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# Credit scoring and risk management in islamic banking: the case of Al Etihad Credit Bureau

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## Abstract

This current research aims to assess the performance of Al Etihad Credit Bureau (AECB) operating in the United Arab Emirates (U.A.E.) in reducing credit risk in the Islamic banking model. The research aims to clarify the effects of credit scores on credit risk management in Islamic banks and the extent of adopting Islamic banks of these ratings when evaluating the borrowers. The study was done based on a primary qualitative research method where six top managers from AECB and nine managers from UAE's Islamic banks who are involved with credits within the bank were interviewed using a structured interviews approach. It was found that Islamic banks perceive AECB services and products as useful for credit scoring and risk management as a supplement to their internal subjective rules and guides. AECB applies the same rating across banks and financial institutions in the UAE. The study has implications for Islamic banks, AECB, and financial policymakers in the UAE.

**Keywords:** Risk Management; credit scoring; Islamic scoring; defaulted loans.

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# Calificación crediticia y gestión de riesgos en la banca islámica: el caso del Bureau de Crédito Al Etihad

## Resumen

Esta investigación tiene como objetivo evaluar el desempeño de Al Etihad Credit Bureau (AECB) que opera en los Emiratos Árabes Unidos (EAU) en la reducción del riesgo crediticio en el modelo bancario islámico. La investigación tiene como objetivo aclarar los efectos de las calificaciones crediticias en la gestión del riesgo crediticio en los bancos islámicos y el alcance de la adopción de estas calificaciones por parte de los bancos islámicos al evaluar a los prestatarios. El estudio se realizó sobre la base de un método de investigación cualitativo primario en el que se entrevistó a seis altos directivos de AECB y nueve directivos de bancos islámicos de los EAU que están involucrados en créditos dentro del banco mediante un enfoque de entrevistas estructuradas. Se encontró que los bancos islámicos perciben los servicios y productos de AECB como útiles para la calificación crediticia y la gestión de riesgos como complemento a sus reglas y guías subjetivas internas. El estudio tiene implicaciones para los bancos islámicos, AECB y los encargados de formular políticas financieras en los EAU.

**Palabras clave:** Gestión de riesgos; calificación crediticia; calificación islámica; préstamos en mora.

## 1. Introduction

Without scientific credit assessment methods, management's subjective judgments may result in insider lending and credit extension to individuals with a reputation for non-financial acumen or to accomplish personal goals such as cultivating relationships with celebrities or well-connected individuals. Insider lending may be minimized using proven lending strategies, particularly quantitative ones that eliminate subjectivity (Salman et al, 2018). When using traditional methods of credit scoring like the 6 C's (i.e., character, capacity, capital, collateral, conditions, and credit score) approach

usually, it is characterized by being a subjective assessment as it is usually done using behavioral systems.

Credit Scoring Approaches are quantitative in nature and are based on a quantitative approach to credit risk management. It is a statistical method that converts data about a credit application or current account holder into numbers combined to generate a score. This score is then used to determine the individual's credit risk or chance of payback. Credit scoring is critical because it enables banks to avoid high-risk clients and to determine if certain types of enterprises are likely to be successful by comparing the profit margins remaining after operating and default costs are deducted

from gross revenues. It accepts data such as personal information, residency, job status, references, and postal and physical addresses as input. Additionally, it is critical for cost and consistency reasons. Before the widespread use of credit scoring, a credit officer would have to analyze a credit application and make a credit decision based on the enormous amount of information included in a normal application using a mix of expertise, industry knowledge, and personal know-how (Anderson, 2007).

Developing a framework for grading loans in Islamic financial organizations presents substantial difficulties for the analyst. Recent studies have attempted to define Islamic banking and finance and explain why it requires a unique grading technique. As Jesswein (2008) notes, Islamic banking transactions are fundamentally distinct from regular banking transactions. Risk sharing, how money under management is treated, the structure of deposits, and the profit-sharing method are all fundamental variations.

Credit risk management is complicated further for Islamic institutions by extra externalities. Islamic banks are banned from collecting accumulated interest or imposing penalties on counterparties, except in the event of purposeful procrastination. Clients may benefit by deferring payment, certain that the bank would not assess a penalty or seek further payments. During the wait, the bank's capital remains idle, and its investors-depositors need more revenue. Another example is when the bank's portion of capital is invested via a Mudarabah (a partnership in which one party provides the capital whereas the other provides the labor and both of them share in the profits) or Musharakah

(a joint partnership arrangement in which profits and losses are shared in Islamic finance) contract is converted into a debt obligation due to the mudarib's (the provider of skill and labour) or musharakah's managing partner's proven carelessness or misbehavior. Consequently, the debt recovery rules are applied, distinct from the mudarabah and musharakah investment regulations (Grassa, 2016).

