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Role of Islamic finance on enhancing financial inclusion: Recommended lessons for Algeria from the Malaysian experiment

Mohammed Ayoub Ledhem *[1]

[1] MIFMA laboratory, University Centre of Maghnia, Algeria,
ledhem.edu@gmail.com

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Abstract:
This research aims to extract beneficial lessons from the Malaysian experiment surrounding the contribution of Islamic finance in enhancing financial inclusion and to address these lessons for Algeria to activate the role of Islamic finance in enhancing financial inclusion. This research uses data and statistics from official thoughtful financial institutions such as the World Bank and the Islamic Financial Services Board. This research shows that Algeria has a shortage of financial inclusion although it has good potentials and no obstructive barriers for enhancing financial inclusion among the population. As well, the findings indicate that Islamic finance role in enhancing financial inclusion is not activated yet due to the low share of Islamic banking in the total Algerian banking sector. This research recommends from policymakers, financial researchers and decision-makers in Algeria to support and stimulate the Islamic finance industry and to benefit from the potentials of financial inclusion in the Algerian financial system like the abundance of money among adults to open financial accounts, short distance to financial institutions, low cost of financial services.
Keywords: Islamic finance; Financial inclusion; Financial inclusion barriers; Malaysian experiment; Algerian Islamic financial system.
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1. INTRODUCTION

As a way of promoting inclusive growth, financial inclusion has attracted the attention and assistance of numerous development institutions,

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* ***Corresponding author.***

multilateral institutions, international organizations, and other relevant government agencies (including financial sector regulators). According to a study by the Basel Committee, a national financial inclusion strategic plan, a governmental microfinance strategy, or a specific policy statement establishing a financial inclusion responsibility or target at the national level exist in 52 jurisdictions that answered to a 2013 range-of-practice questionnaire on the regulation and supervision of organisations relating to financial inclusion (Islamic Financial Services Board, 2020).

The term "financial inclusion" has no widely accepted definition. Various organizations throughout the world use a variety of definitions to refer to a range of activities with mostly similar goals (Ajide, 2017; Islamic Financial Services Board, 2020; Kumar, 2013; Nguyen, 2020).

Increasing access to formal financial services for those parts of society who are currently unorganized or underserved through formal financial institutions is one of these goals. This is generally accomplished by removing the barriers that find it difficult for consumers to obtain and/or use suitable financial services and products supplied through formal financial institutions. Deposits (generally defined to include transactional accounts), insurance, payments, and investments are just a few of the financial services and products available. Its concept covers all of the essential elements of financial inclusion (Islamic Financial Services Board, 2020).

According to the Islamic Financial Services Board' report (2020), Features of Financial Inclusion in Islamic Finance:

The Islamic financial and economic system is well-versed in the idea of financial inclusion. An Islamic economic model is built on the principles of justice, transparency, and equality, to establish a flourishing economic and social system.

Individual and community goals are given equal weight in Islamic economics, which promotes social peace. The Islamic economic system's subsystems, such as Islamic finance, which is based on several core concepts such as contract integrity, linkages to the actual economy, and risk sharing, also foster social solidarity.

Given their shared objective of allowing the development of marginalized persons and communities, the Islamic financial system's promotion of justice and risk-sharing allows for the construction of a clear relationship between the Islamic idea of development and the concept of financial inclusion. Financial inclusion may be achieved using Islamic financial contracts, notably risk-sharing finance instruments and social solidarity instruments such as Sadaqah, Waqf, and Qard Hassan. In an Islamic economic system, social solidarity tools are designed to protect the rights of the less capable throughout the revenue and riches of the more able, providing social protection.

In summary, while financial inclusion and micro-finance are in line with Shariah aims, Islamic finance has its unique characteristics and regulatory concepts for Shariah compliance that set it apart from other financial services. The regulations and processes are based on Shariah (Islamic law), which mandates that providing institutions abide by criteria other than standard regulatory and supervisory methods. These extra Shariah-based procedures must also be followed by Islamic financial inclusion and microfinance initiatives. Some of these peculiarities will be explored further on.

