
Islamic Banking: From Quantitative Growth to the Challenge of Institutional Maturity

-A Case Study of Algeria

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Abstract:

This study examines the development dynamics of Islamic banking in Algeria and diagnoses its challenges, beginning with an overview of this emerging sector amid constraints on its full potential. Using descriptive and analytical methods with Bank of Algeria data (2021-2023), the results show rapid growth in Islamic financing and deposits, signaling major opportunities for expansion with notable public bank participation. "Salam" and "Murabaha" contracts dominated, while participatory modes grew modestly. Despite quantitative momentum, gaps persist, requiring integrated reforms to regulatory, governance, and legal frameworks to achieve institutional maturity.

Keywords: Islamic banking, Financing, Deposits, Bank of Algeria, Public banks.

Jel Classification Codes : G21, E58, Z12, O16, L32.

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1. Introduction :

Today, Islamic banking represents a growing global economic force, witnessing notable development across various regions of the world, owing to its proven ability to absorb economic and financial crises and to adapt swiftly to changing conditions. This industry is characterized by its capacity to attract capital and integrate it directly into national economies, making it an appealing alternative to interest-based conventional banking. Despite this increasing global expansion, Algeria has experienced a noticeable delay in integrating Islamic banking into its banking system. However, the growing public awareness of the importance of Shariaa compliant financial transactions, in addition to the rising demands for the adoption of an Islamic banking system, accelerated the introduction of this industry into the Algerian banking model. The starting point was the issuance of Regulation 18-02 in (2018), which governed participatory banking operations, leading to the establishment of Islamic windows within conventional banks. Subsequently, Regulation 20-02 was issued in (2020), defining Islamic banking operations and the rules governing their practice, and it is considered the actual regulatory framework for Islamic banking in Algeria.

1- Main research problem:

Despite the rapid quantitative growth witnessed by the Islamic banking sector in Algeria since the establishment of the regulatory framework in (2020) reflected in the increasing number of branches and windows, as well as the volume of deposits and financing, its contribution to the national economy and its market share remain weak. Based on this paradox, the central research problem of this study revolves around the following question:

- How can the evolution of Islamic banking in Algeria be described from its origin to the present day? What are the major structural challenges it faces? And what are its current trends and future prospects in the context of economic imperatives and ongoing regulatory initiatives?

2- Sub-questions:

To answer this main problem, the article raises a set of sub-questions that constitute its analytical structure:

- What are the real motives behind Algeria's adoption of Islamic banking, and what are the legal and regulatory frameworks that have governed the course of its development?
- What are the main features of the development of Islamic banking performance in Algeria during the period (2021-2023)?
- What is the nature of the challenges that face Islamic banks in Algeria and limit their ability to grow and expand effectively?
- What are the fundamental pillars which the monetary and financial authorities in Algeria must work to establish in order to support and develop the Islamic banking sector, and ensure its sustainability and effective contribution to economic development?

3- Hypothesis

This study is based on a general hypothesis which posits that the current growth dynamics of Islamic banking in Algeria are primarily quantitative in nature, driven firstly by regulatory support and secondly by the emerging demand for Islamic banking products. The challenges limiting its effectiveness do not lie in a lack of

opportunities, but rather in the weakness and fragmentation of its institutional framework. Accordingly, the solution does not reside in partial measures, but rather requires a comprehensive reform approach that simultaneously addresses regulatory and governance dimensions within a legal framework.

4- Objective of the study:

Within this framework, the aim of this scientific article is to analyze the development of Islamic banking in Algeria, assess its performance and contribution to economic and social development, and shed light on the challenges it faces and the future growth opportunities available to it. This research is based on both descriptive and analytical approaches, drawing on data and statistics from the Bank of Algeria's report, in addition to reviewing relevant literature and previous studies on the subject.

5- Axes of the study:

To achieve these objectives, this article will address the legal and regulatory framework of Islamic banking in Algeria, followed by an analysis of performance based on indicators and data from the Bank of Algeria during the period (2021-2023). Finally, the article will conclude by presenting the challenges facing Islamic banking in Algeria and its future prospects, with the aim of offering recommendations and proposals for the development of this sensitive sector.

First: The theoretical framework of Islamic banking:

The last decade has witnessed significant growth in the global importance of Islamic banking. Islamic banking, in particular, has emerged as an alternative and competitive financial system to the conventional banking model. This type of banking system is no longer confined to Muslim societies but has attracted the interest of various countries due to the principles of justice and inclusiveness on which it is founded.

The rapid expansion of this sector stems from the ability of Islamic banking to offer financial and investment solutions that comply with Shariaa, meeting the needs of a broad segment of clients.

1- The concept of Islamic banking:

In linguistic and juristic usage, the term [Sayrafa] (banking) refers to the expertise and skill in distinguishing good quality gold and silver coins from inferior ones, and to the practice of exchanging some currencies for others as required in such transactions. For example, it is said: [Saraftu al dinar bi al dirahim] meaning "I exchanged a dinar for dirhams." The active participle from this root is [Sayrafi, Sayraf, or Sarraf] the latter being an emphatic form, referring to the money changer or expert in currency.

According to al Maṭrazi, [Sarf] or (exchange) between dirhams implies a difference in quality and value, that is, a premium. The one who knows and distinguishes these differences in quality and value is referred to as a [Sarraf, Sayraf, or Sayrafi].

In juristic language, [Sairafa] also refers to the profession of the [Sayrafi], the money changer by trade. Linguistically, [Sayrafi] denotes a critical expert in the matters of coinage (gold and silver) and their subtleties and hidden features (El Taarifat El Fiqhiya, 1/472, p. 356).

In juristic terminology, the term refers to a person who customarily undertakes the exchange of currency for the public, distinguishing genuine from counterfeit coins, exchanging some for others, receiving funds on behalf of clients, safeguarding them, and lending them, according to his profession, which is known as

[Sayrafa or Djahbatha]. Accordingly, Ibn Abidin stated: "What is meant by the [Sayrafi] is the one from whom merchants borrow and to whom they entrust their funds."

Islamic banking is a comprehensive financial system based on the rulings of Islamic Shariaa, involving the provision of financial and investment services in adherence to the principles of the prohibition of usury, excessive uncertainty, and gambling, while promoting economic and social development (El Nechmi, 2010, p. 312).

Islamic banking refers to the banking activities and operations that adhere to the rulings of Islamic Shariaa in all transactions, aiming to achieve balanced economic and social objectives while upholding Islamic ethical values (El Fandjari, 2012, p. 45).

