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EDITORIAL

After seven years of regular bi-annual publishing, our *Journal of Economic and Social Development* changes the focus to a resilient society's specific field. Though economic and social development is still the most critical issue in all countries, we decide to follow near dramatic changes that influence social and economic spheres. As you perhaps know, the Journal is not open to delegates of the esd-Conferences only. Still, we accept the papers from all academicians, with no restrictions at all. Authors of selected papers come from different economic and social environments and have different backgrounds as well as various academic education. That diversity is an excellent foundation for exciting articles. We hope that readers will recognize the values promoted by the Journal and support its development. Our contributors can continuously share the recent research results with us and suggest their papers for our next issues. Together we can help the *Resilient Society, Journal of Economic and Social Development*, grow in quality and academic standards.

Marijan Cingula, Editor in Chief

RECYCLING AS A CHALLENGE FOR THE FLEXIBLE PACKAGING INDUSTRY

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ABSTRACT

Flexible packaging has been playing a crucial role in all industries, food industry in particular, and it has taken on even more significance in the times of the pandemic. The European Commission is trying to additionally support and endorse this industry's benefits. In the following years, the focus is directed towards the recyclability of the flexible packaging, therein fostering a more circular economy. Flexible packaging market participants have been working intensively on advancing the manufacturing processes. Some European countries have already developed sustainable methods for flexible packaging recycling, and new technologies should enable others to join in on this endeavour. It is the recyclability of the flexible packaging that ensures the path towards a sustainable product. The challenge is the lack of or vague regulations, which makes progress and eco-friendly policies difficult. This industry faces further investments in research and development and in new materials and machinery to meet the requirements of sustainable production.

Keywords: *flexible packaging, Packaging Directive, recyclability, waste*

1. INTRODUCTION

Flexible packaging brings many benefits to different industries, especially food and chemical industry [1]. Due to the COVID-19 pandemic, habits of the consumers have changed, causing the flexible packaging market to expand rapidly. Flexible packaging products can be used instead of glass, cans or hard plastics and they can be easily flattened and stored once the product is consumed or used [2]. In general, consumers favour flexible packaging products to rigid packaging [3]. The European flexible packaging industry is keen on becoming eco-friendly and using the resources more efficiently. This goal is big and worth the effort because in that way, the waste will be reduced, and the resources reused with the minimum environmental impact. This can be achieved by designing new flexible packaging solutions for many products to be safely delivered to the consumers. Smart resource management then will be to use as fewer materials as possible to reduce waste [4]. This process of becoming circular has been fully running for some time now on the European flexible packaging market. All the players in the industry are engaged and hurry to achieve the goals of this valuable plan [5]. The future of economy lies in recycling and using the resources in a healthy and green way. This also means using less materials, as is the case with the flexible packaging [6]. Members of the EU should take measures to stimulate recycling and help reduce the amount of packaging that cannot be recycled [7]. In order to increase the resource efficiency, but to stay eco-friendly at the same time, the flexible packaging industry focuses on optimising recyclability. It is constantly evolving for a more sustainable future, as can be seen in the example of Flexible Packaging Europe which was among those who initiated CEFLEX*, the industry project to enhance the performance of flexible packaging in the circular economy [4]. Since recyclability is in the main focus of the flexible packaging industry, its challenges will also be placed in the focus of this paper. The paper is structured in four sections. After the introduction, the second section gives the overview of the literature and analyses the Packaging Directive. The third section focuses on circularity and design of flexible packaging for an eco-friendlier future. The conclusion is presented in section four.

2. LITERATURE REVIEW AND PACKAGING DIRECTIVE

Flexible packaging products are usually constructed from the materials such as paper, plastic film, foil and come in the form of a bag, film, lidding, liner, overwrap, pouch, rollstock, sleeve, or wrap [8]. Many consumer goods, especially food and healthcare products, need to be protected and delivered safely to the consumers. Furthermore, packaging should also be the product of a green and resource-friendly management.

2.1. Brief literature review of recyclability and circularity of flexible packaging

Many EU Member States already use effective methods for recycling packaging waste, but a clearer framework for all the Members is needed in order for the industry to become circular and sustainable in the future [5]. It is crucial for them to come together and sort out their priorities. This can be achieved through education and collaboration [6]. As has already been mentioned, the focus must be placed on using fewer materials and producing flexible packaging that will produce less waste [9]. In the last years, many owners of different brands have transferred to flexible packaging. The reason for that they see in the operational advantage and satisfying the need of the consumers [10]. Although recycling of flexible packaging has been introduced in many European countries, efforts are continuously made to develop new technologies [4]. With the aim of preserving the physical and social environment and to reduce waste, companies have been trying to innovate, to create new materials and achieve a new level of recyclability. Flexible packaging can be better recycled and can be the path towards sustainable development [1]. Flexible multilayer packaging is the topic of the work by Pauer et al. (2020) Although multilayer plastic packagings have great protective properties, there are issues with their recyclability. The authors have confirmed that there is a strong positive correlation between packaging weight and potential environmental impacts. The issue with the multilayer packaging is that the films are difficult to peel off and therefore difficult to recycle properly. [11]. This is supported by the work of Mumladze et al. (2018) who suggested that Multilayer Flexible Packaging Waste (MFPW) represents the largest fraction of packaging waste and is mainly composed of multiple plastic films laminated with Al foil. [12]. A solution is proposed by Coltelli et al.. They suggest usage of polymers from biomass to reduce waste production. Since layers in the multilayer flexible packaging are made of different type of polymer, each layer needs different recycling treatment [13]. Additionally, multilayer materials cannot be recycled in the same waste flow because they can contaminate other materials [14]. Because of this, flexible packaging is now being challenged as the best solution for sustainability. The recyclability of the flexible packaging is also brought to question because it must be collected within a recognized waste stream, and not mixed with other waste [15]. Circular economy is a system built on the premise of reducing, reusing and recycling because waste is considered to be a valuable resource. Used and/or broken products can be fixed and reused. Some can be directly reused, and the rest can be recycled [17]. The goal of circular economy is to redefine the growth by placing the focus on the positive social influences [18]. Sustainability is the key objective of all companies and flexible packaging seems like a logical solution, especially to maximize shipments [2]. Good circular design should be encouraged and rewarded. The aim is to follow EU Green Deal climate neutrality and 2030 recyclability goals and produce flexible packaging as recyclable, lightweight, resource-efficient format [5]. It is not easy to switch from traditional to circular systems. There are steps and methods that need to be followed and the change is to happen gradually [18].

There are three principles connected with circular economy [16]:

1) Designing the waste

Biological components can be easily composted. Technical components (polymers, alloys and other artificial materials) are designed to be reused with the minimal energy

consumption and with retaining the quality (the process of converting the by-products, waste materials into new materials or products of better quality and higher value).

2) Keeping the products and materials in use

Products have to be designed as to be restored and reused.

3) Natural systems recovery

By giving valuable nutritional substances back to the soil and other eco-systems, we can replenish our natural resources.

Circular economy is important because it enables waste reduction and better resource-efficiency. It presents waste as a valuable resource, improves recycling of valuable materials and, finally, minimizes environmental footprint of the production and consumption [17]. The European Commission adopted the new circular economy action plan (CEAP) 2020. It is Europe's new plan for sustainable growth. It proposes that all packaging on the EU market should be reusable or recyclable in an economically viable way by 2030 [19]. In line with that, CEFLEX initiative pools over 160 European companies, associations and organisations representing the entire value chain of flexible packaging. Their goal is to tackle the barriers to circular economy and make all flexible packaging in Europe circular by 2025 [20]. They wish to develop advanced infrastructure for collection and sorting flexible packaging waste and see flexible packaging waste as a valuable resource for further production and development of new and sustainable solutions [21].

2.2. Packaging Directive

EU rules on packaging and packaging waste aim at dealing with packaging waste which is growing by the minute and causing environmental issues. These rules and regulations target all levels, including packaging design and packaging waste management. One of the goals is to bring the Member States together under the same roof and create a uniform framework for waste management [22]. Waste prevention is the most efficient way of improving resource utilization and reducing the impact on the environment. Therefore, it is important that Member States take necessary measures to stimulate the increase of the share of reusable packaging that is placed on the market. They should also try to motivate companies in the flexible packaging industry to reuse the packagings themselves. Since the reuse of packagings suggests avoiding placing new packaging solutions on the market and increasing the amount of the waste, when putting the product on the market for the first time, companies should consider reusable packaging [7].

The Packaging Directive aims to [22]:

- harmonise national measures on packaging and the management of packaging waste
- provide a high level of environmental protection
- ensure the good functioning of the internal market.

The regulations concerning waste management can be vague or there can happen that necessary regulations are non-existent. Some are unspecific and can be interpreted differently by different parties. Consumers i.e., producers of e.g., food products want to create the same packaging for all the markets. However, the regulations that specify acceptable combinations of the materials that are considered recyclable i.e., that can be properly collected and recycled is not uniform for all the markets (countries). Therefore, one and the same product needs to be separated into several sub-products to adjust to different requirements on the different markets. This poses a problem because each new product has to be separately prepared in the process of the packaging production, which in turn, creates considerably more rejects proportional to the number of the sub-products.

This is contrary to the concept of sustainability and eco-friendliness because the process produces “unnecessary” additional waste for the same product because it is made with different materials.

