


**THE REALITY OF THE DEVELOPMENT OF ISLAMIC BANKING IN ALGERIAN  
PUBLIC BANKS**

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ARTICLE INFO	ABSTRACT
<p><b>Article history:</b>  <b>Received:</b> Feb, 13<sup>th</sup> 2025  <b>Accepted:</b> Apr, 27<sup>th</sup> 2025</p>	<p><b>Objective:</b> The purpose of this research is to examine the reality of Islamic banking in Algerian public banks, its regulatory framework, and its products, as well as to highlight Islamic banking practices within public banks.</p>
<p><b>Keywords:</b>            Islamic Banking;            Islamic Finance;            Islamic Products;            Algerian Public Banks.</p>	<p><b>Theoretical Framework:</b> The study identified current state of Islamic banking development in Algeria, present its legislative and regulatory framework, and examine its status and evolution within Algerian public banks during the period from 2020 to 2023."</p>
	<p><b>Method:</b> The study employs descriptive and analytical approaches by exploring various theoretical aspects of Islamic banking in Algeria, and then analyzes numerical data and information obtained from reports issued by the Central Bank of Algeria and Algerian public banks.</p>
<p><b>Results and Discussion:</b> The results show that Islamic banking in Algerian public banks has experienced positive growth since 2020, with a continuous increase in the volume of Islamic finance deposits over the years 2020–2023. However, this development remains insufficient, as Islamic banking in Algeria faces numerous challenges and obstacles, particularly in the legal and regulatory aspects.</p>	
<p><b>Originality/Value:</b> This study detailed the reality of Islamic banking in Algerian public banks, particularly following the enactment of Regulation 20-02, which defined Islamic financing models, and Monetary and Banking Law 23-09, which allowed the establishment of Islamic banks and Islamic banking windows within public banks.</p>	
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**A REALIDADE DO DESENVOLVIMENTO DO SISTEMA BANCÁRIO ISLÂMICO NOS BANCOS  
PÚBLICOS DA ARGÉLIA**

**RESUMO**

**Objetivo:** O objetivo desta pesquisa é examinar a realidade do banco islâmico nos bancos públicos argelinos, sua estrutura regulatória e seus produtos, bem como destacar as práticas bancárias islâmicas nos bancos públicos.

**Estrutura Teórica:** O estudo identificou o estado atual do desenvolvimento do banco islâmico na Argélia, apresentou sua estrutura legislativa e regulatória e examinou seu status e evolução nos bancos públicos argelinos durante o período de 2020 a 2023."

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**Método:** O estudo emprega abordagens descritivas e analíticas ao explorar vários aspectos teóricos do sistema bancário islâmico na Argélia e, em seguida, analisa dados numéricos e informações obtidas de relatórios emitidos pelo Banco Central da Argélia e pelos bancos públicos argelinos.

**Resultados e Discussão:** Os resultados mostram que o sistema bancário islâmico nos bancos públicos argelinos tem experimentado um crescimento positivo desde 2020, com um aumento contínuo no volume de depósitos financeiros islâmicos ao longo dos anos 2020-2023. No entanto, esse desenvolvimento continua insuficiente, pois o banco islâmico na Argélia enfrenta inúmeros desafios e obstáculos, principalmente nos aspectos legais e regulatórios.

**Originalidade/Valor:** Este estudo detalhou a realidade do sistema bancário islâmico nos bancos públicos argelinos, especialmente após a promulgação do Regulamento 20-02, que definiu os modelos de financiamento islâmico, e da Lei Monetária e Bancária 23-09, que permitiu o estabelecimento de bancos islâmicos e guichês bancários islâmicos nos bancos públicos.

**Palavras-chave:** Banco Islâmico, Finanças Islâmicas, Produtos Islâmicos, Bancos Públicos Argelinos.

## LA REALIDAD DEL DESARROLLO DE LA BANCA ISLÁMICA EN LOS BANCOS PÚBLICOS ARGELINOS

### RESUMEN

**Objetivo:** el objetivo de esta investigación es examinar la realidad de la banca islámica en los bancos públicos argelinos, su marco normativo y sus productos, así como poner de relieve las prácticas bancarias islámicas en el seno de los bancos públicos.

**Marco Teórico:** El estudio identifica el estado actual del desarrollo de la banca islámica en Argelia, presenta su marco legislativo y reglamentario, y examina su situación y evolución dentro de los bancos públicos argelinos durante el periodo comprendido entre 2020 y 2023."