Islamic banking is a set of financial operations and activities that comply with the rulings of Islamic Shariaa, aiming to provide comprehensive financial services and to achieve economic and social objectives, while adhering to Islamic ethical values (Khan, 2014, p. 55).

Islamic banking, as the most significant sector of Islamic finance, represents a mechanism for applying banking operations on foundations that align with the principles of Islamic Shariaa, in a manner that excludes any dealings based on interest, whether in receiving or paying.

2- Principles of Islamic banking:

The main principles of Islamic banking, as agreed upon by a wide range of sources, include:

- **Prohibition of usury (interest):**

Conventional banks are distinguished by their reliance on dealing with interest (both receiving and paying) as a fundamental basis for generating profits, as they obtain the difference between the interest paid on deposits and the interest received on loans. In contrast, Islamic banks are established on the principle of completely excluding interest, considering it a form of usury that is prohibited by Islamic law due to its harmful economic and social consequences. The exclusion of interest does not imply the abandonment of the profit objective in Islamic banks; rather, profit is achieved through the investment of funds in financing modes that comply with Islamic Shariaa (Sawane, 2001, p. 41). Islamic banks are bound by the regulations of financial transactions in the Islamic economy and are subject to the supervision of an independent Sharia board. This board undertakes continuous auditing and review to ensure the soundness of all financial activities and transactions, and to guarantee the bank's adherence to Shariaa principles in all aspects of its operations. This form of oversight is characterized by its comprehensive nature, as it takes place before, during, and after the execution of any banking activity, and thereby ensuring adherence to Shariaa regulations at every stage (El Baali, 2005, p. 5).

- **Prohibition of [Gharar] (ignorance) and [Maysir] (gambling):**

Islamic banking considers the prohibition of "gharar" and "maysir" as parts of its fundamental principles, as both are among the prohibitions that have been mentioned in the Noble Quran and the Prophetic Sunnah. [Gharar] refers to any transaction that contains ignorance or ambiguity in the details of the contract, which may lead to disputes between the contracting parties or to one party exploiting the other (El Koradaghi,

2015, pp. 245-260). [Maysir], on the other hand, means any transaction that depends on risk and gambling, and that generates quick profits without real effort, or may lead to unexpected losses for one of the parties. Islamic banking aims through the prohibition of [gharar] and [maysir] to realize justice and transparency in financial transactions, and to avoid unnecessary risks that may negatively affect financial and economic stability. And therefore, all contracts and transactions in Islamic banking must be clear and defined, avoiding any elements of [gharar] or [maysir]. This includes specifying the nature of the concerned good or service, determining the price or wage, as well as specifying the conditions of delivery and fulfillment of obligations (Chabir, 2006, p. 70).

- **Profit and loss sharing:**

It is one of the fundamental principles in Islamic banking, where the profits and losses that result from the investment or the project are shared between the contracting parties (the owner of the capital and the investor) based on a ratio agreed upon in advance. This principle is based on justice and the distribution of risk, such that one party does not bear all the losses or gain all the profits, but rather they are distributed fairly according to the terms (Chabra, 2004, pp. 123-125).

- **Mobilization of idle funds and channeling them into real investment:**

The idle funds held by Muslims in the Islamic world are considered a major challenge, as societies do not benefit from them as they should. The main reason for this lies in the reluctance of many to invest their funds in conventional banks. Islamic banks have demonstrated their ability to attract these funds and grow them by investing in various real development projects (commercial, industrial, agricultural), whereby any profit generated is a real profit (Errico & Farhadjish, 1998, p.8). This ability to mobilize surplus funds and direct them into the wheel of investment is considered a fundamental feature of Islamic banks and contributes to realizing the potential and capacity of Islamic societies (El Djayouri, 2014, p. 13).

- **Investment in "Halal" activities:**

This principle consists in the commitment to lawful work and investment, whereby Islamic banks are required to engage only in activities and investments that comply with Islamic Shariaa and to avoid everything that is prohibited. For example, they are not permitted to finance the production or trade of prohibited goods and services such as alcoholic beverages, pork products, unlawful entertainment venues, or gambling. Instead, Islamic banks must direct their efforts toward supporting activities aimed at producing goods and services that meet the needs of the Muslim individual in a lawful manner (Samhane, 1996, p. 51).

- **Commitment to the objectives of Islamic Shariaa in all financial transactions and economic activities:**

All financial transactions and economic activities must be in accordance with the fundamental objectives and values brought by Islamic Shariaa. These objectives include the preservation of religion, people's lives, intellect, wealth, and honor (El Drini, 2010, p. 46). In the field of Islamic banking, this principle is applied by ensuring that all financial products and services do not contain prohibited elements such as [riba] (interest), [gharar] (ignorance), and [maysir] (gambling), and that they contribute to the realization of social and economic justice (El Masri, 2012, pp. 89-91).

3- Objectives of Islamic banking in the financial system:

The main objectives related to Islamic banking can be gathered as follows:

- Achieving social and economic justice: Islamic banking works to distribute wealth in a just manner among the members of society, with careful attention to avoiding the exploitation of weak groups, and to strengthening economic opportunities through tools such as profit and loss sharing, which contributes to reducing the gap between the rich and the poor (El Masri, 2012, p. 97).
- Promoting investment in real sectors: Islamic banking encourages investment in productive and service-oriented projects that have added value, are compliant with Shariaa, contribute to stimulating the economy (El Rafaii, 2004, p. 55), and meet the needs of society, and thus achieving a balanced material and social return (Messdour, 2007, p. 99).
- Small and medium enterprises hold special importance in the Islamic economy and are considered a fundamental driver of economic and social development. Therefore, Islamic financial institutions, foremost among them Islamic banks, give great attention to providing the necessary financing for these enterprises and offering them technical and administrative support, through various Islamic financing instruments (Abou El Bassal, 2006, p. 345).
- Islamic banks play a vital role in promoting social solidarity by activating the instruments of [Zakat] (obligatory almsgiving), [Waqf] (endowment), and charitable donations, and directing these financial resources toward supporting the most needy segments of society, contributing to the alleviation of poverty and unemployment, and achieving social justice (Chehata, 2008, p. 155).
- Promoting the principle of profit and loss sharing: Islamic banking encourages the sharing of profits and losses between capital owners and workers, which contributes to the realization of justice and equality (El Koradaghi & El Soueilim, 2011, p.245).

It can be said that the objectives of Islamic banking go beyond the mere achievement of material profit, to include the realization of comprehensive and sustainable development, social justice, and adherence to ethical values. These objectives make Islamic banking an attractive alternative to the conventional financial system, especially in societies that seek to achieve balanced and sustainable development.

