Evaluation of the banking policy of Al Salam Bank Algeria according to the pointillism loan method (scoring) for the period 2009-2021

Ilifi Mohamed [1], Belghalem hamza [2]

[1] University Of Djilali Bounaama, Khemis Miliana (Algeria), m.ilifi@univ-dbkm.dz

[2] University Of Djilali Bounaama, Khemis Miliana (Algeria), h.belghalem@univ-dbkm.dz

Received: 01/09/2023 Accepted: 13/01/2024 Published:30/04/2024

Abstract:

Through this research, we aim to evaluate the banking policy of the Algerian Salam Bank according to the drip loan method (scoring) for the period 2009-2021, based on Sherrod and Kedah models.

We concluded that there is agreement between the results of each of the models (Sherrod and Kedah) during the period (2009-2011) in judging that the banking policy applied by Al Salam Bank is good, The two models are also consistent in judging the ineffectiveness of the banking policy applied by Al Salam Bank Algeria during the period (2012-2021), as a result of the deterioration of banking activity performance indicators.

Keywords: banking Policy, Bank performance, pointillism loan method (scoring), Sherrod model, Kida model.

JEL Classification Codes G17, G32, L25.

1. INTRODUCTION

Islamic banks, like other traditional banks, contribute to achieving the goals of economic development by mobilizing financial resources and granting them in the form of investments that are compatible with Islamic Sharia.

In order to evaluate the performance of the effectiveness of the

---

***Corresponding author**: Ilifi Mohamed, m.ilifi@univ-dbkm.dz*

banking policy in achieving the continuity of the institution's activity, this requires the use of a set of scientific and experimental methods, most notably the drip loan models, which are considered among the most important. Modern models in revealing the financial position of the institution, based on a comprehensive analysis of the set of financial ratios.

The Algerian Peace Bank - which was approved as an Islamic bank within a banking environment that deals with interest and give and take - does not deviate from the strong competition between banks and the various banking risks, especially in light of the outbreak of the Covid 19 epidemic, The Algerian Bank used many precautionary measures to achieve the pillars of banking work (safety, liquidity, profitability), so we can, from the foregoing, ask the following main question: What is the extent of the ability of the drip loan models in evaluating the banking policy of Al Salam Bank Algeria during the period 2009-2021?

-Sub-questions: Based on the main question posed, we can present the following sub-questions:

What do we mean by banking policy?

What is the philosophy of the drip loan?

What is the direction of the banking policy of Al Salam Bank since its inception?

-Hypotheses: To answer the content of the main question, the following hypotheses should be formulated:

-The Sherrod model, with its financial ratios, can judge the performance of the banking policy of Al Salam Bank Algeria;

-The Kida model contributes to judging the performance of the banking policy of Al Salam Bank Algeria.

-The importance of the research: The importance of the research stems from the importance of diagnosing the banking policy of Islamic banking institutions and evaluating the ability of this policy based on drip loan models to withstand the financial and economic shocks affecting their performance and degree of stability.

-Research objective: Through this research, we aim to identify the content of the banking policy of Al Salam Bank, and evaluate it according to the

drip loan method based on the Sherrod and Kedah models.

-Research limits: Based on the question posed and the hypotheses formulated in its framework and in view of the importance of this research and in order to achieve the goal of the study, the time and spatial framework is determined in the period from 2009-2021, which covers the period of the presence of the Algerian Salam Bank in the Algerian banking market.

-Research Methodology: In order to study the content of the research and try to answer the main question and test the validity of the hypotheses, we rely on the deductive approach, with the aim of describing and analyzing the various dimensions of the research.

2. banking policy

The policy is defined as a set of principles and rules set by the senior management for guidance when carrying out activities, operations and other levels, in a way that contributes to achieving the set goals (Abd al-Fattah al-Maghribi, 2004, p. 280), Based on this, the banking policy is known as the policy that is developed by managers at the higher administrative levels to direct and control the work that takes place at the lower administrative levels (Al-Serafy, 2007, pp. 103-104), In order to better understand what the banking policy is, we will try to address the following points:

2.1 characteristics of banking policy

Banking policy is characterized by a set of characteristics that we summarize as follows (Ibrahim Abdel-Baqi, 2016, p. 103) :

-A working guide for taking decisions in the future under certain circumstances, and if these change, the established policies must be modified;

-Policies are mainly derived from objectives, as they are formulated based on the set objective;

-It does not specify methods, but rather leaves room for excellence and initiative on the part of those in charge of applying them. So, dealing with political matters in order to monitor here an area for monitoring them, and this is what is known as flexibility in policies.