3. DESIGNING FLEXIBLE PACKAGING AS A BETTER ENVIRONMENTAL SOLUTION

Since the early 1950s, the flexible packaging industry has been developing and making huge steps towards new age of packaging and waste management. It has been introducing new trends, aiming at innovative packaging design and sustainability [8]. Flexible packaging is special and unique because it does not put add weight to the product. Flexible packaging represents the thinnest form of product protection, reduces the storage space and transport costs. There are two types of flexible packaging considering the layers: mono-layer (consisting of one material) and multi-layer packaging (two or more materials). Polyethylene foil is used in food industry mainly to tie many items together, such as beverages. It is also used for packaging magazines and papers [1]. Of course, mono-layered packaging is more easily recyclable because there is only one material and no need for separation. On the other hand, the process of recycling multi-layered flexible PE packaging is more complex because each layer of the packaging needs to be separated and recycled in different way [23]. Despite that, multi-layer flexible packaging is a better choice than traditional packaging solution because it is lightweight and less costly to ship, while keeping the food fresh and safe. One more advantage of multi-layer packaging is that its structural and graphic design is easily customizable [24]. There are many more benefits to flexible packaging compared to rigid packaging solutions. It has a less negative impact on the environment and fewer materials are required for its production. Moreover, flexible packaging saves space in storage, transportation, and landfills [23].

Flexible packaging has the following sustainability benefits [2]:

- Material/resource efficiency
- Lightweight/source reduction
- Transportation benefits due to inbound format and lightweight nature
- Shelf-life extension
- Reduced materials to landfill
- High product-to-package ratio
- Beneficial lifecycle metrics (carbon impact, fossil fuel used, water consumption).

Flexible packaging is considered easily recyclable and sustainable [6]. CEFLEX helps defining recyclability and proposing guidelines for recycling and agreed design. A great number of experts gathered in this organization can help legislators outline uniform regulations. Many companies have already invested in the adaptation of their flexible packaging portfolio to the 'Designing for a Circular Economy' guidelines (D4ACE) for plastic-based household consumer flexible packaging. The aim is to foster and stimulate the implementation of the guidelines to be sustainable and make flexible packaging circular [5]. As listed earlier, most usual materials used in flexible packaging production are paper, foil, and film and the challenge lies in the multi-layered packaging and its “complicated” recyclability [6].

There are some points of criticism concerning flexible packaging recyclability [6]:

- 1) The layers are separated with difficulty.** This criticism falls on the bonding agents that fix the layers together and they are supposed to be strong. The layers should stick firmly together to avoid spillage, spoilage and other issues. This should be taken into consideration when dealing with recyclability and searching for solutions for recycling multi-layered flexible packaging.

- 2) **Using the film that is outsourced from non-renewable petroleum in flexible packaging.** The film allows heat-sealing and is used as a moisture barrier and a tie layer. Bioplastics that can be used instead are not necessarily the better solution because petro-plastics simply perform a better job. Also, the use of bioplastics does not reduce the number of layers in the packaging.
- 3) **Flexible packaging does not divert waste from landfills.** Although it is a little bit more difficult to recycle, it does not mean it is not sustainable. All efforts are aimed towards finding the perfect solution, but optimal choices for waste management need to be considered while circular economy is being introduced.
- 4) **The sustainability of flexible packaging needs to be supported.** The benefits of flexible packaging for sustainable development and waste management need yet to be proven. There are trade-offs being made for an optimal end-result.

It is important to note that the expiry date for new (recyclable) materials is definitely shorter than for those standard, traditional combinations of materials because of the weaker barrier. The shorter the shelf-life of a product is (e.g. cold meats and many other fresh products), the higher the costs of many different processes connected to production and packaging. Higher costs arise because planning is made difficult and there are losses due to much reject material. Logistical costs are increased in the transportation as well (something that is usually transported once, now, will have to be transported two times, and the consequence is additional cost and more CO² emission). The pursuit of a more sustainable packaging will prompt a new wave of investments in the machines because current machinery for manufacturing bags and other products are still not adjusted to new materials that act differently when processed in the machine. The production with this new (recyclable) materials in the existing machines causes significant increase of reject material which undoes the good effect of recyclable materials. For example, during the production of packaging comprising two polyethylene (the same type of material), there are issues arising in the production machine. Due to the combination of the materials, there is stretching occurring under the influence of higher temperatures. When the machine is restarted, there is more reject, and this happens until adequate quality of the packaging is achieved. The machinery that is developed for such new materials and combinations have better cooling options and other technical and technological specifications. Investment in new packaging machinery is inevitable if the companies in the flexible packaging industry want to maximize the possibilities offered by new recyclable solutions. It is necessary to stimulate and financially support investments in research and development of the recyclable flexible packaging in order to, as soon as possible, achieve better characteristics of the packaging regarding the shelf-life, so that such products can be commercially produced and be available for all the manufacturers of flexible packaging. This is the only model that will enable the same conditions and availability for the entire flexible packaging industry and create desirable environmental effect.

4. CONCLUSION

The common goal for all the participants in the flexible packaging industry should be making uniform regulations on a global scale to have the most positive effect on the environment and to balance and reduce the costs for everybody in the production chain. Furthermore, the goals should include the prevention of frequent changes of the regulations that lead to changing the labels on the products (especially in food industry). This has negative influence on the costs and the environment because food manufacturers order less packaging from “fear” of the regulations being changed again and they would not be able to use the packaging supplies. If this happens, the packaging in stock is no longer usable and has to be destroyed.

It should be pointed out that the biggest positive effect on the environment and production costs is when larger amounts of packaging and finished products are produced at once. It is therefore crucial that the regulations do not change that often so that everybody is able to plan and reduce costs. Also, the changes in regulations should be announced early enough for everyone to have time to prepare and adjust. Once, there were only several types or flavours of a specific product (juices, snacks, chocolate, coffee...). But today, the number of the sub-products is significantly higher, which additionally increases the costs and environmental impact, and new sub-products are being introduced continuously. It would be ideal, but hardly to be expected, if the manufacturers would change this and stop introducing new sub-products. It is crucial to stimulate and financially support any investments in research and development of the recyclable flexible packaging products. This would enable better characteristics for such packaging regarding the shelf-life and such materials could be commercially produced and available. This model would offer equal opportunities and availability for the entire flexible packaging industry and create the desired effect on the environment.

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RETHINKING POVERTY ANALYSIS, TOWARDS A MULTIDIMENSIONAL APPROACH TO DEPRIVATION

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ABSTRACT

Inventors of quantitative estimation of national income, which received much attention, attempted to explain that their ultimate and main interest was the wealth of human existence, although what impressed were their indices, rather than their motivations. Yet, such deep and underlying motivation has often been ignored in economic analysis where means of existence are the center and fruit of research. It is, however, important not to confuse the means and ends. Therefore, one should not focus on the intrinsic importance of income, but rather assess it depending on what it builds, particularly lives that are worthy of living. Having a decent income helps to avoid early death. Such an enterprise depends also on other characteristics, namely the organization of society, including public health, medical care, the nature of education and educational system, the scope of social cohesion and harmony, etc. Considering only means of existence or directly observing the type of life people lead constitutes a real difference.¹ These observations and findings reveal a contrast between the approaches based on utility and resources and the approach based on capabilities, of which the initiator is Amartya Sen (Nobel Prize of economics in 1998). The capabilities approach, therefore, attempts to put things right by focusing on the possibility of effective ends concrete freedom of attaining reasoned ends, rather than focusing on means. The present paper falls into two parts. The first part will try to highlight the imperfection of traditional monetary indicators as well as the difficulties to measure the different dimensions of poverty, particularly in emerging countries, such as Morocco. We argue that poverty is not merely an idea of inadequacy of economic means of an individual, but rather a fundamental shortage that deprivation entails_ minimum adequate capability. The second part deals with a reorientation towards capabilities in order to explain the extent to which the latter (the capabilities approach) could serve as a basis for the assessment of the level of deprivation and not that of resources, which focuses on income and wealth.

Keywords: *Analysis, Deprivation, Multidimensional, Poverty*

1. INTRODUCTION

The nature of real existence has always been of interest to social thinkers over the centuries. If the current criteria of economic progress, reflected by a swarm of “turnkey” statistics, focused on growth of inanimate “comfort objects” (such as GNP and GDP at the heart of innumerable economic studies on development), this focus can only be justified, if at all, by the impact of the said objects on human lives that they directly or indirectly affect.. The interest of replacing them by direct indicators of the quality of life, wellness and freedom that human lives enjoy is more and more recognized. Even inventors of quantitative estimation of national income which attracted much attention and adherence tried to make it clear that the ultimate interest was the richness of human existence, although it is their indices, rather than their motivations which had a great impact. William Petty, for example, the pioneer of the measure of national income in 17th Century (He suggested means to assess it so much through the ‘income’ method as through that of expenses, as is said today) formulated his intention as follows: to examine

¹ SUDHIR A. and RAVALLION M (1993), “Human Development in poor countries: On the Role of Private Incomes and Public Services” *Journal of Economic Perspectives*, vol. 7.

whether « *the subjects of the kind* » lived « *in as bad a condition as that of discontented people* ». Based on this, he explained the different determinants of people's conditions, including « *common safety*» and « *the particular happiness of every man*»². This underlying motivation was often ignored in economic analysis where means of existence were the centre and fruit of research. It is, however, important not to confuse the means and ends. Therefore, one should not focus on the intrinsic importance of income, but rather assess it depending on what it builds, particularly lives that are worthy of living. Having a decent income helps to avoid early death. Such an enterprise depends also on other characteristics, namely the organization of society, including public health, medical care, the nature of education and educational system, the scope of social cohesion and harmony, etc. Considering only means of existence or directly observing the type of life people lead constitutes a real difference. These observations and findings reveal a contrast between the approaches based on utility and resources and the approach based on capabilities, of which the initiator is Amartya Sen (Nobel Prize of economics in 1998). In his work entitled « *A New Economic Model*», Sen suggests that focus on means of existence should be abandoned in favor of concrete possibilities to live. This also results in a change with regard to means-oriented assessment methods, namely those laying emphasis on what John Rawls refers to as the « *primary goods* », which are general means, such as income, wealth, powers and prerogatives of functions, social bases for self-respect., etc. The capabilities approach, therefore, attempts to put things right by focusing on the possibility of effective ends and on concrete freedom of attaining reasoned ends, rather than focusing on means. Thus, the present paper is divided into two parts. The first part will try to highlight the imperfection of traditional monetary indicators as well as the difficulties to measure the different dimensions of poverty, particularly in emerging countries, such as Morocco. We argue that poverty is not merely an idea of inadequacy of economic means of an individual, but rather a fundamental shortage that deprivation entails_ minimum adequate capability. The second part deals with a reorientation towards capabilities in order to explain the extent to which the latter (the capabilities approach) could serve as a basis for the assessment of the level of deprivation and not that of resources, which focuses on income and wealth.

