Reality and Challenges of Islamic Banking Windows in Algeria – The Case of the Islamic Banking Window at the Banque Extérieure d'Algérie (BEA) as a Model

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Abstract:

This study aims to explore the current state and challenges of Islamic financing in Algeria through Islamic banking windows, and to identify the regulatory and legal obstacles faced by conventional banks in providing Islamic financing to individuals, institutions, and professionals who abstain from interest-based transactions. It also seeks to examine the mobilization of savings and liquid assets circulating outside the formal economy and integrating them into the official financial system to promote economic and social development. The study focuses on Islamic banking windows, which are subject to a set of laws, such as Law 18-02 related to participatory banking operations and interest-free loans, and Law 20-02 concerning Islamic banking operations and the rules governing their practice by banks and financial institutions. These frameworks aim to support and develop Islamic finance to meet economic demands and promote Islamic banking and its developmental contributions;

The study concludes that Islamic banking windows in conventional banks contribute to expanding the scope of Islamic banking in Algeria by offering new financing mechanisms that address general economic needs and particularly support development goals.

Keywords: Islamic finance, Islamic banking windows, Islamic financial products.

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I- Introduction:

Financing is essential and vital for any existing institution, whether legal or moral, that operates regularly and continuously. This requires diverse sources of funding to ensure continuity and resilience in the face of competition. Among the most important of these sources are banks, which are considered a key link in the economic chain to guarantee economic and social development. They achieve this by mobilizing the savings of surplus units those who accumulate wealth and directing them to finance deficit units those wishing to invest while offering services aligned with the religious orientations of individuals, institutions, and the environment in which they operate;

To achieve this, the move towards Islamic finance has become necessary, with the aim of redirecting traditional interest-based banks and Algerian financial institutions toward offering services in accordance with the provisions of Islamic Sharia and the principles of Islamic law. These services are characterized by both economic efficiency and religious legitimacy, achieved through the establishment and opening of Islamic windows. This aims to diversify sources of financing and absorb the cash mass that exists outside the formal economic circle, integrating it into the official economy. This shift responds to the needs of Algerian individuals, institutions, and professionals who do not wish to engage in interest-based transactions, whether in giving or taking;

In this context, the Bank of External Algeria (BEA), Bouira branch, is one of the traditional Algerian banks that has begun offering Islamic financing services. Based on the above, the following research question can be posed:

What is the reality and what are the challenges of financing through Islamic banking windows in Algeria?

This main question includes the following sub-questions:

- What is the current state of Islamic financing at the Bank of External Algeria (BEA)– Bouira Branch?
- What Islamic finance products are available at this bank?

Significance of the Study: The importance of this study emerges from the growing interest in Islamic finance, especially after the 2008 financial crisis, and the realization by Algerian authorities of the significance of Islamic banking as one of the most important options and alternatives for economic diversification.

Study Objectives: The study aims to identify:

- The current state of Islamic banking in Algeria;
- The main challenges facing Islamic banking operations in Algeria;
- The products available at the Bank of External Algeria (BEA), Bouira branch.

Study Methodology: In order to thoroughly understand the topic, the inductive method was used, relying on descriptive tools and various sources and references directly and indirectly related to the subject. Additionally, a field case study method was applied at the Bank of External Algeria (BEA), Bouira branch.

Previous Studies:

- Study by Yasmine Kassi and Lazhar Bouradi ("Islamic Windows as a Mechanism to Activate Islamic Banking in Algeria," Algerian Journal of Islamic Finance, Vol. 01, Issue 01, Algeria, 2023) This study aimed to shed light on the reality of traditional banks in Algeria offering Islamic banking services through the establishment of Islamic windows. It also examined the obstacles and challenges preventing these banks from transitioning fully to Islamic banking. The study concluded that opening Islamic windows in traditional banks is a positive step toward promoting the spread of Islamic banking in Algeria. However, it requires the amendment and issuance of several supportive laws such as tax laws, commercial law, and insurance regulations due to their significant impact on the development of Islamic banking in the country;

