

Investment Deposit: A Method to Encourage Deposits in the Algerian Banking System

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Abstract:

Investment deposits are considered one of the key incentives for attracting funds to commercial banks. The Islamic banking sector has witnessed significant development both locally and internationally, making it an ethical and strategic alternative to the interest-based financial system, which has contributed to global financial crises. As a result, many countries have adopted Islamic financing models within their financial frameworks. This research aims to highlight the role of investment deposits as a key incentive tool for depositors within the framework of conventional and Islamic finance.

Keywords : Deposit; Investment; Traditional Banking; Islamic Banking.

الملخص:

يعد الإيداع الاستثماري من الحوافز الأساسية لجذب الأموال إلى البنوك التجارية، وقد شهد القطاع المصرفي الإسلامي تطوراً ملحوظاً محلياً ودولياً، مما جعله بديلاً أخلاقياً واستراتيجياً قابلاً للتطبيق مقارنةً بالنظام المالي القائم على الفائدة، الذي ساهم في أزمات مالية عالمية. ونتيجة لذلك، تبنت العديد من الدول نماذج التمويل الإسلامي ضمن أطرها المالية. وقد أدى هذا التحول إلى توجّه المودعين وأصحاب الحسابات الاستثمارية نحو البنوك الإسلامية، لا سيما من خلال عقود المضاربة المطلقة أو المقيدة. وتحدد هذه العقود العلاقة القانونية والمالية بين البنك والمستثمر. ويهدف هذا البحث إلى تسليط الضوء على دور الودائع الاستثمارية كأداة تحفيزية أساسية للمودعين ضمن إطار التمويل الإسلامي.

الكلمات المفتاحية: وديعة ، استثمار ، صيرفة تقليدية ، صيرفة اسلامية.

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Introduction:

In our current era, marked by significant scientific and technological advancements in the financial industry, the functions of traditional banks have evolved from merely opening accounts and handling cash transactions to offering new, sophisticated banking operations and services aimed at attracting substantial cash deposits and savings. This shift is crucial because banks cannot fulfill their credit functions solely by relying on their own resources. Instead, Customers' cash deposits, which are documented in bank accounts, are a major source of funding for them. From the outset, accepting deposits has been one of the fundamental activities of banking institutions, as these deposits constitute the primary resource for banks, especially those that can utilize them for investment needs. This principle is affirmed by the Algerian Monetary and Banking Law No. 23-09¹. In a financial world full of changes, developments, and innovations, Since the introduction of Islamic banking, which has grown and developed remarkably both domestically and globally, the banking sector has seen intense rivalry. Islamic banking has presented a strategic and competitive alternative to traditional interest-based banking tools (banking usury), which have been the root cause of severe global financial crises.

Given this context, most countries around the world have increasingly integrated Islamic banking into their operational and financing activities. This has led depositors and investment account holders to turn to Islamic banks, which operate based on the principles of unrestricted or restricted Mudarabah contracts. These contracts govern the relationship between investors (depositors) and Islamic banks, represented by their owners (shareholders).

Through this research paper, we aim to address the following question: To what extent can investment deposits, in their various forms, serve as an incentive for depositors ,especially in view of their approval under Regulation 2020-02, which was issued on March 15-2020, and which outlines banking activities associated with Islamic banking as well as the guidelines for banks and other financial organizations to follow?

In order to address this question, we have separated the paper into two major sections: the first covers the conceptual framework of investment deposits, and the second focuses on how investment deposits are classified in Islamic banking and how to open and manage these accounts.

1. The Definition of Investment Deposits and Their Types:

The first chapter aims to lay the foundational understanding of investment deposits within the framework of Islamic banking. It begins by exploring the linguistic and legal definitions of deposits in general, before distinguishing between different types based on their purpose and structure. Particular attention is given to investment deposits, which are governed by the principles of *Mudarabah*, a profit-sharing contract unique to Islamic finance. This section also highlights the core differences between conventional and Islamic deposit practices, especially in terms of risk-sharing, return expectations, and Sharia compliance. Through this conceptual lens, the study sets the stage for a deeper legal and regulatory analysis of investment deposits in subsequent sections.

¹Law No. 23-09 dated June 21, 2023, on Monetary and Banking Law, Official Gazette No. 43, dated June 27, 2023.

