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Maghreb countries (Algeria - Tunisia - Morocco) towards Islamic banking - a comparative analytical study –

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Abstract

This study aims at highlighting the various reforms that the Maghreb countries (Algeria, Tunisia, and Morocco) have pursued since their independence in order to financially liberalize their banking sectors and direct them towards Islamic banking. The study has relied on the analytical-descriptive approach and the comparative approach.

The study concluded that the Maghreb countries have worked to keep pace with global economic and financial changes by adopting expanded legislative and regulatory policies to ensure the liberalization of their economies, especially their banks.

In terms of adopting Islamic banking, these countries have taken important steps toward adopting this type of transaction. However, this is not sufficient and does not fulfill the customers' aspirations of these countries, who wish to obtain a rich and varied assortment of products that meet their financing needs within the framework of Sharia.

Keywords:
Maghreb countries;
Banking sectors;
Financial liberalization;
Islamic banking.

JEL Classification Codes: G12; G14; G18; G21; Z12

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1. INTRODUCTION

The world and the global economy have witnessed multiple changes that are still interacting with each other. These changes have been reinforced and perpetuated by fundamental forces principally globalization. The latter has manifested in removing all restrictions that prevent the movements of goods, services, capital and labour. It has also supported institutional and economic alliances and blocs that were reinforced by the technological and informatics dimensions. Many studies have proven that globalization has clear repercussions on the banking sector in any country in the world. It has increased the intertwining and the integration of financial and monetary systems, especially after adopting the World Trade Organization agreements, specifically the agreement to liberalize financial and banking services. This has led to a clear divergence in the competitiveness of the banking sectors of each country separately. Thus, they were prompted to search for ways to keep pace with these global changes by diversifying their provided services and developing new ones. In addition, they adopted products of the Islamic banking as alternative products that were globally accepted in light of the financial crises experienced by even the largest banks in the world.

In light of this situation, the banking sectors of the Arab Maghreb countries were found to be in a sensitive situation, especially that the banking sector is considered one of the most responsive activities to these changes. It is considered the main financier for the economic development of these countries and the real front of it. The Maghreb countries (Tunisia, Algeria, and Morocco) have paid special attention to the reform and liberalization of their banking systems through many directives, deterrent and regulatory laws that focus on the effective conduct of the role entrusted to their banks. This role is prevalent in banking the financial intermediation between the owners of surplus and those who are in need of money taking into consideration all segments of society with their different affiliations, interests, sects and religious backgrounds in order to attract and meet the needs of the largest possible group of them.

Based on the above, the following question can be asked:

What is the reality of Islamic banking in the Maghreb countries (Algeria-Tunisia-Morocco)?

To answer this question, the following hypothesis was formulated:

Because Islam is the religion of the Maghreb countries, it is certain that their banks have relied on Islamic banking since their inception.

This study aims at investigating the various reforms produced by the Maghreb countries (Algeria-Tunisia-Morocco) since their independence in order to financially liberalize their banking sectors and direct them towards Islamic banking.

In order to reach the desired goal, answer the posed question, and verify the proposed hypothesis, the descriptive analytical approach was relied upon. This study is divided into the following axes:

- The emergence and development of banking sectors in the Maghreb countries;

-Fundamentals of Islamic banking;

The reform policies and methods adopted by the Maghreb countries (Algeria - Tunisia - Morocco) for adopting Islamic banking.

2. The emergence and development of the Maghreb countries banking sectors (Algeria-Tunisia-Morocco):

The Maghreb countries were colonized by the French occupation. After independence, these countries inherited some of the banks that were working for the colonial state. These countries nationalized the colonial legacy to start a series of successive reforms to develop these fragile banks inherited from the one hand and to develop banks bearing the banner of national sovereignty on the other hand.

In general, the banking sectors of the three Maghreb countries are considered to be newly established compared to most of the world banking sectors. Their structures are still weak and fragile. The following will address the most important reforms that these countries have adopted with regard to their banking sectors:

2.1. The Algerian banking sector:

The Algerian banking sector was an inevitable extension of the French system with all its characteristics and components. Algeria has possessed a wide network of banks based on the liberal system which included 24 foreign banks before independence. These banks were considered as the most developed financial institutions compared to any other colony (Abdel Moneim Muhammad al-Tayeb, 2004). By December 31st, 1962, the independent Algeria had its necessary legal and institutional tools to extend its monetary sovereignty such as the establishment of the Algerian Central Bank (http://www.bank-of-algeria.dz/html/legist1.htm). The latter which is dated back to the colonial period, was established during the French occupation under the law issued on July 19th, 1843. It has become what was known as the Algerian Tunisian Bank in the year 1949. During this stage, it had the right to issue to both Algeria and Tunisia, in addition to determining interest rates and the rediscount ceiling and the banks supervision. After the independence of Tunisia, the right to work in the two countries was lost. Later on, it was the basic nucleus from which the Central Bank of Algeria was established on the first of January 1963.

