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" Islamic Banking in Algeria: Current Realities, Main Challenges, and Future Prospects"

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Abstract:

This study aimed to explore the reality of Islamic banking in Algeria by first addressing the general concept of Islamic banking, then reviewing its current state, and finally identifying the challenges it faces and the key requirements for its development.

The study concludes that Islamic banking in Algeria remains in its early stages and has achieved only limited progress. However, the introduction of Islamic windows in conventional banks under Regulation 20-02 is expected to foster its growth in the coming years. This expected expansion, however, depends on issuing and amending relevant laws and regulations to effectively govern the Islamic banking sector.

Keywords: Islamic banking, Islamic financial products, Islamic windows, Islamic finance, Regulation 20-02

JEL Classification: G21, D46, L25, Z12, G28

ملخص:

هدفت هذه الدراسة إلى استكشاف واقع الصيرفة الإسلامية في الجزائر، من خلال التطرق أولًا إلى المفهوم العام للصيرفة الإسلامية، ثم عرض وضعها الراهن، وأخيرًا تحديد التحديات التي تواجهها والمتطلبات الأساسية لتطويرها.

وخلصت الدراسة إلى أن الصيرفة الإسلامية لا تزال في مراحلها الأولى في الجزائر، ولم تحقق سوى تقدم محدود حتى الآن. غير أن فتح النوافذ الإسلامية على مستوى البنوك التقليدية بموجب التنظيم 20-02 من شأنه أن يعزز نمو هذا القطاع في السنوات القادمة، إلا أن هذا النمو المرتقب يبقى مرهونًا بإصدار وتعديل القوانين والتنظيمات اللازمة لضبط عمل الصيرفة الإسلامية بفعالية.

الكلمات المفتاحية: صيرفة إسلامية، منتجات مالية إسلامية، نوافذ إسلامية، تمويل إسلامي، النظام 20-02

تصنيفات JEL : G21، D46، L25، Z12، G28

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1. INTRODUCTION

Islamic financial banking has experienced global expansion in recent years, thanks to its resilience and ability to withstand economic and financial crises, particularly the 2008 crisis. It has become a demand in many countries worldwide, adopting its laws and principles and being considered a strong competitor to conventional banks despite the differences in their nature of work, foundations, and goals

Like many countries, Algeria has integrated Islamic banking into its transactions since 1991 through the Monetary and Credit Law, which resulted in the establishment of two Islamic banks. This was followed by Regulation 20-02 issued by the Bank of Algeria, which replaced Regulation 18-02. This regulation defines the banking operations related to Islamic banking and the rules for their practice by banks and financial institutions. It allowed the opening of Islamic windows in conventional banks to strengthen Islamic banking in Algeria.

1.1 Study Problem: Based on the above, the following problem can be posed:

"**What is the current state of Islamic banking in Algeria, and what challenges does it face?"**

1.2 Sub-questions: To answer the study problem and cover all aspects of the topic, the following questions are posed:

- What is meant by Islamic banking?
- What are the means of success for Islamic banking in Algeria?
- What are the obstacles facing the development of Islamic banking in Algeria?

1.3 Study Objectives: The objectives of this study are:

- To understand the conceptual framework of Islamic banking;
- To shed light on the current state of Islamic banking in Algeria;
- To propose actionable recommendations for enhancing Islamic banking operations in Algeria;
- To highlight the main obstacles hindering the development and growth of Islamic banking in Algeria.

1.4 Study Structure: In line with the study objectives and to answer the questions, the research is divided into four sections:

- First: Theoretical foundation of Islamic banking;
- Second: The current state of Islamic banking in Algeria;
- Third: The challenges facing Islamic banking in Algeria;
- Fourth: The requirements for the success of Islamic banking in Algerian banks.

2.Theoretical Foundation of Islamic Financial Banking

2.1 Concept of Islamic banking

The term '**banking**' refers to financial and banking activities primarily used to denote financial and banking transactions and transfers.

