must not participate in the management of this project. In the context of a bank, the bank grants credit to an entrepreneur to carry out a project and he stays away, he simply waits for the reimbursement of his capital plus the profit that the project would have produced and in case of loss the bank also shares loss with the risk of losing even capital. It should also be noted that the Moudharaba participatory contract requires a certain trust between the lender and the borrower.

The Mudharaba participation contract is of great importance both economically and socially, it can be an effective way to promote the development of individual businesses and it has a strong potential to revive the economy. This contract played an important role in the history of the economy of Arab countries (Himeur, 2018, p. 121). Indeed, this contract is considered as the mixture of labor and capital, it is obvious that next to the one who has the idea and the experience, we find on the other side the one who has the money, and does not know what to do with this money. The role of the bank being to connect people with excess capital and people in need of capital will then play its role of financial intermediary, through this contract. In this contract, we have on one side an investor called ***rab-al-mal*** who brings his capital and on the other side we have an entrepreneur called ***mudharib*** who brings his know-how or his experience to share the profits afterwards if the project provides them or share the risk of losses if the project also provides them.

However, let us note that the elements which are the object of the Mudharaba contract are on the one hand capital and on the other hand labor, we can consider that it is here on the one hand a factor of production and the other part is profit sharing. Thus this contract allows a perfect collaboration without seeking to offend one or the other, one part is remunerated by his work and the other part is remunerated by his fund and it allows to associate an investor with an entrepreneur thus the investor can be a natural person or a jurisdiction. As this contract had existed for a long time, the Prophet began to apply this contract with Khadija who later became his wife. He had become associated with Khadija with the Mudharaba contract, so this contract was developed in Arab countries (Himeur, 2018, p. 124).

The Mudharaba contract is qualified as a limited partnership contract, starting from its application which resembles the latter. Usually in the limited partnership there are two partners, one of whom is a general partner and the other partner is a limited partner. The general partner is responsible for the management of the company as in the case of ***mudharib*** which can make 3 forms of contribution: a contribution in cash (bring money), a contribution in kind (contribution in material) and a contribution in industry (the work, its competence, that is to say its know-how or its idea) it is he who manages the company alone. And the limited partner compared to ***rab-al-mal*** who has the possibility of making only 2 forms of contribution in cash and in kind, he does not have the right to manage the business. This is a simple limited partnership, the difference that exists between a Mudharaba contract and the simple limited partnership is that the former is just a technique used by Islamic institutions to allow financing between economic agents which can or not lead to a company once the contract is terminated while the second is a company which has legal personality also subject to a functionality recommended by law (Diaby, 2017, p. 30).

However, the Mudharaba contract is a contract that must link financial capital and work or know-how, to be carried out there are certain conditions to be fulfilled for it to be valid. With regard to the latter, the conditions to be fulfilled are as follows:

- The contract must have a contribution in cash or in kind, that is to say a capital (***al-mal***): for this contract to exist the capital is essential, without capital, no project is carried out, the capital is important and is the basis of the very existence of society. This capital must be determined at the outset to avoid any form of misunderstanding when sharing benefits if the project provides it. Indeed, when the capital is not determined, the contract will pose a problem when sharing the result; why the determination of capital is important and require for the application of this contract in the Islamic financial system (Himeur, 2018, p. 126).
- The contract must have a well-determined available capital: this contract cannot be based only on a debt, this is prohibited because it can be seen as a means of earning a usurious profit since the person gains gain on a debt while the debt not to be considered as capital in this kind of contract. This while the Mudharaba contract necessarily requires available and well-determined capital at the start. However, since the contract is managed by the entrepreneur, this requires more honesty on his part since he alone has the power to buy and sell in complete freedom and the involvement of the financier would be considered an abuse of the contract, the entrepreneur must in no case deposit a guarantee with the investor during the realization of this contract otherwise this contract would not be valid (Himeur, 2018, p. 127-128).
- The contract must have a contribution in industry: this contract also requires a contribution in industry either a contribution in competence or the knowledge to make an idea, the latter is generally the contribution of the entrepreneur who does not have the money or natural capital. This contribution as in the case of the other contributions, this one is essential in this contract, we underlined above that this contract is a contract connecting the financial capital to the work of which the

latter requires the competences of ***mudharib***. Since the latter is assumed not to provide finance, he in turn must bring his expertise to manage the project and his expertise is required to ensure the execution of the project.

- The contract requires the sharing of the profits made: the Mudharaba contract is a participatory contract, it requires that the result be shared between the two parties. The result is shared on the basis of a percentage of the profit and not on any sum, this percentage can be modified by the two parties if necessary, this sharing must not be fixed, the investor must not bring two different contributions to require the entrepreneur to pay him in the same project twice the profit, the sharing must be done without distinction between the two parties, the entrepreneur has the right to the profit as the investor also has the right and if the entrepreneur confuses his property with that of the investor, he then becomes associated with the property of the investor.

Indeed, the Mudharaba contract is encouraged because it can be a good actor for the professional integration of people who have skills in a given profession, but who do not have the funds to carry out their activities. There are two forms of Mudharaba contract namely constant Mudharaba and progressive Mudharaba. The first requires that the investor receives his money only at the end of the contract plus the profit generated by the project and in the second the investor gradually withdraws his money during the execution of the project until it is fully paid and this also decreases his share in the profit of the project.

2.3.1.1.2. Musharaka

The Musharaka contract is a contract of association between the parties, this contract existed even before the emergence of Islam, and it was treated by the Arabs. This word derives from the Arabic word "cherkat" which means "society" in French. When Islamic financial institutions accept the financing of this contract, the goal is to end up creating a company with their partners. The Musharaka contract is designed between two parties in general, here we have the financial institutions and their clients; this contract is designed either for the realization of a project with the aim of creating a business or with the aim of developing a business that already exists.

In this contract, Islamic financial institutions put their money in the companies they finance, which are considered as the company's own funds to solve its working capital needs problems. The financial institution in turn is considered as a shareholder of the company and not only as a financial backer as in the previous contract, in other words the institution holds the shares in this company through its financing; it receives part of the dividend from the company like any shareholder according to the agreed percentage. At this level, the financial institution, which may have a lot of expertise in the field of business management, can provide the business with its expertise because it also participates in the management of the business.

However, like any other company contract, for it to be valid there are a few conditions to be met between the parties, namely: the object of the contract must be clearly defined between the partner, the duration of the contract must be clearly determined, the amount of the share capital and the percentage held by each shareholder must be known, the method of the distribution of the result must be defined for each share of the shareholders to avoid that the contract contains risks (at this level the share of each is given in proportion to their actions in the company), the procedures and conditions of this contract during the liquidation and the sharing of the assets of the company must be determined at the outset, if the contract is degressive the modalities of recovery from the bank must be determined, in case of revision or modification of statute the conditions must be determined, in case of partners who do not have the same nationalities it is necessary to determine the competent court to resolve their problems in case of dispute and in the end the conditions of sale of the bank's shares must be taken into account (Himeur, 2018, p. 156-157). The conditions listed above must be met for the Mucharaka contract to be valid.

Indeed, there are two forms of Musharaka participatory contract which are the definitive Musharaka contract (***Al-mucharaka ad-daima***) and the declining Musharaka contract (***Al-musharaka mutanakisa***). In the definitive Musharaka contract, the bank is not only a simple financial backer but rather a shareholder in the company (ie co-owner of the company and on the basis of its participation in the company). In this form of contract, the financial institution is linked to its client until the end of the project; they share the company's dividends among themselves, respecting the conditions established when signing this contract. It is impossible for the customer to get rid of the bank, because the bank to participate in the development of society. While in the form of a declining Mudharaba contract, the financial institution plans its withdrawal gradually as we explained in the declining Mudharaba contract, the bank plans its withdrawal from the company little by little until it completely leaves the management of the company, gradually withdrawing its money, its share in the profit of the company also decreases as it withdraws its capital.

Thus the Musharaka participation contract is often used for long-term financing, it is used to meet the financing needs of the company (working capital needs) for the procurement of equipment or production good of the company. Applied in this form, the Musharaka participatory contract is an important and powerful means for financing integral development projects for the company.

Note that participatory contracts favor the population (entrepreneurs) rather than the rich, this is the main reason evidenced by the application of these contracts by Islamic financial institutions which favor the interests of the poor over that of the rich. It is also important to stress that Islamic institutions do not seek only to give the advantage to entrepreneurs by sacrificing investors, but rather seek to balance the advantage between the two parties. There is no question here that the poor work to enrich the rich and impoverish the poor, both parties work to improve the living conditions of the poorest by giving them the facility to earn as much as the investors, this is the aim of the institutions. Islamic financial institutions by granting these contracts.

2.3.1.2. Financing contracts

As we can see the Islamic financial institutions are not limited only to the participatory contracts, there is also another category of contracts deal in the Islamic financial institutions grouped in the financing contracts which we will try to talk about in this point. There are several financing contracts in Islamic financial institutions of which we will not be able to mention them all here, in this point we will develop some non-participatory contracts to deal with these institutions. We will talk here about four contracts namely: the Murabaha contract, the Ijara contract, the Istisna 'a contract and the Qard Hasan contract.

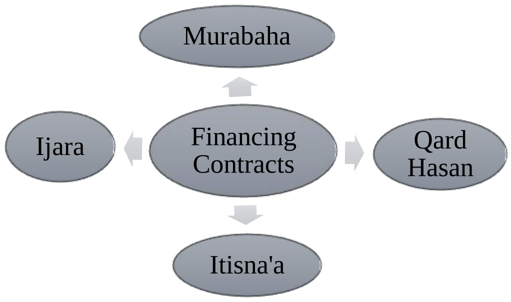

Figure 2.4. *Financing contracts (Source: our elaboration from financing contract)***.**

2.3.1.2.1. Murabaha

The Murabaha financing contract is a sale for profit, that is, a sale with a profit margin. Each trader buys the products with the aim of reselling it at a profit depending on the market the trader is in. Some buys the products wholesale for resale in retailing for a profit, while others may buy a retail or large product in one market and resell them to another market that offers a cost of sale greater than its cost, purchase as in a system of walking with arbitrage. The difference between a sale for profit and the Murabaha is that in the Murabaha contract the buyer must know beforehand the purchase price of the product that is being resold to him while in the sale with margin this condition is not obligatory. Indeed, there is also a sale in Islamic finance which is comparable to a sale of profit in which the seller does not reveal to the buyer the purchase price of the commodity, this is the Musawama sale.

However, this contract can be the object of a movable or real estate sale, the goods which are the subject of a Murabaha sale must not be part of goods considered illicit in Islam; That is, they must not be goods prohibited in Islam (the sale of alcoholic products, the sale of pork, etc.) and must not be used for activities prohibited in Islam (Diaby, 2017, p. 34). To this end, in Islamic financial institutions, the Murabaha contract is processed at the request of the bank's customer, i.e. the customer needs to buy a product, it is addressed to the bank and the bank, in turn buys from a supplier she knows, so this good belongs to the bank and she sells it to her client with a profit margin. For this contract to qualify as a Murabaha sales contract the customer must know the selling price of the goods and the bank must have an invoice that proves that the goods belong to them. The Murabaha contract cannot be held on a promise, the bank must have the goods at the time of the clause of this contract and the conditions of sale must be established in advance between the financial institution and its client.

So for this contract to be valid, there are some conditions to be fulfilled namely: the goods must exist at the time of the signing of the contract, the contract must not be made on a future commodity that we do not have but this does not exclude not the sales promises, the merchandise must belong to the person who the sale and the sale cannot be done on merchandise that is not in the hands of the supplier at the time of the contract. In this contract, the Islamic financial institution buys cash from its supplier and sells it on credit to its customer.

Indeed, the application of the Murabaha contract in Islamic financial institutions requires the signing of a global contract between the two parties (financial institution and client or contract applicant). These two parties set the conditions of sale, one of which promises to buy and the other promises to buy back with an increase. This buying and selling operation by Islamic financial institutions is considered a transfer of ownership between the institutions and their customers. However, the institution considers its client as an agent and draws up an agency contract and the clients in turn buy the goods to buy on behalf of the institution (Diaby, 2017, p. 35). Note also here that since contracts with interest are not often used in Islamic financial institutions, the Murabaha contract is much more used to overcome this insufficiency.

2.3.1.2.2. Ijara

The Ijara financing contract is comparable to the leasing financing contract. Ijara is defined as a contract in which a financial institution purchases an asset and leases it to its client on the basis of a sale for the benefit of its client for a given period. This contract can be a sales contract or a rental contract for which the rent is required in return in the case of a rental under the terms of two parties. This source of funding intervenes in the sense that the parties do not want to become the owners. It is in fact a financing technique which is done on two contracts, that of the rental and that of the sale.

However in the Ijara financing contract, the client who needs a fixed asset to develop his activities then turns to a financial institution to be able to acquire this asset, and in the event that the institution agrees to grant it to him , she then buys this good which is generally a material to make available to her client. The object can be made available to the client for rental, but which may at the end of the contract belong to the client under a progressive sale according to the terms of the contract. Indeed, the Ijara financing contract generally contains three stages: that of the purchase of the equipment by the Islamic financial institution, that of having it rented to its client and finally that of selling the object at the end of the contract. Thus during the rental of the equipment, the customer is considered to be the owner of the equipment because he pays the rent to the Islamic financial institution. Note here that at the end of the contract with the two parties, therefore the client and the financial institution, the client also has the option of purchasing the equipment for personal use.

Thus, there are some conditions to be fulfilled for the Ijara financing contract to be valid, namely: firstly we must find in this contract what is called in Arabic "***Al-ijaba wal-kabul***" which means the consent of two parties , like any other financing contract, the consent between the contractual parties is required for the clauses of the contract to be valid. Secondly the rental price must be known and also accepted by the tenant party, as in all other rental contracts when the tenant party does not accept the contract, at this level the contract cannot exist. Third, the contract must have a limited duration, since it is a rental contract it cannot be unlimited, it must contain a deadline for the end of the contract it cannot be eternal. Fourth, the contract must contain some conditions in the case of rent change the two parties must agree on this, the contract must indicate the conditions of rent change to avoid all forms of misunderstanding. Fifth, the contract must determine the object to be rented out, this must be known by two parties. In the end, the contract must be an object of the lessee's enjoyment, the customer also has the right to have it rented to another person with a rental amount not exceeding the amount of the main rent (Himeur, 2018). The Ijara financing contract must meet these conditions for it to be valid, when any of these conditions is not met the contract is considered invalid and does not exist. Note also here that there may be termination of the contract at any time when certain conditions are not met by the parties.

2.3.1.2.3. Qard hasan

The Arabic term Qard Hasan means "good credit", it is a form of financing without interest or graceful financing. It was established by Christians to provide funding between brother and sister and which has developed into Islam which is to provide funding to the needy. The Qard Hasan financing contract is developed more in Islam today to help poor people meet generally social needs. It is granted to enable this category of people to solve problems either related to medical care or to payment of children's school fees, to be reimbursed at the end of the term without payment of interest. Note that although it is interest-free, there are however some management costs in the operation of the latter.

The Qard Hasan funding contract requires that beneficiaries be considered needy people to access this funding, since this kind of funding is intended for poor people. However, the Qard Hasan financing contract is much more granted by micro-financing aid institutions whose most of their operations are based on the Qard Hasan contract, whereas in Islamic financial institutions (Islamic banks) the financing in this contract is almost nil, compared to the funding granted by these institutions.

2.3.1.2.4. Istisna'a

The Istisna'a financing contract is generally a request for manufacture, that is to say a manufacture by order of one person. In the contract, the customer places his order and this order is paid on credit at the time of delivery of the goods. In other words, we can say that the Istisna'a finance contract is a build on demand contract. However, this contract is defined in Islamic finance as an agreement in which a customer "***mustasni***" (the requestor of manufacture) orders from a financial institution "***çani***" the manufacture of a good or the realization of a project or work (Diaby, 2017, p. 39).

Indeed, during the completion of the Istisna'a financing contract, the asset does not yet exist. In this contract payment is made when the good is delivered, which differentiates the Istisna'a financing contract from the Salam financing contract, which we have not mentioned in this work. However, the Istisna'a financing contract is compared to a company contract, the client submits his request to his financial institution and if the institution accepts the financing, then it calls on the person who must manufacture the requested object by his client.

Thus the Istisna'a financing contract is a contract which calls on 3 actors, the first of which is the applicant for the good (the client / the contracting authority), the second is the person who makes the good (the institution Islamic financial) and the third is the person who manufactures the good (the subcontractor). The supervision of the work is done by the client on the basis of a mandate granted by the Islamic financial institution. The Istisna’a financing contract is generally applicable to industrial manufacturing, but can also be applied to the realization of real estate financing (Diaby, 2017, p. 40).

Thus, like any other financing contract, there are a few conditions to be met for the Istisna'a contract to be valid, namely: the contract must have a completion guarantee, this requires an intrinsic guarantee which must be guaranteed by the director of the project, and the property must comply as required in the contractual documents. Secondly, the contract requires a deposit of the guarantee to avoid abuse, the applicant must not terminate the contract therefore a guarantee is required before starting the realization of the project. Third and finally, the Istisna'a contract requires that the terms of payment, the sale price and the revisions must be known in advance, however the full price is not prohibited in this contract except that everything must be notified in the contract.

However, as we have seen, the Islamic financial system offers several other contracts apart from the participatory contracts, such as the financing contracts which we have not been able to talk about at length in this point, we have in this point evoke a few contracts only. Note here that in view of all the above, Islamic financial institutions offer all these techniques to be able to meet the needs of their customers. We can see here that Islamic financial institutions are not free institutions, but rather the real economic and financial actors generating wealth. However, it should be noted here that, unlike conventional financial institutions, Islamic financial institutions do not generate its wealth by sacrificing its customers who are the economic agents, allowing them to come together when they work together. Economic agents also benefit from the support of their financial institutions by providing them with their expertise to enable them to better manage their projects.

2.3.1.3. Contracts of non-banking institutions

At this point, we will talk about the contracts made in non-banking institutions. As seen in Figure 2.4, we will talk about two types of contracts: Sukuk agreement and Takaful agreement.

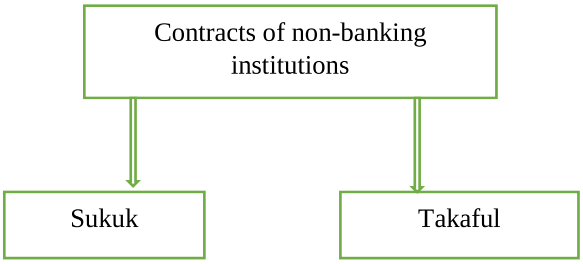

Figure 2.5. *Contracts of non-banking institutions (Source: Our elaboration from contract of non-banking institutions).*

2.3.1.3.1. Sukuk

Sukuk contract is another type of financing that exists in Islamic financial system which does not have stocks or bonds either, it is a form of hybrid contract that exists in Islamic financial system. The Sukuk contract although it is a non-bank contract, however, it can be issued by Islamic financial institutions, states and even Islamic banks. This contract is different from an obligation in the sense that, it produces income by securitizing a real estate asset as in the case of the Mudharaba contract or by a finance lease in the case of ijara; these bonds are entitled to a predetermined fixed interest, with this contract the investor can finance tangible assets, equity securities or even investment certificates at a stable income for a given period; this contract can be backed by any kind of non-participatory financing; in this contract the assets are divided equally as obligations and this results in giving the investor the share of ownership and income attached to it; in this contract the obligations have no relation to the underlying assets rather are expired by a drawing lots at the end of the financed contract and at the end this contract has the same term as the financed project (Lévy, 2012, pp. 136-137).

However, we can distinguish two forms of Sukuk contracts: Sukuk ijara and Sukuk moucharaka. The first is in the form of a rental for a specific period and the second is a contract provided by the property. The Sukuk contract is struggling to develop due to the lack of a global higher body that can provide the legal certainty that international investors need does not yet exist. Although this contract is risky this does not prevent its emissions in some countries even in Africa.

