

Islamic Sukuk as an Alternative to Bonds: A Strategy to Enhance the Performance of the Algiers Stock Exchange and Strengthen Its Role in the National Economy- University of Algiers 3, (Algeria)-

Les Sukuk islamiques comme alternative aux obligations : Une stratégie pour améliorer la performance de la Bourse d'Alger et renforcer son rôle dans l'économie nationale. renforcer son rôle dans l'économie nationale - Université d'Alger 3, (Algérie)-

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Abstract:

The current study aims to learn about the importance of the Islamic SUKUK trading, as an effective alternative to bonds, to enhance the performance of the Algeria Stock Exchange, and to upgrade its role in advancing the national economy. The study concludes that Islamic Sukuk were introduced to meet financing needs within a framework governed by Sharia-compliant regulations. However, despite more than two decades since the Algiers Stock Exchange began operations, it has not been able to fulfill its role in the national economy.

Keywords: Islamic Sukuk, Financial Market, Bonds, Algiers Stock Exchange.

Jel Classification Codes:G15; G10.

Résumé:

Cette étude vise à souligner l'importance de la négociation des Sukuk islamiques comme alternative aux obligations en tant que stratégie pour améliorer la performance de la Bourse d'Alger et renforcer son rôle dans l'économie nationale. L'étude conclut que les Sukuk islamiques ont été introduits pour répondre aux besoins de financement dans un cadre régi par des réglementations conformes à la Charia. Cependant, malgré plus de deux décennies d'existence, la Bourse d'Alger n'a pas été en mesure de remplir son rôle dans l'économie nationale.

Mots clés: Bourse d'Alger, Marché financier, Obligations, Sukuk islamique.

Jel Classification Codes:G15; G10.

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1. INTRODUCTION

The impact of the Islamic financial sector competitively on the financial markets during the last period, as Islamic financing tools and products have become an increasing demand between the financial assets circulating in various global markets, given its impressive success, where the Islamic bonds have emerged as the most important mechanisms to meet the financing needs, according to the controls of Islamic Sharia.

To align with a market economy and establish the foundations of a new economic model in Algeria, the Algiers Stock Exchange was established in the late 1990s. However, more than two decades after its inception, it has failed to fulfill its role in directly financing the national economy. This is due to its weak financial performance and the limited number of listed companies compared to other Arab stock exchanges. Therefore, Islamic Sukuk are considered an effective and viable alternative to traditional (interest-based) bonds, as they can stimulate the activity of the Algiers Stock Exchange to achieve its economic development goals through direct financing of the national economy.

Through what has been asked, our problem is clear in asking the following question:

Is Islamic SUKUK as an alternative to traditional bonds can enhance the Algerian Stock Exchange performance strategy and enhance its role in the national economy?

To address this pivotal question, a number of sub -questions are branched from the central question, and we include them as follows:

- What is the definition of Sukuk Islamic, and what is the importance of the economy and investors?
- What are the fundamental differences between Islamic Sokuk and traditional bonds?
- What were the motivations for establishing the Algiers Stock Exchange, and what is its current role in the national economy?
- What are the prospects and challenges of trading Islamic Sukuk as an alternative to traditional bonds in the Algiers Stock Exchange?

Answering these questions forms the outline of the key points addressed in this paper, based on the following hypothesis:

Islamic SUKUK is an alternative to traditional bonds, which would enhance the effectiveness of the Algeria Stock Exchange to support the national economy.

Search objectives:

The current study aims to:

Defining various concepts, as well as the Islamic nature of Sukuk, and clarifying the basic differences between them, and also between traditional ties.

- Examine the current state of the Algiers Stock Exchange and its markets.

- Identify the key challenges and requirements facing the Algiers Stock Exchange in implementing a strategy to trade Islamic Sukuk instead of traditional bonds.

- Explore ways to enhance the exchange's activity in the national economy.

Research Methodology: To address the study's problem, the descriptive-analytical method was adopted. This approach involves presenting a general framework for the research topic and analyzing its key aspects to reach the desired conclusions.

Previous Studies:

We mention among the previous studies the following:

- The study of Abdelkader Mohamed Al-Hilali, entitled "The role of Sukuk Islamic in achieving the goals of sustainable development- the Sudanese experience", which aimed to clarify the role of SUKUK Islamic to achieve development, by mobilizing various resources and directing them directly towards development projects.

