

Towards reviving the Algiers Stock Exchange under the development of the Islamic financial industry

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Received: 31/12/2021

Accepted: 03/02/2022

Published: 15/03/2022

Abstract:

The present study aims to shed light on the current situation of the Algiers stock exchange market that know a great decline and regression in terms of development, whether in the number of transactions or the number of quoted companies, for that we try to move forward through this study to find new mechanisms to revive this market, by the openness of the Algiers stock exchange market to the islamic financial instruments, especially with regard to the sukuk, and try to proof that these new instruments are a good alternative for the investors, who prefer to deal with these sort of financial instruments against a conventional one.

Keywords: Islamic financial system, Algiers stock exchange, Sukuk, Financial instruments, Capital market.

Jel Classification codes: P34, G1, G23, O16.

1. INTRODUCTION

The financial market is considered in our day as the mirror that reflects the economic development activity in any country, where the big commercial transactions that represent the largest part of the state resources are held in this market, because of that the developed countries around the world give a huge important for the developing of this market, whereas most of the countries including Arabic countries are still far towards making a financial market with international standards despite the huge development in the finance Islamic industry which has grown over the years to become an integral and influential part of the global financial landscape.

The financial market or the stock market exchange in Algeria could be turn into one of the most important sources of financing during the next years mostly under the financial difficulties conditions caused by the outbreak of covid-19 and the lockdown measures taken by the Algerian government since March 2020, as well as the dependency of the oil prices fluctuation, by taking advantage for the orientation of the Algerian government towards the Islamic finance and the possibility to issuance a new finance instruments within the financial market in accordance with the principles of Islamic law (sharia).

The issuance of sukuk as a financial instrument in many financial market has been growing in recent years. Many policy makers and businesses are looking at the sukuk markets as sources of long- term financing. Algeria plans to issue sukuk in their financial market for aim to absorb the investors who do not prefer to deal with the classical financial instruments.

Based on the above, we can ask the following principle question:

Can the Islamic finance instruments be as the best alternative against conventional practices of the stock exchange market in Algeria?

The main objective of this study is to show the importance of adopting Islamic financial instruments in developing and reviving the Algiers stock exchange, and it may open a new gate for the future, and get result which useful for future of the capital market in Algeria. We will also focus through this study on the current situation of the Algiers Stock exchange in order to identify the most important reasons that prevented the development of this market.

This paper is structured into three (03) sections, the first is dedicated to the overview of the islamic financial system in Algiers, the second section after that is consecrated to the current situation of the Algiers stock exchange marke.whereas the final section is based to discuss about the adoption of islamic financial instruments within the Algiers stock exchange.

2.Overview of the Islamic financial system in Algeria:

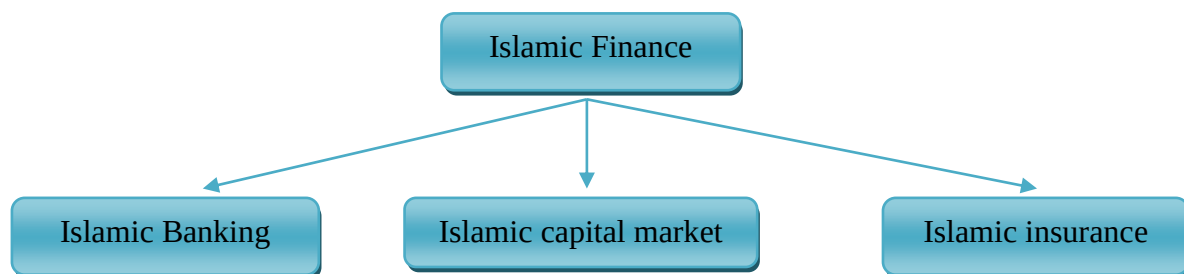
Islamic financial system can attract many customers who refrain from opening bank accounts due to religious considerations or because they avoid lending or borrowing money with interest or even to invest in the capital market by buying or selling stocks and bonds. Therefore, Algeria will be able to push its economy towards growth through the Islamic financial system and its instruments.

2.1 Principles of an Islamic financial system: The basic framework for an Islamic financial system is a set of rules and laws, collectively referred to as shariah, governing economic, social, political, and cultural aspects of Islamic societies. The basic principles of an islamic financial system can be summarized as follows (Hussain & Others, 2015, p. 6) :

- **Principle of equity** : The prohibition of interest which called ‘Riba’ in shariah which mean the increase in wealth that is not related to engaging in a productive activity is the basis principle in islamic finance with a view to protecting the weaker contracting party in a financial transaction. The principle of equity is also the basis for prohibiting excessive uncertainty (Gharar) as manifested by contract ambiguity or elusiveness of payoff. Transacting parties have a moral duty to disclose information before engaging in a contract, thereby reducing information asymmetry; otherwise the presence of Gharar would nullify the contract. The principle of equity and wealth distribution is also the basis of a 2.5 percent levy on cash or in-kind wealth (Zakat), imposed by Shariah on all Muslims who meet specific minimum levels of income and wealth to assist the less fortunate and foster social solidarity.
- **Principle of participation**: According to shariah investment return has to be earned in tandem with risk-taking and not with the mere passage of time. Thus, return on capital is legitimized by risk-taking and determined ex post based on asset performance or project productivity, there by ensuring a link between financing activities and real activities, so the principle of participation lies at the heart of Islamic finance, ensuring that increases in wealth accrue from productive activities.
- **Principle of ownership**: The rulings of “do not sell what you do not own” and “you cannot be dispossessed of a property except on the basis of right”, the Islamic finance has come to be known as asset-based financing, forging a robust link between finance and the real economy. It also requires preservation and respect for property rights, as well as upholding contractual obligations by underscoring the sanctity of contracts.

