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The Development of Islamic Windows Within Algerian Public Banks: An Analysis and Insights from the Case of the National Bank of Algeria

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Abstract:

Islamic windows enable conventional banks to provide Sharia-compliant financial services, with their development in Algerian public banks supported by regulatory reforms since 2018. This study examines the National Bank of Algeria (BNA) through qualitative documentary analysis. Findings indicate progressive regulatory, organizational, and operational structuring, reflected in expanding Islamic finance networks and diversified Sharia-compliant products. Murabaha-based products dominate the documented portfolio, while participatory instruments remain less visible. The findings support an association between Islamic window development and progressive institutional structuring in Algerian public banks.

Keywords: Islamic finance; Islamic windows; Public banks; National Bank of Algeria (BNA); Algeria.

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1. INTRODUCTION

Over the past few decades, Islamic finance has become an important segment of the global financial industry. Based on Sharia principles, it prohibits interest (riba), excessive uncertainty (gharar), and gambling or speculation (maysir), while linking financial transactions to real assets and, in certain arrangements, sharing profits and risks. One mechanism through which conventional banks have participated in this development is the establishment of Islamic banking windows, which enable them to provide Sharia-compliant products and services while maintaining their conventional banking structure. Their implementation, however, involves regulatory, organizational, governance, and operational requirements, including fund segregation, Sharia compliance, specialized human resources, product development, and appropriate technological infrastructure.

In Algeria, Islamic finance followed a progressive institutional development. After the establishment of specialized institutions, notably Al Baraka Bank in the early 1990s, its integration into public banks gained momentum following the regulatory reforms initiated in 2018. Regulation No. 18-02 of November 4, 2018, established the conditions for conducting banking operations related to participatory finance and provided an important basis for integrating Islamic finance into the Algerian banking system.

This framework was subsequently complemented by Regulation No. 20-02 of March 15, 2020, and Instruction No. 03-20 of April 2, 2020, which specified additional conditions and operational modalities. These reforms enabled public banks to develop Islamic finance activities through specialized arrangements within their existing networks. The Algerian experience is therefore of particular interest because Islamic finance has progressively been integrated into existing public banking institutions, raising questions concerning organizational arrangements, network deployment, product development, and the management of Islamic and conventional activities within the same institution.

The literature on Islamic windows in Algeria remains relatively limited and covers several complementary dimensions. Saadane (2023) examined the regulatory and institutional framework and emphasized the importance of governance and supervisory mechanisms. Khatoui and Leslous (2020), Alani and Yaacob (2012), Khudair (2021), and Saadane (2023) highlighted factors associated with their development, including regulation, Sharia governance, qualified human resources, communication, product diversification, and organizational arrangements. Nahoui and Guettouche (2021), Haddad and Nahoui (2023), and Bendaoudia and Kamoumia (2022) examined the contribution of Islamic financing instruments to banking-service diversification and the financing needs of SMEs, while Saadane (2023) also highlighted their potential contribution to savings mobilization and the development of Islamic finance. More recently, Kadari, Bensaid, and Tayeb (2025) emphasized product diversification, financial inclusion, human-resource training, customer awareness, and Sharia compliance in public banks in the wilaya of Tiaret.

Despite these contributions, existing studies generally examine specific dimensions of the Algerian experience, such as regulation, development factors, financing instruments, or individual banks. There is therefore a need for a more integrated analysis connecting the regulatory, organizational, and operational dimensions of Islamic window development. The experience of the National Bank of Algeria (BNA) provides a relevant case for examining how regulatory reforms have been translated into organizational arrangements and the progressive deployment of Islamic finance activities.

Against this background, this article aims to analyze the development and implementation of Islamic windows within Algerian public banks, with particular emphasis on the BNA. It examines the evolution of the regulatory framework, organizational arrangements, the deployment of Islamic finance networks, and the development and diversification of Sharia-compliant products. The study adopts a qualitative approach based on documentary analysis of scientific literature, legislative and regulatory texts, Bank of

Algeria reports and publications, official BNA communications, and information published on the official websites of Algerian public banks.

This analysis is complemented by a case study of the BNA. Given the qualitative and documentary nature of the study, the analysis focuses on observable regulatory, organizational, and operational developments rather than statistically measuring effects on profitability, customer satisfaction, or financial inclusion.