- A Study by GhaniyaBourbia and BachirKachroud, entitled "Towards the Inclusion of Islamic Sukuk to Reactivate and Stimulate the Algiers Stock Exchange" This study sought to demonstrate the importance of Islamic Sukuk as a tool to stimulate and develop the financial market. It concluded that Islamic Sukuk have expanded the primary market base, activated the secondary Malaysian market, and enhanced its efficiency.

Research Structure:

We divided the search into three parts, as follows:

- Part One: Concepts related to Sukuk Islamic
- Part Two: The stock exchange in Algeria
- Part Three: Future Horizons and Challenges in the face of Sukuk Islamic Trading on the Algeria Stock Exchange

1- General concepts of Islamic Sokuk

1-1- The Islamic concept of Sokuk

A. Sukok Islamic definition

It is stated in the definition of the Islamic Financial Institutional Corporation that (AAOIFI) Islamic SUKUK are: "Equal valuable certificates representing shared shares in the ownership of concrete assets, where the money is employed for the purpose of issuing Sukuk."* (Mohamed, 2020, p. 60).

From this definition, it is clear that Islamic Sukuk are certificates of equal value that represent a common share in the capital of a specific project. They are Sharia-compliant, governed by Islamic legal principles, and grant their holders the right to receive realized profits while also bearing potential losses.

B. The Importance of Islamic Sukuk

The importance of Islamic Sukuk can be addressed from three perspectives as follows:

1- For the Issuer: (Qandoz, 2022, pp. 36-37)

- **Obtaining Financing:** The primary purpose of Sukuk issuance is to provide financing and liquidity. Sukuk offer an ideal tool for unlocking idle assets and turning them into income-generating assets.

- **Aligning Assets and Liabilities:** Sukuk issuance helps align the sources and uses of funds in terms of costs and maturities, which contributes to reducing the risks of mismatches.

- **Diversification:** Sukuk provide an alternative source of financing to traditional bank financing, creating multiple funding sources and reducing the risks associated with concentrated financing. This diversification helps in terms of maturity periods and the sources of funding.

- **Improving Capital Efficiency:** Sukuk can improve the capital adequacy ratio because they are off-balance-sheet transactions. Additionally, Sukuk allow for the structuring of financial instruments that can be included in capital.

- **Improving the Financial Position of the Issuer:** Sukuk allow financial and non-financial institutions to provide financing and facilities, then move them off their balance sheets in a short period. This helps avoid the need to set aside provisions for doubtful debts.

- **Risk Management:** Sukuk serve as a good tool for managing risks. Assets with high-risk levels can be isolated by creating a special purpose vehicle (SPV) and transferring those assets to it. This improves the issuer's financial position by mitigating the risks they face.

2. For Investors (Qandoz, 2022, pp. 38-39)

- **Investment According to Islamic Financing Principles:** Sukuk offer investments that adhere to Islamic financing principles, ensuring balance between the parties involved, avoiding injustice, uncertainty (gharar), and interest (riba). They are also directed towards socially responsible projects that consider Sharia-compliant and ethical aspects.

- **Achieving Acceptable Returns:** Sukuk structures are often based on income-generating assets and well-studied investment projects, which can provide substantial returns if the projects succeed.

- **Providing Diverse Options for Investors:** Sukuk offer investors the flexibility to choose investments that align with their preferred risk-return profile. Conservative investors can select low-risk Sukuk, such as Ijara Sukuk, while more risk-tolerant investors might opt for higher-return, higher-risk Sukuk, such as Mudarabah Sukuk.

- **Attractive Risk-Return Profile:** Sukuk offer favorable characteristics in terms of risk and return. These securities are often rated highly due to their backing by specific cash flows and well-defined internal structures. They may also benefit from credit enhancement services to improve their creditworthiness.

3. For the Economy

The economic importance of Islamic Sukuk is as follows: (Al-Demagh, 2010, p. 02)

-The variety of financing and liquidity sources: SUKUK are important financial tools to enrich the processes of self-financing, and also increase the flow of liquidity necessary for institutions and governments in the long term.

- Supporting the Islamic Economy: Sukuk contribute to the advancement of the Islamic economy both theoretically and practically. Theoretically, they complete the economic system alongside Islamic banks and insurance companies. Practically, the existence of these instruments helps lift the religious burden from investors. The global trading of Islamic Sukuk highlights the vastness, wisdom, and integration of the Islamic financial system.

