The Experience of Islamic Banking in Light of Legal Frameworks in Algeria – An Analytical Study for the Period 2015–2020

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Abstract

This research paper seeks to clarify the vision regarding the Algerian experience in the field of Islamic banking, by highlighting the most prominent banks operating in this sector, in addition to Islamic windows within traditional banks. The study concluded that there are two main banks in this field: Al Baraka Bank, established in 1991, and Al Salam Bank, established in 2008, alongside numerous Islamic windows in traditional banks. The findings indicate that Algeria's experience in this domain remains nascent compared to leading countries in Islamic finance. The paper also recommends the necessity of adopting one of the successful models and working towards its development to advance Islamic banking, while taking into account the economic, social, and cultural aspects of the Algerian individual.

Keywords: Algerian economy, Islamic banks, Islamic windows, Islamic financial transactions.

Introduction

Islamic banking holds significant importance as a cornerstone of the economy. The growing need for Islamic banking and the application of Islamic Sharia principles stems from the inefficiency and inability of the conventional financial system to attract individual savings, especially in Muslim countries where religious considerations play a fundamental role in an individual's financial transactions. Consequently, many countries, particularly Islamic ones, have moved to establish Islamic banks operating within the provisions of Islamic teachings, thereby entrenching the principles of the Islamic financial system.

The turn towards this system has become imperative, especially in light of the financial crises that have swept the world adhering to either the capitalist or socialist financial systems, and the inability of these two systems to avoid or overcome the various financial crises threatening global institutions. This has led to a growing inclination towards the Islamic financial system, of which Islamic banking is a key component.

As for the Algerian experience in this regard, there is a clear endeavor to practice Islamic banking. This is evident through Ordinance 20-02 dated March 15, 2020, which comprises 24 articles. Its Article 14 repealed the provisions of Ordinance 18-02. This new ordinance specifically defines banking operations related to Islamic banking, the rules applied to them, the conditions for their practice by banks and financial institutions, as well as the conditions for their prior licensing by the Bank of Algeria. Notably, the ordinance refers to banks and financial institutions in general for practicing Islamic banking operations without specifying any particular category, thereby opening the door for all banks and financial institutions, regardless of their ideologies, to practice licensed Islamic banking operations.

Research Problem

Based on the preceding context, the following research problem crystallizes:

To what extent was Islamic banking active within the Algerian banking sector during the period 2015–2020?

Significance of the Study

The significance of this study lies in the importance of Islamic banking as a mechanism supporting the national economy. This is achieved through attracting individual savings and enhancing financial transactions compliant with Islamic principles. Furthermore, Islamic banking serves as a haven for savings that generate investment, particularly given the ineffectiveness of traditional banks in this regard.

Study Objectives

- To identify the position of Islamic banking within the Algerian economy.

- To examine Islamic banks operating in Algeria.
- To review the various Islamic banking windows within traditional banks.
- To diagnose the state of the Algerian experience in the field of Islamic banking.

Study Methodology

The study relied on the descriptive approach, which involved identifying the various Islamic banks and Islamic financial windows within traditional banks. Furthermore, the analytical method was employed to analyze various statistical tables in order to arrive at an understanding of the status of Islamic banking within the Algerian economy.

Study Axes

- **First Axis: Legislation Specific to Islamic Finance in Algeria**
- **Second Axis: Al Baraka Bank**
- **Third Axis: Al Salam Bank**
- **Fourth Axis: Islamic Windows**
- **First Axis: Legislation Specific to Islamic Finance in Algeria**

Despite being one of the first countries in the Maghreb to experiment with Islamic banking nearly thirty years ago, the Algerian financial and monetary authorities remained remiss in establishing a legal and regulatory framework for its development. Consequently, Islamic banks operating in Algeria remained subject to the same legal frameworks governing traditional financial activities.

1- Regulation 18-02 Dated 04 November 2018

After more than 27 years of Islamic banking activity in Algeria, the Money and Credit Council approved regulations concerning the conditions for banks and financial institutions to undertake banking operations related to 'participatory finance' specific to Sharia-compliant financial products. This measure came amidst increasing demands for the regulation of Islamic banking transactions. Regulation 18/02, dated 04 November 2018, defines the rules applicable to so-called 'participatory' products that preclude the receipt or payment of usurious interest (riba). These products include: Murabaha, Musharaka, Mudaraba, Ijara, Istisna'a, and Salam, in addition to investment account deposits. The regulation also addressed the controls for opening Islamic windows within traditional banks.