1- The emergence of Islamic banking in Algeria:

Algeria witnessed the emergence of Islamic banking in line with global and regional trends toward diversifying financial instruments and meeting the needs of a broad segment of clients. Interest in Islamic banking in Algeria began to take shape at an early stage, with attempts during the 1990s to integrate certain Shariaa-compliant banking operations within conventional banks (Bouchikhi, 2015, p. 12). This was through the issuance of the Money and Credit Law No. 90-10, which allowed the private and foreign sectors to establish banks, including Islamic banks. However, the actual establishment of Islamic banking in Algeria dates back to 1991 with the creation of Al Baraka Bank of Algeria, the first specialized Islamic financial institution (Ramdani et al., 2018, p. 77). Although Algeria was among the pioneering countries in the region in adopting this banking model, the actual expansion of Islamic banking remained limited, as the number of licensed Islamic banks did not exceed two by the year 2008 (Sakhri & Ben Ali, 2022, p. 85). After a period of relative stagnation, Islamic

banking in Algeria witnessed significant growth after (2010), driven by the increasing awareness of the importance of Islamic finance and the rising demand for it (Ben Hamida, 2020, p. 45). New laws and regulations were issued to organize and develop this sector, including Law No. 11-03 on Money and Credit, which allowed for the establishment of fully Islamic banks (Amrani, 2017, p. 63).

In recent years, the state has oriented itself toward encouraging Islamic banking by opening Islamic windows within public banks in addition to launching new Islamic financial products, with the aim of promoting financial inclusion and meeting the needs of the various segments of society (Khalifi et al., 2022, p. 91). This was done through Regulation No. 18-02 issued on November 4, 2018, the first detailed legal framework that regulates the activity of Islamic banking in Algeria. This regulation defined the conditions for licensing banks and financial institutions to carry out Islamic banking operations, which are referred to in the law as participatory banking, which did not know an actual application. Then, the Algerian banking sector entered, since the year 2020, a new stage of Islamic banking after the issuance of Regulation No. 20-02 dated March 15, 2020, which defines the banking operations related to Islamic banking and the rules of their practice by banks and financial institutions, and which represents the legal framework of Islamic banking in Algeria currently. And with this, Monetary and Credit Law No. 90-10 and the amending and supplementing Law No. 03-11 remained in force with the new regulation specific to Islamic banking, which left obstacles before the application of Islamic banking in Algeria due to the essential differences between them. And thus, Law No. 23-09 dated June 21, 2023, was issued, which includes the monetary and banking law (Official Gazette, 2023, Issue No. 43).

2- Motivations for adopting Islamic banking:

The motivations for adopting Islamic banking are diverse and can be classified into legal shariaa related, economic, and social motives. From Shariaa's perspective, the adoption of this system aims to comply with the rulings of Islamic law and to avoid prohibited usurious transactions. From an economic standpoint, banks that adopt Islamic banking seek to benefit from the growing global expansion of Islamic finance, diversify financial products and services, broaden their customer base, and achieve higher profits. As for the social aspect, banks seek to achieve social solidarity, respond to the needs of society, and contribute to achieving justice in the distribution of income and wealth. In addition to that, the adoption of Islamic banking contributes to limiting artificial speculation, controlling inflation, and mitigating the severity of economic crises. Finally, the countries that adopt Islamic banking benefit from the increasing international support for Islamic finance and seek thereby to keep pace with global trends in this field (Moussaoui, 2018, p. 2).

Algeria adopts a strategy to expand the scope of Islamic banking for set of multifaceted reasons. From a macroeconomic perspective, Algeria seeks to strengthen its financial stability particularly in light of the continuous fluctuations in oil prices, which greatly impact the rentier national economy, in addition to the repercussions of COVID-19 pandemic which impacted multiple economic sectors negatively. Through this strategy, the state aims to collect domestic savings and allocate the necessary funds to expand income sources and reduce its reliance on hydrocarbons (El Orabi & Troubia, 2020, pp. 254-255). At the microeconomic level, the adoption of Islamic banking aims to attract the liquidity circulating in the informal sector, which is estimated at more than 50 billion dollars, and to channel it into official financial circuits, in addition to meeting the needs of

a large segment of citizens who wish to invest their funds in accordance with the provisions of Islamic law (El Orabi & Troubia, 2020, p. 255). On the other hand, and within the framework of promoting financial inclusion and mobilizing surplus savings, the campaign to encourage the marketing of new banking products, which was launched in (2017), continued in (2019). The banks made considerable efforts and devoted appropriate resources to offer innovative products to customers. In this regard, and as has been observed for several years, these offerings were characterized by a focus on remote services and Islamic banking products (Bank of Algeria, 2019, p. 116).

Algeria seeks to boost Islamic banking's presence in the national banking sector, where it currently holds a relatively small market share of just 3%. To this end, authorities are promoting the establishment of additional Islamic financial institutions and the rollout of products and services that adhere to Shariaa (El Orabi & Troubia, 2020, p. 256). These efforts also aim to attract more clients, improve the competitive position of the banks operating in the market, and maximize profits by taking advantage of the available financial resources.

3- The legal framework of Islamic banking in Algeria:

This instruction aims to provide a clear and comprehensive definition of Islamic banking products. This definition is in line with the one stated in Article 4 of Regulation No. 20-02, dated March 15, 2020 (corresponding to Rajab 20, 1441), which defines banking operations related to Islamic banking and the conditions for their application by banks and financial institutions, in addition to specifying the procedures and technical specifications required for their implementation.

The products of the Islamic banking windows were presented in particular, represented by seven products, including five products related to the uses side, namely: Murabaha, Musharaka, Mudaraba, Ijara, Istisna', and Salam; and two products related to the resources side, namely: deposit accounts and investment deposit accounts (Instruction No. 03-2020, April 2, 2020).

