



Reality and Prospects of the Role of Islamic Banking in Financing Investment Sectors in Algeria

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Abstract:

The study aims to analyze the legal and regulatory transformations that the Algerian banking sector is witnessing, with a focus on integrating Islamic banking in the light of Law 23-09. It also tries to reveal the motivations of this integration and its objectives in terms of developing financing tools such as partnership, mudaraba, and ijara in a way that is compatible with the provisions of Islamic Sharia. The study also seeks to highlight the role played by these formulas in achieving economic justice, enhancing financial inclusion, and expanding the base of productive financing. In addition, it discusses the structural challenges facing the application of Islamic banking and concludes to the necessity of developing governance, qualifying human competences, and strengthening digital transformation with supporting the mechanisms of Sharia supervision to ensure the harmony of Sharia standards with the requirements of banking modernization within an integrated legal framework.

Keywords: Islamic banking, Law 23-09, banking governance, financial inclusion

Résumé :

Cette étude vise à analyser les transformations juridiques et réglementaires que connaît le secteur bancaire algérien, en mettant l'accent sur l'intégration de la finance islamique à la lumière de la loi 23-09. Elle tente également de mettre en lumière les motivations de cette intégration et ses objectifs en termes de développement d'outils de financement tels que le partenariat, la mudaraba et l'ijara, d'une manière compatible avec les dispositions de la charia islamique. L'étude cherche également à mettre en évidence le rôle joué par ces formules dans la réalisation de la justice économique, le renforcement de l'inclusion financière et l'élargissement de la base du financement productif. En outre, elle examine les défis structurels auxquels est confrontée l'application de la banque islamique et conclut à la nécessité de développer la gouvernance, de qualifier les compétences humaines et de renforcer la transformation numérique en soutenant les mécanismes de supervision de la charia afin d'assurer l'harmonie des normes de la charia avec les exigences de la modernisation bancaire dans un cadre juridique intégré.

Mots clés : *banque islamique, loi 23-09, gouvernance bancaire, inclusion financière*



Introduction:

Interest in the topic of Islamic banks increased after the global financial crisis of 2008, because the economies which was built on the rules of Islamic Sharia showed a strongness in facing outside shocks and emergency circumstance. Especially, what is related with low risk degrees far from the interest system that is dominant in capitalist economies. So, the products of Islamic banks became the focus to many investors and customers in order to invest money through financing formulas that mainly heading to real investments, not financial investments like bonds and financial derivatives. The financing formulas in Islamic banks represent an alternative shelter of the conventional banks, and what makes it capable for leading and accompanying projects is the features of these formulas which are efficient and having diversity of maturity periods.

Research Problem:

In order to clarify how the legal framework which is represented in Law 20/02 for organizing Islamic banking in Algeria, as well as the amendments in Law 23/09 about banking activity, helped to strengthen tools of Islamic banking as alternative and effective tool for financing. This allows for accompanying real investments, and reducing the risks when comparing to conventional banks. This study arrived for answering the main question as follows:

To what extent did Law 20/02 and Law 23/09 help for providing effective legal framework for organizing the tools of Islamic banking in Algeria, which increases its

role as alternative of conventional banks in financing real investments and achieving sustainable development?

Research Objectives:

This study tries to reach several goals, like:

- Presenting the concepts which are related to Islamic banking;
- Standing on the reality of the legislation which is related to Islamic banks in Algeria;
- Analyzing how consistent Islamic banking tools are with requests of the Algerian financial system under Law 20/02 and 23/09, and evaluating its ability to decrease financial risks and raise trust in the banking sector.

Importance of the Research:

The importance is shown in following points:

- The position of Islamic banks after mortgage crisis and their role for decreasing risks;
- The importance of banking system in giving finance for the different economic agents;
- Islamic finance that gives care to real side and productive investment;
- The diversity in financing products of Islamic banks and the differences in its durations.

