

Repercussion of Compliance with Shariah Rules in the Application of the Financing Formulas of Al Baraka Bank of Algeria

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Abstract:

The study aimed to clarify and to demonstrate the impact of the investment formulas on achieving the targets of Al Baraka Bank of Algeria, and the branches of Skikda and Annaba were taken as a sample for the study. Through the field survey and application of the tool on the sample and analysis using the program (SPSS V. 21).

The study found that there is a statistically significant impact of compliance with Shariah rules when applying financial investment formulas in achieving the targets of Al Baraka Bank of Algeria. The study suggested that attention be given to the personal characteristics of the employees, specifically the academic specialization variable.

Keywords: Islamic Banks; Islamic Finance Forms; Shariah Regulations; Al Baraka Bank of Algeria.

Jel Classification Codes: G20, G21, G28.

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1. INTRODUCTION

Banks are a fundamental pillar of the economies of the countries and their main engine, because they preserve funds and develop them and facilitate circulation and plan to invest. Banks play an essential role in organizing relations between different systems of society, and facilitate the process of dealing between individuals and communities and solve most of their living issues, whether by responding to his demands or pay his bills. The roots of banks are ancient; It uses a variety of means, some of which contradict the provisions of Islamic Sharia, its aims and purposes, such as the use of interest (the riba), scientists and thinkers realized the need to benefit from banking activity, but by legitimate means that are compatible with religion in general and with Islam in particular, and the idea of Islamic banks emerged.

The effectiveness of the application of Islamic banks lies in the extent of the ability to comply in all transactions with the provisions of Islamic Sharia, in which forbidding loans with interest, unawareness and (Gharar) bilking in contracts, and refusing Forward Exchange and Futures, options and derivatives, forbidding to sell for others what we don't have, And on profit unless it is guaranteed. Unlike conventional banks, they do not comply with these provisions, although many transactions of these banks consent to them unintentionally.

The Study Problem : The problem of the study can be clarified with a major question :

How does the compliance to Shariah rules impact the application of the financing formulas in the Algerian Baraka Bank ?

This fundamental question stems from the following sub-questions:

- 1- Do the Islamic financing formulas achieve the targets of Al Baraka Bank of Algeria ?
- 2- Is there compliance with Shariah rules when applying the investment formulas in Al Baraka Bank of Algeria ?
- 3- Has the compliance to Shariah rules contributed to the application of Islamic financing formulas to achieve the Bank's targets?

Hypotheses of the study : To answer the problem of the study and its partial questions, the following main hypothesis will be tested :

The necessity of compliance to the Shariah rules when applying the financing formulas to achieve the targets of the two branches of Al Baraka Bank of Algeria.

This hypothesis has been divided into the following sub-assumptions:

Hypothesis 1: Islamic financing forms contribute to the targets of the two agencies of Al Baraka Bank of Algeria

Hypothesis 2: Compliance with Shariah rules is available when applying the Islamic investment formulas in the two agencies of Al Baraka Bank of Algeria.

Hypothesis 3: There is no statistically significant effect of compliance with Shariah rules when applying Islamic investment formulas in achieving the targets of the two agencies of the bank under study.

The importance of the study and its aims : The study reveals the importance of the Islamic economy ; And are obviously in the dogmatically premises which are better than the dogmatically premises on which Western theories are based. The problem lies in how it is applied. Therefore, attention has been given to the variable of the extent to which Shari'a rules are applied when applying Islamic investment formulas to achieve economic

development goals.

In concordance with the study's questions, the current study aims to achieve the following goals:

- Discovering the extent to which Islamic financing formulas have been reached by the two agencies of the bank under study in achieving their targets which are supposed to be harmony with the objectives of Al Baraka Bank of Algeria.
- Ensuring that the two agencies of the bank under study comply with Shari'a rules when applying Islamic investment formulas.
- Studying and analyzing the impact of compliance to Shariah rules when applying Islamic investment formulas in achieving the targets of the agencies of the bank under study.
- Outputting with a set of results and suggestions that would do the use of Islamic investment financing formulas.

