

# Internationalization Strategy and Financial Spinoffs: The Case of Popular Central Bank Group

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## ABSTRACT

*The main objective of this scientific article is to present the popular central bank group and its internationalization strategy. A qualitative study was conducted to determine the crucial role played by African subsidiaries in the development of the bank's financial indicators. The quantitative and empirical study aimed to answer the basic problem of how the company can maintain the positive contribution of these subsidiaries to the development of the banking group in general. It shows that answer of this challenge is not an easy task. It is therefore essential to choose the right country for the implementation, the good regional director, a permanent and fluid communication as well as continuous monitoring and control between the group and the subsidiaries. In sum, BCP's internationalization strategy is a good example to follow, as the financial results of African subsidiaries show.*

**Key words:** Internationalization Strategy, African Subsidiaries, Financial Indicators, Banking Group, Development.

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## INTRODUCTION

This scientific article's main objective is to describe the internationalization strategy of the popular central bank group (BCP), present its main foreign subsidiaries as well as the objectives behind its African operations. Indeed, international development is an important growth driver for the banking group. It envisages a development that mastered its strategic footprint mainly in sub-Saharan Africa.

To expand and strengthen the presence of BCP in the mainland, a plan dubbed "Elan 2020" was introduced. It aims to monetize its positions in the corporate segment by leveraging the strong synergies intragroup.

Moreover, the African development group strategy is based on the development momentum carried by the Atlantic bank and boosting synergies with other entities. Indeed, the African development is part of the new organization of BCP of creating more foreign subsidiaries.

The main issue that will try to answer this article is how the BCP will maintain the positive contribution of its subsidiaries in the performance of its financial indicators.

The plan of this article will be as follows: first a presentation of the popular central bank group then a return on its expansion in the African continent and finally the bank's various activities in Africa.

The data and figures to be addressed in this article concern the exercise 2015. The choice of this year is rooted in the dynamics experienced by the group in terms of the acquisition of new subsidiaries and its African expansion.

This scientific article will follow the following plan: A detailed presentation of the popular central bank group, its subsidiaries with their creation dates. A look back at the history of the internationalization of the banking group with major international operations that have marked the history of the bank and finally the encrypted positive contribution of African subsidiaries to develop the bank in the years 2015 and 2018.

### **1. The popular central bank group**

The Popular central bank (BCP) is a banking group, mutual and universal financial. It draws its strength from the peculiarity of its values and its solidarity. Indeed, BCP group consists of regional banks (BPR) vocation cooperative, BCP specialized subsidiaries, foundations, banks, and representation abroad.

In detail, the regional popular banks in the form of cooperative. Indeed, the BP's capital is owned by its members and customers of the popular central bank. Similarly, the Supervisory Board responsible for monitoring and control of BPR activities represents members of the community.

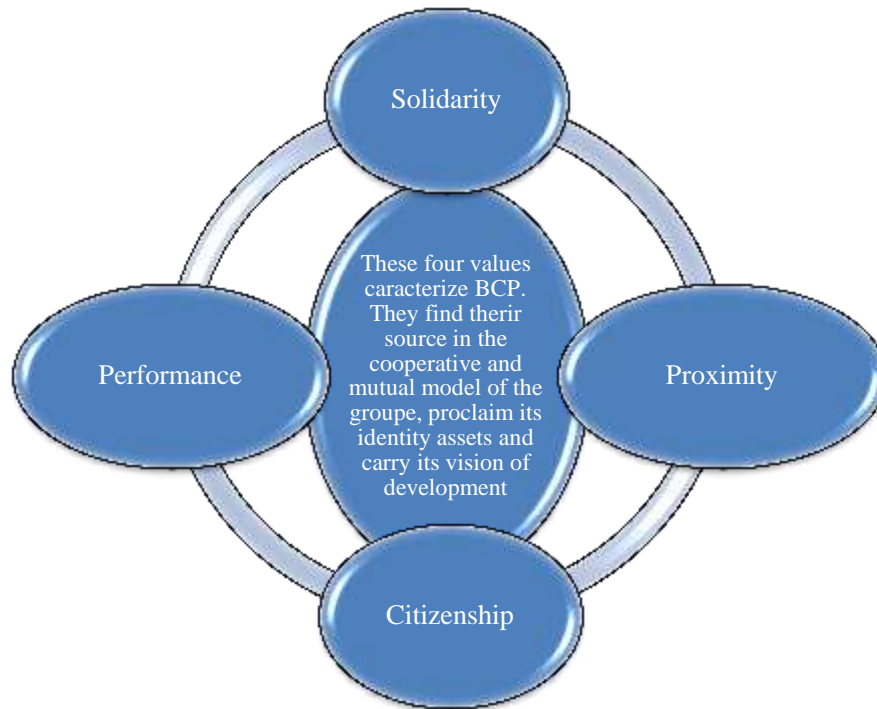
The popular central bank is publicly traded since July 8, 2004. It is centrally compensator quality of the group and manages the cash surpluses of regional popular banks. Similarly, the bank refinances and management of common interest services on behalf of the bank's bodies.