2. THE LIMITS OF TRADITIONAL INDICATORS

After World War II, economic growth was the centre in the fight against poverty. In fact, growth was considered as a means to achieve development. Thus, the growth of the GDP per capita became the only measure of poverty. Pigou was the first to rely on income to measure prosperity and welfare. He described economic prosperity as the measurable part of human wellness, the part that can be compared to money standard or benchmark. However, the production and distribution process impacts the income of individuals and households. Income is, then, is also an indicator of economic activity. Income nationwide, GNP, as it was referred to, was transformed into a measure of the activity of the total mass of produced goods and services, weighted by their respective quantities and prices, rather than a measure of individual welfare. GNP per capita is obtained by dividing GNP by the country's number of inhabitants. Consequently, a country's GNP may increase from one year to another, and its GNP per capita may decrease if the population of this country increases more rapidly than its production. For OECP (Organisation for Economic Cooperation and Development) countries, international trade relations are such that it was necessary to replace GNP by GDP, which is the sum of added values created within the borders, whatever the nationality of the people who create them. It is the criteria of residence that is prioritized. It should be noted that GNP or GDP indicate a « *production*» and not « *a living standard* ». According to certain stakeholders, in order to obtain a country's standard of living depending on its GNP, it is necessary to apply coefficients ranging from minus three to five as per the weight of capital in accumulated in the past, the country's

²HUL C.H. (1899), *The Economic Writings of Sir William Petty*, Cambridge, Cambridge University Press,

political and economic systems, its geographical and climatic elements, the value of the currency and the weight of the informal sector. In any event, there exists a certain correlation between poverty and low income. Income is the source of purchasing or spending power, access to consumption and saving. In societies where market values are dominant, « *a low income restricts access to the market and can determine a less valorized social status; it is a factor of a more or less marked exclusion*»³. Nevertheless, one cannot put forward that there exists a high causality between a low GNP per capita and poverty. One cannot claim that a person dependent on a low income is automatically considered poor. On the one hand, income is but the monetary element of the allocation of each individual's resources. Various elements can intensify or attenuate the consequences of low income: self-subsistence, reciprocal counter-services, existence of property, constitution of family or extra-family solidarity networks, etc. On the other hand, income is not a necessarily determining component of a poverty condition. From the « *resources*», point of view, income level at a given time has no indication as to prospects of future income, which would undoubtedly be more legitimate. Moreover, as Amartya Sen, in his book « *A New Economic Model*» shows, the same income can have different meanings depending on age, status, aspirations, etc. The calculation of GNP per capita is subject to many statistical difficulties. In his work « *Towards a new measuring system*», elaborated jointly with Sen and Jean Paul Fitoussi, Joseph Stiglitz raises the following question: « *What significance does the calculation of the importance of a physical production flow take on if account is taken of the conditions of its production and distribution between the concerned persons?*»⁴. It is, thus, necessary to underline the problem of distribution of national wealth poses major difficulties. In fact, a growth rate of the GNP per capita can give a flattering image on effective development and ultimately on the poverty combatting strategies. Added to this is the fact that the contradiction between national health and human wellness is very striking. It is apparent in countries where income arising from exports increased significantly due to the rise in oil prices since 2003. For many Arab countries, GNP abruptly increases to levels superior to those of the richest of Western States. However, these same countries sometimes have the poorest communities worldwide. For Joan Robinson, « *Economic growth, when it occurred, rarely solved urgent social problems and, most often, did not cover mass population of emerging countries. By making economic inequalities worse and not solving problems, such as unemployment, malnutrition, diseases and housing deficiency, economic growth always exacerbated social problems and tensions*»⁵. In their work, « *Ruins of development* » Wolfgang Sachs and Gustavo Esteva support the same point of view. According to them, « *Since the rise of proletariat and, later in the welfare state, poverty was interpreted as lack in purchasing power, which should be eliminated by economic growth. Under the banner of combatting poverty, forcible transformation into money economies can be conducted as a moral crusade, which could give way to a so justified appeal to economic expansion*»⁶. Besides inequalities concealed by measuring poverty based on GNP per capita, the latter includes all the goods and services produced and marketed, including harmful and noxious products that pollute the atmosphere and affect health. GNP per capita measures production, but provides little information on populations. If deterioration of the environment causes diseases, thus leading to an increase in health expenses and, subsequently, in GNP, such a GNP decrease will be interpreted as a sign of growth and, therefore a drop in poverty, when in fact the population's real conditions and their environment have deteriorated. According to the 2010 world report on human development, there were many attempts to recalculate the figures of national income taking into account the natural capital depreciation.

³ MILANO S. (1988), *La pauvreté absolue*, Paris, Hachette.

⁴ STIGLITZ J., SEN A., FITOUSSI J-P. (2009), *Vers un nouveau système de mesure*, Paris, Odile Jacob.

⁵ ROBINSON J. (1980), *Development and underdevelopment* Paris, Economica.

⁶ WOLFGANG S. and GUSTAVO E. (1996), *Ruins of development*, Montréal, Ecosociété.

One of the first studies carried out to this effect, in Costa Rica, shows that from 1970 to 1990, cumulative depreciation of its forests and oil reserves amounted to over \$ 5 billion., i.e., about 6% of Costa Rica's total GNP for that period. In the case of Indonesia, the same report shows that during the period between 1971 and 1984, cumulative depreciation of forests, soils and oil resources amounted to \$96 billion, i.e., 9% of its GNP for the same period. It is, therefore, commonly accepted that the income-based monetary approach to poverty rests on a narrow idea of welfare or wellness and, because it is indirect, limits our understanding of this phenomenon to what individuals have and what they do not have. Poverty is a larger phenomenon that is apparent in different domains as various forms of deprivation and unsatisfied needs that prevent individuals from leading a normal and decent life or take part in the ordinary activities of society. (Dickes, 1989 ; Alcock, 2006 ; UNDP, 1997). For this reason, it was concluded that adopting multidimensional and direct approaches can prove more satisfactory as to how to perceive poverty, for they have a much broader objective. At this level, it is necessary to distinguish two approaches. First, the approach of situated poverty, which focuses on the prevalence of social construction of poverty since, contrary to what utilitarians pretend, we cannot isolate a phenomenon, such as deprivation, of the environment in which it occurred and developed. This broader concept, which is applied, as a priority, to developing countries, makes it possible to integrate certain dimensions that are not used by Townsend (1979) in the assessment of poverty, such as culture, beliefs and social capital. The second trend derives from the works of Amartya Sen (1980) on the capabilities approach, and which served as the basis for the elaboration by the UNDP of concepts of human development and human poverty. In this case, poverty is defined as a shortfall or deficiency in terms of basic capabilities likely to make it possible for a person to reach what Sen has called fulfilment or achievements. Amartya Sen's aim is to question the relevance of the « *income* » variable in the assessment of poverty. This critical examination holds true for all the different measures which, sharing this vision, perceive poverty in terms of weak or low income.

3. SITUATED POVERTY

In order to better understand situations like that of deprivation, we A fin de mieux cerner des situations comme celle de la privation, we started with the following questions: Can we limit ourselves to the standard market model to understand the underlying nature of poverty? Several times, the determinism of Bretton-Wood's strategies of institutions met with the complexity of the studied fields and facts, a fact which translates into wide poverty in the poorest countries of the globe. Suffice it to remember that Amartya Sen's works confirm the reductionism of the utilitarian idea of the market as to the way of dealing of the nature and causes of the prosperity of nations. Initially, all development policies had as slogan the following slogan: « *in the name of combatting poverty as slogan* »⁷. For Hassan Zaoual, poverty is understood in a simplistic way. For experts of Breton-Woods' institutions, the concern is a simple « *economic category* » that can be calculated from the « *income* » parameter ». However, in an investigation we conducted in the region of Sefrou (Morocco), we came up with the conclusion that poverty is multidimensional by its very nature. The assessment and analysis of poverty requires adaptation to the diversity of the studied individuals and populations. This is incidentally the reason why we have introduced the concept of « *situated poverty* ». Amartya Sen paid special attention to the principle of diversity, as is clear from its recurrence in his arguments. He began his work « *Rethinking Inequality* » by the following formula: « *Human beings are different from each other. We are distinguished from each other by characteristics that are not only external (inherited wealth, the natural and social environment where we live), but also personal (age, gender, vulnerability to diseases, physical and intellectual aptitudes).* »

⁷ ZAOUAL H. (2000), « La pensée économique plurielle : une révolution scientifique en marche », *Séminaire de culture de développement*, DEA Changement social, Université des Sciences et Technologies de Lille.

