

## **Evaluation of Islamic finance in Algeria -Case study of Islamic banks and windows-**

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### **Abstract :**

The study aims to provide a detailed analysis of the Islamic finance in Algeria, and evaluate its development. Where Algeria witnesses in the field of Islamic banking only two banks (Al-Baraka Bank and Al-Salam Bank) , in addition to opening many Islamic windows in private banks since 2010, as AGB bank, Trus bank and house bank, In order to expand the field of Islamic finance, Algeria authorities allowed public banks to offer Islamic financial products by opening Islamic window. Through our analysis, we concluded that Al Baraka Bank has a distinct contribution to Islamic financing in Algeria, while the contribution of private banks remains minimal, and the opening of Islamic windows would increase the contribution of Islamic products in financing the Algerian economy.

**Keywords:** Islamic banks; Islamic financing ; Islamic windows; private banks; Algerian economy.

**Jel Classification Codes:** G2; G21; G210.

### **Introduction:**

Today Islamic banking is one of the fastest emerging trends in many different parts of the world. It has been proven that the banking system is able to survive and is able to withstand the effects of the economic and financial crisis. In addition, Islamic banking is very acceptable also by the important conventional banks in non-Islamic countries.

The experience of the Islamic financial industry in Algeria has passed for about 3 decades, beginning with the banking reforms carried out by the public authorities in Algeria through the Monetary and Loan Law, which opened the way for local and foreign private banks, this allowed the opening of Al-Baraka Islamic Bank in 1990, and the second bank was opened in 2008, which is Al-Salam Bank, then many private banks opened windows offering Islamic financial products.

Recently, and the desire of the Algerian authorities to expand the field of Islamic finance in Algeria, as well as in order to attract active funds in the informal economy, and to enable individuals who are reluctant to traditional loans, opened the way for public banks to open Islamic financial windows that provide Islamic financing.

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So the question in this regard is:

**what extent was the Islamic banking industry able to finance the Algerian economy?**

**Study Hypotheses:**

In order to answer the question, we put forward the following hypotheses

1. The Islamic banking industry in Algeria is growing;
2. The volume of Islamic financing in Algeria is large compared to conventional financing;
3. The volume of Islamic financing in Algeria is constantly increasing.

**Studies importance :**

This topic is very important nowadays, Where the volume of Islamic finance in the world witnessed a great development. Also, the great interest of the Algerian authorities recently in expanding the financial industry in the economy by opening Islamic windows in public banks.

**Study's goals:**

- ✓ Learn about Islamic finance in Algeria ;
- ✓ search for the Contribution of Islamic banks to financing Algerian economy;
- ✓ Highlighting the importance of opening Islamic windows in private and public banks.

**Research methodology:**

In order to address all the various aspects of the topic, the “descriptive analytical approach” will be followed, which is based on the description and analysis of the phenomenon in question, depending on the available data and statistics for the purpose of reaching the desired results from the research.

**Study axes :**

- ✓ banks and windows contributing to Islamic finance in Algeria.
- ✓ Islamic finance formulas.
- ✓ Evaluation of the contribution of the Islamic financial industry in financing the national economy.

**Previous studies :**

Given the theoretical and practical importance of Islamic industry to finance many economies around the world, many researchers have enriched this topic. Here is a summary of some scientific contributions in this field:

- The study of (Abadli, H Wafa, A & Habiba, A 2020) entitled "**Islamic banking in Algeria- Reality and Challenges-**". This study aimed to find out the reality of Islamic banking and the requirements for its activation in the Algerian banking . The percentage of Islamic finance in the banking market does not exceed 2%. The study concluded that the Islamic financial industry in Algeria faces several obstacles and challenges that limit its development, which necessitates the provision of many requirements that allow achieving its effectiveness <sup>2</sup>.

- The study of (Zirek, S & Allali, S 2019) entitled "**Reality of Islamic Banking in Algeria- Field study**". This study examined the reality of Islamic banking in Algeria, and concluded that the volume of transactions in Islamic banking in

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<sup>2</sup> Abadli, h., Wafa, A., & habiba, a. (2020, June). Islamic banking in Algeria" Reality and Challenges. *Journal of Law and Political Science* .