The colonial period was characterized by the dependence of the Algerian economy on the French one. So, most of the financial and banking institutions were branches of French or European banks or financial institutions (Ait Akash, 2013). In 1963, the National Fund for Development was established, to later become the Development Bank. A year later, the Algerian national currency, the National Development Fund, and the Savings and Reserve Fund were issued (Ali Boudlal, 2005).

The other step towards reform was embodied in introducing some amendments and reforms at the level of monetary and banking policy through establishing a loan council and a technical body for banking institutions in 1971 (Ammour Ben Halima, 2001). In 1986, Algeria witnessed structural banking reforms within the shift from an oriented economy towards a market economy. These reforms were embodied in the enactment of the Bank and Loan Law of 1986[(6)], which reduced the role of the public treasury in financing investments and gave the real role to the central bank to be the main bank. Because this law has some shortcomings, it was followed by another amending and supplementing Law No. 06/88 in 1988. It ensured the independence of banks and financial institutions and allowed them to resort to the public and request foreign debts in a form of long-term credit. It also allows the establishment of private banks.

In order to liberalize the financial and banking system by removing obstacles facing foreign investment and restricting administrative interference in the financial and banking sector, which generated huge inflation in the country, Algeria introduced a new banking law known as 90/10 Law "Monetary and Loan Law". This law was considered as a fundamental step for banks` reform and the creation of a new supervised body represented in the Banking Supervision Committee (C. Bia, 2006). This law had several objectives including: encouraging foreign investment, restricting the administrative interference in the banking sector (Bettaher Ali, 2006), embodying banks independence principle, led by the Bank of Algeria, and regulating the credit process. (Salima Rekiba, 2016,).

At the beginning of 2003, the Algerian banking sector experienced a strong shock following the bankruptcy scandal of Al-Khalifa Bank, the Commercial and Industrial Bank. The reason was that private banks did not respect the precautionary rules. In addition, the control devices and tools managed by the Central Bank were ineffective. In August of the same year, the Presidential Order of 03/11, which amended and complemented the Monetary and Loan Law, was issued. It liberalised the Central Bank from the government in drawing up monetary policies and implementing them within the framework of the censorship exercised by the Ministry of Finance (Hayet Nedjar, 2014). It was followed by the 04/01 article issued on March 04th, 2004 which is related to the minimum capital of banks and financial institutions. Then, the regulation, which identifies the creation of compulsory reserve norms in the booklets of the Algerian Bank No. 04-02, was issued. Another regulation No. 04-03, which is related to the bank deposit guarantee system, was issued (Saliha Bentalha, 2004). It was followed by another regulation No. 11-08 of November 28th, 2011 that is related to the internal control of banks and financial institutions.

The Central Bank of Algeria examined the monitoring, vigilance and warning mechanisms in 2007, as it worked to follow up the banks through resistance tests in addition to solidity indicators.

In 2010, the bulk of the bank rating system was completed to comply with international standards. This system was tested in 2012 on two banks, one public and the other one is private.

In 2013, this system was generalized to include the rest of the banks (bank-of-algeria.dz, Report 2013).

In 2014, the prudential regulations were revised by Regulation No. 14-01 of February 16th, 2014 taking into consideration all Basel II standards and some Basel III recommendations. The year 2017 witnessed the issuance of Regulation No. 02-10 of July 01st, which is related to the exchange market between banks and tools to cover exchange risk (bank-of-algeria.dz, rapport 2017).

2018 witnessed the issuance of regulation No. 18-01 on April 30th. It amended and supplemented Regulation No. 04-03 of March 4th, 2004, which was related to the bank deposit guarantee system to ensure better protection for depositors. In the same year, another Regulation No. 18-03 of November 04th was issued. It was related to the minimum capital of banks and financial institutions operating in Algeria aiming at raising the minimum capital due for payment by banks and financial institutions. It was followed by the issuance of Regulation No. 18-02 of November 4th, 2018. The latter includes rules for practicing banking operations related to participatory banking by banks and financial institutions. Another Regulation No. 20-02 was issued on March 15th,

2020. It defines banking operations related to Islamic banking and the rules of its practice by banks and financial institutions. (joradp.dz)

2.2 The Tunisian banking sector:

Since its independence in 1956, Tunisia pursued a development strategy in which the task of collecting savings was assigned to the financial sector at a low cost. Those costs were directed to the public governmental institutions and spent them on priority sectors (Wade D. Cook & Moez Hababou, 2005).

