

Banking Risk Management between the Prudential and the Operational Approaches

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Abstract : Since the nineties, all Moroccan banking institutions have to respect an arsenal of prudential ratios. The respect of these prudential measures aims to ensure the financial system stability. In order to do so, regulatory authorities tried to reduce the financial and operational risks incurred by the banking entities. Meanwhile, regulatory authorities demanded a balance sheet management work from banks. They also asked them to establish a management control system to manage operational risk, as well as an effort in terms of incurred risk-based commitments. Therefore, the prudential approach has a macroeconomic nature and it is presented as a determinant of the operational, microeconomic approach. This operational approach takes the form of a strategy that each banking entity must develop to manage the different banking risks. This study seeks to analyze the problem of risk management between the prudential and the operational approaches. It was processed through a literature review followed by an analysis of the Moroccan banking sector's performance. At first, we will reconcile the inductive logic and then, the analytical one. The first approach consists of analyzing the phenomenon from a normative and conceptual perspective, while the second one will consist of considering the Moroccan banking system and analyzing the behavior of Moroccan banking entities in terms of risk management and performance. The results identified a favorable growth in terms of performance, despite the huge provisioning effort made to meet the international standards and the harmonization of the regulations.

Keywords : banking performance, financial intermediation, operational approach, prudential standards, risk management

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