2. Islamic Banks:

The Islamic Bank is defined as a financial institution operating in an Islamic framework, It carries out banking and financial services and carries out finance and investment activities in various fields in light of the Islamic Shari'a rules and regulations, With the aim of inculcating the values of Islamic ethics in the field of financial transactions, And to assist in the social and economic development of the functioning of funds in the aim to contributing to the decent life of the Islamic peoples (Sahnoun, 2003, p.96). The targets set by the Islamic Bank are as follows:

2.1- Regarding the Financial aspect: They appear in the following (Laamash, 2012, pp.9-10):

- **Attracting deposits:** It is one of the most important functions as the main source for the various financial activities, As the depositors' relationship with the Islamic Bank is based on speculation, the depositor is the owner of the capital and the bank is the speculator using this capital and The profits resulting from the investment of such funds shall be shared according to the agreed rates.
- **Investment of funds:** The Bank shall invest the received deposits in accordance with a set of financing and investment forms, taking into account the various Islamic rules and principles governing its investment activity. The aim is to achieve both social return and financial return.
- **Making profits :** The Bank, through its different forms of activity and investment, seeks to achieve profit, which is shared by the parties involved in the investment process and according to agreed ratios ; Which is an essential element to ensure continuity and sustainability in the banking market

2.2- Objectives related to customer satisfaction: Islamic banks seek to achieve the satisfaction of their various customers; and that is through (Laamash, 2012, pp.9-10):

- **Providing Banking services:** Islamic banks work with conventional banks; it was therefore necessary to pay attention to the element of the offered service, the precedence and long experience of conventional banks in this field, In addition to not complying with any legitimate rules or controls. Which requires Islamic banks to improve the level of services they provide to attract the largest number of clients and non-clients with competing banks, Enabling it to attract more savings that enable it to exploit the various

investment opportunities available.

- **Providing financment to investors:** Islamic banks, as part of the banking system, are obliged to finance clients with disabilities through a variety of financing methods that comply with Islamic financial transactions, And fit with the nature of the financed activities, and thus satisfy the needs of different customers, which distinguishes them from traditional banks that rely on the loan interest in financing investment projects.
- **Providing security for depositors:** Achieving safety is an important factor in gaining trust from depositors, by financing investments that do not violate the rules of the Islamic Shariah and at the same time make a suitable profit for the Islamic Bank and depositors, The risk to customers of the Islamic Bank is greater than that of depositors in conventional banks that guarantee the origin of deposits and grant them additional amounts calculated on the basis of interest rates. Islamic banks, however, are based on sharing profit and loss if they fail to provide a Specific and guaranteed return for depositors.

2.3- Objectives related to the development of the Bank: The objectives of the Islamic banks to achieve their development are:

- **Human Resource Development:** conventional bank employees limit their work after banking services to interest-bearing loan management, and their tasks are only limited to credit studies and guarantees. But the Employees of Islamic banks are required to be prepared for their bank's tasks and it's realizable by (Gharbi, 2008, p.50):
- **Technical qualification :** Includes the conventional banking business itself with the exclusion of all the benefits from interest ;
- **sharia's qualification (legal qualification according to sharia's rules and practices) :** It accommodates legitimate forms (sharia's rules) of financing and investment : Murabaha, forward sales, Istisna'a (Istisna' means asking someone to construct, build or manufacture an asset. In Islamic finance, istisna' is generally a long-term contract whereby a party undertakes to manufacture, build or construct assets, with an obligation from the manufacturer or producer to deliver them to the customer upon completion. In practice, the key advantage of an istisna' contract is that it can provide flexibility to the customer, where payments can be made in installments linked to project completion, at delivery or after project completion. In contrast to istisna', for salam contract the payment has to be made in full, in advance), lease, speculation and sharing, Because banking is based on jobs based on those contracts.
- **Professional moral qualification :** Includes the rules of self-behavior that affect the Functionality, and Rules of conduct with owners of property rights in the bank and investment account holders and employees, And rules of conduct with Bank customers and other related parties.
- **Achieving growth rate:** One of the most important factors that helps Islamic bank to ensure its survival and continuity in a competitive banking market is achieving growth.
- **Geographical and social spread:** The Islamic Bank seeks to expand locally and

internationally, to attract funds and employ them in various economic fields; especially after the financial crisis that hit the banking sector in most countries in 2008, and attention turned towards the Islamic financial system as distinct from traditional systems.

