

**Islamic Windows experience in Algerian legislation****BENZEKKOURA Laounia<sup>1\*</sup>**<sup>1</sup> University of Mustapha Stambouli- Mascara , [alouania.benzekoura@univ-mascara.dz](mailto:alouania.benzekoura@univ-mascara.dz)

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**Abstract :**

This study aims at highlighting Islamic windows in Algerian legislation as a support for Islamic banking in Algeria. As the latter's role is to respond to the inspirations of Islamic financial dealers, Algeria sought to adopt this kind of measures in traditional banks based on the system 02-20 in an attempt to absorb savings according to the principles of Islamic Shariaa and in response to the aspirations of those dealing with its banking system.

We have learned through this study about the efforts of Algerian authorities to enact legislation concerning the opening of Islamic windows at the level of traditional banks, starting as a participatory banking within the system 18-02 and then an Islamic banking within the new system 02-20, where concepts and descriptions of Islamic products have been defined, it was also pointed out that the activation of the latter would be based on an instruction from the bank of Algeria.

**Keywords:** Islamic windows, Islamic banking, participatory banking, Islamic financial products, system 02-20 and 18-02

**JEL classification:** G20, G21, G24

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\* *Corresponding author.*

## **I. Introduction**

Islamic banking development allows on the international level to increase orientation toward the Islamic financial products, which pushes many traditional banks in adopting this latter, the Islamic financial windows system has been adopted as a policy to provide Islamic products, means that the traditional bank preserve its activity in distributing Islamic products furthermore adopting windows to distribute Islamic products.

Algeria tried to keep pace with the situation by opening Islamic windows on the level of traditional banks, in response to the demands on the banking system operators on one hand and seeking to attract the savings of the agents who refuse dealing in usurious products, depending on this, the following problem can be raised :

### **How does the adoption of Islamic windows in Algerian legislation support Islamic banking ?**

#### **1. Study divisions :**

**First** : theoretical access to Islamic windows and their economic importance .

**Second** : Islamic financial windows in the Algerian legislation

#### **2. Study importance and goals :**

the importance arises from the perspective of the Islamic finance development at the international level and its ability to respond to financial and technological developments , furthermore the necessity of highlighting the importance of dealing with the Islamic finance to activate Algerian financial system and create a competition atmosphere, without forgetting the necessity of orientate to that by looking to religious authority of Algerian nation.

The study aims at indicating the bases for adopting Islamic windows within the Algerian legislation , we are also seeking to define its economic importance, while trying to emphasize Islamic financial products as a solution and an alternative to finance in the Algerian economy include characteristics and diversity of banking products.

#### **3. Research methodology :**

To complete the research we relied on the analytical descriptive approach to highlight the theory to different nations, the 02-20 system was analyzed and read which allows to open the Islamic windows in Algeria as Islamic banking, and passing by the system 02-18 as participatory banking and trying to draw essence of their difference, relying on various laws and executive decrees.

## II. Theoretical entrance to Islamic windows and its economic importance :

The windows has found as mechanism at the level of the traditional banks provide the Islamic finance products, so how it can be defined ? and what are its characteristics ?

### 1. The definition of islamic windows :

Its known as (Ani, 2012) (Abdullah S. M., 2019)

- The regulatory modules managed by traditional banks, it is specialized in providing Islamic finance services.
- Independent administrations in traditional banking enterprises have legislative bodies which achieve and control their products.
- Islamic modules in traditional sections or the main headquarters, specialized in selling exclusive products and services.
- The part or the space specialized in the traditional bank, provides products and services in accordance with the Islamic approach in addition to the traditional bank activities.
- The system 02-20 defines it in the article 17, on a structure within a bank or a financial enterprise responsible exclusively for providing the Islamic banking services and products, where Islamic banking structure is financially independent from other bank structures or financial enterprise. (Algeria D. P., 02-20 system, Islamic banking rules, 2020)

Islamic windows idea appeared for the first time in the non-muslim countries traditional banks, responding to the muslim dealers demands who refrain to deal with the usurious products, as a mechanism for leveraging savings, the idea spreaded after that on the international level. (Mohamed, 2017)

What to refer to is two terms in this area, we find Islamic windows as we find the term of the Islamic sections, the first one are services according to Shariaa provided the traditional bank level. And the second one is larger in terms of provided transactions and services, and usually submitted outside the bank structure unlike the windows which are in the same bank.