- Study by Fouad Mahfoudhi and Ibrahim Al-Khalil Mahfoudhi ("Islamic Banking Windows in Traditional Banks as a Mechanism to Activate Islamic Banking in Algeria," Journal of Economic Studies, Vol. 18, Issue 01, Algeria, 2024) This study aimed to assess the extent to which Islamic windows contribute to attracting funds from outside the banking sector. The case study focused on the National Bank of Algeria by examining the general concepts of Islamic windows and various systems and regulations related to organizing Islamic banking. It concluded that Instruction 20-03 did not sufficiently address liquidity issues in Islamic windows. Nonetheless, the opening of these windows helped in attracting money circulating outside the banking sector. The study emphasized the necessity of having a Sharia supervisory board to offer compliant Islamic banking products;
- Study by Ahmed Azouz ("An Analytical Study of Islamic Banking Windows in Traditional Banks in Some Arab Countries," Journal of Economic Studies, Vol. 16, Issue 01, Algeria, 2022) This study aimed to clarify the mechanisms for successfully establishing Islamic banking windows within traditional banks by analyzing the experiences of several Arab countries. The goal was to transfer their positive practices to the Algerian context, especially since the Bank of Algeria recently issued a law allowing the provision of Islamic banking products. Given the considerable delay in this field, it is essential to outline various mechanisms for activating these windows based on practical experiences from the countries studied. The research concluded that the successful expansion of Islamic banking in Algeria should proceed gradually starting with the establishment of Islamic transaction windows, followed by the creation of specialized Islamic branches, and ultimately the complete transformation of traditional banks into fully Islamic banks.

1. The Theoretical Framework of Islamic Banking Windows under Law 20-02:

As part of the competitive strategy adopted by conventional banks to attract the largest possible number of individuals from society, these institutions aim to provide a variety of banking services and operations that align with customer needs. At the same time, they seek to expand the scope of their financing products to enhance accessibility by opening Islamic windows, in accordance with specific regulatory procedures and provisions;

With the recent development of the banking sector and the expansion of diverse investment activities, these banks have become capable of innovating new financial products and banking services within these windows, in addition to those offered through their traditional channels. These are known as:

An Islamic window is an organizational unit within a conventional bank dedicated to providing financial services that comply with the principles of Islamic Sharia. These windows may function as part of the conventional bank or as independent units within financial institutions. Their primary objective is to meet the needs of clients who prefer to engage in transactions according to Islamic rulings and principles, avoiding interest-based dealings (Mahfoudhi, 2024, p. 517).

The Islamic Financial Services Board (IFSB) defines it as a unit affiliated with a conventional financial institution that provides investment services in accordance with Islamic Sharia. This unit may be a branch within the institution or a specialized department, but it does not have legal independence (Bouradi, 2023, p. 24) .

Law 20-02, issued on March 15, 2020, which regulates banking operations related to Islamic banking and sets out the applicable rules and conditions under which they may be practiced by banks and financial institutions, defines the Islamic banking window in Article 17 as a structure within the bank or financial institution exclusively dedicated to offering Islamic banking services and products. This window must maintain financial and accounting independence from the rest of the bank's or institution's structures, in order to ensure the preparation of separate financial statements for its activities, as well as the separation of its clients' accounts from those of other clients of the institution.

This independence is guaranteed through a dedicated organizational structure and staff assigned exclusively for this purpose, as stipulated in Article 18 of the same law.

To enable these windows to carry out Islamic banking operations, the bank or financial institution is required to establish a Sharia Supervisory Board consisting of at least three members, appointed by the General Assembly. Furthermore, the bank must obtain a Sharia Compliance Certificate from the National Sharia Board for Fatwa on Islamic Financial Industry, in addition to submitting a licensing request to the Bank of Algeria to market Islamic banking products.

These products include Murabaha, Musharaka, Mudaraba, Ijara, Salam, and Istisna, as well as deposit accounts and investment deposits, most of which are structured as contracts, as outlined in Articles 04 and 05 of the same law.

2.Reasons for Opening Islamic Windows in Conventional Banks

The motives behind opening Islamic windows within conventional banks vary from one country to another and from one bank to another. These motives differ from those of fully-fledged Islamic banks, which are often founded with the aim of applying an economic system based on Islamic Sharia and avoiding interest (riba). In contrast, the establishment of Islamic windows may be driven purely by commercial considerations, such as generating profit or attracting a new segment of clients. Generally, the motivations for opening these windows can be classified into economic and religious reasons, as explained below (Khalil, 2021, pp. 28–29) :

2.1.Economic Reasons: These include considerations related to financial returns and investment growth. The most prominent include:

- Expanding the bank's economic participation base by offering Sharia-compliant services;
- Responding to customers' growing demand for Islamic banking products;
- Reducing risk while achieving additional returns through Islamic financing instruments;

- Being affected by financial crises that struck the interest-based banking system, particularly the 2008 crisis, prompting banks to seek more stable alternatives;
- Adopting a gradual approach toward transitioning to Islamic banking;
- Being influenced by the successful experiences of Islamic windows in other banks, which encouraged emulation of the model;
- Aiming to maximize profits and attract new capital to increase market share;
- Retaining the customer base and preventing its shift toward independent Islamic banks;
- Competing and not wanting to be left out of the growing Islamic finance market;
- Easier supervision by the parent bank over its Islamic window compared to establishing an independent Islamic bank, along with simpler legal procedures for creating a window versus founding a new bank.