C. Characteristics of Islamic Sukuk: Islamic Sukuk are distinguished by unique characteristics that set them apart from traditional financial securities, stemming from the Sharia-compliant principles that govern them. These characteristics include: (Al-Hilali, 2021, p. 69)

✓ **Issued in Equal Denominations:** Sukuk are issued in equal denominations to facilitate their purchase by the public through financial markets. Each Sukuk has a specific nominal value as outlined in the issuance prospectus. Additionally, the underlying assets in Islamic Sukuk may be tangible fixed assets, tradable assets, or intangible rights, depending on the Sukuk type.

✓ **Profit Sharing and Loss Bearing:** The holder of a Sukuk shares in the profits (ghunm) as per the agreement stated in the issuance prospectus and bears losses (ghurm) in proportion to the amount of Sukuk they own. These instruments are issued according to Islamic law, which regulates their issuance and trading.

D. Types of Islamic Sukuk

The Sharia standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) indicate that there are over fourteen types of Islamic Sukuk. However, the most common Sukuk can be categorized based on various considerations, as outlined below: (Al-Mousa & Madu, 2016, pp. 75-76)

First Consideration: Based on the Contracts Framing the Transaction

- Contracts such as sale with deferred payment, Murabaha, Salam, Istisna, Ijara, Musharakah, Mudarabah, and Wakalah.

Second Consideration: Based on the Relationship Between the Issuer and Sukuk Holders.

- **Asset-based Sukuk:** These provide Sukuk holders with expected returns based on underlying assets, such as Salam, Istisna, and Ijara Sukuk.

- **Investment-based Sukuk:** These provide returns based on profit and loss sharing in the investment underlying the contract, such as Mudarabah and Musharakah Sukuk. They do not offer predictable returns.

Third Consideration: Based on the Nature of Maturity

- **Convertible Sukuk:** These Sukuk have a defined maturity date and provide the holder with the option to convert the Sukuk into shares of the issuing company at a conversion price typically determined at the time of issuance. The holder chooses between redeeming the Sukuk for its value or converting it into shares.

- **Exchangeable Sukuk:** These Sukuk have a defined maturity date and give the holder the option to exchange the Sukuk for shares in a different company (other than the issuer) at a conversion price determined at the time of issuance. For example, this is the case with the Treasury Sukuk in Malaysia.

According to the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), the Sukuk that comply with Shariah principles are: (Abdulkader&Zubidi, 2017, pp. 68-69)

1. **Ijara Sukuk:** These are financial instruments of equal value issued to invest in purchasing productive assets, which are then leased back to users. The assets are suitable for exploitation, and the Sukuk holders receive a share of the income from these assets over a relatively long period.

2. **Salam Sukuk:** These are equal-value documents issued to raise capital for Salam contracts, where the commodity is owned by the Sukuk holders, and the full price of the commodity is paid in advance. The commodity is delivered in the future as per agreed terms.

3. **Istisna Sukuk:** These are issued to finance the manufacturing of goods, and the manufactured goods become a debt owed by the seller to the

Sukuk holder. They can be considered certificates or contracts issued in the name of the subscriber, representing the amount they invested in a specific company, under certain conditions.

4. Muzara'a, Musaq, and Mugharsa Sukuk:

- **Muzara'a Sukuk** are issued to finance agricultural projects, where Sukuk holders receive a share of the crop.

- **Musaqa Sukuk** are issued to finance irrigation of fruit-bearing trees, and holders receive a share of the fruit.

- **Mugharsa Sukuk** are issued to finance the planting of trees based on a contract, and holders receive a share in the land and the trees.

5. Murabaha Sukuk: These are Sukuk issued to finance a Murabaha commodity, where the commodity becomes the property of the Sukuk holders. Murabaha Sukuk are only valid in the primary market, and their trading in the secondary market may violate Shariah law, as Murabaha sales are typically deferred.

6. Mudarabah Sukuk: These are tradable financial instruments based on a Mudarabah contract, where the issuing company manages the business, and the investors provide the capital. Sukuk holders receive a share of the profit based on an agreed percentage.

7. Musharakah Sukuk: These are similar to Mudarabah Sukuk, but the main difference is that in Mudarabah, all capital comes from one party or a group of parties, while in Musharakah Sukuk, the intermediary issuing the Sukuk to investors is also a partner in the business venture, similar to a joint-stock company.