1.1- Definition:

Legal scholars have defined investment deposits as "a contract concluded between two or more parties, namely the depositor (whether an individual or multiple natural or legal persons) and the bank where the deposit is held. Under this contract, the depositor agrees to place a sum of money with the bank, which is available for withdrawal on demand or according to specific conditions agreed upon in advance between the parties"². A bank deposit can also be defined as "a contract that grants the bank ownership of the deposited funds and the right to use them in accordance with its professional activities, while obligating the bank to return an equivalent amount to the depositor as per the terms of the contract"³.

The Algerian lawmaker spoke on the Civil Code's definition of deposits, which is stated in Article 590: "A deposit is a contract by which the depositor delivers a movable asset to the depository for safekeeping for a specified period, with the obligation to return it in kind." All operations related to cash deposits are considered commercial activities based on their subject matter, like every banking operation. According to Article 2/13 of the Commercial Code, any banking, exchange, or brokerage business is by definition a commercial activity.

Despite the importance of cash deposits in economic life, the judiciary still resolves disputes related to them by relying on banking customs and applying the provisions of the Civil Code. Although a deposit contract is considered a commercial banking activity, the Commercial Code does not regulate this contract, leaving it to the commercial judge to interpret and apply civil law provisions. This approach may lead to illogical outcomes⁴.

Referring to the Algerian Monetary and Banking Law, we find that it does not provide a comprehensive legal framework for regulating cash deposit accounts. Instead, it merely stipulates the right of every individual to open a deposit account⁵ under Article 135. The law also does not unify the banking obligations related to accounts within the banking law's provisions. Instead, These duties are still dispersed throughout the Monetary and Banking Law's provisions, banking customs, the Civil Code's basic rules of liability, supplemental regulations, and the legislation prohibiting money laundering and terrorist financing.

Regarding bank deposits, the legislator has not provided a clear and precise definition of cash deposits. Article 68 of Law No. 23-09, the Monetary and Banking Law, states "Banking operations include receiving funds from the public, lending operations, banking operations related to Islamic banking, as well as making payment methods available to customers and managing these methods." Article 69, paragraph 1 of the same law clarifies the concept of "receiving funds from the public," mentioned in Article 68, as follows: "Funds received from the public are considered as such, particularly in the form of deposits, with the right to use them for the account of the recipient, provided they are returned."

The Algerian legislator did not provide any explicit definition or reference to investment deposits under the Monetary and Banking Law. The concept of investment deposits was only

²Antoine Al-Nashif Jamil Al-Endi, *Banking Operations and Financial Market*, Vol. 1, Al-Mo'asasa Al-Haditha 9lilMaktabat, Beirut, 1998, p. 72.

³Baouch Dalila, *The Legal System for Protecting Bank Deposits*, Master's Thesis - Economic Regulation Law Branch, Faculty of Law, Mentouri University, Constantine, 2011-2012, p. 45.

⁴Baouch Dalila, *ibid*, p41.

⁵Bouchareb Amina, Ben YassadAdhra, *The Monetary Deposit Account in Algerian Law, Global Politics Journal*, Vol. 8, No. 2, 2024, p. 801.

included in Regulation 2020-02⁶, which was released by the Central Bank of Algeria on March 15, 2020, and outlines banking activities connected to Islamic banking as well as the guidelines for their execution by banks and financial organizations. Article 12 of this regulation defines investment deposits as "term placements made available to the bank by the depositor for the purpose of investing them in Islamic financing and generating profits."

However, legal scholars have consistently included them within what is known as designated cash deposits, which are defined as "incomplete deposits where clients (depositors) are obligated to deliver their funds to the bank (the depository) by any means of payment, with the condition that they are allocated for a specific purpose or activity"⁷. They are also defined as "deposits delivered to the bank with the condition that they are allocated for a specific operation or purpose"⁸. Alternatively, they are funds deposited by their owners with the intention of investing them in various projects. The owners are not permitted to take these cash out before the time frame that was agreed upon with the bank. The owner loses their right to a portion of the profits if they withdraw before the period⁹.

1.2- Types of Deposits:

1) Types of Deposits in Traditional Banks:

Since receiving funds from the public is considered a deposit under the definition of Article 68 mentioned above, and considering that the bank frequently receives ownership of these money together with a guarantee of reimbursement in accordance with¹⁰ the terms of the client's contract, they can be regarded as investment deposits from the bank's perspective and categorized into the following main types¹¹.