1.1. Working definition of “Financial Inclusion” in Islamic finance

Based on the foregoing discussions, this study proposes the following working definition of "financial inclusion" in Islamic finance: "a state where certain individuals and businesses in a society have access to, and use of, a range of affordable and high-quality Shariah-compliant financial products and services that appropriately and fairly meet their needs; and that are delivered by formal financial institutions". The ultimate objective of both traditional and Shariah-compliant financial inclusion is to improve recipients' livelihoods while also improving society's general well-being (Islamic Financial Services Board, 2020).

The above definition attempts to address the condition of voluntary financial exclusion based on religious beliefs; this is a scenario in which the financially excluded are not necessarily "unbankable" or "uninformed," but rather chose not to use currently available financial facilities whose mechanisms conflict with certain religious beliefs. As a result, the corporate Islamic financial institutions' success in some jurisdictions was due in part to their ability to recruit voluntarily excluded bankable consumers (Islamic Financial Services Board, 2020).

As a result, for the context of this research and in general, financial inclusion activities in Islamic finance are not limited to low-income segments of society, but may also include those “bankable” segments who are avoiding one or more financial services in terms of financing, savings, Takaful, and investments due to non-compliance operational instruments with Shariah (Islamic law).

1.2. Islamic finance and financial inclusion in Malaysia

According to the World bank’ report (2020), Malaysia had a lot of success growing its Islamic financial industry. Despite having just around 2% of the world's Muslim population, Malaysia accounts for more than 20% of worldwide Islamic financial assets. In Malaysia, Islamic finance encompasses a wide variety of financial services, including consumer and corporate banking, investment funds, insurance, capital markets operations, and emerging FinTech enterprises. Malaysia's experience with Islamic banking also illustrates how an Islamic financial system can coexist with a conventional one.

Islamic finance provides organizations and procedures that encourage financial inclusion from a conceptual standpoint. These include eliminating religious obstacles to financial involvement, delivering savings and investment products, and providing access to financing for consumer and business requirements in the commercial Islamic banking sector. These have primarily attempted to copy the goods and services offered by the traditional financial industry. Islamic finance provides methods for accessing finances and capital formation in the social finance sector (zakat, awqaf, etc). Zakat has traditionally entailed monetary transfers, which might aid in the integration of the underprivileged into the official financial system. Awqaf, specifically "cash Awqaf" provides a framework for social businesses to have access to money and participate in the financial system (World Bank, 2020).

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Because of Malaysia's poverty demographics, the significance of Islamic finance in financial inclusion is particularly important. Islamic finance might be regarded as having a major role in assisting the weakest members of society by allowing them to participate in the financial system. Islamic finance has also played a significant role in the financing of small businesses. According to data from Bank Negara Malaysia, Islamic banks supplied 28.5 per cent of SME lending in Malaysia in 2019 (World Bank, 2020).

1.3. The Malaysian experiment as a beneficial experiment for activating the role of the Algerian Islamic financial sector in promoting financial inclusion

Lately, according to the Bank of Algeria (2020), the Algerian government banks still governing the banking sector. In general, the banking sector grieved from a high level of non-performing loans towards state-owned enterprises (SOEs). In 2007, 95% of total bank assets are controlled by state banks (Elhachemi, 2012). Lately, there are 29 banks in Algeria, with 12 linked to the public sector and 17 to private sectors (Abdulkarim Ahmed Guendouz and Sofiene, 2020). Algeria is a Muslim country based on the second article of the Constitution which affords that Islam is the national religion, but the Algerian market share of Islamic banks is marginal which does not exceed by 2-3% (IFSB, 2021).