Article 5 of Regulation 18-02 defined a Participatory Finance Window as: a unit within an authorized bank or financial institution that exclusively grants services and products of participatory banking. The Participatory Finance Window must be financially independent from other units and branches of the bank or financial institution.

2- Regulation 20-02 Dated 15 March 2020

This regulation, comprising 24 articles, was issued. Its Article 14 stipulated the repeal of the provisions of Regulation No. 18-02. It specified the banking operations related to Islamic banking and the rules applicable to them, the conditions for their practice by banks and financial institutions, as well as the conditions for their prior licensing by the Bank of Algeria. The regulation referred to banks and financial institutions in general for conducting Islamic banking operations without specifying any particular category, thereby allowing all banks and financial institutions, regardless of their ideologies, to engage in licensed Islamic banking operations.

Second Axis: Al Baraka Bank Algeria

Al Baraka Banking Group is licensed as an Islamic wholesale bank by the Central Bank of Bahrain and is listed on both the Bahrain Stock Exchange and NASDAQ Dubai. Recognized as a global pioneer in Islamic banking, the Group provides distinguished banking services to nearly one billion people across its operational countries. It maintains an extensive geographical presence through subsidiary banking units and representative offices in 16 countries, operating more than 700 branches. The Group has a strong foothold in Turkey, Jordan, Egypt, Algeria, Tunisia, Sudan, Bahrain, Pakistan, South Africa, Lebanon, Syria, Saudi Arabia, and Morocco, in addition to a branch in Iraq and representative offices in Indonesia and Libya. Al Baraka banks deliver a range of banking and financial products and services in compliance with the principles and provisions of Islamic Sharia across retail banking, trade, investment, and treasury services. The Group's authorized capital amounts to USD 2.5 billion.

In Algeria, Al Baraka Bank is recognized as the first bank with mixed capital (public and private). It was established on May 20, 1991, with a capital of 500,000,000 DZD and commenced actual operations in September 1991. Its shareholders include the Bank of Agriculture and Rural Development (Algeria) and Al Baraka Banking Group (Bahrain). Under Law No. 03-11 dated 26 September 2003, Al Baraka Bank Algeria is authorized to conduct all banking operations, including financing and investment activities, in accordance with the principles and provisions of Islamic Law.

Key Milestones in the Development of Al Baraka Bank Algeria:

- 1991: Establishment of Al Baraka Bank Algeria.
- 1994: Achievement of financial stability and balance.
- 2000: Ranked first among private capital banks.
- 2002: Expansion into new market sectors, particularly targeting professionals and individuals.
- 2006: Increase of the bank's capital to 2.5 billion Algerian dinars.
- 2009: Second capital increase to 10 billion Algerian dinars.
- 2012: Implementation of the first comprehensive and centralized banking system fully compliant with Islamic Sharia principles.
- 2016: Attained leadership in consumer finance nationwide.
- 2017: Third capital increase to 15 billion Algerian dinars.
- 2018: Recognized as the best Islamic bank in Algeria for the sixth consecutive year.
- 2018: Ranked among the most profitable units of the Al Baraka Banking Group.
- 2018: Emerged as one of the most prominent banks in the Algerian banking sector.

Study Axes

Third Axis: Al Baraka Bank Algeria

Al Baraka Bank Algeria offers a diverse portfolio of Islamic financing instruments, with the selection of each instrument contingent upon the nature of the activity being financed. Murabaha and Salam contracts are predominantly used for working capital financing, whereas Ijara and Istisna'a are more commonly applied for investment activities. This can be summarized in the following table:

Table 01: Islamic Financing Instruments Adopted by the Bank

Type of Financing	Financing Operation	Islamic Concept
Working Capital Financing	Financing of raw materials and semi-finished goods	Murabaha / Salam
	Financing of goods intended for resale	Murabaha / Salam
	Receivables financing	Murabaha / Salam
	Pre-export financing	Murabaha / Salam
Investment Financing	Conventional investment financing	Murabaha / Istisna'a / Musharaka / Salam
	Lease financing	Ijara
Vehicle Financing	Financing of tourist vehicles	Murabaha
	Financing of utility vehicles	Murabaha / Ijara
Equipment Financing	Financing of professional equipment	Murabaha / Ijara
Housing Financing	Financing for new housing	Murabaha / Ijara
	Financing for existing housing	Murabaha / Ijara
	Financing for self-build housing	Murabaha / Ijara
	Financing for home expansion	Istisna'a
	Financing for home renovations	Istisna'a

Source: Khawla Azaz, Saida Mimo, "Islamic Financing Instruments as a Mechanism for Enhancing the Profitability of Islamic Banks: A Case Study of Qatar Islamic Bank with Reference to the Experience of Al Baraka Bank Algeria," Afaq Journal for Economic Studies, University of Larbi Tebessi Tebessa, Issue 6, March 2019, p. 42.