The study is guided by the following hypothesis:

H1: The development of Islamic windows within Algerian public banks is associated with a gradual process of regulatory, organizational, and operational structuring.

This hypothesis is examined through documentary evidence relating to regulatory reforms, the deployment of Islamic finance networks, organizational arrangements, and the evolution of products offered by public banks, with particular attention to the BNA.

The article is organized into three sections. The first presents the theoretical foundations of Islamic banking windows, including the principles of Islamic finance, the concept and characteristics of Islamic windows, and the motivations underlying their development. The second examines the regulatory framework governing the introduction and development of Islamic finance within Algerian public banks. The third analyzes the deployment of Islamic windows, particularly through the BNA case, and discusses the main organizational and operational lessons emerging from this experience.

2. The Theoretical Foundations of Islamic Banking Windows

Before examining the implementation of Islamic windows within Algerian public banks, this section presents the main theoretical foundations underlying this mode of banking organization. It reviews the principles of Islamic finance as well as the concept and characteristics of Islamic banking windows.

2.1. The Fundamental Principles of Islamic Finance

Understanding Islamic windows requires an exposition of the fundamental principles of Islamic finance which are rooted in Sharia prescriptions that govern financial and commercial transactions. These principles determine the authorized modes of financing, risk-sharing mechanisms, and the governance and compliance requirements applicable to the products offered by Islamic banks and windows.

2.1.1. Definition and Foundations of Islamic Finance

Islamic finance constitutes a financial model based on the principles of Islamic law (Sharia). Although its modern institutional development dates mainly from the 1970s, its foundations originated in Islamic prescriptions governing economic, commercial, and financial activities (Smith, 2009). Over the following decades, Islamic finance progressively expanded beyond its initial geographical base and became part of the financial landscape in both Muslim-majority countries and several Western economies.

The literature provided several definitions of Islamic finance, but these definitions have generally converged around the idea of a financial system in which resource mobilization, financing, and investment activities are conducted in accordance with Sharia principles. Beyond its religious dimension, Islamic finance has been associated with principles of fairness, transparency, accountability, and ethical conduct in contractual relationships. Its operational principles have distinguished it from conventional finance, particularly through the prohibition of interest (riba), excessive uncertainty (gharar), and speculative activities (maysir), as well as through the emphasis placed on asset-backed transactions and risk-sharing mechanisms (Jouaber-Snoussi, 2012).

The international development of Islamic finance has nevertheless shown that the application of these principles has depended not only on religious and contractual considerations but also on the institutional environment in which Islamic financial activities have been introduced. Apaydin (2018), through a comparative analysis of Malaysia and the United Arab Emirates, showed that regulatory arrangements for Islamic banking

varied considerably across national contexts and that institutional configurations influenced the organization and governance of Islamic finance. This observation is particularly relevant for countries where Islamic finance has been introduced within predominantly conventional banking systems.

In such contexts, the development of Islamic finance has involved more than the introduction of Sharia-compliant financial products. It has also required the establishment of appropriate organizational arrangements, governance mechanisms, regulatory procedures, and compliance systems capable of accommodating Islamic activities within existing banking structures.

2.1.2. The Guiding Principles of Islamic Finance

Islamic finance relies on several fundamental principles that determine the nature of permissible transactions and the conditions under which financial activities can be conducted.

The first principle concerns the prohibition of riba, generally understood as the prohibition of interest-based returns on lending. Under this principle, financial returns should be associated with a legitimate economic activity, trade, investment, or contractual relationship involving an underlying asset or an element of risk. This principle has constituted one of the main distinctions between Islamic and conventional finance, as Innal and Adli (2018) highlighted.

A second principle concerns the prohibition of gharar, referring to excessive uncertainty or ambiguity in contractual relationships, and maysir, referring to gambling or speculative activities. Islamic financial contracts are therefore expected to provide sufficient clarity concerning the rights and obligations of the contracting parties, the nature of the underlying asset, the price, and the conditions of execution. Badi and Ouachem (2022) emphasized that these requirements aimed to strengthen contractual transparency and reduce excessive uncertainty.