2.2 Main components of islamic finance sector: The Islamic finance is divided into three (3) main sectors (Haider & Azhar, 2010, p. 19), as it is illustrated in the figure below:

Fig.1. Main components of Islamic finance



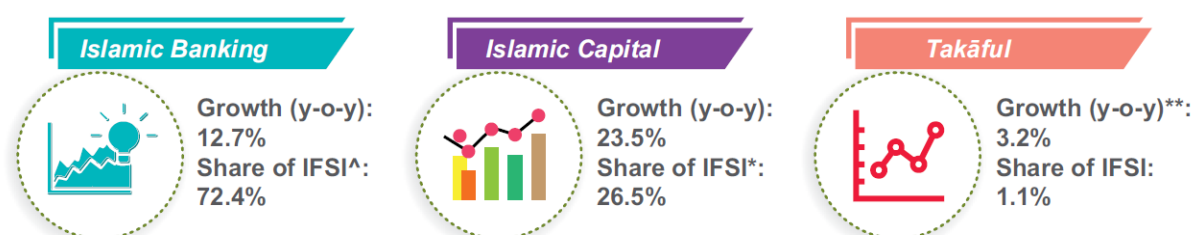
Source: Junaid Haider & Muhammad Azhar, , 2010, p19.

- ✓ **Islamic banking:** It refers to a system of banking activity that is consistent with the principle of the shariah and its practical application through the development of Islamic economies. There are several modes of finance providing by these types of banks such as: murabahah (cost-plus), mudarabah (profit sharing and loss bearing), musharaka (joint venture), ijara (leasing).
- ✓ **Islamic capital market:** It refers to the capital market where all the transactions, operations and activities are carried as per Islamic laws (Shariah). Islamic capital market consists of two main parts, stock market and bond market, The Islamic capital markets are the second most significant component of the Islamic finance sector, where Sukuk are major contributors . At the present time among the largest Islamic capital markets are Malaysia, U.A.E., Kuwait and

Qatar (Haider & Azhar, 2010, pp. 19-20), while Algeria does not have yet this kind of market for several reasons we will mention through this study.

- ✓ **Islamic insurance:** The term insurance is known as ‘takaful’ in Islamic finance, this concept of insurance is based on mutual cooperation, social solidarity and mutual indemnification in case of losses to any of the group member from a joint fund (Haider & Azhar, 2010, p. 19). In Algeria, on January 2020, the government has just presented a draft executive decree to regulate the sector of Islamic insurance (takaful), this decision is a part of a broader governmental policy to promote the Islamic finance in the country.

Fig.2.Segmental analysis of Islamic finance



^: Islamic banking data as at end 3Q 2019.

*: Islamic capital markets as at end 2019.

**: Takaful as at end 2018.

Source: Islamic financial services board, July 2020, p03.

The figure above illustrates some statistics related to the three sectors of the Islamic finance, and we note that in 2019, the Islamic banking segment experienced a higher growth rate of 12.7% compared to the 0.9% growth recorded in 2018. The segment's asset worth increased from USD 1,571.3 trillion as at 2Q18 to USD 1,765.8 trillion as at 3Q19. However, the share of Islamic banking assets declined by -3.6 percentage points from (76%: 2Q18) to (72.4%: 3Q19). The takaful segment slowed by -1.1 percentage points as at the end of 2018 to 3.2% (4.3%: 2017) as measured by year over year gross takaful contributions. The Islamic capital market segment's share of the total worth of the IFSI increased by 3.6 percentage points from USD 501.6 billion (22.9%: 2018) to USD 645.7 billion (26.5%: 2019). This is as a result of a double-digit y-o-y growth of 22.2% recorded in terms of sukuk outstanding of USD 543.4 billion, and of 29.8% y-o-y growth in Islamic funds' assets worth USD 102.3 billion, respectively, in 2019 (Islamic financial services board, 2020, p. 4).

2.3 Islamic finance system in Algeria:

After the issuance of the law of money and loan 90-10 in 1990, the Islamic finance was introduced to Algeria as early as 1991 by the group Saoudian Al Baraka with the association of BADR Bank of Algeria forming the first Islamic bank under the name of al Baraka Bank with capital which reached 10.000.000.000 Dinars. In 2008, 17 years after the establishment of the first Islamic bank in Algeria, another bank was created through the group Emirati el Salam bank with the same capital of Al Baraka bank. Until our day, al Baraka and the Salam bank are the only banks fully Islamic, although there are other banks that have taken the initiative to provide Islamic products under the name of Islamic windows like Algeria Gulf Bank and Housing Bank for Finance and Trade and Trust Bank (Ismail, 2021, p. 467), all these banks provide a set of financial products to the public whether they are individuals or companies.

