

The development of the legislative environment for Islamic banking and its impact on Islamic banks in Algeria

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Abstract:

The purpose of the study is to determine how the efficiency of Islamic banks functioning inside the Algerian financial system is affected by the issuance of legal texts that support Islamic banking, Al Baraka Bank was used as a case study in the research, taking data that reflects the bank's performance with two indicators: return on assets (ROA) and stability index Z-SCORE. Multiple variance analysis (MANOVA) was used to examine this effect. The results reveal that the performance of Al Baraka Bank Algeria was not significantly affected by the issuance of these regulatory texts.

Keywords: Islamic banks; Legislation ; financial performance; Algeria.

1. INTRODUCTION

Islamic finance holds a significant proportion of global financial assets, especially after the 2008 crisis, and it has witnessed remarkable growth, the Islamic finance industry in 2023 had total assets of 4.5 trillion Dollar¹, and banks recorded assets of 2.24 trillion Dollar as a share of total Islamic financial assets worldwide², leading Islamic financial institutions without dispute, despite this great performance recorded by Islamic banks across the world, their activity continues to suffer in some countries, whether Muslim or non-Muslim.

Monetary laws and instructions issued by central banks directly affect the performance of banks through monetary policies and the regulatory authority of the central bank, regardless of whether it is a conventional or Islamic bank³, furthermore, we see that Islamic Sharia's requirements limit the operations of Islamic banks, by prohibiting Riba, Gharar, and other controls⁴, which puts them in a more difficult position towards these traditional systems⁵, the performance and efficiency of Islamic banks operating in an Islamic legal environment is often more stable and risk-free⁶, compared to their counterparts operating in a mixed or traditional environment⁷ and the fact that Algeria has a traditional banking system despite its recent efforts to adopt a dual banking system Through the banking reforms adopted by the Banking Monetary Law 09/23.⁸

The Study's Problematic

Based on the given information, the issue addressed in this study can be framed as follows: **did the performance of Islamic banks change as result of the Algerian banking system amendment?**

The study's hypothesis

- The performance of Algeria's Al Baraka Bank is significantly and positively affected by regulatory texts.
- There are statistically significant differences in the return on assets for Al Baraka Bank of Algeria attributed to the issuance of regulatory texts supporting Islamic banking in Algeria.
- There are Statistically significant differences in the stability of the Z-score index for Al Baraka Bank of Algeria are attributed to the issuance of regulatory texts supporting Islamic banking in Algeria.

The study's relevance

The study's importance stems from the critical nature of its subject, namely the advancement of Algeria's Islamic banking, particularly in light of the government's initiatives to bolster this sector and enhance its presence in the Algerian financial market through a set of recently enacted regulations and laws.

Understanding the influence of these texts and regulations on the effectiveness of Islamic banking in Algeria is essential to identify strategies that enhance and improve these laws or develop new methods and mechanisms to support Islamic finance activities in Algeria, specifically Islamic banking.

Temporal and spatial framework: this study was performed at Al Baraka Algerian Bank, covering the period from 2008 to 2023.

Thematic framework: The present research concentrates exclusively on Islamic banking in Algeria.

Methodology: the study employs the required statistical approaches to analyze and assess how the issuance of texts and laws pertaining to Islamic banking affects the performance of Islamic banks in Algeria, particularly Al Baraka Islamic Bank. The findings are then obtained by following the steps of the standard model.

Study objectives

the study intends to illustrate how the performance of Islamic banks in Algeria is affected by the issuance of texts and laws of Islamic banking by demonstrating:

- The effect of these texts' release on the return on assets ratio in Algerian Islamic banks.
- The influence of these scriptures on the stability of performance of Islamic banks inside the Algerian financial sector.

1- LITERARY REVIEWS

This section will broadly highlight the literature reviews on Islamic banking, focusing on its current state and effectiveness in Algeria.

1-1- PERFORMANCE OF ISLAMIC BANKS

The foundation of Islamic finance operations worldwide is comprised of Islamic banks, they are financial institutions whose core work revolves around participating in investments and economic projects with the aim of achieving profits and returns from these participations, they also charge commissions for the banking services they provide⁹, however, these services are interest-free in light of the prohibition of Riba, Islamic banks do not guarantee interest on deposits or anything else in any way¹⁰, in addition, Islamic Sharia mandates that Islamic banks confirm the type of investments and projects they fund, guarantee their ethical component, and ensure its benefit to the community¹¹, accordingly, Islamic banks can be defined as a financial institution with a social ethical dimension that aims to achieve profit by supporting the real economy in accordance with Islamic Sharia.