The Method Used in the Research:

It is descriptive analytical method by presenting the concepts which are related with variables of the study, also by analyzing both monetary and banking law and also system 20-02 for Islamic banking.

**First topic: The conceptual framework for Islamic banks**

The developments that happened in the work of Islamic banks in both Sudan and Iran had a clear impact in a number of Islamic countries; Islamic banks work within laws that follow the rules of Islamic Sharia, and this clashes in many countries with the instructions of central banks that are against these rules. Because of that, special laws were issued to organize the work of Islamic banks partially in some countries, before dealing with it in a more general way.

This does not mean that what is required is a complete shift in Islamic countries to the Islamic banking system, but the solution exists in organizing the work of these banks in a special manner, inside a legal environment protecting them and solving the problems that can appear between them and their users. Also, the existence of a fully-integrated Islamic economic system strengthens the position of Islamic banks, and supports their work's order in a clear way.

First requirement: The concept of Islamic banks

Islamic banks are the ones that practice banking profession and its methods and legal systems and accept deposits from persons; they are a financial banking institution that accepts money according to the two principles: "benefit by guarantee" and "loss by gain", and using it in fields of trade and investment according to the purposes of Islamic Sharia and its details (Elsharqawi, 2019, p. 22). So, the Islamic bank is a banking institution that is committed in all its transactions and investment actions, and management of all its work, to the clear Sharia and its purposes, also to the aims of the Islamic society inside and

outside (Attia, 2021, p. 48). Islamic banks do not deal basically in their system and activity with interest, it is forbidden by agreement of scholars, and the system of loans in it is totally free from interests, that is why it is known in Islamic terminology by “good loans”. It relies in its transactions on the partnership system in profit and loss (Al-Mutairi, 2020, p. 31).

Islamic banks practice their work according to the following banking rules (Abdullah, 2018, p. 15):

- Not dealing with interest: This rule is one of the special pillars for Islamic banks’ activity, because it doesn’t deal in interest in any kind or form, taking or giving;
- Commitment to Islamic Sharia rules: In Islamic banks there is a board for Sharia supervision, its main role is to check how much the bank follows Islamic Sharia in all its works, especially the long-term investments;
- Applying the principle of partnership in profit and loss: This is the base of relationship between clients and Islamic banks; Islamic banks take investors’ money to invest it aiming for profit, which is divided after becoming real between it and the holders of investment accounts according to agreement (account opening contract);
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- Good selection for people who manage money: Islamic banks should make big effort to select those who will manage money, in a way that assures good management and keeping it from loss, also total secrecy of clients’ transactions;

The characteristics of Islamic banks appear in these points:



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First: Ideological characteristic: Commitment for the activity to be free from Sharia violations, and also the necessity for all works and transactions of these banks to apply legal rules for money and Islamic transactions generally (Alqahtani, 2022, p. 19), and applying the provisions of Islamic Sharia in all banking and investment transactions, and applying Islamic values and ethics in banking work (Saeed, 2020, p. 30);

Second: The financing characteristic: That is for Islamic banks to participate in reaching goals of economic development for society through seeking for highest benefit possible direct or indirect, so Islamic banks during studying the economic feasibility of the projects which they finance do it together with other clients (Hassanein, 2017, p. 53), so there is a commitment to (development, investment, positive) aspects in their investment and banking works by applying the financial mediation method based on partnership (Adlouni, 2020, p. 11)

Third: The social characteristic: Islamic banks are considered social banks that realize social integration by collecting zakat and spending it in its legitimate sides, and investing the extra zakat funds and distributing its returns to those who deserve. Also, these banks provide the good loan, which is a charitable project for human reasons like marriage, treatment, and debts (Yousef, 2022, p. 61).

Fourth: The importance of Islamic banks: The importance of the existence of Islamic banks fulfills the desire of Islamic societies to find banking channels away from using interest

rates, and creating a developmental practical field relying on transaction jurisprudence in banking activities. Islamic banks are the practical application of the fundamentals of Islamic economy which is financial and independent in its nature, and depends on providing the principle of economic freedom and intellectual freedom for full human life (Najjar, 2023, p. 100).