On 15th March 2020, Algeria authorities have issued the system number 20-02 related to the application of the Islamic finance in Algeria, this system determines the general rules related to the

conditions applicable to the operations of banks and financial institutions , as well as the conditions of their licensing by the bank of Algeria, and the definitions of the Islamic products which provided by the Islamic banks (منال و نوال، 2021، صفحة 602), which is represented by :

- ✓ **Musharaka** : It refers to a joint partnership where two or more persons combine either their capital or labor, forming a business in which all partners share the profit according to a specific ratio, while the losses are shared according to the ratio of the contribution (Rammal, 2004, p. 3).
- ✓ **Murabaha**: It is defined as selling a commodity as per the purchasing price with a defined and agreed profit mark-up. This mark-up may be a percentage of the selling price or a lump sum. This transaction may be concluded either without a prior promise to buy, in which case it is called an ordinary Murabaha, or with a prior promise to buy submitted by a person interested in acquiring goods through the institution, in which case it is called a “banking Murabaha”, which means Murabaha to the purchase orderer. This transaction is one of the trust-based contracts that depends on transparency as to the actual purchasing price or cost price in addition to common expenses (Ebrahim, 2011, p. 2).
- ✓ **Mudarabah** : It is an arrangement of a silent partnership comprises of capital and labor. It may be concluded between investment account holder as providers of funds and the Islamic bank as a mudarib. The Islamic bank becomes interested to receive the amounts from investment account holders and to share the profit generating from them based on a pre-agreed ratio, while the losses, if any, will be borne by the funds provider, except the case of a verified misconduct, negligence or violation of the conditions by the Islamic bank. A mudarabah arrangement could also be concluded between the Islamic banks, as the funds providers, on behalf of itself or on behalf of investment account holders, and the businessmen as well as other craftsmen, like farmers, traders and so forth (Rahman, 2018, p. 33).
- ✓ **Ijarah (leasing)**: It is defined as the sale of the usufruct of an asset for a specified time and for the purpose of earning a specified and lawful return or consideration (Shah & others, 2017, p. 1584).

The Islamic finance system in Algeria is dominated by the banking market through the several financial products which have mentioned above, while the other markets within this system are either non-existence yet or have a weak presence. The table below shows the evolution of Takaful insurance industry revenue in Algeria during the period 2009 until 2018.

Table 1. The evolution of Takaful insurance industry revenue in Algeria during the period 2009 - 2018.

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Total revenue (Million Dinar)	2490	2540	2797	3300	4025	4491	4707	5001	4788	5100
Growth rate%	30	2	10	18	22	12	4,8	6	-4	7

Source: منصور منال و نوال بن لكحل، ، سنة 2021، ص 602

We notice from the table above that the variation in the total revenues achieved by the Takaful insurance industry since 2009 has known a weak evolution from 2490 million dinars in 2009 to 5100 million dinars in 2018, and the main reason for this, is the presence of only one company which provides this type of products called salama company for insurance .

3.The current situation of the Algiers stock exchange market:

Regulation of the Algiers stock exchange market began in 1993 with the issuance of Executive Decree no 93/10, which clarifies the functions, members and role of the various entities active in this market (Algeria official Gazette, 1993) by an organization represented by the Management of Movable Values Company (Société de Gestion de Bourse de Valeurs) (SGBV) and the Committee for the Regulation and Control of Stock Exchange Operations, (Commission d'observation et Surveillance des Opérations boursières), (COSOB) (Algiers stock exchange markets, 2014).

3.1 Main intervenants within the Algiers stock exchange market : The capital market in Algeria contains many parties that contribute for the good functioning inside this market and each party has its own role , as follow the main intervenants, as follow the main intervenants within this market :

- **The securities and investments organisation and monitoring commission (COSOB) :** It represents the highest authority of the financial market its main missions are :
 - ✓ to organise and oversee the securities market ;
 - ✓ to attend to the protection of the investors in securities ;
 - ✓ to ensure the smooth running and the transparency of the securities market ;
- **Brokerage firms (IOB) :** Legislative decree No 93/10, as amended and supplemented, of 23 May 1993 on the stock exchange has defined the status of brokers in stock market operations, granting them the monopoly of securities trading on the stock market. Algiers stock market has actually nine (09) brokers, representing the following public banks : BADR, BDL, BEA, CNEP-Bank, CPA and two (02) private banks BNP Paribas el Djazair, Société Générale Algérie besides to private company named Tell Markets. All these brokers are for mission to :
 - ✓ Underwriting of securities or financial products on behalf of an issuer ;
 - ✓ Trading on the market on behalf of its clients ;
 - ✓ Exchange activity ;
 - ✓ The activity of brokers is extended to new areas such as the successful completion of financial transactions , the guidance of investors.
- **Central depository :** Its missions are :
 - ✓ Opening and administration of current securities accounts ;
 - ✓ Centralization of custody of securities, facilitating thereby their transmission between financial intermediaries ;
 - ✓ Implementation of securities transactions initiated by issuers ;
 - ✓ Codification of securities admitted to its operations , according to international standard ISIN (international securities identification number ;
 - ✓ Publication of information pertaining to the market.