Algeria remains limited, because of many administrative, legislative and regulatory obstacles that make Algeria unable to provide an environment for practicing Islamic banking.<sup>3</sup>

- The study of (Benzekka ,S & cherroune,A 2022) entitled " **The reality of Islamic banking in Algeria –Evaluative analytical study-**". This study aimed to highlight the reality of Islamic banking in Algeria by learning about the development of Islamic banking practice in Algeria, presenting the legislative and regulatory framework governing its work, noting its main indicators. The study found that Islamic banking in Algeria knows limited success. With the opening of Islamic windows at the level of public banks based on the 20-02 system, Islamic banking activity is expected to grow in the next few years.<sup>4</sup>

- The study of (Ayache,Z Boumaza,E & fanazi,F.Z 2020), entitled "**Evaluating the contribution of Islamic banks active in Algeria in financing national investment- a case study of AL Baraka and AL Salem banks**". This study aimed to identify the reality of banking work in Algeria and to know the contribution of Islamic banks in financing national investment through the Al Baraka and Al Salam Islamic banks. The study found a diversity and high volume of financing provided by Islamic banks to customers, but the percentage of Islamic finance's contribution to financing national investment remains not good, and it depends more on debt formulas than on participation formulas.<sup>5</sup>

- The study of (TALAM,Z & Rafes,F 2021) entitled "**Prospects of Islamic finance in the Algerian market, in light of the adoption the Islamic banking by the Bank of Algeria**". This research seeks to monitor the reality of Islamic finance in the Algerian market, by presenting and analyzing the various statistics related to this activity, with an attempt to show its position during the period 2016-2018, and to identify the difficulties and challenges faced. The study concluded that this financing activity in the Algerian market still suffers from many obstacles and faces a number of legislative challenges, which requires the intervention of public authorities to enact supportive laws and provide an appropriate environment compatible with the nature of Islamic financial activity.<sup>6</sup>

-The study of (Gana,I & Mouffok,N 2021 ) entitled **The expansion of Islamic financial products in Algeria: Survey of Customers of Islamic and conventional banks**. The main objective of this study is to analyze the factors that favor the development of Islamic financial products in Algeria. To this end, we conducted a questionnaire survey with a sample of customers of conventional banks; the questionnaire was supplemented by interviews with branches managers. The results of our study show that the expansion of so-called alternative financial products can

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<sup>3</sup> zirek, s., & allali, s. (2019, JUNE). Reality of Islamic Banking in Algeria- Field study. *Journal of financial and business economy* , 4 (1).

<sup>4</sup>benzekka, S., & cherroune, a. (2022).The reality of Islamic banking in Algeria –Evaluative analytical study. (U. Skikda, Éd.) *Journal of the Economic Researcher, University of 02 August, 10* (2).

<sup>5</sup>ayache, z.,boumaza, e., & fanazi, f. z.(2020, JUNE).Evaluating the contribution of Islamic banks active in Algeria in financing national investment- a case study of. *Al-Manhal Economic Journal.*, 3 (1).

<sup>6</sup> TALAM, Z., & rafes, f. (2021). Prospects of Islamic finance in the Algerian market, in light of the adoption the Islamic banking by the Bank of Algeria. (112, Éd.) *Algerian Journal of Globalization and Economic Policies* , 12.

be stimulated, by relying on an ever-changing demand. The analysis of the survey results also reveals that the financing techniques of these banks, combined with an adequate political, in favor of these techniques, will would be an irrefutable support to consolidate the expansion of Islamic finance in Algeria.<sup>7</sup>

### **1. Islamic finance in Algeria through banks and Islamic windows :**

Islamic finance in the Algerian economy includes only two Islamic banks, "Al Baraka Bank and Al Salam Bank," in addition to opening Islamic windows in many foreign and national banks, all of which work to provide Islamic financial products.