2.3.1.3.2. Takaful

The Takaful contract is an insurance contract, however insurance often poses problems in Islam in the sense that insuring against uncertain risk and receiving the mortgage is not acceptable under Muslim law. Thus in Islamic law only Takaful insurance is allowed, because it is designed as a mutual cooperative allowing protection and also because it meets Islamic principles, but except that it is accepted under certain conditions. However the Takaful is designed to respect a system of mutual guarantee, donation or compensation between members in a given group, here the funds and the management are separated from each other so the risks are shared collectively and voluntarily between the participating communities. From its origin, it is derived from the Arabic word "kafal" which literally means to take care of the needs of the person and to guarantee against the loss or damage of the group (Erdem & Tatlı, 2020, s. 33-34).

However, the Takaful as a contract, it is an agreement signed between a group of people who agree to jointly compensate any participant for damages that may lead to a loss of a fund created from the sums collected by the participants with the donation logic. Indeed, a member or a participant is faced with a disaster or damage, he is then entitled to have a financial advantage. These funds will be used to help the participant compensate for the loss and damage caused by this incident through the contribution of the participating member. In view of the above, the Takaful is conceived as charity and solidarity funds, since its logic is obviously mutual solidarity above all. Thus when the contributions of the participants reach a certain amount or when the total amount exceeds the amount agreed between members, this excess is refunded to the participating members and in the event of damage they will not be obliged to pay the additional premiums (Erdem & Tatlı, 2020, s. 60-61). Note here that in our next work, we will talk in more detail about the Takaful contract, here we just wanted to do a little overview on the Takaful contract, just show what it is when we talk about this subject.

So in this little point, we talked about the contracts of non-banking institutions among other things Sukuk contracts and Takaful contracts. We have tried to give a little insight on what forms these two types of contracts which are not necessarily dealt with in banking institutions, but which can be dealt between paying, between solidarity groups or even in any situation of life. Except that these contracts are not forbidden to be processed in banking institutions, as we have shown in the Sukuk cases which is processed in Islamic banks without problems, except that certain conditions must be met to allow banking institutions to use it properly.

2.3.2. Risks incurred in the Islamic banking system

It is true that the Islamic banking system is considered as an alternative system to the conventional system, but this does not make this system a risk-free system but on the contrary the Islamic banking system incurs as many risks as its classic counterpart. So in this point we enumerate the different risks that the Islamic banking system encounters. However the risks incurred by the Islamic banking system are characterized according to their nature, we have enumerated in this point seven categories of risks in the Islamic banking system namely: credit risk, liquidity risk, market risk, risk legal, withdrawal risk, operational risk and commercial risk.

2.3.2.1. Credit risk

In general, credit risk is a risk experienced by banks when their customers fail to pay their debt when due, i.e. the customer is faced with the situation of insolvency. In technical terms. This risk arises when the client is unable to honor his commitments on the date agreed with his institution. This kind of risk has been found in the conventional banking system but also in the Islamic banking system. However, when the customer is unable to honor his debts, banking institutions face this risk and this is not accepted in Islamic banking institutions. He can intervene in various Islamic banking contracts such as: in ***istisna'a*** contracts when one of the contracting parties does not respect the conditions of the contract with regard to the reimbursement of the sums, the non-return of the asset in the ***mudharaba*** contract (Toussi, 2010, p. 71). In the ***mudharaba*** or ***mucharaka*** contract this risk is often caused by an information asymmetry which is linked by non-recognition of the real profit that the company has made (Ruimy, 2008, p. 133) and in the case of the ***murabaha*** contract this risk is due to a poor partner performance.

Indeed, the risk of credit or insolvency is a major problem of Islamic banking institutions, because when a customer is insolvent Islamic banking institutions do not have the possibility to apply the penalty system in fear that the one consider it as another way of collecting interest. The credit risk is more of a problem in the mudharaba contract than in other contracts, since in this contract it is difficult for the bank to manage it because it does not participate in the management of the company or the bank project.

2.3.2.2. Liquidity risk

We generally recognize a good business or a good bank by its ability or skill to create liquidity, but this is not always the case in businesses or a bank. However, there is a problem with liquidity in banking institutions. This problem or risk arises when the company has difficulty acquiring its liquidity at a reasonable cost through its loans or sales. These two main sources of liquidity accumulations pose a serious problem for Islamic banking institutions. Indeed when we take the case of loans, it is almost impossible for Islamic banks to increase their liquidity on the basis of loans, since the main way to accumulate liquidity for a bank is the application of interest while that - this is prohibited by Sharia; when we also take the case of sale, Sharia prohibited the sale of debts to Islamic banking institutions. These two problems make it difficult for Islamic banking institutions to increase their financial capacity through these means (Toussi, 2010, p. 72). Regarding this risk, Ruimy points out that the ***Mudharaba*** and ***Murabaha*** contracts do not pose much of a problem, as their contracts are short term and can be settled easily, but others on the other hand pose much more risk (Ruimy, 2008, p. 136).

2.3.2.3. Market risks

Market risks are the risks of realizing losses as a result of an unfavorable fluctuation in the market. Among these risks we find the interest rate risk which is a risk that one finds on the evolution of the interest rate in Islamic banks. Since Islamic banks do not have the right to charge the interest rate, they then face this risk as they have to bear the fluctuations in the fixed interest rate that put them at risk. Indeed, when a change in the base interest rate occurs, it poses a problem on the profit margin; Islamic banks face this risk as they use the benchmark rate (LIBOR) to adjust their investors' account returns to the conventional creditor rate. Then we have the price risk, Islamic banks are more affected by changes in stock prices in the sense that what constitutes their primary resources is equity. Contracts such as ijara expose them more to the higher cost of goods, faced with this they are much more exposed than conventional banks (Ruimy, 2008, pp.

134-135). In the end we have the currency risk also called margin risk, it is a risk that Islamic banks experience following a loss of variable return capital. Islamic banks face this risk when the benchmark rate change occurs, it is more pronounced on long-term contracts than on short-term contracts.

2.3.2.4 Legal risk

The legal risk concerns the lack of standardization of the contract and the absence of a good legal framework that contracts in the Islamic banking system entail. Thus each Islamic bank defines according to its own understandings of Sharia, independently of the others, the contracts according to its needs. This results in a multitude of contracts used by Islamic banks, which is an obstacle for other Islamic banks. However, Islamic banks face a total lack of a legal system to intervene in the event of a dispute and also a good operating supervision system linked to these various contracts, which increases the legal risk in the banking system (Toussi, 2010, p. 73).

2.3.2.5. Risk of withdrawal

Islamic banking institutions generally use lower rates than the rates used by conventional banking institutions, which creates the risk of unscheduled withdrawal by these customers. This lower rate applied in Islamic banking institutions is based on the lack of confidence in Islamic banking system which is a major factor causing unscheduled deposit withdrawals from their clients. Indeed, this situation in Islamic banking institutions is the basis of the uncertainty in this system, this represents a significant risk of withdrawal. Thus, Ruimy (2008, p. 137) points out that, when Islamic financial institutions are unable to meet Sharia principles, this can lead to massive withdrawal or termination of contracts of clients of these institutions. So the risk of withdrawal from Islamic banking institutions is generally caused by a certain inability of these institutions to meet the demands of their clients in relation to the principles imposed by Muslim law which is Sharia.

2.3.2.6. Operational risk

In the Islamic banking system the operational risk is often related on the one hand to incompatibility of staff in Islamic banks and on the other hand to a good IT system adapting to the different contracts processed in this system. However, operational risk is different from other risks in the sense that the latter is not known in advance to be warned, but rather a solution must be found immediately when the bank is faced with this problem or faced with this risk. This means that you cannot prevent it, but treat it immediately when it occurs. As a result, operational risk is often known as a result of personnel errors or even by a lack of mastery of new products and services linked to new technology.

Toussi (2010, p. 137), also highlights another problem that causes operational risk in the Islamic banking system which is the immaturity of Islamic banking institutions. Indeed, he also adds that this risk is very important in Islamic banking institutions, since often these institutions face a shortage of qualified personnel who perfectly master the various contracts or services used in this system. In view of the above, it is obvious that Islamic financial institutions are more familiar with the operational risk compared to conventional banking institutions which combines qualified staff and a good mastery of technologies. Never mind that Islamic banking institutions face this risk, however, they manage well in the face of this risk or other risks.

2.3.2.7. Commercial risk

Business risk is generally related to the risk of unplanned withdrawal, it arises when Islamic banking institutions are unable to meet the demands of their depositors against the competition. However, this risk is known when Islamic banking institutions are forced to grant relatively higher rates than expected so as not to lose their customers. To this end, shareholders of Islamic banks are required to cede part of their profits to meet depositor requirements to avoid an unscheduled withdrawal. So in this case, we are faced with a transfer of risk from depositors to shareholders; faced with this situation, Islamic banking institutions cannot compete with conventional banking institutions. This situation is not only a problem of Islamic banks and conventional banks, some Islamic banking institutions may be more competitive than others.

In view of all the above, we can thus notice that the same risks incurred in conventional banking institutions are also found in Islamic banking institutions. However in this point we have tried to list some risks involved in Islamic banking institutions; it is true that our list is not exhaustive, but we have tried to list the risks most incurred by these institutions. The risks found are the same in both banking systems, however the difference is in the management of these risks; Islamic banking institutions have their own way of managing these risks which we will discuss in the next point.

2.3.3. Risk management in the Islamic banking system

As we indicated in the previous point this point is entrusted to risk management in Islamic banking institutions. However, there are several means or tools in Islamic financial institutions to cope with the risks they incur. Obviously, one cannot completely eliminate risks in a financial system, but rather risk management seeks to minimize those risks. As we have previously pointed out, Islamic financial institutions run the same risks as conventional financial institutions, however it is normal that they use the same means or techniques to manage these risks if these techniques are not in opposition to Sharia.

In this point we will talk about risk management in the Islamic banking system. Thus we have spoken here of five main techniques to minimize risks namely: risk management by the reserve and provision technique, by the collateral technique, by the technique of contractual clauses, by the internal rating technique and by the technique strengthening of public confidence.

2.3.3.1. The reserve and provision technique

The reserve and provision technique is a method that Islamic banking institutions use to minimize the credit or liquidity risk they encounter, this technique serves to warn Islamic banking institutions not to be further affected by these risks. The reserve and provision method of Islamic banking institutions allows them to protect themselves against losses or problems related to defaults by their customers. These reserves and provisions come in most cases from the contribution of shareholders and clients who have made an investment deposit, these are of great importance to enable their institutions to face these kinds of risks when they present themselves.

2.3.3.2. The collateral technique

The collateral technique is a method that allows Islamic banking institutions to protect themselves against credit risk. Collateral constitutes a pledge for institutions, it corresponds to a contract in which a borrower or a debtor gives his creditor or his bank as good as a guarantee for his debt. Indeed, since the Sharia authorizes this practice, Islamic banking institutions use this technique to protect themselves and secure their assets. So in order to comply with the principles of Sharia, to consider everything as perishable, any financial product based on interest cannot be accepted as a guarantee by Islamic banking institutions. However, Islamic banking institutions accept anything deemed tangible, gold or silver as collateral. This technique is a good method for enabling Islamic banking institutions to minimize credit risk.

2.3.3.3. The technique of contractual clauses

The technique of contractual clauses is a method which makes it possible to reduce contractual insufficiencies based on the uncertainties and speculations which may arise during the signing of the contract in a direct or indirect way causing a payment problem. Thus uncertainty and speculation are prohibited in contracts in Islamic finance, which appears to be the shortcomings of contracts in Islamic banking institutions. However, when the agreements between the contracting parties are mentioned in the clauses of the contract and certain modifications related to price fluctuations and others are well determined in the contract, certain risks can be minimized. Indeed in the case of price fluctuation, another contract called "charity contract" or "band al-ihsen" can intervene to allow the party who has the advantage to come to the aid of the other party affected by this fluctuation (Korbi, 2016, p. 67).

2.3.3.4. The internal rating technique

The internal rating technique is a method used by several financial institutions to assess their assets or their customers, allowing them to know how to determine forecasts for losses on their loans. This method involves a bank doing the analysis on the likelihood of its customers to honor their debts when due. This is for the bank to properly face certain risks that may arise during commitments not honored by customers, the bank therefore proceeds to grant each contract a risk of default by identifying the credit risk of which each item of the asset can meet and based on the entire portfolio. Thus since this technique is applied for banks which have a diversified financing system, which explains its application in Islamic banking institutions due to the fact that these institutions have a diversified financing system compared to conventional banking institutions.

2.3.3.5. The technique of strengthening public confidence

It is obvious that the effectiveness of a financial market depends on the trust placed in it by the public, it is important that Islamic financial institutions as financial intermediaries please in building the confidence of its public. Thus, the confidence that the public can place in it allows it to strengthen its stability and its balance as a financial intermediary. Indeed, taking into account that it is an ethical finance which aims to respect ethical principles, Islamic finance has the obligation to reinforce some confidence towards its public. In the same vein, Islamic finance must ensure that the interests of depositors are well guaranteed since the latter cannot protect their own guarantees as in the case of shareholders. However, financial institutions are in the best position to be able to assess counterparty risks and the risks of difference in opportunity between investments compared to those of individual savers. So he must fight to ensure that the latter are secure in order to strengthen their confidence in their products.

Risk management in Islamic banking institutions is something very important and is developing in an incredible way which can allow these institutions to withstand many of the risks they incur and to cope with crises. Indeed, the strength of Islamic financial institutions is not only based on ethical principles, but also on their ways of managing risks that may arise under any circumstance. It is in these institutions a discipline based on ethical principles on the one hand and this accompanied by a good will to better conduct their activities to win the global financial market on the other side.

CHAPTER 3

THE CONGOLESE FINANCIAL SYSTEM

The financial system remains a main engine of economic growth in different countries around the world. It is, however, one of the greatest indicator of a country's economic, financial and social development. It is important to know the state of the latter to seek to improve its situation from time to time or even regularly to ensure the socio-economic development of a country. Indeed, playing the role of a financial intermediary between agents with surplus capital and those with lack of capital or between savers and borrowers, also on the supervision of external users, it is then an important means that influences the economic development of countries. Thus several authors support that in order to be able to fully fulfill its role of intermediation and to ensure economic equilibrium, both external and internal, it is very important that the upstream economy system be a strong system to allow it to play its role well role.

However, the Congolese financial system which is the subject of this chapter remains even less developed, it is much more characterized by a system dominated by commercial banks so that when we elaborate the subjects on the Congolese financial system we talk a lot more about the Congolese banking system than the financial system. Indeed, apart from the banking market, there is no other financial market in the Democratic Republic of Congo. To this end, as we know well the banks play a very important role in the economy and especially in the economies of developing countries such as the case of the DRC.

Thus in this chapter, we will talk about the Congolese financial system characterized by the banking system, we will talk in this chapter about some major essential points to know: the first major point will talk about the concept and history of the Congolese financial system which we will talk about here, history and its evolution as well as the structure of the Congolese financial system. The second major point will talk about the leading role of the central bank of the Congo in the Congolese banking system, which is, among other things, credit policy and regulation and that of setting interest rates. The third major point will talk about the role of the financial system in the Congolese economy which will deal with the role of banking and non-banking institutions. The fourth major point will provide an overview of the Congolese banking system by talking about its history and its components, talking about banking institutions and, finally, non-banking institutions. These different points will be the subject of our work in this chapter, which may not be very long.

3.1. Context and History of the Congolese Financial System

In this point we will present the context of the financial system, so we will talk here about the history of the financial system as well as the development of the financial system to finish with the structure of the Congolese financial system.

3.1.1. History and evolution of the Congolese financial system

The Congolese financial system is much more dominated by banks which represent about 94% of the total Congolese financial system. This system remains to this day very fragile and weak in any external shock due to the fact that this system is extroverted (turning outward). Thus the Congolese financial system is marked by 4 major events which present its history, the first major event of which goes from the first printing of the currency in 1889 and the creation of the first Congolese bank, the second major event is the creation of an association bank between the Democratic Republic of Congo, Burundi and Rwanda, the third major event is the creation of the central bank of the Congo and the fourth and last event is the creation of various financial institutions, both banking and non-banking.

However, although the first issue of Congolese currency appeared around 1889, it should be noted here that this period does not mark the beginning of the Congolese financial system. In fact, the creation of the Bank of the Belgian Congo (BBC) in acronym around 1909, however, marks the beginning of the installation of the financial system in the Democratic Republic of Congo. The Banque du Congo Belge, which was a private bank which had then received authorization to issue the currency 3 years after its creation in 1911 by the Congolese authority through a charter which gave it this right. Thus the Banque du Congo Belge continued this mission for more than 40 years until this mission was withdrawn by the authority in 1952, in the concern of the creation of a public bank which was to accomplish this mission, which means that it then becomes a credit institution on June 30, 1952 (Brion & Moreau, 2008, p. II).

The second great event of the Congolese financial system was then the creation of the Central Bank of the Belgian Congo (CBBC) to resume the issuance of the Congolese currency, since the government had found that it was not good for the power to the issue of currency be entrusted to a private bank. The Central Bank of the Belgian Congo was then created, but it was a partnership bank between the Central Bank of the Belgian Congo, Rwanda and Burundi to meet the country's need for financial structure (Brion & Moreau, 2008, pp. IV-V). This institution's main mission was to issue the Congolese currency, obviously for the control of the financial system of the country as a whole. Thus this institution operated in this way for almost 8 years until the country's independence in the 1960s or the Congo logically had to think of the creation of a Congolese bank which even marks the third major event of the Congolese financial system, through the creation of the central bank of the Congo.

The third major event in the Congolese financial system marked by the creation of the Central Bank of Congo CBC in acronym after independence in the 1960s. Indeed, this newly independent country was obliged to create a financial institution to take over the activities of the old institution and also take over at the same time all the assets and liabilities of the latter. However the mechanization of this institution could not be done directly, it took a period to consider as a period of transition between the new institution created and the old institution. To meet this requirement, an organization responsible for sharing actions between the 3 countries namely the DRC, Rwanda and Burundi was then created in this logic, this body had for mission to pass to the liquidation of the actions or to the sharing. Actions between the different countries and also since this body had a legal personality then it had the power to act or to sign all the prerogatives entrusted to the national bank since it played the well awaited role. Thus 3 months after independence on the 13th day of the month of October 1960 a decree was then signed for the establishment of an organization in the name of the monetary council of the Democratic Republic of Congo and following this occasion then the Central Bank du Congo (BCC) was created to this day (Brion & Moreau, 2008, p. V).

The fourth and last great event which marked the Congolese financial system was then the creation of various financial institutions in the Democratic Republic of Congo. It should be noted here that the creations of certain financial institutions in the DRC did not appear after the creation of the BCC but rather some of them were created even before the creation of the latter and others were indeed created after the BCC. However, the creations of certain financial institutions were created in parallel with the Central Bank of Congo. These events are followed as follows (Brion & Moreau, 2008, p. IX):

Already in 1920 with the creation of the general credit of Congo (Credit General du Congo) institution, this institution functioned as a holding company and in 1929 this company changed its name to become the African Belgian bank (Banque Belge D'Afrique), the bank played the role of a bank Commercial for a long time to finally changed again the name in 1971 is then become Zairian Bank Union (Union Zaïroise de Banque) in acronym ZBU and finally with Union Congolese de Banque after the name change of the country.

Following the year 1947 was marked by the creation of the Congolese Society of Banks (Société Congolaise des Banques) (SOCOBanques) in acronym which later in 1957 recovers all the activities of the National Bank for trade and industry created in 1950 when the latter has stopped its activities on Congolese soil and later when the country changed its name, this bank then became the Bank of Foreign Trade (Banque Zaïroise du Commerce Exterior) in the acronym BCCE.

Apart from the creation of the Central Bank of Congo CBC, the 1960s were also marked by the creations of other non-banking institutions, such as the creation of the National Institution of Social Security INSS in 1961 for the management of the social security, collection of workers' savings and payments of other allowances. Also the creation of the National Insurance Company SONAS in 1966 for the management of risks and indemnities provided by this non-banking institution which remains to this day the only insurance company in the country since its creation.