3.2 Segmentation of the market: The Algiers stock exchange market is divided into two(02) main markets as follow:

3.2.1 Debt securities market: This market is issued by corporations, government agencies, and it includes:

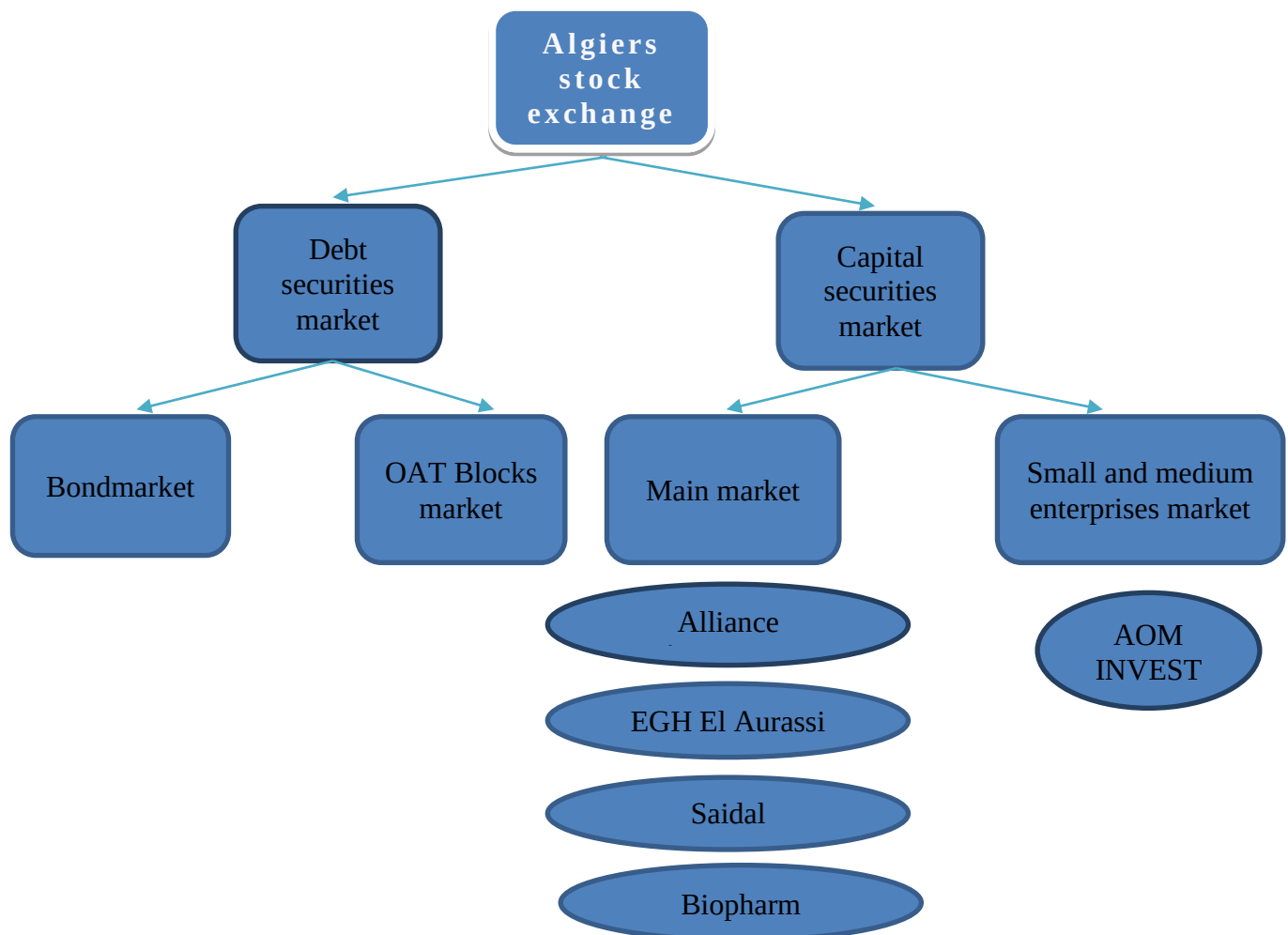
- **Market for OAT blocks:** It is reserved for fungible treasury bonds issued by the Algerian treasury it was created in 2008 and currently has more than 25 listed lines covering about 400 billion dinars.

- **Bond market:** This market is not active yet at this present, we can not find any company issued and any transaction done.

3.2.2 Capital securities market: It is divided into two (02) :

- **Main market:** This kind of market which is the most active one includes four (04) companies , namely:
 - ✓ Saidal group: activating in the pharmaceutical sector;
 - ✓ EGH el Aurassi: activating in the tourism sector;
 - ✓ Alliance Insurance: activating in the insurance sector;
 - ✓ Biopharm: activating in the pharmaceutical sector.
- **SMEs market:** Reserved for the small and medium enterprises, this market can offer an alternative to a start-up to access capital. It is indeed an excellent growth opportunity for SMEs, while providing investors with a well-regulated market for their investments. AOM invest is the only enterprise listed on this market. The official division of the Algiers stock market is illustrated in the figure n°2.

Fig.3. Official division of the Algiers stock market



Source: Algiers stock exchange, “Market functioning”, online on www.sgbv.dz seen on 10/05/2021 at 05.32 pm.

This official division contains two main markets (02) and each main market has two sub-markets, but in fact there is only one sub-market that provide financial instruments for the

investors which is the main capital market who contains just four (04) quoted companies , therefore and through this situation the Algerian authorities cannot wait from this market to play any role in development of the economy. The table below shows the Distribution of the Algiers stock exchange activity by Brokerage firms IOB in 2020.

Table 2. Distribution of the Algiers stock exchange activity by Brokerage firms IOB in 2020.

	Buy (volume)	Buy (value)	Number transacti ons (Buy)	Sell (volume)	Sell (value)	Number transactions (sell)	Global activity (volume)	Global activity (value)
BDL	0	0	0	3711	1414076	4	3711	1414076
BNA	3099	1304440	10	5707	6532831	10	8806	7837271
CPA	27624	24900612	48	12994	6610228	36	40618	31510840
BEA	8350	5919908	23	15731	13333873	35	24081	19253781
BADR	61	71065	1	2859	2013195	19	2920	2084260
CNEP- Banque	4162	4060516	12	11545	7102927	19	15707	11163443
BNP PARIBAS	36565	39193345	68	35249	41451334	56	71814	80644679
SGA	1535	1462578	8	0	0	0	1535	1462578
TELL	6400	1546000	9	0	0	0	6400	1546000
MARKETS								
TOTAL	87796	78458464	179	87796	78458464	179	175592	156916928

Source: La commission d'organisation et de surveillance des opérations boursière « COSOB », 2020, p44.