The popular central bank group is considered the largest contributor to the collection of savings. Indeed, in 2015, customer deposits of resident individuals amounted to 92 billion dirhams, an increase of 12% year on year. This improvement is rooted in the development of a combined local network to the expanded customer base with the recruitment of 365,000 new customers.

In the same year, the group has expanded its network nationwide through the opening 70 bank branches in the kingdom, bringing the total to 1,396. Indeed, the development of these distribution networks demonstrates the bank's commitment to strengthen the proximity and financial inclusion. Still, in 2015, popular central bank continued its outreach strategy through the development of new products and services. They offer packaged supported by the sustained sales momentum helped to reach nearly 2 million customers.

Moreover, the commercial dynamics of the network has allowed the bank to record at the end of 2015 increased by 4.8% bringing outstanding deposits at 83 billion dirhams, or an additional 3.8 billion DH. For its part, the total outstanding credits totaled 8 billion DH most of which is intended to finance the acquisition or construction of housing. The customer portfolio, meanwhile rose 3.5% compared to 2014 with nearly 50,000 new relationships for 940,000 customers.

Furthermore, popular central bank group exercises its functions based on four core values: solidarity, proximity, citizenship, and performance. The first value is rooted in the history of the bank and is one of its main principles; it allows the group to fulfill its mission of general interest of banking and socioeconomic development, and through strong actions social and economic benefits for the regions and different industries. Regarding proximity, the regional structure of the BCP, the density of its network and strong presence allow it to be in permanent contact with the realities and local conditions. Regarding citizenship, the group ensures implement actions that are part of a comprehensive approach to sustainable development.



**Figure 1: BCP Group Values in brief**

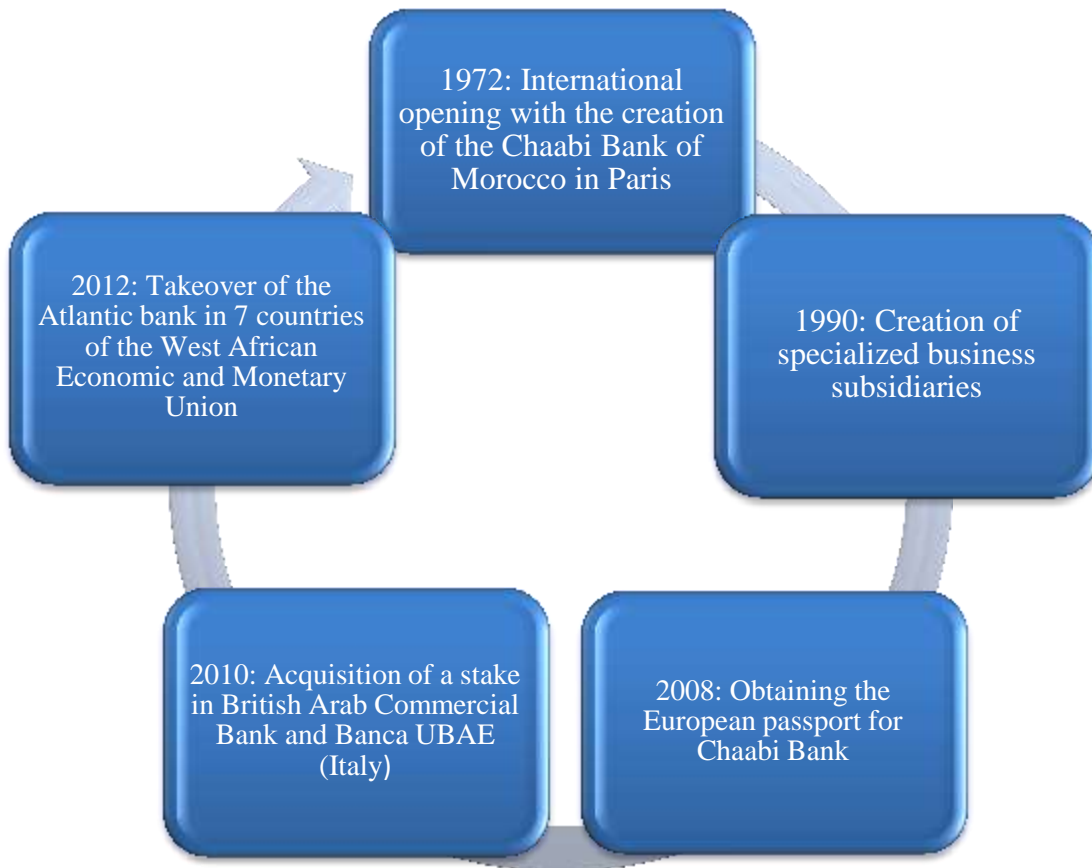
### **1.1 The BCP's development continuous over the years**