Finally, 10 years after the country's independence, we have seen the Congolese financial system develop through the creation of several banking and non-banking institutions from the 1970s to the present day. The year 1970 was marked by the creation of SOFIDE and the International Bank for Africa in Congo BIAC in acronym which is currently in the process of its liquidation following its bankruptcy since 2017. The National Savings and Credit Bank (Caisse Nationale d'Epargne et de Crédit) opens its carries in 1971 followed by several other institutions which also emerged during the 70s. The 80s were marked by the creations of 2 large institutions namely the Funds for the Promotion of Industry FPI in acronym and the Zairian Bank Society (Société Zaïroise des Banques) SOZABANQUE in acronym, both created in 1989, one of which is a non-banking institution and the other a banking institution. Followed by several other banking and non-banking institutions.

Indeed, despite the fact that the Congolese financial system remains underdeveloped and less deep, it included until 2014 according to the report of the International Monetary Fund (International Monetary Fund, 2014, p. 11) about 18 banks which have approval in 2013. However, the report of the Central Bank of Congo (BCC) 2017 presents 17 banks which had approval at the end of 2017 (International Monetary Fund, 2014, p. 11) a single SONAS Insurance Company in acronym until this very day, a Social Security Company (National Institution of Social Security) INSS in acronym, 5 Specialized Institutions, 143 Micro-finance institutions, MFIs and Cooperatives, 59 Fund Transfer Institutions, 3 Electronic money institution and at the end of the 16 exchange offices. However, as we pointed out above, the Congolese financial system is underdeveloped, neither does the stock market exist in this system nor the debt securities market. So there is no such thing as the stock market in the Congolese financial system.

3.1.2. The structure of the Congolese financial system

As underlined in the previous point, the Congolese financial system remains to this day a much less developed system. However, this system is made up of two essential sectors namely the banking sector and the non-banking sector which we will try to talk about in this little point.

3.1.2.1. The banking sector

The banking sector is generally made up of different banks, some of which, such as the Central Bank of Congo, have the role of creating money throughout the republic. However, the banking sector dominates the financial sector of the republic on the basis of the role it plays in the country. The Congolese banking sector as a financial intermediary, it plays the long-awaited role of bringing together on one side the agents in financial surpluses, that is to say the savers and the agents in need of financing, that is to say borrowers. The banking sector allows the financing of projects of economic agents in the course of term.

The Congolese financial system being a poorly developed system, it is more dominated by the banking sector, and in other words the banking system constitutes an important part in the Congolese financial system. However, the banking sector is characterized by several components according to the IMF report (International Monetary Fund, 2014, p. 14). Thus dominating the Congolese financial system, the banking sector occupied more than 94% of the total of the Congolese financial system which held by the end of 2012 3.6 billion American dollars estimated at 13% of the total GDP of the country held by the Congolese banking sector with 5 large banks including 4 local banks and 1 international bank.

However, the Congolese banking system is characterized by the point below:

- The banking sector is firstly characterized by a much more dollarized banking sector, the financing of which is essentially made up of sight deposits, more than 90% of which are deposited in dollars and on sight. However, 45% of these accounts are overdraft accounts which the client deposit for a relatively short period of time and not exceeding one year. Generally, the clients of these banks are much more associates of companies which deposit their money in the bank in order to better carry out their confidential activities which can be the activities concerning the import or export of their goods without encountering the slightest problem in their transactions International Monetary Fund, 2014, p. 12).

However, the determination of client remuneration rates in the Congolese banking sector is much more linked to developments in world markets and according to the principle of country risk and also according to the majority operating costs. Thus, let us also underline that the Congolese State and the local community indeed hold, the large part of balance of the banks by their deposits in dollars often affect in the personal investments and also are the borrower of several banks to be able to level the financing of administrative expenses public.

- The Congolese banking sector is characterized by a significant part of the activity linked to transactions between associated banks outside the country. Indeed, these correspondence transactions represent more than 25% of the assets of several banks and also more than 98% of the main activities of the markets between the banks. So then these kinds of transactions then allow banks to better regulate dollar accounts while allowing banks to better process the exchange of their efforts to be able to protect themselves from political and local risks that may arise during regulation of their activities. However, it is noted that these accounts available to Congolese banks are not only costly for depositors but also void as their transactions are generally high and unprofitable for depositors International Monetary Fund, 2014, p. 12).

- The Congolese banking sector is also characterized by an increase in credit, but which is still rare, highly concentrated and generally short-term. Indeed, the 2014 IMF report underlines that the period from 2006 to 2013, there was a strong growth in domestic credit which reached a strongly high level even exceeding the triple of previous years. However, it only reached 11% of national income in the country's GDP, with only about 2% of bank loan beneficiaries, of course being adults in 2011 out of the total of 5% of which sub-Saharan Africa represented in that same time of year (International Monetary Fund, 2014, p. 12). While only 4% of Congolese adults had an account in Congolese financial institutions out of the 24% held in sub-Saharan Africa at the end of 2011 (Banque Mondiale, 2013, p. 9).

However, short-term loans, that is to say with a maturity of less than 2 years, represented up to 68% of the total bank loan at the end of 2012, further underlines the 2014 IMF report, while medium-term loans could only represent 21% of all bank loans with a growth of at least 16% of all bank loans from the previous year 2011. Thus at the end of the year 2012 more than 30% of loans granted by banks were held by the 5 largest borrowers of each bank (International Monetary Fund, 2014, p. 12).

- Finally, the Congolese banking sector is still very fragile, despite the fact that there is a solvency rate which is generally very high in the credit granting system. However, in the Congolese banking sector there is a poor system in the quality of data in the process caused by a lack of reliability of solvency indicators and also of other financial soundness indicators. Thus, faced with this problem, there is also a weakness in the practice of better international applications on the procedure for defining accounting methods. The Central Bank of Congo BCC also underlines a lack of reliability on the loan statistics concerning nonperforming loans, it seems that the banks do not give real statistics on these loans but only statistics of remaining balances instead of the total loan unproductive. As a result, the difficulty of making an exact analysis of banking situations given that there is a variability that affects the declarations of obligations and prudential standards, as well as making available control between the arrival and departure of banks. In the end the last problem concerns the fragility and deterioration of profitability and bank profits which cause much higher exchange and operating costs. Thus bank charges remain an essential and main source of turnover for several banks. However, as foreign currency settlements are often done by correspondence, it is difficult for some banks to conduct their operations in dollars which are very expensive for these banks.

Thus, we spoke in this point about the Congolese banking sector by showing what this sector is characterized by. However, we have flown over the Congolese banking sector, this sector is generally characterized by four components which we presented in the previous point and these components can also be treated separately in certain works but for our case, we wanted to talk about these components in grouping it together to avoid not only having several points but also repeating itself several times.

3.1.2.2. The non-banking sector

Apart from the banking sector, there is also another non-banking sector which we have grouped here into 3 groups namely: the micro-finance and cooperative sector, the second group consists of social security and insurance companies, and the third group is made up of other institutions.

Indeed, the non-banking sector generally consists of financial institutions other than banks with the mission not only to grant financing in both the private and public sectors, but also to manage and collect savings, both compulsory and voluntary, from agents economic and also to take part in the activities both private and public in national and international financial market. Playing the role of financial intermediary, it also aims to connect agents with financial capacity and those in need of financing.

Note, however, that the non-banking sector plays the same role as the banking sector in terms of project financing, the only difference being that in the banking sector, financing is generally short-term, while in the non-banking sector, financing is generally medium to long term. This makes the big difference between the banking sector and the non-banking sector, apart from this difference the two sectors have the same role of financial intermediation in the financial market.

3.1.2.2.1. **The micro-finance and cooperative sector**

The microfinance sector in the Democratic Republic of Congo is a sector that experienced strong growth in the 2011s, but despite its growth it remains an underdeveloped sector in the total financial sector of the country. The report of the International Monetary Fund (International Monetary Fund, 2014, p. 16) points out that by the end of 2013, this sector had an amount of approximately 222 million dollars in the totality of more than one million accounts open at the same time. This sums are divided between savings cooperatives and loans respectively 60% and 40% of each other on all MFIs (Micro-finance institutions).

However, the microfinance sector is much more concentrated in savings and loan services. This same study indicates the periods from June 2009 to June 2013, deposits and loans in this sector experienced a strong growth even exceeding double to reach a sum of 144 million US dollars and 113 million dollars for both operations which accentuated its growth during these periods. As we pointed out above these deposits and loans are generally in US dollars. Thus, there are however in the country two micro-finance institutions which are one specialized in the granting of micro-credit for small and medium-sized business (MSMB) which represents 51% and the other specialized in the granting of credits from the entire micro-credit sector and which represents 49% of the total credit granting in this sector.

Thus the microfinance sector is a good way to allow good financial inclusion, but this sector is limited because of the insufficiency in its performance due to low profitability in this sector. The report highlights that at the end of June 2013 there are only two institutions which represented 3% with self-sufficient assets in their lending operations. However there are several institutions with negative profits or equity with 18% and 9% representation of total assets in this sector. The difficulties encountered in this sector are often linked to the lack of mastery in the area of governance and financial management and internal audit in this sector.

Indeed, according to the report of the Central Bank of Congo (Banque Centrale du Congo BCC, 2014, p. 300) indicates that the year 2013 was marked by the disaster in the non-banking financial sector, some institutions of which found themselves in liquidation situations strength. This forced liquidation decision concerned 37 institutions of which 34 were micro-finance institutions and 3 were cooperatives which were inactive in March 2013. By the end of August 2013, the BCC had withdrawn 67 other approvals and by the end of December 2013 8 other microfinance institutions had reduced their equity to the minimum obligation level to cope with the difficulties they encountered. So in the face of these kinds of difficulties, it is important to strengthen consolidation and control in this sector.

3.1.2.2.2. The national social security institution (INSS) and the national insurance company (SONAS)

The national social security institute (INSS)

The National Social Security Institute is the only institution in the country that has a monopoly in employee social security. However, it offers a very limited service throughout the country and its coverage is very limited with less than 2% of the working population. The majority of its management fees consist of the social security contribution, it offers a contribution of over 7% counted among the highest contributions in Africa. This institution operates in the most decentralized way possible with more than 45 centers in the national territory. The institute faces several problems including that related to the organization of computerization and control capacity. In 2013 its contribution to the GDP was estimated at 28.3%, which made it an important institution in the socio-economic development of the country at that time. Thus, it is important to think about strengthening its system to allow it to rationalize its costs and finally increase contributions in a more significant way (Institut Nationale de Sécurité Sociale (INSS), 2017, p. 55).

The national insurance company (SONAS)

The National Insurance Company exercises a monopoly throughout the country on insurance and damage which has a large network of workers. However, SONAS is still not in a position to cope with the demands of the Congolese state in matters of insurance and damage. However, it is not able to do reliable financial statements, it has a serious capital shortfall according to studies carried out by international audits through the IMF (International Monetary Fund, 2014, p. 18).

3.1.2.2.3. Other institutions

We will talk here about the other financial institutions that operate in the country; it is here CADECO, SOFIDE and the FPI to speak only of these three institutions.

CADECO (Congolese General Savings Bank)

CADECO is the Congo savings bank that was created with the aim of providing financial service in the DRC in general and more particularly in rural areas. It is a state-owned enterprise which also aims to manage the salaries of state officials or civil servants in rural areas while giving these officials the opportunity to save part of their salaries. The 2014 report of the IMF (International Monetary Fund, 2014, p. 17) underlines that this public company was at the end of 2013 in the phase of its restructuring for its good functioning, but unfortunately this structuring experienced several problems that did not affect it not allowed to materialize as wish. However, due to its unreliable financial statements, it is much more difficult to access deposits, which explains its non-participation in the chamber of commerce of the Central Bank of Congo (BCC) since 1996, the report notes.

FPI (Fund for the Promotion of Industry)

The FPI was created to promote the Congolese industry since 1989, its main purpose is not only to promote but also to finance the industrial projects of the country. The main resource of the REIT is the taxes on the country's imports, it levies about 3% per year as taxes on imports which explains its good functioning compared to other non-banking institutions. This institution operates independently from the BCC, which does not authorize it to control its funds. It grants medium and long-term loans, i.e. a period that covers 3 to 5 years with a grace period of one year (12 months) at an interest rate estimated at 8 to 10% according to loans in agro-industry. To ensure the follow-up of its loans, it set up an internal structure to restructure its portfolios in 2010. According to the FPI 2013 report (Fonds pour la Promotion de l'Industrie FPI, 2013, p. 15), the institution suffered from " a problem of over 40% outstanding loans at the end of 2012.

SOFIDE (Development Finance Company)

SOFIDE is a Development Finance Company in which the Congolese State holds the majority share. The objective of SOFIDE is to promote long and medium-term financing of small and medium-sized enterprises (SMEs) in the DRC. To properly assume its role of promoting the financing of SMEs, at the end of September 2013 SOFIDE financed projects for the creation of more than 63 SMEs with an amount estimated at US $ 20 million in the form of guaranteed loans for the duration ranging from three to 3.5 years with an interest rate of 15% according to the IMF report (International Monetary Fund, 2014, p. 17). This same report underlines that like all other Congolese financial institutions, SOFIDE in turn is not sparing because it also has a means of control and fragile monitoring in terms of risk that exposes it to various risks. To cope with this situation, independence in the area of financial management is important and also a good collaboration with the banking system is important to enable it to strengthen very effectively the financing of SMEs.

In view of the above, we can already have an idea about the Congolese financial structure and the interest rate to be imposed on the financial institutions of the state itself. The interest rates charged by these institutions vary between 5 to 15% per year on the basis of loan granted although these institutions are exempt from tax and also some of them benefit from taxes for their operations. However, despite these exemptions, the structure of these institutions are still fragile compared to the structure of the management of the country's private institutions, this is explained by the mismanagement of public enterprises vis-à-vis private enterprises. So it is important to create or decentralize certain institutions to allow the improvement of this sector by adopting the Islamic financial system in certain institutions of the country. Indeed, for us the Islamic financial system remains until now an ideal means to facilitate these institutions with their system of cooperation between institutions and clients by their method of participation. In our last chapter of this present work, we will give the means that can allow the Islamic financial system to facilitate the improvement of the Congolese financial system; to help the country achieve its goal of creating middle classes and facilitating the socio-economic development of the country in the coming days.

3.2. The Leading Role of the Central Bank of Congo in the Congolese Banking System

This point consists in presenting the role of the Central Bank of Congo (BCC) in the management of the Congolese banking system. Thus in this small point, we will talk about two main roles of the BCC which concerns us in the management of the Congolese banking system among other things its role on the policy and the regulation of credit and its role the fixing of interest rates in this system. . We will talk about these two roles not because they are more important, but only in relation to their importance in the development of our study.

3.2.1. Credit policy and regulation

The Central Bank of Congo plays the role of credit policy and regulation like the central banks of other countries, it has a determining role in the country's economy through credit policy and regulation. However, there is a body in every country that is supposed to deal with credit policy and regulation as a basic function for enabling the proper functioning of financial institutions. Its mission is to ensure the financial balance of the country to avoid the general situation of the country's national economy.

The Central Bank is also called the "bank of banks" because it has the power to control not only the various banks that sit in a country but also is responsible for monetary policy in each part of the country where this currency circulates and it holds only the power of issuing currency throughout the country. However, in addition to this functionality, the Central Bank also plays a very important role in the financial structure of the country which is the determination of the overall volume of credits to be granted each year by the commercial banks operating in the territory. Thus the Central Bank of Congo, which is the central bank of the Democratic Republic of Congo, then has the same role of determining each year the total volume of loans in order to put on the banks market the volume necessary for a real need of economic agents of the country.

Indeed, the role of the BCC in determining the latter is to prevent the country from facing a credit surplus. However the volume of credits in a country has a negative impact on the economy of a country, its surplus causes a problem in the general state of the economy of a nation. The BCC must therefore ensure that the country does not find itself faced with this situation which can lead to serious consequences on its financial system both on the level of domestic prices or on the level of the State's balance of payment and on the preservation of a general equilibrium.

Thus the general idea in the foregoing arises from the fact that in a system in which most of the money supply is linked to the granting of abusive credits by commercial banks operating in the country, most of which is held in the hands of companies or even individuals. However, this situation leads to a certain dysfunction in terms of good economic and social development within the country, which gives the BCC the reasons to limit the granting of credit by these different banks to avoid serious problems related to inflation not control in the country. It is important for a country to be able to maintain the balance between the money supply and the real need for products and services to prevent any problems dismaying inflation or deflation of the currency which is not always the case in the Democratic Republic of the Congo including discussed.

With regard to the point underlined above, the BCC as responsible for the money supply in circulation must ensure a good distribution of this supply. So to ensure its responsibility, the BCC then establishes some means necessary to allow itself to manage this problem well, which are between and others: Open Market operations, to set up a mandatory reserve coefficient, a liquidity coefficient, a policy of setting rediscount rates, setting a rediscount cap and then setting a cap for credit.

3.2.1.1. Open market operations

These operations consist of the purchase or sale of securities on the financial market. Thus the BCC or all central banks use these operations in the country's banking systems to be able to provide change or withdraw money in their banking system by means of buying or selling their security with other banks. Indeed, when the various central banks proceed with this method, they aim precisely to facilitate the balances in the financial market to avoid the undesirable effects that can cause a strong or weak circulation of the money supply in the banking system of the country or in the country's finance market. The Central Bank of Congo (BCC) also uses this technique to control the financial system of the Democratic Republic of Congo (DRC).

3.2.1.2. Minimum reserve coefficient

The reserve requirement ratio is in fact an amount that central banks all over the world impose on all other banks to have in their liabilities that they must find in their accounts which must not be less than 50%. This is mandatory for every bank to finally avoid encountering an unexpected instability in the interest rates they charge which are generally short-term. Thus the banks deposit these at the central bank, to serve as a guarantee for this body, in order to allow it to increase the liquidation needs of these banks to deal with certain problems linked to the circulation of currency on the market. So the BCC also uses this method to ensure its credit policy and regulation.

3.2.1.3. Liquidity coefficient

The liquidity coefficient is also called liquidity ratio in financial management which is a ratio at which banks should have to show their ability to transform their furniture into liquid money in the short term. However, each bank or each financial institution must have a good liquidity coefficient which it presents to the central bank as proof of a good relationship between its fixed assets and its liquidities, since when this coefficient is high this shows that this bank or financial institution has the capacity to settle its various short-term payments. The BCCs therefore want the various banks or financial institutions operating in the country to have a sufficient liquidity coefficient to allow them to be in order with their payments to meet the requirements not only of the State but also of its customers.

3.2.1.4. The rediscount rate

The rediscount is an operation which the central bank applies in order to be able to buy from other banks or financial institutions their effects before the deadline set by these institutions or banks which are in advance already been discounted by them by deducting the rate rediscount. However, the rediscount rate is nothing other than an amount set by the central bank to facilitate it to purchase debts from other banks or financial institutions before its maturity. It is in fact like a reduction that the central bank itself grants like the case of the commercial discount and this rate varies depending on the economic conditions of the currency. Indeed, the BCC uses this method by increasing this rate to decrease the money supply or by decreasing this rate to facilitate the increase in the money supply in the financial market.

3.2.1.5. The rediscount limit

This operation consists in setting a limit level for the bills to be rediscounted by the country's banks or financial institutions by the central bank, in order to avoid a certain exaggeration in the application of this method by banks or financial institutions. Thus the Central Bank of Congo uses this method to limit the different banks or institutions the power that it has granted them to be able to proceed with this method.

3.1.2.6. The credit limit

The operation of setting a credit ceiling involves the central bank allocating to each bank or financial institution the maximum level of credit that they must grant. However, when granting loans, these banks or institutions must ensure that they do not exceed the limit the central bank has given them the possibility of granting, their maximum level of loans must be less than or equal to this amount. Thus the BCC uses this technique with each bank or institution to be able to ensure the controls of the money supply in the country to avoid the undesirable situations caused by the lack of control of the money supply in the financial market of the country.

3.2.2. Setting interest rates

Central banks among all the roles they play for the regulations of the country's economic activities also for the proper functioning of financial institutions, there is however another role that we have found important to talk about in our work which is the role of setting key interest rates for the country's other financial institutions. However, the BCC imposes a rate that is called a reference rate at which commercial banks or other financial institutions operating in the country are obliged to follow for their transaction operations in the banking market or for granting operations loans to households or to both private and public companies.