As it has shown in the table above, the number of transactions traded in the Algiers stock exchange has reached 179 transactions in 2020, when the total financial assets (stocks and bonds) buy it in this market has reached 87796 in 2020 against 249696 in 2019, with a huge decline was estimated by 64,83%, the same case with the total financial assets sell it with a decline between 2019 and 2020 was estimated by 68,48%. According to these previous numbers we can conclude that the source of the decrease in the global activity is explicated by the economic effects caused by covid-19 outbreak in Algeria, but mostly the root of the problem comes by the lack of an attractive financial tools for investors or enterprises to be active in this market.

Capital markets around the world are normally be in activity by the sell and the buy of stocks and bonds which are the most famous financial instruments used by the investors, but it is not the case in the Algerian capital market on one hand because there is one financial instrument circulated which is stocks , and on the other hand the number of companies subscribed is very weak .

The Algerian authorities in our day are called upon to reconsidering some of the instruments and shares traded on the Algiers Stock Exchange, to be more in line with Islamic law (shariah), in order to boost and revive this market . The current economic situation in Algeria requires the cooperation and the coordination with the Islamic stock markets ,and creating a model for the Islamic stock exchange to compete with global stock exchanges.

4. The adoption of the islamic financial instruments within the Algiers stock exchange :

The Islamic financial industry is now considered one of the fastest growing parts of the international financial market, due to its attractive financial instruments that satisfy the desires of many investors, among these instruments are the sukuk.

4.1 Sukuk (Islamic securities) :Sukuk is an Islamic financial instrument included in an important sub-sector to move the country's and world economy's wheels. Today, the sukuk market represents the second-largest Islamic finance industry component after Islamic banking. Sukuk have great potential to become an alternative funding instrument within the capital market for investors, because of that it has take a great attention from a big financial institutions who have given some definitions which concern sukuk

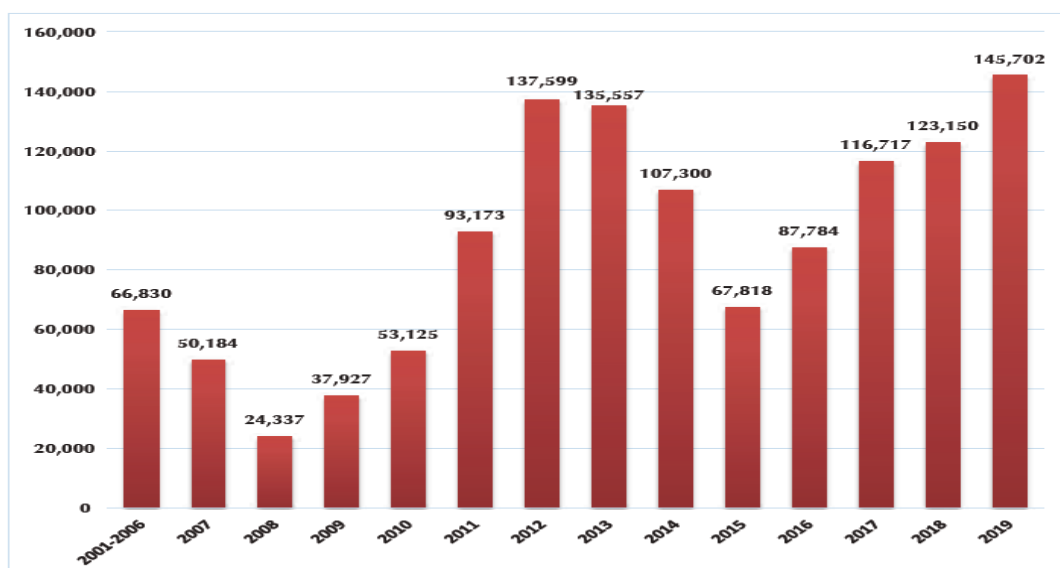
Accounting and auditing organization for Islamic institutions define the Sukuk as certificates of equal value that represent an undivided interest (proportional to the investor's interest) in the ownership of an underlying asset (both tangible and intangible), usufruct, services or investment in particular projects or special investment activities (Zin, 2011, p. 472).

- Islamic development bank has defined the Sukuk as an asset-backed bond which is designed or structured in accordance with the Shariah and which may be traded in the Market (Haider & Azhar, 2010, p. 22).
- International Islamic Financial Market (IIFM) defines sukuk as a commercial paper that provides an investor with ownership in an underlying asset (Ariff & others, 2012, p. 19).

These definitions identify a common theme : asset ownership, real asset as well as usufructs and shariah compliance. Besides of that the Sukuk holder shares the profits and risks of the business instead of receiving fixed ratio of capital invested (interest).

4.2 Global Sukuk issuances: Total global issuance amounted to 145.7 billion USD in 2019, this is the highest value of yearly sukuk issuance ever since its first launch in 2001, the steady issuance volume during 2019 was mainly due to sovereign sukuk from Asia, Gulf cooperation council (GCC), Africa and certain other jurisdictions while Malaysia continue to dominate the sukuk market though share of countries like Indonesia, UAE, Saudi Arabia and Turkey increased with good volume (International islamic financial market (IIFM), 2020, p. 27).