Islamic banking "is a type of financial service that operates according to Islamic principles and differs from the conventional financial system. It abstains from interest (riba) in both giving and taking, shares profits and losses, and generates profits through investment instruments that comply with Islamic law." (Monir, 2021, p. 87)

By **another definition:** "A mechanism for conducting banking operations according to principles that comply with Islamic law, in a manner that does not involve usury (interest), as it is prohibited in Islam.'" (Al-Aouniya, 2022, p. 292) From the above definitions, **we can conclude:** "Islamic banking is based on transactions that are compliant with Islamic Sharia principles, providing financial services built on principles of justice and partnership."

2.2 Principles of Islamic Banking

Islamic banking is based on a set of principles established by Islamic Sharia, which have become a fundamental reference in transactions, as outlined in the following points:

- **Prohibition of Riba (Interest):** Riba is prohibited in all Abrahamic religions. This is the key difference between Islamic banking and conventional banks, where the latter provide interest to depositors and charge interest on loans to borrowers, thus making profits from the difference between lending and borrowing rates. Islamic banks, on the other hand, avoid dealing with interest because it is considered riba, unanimously prohibited by scholars due to its significant economic and social impacts. (Abdelrahman, 2021, p. 62)
- **Prohibition of Al-Maysir (Gambling):** Islamic banking prohibits speculative transactions based on luck, speculation, or gambling to increase wealth without productive effort. Allah says in the Quran: 'Indeed, intoxicants, gambling, [sacrificing on] stone alters [to other than Allah], and divining arrows are but defilement from the work of Satan, so avoid it that you may be successful.' (Al-Ma'idah/90) (Al-Aouniya, 2022, p. 292)
- **Prohibition of Gharar:** Its importance comes after the prohibition of riba. It occurs when a contract is unclear or uncertain, meaning there is a lack of transparency and clarity in economic transactions. Abu Huraira reported:

The Messenger of Allah, peace and blessings be upon him, forbade transactions involving ambiguity (gharar) and the sale of uncertain goods."

- **Profit and Loss Sharing:** Among the Islamic financing modes, we find the concept of profit and loss sharing instead of fixed interest between the parties in the financial transaction. This encourages shared risk and cooperation." (Haddou, 2022, p. 18)
- **Halal Assets:** Assets and financial activities in which investments are made must be lawful and permissible. This reflects Islamic ethics, which fully adhere to the principle of halal (permissible) and haram (forbidden) in all transactions." (Merabet, 2022, p. 60)
- **Enhancing Economic and Social Sustainability:** Islamic banking encourages support for projects and activities that achieve shared returns between the borrower and the financier, thereby promoting economic and social development." (Al-Aouniya, 2022, p. 241)

These are some of the fundamental principles of Islamic banking aimed at achieving financial and economic justice while adhering to the principles of Islamic Sharia.

2.3 The financing formats available in Islamic banks

Islamic financing includes two types of formats that comply with the principles of Islamic Sharia:

- **Financing formats based on profit-sharing investment:** adopt an equal sharing of profits and losses, here are some of them:
  - **Mudarabah Financing:** It is a contract between two parties where one provides capital and the other provides expertise and labor. The party providing capital is known as the capital provider (Rabb-ul-Maal),

while the other party is known as the entrepreneur (Mudarib). They agree to share the profits based on agreed-upon ratios at the outset of the contract. In case of loss, the capital provider bears the loss up to the amount of the invested capital, unless negligence, misconduct, or exceeding the agreed terms is proven on the part of the entrepreneur, in which case the loss is borne by the effort and time invested. This ensures equity between the parties as they share both profits and losses. (Samarda, 2014, p. 260)