**a- Islamic windows emergence :**The idea of establishing Islamic windows at the level of traditional banks appeared as Islamic banking and its products developing, the beginning was with Egypt's Bank in 1980, which was licensed by the Central Bank to open Al-Hussein branch for Islamic transactions, the number of branches in Egypt has evolved from 1980-1981 to 35 in the traditional banking branch. And about Saudi Arabia, which was experienced in 1987 by establishing the first investment fund under the Islamic Shariah,

through the experience of the National Commercial Bank, in 1990 it experienced the Islamic windows which have developed to become with independent management. (Elhamoud, 2011)

**b- The Islamic windows appearance reasons :**The reasons for the rise of Islamic windows can be limited primarily to the growth of Islamic banking and its ability to fulfill the wishes of its clients by prohibiting parental treatment, on the one hand, and deverticalization of products and Islamic services on the other, the Islamic windows rise motivations can be limited in the following points : (Sharif, 2005)

- Traditional banks desire to use the Muslim funds which won't be the usurious treatment.
- Increase religious awareness of the need to prohibit traditional banking and the must to orient to Islamic financial transactions.
- The rise in Islamic banking revenues compared to traditional banking.
- The reliance of Islamic finance on the principle of participation rather than the principle of interest that exists in traditional banks.
- The ability of Islamic finance to grant a variety of financial products in accordance with Sharia principles that are in line with the aspirations of customers.

**c- Legitimate judgment in dealing with Islamic windows:**Although there is a growing trend in dealing with Islamic finance products, the idea of establishing Islamic windows has faced many opinions among supporters and rejectors.

➤ **Supporters of the Islamic windows idea :**Supporters of the idea of Islamic windows issued a ruling that they can be dealt with, because they are : (Abdullah S. M., 2019)

- A mechanism to dispose the usurious.
- A mechanism that allows the use of traditional banking experience by virtue of its ability and experience, allowing the development of Islamic banking.
- A mechanism that allows transformation from the traditional banking to Islamic banking.
- The alternative solution for offering Islamic products to a significant segment of the dealers, if Islamic banks are not available or there are obstacles in dealing with them.
- A mechanism to traditional banks to recognize the credibility and efficiency of Islamic finance products.

➤ **Rejectors of the Islamic windows idea :**The Islamic windows idea rejectors relied on : (Abdullah S. m., 2017)

- Jurisprudential rule ‘the continued continued’, the dependence of Islamic windows on traditional banks cannot be concealed and thus follows the original branch of government.
- The possibility that the presence of Islamic windows may affect the establishment of Islamic banks and may be an obstacle to their full transformation into Islamic banks, only by reason of their sufficiency.
- The asymmetric competition between Islamic banks and traditional banks that own these windows.
- The desire of traditional banks to profit and gain a larger market share without considering the religious scare or the idea of conversion to Islamic banking.
- Poor application of Islamic window opening principles, and therefore confusion for customers and employees.
- The difficulty of coexisting between two different banking systems in terms of the principle of their work and their objectives.

**d- Islamic window creation and approval controls :** Islamic windows like other banking business are subject to a range of controls that contribute to their establishment and application in accordance with banking practice, and they are : **(Abdullah S. m., 2017)**  
**(Martan, 1999)**

**✚ Legislative controls :** They are the basis for the operation of Islamic windows and depend on :

- The application of Islamic law in all activities.
- The formation of a legitimate watchdog of Islamic finance scholars.
- Adoption of legitimate monitoring provisions to ensure operations.
- The traditional bank’s authority over the legitimate provisions of Islamic windows is in compliance.
- Financial and accounting separation between Islamic window and the traditional banks operations.