2.4- Objectives related to the innovative aspect: In the environment where Islamic banks live, the creation of an Islamic alternative to various banking transactions that meet the needs of individuals and institutions, And in various fields of trade, agriculture and industry, a challenge facing the functioning of these institutions. Facing competition with conventional banks, Islamic banks are diversifying their banking and financial products and services to attract the largest number of customers and absorb the growing demand from them, As well as the development of various investment methods that enable them to invest funds in various fields, In addition to enabling the parties involved in investment operations to achieve their objectives, taking into account the controls financial transactions approved by Islamic sharia rules.

3. Islamic banking controls:

Islamic banks are based on controls that supervise their transactions and activities, which can be classified into:

3.1- sharia's controls: Shari'a controls governing the work of Islamic banks are:

– **Prohibit interest/usury :** the spread of dealing by usury under appellation of interest, according to the Islamic rules, the interest wich the conventional financial system are based on, is forbidden (Alam eddine, 1993, p.36).

– **Prevention of Gharar (sort of bilking in contracts) :** The gharar in the terminology of jurists has different definitions that can be limited in three directions (Al Darir, 1993, p.11):

The first trend: makes the gharar limited to what does not know is obtained or not?

And goes out of the unknown, for example: the definition of “Ibn Abidin”: Gharar is the suspicion of the existence of the sale.

The second trend: “Ibn haram” says: gharar in selling is what the buyer does not know what he bought or what the seller sold.

Third Trend: Combines the two previous trends, it makes the gharar comprehensive for what he does not know and the unknown, for example: definition of “AL Sarkhsi”, Gharar what is the hidden consequences, which is the opinion of most scholars. It is one of the best definitions, because it is a combination of the jurisprudential particles introduced by the scholars under Gharar.

– **Prevent injustice :** All financial transactions in Islamic Sharia are based on the principle of justice and the prevention of injustice of all kinds and forms, on the grounds that the contracts and transactions based on which corrupt whether injustice to one or both parties. This purpose was intended to safeguard the interests of the people and to satisfy all parties in the financial contracts (Al- Khulaifi, 2004, p.29).

3.2- Economic and financial controls: Islamic banks are subject to a range of economic and financial controls that make their work legitimate and contribute to the realization of

developmental dimensions in the economy and society, Represented in:

- **Save money and developing it:** preservation and development of the money by investing it in legitimate ways, and away from investments that do not achieve any added value in the economy, and focus on those that meet the real needs of society pursuant to the priorities of investment in Sharia, and prohibit hoarding funds (Subhani, 2009, p.37).
- **Achieve real development:** through focusing on real investment in sectors of various types that will have positive effects of reaching a comprehensive development of society (Al- Sweilem, 2007, p.64).
- **Risk control:** The risk element is a distinct element of financing and investment in the Islamic economy from the positive economy. All parties involved in the investment process bear part of the risks that may occur in the future, without any guarantee by any party, as is the case with conventional banks The funds deposited with them shall be included with the increase in the amount of interest and without the party's profit being at the expense of the loss of another party (Al- Sweilem, 2007, p.64).

4. Islamic Financing Formulas in Islamic Banks:

The Algerian Baraka Bank operates the following forms of financing: Murabaha, Leasing, Istisna'a. In addition, it dealt with the Mudaraba financing method at the beginning of its activity but did not succeed in it. Among the forms of Islamic finance are the following (Almaghribi, 2004, pp.153-154):

- **Murabaha:** Murabaha is one of the most common financing formulas used in the Islamic banking market, namely, request of a customer from the bank to buy products determined and specified by the customer to be purchased from the bank Murabaha (profit agreed) and pay the price either in cash or in installments periodically agreed between the bank and the client. The sale of Murabaha is required to be a material tangible commodity and not valid for services and cash transfers. The Murabaha financing is a normal Murabaha without a promise to buy from the client, Murabaha with a non-binding promise from the customer and Murabaha with a binding promise from the customer to buy.
- **Speculation (mudaraba):** It is in Islamic thought taken linguistically from beatings in the ground wick means traveling in trade, and the term lending or speculation are terms of one meaning. An agreement between two parties in which one of them makes money (the owner of the money) and the other makes his effort and activity in the trade and work this money (Mudarib), that the profit between them according to what they agree.
- **Sharing (musharaka) , Participation:** One of the most flexible and comprehensive forms of Islamic finance, it is a contract between two or more parties (the Islamic Bank and the customer) to work for earning by business, money or integrity. In other words, the bank uses the funds deposited in its own projects. It is based on confidence and proxy, each partner is honest on the money of his partner and his proxy in the conduct of the disposal of the capital of the company within the limits mentioned in the contract terms, The Islamic Bank participates in the potential results, whether profit or loss in the light of rules and principles of distribution agreed between the bank and demanded funding before the

