

DRIVERS FOR ADOPTING THE ISLAMIC BANKING SYSTEM

Factores que impulsan la adopción del sistema bancario islámico

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Abstract

Islamic banks now play an effective role in the development of the economy as a whole, owing to their principles and mechanisms, which are grounded in the provisions of the tolerant Islamic Sharia. Some investors often prefer to deal with this type of bank rather than with conventional banks. In Algeria, there is a segment of investors who favour dealing with Islamic banks for social, economic and religious reasons.

It is well established that the investment climate in Algeria is growing and flourishing. If the culture of Islamic banking were to spread in Algeria and be framed by statutory legislation specific to Islamic finance, this could further improve the country's investment climate by attracting businesspeople and offering them mechanisms commensurate with their investments. It could also allow Islamic banks to enter as partners alongside investors in order to foster investment. It is therefore necessary to work towards spreading the culture of Islamic banking in Algeria, to encourage Islamic banks established abroad to invest in Algeria, and to encourage local investors and businesspeople to deal with such banks.

Keywords: Islamic banks; investment.

Resumen

Los bancos islámicos desempeñan actualmente un papel importante en el desarrollo de la economía en su conjunto, gracias a sus principios y mecanismos, fundamentados en las disposiciones de la sharia islámica.

Algunos inversores prefieren recurrir a este tipo de entidades en lugar de acudir a los bancos convencionales. En Argelia, existe un segmento de inversores que opta por los bancos islámicos por razones sociales, económicas y religiosas.

El entorno de inversión en Argelia se encuentra en un proceso de crecimiento y expansión. La difusión de la cultura bancaria islámica, acompañada de un marco legislativo específico para las finanzas islámicas, podría mejorar aún más este entorno al atraer a empresarios y ofrecerles mecanismos adecuados a sus inversiones. Asimismo, permitiría que los bancos islámicos participaran como socios de los inversores para impulsar la inversión.

Por consiguiente, es necesario promover la cultura bancaria islámica en Argelia, incentivar a los bancos islámicos establecidos en el extranjero a invertir en el país y fomentar que los inversores y empresarios locales recurran a estas entidades.

Palabras clave: bancos islámicos; inversión.

Introduction:

Since the emergence of international trade, and with all the developments it has undergone, banks have come to play an important role in the economic sphere, being regarded as a means of economic growth worldwide. As trade opened up internationally, the Islamic world was compelled to develop Islamic banks, which are consistent with the principles of the Islamic Sharia, serve the objectives of the Islamic economy and contribute to building its reality in all its dimensions. Islamic banks are based on distinctive commercial principles and operations whose purpose is to develop Islamic investment.

The Islamic bank is distinguished by a range of services, the most important of which are:

- Financing and investment services.
- Social services.
- Marketing services in Islamic banks.

All these services aim to encourage investment and develop the economy, and in particular to foster doctrinal and ethical principles in the commercial sphere in general, and to provide funds to business owners by means consistent with the principles of the Islamic Sharia in order to help them with their investments.

Algeria is a developing country that encourages investment in all its fields and spheres, and it will undoubtedly rely on banks to develop and promote that investment.

It is well established that religion is a dominant element in the culture of Algerian society, and that most local investors prefer to deal with banks that do not engage in usurious interest (*riba*).

The problem, however, lies in the limited activity of Islamic banks in Algeria compared with conventional banks.

This leads us to pose the following question:

To what extent is it necessary to expand the activity of Islamic banks in Algeria?

This research question has been divided into two parts, as follows:

Part One: The Philosophy of Islamic Banks and Algeria's Experience with Them.

Under this part, we address:

- The emergence and development of the Islamic bank.
- Algeria's experience with Islamic banks.

As for the second part, which is entitled:

The Operations of Islamic Banks, we shall address:

- The specializations of Islamic banks.
- Syndicated bank financing through Islamic banks.

Part One: The Philosophy of Islamic Banks and Algeria's Experience with Them.