2.2 banking policy terms

A set of conditions must be met for banking policy to be effective (Ibrahim Abdel-Baqi, 2016, p. 103):

- reflecting goals and helping to achieve them;
- The effectiveness of the application, realistic and flexible at the same time;
- Clear, specific and convincing so that it is easy to understand and be absorbed by those concerned;
- Characterized by steadfastness and stability;
- Written and announced to all who will work according to it so that it can be known and understood.

2.3 Stages of building a banking policy

The banking policy building process goes through four successive steps (Al-Serafy, 2007, pp. 108-109):

A- Formation stage: This stage includes three sub-stages summarized as follows:

-Information gathering stage: related to the general objectives of the bank in the short and long term, as well as information related to the internal and external environment and the strengths and weaknesses available to the bank, as well as information related to the bank's objectives, In addition to information related to the objectives of the sections and departments and the relationship between those objectives and the general objectives of the bank;

- The policy discussion stage: where the discussion takes place with the various departments and sections to obtain their approval;
- The stage of defining and formulating the final objectives: in which the final identification of the objectives of the proposed and alternative policies takes place;

B- The selection stage: After the completion of the previous stage, the senior management of the bank selects the appropriate banking policy based on a set of criteria: the cost standard; expected return standard; the degree of flexibility to be provided in the policy; degree of suitability with environmental, social, cultural, economic and political conditions; The degree of satisfaction of individuals implementing the proposed policies.

C- Implementation phase: It starts with issuing the policy with a decision that gives it organizational legitimacy and compliance, then informs and

acquaints the executors with the policies to be implemented.

D- Dimensional steps: It is noted that carrying out the previous three steps requires a set of other steps that can be referred to in the following:

-Analyze the basic idea of the bank to ensure its soundness;

-Setting standards of behavior that the bank will adhere to throughout its life;

- Developing the main lines of work within the bank;

Determining the banker's point of view in his dealings with third parties;

-Interpreting the business details of each department or department separately for its employees and workers so that they are aware of its subtleties;

-Informing all bank employees of all the principles that govern their efforts and increase their activity;

-Examining the policies on an ongoing basis to determine whether or not they are valid.

2.4 objectives of banking policy

When building their banking policies, banks try to reconcile three conflicting goals that together reflect the bank's soundness and its ability to compete (Ali, Habbar, & Kunduz, 2013, pp. 175-178):

A- Profitability: The bank seeks to achieve the goal of increasing the value of the wealth of its owners by achieving appropriate profits, and in order for the bank to achieve these profits, it must employ the funds obtained from various sources and reduce its expenses and costs.

B- Liquidity: Liquidity is defined as an abstract concept as the ability to provide money to meet contractual obligations and non-contractual customer requirements at reasonable prices any time (Institute of Banking Studies, 2012, p. 2), Accordingly, it can be said that banking liquidity means the ability of the bank to meet its obligations mainly and meet depositors' requests for withdrawals from deposits and requests for financing (loans) for various projects (Abu Turki, 2011, p. 5).

C- safety: From the points of view of the economic and financial literature, it is meant to take note and beware of the banking risks that commercial banks are exposed to from their operational operations, and these risks are represented in liquidity risks, capital risks, credit risks, and interest rate

risks (Khreyoush, Al-Zoubi, & Al-Abadi, 2004, p. 61) The importance of banking saftey appears from the perspective of banking policy in maintaining the continuity of activity without exposure to loss or liquidation.

3. The recurring loan method

This method appeared in the United States of America during the fifties of the last century and gradually spread in Europe beginning in the seventies of the last twentieth century, and today it is widely spread and used in financial and banking institutions (Kaf & Lord, 2021, p. 430), It should be noted that in the field of work of banks and insurance institutions, the term coding analysis (AnalyseDiscriminante) is used to denote the drip loan method to assess the risk associated with the customer. In other words, to assess the risks associated with loan application files using historical data within appropriate statistical techniques (Mester, 1997, p. 4) , To learn more about this method, we will work on the following:

3.1 Definition of the drip loan method

The drip loan method represents a statistical analysis method that allows giving a specific point for each customer that reflects the degree of his financial solvency, as it relies in its work on a linear model that specifies for each institution its own point to be compared with the critical point that separates the decision to grant or reject the loan, in other words, this method It relies heavily on a statistical technique represented in discriminatory linear analysis, which classifies institutions into healthy and incapable ones, By preparing a results model resulting from processing a wide database of a sample of institutions, provided that the sample size is large enough, where the variables most indicative of the financial solvency of the institution are extracted from among the total variables studied with weighting the extracted variables with coefficients according to their discriminatory degree in order to obtain A linear relationship that enables determining the final point (Z) for each institution, and then that point is placed in a scoring scale to compare it with the critical point of this scale calculated previously, to make it easier for the bank in the end to make a decision to grant credit or not, which makes this method an important way to contribute in the

decision-making process , By preparing a results model resulting from processing a wide database of a sample of institutions, provided that the sample size is large enough, where the variables most indicative of the financial solvency of the institution are extracted from among the total variables studied with weighting the extracted variables with coefficients according to their discriminatory degree in order to obtain A linear relationship that enables determining the final point (Z) for each institution, and then that point is placed in a scoring scale to compare it with the critical point of this scale calculated previously, to make it easier for the bank in the end to make a decision to grant credit or not, which makes this method an important way to contribute in the decision-making process (Abadi M. , 2012, p. 86), Accordingly, it facilitates knowledge of the classification of borrowing institutions in terms of risks, based on a representative sample (Khaled, 2017, p. 203).