Since May 25, 1926, date of Dahir creating the organizational model of the BCP, the banking group has continued to grow over the years. In February 1961, overhauling the CPM took place. 11 years after, the bank is open to international with the creation of the "chaabi bank" from Morocco to Paris. In 1990, BCP has embarked on the creation of subsidiaries trades. Then the reform of Morocco's popular credit enhancement on the regional dimension of the BPR and the widening of the prerogatives of the executive committee was in 2000. In 2004, the People's central bank has floated. The year 2008 was marked by the takeover of the investment bank Upline group combined with obtaining the European passport for Chaabi Bank.

The year 2010 saw the acquisition of a popular central bank in international banks British Arab Commercial bank, Union of Arab and French banks and Barca UBAE and the merger of the People's Central Bank and the People's Bank of Casablanca.

The year 2012 meanwhile was marked by the opening of the capital of BPCE and IFC with the Atlantic bank takeover in seven countries of the Economic and Monetary Union of West Africa.

Two years later, two major events have been produced to include the withdrawal of the state capital of BCP and obtaining approval for the creation of Atta'mineChaabi. Finally, in 2015, the BCP conducted a majority stake in the regional popular banks (BPR) with a capital increase reserved for employees.



**Figure 2: History of the BCP in a few dates**

**1.2 BCP and its subsidiaries**

BCP group consists of regional popular banks (BPR) cooperative vocation of the People's Central Bank as the central body in the form of a public limited company, specialized subsidiaries, foundations, and representatives abroad. All these entities operate in synergy. Its main values are mainly solidarity, proximity, citizenship, and performance. These values are rooted in the cooperative and mutualist model group.

The banking group has several subsidiaries including the holding company Atlantic International Business. It is owned 75% by the BCP. Its goal is to federate the group's activities in the areas of banking, insurance, and financial engineering in 7 countries in West Africa. ABI is a financial holding company developing control with majority holdings in (table below).

**Tab1: Subsidiaries ABI (Banking and Insurance)**

<b>Atlantic Business International</b>	
<b>Investment Banks And Banks</b>	<b>Insurance</b>
Atlantic Asset Management	Atlantic InsuranceIvoryCoast
Atlantic Finance	Atlantic Life Insurance Ivory Coast
Atlantic Bank Burkina Faso	GTA-C2A-casualty
Atlantic Bank Benin	GTA-C2A life
BanqueAtlantique Cote d'Ivoire	-
Bank Atlantic Mali	-
Niger Atlantic Bank	-
Atlantic Bank Senegal	-
Atlantic Bank Togo	-

## 2. Back to the history of internationalization of the popular central bank group

International development is an important growth driver for BCP over the next five years. Indeed, the group plans a development that mastered its strategic footprint in Sub-Saharan Africa and building on synergies with Atlantic Bank and other entities. To succeed in development mastered the group's activities in sub-plan building software tools and risk management will be deployed.

Similarly, the group intends to consolidate and monetize its positions acquired corporate customers while leveraging the strong synergies intragroup.

It was in 2015 that the director of BCP Committee and the board of directors of BCP decided to bring the participation of the banking group in the capital of each regional Popular Bank (BPR) to 52%. Indeed, this increase in BPR capital by BCP of around 11.4 billion dirhams aims to strengthen cohesion, solidarity and the financial capacity of entities that make up the bank.

In addition, BCP entered the current year the transaction to acquire an additional 10% stake in the holding company ABI. This new rise in the capital of its subsidiary Saharan follows that of 15% made in October 2014, which allowed him to control the majority ABI. With this new contribution, GBP rose from 65 to 75% in the capital of the ABI group present in 7 countries in West Africa. Therefore, the group reaffirms its development policy in Africa and particularly in sub-Saharan Africa.

Still, in 2015 the BCP opened a representative office in Washington. Objective: play the role of intermediary between the Moroccans of the world and their country of origin on the one hand and contribute to the strengthening of business relations between Morocco and the United States on the other.