**Table n° 01: The Total value Of Global Islamic Sukuk Issuances
for the Period (2018-2022)**

(Unit: million USD)

Years	Global Issuances Value
2018	32 988
2019	38 476
2020	42 408
2021	49 427
2018	35 725

Source : Data base (2023, p. 34)

From the table above, we can observe that the total value of global Islamic sukuk issuances from 2018 to 2022 showed significant growth from 2018 to 2021, reaching a total of 49,427 million USD in 2021. However, in 2022, there was a noticeable decline, with issuances dropping to 35,725 million USD. This decrease is primarily due to a reduction in long-term sukuk issuances. Short-term sukuk issuances also experienced a slight decline, indicating a shift in demand for sukuk in global financial markets during this period.

Table n° 02 : the Difference Between Islamic Sukuk and Bonds

Sukuk	Bonds
Participate in the ownership of the assets of sukuk	The bondholder is not related to the company's financial assets (Al-Mukhammari, nd.) debt.
Share profit and loss	The bondholder doesn't bear any loss incurred by the company
Financial share in advantages assets and rights	The bond right represents a share in the traditional financing
Proof of the transfer of ownership	A bond doesn't mean to transfer the ownership by share, but by the monetary amount
The duration of Sukuk is a continuity associated with the project,	The duration is not linked to the project and may be longer or shorter than the project's duration
It is issued according to Sharia	The prospectus doesn't include Shariah compliance regulations

Source: (El-Mukhammari, p. 11)

From the table above and the mentioned differences, Islamic sukuk shares some characteristics with bonds, the most important of which are:

- **Issuer:** This is typically the entity seeking financing, which could be a sovereign body or an institution from either the public or private sector.

- **Maturity Date:** This is the date when the investor is repaid the nominal value of the security if it is a bond, or the market value if it is a sukuk.

- **Periodic Yield:** For bonds, this is determined as a percentage coupon rate of the nominal value (issue price). Sukuk, on the other hand, provide

returns that may be in the form of profits or rent, depending on the nature of the sukuk.

Part Two: The Reality of the Algerian Stock Exchange

First: Introduction to the Algerian Stock Exchange: The headquarters of the Algerian Stock Exchange Management Company (SGBV) is located at 27 Colonel Amirouche Street in Algiers. It is a joint-stock company with a capital of 485,200,000.00 DZD. The company was established under Legislative Decree No. 93-10 dated May 23, 1993, and became operational on May 25, 1997. The company represents an organized and regulated framework that serves brokers in stock exchange operations.

The creation of the stock exchange in Algeria was driven by several motivations, which can be summarized as follows (Nabila, 2022-2023, pages 161-162):

- The stock exchange offers a non-inflationary alternative for financing investments, relying on the direct use of savings resources, regardless of their source. It serves as a suitable framework for opening up the capital of public institutions to private shareholders, whether individuals or entities, both local and foreign.

- Furthermore, the stock exchange offers an alternative for savers whose investment interests are directed towards other alternatives, especially in real estate and speculative activities. The creation of modern financial instruments helps restore the saver's role in financing the economy, aiming to realize the goal of privatizing public institutions and allowing the national economy to integrate into the global economy within the framework of globalization.

- For economic agents, this market represents an alternative source of financing. Algerian institutions are unable to finance themselves, and the state budget is insufficient to finance all investments.

Second: Founders and Shareholders of the Algerian Stock Exchange Management Company

A. Founders of the Algerian Stock Exchange Management Company

The founders of the Algerian Stock Exchange Management Company (SGBV) include:

1. National Banks:

- Local Development Bank (BDL)/ Exterior Bank of Algeria (BEA)/Agriculture and Rural Development Bank (BADR)/Algerian Popular Credit Bank (CPA)/National Bank of Algeria (BNA)/ National Savings and Reserve Fund (CNEP Bank).

2. National Insurance Companies:

- Algerian Insurance and Reinsurance Company (CAAR)/Central Reinsurance Company (CCR)/Algerian Insurance Company (SAA)/Algerian Insurance Company (CAAT)/ National Fund for Agricultural Mutual Insurance (CNMA).

3. Private Bank: - Union Bank (UB)

B. Shareholders of the Algerian Stock Exchange Management Company: The shareholders of the Algerian Stock Exchange Management Company (SGBV) include:

-Local Development Bank (BDL)/Exterior Bank of Algeria (BEA)/ Agriculture and Rural Development Bank (BADR)/ Algerian Popular Credit Bank (CPA)/National Bank of Algeria (BNA)/National Savings and Reserve Fund (CNEP Bank).