2.2.Religious Reasons: These motives reflect the ideological dimension related to adherence to Sharia, and include:

- A firm belief in the prohibition of riba (interest) and the necessity of avoiding it;
- The conviction that Islamic Sharia principles should be applied in all aspects of life, including financial transactions;
- The desire to attract a segment of customers who refuse to deal with conventional banks for religious reasons;
- The belief that the interest-based financial system is flawed and unjust, necessitating a move toward Sharia-compliant alternatives.

Among the additional motivations behind the establishment of Islamic windows are the following (Ahmed, 2022, p. 242) :

- The growing desire of conventional banks to achieve higher profits and increase deposits to strengthen their market share;
- The increasing demand for Islamic banking services, especially from individuals who prefer to avoid interest-based transactions;
- The attempt by conventional banks to retain their customers and prevent them from switching to Islamic banks;
- The ease of legal procedures for opening an Islamic window, along with the ability to maintain full control over it as part of the bank's structure.

3.Objectives of Opening Islamic Windows in Conventional Banks

The objectives behind opening Islamic windows within conventional banks are diverse and vary across countries and institutions. However, they generally converge around three main goals: religious, economic, and social. These can be explained as follows (Al-Baroud, 2017, p. 155):

3.1 Religious Objective: Since the majority of Muslims tend to avoid dealing with conventional banks due to the involvement of transactions that are prohibited under Islamic Sharia, and in recognition of the public's desire to deal with alternatives that comply with Islamic rulings, it becomes important to raise awareness about the significance of turning to Islamic banking windows. This serves as an affirmation of the prohibition of interest (riba) in Islam and as an invitation for Muslims to direct their savings toward Islamic banks. Such action aligns with the objectives of Sharia, which prohibit the hoarding of wealth and encourage its investment in ways that benefit both individuals and society. This need becomes even more pressing in the face of rising unemployment and the inability of many individuals to invest their money independently, making Islamic banks a suitable and safe option to channel these savings in service of Islam and Muslims;

3.2 Economic Objective: Islamic banking windows serve as an effective tool for attracting capital and savings, especially in light of high savings rates among individuals and their increasing desire to invest in ways that contribute to the national economy. These windows can help limit the outflow of capital abroad—particularly to countries offering broad investment opportunities—by providing Sharia-compliant investment alternatives. Injecting significant capital into these windows enhances the profitability potential of conventional public banks. Ultimately, the resulting profits return to local branches, then to the banks' headquarters, and finally to the state treasury, thus positively impacting the national economy;

3.3 Social Objective: Channeling idle and hoarded funds held by individuals into Islamic banking windows and investing them in accordance with Islamic Sharia represents an effective step toward stimulating economic activity. Such investment not only activates the factors of production but also creates new job opportunities, helping reduce unemployment rates. Through the employment of capital, wages improve—especially for low-income earners—leading to increased purchasing power and greater demand for goods and services. This rise in demand encourages producers to expand their activities and increase production, thereby fueling continued economic growth. In turn, societies move closer to eliminating unemployment and achieving comprehensive development.

As stated in **Article 22** of Regulation No. 20-02, which provides that Islamic banking products are subject to the general legal and regulatory provisions applicable to banks, the objectives of these products align with those of conventional banks and financial institutions in general. However, it is noteworthy that the regulation does not include any article that clearly defines the goals of these Islamic windows within the framework of the Islamic economy. This renders the Islamic banking project legislatively incomplete, despite the existence of practical objectives that are evident in its implementation. These objectives include the following (Dahak, 2022, pp. 212–213):

- Article 2 of Regulation No. 20-02 implicitly refers to the prohibition of dealing in interest (riba) within Islamic banking windows, stating that no interest shall be paid or received in any banking operation within these windows. Many Islamic scholars differentiate between the goals of establishing fully independent Islamic banks which are primarily religious in nature and opening Islamic windows in conventional banks, which are often seen as profit-driven. If the objective were purely religious, it would be more appropriate to convert the entire conventional bank into an Islamic bank rather than merely opening an Islamic window while maintaining interest-based transactions elsewhere within the same bank;