- **Partnership Financing:** It involves the participation of two or more parties in capital or labor, with profits distributed according to agreed-upon ratios. Losses are shared based on the proportion of capital participation. Islamic banks apply this format by entering as a partner with their funds in financing projects alongside other parties, in addition to participating in their management and operation. (Al-Aouniya, 2022, p. 293)
- **Sharecropping Financing:** It is an agreement between the landowner (owner) and another party (sharecropper) where the latter cultivates the land, and the harvest is shared according to the terms agreed upon in the contract. It is also known as "Muzara'ah" or "Muhajirah," as defined by Abu Bakr Al-Jazairi: "A man pays another man to cultivate a specific portion of his land, which is common." (Merabet, 2022, p. 63)
- **Sharecropping:** It is when one person pays another to irrigate a tree and perform necessary work on it, in exchange for a predetermined share of its fruits as agreed upon in the contract. (Mansouri, 2013, p. 53)

- **Debt-based financing formats:** These are considered investment formats in the Islamic economy
  - **Murabaha Financing:** It is considered one of the most commonly used formats in Islamic banks because it encompasses various aspects of life. It involves the Islamic bank purchasing a commodity with specific characteristics based on the customer's request, then selling it to the customer at an agreed-upon profit. (Al-Aouniya, 2022, p. 293)
  - **Salam Financing:** Also known as spot sale with deferred price delivery, it is a contract between an Islamic bank and another party (the seller) where the bank purchases a commodity and pays for it in cash, with the delivery of the commodity deferred to a later date. This is in contrast to Murabaha financing. (Qutaif, 2022, p. 323)
  - **Lease Financing:** It involves an individual or institution renting a fixed asset (such as real estate, equipment, or tools) for specific reasons, either because they cannot acquire it or choose not to, through specified installments paid to the lessor. There is an option to own the asset at the end of the lease period through a separate contract.
- **Manufacturing Financing:** refers to a contract where a bank undertakes to manufacture a specific item according to specified characteristics. This contract encompasses all manufacturing steps, including the price and delivery date. The bank may also subcontract all or part of the work to another party under its supervision and responsibility. (Bouraqba, 2013, p. 110)
- **Forms of financing based on benevolence and charity:** In addition to maximizing profits, Islamic banks also aim to provide social service

- **Interest-free loan:** A contract between two parties, the lender (Islamic bank) and the borrower, similar to conventional loans except without interest. The term 'hasan' is added to distinguish it from interest-bearing loans. This type is rarely used and is offered to a very limited number of clients. https://islamic-relief.org/
- **Zakat:** It is the growth and increase, a specified portion of wealth given at a specific time to a specific group of Muslims. Zakat is also the third pillar of the five obligatory pillars of Islam, without which a person's Islam is incomplete (Relief, 2024)
- **The Waqf (Endowment):** the detention of the principal and the release of its benefits, defined as the confinement of wealth from consumption for the repeated benefit in one of the forms of charity, it is considered perpetual charity as long as its capital remains, embodying the principle of social solidarity in Waqf. (Al-Omar, 2018, p. 4)

3. The reality of Islamic banking in Algeria

3.1 The emergence of Islamic banks in Algeria

The emergence of Islamic banks in Algeria was not merely to provide an alternative to conventional financial transactions, but to create a banking system based on Islamic principles that regulate the lives of individuals, communities, and the state in achieving the ultimate goal of fulfilling God's stewardship over mankind on earth.

The idea of establishing an Islamic bank in Algeria first surfaced in 1928 by Sheikh Ibrahim Abu Al-Yaqzan in his article "Algeria's Need for a Civil Bank." However, the idea was rejected by the French colonial authorities for political

reasons. The actual establishment took place in 1991, with the founding of the first Islamic bank in Algeria on May 20, 1991, named "Banque El Baraka" through a partnership between Algeria and Saudi Arabia, following the issuance of the Banking Law on April 14, 1990. Subsequently, "Bank of Salam" was established in 2008 after several years, and with the issuance of Regulation 20-02 in 2020, Islamic banking in Algeria expanded through the introduction of Islamic windows in public and private traditional banks.