The responsibilities of the Algerian Stock Exchange Management Company include the following activities:

- The actual organization of the listing process on the stock exchange.
- The physical organization of trading sessions on the exchange, as well as the management of the trading and pricing system.
- The publication of information related to transactions on the exchange and the issuance of the official price list.

These tasks are carried out under the supervision of the Commission d'Organisation et de Surveillance des Opérations de Bourse (COSOB) (Algeria, Algerian Stock Exchange Management Company, 2024).

Third: Conditions for Admission to the Algerian Stock Exchange

The conditions for admission to the Algerian Stock Exchange are as follows: (Algeria, Conditions for Admission, 2024)

A. Official Market

- The company must be legally organized as a joint-stock company (SPA), with a minimum paid-up capital of five million dinars (5,000,000 Algerian dinars). It must have published audited financial statements for the previous three fiscal years, accompanied by an asset evaluation report prepared by a member of the National Accounting Experts Association, who is not the company's auditor or any other expert recognized by the evaluation committee, ensuring they are not a member of the committee.

- The company must have achieved profits in the year preceding the admission request, unless exempted by the committee after reviewing any asset transfers or sales that occurred before the listing process. This is contingent on the existence of an internal audit body, evaluated by the company's auditor in the report on internal controls. If such a body does not exist, the company must establish one during the following fiscal year after the bond listing, ensuring the proper handling of bond conversions, settlement of major shareholder disputes, and compliance with information disclosure requirements.

- The company must offer at least 20% of its share capital in a public subscription of capital bonds, to be completed no later than the listing date. These bonds must be distributed to at least 150 shareholders by the listing date.

B. Bond Market: Securities such as maturity bonds, convertible bonds into capital stock, contribution bonds, or any other instrument granting the right to capital stock are considered debt securities.

The price of the debt securities requested for admission to the stock exchange must be at least five hundred million dinars (500,000,000 DZD) on the listing day.

C. Small and Medium Enterprises (SMEs) Market: The listing conditions for the main market are somewhat strict, as small and medium-sized enterprises (SMEs) typically do not meet the required conditions. Therefore, some regulatory adjustments were made in 2012 to relax these

conditions. SMEs are now required to be organized as joint-stock companies and appoint a "stock market advisor" for a period of five years. Additionally, they must open at least 10% of their capital on the listing day and offer a public subscription of their capital bonds, which must be distributed to at least 50 shareholders or three institutional investors on the listing day. They must also publish their audited financial statements for the past two years, unless exempted by the Committee for the Regulation and Supervision of Stock Market Operations.

A significant event in 2024 was the listing of the *CréditPopulaireAlgérien* (CPA) in March 2024, after meeting the admission conditions set out in the general regulations of the Algerian Stock Exchange. The CPA's capital was listed through a fixed-price offering on the official price list on March 21, 2024. Negotiations regarding the CPA's shares began on Tuesday, March 26, 2024, with an initial price of 2,300 DZD.

Fourth - Algerian Stock Exchange:

It includes the Algerian Stock Exchange, a list of the following market prices:

A. Capital stock market: consists of:

- The main section: The shares of the capital of the inventory companies shared with the minimum capital of five billion Algerian dinars (5,000,000 DZD), where these companies should provide stock bonds, up to at least one billion dinars of Algerians (1,000,000,000 DZD), which were distributed to at least 150 contributors.

B- The growth department: it relates to shares of joint stock companies, which provide capital stock bonds that reach more than ten million dinars of Algerians (10,000,000 DZD), for 50 or three professional investors, and Article 61 of the regulations of the Operations Regulatory Committee stipulates Stock market, No. 23-04, on October 25, 2023.

Debt bond market: consists of:

Distinguished section: related to the debt papers issued by the state, local authorities and public bodies, with the value of a larger issuance than or equal to one billion Algerian dinars (1,000,000,000 DZD).

The emerging section: related to debt papers issued by public bodies and joint stock companies with the value of the issuance of less than a billion Algerian dinars (1,000,000,000 DZD).