Within the framework of Monetary and Banking Law No. 23-09, Islamic banking was formalized in Articles 68, 71, 72, and 73. The law emphasizes the necessity of obtaining a certificate of compliance with the principles of Islamic Shariaa from the Shariaa Supervisory Board for Islamic Finance, in addition to the approval of the Bank of Algeria, prior to the marketing of any banking products related to Islamic banking. Islamic banking operations are carried out in two forms: either through a bank or financial institution licensed to conduct exclusively Islamic banking operations, as is the case with Al Baraka Bank and Al Salam Bank, or in the form of a structure that the bank or financial institution allocates exclusively to Islamic banking operations, referred to as a "window." This "window" must be financially, accounting-wise, and administratively independent from the other structures of the bank or financial institution (Law No. 23-09 on Money and Credit, 2023, Art.73). Banks and financial institutions that carry out Islamic banking operations, whether through "Islamic banking windows" or branches affiliated with conventional banks, exclusively participate in financing the Bank Deposit Guarantee Fund in national currency. This is in accordance with Article (133) of the applicable law that established this fund under the supervision of the Bank of Algeria. The premiums related to "Islamic banking windows" are calculated and paid separately, so that Islamic banking operations are distinguished from others in the accounts dedicated

to these premiums. The fund must also take into account the specificities of Islamic finance, particularly when allocating the account of premiums paid by the windows and banks engaged in this type of activity (Monetary and Banking Law No. 23-09, 2023, Art.133). On the other hand, Law No. 24-08 of 24 November 2024, constituting the Finance Law for the year (2025), stipulates in Article (179) the possibility for the Public Treasury to issue sovereign [Sukuk] (Islamic bonds). This law was followed, on June 1, 2025, by a decision from the Minister of Finance defining the modalities of issuing sovereign sukuk by the Public Treasury. Through it, the Algerian legislator established the regulatory framework for the issuance of sovereign sukuk, assigning to the Public Treasury the responsibility of issuance, with the possibility of delegating this task to another entity. This framework is based on a fundamental principle, namely the necessity of linking the sukuk to real assets that give them actual value, whether tangible assets, investment projects, or usufruct rights. In line with the requirements of the Islamic financial industry, the framework allowed for structural flexibility by providing for various issuance formats, including in particular sukuk of ijarah, musharakah, mudarabah, istisnaa, and wakalah, which opens the way to structuring financing products suited to the nature of various public projects (Ministry of Finance, Decision No. 85, 2025). All of this reflects a clear political will on the part of the higher authorities to move forward in the path of consolidating Islamic financial transactions, through the completion of the relevant legislative framework and the provision of alternatives to conventional sukuk that are based on interest (Haidar, 2024).

Fourth: Analysis of the development of Islamic banking in Algeria

1- The development of structures dedicated to carrying out Islamic banking operations from (2019-2023):

The following table represents the evolution of the number of structures dedicated to Islamic banking operations during the period extending from the year 2019 to the year 2023.

Table N°1 : Evolution of the structures dedicated to carrying out Islamic banking operations from (2019- 2023)

Years	2019	2020	2021	2022	2023
The number of banks marketing Islamic products	2 private banks	3 banks (2 private banks and 1 public bank)	6 banks (4 public banks and 2 private banks)	12 banks (6 public banks and 6 private banks)	12 banks, (6 public banks and 6 private banks)
The number of branches allocated to Islamic banking operations	49	53	59	74	88
Of which: branches affiliated with public banks	0	1	2	10	17
Of which: branches affiliated with private banks	49	52	57	64	71
The number of Islamic banking windows	19 2	282	535	557	851

Source: Annual Report of the Bank of Algeria, 2023, p. 47.

The growth in the number of banks, branches, and service windows offering Islamic financial products during the period (2019-2023) reflects a rising dynamic in the expansion of the Islamic banking infrastructure in Algeria. The table indicates that both monetary authorities and banks have adopted a gradual expansionary approach to promote this mode of financing, whether through the establishment of specialized banks or the opening of Islamic banking windows within conventional banks. The number of licensed banks engaged in marketing Islamic financial products has expanded.

The number of banks marketing Islamic financial products increased from two private banks, namely: Al Baraka Bank and Al Salam Bank in (2019) to twelve banks in (2022) and (2023), equally divided between the public and private sectors. As for the number of branches, the data show a steady increase from 49 branches in (2019) to 88 in (2023), with the year (2021) recording the highest rise in the number of branches. In parallel, the number of branches affiliated with public banks experienced only a very modest growth compared to their development within private banks, increasing from a single branch in one public bank in (2020), specifically the branch of the National Fund for Savings and Reserve, to seventeen branches by the end of (2023). This indicates a gradual engagement of public banks. Similarly, in line with Al Baraka and Al Salam Banks, the expansion of branches in private banks was also slow during the (2019-2023) period, with a total of 22 branches opened over these years.

Concerning Islamic banking windows, the two private banks (Al Baraka and Al Salam banks) dedicated a total of 192 windows in (2019). With the adoption of Islamic banking principles by public banks and other private banks, the number of Islamic banking windows reached 851 by the end of (2023), reflecting an increase of approximately 660 windows. This significant growth in the number of windows can be attributed to the structural and administrative flexibility that characterizes Islamic banking windows.

2- Development of the geographical distribution of Islamic banking branches during the period from (2021-2023):

The following table presents the evolution in the number of branches dedicated to Islamic banking in urban and rural areas from (2021-2023).

Table N°2 : Evolution of the distribution of branches across geographical areas from (2021- 2023)

Years	2021	2022	2023
Urban areas	59	73	87
Rural areas	0	1	1

Source: Bank of Algeria Report, 2023

The geographical distribution of Islamic banking branches, as shown in the previous table, highlights a clear trend toward concentration in urban areas during the period from (2021-2023), with rural areas receiving limited attention. This tendency can be explained by several factors, such as the high population density and commercial activity in major cities, banks' desire to reduce operational risks by positioning themselves in promising economic centers, and the historical concentration of financial institutions in urban hubs.

While this growth is positive, it nonetheless reflects an investment orientation that lacks geographical balance, partly due to the limited digital and logistical infrastructure in rural areas.

3- Analysis of the evolution of deposit accounts during the period from (2021-2023):

The table below presents the overall development of deposit accounts, and details the share of this type of account within both public and private banks over the period from (2021-2023).

Table N°3 : Analysis of the evolution of deposit accounts during the period from (2021-2023)

Year	2021	2022	2023
Deposit accounts	212.0	254.3	421.7
In public banks	18.9	56.9	112.5
Share of public banks	% 8.91	% 22.37	%26.67
In private banks	193.1	197.4	309.2
Share of private banks	%91.09	%77.63	% 73.32

Source: Bank of Algeria Report, 2023, p. 55.