Thus the determination of interest rates in the financial market by the central bank is very important, this falls under its different powers, it is important for central banks as a whole to watch over their key rates to avoid certain problems on the mismanagement of the money supply. The BCC has every interest in monitoring its interest rate, which should neither be too high nor too low. However, when the central bank decides to increase its interest rate it has a significant impact on the level of inflation of the country's currency. This situation of rising key interest rates makes it easier for the central bank to adjust to inflationary movements, however the central bank may be able to lower the level of inflation in the country. This situation can be explained in this sense: when the key rate is high, households decrease their loan requests which can logically lead to a decrease in purchases and when demand falls, the price also falls in line with the decrease in demand. This logic is well explained in political economy on the law of supply and demand, in a competitive market when demand decreases the price also decreases and vice versa.

Note, however, that in view of the above that this theory only makes sense when production is high or for producing countries. The price can only go down when there is a strong supply in the market for goods and services. So faced with this situation, central banks can move on to this operation for the sake of reducing the money supply in the market, that is to say increasing the key interest rates. Contrary to this situation, when the central bank lowers its key interest rate, the demand for loans by households increases which can lead in this condition to increased demand in the market. When there is a strong demand for credit by the household and this credit is granted, this leads to a surplus of the money supply in the market, which logically favors the inflationary situation of the country's currency. However, when households increase their demand for goods on the market and production is not sufficient to meet this demand, we are faced with a situation of insufficient supply on the market and when demand is low higher than the supply, the price increases in the market. Logically, when the price increases, households are obliged to continue their demand for credit to meet their needs and when banks or financial institutions grant more loans to households this leads to a surplus of money supply on the market which can be at the base of the inflation of the national currency especially in the case of an extrovert economy like that of the DRC. Thus this situation is then called accommodative or even expansionary monetary policy, the main objective of which is to increase the money supply on the market in a given economy (Ouni, 2021).

Indeed, on the basis of what has been said in this point, this method is not logical for the Central Bank of Congo, not to say that it does not control its financial market but rather because the Congolese financial market is not functioning as it should. Already if this method of playing with the key interest rate may pose the problem in certain countries with more mature development such as in the Euro zone, all the more so in the Democratic Republic of Congo, where the granting of loans is already a matter for people with a higher social class added to the outward looking economy. However, the not only political situation, but also the economic situation of the country does not give the DRC the right to rejoice in this method.

Thus, the DRC is an underdeveloped country which hardly produces any production, its consumption depends on the outside of which the majority of its basic consumer products come from outside and whose need to obtain dollars remains until 'now essential to feed its population. Faced with this situation the demand for currency is so high that inflation remains current in the country, the national currency continues to lose its value against foreign currencies and also the big problem remains the low level of purchasing power of the Congolese population. In this condition increasing or decreasing the key interest rate cannot be a good solution to improve the financial situation of the country. It is true that this method is important for some countries with very high lending. The demand for loans is very high, but the supply is still limited due to a problem with the monitoring of these loans by banks or financial institutions. Regardless of the interest rate, banks or microfinance institutions always find the means to challenge this rate of the BCC with the credit payments by period of which they have adopted as a system.

3.3. The Role of the Financial System in the Congolese Economy

In general, the financial system as a whole makes it possible to establish a bridge between the economic agents of the country. It facilitates the meeting between agents in need of financing and agents in financial capacity. So the main role of the financial system in a country facilitates financial transactions between savers and borrowers. It plays the role of financial intermediation between these agents, it makes it easy for those who are lacking the means to achieve their projects to be able to find credit with those who have a funding surplus and uses this surplus for their savings in order to improve the living conditions of the population as a whole.

In this point the emphasis will be very much on the Congo financial system, we will then talk about the different roles that the financial system plays in the Democratic

Republic of Congo. In this context we will present the roles first of the banking system and second and last of the different roles of non-banking financial institutions in the DRC.

3.3.1. Role of the banking system in the Congolese economy

Since the banking system is made up of several banks, it plays a very important role in the economy of a country. As a sub-function of the financial system, it also plays a very important role in the economy of a nation which is much anticipated that of a financial intermediary. It certainly makes it possible to connect economic agents in a country by facilitating their transactions, more particularly medium and short term transactions. This role does not only concern the customers of banks, it sometimes allows intervening between the banks themselves, and that is to say, it also serves to facilitate interbank financing transactions in a nation.

However, as we pointed out above, the Congolese banking system holds the majority of the Congolese financial system with more than 94% according to the IMF report (International Monetary Fund, 2014). Thus the main function of the banking system is to grant loans with a certain percentage remuneration called interest that it earns on its transactions. The banking system plays a very important role in the development of the national economy, it begins first with the collection of savings from depositors called deposit then, it uses its savings or deposits to provide financing to agents in need funding in several sectors. Therefore, it must ensure that funding is granted only in sectors considered as productive sectors in the national economy of the country, such as the agricultural or agrifood sectors or in the industrial sectors.

Indeed, the banking system in the DRC or elsewhere is then considered as an important engine in the national economy, capable of producing the investments of a nation. Considering its role of developing the economy of a nation, it is therefore important for each banking system to have certain development banks to be able to help the country or even facilitate the country to be able to grant financing in the various development projects of the country. Therefore, it is important for a good nation to have development banks in its banking system to help countries cope with development projects and especially projects of integral development of the country. In DRC although some banks claim to be development banks, however there are still no development banks in the DRC, because all of these banks are more commercial than development and rare

are the banks that facilitate financing development projects, especially agricultural projects.

Thus, we can conclude in this sense, the Congolese banking system is not fully playing its role as it should. It is dominated much more by a system of granting credit that can be said to be limited overall, which sometimes explains its insufficient financing in the country's national economy. The Congolese banking system is not only severely limited by its contribution to the country's economy but also somewhat unproductive because of its extroverts. However, it is dominated by foreign banks and Congolese banks hardly exist, banks are forced to meet the requirements of their countries of origin, which can be considered according to our analysis as an obstacle to its proper functioning. However, next to this difficulty, we also add the difficulty in the mentalities of the Congolese which prevents the banks from collecting sufficient funds to be able to meet the financing needs of the national economy, the savings mentality is still very important scourge for the Congolese banking system which is limited by an insufficiency of savings in the form of deposits.

It is also important to note that this behavior is not a coincidence, it is caused much more by a bad experience encountered in some banks in the Congo by the closure of certain banks suddenly which caused the loss of savings of several Congolese in the past years and which continues even until now. Some of the Congolese have been swindled by banks that have left them untrustworthy and still prefer to keep their money at home than to deposit it in the bank. This same situation continues until now with the abrupt closure of BIAC (International Bank of Africa in Congo) whose liquidation file continues to pose a problem. With this bank, several Congolese are in a situation of losing their money both for households and for businesses. Note that BIAC was not only the oldest bank in the country, but also the most reliable bank in the country which unfortunately caused several problems for the Congolese. So faced with this situation we cannot always blame the behavior of Congolese, we took the example of BIAC given the place it occupied in the hearts of the Congolese, but there are several other banks that have swindled the Congolese. It is now important to create banks that can help renew the confidence of Congolese and especially banks capable of supporting development projects so that this system fully plays its role in the country's economy.

3.3.2. The role of non-banking institutions in the Congolese economy

Non-banking institutions are financial institutions which may have the same roles as banks but which are made up of several other private or public institutions besides banks. Some may grant short-term credits such as micro-finance institutions, savings and credit cooperatives, etc. and others grant long and medium term credits such as REIT and others. However, some of these institutions do not have the role of collecting savings for the financing of certain projects such as the example of FPI and some of others may have this vocation as in the case of CADECO. Some also do not have the role of granting credits like INSS, but rather to collect the compulsory savings of the workers for their paid later as for example in the form of pension.

Indeed, the role of non-banking institutions is not very different from that of banking institutions, but which may be a little different depending on the category of clients targeted by the latter. However, when we take the example of micro-finance, which has the main role of granting the credits collected by savings or deposits to economic agents who generally have a low income including small businesses or the self-employed especially many more for small traders to expand their businesses.

Microfinance is used to cover the financing of these agents who do not generally have access to financing from banking institutions, but who may face any need. These loans are generally low or even lower, which can sometimes be used to solve family problems like school fees payments or to serve as health care which generally occurs in developing countries like the case of the DRC. These types of loans have a relatively short maturity of no more than a year and since the repayment is done in a more particular way than with banks generally every week, these loans generally do not require collateral as with bank loans. These loans in the DRC are much more granted to traders in need of financing for their businesses, payment is made by loan officers who go door to door to collect repayments.

As we pointed out previously, micro-finance institutions grant loans to meet generally economic needs, social and sometimes environmental needs. These institutions are very important for developing countries, because they target the population with a great need for funding, they meet the needs of the population especially in rural areas. They even help to solve the problems of the communities by granting their credits. It is true that microfinance institutions can play a very important role in the Congolese economy, if they could apply the contracts of the Islamic banking system to really constitute a powerful engine for the development of the Congolese economy.

3.4. The Congolese Banking System

It is true that we have already presented above the constitution of the financial sector in the Democratic Republic of Congo, we have said with the support of the report of the international monetary fund that the Congolese financial system is dominated by the banking sector which occupies more than the half of this system. In this point, there is no question of going over the entire financial sector, but rather the focus would be on the Congolese banking system which of course dominates the country's financial system. So this point will be subdivided into two points, the first point of which will give a brief overview of the banking system in the DRC and the second and last point will talk about different components of this system. So the first point will focus on presenting the Congolese banking sector and the second and last point will talk about components of the Congolese non-banking system.

3.4.1. Brief history of the banking system in the Democratic Republic of Congo

The Congolese banking system began to emerge in the years 1889 with the creation of a single currency for all the extent of the republic the Belgian State of Congo in order to put an end to the consumption of several currencies in the same country as was the case with the DRC. However, during this period, there were not yet any banks in the territory of the Independent State of Congo to ensure the Congolese banking system. So to deal with this situation the government of the time began to reflect on the creation of a bank in the territory of the country under the leadership of King Leopold II.

To deal with this situation, the initiation of the creation of the Banque du Congo Belge took place in 1909 on January 11. It was then the first bank in the country with a capital of 2 million Congolese franc. This bank was not only the first in the country, but was also authorized to issue the national currency, although it was private from its third year of existence which was in 1911. However, this authorization was given to the bank for a period of 25 years for which the bank was able to keep this authorization for up to 40 years before the creation of a national bank to pursue this mission. The national bank continued this mission of issuing currency, while the latter was a commercial bank

(Commercial Bank of Congo). Note here that this is not a new bank, but rather a new name for the old bank, that is to say the Banque du Congo Belge then becomes the Commercial Bank of Congo.

Indeed, during the existence of this bank, since the business climate at the time was appreciable, several other banking institutions were then created in the territory of the Independent State of Congo such as the creation of the South Bank. African Standard Bank of South Afrika which was born in 1911. A few years after this bank, another bank was born in 1919 in the name of Ultramarino, followed by General Credit of Congo in 1920 and 8 years later in 1928 The Elisabethville Credit Union was created to wait several years after in 1947 to see the creation of the National Society of Banks and in 1950 and 1951 were the creations of successive two banks including the Congolese Bank for Industry, Commerce and Agriculture and Congolese Credit.

Note here that during this period from the creation of the first bank in the DRC until 1950, the country participated in strong banking competition due to its good positioning in business at the time. However, when we look into the creations of these banks, we can see that there was not yet until 1950 a public or national institution to be able to ensure the issuance of money like the Central Bank at that time. So the lack of a national institution to be able to deal with the creation of money as a main mission, the country's currency continued to be printed by a private bank and especially a commercial bank. Thus to resolve this situation in 1951 on July 30 the idea of the creation of a public institution was born by the authorities of the country to finally be carried out in 1952 on the date of July 1 by the creation of a bank association between 3 countries including Rwanda and Burundi with the main mission of issuing currency. This institution continued to fulfill its role until the independence of the country and two other countries with which the country shared the central bank.

Thus, the 1960s which were marked by the country's independence due to these years which caused a small setback in the development of the Congolese banking system. Thus during this period which covers from the year 60 to the year 64 constituted as a period of chaos for the Congolese banking system until its revival around 1965. However from 1965 until 1980, this period is constituted by political stability which has favored a strong revitalization of the banking system in the DRC. This period is marked by the creation of certain banks such as Citibank or Citigroup in 1971 which was among the first international banks to open these doors in country and also a Nigerian bank which opened its doors in 1989 which is Access Bank. Thanks to this stability of the 2nd Republic which facilitated the realization or the creation of several banks in the country until the 90s or we are also witnessing a second chaos of the Congolese banking system following political instability during this period. This period also consisted of instability at the level of foreign investment following the problem of confiscation of foreign companies for Congolese data (Zairian at the time) this method or this system was called "Zaïrianisation" established by the president of the second republic (President Mobutu). However, although this period is characterized by chaos on the whole, we have seen the opening of doors of other banks such as FBNBank a bank in Nigeria in 1994.

The last significant events of the Congolese banking system were noted in the years 2000 by the creation of several banks and the reopening of the doors of certain banks like the South African bank and the Standard Bank of South Africa. The 2000s were marked by the creation of several banks which show the renewal of the Congolese banking system by the establishment of different banks such as: Rawbank in 2002, TMB (Trust Merchant Bank), Procrédit Bank Congo which later became (Equity), Afriland First Bank a Cameroonian bank which opened in 2006, in 2008 a bank headquartered in Togo Ecobank opened its doors in the DRC, the year 2010 was marked by the creation of 3 banks which are SOFIBANQUE , Bank Of Africa (BOA) a Senegalese bank and BGFIBank a Gabonese bank, the year 2011 was also marked by the opening of the doors of the United Bank of Africa (UBA), followed in 2014 by the Nigerian bank FBN Bank which opens a new subsidiary, the International Credit Bank (BIC) (Banque Centrale du Congo BCC, 2017).

3.4.2. Components of the Congolese banking system

We emphasized above that the Congolese financial system is much more dominated by the banking system and of which in the previous lines we have given the highlights of the history of banks in the DRC. We have explained in the previous lines the most significant years of the establishment of banks across the country, it is not important to come back to this once more. But rather, it is also important for us to talk about components of the Congolese banking system. So this point will focus on presenting the banking system as a whole, in which this system is composed. Thanks to this point we will be able to know the different components of this system. Thus, starting from this idea, we will speak in this point of two essential components of the Congolese banking system which are: monetary institutions and non-monetary institutions.

3.4.2.1. Monetary institutions

Regarding this point we will distinguish here two forms of monetary institutions whose first institution is the mother of all the institutions of the country which is the Central Bank of Congo (BCC) in acronym and the commercial institutions made up of the various deposit banks.

3.4.2.1.1. The central bank of the Congo (BCC)

The Central Bank is the first monetary institution that exists in each country with a main mission of issuing currency throughout the national territory and this body also exists in the Democratic Republic of the Congo called the BCC (Central Bank of Congo). However, this institution was born in the country after the independence of the country already in 1960, but which began more precisely in the year 1961 on February 23 with the main mission of issuing currency.

The creation of the BCC already dates back to 1951 by a decree, but its establishment took place in 1952. However during this period, it operates as an associative bank with other neighboring countries namely Rwanda and Burundi which was created by the concern not to leave the function of issuing currency to a private bank. Faced with this circumstance, the authorities thought of creating a national body, the Central Bank of Congo Rwanda and Urundi was then created to provide a solution to this situation. When it was set up, this bank had two headquarters, one of which was in Brussels as its administrative headquarters and the other in the DRC, more precisely in Kinshasa (formerly Léopoldville) as its head office. Indeed, after the independence of the country, the dissolution of this bank was important hence the creation of the BCC but besides its main mission of issuing currency, other missions were added to the young bank.

Indeed, the missions of central banks are grouped into two categories namely the fundamental missions and the primary missions. So the two missions are also grouped into four missions each. For its fundamental missions we have first of all its mission to consider as main which is that of the emission of the currency which cannot be shared with other banks, it is the only institution of the country which has the mission of the creation and of printing of currency. Followed by its mission of manager of monetary policy which is as important as the previous one because with this mission, the BCC has the possibility not only to design a monetary policy but also to put in place this policy. Following its mission as lender, this mission consists in the intervention of central banks by means of refinancing of commercial banks when the latter are faced with the problems of insufficient resources and this mission is important because it allows these banks to cope with the different forms of difficulties that may arise. Finally, it also holds the country's currency reserve mission which gives it the authorization to manage all the country's assets which are in foreign currency.

Thus its primary missions which are granted to it by a kind of convention and its missions can also be performed by other banks which are also divided into four groups. First, the central banks play the role of the fund for the country, it is the state's fund through this mission the central banks have the authorization to collect the country's revenue and disburse it on behalf of the country and in addition they also give the order to execute or not the public expenditure to the commercial banks. Followed by its mission of supervising all financial institutions in the country, it is the competent body to ensure the supervision of the financial system by checking all the liquidity or solvency operations of this system to avoid risks. Then it plays the role of a payment system of the country which serves to establish a means of payment as a whole. At the end of this role is also added its role of a payment instrument for the country for the payment execution as a whole.

***3.4.2.1.2.* Commercial banks**

Apart from the central bank, however, there is another category of banks called commercial banks or deposit banks. These banks are made up of all other banks apart from the central bank which are responsible for financial intermediary. Their main activities are to receive investments or deposits for use in the form of granting loans to other agents in need or other investment operations. Thus commercial banks or deposit banks are as important as central banks, because it facilitates diversification of the country's financial system and a country cannot develop in its financial system with only the central bank since it cannot satisfy everybody.

In fact, apart from micro-finance institutions and savings cooperatives, courier institutions and exchange offices, the country contains 17 commercial or deposit banks with an authorization according to the 2017 report of the BCC (Central Bank of Congo BCC, 2017). However, the expansion of these banks began to take place around the 2010s with the installation of several banks whose headquarters are generally in the capital except a few others headquartered in the provinces. It is true that the level of banking services is still low, but it should also be noted that the country's commercial banks have contributed favorably to the development of banking services in the Democratic Republic of Congo.

3.4.2.2. Non-monetary institutions

Non-monetary institutions are public or private bodies whose main mission is to grant generally long or medium-term loans to sectors well determined in advance, they also play the role of collecting or managing voluntary savings or compulsory of the population much more the working population as well as to participate in various activities in the financial market of the country. Non-monetary institutions in the Democratic Republic of Congo have emerged since colonial times with the creation of certain public bodies by the State of the Belgian Congo. The main objective of creating these institutions was to be able to put in place the organs capable of securing financing for the development and economic growth of the country.

So even though some institutions have not continued to operate until now such as the case of the Middle Class Credit Company and Industry (SCCMI) in acronym, although it ended up closing its doors, this company has operated and served the needs of the population for 30 good years from 1947 to 1977. However some others operate until now such as the Caisse Nationale d'Epargne du Congo (CADECO) which has existed since 1950 despite that it is half-dead, it continues to offer its services to the population, not to quote the National Society of Social Security (INSS) in acronym of which it functions until now correctly and so many other institutions.

Indeed, the non-monetary institutions play almost the same roles with the monetary institutions, taking into account its contribution in the financial system of the country, some others even we can say that they play a more important role than the monetary institutions by their dynamics in the financial market. This situation is quite normal due to the strong competition that reigns in the financial sector in general and the Congolese financial sector in particular. However, the strength of certain non-monetary institutions, much more public institutions, is related to the subsidies they receive from the State, such as the example of Fund for the Promotion of Industry (FPI) in acronym of which 3% of these resources come from taxes which it has the authorization to levy as we have underlined above. We can see that non-monetary institutions are made up more of public than private organizations.

In this point, we have presented the banking system of the Democratic Republic of Congo starting by giving a brief history on the banking sector in the country and ending with the presentation of the different components of the Congolese banking system. Thus we have seen in this point that the Congolese banking system has known different moments not only in their installations, but also in their development which we can group them into 3 stages namely the creation, the development and the decline and these periods do not exist not succeed one after the other. Thus we can therefore characterize it by the creation of the Belgian Congo bank until the creation of the central bank via the association bank and this period has known the 3 stages which we have underlined that is to say the creation, development and decline which do not really consider as a decline but rather as a regression for the birth of the BCC.