C. The stock market for collective investment bodies

D. Professional Investors Market: It is dedicated to shares, debt papers and bonds issued by the collective investment bodies, for the account of professional investors, as stipulated in Article 61 of the Committee's regulations No. 23-04, on October 25, 2023, regarding the general regulations of the Algerian Stock Exchange.

E. Treasury stock market: dedicated to treasury papers with entitlement periods from 7, 10 and 15 years.

Table 4: Development of the Trading Volume of the Official Market for the Period (2019-2023)

Years	Trading Volume	Trading Value DZD	N of Transactions
2019	249 696	248 990.023.00	437
2020	87 796	78 458 464.00	179
2021	244 399	127 907 601.00	219
2022	229 783	138 294 131.00	211
2023	959 932	508 909 755.00	283

Source: Quoted from the Official Website of the Algiers Stock Exchange: http://www.sgbv.dz/ar/?page=bilan_boc

From the table above, we can observe that the trading volume in the official market of the Algerian Stock Exchange for the period (2019-2023) fluctuated between increases and decreases each year. The trading volume in 2019 was 696,249, which then decreased in 2020 to 79,687. It rose again in 2021 to 399,244, then decreased again to 783,229, before experiencing a noticeable increase in 2023, reaching 932,959. This trend reflects the movements of supply and demand in the official market of the Algerian Stock Exchange.

Part Three: Prospects and Challenges of Trading Islamic Sukuk in the Algerian Stock Exchange

Based on the previous indicators and the limited number of national companies listed on the Algerian Stock Exchange, which currently stands at only six (06) companies, there are several factors that have prevented the stock exchange from fulfilling its intended role since the 1990s. The exchange has faced numerous obstacles that have hindered its ability to perform its required function in directly financing the national economy.

First: Obstacles to the Operation of the Algerian Stock Exchange

The main obstacles that have hindered the performance of the Algerian Stock Exchange in contributing to the national economy are as follows: (Boudrioua, 2019, pages 200-201)

A. High Inflation and Weak Savings: The inflation rate in Algeria has been steadily increasing year after year, leading to a decrease in individual savings. Inflation forces individuals with fixed or low incomes to use their savings to spend on consumer goods when their incomes are insufficient to maintain their usual consumption levels.

B. Weak Productive Sector: The public sector accounts for nearly 80% of Algeria's total investments, which are characterized by a high number of employees, low productivity, and unskilled labor. Additionally, most private companies are structured as limited liability companies or partnerships, and they are not willing to open their capital to outsiders.

C. Dominance of the Public Sector in the Algerian Economy: The Algerian Stock Exchange was created in line with the decision to shift towards a market economy, which is characterized by the dominance of the private sector. However, in reality, the public sector still dominates the Algerian economy. Furthermore, the delay in privatizing state-owned enterprises, which many hoped would invigorate the Algerian Stock Exchange, has further hindered its growth and development.

D. Inadequate Legal Regulations: The legal framework still grants the Minister of Finance full authority to appoint, dismiss, and replace the general directors and managers of the bodies that constitute the stock exchange, excluding representatives from companies, banks, and intermediaries. Additionally, the reliance on bonds as the sole financial

instrument for trading reflects the authorities' ongoing desire to maintain public ownership of state-owned enterprises.

Social and Cultural Barriers: The demographic factor in Algeria has led families to focus on securing their basic needs, with a tendency to direct their savings to public banks, which are perceived as more trustworthy and secure. This, in turn, hinders the Algerian Stock Exchange's ability to attract investors, as there is a lack of stock market culture within Algerian society.

Religious Factor: The stock exchange is a market for direct financing in today's world, through the issuance of stocks and bonds. However, the nature of bond trading, which involves interest-based loans, creates a religious dilemma for Algerian society, making it difficult for people to invest in and trade bonds on the stock exchange.

Second: Advantages of Trading Islamic Sukuk Instead of Traditional Bonds to Boost the National Economy (Abdelkader&Zbeidi, 2017, pages 80-81)

1. **Liquidity Management:** Islamic sukuk are among the tools used in the context of open market operations. They help reduce inflation rates, stabilize exchange rates, and ensure optimal resource utilization.

2. **Resource Mobilization:** Islamic sukuk play a crucial role in gathering the necessary resources to cover the state's financing needs, making them a viable alternative to the fluctuating revenues from oil exports.

3. **Financing Budget Deficits:** Islamic sukuk are among the modern financing tools that the state can use to fund its budget deficits, offering an alternative to traditional debt instruments.