*To determine what equality requires, it is necessary to take into account this human diversity»⁸. The remarks of Ibn Khaldoun, « the father of history», clarify this point. This great historian of the 14th century, through a comparative analysis between the eating habits of the populations of Hijaz (Saudi Arabia) and those of Shanhajias, veiled people of the South of the Maghreb, puts forward that famine is a blessing for the life of the former so much from the physical as on the mental point of view. According to Majid Rahnema « In general, Ibn Khaldoun argues, people who lack grains and condiments and live in the deserts are in better health than the inhabitants of the plains and heights who lead an easy life: their complexions are purer, their bodies healthier, their huamn types better porportioned and more beautiful, their behaviour not disporportionate, their faculties more receptive and more perpicacious in knowledge. It is a remark that has been confirmed for generations»⁹. This justifies the point of view of the sitologi approach to poverty, according to which, poverty cannot come down to a general and universal formula where only the « income» variable”intervenes, to be later interpreted as a sign of deprivation. It is the individual’s life and environment that should be taken into consideration. It is, therefore, necessary to adapt economic analysis of poverty to the context of each location. According to its « soft relativism» principle, the situated poverty approach states that each location or site, while open to changes, exhibits peculiarities that impregnate people’s individual and collective behavior within a given location.. « Development policies made numerous « site errors» in so far as they tend to be dropped on from the summit to the base instead of favouring listening to and free participation of concerned populations »¹⁰. The 2010 world report on human development stresses that: « the sectors of media, information and leisure, which, thanks to their considerable means, are present worldwide, can powerfully help eradicate or, at least, reduce poverty. They shape not only information, but also new culture and values. We need values that tolerate cultural diversity and respect dignity of the poor so as to reinforce their solidarity and mobilize individuals and communities, companies and others against poverty»¹¹. It equally stipulates that « Well-focused strategies are necessary so that the growth model could be beneficial for the poor and so that generated resources could be invested in human potentials. Growth is not enough. La croissance ne suffit pas. On its own, it can be without regards (the losers find themselves in grinding poverty), without jobs (almost no job is created), without participation (individuals are not associated to decision-making processes), with no future (the environment of future generations is destroyed) and without roots (history and cultural traditions die out ». Like Amartya Sen, Hassan Zaoual assumes that it is necessary that the poor have an area of freedom so that they can better act, since the crowding out (l’effet d’éviction) will sooner or later end up recurring in the form of non participation which is detrimental to economic performance and local accumulation of skills through economic projects meant to respond to the causes of poverty. According to the same author, the assumed skills of « experts » sustain the site stakeholders’ unskilfulness. The poor, thus, are not citizens, but rather customers of institutions and social security. The latter use their expertise without solving the problems that justify their existence. Therefore, there is a new tendency based on the awareness of the role that local cultures and beliefs can play in combatting poverty, a fact which proves to be a first step towards a new concept of combatting poverty and which claims to *situated* and therefore open on new anthropological and cultural dimensions of the concerned location. This confirms the contributions of the capabilities for which a better analysis of deprivation assumes a better understanding of the area and populations studied.*

⁸ SEN A. (2000), *Repenser l’inégalité*, Paris, Seuil.

⁹ RAHNEMA M. (1991), La pauvreté globale: Une invention qui s'en prend aux pauvres, *Revue Interculture*, Volume XXIV, N° 2.

¹⁰ ZAOUAL. H. (2002), « La pensée économique peut-elle être flexible », in Granier R. et Robert R (sous la dir.), *Culture et structures économiques. Vers une économie de la diversité ?*, Paris, Economica.

¹¹ PNUD (2011), *Rapport mondial sur le développement humain 2010*, Paris, Economica.

4. CAPABILITIES APPROACH

During the last few years, there has emerged a growing interest in the idea of « *capabilities* » introduced by Amartya Sen (1980, 1985, 2000, and 2003). If the Nobel Prize that Sen obtained in 1998 is a symbolic proof, it is certainly the more and more widespread use of this approach among researchers and institutions in their understanding of questions related to wellness, poverty and inequalities that is better evidence for this. The capabilities approach is based on ethical concerns related to social equity. In fact, at the beginning of his reasoning, Amartya Sen poses the question of what attribute a society should equalize to achieve social equity. Starting from a thorough and well-founded criticism to the proposals of the two dominating ethical approaches at the time, i.e., utilitarianism (Bentham, 1789) and Rawlsian theory of equity (Rawls, 1971), he suggested a space of functionings and capabilities, such as adequate assessment of questions related to welfare, poverty and inequalities. Thus, in the field of social equity, this approach constitutes a new paradigm and a real alternative to utilitarian orthodoxy. The capabilities approach is an expanded and normative framework for the assessment of issues related to individuals' welfare, social arrangements, policy implementation and societal changes based on individuals' actual ability to do or to be something and the scope of freedom they enjoy to promote and achieve their objectives. This approach starts from the simple remark that an individual's living standard is directly related to the different states and acts they can accomplish or achieve. Sen makes use of the term "*functionings*" or achievements to refer to these states and acts that individuals effectively attain. For Sen, « *the thesis is that functionings are constituents of the person's existence and that the assessment of their welfare should necessarily be a judgment of these components* »¹². The ability to function constitutes all the real opportunities the individual is offered and represents the various combinations of functionings (states and actions) that the individual can accomplish. Capability is, therefore, a set of vectors of functionings which indicate that an individual is free to lead this or that type of life. Thus, on the conceptual level, the main innovation of the capabilities approach is the adoption of an expanded informational space, wider than that of the traditional approach, to deal with a set of normative questions (Farvaque, 2003). As is stressed by Robeyns (2005), the two focal points of this approach are the focus on the distinctions between means and ends, on the one hand, and between real freedom (capabilities) and functionings (outcomes), on the other. Resources are goods and services (commodities), be they mercantile or not, that the individual has at their disposal, as, for instance, food or a bike. These goods have an instrumental value rather than an intrinsic or inherent value, for what really matters is the way we can use them. Also, like Gorman (1956) and Lancaster (1966), Sen (1985a) draws a line between resources and their characteristics which constitute their desirable properties and determine the uses to which the good can be put. It is these functionings that constitute the intrinsic value. A bike enables its owner to move; food does not only make it possible to satisfy hunger, but also brings the pleasure to eat and to create a social support through the organization of meals (Sen 1985). Therefore, the characteristics of goods (bike) provide individuals with the possibility to implement the related functioning (movement). However, Sen (2003, 150) points out that there is nothing automatic, permanent or inevitable about the relationship between income (and other resources), on the one hand, and individual achievements and freedoms, on the other. In fact, owning a good is different from the ability to benefit from its characteristics. It is not enough to know the quantity of food an individual has to judge the way they are fed. Sen's well-known example is that of an individual suffering from a parasitic disease that makes the digestion of food difficult. This person can suffer from malnutrition, even if they have at their disposal a quantity of food that would enable an individual without such disease to be well fed.

¹² Sen A. (1999), *L'économie est une science morale*, Paris, La Découverte.

Thus, information of goods ownership proves insufficient to judge someone's living standard or welfare, for it does not take into account of the relationship between goods and functionings. To be able to take account of such contingent relationship, Sen introduces, at the heart of his approach, a set of internal and external conversion factors, which determine the possibility to convert the characteristics of resources into functionings. First of all, such transformation will be influenced by personal conversion factors related to the individual's internal characteristics (physical, intellectual aptitudes, metabolism, etc.). A person suffering from physical disability will not be able to achieve the characteristic « *movement* » that the good has « *bike* ». In the case of food, metabolism, age, gender, activity level or health conditions are conditions that will influence the way the individual will indeed convert resources (food) into functionings (to be well-fed). Besides, age and gender determine specific needs that income does not take account of (young children, old people, maternity, family obligations). The other conversion factors are external and highlight the influence of social characteristics (politics, social norms, power relationships) and environmental characteristics (climates, infrastructures, public goods) may exert. A country's social rules and traditions may constrain women's behavior, thus reducing all their potential functionings. Likewise, riding a bike may depend on climatic conditions and usability of a country's roads, the ability to be well-fed may depend on drought or flood problems and the ability to be in good health depends on risks of contagious diseases in the region of residence. Therefore, taking account of these different conversion factors will make it possible to consider interpersonal variations, which enables individuals with identical resources may have two different living standards. This last point is particularly important within the framework of the elaboration and assessment of public policies aiming at reducing poverty (Sen, 2003). In the course of Sen's reasoning, it is important to understand the distinction between functioning and capabilities. Functionings are individuals' different states and acts. They form what a person, given a set of conversion factors, can do or be. They can be elementary (i.e., to be well-fed and in good health) or complex, such as the ability to take part in community life, take a rest, be respected, have self-esteem, etc. Assessment of welfare, therefore, takes the form of an assessment of functioning vectors (i.e., individuals' valued states and acts). Reference to functionings makes Sen's approach a direct and multidimensional one. Indeed, although he considers that an individual's welfare should depend deeply on the nature of their existence, that (i.e., accomplished functionings), at the heart of his approach, he places capabilities rather than functionings. As is highlighted by Robeyns (2003), while a functioning is an achievement, a capability represents the possibility of achievement and refers to all potential functionings. Consequently, Sen's emphasis is not on what people have or do, but on what they have the choice to do or do not have the choice to do. Based on all the characteristics of the resources at their disposal and on the conversion factors, an individual can determine vectors of potential functionings that represent the different combinations of potential functionings they can achieve. This set represents all the individual's capabilities and gives an image of the scope of the choices at their disposal. It, therefore, precedes all functionings which constitute all the states and acts that an individual achieves. Moving from the space of capabilities to that of functionings is shown by the individual's real choice, which, in turn, depends on the individual's history as well as on the mechanisms of preferences; these mechanisms themselves depend on the social context. In Sen's view, functionings are more related to living standards, whereas capabilities result in a dimension of freedom and choice. In fact, capabilities refer to an individual's real freedom and real opportunities, and the freedom, in the positive sense of the term, which an individual has to promote or achieve a functioning they would like to enhance. To illustrate the importance of the difference between capability and functioning, we can cite the example of two people who cannot sufficiently provide for their needs in terms of food. However, one is a person suffering from famine whereas the other is a person who has chosen to be on hunger strike as a sign of protest.