Then this category goes up to the independence of the country, followed by a period of regression or a period of decline following a period of instability caused by the political situation of the country. Just after this period which covered more than at least 4 years was succeeded by a remarkable period not only of the creation of banks but also of the development of the Congolese banking system marked by a strong dynamization favored by a political stability of the second republic which began from 1965 to 1989. After a period of great success, the 1990s were also marked by chaos in the country's banking system following political instability which had ended up also causing instability not only in the banking sector, but also in the large companies established in the country during this period.

Note, however, that despite this chaos situation, some other banks were able to open their doors during this same period. At the end of the day, the last period is that of the 2000s where we witnessed a proliferation in the banking sector by the creation of several banks and the opening of several branches in the territory of the country but also this same period was also marked by the creation of several micro-finance or micro-credit institutions in the country.

In this point we also presented the different components of the Congolese banking system. We have said here that the Congolese banking system is composed of two sectors of which the monetary sector and non-monetary sector and the monetary sector is composed of commercial banking institutions or deposit banks and a national banking institution which is the central bank of the Congo (BCC) in acronym. In this point, we have briefly presented the roles of each of these institutions in the country. However in this point we have not spoken in depth about the missions or the roles of these institutions since we have already mentioned in the lines before the missions or the roles of these institutions especially that of the central bank of the Congo in the country's national economy. So these two big points are the subject of this point.

The present work is to take the Islamic banking system as an engine not only for the development of a nation, but also as a means of creating a middle class in developing countries namely the Democratic Republic of Congo. However, in order to be able to confirm or refute our study, it seemed important to us that, apart from the presentation of the Islamic financial and banking system, to focus on the Congolese financial and banking system in order to carry out our study. So as the first chapter was to focus on presenting the Islamic financial and banking system on the same wave of ideas this chapter was to focus on presenting the Congolese financial and banking system to finally make an analysis in the last chapter which will address the subject on a basic knowledge about the middle class before entering our analysis.

Indeed, this chapter here has developed a brief knowledge of the Congolese financial system. And to do this, in this chapter we have dealt with 4 major different points that allowed us to come into contact with the Congolese financial system in general and the banking system in particular. However, the first big point to tackle the problems on the context of the Congolese financial system which we talked about the origins and the development of this system to get a general idea on what the financial system is based and takes its origins. Thus we understood in this point that the Democratic Republic of Congo, like a colony of Belgium, also the Congolese financial system has its origins in the financial or banking system classic or traditional like that of Belgium. Also in this same point we saw the way in which the Congolese financial system has developed since its establishment, we noticed that the Congolese financial system is dominated by the banking sector which occupies more than half of this system. In this same point we also put the accent on the structure of the Congolese financial system of which we presented the various structures of this system. However, we have found that the Congolese financial sector is grouped into 3 sectors, the first sector of which is the banking sector made up of different banks and various micro-finance or micro-credit institutions and savings cooperatives. Followed by non-monetary institutions or we find national companies like SONAS and INSS, to finish with other institutions like the FPI.

The second point in this chapter to present the guiding roles or the main roles of the central bank in the Congolese banking system. Thus in this point we have presented the two major roles of the central bank of the Congo (BCC) which are, among other things, credit policy and regulation and the setting of interest rates for commercial banks. This point enabled us to learn about the procedures that the central bank of the Congo (BCC) uses to control the Congolese banking system in order to avoid all kinds of abuse of financial law in the country. To ensure the regulation and the credit policy, the Central Bank of Congo uses some methods to achieve its ends and among these methods, we evoked 6 methods in which the BCC uses first the operations of open market which consists in the purchase or sale of securities on the financial market by the BCC. Second, the mandatory reserve coefficient which consists of the imposition by the BCC of a mandatory reserve on other financial institutions which must be greater than or equal to 50%. Third, the liquidity coefficient which consists in having other financial institutions prove their short-term financial capacities to the BCC. Fourth, the rediscount rate, which consists of the purchase of bills of other financial institutions before maturity by the BCC. Fifth, the rediscount ceiling which consists in the imposition of a rediscount limit by the

BCC on other financial institutions and finally sixthly the credit limit, this operation consists in the BCC imposing a limit of the granting of credits to other institutions. These methods are used so that the BCC continues to have a look on the financial system of the country to allow a good execution of the financial operations in the country to facilitate the improvement in the national economy including also to watch over the rate of interest that these institutions impose on the population.

The third point of this chapter was to show the role of the financial system in the economy of the Democratic Republic of Congo. This point gave the important role of the financial system in the economy, we presented first started by given the roles of the ban and non-bank institutions in the economy of the country. However, it is proven in this point that the financial system has a very important role to play in the economy of the Congo when this system is well managed for the development of the DRC. As in all countries of the world where the financial system has greatly contributed to the development of the economy of these countries, this system in the DRC can contribute to the economic growth of the country. We concluded in this little point that the financial system can facilitate the development of the economic growth of the DRC if this system is well channeled by the appropriate institutions. It has been proven that the country's financial system is not yet playing its role properly in solving the problem that this system is plaguing the development of the country's economy.

The fourth and last point to present an overview of the Congolese banking system. We started by making a brief history of the banking sector in the Democratic Republic of Congo to finish by taking stock of the different components of the banking system in the DRC. In the section on the brief history of the Congolese banking system, we presented the milestone years and years of chaos of the Congolese banking system in the DRC while specifying the most critical moments of this system. We have divided the banking system of the Congo into 3 stages which are the stage of creation, development and decline, we stressed that these periods are not necessarily successive which we have presented in the previous lines on this point.

To conclude, we found it important in our study to speak not only of the Islamic financial and banking system, but also to take stock of the Congolese financial and banking system since we can never provide solutions as long as the problems are not known. By this point, we have seen with the references on the big problem in the Congolese financial and banking system. However, we have noticed in this chapter that the great difficulty lies in the problem of applying the interest rate in the Congolese financial and banking system. So this interest rate problem will be presented much more in the next chapter when we talk about the credit granting system in the Congolese financial and banking system. This chapter has just limited itself to presenting us on what the Congolese financial and banking system is based on which we have found that the Congolese financial and banking system comes from the classic or traditional financial and banking system of Belgium. So the last chapter of our work will be to answer our problem.

CHAPTER 4

ISLAMIC BANKING SYSTEM AN ALTERNATIVE TO THE CREATION OF MIDDLE CLASSES IN THE DEMOCRATIC REPUBLIC OF CONGO (DRC)

The middle class has been and continues to be the subject of several studies, it is seen as the means of a balanced sharing of resources in a country. It is the middle or intermediate level between the high level and the low level which many developing countries do not offer this class to its population. However, despite the absence of this class in several developing countries including the Democratic Republic of Congo, the effort to be able to endow their populations with this class is sufficiently remarkable in some of these countries. The Congolese State is also one of those States which fights for the creation of a middle class in all the extent of the country, this will is implemented by some projects such as that of the fight against poverty and that of promoting youth entrepreneurship launched by the current president.

However, faced with this situation, it is important to carry out some study on the means of setting up or the realization of these various projects, which should be scientifically proven upstream for its downstream accomplishment. This situation did not leave us indifferent, rather contributed to the realization of this study. This chapter presents the Islamic banking system as a means or an indispensable alternative for the creation of a middle class like the example of the Democratic Republic of Congo which inspires this class. The three previous chapters have allowed us to have a necessary knowledge on the two systems namely the Islamic financial and banking system and the Congolese financial and banking system. The Islamic financial system is considered in this study as an effective means for the creation of this class in the DRC which will be affirmed or denied throughout this chapter.

Thus to achieve our result, this chapter is divided into three main sections, the first section of which gives us a general overview of the middle class nation which will address the definition of this class, its origins as well as its evolution in the world. The second section will present the Islamic finance system and the middle class, this section will deal with the place of Islamic finance in the middle class and the contribution of the Islamic financial system to the creation of the middle class in a country. The last and third section will make a small comparison between the granting and regulation of credit in the Islamic banking system and in the Congolese banking system to finally conclude our study.

4.1. Notion on Middle Classes

The notion of social categories remains to this day a matter of debates on its definitions and others. It is true that social categories are important to know, however, despite the divergence of ideas on this subject, its determination remains a priority for scientific studies. This notion remains one shared by several authors in sociology, economics or elsewhere, in short in social sciences. It is important to note that according to several studies carried out in different countries, some people consider themselves to be middle class and hardly anyone falls into the wealthy or wealthy categories, even when their salary is in the latter category.

Indeed, the notion of social class also depends on the field of study which may vary from one study to another. So this section will try to answer us on the questions related to this notion of middle class. It is true that some definitions will always be contested from one author to another, but the purpose of this section to give us a general knowledge of this notion. So to get there this section will be made up of several points which may not be treated in depth as in a sociological one, but will be based a lot on the economic and social aspect of this notion.

Thus this section will include two main points, each of which will include the sub points. However, the first major point will present the definitions and origin of the middle classes, namely the first sub-point will attempt to give a definition of this concept and the second will present the origins of this concept. The second major point will talk about the evolution of the middle classes, here we will present its evolution in the world namely in America, Europe, in emerging countries, in Africa to fall in the Democratic Republic of Congo.

4.1.1. Middle classes definition and origin

In this point we will talk about the definition of the middle class first and its origins second and at the end. This point will allow us to have a general idea about the middle class and its origins in time.

4.1.1.1. Middle classes definition

Definitions of the middle class vary from approach to approach, but several authors claim that there is not an exact definition of this concept. Each of the approaches brings a definition which concerns the fields of its studies which may be different from the others. A seminar on the French middle classes presented by (Damon, 1 avril 2015, p. 2), in this report the author presents 4 approaches that influence the definitions of middle classes in France which are between and other linked to the level of the population which refers to the income level of the population. According to this approach, when we speak of the middle classes, it refers to the standard of living of the population. According to this approach, when we speak of the middle classes, it refers to the standard of living of the population. The second approach is the one linked to the profession which refers to socio-professional groups, according to this approach the middle classes are defined on the basis of certain socio-professional groups. The third is related to self-identification which refers to acceptance of this class, according to the latter the person believes they belong to this class to be part of it. And the fourth and last approach is that linked to the location which refers to the middle, according to this approach the definitions of middle classes is also determined by the location of the population to be considered as part of this class.

Indeed, taking into account the different approaches highlighted by Damon (Damon, 1 avril 2015, p. 2) in the previous lines, only the income approach could be important for the case of our study. However, several authors have defined the middle classes according to the level of income of the population, often according to the purchasing power of the population distributed over the course of a year or that based on the daily income of a household. Thus, authors such as (Easterly, July 2001, pp. 18-19) and (Birdsall, Graham, & Pettinato, August 2000, p. 3), these authors take into account a much more relational approach, they establish a relation between the distribution of consumption and the median income per capita. They estimate that these two approaches are related to each other and they define the middle class for the distribution of consumption is estimated to be between 20 and 80 cents of this distribution and that of the median income between 0.75 and 1.25 of the median income.

However, still with the same idea of measuring the middle class by the level of income that (Banerjee & Duflo, 2008, pp. 6-7) adopt two approaches, which they consider to be absolute approaches, one of which is linked to per capita daily expenditure is between 2 and 4 dollars and the other of which these daily expenses are between 6 and 10 dollars. While other heights in turn also take a much more hybrid approach by defining the middle class first in the developing world as an income bracket this middle class is misused between the median poverty line in developing countries compared to that of the United States; then a middle class in the Western world of which that is located at the level of poverty line of the United States. This approach is considered as a hybrid approach due to its definitions which come from a mixture of the two worlds of which one is developed while the other is developing (Ravallion, 2009, pp. 10,14).

To conclude on the definitions on the middle classes, we can talk about the definition mentioned by the World Bank by adopting a definition both arbitrary and absolute on the middle class as the median level of income of two countries between and other Italy and Brazil located between 4000 and 17000 dollars in terms of purchasing power parity of the population. After going through all these approaches, it is true that there is not a complete definition of the middle class. However, each author or each group of authors defines the middle class according to the approaches they approach or according to their very specific fields.

4.1.1.2. Origin of the middle classes

The notion of social class is an approach that is more developed by Kar Marx and Max Weber with a much more distant origin than the approaches of these sociologists, each of whom addresses this subject in a personal way. It is true that this approach is approached much more by these two authors, however the middle class as for it, finds its source in the classification of Aristotle on its political traditions. Aristotle's traditions did not use the term middle class, yet Aristotle's politics was all about finding a middle ground. The author believes that each society is where each state contains three social classes between and other the very rich population, the very poor population and the well-off population; which is considered the golden mean or even later the middle class (Pech, 2011, p. 71).

Indeed, before the development of the middle class in the 19th century, the social level categorization approach had already seen its days by the second half of the 18th century. This categorization was intended to set up an intermediate class, however the aim of the latter was to find an intermediate class which should generally be made up of people who were wise, reasonable and endowed with good value who thanks to their small income benefited to an average but sufficient education. This category of people had the main mission of destroying the aristocratic system and creating a means to allow the remnants of the population to progress by drawing them into the upper class (Pech, 2011, p. 71). This approach aimed to create a balance in society to allow everyone to breathe power, this began precisely around the years 1748 in France followed by other European countries.

Thus, the theory developed as we pointed out in the 19th century and gained great momentum in Europe. In Marxist theory, this notion is compared to the notion of the Bourgeoisie approach of Karl Marx. However, the German author distinguishes two kinds of social class according to his approaches, one of which is the class he calls the production of the capitalist or the **bourgeoisie** and the other that he calls the **proletariat**. Indeed, this approach that the author develops towards the end of the 19th century consisted in separating the first class into two, that is to say although in his approach he distinguishes two social categories, however he also speaks of a class which he calls the "**little bourgeoisie**" which is between the **bourgeoisie** and **proletariat** which refers to the notion of the middle class although the latter mentioned by the author. However, Weber's theory emerged in the 20th century, and finally continued with other sociological authors who also developed some characteristics on social class.

Here we can remember that the notion of social class began to emerge already in the 18th century, although it was not developed directly. However, the notion of the middle class first started in Europe and was finally adopted as a scientific approach in other parts of the world, among others in America, Asia, Africa and others. This approach is much more developed in developed countries followed by emerging countries. It is a force for a state, so a country with a considerable middle class is a strong country is wise (Pech, 2011, p. 72).

4.1.2. Development of the middle classes in the world

In this part, we will present the evolution of the middle classes around the world. However, we will start by presenting its evolution in Europe, in the Emerging countries, in Africa and finally to finish in the Democratic Republic of Congo.

4.1.2.1. The middle classes in Europe

The middle classes first saw their existence in the European continent as we have pointed out in the previous lines, they emerged around the middle of the 18th century although they did not immediately begin to be called “middle class” as we say today. However, to recognize its existence several European authors have used terms which are nowadays considered as middle class by their meanings. It is true that the idea of dividing social classes into three groups first started in France with Aristotle, but in the 19th century this approach was put aside to speak only of the approaches of Karl Marx and that of Max. Weber in the 20th century to be developed later with other authors, some of whom have continued with the approach of Karl Marx (the Marxists) and others with the approach of Max Weber (the Weberians).

Indeed, the middle classes since its existence were at the center of the heart of the European economy, they were an excellent engine that supported European consumption because they were an important pillar for the economic growth of Europe in general. However, a survey carried out in (2012, p. 2) by the observatory highlighted that for a long time the European middle classes have suffered a collapse linked to the various crises experienced by this class. This same study estimates that the financial situation of the European middle classes has increased by only 37% for Europe in general and by 33% for France, this situation of which the population belonging to this class see themselves in danger and estimate that this increase not proportional to the increase in their spending which has a negative effect on their purchasing power (L'Observatoire Cetelem, 2012, p. 2).

Thus, despite this situation, this same study proves that it is divided into two parts that of Eastern Europe and that of Western Europe. However among these parts we find the eastern part which is still optimistic and thinks that their situation will improve better in the years to come while believing that their standard of living will improve, while that of the West although she is also optimistic rather thinks of being able to maintain their standard of living while reducing their daily expenses by favoring the daily savings system (L'Observatoire Cetelem, 2012, pp. 2-3). The result of this study is proven in the studies of (Courtiaux, Erhel, & Vaughan-Whitehead, 2017, p. 6), thus a study carried out in 2015 by (Damon, 1 avril 2015, p. 12) had, however, estimated a 22% decline in 2020 in the middle classes according to Fondapol 2013 reports, will be followed by a decline by 2030 of 14% of the European middle classes according to their estimates. In view of the above, it is important to note that the middle classes since its existence to contribute favorable to the European economy, they were a great force for the economic growth of several European countries. However, following the crises experienced by these countries, many have seen their middle class decline and which has caused several damages in the economic growth of this country. Indeed, several studies are carried out until now for the conservation of the European middle classes, in spite of the threats presented by several authors of a considerable decline by 2030. However, Europe as a whole is working to safeguard the European middle classes and allow a good distribution of income throughout the European community in order to avoid inequality in the distribution of such income.

4.1.2.2. The middle classes in emerging countries

The middle classes in emerging countries unlike developed countries such as in some countries of Europe, to begin to take place in these so-called emerging countries in the 21st century. However, this emergence of social group classification in developing economies is much more made up of Asian countries. Indeed, in emerging or developing countries the term middle class is used to designate a category of households whose purchasing power parity threshold exceeds that of poor households, as if to say that the middle-class phenomenon in developing countries or emerging simply designates the set of households that do not belong to the poor categories or to the rich categories either. This class refers to the middle class, that is, located between the rich and poor categories. Thus this category of households constitutes an engine for the socio-economic growth of emerging countries underlines (Kharas, 2010, p. 6).

Thus, several studies on the middle classes prove that the countries emerging from Asia, are the countries where we find a rapid growth of the middle classes like the case of China, India, Turkey to speak only of these countries and so many other emerging

Asian countries are also part of it. However, apart from Kharas's previous study, several other studies confirm this analysis; a study conducted by Investment Advisor underlines that the development of the Asian middle classes remains spectacular, this study proves that several Asian households see their income developed considerably each year and this situation inevitably favors investment opportunities in countries emerging Asian. Thus this same study shows that of the 39% of the contribution of emerging countries in world GDP in 2019, only the Pacific Asia contributed 31%, of which China alone contributed up to 16% in the contribution of world GDP in 2019. 2019 (Raiffeissen, Janvier 2021, p. 1).

It is important to point out that the middle classes in emerging economies are, of course, a major means for the economic development of these countries, they are an essential contributor to the economic growth of these countries. Thus several studies as we have pointed out previously have proved the above. However, the importance of creating a middle class to promote economic growth is understood in several countries, only the countries of Africa have not yet fully understood the importance of this class in the economic development of their families' countries and more particularly in the countries of Sub-Saharan Africa. Thus a comparative study carried out between 4 countries including Brazil, Turkey, Vietnam and the Ivory Coast has shown that among these countries, the Ivory Coast remains the country where the middle class does not develop and only represents less. 27% of the population compared to more than 75% of the Turkish population finding themselves in the middle class (Raiffeissen, Janvier 2021, p. 62).

Further to the above, we notice that, although the emerging countries and the developing country are among the countries whose development of middle classes seems to be felt compared to the rest of the world, however this expansion remains much more dominated by the countries Asian who occupies an important part in the world GDP and of which this part will be multiplied by 2030. However following the studies observed, we noted that Africa in general and Sub-Saharan Africa in particular remains the part or the middle classes is not adequately represented and of which this class to wish so much remains until now a myth for the population although the sample still remains insignificant. Thus, there is still a lot of effort to be made for the development of the middle class in this part. Note that this is not impossible to achieve it, however it is not enough only to have the will to create this class, but also to add to this good will the necessary means such as the adoption or the creation of the Islamic financial system to facilitate the creation of middle classes in these African countries.