The attached data on the evolution of deposit accounts during the period (2021-2023) clearly show that the total value of deposit accounts recorded a marked increase as it rose from 212.0 billion Algerian dinars in (2021) to 254.3 billion Algerian dinars in (2022), and then reach 421.7 billion Algerian dinars in (2023). This, represents a cumulative growth rate of approximately 98.8 percent over the three years, and this upward trend reflects a recovery in financial activity and a relative return of confidence in Islamic banking. As for the distribution of deposits according to the nature of the banks, there is a noticeable disparity in growth levels between public and private banks. In (2021), the share of public banks was relatively low as it did not exceed 8.91 percent (18.9 billion Algerian dinars). However, this share doubled in the following years as it reached 22.37 percent in (2022) (56.9 billion Algerian dinars), and 26.67 percent in (2023) (112.5 billion Algerian dinars). This increase indicates a progressive yet limited effort to reinforce the involvement of public banks in deposit collection. Private banks, on the other hand, held a clear majority in (2021), with a share of 91.09 percent (193.1 billion Algerian dinars), which declined to 77.63 percent in (2022) (197.4 billion Algerian dinars), and further to 73.32 percent in (2023) (309.2 billion Algerian dinars). Despite this decline in share, the absolute value of deposits in private banks continued to rise, which indicates real growth in activity, though at a slower pace compared to their public counterparts.

These indicators suggest a gradual transformation in the structure of the banking system toward reinforcing the position of public banks in the market, while private banks continue to hold the lead. The overall growth in deposits also reflects an improvement in saving behavior and the effectiveness of incentive policies, and may additionally be linked to the expansion of digital banking or an increase in trust in certain banking products.

4- The evolution of investment accounts during the period from (2021-2023):

The following table provides data on the overall development of investment accounts, as well as the share of this type of account in both public and private banks.

Investment accounts experienced irregular development during the period (2021-2023), as they rose from 231.9 billion Algerian dinars in (2021) to 299.5 billion Algerian dinars in (2022), and then declined to 256.5 billion Algerian dinars in (2023). Despite this recent drop, the value recorded in (2023) remains higher than the (2021) level, which reflects a fluctuating pattern in attracting this type of account.

Islamic Banking: From Quantitative Growth to the Challenge of Institutional Maturity -A Case Study of Algeria

Table N°. 4: Evolution of investment accounts during the period from (2021-2023)

Year	2021	2022	2023
Investment accounts	231.9	299.5	256.5
From public banks	4.10	15.8	24.9
Share of public banks	% 1.76	% 5.27	% 9.70
From private banks	227.8	283.7	231.6
Share of private banks	% 98.24	% 94.72	% 90.30

Source: Bank of Algeria Report, 2023, p. 55.

It is also clear that public banks saw a notable development in this type of account, as investment accounts increased from 4.10 billion Algerian dinars in 2021 (representing only 1.76% of the total accounts) to 15.8 billion Algerian dinars in 2022 (5.27%), and then to 24.9 billion Algerian dinars in (2023) (9.70%). This reflects a gradual improvement in the role of public banks in mobilizing this category of resources. In contrast, private banks maintained the lead despite a decline in their relative share from 98.24% in (2021) to 94.72% in (2022), and then to 90.30% in 2023. Nevertheless, their share in investment accounts remained high, which indicates that private banks are still the main actor in mobilizing investment accounts.

These figures suggest a slow but upward shift in the performance of public banks in the field of investment account mobilization, considering that public banks are perceived as safer for investment. However, this shift has not yet changed the clear dominance of the private sector, which continues to hold a leading position.

5- Evolution of the total volume of deposits within the framework of Islamic banking during the period (2021-2023):

The following table presents data on the total volume of deposits generated through Islamic banking operations from (2021-2023).

Table No. 05: Evolution of the total volume of deposits within the framework of Islamic banking during the period (2021-2023):

Year	2021	2022	2023
Volume of Islamic finance deposits	443.9	553.7	678.2
Share of public banks	%5.16	% 13.10	% 20.21
Share of private banks	94.84 %	86.90 %	79.79 %

Source: Bank of Algeria Report, 2023, p. 55.

The table shows a positive development in the volume of Islamic finance deposits over three years, as it increased from 443.9 billion Algerian dinars in (2021) to 678.2 billion Algerian dinars in (2023), representing a total increase of over 52% during the three-year period. This reflects a gradual increase in customer confidence in Islamic banking and a growing demand for its Shariaa-compliant products. As for the contribution of public banks, their share witnessed a clear growth from 5.16% in (2021) to 20.21% in (2023).

This development indicates the gradual entry of public banks into the field of Islamic banking, reflecting a strategic shift towards diversifying the banking offer and tapping into a market that had not been sufficiently exploited, especially with the regulatory support of the monetary authorities. Despite the increase in their

contribution, this share remains below a quarter of the market, indicating a wide margin for expansion and growth in the coming years.

On the other hand, private banks continue to dominate, although their share declined from 94.84% in (2021) to 79.79% in (2023). Despite this decline, they remain the main player in the Islamic banking market, whether in terms of the volume of deposits, geographical expansion, or the range of services offered. This can be attributed to their earlier adoption of Islamic banking, their flexibility in launching innovative products, and their institutional readiness to respond to market dynamics.

The relative decline in the dominance of private banks does not signify a decline in their performance, but rather the entry of new competitors, which reflects the beginning of a structural transformation in the market structure, in favor of greater plurality in supply.

6-The development of the volume of financing products during the period from (2021-2023):

The table below illustrates the development in the composition of financing products based on the modes of Murabaha, Musharaka, Mudaraba, Ijara, Salam, and Istisnaa during the period from (2021- 2023).

Table N° .06: Development of the volume of financing products during the period from (2021-2023):

Year	2021	2022	2023
Murabaha	130.7	129.7	139.5
Musharaka	1.1	2.0	4.2
Mudaraba	6.0	7.6	8.3
Ijara	83.9	86.5	100.4
Salam	133.1	153.9	187.7
Istisnaa	11.1	14.3	18.5

Source: Annual Report of the Bank of Algeria, 2023, p. 57.

The table shows the evolution of the volume of Islamic financing products during the period from (2021-2023). It contains data on the various Islamic financing contracts, the total volume of Islamic financing, and its share of overall financing. Regarding the financing contracts, an analysis of the table reveals that:

Murabaha recorded a slight decline in (2022) compared to (2021) by 0.8%, then recovered in (2023) with a growth of 7.5%. This reflects a renewed customer confidence in this contract, which is considered the simplest and least risky, as it resembles a conventional loan but in a Shariaa compliant form.

As for partnership-based financing [Musharaka], it witnessed a remarkable annual growth rate exceeding 90%, indicating the beginning of a shift among clients towards partnership-based financing, despite its limited scope and relatively low value. This trend reflects a growing interest from certain small and medium sized enterprises seeking profit sharing arrangements rather than interest-based financing.