**Método:** El estudio emplea enfoques descriptivos y analíticos mediante la exploración de diversos aspectos teóricos de la banca islámica en Argelia, y luego analiza los datos numéricos y la información obtenida de los informes emitidos por el Banco Central de Argelia y los bancos públicos argelinos.

**Resultados y Discusión:** Los resultados muestran que la banca islámica en los bancos públicos argelinos ha experimentado un crecimiento positivo desde 2020, con un aumento continuo en el volumen de depósitos de finanzas islámicas durante los años 2020-2023. Sin embargo, este desarrollo sigue siendo insuficiente, ya que la banca islámica en Argelia se enfrenta a numerosos desafíos y obstáculos, especialmente en los aspectos legales y regulatorios.

**Originalidad/Valor:** Este estudio detalla la realidad de la banca islámica en los bancos públicos argelinos, en particular tras la promulgación del Reglamento 20-02, que define los modelos de financiación islámicos, y la Ley Monetaria y Bancaria 23-09, que permite la creación de bancos islámicos y ventanillas bancarias islámicas dentro de los bancos públicos.

**Palabras clave:** Banca Islámica, Finanzas Islámicas, Productos Islámicos, Bancos Públicos Argelinos.

## 1 INTRODUCTION

Islamic banking has emerged as a successful alternative financing method both internationally and within the Islamic world, especially following the recent financial crisis, which shifted attention toward Islamic banking. Based on the regulations and principles of Islamic Sharia in its various forms, Islamic banking has demonstrated its ability to establish a real economy and withstand crises that have led to the collapse of major conventional banks in several countries.

In line with this trend, Algeria has pursued Islamic banking since the late **20th century**, beginning with the establishment of **Al Baraka Bank in 1991** and **Al Salam Bank in 2009**. The activity of Islamic banking was later regulated through **Regulation 20-02**, which defined the banking operations related to Islamic finance and the conditions for their approval by banks and financial institutions.

Following this regulation, Algerian public banks took steps to market Islamic banking products by establishing specialized structures and departments dedicated to Islamic finance, as well as Sharia supervisory bodies. The **National Bank of Algeria (BNA)** successfully implemented the first Islamic banking experience in public banks after obtaining a license to market Islamic banking products on **July 30, 2020**.

**What is the reality of Islamic banking in Algerian public banks, and what are its major developments?**

### 1.1 IMPORTANCE OF THE STUDY

The significance of this study stems from the increasing demand and interest in Islamic finance and the Islamic financial industry in Algeria, particularly following the enactment of Regulation 20-02, which defined Islamic financing models, and Monetary and Banking Law 23-09, which allowed the establishment of Islamic banks and Islamic banking windows within public banks.

### 1.2 OBJECTIVES OF THE STUDY

This study aims to examine the reality of Islamic banking in Algerian public banks, its regulatory framework, and its products, as well as to highlight Islamic banking practices within public banks.

### 1.3 RESEARCH METHODOLOGY

This study adopts both the descriptive and analytical approaches by exploring various theoretical aspects of Islamic banking in Algeria. It then analyzes numerical data and information obtained from reports issued by the Central Bank of Algeria and Algerian public banks.

## 1.4 PREVIOUS STUDIES

The topic of Islamic banking and finance in Algeria has attracted significant academic interest. Below, we present some selected studies:

- **Study by (Abdelkader & Bounbhai, 2024) :**

The study aimed to examine the reality of Islamic financing models in Algeria in light of the regulations issued by the **Bank of Algeria**, as well as to assess Sharia supervision over these financing models.

The results showed that Islamic financing models in Algeria are subject to **central bank oversight** under **Monetary and Banking Law 23-09** and related regulatory texts, which do not take into account their specific operational nature. Regarding **Sharia supervision** of Islamic finance in Algeria, the study highlighted the absence of a necessary legal framework that would enable it to achieve the objectives of Islamic banking, particularly in gaining the trust of customers.

- **Study by (Ben Hamida & Benani, 2024) :**

The study aimed to examine the reality of Islamic finance in Algeria during the period **2017-2022** by determining the total financing directed to the **public and private sectors** in Algeria during the study period and analyzing and evaluating Islamic financing granted to **institutions and individuals** by Islamic banks in Algeria.

The results revealed a **decline in the volume of Islamic financing compared to conventional financing**.

- **Study by (Ben Zekka & Cheroun, 2022):**

The study aimed to shed light on the **reality of Islamic banking**, understand its **driving factors**, and assess the **extent of its development** in Algeria. Additionally, it examined the **legislative and regulatory framework** governing its practice.