**✚ Legal controls :** It is about legislation and laws that run banking within a country, what is worth mentioning is the difference of the latter from a country to other what makes banking generally difficult to do, especially in the absence of a law that regulates it away from the act on the regulation of prophetic labor. The talking here about the mechanisms for conducting and regulating banking activity by the central bank.

✚ **Administrative controls :** It is based primarily on the existence of an independent administration of the Islamic window inside traditional bank, this allows window products to be continued and developed and enhanced, the financial and accounting chapter of the window should be adopted from other departments Traditional bank so that the principle of non-mixing of funds and then achieve the principles of Islamic banking

✚ **Financial and accounting controls :** To achieve proper application of Islamic windows, the principle of separating their sources of funds from those of the traditional bank must be adopted and ensuring that the financial and accounting operations of the window are separate, this is with allocating a section for budget and financial statements (all related to their preparation) go ahead with the window to supervise and check all operations.

**e- Forms of Islamic Banking Services in the usurious bank:** As a result of the development of Islamic financial products on the global scale, usurious banks have sought to adopt this kind of product that can take several forms : **(Martan, 1999) (Arafa, 1987) (Masri, 1998)**

❖ **Islamic sections :** The Bank is based on providing Islamic finance products that are approved for Sharia by establishing independent financial and administrative branches to offer this kind of products, depending on specialized human cadres.

❖ **Islamic investment funds :** Where does the latter represent the financial container used to collect the savings of individuals and invest them in securities according to the principles of Islamic law.

❖ **Islamic windows :** It is the part or space within the usurious bank, which offers Islamic finance products along with the usurious products, in response to the desires of customers who refuse to deal with usurious transactions .

❖ **Islamic finance tools :** The traditional bank is based on providing a range of Sharia-compliant funding formats to its customers (speculation, Murabaha, participation, etc.), here the way and how these tools are presented and how they commit to the principles of Islamic law.

Financial products and services are related to Islamic Shariah principles at the level of Islamic windows in relation to Islamic banking services provided to individuals and companies (opening accounts, ATM services, money transfer, etc.) and other innovative banking services. The latter also provides various credit cards to their clients of another side, these windows provide different funding formats in accordance with Sharia principles,

whether it comes to financing individuals or corporate finance, The companies involved in the operation are also looking to meet the requirements of financial technology by relying on several innovative online services (this is what we find in many of the Gulf banks with Islamic branches such as Al Jazeera, Al Mashreq Bank of the UAE and others). **(bank A. J., 2019)**

Islamic windows contribute to managing the deposits of those dealing with them, and they can invest in them through Islamic investment funds, which guarantees investment of funds deposited in various Islamic financing formats. In addition of Zakat collection and distribution service (The bank's legitimate money Zakat to the funds of its shareholders and the results of its activity here we mean the Islamic window, the depositors' Zakat that is performed voluntarily, the Zakat of the community) **(Mahmud, 2015)**

## **2. Islamic windows relationship with economic development :**

This relationship can be summarized in the objectives and motives of establishing Islamic windows in the economy, where the latter is considered as a mechanism for approaching banking operators in order to: Stimulate investment, diversify products, respond to their aspirations, by applying the Islamic approach in banking transactions.

### **a. The Islamic windows goals can be summarized in : (Shahataa, 2006)**

- To attract the money of an important segment of businessmen and savings owners who wish to deal in accordance with the provision of the Islamic Shariaa
- Replace the Haram with Halal in banking transactions
- To not make Muslims embarrassed from dealing with the usury in cities where there are no Islamic banks.
- Engaging Islamic banking products in economic life
- Encourage investment and fight hoarding by creating opportunities that are consistent with the religious beliefs of individuals and companies.
- Achieving effective solidarity between financial surpluses and those with financial shortcoming according to the Islamic approach to financial transactions
- Development of ideological and ethical values in banking transactions .
- Maintaining Commercial bank customers from competing with Islamic Bank, by providing its diverse service requirements.