The philosophy of Islamic banking refers to the nature of the message it carries and the role it plays in banking business of all kinds and forms. It encompasses its objectives and general principles, which form an umbrella that preserves its foundations and safeguards its distinctive features, rooted in the principles of the Islamic Sharia; that is, the commitment of Islamic banks to the provisions of the Islamic Sharia in all their activities and operations, unlike conventional banks, which have no commitment to the Sharia.

First: The Emergence and Development of the Islamic Bank.

The Islamic bank is a banking institution governed by specific rules: it does not deal in usurious interest, and its tasks consist of collecting funds and employing them within the framework of the Islamic Sharia and providing banking services in conformity with the provisions of the Islamic Sharia.¹

Since early times, Muslim thinkers have sought a model in the economic sphere that accords with the principles of the Islamic Sharia, which gave rise to what is known as the Islamic bank. The latter is defined as "a banking institution whose purpose is to gather funds and savings from all those who do not wish to deal in *riba*, and then to employ them in fields of economic activity and to provide customers with various banking services in accordance with the Islamic Sharia, thereby achieving the objectives of economic and social development in society."²

Accordingly, the Islamic bank is a banking and financial institution that aims to attract funds and invest them in accordance with the following principles of the Islamic Sharia:

- The prohibition of *riba*.
- The prohibition of hoarding money.
- The principle of profit-and-loss sharing.
- The principle of investing in projects founded on the principles of the Islamic Sharia.

On 7 February 1972, thanks to the efforts of economic researchers and religious jurists, a conference was held in Egypt with the participation of 18 countries, including Algeria. Its aim was to abandon the interest-based system and to adopt financing methods subject to the provisions of the Islamic Sharia.

In December 1973, the first conference of finance ministers of Islamic countries was held, at which the members declared their determination to establish an Islamic bank. A committee was subsequently formed to prepare a specific project for the establishment of the Islamic bank, which was named the Islamic Development Bank. In August 1974, the project for the establishment of the Islamic Development Bank was discussed and approved in the city of Jeddah.

¹ Sobhi Tadros Qurayda and Mahmoud Younis, *An Introduction to Economics* (in Arabic), Dar Al-Nahda Al-Arabiya, Lebanon, 1984, p. 373.

² Rashad Al-Assar and Riyad Al-Halabi, *Money and Banking* (in Arabic), Dar Al-Safa, Amman, Jordan, 2000, p. 117.

On 20 October 1975, the Islamic Development Bank, which brings together 42 states of the Islamic Conference, was officially established.³

In 1975, Dubai Islamic Bank was also founded, after which the world witnessed the spread of Islamic banks across the globe.

As for Algeria, Al Baraka Bank of Algeria is regarded as the first Islamic bank to obtain a licence to operate in the country; it aims to promote economic growth in accordance with the approach of the Islamic Sharia.⁴

The second model of Islamic banking in Algeria is “Al Salam Bank”, the second Islamic bank in the country to operate in accordance with the Islamic Sharia. It was established in 2006 and began operating in October 2008, as part of the establishment of the Al Salam banking group in Arab and Islamic countries following the success achieved by Islamic banks. Algeria was chosen to host one of its headquarters thanks to its favourable investment environment, particularly in recent times, and in view of the relations between Algeria and the United Arab Emirates, since Al Salam Bank is an Emirati bank.

One of the reasons for the emergence of Islamic banks worldwide lies in their operating mechanism: they have come to play an effective role at the global level thanks to their reputation and the speed of their success, despite the brevity of their experience compared with conventional banks.

Second: Algeria’s Experience with Islamic Banks.