### 2.1 The BCP, a reference financial actor in sub-saharan Africa

The banking group aims to become a reference financial actor in sub-Saharan Africa through three main areas:

*The strengthening of its African location:* The group is planning as part of its Elan 2020 plan to expand its presence in the African continent while expanding in its different locations a complete range of products and services.

*The consolidation of the corporate activities of its African subsidiaries:* As part of the Elan 2020 plan, the group intends to consolidate its positions and profitability acquired corporate customers by leveraging the strong synergies intragroup. As such, a skills sharing platform will be set up.

*The retail bank's development in Africa:* Continental development of the group also plans to explore the significant potential that the increasing banking penetration of host countries. The group also intends to develop and deploy targeted offers and adapted locally.

Since the increased presence of the popular central bank group in Africa with the acquisition of Atlantic Bank (ABI), private banking's main mission is to create an effective synergy with relevant entities in order to better serve customers target ABI.

Similarly, a series of missions were carried out in Senegal and Ivory Coast between representatives of the private bank BCP and those responsible for VIP clients of ABI. Objective: To establish an effective and efficient collaboration.

Furthermore, the potential of the asset management market in the African continent presents a strategic opportunity for the group. Private banking for its main objective to assist the ABI banking partner in the establishment of a private bank sector.

In 2015, the popular central bank group adopted a new strategic vision "Elan 2020". Indeed, the bank aims to improve its main financial indicators and sustainably consolidate its strategic reference points. It will also ensure retain strength and leading financial attractiveness and as part of balanced management of its various activities especially internationally.

In addition, the plan establishes the citizen and regional dimension of the bank individuals and micro-businesses and focuses on strengthening the leadership of the banking group and on individual customer segments, including individuals, professionals, and businesses.



**Figure 3: «Elan 2020» in brief**

## **2.2 Strengthening the international position continues**

After the good results harvested in 2015, the bank continued to expand internationally. In 2018 for example, the contribution of international amounted to 17%, nearly 20% of net banking income (PNB) of the bank.

This positive contribution was mainly due to the strong growth of the main subsidiary of international ABI. This includes bank holdings in West Africa, Mauritius, and Madagascar via BCP Bank Mauritius.

In the same year, the BCP has extended its geographical footprint to 13 countries outside Morocco, becoming the first banking group in west and North Africa to have a banking presence in Mauritius.

Supported by mobilizing its teams through the completion of its 16 sub-Saharan subsidiaries, the year 2018 was a year of growth for the holding of the BCP Group. Indeed, ABI has strengthened its main financial indicators and benefited from the dynamics of its subsidiaries on all the markets it operates.

Moreover, in 2018, the Atlantic Bank of Benin recorded a 3% increase jobs and consolidated its achievements in customer deposits. Therefore, the Atlantic Bank occupied the 7<sup>th</sup> place in terms of collecting savings and 5<sup>th</sup> place regarding the distribution of credits with respectively 7.2 and 11.3% market share.

## **3. BCP, a multi-business banking across the African continent**

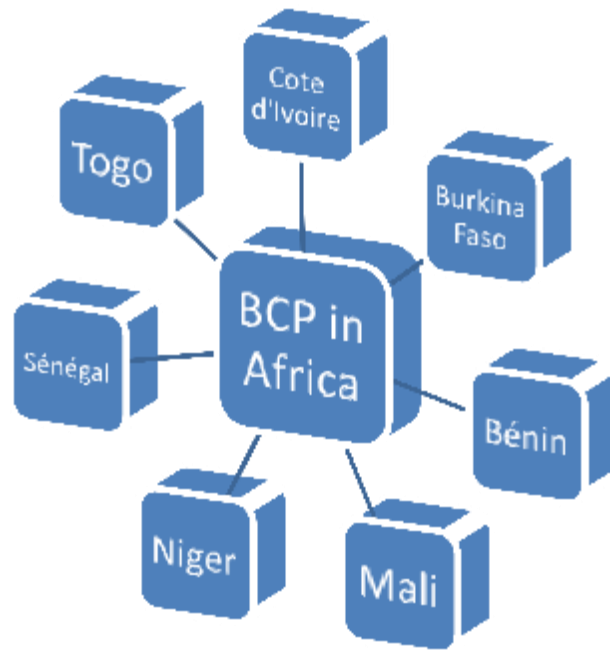
In 2015, BCP had different highlights, hence the choice of this year to the writing of this scientific article. Among which we quote:

- The acquisition by BCP of an additional 9.6% interest in ABI.
- Finalization of the ABI stake in insurance companies.
- The signing of an agreement of bank-UEMOA Committee for the opening of a branch of BACI in Guinea Bissau.
- The beginning of the operational alignment with subsidiaries' popular central bank group.
- Continued transformation projects within the ABI group initiated in early Q4 2012 and covering all functions.
- The redesign of the information system.
- The migration of electronic banking platform Powercard Casablanca via a subsidiary of Payment Center for Africa (PCA).