The first Islamic bank in Algeria is Al Baraka Bank in 1991, and its operations are still restricted (Benamraoui, 2008). Yet, across time, the number of borrowers and savers began steadily augmented in it. According to Abdulkarim Ahmed Guendouz and Sofiene (2020), Algerian banks have expanded their divisions. Because Islamic banking products and transactions do not violate Algerian law, the legislation on credit and money allows them to be used in financing. Besides, Abdulkarim Ahmed Guendouz and Sofiene (2020) stated that the market share of Islamic banking from the total private banking sector in Algeria is 14% (12% refers to Al Baraka Bank and 2% refers to Salam Bank) while the market share of conventional banks based on interest rates have a 86% from the total private banking sector in Algeria. Moreover, as stated by Benzekkoura (2020), there is a growing awareness among the Muslim population regarding the importance of Islamic banking as an alternative banking system in Algeria.

Lately, According to Maierbrugger (2018), Algeria is making a significant step on the Islamic banks' roadmap, since Al Baraka Banking Group received the impressive “Best Islamic Financial Institution” award for its Algeria acts which spot the light on the expansion openings of the Islamic banks' industry in the North African region.

Algeria till now concludes only two pure Sharia-compliant banks, the first one is Al Baraka Bank and the other is Salam Bank of UAE which was established in Algeria in 2008 (Benzekkoura, 2020). However, Algeria is still on the start road of adopting Islamic finance and activating its role in enhancing financial inclusion. For this reason, Algeria needs to learn from a successful experiment. Thus, this study provides a valuable experiment for Algeria by bringing the Malaysian experiment as the best approach for Algeria due to many common similarities and to prove it with empirical evidence that Malaysia achieved financial inclusion through the Islamic finance sector.

The main reason for adopting Malaysia as the best approach for Algeria concerning achieving financial inclusion with adopting and stimulating Islamic finance is because of the demographics characteristics similarities. Malaysia has a population of 32.385.000 with a Muslim population percentage of 69% (Country Economy, 2020; Statista, 2020), while Algeria has a population of 42.228.429 with a Muslim population percentage of 99% (Country Economy, 2020; Index Mundi, 2020). As a result, since Algeria has an enormous Muslim population percentage like Malaysia, the underground in Algeria is suitable for adopting Islamic finance to achieve financial inclusion and to learn from the Malaysian experience concerning the contribution of Islamic finance in achieving financial inclusion.

Table 1. Islamic finance and financial inclusion in Malaysia and Algeria

Religiosity and Financial Inclusion				*Islamic Financial Institution (IFIs)*				
Economy	**Religiosity (%)**	**Account at a formal financial institution (% age 15+)**	**Adults with no account due to religious reasons (% age 15+)**	**Adults with no account due to religious reasons (Thousands, age 15+)**	**Number of IFIs**	**Islamic assets per adult ($)**	**Number of IFIs per 10 million adults**	**Number of IFIs per 10,000 km**
Malaysia	**96**	**66.2**	**0.1**	**8**	**34**	**4949**	**16.8**	**1.03**
Algeria	**95**	**33.3**	**7.6**	**1330**	**2**	**-**	**0.8**	**0.01**

Notes: * Adults Number and percentage that point to a religious reason for not having an account at financial institutions/ ** Islamic assets per adult ($)/Size of Islamic finance assets in the financial sector of an economy per its adult population.

Source: (Islamic Financial Services Board, 2020)

Table 2. Financial Inclusion Metrics

Country	***Have an Account (%)***	***Wages Paid into Account or Card (%)***	***Wages Paid into Account or Card, Among Wage Earners (%)***	***Saved at a Financial Institution (%)***	***Have a Debit Card (%)***	***"Have a Credit Card" (%)***	***Used a Debit or Credit Card" (%)***	***Borrowed from a Financial Institution (%)***	***Have an Account and Made no Deposits (%)***
Malaysia	**85**	**28**	**72**	**38**	**74**	**21**	**39**	**23**	**16**
Algeria	**43**	**8**	**46**	**11**	**20**	**3**	**5**	**5**	**14**

Source: (World Bank, 2020)