Islamic banks are currently spread across many countries of the world, even non-Muslim ones, with a number exceeding 560 banks worldwide¹², the BANKER website listed 232 Islamic banks with good performance for the year 2023¹³, the most important feature of Islamic banks is their performance and stability, notably during financial crises, for instance the financial crisis 2008¹⁴, and the global crisis of COVID-19¹⁵, this stability is due to their reliance on investing in real assets in existing projects that support the real economy away from toxic assets based on Riba.¹⁶

The bank performance index expresses the bank's ability to generate sustainable profitable returns through the optimal employment of financial assets managed in the bank¹⁷, the two most significant indicators that researchers have employed to evaluate bank performance are: Return on Assets (ROA), Return on Equity (ROE), Which are important indicators for owners, and the Return on Investment (ROI) indicator, which shows investment banking performance.¹⁸

Conversely, the Bank Stability Index displays the bank's financial standing towards the threat of bankruptcy, the stability of a bank increases with its distance from bankruptcy¹⁹, the bank's stability index refers to its financial performance, as it motivates customers, investors, and owners and increases trust in the bank's leadership, numerous metrics are employed to assess how stable banks' financial performance is, the Basel Accord has included the following measures: capital adequacy, market risks, and asset performance to achieve returns, in addition to risk management and disclosure²⁰, however, the Z-score is the most often used indicator for evaluating bank stability. Its scores indicate the degree of bank failure risk in an inverse manner, meaning that the greater the index ratio, the lower the level of bank failure risk²¹, it is an index based on standard deviations of returns on bank assets, so it is considered one of the most important indicators that are relied upon, especially for current or potential shareholders in the bank, the two indicators have always been linked together in assessing bank performance, and the stability index may even explain bank performance²².

1-2- ISLAMIC BANKING SYSTEM IN ALGERIA

Africa holds 55.2 billion Dollar²³ of the total global Islamic assets, but Algeria's position in this momentum is hardly worth mentioning, although Algeria was among the first in adopting Islamic banking within its Monetary and Credit Law 90-10, with the entry of Al Baraka Islamic Bank into the Algerian financial market, it remains the lowest of the countries regarding the magnitude of Islamic financial transactions and assets, Algeria currently records only two banks out of 22 private and public banks operating in the Algerian financial market that function in conformity with Islamic Sharia's principles, those banks are Al Salam Bank and Al Baraka Bank²⁴, additionally, windows had been released under the recent regulations in traditional banks, that offering Islamic banking services, however, what stands out that The Algerian financial industry is dominated by traditional public banks.

1-3- THE LEGAL FRAMEWORK OF ISLAMIC BANKING IN ALGERIA

Algeria is currently witnessing a movement to draw firm steps towards establishing a legislative framework for Islamic finance, such as the issuance of Regulation No. 18-02 and Regulation No. 02-2020, they are viewed as the cornerstone of Algeria's Islamic financial banking industry, as well as Instruction No. 03-2020, which defined products related to Islamic banking, and finally Law No. 23-09, which established Islamic banking in Algeria as a recognized and legally established financial system²⁵, in order to elaborate more on the legal environment of Islamic banking in Algeria, we need to look at these environment from a historical perspective.

The Monetary and Credit Law 90/10 allowed Islamic banking to enter the Algerian market, this law was issued on April 10, 1990, and was considered the basis of the Algerian banking system, what distinguishes it is that it paved the path for the creation of private banks, in 1991, Al Baraka Bank was created, allowing Islamic banking to enter the Algerian banking market²⁶, however, Al Baraka Bank's operations remained in a completely traditional environment until the issuance of Order 03-11 in 2003, which is related to money and credit Law, This regulation referred in Article 73 to Mudaraba, as it clarified the possibility of receiving deposits and working in joint-stock companies according to legal conditions, excluding them from the concept of deposits subject to return²⁷, and was considered a point in favor of Islamic banking in Algeria, then, Regulation No. 04-02 dated March 4, 2004 was issued, where Article 12 of it allowed Islamic banks to introduce some types of assets from the maturity category and enter them into the mandatory reserve account, which is an outlet for Islamic banks, along with the previous regulation, Regulation No. 04-04 was issued, where Article 19 of this regulation exempted investment deposits in Islamic banks from the Deposit Insurance Fund, because it takes into account the gain and the loss²⁸, this marks the beginning of the Algerian banking system's acceptance of Islamic banking concepts.