start of dealing between them, In which the participant's work is determined by a certain percentage of an unknown profit. Hence, it is important for Islamic banks to adopt this method of investment and share with others in different fields to get a return on profit. There are two types of co-financing, continuous participation/sharing, decreasing participation (Finished with giving the ownership).

- **Ijara (leasing):** Islamic banks practice the Ijarah formula as one of the investment and finance formulas. Ijara is defined as "a contract on a beneficial purpose that is known to be permissible, Where Islamic banks purchase the required asset and lease the benefits at the customer's request and then lease it to the operating lease or Ijarah, ended by transferring the ownership to the client, With the promise or non-promise to sell at the end of or during the term of the lease contract, as agreed (Alani Qutaiba, 2013, p.50).
- **Istisna'a (forward contracts):** Istisna'a is known as a contract with a maker is based on specific thing, the duty and the condition of his work on the manufacturer, Istisna'a is a contract between a person wishing to work with Istisna'a formula (the buyer) and the manufacturer (the bank) at the request of the this person, to have prescribed commodity, or obtaining it upon delivery. The material of manufacture or the cost of labor shall be from the manufacturer and the price should be agreed upon and how to pay either in cash or in installments (Ayyash, 2016, pp.130- 131).
- **Salam (forward contracts):** is the sale of a commodity in which the seller undertakes to supply some of the goods concerned to the buyer at a future date for a specified amount in advance and paid in full immediately. The money is paid in cash but the supply of the purchased commodity is delayed. This method is suitable for financing agricultural operations. Farmers who expect to obtain abundant commodities during harvest are treated with their crops or other crops where they can purchase and deliver them if their crops fail. Is to meet the small agricultural projects that need the costs of growing their crops until harvest time. As well as the production facilities that produce production units as a final product or units used in other production stages for large companies such as the production of some components of cars (Al Asraj, 2010, pp.11-12).
- **Al-Qard al Hassan (the good loan):** Islamic banks are almost unique in this formula and are a competitive advantage for the Islamic banking industry. It is a contract between two parties, one of which is the lender and the other is a borrower in which the lender's money is paid to the borrower, provided that the borrower returns it to the lender at the agreed time and place without interest (Khulaifi, 2004, pp.7-8).

5. Islamic Financing Formulas in Islamic Banks:

5.1- Scope Of Study: The substantive limits of study explored the impact of investment formulas on achieving the development objectives of Al Baraka Bank of Algeria. Spatial limits: The study was carried out by the two agencies of the Al Baraka Bank of Algeria in the East, namely: Skikda Branch and Annaba Branch. Time Limits: The field study was conducted during 2019. The human resource limits of the study covered all the staff of the two branches of Skikda (18 employees) and Annaba (26 employees).

5.2- Methodology of The Study: regarding the theoretical aspect of the study ; The descriptive approach was adopted, which allows to describe theoretically the studied phenomenon , based on library searches by referring to the most important of the theoretical literature of the books and theses and periodicals on the concepts related to Islamic banks and their financing forms, As for the field, the researcher adopted the descriptive approach which allows describing the studied phenomenon as it is in reality without the intervention of the researcher, which depends not only on collecting information, but on analyzing and interpreting it to reach the most important results and suggestions that we hope will contribute to the development and improvement of the reality.

5.3- Community and Sample of The Study: The community of study is figured by all employees of the branches of Al baraka bank of Skikda and Annaba, and their number is (44) workers, The study sample included all members of the community. A total of 38 questionnaires were retrieved (86.36%), representing the number of completed forms.