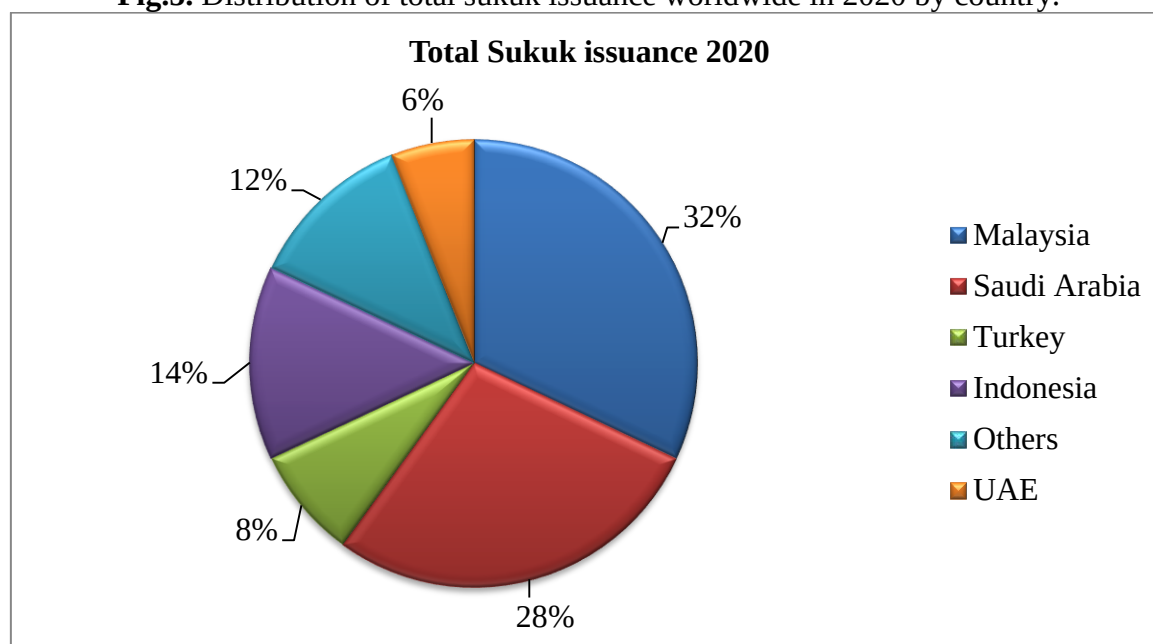
Fig.4. Total global Sukuk issuances (January 2001-december2019) in USD millions.



Source: International islamic financial market (IIFM), July 2020, p28.

As it is shown in the chart above, global sukuk issuance has known a great evolution since its first appearance in 2001. The trend use of sukuk has increased year by year where The total number of global issuances has reached 145,702 in 2019 with an increase of 18% compared to 2018, by the way theses issuances of Sukuk is still dominated by some Asian countries and Gulf cooperation council, the figure below shows the distribution of total sukuk by country in 2020.

Fig.5. Distribution of total sukuk issuance worldwide in 2020 by country.



Source: Statista research department, "Distribution of total sukuk issuance worldwide in 2020 by country", 20th September, 2021, online on : <http://www.statista.com> seen on 02/12/2021 at 19.20.

The figure above illustrates the distribution of total sukuk issuance by country in 2020, and we note that the portion of Sukuk issued from Malaysia accounted for nearly one third of all sukuk issuance in 2020, closely followed by Saudi Arabia with around 28 percent, and Indonesia, Turkey and UAE with 14, 12 and 6 percent respectively. Whereas the other countries together contribute with 12% of the total sukuk issuance. Algeria does not have any contribution from this total sukuk issuance because of several reasons we will discuss in the following sections.

4.3 Type of sukuk can be traded within the capital market in Algeria: As it mentioned in the first part of the study, there are several financial products that are providing by the islamic banks in Algeria, and in order to revive the capital market , the Algerian government should provide a legal framework to facilitate the introduction use of these islamic financial instruments, mostly by the sukuk. There are several type of this instrument that can be traded within this market we can mentioned it as follow (Jamaldeen):

-Mudaraba sukuk: In a mudaraba sukuk, the sukuk holders are the silent partners, who don't participate in the management of the underlying asset, business, or project. The working partner is the sukuk obligator. The sukuk obligator, as the working partner, is generally entitled to a fee and/or share of the profit, which is spelled out in the initial contract with investors.

-Musharaka sukuk: With musharaka sukuk, the sukuk holders (investors) are the owners of the joint venture, asset, or business activity and therefore have the right to share its profits. In a musharaka sukuk, unlike sukuk based on mudaraba, a committee of investor representatives participates in the decision-making process. Musharaka sukuk can be traded in the secondary market. The musharaka sukuk process begins when an obligator signs a musharaka contract with

the SPV that specifies a profit-sharing ratio and indicates that the obligator will transfer assets (such as cash and property) to the joint venture.