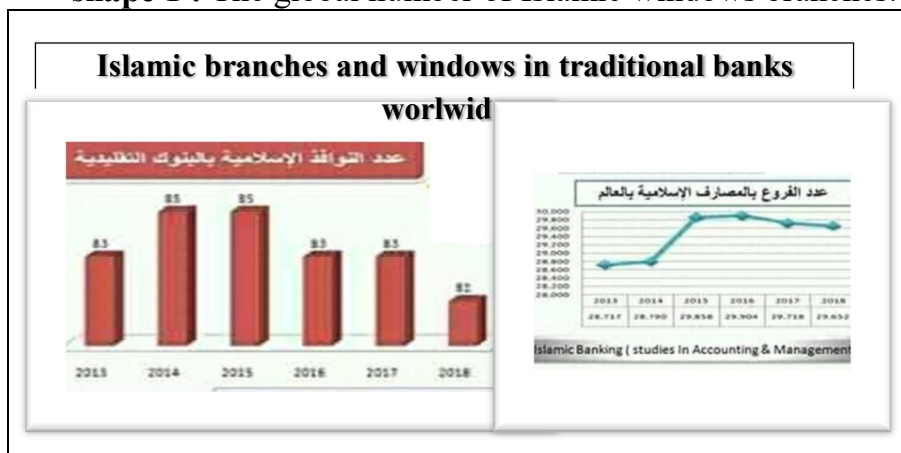
**b- Islamic windows opening motivations : (Farida, March2014)**

- **Ideological motivations :** Based on the principle of the discord of ownership of money from God to man by proxy, based on Islamic principles in financial transactions.
- **Legislative motivations :** Is based on the exclusion of interest (usury) from banking transactions and their replacement with the principle of participation.
- **Economic motivations :** It is mainly to meet customers' needs for Islamic Sharia-compliant banking products and services, seeking to raise the returns of finance by Islamic banking , it is one of the ways to face the challenges of competing Islamic banks.

**c- The global spread of Islamic windows :**

The development and global spread of Islamic finance products has helped Adopting it by traditional banks in the form of branches and Islamic windows at the level of traditional banks, not only in the Islamic world but in many foreign countries also, where did the major traditional commercial banks adopt Islamic financial products, such as in the American Citibank and the Dutch ABN-Amro and the Australian New Zealand ANZ set, Islamic windows and branches number reached 29652 on 2018 (Saad, not mentioned)

**shape 1 :** The global number of Islamic windows branches.



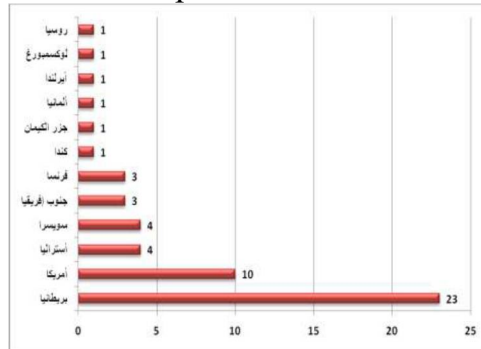
**Source :** (Shawki, 2018)

The development of Islamic windows activity was linked to its emergence throughout the Islamic and Western world, and it appeared in the British financial market by the late 1970s (1978/1979) and the beginning of the 1980s by the adoption of investment companies, offices or windows operating according to the Sharia in London, several companies have emerged that allow Islamic finance as the Islamic Investment corporation international holding, Islamic finance House in Luxembourg and the Danish international Islamic bank, solidarity company of Luxembourg & Islamic funds house in Switzerland. These institutions have adopted Islamic finance to meet the wishes of an Important segment



of Muslims in Western countries. Many arab Islamic banks have opened Islamic branches for the Muslim community in western countries, and it should be mentioned here the Experience of the United National Bank of Kuwait, which opened Manzil's branch To facilitate the purchase of homes for the externin in the Murabaha and Ijara formats. **(Hsin, Islamic finance in England- chances and challanges-, 2011)**

**Shape 2 :** The spread of financial enterprises and Islamic windows in Europe



**(Hsin, Islamic finance in England - chances and challenges-, 2011)**

### **III. Islamic finance windows in the Algerian legeslation**

The platform for adopting Islamic windows in Algeria, it came beside the efforts exerted earlier in opening the door for me Islamic banks to operate under the monetary and loan law reforms 90 – 10, the aim was to find mechanisms to leverage surplus money that did not want to deal with usurious banks.