Islamic finance is also based on the principle of profit and loss sharing (PLS). Instruments such as Musharaka and Mudaraba have been designed around partnership arrangements in which the parties participate in the

results of the financed activity according to the terms of the contract. This principle has represented an important theoretical characteristic of Islamic finance, although the practical use of participatory instruments has varied across banking systems.

Another important principle has concerned the connection between financing and real economic activity. Financing operations have generally been linked to identifiable goods, services, assets, or projects. Arroudj (2022) emphasized that this asset-backing principle established a closer relationship between financial transactions and the real economy.

Finally, Islamic finance has incorporated an ethical dimension. Investment and financing activities have been expected to avoid sectors considered incompatible with Sharia principles, including gambling and the production or commercialization of alcohol and tobacco (Mzid, 2012).

These principles constituted the conceptual basis for the different instruments developed by Islamic financial institutions. Their practical application, however, has required specific contractual arrangements as well as institutional and governance mechanisms capable of ensuring compliance with Sharia requirements.

2.1.3. The Core Instruments of Islamic Finance

The implementation of these principles has been achieved through a range of contractual instruments designed to meet the financing and investment needs of individuals and enterprises.

Among the most widely used instruments, Murabaha has been described as a cost-plus sale in which the acquisition cost and the agreed profit margin are known to the customer (Reghioui&Kezzoute, 2021). Musharaka has been based on a partnership arrangement in which the bank and the client contribute to financing an operation and share its results according to the contractual agreement (Badi &Ouachem, 2022). Mudaraba has involved a capital provider (rab al-mal) and an entrepreneur (mudarib), while Ijarah has been structured as a leasing arrangement that may include the transfer of ownership at maturity (Taleb &Hachemaoui, 2024).

Other instruments, such as Salam and Istisna'a, have been used particularly for agricultural, manufacturing, and construction activities.

Allioui et al. (2015) emphasized that, despite differences in their contractual structures, these instruments have shared the objective of providing financing mechanisms compatible with Sharia principles while remaining connected to real economic activities.

In practice, however, the theoretical diversity of Islamic financial contracts has not necessarily translated into an equal use of all available instruments. The relative importance of each contract has depended on regulatory conditions, operational requirements, risk considerations, customer preferences, and the organizational capabilities of financial institutions. This distinction between the theoretical availability of Islamic instruments and their practical use has been particularly relevant to the study of Islamic banking windows.

The principles and instruments discussed above therefore provide the conceptual foundation for understanding Islamic windows. These organizational arrangements have allowed conventional banks to offer Sharia-compliant products without changing their legal status. Their development has consequently raised broader questions concerning regulation, governance, organizational adaptation, human resources, technology, and Sharia compliance.

2.2. The Concept and Characteristics of Islamic Banking Windows

The development of Islamic finance has encouraged a growing number of conventional banks to establish Islamic banking windows. These arrangements have represented one of the principal mechanisms through which conventional institutions have entered the Islamic finance market while maintaining their existing legal and organizational structure.

Several studies have examined the reasons underlying the adoption of this model. Alani and Yaacob (2012) demonstrated that the establishment of Islamic windows or the partial conversion of conventional banks responded to a combination of economic, competitive, strategic, and religious motivations. They highlighted market growth, increasing demand for Sharia-compliant products, product diversification, and the search for competitive advantages among the factors encouraging conventional banks to adopt Islamic banking activities.

From a normative perspective, the Islamic Financial Services Board (2007) defined an Islamic window as a component of a conventional financial institution that offered resource mobilization, financing, and investment services in accordance with Sharia principles. This definition emphasized the nature and compliance of the activities rather than the legal status of the institution.

Other studies have focused more specifically on the organizational dimension of Islamic windows. Nadi and Maghtat (2021), through a case study of TRUST Bank, showed that the implementation of Islamic banking activities required appropriate governance arrangements, operational separation, and compliance mechanisms. Khudair (2021) similarly emphasized the relatively autonomous organizational structure of Islamic windows and the importance of specific governance and control mechanisms.

The international literature has further demonstrated that governance represented a central issue in the operation of Islamic windows. Bukhari et al. (2013), in their study of Islamic banks and Islamic banking windows in Pakistan, examined several dimensions of corporate governance, including boards of directors, Shariah supervisory boards, auditing, disclosure, and transparency. Their findings showed that governance dimensions were particularly significant in the case of Islamic banking windows. This suggested that the integration of Islamic activities within conventional institutions required specific governance arrangements rather than merely the addition of Sharia-compliant products.