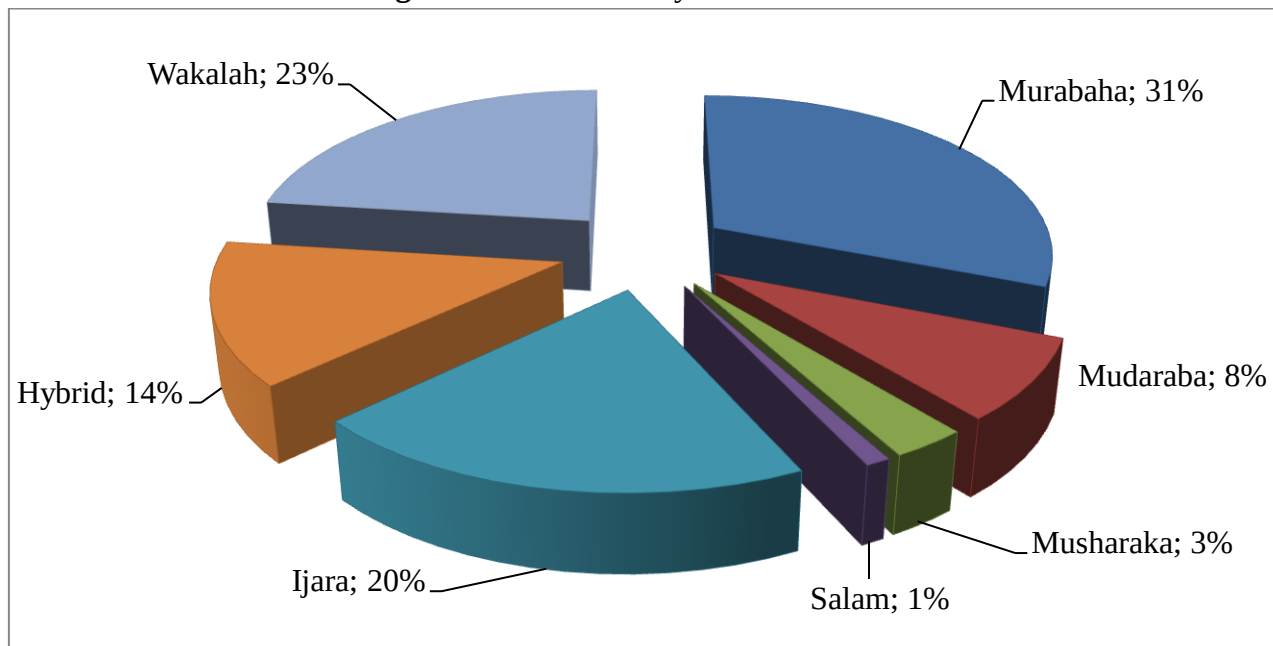
-Murabaha sukuk: With sukuk that are based on the murabaha contract, the SPV can use the investors' capital to purchase an asset and sell it to the obligator on a cost-plus-profit-margin basis. The obligator (the buyer) makes deferred payments to the investors (the sellers). This setup is a fixed-income type of sukuk, and the SPV facilitates the transaction between the sukuk holders and the obligator.

The murabaha contract process begins with the obligator (who needs an asset but can't pay for it right now) signing an agreement with the SPV to purchase the asset on a deferred-payment schedule. This agreement describes the cost-plus margin and deferred payments.

-Ijara sukuk: The basic idea of ijara sukuk is that the sukuk holders (investors) are the owners of the asset and are entitled to receive a return when that asset is leased. In this scenario, the SPV receives the sukuk proceeds from the investors, in return each investor gets a portion of ownership in the asset to be leased. The SPV buys the title of the asset from the same company that is going to lease the asset. In turn, the company pays a rental fee to the SPV. The ijara contract process begins when a company needs an asset but can't afford to purchase it outright contracts with an SPV, which agrees to purchase the asset and rent it to the company for a fixed period of time.

Islamic banking products in Algeria is focus on short-term contracts such as murabaha and Ijara, because Banks assume less risks in these types of products, however they avoid providing the long- term contracts that have more risk like Musharaka and Mudaraba which are destined to the investment projects, and this tendency toward the short term contracts is applied in the issuance of Sukuk by leaders countries in this field of services. The figure below show us the global sukuk issuance by structure in 2019.

Fig.6. Sukuk issuance by structure in 2019



Source: Islamic financial services board (IFSB), July 2020, p80.

Historically, sukuk issuances have been largely concentrated on Murabaha and Ijara, because the market still favour the contract types that are considered to have stable return profiles,

however the other types of sukuk which are based on profit-sharing contracts like Mudaraba and Musharaka are still remain a relatively small propotion of the total volume of issuances.

4.4 Factors delaynig the adoption of islamic finance instruments in the Algiers stock exchange: The adoption of the islamic instruments within the capital market exchange in Algeria needs firstly to address challenges related to capacity building needs of supervisory authorities and market players, as well as the development of legal and regulatory framework that can respect the principles of the Islamic finance industry. Here are some barriers must be overcome before the process of issuance of sukuk in the Algiers stock exchange market:

- It is noteworthy that both the shares and the various types of bonds mentioned in the commercial law are not compatible with the characteristics of Islamic Şukuk in terms of asset ownership and indebt-edness. This means that the current commercial law lacks an explicit definition of the term investment sukuk and the parties involved in the issuance process (Hassan & Lahasasna, 2020, p. 278).
- The absence of Islamic commercial contract law in the Algerian commercial law constitutes a major impediment to the issuance of Şukuk. Without clear definitions for the main underlying contracts, the legal framework for the issuance of Şukuk will be lacking.
- The existence of three financial statements of the issuing company making profits during the past years, proving the existence of a separate department internal audit, with a capital of at least 5,000,000.00 DZD and at least 150 shareholders in the issuing company . These conditions cannot be achieved by a joint share company under the Algerian Commercial Company Law. Thus, the current regula-tions are specifically focused on traditional financial instruments such as shares and bonds, as stated in Article 77 of the COSOB regulation No. 12-01 (COSOB)
- The lack of strong political to activate the capital market in Algeria and make it a good source of financing.
- The absence of highly qualified professionals who have the knowledge about the nature of the work of islamic financial instruments on one hand , and their adoptions function within the capital market on the other hand.
- The lack of marketing the islamic financial instruments in order to raise the knowledge of the mechanisms of action to these instruments within the capital market, because without that, the investors will stay away from dealing with these new instruments .