Tables 1, 2 show that Malaysia has achieved a high level of financial inclusion, according to the World Bank' report (2020), it is the most country that success in enhancing financial inclusion based on the Islamic finance industry, it can be shown in Table 1 that Malaysia 66.2% of the total population who are above the age of 15 has an account at the financial institutions, wherein Algeria has only 33.3%. Although Malaysia (96%) and Algeria (95%) have almost an equal level of religiosity among the population, the level of adults who has no financial account due to religious reasons in Algeria is so high (7.6%) compared to Malaysia (0.1%), which makes Algeria has a shortage in the financial inclusion. Regarding the financial inclusion based on the Islamic finance sector, Malaysia has 34 Islamic financial institutions with 4949$ assets for one adult while Algeria has only 2 Islamic financial institutions with no assets for one adult. This reflects that Islamic finance in Algeria does not contribute to expanding financial inclusion.

By analysing the Malaysian experiment concerning the enhancing of financial inclusion through activating the role of the Islamic finance sector, this research is answering the following question: “What are the lessons and recommendations that Malaysia can address to Algeria in the experience of enhancing the financial inclusion?”

2. LITERATURE REVIEW

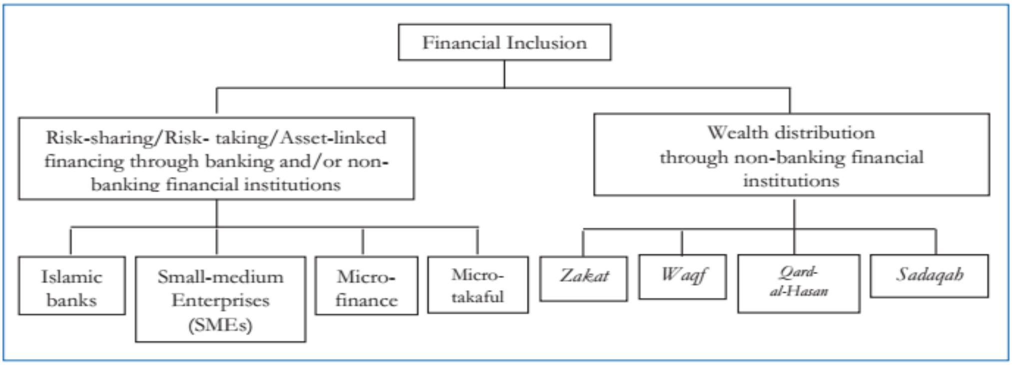
2.1. Role of conventional finance in promoting financial inclusion

Anjum and Tiwari (2012) investigated the geographical distribution of commercial banks in India and their influence on financial inclusion. Their findings revealed that private sector banks serve all demographic categories in India. They've begun expanding into semi-urban and rural regions. Whereas the World Bank’ report (2020) investigated the expansion of financial inclusion through the role of the Islamic finance industry by focusing on Malaysia as the top advanced country in financial inclusion based on the Islamic finance industry compared to the OIC and ASEAN economies. Thus, in the following sections, this research is shading light on the role of Islamic finance in expanding financial inclusion in Malaysia and bringing valuable lessons from the Malaysian experiment to the Algerian financial sector.

2.2. Role of Islamic finance in promoting financial inclusion

By reviewing the existing literature, Abu Seman and Mohd Ariffin (2017) address the measurements and indicators related to the calculation of the financial inclusion index compliance with shariah finance (Fig.1). Four instruments/dimensions of Islamic finance (i.e., Islamic microfinance, use/access to Islamic financial products, commodities, Zakat, and Waqf) were fully recognized in the build of the financial inclusion index. In addition, this research aims to develop an Islamic finance-based financial inclusion indicator.

Fig.1. Financial inclusion across the Islamic finance landscape



Source: (Abu Seman and Mohd Ariffin, 2017)

While Banna and Alam (2020) investigated how financial inclusion and its relationship with GDP development affect Islamic banking efficiency to achieve inclusive, long-term growth. The findings demonstrate that Islamic banks' efficiency trends in most countries have been contradictory in the aftermath of the global financial crisis, implying that the banking system is still suffering from the effects of the crisis.