More recent international research has also highlighted the technological and operational challenges associated with Islamic banking windows. Ahmed and Rabbani (2026), in their study of Islamic banking windows in Bangladesh, examined the choice between a standalone Islamic core banking system and an Islamic banking module integrated into a conventional core banking system. Their analysis highlighted the relationship between Shariah compliance, operational efficiency, technology, and governance. These findings are particularly relevant to the present research because they showed that the development of Islamic

windows could involve significant organizational and technological adjustments within conventional banking institutions.

The question of regulation has also received considerable attention in the international literature. Apaydin (2018), through a comparative study of Malaysia and the United Arab Emirates, showed that Islamic banking regulation had developed differently across national contexts and that institutional configurations influenced the organization and governance of Islamic finance. The study therefore illustrated that the development of Islamic banking could not be understood independently of its regulatory and institutional environment.

In the Algerian context, Saadane (2023) described Islamic windows as a pragmatic mechanism for introducing Islamic finance into public banks by relying on existing banking infrastructure. Bendaoudia and Kamoumia (2022) emphasized their potential role in diversifying banking services and reaching customers interested in Sharia-compliant products. Kadari et al. (2025), based on an analysis of Islamic windows in public banks in the wilaya of Tiaret, highlighted the importance of regulatory development, specialized human resources, customer awareness, and Sharia-compliance mechanisms.

Taken together, these contributions suggested that Islamic windows could be understood through three complementary dimensions.

First, the regulatory dimension concerned the legal and supervisory conditions governing the establishment and operation of Islamic activities. Second, the organizational dimension concerned governance, internal structures, human resources, financial separation, and technological infrastructure. Third, the operational dimension concerned the products, services, procedures, and customer relations through which Islamic finance was delivered.

This multidimensional perspective was important for the present study because it moved beyond a purely descriptive definition of Islamic windows. It provided a framework for examining how a conventional public bank could progressively introduce and organize Islamic financial activities within its existing institutional structure.

The development of Islamic windows could also be interpreted through the Diffusion of Innovations theory developed by Rogers (2003). Rogers considered the diffusion of an innovation in terms of the way an innovation was perceived by potential adopters, particularly with regard to its relative advantage, compatibility, complexity, trialability, and observability.

Applied to Islamic banking, this perspective offered a useful framework for understanding the progressive adoption of Islamic windows by conventional banks. An Islamic window could represent an organizational innovation that allowed a conventional bank to enter the Islamic finance market without undertaking a complete transformation into a fully-fledged Islamic bank. Its relative advantage could therefore lie in the possibility of using existing infrastructure and resources, while its compatibility would depend on the extent to which Islamic activities could be incorporated into the existing organizational structure.

At the same time, the complexity of Islamic windows could arise from the need to comply simultaneously with conventional banking requirements and Sharia principles. The need for specialized human resources, appropriate information systems, separate accounting and financial procedures, and effective Sharia compliance mechanisms could consequently influence the pace and form of adoption. The gradual expansion of Islamic windows could thus be interpreted as a process of organizational adaptation rather than as a simple expansion of banking services.

This theoretical perspective complemented the institutional and regulatory approaches discussed above. While the regulatory perspective helped explain the external conditions that made Islamic banking possible, the Diffusion of Innovations perspective helped interpret the way conventional banks progressively adopted and organized this new activity.

2.3. The Motivations and Conditions for Developing Islamic Windows

The literature identified several motivations and conditions underlying the development of Islamic windows in conventional banks, including market demand, strategic considerations, financial inclusion, competition,

regulatory developments, and organizational capabilities. From a commercial perspective, Islamic windows allowed conventional banks to respond to demand for Sharia-compliant products, diversify their services, and enter the Islamic finance market while relying on existing infrastructure and resources (Alani & Yaacob, 2012). Archer and Abdel Karim (2007) emphasized the strategic and organizational challenges associated with the coexistence of Islamic and conventional activities, suggesting that the Islamic window model could provide a gradual approach to diversification compared with establishing a fully-fledged Islamic bank. Islamic windows also enabled banks to attract customers reluctant to use conventional interest-based products and contributed to banking-service diversification (Bendaoudia&Kamoumia, 2022). However, their actual contribution to financial inclusion or savings mobilization depended on factors such as customer demand, accessibility, awareness, pricing, trust, and service quality.