A- Demand Deposit: With a demand deposit, a customer can take their money out of the bank whenever they choose. Usually, banks do not offer interest on this type of deposit or provide only minimal interest because they have limited ability to utilize these funds optimally due to the requirement to honor withdrawal requests at any moment.

It is often noted that demand deposits are confused with current accounts. The latter is opened to manage ongoing financial relationships between the bank and the client, while a demand deposit is primarily a deposit transaction that enables the depositor to access their funds at any time, either through withdrawal or further deposits. Because of this dynamic, demand deposits closely resemble current accounts since they establish a reciprocal relationship

⁶ Regulation 20-02 of March 15, 2020, defining banking operations related to Islamic banking and the rules for their practice by banks and financial institutions, Official Gazette of the People's Democratic Republic of Algeria, No. 16, issued on March 24, 2020.

⁷ **Bouchra Lahcen Adlani**, *The Banking Deposit Dedicated for a Specific Purpose under UAE Commercial Transactions Law*, Master's Thesis in Private Law, Faculty of Law, United Arab Emirates University, June 2019, p. 10.

⁸ **Maghnia Medah**, *The Importance and Role of the Deposit Insurance System*, Master's Thesis, Abdelhamid Ibn Badis University, Algeria, 2015, p. 31.

⁹ **Abdelkader Kayed Said Al-Majidi**, *The Responsibility of Islamic Banks for Their Banking Services and Investment Activities*, 1st Edition, Dar Al-Fikrwa Al-Qanun, Mansoura, 2015, p. 104.

¹⁰ The Concept of the Banking Deposit Guarantee System Involves Protecting Customer Deposits by Compensating Them Fully or Partially Through Bank Contributions to the Deposit Insurance Fund, see: **Nour Al-Huda Ishraq & Bouran Soumaya**, *Mechanism for Protecting Bank Deposits under Algerian Banking Regulation No. 20-03*, *Al-Ijtihad Journal for Legal and Economic Studies*, Vol. 12, No. 3, 2023, p. 382.

¹¹ **Dwidar Hani Mohamed**, *The Concise Guide to Commercial Contracts and Banking Operations*, Dar Al-Jami'a Al-Jadida Publishing, Alexandria, 2003, pp. 207-208.

between the bank and the client or between the bank and third parties acting on the client's behalf.

B- Time Deposit: A time deposit is a contract whereby a client deposits funds with the bank for a fixed period, agreeing not to withdraw the funds until the agreed-upon maturity date. The bank has a great deal of flexibility in using the money safely until the maturity date thanks to this arrangement, making it a highly investment-oriented deposit type. As a result, time deposits usually offer relatively high interest rates. However, if a client withdraws the deposit before maturity, they forfeit the agreed-upon interest applicable to this type of deposit.

C- Deposit with Prior Notice: Also known as a "notice deposit" or "on-call deposit," this type of deposit allows the client to withdraw their money at any time¹², provided they notify the bank in advance within a pre-agreed notice period. Banks either do not offer interest on such deposits or provide only minimal interest, as they are bound to repay the cash upon receiving the client's notice. The sole advantage for the bank is the brief interval allowed to arrange the requisite liquidity before completing the withdrawal.

D- Special Purpose Deposit: A special purpose deposit is a deposit where the funds are allocated for a specific transaction, which may benefit the client, the bank, or a third party.

Using the deposit to pay off outstanding obligations is advantageous to the client, and the bank if it is used as collateral to secure another account of the client.,and It benefits a third party if the deposit is meant to cover a check drawn by the client in favor of another person.

In such cases, the bank is not free to use the deposited funds for its usual investment activities; rather, it must allocate them exclusively for the specified purpose. Consequently, the depositor cannot request reimbursement until the specific purpose is fulfilled.

It is worth noting that the allocation of a special purpose deposit may not take effect immediately upon account opening. A client may deposit funds with the bank while specifying a future date for the allocation to take effect. The terms agreed upon with the bank determine whether the client receives interest on the deposit throughout the time between the initial deposit and the allocation's activation.