Algeria has not seen any significant expansion in the field of Islamic banking: there are no more than two foreign banks holding a licence, namely “Al Baraka Bank and Al Salam Bank”. Local conventional banks are also due to join the Islamic banking system, namely the “National Savings and Provident Fund” (CNEP) and the “Local Development Bank” (BDL), since Algeria is to establish a legal framework governing the activities of Islamic banks and facilitating their integration into the Algerian financial market, because developing this type of service requires a dedicated regulatory framework. Although Algerian positive law has not prohibited transactions conducted through Islamic banking, it has neither regulated them by specific legislation nor distinguished them from the transactions carried out by conventional banks.

Regulating this type of service would resolve many problems and benefit the national economy by attracting funds that circulate illegally on the black market, away from the eyes of the regulators and outside the banking framework. This is what the Chairman and Chief Executive Officer of Al Salam Bank stated: “Islamic banks can help, to some extent, in attracting funds circulating outside the banks.”⁵

Moreover, if the idea of expanding Islamic banking in Algeria succeeds, it will certainly foster and develop the national economy and attract foreign investors in general, and investors from Arab countries in particular, to invest in Algeria and place their funds with this type of bank, owing to the advantages granted to them. Chief among these is the existence of the Arab trade exchange zone,⁶ which aims to create economic integration and expand trade among Arab countries⁷ by facilitating trade-related services. This advantage will certainly encourage the flourishing of Islamic finance in Algeria through the development of new mechanisms that help attract investment and investors. In addition, the Bank of Algeria issued Instruction No. 94-20,⁸ which aims to facilitate import procedures for economic operators when they deal with an Algerian bank.⁹

³ Ajja Djilali, *The Mudaraba (Qirad) Contract in Islamic Banks between Islamic Jurisprudence and Banking Techniques: An Attempt to Establish Islamic Banking Economics* (in Arabic), Dar Al-Khaldounia, Algeria, 2006, pp. 165–166.

⁴ Khaldi Khadija and Ben Habib Abderrazak, *Models and Operations of the Islamic Bank* (in Arabic), Office of University Publications (OPU), Algiers, 2016, pp. 30–31.

⁵ Samira Imadalou, article in the daily newspaper *El Watan*, no. 8263, 27 November 2017, p. 11 (in French).

⁶ Decision of the Economic and Social Council of the League of Arab States dated 22/02/1978 establishing an agreement among Arab states to facilitate trade-related services. The agreement was ratified in the Republic of Tunisia on 10/02/1981 and joined by most Arab states, and it was reactivated on 13/09/1995. Algeria ratified it by Presidential Decree No. 04-233 of 16 Jumada al-Thani 1425 AH, published on 8 August 2004, Official Gazette No. 49 of 2004, p. 5.

⁷ Nadira Azouaou and Moussa Lahlou, *Le droit bancaire algérien, le contrôle des changes, le commerce extérieur et les investissements étrangers*, GAIA Éditions, Algiers, vol. 2, 2018, p. 285.

⁸ Bank of Algeria Instruction No. 94-20 of 12/04/1994 on the conditions for financing import operations.

⁹ Bousenna Zineb, *The New Economic Transformations and Their Repercussions on the Legal System of Algerian Commerce* (in Arabic), doctoral thesis in Business Law, Faculty of Law, University of Algiers 1, academic year 2016–2017, p. 94.

The limited spread of Islamic banks in Algeria compared with other Arab countries is due to the absence of an Islamic banking culture in Algeria. This is because Algerian businesspeople are unaware of how these banks operate and of the foundations on which they rest, and they do not distinguish them from conventional banks in many respects, including:¹⁰

- Many businesspeople do not understand or fully grasp the new financing and investment system, which derives its roots from the provisions of the Islamic Sharia and within whose framework Islamic banks operate.
- There is a widespread misconception that participation in the Islamic financing system means “splitting the profits equally”; some businesspeople believe that it is financing without return, in which the bank’s money is ultimately repaid without any increase, because in their view any increase amounts to *riba*.¹¹
- The inadequacy of the media role of Islamic banks, owing to the scarcity of books and publications on Islamic finance, as well as the shortcomings, incapacity or lack of specialization of many Muslim preachers in the field of financial transactions (*mu’amalat*).