2.2 Steps of the drip loan method

Preparing the drip loan form requires following the following steps (Sowar, 2008, pp. 104-109) :

A- Selection of the sample: The sample in this method represents a group of loan files of former customers divided into good and bad customers. This sample contains as much quantitative and qualitative data as possible;

B- Selecting the variables: In this step, we select the variables that affect the solvency of the institution. These variables are divided into quantitative and qualitative variables.

C- The discriminatory analysis of the sample: It expresses the statistical method that aims to identify the variables of the evaluation model. After selecting and determining the quantitative and qualitative variables, the discriminant analysis method is used step by step;

D- Determining the critical point: After calculating the final point for each institution, the critical point is determined on the basis of which the decisions of rejection and acceptance are separated .

2.3 Important models within the drip loan method

Due to the great scientific and practical importance this method has gained, many studies and applications have emerged that have been dealt with by various agencies, including researchers and specialized bodies,

aimed in their entirety at preparing a model for predicting loan risk, perhaps among the most important of which we will discuss in the following:

A- Sherrod's model (1987): The models for predicting financial failure differed in terms of form and content. Evaluation of the different aspects of the company or organization's activity: profitability, liquidity, efficiency, financial leverage, and profit distribution policies. The researcher Sherrod is an extension of the efforts of a group of researchers who had preceded him in developing some models for predicting financial failure (Medjoub & Houas, 2020, p. 97), In other words, it is used to find out the extent to which institutions are able to carry out their activities, and the ability to fulfill their obligations on time (Arshad Abdul Amir, 2019, p. 355), The equation for this model is written in the following form (Rezhin Dhahir, 2021, p. 382): $\mathbf{Z = 17x_1 + 9x_2 + 3.5x_3 + 20x_4 + 1.2x_5 + 0.1x_6}$

The following table shows the financial ratios used in the Sherrod model as follows:

Table 1. Financial Ratios Used in Sherrod's Model

variable	*The ratio*	*the purpose*	*the weight*
x_1	(net working capital) /Total assets	liquidity index	17
x_2	(liquid assets)/ Total assets	liquidity index	09
x_3	(Shareholders' equity)/ Total assets	solvency index	3.5
x_4	(net profit before tax)/ Total assets	profitability index	20
x_5	(Total assets)/ total liabilities	solvency index	1.2
x_6	(Shareholders' equity)/ Total fixed assets	solvency index	0.1

Source: (Abadi & Riyadh Mezher, 2022, p. 26)

It is noted from the above table that the largest weight of the financial ratios that make up the model is for the share of the profitability index, in order to know the extent of the institution's ability to pay its obligations, As for the final judgment on the status of the institution, we use the value of the indicator (Z). Whenever it is completely greater than the value 20, the farther the institution is from the risk of bankruptcy and vice versa. The following table shows the cases in which the status of the institution can be:

Table 2. Z-value ratings for the Sherrod model

category	The degree of risk	Z-value
The first	The company is not at risk of bankruptcy	$Z > 25$
second	There is little possibility that the company will be exposed to bankruptcy	$25 \geq Z > 20$
third	It is difficult to predict the risk of bankruptcy	$20 \geq Z > 5$
fourth	The company is at risk of bankruptcy	$5 \geq Z > -5$
Fifth	The company is at high risk of bankruptcy	$Z < -5$

Source: (Abu Orabi, 2014, p. 33)

B- Introducing the KIDA Model (KIDA 1980): It is considered one of the important quantitative models for predicting financial failure. It was reached by Kida in 1980. It relies on the multiple discriminatory analysis (Oudina & Bosalem, 2021, p. 120) It measures each of the profitability, solvency and liquidity of the institution, and this model has proven its ability to predict financial failure by up to 90% a year before it occurs (Nawaf, 2020, p. 277) The mathematical form of the Kida model is written by the following relation (Alkhatib & Al Bzour, 2011, p. 2009):

$$Z = 1.042_{X1} + 0.42_{X2} + 0.461_{X3} + 0.463_{X4} + 0.271_{X5}$$

Table 3. The financial ratios used in the (KIDA) model

variable	The ratio	the purpose	the weight
$\mathbf{x_1}$	(net working capital) /Total assets	profitability index	1.042
$\mathbf{x_2}$	(liquid assets)/ Total assets	solvency index	0.42
$\mathbf{x_3}$	(Shareholders' equity)/ Total assets	liquidity index	0.461
$\mathbf{x_4}$	(net profit before tax)/ Total assets	profitability index	0.463
$\mathbf{x_5}$	(Total assets)/ total liabilities	liquidity index	0.271