4.1.2.3. The middle classes in Africa

The middle classes in Africa, as we have pointed out in the previous lines, remain even less developed. However, despite its unremarkable expansion, some other African countries have come out of this situation favorably. It is however important to speak of the division of middle class in Africa, thus the determination of the said class is not measured as in Western or developing countries, however if in the rest of the world the interval of belonging to the class average is between 20 to 100 dollars of daily consumption per household, this is not the case in Africa. Indeed, according to the distribution of the African middle class, this interval is largely modified by the African Development Bank. This establishes a considerably very small interval compared to other countries, the ADB (African Development Bank) estimates that the interval of belonging to the middle class in Africa is 2 to 20 dollars of daily consumption (Quenot-Suarez, 02/2015, p. 464).

However, we can notice here that in other countries the households belonging to this interval are considered as poor households, which is not the case in Africa. The ADB sees it as belonging to the middle class, although this is not the case in the rest of the world. It is sad to note that despite this interval as low as it is, many African households live below this interval. Thus, Africa remains the part of the world where there is more inequality in relation to the distribution of household income, which, of course, excludes good growth of the middle classes in several African states.

Thus, an ADB analysis divides the African middle class into three categories, the first of which groups African countries with at most 20% of households belonging to the middle class, the second groups together countries with at most 50% of households belonging to the middle class and the latter includes countries with at least 75% of the population belonging to the middle class (Deloitte , 2015, p. 14). However, out of the 54 countries of Africa, only 22 countries that are found in the middle class with more than 20% of their population which represents less than 40% of the entire African population belong to the middle class, that is to say less than 40% of the African population live on 2 to 20 dollars per person per day. We found that out of all the countries where we find the presence of the population belonging to the middle class only 5 of them were part of the 75% group of which we find 4 Muslim countries which are Algeria, Egypt, Morocco and Tunisia and a single secular country located at the limit of 75% of the population belonging to the middle class which is Gabon. The second group of 21 to 50% is made up of more than 17 countries and in this group we find countries like Kenya, South Africa, Chad, Uganda, Mali, Mauritania, Senegal, Burkina-Faso, Côte d'Ivoire, Ghana, Nigeria, Angola, Namibia, Botswana, Liberia, Ethiopia and Eritrea. The last group is made up of 11 countries with less than 20% of the population belonging to the middle class or we find the Central African Republic, Cameroon, the Democratic Republic of Congo, Tanzania, Burundi, Zambia, Mozambique, Rwanda, Niger, Malawi and Madagascar (Deloitte , 2015, p. 14).

It is important to point out in this part as we said previously that Africa remains so far on the whole planet a region where there is a strong inequality in the distribution of income after Latin America. This hypothesis is confirmed in the sense that despite a strong presence of natural resources in this region, there is a strong presence of the poor population in this region. Following this inequality in the distribution of this wealth leading to obstacles to economic growth, it is difficult to be able to eradicate poverty in this region of the planet. Thus the report shows that there is more than 40% of the total gap in African territory, a percentage proven by the geographical level of the African population which explains the level of inequality in this region (Banque Africaine de Développement BAD, 2015, p. xx). This study showed that more than 40% of the African population live in poverty and some of them live in extreme poverty and this poverty is caused by the inequality in the distribution of natural resources in Africa which explains why the middle class remains even less lived in the African region.

4.1.2.4. The middle classes in the DRC

The creation of the middle class in the Democratic Republic of Congo has always been the subject of some reflection for a long time, however the 2015 ADB report classified the DRC among the countries with less than 20% of the population belonging to this social class. . So the questions that remain to be asked in the face of this situation are to know, if the DRC really has a social class called the middle class, does it really exist? Some reports show that this class in the DRC represents less than 15% approximately 12.5% of households, however it is these households that are grouped into this social category. However, the second-generation growth and poverty reduction strategy document (DSCRP 2) in its first volume considered that the emergence of a middle class in the DRC is important for improving the country's economic growth. Thus, this document estimated that the creation of middle classes should facilitate the creation of employment in the SME (Small and Medium Enterprises) which would be the basis of sustained growth of the Congolese economy (Rapport INS, 2011, p. 60).

Indeed, the revitalization of a middle class across the territory now remains a major concern for the country, it is important for a country to have an important place reserved for the middle class to ensure its good growth. However, in the case of the DRC, we find a certain concentration of this unique class in the capital Kinshasa and in the second city which is Lubumbashi. However, there is a firm will on the part of the authorities to be able to solidify this class across the country, which however remains a problem to be resolved for the new political class. It is important to point out here that the middle-class phenomenon remains until now a myth in the majority of Congolese, it is true that this class exists but which remains on ground not palpable by the population given it’s very low level and which remains almost stagnate in a certain corner of the country.

Contrary to some thoughts of saying that there is no middle class in the DRC, however this class does exist in the country, but the percentage of which remains very low. Indeed, the emergence of the middle class requires a lot of will on the part of Congolese leaders and especially added to this will the best methods to allow the growth of this class throughout the country. Considering it’s much more financial than physical side, it is important to adopt certain financially more profitable methods of improving this class than to lean more on the wild side. It is time for the middle class to no longer be seen as a myth in the minds of Congolese, but rather to be a reality in the lives of these peoples. To achieve this, certain principles must be reviewed to allow this population to see their financial situations improve in the future.

It is important to point out here that, the notion on social classes is a broad notion which cannot be dealt with in a small point like this one. However, in this point we have just tried to give a little reminder on the social classes in general and more particularly of the middle classes, its definitions, its origins and also on its evolution in the world just to give us the idea of what we speak, before doing an analysis with the Islamic financial system in the Democratic Republic of Congo. Thus in the previous point, we made an overview on this notion before talking about its place in the Islamic financial system and also to study the possibility of its application of this system for the creation or the development of this class in the DRC.

4.2. The Islamic Financial System and Middle Classes

It is true that a real link between the Islamic financial system and the middle classes has not yet been the subject of several studies, to be dealt with clearly in this section. However, despite the lack of a ton of analysis related to this subject, there are however a few studies carried out previously that have tried to make a connection between the Islamic financial system and economic growth or the possibility that this system favor the socio-economic development of a country by its fundamental principles. Along the same lines as the previous studies, we will try at our level to establish the link between the Islamic financial system and the middle classes before making a small comparison between these two theories. Thus in this small section, we will talk about two essential points, the first of which will talk about the place of the middle classes in Islamic finance and the second and last point will talk about the potential contribution of the Islamic financial system for the development of the middle classes in a country.

4.2.1. The place of the middle classes in Islamic finance

As pointed out at the beginning of this section, we have not found the previous studies that concretely speak to us about the relationship between Islamic finance and the middle classes, only a few that present the Islamic financial system as an alternative to facilitate development socio-economic situation of a country. On the basis of these studies we will try to establish a relation or relation between Islamic finance and social classes. However, in this study, we have considered the income approach to determine the middle classes as measured by the purchasing power of the population or households. The middle class is none other than the middle class, that is to say the place of the population or household considered to be neither rich nor poor which generally consists of the population constituting small and medium-sized business.

Thus in the first section of this chapter, we presented the threshold or even the interval considered as the average level in developed countries, in emerging countries as well as in African countries. However, it is important to note that the majority of households belonging to this threshold are those coming from SMB (Small and Medium Business) which form this class. The Islamic financial and banking system allows SMB to benefit from financing to either improve their activities or start their activities for the sustainable development of both social and economic activities in a country. This financial or banking system is an important engine for the development of socio-economic activities of households belonging to the median group that is to say in the middle class by allowing these households to create or expand income-generating activities, income without the requirement of a large counterpart as in the case of microfinance.

In addition, the Islamic financial system enables poor households to break their vicious circle by placing more value on human capital than on financial capital. It is noted here that the financial system does not neglect financial capital as it allows these groups of people to realize their projects, but only Islamic finance does not support the idea of realizing interest without any risk. It allows the investor to also participate in the risks faced by entrepreneurs since this system does not consider time as having an intrinsic value which does not give it more value than the work of the entrepreneur. So the Islamic financial system places more value on work than on money which allows it to treat its clients as partners and not only as applicants for funds, which normally replaces the capitalist system for the socialist system in institutions Islamic.

Indeed, the middle classes occupy a good place in the Islamic financial system through SMB. We noted in the previous section that the middle classes are made up mostly by managers or workers of small and medium business, while the Islamic financial or banking system is an important engine allowing these enterprises to improve or develop their sector by facilitating their financing. On this an international trade center report (Centre du Commerce International, 2009, p. 28) underlines that the importance of Islamic banks is not only to overcome the insufficiency in the satisfaction of SMB needs by banks conventional, but above all to give the poor the possibility of benefiting from loans without much more requirement. Thus, allowing the poor or micro-entrepreneurs to benefit from loans allows them to improve their living conditions, especially to be able to increase their expenses by increasing their daily purchasing powers.

In addition, it is also underlined in this same report that the Islamic financial or banking system constitutes an essential means for the financing of micro-business and SMB; because this system creates a real economy, it facilitates job creation, which generally allows the production of resources for households in capital or finance. Thus, it proves that the application of the Islamic financial system in a country largely allows to lower the level of poverty of the population or of households of this country by its contribution in the financing of the economic activities generating resource to allow an integral development and sustainable. Considering the income approach to measure the middle classes, it is obvious to be able to link the Islamic financial and banking system with the middle classes, as it allows not only the creation but also the development of this class in a country when the ethical principles of these systems are respected by the institutions. It is also important to point out here that the Islamic financial system is not about religion, but rather about ethics and morals which requires a socially responsible financing between the two parties. This implies a socially responsible partnership that allows these institutions to facilitate the creation of a responsible middle class in a country by reducing the level of poverty of a population or a household.

In short, we can conclude that the middle classes have an important place in the Islamic financial system as in the case of the lower and upper classes. The Islamic financial system then allows the lower classes to improve their living conditions by increasing their spending levels in order to improve their purchasing power by allowing them to access the median level which is precisely the middle class. This important place is proven in previous studies on the important place it gives to small and medium-sized enterprises in the world for their development and especially for their creations in different countries of the world.

4.2.2. The potential contribution of Islamic finance to the development of the middle classes

The contribution of Islamic finance to the development of the middle class goes hand in hand with the previous point about the place of the middle class in Islamic finance. As we have underlined in the previous lines that Islamic finance gives an important place to the middle class, but also the Islamic financial system also allows the improvement of this class by eradicating household poverty by its support in activities income-generating. However, apart from the contribution of the financial system to the economic growth of a country, it also plays a very important role in the development of the middle classes in a state. Thus, in the previous lines we have presented a relationship between Islamic finance and the middle classes by establishing a link between this system and its contribution in the financing of the activities of small and medium enterprises in emerging economies.

However, Islamic finance not only allows the creation of middle classes, but also allows the development of these already existing classes in a country through the financing of small and medium enterprises. As such, it uses several techniques to be able to intervene in the development of the middle classes through these financing contracts, for example participatory contracts. However, it is important to point out that Islamic finance is based on ethical principles, it aims to favor financing that respects ethical and moral rules and that quite simply the profit side. It promotes activities that are considered economically responsible, it avoids any illegal activities and promotes the balance between personal and public values in a society by requiring not only fairness, but also transparency and sincerity between the contracting parties. Thus, apart from these different requirements, Islamic finance as underlined in the previous point is an essential engine for the eradication of financial poverty in a country and especially in developing countries.

Indeed, several studies identify Islamic finance as an important means and an essential factor for financial stability in the world (Point Banque, Février 2017, p. 32). Some other authors believe that Islamic finance, although it contains several contracts that can be important for the development of SMB, only participatory contracts remain the best means for the development of the latter. However, Martens (Martens, 2001, pp.

15-16) thinks that Islamic finance makes it possible to support the real growth of the economy through its techniques that are much more united and participatory than traditional, which allows it to be able to facilitate the development of SMB especially for emerging and developing countries. It is therefore important to note that the participatory system of Islamic finance remains until now an effective means for the development of the middle class and also a means which is not applied in conventional finance.

Thus, we can therefore here give some important techniques used by the Islamic financial system attributing to it an important means for the development of the middle class through SMB especially in emerging economies. The different techniques applied in Islamic finance to be able to improve SMB are among others grouped into three groups namely: the technique of association and / or joint venture, the technique of sale or rental with mark-up and at the end the application technique taxes presented by (Huet, 2014, pp. 25-29), However, the first technique consists of the sharing of risks and profits between the bank and the entrepreneur. This technique generally consists of making a partnership contract between the two or more contractors, here the bank can become a partner of the entrepreneur by bringing not only the money but also its skills in the entrepreneur's project with the Moucharaka contract and it has the right to participate in the management of the project. In another sense, the bank can act as a Co-entrepreneur by providing only the fund for the execution of the project, it is in this case to consider as a simple financial backer of the entrepreneur the case of the Moudharaba contract or the bank n has no right to participate in the management of the project. The two contracts are linked in their purposes, they require a sharing not only of the profits, but also of the risks that the project may generate and its risks or profits are distributed in proportion to the responsibility of each and according to a percentage determined beforehand by the parties.

However the second technique which is also a means of development of the middle class, but which is not too appropriate for SMB in the logic. This technique is much more suitable for large companies or the State, but which can nevertheless be a means also for SMB. Finally, we have the technique of taxes which is an important means to allow Islamic financial institutions to easily find their resources. This method consists of hormones demanding, like the purification taxes of all Muslims, much more from the rich to be able to come to the aid of the poor people. This technique allows Islamic financial institutions to be able to meet the needs of the needy people these taxes are called Zakat. This technique is an effective means for Islamic institutions as sources of financing to offer to SMB because it allows these institutions to subsidize projects which have as objective the improvement of the living conditions of households generally concerning small businesses (Centre du Commerce International, 2009, p. 28).

In addition, given that the objective of Islamic finance is to provide a contribution to humanitarian development, it then constitutes a method of financing that is both moral and ethical, linking financial behavior involving profits and socially responsible behavior. appealing to ethics and morals. However, it has an obligation to interact between the two human behaviors to enable the development of the middle class or small and medium enterprises in emerging economies. So, Islamic finance turns much more on economic actors who are in direct relation with the daily life of the population which are generally the SMB to allow it to improve their conditions by increasing their daily expenses to allow the increase of their daily purchasing power (Centre du Commerce International, 2009, p. 29).

In conclusion, given the objective pursued by SMB which is oriented towards development aid activities for the good of the population such as the case of Islamic financial institutions, the latter remains an important engine for the development of this sector, in order to enable the development of the middle classes in emerging economies. However, whatever the technique applied by Islamic financial institutions to finance economic development activities, it is an essential means for the development of the middle classes through SMB. It therefore has a potentially important contribution to the development of SB (Small Business) and MB (Medium Business) for the improvement of the living conditions of the population in both emerging and non-emerging economies, especially for African countries. The Islamic financial system remains open to support SB and MB activities for the development of the middle classes and allow an equitable sharing of resources in Africa.

4.3. Comparative Analysis on Funding Policy in the Islamic Banking System and the Congolese Banking System

The purpose of this study was to analyze the possibility of the Islamic financial and banking system being able to create the middle classes in developing countries such as the case of the DRC. However, the previous chapters and sections have given different orientations on the problematic of our study, the previous lines have allowed us to confirm or refute our hypothesis. Thus, we have reached the end of our study, however, it is important before concluding our study to be able to make a comparative analysis between the Islamic financial and banking system and the conventional financial and banking system applied in the DRC to be able to draw a good conclusion on our study.

Thus, this section is focused on making a comparison between the funding policies in the two systems. However, we cannot go directly to the comparison of these systems without first presenting the policies used by the two systems to secure the funding although this is already briefly covered in the previous points. Here we will try to make a presentation on the finance policy of these two systems, starting in the first point to present this policy in the Islamic financial and banking system, then to present it in the conventional financial system applied in the DRC to finish in end with a comparison between the two systems and if possible give some examples of practical cases.

4.3.1. Funding policy in the Islamic banking system

The Islamic banking system uses several methods for the funding of economic agents and these methods are the different contracts that are used in Islamic institutions which we have presented in previous chapters. However, in this point we will present the funding policy or the means of funding used in the Islamic banking system. Thus, we have distinguished two types of funding methods used by Islamic financial institutions, namely participatory funding and non-participatory funding. We will then try in the following lines presented these two funding systems and give some examples of their applications in the practice of funding. Regarding the case of non-crowd funding, we will not present all the contracts here, but we will try to talk about a few not according to importance but rather according to the most applied in Islamic banking institutions.

4.3.1.1. Participatory funding

We distinguish here two forms of funding which are the Mudharaba funding and the Musharaka funding of which we will give some examples of their applications in the Islamic banks while trying to give the points of differences between the two funding.

4.3.1.1.1. Mudharaba funding

Mudharaba funding is a funding of the liabilities, that is to say a partnership of the liabilities as we presented above in this work this finance contract requires a sharing of both profits and losses between the partners which must be at least two people, one of whom is an investor and the other is an entrepreneur.

Example of Mudharaba funding

A desire carpenter started the business of manufacturing office furniture, for later resale when ready. To start his activity he needs \$ 500 to obtain the necessary products, so he decides to approach an Islamic financial institution (the Islamic bank) to finance his activities. The Islamic bank established a Mudharaba funding contract with the entrepreneur to enable him to carry out his project with the desired amount of \$ 500. The term of the contract is signed in this way: on the amount of profit from this project the entrepreneur will pay 30% to the Islamic bank. So at the end of the project the contractor sells the furniture set for \$ 700.

Table 4.1. *Application of Mudharaba funding*

Application of Mudharaba funding		
Total investment	**Total sale**	**Realized Profit**
\$500	\$700	P= V-I
		700-500=200\$
Part of the bank on profit 30%		30% de 200 = 200*30/100=60\$
Refund to the bank		500+60=560\$
Part of the entrepreneur		200-60=140\$

Sources: *Resolution of the example on Mudharaba funding*

In this table we have tried to solve the previous example by the Mudharaba finance technique which requires the participation of two parties during its application. Indeed, Mudharaba crowd funding is an important means of funding Islamic financial institutions for the creation or development of the middle class in developing countries like the DRC. We are going to limit ourselves much more in this study to the case of a positive result during the realization of the project as our objective to improve the living situations of the population. But in the event of a loss proven by the entrepreneur, he is not obliged to pay the bank, except when the poor management of the latter is noticed after the audit of the bank.

4.3.1.1.2. Musharaka funding

The Musharaka contract funding is a mode of funding by association where the bank becomes a partner of the entrepreneur. In this contract the two parties make a contract of association where the bank can contribute its know-how like the entrepreneur by participating in the management of the project, this contract is generally of the active form in a company. Note also here that the genre of this contract can subsequently become a full-fledged company, if the contracting parties wish to develop their project in the form of a permanent business.

Example of Musharaka funding

An entrepreneur with a 3-hectare concession whose land value is estimated at $ 5.000 wishes to use his concession to carry out an agri-food industry project whose project value is estimated at $ 15.000. He then decides to contact an Islamic bank to make a partnership contract at the end of this project together. The two parties opt for a Musharaka association contract, each of which accepts responsibility for either losing or winning and then signs a partnership contract for 2 years where each accepts their share and their profits once the project is finished. Thus, the total amount of this project is 5.000 + 15.000 which makes a total amount of $ 20.000 for the realization of the project, however at the end of their contract so after 2 years their project they have $ 35.000 including the initial values of the project.

Table 4.2. *Application of Musharaka funding*

Application of Musharaka Funding			
Project costs	**Investment**	**Everyone's share**	
Land value	$5.000	5.000*100/20.000=**25%**	
Cash	$15.000	15.000*100/20.000=**75%**	
Total value	**$20,000**	**Entrepreneur**	**Bank**
Project income	**$35,000**	25*35,000/100	75*35,000/100
		$8.750	**$2.6250**

Sources: *Resolution of the example on Musharaka funding*

In the previous table, we have solved the example of funding by the Musharaka contract which is a crowd funding contract, but of which the parties are the partners and who can decide to transform this contract a company later according to their needs. Note here that this contract, as with the previous one, it is valid for all categories of entrepreneur who wants a more solid partnership with the bank, whether or not he has a real estate share, as in the case discussed here. However, the entrepreneur can make another contribution such as industry contribution to benefit from this contract. Thus in the Musharaka funding contract the responsibility is borne in proportion to the contribution of each one in the project of which the one who contributes more is endowed with a great responsibility during the risk which also explains his level of profit higher than the other. However, everyone's share in the risk of loss is also shared in the same way that is to say according to the pro rata of their contribution. The Musharaka funding contract is also important for the development of the middle classes in developing economies such as the case of the DRC.