Al Baraka Bank of Algeria was selected as a model for Islamic banks in Algeria, which takes into account in its dealings the Islamic principles of not dealing with riba (usury), or the type of projects it finances. It is the first public-private Islamic bank established in Algeria, established on 20 May 1991 as a joint stock company under the Monetary and Loan Law. It is based on the principles specified by Islamic law in the framework of the provisions of financial transactions, which are framed by jurists, thinkers and Muslims within the framework of the system of sharing (musharaka), and it is dependent on its operations to respect the provisions of Islamic sharia'a, whether related to its relationship with depositors and financiers or Including banking, investment and financing activities.

5.4- The Tool Of Study: The primary study tool for collecting primary data was the questionnaire. The tool is designed by using a pentagram of likert scale so that the scale ranges from 1 to 5 which is from « totally agree » to « totally disagree ». This is illustrated in table (01):

Table N°1: grades of the study scale

Rating	Totally Disagree	Disagree	Neutral	Agree	Absolutely Agree
grade	1	2	3	4	5

It was divided into three axes as follows:

The first axis : concerns the personal variables and includes (gender, age, qualifications and experience).

The second axis: the extent to which the Islamic finance formulas are capable of achieving the objectives of the "Skikda" and "Annaba" branches of Al Baraka Bank of Algeria.

The third axis: taking into consideration the legitimate aspects (sharia provisions) of the branches of "Skikda" and "Annaba" belonging to the Al Baraka bank of Algeria.

5.5- Honesty/precision of the tool of study : The validity of the internal consistency of the study tool paragraphs was calculated (Second and third axis) by « **Pearson Correlation Coefficient Calculator** » Between each expression and the total score of the domain, its affiliate, As in Table (02):

Table N°2: The correlation coefficient of the paragraphs of the domain and the total score of the tool

The Second Axis			The Third Axis		
Phrase Number	Pearson Correlation Coefficient	Moral Level	Phrase Number	Pearson Correlation Coefficient	Moral Level
01	0.733**	0.000	01	0.887**	0.000
02	0.843**	0.000	02	0.837**	0.000
03	0.747**	0.000	03	0.911**	0.000
04	0.639**	0.000	04	0.727**	0.000
05	0.752**	0.000	05	0.776**	0.000
06	0.528**	0.000	-	-	-
07	0.655**	0.000	-	-	-
Total correlation	0.899**	0.000	Total correlation	0.853**	0.000

Source: prepared by the researcher, based on the results of the SPSS V.21 program.

** correlation coefficients are indicated at the level of indication (0.01)

It is clear from Table (02) that all the expressions are indicated at the level of indication (0.01) indicating that all the components of the tool of the study have a good degree of clearance that makes them suitable for field application.

5.6- The Stability Of The Tool: To ensure the stability of the study tool was used the equation "Cronbach Alpha" using the SPSS V24 program has reached the degree of stability of the tool (0.878), which is very good value and indicate that the questionnaire is consistent and valid for the purpose of study, As in Table (03):

Table N°3: Alpha Cronbach coefficient of stability of the tool of study

The Axes	Number of paragraphs	Coefficient of Cronbach Alpha stability
The extent to which Islamic financing is able to achieve the Bank's objectives	07	0.820
Taking into consideration the legitimate (shari'a provisions) aspects of the bank	05	0.874
Total stability coefficient of the questionnaire	12	0.878

Source: prepared by the researcher, based on the results of the SPSS V.21 program.

It is clear from Table (03) that the stability of the tool of study and its axis is high. The coefficient of stability of the extent of the ability of the Islamic financing formulas reached the objectives of the bank (0.820). As a whole (0.878), which are high coefficients showing the validity of the study tool for field application.

5.7- Statistical Processing: After completing the data collection and emptying the responses of the sample members, the data was processed statistically using the SPSS V.21 program. This statistical treatment was according to the study questions as follows:

- iterations and percentages to describe the study sample;
- the equation "Kronbach Alpha" to calculate the stability coefficients of the study tool;
- Pearson correlation coefficients to ascertain the veracity of internal consistency between the expressions and their respective axis;
- Use descriptive statistics of arithmetical averages and standard deviations;
- Relying on the indicative statistics of simple regression analysis.