**1.1 Al Baraka Bank:** It is considered the first Islamic banking institution established in Algeria in 1991 with a capital of 500,000,000 DZD, and in 2017 it reached 15,000,000,000 DZD, with 18 branches across various regions of Algerian territory<sup>8</sup>. It is a bank between the Algerian partner, "the Bank of Agriculture and Rural Development" 44% and "the Saudi partner "Al Baraka Banking Group" 56%.<sup>9</sup>

**1.2 Al -Salam Bank:** It is the second Islamic institution to be established in Algeria. The bank officially began operations until early October 2008, although it obtained approval from the authorities for its establishment on October 17, 2006. Salam Bank is estimated at 72 billion Algerian dinars, 100 -The capital of Al. <sup>10</sup> million dollars, to become the largest private bank operating in the North African region. <sup>11</sup>

**1.3 AGB Bank:** this bank was established on December 15, 2003 but it started its activity until March 2004 with a capital of 10 billion DA. Three foreign banks contribute to the bank: Burgan Bank, Bank of Kuwait, and Tunisian International Bank.

This bank provides traditional financial services, and since 2010 it has adopted the provision of Islamic financing formulas for individuals and institutions by opening Islamic windows.

**1.4 Trust bank:** Trust bank started its activities in April 2003, With a private capital of 750 million DA, Which currently has a value of 13 billion dinars, This bank provides traditional financial services, but recently started to provide Islamic financial services, as murabaha and ladder, and in 2018, it launched the lease formula. <sup>12</sup>

**1.5 House bank:** House Bank is a joint stock company between the Jordanian Housing Bank for Trade and Finance 21% and the Libyan Arab Foreign Investment

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<sup>7</sup> gana, i., & Mouffok, N.-E. (2021). The expansion of Islamic financial products in Algeria:Survey of Customers of Islamic and conventional banks. *Comprehensive International Conference on Theoretical Issues and Their Operational Solution Methods* , 1.

<sup>8</sup> Benamraoui, A. (2008). Islamic banking: the case of Algeria. *International Journal of Islamic and Middle Eastern Finance and Management* , 1 (2), p. 114

<sup>9</sup> Khatwi, m., & benmoussa, a. (2021). Islamic windows as a mechanism to activate Islamic. *Journal of Economic Additives* , 5 (2), p. 88.

<sup>10</sup> Bendjebbes, y. (2022, MARCH). The reality of the Islamic banking industry in Algeria- Al Salam Bank Case Study 2017-2020. *Journal of Economic Integration* , pp. 231-232.

<sup>11</sup> Khatwi, m., & benmoussa, a.,op.cit. p. 88.

<sup>12</sup> TALAM, Z., & rafes, f. (2021). Prospects of Islamic finance in the Algerian market, in light of the adoption the Islamic banking by the Bank of Algeria. (112, Éd.) *Algerian Journal of Globalization and Economic Policies* ,p 12.

Holding Company 15%. It was established in Algeria in October 2003, and the bank's Islamic windows were established in March 2015.<sup>13</sup>

**1.6 Islamic windows in Algerian national banks:** The Islamic window is a window opened in traditional financial institutions that specializes in providing financing and investment products and services that are compatible with the provisions of Islamic Sharia.<sup>14</sup>

In the first phase, Islamic windows were opened in Algeria by three private banks, which are Algeria Gulf Bank (AGB 2010), Housing Bank (2015), and Trust Bank<sup>15</sup>. Which witnessed good results, as in 2013 the volume of Islamic loans granted by the Arab Gulf Bank reached 22%, and Housing Bank and Trust Bank are actively marketing Islamic products in order to meet the financial needs of a group of customers who wish to respect religious principles.<sup>16</sup>

In a subsequent phase, some national public banks began providing Islamic financial services, where CNEP Bank launched its first Islamic product in 2015, the “Rasmali savings book”, also BDL launched a product without interest rate in 2016 named “El Badil savings book”.<sup>17</sup>

Regulation 18-02 was issued on 26 Safar 1440 / 4 November 2018, which opened the way for the establishment of Islamic windows in Algerian national banks<sup>18</sup>.

Accordingly, Islamic windows have been opened at many national banks and foreign private banks, and we show that through the following table:

**Table n°1: the number of Islamic windows opened until the end of 2022 in national and private banks**

The bank	The number of windows opened
BNA	65
CPA	93
BADR	58
CNEP	47
TRUST BANK	Many windows
House Bank	One window since 2015

**Source:** Prepared by the researcher based on : Dahak, A. N. (2022). The Problematic of Establishing Islamic Banking Windows in Algerian Banks: Between the Banking Position and the Sharia Standard. *North African Economics Journal* , 18 (28).