In addition, Mustafa et al. (2018) explored how Islamic Finance can efficiently be utilized for financial inclusion based on drawing lessons from the experience of some pioneer countries in the Islamic finance industry. Their findings show that Islamic finance has a favourable and considerable influence on economic growth. Furthermore, Islamic finance has a little but favourable influence on financial inclusion. Thus, in the following sections, this research is exploring the role of Islamic finance in enhancing financial inclusion in Malaysia in order to extract valuable lessons for Algeria.

3. RESEARCH METHODOLOGY

This research is a review article that uses data and statistics from official thoughtful financial institutions such as the World Bank and the

Islamic Financial Services Board for analysing the role of Islamic finance in enhancing the financial inclusion of Malaysia. As well, this research is extracting from the Malaysian experiment beneficial lessons and recommendations for Algeria to stimulate Islamic finance to contribute to enhancing financial inclusion.

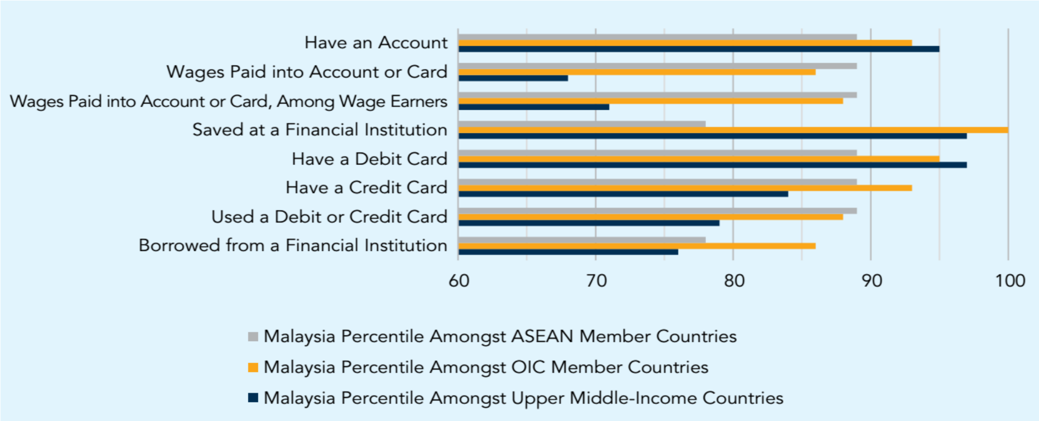
4. ANALYSING ISLAMIC FINANCE AND FINANCIAL INCLUSION IN MALAYSIA and ALGERIA

Financial inclusion is defined as having access to and using formal financial services including savings accounts and digital payments. Financial inclusion can assist to enhance their revenue potential (thus reducing poverty), enhance their ability to manage risk, facilitate adaptability and security during difficult times, lower the cost of receiving funds, permit people to spend more on necessities, promote savings, motivate business and personal investment for growth prospects. Financial inclusion may help governments decrease corruption and increase efficiency by enhancing tax collection and guaranteeing that social welfare transfers reach their intended beneficiaries with the least amount of leakage and administrative expenditures (World Bank, 2020).

Malaysia has a high degree of financial inclusion when compared to other ASEAN and OIC members as well as higher middle-income nations in the Findex database. An exemplary sample of eight indicators will be explored in this section (Fig.2) (World Bank, 2020).

Malaysia compares favourably to its fellow ASEAN, OIC, and Upper Middle-Income nations in all three comparison groups, as seen in the graph above. Malaysia ranks above the 65th percentile in all eight measures and frequently exceeds the 80th percentile. As a result, it is always in the upper quartile of its peer groups and never falls below the top third.

Fig.2. Financial Inclusion in Malaysia Related to the OIC, ASEAN, and Upper Middle-Income nations



Source: (World Bank, 2020)

Malaysia's $521 billion in Islamic finance assets ranked third in the world, trailing only two countries with significantly bigger Muslim populations than Malaysia's 20 million: Iran (575 USD billion in assets, 80 million Muslims) and Saudi Arabia (541 USD billion, 30 million Muslims). Malaysia's performance in the Islamic finance market's five sub-segments (World Bank, 2020). Table 3 summarizes this information.