Collateral and pledges are a standard practice among all Islamic institutions as a means of mitigating credit risk. Before engaging in a Murabaha transaction, the bank may need extra collateral from the customer. In certain instances, collateral for Murabahah is allowed. Collateral posting as security has complications. Typical issues include the collateral's illiquidity or the bank's inability to sell it, challenges evaluating the fair market value of collaterals, and legal impediments and barriers to obtaining control of the collateral. Due to poor legal structures and lengthy processing, the bank's claim on the collateral becomes more challenging (Sustersic et al, 2009).

The credit rating system, with its functions and benefits, helps to increase the accuracy of credit decisions and provides access to credit throughout the economy. In 2009, the rise in real estate prices inflated a real estate bubble in the United Arab Emirates. This increased the market's susceptibility to speculation. When the boom broke, Islamic financial institutions like Tamweel PJSC, Nakheel PJSC, and Amlak faced near-impossible repayment schedules. Dubai World announced a repayment delay at the close of business on November 25, 2009. The Dubai Shock is the name given to this occurrence. There are several hypotheses on the cause of

the Dubai Shock; however, the primary cause would be the extension of the real estate market to foreigners in the absence of particular real estate and credit regulations. This is borne out by the lack of a credit bureau until 2014, among other factors. Finally, in August 2014, Al Etihad formed the Al Etihad Credit Bureau (Abdou et al, 2014).

## • **Credit Bureau**

The AECB is a U.A.E. federal government-owned public stock company operating from Dubai, in the U.A.E. The company operates based on the U.A.E. Federal Law No. 6 and works on collecting credit information from financial and non-financial organizations regularly. AECB analyses the collected data based on which Credit Scores for the respective institutions are developed. The organization makes available for individuals and companies for their knowledge and use when considering any investments, lending, or borrowing activities. The company is run by its Board of Directors and a team of management, under whom employees operate the functions and processes of the company (Anagnostopoulos & Abedi, 2016).

The company, in recent years, has also launched a new credit scoring system, which allows lenders to have information about the payment histories of borrowers, so that the payment and rates can accordingly be decided. However, little knowledge is available on accepting these services by Islamic banks. Further, it is not clear how this credit scoring helps Islamic banks to do credit risk management, and lower nonperforming defaulted loans.

The current research aims to explore how using the AECB credit

scoring service helps Islamic banks lower nonperforming defaulted loans.

## **2. Methodological perspective**

In general, this research aims to determine whether the unique characteristics of Islamic banks impact the relationship between credit scoring and the reduction of poor-performance loans. Special features include their inability to invest in instruments that pay interest, share profits and risks, and handle managed funds (Vergara-Romero, Garnica-Jarrin et al, 2022a). Given that the relationship between credit scoring and improving the quality of conventional banks' loan portfolios has been established in numerous papers and articles (Masood et al, 2012; Mansoor et al, 2020; Sobarsyah et al, 2020), this research will explore whether the nature of Islamic banks has any effect on strengthening or weakening this relationship.

The researcher will use the below interview questions that were developed following the study's intent, goals, and primary research questions. Two structural interviews were prepared; the first was done with (6 managers from AECB). The other structural interview was done with nine credit managers from the five major Islamic banks located in UAE.

The questions used for AECB have been chosen to understand the rate creator perceptions regarding how the specific nature of Islamic banks might affect the processes of determining credit rates. The questions for Islamic banks' credit managers were designed to understand their perceptions regarding the applicability of those scores when assessing the credit risk of borrowers in an Islamic bank. The followings are the

interview questions for the AECB:

1. Do you think that a new line of services offered by AECB should be directed to Islamic banks?
2. Do you think that the credit scoring model used by AECB can be applied to Islamic banks in UAE?
3. How exactly does AECB use the Islamic banking model in its operations?
4. Are Islamic banks using your products a lot?
5. Do you recommend any improvements in the credit rating process for Islamic bank borrowers?
6. Does AECB use the current rating systems for Islamic banks covering profit and loss sharing contracts and different types of contracts, such as Murabahah, Mudharabah, Musharakah, Bai' As-Salam, Bai' Al-Istisna' and Ijarah financing contracts?