The study concluded that **Islamic banking in Algeria has achieved limited success**. However, the **introduction of Islamic windows** in public banks is expected to contribute to the **growth of Islamic banking**.

- **Study by (Dride, Ghrib, & Amara, 2022):**

The study aimed to examine the reality of Islamic banking in Algeria. The results indicated that Algerian Islamic banks operate under the same regulations governing the banking market (Monetary and Credit Law) without considering the specific nature of Islamic banking

services and products. Additionally, there is no qualified authority to provide Sharia opinions on the Islamic products that conventional banks intend to offer through their Islamic banking units.

- **Study by (Taharoui, 2022):**

The study aimed to analyze the **reality and challenges of Islamic windows** under **Regulation No. 02-20**, dated **20 Rajab 1441 (March 15, 2020)**, which defines **banking operations related to Islamic banking and the rules for their implementation** by banks and financial institutions.

The study concluded that the **establishment of Islamic windows** within conventional banks has contributed to the **expansion of Islamic banking**. However, their **success in Algerian public banks** depends on fulfilling **essential requirements**, such as **issuing a specific law for Islamic banking** and ensuring that **Islamic banking activities are monitored by a Sharia supervisory authority**.

The reviewed previous studies reflect that **Islamic banking in Algeria is still in its early stages and faces numerous challenges and obstacles**. Notably, these studies **unanimously emphasize the crucial role of the legislative and regulatory framework in ensuring the success of Islamic banking in Algeria**.

## **2 THE DEVELOPMENT OF ISLAMIC BANKING AND THE CONDITIONS FOR ITS PRACTICE IN ALGERIAN PUBLIC BANKS**

Algeria's move towards the implementation of Islamic banking is relatively recent; however, continuous efforts have been made to develop it, especially in recent years. Article 71 of Law 23-09 of the Monetary and Banking Law defines every transaction carried out by banks or Islamic windows that complies with the provisions of Islamic Sharia.

### **2.1 THE DEVELOPMENT OF ISLAMIC BANKING IN ALGERIA**

Algeria's first practical experience with Islamic banking began with the enactment of the Monetary and Credit Law in 1990, which opened the door for the establishment of private banks, both domestic and foreign, with the aim of increasing competition among banks and improving the quality of banking services. This was materialized with the establishment of the first Islamic bank in Algeria in 1991, Al Baraka Bank Algeria, followed by the creation of the second Islamic bank,

Al Salam Bank, in 2008 (Ben Zekka & Cheroun, 2022, p. 294) .These two banks remain the only financial institutions operating under the Islamic banking model in Algeria to date.

On November 4, 2018, Regulation No. 18-02 was issued, outlining the rules governing banking operations related to participatory banking by banks and financial institutions. This regulation is considered the first legal text to regulate Islamic banking in Algeria. It aims to define the rules applicable to “participatory” financial products, which do not generate interest, as well as to specify the conditions for prior authorization by the Bank of Algeria for banks and financial institutions wishing to engage in Islamic banking operations. (Regulation 02-18, 2018).

A second legal text was later issued to further regulate Islamic banking in Algeria, replacing the previous Regulation No. 18-02. This new regulation, Regulation No. 02-20, was enacted on March 15, 2020, defining Islamic banking operations and the rules for their practice in banks and financial institutions. It serves as an updated version of the previous regulation, sharing certain similarities while introducing notable differences.

Following the issuance of Regulation 20-02, Islamic banking operations expanded with the opening of Islamic windows in public and private conventional banks.

By the end of 2023, the number of banks offering Islamic banking services in Algeria had reached 12 out of a total of 20 banks. Among these, six are private banks, including two exclusively specialized in Islamic finance (Al Baraka Bank and Al Salam Bank), while six are public banks.

The banking network includes 69 branches specialized in Islamic finance across Algeria: 10 branches belonging to public banks ,54 branches operated by the two Islamic banks (Al Baraka and Al Salam), 5 branches affiliated with other commercial banks (Annual Report of the Bank of Algeria, 2023).