- **Banque El Baraka Algérie**

Bank of Baraka Algeria is the first mixed-capital bank (public and private) established on May 20, 1991 with a capital of 500,000,000 DZD. It commenced its banking activities effectively in September 1991 as an Islamic bank, licensed by the Bank of Algeria in a partnership between Baraka Banking Group (56%) and the Agricultural and Rural Development Bank (44%). Governed by Law No. 90/10 of April 14, 1990 concerning banking and credit, and under Law No. 03-11 dated September 26, 2003, the bank is authorized to engage in all banking activities, financing, and investment according to the principles of Islamic Sharia. (Bank, 2024)

The bank operates beyond conventional financial intermediation, focusing instead on a commercial role in construction, financing, and wealth management activities. It offers a diverse range of financial products for institutions and professionals, enabling them to keep pace with economic transformations and successfully execute their investment projects . (Merabet, 2022, p. 66)

Baraka Algeria proposes financing modes approved by its Sharia Supervisory Board, including: Mudarabah, deferred sales, Salam contracts,

leasing, Istisna'a, Musharakah Murabaha.....etc, Additionally it provides solutions facilitating international trade operations such as collections, documentary credits, and unrestricted transfers.

In the investment sector, catering to professionals and institutions seeking easy investment of their funds with annual profits, the bank offers various investment account types tailored to desired amounts and durations. Profit distribution adheres to pre-agreed Sharia principles governing speculative transactions.

In technology, the bank offers a wide array of innovative services to satisfy increasing client demands, including automated money transfer services, remote banking via personal computers, tablets, and mobile phones available 24/7, Swift postal services for timely notifications of transactions and amendments, unlimited ceiling electronic payment cards provided free of charge, electronic payment terminals (TPEs), and ATMs.

The subsequent table will outline the significant milestones achieved by Bank of Baraka Algeria since its establishment

Figure 01 : Significant Milestones of Bank of Baraka Algeria

Source: Prepared by the researcher based on https://www.albaraka-bank.dz/

ars	Event
91	Establishment of Al Baraka Bank Algeria
94	Financial stability and balance of the bank
99	Contribution to the establishment of the insurance company "Al Baraka and Al Aman
00	Ranked first among privately-owned banks
02	Expansion into new market sectors, especially professionals and individuals
03	Establishment of a real estate promotion company "Dar Al Baraka" with a capital of 1,550,000,000 Algerian Dinars
06	Increase in the bank's capital to 2.5 billion Algerian Dinars
09	Second capital increase of Al Baraka Bank Algeria to 10 billion Algerian Dinars
15	Establishment of the Institute for Islamic Banking Training and Research (IRFI)
15	Establishment of the real estate expertise company SATEK IMMO with a capital of 15,000,000 Algerian Dinars
16	Leadership in consumer finance in Algeria
17	Third increase in the bank's capital to 15 billion Algerian Dinars
18	Best Islamic Bank in Algeria for the sixth consecutive year and among the best return
19	One of the prominent banks in the Algerian banking scene
20	Fourth increase in the bank's capital to 20 billion Algerian Dinars
2022	Implementation of a broad range of technology-driven services to meet increasing client demands and requirements.

(consulted on 12/03/2025)

As shown in the following table, we illustrate the financial status of Al Baraka Bank Algeria

Figure 02: The financial status of Al Baraka Bank Algeria during the period 2017-2023

(Million DZD)

Years	Assets	Equity	Financing	Deposits	Net Income

2018	270996	27429	156460	223995	51660
2019	261568	30704	154600	213500	6333
2020	282500	22220	216450	243670	1661
2021	281821	20580	211111	246322	1900
2022	249820	19676	194030	215555	2391
2023	252630	19690	189820	213310	2830
2024	305000	21500	220000	290000	33000

Source: Prepared by the researcher based on Rapports annuels - AL BARAKA BANK (albaraka-bank.dz) (consulted on 12/04/2025)

- **Salam Bank Algeria**

After years of establishing Banque Al Baraka Algeria, the second Islamic bank "Salam Bank Algeria" was approved, a comprehensive bank operating according to Algerian laws and reflecting Algerian authenticity in all its transactions. As a result of Algerian-Emirati cooperation, the bank was founded on June 8, 2006, with a social capital of 2.7 billion Algerian dinars. It was officially licensed by the Bank of Algeria on September 10, 2008, and commenced operations on September 20, 2008, aiming to offer innovative banking services.