4.5 Strategic plan to introduce sukuk within the financial market in Algeria : We have to know before applying this strategic plan based on financial instruments that it will not replace the classical financial market in Algeria but to help revive this market and strengthen it to play its role in the economic growth. The model we desire to be established will be the result of another leader experience in the islamic finance which the indonesian experience, and we will try to take what is on harmony with our business environment in terms of insitutions capacities and the nature of finance. Here are the the roadmap should take by the Algerian authorties to go towards establishing a financial market mixed by the conventional and islamic instruments (inetrrnational organization of securities commission, 2004):

- Regulatory framework: An effective legal, regulatory and supervisory framework provides the essential foundation for the functioning of a modern capital market in Algeria. For a

rapidly growing market, it is important to ensure that an enabling and conducive regulatory environment exists to adequately regulate the adoption of the Sukuk in the capital market.. Furthermore the islamic activities can be adequately regulated Within the same framework as coventional activities. but rather that their domestic regulatory framework required enhancements as well as some regulation tailored towards meeting the specific needs of Islamic products, services and activities.

- Shariah compliance and convergence: Certainly, Shariah compliance is the key distinguishing feature of the Islamic capital market. In order to be deemed as Shariah-compliant, Islamic products and services need to undergo a pre-defined vetting and approval process by Shariah advisers. So besides to the COSOB which is responsible for the control of all classical transactions within the Algerian capital market, it must be another commission which is responsible for the adoption of sharia controls.
- Cost efficiency and tax framework: The challenge for the introduction of Islamic instruments within the capital market in Algeria is to ensure that the associated costs of issuing and trading Islamic products and services are comparable to conventional products. Within the context of cost-competitiveness, one major factor that impacts on costs is the appropriate tax framework for Islamic capital market transactions. The tax framework's structure should ensure that there is tax neutrality between Islamic and conventional financial products. Without a specific tax framework for Islamic transactions, product development and innovation would be impeded, and participation in capital market transactions may also be discouraged.
- Market professionals: There is a clear need for market professionals to have sufficient technical knowledge on the Islamic instruments as well as knowledge in Shariah principles to provide the necessary range of high quality, advisory and intermediation services.
- Investor education: Another equally important consideration relates to the level of awareness and understanding of investors with regards to Islamic financial instruments. Investor education is critical to improving investor activism as well as enhancing investor protection and scrutiny of Islamic capital activities. Discerning investors typically demand higher standards of service, and this in turn would contribute to the development of higher standards being applied by market practitioners.

5. Conclusion:

The study shows that the current situation of the Algiers stock exchange is not at the level of the Algerian authorities aspirations in terms of its contribution in the development of the economy, despite the efforts that have been done to make this market a big source of financing, this research paper has aimed to shed light on the prospects of using the islamic financial instruments within the financial market which can allow to revive this market especially under the development of the islamic industry in Algeria .our contributions in this study are to identify all the barriers that hamper the implementation or the adoption of the islamic finance instrumentss within the Algiers stock exchange market.

5.1 Results : The results of this study are summarized at the following points :

- The source of the decrease in the current global activity within the Algiers stock market is explicated by the economic effects caused by covid-19 outbreak in Algeria, but mostly the root of the problem comes by the lack of an attractive financial tools for investors or enterprises to be active in this market;
- The listing of Islamic sukuk on the Algiers Stock Exchange could help the developing and reviving this market by increasing the number of transactions and attracting new investors who prefer dealing with the Islamic financial instruments ;
- The use of Islamic financial instruments within the Algiers sock exchange will not replace the trading of classical instruments based only on stock but to help revive this market and strengthen it to play its role in the economic growth ;
- The global Sukuk issuances have been largely concentrated on Murabaha and Ijara, because the market always prefer the type of contracts that are considered to have stable return profiles, however the other types of sukuk which are based on profit-sharing contracts like Mudaraba and Musharaka are still remain a relatively small propotion of the total volume of issuances;
- Algeria authority has issued the system number 20-02 related to the application of the Islamic finance in Algeria, but this system does not contain any legal framework that refer to the issuance of Sukuk in the financial capital market in Algeria .

5.2 Recommendations : are as follow:

- Algerian authorities should look for a legal frame work to facilitate the adoption and the implementaion of the Islamic instruments into the Algiers stock exchange market;
- Encouraging the economic institutions and companies to transform into joint stock company (JSC) , which are stipulated in Algerian law, because the majority of private companies are either one person companies or “EURL” or limited liability companies (SARL), in order to offering a percentage of their shares on the stock exchange for sale to investors and the public. And for individuals wishing to buy shares;
- Creation of Islamic authority within the Algerian market exchange with the collaboration with COSOB in order to supervise all the transactions and ensuring its compliance with the Islamic law (sharia);
- Make trainings for the market professionals to give the sufficient technical knowledge on the Islamic instruments as well as knowledge in Shariah principles in order to provide the necessary range of high quality in this field.

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