Mudaraba financing recorded gradual growth, but remained limited and slow. After an increase of 26.7% in (2022), growth slowed in (2023) to 9.2%. This reflects an improvement in the use of this formula, but at a cautious pace. This slowness is explained by the high level of risk and the reliance of this formula on mutual trust, commercial experience, and advanced skills in assessing operational risks and the quality of the Mudarib partner skills that are still under development within most Algerian banks. Accordingly, it remains less preferred by both banks and clients.

Islamic Banking: From Quantitative Growth to the Challenge of Institutional Maturity

-A Case Study of Algeria

[Ijarah] financing also recorded a growth of 3% in (2022), followed by 16% in (2023), reflecting an increased use of this formula in the financing of equipment and machinery, particularly by institutions that prefer to acquire assets through lease-to-own arrangements.

It is evident that Salam financing experienced a remarkable development over the three-year period, with an increasing annual growth rate, indicating the attractiveness of this formula, particularly among productive sectors, recording a growth of 15.6% in (2022) and +22% in (2023). It is also noted that throughout the period under review, the value of Salam financing consistently ranked first compared to other formulas. This suggests the expanding use of Salam in financing agricultural or industrial production, especially in light of government support for these sectors and its flexibility in adapting to market needs. Salam provides liquidity to producers in advance, making it appealing for short term financing, while reducing risks thanks to the prior determination of the quantity, type, and delivery of the product. Furthermore, compared to other formulas such as Musharakah or Mudarabah, Salam enjoys clear jurisprudential foundations and a straightforward contractual structure, which enhances the confidence of both banks and clients in its use.

As for financing through the Istisna' formula, the table shows a steadily upward development at an annual rate exceeding 28.5%. And although the absolute volume remains limited compared to other formulas, the percentage growth indicates a significant expansion in the demand for this formula, reflecting the beginning of its actual integration into Islamic financing. This is explained by the orientation of Islamic banks toward financing construction and contracting projects through Istisnaa, especially with the increase in building and equipment projects. The Istisnaa formula is generally used in the financing of the construction or manufacturing of a specific item according to agreed upon specifications, which makes it suitable for financing construction projects, equipment, infrastructure, and goods manufactured on demand. This corresponds to the needs of small and medium enterprises.

7- The evolution of the total volume of Islamic financing during the period from (2021 -2023):

The data in the following table show the total volume of financing provided by banks, as well as the share of Islamic financing within the overall financing. It also illustrates the percentage contribution of both public and private banks to the total value of Islamic financing during (2021-2023).

Table N° .07: Evolution of the total volume of Islamic financing during the period from (2021- 2023):

Years	2021	2022	2023
Volume of Islamic financing	365.9	393.9	458.5
Total volume of financing	9 792,1	10 112,3	10 694,9
Percentage of Islamic financing	% 3.73	% 3.89	% 4.28
Share of public banks	%0.5	% 1.6	% 4.7
Share of private banks	% 99.5	% 98.4	% 95.3

Source: Annual report of the Bank of Algeria, 2023, p.

Islamic financing recorded continuous growth during the period that we covered in our study, rising from 365.9 billion Algerian dinars in (2021) to 393.9 billion Algerian dinars in (2022), which represents a growth rate of +7.7%. It then reached 458.5 billion Algerian dinars in (2023), achieving a growth rate of +16.4%. This rapid

growth reflects the expansion of Islamic financing activity and the growing demand for its products, which resulted from community awareness efforts, improvements in the supply side in terms of product offerings and marketing, and the development of the Islamic branch network, supported by regulatory measures issued by the Bank of Algeria.

With regard to the total financing of banks, it recorded growth, with a growth rate of +3.3% followed by +5.8% during the period under study, which indicates a general stability in financing activity. As for the contribution of Islamic financing to the total bank financing, the share of Islamic financing rose from 3.73% to 4.28% over a period of three years. This gradual increase in the share shows that Islamic financing is gaining an increasing portion of the market, however, it remains weak and limited (less than 5%) which indicates a wide margin for growth.

An analysis of the share of Islamic financing in public and private banks reveals a clear shift in the contribution of public banks, as their share doubled from 0.5% to 4.7% within a span of three years. This reflects an increasing involvement of public banks in offering Islamic services, after a long period during which private banks monopolized this activity. Meanwhile, the share of private banks gradually declined from 99.5% to 95.3%, not due to a decrease in their absolute contribution, but rather as a result of faster growth in Islamic financing among public banks. Nevertheless, private banks still maintain the dominant position, which is natural given their earlier entry into the provision of Islamic products over the past years.

Fifth: The challenges facing Islamic banking in Algeria:

An analysis of the regulatory framework and the environment of Islamic banking in Algeria reveals that it faces a set of challenges, which can be summarized as follows:

1- Legislative and regulatory challenges: The need for a comprehensive legal framework

Despite the efforts made by the Algerian authorities, represented by the issuance of Regulation No. 20-02 by the Bank of Algeria, which defines banking operations related to Islamic banking, the legal framework still suffers from certain shortcomings. Experts believe that the absence of a specific law for Islamic banking, one that treats it as a standalone sector or as a complement to conventional banking, creates a state of uncertainty (Elarabi & Troubia, 2020, p. 258). There is a growing need for greater clarity in the regulatory provisions related to approved Shariaa-compliant contracts, the structuring of Shariaa supervisory boards, and the mechanisms for resolving disputes specific to Islamic financial transactions (Elarabi & Troubia, 2020, p. 259). In addition to the absence of a regulatory framework for financial instruments in capital markets, money markets and capital markets remain underdeveloped in terms of their structures, efficiency, and the number of participants. Furthermore, Islamic financial instruments are lacking, as is the presence of an Islamic financial market (Merabti & Saaidia, 2022). Furthermore, the Shariaa advisory and supervisory boards in Algerian Islamic banks are still in the foundational stage, which affects the unification of standards and practices and the assurance of full compliance with Shariaa rulings. There are also calls to facilitate the licensing of new Islamic banks and to overcome the bureaucratic obstacles facing licensing applications (El Adjadj, 2022, p. 630).

2- Marketing challenges and public awareness:

Weak public awareness of the products and principles of Islamic banking is among the most prominent obstacles to its spread in Algeria. Many citizens are unaware of the fundamental differences between Islamic and conventional financial products. This is attributed, in part, to the lack of organized and effective awareness and marketing campaigns by Islamic financial institutions. Existing campaigns often rely on Shariaa-related terminology that may not be easily understood by the general public, which creates a communication barrier. Furthermore, there is a limited use of digital platforms and modern media to promote Islamic banking services, especially in comparison to conventional banks, which have made significant strides in this area (Kouihal & Hamimidat, 2023, pp. 42-43).