The target is to explore if they are using different approaches when rating those different types of contracts. Following are the questions for Islamic banks' credit managers.

- Do you depend on the products of AECB when assessing your client's creditworthiness?
- Do you have adequate information about how AECB prepares its scores?
- What methods are used to assess borrowers' creditworthiness besides AECB scores?
- Do you think AECB scoring is better than the traditional method (Behavioral and expert Methods) for evaluating clients?
- Do you believe that the need for a scoring system is more or less critical for Islamic banks and why?
- Do you think that AECB products helped reduce the defaulted loan in

your Bank?

Both groups of questions are intended to test the central general hypothesis of this study: whether the unique features of Islamic banks might affect the link between credit rating and better performance for loans.

## • Data Collection Method

In the current analysis, qualitative data were considered, and the data were collected using the primary data collection process. This approach was chosen for the present study because it helps the researcher to gather information independently, making the data more authentic and credible (Analuisa-Aroca et al, 2022; Vergara-Romero, Jimberdel-Río et al, 2022). The validity of such information is increased because the data has not been analyzed or updated previously (Adams, 2015; Romero-Subia et al, 2022).

The interview technique aimed to ascertain the perceptions of AECB managers responsible for credit scoring and credit managers at Islamic banks accountable for using such rates. To communicate the analysis and test the general premise that the unique characteristics of Islamic banks affect the function of credit scoring in credit risk management in Islamic banks. The researcher conducted in-depth structured interviews with top executives, practitioners, and specialists in Islamic banking and credit scoring who were familiar with Islamic banking practices in the UAE. The candidates were chosen based on their general understanding of Islamic banking and credit scoring. The primary goal and objective of these interviews were to get a thorough knowledge and insight into the adoption of credit scoring, mainly if Islamic ideas

and concepts have been implemented and translated into practice while developing and applying credit scoring.

A series of open-ended questions guided the interviews. Interviewees were invited to frame their responses subjectively according to their level of knowledge or skill using this strategy. This method aided the researcher in assessing the influence of Islamic banks' particular characteristics on credit rating in detail, taking into account the rich background and their meanings (Mansoor et al, 2020; Vergara-Romero, Menor-Campos et al, 2022c).

The interviewees' names and contact information were acquired from the organization's annual reports and websites. Sequential or chain sampling was employed in this study. One initial responder leads to another or further respondents to elicit information from the respondents. In other words, chosen contributors will recommend new people they believe will provide critical data to the project (Analuisa-Aroca, Jimber del Río et al, 2022; Sobarsyah et al, 2020).

Interviews were scheduled in advance and sent to interviewees when they received an appointment. Additionally, participants were informed that their identity and the characteristics of their organization would not be divulged when quoting them. Each interview lasted between half an hour and an hour. Each interview was also recorded using an audio recorder with the approval of the interviewees.

The transcripts were analyzed by classifying the interview content into major points and grouping them. The analytical technique began with the coding of each transcription. Keeping the interview guide's overall picture in mind, the investigator reviewed all the transcriptions continuously

and emphasized substantial remarks deemed relevant to the research (Macas-Acosta et al, 2022; Ochoa-Rico et al, 2022). These categories and titles have been revised in light of the highlighted assertions. The researcher analyzed the transcripts to confirm that the data were accurate and to get insight into the respondents' interpretations and intentions. Respondents' names are protected following ethical standards and concerns.

### • **Data Analysis technique**

In this analysis, a qualitative research method was used. Qualitative research elicits how people respond to various circumstances and behaviors, allowing for a subjective interpretation of such reactions. By qualitative data, we mean non-numerical and personal information in nature and therefore does not contain any statistical data. The study's data is primary data in which the researcher collects descriptive data and performs a subjective analysis (Mohajan, 2018).

This approach's premise is that when descriptive qualitative data is used, words-based data will provide more accurate explanations and knowledge of circumstances and events as individuals encounter them. However, since data collection and interpretation are subjective, it can be complicated. They can also include researcher bias in the analysis, which has been avoided in the current study's results (Khan, 2014). For this study, qualitative data was gathered from AECB members who are currently working in the organization and from Islamic banks credit managers located UAE. The below table gives a complete description of the interviewer (table 1).