The table shows that CPA bank is the one that opened the most number of windows, followed by BNA, then BADR, and finally CNEP bank, while Trust

<sup>13</sup> Hamla, A., & allam, A. (2022). Islamic banking in Algeria between reality and challenges. *International Journal of Economic Performance* , 1 (0), p. 165

<sup>14</sup> Baadji, A., & Khelkhal, M. (2023). Islamic financial windows and branches -A study of the essence and legal controls -. *Journal of Contemporary Issues in Business and Government* , 29 (2), p. 2

<sup>15</sup> Khatwi, m., & benmoussa, a.,op.cit.p. 88.

<sup>16</sup> Azzaoui, K., & Bedrouni, A. (2020). Study and Analysis of an Islamic Finance Window in Algeria - Requirements for Separation of Conventional and Islamic Bank Activities at the Housing Bank Level. *Roa Iktissadia REVIEW* , 10 (1), p. 378.

<sup>17</sup> Azzaoui, K., & Bedrouni, A.,op.cit. p. 378.

<sup>18</sup> BENZEKKOURA, L. (2020). Islamic Windows experience in Algerian legislation. *Journal Of Economics And Management* , 4 (2), pp. 9-10

Bank has opened many windows, but House bank has opened just one Islamic window since 2015.

BNA bank is considered as the first bank to start offering Islamic banking products officially on August 4, 2021, followed by other public banks. BADR bank officially started marketing Islamic products in March 2021, then CPA in October 2021, CNEP in November 2020. BEA bank opened the first Islamic window on December 2021 and BDL on January 10, 2022.<sup>19</sup>

**2. Islamic finance formulas:**

Islamic banks around the world offer many Islamic financial products to finance their customers, which are compatible with the principles of Islamic law. We will define it and identify the products offered by Islamic banks and windows in Algeria.

**2.1 Different Islamic banking products**

The various forms of Islamic financing provided by Islamic banks, which respect the rules of Islamic law are:

**Ijarah:** This product is often used to purchase vehicles such as: cars and other means of transportation, where the bank buys the car for the customer, and the customer pays a monthly rent, and ownership is transferred to the customer when he finishes paying the cost of the car plus the amount of profit.

**Murabaha:** It is a contract for the sale of goods, where the customer instructs the bank to buy the goods from a third party, where the bank takes a profit margin on the cost of the goods. This product is also used for business financing.

- **Musharakah:** It is a partnership contract between the bank and the client and they share profit or loss in a way that the loss is shared between the partners in the proportion they invested their capital, but the profit is shared in a predetermined proportion with mutual consensus.

- **Elisstissnar (Manufacturing contract):** Is similar to regular financing for working capital. All features are similar to a Murabaha except that the actual delivery of goods happens at a later date after the receipt of all due payments.

- **II-1-5-Bairo Elssalam (Foreword sale) :** It is a contract in which the buyer and the seller agree to use the term 'Bairo Elsslam' as the main condition in their contract in advance where they specify the goods quality, quantity, price ...etc . and which may be delivered at a future date in exchange of an advance price fully paid at the time of contract.<sup>20</sup>

**2.2 Islamic finance Products in Algerian Banks:**

There are many Islamic products formulas provided by Islamic and private banks operating in Algeria, but we can list them in the following table:

**Table n°2: Islamic product offered by Islamic and private banks in Algeria**

Al Baraka bank	Al Salam Bank	AGB Bank	Housing Bank	Trust Bank
Murabaha	Murabaha	Murabaha	Murabaha	Murabaha

<sup>19</sup> benzekka, S., & cherroune, a benzekka, op.cit. pp 295-296.

<sup>20</sup> Bendjebbes, y., op.cit.pp. 231-232.