Table 3. Islamic finance in Malaysia

Islamic Finance Sector	*Assets (USD billion)*	*Global Rank by Assets*	*Assets, Share of World Total (%)*
Total	**521**	**3**	**20.6**
1.Banking	**214**	**3**	**12.6**
2.Takaful	**9**	**3**	**19.6**
3.Other financial institutions	**52**	**1**	**37.1**
4.Sukuk	**219**	**1**	**46.6**
5.Funds	**27**	**2**	**25**

Source: (World Bank, 2020)

4.1. The Role of Islamic Finance in Promoting Financial Inclusion of Malaysia

In principle, Islamic finance should promote financial inclusion, through the removal of religious barriers, the sharing of risk, and social finance. This section will explore each dimension in which Islamic finance in Malaysia can increase access to and use formal financial services.

4.1.1. Removal of Religious Barriers

The proportion of adults in Malaysia who do not have a bank account is reported in World Bank' report (2020) (Table. 1). It also shows the percentage of people who don't have a bank account because of religious beliefs (Table 1). The ratio of all adults in a particular nation who remain outside the financial system for religious reasons may be calculated using these two measures. Due to self-reported religious considerations, just 1.6 % of Malaysian individuals are barred from the formal financial system. On an overall scale, this figure is exceptionally low, and Malaysia ranks 9th out of 42 OIC nations for which data from the World Bank's report (2020) is available, putting it in the top quartile.

4.1.2. Sharing of Risk

Risk-sharing has been characterized as a "substitute for risk transfer and risk shifts in promoting financial stability, long-term growth, and equitable distribution of wealth." Traditional finance, according to proponents, transfers risk from lenders to borrowers, creating instability and injustice. Murabaha, Ijara, Mudaraba, Istisna'a, Musharaka advocate asset-based financing as a much more stable and equitable type of financing. These contracts involve some sort of asset, service, or commercial enterprise. These contracts also encourage the establishment and use of a financial institution account by an individual who has never had one before and now desires to buy or utilize the asset, obtain the service, or participate in the business endeavour (World Bank, 2020).

4.1.3. Social Finance

Based on the reports of the Islamic Financial Services Board (2020) and World bank (2020), Islamic finance in Malaysia is promoting financial inclusion through social finance. Consistent with Abu Seman and Mohd Ariffin (2017), the term "Islamic social finance" refers to funding strategies that have a social purpose in mind. Zakat (alms), Sadaqah (charity), Qard al-Hasan (interest-free loans), and Waqf (endowment) (World Bank, 2020).

4.2. Barriers of Islamic finance to enhance financial inclusion in Malaysia

Even though Islamic finance is growing in Malaysia, there are still actual or perceived religious hurdles to financial participation. In Malaysia, the percentage of Muslims who have deliberately avoided formal banking operations due to their religious convictions is low, but not zero. Malaysians without a bank account, on the other hand, are more prone to blame their lack of financial inclusion on other factors (World Bank, 2020).

The Findex database in the World Bank' report (2020) provides survey findings for eight of the most common reasons for not having a bank account. Except for the ninth reason (lack of need for formal financial services), which could only be stated if it was the single reason, respondents may identify several reasons. As a result, the total of the first seven factors for a particular country might be greater than 100 per cent. Data on the percentage of respondents who do not have a financial institution account is provided (World Bank, 2020):

1) For religious reasons.
2) Since financial institutions are located too far away.
3) Because the cost of financial services is very expensive.
4) Because they lack the necessary documents to open one, including an identity card, a pay stub, or anything similar.
5) Because they are distrustful of financial institutions.
6) Because they are unable to use a financial institution account due to a lack of money.
7) Because another member of their family already has an account.
8) They don't require official financial services since they don't need them (this reason could not be given in conjunction with another).