The beginnings of the banking sector in Tunisia went back to the end of the 19th century. Several banks were founded, for instance the French Tunisian Bank (1879) and the Tunisian Bank (1884), in the midst of the French capital domination in the form of financial "commission" and then in the form of protection. At that time, the sector was mainly devoted the colonial's interest as well as for the development of the French companies. The first bank with Tunisian capital did not appear until 1922, when a number of merchants established a cooperative loan company. (http://www.uabonline.org).

As for the establishment of a Tunisian banking system with its institutions and laws that govern its work, it goes back to the year 1958 when the Central Bank of Tunisia was established in addition to two other public institutions. Since then, the government managed its financial sector, which has employed since 1996 a principal programme for restructuring aiming at strengthening its financial base and modernize its institutions. This structural reform was part of the country`s strategic direction. It focused on enhancing growth and monetary stability, particularly showing a new banking scene characterized by the rationalization of a number of its institutions and an increase in their size, taking into account the specificity of the Tunisian banks.

After that, the Tunisian banking sector became relatively developed and covered the entire Tunisian territory. It includes the central bank, commercial banks, investment banks, offshore banks, as well as specialized financial institutions. In order to better understand the Tunisian banking sector, two long periods will be chosen in order to know the developments of this sector. The first period was before the introduction of the Structural Adjustment Program (PAS) from 1970 to 1985. The second period extends from the implementation of the structural adjustment program to the current situation (from 1986 till now) (Hamza, 2011):

The stage before the structural adjustment program (1970-1985): During this period, the Tunisian financial system in general and the banking system in particular suffered from a series of problems and failures due to some reasons. Notably, the government’s domination of this sector, the financial repression policy of the monetary authorities and the ineffective methods of financing that the government practised. In addition, this stage was characterized by limited banking supervision and prudential regulation due to the direct control of the Central Bank for credit allocation and the banks` engagement in unprofitable projects. This resulted in debt accumulation and non-performing loans. Therefore, some of these banks reluctantly grant new loans.

The banking competition was minimal because the banking activity was divided, therefore, banks were specialised in depositing and lending. At that time, banks were not engaged in foreign competition due to the restrictions imposed on commercial transactions and capitals as well as the limitation of the direct foreign investments. Due to this issue in the monetary market, commercial banks encountered liquidity problems, which prompted it to refinance from the Central Bank.

The stage after the structural adjustment program (1986-up to now): The liberalisation of the Tunisian financial sector was part of this structural adjustment that aims to establish a free economy based on the supply and demand law. It is driven by the private sector based on the market law that was partly planned by the International Monetary Fund (IMF). Thus, the restructuring of the banking system began in 1987. The aim of this restructuring was to push banks to be more competitive and more responsible for making decisions related to credit.

These reforms focused on mobilizing savings and increasing the resource allocation efficiency, as follows (http://www.bct.gov.tn)

- In 1987, interest rates were liberalized and prudential regulations were introduced to work at the banks level.
- In 1988, commercial banks were allowed to make credit allocation decisions and set interest rates by eliminating the requirement to obtain prior permission from the Central Bank to make credit decisions.
- In 1991, the amount of treasury bills required by banks was reduced.
- In 1994 with the establishment of a secondary market, banks were no longer obligated to finance from the Central Bank through treasury bills. During this year, Central Bank prudential supervision was imposed on banks through on-site inspections and external audits.
- In 1999 banks were obliged to apply Basel rules.
- In 2002, European banks were granted a license to open bank branches in Tunisia.
- In 2005, a legal framework was established to govern electronic transfers of funds in light of modern technologies use.
- In 2013, new capital adequacy standards were employed and loan institutions were forced to allocate additional savings in order to cover net risks. Banks were also required to establish an internal control system to combat money laundering. (http://www.bct.gov.tn)
- In 2014, the Tunisian Central Bank issued a publication related to the review of the liquidity regulatory ratio. It aims at enabling Tunisian banks and banking supervision to possess a dynamic prudential tool for measuring and managing liquidity risks inspired by Basel III standards.

2017 was considered the year of major banking reforms in Tunisia in which the banking law was revised in July 2016. This law established the principles of good governance, competition and transparency in regulating the banking market starting from granting credit and licensing to practice banking activity, up to the stage of default and the possibility of rescue. According to this law there was:

-Creation of new bodies, namely: the Licensing Committee and the Rescue Committee of the defaulted Banks and Financial Institutions, as well as the committee in charge of imposing penalties, and the bank deposit guarantee fund

- Adoption of a five-year plan of action for the Tunisian Central Bank in the field of banking supervision. It includes several projects aimed at creating a convergence by 2020 between the precautionary framework and Basel standards, in order to ensure the transition from compliance control to risk-based supervision.

During the year 2020, Tunisia benefited from a loan granted by the Arab Monetary Fund. This aims at supporting the monetary, financial and structural reform efforts initiated by the Tunisian authorities since the beginning of 2019 in order to enhance the ability of the banking sector to face the Covid 19 pandemic repercussions. The reform program was based on four axes represented in promoting financial innovation, enhancing financial inclusion, developing payment systems, strengthening banking supervision and financial stability.