- Article 12 states that investment account deposits within Islamic banking windows must be used for investment purposes through Islamic financing methods, with the goal of generating profits. These deposits are expected to contribute to the profitability of government-owned conventional banks. Profits flow back to the branches, then to the bank's headquarters, and finally to the state treasury, Economically, these windows aim to attract a significant portion of cash liquidity that circulates outside the formal banking system and use it to finance productive projects, thus supporting state efforts to overcome the limitations of conventional financing;
- Some scholars argue that the social returns of Islamic banks can only be realized if these banks are integrated into a comprehensive Islamic development plan for society. Operating separately or as part of the conventional system like Islamic windows weakens their social effectiveness. Islamic banks are built on social foundations; they aim to support social development through services such as interest-free loans (qard hasan), social advances, and financing of public benefit projects, which reflect their commitment to serving the community.
- Experts emphasize that the true goal behind launching Islamic banking windows should be a gradual transition toward a fully Islamic banking system. Otherwise, the project would lack meaningful purpose. However, the current system exhibits a form of banking duality, with conventional interest-based banks still holding the upper hand. A distinction exists between the goals of Islamic banks and conventional banks: Islamic banks aim to achieve social and financial development in accordance with Islamic law without neglecting profitability whereas conventional banks primarily focus on maximizing interest-based returns. Based on this, Islamic banking windows appear to align more closely with the objectives of conventional interest-based banks than with those of true Islamic financial institutions.

4.Requirements for Opening Islamic Banking Windows in Conventional Banks in Algeria:

Opening a window for Islamic banking transactions within conventional banks operating in the Algerian market requires fulfilling a set of essential requirements, which can be classified into three main categories (Tahraoui, 2022, p. 646):

4.1. Legal Requirements: These include the legislative aspects that must be adhered to, such as:

- Issuing a resolution by the General Assembly of the conventional bank approving the establishment of an Islamic window, along with discussing the necessary amendments to the articles of incorporation;
- Obtaining approval from the Central Bank, in accordance with the conditions it imposes, which must be strictly followed;
- Assigning the legal department to study the legal implications of the transition process, including potential consequences and obstacles.

4.2. Sharia Requirements: These pertain to the need to ensure compliance with the provisions of Islamic law, including:

- Appointing a Fatwa and Sharia Supervisory Board to oversee the opening and operation of the Islamic window;
- Appointing internal Sharia auditors to ensure adherence to Sharia guidelines;
- Eliminating all transactions that contradict Islamic law, regardless of their form or type;
- Ensuring complete segregation between lawful (halal) and unlawful (haram) financial resources.

4.3. Administrative Requirements: These focus on organizing the administrative aspect of the transformation process, and include:

- Amending the bank's articles of incorporation and its bylaws to comply with Sharia provisions;
- Forming a specialized committee to manage and implement the transformation process;
- Training staff and raising their awareness of the nature of Islamic banking operations;
- Developing human resources through specialized training programs in Sharia-compliant contracts, Islamic financing methods, and the standards of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

5.Challenges and Obstacles to the Success of Islamic Banking Windows in Algeria:

The process of opening Islamic banking windows in Algeria faces numerous legal challenges arising from the legislative framework under which banks operate when seeking to offer Islamic banking products. Some existing laws are not compatible with the nature of Islamic banking. Although Regulation 02-20, issued on March 15, 2020, outlines the Islamic banking operations for banks and financial institutions, it remains insufficient. This has led to calls for amending the Money and Credit Law to provide a broader and deeper regulatory framework for Islamic banking;

One of the major shortcomings of this regulation is found in Article 2, which presents an incomplete definition of Islamic banking operations. It restricts the description to any transaction that does not involve the payment or receipt of interest. While this is a fundamental Shariah criterion, it is not the only one necessary to legitimize financial transactions. Moreover, the regulation does not address external Sharia auditing as an additional oversight mechanism to help examine and control the activities of banks and financial institutions;

Additionally, limiting the role of the Sharia Supervisory Board to merely overseeing the implementation of conformity decisions issued by the Higher Sharia Board reduces its effectiveness, which could negatively impact the future of the Islamic finance industry in the country (Tahraoui, 2022, p. 650);

According to the law regulating the activities of commercial banks in Algeria, taxes are imposed on interest earned from lending operations. However, the operational nature of Islamic banks is fundamentally different, relying on buying, selling, and transferring ownership, which requires documentation through two independent contracts and generates profit margins rather than traditional interest. Therefore, the tax treatment of profits earned by Islamic banks should differ from that applied to interest-based earnings in conventional banks.