Salam Bank Algeria operates according to a clear strategy aligned with the economic development requirements of vital sectors. It provides modern banking services rooted in the authentic principles and values cherished by the Algerian people, to meet the needs of the market, stakeholders, and investors. The bank offers a range of innovative products and services shaped by Algerian Islamic banking practices.

- **Financing Operations:** Salam Bank Algeria finances investment projects and current needs in the field of utilization through several financing schemes including:
  - Murabaha for purchasing orders, leasing;
  - Istisna'a, Salam, Mudarabah... etc.
- **Investment and Savings:** Through:
  - Subscription in investment bonds;
  - Opening security savings accounts (Amani), investment accounts... etc. (Algeria, 2024)

We will outline in the following table the key stages that Asalam Algeria Bank has gone through since its establishment

Figure 03: the key milestones in the history of Al Salam Algeria Bank

Years	Event
2006	Establishment of Al Salam Bank Algeria
2009	Increase in the bank's capital to 10 billion Algerian dinars
2016	Implementation of a risk distribution strategy, resulting in a 32% increase in t financing portfolio
2018	Expansion of the branch network to 14 branches
2019	Increase in the bank's capital to 20 billion Algerian dinars

Source: prepared by researcher based on

https://www.alsalamalgeria.com/ar/news/detail-35-82.html consulted on 13/08/2024)

As shown in the following table, here is the financial status of Al Salam Bank Algeria

Figure 04 : Financial Status of Al Salam Bank Algeria for the Period 2018-2022

(million DZD)

Years	Assets	Shareholders Equity	Direct Financing	Customer Déposits	Earnings Per Share	Net Income
2018	110109	17305	75340	85432	483.60	2118
2019	131019	19012	93510	102405	534	3096
2020	162626	18900	99252	129320	409	4007
2021	237804	27263	150267	195031	14,6%	3389
2022	261693	27312	170759	215076	16,4%	4393

Source: prepared by researcher based on

https://www.alsalamalgeria.com/ar/blog/list-267-36.html consulted on (13/04/2025)

3.2 Islamic Windows

Among the prominent traditional banks that have offered financial services in accordance with Islamic Sharia alongside conventional financial services are:

- **Islamic windows in private conventional banks**
  - **Gulf Bank Algeria (AGB):** A foreign commercial bank subsidiary of "Bank of Baraka", established under Algerian law on December 15, 2003, with a capital of 10 billion Algerian dinars. It was the first bank to open an Islamic window, starting its operations in 2007, dedicated to Islamic banking and financial services. The offered financing services include two products named "PROLINE", which are Salam and Murabaha, in

compliance with Islamic Sharia principles. In 2011, another service called "LEASING" was introduced, specializing in leasing finance. (Bank G. , 2024)

- **Trust Bank Algeria (TBA):** Established under Algerian law on December 30, 2002, as a joint-stock company with a private capital of 750 million Algerian dinars. It commenced operations in April 2003 and introduced an Islamic window in 2016, offering financing solutions based on Murabaha contracts. Additionally, it provides a profit-sharing savings account that allows the bank to share profits with its clients. (Ahlam, 2021, p. 264)
- **Housing Bank Algeria (HBA):** A joint-stock company affiliated with Housing Bank for Trade and Finance in Jordan. Its establishment was approved by the Algerian Monetary and Credit Council in October 2003, with an initial capital of 2.4 billion Algerian dinars. In 2015, it expanded its activities to include Islamic finance by opening an Islamic window that offers Islamic banking services such as Murabaha, Musharakah, Mudarabah, Salam, and Istisna'a. (ALGERIA, 2024)

- **Islamic Windows in Public Conventional Banks**

After the issuance of Regulation 20-02 which licensed public banks to open Islamic windows, the Bank of Algeria granted permission to public banks to market Islamic banking products, following approval from the National Sharia Authority for Islamic Financial Industry on these products. Some of the most notable banks include:

- **The National Bank of Algeria (BNA)** after obtaining a license to market Islamic banking products on Thursday, July 30, 2020, introduced a

comprehensive range of savings and financing formats compliant with Islamic principles. These products were approved by the Sharia Supervisory Board of the bank and the National Sharia Authority for Islamic Financial Industry. On August 4, 2021, it officially became the first public bank in Algeria to launch an Islamic banking window. (Algeria N. B., 2024)

The National Bank of Algeria offers 9 Islamic financial products aimed at financing individuals, professionals, and institutions. These include:

1. Islamic Youth Savings Account;
2. Ijarah Muntahia Bitamlik (Lease-to-Own) ;
3. Unrestricted Islamic Investment Account;
4. Murabaha (for real estate, for purchasing vehicles) ;
5. Demand Deposit Account.

For more information, visit the following link: National Bank of Algeria - Islamic Finance

- **The People's Credit Bank of Algeria (CPA)** adopted Islamic banking products on October 25, 2020, after receiving accreditation from the Bank of Algeria and approval from the Higher Islamic Council, in addition to compliance verification by the Sharia Supervisory Board at the bank level. (Algérien, 2024)

Islamic banking operations at the People's Credit Bank of Algeria include financing for companies, professionals, and individuals, comprising:

1. Islamic Title Account;
2. Unrestricted Islamic Investment Account;
3. Islamic Current Account;
4. Islamic Savings Account;

5. Ijarah Muntahia Bitamlik (Lease-to-Own for equipment and real estate) ;
6. Murabaha (for equipment, real estate, cars) (https://www.cpa-bank.dz/index.php/ar/)

The penetration of Islamic banking in Algeria remains low and modest due to the dominance of public banks, which control 87% of deposits and financing. Private banks, including Banque El Baraka and Al Salam Bank, compete for the remaining 13% market share and are key players in Islamic banking in Algeria.

4. The challenges facing Islamic finance in Algeria

Despite all the efforts made to establish an Islamic banking system alongside conventional banking in Algeria, several challenges and obstacles hinder its development. These include:

- **Legal Challenges:** Despite the issuance of Regulation 20-02 that outlines Islamic banking operations and rules by banks and financial institutions, it is insufficient to regulate Islamic banking in Algeria adequately and account for its unique features. Islamic banking still falls under the same legislative laws, regulations, and frameworks as conventional banking. (Al-Aouniya, 2022, p. 301)
- **Shariah Challenges:** The operation of Islamic windows in conventional banks faces dependency and lack of full independence, often leading to intermingling of funds between Islamic windows and other branches. Surplus liquidity from Islamic windows is typically transferred to the main bank for use in interest-based transactions and may be redirected back to Islamic windows when needed. (Khazri, 2022, p. 84)
- **Underdeveloped Financial and Monetary Markets:** Monetary and capital markets in Algeria remain underdeveloped in terms of structure,

efficiency, participant numbers, and the absence of Islamic financial instruments and an Islamic financial market. (Al-Aouniya, 2022)

- **Multiplicity and Contradiction in Shariah Rulings:** While Islamic creed rulings are largely consistent, rulings related to financial transactions are numerous and varied. This diversity often confuses Algerian citizens due to differing opinions, some allowing certain Islamic banking transactions while others prohibit them.
- **Weak Technological Infrastructure and Internet Network:** Modern banks, whether conventional or Islamic, require advanced technology. Unfortunately, technological infrastructure in Algeria is weak due to reasons such as inadequate internet flow, lack of necessary technical environment, financial illiteracy, and banking system lagging behind.
- **Limited Islamic Products:** Regulation 20-02 specifies certain financial products compatible with Islamic financial principles that banks and financial institutions can offer. However, other Islamic financial formats specifically for financing agriculture, Musharaka, and Mudaraba were excluded, creating practical constraints on innovation.
- **Lack of Training and Development of Human Resources:** Most bankers and executives are not qualified to work in Islamic banking due to inadequate knowledge of Islamic financing formats and principles. This difficulty in adapting to Islamic banking philosophy makes them prone to errors. (Khazri, 2022, p. 84)