Nine years later, another regulation was issued bearing No. 13-01 in 2013, where this regulation is considered one of the most supportive regulations for Islamic banking in Algeria, this regulation, in particular Article 19, was adopted to establish the broad

guidelines pertaining to banking conditions applied to banking operations, where it opened the way for Islamic banks to propose and produce savings products or a new lending system that is consistent with its principles of operation²⁹.

Recently, Algeria has sought to adopt Islamic banking more widely, so Regulation No. 18-02 dated November 4, 2018 was issued, which is a regulation related to participatory finance, this regulation defined the conditions and rules governing participatory activities that are interest-free, it mentioned the subsequent products: Murabaha, Musharaka, Mudarabah, Ijarah, Salam, Istisna'a, deposits in investment accounts, but did not give them a detailed definition, it also required obtaining a prior license from the Central Bank for any bank that wants to produce these products³⁰, then, Regulation No. 02-20 dated March 15, 2020 was issued, which is the first regulation that directly addresses Islamic banking operations, as it can be considered as an establishment of Islamic banking by the country's monetary authority, as it includes 23 articles that discuss Islamic banking activities, the regulations that apply to them, and the requirements for offering them, as Article No. 04 of it clarified these operations (Murabaha, Musharaka, Mudarabah, Ijarah, Salam,...), and the difference between it and the previous regulation No. 18-02 lies in Articles 05 to 12 thereof, which deal with individual definitions for each product and service mentioned above³¹, followed by the issuance of Executive Decree No. 81-21 dated February 23, 2021, the basis of Takaful insurance and its operational procedures have been laid down by this Decree, Takaful insurance is outlined as a contractual method in Article No. 02 of this decree, in which natural or legal persons participate who undertake to help each other and are called participants and pay installments called contributions, as the same article refers to the concept of a good loan as an interest-free credit that must be refunded within a specified period, and Articles 9-10-11-12 thereof explained how to manage the participants' fund, which is the fund in which contributions are placed by the Takaful insurance company, whether through Mudarabah, agency, or a mixed model between agency and Mudarabah³².

The latest laws supporting Islamic banking activity is Law No. 23-09 (Banking Monetary) dated June 21, 2023³³, this law has caused a major revolution in the practice of monetary authority in accordance with the need and financial development witnessed by Algeria, naturally, this change has affected the section related to Islamic banking in Algeria, in order to include Islamic banks, the Monetary and Loan Law was renamed the Monetary and Banking Law, this legislation contained a set of articles designed to directly assist Algerian Islamic banks and address the majority of the issues they had previously faced, this law has actually formalized Islamic banking activity in accordance with Article 71, which addressed the concept of Islamic banking activity in a legal manner, as well as Article 72, which permitted the creation of fully Islamic banks and the autonomy of the windows included in the earlier system 20-02, and also Article 73, which clarified that before marketing banking products associated with Islamic banking, must first obtain a certificate of conformity with the standards of Islamic Sharia³⁴, endorsed by the Central Bank of Algeria and delivered by the Sharia Board for Fatwa of Islamic finance, and the approval of the Central Bank of Algeria, and this before marketing banking products related to Islamic

banking, all of this is a part of the effort to create a legal framework for Islamic banking, and laying the groundwork the Islamic financial industry in Algeria.

Along with to what has been aforementioned, Article 44 of this law highlights the monetary policy tools available to the Central Bank that are compatible with the aspects and characteristics of Islamic banking, which is a very important matter, such as the Murabaha and Mudaraba tool for last resort facilities, Article 134 it states that a special account must be assigned to insure Islamic banking deposits in a way that is compatible with the nature of its activities³⁵, on the other hand, Article 61 added an expert in Islamic Banking has been added to the Central Bank's Monetary and Banking Board by Article 61, and Article 158 related to the Financial Stability Committee also included a specialist in Islamic banking from the Ministry of Religious Affairs and Awqaf³⁶.