Source: (Brody, 2020, p. 103)

It is clear from the above table that the largest weight of the financial ratios that make up the model is for the share of the profitability index. As for the final judgment on the financial position of the founding institution and its distance from the risk of bankruptcy, we use the value of the index (Z). Whenever the value is greater than 0.38, the institution is in a good financial position and is not at risk of bankruptcy, and vice versa. The following table shows the cases in which the status of the institution is as follows:

Table 4. Z-value ratings for the KIDA model

category	The degree of risk	Z-value
The first	The financial condition is good and there is no risk of bankruptcy.	$Z \geq 0.38$
second	The financial condition is poor and the enterprise is at risk of bankruptcy	$Z < 0.38$

Source: (Boazem & Moaiza, 2022, p. 59)

4. Diagnosing Sherrod's model and Ked model for the policy of the Algerian Salam Bank

Al Salam Bank came as a result of the Algerian-Emirati cooperation, as it started its activity on 10/20/2008, aiming to provide innovative banking services in accordance with the provisions of Islamic Sharia in all its dealings, With reference to the experience of Islamic banks in the Algerian banking system, we find that it accompanied the beginning of the reforms a year 1990, However, the number of Islamic banks operating in the Algerian banking market did not expand, except in 2008 with the entry of Al Salam Bank into the Algerian banking market.

In view of the importance of Islamic banking and the services and appropriate financing formulas it provides, especially in light of the weak ability of traditional banks to mobilize savings and finance investments, the Algerian legislator established a legal framework regulating Islamic banking through the issuance of Regulation No. 02-2020 of March 15, 2020 specifying banking operations related to banking. Accordingly, in light of the increasing importance of the operations of Islamic banks in Algeria, we will evaluate the policy of the Algerian Salam Bank within the following:

4.1 Evaluation of the outcome of the activity of Al Salam Bank Algeria for the period (2009-2021)

The table below highlights the most important indicators of the bank's activity for the period 2009-2021:

Table 5. Indicators of the activity of Al Salam Bank Algeria for the period (2009-2021) Unit: Million DZD

year	Total assets	deposits	Direct financing	ROE	ROA
2009	13350	3042	569	-03	-1,93
2010	18337	7677	4667	-01	-0,34
2011	24821	12946	13714	09	3,62
2012	32783	19401	20212	10	3,41
2013	39551	23932	27531	10	3,20
2014	36309	19451	22548	10	3,81
2015	40575	23685	21368	02	0,74
2016	53104	34512	29377	07	2,03
2017	85775	64642	45454	07	1,38
2018	110109	85432	75340	14	2,20
2019	131019	102405	93510	21	3,06
2020	162626	129320	99252	15	1,89
2021	237804	195031	150267	15	1,43

Source: Prepared by researchers based on the annual reports of Al Salam Bank Algeria for the period 2009-2021.

Based on the data of the table, it is possible to evaluate the outcome of the activity of the Algerian Salam Bank during the study period as follows:

- The launch period (2008-2010): it was marked by achieving negative net results (a negative rate of return on total assets during the years 2009 and 2010) with the bank's ability to attract deposits and grant financing to its customers despite its recent establishment.

- The period of activity expansion (2011-2014): The bank experienced an acceptable performance that crystallized in the tangible increase in customer deposits and financing, and was clearly reflected in the improvement in profitability rates represented by the increase in the rate of return on total assets on average by 3.51%, which is a good indicator compared to the average industry in the Algerian banking market;

-The period of decline in activity (2015-2021): the bank was greatly affected by the decline in oil prices that affected the Algerian economy, which contributed greatly to the fluctuation and decline in the bank's profitability rates, and the Corona pandemic also affected the bank's performance despite the measures taken by the Bank of Algeria.

4.2 Evaluation of the Algerian Al-Salam Bank policy according to the Sherrod model

The evaluation of the banking policy of the Algerian Salam Bank during the study period is based on five (05) financial ratios that were extracted from the budgets table and results accounts summarized in Appendix No. 01, and by entering them into the Sherrod model, we can extract the value of (Z) for each year of the study, and thus Judging the effectiveness of the bank's policy, as shown in the following table.