Al Baraka Bank Algeria provides a variety of Sharia-compliant financial products for businesses and professionals, supporting their investment projects and operational needs. The financing instruments offered, approved by the bank's Sharia Supervisory Board, include: Murabaha, deferred sales, Salam, Ijara, Istisna'a, Musharaka, Mudaraba, etc.

For professionals seeking to grow their capital with ease and security, Al Baraka Bank Algeria offers various types of investment and deposit accounts, with flexible amounts and tenures. Profits are calculated based on a pre-agreed profit distribution system, in accordance with the legal standards governing Mudaraba operations.

The bank diligently works to develop and diversify its Sharia-compliant products and services for individuals. The revival of consumer financing witnessed the reintroduction of its 'Al Baraka Vehicle' product, enabling individuals to acquire locally manufactured or assembled vehicles at highly competitive prices and terms.

Furthermore, the bank has developed accessible real estate financing programs compliant with Islamic Law under the name 'Dar Al Baraka.' These programs cater to the needs of Algerian consumers, whether residing domestically or abroad, and regardless of whether they are existing bank customers or not. 'Dar Al Baraka' financing is executed through instruments such as IjaraMuntahiaBittamleek (lease-to-own), Istisna'a, and IjaraMawsufa Fi Al Thimmah (forward lease), among others approved by its Fatwa and Sharia Supervision Board. Through these instruments, the bank finances the purchase, construction, expansion, or renovation of housing.[1]

The value and proportion of the various financing instruments utilized at Al Baraka Bank Algeria during the period 2013-2016 can be detailed as follows:

Table 02: Financing Instruments Utilized at Al Baraka Bank Algeria, 2013-2016 (Values in Million DZD)

Instrument	2013		2014		2015		2016	
	Value	% Share	Value	% Share	Value	% Share	Value	% Share
Murabaha	32,148	22.35%	18,302	6.48%	177,992	8.16%	25,595	9.01%
Musharaka	166	0.11%	222	0.07%	418	0.18%	2,480	0.84%
Salam	24,317	16.90%	31,183	11.05%	28,000	12.70%	39,339	13.84%
Istisna'a	3,635	2.52%	2,472	0.87%	3,020	1.37%	3,123	1.10%
Leasing Facilities	83,539	58.09%	115,074	40.76%	170,951	77.75%	213,513	75.16%
Total	143,805	100%	282,327	100%	220,381	100%	284,050	100%

Source: Zoubir Ayyach et al., "Evaluation of the Contribution of Islamic Banks Operating in Algeria to Financing National Investment - A Case Study of Al Baraka

[1]Al Baraka Bank Algeria. (n.d.). *Home*. Retrieved February 20, 2024, from https://www.albaraka-bank.com

and Al Salam -," Al-Manhal Al-Iqtisadi Journal, University of Echahid Hamma Lakhdar El Oued, Algeria, Vol. 03, No. 01, June 2020, p. 180.

Al Baraka Bank Algeria also contributes to charitable programs, with a total financing contribution of USD 1,743 thousand for the year 2018, distributed as follows:

Table 03: Charitable Program of Al Baraka Bank Algeria for the Year 2018 (Value in USD Thousand)

Program	USD Thousand
Education	513
Healthcare	891
Social Housing	12
Promotion and Development of Research	18
Youth and Sports	3
Individuals with Special Needs	137
Communities with Economic Challenges	169
Total	1,743

Source: Al Baraka Bank, Sustainability and Social Responsibility Report 2018.

Third Axis: Al Salam Bank

Al Salam Bank is recognized as the second Islamic bank in Algeria, representing a collaborative venture between Algerian and Gulf partners. The bank conducts its operations in full compliance with Algerian legislation and the principles of Islamic Law across all its financial activities. Established on June 8, 2008, and officially licensed by the Bank of Algeria on 10 September, 2008, it commenced operations on October 20, 2008, with the objective of delivering innovative and contemporary banking solutions.