There are also some agreements concluded by the Central Bank with state institutions specialized in regulating Islamic finance activity, such as the agreement concluded with the AAOIFI, which is concerned with setting Islamic finance standards in 2022³⁷, this agreement seeks to enhance and fortify the statutory and legislative aspects of Islamic banking in Algeria in order to promote its vibrancy, table (01) displays the Central Bank of Algeria's data on Islamic banking activity from 2022 to 2023.

Table (01): Data on Islamic banking activity in Algeria (2022/2023)

Appointment	Public banks	Private banks	Total
Banks that provide Islamic financial services	06	06	12
	2023	2022	Increase rate
Windows	655	741	13.12%
Number of agencies	69	75	8.69%
Deposits	546.69 billion dinars	623.83billion dinars	
Financing	352.68 billion DZD	369.79 billion DZD	
Islamic accounts	600 Thousand accounts		
Financing	401 Billion DZD		

Source : De la réalisation du chercheur basée sur : Bank of Algeria, Tendances Monétaires et Financières, Note de conjoncture neuf premiers mois 2023, Janvier 2024, P 30-31.

2- METHODOLOGY AND HYPOTHESES

According to studies (2020 (بن دادة و عقون،³⁸, and (Memiyanty, Sulistyowati, Sahraman, & Rifki, 2024)³⁹, and (Aghilasse, Abdelkader, Naji, Ali, & Tamy, 2024)⁴⁰, the level of influence of regulatory texts on the efficiency of Islamic banks may be verified and quantified; so, the primary hypothesis of this study is articulated as follows: The performance of Algeria's Al Baraka Bank is significantly and positively affected by regulatory texts.

To boost understanding of this hypothesis, the study included sub-hypotheses in order to determine the source of this effect, considering that performance was assessed through two different indices: return on assets (ROA) and the stability index Z-SCORE.

Sub-hypotheses:

*There are statistically significant differences in the return on assets for Al Baraka Bank of Algeria attributed to the issuance of regulatory texts supporting Islamic banking in Algeria.

*There are Statistically significant differences in the stability of the Z-score index for Al Baraka Bank of Algeria are attributed to the issuance of regulatory texts supporting Islamic banking in Algeria.

This study will employ multiple analyses of variance (MANOVA) to test its hypotheses and determine whether the issuance of legislative texts supporting Islamic banking affects Al Baraka Bank of Algeria's performance by comparing the averages of several groups in order to test the null hypothesis, and this analysis is based on the following hypotheses:

- Condition of normal distribution of variables.
- Condition of homogeneity of variances.
- Condition of independence of groups.

2-1- STUDY DATA AND VARIABLE

Al Baraka Algerian Bank was chosen as a case study, as the initial bank to begin operating adhering to the tenets of Islamic Sharia, the institution's performance was analyzed from 2008 to 2023, a timeframe marked by the incremental release of partial regulatory frameworks that bolster Islamic banking in Algeria., data on variables were extracted via the yearly reports published by the bank from its official website (www.albaraka-bank.com), as for laws and regulations, they were sourced using the Algerian Official Journal and the official site of the Central Bank, and the study employed multiple variance analysis (MANOVA) because it is the most appropriate analysis to determine whether there are statistically significant differences⁴¹, in performance (ROA, Z-SCORE) based on the issuance of laws and regulatory texts related to Islamic banking activity in Algeria during the period 2008-2013.

To evaluate the performance of Al Baraka Bank throughout the specified duration, the study employed two dependent measures frequently utilized in banking performance research: the return on assets (ROA), an indicator reflecting the bank's capacity of earning from its employed assets, thereby demonstrating its efficiency in asset management⁴², and the stability index (Z-SCORE) where it is measured for at least three (3) consecutive years, the current ratios are compared with the benchmark values of the index to assess the bank's stability and proximity to risk, the z-score indicator seeks to constrain the standard

deviations in the returns on bank assets to their lowest value to ensure the stability of the bank based on a study of past information⁴³, according to the following values :