3- Technical challenges:

In an age of rapid digital transformation, and despite the progress seen in the banking sector, Islamic banks in Algeria still face a technological gap compared to their conventional counterparts. Investment in digital infrastructure and the development of online banking services and smart applications remain below the required level. This delay affects the banks' ability to attract new segments of clients, especially the youth. Experts unanimously agree that digitalization is no longer a choice, but an inevitable necessity to improve operational efficiency and strengthen competitiveness. This includes offering advanced electronic payment solutions and providing innovative digital products such as e-wallets and smart contracts, areas in which Islamic banking in Algeria still needs to make concrete progress (Ben Salah & Kalbi, 2023).

4- Human resource challenges:

The Islamic banking sector in Algeria suffers from a clear shortage of qualified human capital that combines Shariaa knowledge with modern banking skills. Specialized training programs in Islamic finance remain limited, and cooperation between universities and banking institutions has not yet reached a level that meets the needs of the market (Djabbari & Chergui, 2013, pp. 70-72). This shortage of specialized personnel negatively affects the quality of services provided, as well as the banks' ability to innovate and develop products that are both Shariaa-compliant and aligned with customer expectations.

5- Competitive challenges:

Islamic banks face intense competition from conventional banks, which have strong infrastructure, extensive branch networks, and long standing experience in the Algerian banking market. However, some customers still approach Islamic products with caution, either due to a lack of familiarity with them or because of doubts about their compliance with Shariaa rulings. Furthermore, the higher cost of some Islamic products compared to conventional ones, in addition to the relatively slow administrative procedures, limits the ability of these banks to attract broader segments of clients, especially those who are in the middle and low income categories.

Despite these challenges, the Algerian government is betting on Islamic banking to help attract funds that circulate outside the formal banking sector and to promote financial inclusion. The sector has achieved positive results so far, with Islamic banking deposits reaching significant amounts since its official launch. The activity of Islamic banking is expected to grow in the coming years, especially with the opening of Islamic windows in

public banks, provided that efforts are made to remove existing obstacles and to provide an encouraging legal and regulatory environment.

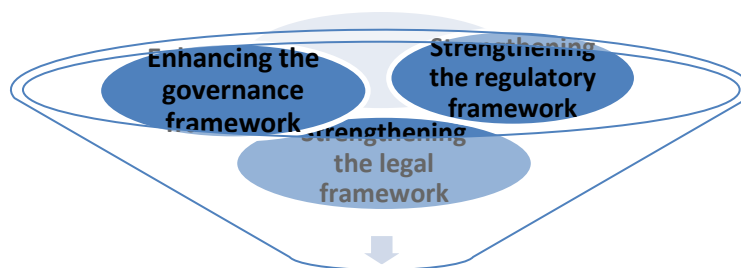
Sixth: The current directions of Islamic banking in Algeria and its prospects

In light of the significant growth of Islamic finance activities since the issuance of the regulatory texts in March (2020), the Ministry of Finance, together with the Bank of Algeria, has committed to a series of decisions that are expected to enhance Islamic banking. The most important of these is the signing of a technical assistance agreement with the Islamic Development Bank to strengthen the legal and regulatory framework of Islamic banking. Specialized training workshops in Islamic finance were launched, in partnership with the Islamic Development Bank Institute.

Through these workshops, the Bank of Algeria aims to support this direction by strengthening the regulatory framework, developing Shariaa-compliant monetary policy instruments, and building human capacities in this field (Bank of Algeria, 2022). This constitutes a clear indicator of a political and institutional will to support the Islamic banking sector and work towards its development. This advanced partnership with the Islamic Development Bank Group also represents an international acknowledgment of the steps Algeria has taken in this field. It provides a solid foundation for the exchange of expertise and technical assistance. Furthermore, it reflects an official and strategic commitment from the Ministry of Finance to promote Islamic banking as a principal option to achieve economic empowerment, encourage investment, and foster broader financial inclusion across the country.

In the same context, and within the framework of openness to international experiences and the strengthening of coordination with global bodies specialized in Islamic finance, the Bank of Algeria, at the beginning of last year, concluded a memorandum of understanding with the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI, 2025) which is a reference institution responsible for developing Shariaa and accounting standards for Islamic finance. This agreement aims to support Algeria's attempts to consolidate the foundations of Islamic banking by strengthening institutional cooperation, facilitating the exchange of expertise, and improving the human capital working in the sector. The memorandum also includes the possibility of adopting and adapting the international standards issued by the organization, and thereby contributing to the regulation and development of the institutional and legislative framework for Islamic finance in Algeria (Bank of Algeria, 2022).

Fig N° 1: The three fundamental frameworks for central bank intervention to promote Islamic banking



Source: (Bouloudnine, 2023, p. 15).

In order to develop this new and vital field within the Algerian financial system more broadly, and in line with international experiences, central banks are required to act upon three pillars that lie at the core of their mandate and provide a solid foundation for this activity (Boulouednine, 2023, p. 15). These are illustrated in the following figure:

First pillar: strengthening the regulatory and supervisory framework:

The regulatory framework issued by the Bank of Algeria, as the country's monetary authority, constitutes the cornerstone for the operationalization of Islamic banking. Since the enactment of Regulation No. 20-02 issued on March 15, 2020, which defines banking operations related to Islamic finance and the rules governing their practice, this framework has begun to take shape. To further develop it, we propose the following:

_Activating the role of the National Shariaa Board for Islamic Financial Industry: Although internal Shariaa supervisory boards have been established within banks, there remains an urgent need to operationalize the role of the National Shariaa Board for Islamic Financial Industry, which was created to ensure the standardization of jurisprudential practices and norms. Its role must evolve beyond a purely advisory capacity to become binding upon banks and financial institutions. Such a development would prevent inconsistencies in [fatwas] (Islamic legal edicts) and strengthen confidence in Islamic financial products (Lihani, 2020, pp. 87-88).

_Issuing a comprehensive guide for Islamic financial products: Rather than a mere regulatory guide, the Algerian market requires a procedural manual grounded in international standards, such as those issued by the Accounting and Auditing Organization for Islamic Financial Institutions, with which the Bank of Algeria signed a memorandum of understanding in December (2021) to strengthen this dimension. This manual should detail the accounting aspects, pricing mechanisms for services, and risk management procedures specific to each Islamic financial product.