## 2.2 CONDITIONS FOR PRACTICING ISLAMIC BANKING IN ALGERIA

**Regulation No. 02-20** defines **Islamic banking** as any banking operation that **does not involve the payment of interest**. It also stipulates that **banks and financial institutions offering Islamic products** must comply with **the regulatory requirements** for structuring and implementing these financial services. (Regulation 20-02, 2020)

Regulation No. 02-20 also establishes a set of conditions and regulations that govern the activities of any bank wishing to offer Islamic banking products, which include:

- **Establishing an Islamic banking window within the bank or financial institution:**

An Islamic window refers to a section within a conventional bank branch that is designated to provide Islamic banking services alongside conventional banking services (Nazzaal, 2010)

Article 17 of Regulation 20-02 stipulates that the Islamic window must be financially independent from the bank's other structures. Additionally:

- ✓ There must be a complete separation between the accounting records of the Islamic window and those of the bank's conventional operations.
- ✓ This separation must enable the preparation of financial statements dedicated exclusively to the Islamic banking activities of the window.
- ✓ Customer accounts associated with the Islamic window must be kept separate from all other customer accounts. (Regulation 20-02, 2020)

- **Licensing and Compliance Certificate Requirement:**

Obtaining prior authorization from the Bank of Algeria is the most crucial condition for a bank or financial institution to market its Islamic banking products, as stipulated in Article 13 of (Regulation 20-02, 2020).

Additionally, the bank or financial institution must obtain a Sharia compliance certificate, which is issued by the National Sharia Authority for Fatwa and Islamic Finance (Bouras, 2024, p. 287) The bank must acquire this compliance certificate before submitting its request for prior authorization.

- **Sharia Supervisory Authority:**

Banks and financial institutions are required to establish a Sharia Supervisory Authority, which must consist of at least three members, as stipulated in Article 15 of Regulation 20-02. These members are appointed by the General Assembly.

The Sharia Supervisory Authority must maintain independence and its primary role is to:

- Ensure that all banking transactions comply with Islamic Sharia principles.
- Supervise the Islamic banking activities of the bank or financial institution.

## 2.3 ISLAMIC BANKING PRODUCTS IN ALGERIAN PUBLIC BANKS

**Article 04 of Regulation 20-02** defines the **Islamic banking products** available in Algeria, which include: **Murabaha, Musharaka, Mudaraba, Ijara, Salam, Istisna'a, deposit accounts, and investment deposit accounts.**

Subsequently, **Instruction No. 03-2020**, issued on **April 2, 2020**, provided **detailed definitions** of these **Islamic banking products**, specifying the **procedures and technical characteristics** for their implementation by **banks and financial institutions**.

**Below is a brief overview of these products:**

- **Murabaha:** A contract in which the bank or financial institution sells a specified movable or immovable asset to a customer. The asset is owned by the bank and is sold at its acquisition cost plus a pre-agreed profit margin, according to the payment terms mutually agreed upon between the parties (Article 03 of Instruction 20-03).
- **Musharaka:** A contract between a bank or financial institution and one or more parties, aiming to participate in the capital of a company, a project, or commercial transactions to generate profits (Article 06 of Regulation 20-02).
- **Mudaraba:** A contract in which a bank or financial institution (as the capital provider) finances a project, while the entrepreneur provides the necessary expertise and labor to generate profit. According to Article 19 of the same regulation, the bank's contribution can be either monetary or in-kind, but its value must be determined in advance (Article 07 of Regulation 20-02).
- **Ijara:** A leasing contract where the bank or financial institution (lessor) grants a customer (lessee) the right to use a movable or immovable asset owned by the bank for a specified period, in exchange for a rental payment defined in the contract (Article 08 of Regulation 20-02).
- **Salam:** A contract in which the bank or financial institution, acting as the buyer, purchases a commodity from the customer with an immediate or cash payment, while the delivery of the commodity is deferred (Article 08 of Regulation 20-02).
- **Istisna'a:** A contract where the bank or financial institution commits to delivering a manufactured product to a customer (the orderer) or purchasing it from a manufacturer according to predetermined specifications agreed upon by both parties (Article 10 of Regulation 20-02).
- **Deposit Accounts:** These accounts hold funds deposited by individuals or entities with the commitment to return these funds (or their equivalent) to the depositor or another designated person on demand or under pre-agreed conditions (Article 11 of Regulation 20-02).
- **Investment Deposit Accounts:** These are term deposits placed at the bank's disposal by depositors for the purpose of investing in Islamic financing and generating profits (Article 12 of Regulation 20-02).

### 3 THE DEVELOPMENT OF ISLAMIC FINANCE IN ALGERIAN PUBLIC BANKS FOR THE PERIOD 2020-2023

To analyze the reality and development of Islamic banking in Algerian public banks, we will rely on:

- The share of Islamic finance resources
- Islamic financial products
- The performance analysis of each of the six public banks operating in Islamic banking, individually.