Regarding the good “*food*”, both people realize the functioning of being “malnourished”, but not through the same path.; while one of them was forced into such a situation, the other one has made a choice. The notion of choice is not easy to understand. One finds the same questions asked in works on deprivation in which involve determining whether choices are forced or deliberate. Based on these considerations, Sen suggests a distinction between living standard, welfare and « *agency* ». For him, the living standard is the broadest notion and is connected with information related solely to the individual. The difference between the living standard and welfare emerges from the possible influence of external sources on a person’s welfare. Thus, pain (joy) caused by sorrow (happiness) of a relative reduces (increases) welfare, but does not affect the living standard. Agency is much broader and rests on the idea that an individual can have objectives and values other than the search of their personal comfort. An example is a person’s commitment towards the issues of their community through the participation to anti-globalization protests, being persuaded that this globalization has harmful effects (Robeyns, 2003). These various concepts constitute the backbone of the capabilities approach, of which the use, as a framework of thought, is very wide and is confined to studies of poverty. The capabilities approach to poverty constitutes a way to move from the analysis of means to the analysis of ends. In this context, Sen (2003, 36) considers that « *it is just to consider poverty as deprivation of the basic capabilities, rather than merely a low of income* ». This definition of poverty refers to a shortfall or deficiency of basic capabilities. The latter constitute a subset of the set of “capabilities” and refer to the freedom to achieve basic things that are necessary to survive and to avoid or escape poverty. Thus, while capabilities can cover a vast and varied field, basic capabilities refer precisely to the real possibility to avoid poverty. They concern the ability to satisfy minimum and adequate levels of certain crucial functionings. The identification of these minimum and acceptable levels constitutes the basis of Sen’s approach to poverty. For Robeyns (2005, 101), basic capabilities are crucial to analyze poverty and, in more generally, to study the welfare of the majority of the population in a developing country, whereas in rich countries, welfare focuses rather on capabilities that are more or less necessary for physical survival. The capabilities approach is the development paradigm that is underlying the concepts of human development and poverty introduced by the UNDP (1990, 1997). One of the major changes that this new paradigm offers is the possibility of analyzing the different questions regarding poor countries and individuals within a flexible framework, rather than imposing political or other prescriptions in the name of a rigid neoliberal orthodoxy (Fukuda-Parr, 2003). Within the framework of this approach, human development is geared towards the expansion of capabilities, whereas human poverty reduction involves ensuring that individuals who should have to primary resources have a set of basic capabilities likely to help them achieve these resources. The main difference between the concepts of human development and human poverty is that the former focuses on the living conditions of all individuals in society while the latter lays emphasis on those of poor individuals. Thus, as part of the overall view of human development, the disadvantages of the poorest people can, in an aggregated level, be made up for by the gains of the well-to-do ones. The concept of human poverty and poverty indices were introduced in order to focus on the situation of the most underprivileged people. In this case, lack of progress in the reduction of disadvantages of people in deprivation cannot be made up for by the significant progress of the well-to-do. Subsequently, Anand and Sen (1997) consider that the two approaches are useful for understanding the development process, and that they are not exchangeable. The human poverty approach was introduced by the UNDP’s 1997 Human Development Report. This report seeks to focus on the challenges of poverty eradication in the world with a view towards human development.. For this purpose, it does not simply focus on poverty, in the monetary sense of the term, but rather on a multidimensional approach to poverty. (Anand and Sen, 1997). It draws its inspiration, to a large extent, from Sen’s capabilities approach, as is shown by the introductory phrase of the first chapter of the 1997

Human Development Report., which stipulates that « *It is the deprivation lives that people may lead that poverty can be seen. Poverty implies not only low income or deficiency in elements necessary to well being, but also denial of and deprivation in opportunities and basic choices for living a tolerable life* ». These choices and opportunities refer to basic capabilities. This means that, in this approach, poverty is not merely a state of deprivation currently lived by an individual, but also the absence of real opportunities, due to social constraints or to personal characteristics, for living a life that they reasons to valorize. Nevertheless, with poverty being a state that everyone one wishes to avoid, it may be said that its study can disregard this notion of freedom and focus on the individual's real functionings. This approach largely exceeds the physiological model of deprivation, for « *capabilities* » mean, « *to be in good health, have access to knowledge, have access to resources necessary to have a decent standard of living and be able to take part in the community's social life* » (PNUD, 2001). From a political point of view, the objective is, therefore, the « *removal of obstacles in what one can do in life, obstacles such as illiteracy, diseases, insufficient access to resources, or insufficient political and civic rights* » (Fukuda-Parr, 2003). Fukuda-Parr (2003) evokes a five-point strategy for development and poverty reduction: (1) give priority to social development with a spread of opportunities of education and health care., (2) economic growth creating resources for multidimensional human development, (3) social and political reforms in view of establishing a democratic governance to secure all people's rights, (4) foster equality in the three preceding points, namely for the poorest people (5) global political and institutional reforms to create an economic environment where access to markets, technology and information would be easier for poor countries. Within these diverse components, one can notice the rise of the concept of empowerment (World bank, 2000 ; Narayan, 2002) and the increasingly accrued taking into account of questions related to gender equality. The capabilities approach has led to clear conceptual advances in the field of poverty studies, both as to the debate on the absolute or relative aspect of poverty and as to its role in the appearance of the concept of human poverty. These conceptual advances are nevertheless are confronted with important operationalization problems, which are partly due to the scope of this approach.

5. OPERATIONALIZATION OF THE CAPABILITIES APPROACH

The great riches and complexity of Sen's approach are not easy to express empirically, for the capabilities approach is much more demanding on the informational and methodological level than on the monetary level of poverty. If for some people, the problems facing this approach seem to be insuperable, for others they are simply a reflection of the intrinsic and irreducible complexity of the concepts it makes possible to understand. Such is Chiappero Marinetti's (2000) point of view, who stresses that the empirical applications of the capabilities approach require an adequate space for the evaluation of capabilities (or functioning), a pertinent list of capabilities and functionings, a set of indicators for each of the dimensions of wellness taken into account, the way, if necessary, to combine the elementary indicators to obtain an assessment on each dimension of wellness and the way to add information on the different dimensions and achieve a comprehensive assessment of wellness. Assessment of capabilities requires that, on the one hand, valuable items be selected and, on the other hand, the value of these items be determined (Sen, 2000). In fact, beyond the preceding, there emerges the problem of the list of elements to consider and their relative importance. This question is related to the horizontal imprecision of the capabilities approach. Sen's reference to the different states and acts, which a person has reasons to valorize suggests that this approach is inherently multidimensional and refers to a multitude of functionings/ capabilities, which can impact individuals' wellness. In the case of the study of poverty, confining oneself to a set of basic functionings makes it possible to limit their number. However, even at the level of basic functionings, Sen's capabilities approach does not provide a list of functionings/ dimensions,

nor does it provide a clearly defined selection method. This question is of paramount importance and is recursively at the heart of the current debates on the operationalization of this approach (Robeyns, 2005). Indeed, although Sen's theory is theoretically attractive, as long as one does not have clearly defined criteria for the selection of value functionings, one will face a series of criticisms. In particular, the absence of a list makes Sen's approach is not fully specified. Absence of a list makes Sen's approach not completely specified. For some researchers, this incompleteness poses a problem. Nussbaum (2003) considers that as long as Sen has not explicitly determined a list, his approach will lack percussion. Alkire (2001, 2002) shares the same point of view. She considers that lack of a procedure for the identification of pertinent capabilities (dimensions) makes the implementation of this approach difficult. These two authors agree that, in this case, the approach may be not understood and may give free reins to all sorts of deviations. In fact, without a list or a transparent selection method, numerous works aligning themselves with this theory may adopt different approaches or steps, which will lead to more confusion than clarity. Other authors leveled stronger criticisms. Townsend (1985, 667), for instance, argues that the absence of scientific criteria for the selection of dimensions is « *scientifically unacceptable* ». For him, « *one should consider the question of knowing how capabilities are selected and in what way they are absolute* ». In the same vein, Sugden (1993) raises the following question: « *given the large number of functioning that Sen considers as pertinent, given the scope of disagreement between reasonable people as to the nature of what is a decent life and given the unsolved problem of the way in which sets should be assessed, it is natural to raise the question of knowing the extent to which Sen's framework of analysis is operational* ». In reply to these criticisms, Sen admitted that it is necessary not only to identify the capabilities and classify them into the most central ones and the most trivial ones, but also to assess their relative weight. However, he thinks that any subsequent specification on his part would be controversial. In fact, while he is not averse to the idea of determining that, in some specific cases, certain capabilities are more important than others, he refuses to endorse the a predetermined and definite list of capabilities. The reason for this is that the capabilities approach is not confined to a sole objective. It was elaborated as abroad framework of thought. Consequently, Sen believes that each application necessarily depends on its context and it for this reason that his approach was deliberately incomplete. The selection of capabilities should therefore be geographically contextualized. Thus, from a methodological point of view, « *they are applications to specific questions, context-sensitive and limited by data, which can give birth to a pertinent list* » (Farvaque, 2003). Besides, the elaboration of the list pertains to a value judgment that should be explicitly made through a democratic and participative method. It is not the work of a theorist. It is, therefore, clear that if the malleability of this approach makes it evasive in the eyes of certain people, Sen considers it as an asset and thinks that this approach cannot be made more specific without carrying out a universal assessment, which will make it possible to choose the valuable items and their relative weight. Thus, while this incompleteness is the point which leaves this approach wide open to the most ferocious criticisms, it is one of the reasons of its success. If he refuses to give a list of basic functionings, Sen nevertheless lays tracks that will help understand the scope he intends to give to his approach. These tracks are in the form of domains that one can take into consideration and the form of two selection criteria, based on consensus, which will make it possible to select the set of pertinent, basic capabilities without having recourse to value judgments.