Regulation constituted another important condition for the development of Islamic windows. Islamic banking activities required a regulatory environment defining authorization procedures, governance arrangements, financial separation, product requirements, and Sharia compliance mechanisms. Apaydin (2018), through a comparison of Malaysia and the United Arab Emirates, demonstrated that the regulatory organization of Islamic finance varied across institutional contexts, highlighting the importance of examining Islamic finance within its specific regulatory environment. Governance and Sharia compliance were similarly important organizational conditions. Bukhari et al. (2013) emphasized the relevance of corporate governance, Shariah supervision, auditing, disclosure, and transparency in Islamic banking windows.

More recently, Ahmed and Rabbani (2026) showed that technological and operational adaptation could also be required, particularly regarding the choice of core banking architecture and the balance between operational efficiency and Shariah compliance. Human resources similarly constituted an important condition, as employees needed to understand both conventional banking procedures and the specific characteristics of Islamic

contracts, making training and specialized expertise important for implementation.

These motivations and conditions could be interpreted through Rogers's (2003) Diffusion of Innovations theory, which viewed the adoption of an Islamic window as a gradual organizational innovation. Its relative advantage could derive from entering the Islamic finance market without establishing a separate bank, while its compatibility depended on the capacity to integrate Islamic activities into an existing conventional structure. Its complexity resulted from regulatory, technological, accounting, and Sharia compliance requirements, while trialability and observability could help explain the gradual adoption and expansion of Islamic activities. This theoretical interpretation did not imply that Islamic windows automatically produced improvements in financial performance, customer satisfaction, or financial inclusion; rather, it provided a framework for examining the conditions under which conventional banks adopted and organized Islamic banking activities.

In Algeria, these dimensions were particularly relevant because Islamic finance was introduced through the progressive integration of Sharia-compliant activities into existing public banks. The regulatory reforms initiated from 2018 onward created the institutional conditions for this development, while subsequent regulatory texts specified the organizational and operational requirements governing Islamic finance activities. The Algerian experience could therefore be examined through three interconnected dimensions identified in the literature: regulatory development, organizational adaptation, and operational deployment. This perspective provided the basis for analyzing the development of Islamic windows within Algerian public banks and, more specifically, the experience of the National Bank of Algeria.

3. The Regulatory Framework for Introducing Islamic Finance in Algerian Public Banks

The introduction of Islamic finance into Algerian public banks stems from the adoption, starting in 2018, of a regulatory framework authorizing the commercialization of Sharia-compliant products through specialized

windows. This reform notably aimed to mobilize informal savings, diversify financing sources for the economy, and reinforce financial inclusion.

3.1. The Evolution of the Regulatory Framework of Islamic Finance in Algeria

Islamic finance appeared in Algeria in the early 1990s with the creation of Al Baraka Bank, but its development remained confined to specialized establishments for nearly three decades. Its evolution accelerated under the dual impact of its global boom and the imperative to mobilize savings circulating outside the formal banking system, particularly in a context of declining oil revenues from 2014 onward, prompting public authorities to undertake a progressive adaptation of banking regulations.

This evolution materialized with the adoption of Regulation No. 18-02 of November 4, 2018, the first regulatory text authorizing banks and financial institutions to offer Islamic finance products, then designated under the term "participatory finance products." This regulation established the general rules applicable to this activity, defined the main authorized products, and made their commercialization contingent upon prior authorization from the Bank of Algeria. It thus formed the legal foundation for introducing Islamic finance within public banks, even though its provisions remained relatively general and required further clarification regarding their implementation modalities.

Beyond its regulatory dimension, this reform addresses several economic challenges. It aims to mobilize informal savings, strengthen financial inclusion by attracting a clientele previously reluctant to utilize conventional banking products, and diversify the financing modes of the economy through an offering compliant with Sharia principles. It is also part of a more comprehensive strategy to modernize the Algerian banking system and diversify the activities of public banks.