#### 3.1 ISLAMIC FINANCE RESOURCES IN ALGERIA FOR THE PERIOD 2020-2023

The table below presents Islamic finance deposits in Algerian banks (public and private) for the period 2020-2023, through deposit accounts and investment deposit accounts.

**Table 1**

*Volume of Islamic Finance Deposits (Billion DZD)*

Nature of Deposits	2020	2021	2022	2023
<b>Deposit Accounts</b>	163.0	<b>212.0</b>	<b>254.3</b>	<b>421.7</b>
<b>Public Banks</b>	1.8	18.9	56.9	112.5
<b>Private Banks</b>	161.3	193.1	197.4	309.2
<b>Investment Deposit Accounts</b>	177	<b>231.9</b>	<b>299.5</b>	<b>256.5</b>
<b>Public Banks</b>	1	4.10	15.8	24.9
<b>Private Banks</b>	176	227.8	283.7	231.6
<b>Total Sum</b>	340	<b>443.9</b>	<b>553.7</b>	<b>678.2</b>
<b>Public Banks' Share</b>	%0.81	5.16%	13.10%	20.21%
<b>Private Banks' Share</b>	%99.19	94.84%	86.90%	79.79%

Source: (Annual Report of the Bank of Algeria, 2023, p. 55)

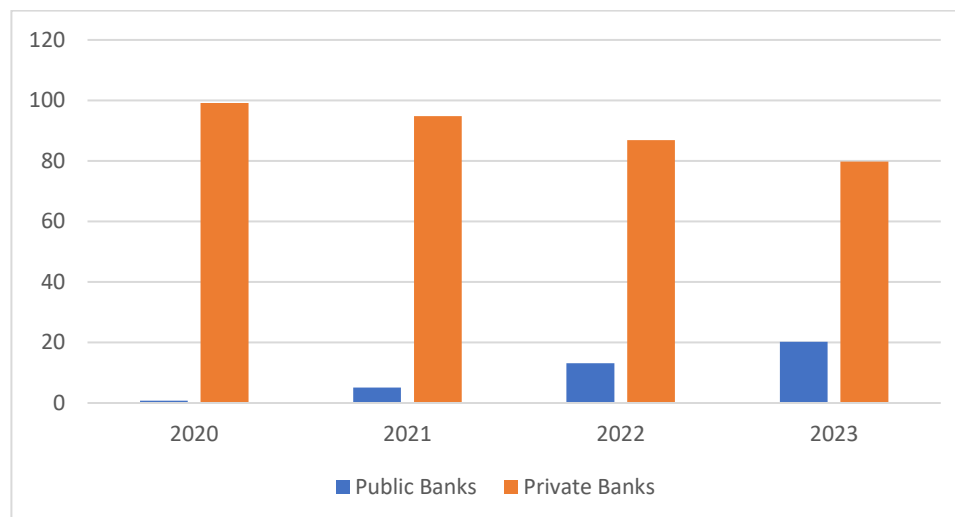
The above data reflects the continuous growth in the volume of Islamic finance deposits in Algerian banks, reaching 680.1 billion DZD by the end of 2023, compared to 554.1 billion DZD in 2022. This increase is primarily attributed to the rise in deposit accounts, which grew by 65.8%, reaching 421.7 billion DZD by the end of 2023. Conversely, investment deposit accounts declined to 256.5 billion DZD by the end of 2023, compared to 299.5 billion DZD at the end of 2022.

Regarding the contribution of public banks to the total Islamic finance deposits in Algeria, it has shown an increasing trend from 2020 to 2023. Public banks' share of total

outstanding deposits reached 20.21% in 2023, compared to 13.1% in 2022. Meanwhile, private banks accounted for 79.79% of total deposits, amounting to 542.6 billion DZD, with a growth rate of 12.5%. This significant increase is attributed to the rise in the number of active deposit accounts in these banks.

**Figure 1**

*Public Banks' Share of Islamic Finance Deposits*



Source: (Annual Report of the Bank of Algeria, 2023, p. 55)

### 3.2 ISLAMIC FINANCE PRODUCTS IN ALGERIAN PUBLIC BANKS

Banks operating in **Islamic banking** in Algeria offer a **wide range of Islamic financial products**, with total financing reaching **458.5 billion DZD** by the end of **2023**, marking an **increase of 16.4%** compared to **2022**. This amount includes **366.5 billion DZD** allocated exclusively to **Islamic banks**.