4. **Funding Development Projects:** Sukuk contribute to supporting various economic sectors by providing real resources to finance different development projects, thereby boosting the overall economy.

5. **Achieving Social Development:** Sukuk can help provide essential services for society, such as funding the construction of healthcare and educational facilities. This, in turn, creates job opportunities and contributes to reducing unemployment.

Third: Requirements for Implementing an Islamic Sukuk Trading Strategy as an Alternative to Traditional Bonds in the Algerian Stock Exchange

Many studies have examined the experiences of Asian countries, particularly those that have successfully implemented Islamic sukuk in their financial markets and adopted Islamic financial markets for trading Islamic financial products. Based on these successful experiences, the requirements for implementing an Islamic sukuk trading strategy in the Algerian Stock Exchange can be summarized as follows: (Bourbia&Kachroud, 2020, pages 416-417)

- **Develop a Strategic Plan:** A proposed strategic plan should be created by the Algerian Stock Exchange Committee in collaboration with the Ministry of Finance. This plan should outline a vision for the strategic situation and future prospects for developing the Algerian Stock Exchange for a specific and studied period. One of its core objectives should be the establishment of an Islamic financial market within the Algerian financial market.

- **Establish a Specialized Shariah Board:** A specialized Shariah board should be formed to oversee the trading and handling of Islamic sukuk in accordance with Shariah principles. This board would also be responsible for developing an index to track the prices of all Shariah-compliant financial instruments listed on the main board of the stock exchange.

- **Government Support and Encouragement:** The government should actively support the inclusion of Islamic finance in the Algerian banking and financial system. This could be achieved by implementing incentives and tax exemptions, as well as increasing confidence among market participants by ensuring the strong involvement of the public treasury in the field of Islamic sukuk in its various forms.

In conclusion, to facilitate the trading of Islamic sukukas an alternative to traditional bonds in the Algerian Stock Exchange, it is essential for the relevant authorities to introduce Islamic sukuk as a competitive product to traditional bonds. This requires adopting a comprehensive strategy for their implementation and ensuring that it is

monitored and applied by both the Algerian Stock Exchange Committee and a Shariah advisory board or a specialized Shariah body for Islamic financial instruments.

Conclusion

Islamic sukuk are considered a Sharia-compliant alternative to traditional bonds due to their effective role in direct financing of the national economy, as demonstrated in this study. Sukuk have gained widespread popularity and increasing demand in international financial markets due to the positive outcomes they have achieved. They are thus considered a suitable solution for enhancing the performance of the Algerian Stock Exchange and enabling it to fulfill its role in the national economy.

Hypothesis Testing Results:

Based on the analysis of this topic and the results obtained, we can test the validity of the proposed hypothesis as follows:

The research hypothesis posited that trading Islamic sukuk instead of traditional bonds would enhance the effectiveness of the Algerian Stock Exchange in contributing to the national economy. This hypothesis is valid, as evidenced by the increasing global demand for Islamic sukuk. They have seen widespread adoption and growth in both Arab and Western financial markets, demonstrating their effectiveness as an Islamic alternative to traditional bonds.

Results:

Based on the findings, we conclude the following key results:

- The global trading of Islamic sukuk reflects the wisdom, breadth, and integration of the Islamic economy. Their diverse issuance structures cater to the needs of various economic sectors and investment projects. Sukuk thus represent a suitable solution to both revive the stagnation in the Algerian Stock Exchange and enhance its role in financing the national economy.
- The stringent listing requirements in the Algerian Stock Exchange are a barrier for small and medium-sized enterprises (SMEs), which often lack the necessary conditions to meet these criteria.

- Issuing Islamic sukuk in Algeria requires significant efforts from the government and relevant authorities to remove obstacles preventing the Algerian Stock Exchange from playing its role in financing the national economy.

Recommendations:

Based on the findings, we propose the following practical recommendations to address the issues discussed in the research:

- Promote the culture of the stock exchange within Algerian society, encouraging citizens to invest by offering incentives and privileges to attract the attention of emerging and small enterprises.

- Increase the real income of Algerian citizens to enable them to save more and direct their savings toward investing in the Algerian Stock Exchange.

- Enact laws and regulations on Islamic trading in the Algerian Stock Exchange, with the involvement of Algerian Stock Exchange representatives and Islamic scholars, to ensure compliance with Sharia law and protect investors' rights.

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