_The Algerian banking system must take into account the specificities of Islamic banking. Among the key areas that require review by the Bank of Algeria are: the legal reserve ratio, the role of lender of last resort, the liquidity ratio, and the capital adequacy ratio, in addition to exempting investment deposits from legal reserve requirements. It is also necessary to reassess the calculation method of the liquidity ratio for Islamic banks, with a specific exclusion of investment deposits allocated to meet defined requirements. Furthermore, the contributions of Islamic banks from their own capital should be classified under investment deposits (El Orabi & Troubia, 2020, p. 260).

_Integrating complementary institutions into Islamic banking: This requires regulatory adjustments in coordination with the relevant ministries and the Algiers Stock Exchange, with the aim of accelerating the marketing of Islamic [sukuk] and establishing Islamic investment funds. It is also essential to implement the provisions of laws governing [takaful] insurance activities (Islamic cooperative insurance), and thereby contributing to the creation of a conducive regulatory environment for the Islamic financial market.

Second pillar: strengthening the governance framework

Governance is considered as the cornerstone that ensures transparency and accountability in the operations of Islamic banks. And this requires:

_Establishing independent and effective Shariaa governance: It is imperative that the regulatory framework clearly stipulate the independence of Shariaa supervisory boards within banks, and define the qualifications of their members and the mechanisms for their appointment and dismissal. It is also essential that the decisions of these boards be binding on the executive management with regard to the Shariaa compliance of products and operations, and that their reports be submitted directly to the board of directors.

_Granting the National Shariaa Board for Islamic Financial Industry comprehensive central supervisory powers: This should be done in line with practices adopted by leading countries in Islamic finance, such as Sudan, Malaysia, the UAE, and Bahrain, where high-level Shariaa authorities affiliated with the central bank have been established to carry out direct Shariaa supervision and oversight. There is a clear shortcoming in enabling the National Shariaa Board to exercise continuous and effective oversight over the internal Shariaa supervisory committees within banks and financial institutions, including Islamic banking windows (Denfir, 2024, pp. 309-310).

_Application of international governance standards with local adaptation: Banks must be encouraged to adopt the governance standards issued by the Islamic Financial Services Board and the Accounting and Auditing Organization for Islamic Financial Institutions, with an adaptation that suits the Algerian legal and commercial environment. This includes transparency in financial reporting, a clear separation of powers, and the protection of the rights of investment account holders.

_Publication of Shariaa compliance reports: Banks offering Islamic services must be required to publish a "Shariaa Compliance Report" as an integral part of their annual reports. This enhances the bank's transparency and provides concrete evidence to stakeholders of the bank's adherence to Shariaa principles.

Third pillar: supporting and adapting the legal framework

The legal framework constitutes the most prominent challenge, as many Islamic contracts still require full legal recognition and adaptation.

_Amending the monetary and banking law and other laws: Although Law No. 23-09, which includes the new Monetary and Banking Law, has granted legislative authority to Bank of Algeria Regulation 20-02, deeper amendments are still needed. The Commercial Law, the Tax Law, and the Civil Code must also be amended to explicitly recognize Islamic financing contracts and precisely define their legal nature, in order to ensure their enforceability before the courts and to protect the rights of all parties (Denfir, 2024, pp. 311-312).

_Issuance of an executive decree defining the legal status of the National Shariaa Board, its composition, functions, mechanisms for the appointment and dismissal of its members, the duration of their mandates and their renewal, in addition to its funding system and operational procedures. It is also necessary to clarify the binding nature of its decisions and the possibility of appealing them, while emphasizing its role as a central supervisory authority that issues binding administrative decisions rather than mere fatwas, with its oversight subject to judicial review by the administrative courts within the legal boundaries.

_Qualification and specialization of the judicial apparatus: The lack of expertise in Islamic finance among the judicial apparatus constitutes a major obstacle. Therefore, it is necessary to launch specialized training programs for judges, lawyers, and notaries concerning the nature of Islamic financial contracts and the mechanisms of their

operation. And in the long term, it is possible to think about the establishment of specialized judicial chambers in Islamic financial and banking disputes, in order to ensure the speed and effectiveness of dispute resolution.

The success and sustainability of the Islamic banking system in Algeria rest upon a complementary relationship between its three dimensions: the organizational, the governance-related, and the legal. The effectiveness of the regulatory framework is conditional upon the existence of institutional and Shariaa governance that ensures its sound application, while both derive their strength from a solid legislative structure that provides the necessary guarantees.

Conclusion:

This study aimed to analyze the path of development of Islamic banking in Algeria, through evaluating its quantitative performance during the period (2021-2023), diagnosing the structural challenges it faces, and anticipating its future prospects in light of modern regulatory orientations. The study concluded with a set of important findings that draw a clear picture of the dynamics of a promising sector that is still in the process of formation.

The quantitative analysis showed a steady growth in the indicators of Islamic banking, whether at the level of the volume of deposits or the granted financings, which reflects an increasing societal acceptance and an institutional will to support this activity. The increasing involvement of public banks represents a notable structural transformation that is likely to break the dominance of private banks, create a balance in the market, and enhance the geographical spread of services. At the level of products, and despite the continued dominance of the Salam and Murabaha contracts, a noticeable growth has been observed in the productive financing contract of Istisnaa, which reflects the beginning of a shift toward financing the real economy. On the other hand, the growth of participatory financing contracts (Musharaka and Mudaraba) remains modest, due to their complexity and the high degree of risk associated with them in light of the lack of expertise.

And despite this positive dynamic, the share of Islamic banking from the total banking market remains limited, which confirms that the sector has not yet reached the stage of full maturity, and that its future growth is contingent upon its ability to overcome the existing challenges.

These results confirm that achieving a qualitative leap for Islamic banking goes beyond merely expanding the network, and requires addressing the structural challenges that have been identified. In this context, the activation of the three pillars that were reviewed (regulatory, governance-related, and legal) represents a strategic roadmap for the success of Islamic banking. The parallel work on completing the legislative framework, activating the role of the National Shariaa Board for Fatwa as a central supervisory body, establishing sound and independent governance rules, and qualifying human and judicial resources, is the only way to ensure a stable and secure environment that strengthens trust and attracts investment in the field of Islamic finance.

In conclusion, Islamic banking in Algeria possesses real foundations to be a fundamental contributor to achieving financial inclusion and supporting sustainable development, on the condition of adopting a comprehensive reform approach that accelerates the pace of its maturity and its effective integration into the national economy.

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-A Case Study of Algeria

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