The table below presents the **range of Islamic finance products** offered by **public and private banks** for the period **2021-2023**:

**Table 2***Islamic Finance Products (Billion DZD)*

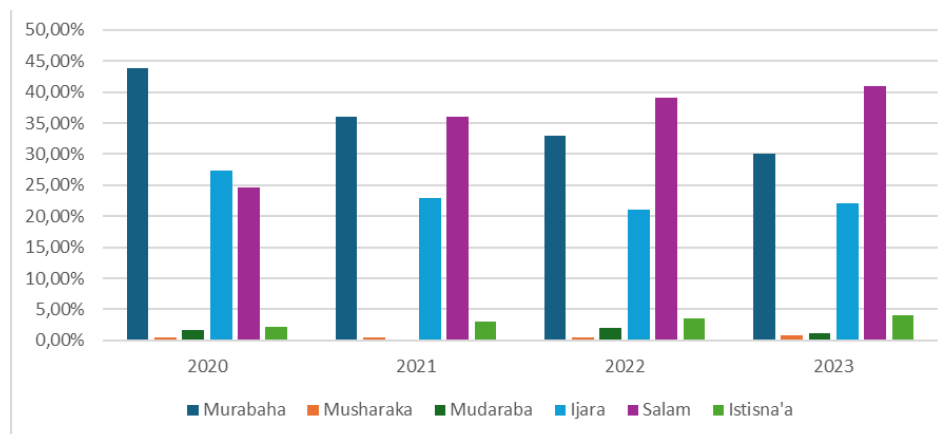
Islamic Finance Products	%	2020	%	2021	%	2022	%	2023
<b>Murabaha</b>	43.8%	132.3	%36	130.7	%33	129.7	%30	139.5
<b>Musharaka</b>	0.4%	1.2	0.4%	1.1	0.4%	2.0	0.9%	4.2
<b>Mudaraba</b>	1.6%	4.9	0.16%	6.0	2	7.6	1.1%	8.3
<b>Ijara</b>	27.3%	82.7	%23	83.9	21.9%	86.5	%22	100.4
<b>Salam</b>	24.7%	74.7	%36	133.1	%39	153.9	%41	187.7
<b>Istisna'a</b>	2.2%	6.6	%3	11.1	3.6%	14.3	%4	18.5
<b>Total Sum</b>		302.3		365.9		393.9		458.5
Public Banks' Share	%0.1		%0.5		%1.6		%4.7	
Private Banks' Share	%99.9		99.5%		98.4		%95.3	

Source: (Annual Report of the Bank of Algeria, 2023, p. 57)

Regarding Islamic finance products, Salam financing ranked first with a share of 40.9%, totaling 187.7 billion DZD, compared to 153.9 billion DZD in 2022. This was followed by Murabaha financing with a share of 30.4%, amounting to 139.5 billion DZD, and Ijara financing in third place with a share of 21.9%, totaling 100.4 billion DZD by the end of 2023, compared to 86.48 billion DZD in 2022. (Annual Report of the Bank of Algeria, 2023, pp. 56-57)

Istisna'a, Mudaraba, and Musharaka products were in less demand in 2023, with their respective resources reaching 18.5 billion DZD, 8.3 billion DZD, and 4.2 billion DZD, respectively.

**For public banks**, their share of total Islamic finance product debts is 4.7%, while private banks hold 95.3% of the total outstanding financing, a proportion that is very low compared to private banks. However, the trend shows that despite this low share, it has been continuously increasing from 2021 until the end of 2023.

**Figure 2***Islamic Finance Products 2020-2023*

Source:(Annual Report of the Bank of Algeria, 2023, p. 57)

### 3.3 THE REALITY OF ISLAMIC BANKING IN ALGERIAN PUBLIC BANKS

After the issuance of **Regulation 20-02**, the **six public banks** were granted licenses to market their **Islamic products** through **specialized branches** or by opening **Islamic windows** to offer a rich range of **financing and saving products** that comply with **Sharia principles**. These products were approved by the **Sharia Supervisory Authority** of the bank and by the **National Sharia Fatwa Authority for Islamic Financial Industry**.

Below is a summary of the performance indicators of these banks:

#### 3.3.1 National Bank of Algeria (BNA)

The first public bank in Algeria to adopt Islamic financial transactions, BNA obtained a license to market Islamic banking products on July 30, 2020. In 2022, the National Bank of Algeria recorded an increase in Islamic resources by 130.45% compared to 2021, with its value rising from 8,986.30 million DZD to 20,708.75 million DZD. This increase was attributed to a rise in Islamic demand deposits by 9,862.49 million DZD and term deposits by 1,859.96 million DZD. Meanwhile, Islamic financing grew from 2,252.05 million DZD to 3,637.47 million DZD by the end of 2022. (rapport annual BNA, 2022, p. 33).