However, the effective implementation of this reform required a more detailed regulatory mechanism specifying the organizational, operational, and supervisory modalities of Islamic windows. It was within this perspective that Regulation No. 20-02 of March 15, 2020, and Instruction

No. 03-20 of April 2, 2020, were adopted to complete and operationalize the regulatory framework of Islamic finance in Algeria.

3.2. The Regulatory Framework Applicable to Islamic Windows

The adoption of Regulation No. 20-02 of March 15, 2020, marked a decisive step in the operational implementation of Islamic finance within Algerian public banks. Complementing Regulation No. 18-02, it specified the conditions under which banks and financial institutions could conduct Islamic finance operations through specialized windows and established the organizational, operational, and supervisory rules applicable to this activity. The regulation required banks engaging in Islamic finance to implement a specific organizational structure ensuring effective separation between conventional and Islamic operations, including the management of mobilized resources and granted financings, thereby supporting operational transparency and Sharia compliance.

To complete this framework, the Bank of Algeria published Instruction No. 03-20 of April 2, 2020, which detailed the technical characteristics of the main contracts authorized for Islamic finance, including Murabaha, Musharaka, Mudaraba, Ijarah, Istisna'a, and Salam, as well as Islamic deposit and investment accounts. The instruction also defined the operational modalities of these contracts to ensure conformity with Islamic finance principles and uniform application across institutions. Banks wishing to market Islamic finance products had to obtain prior authorization from the Bank of Algeria and establish arrangements ensuring the separation of conventional and Islamic activities, qualified human resources, and permanent compliance control.

Compliance control constituted an essential element of the framework and was exercised at two levels: nationally by the National Sharia Fatwa Authority for the Islamic Finance Industry and, within each bank, by an internal Sharia compliance committee responsible for ensuring the application of its decisions. Thus, the successive adoption of Regulation No. 18-02 of November 4, 2018, Regulation No. 20-02 of March 15, 2020, and Instruction No. 03-20 of April 2, 2020, progressively established the legal and regulatory framework governing Islamic finance in Algeria. These

texts enabled public banks to open Islamic windows and commercialize Sharia-compliant products, within which the National Bank of Algeria (BNA) initiated the development of its Islamic finance activity.

4. The Development of Islamic Windows within Algerian Public Banks: An Analysis of the Experience of the National Bank of Algeria

Following the regulatory reforms, Algerian public banks progressively developed Islamic finance through Islamic windows and dedicated branches. The section examines the BNA through three dimensions: regulatory, organizational, and operational structuring.

4.1. The Deployment of Islamic Windows in Algerian Public Banks

Following the regulatory framework, Algerian public banks progressively integrated Islamic finance through Islamic windows within existing branch networks. Their organizational arrangements and product orientations varied across institutions, reflecting different approaches to implementing Sharia-compliant activities.Table 1 summarizes the main characteristics of the deployment of Islamic finance activities across the principal Algerian public banks.

Table 1. The Deployment of Islamic Windows in Algerian Public Banks

Public Bank	**Launch of Islamic Finance**	**AdoptedOrganizational Structure**	**Strategic Orientations / Focus Areas**
BNA*(National Bank of Algeria)*	2020	Islamic windows, followed by dedicated standalone branches	Diversified product offering destined for both individuals and enterprises.
CPA*(Popular Credit of Algeria)*	2020	Islamic windows	Products destined for individuals and the financing of investments.
BEA*(External Bank of Algeria)*	2020	Islamic windows	Products primarily oriented toward corporate clients and economic operators.
BADR*(Bank of Agriculture and Rural Development)*	2020	Islamic windows	Development of tailored products specifically for the agricultural and rural sectors.
BDL*(Local Development Bank)*	2020	Islamic windows	Products destined for SMEs, professionals, and individuals.
CNEP-Banque*(National Savings and Governance Bank)*	2020	Islamic windows	Products principally destined for housing and real estate financing.

Source: Compiled by the authors based on data published on the official websites of Algerian public banks and official communiqués from the National Bank of Algeria (BNA), accessed between 2023 and 2025.

Table 1 shows that Algerian public banks progressively incorporated Islamic finance through Islamic windows, with BNA subsequently adding dedicated Islamic finance branches. Differences in organizational structures and areas of focus may reflect institution-specific orientations, but the available evidence does not establish their precise determinants or effects on customer acquisition, savings mobilization, profitability, or financial inclusion. BNA provides a relevant case for further analysis given the size of its Islamic finance network and the available information on its organizational and product development.