Musharaka	musharaka	X	X	X
Salem	salem	Salem	salem	salem
Speculation	Speculation	X	X	X
istisna'a	istisna'a	X	istisna'a	X
Kard EL hassan	Kard EL hassan	X	X	X
taadjir (Leasing)	taadjir (Leasing)	taadjir (Leasing)	Taadjir (Leasing)	taadjir (Leasing)

Source: Prepared by the researcher according to: gana, i., op.cit. p25

On the other hand, we find that the Islamic products offered by the Islamic windows are: the Mourabaha, the Moucharaka, Moudharaba, Ijara, Istisna'a, Salam, and deposits in investment accounts. Therefore Banks that provide Islamic banking services in Algeria cannot, apply other Islamic financing formulas, especially in financing the agricultural sector: such as muzaraa, musaqah, and mugharasa.

The product most used in Islamic banks, Al baraka and Al salam bank, is the Murabaha product, and this is similar to the mediation model in conventional banks.<sup>21</sup>

The volume of demand for Islamic finance is good, as a result of the Islamic background of the Algerian people, and the most demanded sectors for Islamic finance are: trade, industry, public works, transportation.<sup>22</sup>

### 3. Evaluation of the contribution of the Islamic financial industry in financing the national economy:

In order to evaluate the contribution of Islamic banks and Islamic windows to financing the Algerian economy, we collected statistics of: The development of financing for customers about Al Baraka Bank and Al-Salam Bank - Islamic financing with AGB Bank and Trust Bank, and we compared that with the Total bank financing of the Algerian economy.

#### III-1- Al Baraka Bank Financing to customers:

In order to show Al Baraka Bank's contribution to Islamic finance in algeria, we have analyzed statistics of customer financing, as well as the bank's financial results, for the period between 2010 – 2019.

**Table n°3: The development of Al Baraka Bank financing for customers and Net Income for the period 2010-2019**

Unit :million DZD

Year	Financing	Net income
2010	55689	3243
2011	58584	3778
2012	57891	4190

<sup>21</sup> zirek, s., & allali, s.,op.cit. pp 13-14.

<sup>22</sup> zirek, s., & allali, s.,op.cit. pp 13-14.

<b>2013</b>	63 354	4 092
<b>2014</b>	80627	4306
<b>2015</b>	96 453	4 108
<b>2016</b>	110 711	3 984
<b>2017</b>	139 677	3 548
<b>2018</b>	156460	5 166
<b>2019</b>	154600	6 333

**Source:** Prepared by the researcher according to *AL BARAK BANK activity report*. (2010 to 2019).

According to the Table n°3 ,we observe that Al barak Bank financing to his clients was increasing in the period 2010 to 2019, and the bank Achieved a net income, which is constantly increasing during the study period.

The volume of leasing financing, as well as the micro-loan directed to small and medium enterprises, has developed, due to the demand of customers for it. In 2012<sup>23</sup>, through the partnership agreement with Spain, CIDEAL, the craftsmen in the capital were financed through the Murabaha formula, as well as the installation of several ATMs in 2013<sup>24</sup>, and the opening of new agencies In 2015<sup>25</sup>, the volume of financing for customers was increased from 80,627 to more than 96,453 billion DZD. Investment financing directed to companies increased by 77.51%, this increase was 65.57% for large enterprises, 93.06% for small and medium enterprises and 51.8% for lease financing.

This indicates the Bank's commitment to continuously intervene in the financing of medium and long-term investment projects that produce wealth and have a potential impact on the national economy. What distinguished the year 2016 was the return of consumer financing, as in 09 months the financing amounted to more than 5.4 billion DZD, and the volume of real estate financing directed to individuals amounted to 8.1 billion DZD.<sup>26</sup>

### 3.2 Al salam Bank Financing to customers:

In order to clarify Asalam Bank 's contribution to Islamic finance, we have analyzed statistics of customer financing, as well as the bank's financial results, for the period between 2017 – 2021

**Table n°4: The development of Al salam Bank financing for customers and Net Income for the period 2016-2021**

	Unit :million DZD					
Year	2016	2017	2018	2019	2020	2021
<b>Financing</b>	29377	45454	75339	95582	101717	153615

<sup>23</sup> AL BARAKA, B. (2012). *Al Baraka bank activity report*.