The Islamic customer account portfolio reached 31,057 accounts by December 31, 2022, representing an increase of 16,182 accounts.

- a) **Number of Islamic Branches and Windows:** The bank has 13 branches dedicated to Islamic banking and 107 Islamic windows across its branches (BNA, 2024)
- b) **Islamic Products:** The bank offers a range of Islamic products for financing individuals, institutions, and professionals, including: Unrestricted Islamic Investment Account, Ijara Ending with Ownership, Youth Savings Account, Murabaha for Operations, Murabaha for Investment, Murabaha for Vehicle Purchase, Murabaha for Real Estate, Murabaha for Equipment Acquisition, and Financing for Religious Pilgrimage (Hajj).

### 3.3.2 Banque Extérieure d'Algérie (BEA)

After receiving the Sharia compliance certificate from the Sharia Fatwa Authority for the Islamic Financial Industry, the bank opened its first Islamic window on December 30, 2021, to market Islamic banking products (BEA, 2024)

In 2022, the bank's Islamic resources reached a total of 17,884 million DZD. The total investments in Islamic transactions by the end of 2022 amounted to 97.007 million DZD, divided between:

- Murabaha for Consumer Goods: 4.9 million DZD
- Murabaha for Real Estate: 92 million DZD

The customer portfolio reached 9,156 bank accounts, with 12,788 million DZD in current accounts, and the remaining balance in term accounts by the end of 2022. (rapport d'activité annuel- exercice 2022 BEA, 2022, p. 15).

- a) **Number of Islamic Windows:** The bank markets its Islamic products through 89 Islamic windows nationwide.
- b) **Islamic Products:** The main Islamic products offered by the bank include: Murabaha for Equipment, Murabaha for Vehicles, Murabaha for Real Estate, Islamic Deposit Account for Individuals, Islamic Current Account, Islamic Savings Account, Unrestricted Investment Deposit Account, Ijara for Equipment, Murabaha for Goods, Salam (for Inventory).

### 3.3.3 National Savings and Development Fund (CNEP)

The first Islamic window was opened at CNEP in November 2020 to market Islamic banking products, after receiving the Sharia compliance certificate from the Sharia Fatwa Authority for the Islamic Financial Industry in September 2020. (CNEP, 2024).

- a) **Number of Islamic Branches and Windows:** The bank has one branch and 98 Islamic windows nationwide.
- b) **Islamic Products:** The fund offers various **Islamic products**, including: (CNEP, 2025)
  - **Investment Accounts and Deposits:** These include Islamic checking accounts and Islamic current accounts.

- **Financing Accounts:** These include Ijara Ending with Ownership, Murabaha for Vehicles, Business Financing, Land Financing, Housing Financing, Cash Services and Remote Banking Services.

### 3.3.4 Algerian Popular Credit (CPA)

The bank received the Sharia compliance certificate for Islamic products on September 15, 2020, and began marketing Islamic banking products thereafter. (CPA, 2024).

- a) **Number of Islamic Branches and Windows:** 108 Islamic windows across the country.
- b) **Islamic Products:** The bank offers the following Islamic products:
  - For Companies and Professionals: There are **deposit accounts** including **Islamic investment accounts** and **Islamic current accounts**, as well as financing and equipment solutions such as **Ijara** and **Murabaha for Equipment**.
  - For Individuals: Islamic deposits include **Islamic investment accounts**, **Islamic checking accounts**, and **Islamic savings accounts**.
  - Islamic Financing:
 

These include **Murabaha for Real Estate**, **Murabaha for Vehicles**, **Murabaha for Equipment**, and **Ijara Ending with Ownership**.

### 3.3.5 Banque de Développement Local (BDL)

The bank launched its first Islamic window on January 10, 2022, after receiving the Sharia compliance certificate, under the name "Al-Badil." (BDL, 2024).

- a) **Islamic Branches and Windows:** The bank markets its Islamic products through 168 Islamic windows nationwide.
- b) **Islamic Products:** These products include:
  - For Individuals: Murabaha for Consumption, Murabaha for Vehicles, and Ijara Ending with Ownership.
  - For Investors: Murabaha for Investment, Investment Deposits - Mudaraba, Murabaha for Consumption, and Current Account.