5.8- Description of the sample of the study in terms of personal variables (gender, age, scientific qualification, scientific specialization and experience: The results show that there is an equal ratio between males and females in the study sample, ie 50% males and 50%. This is due to the nature of the institution's activity. The administrative nature of the two agencies makes the chances of employment equal for both sexes. While 63.1% are between the ages of 30-40 years and 21.1% of those between the ages of 41 and 50, while the category of less than 30 years is 15.8%. In terms of scientific qualification, 92.1% of them have a bachelor's degree, representing 35 employees, while the rest, representing 7.9%, are holders of a master's degree. In terms of specialization, we find that the largest proportion was for finance, accounting for 47.4%, followed by economics with 36.8%, followed by Accounting and Business Administration with 7.9%. In terms of experience, 39.5% had 11-15 years of experience, 28.9% had 5-10 years of experience, and the remaining 15.8% were equally divided between the less than 5 years and 16 years and over.

5.9- Presentation and discussion of the study's results:

5.9.1- Results for answering the first question: The question is: Do Islamic financing formulas achieve the objectives of Al Baraka Bank of Algeria?

To answer the first question of the study, the arithmetical averages and standard deviations were obtained to determine the extent to which the Islamic financing formulas were able to achieve the objectives of the "Skikda" and "Annaba" branches of Al Baraka Bank. The results are presented in Table (04). The arithmetic averages have been classified and given the following grades:

From 1 - 2.33: low grade; from 2.34 - 3.67; middle grade; from 3.68 - 5: high grade.

Table N°4: Extent of the ability of the Islamic financing formulas to achieve the objectives of the branches of "Skikda" and "Annaba" of al baraka bank of Algeria

Phrase	Arithmetic Average	The Standard Deviation	Degree Of Approval	Ranking
1- The financing formulas achieved profitability for the bank	4.315	0.471	elevated	01
2- Financing formulas have achieved liquidity for the Bank	3.973	0.395	elevated	03
3- Financing formulas have achieved growth and expansion of the bank	3.864	0.633	elevated	02
4- Financing formulas have helped	3.631	0.713	average	05

attract financial savings				
5- The Bank focuses on the Murabaha formula for its profitability	3.763	0.589	elevated	04
6- The Mudaraba formula poses a greater risk to the Bank	3.605	0.495	average	06
7- Difficulty implementing, the Bank's sharing formula	3.526	0.506	average	07
General average	4.236	0.544	elevated	-

Source: prepared by the researcher, based on the results of the SPSS V.21 program.

Table (04) shows that the general arithmetic mean of the extent of the ability of the Islamic financing formulas to achieve the objectives of the branches of Skikda and Annaba of Al Baraka Bank of Algeria is 3.864, which is the average of the third category of the triple scale (3.68-5), Which indicates a high degree of approval, which means that respondents, in general, strongly agree on the ability of Islamic financing formulas to achieve the objectives of Al Baraka Bank of Algeria

It is also clear that the averages of the Axis phrases range from (3.526) to (4.315), ie, there is a difference in the degree of approval of the ability of the two agencies of the Bank to achieve their objectives.

For phrases in which the opinions of the sample members are elevated, they are arranged as follows:

- **Phrase (01):** "The financing formulas achieved profitability for the bank" with an average of (4.315) and a standard deviation (0.471). This demonstrates the extent to which the various financing models of Mudaraba, Musharaka, Murabaha, ijar (mease), the Istisna'a and the Salam have managed to achieve financial returns for the Bank.
- **Phrase (03):** "Financing formulas achieved the growth and expansion of the Bank" with an average of (4.236) and a standard deviation (0.633). Which indicates the success of Al Baraka Bank and this is confirmed by the spread of branches of Al Baraka Bank across the Algerian national territory as follows:
 - Branches of the center: Khattabi Algiers, Bir Khadem, Rouiba, cheraga, el Harrach, Blida, Kouba, Tizi Ouzou, Bab ezzouar.
 - Branches of the West: Oran 2, Oran, Tlemcen, Sidi Bel Abbes, Chlef, Mostaganem.
 - Branches of the East: Constantine, Constantine 2, Bordj Bou Arreridj, Setif, Setif 2, Bejaia, Batna, Annaba, Skikda, Ain Melilla.
 - Branches of the South: Ghardaia, el oued, Laghouat, Biskra.
- **Phrase (02):** "The financing formulas achieved liquidity for the Bank" with an average of (3.973) and a standard deviation of (0.544). This means that financing formulas have helped to provide liquidity; they are a means to achieve the goal of profit. Liquidity can not be an end in itself, because the investor seeks to profit rather than to achieve liquidity, and liquidity is a subsidiary of profit. In providing liquidity to the Bank.
- **Phrase (05):** "The Bank focuses on the Murabaha formula for its profitability" with an average of 3.763 and a standard deviation of 0.589. As the Murabaha formula is less risky and more secure when paying the receivables than other formulas.