Interestingly, the Algerian legislator excluded deposits intended for financial investment from the definition of special purpose deposits under Article 80 of Law 23-09, despite their significant role as an investment tool for clients seeking higher returns without involving interest-based earnings. Such deposits are restricted in terms of the bank's ability to use them, as they are tied to executing specific actions or achieving particular purposes for clients. Moreover, the bank is not obligated to return these funds to the clients upon request, since the completion of the specified purpose and the expiration of the predetermined period are two requirements that must be met for their repayment.

In all cases, the bank acts as a custodian of the deposit while also assuming roles such as an agent or a pledgee on behalf of third parties. Clients generally do not receive interest from such deposits unless they are explicitly designated for investment purposes. This type of deposit is specifically addressed in Article 80 of the Monetary and Banking Law 23-09, which classifies it as a deposit intended for investment purposes, such as subscribing to shares in a company or purchasing stocks, bonds, and investment certificates. Accordingly, these deposits deviate from

¹²ZeibarChadhli, *A Study on the Types of Bank Deposits in Algerian Legislation*, *African Journal of Legal and Political Studies*, Vol. 6, No. 2, 2022, p. 207.

the standard definition of deposits and are classified as "irregular deposits"¹³ under Paragraph 2 of Article 80, which states:

-They are not considered deposits under the definition of Article 69 but remain the property of their original owners.

-They do not generate interest.

-They must be kept in a special account at the Bank of Algeria until they are invested for their designated purpose.

-A contract outlining the investment's technique and goal must be signed by the depositor and the bank accepting the deposit.

-The investment has to be finished no later than six months after the original deposit date. After verifying that the investment is not feasible, the bank has one week to return the money if it does not succeed.

Banks and financial institutions charge a placement commission, even if the investment does not materialize, along with an annual commission for managing the investment.

E- Savings or Investment Deposits: Savings deposits are a specialized form of cash deposit in which a client deposits funds with a bank and receives a personal savings booklet as proof of deposit and withdrawal transactions. This booklet is non-transferable through commercial means (such as endorsement) and cannot be assigned by way of a receivable transfer.

Deposits and withdrawals can only be made upon presenting the savings booklet to the issuing bank, which records all deposit and withdrawal transactions.

2) Types of Investment Deposits in Islamic Banks:

As previously mentioned, a cash bank deposit refers to funds entrusted by individuals or entities to a bank, with the bank obligated to return the same amount or an equivalent sum upon demand or according to agreed-upon terms.

Islamic banks accept deposits not on the basis of guaranteed loans with predetermined fixed interest, but rather on the basis of either interest-free deposits or Mudarabah (profit-sharing) arrangements, which are subject to profit or loss. The bank makes money from its trading and investing activities, which are then split between the bank and its depositors. When earnings are realized at the conclusion of the fiscal year, the depositor's share is regarded as a profit earned¹⁴.

This is confirmed by Article 4 of Regulation 2020-02, which outlines the scope of Islamic banking operations, stating: "Islamic banking operations include the following products: Murabaha, Musharaka, Mudarabah, Ijarah, Salam, Istisna, deposit accounts, and investment deposit accounts."

Although Algerian legislation permits banks and Islamic banking windows to accept investment deposits, the Algerian legislator has not yet defined the specifics of these deposits. Paragraph 2 of Article 21 of Regulation 2020-02 merely subjects investment deposit accounts to a special regulation that has yet to be issued. However, Islamic finance scholars have

¹³Abdullah Ali Al-Saifi, Badr Ali Al-Salim, *Investment Deposits in Islamic Banks: Classification and Profit Distribution Mechanism*, *Dirasat Journal: Sharia and Law Sciences*, University of Jordan, Amman, Jordan, Vol. 37, No. 1, 2010, pp. 203-204.

¹⁴Abdullah Youssef Saadeh, Hiyam Mohamed Al-Zaidanien, Basel Youssef Al-Shaer, *The Impact of Investment Deposits Utilization on Shareholders' Profitability: An Applied Study on Jordanian Islamic Banks*, *Jordanian Journal of Islamic Studies*, Vol. 13, No. 2, 2017, p. 275.

traditionally classified these deposits into two types based on the bank's freedom to manage them: unrestricted investment deposits and restricted or designated investment deposits¹⁵.