These factors have curbed the expansion of Islamic banking activity in Algeria and have led many local investors to prefer working with conventional banks rather than Islamic banks, having lost their confidence in the latter.

In view of this situation, the Algerian media and Algerian universities should offer courses and open training workshops in the field of Islamic finance in order to raise businesspeople’s awareness of its services.

The Algerian State should also encourage this type of bank by issuing legislation specific to Islamic banking in order to protect its activity and promote the spread of Islamic banks in Algeria, and by opening Islamic banking windows within conventional banks, given that the social and economic climate in Algeria favours dealing with banks that do not deal in usurious interest, which is the main principle of Islamic banks.

Likewise, the Central Bank of Algeria should establish a body dedicated to Islamic banking that would unify the *fatwas* issued by the Sharia boards of each Islamic bank, and should also issue statutory legislation specific to Islamic banking.

Part Two: The Operations of Islamic Banks.

The Islamic bank employs the funds available to it from its own resources, together with the investment accounts it receives in its capacity as *mudarib* (entrepreneur-manager), using a variety of means such as *mudaraba* contracts (profit-sharing partnership), *musharaka* contracts (equity partnership), and *salam* (forward sale) or *istisna’* (manufacturing) contracts, or by establishing subsidiaries to carry out various lines of activity, or by taking equity stakes in existing enterprises within the framework of the Islamic Sharia,¹² whereby the Islamic bank undertakes all types of investment either directly, by managing its own funds, or indirectly through intermediation, by financing investors, as in syndicated bank financing.

First: The Specializations of Islamic Banks in Financing

Banks in general are financial institutions that take the form of commercial companies, whose essence lies in carrying out a set of operations with their customers, whether merchants or non-merchants.¹³ All legislations classify banks as merchants, as found in Algerian legislation, in Article 1 of the Algerian Law on Money and Credit, which defines the bank as a merchant whose legal form is that of a joint-stock company. The same applies to Islamic banks, but the latter’s goal is to realise the interests recognised

¹⁰ Attiyah Al-Sayyid Fayyad, *The Internal Challenges Facing Islamic Banks and Their Impact on Hindering Their Investment and Development Role* (in Arabic), Dar Al-Kalima for Publishing and Distribution, Mansoura, Egypt, 2000, p. 28.

¹¹ Mohamed Mahmoud Al-Makkawi, *The Ethics of the Businessman in Islamic Banks between Risk-Taking and Control* (in Arabic), Dar Al-Fikr wa Al-Qanun for Publishing and Distribution, Egypt, 2010, p. 30.

¹² Al-Sayyid Al-Hawari, *Bank Management* (in Arabic), Ain Shams Library, Cairo, Egypt, 1981, p. 58.

¹³ Mustafa Kamal Taha and Wael Anwar Bondok, *Fundamentals of Commercial Law (Commercial Acts, Merchants, Companies, the Business Establishment, Industrial Property)* (in Arabic), Al-Wafa Legal Library, Alexandria, Egypt, 2016 edition, p. 1319.

under the Sharia, by following the Sharia-compliant approach to generating profit through banking activities and services that adhere to the principles of the Islamic Sharia, notably the prohibition of *riba* and the exclusion of usurious interest from all their transactions. This is precisely what a certain category of Algerian investors, who prefer to invest in accordance with the principles of the Islamic Sharia, desire.

The Islamic bank carries out banking operations, which are techniques founded on specific principles and foundations: they rest on the principle of entitlement to profit, the exclusion of *riba*, and the linkage of profit to risk.

It is well established that investors prefer to deal with banks that provide them with the banking mechanisms and techniques that help them develop and expand their investments.

Islamic banks perform an integrated role: they draw on the classical forms of financing found in conventional banks, and also on forms of financing of their own, like those of "specialized banks". For this reason, the Islamic bank can be classified as a specialized bank, owing to its financing mechanisms, which are found, to some extent, in certain banks specialized in a particular field.