For phrases in which the opinions of the sample members of the study are medium, they are arranged as follows:

- **The Phrase (04):** "The financing formulas have helped attract financial savings" with an average of (3.631) and a standard deviation (0.713). Which means that the bank has contributed to the collection of deposits and savings, which is a necessary indicator to assess the role of Islamic banks as this is within their responsibilities, and one of its main functions, which seeks to collect the capital element as the most important elements of production?
- **Phrase (06):** "The financing Formula of Mudaraba constitutes a greater risk to the Bank" with an average of 3.605 and a standard deviation of 0.495. Perhaps the most important reasons for the risk of dealing in the form of speculation lies in the lack of moral commitment to the requester funding, which prompted to avoid dealing with this formula because of the risk to the bank.
- **The Phrase (07):** "Difficult to implement the al musharaka (sharing) formula in the bank" with an average of (3.526) and a standard deviation (0.506). The difficulty in dealing with the form of participation can be attributed to the lack of moral obligation of the requester of finance as in the form of speculation, which is difficult to implement in the Algerian Islamic banks.

5.9.2- Results related to answering the second question: The question is: Is there a commitment to Shariah rules when applying the investment formulas in Al Baraka Bank of Algeria?

To answer the second question of the study, the arithmetical averages and standard deviations were extracted to determine the extent of compliance between the subsections of Skikda and Annaba of Al Baraka Bank of Algeria. The arithmetic averages have been classified and given the following grades:

From 1 - 2.33: low grade; from 2.34 - 3.67; medium grade; form 3.68 - 5: elevated grade.

Table N°5: Taking into consideration the sharia'a (legitimate) aspects of the branches of "Skikda" and "Annaba" affiliated to the Bank of Al Baraka Algeria

Phrase	Arithmetic Average	The Standard Deviation	Degree Of Approval	Ranking
1- availability of the elements of Shariah provisions, internal control and an effective system of Shari'a information	4.315	0.574	Elevated	04
2- Protecting shareholders' rights against illegal use	4.315	0.774	Elevated	05
3- The application of the Islamic formulas to invest in follow-up with the scholars issued opinions and sharia'a legitimate opinions to avoid the bank's mistakes	4.394	0.495	Elevated	03
4- Review and audit the approved forms of financing by the Bank's Shariah committee	4.710	0.459	Elevated	01
5- Giving feedback by details in the financing forms	4.605	0.495	Elevated	02

General Average	4.468	0.465	Elevated	-
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Source: prepared by the researcher, based on the results of the SPSS V.21 program.

Table (05) shows that the general arithmetic mean to take into consideration the legitimate aspects of the branches of Skikda and Annaba of Al Baraka Bank of Algeria was (4.468), which is the average of the third category of the triple scale (3.68-5) An elevated degree of approval, which means that the elements of the sample, in general, agree to an elevated degree, that the branches of "Skikda" and "Annaba" belonging to Al Baraka Bank of Algeria the bank take into account the legitimate aspects in their bank dealings.

It is also clear that the average of the phrases of the axis ranges between (4.710) and (4.315), ie there is no difference in the degree of approval of the phrases in the axis from the sample of the study. In all phrases, the degree of approval was elevated and was arranged as follows:

- **phrase No. (04):** "Reviewing and verifying the financing formulas approved by the Bank by the Shari'a Board of the Bank" with an average of (4.710) and a standard deviation (0.495).
- **phrase No. (05):** "Comments and observations by detail in Financing Formulas" with an average of 4.605 and a standard deviation of 0.495.
- **phrase No. (03):** "The application of the Islamic formulas to invest in follow-up with the sholars issued opinions and legitimate opinions to avoid the bank's mistakes" with an average of (4.394) and a standard deviation (0.495).
- **phrase No. (01):** "The elements of Shari'a supervision, internal control and the existence of an effective legitimate information system" with an average of (4.315) and a standard deviation (0.574).
- **phrase (02):** "Protection of shareholders' rights against illegal use" with an average of (4.315) and a standard deviation (0.774).