4.2. The Experience of the National Bank of Algeria: Organizational and Operational Structuring

The National Bank of Algeria (BNA) provides an illustrative case of the progressive integration of Islamic finance within an existing public banking institution. Following the establishment of the regulatory framework, the bank developed Islamic finance activities through an organizational model initially based on Islamic windows integrated within conventional branches. This approach was subsequently complemented by the establishment of branches dedicated specifically to Islamic finance.

The development of Islamic finance within the Algerian banking sector occurred progressively during the period under consideration. Table 2 presents the evolution of the Islamic finance branch network between 2020 and 2024 and distinguishes between the total number of dedicated branches and those belonging to public banks.

Table 2. Evolution of the Islamic Finance Network in Algerian Banks

Year	Branches Dedicated to Islamic Finance	Of Which: Public Banks
2020	56	1
2021	61	2
2022	75	10
2023	89	18
2024	102	23

Source: (Bank of Algeria, 2025, p. 51).

The data indicate a sustained expansion of the Islamic finance branch network between 2020 and 2024. The number of dedicated branches increased from 56 in 2020 to 102 in 2024, while the number belonging to public banks increased from 1 to 23 over the same period. This expansion occurred after the establishment and subsequent reinforcement of the regulatory framework governing Islamic finance activities.

The temporal correspondence between the regulatory reforms and the expansion of the Islamic finance network is consistent with the role of regulation as an institutional condition for the development of Islamic finance. Nevertheless, the available documentary evidence does not permit the causal effect of the regulatory reforms to be isolated from other factors that may have influenced the development of Islamic finance.

Within this broader development, the BNA progressively expanded its Islamic finance network. The bank initially relied on Islamic windows integrated within conventional branches and subsequently increased the number of branches dedicated exclusively to Islamic finance. Table 3 illustrates this progression during 2024.

Table 3: Evolution of the Network of Islamic Windows and Dedicated Branches of the National Bank of Algeria (BNA) in 2024

Date	Islamic Windows	Branches Dedicated to Islamic Finance	Total Islamic Finance Network
February 2024	107	11	118
April 2024	107	12	119
June 2024	107	13	120
September 2024	107	14	121

Source: Compiled by the authors based on official communiqués from the National Bank of Algeria (BNA), 2024.

Table 3 shows that the number of Islamic windows remained stable at 107 during the period covered, while the number of branches dedicated to Islamic finance increased from 11 to 14. Consequently, the total Islamic finance network increased from 118 to 121 units.

This progression indicates a gradual organizational shift toward greater specialization. Rather than replacing the Islamic window model, the

BNA appears to have complemented it with a growing number of dedicated branches. Such an organizational arrangement is consistent with the broader requirements of Islamic finance activities, particularly the need for specialized staff, specific internal procedures, and appropriate mechanisms for Sharia compliance. However, the available data do not allow the effects of this organizational change on efficiency, customer satisfaction, or profitability to be measured.

In parallel with the development of its network, the BNA has established a range of Sharia-compliant financing products addressing different financing purposes. Table 4 presents the principal products identified in the bank's official documentation.

Table 4: Key Islamic Finance Products Commercialized by the National Bank of Algeria (BNA)

Product	Target Clientele	Nature of the Contract
Automobile Murabaha	Individuals	Cost-plus sale with a known profit margin
Real EstateMurabaha	Individuals	Cost-plus sale with a known profit margin for real estate acquisition
Equipment Murabaha	Professionals and Enterprises	Cost-plus sale with a known profit margin for equipment financing
IjarahAkariaMountahia Bitamlik	Individuals	Lease-to-own real estate with property transfer at maturity
Istisna'a DARI	Individuals	Contract for real estate construction, extension, or renovation
Salam	Individuals	Forward sale contract with advance full payment

Source: Compiled by the authors based on data published on the official website of the National Bank of Algeria (BNA).

The BNA’s documented Islamic finance products cover individuals, professionals, and enterprises, mainly through Murabaha-based financing for vehicles, real estate, and equipment, alongside Ijarah, Istisna’a, and Salam. Murabaha is the most prominent category in the available documentation, although this reflects the documented product range rather than quantitative financing data; therefore, its prominence cannot be

attributed empirically to specific factors. Musharaka and Mudaraba are less visible, but this does not establish limited use without quantitative evidence and highlights the need for further research.