Today Atlantic Bank Group operates in 7 countries for its banking activities in Ivory Coast, Burkina Faso, Benin, Mali, Niger, Senegal, and Togo.

It must be said that the year 2015 was particularly dynamic in terms of business with a portfolio of clients in appreciation of 12% year on year, an outstanding amount of funds raised increased by 22% and outstanding loans to customers increased by 16% compared to 2014.

Similarly, fiscal 2015 was marked by the continued growth engaged for two years in sub-Saharan Africa to the banking and financial inclusion of the population. In terms of activity, the ABI Group recorded a significant increase in customer deposits of 16.5% and 11.8% credits.



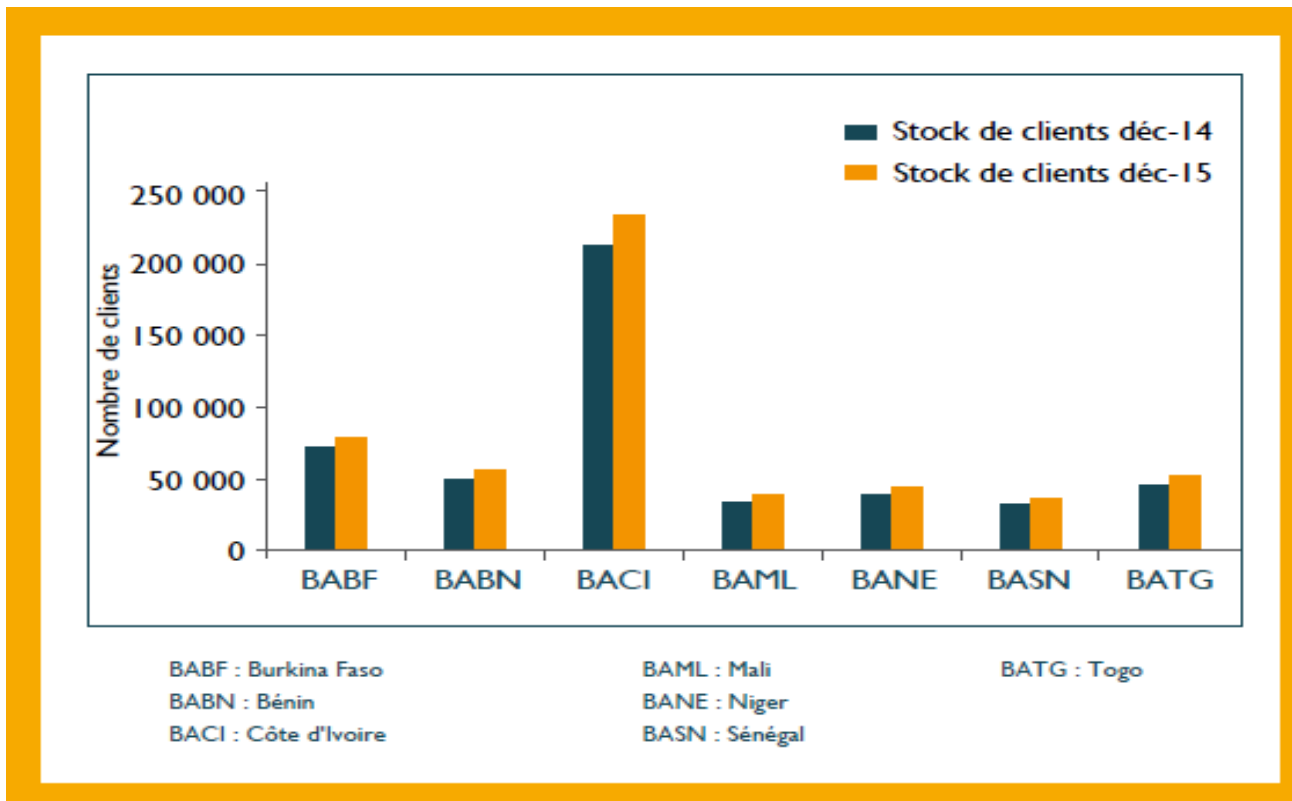
**Figure 4: BCP group in Africa**

### **3.1 Strong momentum in commercial activities**

The different banking subsidiaries Atlantic Bank group through their implementation 7 countries have experienced remarkable business in fiscal 2015. In detail, the net recruitment of new customers totaled 56,800, bringing the portfolio to 542,300, an increase of 12% year on year. The number of active credit cards grew 20% in excess of 420,000 units, and the number of packaged offerings distributed to customers has more than doubled since 2014 surpassing the 38,000 packs bar.