5. Requirements for developing Islamic banking in Algerian banks

To ensure the development and success of Islamic banking, the following requirements can be proposed:

- **Regulation of Banking Operations:** By establishing laws and regulations that govern Islamic banking operations, defining their rules to serve their unique characteristics. This includes amending existing laws that hinder their development, such as monetary and supply laws, tax laws, and commercial laws.
- **Enhancing Cooperation:** Government authorities and regulatory bodies should collaborate with Islamic banks to facilitate their development. This cooperation should avoid restricting their operations and allow them full freedom to market their products.
- **Adoption of Banking Technology:** Utilizing the latest technology and integrating advanced methods to ensure the effectiveness of operations and provide safe and suitable financial services to customers. This effort should also aim to attract new customers, especially those unfamiliar with Islamic banking.
- **Shariah Education for Bank Personnel:** Developing specialized human resources and providing appropriate training to ensure understanding and proper implementation of Shariah principles and activities. Establishing specialized training institutes for Islamic banking can help alleviate obstacles faced by Islamic banks.
- **Facilitating Accreditation of Islamic Banks:** Simplifying the accreditation process for new Islamic banks through partnerships between local and foreign entities or state and foreign entities. Removing barriers related to documents submitted for accreditation that have been pending acceptance or rejection for some time. (Al-Arabi, 2020, pp. 261-262)

6. CONCLUSION

Islamic banking in Algeria remains in a nascent and constrained phase, currently limited to two fully-fledged Islamic banks and a modest number of Islamic windows within both private and public conventional banks. This limited presence is further compounded by structural and regulatory barriers that continue to impede its development, particularly within an environment that still heavily favors conventional banking models and fails to accommodate the distinctive features of Sharia-compliant finance.

Nonetheless, prospects for expansion remain promising. The government's adoption of Regulation 20-02, which enables conventional banks to launch Islamic windows, represents a strategic step toward mainstreaming Islamic banking in Algeria. Yet, for this sector to realize its full potential, it must overcome persistent legal, operational, and institutional challenges.

Creating an enabling ecosystem one that includes appropriate legislation, supportive infrastructure, and clear regulatory guidance is essential. Only through such measures can Islamic banking transition from a marginal initiative to a significant pillar within the Algerian financial system

6.1 The Results

After discussing Islamic banking in Algeria, we have deduced the following:

- Islamic banking is one of the most important tools for protecting banks from potential risks and a means to finance investments and support development.

- Regulation 20-02 represents an initial step towards activating Islamic banking in Algeria, but it is not sufficient; it needs additional systems to reinforce its principles.
- Legal, regulatory, administrative, and Shariah obstacles hinder the success and development of Islamic banking in Algeria.
- Islamic banking in Algeria still faces numerous obstacles, including monetary and lending laws that do not accommodate the privacy of the services and products they offer, as well as the presence of human resources predominantly from conventional banking.
- Despite all the challenges and shortcomings facing Islamic banking in Algeria, it has achieved significant results in recent years, reflected in increased profits and raised capital.

6.2 Recommendations

After presenting the findings of this study are as follows:

- Amendments should be made to the monetary and lending laws to better accommodate the nature of Islamic banking.
- Capital independence should be ensured for Islamic windows within banks.
- Establish a capital market specifically for Islamic bonds (Sukuk).
- Provide training for human resources in accordance with Islamic law, and introduce specialized university programs focusing on teaching the principles and regulations of Islamic banking in banks.
- Increase awareness of Islamic financial culture among clients and economic operators to restore their confidence in the banking system, and attempt to develop and expand the Islamic financial market.

- Modernize Islamic financial services and integrate them into electronic banking, emphasizing innovation and creativity in offering Islamic financial products that can compete with conventional financial products.
- It is essential to include researchers from disciplines other than Islamic sciences in Shariah supervisory boards, such as those specialized in financial transactions, economics, and financial sciences, to adapt contracts studied in jurisprudence and apply their principles to similar formats in assets, meeting their desires and needs.

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