The BNA case also emphasizes organizational requirements, including adapted internal structures, Sharia-compliance mechanisms, and appropriately trained human resources. These elements indicate that the development of Islamic windows should be assessed not only through network expansion and product availability, but also through organizational capacity and operational structuring.

4.3. Main Insights from the Experience of the National Bank of Algeria

The experience of the National Bank of Algeria provides several insights into the development of Islamic finance within Algerian public banks through three dimensions: regulatory, organizational, and operational structuring. Regarding regulatory structuring, the successive adoption of regulatory instruments since 2018 provided the legal basis for introducing Islamic finance activities and establishing dedicated organizational arrangements. The expansion of the Islamic finance network following the introduction and reinforcement of this framework is consistent with the role of regulation as an institutional condition for the development of Islamic windows. However, the temporal correspondence does not establish a direct causal relationship, as other institutional, organizational, and market-related factors may also have contributed.

At the organizational level, the progression from Islamic windows integrated into conventional branches toward dedicated Islamic finance branches indicates increasing organizational specialization within the BNA. The evolution from 107 Islamic windows and 11 dedicated branches in February 2024 to 107 Islamic windows and 14 dedicated branches in September 2024 illustrates this development. The BNA case also highlights the importance of adapted internal structures, Sharia-compliance mechanisms, specialized human resources, and operational procedures. Nevertheless, the available evidence does not permit an assessment of whether this organizational development generated measurable

improvements in operational efficiency, customer satisfaction, profitability, or other performance indicators.

At the operational level, the documented BNA portfolio includes several Sharia-compliant contracts addressing different financing purposes and customer categories. Murabaha-based products constitute the most prominent category, while Ijarah, Istisna'a, and Salam are also represented. Participatory modes such as Musharaka and Mudaraba are less visible in the available documentation. These observations provide documentary evidence of the progressive development and diversification of Islamic finance activities within the BNA; however, the available data do not permit the relative volume, profitability, customer demand, or performance of the different financing modes to be established.

Taken together, these findings provide qualitative support for H1: the regulatory dimension is reflected in the establishment and reinforcement of the legal framework, the organizational dimension in the development and expansion of Islamic finance structures, and the operational dimension in the diversification of Sharia-compliant products. Overall, the documentary evidence illustrates how Islamic finance within the BNA has been accompanied by regulatory, organizational, and operational changes. However, the documentary nature of the study limits conclusions regarding broader effects on profitability, customer acquisition, customer satisfaction, financial inclusion, and other performance indicators, which would require additional quantitative and primary data.

5. CONCLUSION

The analysis of the development of Islamic windows within Algerian public banks highlighted a gradual process of integrating Sharia-compliant banking activities into existing conventional institutions. This process was supported by the progressive establishment and strengthening of the regulatory framework since 2018, particularly through Regulation No. 18-02, Regulation No. 20-02, and Instruction No. 03-20. The findings indicate that the development of Islamic windows was accompanied by regulatory, organizational, and operational changes within public banks. The

experience of the National Bank of Algeria (BNA) illustrates this process through the progressive deployment of Islamic windows, the establishment of dedicated Islamic finance branches, and the expansion of Sharia-compliant products targeting different customer categories. It also highlights the importance of organizational arrangements, Sharia-compliance mechanisms, and qualified human resources in supporting Islamic finance activities.

Overall, the documentary evidence provides qualitative support for the research hypothesis that the development of Islamic windows within Algerian public banks was associated with a gradual process of regulatory, organizational, and operational structuring. However, these findings must be interpreted within the limits of the qualitative documentary approach. The available sources do not provide sufficient quantitative evidence to assess the effects of Islamic windows on profitability, customer satisfaction, customer acquisition, or financial inclusion, and therefore do not establish causal effects on these outcomes. Similarly, the documented prominence of Murabaha-based products reflects the identified product portfolio rather than the quantitative predominance of Murabaha financing operations. Further research based on bank-level data, customer surveys, and interviews with banking professionals would therefore be necessary to assess the relative use and performance of different Islamic financing modes, as well as the organizational and operational factors influencing their development.

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