#### **1. Leglative organisations of Islamic windows in Algeria :**

a) **The Islamic windows in the system 02-18 :**The Islamic windows were adopted in Algeria based on the system 02-18 on 26 Safar 1440 / November 4<sup>th</sup> ,2018, where the financial transactions practices rules which are related to participatory banking were clarified. **(Algeria P. D., Algeria bank, 2018).**

The Bank of Algeria has based twelve (12) articles through this system on how to apply the participatory banking within Islamic windows at the level of traditional banks, where it was based as an initial experience on three traditional banks.

- The Algerian popular loan (CPA)
- Reserve bank CNP bank
- Local development bank DBL

The process of organizing windows according to Algerian banking legislation is:

- Determine the rules applicable to named participatory products that result in the collection or payement of intrest.

- Banking processes related to participatory banking is all the processes that fall into the following categories ( Murabaha, participation, rents, speculation, makers, ladder,deposits in investment acconts).
- The products of the participatory banking are governed by the provisions of Article 3 of Regulation No. 13-01 of 26 Jumada I 1434 corresponding to April 8<sup>th</sup> 2013 concerning the General Rules of Banking conditions of financial processes.
- Participatory financial net is a service within an accredited bank or financial institution that exclusively grants services or products of the participatory banking.
- This net is financially independant of the other branches or departments of the bank or financial institution.
- A bank or approved financial institution wishing to offer participatory financial products must comply with a prior authorization request for bank of Algeria which includes:
  - Product label
  - The superintendent of the bank or financial institution is required to comply with the provisions of regulation No25 from the system 11-08 of 3 Muharram 1433 of 28 November 2011.
  - The procedure is to be followed to ensure the administrative and financial authonomy of the participatory finance nets from the rest of the banks activities.

b) **Islamic windows under the system 02-20** :The system 18-02 containing the rules and practices of bank operations related to the participatory banking system by banks and financial institutions was abolished to be compensated by the issuance of regulation 02-20 dated 20 Rajab 1441, approved for 15 March 2020, which defines banking operations related to Islamic banking and its practice rukes in banks and financial institutions. (**Algeria P. D., system 02-20 Islamic banking rules, 2020**) .

The new system included a range of materials, through which the legislature sought to clarify the practice of banks and financial institutions for Islamic banking products, particularly in relation to opening Islamic windows through twenty-two articles (22), which included:

- the need to obtain a license from the Bank of Algeria to practice this type of operation. Identify banking operations related to Islamic banking, the rules applied to it and the conditions for its exercise.

- Islamic exchange operations are required to comply with Islamic Sharia law and not to be related to the collection or payment of interest.
- The need to adhere to the prudential proportions that meet the regulatory standards of banks and financial institutions is to offer Islamic banking products.
- Banking operations related to Islamic banking finance are related to various forms of Islamic finance (Murabaha, participation, speculation, emulsion, rents, deposit accounts, deposits in investment accounts).
- Identification and explanation of operations for various Islamic products authorized from Articles 5 to 12 of the same organization with the mandatory prior authorization of the bank of Algeria for their exercise.
- The need to obtain a certificate of conformity of the said products with the provisions of the Shariah by the national Islamic financial industry referendum authority.
- The need for the bank that wants to adopt Islamic banking products as the authority of the legitimate supervision (The Commission shall consist of three persons appointed by the general assembly In accordance with article 15 of the regulation).
- The Islamic banking net is defined as a structure within a bank or financial institution that is exclusively charged with Islamic banking services and products, so that it is financially and accountably independent of other structures.
- The necessity of the accounts of customers net of Islamic exchange being separated from other accounts of clients.
- Rely on organizational structure and specialized users in Islamic financial operations.

**c) The essence of the difference between the two systems:** What is worth noting as a major difference is the appearance of a word of Islamic banking, which was first used instead of Collaborative banking, this expresses the independence of the financial system from the knot of Islamic financial operations. The system 02-20 explains the allowed Islamic banking operations on the level of Islamic windows, he explained it within materials 5-12, it added a new operation that was not mentioned in the first system, which is deposit accounts.