Specialized banks are those that carry out specialized financing and operations in order to finance projects or economic operations, whether industrial, agricultural or commercial, according to the bank's specialization. The reason for this specialization lies in the requirements of financing each of these projects.¹⁴

It is well established that Algerian legislation does not operate a system of specialized banks. However, if we examine the mechanisms and financing instruments of Islamic banks, they can be regarded as covering various specializations.

Specialized banks, which are found in large numbers in European countries, come in several types, according to the activity they undertake. The most prominent of these types are:

1. Agricultural Banks:

Agricultural banks are concerned with providing all the agricultural inputs that farmers need, including the loans required to purchase agricultural necessities such as fertilizers, seeds, plants, trees, and so on.

The characteristics of agricultural banks are found in one of the forms of financing carried out by Islamic banks, namely financing through *salam*.

Salam financing, which all Islamic banks adopt, involves the bank dealing with farmers who are expected to have goods available in the season specified for them. The bank finances the farmers by purchasing the goods that are the subject of the sale and reselling them at reasonable prices.¹⁵

The nature of *salam* financing closely resembles the work of a bank specialized in the agricultural field. Although this type of bank is absent in Algeria, the Islamic bank can take its place and open up the field of investment to farmers, since this type of financing tends towards profitability combined with security.

Thanks to Islamic banks, the scope of investment in Algeria can be expanded on the agricultural side, especially as Algeria's agricultural wealth can be relied upon to develop the Algerian economy on the one hand and to achieve self-sufficiency on the other, by encouraging local investors to invest in this field and develop it in Algeria.

As for the second type of specialized banks, we find real estate banks.

2. Real Estate Banks:

These are banks that provide the loans needed to purchase land and real estate, as well as to finance construction operations. They rely on their own capital to finance their activity, and they may also carry out real estate projects and sell them, among other activities.

This formula used by real estate banks is also found in Islamic banks through the mechanism of *istisna'*.

¹⁴ Aqeel Jasim Abdullah, *Money and Banks* (in Arabic), Dar Majdalawi for Publishing, 2nd ed., 1999, p. 274.

¹⁵ Abdelkader Said Al-Majidi, *The Liability of Islamic Banks for Their Banking Services and Investment Activities* (in Arabic), Dar Al-Fikr wa Al-Qanun, Mansoura, Egypt, 1st ed., 2015, p. 244.

The mechanism of *istisna'*, as defined in Article 16 of the Banks and Financial Institutions Law of the Republic of Tunisia, is "any sale operation whereby a bank or financial institution, at the request of a client acting as the commissioning party (*mustasni'*), finances the manufacture of a movable or immovable asset described in a manner that specifies its type, extent and characteristics".¹⁶ Islamic banks carry out *istisna'* by contracting between themselves, "as manufacturer or financier of the *istisna'*", and a client, "the commissioning party (*mustasni'*)", for the construction of a factory or the building of real estate to be leased or sold.

The purpose of this financing mechanism is to provide customers with the products they desire without their having to resort to a cash loan that gives rise to interest.¹⁷ Among the advantages of *istisna'* are the encouragement of investment and the solution of the housing problem.

It is well established that Algeria has no dedicated real estate banks, but Islamic banks could take the place of such banks through the financing formulas that characterise them. It would therefore be best for Algeria to invest in Islamic banks and benefit from their advantages and characteristics, which meet the needs of Algerian society.

As for the third type of specialized banks, we find:

3. Investment Banks:

These banks aim to finance projects either by contributing to their capital or by granting them medium- and long-term loans. In addition, investment banks provide short-term credit facilities to finance operating expenses.¹⁸ In Algeria, there is only one bank that relies on the investment formula, namely the "Algerian Development Bank". However, as previously mentioned, Algerian society avoids resorting to banks for fear of the interest system, whereas Islamic banks do not operate on an interest basis and could be the only solution for developing the investment climate in Algeria, thanks to their financing mechanisms, as noted above. The Islamic bank also relies on financing through *mudaraba* and *musharaka*, which take the place of investment banks, given that *mudaraba* financing in Islamic banks is among the main and most important operations for financing the Islamic economy.¹⁹ *Mudaraba* in Islamic banking is a contract between the bank and its client for the latter to carry out a specific project: the bank finances the project owner, who in turn exerts his effort to carry it out, and in the end the profits are divided as agreed in the contract.