In addition to tax-related challenges, Islamic banking windows face several Sharia-related issues, including: (Khatoui, 2021, pp. 99–100)

- Lack of full independence from the conventional bank;
- Jurisprudential disagreements concerning certain Islamic banking products;
- Shortage of qualified and specialized human resources in Islamic banking;
- Limited diversity of available Islamic financial products.

One of the most pressing issues affecting the operation of Islamic windows and a major concern for the supervising Sharia boards is the potential mixing of funds between the Islamic windows and the main bank or its conventional branches. In many cases, excess liquidity from the Islamic windows is transferred to the main bank, which may use it in interest-based transactions until the Islamic windows need it again. This raises clear Sharia compliance concerns (Hayat, 2023, p. 135)

6.Islamic Banking Window at the Bouira Branch of the Banque Extérieure d’Algérie (BEA):

The Islamic banking window at the Bouira branch of the Banque Extérieure d’Algérie (BEA) is a specialized unit within the bank exclusively dedicated to offering Islamic banking products and services, operating since May 25, 2022. This window enjoys financial and accounting independence from the bank’s other structures, allowing for the preparation of separate financial statements related to its activities. Additionally, Islamic banking customer accounts must be separated from other accounts, with staff members exclusively assigned to manage operations related to these products;

The window provides a wide range of banking products, starting with personal accounts and services, and extending to tailored solutions for businesses and professionals. It offers innovative, Sharia-compliant financing options to meet customers' needs in acquiring household appliances, vehicles, and real estate, through financing contracts such as *Ijara* (leasing), *Murabaha* (cost-plus financing), and *Istisna'a* (manufacturing/production financing). The window includes all Islamic banking products both accounts and financing methods that have been approved by the National Fatwa Authority for Islamic Financial Industry, as follows:

- **Islamic Savings Account:** This account is one of BEA's Islamic banking products, rooted in the teachings of Islam and approved by the National Sharia Authority for Islamic Finance and adopted by the bank. It allows for deposits and withdrawals at any time in accordance with Islamic principles. The deposit is placed at the bank's disposal for investment in Islamic financing operations that generate Sharia-compliant profits. This process is based on a *Mudaraba* contract a partnership between the customer (the capital provider) and the bank (the investment manager), which possesses the expertise and professional competence to manage and invest the funds faithfully;

  The minimum investment amount starts at 10,000 DZD. Returns on the Islamic savings account are calculated based on the amount and duration of the deposit, in addition to the profits generated from Islamic financing operations. Profits are distributed according to a predetermined ratio, where the customer receives 60% of the profits and the bank retains 40%.

- **Islamic Deposit Account:** This account is used to record deposit and withdrawal transactions, check deposits, incoming and outgoing transfers, the collection of due amounts, as well as other fees and commissions.
- **Fixed-Term Unrestricted Islamic Investment Deposit Account:** To open this account, the customer must already have an Islamic deposit account (for individuals) or an Islamic current account (for institutions) with the bank. The customer must sign a fund-freezing letter and record the deposit amount and investment term, in addition to signing the deposit agreement. The minimum investment amount for this account is 50,000 DZD, and investment periods range from 3 months to over 60 months. The deposit is placed at the bank's disposal by the customer for investment in various Islamic financing products according to the customer's preferences, aiming to generate profits. The returns and profits from this account depend on the deposit amount and investment duration, as shown in the following table:

Deposit Term	Customer's Share	Bank's Share
3 months	50%	50%
6 months	55%	45%
12 months	65%	35%
18 months	70%	30%
24 months	75%	25%
36 months	80%	20%

48 months	85%	15%
60 months or more	90%	10%

Source: Bank documents

- **Islamic Current Account:** This account is intended for businesses and professionals, and is used to manage commercial funds. It also facilitates the receipt of checks and bills of exchange, and the execution of various Islamic commercial transactions.