2. 3. The Moroccan banking sector:

The history of the banking system in Morocco dates back to the Green Island Conference in Spain, which in 1906 authorized major countries to open branches of foreign banks in some Moroccan cities, especially Tangiers, Casablanca and others for the aim of trade and exchange. The major banks that were supporting the mother colonial companies in North Africa such as “Paribas” Bank of Paris and the Lowlands (BNP Paribas) played a role in paving the way for imposing the French protection on Morocco in 1912 after the inability of the warehouse to pay the owed external debts and the difficulty of financing European trade and purchases (http://www.bkam.ma)

Throughout this period, the state of Morocco was linked to the French exchange system. Also, several foreign banks were established after the First World War, their number was increased especially after the Second World War. The Moroccan Commercial Bank is considered the oldest in Morocco. It was founded in 1911 by Jewish families in Casablanca and had strong alliances. Other branches of foreign banks were established such as "Bank of America", "Banco Espagnole", "Credit Leonie", the Dutch "Gemaninik", "Warms" and the "Arab Bank", which reinforced the national belonging in that era facing the colonial European banks. At that time, the activity of exchange shops spread intensively in some open cities such as Tangier. Tangier enjoyed a special international system that made it a free zone and a transit port to Europe. The city comprises the largest foreign community including Asians, Americans, Jews, who were displaced from central Europe, and Andalusians. It became a financial centre and a haven to transfer the Jewish families' savings who were thinking of immigration to the United States and Canada in the forties, fifties and early sixties. (HabouIssa, 2012).

In the aftermath of independence in 1956, the Central Bank of Morocco and the Institute of Issuance were established. New laws for financial and banking activity were enacted including the northern regions of Morocco on the Mediterranean that were under Spanish control or international protection.

In the early years of Morocco's independence, and after the withdrawal and elimination of foreign companies as well as the departure of the colonists, the state intervened to impose its control on the local banking system, including foreign banks. The government worked on printing a national currency, 'the Moroccan Dirham'. This was followed by its decision to withdraw from the French Franc Club, which included the African colonies that continued to deal with the African franc. Since then, the value of the dirham in the new exchange system has been determined by the Moroccan Central Bank. (Coulibaly, 2012)

The emergence of the June 30th, 1959 law was considered as a new birth for the banking and financial system in Morocco. Morocco established at that time four large financial institutions to finance economic projects in all fields. Thus, the Deposit and Management Fund (DMF) to manage the financial portfolios of the state treasury was established. The National Fund for Agricultural Loan (CNCA) was entrusted the task of financing farmers' activity, irrigation and food sufficiency. However, the National Bank for Economic Development (NBED) emerged as an institution to finance the production projects, manufacturing industries and the private sector. The Estate and Tourism Loan (ETL) was directed to finance touristic buildings, housing, and hotel investments. Another bank joined to the group was the Moroccan Bank for Foreign Trade (MBFT) which entrusted the task of developing foreign trade. The Popular Bank (CPM) entrusted the task of financing the handicrafts sector and the remittances of migrants.

In parallel with the liberalization of banking activity in the country, the Banking Law of 1967 strengthened the role entrusted to the Moroccan Bank, especially with regard to supervising the banking profession. During the period (1976-1990) the Moroccan banking activity relied on a framework system characterized by specialization in the banking transactions field. ((http://www.cese.ma). By the beginning of the 1990s, the legislator carried out more reforms, which raised the bank activity liberalization as well as strengthening precautionary laws. In 1993, a new law was passed that codified financial activity with the dedication of inclusiveness principle that made it possible to separate the fields of each of the deposit banks, investment banks, and development banks activities.

In 2004, the Moroccan banking sector witnessed a change in its structural features. The number of Moroccan banks decreased to become 17 banks due to the huge merge of the two largest Moroccan banks, which are Wafa Bank and the Moroccan Commercial Bank.

The Law No. 34-03 of 2006 was considered a decisive turning point in the history of the Moroccan banking system. That is by precisely defining the banks activities and the powers of guardianship and oversight authorities. This reform made it possible to redefine the terms of reference of the advisory bodies, and to strengthen the role and independence of the Moroccan Bank in supervising the banking system (http://www.apsf.pro).

However, the year 2007 was considered the year of developments, as the periodical of Mr. Wali of the Moroccan Bank was issued, which is considered as a legal document of the Moroccan participatory banks experience. It has based on three products including (Murabaha, Musharaka, and Ijara). Although it fulfilled many achievements during the short period of its entry into the Moroccan banking business, it encountered several problems, perhaps the most prominent of which was its adoption by traditional banks due to the absence of an Islamic bank in Morocco. However, this experience was the cornerstone before the Moroccan legislator issued a law of participatory banks. In 2014, the Moroccan financial authorities issued Law No. 12-103 related to credit institutions and similar bodies. Its third section was entirely devoted to the participatory banks (Anwar Bouhlal, 2019).