4.3. Barriers of expanding financial inclusion in Malaysia and Algeria

Table 4 shows that people in Malaysia who lacked financial institution accounts were considerably more likely (11%) than their

Algerian counterparts (8%) to mention religion as a worry in the two Muslim-majority nations for which data is available, Algeria and Malaysia. This is although Malaysia's Islamic banking business is far more established, and it might reflect a tighter attitude to Islamic financial requirements among Malaysians than among Algerians. Religion, on the other hand, was the least probable explanation (among many that might be given in combination) for not having a financial institution account in both nations. Distance to financial institutions and the expense of financial services.

Table 4. Reported Barriers to Financial Inclusion in Malaysia and Algeria

Country	No financial Institution Account (%)	Those Who Mentioned the Following Barrier, Amongst Those Without a Financial Institution Account							
		Religious reasons (%)	Distance from Financial institutions (%)	Cost of financial services (%)	Lack of documentation (%)	Lack of trust (%)	Lack of money to open an account (%)	Relative already has an account (%)	No need for financial services (%)
Malaysia	15	11	31	38	24	28	49	54	2
Algeria	57	8	7	9	12	15	36	21	12

Source: (World Bank, 2020)

The notion of inadequate finances to utilize a financial account is generally the most significant obstacle to financial inclusion across the area. This rationale was offered by more than double the percentage of persons who cited any other financial inclusion obstacle. It was followed by a mix of distance to financial institutions, financial service costs, a lack of required documents to create an account, and a lack of necessity for direct access to the official financial system because a family member already has one. The least stated reasons were religious beliefs and a lack of faith in financial organizations.

Whereas 49% of Malaysians without a financial institution account reported not having enough money as a reason to use such an account which is the most obstructive barrier of financial inclusion as stated by World Bank (2020), while Algeria has 36% of the total population without a financial account due to the lack of money, which makes Algeria has a good chance in expanding the financial inclusion among the population due to good wealth. This might be due to the country's relative prosperity, or it could be the consequence of financial institutions' attempts to convince Malaysians, even the poor, that maintaining a financial institution account does not need significant sums of money. Second, Malaysia had the highest percentage of those without accounts citing lack of trust in financial institutions (28%) as a factor while Algeria has only 15% of the total population who does not trust in financial institutions. Third, Malaysia had a high rate of distance to financial institutions (31%) as a factor while Algeria has only 7% of the rate which makes has a good chance in expanding the financial inclusion among the population due to short distance to financial institutions. According to the research, religious obstacles to financial inclusion, however, do not appear to be the main obstacle.

5. CONCLUSION

The existing data from the World Bank's report (2020) allows us to infer that Malaysia is a leader in achieving financial inclusion amongst ASEAN, OIC, and upper-middle-income nation peers. Malaysia is also a global pioneer in the development of a robust Islamic financial industry. The preceding study proposals will aid in determining if Malaysia's efforts to promote Islamic finance resulted in more financial inclusion and whether Malaysia's strategies to promote greater financial inclusion resulted in better Islamic finance.

Malaysia also serves as a significant example for other countries. According to the statistics, Malaysia has effectively eliminated religious considerations as a barrier to financial inclusion, owing to its development of Islamic finance: In this regard, Malaysia, like Algeria, may serve as an example for countries on how to make finance accessible to everyone by encouraging financial practices that are consistent with the population's religious views (99% of the population are Muslims).