A. Unrestricted Investment Deposits: These are term deposits that customers have made to the bank in designated accounts with the intention of investing jointly for a predetermined amount of time. Until the predetermined term is up, these deposits cannot be taken out. The foundation of the deposit contract is unconstrained *Mudarabah*, in which the depositors, acting as capital providers, give the bank permission to invest the money however Sharia-compliant they see fit. The bank and the depositors split the profits proportionately.

B. Restricted or Designated Investment Deposits: These are investment deposits made by clients with the bank in special accounts for the purpose of investing in a specific project or for a defined purpose. In this case, the investor bears the risk of loss and is entitled to the profits. Withdrawals from these deposits, whether in whole or in part, are not permitted until the project is completed and its outcome is determined, whether it results in a profit or a loss. The depositor bears any realized losses, or profits are distributed according to agreed-upon ratios. After receiving the bank's approval, the investor may decide to withdraw from the investment in the project in question; in that event, the bank will assume the investor's place. If no profit calculation has been performed between the parties, the investor in such a case is not entitled to any earnings for the time period before the withdrawal; instead, the bank owns the profits.

To balance the use of joint investment deposits with the need to meet client withdrawals at any time and to safeguard depositors' rights, Islamic banks allocate a certain percentage of joint investment deposits to cover withdrawals and investment risks. For instance, 90% of joint investment deposits are invested by Jordan Islamic Bank and Arab Islamic International Bank, with the remaining 10% going toward risk management. The investor gets 60% of the income from the joint investment deposits as the bank only gets 30% of the total.

2. Legal Characterization of Investment Deposits and Procedures for Opening and Managing Accounts:

This chapter examines the legal nature and operational framework of investment deposits in Islamic banks, focusing on their classification as *Mudarabah* contracts. It highlights how these deposits differ from conventional ones in terms of risk-sharing, profit distribution, and regulatory requirements. Special attention is given to the procedures for opening and managing such accounts in Algerian Islamic banks, in light of Sharia principles and national regulations

2.1- Legal Characterization:

Investment deposits in Islamic banks are analogous to term deposits in conventional banks but differ in that they do not fall under the concept of a loan. Instead, they are characterized as a **Mudarabah** contract, which is a partnership agreement between capital providers and investment experts. Under this structure, the investment manager, or **Mudarib**, supervises the investment and provides expertise, while the capital supplier gives funds. Except in situations involving carelessness, wrongdoing, or contract violations, the Islamic bank does not guarantee the investment deposit or its profits. This is in contrast to term deposits in conventional banks, where the principal amount is guaranteed, and a predetermined interest is paid regardless of the bank's performance.

¹⁵Abdullah Youssef Saadeh, Hiyam Mohamed Al-Zaidanien, Basel Youssef Al-Shaer, *ibid*, p. 176.

A conventional bank and a depositor that results from a term deposit have a debtor-creditor relationship that benefits the depositor. When the deposit amount matures, the bank must return it plus a set, specified interest rate. In contrast, the relationship between an Islamic bank and a depositor arising from an investment deposit is not a debtor-creditor relationship. The bank is not obligated to repay the deposit at maturity, as the depositors have agreed to share in the risks, accepting both potential profits and losses. The bank does not pay interest on these deposits, as Islamic banks do not engage in interest-based transactions, whether receiving or paying. Instead, the return is determined based on the nature and duration of the investment, as well as the results of the investment activities¹⁶

The differences between conventional deposits and investment deposits in Islamic banks can be summarized as follows:

1. Definition of Investment deposits in Islamic banks, as defined by Article 12 of Regulation 2020-02, are term-based placements made available to the bank by the depositor for the purpose of investment in Sharia-compliant financing and profit generation. Article 73 of Ordinance 03-11 describes them as deposits intended for investment, distinguishing them from ordinary deposits. These deposits are considered "irregular deposits" under the second paragraph of the same article, which states: "They are not considered deposits under the meaning of Article 67 above but remain the property of their owners." The article further clarifies that these deposits do not yield interest; instead, the bank receives a commission regardless of whether the intended purpose is achieved. These deposits are held in a special account with the Central Bank of Algeria until they are allocated for their designated purpose.