Table 6. The (Z) value of the banking policy of Al Salam Bank, according to Sherrod's model.

year	Sherrod's model equation	(Z)	verdict
2009	$= 0.594 * 17 + 0.78 * 9 - 0.03 * 3.5 - 0.025 * 20 + 3.764 * 1.2 - 0.307 * 0.1$	**20.99**	Small possibility
2010	$= 0.452 * 17 + 0.619 * 9 - 0.01 * 3.5 - 0.003 * 20 + 2.256 * 1.2 - 0.157 * 0.1$	**15.86**	Unpredictable
2011	$= 0.40 * 17 + 0.381 * 9 + 0.09 * 3.5 + 0.063 * 20 + 1.824 * 1.2 + 1.633 * 0.1$	**14.17**	Unpredictable
2012	$= 0.339 * 17 + 0.324 * 9 + 0.09 * 3.5 + 0.054 * 20 + 1.608 * 1.2 + 2.037 * 0.1$	**12.23**	Unpredictable
2013	$= 0.341 * 17 + 0.255 * 9 + 0.088 * 3.5 + 0.045 * 20 + 1.56 * 1.2 + 2.237 * 0.1$	**11.39**	Unpredictable
2014	$= 0.394 * 17 + 0.311 * 9 + 0.1 * 3.5 + 0.049 * 20 + 1.799 * 1.2 + 2.44 * 0.1$	**13.23**	Unpredictable
2015	$= 0.332 * 17 + 0.393 * 9 + 0.02 * 3.5 + 0.012 * 20 + 1.672 * 1.2 + 0.314 * 0.1$	**11.53**	Unpredictable
2016	$= 0.258 * 17 + 0.36 * 9 + 0.07 * 3.5 + 0.028 * 20 + 1.477 * 1.2 + 1.242 * 0.1$	**10.33**	Unpredictable
2017	$= 0.191 * 17 + 0.146 * 9 + 0.07 * 3.5 + 0.019 * 20 + 1.296 * 1.2 + 1.811 * 0.1$	**9.35**	Unpredictable
2018	$= 0.158 * 17 + 0.257 * 9 + 0.14 * 3.5 + 0.03 * 20 + 1.251 * 1.2 + 3.913 * 0.1$	**7.98**	Unpredictable
2019	$= 0.146 * 17 + 2.14 * 9 + 0.21 * 3.5 + 0.042 * 20 + 1.223 * 1.2 + 5.795 * 0.1$	**8.02**	Unpredictable
2020	$= 0.136 * 17 + 0.331 * 9 + 0.15 * 3.5 + 0.026 * 20 + 1.69 * 1.2 + 5.09 * 0.1$	**8.24**	Unpredictable
2021	$= 0.132 * 17 + 0.322 * 9 + 0.15 * 3.5 + 0.01 * 20 + 1.166 * 1.2 + 6.70 * 0.1$	**8.11**	Unpredictable

Source: Prepared by the researchers based on Appendix 1.

Through the results of the value of (Z) shown in the table above, we find that the banking policy of the Algerian Peace Bank for a year 2009 It was good, because the value of Z = 20.99 came within the second category ($25 \geqslant Z > 20$), which means that there is a small possibility that the bank is

at risk of bankruptcy, which confirms that its banking policy has been well formulated and implemented, As for the rest of the study years, the value of (Z) came within the third category ($20 \geqslant Z > 5$), which means that it is difficult to evaluate the banking policy of Al Salam Bank in the light of these indicators, as a result of the deterioration of macroeconomic indicators, and the occurrence of the Corona pandemic, In order to decide on the performance of banking policy during this period, we will use the Kida model in the next element.

4.3 Evaluating the policy of the Algerian Salam Bank according to the Kida model

In evaluating the bank's banking policy, we depend on calculating five (05) financial ratios as well, summarized in Appendix No. 02, and by entering them into the Kida model, we can extract the value of (Z) for each year, as shown in the following table:

Table 7. Z value of the banking policy of Al Salam Bank according to Kida model

year	Sherrod's model equation	(Z)	the decision
2009	$Z = -0.019 * 1.042 + 0.731 * 0.42 + 3.422 * 0.461 + 0.010 * 0.463 + 0.780 * 0.271$	2.08	good case
2010	$Z = -0.003 * 1.042 + 0.548 * 0.42 + 1.479 * 0.461 + 0.036 * 0.463 + 0.619 * 0.271$	1.09	good case
2011	$Z = 0.036 * 1.042 + 0.450 * 0.42 + 0.730 * 0.461 + 0.093 * 0.463 + 0.381 * 0.271$	0.71	good case
2012	$Z = 0.034 * 1.042 + 0.354 * 0.42 + 0.548 * 0.461 + 0.097 * 0.463 + 0.324 * 0.271$	0.57	good case
2013	$Z = 0.032 * 1.042 + 0.304 * 0.42 + 0.422 * 0.461 + 0.107 * 0.463 + 0.255 * 0.271$	0.47	good case
2014	$Z = 0.038 * 1.042 + 0.330 * 0.42 + 0.580 * 0.461 + 0.083 * 0.463 + 0.311 * 0.271$	0.57	good case
2015	$Z = 0.007 * 1.042 + 0.271 * 0.42 + 0.673 * 0.461 + 0.058 * 0.463 + 0.393 * 0.271$	0.57	good case
2016	$Z = 0.020 * 1.042 + 0.391 * 0.42 + 0.554 * 0.461 + 0.056 * 0.463 + 0.360 * 0.271$	0.57	good case
2017	$Z = 0.014 * 1.042 + 0.200 * 0.42 + 0.552 * 0.461 + 0.050 * 0.463 + 0.416 * 0.271$	0.49	good case
2018	$Z = 0.022 * 1.042 + 0.165 * 0.42 + 0.331 * 0.461 + 0.069 * 0.463 + 0.257 * 0.271$	0.35	bad condition
2019	$Z = 0.031 * 1.042 + 0.162 * 0.42 + 0.270 * 0.461 + 0.080 * 0.463 + 0.214 * 0.271$	0.32	bad condition
2020	$Z = 0.019 * 1.042 + 0.129 * 0.42 + 0.404 * 0.461 + 0.056 * 0.463 + 0.331 * 0.271$	0.37	bad condition
2021	$Z = 0.014 * 1.042 + 0.123 * 0.42 + 0.386 * 0.461 + 0.046 * 0.463 + 0.322 * 0.271$	0.35	bad condition

Source: Prepared by the researchers based on Appendix 2.

It is clear to us through the results of calculating the values of (Z)

according to the Kida model that the judgment on the performance of the banking policy of Al Salam Bank Algeria is according to the following:

- The period (2009-2011): It is clear that the bank's banking policy was good during the period, and this is based on the results of the (Z) value that came within the first category (Z≥0.38), and the results of the Kedah model are consistent with the Sherrod model for the year 2009, and what confirms this The bank's activity indicators were good, as the growth rate of total assets witnessed acceptable rates for both the years 2010 and 2011 (37.36% and 35.35%, respectively), in addition to the effectiveness of the brokerage activity in terms of bringing in deposits and granting financing to the economy, as the growth rate of deposits recorded Direct financing rates are significant, amounting to 152.37% and 720.21% in 2010, respectively;
- Period (2012-2017): The results of the (Z) value for the period show that it is greater than the value of 0.38, which indicates that the bank's banking policy was acceptable compared to the previous period, despite the improvement in the bank's performance. Activity indicators during 2016 and 2017 as a result of applying the unconventional monetary policy stipulated in the law. No. 10-17 of October 11, 2017 supplementing Ordinance No. 03-11 of August 26, 2003 related to money and credit (which was not applied before 2015 due to the surplus of liquidity in Algerian banks) (and given the significant decrease in the volume of bank liquidity (see Annex 04) issued Bank of Algeria Regulation No. 15-01 of February 19, 2015 related to public bond discount operations, but they are negative indicators records in 2014 for each of the growth rate of total assets, the growth rate of deposits, and the growth rate of direct financing (see Annex 03), which are all repercussions of the financial crisis 2008 and the inflationary stagnation that afflicted capitalist countries starting in 2012, which negatively affected oil revenues, which constitute an important source of banking liquidity for the Algerian banking system as a whole (see Appendix No. (05)).
- Period (2018-2021): The bank's banking policy was characterized by a lack of good performance during the period, because the value of (Z) was less than the value of 0.38 (that is, within the second category, which means that (the financial situation is bad and threatened with bankruptcy), which corresponds to a decline Bank activity indicators, especially in light of the

negative effects left by the Corona pandemic on the Algerian economy and the banking system in particular, The Bank of Algeria used many precautionary measures to confront the poor financial situation that the Bank and other Algerian commercial banks faced as a result of the outbreak of the Covid 19 epidemic, starting from the year 2020, It was summarized in Instruction No. 05-2020 dated 06 April 2020 related to exceptional measures to ease some of the precautionary provisions applied to banks and financial institutions, especially reducing the minimum liquidity coefficient to 60%, and exempting banks and financial institutions from compulsory formation of a safety cushion.