### 3.3.6 Bank of Agriculture and Rural Development (BADR)

The bank obtained the Sharia compliance certificate on September 29, 2020, to market Islamic products. By the end of 2023, the bank recorded over 22 billion DZD in financial resources and more than 30,000 accounts (personal, professional, and corporate) in various Islamic financing models.

a) **Islamic Products:** The bank offers the following Islamic products: (BADR, 2024)

- **Bank Accounts:** These include Islamic current accounts for institutions and Islamic checking accounts for individuals.
- **Savings Accounts:** These include Islamic Youth Savings Book, Islamic Savings Book, Islamic Investment Savings Book, and Islamic Agricultural Investment Savings Book.
- **Murabaha Products:** These include Murabaha for Household Equipment, Murabaha for Motorcycles, Murabaha for Transportation Vehicles, Murabaha for Raw Materials, Murabaha for Professional Equipment, Murabaha for Agricultural Production, Murabaha for Public Tenders, Murabaha for Exports, and Murabaha for Construction Works.

### 3.4 OBSTACLES OF ISLAMIC BANKING IN ALGERIA

Islamic banking in Algeria faces several challenges and obstacles that may prevent it from achieving its desired objectives, particularly in Algerian public banks, which control more than 85% of the banking market in Algeria. These obstacles can be summarized as follows:

- **Subjecting Islamic Banking in Algeria to the Same Laws, Regulations, and Legislation Applied to Conventional Banks Without Distinction:** Despite the issuance of Regulation 20-02, which defines banking operations related to Islamic banking and the rules for its practice by banks and financial institutions, this regulation remains insufficient for organizing Islamic banking in Algeria. The regulation overlooks certain regulatory aspects, particularly those related to the oversight methods of the Bank of Algeria over Islamic banks. (Ben Zekka & Cheroun, *The Reality of Islamic Banking in Algeria – An Analytical and Evaluative Study*, 2022, p. 301).
- **The Algerian Commercial Law does not include Islamic financial services.**
- **Inability to resort to the Central Bank for liquidity due to the interest-based loans it provides, and the discount rate on commercial paper discounting operations.**

Additionally, it is not allowed to resort to the money market to cover its needs. The Central Bank also imposes a legal reserve requirement. (Bouras, 2024, p. 289) .

- Algeria imposes high taxes on the returns of Islamic financial institutions' investments, without considering the specific nature of some Islamic banking services. This results in double taxation in many cases. (Bouras, 2024, p. 288).
- The absence of an Islamic financial market and Takaful market: The presence of Islamic insurance institutions (Takaful) and an Islamic financial market (such as the issuance of Sharia-compliant sukuk) is a key element in the environment of a financial system based on Islamic principles. (Al-Arabi & Trobia, 2022, p. 260).
- The need to develop a specific accounting system for Islamic banks due to the differences in their operational rules compared to conventional banks. This includes the development of appropriate accounting policies and systems tailored to the nature of Islamic banking, both from a Sharia perspective and in terms of data analysis and performance measurement, ensuring the success of Islamic banking operations. (Ben Zekka & Cheroun, 2022, p. 302).
- The lack of proper training, qualification, and competency among employees in Islamic banks, due to insufficient attention to the human resources aspect. It is observed that most of the staff and executives in these banks are not well-versed in Islamic banking operations. This leads the bank to shift towards conventional banking and deviate from the objectives and principles of the Islamic banking system. (Abdli, 2022, p. 77).

#### 4 CONCLUSION

In recent years, Algeria has made significant efforts to establish Islamic banking. The year 2020 marked the start of Algerian public banks marketing Islamic banking products. Through analyzing the reality of Islamic banking in Algeria, the following conclusions were drawn:

- Islamic banking in public banks has seen positive growth since 2020, with a continuous increase in Islamic finance deposits during the years 2020-2023. Public banks' share of total outstanding deposits reached 20.21% by the end of 2023, compared to 13.1% in 2022.
- Algerian public banks offer a wide range of Islamic financial products, with three products dominating Islamic finance activities: Salam (40.9%), Murabaha (30.4%), and Ijara (21.9%).

- The limited number of Islamic products in Regulation 20-02, which includes only 8 products, prevents banks from dealing with modern Islamic financial products such as Sukuk, Muzar'a, Musaqqa, etc.
- Regulation 20-02, which defines Islamic banking operations, serves as the main reference for Islamic financial transactions in Algerian banks. However, it is insufficient, despite being the first step toward activating Islamic banking in Algeria.
- Islamic banking in Algeria faces numerous challenges, particularly in the legal, legislative, and regulatory aspects.

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