On the other hand, the new system pointed out the necessity of relying on a legitimate control authority whether it is related to the state of operations' compliance with Sharia provisions or monitoring it at the bank level, while the way it forms and works remains not clear till now.

The system 02-20 has focused on the need to rely on specialized human cadres in Islamic banking to follow up on these windows activity, in addition to the financial and accounting independence of the window from the rest of the other structures of the bank or financial institution, which was also mentioned in the old system.

The implementation of Islamic windows operations is linked to the instruction of the Bank of Algeria to traditional banks, which allows for starting this field with the establishment of practice mechanisms, in this field the system of 02-20 is considered a highly welcome initiative among the experts and dealers in Islamic banking field waiting for its activation. Especially since articles 4 to 9 of the System 01-20 of the historian On 20 Rajab 1441, 15 March 2020, in the official newspaper No. 16 stresses that banks and operating financial institutions must be subject to the obligation of the state In the Algerian banking system, which wants to adopt a new product You commit to : **(Algeria D. P., banking operations conditions, 2020)**

- The materials 66 to 69 from the orded 03-11dated on 27 Jumada II 1427, Augesr 26<sup>th</sup>, 2003 which describes the permitted banking operations.
- License for each new product within a private file is filed on Algeria Bank level.
- Selling and marketing of products based on the license of the Bank of Algeria.
- The wording and content of the statement are debased on a memorandum of interest of the Bank of Algeria.

## **2. Challenges of applying Islamic windows in Algeria :**

The success of the Islamic windows and Islamic exchange experience in general is based on the following requirements: **(brud, 2011)**

- **Islamic banking rationing :** relying on laws and legeslations issuance organizing it by the laws on its establishment and control as well as its relationship with the central bank. The enactment of legislation on Islamic banks and Islamic windows allows the organization of banking operations to comply with the provisions of Islamic law, with the mechanisms and provisions for their application.

- **Organize the relationship with central bank :** The monetary and loan reforms 90-10 have not been defined in a way The process of establishing Islamic banks is clear and even the regime 02-20 has not been defined Mechanisms and provisions for applying the Islamic windows that were stipulated for their establishment. In this respect, the Bank of Algeria

should establish special mechanisms for dealing with Islamic financial products according to its rules of establishment and legitimate monitoring.

- **Human resource training :** In these windows, the human resource's awareness of the correct legitimate crops of Islamic finance products removes many of the obstacles facing these operations, and it must be carefully qualified scientifically and practically.
- **regulate legitimate controls :** The issue is to appoint a legal advisory body that will ensure the opening of Islamic windows, as well as the appointment of internal auditors to monitor the operations of the Islamic window, in order to ensure that the resources of the Islamic window of the traditional bank are separated from other resources.
- **The administrative organization:** This is the matter of reconsidering the contract of establishing the traditional bank and its basic system of matching it with the procedures of opening the Islamic window on its level, preparing and integrating the employees in relation to the operation of opening the window, both in terms of the structure and accounting of the Islamic financial operations.

### **3. Reality and horizons of Islamic windows application in Algeria :**

Although laws on the application of the participatory finance system or the so-called Islamic windows in Algeria are passed at the level of traditional banks, field practice has not yet been done.

**a- Signs of Islamic windows experience in traditional banks in Algeria:** The experience of Islamic windows in Algeria is still young, given the delay of legislation regulating the activity of the latter, Whether it is the relationship between the Islamic window and the (traditional) parent bank or even the window itself in terms of its handling of Islamic banking products. Private banks have been quick to implement this type of product by adopting Islamic windows, and we find that:

- **Gulf AGB bank experience :** Where this was based on the applicable accounting standards In Islamic banks, it is about : **(Bousseta, 2016) (Algeria G. b., 2018)**
  - Law No. 07-11 of 25/11/2007 on the regulation of financial accounting.
  - The regulation No. 09-04 of 23/07/2009, about establishing bank accounts and accounting rules applicable to the bank and financial institutions.
  - The regulation No.09-05 of 18/10/2009 include creating and publishing financial statements.