6. CONCLUSION

In spite of incompleteness that Ammatya Sen's approach exhibits, it should be nevertheless admitted that anypoverty reduction policy that does not take into consideration the capabilities of individuals or groups of population increasesdeprivation. In other words, any person's emancipation and « *well being*» depends on their capability to change their situation.

Increase in income does not automatically lead to the improvement of « *well being* » when the individual as well as their environment are not able to develop relying on their endogenous capabilities. Therefore, the problem lies in the inadequacy and not the lowness of income. Having an adequate income does not mean having an income that is inferior to a poverty threshold set from outside. Instead, it is having an income lower to what a person should have to ensure a specific level of capability. This means that, to analyse poverty, one should not confine oneself to data on income¹³; it is necessary to pay particular attention to the diversity of environments and social phenomena. According to Sen, « *Ana analysis of poverty based solely on income will only say half the truth* ».

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¹³ Instead of measuring poverty based on income, Sen suggests calculating one can achieve with this income, while taking into account the fact that these achievements can vary from one individual to another and from one place to another. Otherwise, how can we explain that there exist poverty pockets inside middle classes in rich countries?

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THE BANKING SECTOR AND ECONOMIC GROWTH IN MOROCCO

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ABSTRACT

The pursuit of competitiveness has become a major and permanent concern for both developed and developing countries in a highly competitive and constantly changing context. Morocco is engaged in a process of improvement and development of the business environment and the gradual liberalization of its foreign trade with a view to its integration into the world economy, through the signing of several free trade agreements and considerable efforts for the promotion of foreign trade (adoption of the Commercial Code, improvement of the business environment, adoption of Morocco Export Plans, Morocco Emergence Plan ...). In this paper, we will focus on exploring recent developments in the Moroccan economy as well as the role of the banking system in encouraging investment. As a result, we will return to the major benchmarks of economic reforms taken by Morocco. Subsequently, we will treat the Moroccan context by analyzing the possible relationships that may exist between some macroeconomic indicators, as well as the evolution of investments and the structure of bank loans in Morocco.

Keywords: *Development, reforms, business environment, Morocco, banking system, the new economic reforms, economic context, the evolution of investments, the structure of bank loans in Morocco*

1. INTRODUCTION

Economists have been interested in the role played by banks in the industry (Smith¹ and Schumpeter²). Banks exert an influence on the industry from its supervisory role, overseeing the management of the sector and its role in financing projects to control the effects and consequences of the industrial environment on investment policy. In the so-called perfect situation where information is available, companies can invest and borrow optimally since liquidity will have no effect on investment decisions. The article by Franco Modigliani and Merton Miller, published in 1958³, which is considered as the founder of modern finance, has shown that the financial structure becomes useless for real investment decisions whatever the means of financing is by debt or by own funds. In other words, the value of the economic asset would be independent of the financial structure of the company, because the risk attached to this asset remains the same, regardless of the financial structure of the company⁴. But, in an asymmetric information context, this proposition is no longer true. However, the economic crises from the 1970s to the present have raised the instability and rigidity of the structure and economic activity of the world. With regard to this situation, the whole world has been interested in initiating the reflection on new orientations, new restructurings, at the same time, the relocation of economic activity to new countries, be it developing or emerging in order to benefit from the taste of the workforce and the evolution and use of the new technology.

¹Diatkine S., *les fondements de la théorie bancaire: bancaire: des textes classiques aux débats contemporains*, « Chapitre 1: A. Smith: risque de crédit, monnaie et capital », Paris, Éditions Dunod, 2002, p. 13-36

²Idem

³Modigliani F. & Miller M., « The coast of capital, corporation finance and the theory of investment », *American Economic Review*, volume 48, issue 3, June 1958

⁴Boschi N., *Le guide pratique du LBO: racheter une entreprise grâce à l'effet de levier*, Editions Eyrolles, 2009, p. 145

Economic globalization is pushing the economies of the world to be interdependent. This interdependence is accompanied by an increasingly pronounced opening of economies. Similarly, the interdependence of economies at the international level increases economic risks. Nevertheless, the opening up of an economy at the international level is essential since it can be a source of growth and development.⁵ As a result, economic shocks since the 2007 financial crisis have made it difficult to manage economic conditions in some developing countries. It should be noted that a new world economic order is emerging and the countries of the South are playing an increasingly important role. As pointed out by Chaponnière and Lautier: “*In the medium and long term, the likely maintenance of a growth gap between the North and the South heralds the continuing shift in global trade. If current trends are prolonged, South-South trade could account for half of world trade in 2020. For the economies of the South, this global rebalancing causes, [...] a gradual distancing of the economies of the North and a strengthening of South-South trade interdependencies, sources of new tensions.*”⁶ Morocco's economy has performed well in recent years as a result of Morocco's desire to enhance economic attractiveness through the implementation of economic reforms, social and institutional which have provided a picture of change, modernization, improved and encouraged economic competitiveness, and supported economic growth and rapidly changing socio-economic context.⁷ Morocco has launched a number of institutional, economic and financial structural reforms designed to strengthen human rights and democracy, and consolidate Morocco's global integration and promote its investment attractiveness, and economic activity.

2. REFORMS OF THE MOROCCAN SOCIAL AND ECONOMIC ENVIRONMENT

The brutality and scale of economic crisis certainly has influenced the strategies put in place by governments around the world. The loss of confidence of the economic actors and the climate of uncertainty which dominates the world situation forced the States to revise and to rehabilitate their strategies in order to exit the crisis and to revive themselves economically and socially. Thus, “*Morocco has implemented an economic development strategy; we can conclude at this stage that its effects on growth are not really visible ... Logically, it seems that the analysis of the data of the Moroccan historical growth shows that the improvement (all relative and double, relative because compared with the worst period of Moroccan growth, that in the 90s; Moroccan performance is below that of almost all its neighbors ...) Moroccan growth since 1999 is much more likely to be due to favorable external circumstances (external situation, pure chance, other effects ...) than any other economic development strategy. For example, the rainfall explanation cannot be ruled out ... especially when one analyzes ... the rain alone seems to be an explanation much more statistically likely to explain the economic upturn of the early 2000s.*”⁸ At the social level, Morocco has put an initiative to reduce poverty and social exclusion and precariousness that is part of the National Initiative for Human Development (NIHD). The aim of this initiative is to fight against rural poverty and social exclusion in urban areas as well as territorial upgrading and improvement of living conditions for the populations in the disadvantaged areas with the participation of the associations, co-operatives on the one hand and the State on the other.

⁵Krugman P. R., *La mondialisation n'est pas coupable: vertus et limites du libre-échange*, Paris, La Découverte, 2000

⁶Chaponnière J.-R. et Lautier M., « La montée des échanges Sud-Sud dans le commerce mondial », in CEPPII, *L'économie mondiale 2013*, Paris, La Découverte, 2012, p. 101.

⁷The stable outlook associated with the rating of Standard & Poor's Agency, which confirmed its rating of Morocco in its new semi-annual assessment published on October 7, 2018 "BBB-" long-term Morocco. This half-yearly valuation note shows a stable outlook for Morocco, influenced by the country's political and economic stability, growth prospects and moderate debt. Morocco thus becomes the 15 th country that acceded to Investment Grade, a decision already taken by Fitch Ratings in 2007 and confirmed in October 2009

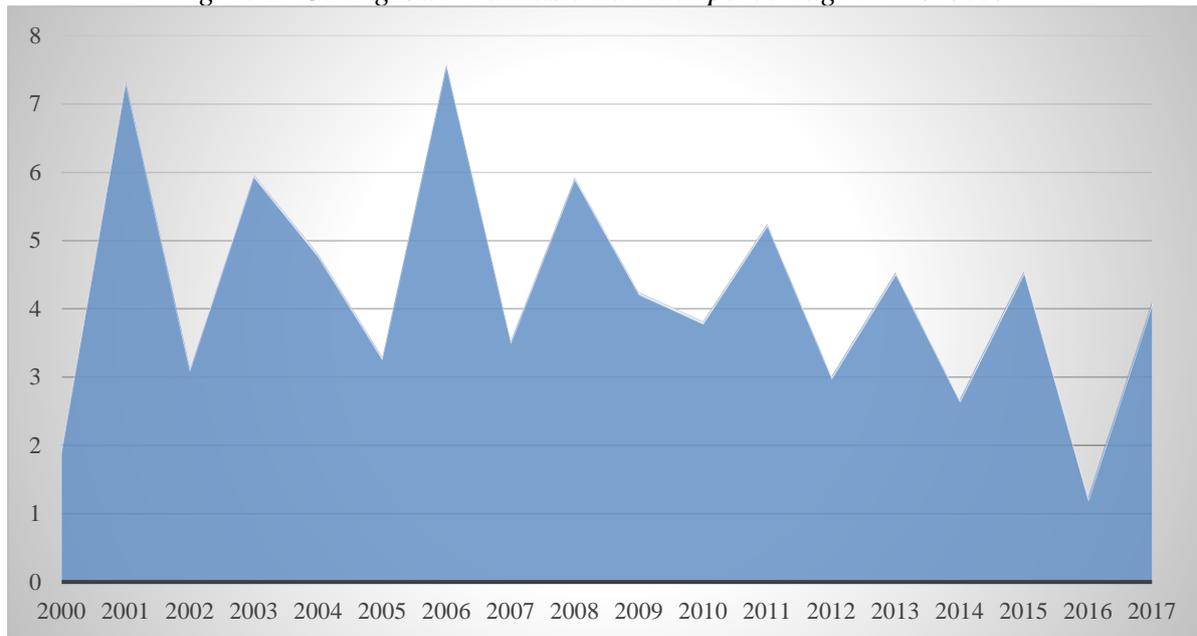
⁸Abdelmoumni F., Akesbi N., Balafrej O., Bouabid A., Bouabid A., Charafi Y., Elhariry K., El Mesbahi K., Guedira N., Rachidi D., Rharbaoui O. et Tazi K., « *Le Maroc a-t-il une stratégie de développement économique ? Quelques éléments de réflexion pour un véritable décollage économique et social* », Fondation AbderrahimBouabid, June 2010