5. CONCLUSION

The experience of Al Salam Bank Algeria, especially in light of the difficulties that accompanied its Islamic banking career, most notably the late legalization of its activity and the method of adaptation to banking laws in Algeria, represents an open framework for assessing the extent to which Islamic banking is able to overcome the defects of traditional banking, and to provide it with products and services that are compatible with the principles of Islamic law. Judging this experiment as a whole is based on many approaches, including the entrance to the performance of the banking policy, which includes the extent to which the three objectives of the banking business are achieved (profitability, solvency, and security). On the theoretical and applied study, the two hypotheses of the study can be tested as follows:

- The first hypothesis: The Sherrod model, with its financial ratio, can judge the performance of the banking policy of Al Salam Bank Algeria. This hypothesis is correct because the model showed that the value of (Z) fell within the third category ($20 \geqslant Z > 5$) in most of the study years, which It means that it is difficult to evaluate the banking policy of the bank, but the value of (Z) approached more than the fourth category, which confirms that the financial condition of the bank was not good;

-The second hypothesis: Kida's model contributes to judging the performance of the banking policy of Al Salam Bank in Algeria. This hypothesis is also correct, because the Kida model accurately separated the performance of the banking policy of the bank throughout the study years,

in addition to the compatibility between the two models in judgment;

Proceeding from testing the two hypotheses of the study and the various aspects that affected the banking policy of Al Salam Bank Algeria during the period (2009-2021), the following results are reached:

-The bank's banking policy was well formulated during the launch period (2009-2011);

-The decline in the performance of the bank's banking policy for the period (2012-2017) affected by the situation of the Algerian economy;

-The inability of the bank's banking policy to face health crises, which translates into falling into the second category of the Kida model.

Based on the results presented above, we can make recommendations that will help us in increasing the effectiveness of the banking policy of Al Salam Bank Algeria as follows:

-Focusing the bank's banking policy on targeting the collection of resources, especially the currency circulating outside the banking system, and directing them towards productive employment;

-Focusing the bank's banking policy on financing all sectors of the economy, especially through the system of participation in industrial projects and productive services with proven added value;

- Directing the bank's banking policy towards digitization for broader financial inclusion, both in terms of collecting savings or in terms of facilitating access to financing.

5. Bibliography List :

Medjoub, A., & Houas, A. (2020).A comparative study between Altman, Kida and Sherrod's model in predicting the financial failure of listed companies in Amman Stock Exchange2020Economic and Management Research Journal vol 14, N 3, p 97.

Abadi, A., & Riyadh Mezher, A. (2022). Testing predictive indicators of financial failure using the Sherrod and Springate models: an applied study in the Bank of Baghdad. Mansoura Journal , N 36,p 26.

Abadi, M. (2012). The drip loan and the analysis of artificial neural networks and their role in estimating the risks of bank loans. Journal of Economic and Financial Studies , Vol 5 (N 1),p 86.

Abd al-Fattah al-Maghribi, A. a.-H. (2004). Strategic management in Islamic banks. Egypt: Islamic Development Bank.

Abu Turki, H. E.-D. (2011). Liquidity Risk Management. Banker Magazine (N 61), 5.

Ali, B. B., Habbar, A. R., & Kunduz, A. K. (2013). Risk Management (Risk Management - Financial Derivatives - Financial Engineering), , Habbar Abdul Razzaq, Kunduz Abdul Karim. Amman: Dar Al Waraq.

Alkhatib, K., & Al Bzour, A. E. (2011). Predicting Corporate Bankruptcy of Jordanian Listed Companies: Using Altman and Kida Models. International Journal of Business and Management , Vol 6 (N 1).

Al-Serafy, M. (2007). Banking management. Alexandria: Dar Al-Wafaa.

Boazem, F., & Moaiza, M. A. (2022). Application of the Kida and Springate model to predict the financial failure of small and medium enterprises. Journal of Small and Medium Enterprises Competitiveness , Vol 3 (N 1).

Brody, N. (2020). A comparative study of models predicting financial failure (the case of the Saudi Ceramic Company during the period 2013-2019). Beam Journal of Economic Studies , Vol 4 (N 2).

Ibrahim Abdel-Baqi, I. (2016). Commercial Banks Administration. Amman: Dar Ghaida for Publishing and Distribution.

Institute of Banking Studies. (2012). Liquidity management in the commercial bank. Financial and Banking Highlights , Vol 5 (N 2), 2.

Kaf, M., & Lord, A. (2021). Managing Banking Risks Using the Point Loan. Journal of Advanced Economic Research , Vol 6 (N 1), 430.

Khaled, b. J. (2017). The use of quantitative statistical methods in managing the risks of bank loans A case study of the scoring method on a sample of customers of the Algerian popular loan. Annals of Bashar University in Economic Sciences , Vol 4 (N 2), 203.

Khreyoush, H.., Al-Zoubi, A., & Al-Abadi, M. I. (2004). Factors Affecting the Degree of Jordanian Banking Security, A Field Study. Journal of King Abdulaziz University (Economics and Administration) , Vol 18 (N 2),p 61.