In 2008, the legal and regulatory environment of the Moroccan banks was strengthened by adopting new precautionary rules through applying Basel II rules. The solvency coefficient applied to the Moroccan banks was raised from 8% to 10%. During this year, the Moroccan banks were obligated to apply international accounting standards. IAS/IFRS. At the end of the year, 90% of the banks published their financial reports in accordance with these standards.

In 2010, the Finance Law put measures in place in order to cope with the tax treatment of Murabaha products offered by banks. During the previous two years, they suffered due to their high cost compared to the usury products.

The year 2012 witnessed the adoption of a new financial solvency rate for banks, where a rate of 12% was adopted instead of 10%. In cooperation with the Ministry of Finance, a new draft banking law was completed.

In the context of keeping pace with global changes, the Moroccan authorities decided in 2014 to place Moroccan banking institutions within a legislative and regulatory framework that develops them and avoids various shocks. At the level of the legal framework, Law No. 12-103 was issued related to credit institutions and similar bodies. It also set the legal foundations that, allow the emergence of new actors and new financial services, particularly in the field of participatory finance. This law also defines the organized framework to exercise the macro-prudential supervision while strengthening the crisis-resolution mechanisms available to the Central Bank of Morocco. During this year, the Central Bank also strengthened the rules related to governance, consolidated the independence of the bank, and incorporated the responsibility of the institution in the field of financial stability.

Due to the emergence of cybercrime dangers, rules related to the hacking of information systems have been set. The Central Bank of Morocco has begun to develop a framework for cooperation with the General Directorate of Information Systems Security of the National Defence Directorate in order to enhance the security of the banking sector information systems. On the other hand, the banking authorities worked throughout 2016 to provide the best conditions for launching participatory banking activities. The accounting framework related to financial information has also been adapted to the characteristics of the new activity. For the account's compilation, the International Accounting Standard "9 IERS" related to financial tools; which was put into practice in 2018 has been adopted. Within the framework of strengthening cross-border supervision, the Moroccan Bank expanded the scope of international cooperation. It was prevalent from the signing of 3 new agreements in the field of banking supervision coordination with the central banks of Tanzania, Rwanda and Jordan. This has increased the number of agreements concluded within the countries in which Moroccan banks are located to reach 12 banks. The Moroccan banking sector is considered one of the most effective sectors in the Maghreb region through its spread and presence in many countries of the world, especially in Africa where it is present in more than twenty African countries. It directly contributes to the development of the African financial system, through the promotion of trade exchange and capital movement within the African continent (https://www.finances.gov.ma)

3. Fundamentals of Islamic banking:

The work of banks is based mainly on interest. Since this work is considered useful and necessary in contemporary societies, the Islamic researchers have suggested an alternative banking model; which does not base on interest. The latter was soon transformed in the mid-seventies of the last century to what is known as the Islamic banks.

Islamic banks represent the practical application of the Islamic banking idea; therefore, the nature of this banking can be defined through defining the Islamic bank and clarifying the doctrinal determinants guiding the nature of its work (al-Khaqani, 2010) . In general, the Islamic bank is defined as: “An Islamic organization that operates in the field of business with the aim at forming the Muslim individual and the Muslim community, developing them and providing them with favourable opportunities to advance on Islamic foundations adhering to the rule of what is halal and what is forbidden.” It is also defined as: “A banking financial institution that works to collect funds and employ them within the scope of Islamic law, in a way that serves the building of Islamic integrated society, achieving fair distribution, and putting money in the Islamic path”. It is also defined as an establishment that starts banking activities and avoids dealing with usurious interest whether taken or given – described as a transaction prohibited by Shari'a – as well as avoiding any action violates the provisions of Islamic Sharia" (al-Shammari, 2018)

Islamic banks are distinguished from other banks by a set of characteristics. The most important of these are; (Abdo, 2009)

• Exclusion of dealing with interest: Since the interest rate that the traditional banks deal with is a form of usury, it was necessary for the Islamic banks not to deal with it because it is forbidden. This means that they do not deal with interest, whether it is apparent or hidden, fixed or mobile.

• Correcting the function of capital in society: Islamic banks refuse to trade in money, as they do not accept to lend money, but rather it provides finance in money so that it is not used for other purpose than the purpose for which it was requested. It, therefore, contributes in the economic activity movement through real investments based on participation and not on the loan. This feature enables the relationship between the bank and its customers to be based on partnership rather than on the basis creditor and debtor.