- $Z < 1.81$ Low (risk zone and near bankruptcy)
 $1.81 > Z < 2.99$ Moderate (moderate and low risk zone)
 $Z > 2.99$ High (safe zone that achieves stability)

The following equations were used to compute the values of (ROA) and (Z-score):

$$\text{ROA} = \frac{\text{NP}}{\text{TA}}$$

ROA: Return on Assets, **NP**: Net Profit, **TA**: Total Assets

$$\text{Z-SCORE} = \frac{\mu(\text{ROA}) + K}{B(\text{ROA})}$$

Z-SCORE: Stability Index, $\mu(\text{ROA})$: Average Return on Assets, **K**: The ratio of (shareholders' equity + legal and general reserves) / total assets, **B(ROA)**: Standard deviation of return on assets.

As for the independent variable, which is the legislative regulations related to Islamic banks, the study period was divided into four categories and coded (1, 2, 3, 4) according to the presence or absence of partial or total regulatory texts for Islamic finance activity in Algeria, and the independent variable was named with the code (isbr: Islamic Banking Regulations).

2-2- RESULTS ANALYSIS

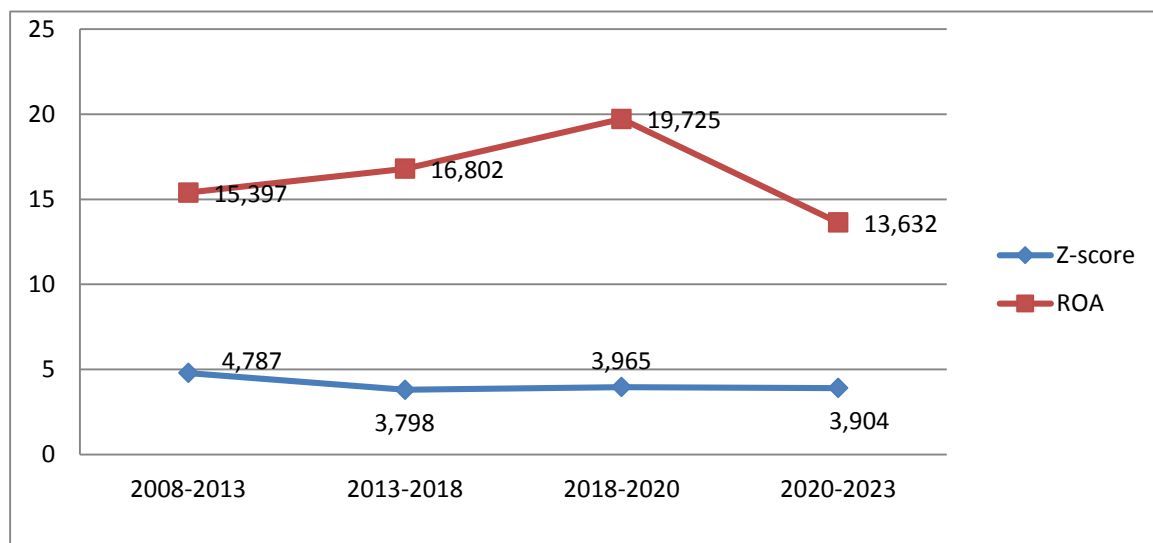
Table (02): Descriptive Statistics

	isbr	Mean	Std. Deviation	N
ROA	2008-2013	15,3975	4,89561	4
	2013-2018	16,8020	1,46698	5
	2018-2020	19,7250	1,26572	2
	2020-2023	13,6325	,90710	4
	Total	15,9720	3,15558	15
Z_SCOR	2008-2013	4,7875	,75266	4
	2013-2018	3,7980	,55296	5
	2018-2020	3,9650	,53033	2
	2020-2023	3,1250	,18484	4
	Total	3,9047	,79819	15

Souece : by authors using SPSS Softwar

Table (02) shows us that the highest average value for return on assets was recorded for the period 2018-2020 with a value of 19.72 and a standard deviation of 1.26, which means that it was the best period for the bank's performance according to this indicator, while the lowest value occurred during 2020-2023, with an estimated figure of 13.63 and a standard deviation of 0.90, marking it the weakest performance period according to the return on assets measure. Notably, the bank's return on assets indicator exhibited positive growth over time, except for the 2020-2023 period coinciding with the COVID-19 pandemic. Conversely, the stability indicator Z-score achieved its highest average value during 2008-2013, recorded at 4.78 with a standard deviation of 0.75, and in contrast, it recorded its lowest value in the period 2020-2023 with a value of 3.12 and a standard deviation of 0.18, and it is noted that both values are greater than 2.99, which means that the bank remained in the "safe zone" throughout the whole study period, as indicated by the z-score index; however, the period from 2008 to 2013 exhibited more excellent stability because it carried the highest value for the index, the stability index also recorded a decline over time, as is clear from the data, which reflects the bank's approach to the danger zone , See Figure (01).