**Table 1**  
**Research participants' Demographics**

#	Position	Company	Experience	Education	Gender
<b>AECB Interviewer</b>					
1	Head of Finance and Administration	AECB	10 years	Bachelor	Male
2	Risk Manager	AECB	12 years	Bachelor	Male
3	Legal and Compliance Manager	AECB	17 years	Bachelor	Male
4	Manager Internal Audit	AECB	18 years	Bachelor	Male
5	CIO	AECB	20 years	Bachelor	Male
6	Manager Human Capital	AECB	30 years	Bachelor	Male
<b>Islamic Bank Interviewer</b>					
1	District Manager	Emirates Islamic Bank	22 years	Bachelor	Male
2	Senior Branch Manager	Emirates Islamic Bank	18 years	Bachelor	Male
3	Senior Branch Manager	Abu Dhabi Islamic Bank	22 years	Bachelor	Male
4	Area Manager	Abu Dhabi Islamic Bank	25 years	Bachelor	Male
5	Area Manager	Dubai Islamic Bank	15 years	Bachelor	Male
6	Commercial Credit Manager	Sharjah Islamic Bank	28 years	High School	Male
7	Associate Vice President	Emirates Islamic Bank	25 years	Bachelor	Male
8	Commercial Credit Manager	Al Mashreq Al Islamic	15 years	Master	Female
9	Retail Credit Manager	Abu Dhabi Islamic Bank	20 years	Bachelor	Male

As seen from Table 1, 6 top managers were interviewed from AECB. The total number of employees for AECB is 48. There are five major Islamic banks in UAE. Nine top managers who are involved with credit were selected from those banks.

### 3. Results of qualitative data analysis

This section presents the results of qualitative data analysis. The data is tabulated in Tables 2 and 3, the answers to the interview questions are provided. Subsequently, the research questions and objectives are addressed.

**Table 2**  
**Interview Data from Islamic Banks Managers**

Interview Questions	1	2	3	4	5	6	7	8	9
Do you depend on the products of AECB when assessing your client's credit-worthiness?	Yes	Yes	yes	Yes. AECB is considered in all sorts of Retail Products offerings assessments, including creditworthiness.	Yes	To some extent as the priority is for the bank guideline under the section of the credit risk management process	Yes, but it is an additional tool, and we do not rely on it alone.	Yes, but not just this rate.	Yes, we depend on the AECB when assessing our client's credit-worthiness.

# Credit scoring and risk management in islamic banking: the case of Al Etihad Credit Bureau

Alhammadi, Mohamed Abdulraheem Ahmed; Ibañez-Fernandez, Alberto y Vergara-Romero, Arnaldo

## Cont... Table 2

Do you have adequate information about how AECB prepares its scores?	No	Yes, from bank statements	yes	The AECB puts together a credit report of financially active locals and residents in the UAE by compiling data from loans, mortgages, credit card transactions, and phone bills.	Yes	From previous loans and card transactions, and phone bills	No	No	I have Adequate information about how AECB prepares its sources; some of them are Banks, Police, and Etisalat.
What methods are used to assess borrowers' creditworthiness besides AECB scores?	Internal bank system check CB check Customer statement checking	Internal bank system Facility Calculations	Many factors, for example, the internal policy criteria	Bank Statements, CBRB and other CB reports (Black Lists), Internal Negative Lists, etc.	Internal credit policy and Shariaa policy, central bank policy	In our bank, we also use the 6 Cs method.	Usually, the primary method is to check and accept collaterals offered by the borrower.	We check the purpose of the loan and the ability to repay it.	A different method is from direct liabilities, shown in the borrower from the bank statement.
Do you think AECB scoring is better than the traditional method (Behavioral and expert Methods) for evaluating clients?	yes	Yes	yes	Not really, as you need to have a holistic view of the customer profile from all aspects (Assets and Liabilities) which are not captured in the AECB (i.e., Rental Income, Fixed Deposits, Investments, Other income, etc.)	Yes (scoring time, working hours)	No	No		
Do you believe that the need for a scoring system is more or less critical for Islamic banks and why?	The need for the score is critical for Islamic banks because banks are granting finance to customers based on their scoring criteria and the payment behavior in AECB.	More critical because banks need to evaluate customers' creditworthiness to a closed Prompt	Not critical at all	It is helpful, but still, we should not entirely depend on it as other judgmental methods should be taken.	yes	More critical as Islamic banks are facing more risks than traditional banks. Also, when customers default, interest is not increased as Islamic banks don't charge interest on interest.	Not sure,		
Do you think that AECB products helped reduce the defaulted loan in your Bank?	yes	yes	yes	To a certain extent. AECB gives an indicator, but the default can still happen even if scores were acceptable, as defaults are more behavioral, which can occur at any particular point time during the tenure of a facility.	Yes	To a certain extent	To some extent		
Please feel free to add any information you think will be helpful in the research.		If any enhancement is required to ease the usage, then to be considered by AECB based on the necessary approvals	None		Reliable communication due to fast technology	None			