It should be noted that Morocco's strategy for the development of the agricultural sector is now considered as one of the main engines of growth of the national economy. In this sense, Morocco has adopted the Green Morocco Plan (GMP), which aims at the accelerated development of a modern and competitive agriculture through the realization of large projects that allow creating added value and based on the investments or in the agri-food industry, with the aim of integrating Moroccan agriculture into the international market. This Green Morocco Plan also aims to increase the production and living standards of disadvantaged regions with state intervention in these areas to protect natural resources. Morocco has also opted for territorialized development policies in all regions of the country through the launch of major projects, airports, highways, ports, railways, high-speed railways, tramway, communication infrastructure, and construction of free zones, construction offshore areas, with the aim of making up for lost time by taking the rail of globalization. To do this, the regions of Morocco are trying to specialize and this policy is part of a Keynesian stimulus⁹ approach orientated according to their regional capacities to offer real investment opportunities for the purpose of the integration of Morocco in the global economy. Morocco has put a vision of development of the sector in a strategy of human and economic development of the country. This strategy aims to make information technologies accessible to the needs of public administrations and other economic sectors in order to help them develop and create added value. In essence, tourism has always been a strategic sector for the socio-economic development of Morocco. Since then, the sector has experienced many development programs either in urban or rural areas. In this sense, Morocco launched the Azur Plan, with the support of public-private partnerships, with a target of 10 million tourists set in 2010. By taking a new tourism strategy to strengthen the positioning of the sector which aims to increase the hotel capacity and accommodation to reach a 70% occupancy rate with increased promotion and improvement of the price/quality ratio (lower package cost via the liberalization of air transport) and reinforce the training and employment. On the other hand, the development of the industrial sector is included in the National Plan for Industrial Emergence, whose main objectives are the creation of wealth and jobs. The State, with the aim of strengthening the industrial sector, has focused competitive and innovative aid for SMEs / SMIs, through development programs to strengthen their competitiveness and improve the business climate in a policy of human and economic development. Similarly, the Moroccan economy has attracted investment in several sectors, such as offshoring by exploiting the geographical and cultural proximity between Morocco and Europe. As a large part, of the country masters French and another who masters Spanish in the north of the Kingdom. In the same perspective, and in its strategy of openness to the world, Morocco has signed free trade agreements with several countries, the European Union (entered into force on March 1, 2000), the United Arab Emirates (entered in force on 09 July 2003), the United States of America (concluded in 2004), Turkey (entered into force on 1 January 2006), with the Arab Mediterranean countries (Agadir Agreement, implemented on 27 March 2007), as well as with other African countries. These ties in with the goal of encouraging and promoting exports of Moroccan products that will benefit more benefits as well as increase the volume of exchange between Morocco and these countries.

3. TREND OF THE MOROCCAN ECONOMIC ENVIRONMENT

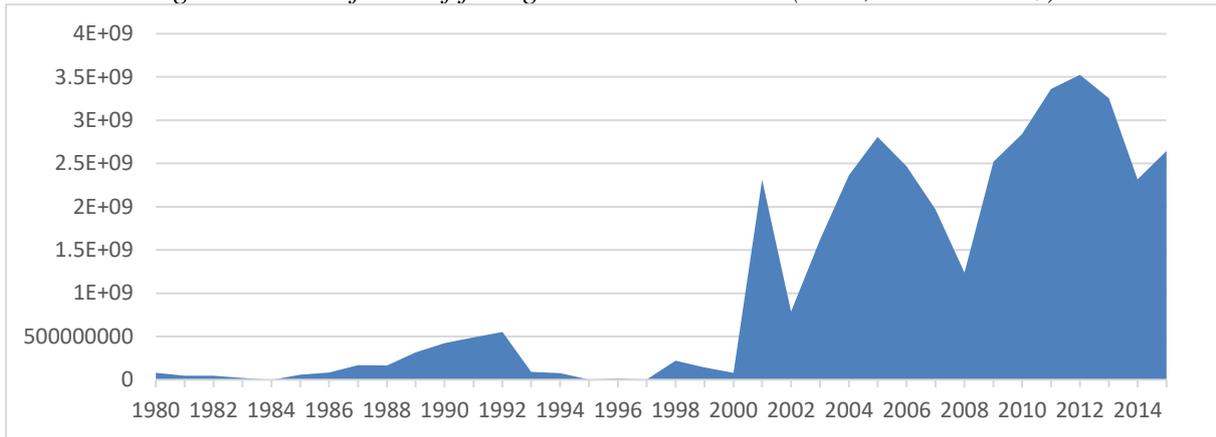
The Moroccan economy has felt the effects of the crisis on its main sectors, which are of great importance for the development and growth of the economy, were directly affected by the crisis.

⁹Keynes J.M., *Théorie générale de l'emploi, de l'intérêt et de la monnaie*, Paris, Éditions Payot, 1942.

Figure 1: GDP growth rate as an annual percentage in Morocco¹⁰

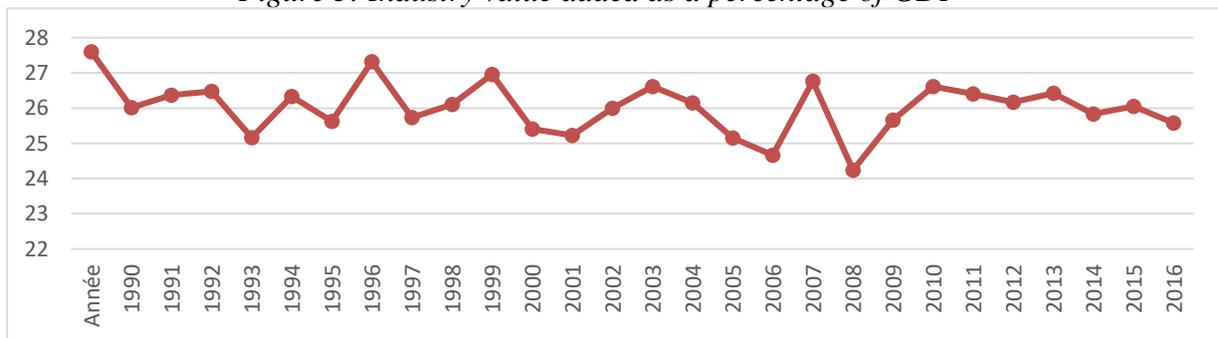
From 2002, GDP grew at a slightly slower pace, following the consequences of poor rainfall on agriculture, by 3% with a non-agricultural GDP of 3.4% in 2002. Following the good harvest in 2009, the 2009-2010 farming season was marked by a good trend with a rise of 22% compared to the average of the past five years. The secondary and tertiary sectors were the main sectors that boosted growth in 2010 outside the agricultural sector. The Moroccan economy continued its trend in 2011, with a real GDP increase of 5%, driven by an increase in non-agricultural GDP of 5.6%. On the other hand, GDP growth in 2012 was estimated at 3.6% due to unstable world demand and average agricultural activity. On the other hand, GDP growth has risen from 1.1% in 2016 to 4.1% in 2017, due in large part to the positive impact of the good 2016-2017 crop year. Yet the agricultural sector has been the main driver of growth, with its value added increasing by 15.4% in 2017, compared with a decline of 13.7% in 2016. While the non-agricultural sector is not yet in place to achieve a sufficiently high growth rate; its value added increased slightly from 2.2% to 2.7% between 2016 and 2017, driven mainly by growth in the secondary sector, particularly mining and processing. The tourism sector, which is one of the sources of foreign exchange for the country, has, according to the Ministry of Tourism, a slight increase of 2% in 2009, while overnight stays in classified accommodation establishments have declined. of 1.4% and tourism receipts decreased by 5% which seems to be less affected by the crisis. In 2010, travel receipts and tourist arrivals increased by more than 6.8% and 11%, respectively, compared to 2009, and then increased by more than 4.4% and 0.6% in 2011. By travel receipts fell by less than 1.7% in 2012 and tourist arrivals increased by more than 0.4% even with the crisis in the European Union and wars in the region Mediterranean, Morocco has been able to control and stabilize the evolution of the sector. Despite this, the tourism sector has also been affected by the decline in foreign direct investment. The latter fell respectively by 26.3% and 29.2% in 2008 and 2009. The following graph shows the evolution of foreign direct investment. According to which, the investment rate, which has risen sharply to 30% of GDP in 2007 has experienced some setbacks during the crisis period. This development had an effect on the unemployment rate, which went from 9.6% in 2008 to 9.1% in 2009.

¹⁰ Source: Developed by the author from data provided by the World Bank

Figure 2: Net inflows of foreign direct investment (BDP, current US \$)¹¹

However, the investment experienced its best evolution compared to gross domestic product in 2007 with 0.84%, 0.64% in 2010 and 0.38% in 2012. This evolution of the foreign direct investments is related to the efforts of the government to put a favorable environment and improved economic conditions that enabled Morocco to significantly and gradually increase the inflow of foreign direct investment by six times between 2002 and 2007 according to an OECD report.

The period between 2013 and 2014, has seen a decline in net inflows of foreign direct investment. But in 2015, net inflows of foreign direct investment increased and reached \$ 2.7 billion.