Accordingly, two services were adopted in accordance with the principles of Islamic law and related to the proline product, as well as leasing finance, where in the terms of peace and Murabaha.

➤ **Trust Bank experience of Algeria :** The application of Islamic windows was adopted by providing financing formulas that are in accordance with the principles of Islamic law, by launching training courses in this field. Accordingly, the financing formula for professional careers was launched (Six occupations were approved) starting from 17/01/2018 and they are :

- TRUST IJARA MEDICAL (TIM)
- TRUST IJARA TRANSPORT (TIT)
- TRUST IJARA BTP (TIBTP) BTP
- TRUST IJARA AUTO (TIA)
- TRUST IJARA EQUIPEMENTS (TIE)
- TRUST FILAHA (TF )

➤ **BNP Paribas bank of Algeria :** He wanted to adopt the idea of Islamic windows in line with the desire of many of his clients as well as the specificity of Algerian society, where he referred to the launch of a gene according to Islamic principles, and it is related to the alternative and the leases (**Hadoum, 2014**)

➤ **Algeria National Bank :**The Algerian National Bank has adopted the products of Islamic banking based on obtaining his license to market Islamic banking products on July 30<sup>th</sup>2020 by the National Authority for the Referendum in Islamic Financial Industry, To officially start this activity from August 04<sup>th</sup>2020, to be the first public bank to practice this activity in accordance with the provisions of Islamic law (and marketing, 2020). Islamic banking operations at the Algerian National Bank include financing operations for individuals, institutions and professionals, as follows:

- Islamic savings account for young minors
- The finished loan (hardware)
- Islamic savings account
- Islamic current account
- Not restricted investment account
- Murabaha (for cars, real estate and equipment)
- Deposit account on request

**b- Islamic windows horizons in algeria :** The development of Islamic windows in Algeria depends on the necessity of recognizing their importance in To revitalize the national economy in view of the modalities of its financing that were originally approved On the principle of participation and the prohibition of usury, increase to the position of traditional banks in the Algerian banking market that It represents 90% versus 10% for the private sector and this is what Reported in the activity report to Al Baraka Bank (**bank A. B., Al Baraka bank activity reporting, 2018**), The private sector is divided among private financial institutions, including Islamic banks (Baraka Bank and Salam Bank).

The reason of these windows success is based on the global geographical coverage of traditional banks at the national level by the webs and sections number, on the one hand, and public authorities and traditional banks management on the other hand to circulate what the governor of Algeria bank called alternative financial instruments to the benefit of broader financial integration. (**governor A. b., 2018**)

In the other side, the governor of Algeria bank said that there are approximately 1500-2000 billion dinars in savings of economic agents outside the banking sector, so that the adoption of Islamic window products is considered one of the solutions to absorb these savings. (**governor t. A., 2019**)

The Islamic financial transactions ambitions remain suspended in the form of the organization to be approved by the Bank of Algeria, through which we will learn the principles and mechanisms of applying the Islamic banking in these windows and at the level of traditional banks.

**c- Islamic windows support Islamic banking in Algeria :** The first experiment for Islamic banks was the result of reforms included in the Monetary and Loan Act 90-10, where they were adopted as part of Algeria's drive to diversify the banking system. Al Baraka bank was established as the first Islamic bank in Algeria in a joint with Al Baraka function group and the rural development bank where the bank started its activation according to the Islamic Sharia principles under the law of criticism and loan (**Hafid, 2018**)