• Adhering to the golden rule: This rule is represented in what is halal and what is forbidden. The Islamic banks work to purify their banking transactions from everything that contradicts Islamic law, while adhering to other Islamic directives, which are represented in the following:

- The rule of fine for fine: the right to profit is proportional with the willingness to take risks;

Commitment to the rule of Kharaj by guarantee: The one who guarantees the thing may obtain the revenue generated from it;

- The rule of worthiness in money: Money is belonging to the God and humans are in charge of it. So, it was necessary for humans to dispose this money according to the management of its owner, who is the Almighty God.

• Multi-functional banks: They play the role of commercial banks, business banks, investment and development banks. Their activities are not limited to short-term banking operations like commercial banks, or to medium and long-term ones like non-commercial banks.

Linking economic development with social development: Economic development cannot be achieved without taking into account social development. The ultimate goal of these banks is to promote social returns for the benefit of the Islamic nation.

• Subordination of Islamic banking transactions to Sharia supervision: It is defined as ensuring the extent to which the Islamic financial institution's business conforms to the provisions of Islamic Sharia according to the fatwas issued and the decisions approved by the fatwa authority;

• Commitment to strive to achieve the elements of social solidarity among society members: This feature includes financing social activities that aim to deepen the meaning and content of positive cooperation and effective participation among citizens. Among the most important social services we list:

• The service of collecting and distributing zakat, whether it is the zakat of the bank's money or the zakat of its dealers for those who delegated it;

• Providing good loans, where a good loan is defined as a loan without interest;

• Contributing to social projects, which include charitable works, from which Islamic banks do not seek to make a profit, but rather aim to provide social services such as building homes for the elderly, mosques...etc.

The Islamic banks or what is known as participatory banks are only financial institutions with developmental and social goals that operate within the framework of Islamic law. They also work to collect zakat and spend it in their sponsoring banks in a way that achieves social solidarity among individuals and works to correct the function of capital in society. Therefore, these banks aim at achieving the following (Helmy, 2005)

-Involving both capital and work experience in economic development by providing non-interest banking services;

- Encouraging investment and non-hoarding by creating many opportunities and formulas for investments suitable for individuals and various institutions;

-Work to develop deposits and search for areas to invest in a way that benefits the Islamic community and its members (Bekhit hassan, 2014).

- Providing project financing service from-to individuals and institutions in accordance with methods and transactions that are consistent with the provisions of Islamic Sharia;

-Carrying out direct investment operations in accordance with legitimate investment formulas to achieve profits for shareholders and depositors;

- Establishing a network of cooperation and integration between the economic units within the society that restricts to the Islamic approach;

Linking economic development to social development, and working to spread the principles of Islam through zakat and the financial policies followed by the bank.

Islamic banking in the Maghreb countries has made its way to occupy a prominent place in the banking system of these countries, despite the short age of the Islamic banking industry, which does not exceed forty years, in addition to many humans, legal, cultural challenges and obstacles that hinder the work of Islamic banks in these countries. The non-proliferation of Islamic banks in the Maghreb region is due to several reasons, including the following:

- The absence of regulatory systems appropriate to the nature of the Islamic banking activity,

- The lack of clarity or perhaps the absence of a relationship between Islamic banks or other banks and institutions practicing Islamic banking, and the central banks that regulates and supervise the banking industry;

-Weakness and rarity of human resources and qualified and trained executives not only in terms of technical aspect of the work, but also in terms of their conviction to work in the Islamic banking;

-Weakness or lack of developed capital markets, the lack of developed capital markets in these countries represents a major obstacle for Islamic banks to invest their money in long-term investments that help economic and social development in these countries.

-Fear of lack of transparency.

4- The reform policies and methods adopted by the Maghreb countries (Algeria-Tunisia-Morocco) in adopting Islamic banking:

As previously mentioned, the banks of the Maghreb countries are relatively new banks as they were countries occupied by French colonialism, and the majority of their banks were fragile banks that were inherited from the colonialists. A series of successive reforms to develop this legacy on the one hand and to create banks that bear the banner of national sovereignty on the other hand has begun. The most important reform policies and methods adopted by the banking sectors of the Maghreb countries (Algeria-Tunisia-Morocco) within the framework of their adoption of Islamic banking can be summarized as follows:

1.4. For the Algerian banking sector:

The emergence of the first private bank in Algeria dates back to the year 1990. This bank was the result of reforms and changes that affected the banking system and work as a whole, within the framework of the 90-10 Monetary and Loan Law. This law allowed for the first time the establishment of national private banks and branches of foreign banks in Algeria. In addition, it aims at liberalizing the sector from the dominance of public banks and the embodiment of the principle of free banking competition and keeping pace with the wave of global banking liberalization. As a result of this, dozens of financial institutions and new private and mixed banks appeared which provide their customers with various banking services. Among these banks, the Algerian private bank of Al Baraka, which provided various banking services (a comprehensive bank) subjected to the Islamic Sharia, was founded in an Algerian-Saudi partnership. It was founded on December 06th, 1990, few months after the issuance of the Monetary and Loan Law. It actually started its activity in September 1991. It was considered at that time the first private bank of an Islamic nature in Algeria. In 2008, Algerian Bank granted accreditation to a new bank in this field “Al-Salam” Bank, which is Algerian-Emirati cooperation. Thus, it becomes the second

Islamic bank in Algeria and its largest private bank. (Ben Aissa Alaya, 2019).