The bank's operations are guided by a clearly defined strategy that aligns with Algeria's economic development goals across key sectors. This approach is deeply rooted in the core principles and values cherished by Algerian society, aiming to effectively address the needs of the market, clients, and investors. All financial products and transactions offered by Al Salam Bank are subject to the oversight of a dedicated Sharia Board, comprised of prominent scholars specializing in Islamic Jurisprudence and economics. With a network of 18 branches strategically distributed nationwide, the bank ensures accessibility to tailored financing solutions and professional services.

Among its key financing instruments are:

1. Murabaha to the Purchase Orderer (Cost-Plus Sale):

This structure involves the bank procuring specific movable or immovable assets as requested by a client, who commits to purchase them. Following acquisition and taking possession, the bank resells the assets to the client at a pre-agreed price comprising the original cost plus a disclosed profit margin.

2. Ijara (Leasing):

This refers to a contractual agreement between the bank and a client whereby the bank leases a specified asset—either existing at the time of contract or to be delivered in the future—for a predetermined period. It encompasses two primary types:

a. IjaraMuntahiaBittamleek (Finance Lease / Lease-to-Own):

Under this arrangement, ownership of the leased asset is transferred to the lessee upon conclusion of the lease term. The asset may be sourced from the client or a third party.

b. Operating Ijara:

Here, the leased asset is returned to the lessor (the bank) at the end of the lease period without transfer of ownership.

3. Istisna'a (Manufacturing/Project Finance):

The bank employs two distinct structures under Istisna'a financing, depending on the nature of the project:

a. Istisna'a with Parallel Istisna'a:

This dual-contract mechanism is applied in the following contexts:

-Construction and Real Estate Projects:

Based on a client's request, the bank undertakes to construct or develop a property according to specified designs and requirements. The bank enters into two independent contracts: the first as a contractor (al-sani') with the client, and the second as a client (al-mustasni') with a subcontractor or manufacturer to execute the project.

-Non-Real Estate Manufacturing:

The bank facilitates the manufacturing of goods or equipment as per the client's specifications by engaging a manufacturer through a parallel Istisna'a agreement, thereby ensuring Sharia-compliant production and delivery.

b. Istisna'a with Sale Agency (Istisna'awa al-Tawkil bi al-Bay'):

This structure involves the bank purchasing manufactured goods or equipment from the client (the manufacturer) and subsequently appointing the client as an agent to sell these goods after their delivery. This model relies on two distinct contracts: an Istisna'a contract, wherein the bank acts as the client (al-mustasni') and the customer as the manufacturer (al-sani'), and an agency contract, whereby the bank authorizes the client to sell the manufactured items on its behalf.

4. Instalment Sale for Vehicles (Bai' bi al-Taqsit):

This instrument involves the bank selling vehicles from its existing inventory—which it owns and has taken physical possession of—to customers on an instalment basis. Customers can purchase vehicles available in the bank's pre-acquired stock, for which the bank has already taken constructive possession, transferring the risk (daman).

If a vehicle requested by a customer is not available in the bank's inventory, the bank procures, acquires ownership, and takes possession of it before offering it for sale to the customer. Consequently, the transaction does not constitute the sale of an unowned asset, as the bank only sells after acquiring and possessing the specific item requested by the customer, allowing for inspection to ensure conformity with descriptions. Furthermore, this process does not involve earning a profit without assuming risk, as the bank, having taken possession, bears the liability for any potential loss or damage.

The customer does not sign a promise to purchase (wa'd al-shira') prior to the sale. In both scenarios, when submitting a request, the customer does not commit to a purchase promise, and thus bears no obligation before signing the actual instalment sale contract.

5. Salam (Advance Payment Sale):

This is a two-stage financing structure based on two separate contracts: a Salam sale contract and an agency contract for sale. The bank purchases goods or commodities from the customer via Salam (advance payment for future delivery) and then appoints the customer as an agent to sell those goods upon their delivery.

-Definition of Salam: A sale contract between the customer (al-muslamilaih), as the seller, and the bank (al-muslam), as the buyer, whereby the buyer is obligated to pay the price in full at the time of contract execution in exchange for the delivery of the specified goods at a predetermined future date. The item sold (al-muslamfih) must be precisely defined by its attributes and delivered by a known deadline.

-Definition of Parallel Salam: This involves the bank entering into a second, independent Salam contract with another party for a commodity with specifications matching those of the commodity in the first Salam contract. The purpose is to sell the commodity purchased under the first Salam contract, without making the second contract contingent upon the execution of the first.