5.9.3- Results related to answering to the third question: The question is: Did the compliance to Shariah rules in the application of Islamic financing formulas contribute to the achievement of the Bank's objectives?

To answer this question, "simple regression analysis" was used to detect the effect of compliance with Shariah regulations on the achievement of the objectives of the two agencies, "Skikda" and "Annaba" of Al Baraka Bank of Algeria, and are shown in Table (06).

Table N°6: Analysis of the simple regression of the effect of the compliance of the two branches under Shari'ah controls when applying the Islamic financing formulas in achieving the objectives of the bank

	Total squares	df	Average squares	Value (F)	level of indication	Selection coefficient (R ²)	correlation coefficient
Regression	1.675	1	1.675	14.646	*0.000	0.289	0.538
mistakenness	4.118	36	0.114				
Total	5.794	37					

Source: prepared by the researcher, based on the results of the SPSS V.21 program.

*indicates at the level of indication (0.05)

Table (06) shows that there is an effect of the commitment of the two branches under Shari'ah controls when applying Islamic financing formulas to achieve the objectives of the bank, given the value of SIG (0.000) indicating a statistically significant effect at (0.05) To comply with the Shariah rules when applying the Islamic financing formulas in the two branches, which helped to achieve the objectives of the two branches of the bank under study. As shown by the Pearson correlation coefficient ($0.538 = R$), there is a positive correlation between compliance with Shari'a controls when applying Islamic financing formulas and the Bank's objectives. The results show that the value of the coefficient of determination ($R^2 = 0.289$) means that compliance with Shariah rules explains approximately 29% of the Islamic investment financing formulas for the Bank's objectives.

6. CONCLUSION

6.1- Results: Based on the case study that was applied on branches of Skikda and Annaba belonging of Al Baraka Bank of Algeria, an answer was found to the questions and hypotheses of the study and can be included as follows:

- The Islamic financing formulas achieved the objectives of the two branches "Skikda" and "Annaba" of Al Baraka Bank of Algeria. The results of the questionnaire on the extent of the ability of the Islamic financing formulas to achieve the objectives of the branches of the bank under study confirmed that Islamic investment formulas contributed to the achievement of:
 - Profitability of the Bank;
 - Growth and development of the Bank;
 - Providing Liquidity for the Bank;

The results also showed that the two branches of the bank under study were based on the Murabaha formula for its guarantee, safety and less risk compared to the Mudaraba (speculation) and Musharaka (sharing) formulas.

- The commitment of the two branches under study to the Shari'ah controls in the application of the Islamic investment formulas, as confirmed by the results of the questionnaire concerning the legitimate aspects of the two branches. And the degree of approval of the sample investigated was elevated, and confirms this result and what is stated in the results of the first axis of avoiding the two branches to deal with the formulas of speculation (mudaraba) and sharing (mucharaka), which can be attributed to the lack of moral commitment to the requester funding. Which confirms that the two branches distanced themselves from dealing with formulas that it considers difficult to apply the legitimate provisions and controls.(according to sharia's rules)
- The results of the study showed that the commitment of the two branches to the Sharia'a controls when applying Islamic investment formulas contributed to achieving the objectives of the two branches of the bank under study. This was confirmed by the test of the moral level which was below the assumed level of 0.05. In the sense that achieving the objectives of the two branches of the bank under study is linked to the extent of observance of Shariah controls when applying Islamic investment formulas.

6.2- Suggestions: In light of the results, the following suggestions can be proposed:

- The scholars of jurisprudence adopt such topics and studies to ascertain their legitimacy.
- Focus on the media, conferences and seminars to introduce the provisions and controls legitimacy (according to charia'a provisions) of the forms of investment finance in banks.
- Establishment of special departments and centers to teach the Islamic economy and Islamic banking in all institutes and universities. What was observed by studying the personal characteristics of the study sample is the absence of employees holding certificates in the Islamic economy.
- The task of training the staff of the bank on the products and controls and procedures legitimacy (according to sharia'a rules), where the employee newly recruited is immediately coached in the bank in a legitimate session on the basics of Islamic banking.

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