2. Regulatory Oversight: In addition to the general regulatory bodies overseeing banks, Islamic banks are required to establish a Sharia Supervisory Board to oversee all their activities, including investment deposits. This board must consist of at least three members appointed by the general assembly. The primary role of the Sharia Supervisory Board, as outlined in Article 15 of Regulation 2020-02, is to ensure that the bank's products and activities comply with Sharia principles, particularly in the context of Islamic banking.

3. Customer Consent: Article 20 of Regulation 2020-02 mandates that Islamic banks and windows obtain written consent from the customer holding an investment deposit, giving the bank permission to invest its money in a variety of projects and Islamic banking activities. The client must suffer a portion of any possible losses in addition to having a right to a portion of the profits made by Islamic banking operations. This is not the case with conventional banks, which either offer a predetermined interest rate or receive a commission for investment deposits, regardless of the outcome.

The following are the main distinctions between investment deposits in conventional and Islamic banks, according to a comparison of the top Arab legal systems in the area of Islamic banking, especially those of Jordan, the United Arab Emirates, and Egypt:

1. Role of the Bank: Unlike traditional banks, which manage these accounts as debtors, Islamic banks manage these accounts as trustees and agents. Customers of traditional banks receive interest payments on these accounts, while Islamic banks invest the funds and distribute profits to depositors after deducting administrative expenses.

¹⁶Abdelkader Kayed Said Al-Majidi, *ibid*, p. 195.

2. Risk of Loss: Since the agreement states that the bank will pay a predetermined interest regardless of the bank's profit or loss, unrestricted deposits in conventional banks often do not expose the customer to the risk of loss. Customers of Islamic banks, however, run the risk of making money as well as losing it.

3. Sharia Compliance: Investment deposits in Islamic banks are used only in Sharia-compliant activities, with a Sharia board overseeing the bank's operations. In contrast, conventional banks may invest deposits in prohibited activities, such as interest-based lending and borrowing.

4. Early Withdrawal: In conventional banks, early withdrawal of funds from an investment account is typically allowed, often without penalty, unless specified otherwise in the contract. In Islamic banks, early withdrawal may result in the customer forfeiting potential profits, or the bank may agree to pay a share of the profits once the final results are known. However, the customer may also be required to bear a share of any losses incurred during the investment period.

5. Use of Funds: Conventional banks primarily use depositors' funds for lending at interest to businesses, governments, individuals, and institutions. Islamic banks, on the other hand, invest deposit funds in industrial, agricultural, and commercial projects that benefit society.

2.2- Opening and Managing Investment Deposit Accounts in Algerian Islamic Banks

In the context of investment deposits in Algerian Islamic banks, it is practically necessary to open an investment account, the procedures for opening and managing which vary from one bank to another. In this section, we will explain the common conditions and procedures for opening and managing such accounts, as well as the investment of these deposits in Algerian Islamic banking, with a focus on the extent to which these practices comply with Islamic Sharia principles.

1. Opening an Islamic Investment Account: An Islamic investment account can be opened for individuals and small to medium-sized enterprises. Opening the account requires a minimum deposit of 100,000 Algerian dinars, which is considered the capital for **Mudarabah** (profit-sharing investment)¹⁷. This amount varies from one bank to another but must be clearly specified in the contract.

2. Customer Eligibility: Some banks require the customer to be at least 19 years old, which is the legal age of majority under Algerian civil law¹⁸. However, Islamic jurists argue that maturity is not solely determined by age but also by religious and worldly competence and financial responsibility. If the customer is underage, a guardian or custodian may act on behalf of the depositor to open the account.

3. Account Management: The funds deposited in the Islamic investment account are invested in Sharia-compliant financing projects. The bank acts as the **Mudarib** (manager) and has full discretion in selecting and managing the investments¹⁹. This aligns with the principles of **Mudarabah** in Islamic jurisprudence, where the capital is handed over to the **Mudarib** (bank) for investment.

¹⁷Heba Al-Zuhaili, *Contemporary Financial Transactions*, 1st Edition, Dar Al-Fikr, Beirut, Lebanon, p. 440.

¹⁸ Article 40 of the Algerian Civil Code.

¹⁹Ben Hamza Khaled, Ben Dahman Omar, *Investment Deposits in Algerian Islamic Banking*, *Journal of Scientific Research and Islamic Studies*, Vol. 14, No. 5, 2022, p. 480.