-Definition of the Agency for Sale Contract (Tawkil bi al-Bay'): This is a separate contract through which the bank appoints the customer (the original Salam seller) as an agent to sell the goods subject to the Salam contract after their delivery to the bank, under specific conditions.

6. Mudaraba (Profit-Sharing Partnership):

Mudaraba is a partnership contract for profit, where one party provides the capital and the other provides labour and management. It is a legitimate contract that organizes investment cooperation between capital on one side and work/effort on the other. The resulting profit is shared between the two parties according to a pre-agreed ratio. The party providing the capital is called the "rab al-mal" (capital owner), and the party providing the work is called the "mudarib" (manager/entrepreneur).

-Unrestricted Mudaraba (Al-Mudaraba al-Mutlaqa): In this type, the capital owner grants the mudarib broad discretion to manage the mudaraba operations without imposing specific restrictions, allowing the mudarib to exercise wide managerial powers.

-Restricted Mudaraba (Al-Mudaraba al-Muqayyada): Here, the capital owner restricts the mudarib regarding the location, type of business, or other specific conditions deemed appropriate, provided these restrictions do not prevent the mudarib from working effectively.

7. Deferred Sale (Bai' al-Ajil):

This instrument involves the bank purchasing goods, commodities, machinery, or equipment based on a customer's request. After acquiring ownership and taking possession (the transfer of liability), the bank sells the item to the customer on a deferred payment basis. Therefore, the transaction does not involve selling what one does not own, as the bank only sells after acquiring, owning, and possessing the requested item, allowing the customer to verify its conformity. Similar to other sales, the bank does not earn a profit without assuming risk, as it bears the liability for the asset after taking possession.

Deferred sale instruments at the bank are categorized into corporate deferred sales and retail deferred sales. Corporate deferred sales involve postponing the payment of the price to a specific future date, either as a lump sum or in instalments. Retail deferred sales are executed through price payment in instalments over a specified period, structured as an instalment sale (Bai' bi al-Taqsit).

Regarding Al Salam Bank's Performance Indicators:

The bank experienced growth in deposit mobilization and an increase in client financing. The bank's assets witnessed a significant leap over the last five years, rising from 40,575 million Algerian dinars (DZD) in 2015 to 131,019 million DZD in 2019.

Table 04: Total Bank Assets 2015-2019

Year	Total Assets (Million DZD)	Total Assets (Million USD)
2015	40,575	379
2016	53,104	478
2017	85,775	745
2018	110,109	929
2019	131,019	1,096

Source: Al Salam Bank Annual Report, 2019.

Customer deposits increased from 23,685 million DZD in 2015 to 103,792 million DZD in 2019. Customer deposits showed notable growth in 2015, recording a 22% increase compared to their level at the end of 2014, which helped rebalance the loans-to-deposits ratio to 95% by the end of 2015, compared to 132% at the end of June 2015.

This growth in deposits is attributed to several factors, including the expansion of the bank's branch network—with ten new branches opened between 2018 and 2019—the rapid growth of retail financing activities, various promotional and marketing campaigns to encourage saving, in addition to the attractive returns distributed by the bank on these deposits.

Table 05: Customer Deposits for the Period 2015-2019

Year	Customer Deposits (Million DZD)	Customer Deposits (Million USD)
2015	23,685	221
2016	34,512	311
2017	64,642	561
2018	85,432	721
2019	103,792	868

Source: Al Salam Bank Annual Report, 2019.

Meanwhile, net customer financing for the period 2015-2019 surged from 21,268 million DZD in 2015 to 95,583 million DZD in 2019, as illustrated in the following table:

Table 06: Net Customer Financing for the Period 2015-2019

Year	Net Customer Financing (Million DZD)	Net Customer Financing (Million USD)
2015	21,268	199
2016	29,377	264
2017	45,454	395
2018	75,340	636
2019	95,583	800

Source: Al Salam Bank Annual Report, 2019.

The table reveals that customer financing grew approximately fivefold between 2015 and 2019, highlighting the developmental trajectory of Al Salam Bank's activities, attributable to the concerted efforts of its management. This growth was accompanied by an expansion in the branch network, reaching 18 branches nationwide, a diversification of financing instruments, and various promotional initiatives. The bank established an official Facebook page, recognizing the significant influence of social media on society, and created two dedicated departments for product marketing and promotion. To foster internal communication, an internal magazine was launched with contributions from all bank employees. To promote a culture of reading, the bank implemented the initiative of establishing libraries within all its branches across the country. Furthermore, the bank actively participated in numerous economic and cultural conferences and events. This period also saw intensive efforts in processing financing applications for companies operating across various economic sectors, with the number of files—both for investment and working capital purposes—reaching 467 by 2019.