Also, Islamic banks are a necessary means to fight hoarding and encourage real investment by establishing economic projects which usually help to increase national output, national income and social return. This is achieved by applying investment formulas by coordination and cooperation with economic institutions in both public and private sectors, so economic and social development happen, and social cooperation is achieved under the provisions and teaching of Islamic Sharia (Jabari, 2018, p. 73).

Islamic banks have a major and fundamental role in developing economic activity and social progress, so the available funds become for the whole society, which is called maximizing the social return (Alhaddad, 2022, p. 41). The need for Islamic banks nowadays is an unavoidable economic necessity for every Islamic community that refuses interest dealings and wants to apply Islamic Sharia in order to facilitate exchange and transactions and ease production activities and strengthen capital capacity within the framework of Islamic Sharia (Baz, 2021, p. 29).

Fifth: Objectives of Islamic banks

The developmental goals of Islamic banks are identified in the following sides (Rashid, 2020, p. 85):



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- Seeking to create a suitable climate for attracting capital to put an end to the problem of low savings, and small capital accumulation to provide the resources necessary for development;
- Achieving a high level of employment for the available production factors in society and trying to eliminate unemployment, as well as removing all forms of misuse for these factors;
- Working in all ways and all means to grow and activate investment through frank investment that makes new companies with different specializations, or help to expand production lines for existing companies, and participate in defining and developing these lines;
- Promoting investment projects for the bank or for others, or by participating with those who have good experience and technical ability, those who have good reputation.

Islamic banks also aim to solve the economic and social problems suffered by society. They encourage small operations and investments to relieve hardship of poor and low-income people, as the prevailing Islamic values have a major impact on consolidating this goal in the Muslim community (Salah, 2022, p. 56), through creating financing formulas by creating Islamic investment formulas enabling the bank to finance different projects without violating Islamic Sharia, so it can face competition from traditional banks in attracting investors, and provide finance for investors by investing the deposited money through best investment channels available to it, or investing these funds through specialized subsidiary companies or investing in

local or regional or direct international markets (Shami, 2021, p. 19).

Also, there are objectives that achieve the special benefit for the Islamic bank, represented in the following:

- **Achieving profit:** Making profit is the result of investment operations and the return of banking services, which is distributed to depositors and shareholders, and leads to the growth of market value and enables it to continue and compete in the market (Khalil, 2019, p. 75).
- **Achieving safety and growth:** The Islamic bank seeks to work in an environment characterized by safety and distance from risks, by trying to follow a policy of diversification in its investments. This goal does not contradict with the previous one, and the bank's task is to reach balance between both by linking profit with certain levels of risks, based on the bank's choice of investment projects that fit with the acceptable risk degree (Arfa, 2022, p. 100).

Second topic: Islamic banking tools in the light of Law 23-09

The Algerian financial system seeks to gradually integrate the tools of Islamic banking, starting from the organizational regulations of the year 2020 until reaching Law 23-09, which gave it the official legal character. This development comes as a response to the demands of society and economic actors to provide financing alternatives compatible with Islamic Sharia, able to attract liquidity and achieve financial inclusion. The new law presents a broader vision to enlarge and diversify these tools, with ensuring Sharia supervision



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and governance to enhance the confidence of users and the stability of the banking system.

First requirement: Motivations for Islamic banking in the light of Law 23-09

Law 23-09 adopted Islamic banking in response to the needs of the Algerian financial market and the society's aspirations for legitimate financing alternatives, which contributes to attracting liquidity and achieving financial inclusion.