The different business performance of the group allowed him to realize additional net inflows of around 280 billion CFA francs, an increase of more than 22% of outstanding customer deposits, which reached 1,567 billion at the end of 2015.

As for customer loans, they experienced a significant growth of 16% year on year. Gross loans increased by 193 billion CFA francs, including 123 billion for short-term loans with an additional 110 billion made by BACI and 45 billion for loans to medium and long term.



**Figure 5: Development of commercial activity of BCP by country**

### 3.2 Back on the contribution of African subsidiaries to the group results in 2015

The 2015 results of the popular central bank group were supported by the positive contribution of African subsidiaries. Indeed, the PNB of the bank recorded an increase of 4% to 15.3 billion dirhams, demonstrating the ability of its business model. This growth was driven by a strong contribution from all the group's subsidiaries including those operating in sub-Saharan Africa. ABI subsidiary saw its contribution to benefit increase of 14.4% group against 14.1% a year earlier.

For its part, outstanding customer deposits reached 250.3 billion dirhams at the end of 2015, an increase of 20.5 billion dirhams compared to 2014. An improvement reflecting the strong ability of the group to mobilize savings taking advantage of the density of its distribution network nationally and internationally. The bank's contribution to sub-Saharan Africa in outstanding deposits was approximately 10.2% against 9.5% a year earlier.

Similarly, the banking group consolidates its position first collector of deposits in the national market. It improved its position by 15 basis points with a market share of 26.7%. This dynamic collection enabled the BCP to recruit 420,000 new customers in 2015, bringing its portfolio to nearly 5.2 million relationships. The bank also benefited from a broad base of unpaid deposits it continues to optimize the structure to preserve the best resource room, or 63.3% unpaid resources.

Moreover, the group continues to expand its distribution network in the service of the country banking and financial inclusion with the establishment of 70 bank branches in Morocco, bringing the total to 1,396. Indeed, 2,374 additional points of distribution including 2,135 in Morocco and 239 internationally support this network. Current 2015, BCP acquired M2T Company allowing it to extend its range of products and services offered to its customers. Similarly, the group has made available to its customers a wide ATMs network and innovative services via the channels of digital bank.

The year 2015 was also a remarkable year for deposits of Moroccans of the world. The additional collection was of the order of 4 billion dirhams bearing outstanding to 83.1 billion dirhams with 51% market share. These good figures are underpinned by a variety of distribution channels and transfer as well as the commercial dynamism of the local network.

By the end of 2015, the group strengthened its position with 104 points in market share to 21.8% with an additional collection of 9.9 billion dirhams. This performance confirms indeed the relevance of its choices and the strength of its commercial activities. Always on savings mobilization at the national level, the group continued in 2015 the development of asset management through its subsidiary-business Upline Group. The outstanding amount of assets under management improved from 4.6% to 32.5 billion dirhams.



During 2015, the banking group reaffirmed its commitment to the financing of the productive national and African levels. Outstanding customer loans was increased to 210.1 billion dirhams against 206 billion a year earlier. Indeed, the distribution of this outstanding did appear a rise in the share of Sub-Saharan Africa in total credit to the economy to 10.6% against 9.6% in 2014.

Nationally, the BCP was able to conquer a place of choice for financing the economy posting a market share of 24.5%.

In the same year, the banking group continued its growth engaged for two years in sub-Saharan Africa. It aims to banking services and financial inclusion of people with the creation of two microfinance entities and taking control of four insurance companies. Regarding activity, the ABI group recorded a remarkable increase in customer deposits and loans.

### **3.3 The positive contribution of African subsidiaries continues**

The various African subsidiaries of the popular central bank group continued their positive contribution to the financial indicators of the bank. They have seen their assets grow by 9% in deposits and loans to economic actors to increase by 12% in 2018. In the same year, the additional of outstanding customer loans of subsidiaries totaled 3.9 billion dirhams.

Moreover, the increase in commercial activity led to net banking income (NBI) African subsidiaries recorded an improvement of 14% to 3.12 billion dirhams. Other factors contributing to this increase the performance of the intermediation activity and change in scope of consolidation of the bank following the integration of BIA Niger in the consolidation of BCP Mauritius. Thus, the various subsidiaries of the banking group are the source of 20% of the value creation of the BCP.