In spite of the short experience of the Islamic banks in Algeria and the many problems they face, such as disrespecting their privacy, they have achieved very satisfactory results. The activity growth rate of banks operating according to the Islamic law rules in Algeria amounted to about 15% on average, which is faster than the pace of traditional banks. The phenomenon of opening counters providing Islamic banking services has widely spread in private banks operating in Algeria, due to a lot of requests and the great demand for it by customers who do not want to deal with usurious interest. Within the framework of its policy aiming at achieving global local development and in response to the requests of the Algerian customer, the "Gulf" Bank AGB provided solutions for Islamic financing through proposing a wide variety of banking products that are compatible with the Islamic Sharia provisions. The most important of which is the “Murabaha” formula. The percentage of loans granted in accordance with Islamic Sharia in 2013 reached about 22% of the total loans granted by this bank. As for the private bank "TRUST BANK ALGERIA", and within the framework of expanding its banking services to reach most segments of Algerian society, it has worked to open Islamic counters that provide its customers with Islamic financing solutions according to the Murabaha formula. In addition to the participatory savings account that allows the bank to share its profits with customers. In the same context, the BNP Paribas Algeria worked to start providing Islamic banking services, by offering Islamic products according to the leasing formula. So, despite the Algerian precedence in applying Islamic banking compared to the other Arab Maghreb countries, the financial and monetary authorities in Algeria neglected the legal and legislative framework for its development. The Islamic banks operating in Algeria remained subject to the same legal frameworks of traditional financial activities. It does not benefit from the services of the Central Bank due its discriminative dealings with other banks, especially with regard to refinancing. After more than 26 years of Islamic banking activity in Algeria, the Monetary and Loan Council approved the regulation related to conditions for banks and financial institutions to practice banking operations related to Islamic financial products. This regulation comes due to the increasing demand for legalising the Islamic banking transactions. The 18-02 law issued on November 4th, 2018 defines the rules applicable to products that do not require the receipt or payment of usurious interest. These products are represented in: Murabaha, Musharaka, Mudarabah, Ijara, Istisna'a and Soulam in addition to the deposition in investment accounts and controls for opening counters in conventional banks. This step confirms the seriousness of the Algerian authorities in integrating Islamic financial institutions into the Algerian financial system. Also, opening the way for benefiting from its ability to expand financing, saving and investment tools for institutions and individuals, which would remove one of the biggest obstacles to the development of the Islamic finance industry in Algeria. Although there are no articles regulating other financial products (symbiotic insurance and Islamic cheques), there is at least one legislation that organises the work of Islamic financial institutions in their part related to banking and its various products. Therefore, the availability of the legal and legislative framework helps these institutions to perform their developmental and economic roles according to their specificity. This was also supported by the issuance of Regulation No. 20-02 of March 15th, 2020, which defines banking operations related to Islamic banking and the rules for its practice in banks and financial institutions. The legislator sought through it to clarify the practice of Islamic banking products by banks and financial institutions, especially with regard to opening Islamic counters. (Talkhoukh, 2021)

4.2. For the Tunisian banking sector:

The Islamic banking experience began in Tunisia in the eighties, despite the absence of a special legislative framework regulating the sector. In the year 1983, “Best Bank” was established, which later became “Bank Al Baraka”. It was the result of a Tunisian-Saudi partnership. In addition, the Arab Islamic Banking Corporation was established in 2000. Also, Noor Islamic Bank was established in 2009. In the year 2010, Al-Zaytouna Bank was established after receiving the licence to act in the Islamic banking sector in accordance to the law that regulates the contractual banks activity in light the absence of legislation for such banks. The "Zitouna" bank was considered the first Tunisian governmental bank operating in accordance to the principles of Islamic Sharia. It provided its customers with financial services that were compatible with Islamic financing techniques in addition to traditional banking services (uabonline.org). Following the 2011 revolution that overthrew the regime of President Ben Ali, a number of laws in 2012, 2014 and 2016 stipulated a new tax system for various Islamic financing mechanisms with the aim of modernizing the banking and financial sector. In March 2016, the Ministry of Finance published a memorandum to legalize these services in three banks, namely "Al Baraka Bank", "Zaytouna Bank" and "Best Lease". The volume of Islamic assets in Tunisia amounted to more than 2 billion dollars, or about 4% of the total banking (uabonline.org).