Mester, L. J. (1997, 09). What's the point of credit scoring? Business Review ,p 04.

Nawaf, M. A. (2020). Using the Kida model to predict the financial failure of companies listed on the Palestine Stock Exchange. Economic Researcher Journal , Vol 8 (N 14), p 277.

Oudina, A., & Bosalem, A. B. (2021). Using the kida and Sherrod model in predicting the financial failure of companies - an applied study on companies listed on the Algiers Stock Exchange for the period 2014-2018. Journal of Research and Economic Studies , Vol 5 (N 1), p 120.

Rezhin Dhahir, F. (2021). Measuring and predicting the risk of potential company's financial failure by using Sherrod's model: An Applied and Analytical Study of a sample of Commercial Banks of the Iraqi Banking Sector. Concepts magazine for in-depth philosophical and human studies (N 9), p 382.

Sowar, Y. (2008). An attempt to estimate the risk of non-payment of the loan using the drip loan method and the artificial neurotechnology in commercial banks, a case study of the Algerian Bank for Rural Development BADR, a doctoral thesis in economic sciences. Tlemcen.

6. Appendices

Appendix No. (01): Sherrod model variables for Al Salam Bank during the period (2009-2021)

year	x_1	x_2	x_3	x_4	x_5	x_6
2009	0.594	0.780	-0.030	-0.025	3.764	-0.307
2010	0.452	0.619	-0.010	-0.003	2.256	-0.157
2011	0.401	0.381	0.090	0.063	1.824	1.633
2012	0.339	0.324	0.099	0.054	1.608	2.037
2013	0.341	0.255	0.088	0.045	1.560	2.237
2014	0.394	0.311	0.100	0.049	1.799	2.440
2015	0.332	0.393	0.021	0.012	1.672	0.317
2016	0.258	0.360	0.070	0.028	1.477	1.242
2017	0.191	0.416	0.070	0.019	1.296	1.811
2018	0.158	0.257	0.140	0.030	1.251	3.913
2019	0.146	0.214	0.210	0.042	1.223	5.795
2020	0.136	0.331	0.150	0.026	1.169	5.095
2021	0.132	0.322	0.150	0.019	1.166	6.704

Source: Prepared by researchers based on the annual reports of Al Salam Bank Algeria

Appendix No. (02): Variables of the Kidd Al Salam Bank model during the period (2009-2021)

year	x_1	x_2	x_3	x_4	x_5
2009	-0.019	0.731	3.422	0.010	0.780
2010	-0.003	0.548	1.479	0.036	0.619
2011	0.036	0.450	0.730	0.093	0.381
2012	0.034	0.354	0.548	0.097	0.324
2013	0.032	0.304	0.422	0.107	0.255
2014	0.038	0.330	0.580	0.083	0.311
2015	0.007	0.271	0.673	0.058	0.393
2016	0.020	0.391	0.554	0.056	0.360
2017	0.014	0.200	0.552	0.050	0.416
2018	0.022	0.165	0.331	0.069	0.257
2019	0.031	0.162	0.270	0.080	0.214
2020	0.019	0.129	0.404	0.056	0.331
2021	0.014	0.123	0.386	0.046	0.322

Source: Prepared by researchers based on the annual reports of Al Salam Bank Algeria

Appendix No. (03): Growth rate of the main indicators of the activity of Al Salam Bank for the period 2009-2021.

Unit: %.

year	Direct financing growth rate	deposit growth rate	Total asset growth rate
2010	7,20	1,52	0,37
2011	1,94	0,69	0,35
2012	0,47	0,50	0,32
2013	0,36	0,23	0,21
2014	-0,18	-0,19	-0,08
2015	-0,05	0,22	0,12
2016	0,37	0,46	0,31
2017	0,55	0,87	0,62
2018	0,66	0,32	0,28
2019	0,24	0,20	0,19
2020	0,06	0,26	0,24
2021	0,51	0,51	0,46

Appendix No. (04): The evolution of the banking liquidity index of the Algerian banking system for the period 2009-2018.

year	$\frac{liquid\ assets}{total\ assets} * 100$
2009	51.82
2010	53.98
2011	50.16
2012	45.87
2013	40.46
2014	37.96
2015	27.17
2016	24.08
2017	23.21
2018	19.84
2019	15.97
2020	13.11
2021	35.74

Source: Prepared by the researchers based on the reports of the Bank of Algeria

Appendix No. (05): The development of oil revenues for the Algerian economy for the period 2009-2020.

year	**Share of petroleum revenues in GDP(%)**
2009	20.63
2010	23.37
2011	27.27
2012	26.11
2013	23.79
2014	20.47
2015	12.83
2016	10.02
2017	12.12
2018	15.64
2019	14.30
2020	10.19

Source: Prepared by researchers based on World Bank reports