In general, the difference between these two funding methods is in their execution methods, one of which is an Active funding method and the other a Passive funding method. In the Musharaka funding contract, the bank can intervene as we said at the beginning in the management of the project which makes it an Active financing contract while in the Mudharaba funding contract the bank cannot participate in the project management making it a Passive funding contract. The second difference that we found is that in the Musharaka funding contract, is contracted for medium and long term projects while in the Mudharaba contract the project is generally short term. Thus, the common point between the two funding methods is that the risks or the profits are shared between the two parties, that is to say the participation especially of the Islamic bank in the risks that the project may incur and in proportion to everyone's contribution.

4.3.1.2. Non-participatory funding

There are several non-participatory funding contracts which we will not discuss in this point about all these contracts which constitute non-participatory funding, but we will only present two contracts in this point. So we will talk in this little point about Murabaha funding contracts and Istisna'a funding contracts.

4.3.1.2.1. Murabaha funding

The Murabaha funding contract is nothing but a form of trade between Islamic banks and their customers, this contract also requires a form of guarantee from the customer. This contract is compared to a form of commerce since it requires the resale of a generally material good at a profit margin. In this type of funding contract the customer buys a good from the bank on credit or in cash according to their expectations, however it requires that the cost of buying the good be known by the customer. So the customer must know the amount at which the bank has procured this good to allow good transparency between the contracting parties.

Example of Murabaha funding

A candy company wants two new trucks to facilitate the delivery of their drinks to other cities in the country. So to get these trucks the purchase price of the latter is estimated at $ 50.000 due to $ 25.000 per truck. However, not having this money, he signs a contract with an Islamic bank to procure the trucks for $ 51.200 payable in 4 equal installments for a year due to a quarterly installment of $ 12,800 and a guarantee of 5.000.

$ is required by the bank. Thus, the Islamic bank owning these trucks agrees to resell to its client who is this brewing company.

Table 4.3. *Application of Murabaha funding*

Application of Murabaha funding		
Periods	**Amounts**	**Bank Profit**
Quarter 1	$12.800	Costs of sale - Margin
Quarter 2	$12.800	51.200-50.000=$**1.200**
Quarter 3	$12.800	For 1 year the bank earns **$ 1.200** on its purchase
Quarter 4	$12.800	
Total payments	**$51.200**	

Sources: *Resolution on the example on Murabaha funding*

The previous table presented us with the resolution of a Murabaha funding between a candy company wants and an Islamic bank for the acquisition of vehicles for the development of its activities on delivery in other cities across the country. It is important to point out in this example that when the company has finished paying all of its loans, it can then withdraw the guarantee it had paid to the bank. Thus in the Murabaha funding contract, the products that the bank sells to the company belong to it because the bank buys the goods to resell them later sometimes when a need is met by one of its customers. However, this sale differs from other sales, because from this one not only that the company must know the purchase price of this commodity but also the business must be reassured that the merchandise belongs to the bank and that it is the full owner of that product. Indeed, this contract can be an effective means of the development of the middle classes in developing economies because it allows entrepreneurs to obtain the goods they need especially by credit and to make the payment in the periods well determined in advance by the contracting parties.

4.3.1.2.2. Istisna'a funding

The Istisna’a funding contract is a funding method used by Islamic banks in the form of an order made by their customers. In this contract, the customer places the order with the Islamic bank according to the needs he can face to seek to resolve it through the Islamic bank. Indeed, the company may need a service which it takes the initiative to consult with the Islamic bank for help in meeting its needs by placing an order with the bank.

<u>Example of Istisna’a Funding</u>

A Congolese company wishes to repair their offices and consults a local company to carry out this work, after the consultation the latter presents it with an estimate of $ 20,000 all expenses included during a period of work of 2 months. Thus for the company brings its project to the Islamic bank to request funding by the Istisna'a method and the bank agrees to sign a contract with the specialized company on behalf of its client who agrees to do this work in the same time interval which is 2 months. The bank therefore returns to its client to offer him this financing contract, which the company will pay for 10 months with a profit margin a sum of $ 1,200. So the company will pay $ 20,000 + $ 1,200 = $ 21,200 to the bank. Thus, the company will pay a sum of $ 2,120 each month for a period of 10 months.

Table 4.4. *Application of Istisna'a funding*

Application of Istisna'a Funding		
Months	**Amounts**	**Bank Profit**
1	$2,120	Project cost = $20,000
2	$2,120	Cost fixed to the company = **$21,200**
3	$2,120	Bank margin 21,200-20,000 = **$ 1,200** So the bank earns **$ 1,200** after 10 months on the project.
4	$2,120	
5	$2,120	
6	$2,120	The company has the option of paying in installments for 10 months **$ 2,120 / month.**
7	$2,120	
8	$2,120	
9	$2,120	
10	$2,120	
Total	**21,200$**	

Sources: *Resolution on the example of Istisna'a funding*

Table 4.4 presented an example of the funding method by the Istisna'a non-participatory contract, which is an order contract made by a customer at the Islamic bank. This kind of contract also requires a certain trust between the contracting parties each must trust the other especially between the bank customer and the bank to allow the application of this kind of contract. As part of different contracts or methods used by Islamic banks to finance their clients' projects, it is also a good way to allow the development of the middle classes in developing countries like the case of the DRC especially in the sense that this is not the exorbitant and predetermined interest by Islamic financial institutions.

The difference between these last two methods of funding and that in the first the good belongs to the Islamic bank while in the second the bank signs the contract with a third person to meet the needs of its customer. Also in the method of funding by the Istisna'a contract, the Islamic bank acts on the basis of the order made by its customer and the customer does not have the right to terminate this contract once the bank signs the contract with the company specializing in carrying out the project only if the contract with the third party has not yet been concluded. This is why in the Istisna'a funding contract the bank must be assured of the credibility of its customer before committing to carry out the project. As far as we are concerned, the best method of funding Islamic financial institutions remains crowd funding.

4.3.2. Funding policy in the Congolese banking system

Unlike the funding policy in the Islamic banking system, the Congolese banking system has its own policy of funding loans to its customers. However, the Islamic banking system has several methods or forms of contracts that they apply when funding projects of its customers and all these methods are really taken into account in any funding; This is not the case in the Congolese banking system which generally also consists of several methods but whose method used by financial institutions remains the granting of credit by predetermined interest by these institutions. Thus, the funding policy in the Islamic banking system is much more dominated by the granting of credit with interest and other methods of funding not really used in the DRC.

Indeed, since this is a single most used method, we will be based on this method which is interest funding. The entire Congolese financial sector, both banks and microfinance institutions, grant loans through a determined savings rate. Thus a study carried out in Kinshasa to measure over-indebtedness in micro, small and medium-sized business (MSMB) in 2015 proved that more than 74% of the sample found themselves in situations of over-indebtedness of which 85% were bank customers. This report shows that bank customers often find themselves in these situations because of the accumulation of interest when they fail to pay for a while (Centre pour le Développement Rural (SLE) Humboldt Universitat zu Berlin (HU), Janvier 2015, p. 48).

It is proved in this same study that despite the hard work that entrepreneurs do for the payment of their debts, only 8% of entrepreneurs have no problem with their bank, that is to say no delay, no problem and do not make sacrifices for the payment of their debts against 57% in the worst situations of over-indebtedness to their banks and do not know how to solve this scourge (Centre pour le Développement Rural (SLE) Humboldt Universitat zu Berlin (HU), Janvier 2015, p. 51). In addition, the study also proves that more than 70% of the sample population declares to be able to work hard to have to repay their loans against 30% of this sample who declare them in turn that apart from hard workers, they save by reducing their daily expenses related to food to have to get in order with their financial institutions (Centre pour le Développement Rural (SLE) Humboldt Universitat zu Berlin (HU), Janvier 2015, p. 49).

In addition, it is clear in this study to find the lack of support from Congolese financial institutions to contribute to the creation or development of the middle classes in the country with this way of granting credit to this category of the population. Entrepreneurs find themselves alone in front of their problems, they cannot share their problems with their institutions which normally is supposed to support them for the success of their activities. So when entrepreneurs, especially micro and small business, find themselves facing a complicated situation that prevents them from paying their debts, they then resort to other loans to have to honor their commitments to their institutions which means that they do not fail to improve their situations because of debt; they go into debt to pay off their debts when it is impossible to repay one loan with another loan.

It is evident from this study that the various problems faced by Congolese entrepreneurs have been observed in order to survive and support their income-generating activities. They are very exposed to extremely unfavorable interest rates for the development of their activities. However, the study shows that most of MSMB's entrepreneurs are over-indebted, and this situation is mostly caused by the interest rates imposed by the institutions. The study shows that more than 90% of these entrepreneurs do not know the rates at which they are imposed, many only know the total amount to be reimbursed to their institutions, which prevents them from making a responsible choice in the face of this rate (Centre pour le Développement Rural (SLE) Humboldt Universitat zu Berlin (HU), Janvier 2015, p. 63). Clients also complain about the level of sensitivities of their institutions, these institutions are not sensitive to the different problems and the different risks that we encounter in their activities, their institutions do not help them to face their problems on the contrary they just want their money which doesn't help their situation. Customers say that they sometimes need the support of their institutions, that their problems be understood by their institutions, which is not the case in traditional financial institutions, because capitalism advocates over socialism.

Thus, thanks to some interviews carried out by this studies, we were able to make a calculation on the levels of interest rates imposed by these institutions and it is sad to notice that the interest rates can reach up to more than 50 % and the lowest is 15% for loans of less than one year for some entrepreneurs. This explains why institutions do not clearly tell their clients the interest rate, but rather prefer to tell them the amounts they have to pay per week and for a given time. Note also that this way of acting financial institutions in the DRC prevents a good policy of controls by the BCC on these institutions which favors their interests due to lack of good control in reality these institutions escape the control of the State by this policy funding. To be clearer, let's take a few examples on financing in the Congolese banking system presented by the report of the development bank (Centre pour le Développement Rural (SLE) Humboldt Universitat zu Berlin (HU), Janvier 2015, pp. 89-98) which we will calculate to find the imposed interest rate.

Examples

Ex.1: An entrepreneur evolving in the field of charcuterie for a while wishes to develop his activities, he takes a group credit for the sum of $ 330 to be repaid for 6 months for an amount of $ 45 after 2 weeks. We will try to calculate the interest rate he will pay during this 6 month period since the amount he is supposed to pay is the same for every two weeks.

Ex.2: A woman entrepreneur working in the catering sector, desire developed her activities in her field and takes a loan of $ 2.000 to repay within a period of 6 months from a micro-finance institution. She must pay the sum of $ 384 each month for 6 months to her institution. We will calculate the interest rate charged by this institution, knowing that the interest rate is simple and constant.

Ex.3: An entrepreneur working in the field of clothing sales, wishing to develop his activities calls on a local micro-financing institution which grants him a loan of $ 2.000 repayable for 6 months for a sum of $ 400 per month. We will try to calculate the percentage of interest it is supposed to be paid during this period using the general simple interest rate method.

Resolutions

Table 4.5. *Solution for example 1 (Ex.1)*

Solution for Example 1 (Ex.1)				
Total loan	**Amounts to repay**	**Deadline**	**Periods**	**Amounts**
$330	$ 45 after 2 weeks	6 months	1	$90
	45 * 2 = $ 90 / month		2	$90
	90 * 6 = $ 540 after 6 months		3	$90
Amount Reimbursed = **$ 540**			4	$90
Total loan = $ 330 (A)			5	$90
Surplus = $ 210 (B)			6	$90
Interest = B * 100 / A			**Total**	**$540**
I= 210*100/330=63,64%				

Sources: *Resolution of example 1 (Ex.1)*

Table 4.5 presents a small recapitulation of the financing situation of an entrepreneur working in the food sector, particularly cold meats. We can notice here how much this entrepreneur is facing an exorbitant interest rate imposed by his institution. For financing under $ 500, the entrepreneur finds himself paying more than 60% interest rate for a period of less than one year. So faced with this situation, the entrepreneur working for the institution and not on his own account this situation explains what more than half of the entrepreneurs told about the efforts they are obliged to make to repay their debt also explains why they are found in over-indebtedness in most cases. We understand with sadness that Congolese entrepreneurs, especially those working in MSMB, experience several problems related to the situations in which they find themselves, which means that instead of working to improve their life situations, they find themselves working for institutions. To remedy this situation, we need a good banking system that will allow entrepreneurs to work also to improve their social classes.

Table4.6. *Solution for example 2 (Ex.2)*

Solution for Example 2 (Ex.2)				
Total loan	**Amounts to Repay**	**Deadline**	**Periods**	**Amounts**
$2,000	$384/ month	**6 months**	1	$384
	384*6=**$2.304**		2	$384
Total amount to be reimbursed = **2.304$**			3	$384
Total Loan = **2.000$ (Tl)**			4	$384
Interest in Value = **304$ (Iv)**			5	$384
Percentage interest = **Iv*100/Tl**			6	$384
I=304*100/2.000=15.2%			**Total**	**$2.304**

Sources: *Resolution of example 2 (Ex.2)*

Table 4.6 shows the situation of a trader also working in the food sector in the restaurant business. This entrepreneur is a customer of a microfinance institution where she has taken the $2,000 loan and its interest rate is 15%, which constitutes the lowest interest rate of all the people represented in the sample of this study. The maturity period is the same for all three examples which is 6 minus so half of the year, this woman entrepreneur was among the people who were full on the payment period granted by their institutions, she estimates that it is easier for her to pay the amount requested by her institution for a period that is at least more reasonable than that given by her institution. She estimates that if the period is even one year it will allow her to pay the amount she pays each month to the paid for two months since that amount would be halved. Apart from the problem of interest that the others have alluded to, some of them like this woman give exposes another problem related to the time factor. It is also important to underline this problem of time which seems to be an important factor which undoubtedly stress the entrepreneurs, they believe that they can be well organized if their institutions granted them more time to allow them to work in order to be well reimbursed their loans without resorting to other loans to pay off another loan.

Table 4.7. Solution for example 3 (Ex.3)

Solution for Example 3 (Ex.3)				
Total loan	**Amounts to Repay**	**Deadline**	**Periods**	**Amounts**
2,000$	$400/ month	**6 months**	1	$400
	400*6=**$2,400**		2	$400
Total amount to be reimbursed = **$2,400**			3	$400
Total Loan = **$2,000 (Tp)**			4	$400
Interest in Value = **$400 (IV)**			5	$400
Percentage interest = **IV*100/PI**			6	$400
I=400*100/2,000=20%			**Total**	**$2,400**

Sources: *Resolution of example 3 (Ex.3)*

Table 4.6 presented the situation of an entrepreneur evolving in the sale of clothing, this entrepreneur was able to obtain, as in the previous example, a loan from his institution, the sum of $ 2.000 to develop his activities which are the sale of clothing with a general interest of 20%. Let us see here that this entrepreneur compared to the previous one, the latter pays a higher percentage of interest than the previous one while the amount of credit is the same for the two entrepreneurs while the payment period remains the same for the two entrepreneurs. Let us understand here that although the maturity can remain the same, however the interest rate can be different from one institution to another so that apart from the problem which the entrepreneurs have exposed, we have also noticed this problem in the financing policy of the Congolese banking system which still does not arrange to benefit them who are full of working for their institutions and not to improve their life situations as we said in the previous lines.

We have mentioned in the previous lines that the financial or banking system can play an important role in the creation or development of the middle classes in a country.

However for this system to bring a potential contribution in the creation of these classes, it must work with the aim of improving the income of the population by allowing them to work for the increase of their daily expenses which is not the case in the Congolese financial system. Fewer people say they are at peace working with banks or other lending institutions and many are forced to either work hard or cut their daily expenses in order to be able to repay their loans. This situation is found especially among bank customers followed by micro-credit customers, a woman seller of breads and mother of 6 children declares that her daily profit is equivalent to $ 4 per day, however to pay her institution she is in the business obligation to set aside $ 2 to have the possibility of paying off his loan, the interest of which is more than 60%. This woman puts $ 2 for the bank and she and her 6 children consume $ 2 a day for their expenses, with this situation her children do not have the right to go to school like the others, they are not entitled to seek treatment in the event of illness; the woman even declares that she had lost her child due to lack of means and despite this her institution did not even take this into account and continued to come to collect their money and as that was not enough this poor woman was in the obligation to pay even late payment penalties (Centre pour le Développement Rural (SLE) Humboldt Universitat zu Berlin (HU), Janvier 2015, p. 92).

In view of the foregoing, it is clear to note that only the classic banking or financial system cannot help the creation of the middle classes, not even the development of the said class, it is necessary to put alongside this system a system which puts man in the center and not money in the center. However, the Islamic banking system is an important means as we have shown of helping developing countries to create the middle classes, it is a system which always aims to put people at the center of the interests and not the silver. The objective in the Islamic financial system is to create a world where socialism reigns in place of capitalism, its objective is not primarily money but rather to bring about a balance between the men who must create this money. In the Islamic banking system, money is a means to achieve the goals and not the other way around while in the classical system the goal and to make more money because it is the capitalist system that dominates, the most important is one who has money. In the following point we will try to make a comparison between the Islamic banking system and the Congolese banking system which is the conventional banking system according to the point used throughout our study.

4.3.3. Comparison between the Islamic system and the Congolese system

This point is devoted to making a comparison between the Islamic banking system and the Congolese banking system (conventional). However, we are not going to make a comparison here on the financial aspect of two systems, but rather make a comparison on the foundations and principles of these two systems. We will try to establish a divergence between these two systems and try to establish a point of view on the two systems starting from the fundamental theories of these systems. As we underlined at the start of this study, the Islamic banking system, which is based on the fundamental principles of Islam, requires respect for morals and ethics above the profit targeted by financial intermediaries in the 'together. Indeed, we will therefore try in the following lines to make a small comparison between the two systems in relation to the fundamentals of these systems without going into detail.

Indeed, to allow us to establish the divergence and resemblance between these two systems, we have grouped together 5 forms of point of view on the two systems of which we will try to make a theoretical comparison. Among these forms we made the comparison from the prohibition point of view first, from the principle point of view second, followed from the contract point of view third, then from the risk point of view fourth and finally from the risk management point of view.

4.3.3.1. Comparison on the prohibitions point

The Islamic financial and banking system is a system based on prohibitions, because it is a system that seeks balance between economic agents and to respond in accordance with the moral ethics which it advocates; it is important that certain practices are strongly prohibited for the well-being of man. However, certain practices used in conventional financing are prohibited by the Islamic law on which this system is based. Among the prohibitions we have the application of usury (Riba) which is the interest rate predetermined in advance, the use of hoarding, uncertainties and speculations in banking activities and undertaking illicit activities not respecting the development of the real economy are strictly prohibited in the Islamic financial system while these practices are authorized in the Congolese financial system (conventional). The economic activities which the Islamic financial or banking system prohibits are those activities which provide more profits than those authorized by this system, it is then that the conventional financial or banking system which aims more profits authorizes these activities and finances them without problem.

4.3.3.2. Comparison on the point of principles

Regarding the principles, the Islamic financial system which is based on the principles imposed on it by Muslim law uses certain principles which are not necessarily the same with its conventional counterpart. These different principles found in the Islamic banking system are its greatest strengths against the conventional system which obviously allows it to take into account its prohibitions. With regard to these principles we find the principles of profit and loss sharing that are not found in the conventional system, the principle of Zakat which can be compared to donations in the conventional system with the only difference that Zakat in Islam is compulsory. Whereas donations are not and all Muslims are obliged to pay part of their resources in the form of zakat each year, which is not the case with donations that can be received by conventional banks. We also have Asset-Backing, which is the backing of transactions to tangible assets that are not necessarily used in the conventional system which makes the Islamic banking system more special than its conventional counterpart.