Answers to interview questions concentrated in the table 3. for AECB Managers. The answers are

**Table 3**  
**Interview Data from AECB Managers**

Interview Questions	1	2	3	4	5	6
Do you think that a new line of services offered by AECB should be directed to Islamic banks?	No, because no particular Islamic criteria can be added to the scores that Islamic banks should offer.	Yes, some services offered by Islamic banks need special rates like Bai' Al-Istisna'.	No, because our rates apply to all types of banks.	No, because it will be challenging to create.	No	Yes
Do you think that the credit scoring model used by AECB can be applied to Islamic banks in UAE?	Yes, as it measures the credit-worthiness of the individual or the institution that decided to borrow.	Yes, because for AECB, all banks are treated with the same methodology.	No	No	yes	No
How exactly does AECB use the Islamic banking model in its operations?	As explained above. The same model is being used for all banks.	Islamic Banking models are used in the AECB operations with the same methodology other banks use.	All data submitted to AECB, either from Islamic or conventional banks, have one standard model prepared by AECB and shared with banks.	The data model is the same for Islamic Banking and other banking.	They use the same data models for other banks	It uses the same model.
Are Islamic banks using your products a lot?	It depends on the number of active contracts to award credit services; banks must check the customers' credit history.	Yes	yes	Yes	Yes	Yes
Do you recommend any improvements in the credit rating process for Islamic banks?	AECB is constantly enhancing the system to include more products and services which apply to all its subscribers.	All banks use the same classification.	All banks use the same classification.	No. The process is the same for both Islamic and non-Islamic Banks.	No, the same process for all	No, they use the same classification
Does AECB use the current rating systems for Islamic banks covering profit and loss sharing contracts and different types of contracts, such as Murabahah, Mudharabah, Musharakah, Bai' As-Salam, Bai' Al-Istisna' and Ijarah financing contracts?	There is no difference, as the system calculates the credit information and does not calculate the profit and loss sharing.	The current rating system is for all operating banks in UAE.	The current rating system is for all operating banks in UAE.	The current rating system is the same for all the banks in UAE.	No difference	No difference
Please feel free to add any information that will be useful to the research.			If any enhancement is required to ease the usage, then to be considered by AECB based on the necessary approvals.			

- **Answers to interview questions for Islamic Bank Managers**

The finding shows that Islamic banks rely on AECB products when they intend to assess their client's creditworthiness; however, they have their internal rules and guides as well. Respondent 4 confirms, "AECB is considered in all sorts of retail products offerings assessments, including creditworthiness." Participant 8 also verifies that they rely on the AECB "when assessing our client's creditworthiness." However, Respondent 5 partially agrees, "To some extent as the priority is for the bank guideline under the section of the credit risk management process." Consistent with participant 6, participants 7 and 8 acknowledge: "Yes, but it is an additional tool, and we do not rely on it alone." This indicates that Islamic banks use AECB products to supplement their internal rules and guides.

- **In summary**

The findings indicated that the Islamic bank managers do not have sufficient information about the AECB scoring procedure. However, they use their services and products for credit rating and risk management. Consequently, this could hinder accepting AECB services and products for credit risk management.

Islamic banks widely use AECB services and products to assess their clients' creditworthiness. AECB helps them to reduce non-performance loans and defaulted loans. It also facilitates credit scoring and risk management by offering objective, unbiased methods and showing customers' latest transactions. The AECB uses three-digit numbers

to predict how likely an individual is to repay their loan and credit card on time. ACECB also reduces the processing time and can deal with more active contracts to award credit services. The AECB rating system applies to all operating banks in UAE. The system calculates the credit information and does not calculate the profit and loss sharing. AECB caters to the needs of Islamic banks in dealing with different types of contracts, such as Murabahah, Mudharabah, Musharakah, Bai' As-Salam, Bai' Al-Istisna' and Ijarah financing contracts. However, Bai' Al-Istisna' may pose challenges to the scoring system. To address such issues, Islamic banks also use their own internal rules and guides together with AECB, which are subjective and judgmental.