Figure (01): Development of Al Baraka Bank's(ROA, Z-score) Index 2008-2023



Souce : by authors using SPSS Softwar

Table (02) reveals disparities in the averages between the groups for both indicators: return on assets and the Z-score indicative of the bank's performance stability. However, this observation alone is inadequate to ascertain whether these differences are statistically significant, making it difficult to judge the study hypothesis.

- Box's Test of Equality of Covariance Matricesa

Table (03): Box's Test of Equality of Covariance Matricesa

Box's M	30,296
F	3,543

df1	6
df2	1737,735
Sig.	,002
Desision	H0 is rejected

Souce : by authors using SPSS Softwar

A significance level of 0.1% was determined to verify the homogeneity of the variance matrix test, table (03) for Box's Test of Covariance shows us that the Fisher value was 3.513 with a significance level of 0.002, which is greater than 0.001, and as a result, we accept the null hypothesis as the covariance is homogeneous.

- Levene's test for homogeneity of variance

Table (04): Levene's Test of Equality of Error Variancesa

		Levene Statistic	df1	df2	Sig.	Desision
ROA	Based on Mean	3,003	3	11	,077	H0 is accepted
Z_SCOR	Based on Mean	1,748	3	11	,215	H0 is accepted

Souce : by authors using SPSS Softwar

By examining table (04) related to Levene's test for verifying variance homogeneity, we find that the calculated F value is 3.003 with a significance level of 0.07 for the return on assets (ROA), while the calculated F value for the stability index z-score is 1.74 with a significance level of 0.21, and both probability values are greater than 0.05, accordingly, we accept the null hypothesis based on the variance between the variables is equal.

- Wilks' Lambda Test

Table (05): Multivariate Testsa

	Effect	Value	F	Hypothesis df	Error df	Sig.	Desision
isbr	Pillai's Trace	1,030	3,897	6,000	22,000	,008	
	Wilks' Lambda	,195	4,219b	6,000	20,000	,007	H0 is rejected
	Hotelling's Trace	2,977	4,465	6,000	18,000	,006	
	Roy's Largest Root	2,518	9,232c	3,000	11,000	,002	

Souce : by authors using SPSS Softwar

Table (05) indicates that the F value is 4.219 at a significance level of 0.001, significantly lower than 0.05 this compels us to embrace the alternative hypothesis. Consequently, we conclude that the groups' differences are statistically significant concerning the return on assets (ROA) and the stability index Z-score for the ISBR variable, or at least one of them, across the periods, Which indicates that the studied periods have an effect on the performance of Al Baraka Bank in general during the study period (2008-2023).

- MANOVA Test

Table (06): Tests of Between-Subjects Effects

Source	Dependent Variable	Type III Sum of Squares	df	Mean Square	F	Sig.	Decision
Corrected Model	ROA	54,828a	3	18,276	2,377	,126	
	Z_SCOR	5,613b	3	1,871	6,225	,010	
Intercept	ROA	3581,434	1	3581,434	465,784	,000	
	Z_SCOR	204,768	1	204,768	681,258	,000	
isbr	ROA	54,828	3	18,276	2,377	,126	H0 is accepted
	Z_SCOR	5,613	3	1,871	6,225	,010	H0 is rejected

Souce : by authors using SPSS Softwar

By examining table (06), which is the MANOVA table to identify statistically significant differences throughout the groups, we observe that the F value for the return on assets (ROA) is 2.377 with a significance level of 0.126, which is greater than 0.05 , Accordingly, we accept the null hypothesis, which claims there aren't any statistically significant variations between the group averages for the return on assets concerning the issuance of regulatory texts over the study period (2008-2023) for Al Baraka Bank of Algeria.