Fourth Axis: Islamic Windows

A number of Islamic windows operate within traditional banks in Algeria, as follows:

1**. Gulf Bank Window**

Gulf Bank Algeria (AGB) is a commercial bank subject to Algerian law and a member of one of the most prominent financial groups in the Middle East, KIPCO. It was established on December 15, 2003, through contributions from three leading banks in the market (Burgan Bank, Kuwaiti Jordanian Bank, and Tunis International Bank), all belonging to the Kuwait Projects Company (KIPCO) group. The bank offers Islamic financing solutions based on the Murabaha structure.

2. Trust Bank

Trust Bank Algeria (TBA) is a private capital bank under Algerian law. It began operations in April 2003 with an initial capital of 750 million DZD; this capital was increased in its ninth year of operation (2012) to 13 billion DZD. On December 30, 2019, the capital was raised again and stands (as of October 14, 2020) at 17.194 billion DZD.

Trust Bank Algeria launched an Islamic window providing its clients with financing solutions based on the Murabaha structure, in addition to participatory savings accounts that allow the bank to share its profits with clients.

3. Arab Banking Corporation (ABC)

The Arab Banking Corporation (ABC) was established in Bahrain in 1980 and is present in over seventeen (17) countries, including Gulf states, North Africa, the Middle East, Europe, the Americas, and Asia.

The desire of the ABC Bank group to meet the diverse needs of the Algerian market materialized through the establishment of a representative office in 1995. This enabled ABC to develop and strengthen cooperative ties with Algerian financial institutions. Due to the group's growing interest in the Algerian market, the representative office was converted into a full-fledged bank in December 1998, following a decision by the Money and Credit Council on September 24, 1998. Thus, Arab Banking Corporation - Algeria was created, operating under the trade name ABC Bank Algeria, becoming the first international private bank to establish itself in Algeria. It commenced operations on December 2, 1998. Coincidentally, in March 1998, ABC Investment and Services Company transformed into a full-fledged Islamic financial entity named 'ABC Islamic Bank,' aiming to assure clients and counterparties of the ongoing compliance and credibility of the Islamic products and services offered.

4. National Bank of Algeria (BNA)

With the issuance of the regulation dated 20 Rajab 1441 AH, corresponding to 15 March 2020, which specifies banking operations related to Islamic finance and the rules for their practice by banks and financial institutions, the National Bank of Algeria (BNA) was permitted to launch a diverse range of savings and financing instruments compliant with the teachings of Islamic Law. These products have been approved by the bank's internal Sharia Supervisory Board and the national Sharia authority for fatwa in the Islamic financial industry. The National Bank of Algeria obtained the license to market Islamic banking products on 30 July 2020.

Conclusion

This research paper reveals that Islamic banking in Algeria is a relatively recent development, despite the early establishment of the Algerian legislative framework with the issuance of the Money and Credit Law 90-10 and the creation of a bank offering Islamic services (Al Baraka) in 1991. Al Baraka Bank was later joined by another Islamic bank, Al Salam Bank, in 2008. The subsequent enactment of Regulation 18-02 dated 04 November 2018, and Regulation 20-02 dated 15 March 2020, which define banking operations related to Islamic finance, although delayed, represent a positive step that is likely to facilitate the expansion of Islamic financial services.

Study Findings:

-The study yielded several key findings, including:

Islamic banking in Algeria is a nascent experience.

- There has been sluggishness in advancing Islamic banking, evidenced by the delayed establishment of a second Islamic bank from 1991 to 2008.

- A scarcity of precise and clear regulatory frameworks specifically governing Islamic financial operations.

- The volume of deposits in Islamic banks does not represent a significant share when compared to the deposit volume in traditional banks.

- Islamic banking in Algeria remains underdeveloped compared to leading international experiences in this field.

-Study Recommendations: Several recommendations are proposed, the most important being:

- The Algerian government should adopt a pioneering model for Islamic banking and work through it to develop this sector, taking into account the economic and social aspects for the individual.

- Issuing more comprehensive, precise, and clear regulations and legislation to enhance the practice of Islamic financing instruments.

- Building student capacity in the field of Islamic banking and fostering links between universities and the economic environment to prepare graduates for work in this field.

- Establishing more banks specializing in Islamic finance while strengthening Islamic banking windows within traditional banks to achieve financial inclusion in the practice of Islamic financial transactions.

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