<sup>24</sup> AL BARAKA, B. (2013). *Al Baraka bank activity report*.

<sup>25</sup> AL BARAKA, B. (2015). *Al Baraka bank activity report*

<sup>26</sup> AL BARAKA, B. (2016). *Al Baraka bank activity report*



<b>Net income</b>	/	1181	2418	4 007	3 069	3 389
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**Source:** Prepared by the researcher according to Al salam Bank activity reports (2016 to 2021).

The table show that The volume of financing provided by Al Salam Bank is constantly increasing, multiplied 5 times between 2016 and 2021.

For example, the leasing activity achieved significant numbers despite the health and economic conditions covid 19. The total leasing financing in 2020 was estimated at 6.17 billion DZD, with a growth of 36% compared to 2019<sup>27</sup>. The facilities granted in the form of leasing have doubled and amounted to 9 billion DZD in 2020 compared to 4.4 billion DZD in 2019, with an estimated growth rate of 103%, and in 2021 it reached 17 billion DZD, with an estimated growth of 88% compared to 2020.

All this allowed Al Salam Bank to occupy the first place in the banking arena, as a result of : the excellence of the quality of services, communication with customers, standard deadlines for studying files and ensuring customer loyalty.

Although the projects programmed in 2021 were known to be disrupted due to the Covid pandemic, the bank has: improved payment services via electronic payment devices, expanded the ATM network with eight new devices, expanded the network of electronic payment devices, and established a platform for electronic payment and transfer.<sup>28</sup>

### 3.3 Islamic financing provided by TRUSY BANK:

to show the contribution of TRUSY BANK in providing Islamic financing to customers, we presented the total volume of financing ,as well as the volume of Islamic financing provided by the Trust Bank in the period 2012 to 2021.

**Table n°5: The development of Trust Bank financing for customers, Net Income and islmic finance for the period 2012-2021**

**Unit :million DZD**

Year	Financing	Net income	Islamic financing	Islamic financing (%)
<b>2012</b>	18 856	1 129	/	/
<b>2013</b>	26 731	1 407	/	/
<b>2014</b>	31 249	1 610	/	!//
<b>2015</b>	34 895	1 713	/	/
<b>2016</b>	36 272	1 000	1591	4,38
<b>2017</b>	50 827	1181	2814	5,53
<b>2018</b>	63 982	1755	8295	12,96
<b>2019</b>	58 857	2 053	/	/
<b>2020</b>	59 742	3 091	/	/

<sup>27</sup> AL SALAM, B. (2020). *AL SALAM BANK ACTIVITY REPORT*.

<sup>28</sup> AL SALAM, B. (2020). *AL SALAM BANK ACTIVITY REPORT*.

2021	108 183	5 018	/	/
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Source: Prepared by the researcher according to Trust Bank activity reports (2012 to 2021).

According to the Table n°4 ,we observe that The bank's net income increased for the period 2012-2021, with a slight decrease in the year 20 16 and 2017.

- The volume of the bank's loans to its customers increased from 2012 to 2021, by about five times.

, as a result of the bank's expansion of its capital. In continuity with its policy of deployment across the national territory, the bank recorded as of 12/31-2020 a total number of its branches at 31 located in the center-east-west and south of the country, including a digital agency in the center of Algiers.

- The volume of Islamic financing compared to the total financing amounted to a good percentage, as a result of adopting many islamic financing products. The Leasing Activity Department was created in January 2018, with the mission of setting up and launching the financing activity under the leasing formula within Trust bank.

#### III-4- AGB Bank Financing to customers:

we presented the total volume of financing as well as the volume of Islamic financing provided by **AGB Bank** in the period 2012-2021.

**Table n°6: The development of AGB Bank financing for customers, Net Income and islmic finance for the period 2012-2021**

Unit :million DZD

Year	Financing	Net income	Islamic financing	Islamic financing (%)
2012	64957	3 999	/	/
2013	81264	5 035	/	/
2014	101162	4010	/	/
2015	104 833	3 628		/
2016	117 871	2 632	24805	21,04
2017	153 825	3 638	30180	19,61
2018	169 328	4 737	36982	21,84
2019	153 663	6 018	/	/
2020	169 135	4 624	/	/
2021	197 262	4 912	/	//

Source: Prepared by the researcher according to AGB Bank activity reports(2012-2021).