For the stability index (Z-score) and the ISBR variable, the value of F is 6.225 with a significance of 0.01, which is less than 0.05, accordingly, we embrace the alternative hypothesis and deny the null hypothesis, We detect statistically significant differences between the group averages for the stability index related to the issuance of regulatory texts during the study period (2008-2023) for Al Baraka Bank of Algeria.

To study these differences related to the stability index (Z-score) and to verify their source through the studied time periods, we resort to Post-Hoc Tests using Scheffe test.

- Post-Hoc Tests

Table (07): Multiple Comparisons

Scheffe								Desision
Depende nt variable	(i) isbr	(J) isbr	Mean Differenc e (I-J)	Std. Error	Sig.	% Confidence 59 Interval		
						Lower Bound	Upper Bound	
Z_SCOR	2008- 2013	2013- 2018	,9895	,36777	,122	-,5988	2,5778	H0 is accepted
		2018- 2020	,8225	,47479	,429	-1,2279	2,8729	H0 is accepted
		2020- 2023	1,6625*	,38767	,010	-,0117	3,3367	H0 is rejected
	2013- 2018	2008- 2013	-,9895	,36777	,122	-2,5778	,5988	H0 is accepted
		2018- 2020	-,1670	,45870	,987	-2,1479	1,8139	H0 is accepted
		2020- 2023	,6730	,36777	,384	-,9153	2,2613	H0 is accepted
	2018- 2020	2008- 2013	-,8225	,47479	,429	-2,8729	1,2279	H0 is accepted
		2013- 2018	,1670	,45870	,987	-1,8139	2,1479	H0 is accepted
		2020- 2023	,8400	,47479	,412	-1,2104	2,8904	H0 is accepted

Souece : by authors using SPSS Softwar

From table (07), we note that the stability index Z-score between the periods 2008-2013 and 2020-2023 has a significance level of 0.01, which is less than 0.05, accordingly, we embrace the alternative hypothesis and deny the null hypothesis, which indicates that there exists a statistically significant difference between the index averages for the periods 2008-2013 and 2020-2023, as the index for this period was higher than the period 2020-2023 by a value of 1.66 degrees, while for the other periods, their significance level was greater than 0.05, therefore, the null hypothesis, according to which there aren't any statistically significant variations between them, is accepted.

The Z-score index is one of the most important indicators for predicting, achieving stability, and containing banking failure⁴⁴, Al Baraka Bank demonstrated better stability

from 2008 to 2013 than in other eras despite the lack of Islamic banking regulations, contrary to expectations, as the issuance of regulatory texts in subsequent periods did not have a positive impact on the stability index.

3- DISCUSSION AND CONCLUSION

The research examined the correlation between the issuance of banking regulatory texts and the operational efficacy of Algerian Islamic banks, using the Al Baraka Bank of Algeria as a case study, the study was conducted by collecting quantitative data and using multiple analysis of variance (MANOVA) to examine the suggested hypotheses, the study included a main hypothesis: **Regulatory texts have a significant and positive impact on the performance of Al Baraka Bank of Algeria.**

sub-hypotheses:

1 - There are statistically significant differences in the return on assets for Al Baraka Bank of Algeria attributed to the issuance of regulatory texts supporting Islamic banking in Algeria.

2 -There are statistically significant differences in the stability of the Z-score indicator for Al Baraka Bank of Algeria attributed to the issuance of regulatory texts supporting Islamic banking in Algeria.

3-1- DISCUSSION

The results of the study in Table (05) revealed that the groups' differences were statistically significant of periods studied (periods of absence of regulatory texts and periods of their accumulation) with regard to the variables of bank performance, the results initially bolster the argument regarding the influence of regulatory texts supporting Islamic banking on the performance of Al Baraka Bank Algeria during the examined period. However, as indicated in Table (06), there were no statistically significant differences between the bank's mean return on assets (ROA) from 2008 to 2023. This finding refutes the first sub-hypothesis posited in the study, concluding that Al Baraka Bank of Algeria's performance in the return on assets indicator was unaffected by implementing regulations supporting Islamic banking. in a statistically significant manner.