First - Abolishing order 03/11

Order No. 03-11 related to money and credit suffered from many imbalances, at political, economic, and legal levels. This forced the legislator to draft a new law that responds to the developments and guarantees the modernization of the monetary and banking sector through Law 23/09 (Law No. 23-09, 2023) dated June 2nd, 2023, including the monetary and banking law. The main motivations can be summarized as follows:

- The new law aims to address the gaps that accompanied order 03/11, especially what concerns Islamic banking and exchange offices. It also worked on strengthening the independence of the Bank of Algeria and giving the Monetary and Banking Council effective legal tools to manage the monetary policy, in addition to setting rules for banking sector governance, and facing banking crises in a way that sustains economic activity (Order No. 03-11, 2003).

- This legislative trend reveals a serious desire to move from a stage of partial reforms towards building a banking system with real independence, which strengthens the ability of the financial system to adapt to internal and external changes, and also shows a clear direction towards integrating Islamic banking within the official organizational framework (Ministry of Finance Algeria, 2025), reflecting a response to societal and economic aspirations, while enhancing guarantees of governance and transparency as a pillar for the sector's stability.

1- The political motivation

Politically, the new law fits within the reform program of the President (Covenant No. 54), and came after wide discussion and parliamentary approval, unlike previous laws which were issued by presidential orders. This allowed the strengthening of national dialogue and openness to Islamic banking and exchange offices organized by the Bank of Algeria's Regulation 23/01 as a regulated economic activity based on prior authorization from the Monetary and Exchange Council, in accordance with Algeria's monetary policy. It aimed to finally control the field of sale and transfer of currencies, to eliminate the parallel market for foreign currency exchange for economic operators and individuals, while reducing the intervention of the executive authority in monetary decisions.

- Regulation 23/01 (Regulation No. 23-01, 2023) represents an important reform step aiming to organize the activity of exchange offices in Algeria, but it remained limited to the texts because of the delay in issuing the executive and regulatory decrees, weak financial infrastructure readiness, and the



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continued dominance of the parallel market. This confirms that legal reforms alone are not enough without strong political will and providing practical mechanisms to ensure field implementation.

2- The economic motivation:

Economically, this law is connected to the efforts for diversifying the economy far from dependence on hydrocarbons, by encouraging investment, reforming the exchange system, and developing modern payment tools including the project of digital dinar. In this context, the Financial Stability Committee was established to strengthen financial inclusion and contribute to economic development, and the law relates to global economic changes; Algeria seeks to diversify its economy away from relying on hydrocarbons and to encourage local and foreign investments through reform of the exchange system and introducing modern payment mechanisms, including the possible launch of a digital dinar as a future project.

The legislator also established the Financial Stability Committee to strengthen financial inclusion and contribute to future economic development.

Law No. 25/10 dated July 24, 2025, amending and supplementing Law No. 05/01 concerning the prevention of money laundering and combating the financing of terrorism, explicitly stipulated in article 6 bis: "It is prohibited to issue, buy, sell, use, possess, trade in, or promote virtual assets or to create or operate platforms for their trading, which are considered as property or proceeds or money or other assets, or any equivalent value, as a means of payment or recognize them as currency, or as an investment instrument, and the

ban also covers the activities related to mining virtual currencies,” The absence of a guaranteeing entity raises legal and regulatory concerns about stability and protecting customers.

On the other side, after the sharp drop in hydrocarbon prices on the global market and the resulting big decline in public revenues that Algeria relies on to finance its general budget, the mechanism of unconventional financing was used in 2017, through the issuance of Law No. 17-10 dated October 11, 2017, which included only one article (article 45). This article authorized the Bank of Algeria, as an exception and for five years, to directly purchase the bonds issued by the public treasury in order to:

- Cover treasury financing needs;
- Finance domestic public debt;
- Finance the National Investment Fund.

It should be noted that this amendment came along with what was stipulated in Order No. 03-11 dated August 26, 2003, especially its article 53, which gave the central bank authorization for direct purchase of public treasury bonds to cover financing needs, but it was limited by notes not exceeding 240 days or advances not exceeding 10% of the previous year’s revenues. Law 17-10 expanded these powers, authorizing the funding of domestic public debt and the National Investment Fund, which represented a fundamental shift in public financing policy.