4.3.3.3. Comparison on contracts

Regarding contracts, in the Islamic financial system there are two forms of contracts while in the conventional financial system there is only one form of contract. This point marks a big difference between the conventional system and the Islamic system, however in the Islamic financial system we have the participative contracts and the non-participatory contracts while in the conventional financial system the participatory contract does not exist. In the Islamic financial system, participatory contracts allow the bank or financial institutions to participate not only in the profits, but also in the risks that the entrepreneur runs in carrying out the project, which makes financial institutions more socialist than capitalist like his counterpart conventional. The participatory contracts that exist in the Islamic financial system allow the contribution bank also its contribution, its knowledge to allow the success of the project without leaving only the burden to the entrepreneur, the bank is on the one hand responsible for the success or failure of the project as the entrepreneur which explains his attention to the project of his customer. So with these kinds of contracts the financial institutions are not considered as the lenders, friends more like the partners of their clients thus the debtor creditor relationship changes to an associated relationship ie partners.

4.3.3.4. Comparison on the risk point

Regarding the risks, the Islamic financial system is faced with the same risks as the conventional system, so even the Islamic financial system are much more exposed to risk than the conventional system. Islamic financial institutions are also exposed to risks such as credit, liquidity, market, operational and other risks like their conventional counterparts. Regarding the risks, whether for Islamic financial institutions or for conventional financial institutions the risks are the same only when faced with these risks each of them have their own management of these risks according to their performance and skills in risk management.

4.3.3.5. Comparison on risk management point

Regarding risk management, Islamic financial institutions being too exposed to risks use several methods which may be the same as in conventional financial institutions whose practice is often different, to manage the risks they face. However, several methods are used by Islamic financial institutions such as reserve and provision techniques to manage credit risks and liquidity risks, collateral technique, contractual clauses technique, internal rating and reinforcement technique public trust. All these different techniques are used by Islamic financial institutions in order to deal with the risks they encounter in financing the credit of their clients to better serve them. Thus financial institutions also focus more on risk, as they are exposed to risks than their conventional counterparts. It is also important to point out that the participatory side offered by Islamic financial institutions allows it to build trust between them and its clients, which also allows it to cope well with the different risks they encounter.

It is in this point that ends the last chapter of our study which was devoted to making a study on the possibility that the Islamic banking system to create a middle class in developing countries like the case of the Democratic Republic of the Congo. This chapter has presented the different possibilities that this system can bring not only for the development of a country, but also for the creation or the development of the middle classes in Africa in general and DRC in particular where these institutions do not yet exist. So to make the link between the Islamic banking system and the middle classes, we first thought about talking about the middle classes since we cannot talk about a concept without having a theoretical basis on this concept.

Indeed, this chapter was divided into three sections, the first section of which dealt with the middle classes, the second section presented the link between the Islamic financial system and the middle classes and the third and final section made a comparative analysis between the middle classes two systems namely the Islamic banking system and the Congolese banking system (conventional). So in the section that talked about the middle classes, we presented the origins, definitions and talked about middle classes in the world. In this section, we were able to know the origin of this notion by also giving a definition on this notion where we based ourselves more on the returned approach because it is this approach that interested us more for our study. We have shown the thresholds to be considered as a reference threshold to belong to this class, it is true that the conception of the middle classes in the West is not the same as in Africa with regard to this threshold because those which are found in the poor class is found in the middle class in Africa due to the purchasing power of every corner of the world.

Thus the second section presented the link between the Islamic financial system and the middle classes. These links emphasized the place occupied by the middle classes in the Islamic financial system and the potential relationship that this system has for developing the middle classes in developing economies such as the case of the DRC. We have shown in this study that the Islamic financial system gives a great place to the middle classes because it makes it possible to create the middle classes in developing countries for those who do not have this class and to develop this class in the country whose class exists but which is not developed as elsewhere. Thus, we have spoken in this section that the Islamic financial system allows the development of this class by its contribution in the investment of small and medium enterprises and especially for micro and small enterprises that cannot afford the luxury of be financed by the conventional system. Thus, the financial system's contribution to the development of this class is mainly through its support as a partner and not as a funder in the projects of these groups of entrepreneurs.

Thus to conclude our chapter, we made a comparative analysis between the policy of granting credit in the Islamic financial system and in the Congolese financial system. In this section, we have treated these funding policies differently by giving examples on the two systems and finally we have made a small comparison between the two systems on a theoretical level to highlight the points of similarity and the points of divergence between the two systems. As if to confirm our analysis, we found that the Islamic financial system is an important means for the creation and the development of the middle classes in the DRC from the point of view of income of the population or of households. We have shown with the examples the advantages that entrepreneurs can have when they are financed by Islamic financial institutions than when they are financed by Congolese financial institutions in terms of support and others. It is shown in this present work that the Islamic financial system is an essential means for the creation and development of the middle classes in developing countries and especially for the DRC where the financial system is flooded by the interests of money and not the need to develop a middle class capable of supporting itself by working for oneself and not for financial institutions as is the case for the moment.

CONCLUSION

The Islamic financial system has been the subject of several studies as we have underlined throughout our study, the purpose of this study was to make an analysis a little more particularly which had not yet been the subject of several studies what was to leave the alternative character which was the subject of these studies. However we went a little further in this study, which presented the Islamic financial and banking system not only as an alternative to the conventional system, but rather which showed that this system is a good means for the creation of the middle class in emerging economies in developing countries such as the Democratic Republic of Congo (DRC). Thus this study went beyond normal, by supporting the development side of the Islamic financial and banking system in the developing country in general and the DRC in particular.

To achieve this analysis on the contribution of the Islamic financial system for the creation and development of Islamic finance, we have subdivided our study into 4 chapters apart from the introduction and the conclusion. The first chapter constituted presented the short history of Islamic finance, the second chapter presented the different foundations of Islamic finance, the third chapter presented the Congolese financial system to finish in the last and fourth chapter which presented the position alternative that the Islamic financial and banking system has to the creation and development of the middle class in the Democratic Republic of Congo (DRC).

The first chapter presented us with a brief history of Islamic finance, it included four main points which gave a general aspect of the Islamic financial system. Among these four points, the first point presented the main concepts of Islamic finance, the second point presented the different sources of Islamic finance followed by its history to finally finish with the development of the Islamic financial system in the world. This chapter allowed us to have a general idea about Islamic finance, its origins, and the different definitions of the concept, its birth and its development in the world. The first chapter presented the different ways the financial system around the world has adopted from country to country.

We noticed in the first chapter that despite the success that this system has had around the world, its adoption is not the same in all countries. Thus each country has adopted this system differently from the other, some countries have completely changed their financial system to adopt this system by the Islamization of the financial or economic system of their countries, some others have proceeded to the cohabitation of these two systems and others even have just opened a few Islamic ATMs in conventional or conventional banks or financial institutions. However, the Islamic financial system, given its expansion in the world and its contribution to the socio-economic development of countries, is no longer a question of religion, but rather of human well-being. The first chapter gave us a knowledge of Islamic finance and its evolution in the world.

Thus, the second chapter is divided into three main points, the first of which presented the various prohibitions of the Islamic financial system, the second point presented the different principles of Islamic finance to end with the last and third point which presented us the different contracts used in the Islamic financial and banking system, the different risks these contracts run as well as the management of these risks in the Islamic financial system. Regarding the prohibitions, we have divided them into 4 kinds, among others Riba, Gharar and Maysir, illicit activities known as Haram and hoarding. In the second point we presented the different principles of Islamic finance where we presented three forms of principles namely: the principles of profit and loss sharing, the principle of Zakat and the principle of backing transactions to assets tangible (Asset-Backing). The third and last point brought together three other points of which we began by presenting the different contracts used in the Islamic financial system which are participatory contracts, financing contracts and non-banking contracts. Then we presented the various risks incurred in the Islamic financial system and finally with the management of these risks in Islamic finance.

The second chapter gave us a good knowledge of the foundations of Islamic finance. It was important for us before presenting the alternative side or the contribution of this system in the development of a country to know what this system is based on to better approach it. However after going through them on its foundations we concluded that this system is a good means not only for the integral development of a society, but also a good means for the creation of the middle class in developing countries and also for the development of this class in countries where it already exists. We underlined at the conclusion of this chapter that although all the contracts were important, but the best counter to us remain the participative contracts, because the aim of this work was also to show the socialist side of the Islamic financial system. The main role in participatory contracts being to involve the Islamic financial institutions collaborated with the entrepreneur gave him this socialist aspect that capitalist because these contracts allow these institutions not only to be limited to their roles as donors. , but rather to become a real partner for its economic agents. Through participatory contracts that do not exist in the conventional financial system, Islamic financial institutions appear as partners in the project of their clients, of which we gave some examples in the last chapter of this work.

The third chapter presented the Congolese financial system, it allowed us to have a good knowledge of the Congolese financial system. And to do this, in this chapter we have dealt with 4 major different points that have allowed us to know the Congolese financial system in general and the banking system in particular. However, the first major point to address the problems on the context of the Congolese financial system which we have talked about the origins and development of this system to get a general idea on what the financial system is based and takes its origins. The second point has to present the guiding roles or the main roles of the central bank in the Congolese banking system. Thus in this point we have presented the two major roles of the central bank of the Congo (BCC) which are, among other things, credit policy and regulation and the setting of interest rates for commercial banks. This point enabled us to learn about the procedures that the central bank of the Congo (BCC) uses to control the Congolese banking system in order to avoid all kinds of abuse of the country's financial law. The third point was to show the role of the financial system in the economy of the Democratic Republic of Congo DRC. This point gave the important role of the financial system in the economy, we started first by presenting the roles of banking and non-banking financial institutions in the economy of the country. However, it is proven in this point that the financial system has a very important role to play in the economy of the Congo when this system is well managed for the development of the DRC. The fourth and last point to present an overview of the Congolese banking system. We started by making a brief history of the banking sector in the Democratic Republic of Congo to finish by taking stock of the different components of this system.

Thus, we found it important in our study to speak not only of the Islamic financial and banking system, but also to take stock of the Congolese financial and banking system since we can never provide solutions until the problems are known. Throughout the second chapter, the big problem in the Congolese financial and banking system has been clearly shown. This problem goes so far as to present the exaggeration on the application of interest rates hardly accepted by the population. So this interest rate problem is presented much more in the last chapter when we talked about the credit policy in this system.

At the end, we divided the last chapter into three sections, the first section of which dealt with the notion of the middle classes, the second section presented the link between the Islamic financial system and the middle classes and the third and final section made a comparative analysis between the two systems, namely the Islamic banking system and the Congolese banking system (conventional). So in the first section, we presented the origins, definitions and talked about the middle classes in the world. In the second section we presented the link between the Islamic financial system and the middle classes. These links highlighted the place occupied by the middle classes in the Islamic financial system and the potential relationship that this system has for developing the middle classes in the economies of developing countries such as the case of the DRC. We have shown in this study that the Islamic financial system gives a great place to the middle classes because it allows the creation of these classes in the developing countries for those who do not have these classes and of developed these classes in the country of which- they exist but which are not developed as elsewhere. Thus, it is shown in this section that the Islamic financial system allows the development of this class by its contribution in the investment of small and medium-sized enterprises and especially for micro and smallest enterprises which cannot afford the luxury to be financed by the conventional system. To end this chapter, we made a comparative analysis between the policy of granting credit in the Islamic financial system and in the Congolese financial system. In this section, we have treated the financing policies differently by giving examples on the two systems and finally with a small comparison between the two systems on a theoretical level to highlight the points of similarity and the points of divergence between the two systems.

However, our analysis confirms that the Islamic financial system is an important means for the creation and development of the middle classes in the DRC from the point of view of income of the population or households. We have shown in this study, with concrete examples, the advantages that entrepreneurs can have when they are financed by Islamic financial institutions than when they are financed by Congolese financial institutions on the support plan and on other plans. It is shown in this analysis that the Islamic financial system is an essential means for the creation and development of the middle classes in developing countries and especially for the DRC where the financial system is inundated by the application of interest on money and not the need to develop a class of the population capable of taking charge by working for oneself and not for institutions. To conclude our study, we will do a little practical comparative analysis on the financing policy in the two systems. We will try to compare entrepreneurs by taking the example of entrepreneurs working with Islamic financial institutions versus those working with Congolese financial institutions to see how the Islamic financial system can be the basis for the creation and development of the middle class in the DRC.

Examples of funding in both systems

Ex.1: Two entrepreneurs wishing to start their activities in the sale of cold meats, one turns to an Islamic financial institution and the other turns to a Congolese (conventional) financial institution for the financing of their activities. The two entrepreneurs need \$ 500 each to start their activities, both get their credits as desired; whoever applies to the Congolese financial institution takes his loan which he must repay \$ 97 each month for a period of 6 months and that of the Islamic financial institution signs a Mudharaba contract for 6 months also whose rate is 20% on the project profit and at the end of the deadline both estimate a profit of \$ 180 after all expenses. Note here that the two entrepreneurs have a purchasing power per day of \$ 1.25 which they would like to increase if their projects are successful.

Ex.2: Two entrepreneurs wishing to develop their activities in the restaurant business, one approached an Islamic financial institution and the other approached a Congolese (conventional) financial institution for the financing of their activities. The two entrepreneurs need \$ 1,500 each for their activity, both obtain their credits as desired; whoever applies to the Congolese financial institution takes his loan which he must repay

$ 280 per month for a period of 6 months and that of the Islamic financial institution signs a Mudharaba contract for a period of 6 months also of which the rate is 30% on the result and at the end of the term both estimates their profits at $ 340 after all expenses. Note here that the two entrepreneurs have a purchasing power per day of $ 5 which they would like to increase if their project is successful.

Ex.3: Two other entrepreneurs wishing to develop their activities in agribusiness, one approached an Islamic financial institution and the other approached a Congolese (conventional) financial institution for the financing of their activities. The two entrepreneurs need $ 3,000 each for their activity, both obtain their credits as desired; whoever applies to the Congolese financial institution takes his loan which he must repay $ 540 per month and for a period of 6 months and that of the Islamic financial institution signs a Musharaka contract for 6 months also whose rate is of 30% on profit and at the end of the term both estimated their profits to be $ 520 after all expenses. Note here that the two entrepreneurs have a daily purchasing power of $ 8 which they would like to increase if their project is successful.

We will try to solve these three exercises by making the comparison between the two financial systems to see which is the best system capable of meeting the needs of its customers and of bringing out the lower class to the middle class, and the middle class lower to the upper middle class. We will compare these entrepreneurs to see if after paying off their loans, they will be able to increase their daily expenses. Let us point out here that we will only take into account the profits and not the risks that are to say in the event that these entrepreneurs realized the profits and not the losses.

Table 8. *Resolution of example 1 (Ex.1)*

Resolution of example 1 (Ex. 1)				
Islamic Financial Institution			**Congolese Financial Institution**	
Loan	$500		Loan	$500
Profit	$180		Profit	$180
Interest	20% on profit		Refund	$ 97 / month
Institution	180*20/100=$**36**		Total remboursement	97*6=**582$**
	500+36=$536		Profit for Institution	582-500=$82
Entrepreneur	180-36=$144	***Vs***	Entrepreneur	180-82=$98
Purchasing power (PP)	**$ 1.25 / day**		Purchasing power (PP)	$ 1.25 / day
PP variation	144/6/30=$**0,8**		PP variation	98/30/6=$**0,54**
PP	1.25 + 0.8 = $ 2.05 / day		PP	1.25 + 0.8 = $ 2.05 / day

Sources: *Example 1 (Ex.1)*

The previous table presents the situation of two entrepreneurs from Example 1, one of whom worked with an Islamic financial institution and the other with a Congolese financial institution. The two entrepreneurs with their credits were able to increase their daily expenses, however differently from the other. Indeed, although the difference is not too strong, but it is true that the client of the Islamic financial institution arrives with his profit to leave the lower class to reach the floating class, that is to say the lower middle class compared to its counterpart who works with a Congolese financial institution which despite its profit still remains in the lower class. It is true that the difference is not great when it comes to profit, but this difference can feel very heavy when it comes to loss.

Table 9. *Resolution of example 2 (Ex.2)*

Resolution of example 2 (Ex.2)				
Islamic Financial Institution			**Congolese Financial Institution**	
Loan	$1,500		Loan	$1,500
Profit	$340		Profit	$340
Interest	30% on profit		Refund	$280/month
Institution	340*30/100=$102		Institution	**280*6=$1,680**
	1500+102=$1,602		Profit for Institution	1680-1500=$180
Entrepreneur	340-102=$238		Entrepreneur	340-180=$160
P.P	**£5/day**	Vs	P.P	**$5/day**
PP variation	238/30/6=$**1.32/day**		PP variation	160/30/6=$**0.89/day**
P.P	5+1,32=$**6.25/day**		P.P	5+0,89=$**5.89/day**

Sources: *Example 2 (Ex.2)*

The previous table also compared two entrepreneurs, one of whom works with an Islamic financial institution and the other works with a Congolese financial institution. Both entrepreneurs have both increased their daily expenses, except that one who works with the Islamic financial institution has increased more than one who works with a Congolese financial institution. It is noticed in this example that one who works with an Islamic financial institution has more advantage than one who works with a conventional financial institution; because one has the advantage over the other of developing his social class compared to the other

Table 10. *Resolution of example 3 (Ex.3)*

Resolution of example 3 (Ex.3)				
Islamic Financial Institution			**Congolese Financial Institution**	
Loan	$3,000		Loan	$3,000
Profit	$520		Profit	$520
Interest	30% on profit		Refund	$540/month
Institution	520*30/100=$156		Institution	540*6=$3,240
	3,000+156=$**3,156**		Institution	3,240+3,000=$**240**
Entrepreneur	520-156=$**364**		Entrepreneur	520-240=$**280**
PP	**$8/day**	***Vs***	PP	**$8/day**
PP variation	364/30/6=$**2.02/day**		PP variation	280/30/6=$**1.56/day**
PP	8+2.02=$**10.02/day**		PP	8+1,56=$**9.56/day**

Sources: *Example 3 (Ex.3)*

The previous table presented the situation of two entrepreneurs as in the other cases. The two entrepreneurs in this example find themselves in the middle class, however after the realization of their project the one who works with the Islamic financial institution not only increases his expenses but also leaves the middle class for the upper middle class while the other still remains in the middle class. It is true that the difference is not enormous, but this difference allows at least one to increase his daily purchasing power to leave from one class to another and to be able to keep it during the at least 6 months after the end of the project.

Indeed, the previous examples have presented these entrepreneurs in case of profit, however in case of loss or risk or even of neither loss nor profit, the client of the Congolese financial institution would be in the obligation to repay with the interest to the bank while the other will not be obliged to repay the interest and it is possible for him to share the risks with his institution. It is easily noticed that when it came to profit in these examples the difference was not remarkable enough, however during a loss entrepreneurs working with Congolese or conventional financial institutions will risk losing their guarantees and to avoid this loss situation, they will be obliged to repay their credits by other credit. With our little experience in the area of credit recovery and also following the ADB report, it is proven that more than 70% of entrepreneurs working with the Congolese banking system find themselves facing serious difficulty in repaying their debts following lack of support from their financial institutions. This situation of lack of support is one among many other motivations that have prompted us to reflect on this subject in order to bring about change in the finance and banking sector of our country.

In short, we can conclude that the Islamic banking system is an effective means for the creation of the middle classes and its development in developing countries in general and more particularly in the Democratic Republic of Congo (DRC). The examples used in this conclusion allowed us to conclude our study by positively affirming our hypothesis, the Islamic banking system is an essential means for the creation and development of the middle classes in the DRC. It is important for the DRC to think of the application of this system as for the case of the application of a conventional system whose application already exists in its financial system to facilitate the creation see the development of this class so hoped for not only by the authorities but also by the population. So this study is not just a scientific need, but rather a desire to support the much desired development of an entire nation. This study could be the source of the creation of a financial institution that will be able to meet the needs of the population by putting its contracts into practice. After the application of this system, the Islamic financial system will no longer be caught in the context of a myth, but would be experienced as an alternative means that can lead to the development of the population if it is implemented in the country. It is very important to point out here that, the Islamic financial and banking system is no longer a question of religion so that it remains unique to Muslims; it is rather a question of morals and ethics associated with the profits that emerging economies should think about for the improvement of their financial systems in order to help their populations to get out of poverty.

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