Furthermore, through the implementation of risk management at policy of foreign subsidiaries, the year 2018 was marked by a sharp decline in the cost of risk of 63% to 217 million dirhams. It is in these conditions that the consolidated net income of subsidiaries increased by 75% to \$857 million dirhams, representing 24% of net profit of the banking group.

The 2018 financial year was marked by the acquisition of FinatechWizall combined with the launch of several digital opportunities in Senegal. These will be generalized to other bank's countries of operation. In the same year, more precisely in October, the group completed the acquisition of the bank Mascarene in Mauritius. Other activities marked the year 2018 is the acquisition of controlling interests in four new subsidiaries of its capital partner BPCE (popular bank and savings bank).

In detail, it's basically a stake of 68.5% in the international bank of Cameroon for the savings credit, 71% in the Malagasy Bank in the Indian Ocean (BMOI), 100% in the international commercial bank and 60% in the Tunisian-Kuwaiti bank (BTK).

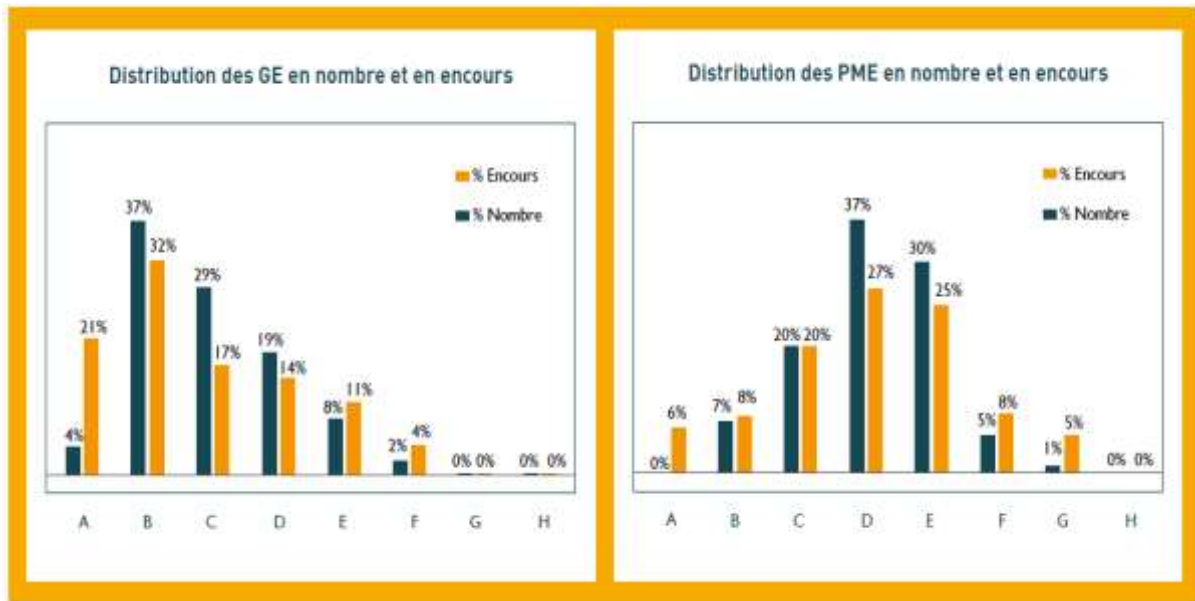
In addition, the completion of the acquisition of these investments will allow the group to have a new dimension internationally with a presence in 17 African countries for a portfolio of twenty subsidiaries. Indeed, the evolution of the asset portfolio will undoubtedly positively affect the Group's results from 2019.