This outcome aligns with (شوار و حطاش، 2018)⁴⁵ prior research, which stated that Islamic banks operating in the traditional banking environment in Algeria make them more vulnerable to risks but do not affect their level of performance, (khan, Polat, & Usman, 2023)⁴⁶, and (Suria & Roza, 2013)⁴⁷, also showed in their research that the performance and efficiency of Islamic banks is not significantly related to their organizational and economic environment, but rather is due to internal factors and decisions, this outcome contradicted the findings of the research study conducted by (بن دادة و عقون، 2020)⁴⁸, and (Ahmed & M.Kabir, 2007)⁴⁹, and (عمر و عبد السلام، 2019)⁵⁰, and (أبوروي، 2020)⁵¹, and this result is explained by the fact that these regulatory texts did not have a significant impact, in addition

to the fact that Al Baraka Bank, attributed to the extended period of its operation in a banking environment that does not support Islamic banking, has adapted methods and approaches that enable it to work and perform without the need for these exceptional regulations.

Regarding the stability-related Z-SCORE indicator, Table (06)'s outcomes demonstrated statistically significant disparities among the group means concerning the stability of Al Baraka Bank's performance during the study period, this suggests that the studied periods impacted the bank's stability, but when we look at the period with the largest average (the most stable), we discover that it is the one with code (0), meaning that it did not contain any regulatory texts supporting Islamic banking at that time, which is a result that leads us to reject the second sub-hypothesis of the study, we conclude that Al Baraka Bank's stability didn't correlate with the adoption of regulatory texts associated with Islamic banking, but was linked to other variables outside the proposed independent variable, which is a result that agrees with the results of the research (Aghilasse, Abdelkader, Naji, Ali, & Tamy, 2024)⁵², where they concluded that the legislative framework inadequately explains the stability the performance and efficiency of Islamic banks, which is in contrast to the study's findings (2023) (سعيداني و بيراز، 2023)⁵³, which pointed out a correlation between the ideal stability of Islamic banks and the presence of an Islamic regulatory environment.

Through the above, we come to reject the main hypothesis of the study, as it has been shown the performance of Al Baraka Islamic Bank, a representative sample of Islamic banks in Algeria, has not been impacted by the issuance of regulatory texts supporting Islamic banking in recent years, this is attributed to the delay in issuing these regulatory texts and the ability of Islamic banks to adapt to maintaining their performance during a traditional banking environment by focusing on financing with a profit margin, as for the recent laws that clearly support the Islamic banking system, they need some time for their impact to appear, especially since they coincided with a period of exit and recovery from a global economic crisis due to the Corona pandemic.

3-2- CONCLUSION

Regulatory texts affect the performance of Islamic banks⁵⁴ relatively, but it is agreed that the traditional environment and laws are likely to hinder the growth and expansion of Islamic banks, The Islamic regulatory environment fosters the advancement of Islamic banks specifically and Islamic finance broadly.

The study aimed to illustrate the effect of the issuance of regulatory rules promoting Islamic banking in Algeria on the performance of Islamic banks, using Al Baraka Bank of Algeria as a case study, as it concluded that the performance of Al Baraka Bank was not affected by the issuance of texts and laws supporting Islamic banking directly in the period studied (2008-2023), and this is due to the fact that these texts did not previously rise to support the activity of Islamic banking in Algeria, as they were only a few exceptions, while the effective texts, especially the recent Banking Monetary Law 23-09, will not show its effect until years after its issuance and not now.

Additionally, as a secondary outcome of the study, the return on assets of Al Baraka Bank rose during the research period due to the expansion and diversification of activities and investments, while it recorded a decline in the stability index numbers, which accompanies this diversity and expansion, which increases the size of the risk.

This study raises several ideas for future research. Similar studies could be undertaken after a designated interval to validate the effects of the recent legislative enactments. Also, the current study concentrated on a single variable; subsequent research could expand to encompass additional variables impacting Islamic banks' performance in Algeria.

General characteristics in writing Respectable:

- Auto marginalization,
- controlled and coordinated paragraphs,
- interline 1 cm,
- 1 cm distance between paragraphs,
- Correction of the language + certification,
- The comma and the point follows the word directly,
- Line Spacing Single,
- The page (2 cm above, 2 cm down, 1.5 cm left, 2.5 cm right).

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