This financing formula encourages investors to resort to Islamic banks for investment. If the investment fails, the *mudarib*, that is, the bank's client, is not required to return the funds to the bank, and the bank cannot ask the *mudarib* to refund its money; but if the investment project succeeds, the *mudarib* returns the funds to the bank and shares the profits arising from the *mudaraba* operation as agreed in the contract.

This type of financing will help Algerian investors expand their investments in accordance with the principles of the Islamic Sharia.

As for financing through *musharaka*, the Islamic bank is its client's partner in carrying out the project, contributing a share of the project's capital and thereby becoming its client's partner;²⁰ in other words, the Islamic bank acts as a partner of the project owner with a fixed share in order to carry out a specific undertaking, and in the end each partner obtains profits in proportion to the share to which he contributed.²¹

Both the *mudaraba* and *musharaka* formulas can take the place of specialized banks in the field of investment. Thanks to these formulas specific to Islamic banking, foreign investors, particularly from

¹⁶ Tunisian Law No. 48 of 2016 on banks and financial institutions.

¹⁷ Rashad Al-Nu'man Shayea Al-Amiri, *Credit Banking Services in Islamic Banks: A Comparative Study in Law and Islamic Jurisprudence* (in Arabic), Dar Al-Fikr Al-Jami'i, Alexandria, Egypt, 2013, p. 347.

¹⁸ Tariqullah Khan and Habib Ahmed, *La gestion des risques : analyse de certains aspects liés à l'industrie de la finance islamique*, Occasional Paper No. 5, Jeddah, Saudi Arabia, p. 60.

¹⁹ Khaled Amin Abdullah, *Banking Operations: Modern Accounting Methods* (in Arabic), Dar Wael for Publishing, Jordan, 2000, p. 20.

²⁰ International Trade Centre (ITC), the joint agency of the World Trade Organization and the United Nations, *Le système bancaire islamique : guide à l'intention des petites et moyennes entreprises*, Geneva, 2009, p. 13.

²¹ Sulayman Nasser, *Developing Short-Term Investment Formulas for Islamic Banks* (in Arabic), published by the Al-Turath Association, Ghardaïa, Algeria, 1st ed., 2002, p. 106.

Arab countries, can be encouraged to invest in Algeria, provided that the standing of Islamic banks is expanded.

Second: Syndicated Bank Financing through Islamic Banks.

The Algerian market's lack of large-scale projects stems from several causes, chief among them a shortage of financial liquidity, owing to Algerian banks' failure to grant loans matching the nature of the project, as well as local investors' flight from bank financing because of a social culture that does not favour dealing with loans on which usurious interest accrues.

The failure of investment projects to expand in Algeria is also due to the absence of legal protection framing financing operations, to reliance on a bureaucratic management style in public banks when handling loan applications, and to weak management and a lack of initiative.²²

Among the most important solutions that can currently be relied upon to expand investment in Algeria, and to foster cooperation between banks and investors by granting them loans matching their projects, is the granting of loans through syndicated bank financing.