## **CONCLUSION**

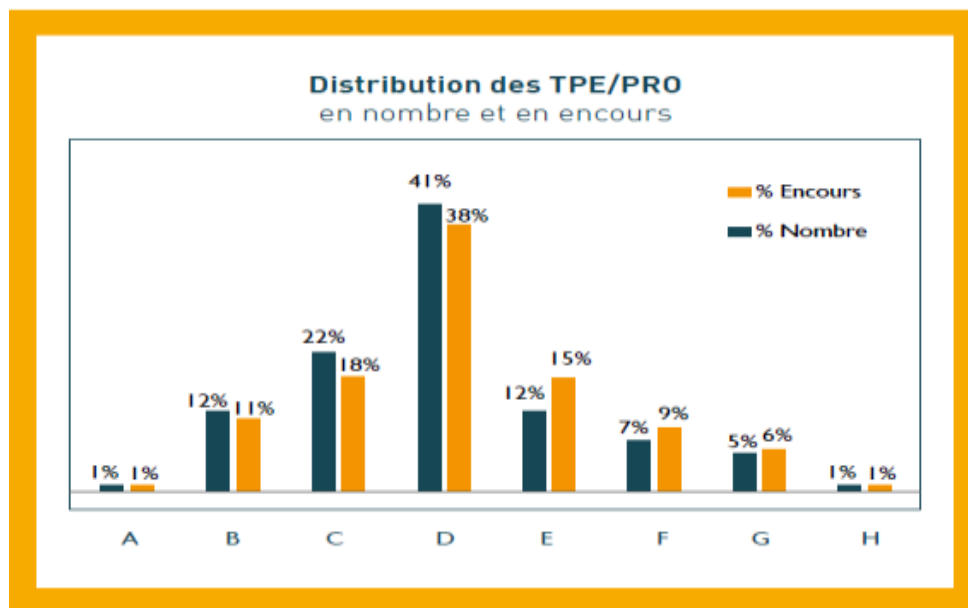
In conclusion, the implementation of Moroccan banks in the African continent and the integration of the Moroccan economy in the world is now a reality. Indeed, the movement and dynamism of the internationalization strategy have become possible thanks to the reforms launched all-out for the past 20 years and the opening policy raised by the free trade agreements finalized by the major economic powers and some Arab countries. In addition, the banking internationalization has two main goals: changing the banking environment and increase market share. In the case discussed in this article, namely the African internationalization of the popular central bank maintaining the positive contribution of African subsidiaries to various financial indicators of the group is not an easy task. Indeed, pay close attention and active listening to all ideas, proposals or complaints to the African subsidiary to better manage all making significant profits. Similarly, support and training for CEOs prove an important need. It is also essential to choose the right regional director to represent the banking group in the country of operation. This should be a great connoisseur of banking, cultural barriers that may face and the main features of the host countries. In this way, the regional CEO can control the essential better managerial decisions.

ANNEXS

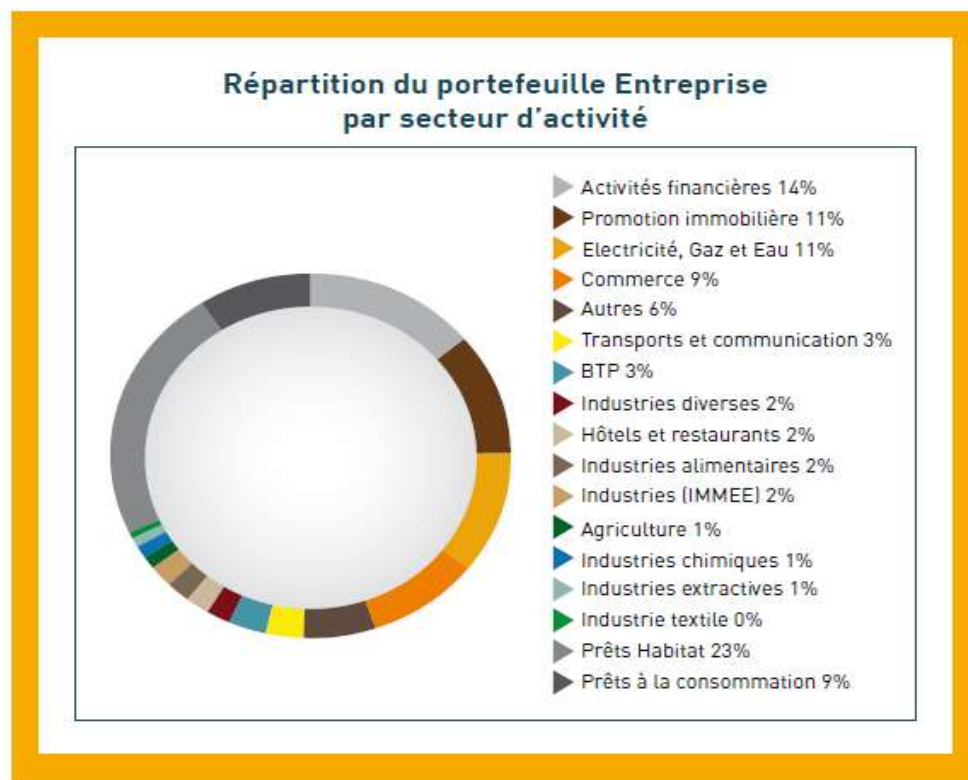
Annex 1 : large, small et very small companies according to their number and stocks



Annex 2: Distribution of very small companies



**Annex 3 : Distribution of companies portfolio by sector of activity**



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