Figure 3: Industry value added as a percentage of GDP¹²

Despite investment efforts in the industrial manufacturing sector and the rapid and continuous development of exports of some of Morocco's global trades (automotive and aeronautics), the value added of the entire sector of processing industries continues to evolve a fairly modest pace that does not exceed 2.2% in 2017. This situation reflects the coexistence, in a dual industrial sector, of dynamic and well-integrated trades with global value chains, alongside sectors with limited productivity and low added value, and this, together with the persistence of informal economic activities. As part of strengthening the industrial fabric, it should be recalled that the end of 2017 was marked by the signing of more than 26 investment projects in the automotive sector. These investments should allow Morocco to position itself on new compartments of the automotive value chain, without omitting the signature of the memorandum of understanding which took place during the same year and which concerns the Chinese investment project of the Group BYD specializes in the electric car.

¹¹ Source: Developed by the author from data provided by the World Bank

¹² Source: Developed by the author from data provided by the World Bank

Nevertheless, the profit that Morocco could derive from the various foreign investments, in terms of transfer of know-how and technology, depends on the one hand, on the availability of a qualified human capital able to absorb and master the technologies and the intensification of upstream and downstream relations between major investors and the fabric of small and medium-sized domestic firms. The latter could only ensure such a role if they benefit from the financial and technical support needed to meet the requirements of major investors in terms of quality standards, mastery of technologies, management methods, and responsiveness. In 2012, the Moroccan economy went through a very difficult period because of the increase in the price of energy products, compensation expenditure rose by 12% to reach 55 billion dirhams¹³ which aggravated external imbalances and budget, which has impacted economic growth. According to the report Economic, Social and Environmental Council, *domestic demand was again, in 2017, the main contributor to growth, representing 3.6 percentage points, despite the slowdown in its growth rate of 5, 1% in 2016 to 3.3% in 2017. On the other hand, external demand, approached by net exports of goods and services, saw its contribution to growth return to positive values, amounting to 0, 5 point, after a negative contribution of - 4.3 points the previous year. Despite this improvement, the contribution of external demand to GDP growth remains structurally weak. This weak performance is also reflected at the micro-economic level with a limited focus of Moroccan small and medium-sized enterprises towards exports.* Faced with this situation, the State has sought facilities from the international financial institutions to ensure and control the external balance.

4. CAPACITY AND FUNCTIONING OF THE BANKING SYSTEM IN DEVELOPMENT AND ECONOMIC GROWTH

The openness of the global economy, the liberalization movement, and the evolution of the financial system in general, has influenced the evolution and dynamics of economic growth. However, in the economy of each country, awareness of the importance of the financial system is confirmed by support and support for the efforts of growth. However, the realization is based on the assumption that the development of the financial sector must lead to a development of the real sector. Indeed, the banks differ according to the functions and the structures of the banking system of the different countries. The careful examination of the structure of the banking system is part of its role in creating a strong and dynamic economy through the transformation of savers' funds into agents that provide opportunities for investment and through the next to create added value. In spite of this, the banking system carries risks to guarantee the transfer of savings for the benefit of creative and productive projects instead of unprofitable investments. In general, the impact of the crisis remains variable depending on their degree of integration into the global economy, and the soundness of the financial system. According to a study by the High Commissioner for Planning, on June 30, 2010, the Moroccan economy was able to escape the financial crisis of 2007 following two main reasons: the weak integration of the Moroccan economy into the world system as well as the regulatory framework of the Moroccan financial system complies with the prudential rules Basel II example. In this perspective, the Moroccan banking system has evolved and is one of the engines that helps the development and creation of wealth in the national economy. It has become one of the best Arab and African banking systems. Even if the Moroccan banking system is judged to have a very high tariff compared to other countries. However, according to the report of the World Bank, published in 2009, Morocco is one of the leaders of the banking sector compared to the Arab and African countries with a rate of 62%¹⁴ (including customers of the Bank Postal), against 42% in Tunisia, 35% in Jordan, 30% in Algeria and 28% for Egypt.

¹³ Annual report of the Economic, Social and Environmental Council

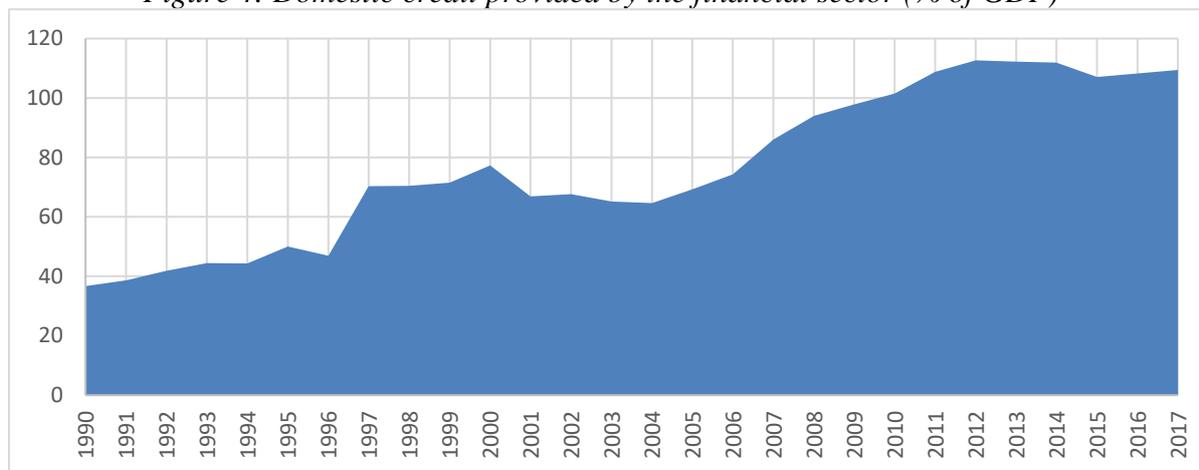
¹⁴ According to Attijariwafa Bank CEO Ismail Douiri at a meeting on "The Role of Banks in Financing Arab Countries", June 19, 2014

These results may explain because Moroccans allow themselves to open bank accounts to benefit from the services and benefits that are offered by Moroccan banks. While, the rate of bancarization of the population in Morocco is 71%¹⁵, which displays a higher level compared to other countries. It is therefore 57% by accounting for Postale's Bank clientele, compared to 42% in Tunisia and 35% in Jordan. Algeria and Egypt are at the bottom of the list with a respective banking rate of 30% and 28%.

The behavior of Moroccan banks towards individuals or companies is characterized by:

- Significant decline in interest rates;
- Differentiations and homogeneities of banking products;
- Facilitation and reduction of delays in granting credits;
- The amount of deposits and credits.

Figure 4: Domestic credit provided by the financial sector (% of GDP)¹⁶



According to the data of the World Bank, the evolution of the companies which resorted to bank financing evolved during the period 2004 and 2007 respectively an evolution of 26,48% and 12,3% compared to the total of the companies. After the crisis, some companies encountered difficulties in meeting their commitments, as well as the decline in their activity. For its part, the banking sector has become attentive to granting credit except businesses that meet the requirements of banks who ask for bonds or guarantees to deal with the difficulties of non-repayment of debts. Following various reforms that are adapted to the needs of society in general and the adaptation of prudential standards meeting international standards, including the ratio of "Cook", which can cover all bank risks and a control of the banking activity. These reforms have helped the Moroccan banking system to open up and invest in African countries as the example of BMCE, BCP, Attijariwafabank. The role of the Moroccan banking system remains limited in development and economic growth since Moroccan banks is closed to themselves with little competition between them and strategies that can be almost the same for all banks. The latter do not make it possible to finance most of the projects proposed by investors as a result of their requirement to limit the risk and collateral requested from investors, especially small and medium-sized companies, which is facing funding difficulties. In order to cancel and limit financing difficulties, the bank and the company have an interest in creating a partnership environment of transparency and assistance. The banking sector must help the company to correct these weaknesses, by giving it the necessary information so that it can have access to financing.

¹⁵ According to the statistics of Bank Al Maghrib for the year 2017

¹⁶ Source: Developed by the author from data provided by the World Bank

We must not neglect the place of supervision and monitoring for small and medium-sized companies to help them integrate into the market since Small and Medium Enterprise are the keys to growth for the Moroccan economy. In this sense, the banks have to face the new challenges of the Moroccan economy and open up on the strategies set by the Kingdom, which are based on transparency, dialogue and help to create partnerships with the Very Small Business and Small and Medium Enterprises that are the engine of economic and social development.

5. CONCLUSION

At the global level, the recovery of economic growth that began in late 2016 has been confirmed in several countries in 2017, with a slightly more apparent acceleration in advanced economies. Major emerging countries such as China and India continued to post high growth rates. Brazil and Russia, for their part, returned to positive growth rates, confirming their exit from the economic recession. Moreover, and despite persistent threats of protectionism, the volume of world trade has accelerated somewhat in 2017. As for the commodity market, it is worth noting the increase in the price of oil compared to the year last under the effect, inter alia, of the renewal of OPEC's offer and of a higher international demand. At the regional level, the year 2017 was marked by the consolidation of Morocco's commitment to the African continent. Indeed, after its reinstatement to the African Union at the beginning of the year, the Kingdom officially submitted its application for membership to the Economic Community of West African States (ECOWAS). This is an area whose weight in the total Moroccan trade with the continent has increased from 19.9% to 22.9% between 2010 and 2016. This favorable development is an index in favor of an integration further development between Morocco and the ECOWAS countries, although Morocco still does not appear in the list of the top 10 commercial partners of this community. However, the final decision on whether to accept our country's membership has not yet been formally declared. However, the national economy is running out of steam since it has not been able to continue its transition to a higher growth stage, as was the case between the 1990 - 1999 and 2000 - 2009 phases. This observation questions the capacity of the model. of current growth to create enough wealth and jobs for current and future generations.

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