The latter is a banking operation in which at least two banks cooperate to provide financing to a borrower; that is, it is a loan extended to a borrower by at least two banks, known as the participating banks, and governed by a single loan agreement.²³ This type of financing involves three parties, namely:

- The borrower, i.e. the party requesting the financing.
- The participating banks, i.e. all the banks that join together to finance the borrower.
- The lead bank, i.e. the bank that receives a mandate from the borrower to organise and manage the loan.²⁴

Syndicated bank financing is among the means that can solve investment problems in Algeria. As mentioned, the culture of Algerian society leans towards a religious culture that shuns usurious loans; however, local investors can turn to Islamic banks to benefit from syndicated loans, since Islamic banks rely on this type of financing, funding lawful investment activities in which no prohibited activities or services are involved. A local investor who does not wish to deal with the usurious interest system can thus approach Islamic banks and ask them to finance his project by granting a loan suited to the nature of the project. If the Islamic bank recognises the importance of the project from the financing standpoint, it may join at least one other Islamic bank in financing the borrower. Nor is there any objection to an Islamic bank participating in this type of financing with conventional banks, on condition that all financing operations are carried out in accordance with lawful Islamic formulas.

It is well established that where syndicated bank financing is arranged between Islamic and conventional banks, the lead role in the syndicate must belong to one of the Islamic banks, so that it can put in place its operating mechanism, which is built on the system of the tolerant Islamic Sharia.

Likewise, the organisation, execution and monitoring of syndicated bank financing must take place under the supervision of the Sharia supervisory boards of the Islamic banks participating in the financing, so that all operations conform to the principles of Islamic law.²⁵

Among the forms of financing on which Islamic banks rely in the field of syndicated financing, we find:²⁶

- **Musharaka:** the participating banks provide the financing and bear any losses in proportion to each bank's contribution, and profits are distributed according to the agreement and each bank's share.

²² Layla Muhammad Walid Badran, *The Adequacy of Syndicated Bank Loans as a Credit Instrument and as a Method of Risk Distribution* (in Arabic), Master's thesis, Faculty of Economics, Damascus University, Syria, academic year 2009–2010, p. 26.

²³ Bénédicte Braquehay, *Les transferts de risques au sein de la syndication bancaire*, mémoire de magistère de justice d'affaires, Université Panthéon-Assas, Paris 2, academic year 2008–2009, p. 16.

²⁴ Proceedings of the National Forum on the Problem of the Sustainability of Small and Medium-Sized Enterprises in Algeria (in Arabic), Chahid Hamma Lakhdar University, El Oued, Algeria, academic year 2017–2018, p. 8.

²⁵ *Sharia Standards: The Full Text of the Sharia Standards Adopted up to Safar 1437 AH (December 2015)* (in Arabic), Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), Dar Al-Maiman for Publishing and Distribution, Riyadh, Saudi Arabia, p. 643.

²⁶ Ibid., pp. 643–644.

- **Agency (*wakala*) for a known fee:** the agency must be established by a separate contract, the work must be described and the time specified, with a fixed fee granted to the agent in accordance with the activity and effort expended.
- **Agency (*wakala*) without a fee:** the lead bank manages the operation without remuneration, and all the profit goes to the participating banks.

Syndicated bank financing through Islamic banks is thus among the most important solutions enabling Algerian investors to expand their investments and meet their needs. Thanks to this financing, the national economy grows, and this type of financing will give the borrower opportunities to obtain large-scale projects, thereby creating an atmosphere of positive competition that develops the national economy.

At present, Islamic banks are among the solutions on which the Algerian authorities can rely, by encouraging foreign Islamic banks to invest in Algeria and by putting in place legal mechanisms specific to Islamic banking, so that several Islamic banks may be established in the country, on the one hand, and so that conventional banks may be converted into Islamic banks or open windows dedicated to Islamic banking, on the other.

Conclusion:

In conclusion, we have found that Islamic banks currently possess all the features needed to compete with conventional banks and to expand across the world, thanks to their characteristics, which are grounded in firm rules and a clear doctrinal approach. Overall, they aim to encourage investment and develop the economy through research and *ijtihad* (independent juristic reasoning) in finding new and serious mechanisms in step with current global economic developments, in accordance with the provisions and rules of the Islamic Sharia. This application is a civilisational achievement through which the shortcomings of conventional banks, whose flaws have been exposed, are avoided.

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