Second – Objectives of Law 23/09

Law No. 23-09 concerning money and banking came with a set of strategic objectives, chiefly: adapting the legal and regulatory framework of the monetary and banking system to global changes, reforming the exchange system by



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opening the field for exchange offices for the first time, as well as strengthening governance rules in banking bodies, supporting national economy financing and encouraging investments. It also gave special attention to developing non-cash payment means and establishing financial inclusion, with introducing new monetary policy tools to make it more effective. In addition, the legislator worked to provide legal status for Islamic banking and provide success components, and finally, to introduce the digital dinar as an innovative means of payment.

These objectives reflect the legislator's attempt to reach a balance between the requirements for financial modernization (like introducing the digital dinar and developing monetary policy tools) and the necessity for strengthening financial inclusion and expanding the base of people dealing with the banking system. It is clear that integrating Islamic banking and creating exchange offices represent a response to internal economic and social needs, while introducing digital dinar appears as a strategic direction to keep up with global shifts in financial digitization. However, the success of these reforms depends on the effectiveness of their actual implementation, especially concerning the readiness of banks and their adaptation to international governance and transparency standards.

Second requirement: The development of Islamic banking tools (2018–2023)

In recent years, the global financial arena has witnessed a wide spread of Islamic banks, and this is due to their ability to withstand and succeed in the face of global financial

crises. They were not affected by these shocks thanks to the strategies they follow and the formulas of the products they offer. To keep up with this development, the Algerian legislator took the initiative to include them within banking activity (Mehdawi, 2021, p. 137), considering them as a mechanism to enhance the stability of the financial system and protect it from sudden crises, as well as being a choice met with rising interest by Algerian investors.

The banking system 18/02 (Regulation 18-02, 2018) moved quickly towards integrating Islamic banking as an alternative option capable of attracting the cash mass circulating outside the banking sector and enhancing financial inclusion. Recent studies showed that the experiment witnessed noticeable development after the organizational regulations issued by the Monetary and Loan Council in 2020; however, it remained limited in scope until the issuance of Law 23-09 regarding money and banking in 2023, which gave Islamic banking a legal status and set the foundations for its success.

An analytical study by the researcher Nouredine Samiha (Nouri, 2024) showed that the contribution of Islamic banking to mobilize financial resources remained limited during 2018–2023, as there remained an almost absolute dependence on the murabaha product, while products like mudaraba, ijarah, salam and istisna' were not commonly used, and there was no clear decline in the volume of cash circulating outside the banking system. This reflects a shortcoming in the ability of this type of finance to attract liquidity.

It is also shown that the expansion of Islamic banking remained mainly linked to public banks, which benefited



from government advantages, contrary to private banks that adopted this approach at a slow pace.

First - Practical framework for Islamic banking tools and regulations:

Regulation 20/02 was issued, which canceled Regulation 18/02 related to the rules of practicing banking operations related to participatory banking by banks and financial institutions, to set the general rules for marketing Islamic banking products. It obliged banks and financial institutions to separate accounts between conventional and Islamic operations, which enhances transparency and ensures governance related to the rules applied to financial products that are compatible with the principles of Islamic Sharia marketed by banks and financial institutions. Article 02 of the above mentioned regulation stated eight banking operations related to Islamic banking, which are: murabaha, musharaka, mudaraba, ijarah, salam, istisna', deposit accounts, and investment deposit accounts.

It is noticed there is one more operation compared to what was stated in Article 02 of the canceled Regulation 18-02, where the operations were fewer in number. These operations are the main activities of banks and are subjected to the provisions stated in Articles 66 to 69 of the (canceled) Order 03/11 dated August 26, 2003 on money and credit. Based on that, these operations can be divided as follows, with some notes:

For operations of receiving funds from the public, the old regulation was limited to investment deposit accounts only, while the new regulation added a second formula, which is deposit accounts.