According to the Table n°6 , we observe taht:

- The bank's net income increased for the period 2015-2019, with a slight decrease in the year 2020-2021.

- The volume of the bank's loans to its customers increased from 2015 to 2021, it nearly doubled, as a result of the bank's expansion of its capital in 2019 to reach 20,000,000,000,00 DA <sup>29</sup>, in addition to opening new agencies across various regions of the country, to reach 57 agencies in 2017 <sup>30</sup>, developed Electronic payment methods and providing more ATMs...
- The volume of Islamic financing out of the total bank is very significant, as a result of adopting many islamic financing products, as well as due to the Bank's experience in Islamic financing, in addition to the Bank's application of banking governance and transparency that enables to provide confidence to customers and make them accept the Islamic financing request from the bank.

**3.5 .The contribution of Islamic finance to the total bank financing in Algeria:**

In order to evaluate the volume of Islamic financing in Algeria, we compared the financing of each Islamic bank and the financing of a conventional bank that provides Islamic products with the total bank financing in Algeria, and then calculated the contribution of the total Islamic financing of the banks under study to the total bank financing in Algeria.

**Table n°7: Total banks financing and Islamic finance for the period 2010-2021**

Year	Total banks financing (billion DZD)	Islamic finance (million DZD)								Total islamic finance %
		Al Baraka bank	%	Al salam bank	%	Trust bank	%	AGB bank	%	
2010	3266,7	55689	1,7							
2011	3724,7	58584	1,6							
2012	4285,6	57891	1,5							
2013	5154,5	63 354	1,2							
2014	6502 ,9	80627	1,2							
2015	7275,6	96 453	1,3							
2016	7 907,8	110 711	1,4	29377	0,37	1591	0,02	24805	0,31	2,1
2017	8 877,9	139 677	1,6	45454	0,5	2814	0,03	30180	0,34	2,47
2018	9 974,0	156460	1,6	75339	0,75	8295	0,08	36982	0,37	2,8
2019	10 855,6	154600	1,4	95582	0,88					

<sup>29</sup> AGB BANK ACTIVITY REPORT, 2019.

<sup>30</sup> AGB BANK ACTIVITY REPORT, 2017.

2020	11 180,2			101717	<b>0,9</b>					
2021	9 836,6			153615	<b>1,56</b>					

Source: Prepared by the researcher

The Table shows the following results:

- The contribution of Islamic banks and Islamic windows is estimated at a percentage 2,1% to 2,8% of the total bank financing in Algerian economy.
- The contribution of Al-Baraka Bank is the largest by a percentage more than 1,5 % mostly, compared to the contribution of Al-Salam Bank, as well as the Islamic windows(AGB, Trust) in financing the Algerian economy.
- Al-Salam Bank also expanded the volume of its financing, as its contribution to financing the Algerian economy in 2021 estimated to 1.56%
- The contribution of Islamic finance in financing the Algerian economy is constantly increasing during the study period.

In addition, the Islamic windows available in public banks have contributed to providing financing to the economy during the past two years. For example, we find that BNA Bank achieved good results, the volume of Islamic financing by BNA bank in 2020 amounted to 101.54 million DZD, and reached to 1385.42 million DZD in 2021, and this financing was divided into the following Islamic products.<sup>31</sup>

- Murabaha in real estate 71%
- Murabaha in equipment 22%
- leasing 7%

**Conclusion:**

Islamic finance in Algeria is improving and increasing in general, despite the existence of only two Islamic banks, and many Islamic windows that have been opened at the level of private banks.

However, the percentage of Islamic financing remains very small compared to the volume of financing provided by conventional banks.

And the recent efforts of the Algerian authorities to open Islamic windows that offer Islamic financial products would increase the percentage of Islamic financing directed to revitalize the economy.

It should also be considered to establish more Islamic banks in a subsequent stage, which are able to compete with the traditional banks in the Algerian banking system.

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<sup>31</sup> BNA, B. (2021). *bn a annual report*.

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