4. Profit Distribution: The customer and the bank split profits according to preset ratios that change based on how long the investment is made. For instance, the bank keeps 45% of the income after a six-month investment period, while the consumer keeps 55%. The customer's portion of the profits increases with the length of the investment period. This approach adheres to the **Mudarabah** principles, which state that the profit must be precisely specified and accepted by both sides.

5. Investment Duration: The investment duration ranges from 6 months to 60 months. During this period, the customer cannot withdraw funds until the specified term has ended. This aligns with Islamic jurisprudence, which requires that the capital be handed over to the **Mudarib** for a specified period to enable investment.

6. **Mudarabah** Costs: **Mudarabah** costs are deducted from the profits before distribution. However, it is noteworthy that some banks do not clearly specify the types of costs deducted, creating ambiguity regarding the calculation of net profits. Some banks deduct a risk reserve from the profits but do not clarify how any surplus from these reserves is handled.

7. Investment Risk Reserve: Banks deduct a portion of the profits as a reserve for investment risks. However, in practice, banks often do not clearly inform customers about these deductions, raising questions about the legitimacy of such practices. Islamic jurists have permitted deducting a certain percentage of profits as a reserve, but this must be done with the customer's consent and with clarity on how any surplus is managed.

8. Account Management: After the designated period, the client has the option to request a renewal of the investment or to take their money out. The remainder is reinvested to produce earnings in the event of a partial withdrawal. The bank only allows deductions for **Mudarabah** expenses and exempts the account from commissions and maintenance fees.

9. Account Closure: The account is closed either at the customer's request or due to the death or incapacity of the account holder. In the event of death, the agreement is terminated by law. Some Sharia scholars argue that **Mudarabah** ends with the death of either party, while Maliki jurists maintain that the contract remains valid, with the heir replacing the deceased²⁰.

Conclusion:

After examining the concept of investment deposit and its role in encouraging deposits within the Algerian banking system, we have reached several findings and recommendations that may contribute to enhancing the role of these deposits within both Islamic and conventional banking frameworks.

Findings :

- Significance of Investment Deposits: Investment deposits serve as a key tool for stimulating deposits, offering depositors the opportunity to invest their funds in a manner that avoids usurious interest, thereby making them more attractive to a broad customer base.
- Lack of a Comprehensive Legal Framework: Despite the recognition of investment deposits in the Algerian banking system, their legal regulation remains incomplete, particularly in terms of clearly defining the responsibilities of banks and depositors.

²⁰Ben Hamza Khaled, Ben Dahman Omar, *ibid*, p. 486.

- **Islamic Banking's Superiority in Attracting Deposits:** Islamic banking has demonstrated its ability to attract depositors through unrestricted and restricted *mudaraba* contracts, thereby promoting long-term investments compared to conventional banking.
- **Legal Classification Issue:** The Algerian Commercial Code has not provided independent regulation for investment deposits, leading to continued reliance on banking customs and general civil law principles, which may result in conflicting interpretations of legal obligations.
- **Need for Legislative Adaptation:** It is evident that Algerian legislation requires adaptation to account for the specific nature of investment deposits, particularly following the enactment of Regulation No. 2020-02, which established the basic rules for Islamic banking but did not provide detailed provisions on investment deposits.

Recommendations :

- **Issuance of Specific Regulations for Investment Deposits:** It is recommended that the Bank of Algeria issue detailed regulations clarifying the implementation of investment deposit contracts and governing the relationship between depositors and banks based on clear principles aligned with Islamic banking.
- **Expanding the Role of Commercial Judiciary:** It is essential to strengthen the role of commercial courts in resolving disputes related to investment deposits by incorporating explicit legal provisions outlining how such cases should be adjudicated.
- **Enhancing Financial Awareness:** Awareness programs should be established to educate depositors on the nature of investment deposits, the mechanism of profit and risk distribution, and the benefits of these deposits to build greater trust among clients.
- **Encouraging Banks to Offer Innovative Products:** Algerian banks, whether conventional or Islamic, should be encouraged to develop innovative investment products that meet depositors' needs, thereby increasing interest in this type of deposit.
- **Reviewing the Algerian Banking System:** It is proposed that certain legal provisions in Monetary and Banking Law No. 23-09 be amended to incorporate investment deposits into a clearer legal framework, specifying the rights and obligations of banks and depositors.

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