Although Islamic banks widely use AECB credit scoring services, the managers do not have adequate information about the procedure, which may hinder the acceptance of AECB credit scoring services. Since AECB uses objective methods, it may not be able to capture the holistic view of the customer's profile (such as assets, liabilities, rental income, fixed deposits, investments, etc.). This is where Islamic banks' internal subjective, judgmental methods play an important role in supplementing AECB credit scoring. Although AECB credit scoring contributes to lowering defaulted loans, defaults can still happen since defaults are more behavioral, which can occur at any particular point time during the tenure of a facility. The credit rating by AECB may not be compatible with Bai' Al-Istisna', and Islamic banks might need special rates.

AECB provides credit reporting efficiently to help Islamic banks understand borrowers' financial obligations and creditworthiness. It gathers credit and consolidated financial

data from other banks and financial institutions to provide credit reports which help Islamic banks be more objective in lending decision-making. Transparent data about an individual or a company's financial history and states can help avoid fraud and serious problems. As a result, non-performing loans and defaulted loans will be lowered. AECB gives indicators to the banks to do credit risk management. This suggests that AECB is helping reduce defaulted loans, but due to the nature of defaults (behavioral and subjective), it could remain a challenge for the banks. Hence, overall, AECB mitigates the loan lending problems by helping Islamic banks perform more effective and efficient credit risk management.

#### **4. Al Etihad Credit Bureau's performance in the United Arab Emirates. Discussion**

Islamic bank managers do not rely on their personal experience or judgmental and subjective methods of credit scoring analysis. They also benefit from AECB services and products (Masood et al, 2012). However, it was found that Islamic bank managers' information about the AECB credit scoring procedure is inadequate, although they are using its credit scoring as a supplement to assess their customers' creditworthiness, which may hinder acceptance of AECB credit rating services fully. In addition to internalizing AECB techniques, Islamic banks use their own rules and methods, including 6Cs, which are more character-oriented in the lending decision which helps them cover the demerit of objective methods (Anagnostopoulos, & Abedi, 2016; Masood et al, 2012). Although

Islamic banks apply the AECB approach to avoid non-performing and defaulted loans, defaults happen as they are behavioral and might be rooted in not providing consolidated accounting figures (Anagnostopoulos & Abedi, 2016). Findings indicate that some AECB managers are not sure that Islamic banks can benefit from their services. This might be because for some contracts like Bai' Al-Istisna', Islamic banks must adhere to their internal subjective method. AECB is constantly enhancing the system to include more products and services which apply to all its banks and subscribers. It uses the same classification for all banks (Calice et al, 2016; Grassa, 2016).

This study has implications for top management, stakeholders, regulators, practitioners, policymakers, and government in all practices related to credit risk management. The study found a lack of communication between AECB (service provider) and Islamic bank staff (service receiver). The Islamic bank managers do not have adequate information about the AECB scoring system. Islamic Banks should train their staff (including managers) to keep them updated on the AECB scoring procedure and credit risk management. Concerning policy implication, the findings substantiate the importance of boosting credit risk management in Islamic banks when the economy is booming and the number of loan borrowers tends to increase. Since there is higher loan growth in Islamic banks, higher capitalization is not sufficient to offset credit risk and do credit risk management. Islamic banks need to prioritize mitigating moral hazards. Islamic banks maybe suggest that they shift their attention from capital regulation to alleviating operational risks

and information asymmetry, which might be a source of moral hazard (Sobarsyah et al, 2020). This paper may call for modification and refinement of capital requirement guidelines to accurately reflect risks related to lending behavior in Islamic banks. In terms of originality and value, this study contributes to the body of knowledge. It enhances knowledge of acceptance and appropriateness of AECB services for Islamic banks from the prospects of both service providers and service receivers' managers.

## 5. Conclusions

The study attempted to identify the extent of acceptance and appropriateness of credit rates offered by the AECB in the United Arab Emirates by Islamic banks and explore the impact of the unique characteristics of Islamic banks on the preparation of these rates. The study also tried to clarify the effects of credit scores on credit risk management in Islamic banks and the extent of adopting Islamic banks of these ratings when evaluating the borrowers. AECB offers one of the best services in the region and provides real-time, up-to-date individual or company credit data to mitigate adverse elections in lending decisions.

Although UAE is hugely investing in AECB to make it comprehensive to cater to the needs of all banks and financial institutions in terms of credit scoring and credit risk management, the Islamic banks are to a certain degree are relying on this system. AECB reduces the processing and analysis, allows faster decision-making, and supports credit risk management policies and practices (Ala'raj et al, 2018). In light of the study findings and discussion, adopting the AECB credit scoring method in the

Islamic banking model, coupled with their internal subjective rules and guides, could be a helpful and facilitative tool in decision-making for lending.

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