The activities of the "International Bank of El Wifak", which started its activity in 2017, was considered an addition for the banks that provide Islamic banking services. The International Bank of El Wifak that has enriched the Tunisian financial area, is a comprehensive bank that operates in accordance to the principles of Islamic banking. This bank has provided the private, institutional and professional clients with a range of new financial services and products in accordance to the principles of Islamic banking. In addition, it provides advanced digital applications that enabled its customers to carry out financial operations remotely with ease and comfort.

4.3. For the Moroccan banking sector:

Morocco is considered one of the countries that have not adopted the Islamic banking early. In general, Morocco has gone through several attempts to open counters that deal with the Islamic method. The first of which was in the middle of the last century in 1984, by Muhammad Al-Faisal, the owner of Faisal Islamic Bank. He expressed his desire to establish an Islamic bank in Morocco with a capital of eight billion centimes. After the Moroccan Association for Studies and Research in Islamic Economics was established, it adopted the initiative to establish Islamic banks. Thus, three banking services were launched including Murabaha, Musharaka, and Ijarah which were stopped by the Moroccan Bank. The Moroccan state did not have any legislative or regulatory document that sets controls for dealing with Islamic banks and allowed them to operate in the country. The year 2007 was an exception, which saw the issuance of the periodical Mr. Wali of the Moroccan Bank. It was considered as a legal document to test the Moroccan participatory banks. The periodical was limited to adopting only three products (Murabaha, Musharaka, and Ijara). Despite of its importance and achievements during the short period of its entry into Moroccan banking work, this experience has encountered several problems. Perhaps, the most prominent of which is its adoption by traditional banks due to the absence of an Islamic bank in Morocco. It was the first attempt before the Moroccan legislator issued a law on participatory banks. The Moroccan financial authorities issued Law No. 12-103 related to credit institutions and bodies considered in their jurisdiction. Its third section was entirely devoted to participatory banks, which is considered a strategy by the Moroccan state to intensify investments on the part of the Gulf countries and support small and medium enterprises, as well as giving an opportunity to citizens who are reluctant in dealing with usurious banks with an opportunity to work with these types of new banks. (Anwar Bouhlal, 2019)

5. CONCLUSION

The Maghreb countries (Algeria-Tunisia-Morocco) worked to keep pace with the global economic and financial changes by adopting expanded legislative and regulatory methods and policies to ensure the liberalization of their economies, notably their banks. Especially that, the banking and financial sector in these countries was characterized after independence by adopting financial constraint policies through subjecting it to multiple restrictions in the field of deposits and lending. In addition, there was lack of real competition between banks in the local market, fragmentation of banking activity, escalation of risks due to the high percentage of non-performing loans, large contribution of the public sector to the ownership of banks and its control over the management of all their operations. Also, payment systems and the infrastructure of the financial sector in general were weak.

So, during the end of the 1980s and the beginning of the 1990s, the policies adopted by the Maghreb countries had an impact on the creation of new monetary and financial markets. Thus, they resulted in the adoption of indirect monetary tools and the liberalization of interest rates. Also, through which self-rule was given to banks in credit allocation decisions. In addition, through the reform process, various restrictions and barriers were eliminated by allowing private and foreign capital to employ in the banking sectors. The primary objective of these financial reforms was to move towards the use of indirect tools of monetary control as well as to adopt internationally accepted methods of supervision and prudent regulation, and to modernize the legal and institutional structures of the banking systems. Another goal of the financial liberalization programs is to break the practices of financial repression, which are reflected in the administratively determined interest rates and quantitative controls on the allocation of credit that takes place through the system of determining credit ceilings. In addition, programs have been developed that limit the economy's dependence on local banking capital and encouraging foreign capital through licensing the establishment of foreign banks.

Financial openness in the Maghreb countries differed from one country to another in terms of its history, the degree and the methods of using and managing it within the framework of the transitional phase of financial and banking institutions from a directed economy to a free economy. In addition, the policies adopted in reforming the financial and banking system, in particular, differ from one country to another.

In terms of adopting Islamic banking in the Maghreb countries (Algeria-Tunisia-Morocco), Morocco has not adopted Islamic banking early. It is considered one of the countries that encounter great advances in applying this kind of transactions. It has worked on inserting legal systems that allow its use by Islamic banks or what is known as comprehensive banks. It has also allowed other institutions to be able to practice it under affiliated counters according to certain and specific conditions published in the Official Gazette of each country. However, this is not sufficient and does not live up to the aspirations of the customers of these countries who hope to obtain a rich assortment and a variety of products that meet their financing needs within the framework of Islamic law, leading to a fair distribution of wealth among the members of the same society.

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