- **Deposit accounts:** They are closer to conventional current accounts, where the bank is obligated to return the money at request or within specified periods, but they do not yield interests (Econ-Pedia, 2025).
- **Investment deposit accounts:** Represent funds invested by the banks through Islamic financing formulas, and the depositors bear the outcomes of profit and loss, with the obligation of the bank to inform them of the risks (Ben Houhou, 2020, p. 87).

Thus, it appears that the new regulation is more comprehensive and organized compared to the previous regulation.

Second - Modern approaches of the Bank of Algeria in reforming the banking system according to Law 23/09

Law 23/09 embodied a new approach for the Bank of Algeria towards reforming the banking system, through diversifying financing tools and supporting Islamic banking to keep up with the requirements of sustainable economic development.

- **Ijarah formula and its role in meeting basic needs**

Ijarah is among the financing formulas that meet the needs of individuals in housing, means of transport, and living machines (Dried, Gharib, & Ammamra, 2023, p. 149). It allows the economic operator to benefit from the subject of the contract while maintaining his liquidity, with the possibility of owning it at the end of the ijarah period.



- **The salam contract as a tool to support farmers and traders**

The salam contract is based on advancing immediate payment in exchange for a deferred commodity, and it is a formula aiming to help producers and farmers before the harvest; the subject of the salam is the commodity, and the advance payment is the price. It provides immediate liquidity for producers and boosts commercial and agricultural activity (Jazoul, 2024, p. 353).

- **The istisna' contract and its role in meeting industrial needs**

Istisna' allows to support the market, which helps to drive the industrial activity, and achieve integration between the banking sector and the production sector.

- **Investment accounts as a tool for realizing joint returns**

Investment accounts are financial placements given by the depositor to the bank to invest in Islamic projects; it is exposed to risks and thus is based on the principle of sharing profits and losses, enhancing transparency and fairness between both parties (Jazoul, 2024, p. 354).

Third - Contribution of Islamic banking in supporting banking reforms under Law 23/09:

Integrating Islamic financing formulas into the banking system gives individuals, companies, and investors various financing options, which are different from traditional

products in that they depend on the principle of sharing profit and loss instead of pre-guaranteed interests. This enhances the values of economic justice and meets the aspirations of a large segment of investors in Algeria.

Islamic banks also seek to develop their banking services with the highest standards of quality and suitability to the client's needs in terms of place, time, and cost, while strictly committing to the principles of Islamic Sharia. In addition, they can play a central role in strengthening economic integration among Islamic countries, especially since many of them still suffer from structural limitations in production factors and economic backwardness, which makes Islamic banks an effective tool to direct resources toward joint development projects.

On the service level, Islamic banks provide a variety of products, most notably (Bounaas, 2024, p. 11):

- Current accounts: On-demand deposits with no usurious interest, with simple commissions charged for services.
- Savings deposits: Accepted as a good loan without interest, with the possibility of converting it into an investment account that allows sharing in profit.
- Term deposits: Long-term investments managed by legitimate formulas such as *mudaraba* and *musharaka*, where profits and losses are shared between the bank and the depositors.

What has been mentioned above shows that Islamic banking is not limited to offering legitimate alternatives to traditional products, but rather it represents a key support for the financial reforms brought by Law 23/09, which aimed to:



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- Set a legal framework that allows integrating Islamic current accounts and investment deposits within the official banking system.
- Enhance financial inclusion by attracting wide segments that remained outside the banking cycle for religious reasons.
- Direct resources to the productive economy through investment formulas based on partnership and mudaraba instead of interest, in line with the reforms aimed at reducing reliance on oil rent.
- Open the door for international economic integration by encouraging flows of Islamic investment, whether from within or from other Islamic countries, thus enhancing Algeria's position as a regional financial center.

Accordingly, Law 23/09 constitutes a decisive step in establishing Islamic banking as an effective tool in the path of economic reforms, not only by protecting the financial system from shocks but also by supporting sustainable development and diversifying the national economy.