The analysis in this research paper shows that Although Malaysia and

Algeria have almost an equal level of religiosity among the population, Algeria has 43% of the population with financial institution account with only 20% who has a debit card compared to Malaysia (85% of the total population have an account, 74% have a debit card), while the level of adults who has no financial account due to religious reasons is so high (7.6%) compared to Malaysia (0.1%), which makes Algeria has a shortage in the financial inclusion although it has good potentials and no significant barriers like Malaysia in enhancing financial inclusion among the population since the most important barrier to financial inclusion which is the rate of lack of money to use financial account is small (36%) compared to Malaysia (49%), as well, the rates of other barriers to financial inclusion are small in Algeria compared to Malaysia that is considered the top advanced global countries in stimulating financial inclusion, rate of distance to financial institutions (7% in Algeria, 31% in Malaysia), the cost of financial services (38% in Algeria, 9% in Malaysia), a lack of necessary documentation to open an account (12% in Algeria, 24% in Malaysia). This reflects that the financial system in Algeria does not enhance financial inclusion due to the high level of the population who doesn't have an account in financial institutions because of religious reasons (7.6%) since Islamic religion forbids the Riba (free interest rates), also, the Islamic finance role in enhancing financial inclusion is not activated yet due to the low share of Islamic banking in the total Algerian banking sector (2-3%) among two Sharia-compliant banks (Al Baraka Bank and Salam Bank).

5.1. Feasibility and applicability of Malaysian practices in the Algerian environment

Although Algeria is still on the start road of adopting Islamic finance and activating its role in enhancing financial inclusion. The Malaysian experiment is feasible and beneficial for the Algerian environment; Therefore, the applicability of Malaysian practices in the Algerian environment can be achieved by taking advantage of the potentials of financial inclusion like the abundance of money among adults to open financial accounts, short distance to financial institutions, low cost of financial services, and lack of necessary documentation to open financial accounts. Besides, more importantly, the applicability of Malaysian practices in the Algerian environment can be also achieved through stimulating the Islamic finance industry through benefiting from the Malaysian experience in removing religious barriers by offering compatible religious finance for the Muslim population, the sharing of risk (Murabaha, Ijara, Mudaraba, Istisna'a, Musharaka) in all of the Islamic banks, Small and medium enterprises, Microfinance institutions, Takaful institutions, and activating the role of social finance like Qard Hasan, Waqf, and Zakat.

5.2. Research recommendations

This paper concludes that Algeria is still at the beginning of adopting the Islamic finance industry with only two Islamic financial institutions by no assets for one adult, which reflects that Islamic finance in Algeria does not contribute to expanding the financial inclusion. From exploring the contribution of Islamic finance in enhancing financial inclusion in Malaysia, this study has some recommendations and lessons for policymakers, financial researchers and decision-makers to improve financial inclusion in Algeria and activate the role of Islamic finance by simulating the Malaysian practices as follows:

- Given the facts on financial inclusion and the fact that Malaysia has a well-developed Islamic finance sector, one may claim that Malaysia has effectively handled religious barriers to financial inclusion. The absence of religious obstacles in Malaysia can be viewed as a success for both financial inclusion and Islamic finance.
- The findings also imply that individuals interested in using Islamic finance to promote greater financial inclusion should look into how Islamic finance might address the other causes for the inaccessibility to the conventional financial system mentioned by respondents. Lacking money to utilize an account, for example, might be addressed by reducing minimum deposit criteria or increasing public knowledge that such limits are fairly low. Potential consumers may be excluding themselves from the financial system because they

have a misunderstanding about the minimum threshold balance.

- To debunk the myth that one bank account per family is sufficient, marketing may be focused on relatives of existing account holders. This type of marketing might also assist narrow the gender gap in balances held, which is common in OIC countries.
- Individual financial asset ownership can assist more vulnerable individuals (such as women and the elderly) make autonomous financial decisions to safeguard their interests. It is suggested that more study be done to assist understand the link between Islamic financing and financial inclusion. Under-engagement owing to religious concerns is a second topic to investigate. For illustration, some financial service customers may keep a bank account yet refrain from borrowing due to religious considerations. There may also be potential investors who keep substantial cash reserves or invest in asset types outside the financial system, such as land, cattle, or jewellery, due to a perceived shortage of religiously acceptable investment possibilities.
- Geographic and demographic divisions are emphasized. Regions and demographic groups that still lag in financial inclusion might be examined further to identify and remove lingering hurdles in a nation that is already inclusive.
- Activating the role of Islamic finance in increasing access to the financial system for populations who are driven by financial reasons, convenience, or other causes rather than religious considerations especially for Algeria who has 99% of Muslims prefer Islamic finance rather than the conventional.

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