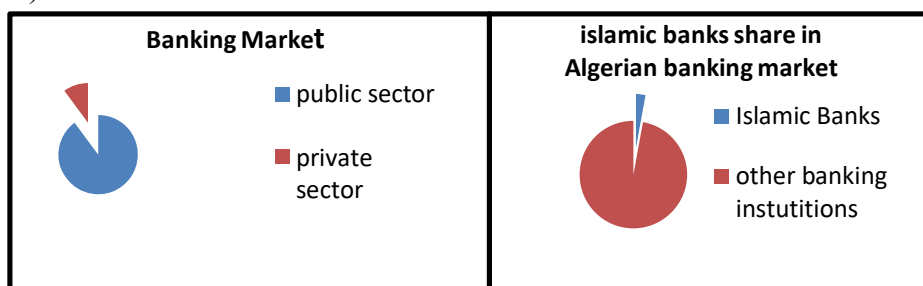
The second experiment was with the Salam Bank, which started its activity in 2008, a totalitarian bank that operates according to Algerian laws and in accordance with the provisions of Islamic law in all its transactions. (**bank S. , 2016**)

It is often pointed out in studies that the idea of establishing Islamic banks was in Malaysia 1940, where savings funds were established without interest, to let the idea move

to Pakistan in 1950 with the establishment of an Islamic bank by farmers to grant financing loans to other poor farmers to enable them to improve their agriculture without benefits, but the overall studies suggest that the first experience is the Egyptian experiment to establish an Islamic bank in 1963 through the establishment of local savings banks in upper Egypt (establishment, 2019)

However, a study revealed an article dated 1347/1928 calling for the establishment of an Islamic bank in Algeria that works according to the principles of Islamic Sharia, The basic law was prepared, his capital was collected from the senior businessmen of the Muslim city of Algiers and a name was suggested (Algerian Islamic Bank), but the project was aborted by the French occupation forces. (Bouatia, 2018)

In general, the Islamic banking performance in Algeria is centered on the activity of the two most important Islamic banks in the Algerian banking market, namely Al Baraka Bank - Algeria and Peace Bank – Algeria, Algeria's banking market is still under the control of the public sector by a percentage 90% versus 10% for the private sector, that what it helped the activity report for Al Baraka bank (bank A. B., Al Baraka bank activity report, 2018) The private sector is divided among private financial institutions, including the Baraka bank and the Peace bank. The total share of Islamic banks in Algeria represents only 2.5% or 3% of the total banking market, and the share of bankers in the private market is 17% (Heder, 2017)



In the framework of efforts exerted to reform the banking system, Algeria seeks to open the door for Islamic banks and Islamic windows at the level of traditional banks with the aim of diversifying the operations of financing economic activity, on the one hand, and trying to attract the money of an important segment of the refused dealers dealing with traditional banks.



#### IV. Conclusion

The financial products have witnessed a remarkable development in their diversity and ability to respond to the requirements of Islamic banks, which has led traditional banks to adopt Islamic financial products and services in addition to their traditional products, which are offered at the level of branches and windows concerned with this.

Algeria sought to adopt Islamic banking products based on reforms of the Monetary and Loan Act 90-10, which represented the first breakthrough in opening Islamic banks in Algeria, and efforts continued to adopt Islamic financial products and services through the first 18-02 system, where Algerian legislation indicated the possibility of adopting a participatory banking.

As a true application of this type of product, the result of the announcement of the system 02-20, when it was first pointed out that traditional banks were allowed to practice Islamic banking within a specialized structure, thus being administratively and financially independent of the rest of the traditional bank structures.

The system is an important initiative and start to the practice of Islamic banking in Algeria, contributing in its various financial forms to the start of the Algerian economy and its diversity away from fuels.

#### **Recommendations :**

- Apply banking system reform in line with the privacy of Its affiliated institutions.
- Rely on a special law regulating the products of these windows and their relationship with the parent bank.
- The mobilization of the cash bloc outside banks by providing financing needs through diversification in banking products and services, especially those related to Islamic finance products.
- Relying on a legitimate body to monitor compliance by Islamic window products with Islamic Shariah principles.
- The permanent rehabilitation of human resources operating at the level of these windows in accordance with the developments of Islamic banking.
- To give importance to Islamic windows as an alternative engine of economic development by attracting the savings of those who refuse to deal with usurious banks.
- To strengthen trust between banking institutions and their clients.

- The Islamic windows work in Algeria is accelerated through the acceleration of issuing a course instruction and the mechanisms of applying it by the Bank of Algeria.

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