1- Islamic banking windows as a regulatory mechanism

Regulation 93-09 confirmed in its Article 71 the creation of Islamic banking windows inside banks, as structures exclusively tasked with providing Sharia-compliant products, with financial independence that guarantees separation of their clients' accounts from other accounts (Article 71 of Law 23-09, 2023).

2- The necessity of recognizing and activating Islamic financing

The accelerating financial developments make it necessary to recognize Islamic banking and broaden its application, since it is based on the principles of Islamic Sharia which are fit for all times and places, and represent a flexible alternative to face economic challenges.

- **Modernization and governance of the banking system**

The Bank of Algeria seeks to adopt a sustainable banking strategy based on digitalizing the financial sector, allowing the establishment of new banks to enhance competitiveness, and adopting principles of sound governance to ensure lasting effectiveness and achieve economic development goals.

Regulation No. 20/03 (Article 73 of Law 23-09, 2023) detailed the practical procedures for marketing Islamic products (murabaha, ijarah, mudaraba, salam, istisna'), specifying their Sharia and financial conditions, and also obliged banks to establish an internal Sharia supervisory body in charge of ensuring the operations comply with the rules of Sharia.

These two regulations formed the initial legal foundation for marketing Islamic banking in Algeria and paved the way for its integration within the official banking framework.

3- Developments in Law 23-09 regarding money and banking

Law No. 23-09 (Article 6 of Law 25-10, 2025) confirmed integrating Islamic banking into the formal banking system, as it set clear provisions to organize it, the most prominent are:



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- Recognition of Islamic banking as an inseparable part of the national banking system;
- Enabling the Monetary and Banking Council to grant accreditation to banks and financial institutions practicing exclusively Islamic banking;
- Establishing rules of governance and transparency in managing Islamic operations;
- Allowing new products and widening the scope of exchange offices as a supporting mechanism for financial inclusion.

It also aims to empower the Monetary and Banking Council to grant approval for banks and financial institutions that practice exclusively Islamic banking.

The Algerian experience reveals that the path of Islamic banking passed through two main phases: the founding phase reflected by the issuing of Regulations 20/02 and 20/03 in 2020, and the legal establishment phase with the issuance of Law 23-09 in 2023. Although the results recorded during 2018–2023 are still limited, the official recognition of Islamic banking and the establishment of independent governance and Sharia supervision mechanisms pave the way for a larger role for this banking in attracting cash liquidity, strengthening financial stability, and contributing to achieving financial inclusion and sustainable economic development.

Conclusion:

In light of what has been analyzed above, it is clear that Law No. 23-09 regarding money and banking constitutes a basic building block in the path of reforming the banking system in Algeria. It adopts a modern legislative approach that considers the international standards for governance and financial stability, while at the same time responding to the economic, social, and religious specificities of the Algerian society. Through this text, the legislator has officially recognized Islamic banking as one of the components of the national financial system, giving it a clear legal and institutional character, completing what was established by Regulation 20/02 and Instruction 20/03 in organizational and procedural details.

Recommendations:

- Strengthen the regulatory and supervisory framework of Islamic banking and the mechanisms of internal and external Sharia supervision, to ensure its consistency with the rulings of Sharia and the requirements of financial safety according to the standards of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).
- Develop human competences and improve university and banking training: It is necessary to invest in human capital through specialized training programs in the fields of Islamic finance, Sharia supervision, and risk management.
- Enhance financial inclusion and digital innovation by working to expand the spread of digital banking



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services and develop financial platforms that are integrated with Islamic banking tools.

- Consolidate governance and transparency in the banking sector through adopting periodic reports for Sharia compliance, disclosing financial data transparently, and involving Sharia and accounting audit committees in both internal and external evaluation processes, to increase the trust of users in the Islamic banking system.
- Encourage scientific research and institutional cooperation in the field of Islamic finance.

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