The Financing Forms include the following:

- **Salam Financing:** This Islamic product is one of the solutions offered by the Bank of Algeria (BEA), allowing customers to finance their operational needs and address liquidity issues in the short term. This financing is based on two stages and involves two separate contracts: a Salam sale contract and a mandate to sell. In this arrangement, the bank buys goods or commodities from the customer under the Salam contract, then authorizes them to sell it after delivery. This product targets commercial institutions, traders, professionals, as well as small and medium enterprises, provided that their activities do not include any prohibited practices or conflict with Islamic law;
- **Equipment Ijara Financing:** This is an asset leasing contract combined with a promise to sell in favor of the lessee, who benefits from the transaction. It is a relatively modern financing technique involving three main parties: the supplier who provides the movable asset, the lessor (the bank) that buys tangible movable assets such as vehicles, light-duty cars, public works machinery, medical equipment, and similar items for the purpose of leasing them to the customer, and the lessee who gains the right to purchase the asset at the end of the lease term under the lease agreement. The bank retains ownership of the asset throughout the contract, while the lessee holds the right to use it. At the end of the contract, the lessee has several options: either purchase the asset, converting the contract into a lease-to-own agreement, re-lease the asset, or return it to the bank. This type of financing targets institutions, traders, professionals, and small and medium enterprises, with proof of commercial status in accordance with commercial law, tax records, and the availability of all legal and accounting documents, as well as no outstanding installments with the bank or any other financial institution. Additionally, the customer should not be listed in the cheque blacklists or the blacklist at the Bank of Algeria, must not engage in prohibited activities or violate Islamic law, and should possess at least 10% of the total value of the equipment, representing the seriousness margin. One of the advantages of this financing is that it provides funding up to 90% of the asset value, with financing terms ranging from 12 to 60 months, contingent on a positive outcome from the customer's risk assessment and analysis for non-repayment.
- **Murabaha in its various forms:**

- **Murabaha for Equipment**: This is a contract through which the bank purchases equipment manufactured in Algeria and then resells it to the customer with a previously agreed-upon profit margin, in accordance with Islamic law. It is directed toward professionals and employers, provided that the equipment is manufactured or assembled in Algeria and requested by the customer. The financing amount can reach up to 1,500,000 DZD, with financing terms ranging from one year to four years. It is required that the customer has Algerian citizenship, be of legal age with a maximum age limit of 70, and possess the legal capacity to obtain financing. A seriousness margin of at least 10% of the total value of the equipment is also required;
- **Murabaha for Goods**: This is a financing solution to manage the operational cycle and address short-term liquidity issues. It involves a sale at the purchase price plus an agreed-upon profit margin. It targets institutions, traders, professionals, as well as small and medium enterprises, with proof of commercial status according to commercial law. The customer must provide proof of listing in tax and semi-tax records, submit all required legal and accounting documents, and have no outstanding installments with the bank or any other financial institution. The customer should not be listed on the cheque blacklist or the Bank of Algeria's blacklist, must not engage in prohibited activities or violate Islamic law, and must hold at least 10% of the total value of the goods as a seriousness margin. Financing through Murabaha for goods is conditioned on a positive risk analysis regarding the customer, particularly in the case of non-payment. This type of financing is flexible and quick, adapted to the customer's production plan, with financing terms up to 6 months;
- **Murabaha for Cars**: In this contract, the bank buys a new car manufactured in Algeria upon the customer's request and resells it to them with a previously agreed-upon profit margin, according to Islamic law. The cars must be manufactured in Algeria, and the financing amount can reach up to 90% of the car's total value, with a maximum financing ceiling of 4,000,000 DZD. The customer must be able to repay according to applicable regulations. This financing is intended for individuals who are Algerian citizens, residing in Algeria, of legal age, and with full civil rights. The maximum age for eligibility is 70, and the customer must have a stable job, a permanent employment contract, or a fixed-term contract with at least three years of consecutive employment, or they must be self-employed with at least one year of activity. A seriousness margin of at least 10% of the total value of the car is required;
- **Murabaha for Investment**: This contract involves the bank acquiring fixed assets (equipment, vehicles, commercial real estate, etc.) based on the customer's request, at the purchase cost with an agreed-upon profit margin, according to Islamic law. This type of financing targets small and medium-sized enterprises as well as professionals and traders who meet the criteria of commercial status according to commercial law. The customer must provide

proof of registration in tax and semi-tax records, submit all required legal and accounting documents, and have no outstanding installments with the bank or any other financial institution. They must not be listed in the cheque blacklists or the Bank of Algeria's blacklist, must not engage in prohibited activities or violate Islamic law. The financing duration ranges from medium to long-term, and the amount is based on the initial study of the financing file;

- **Murabaha for Real Estate**: In this contract, the bank purchases real estate at the customer's request and resells it to the customer with a previously agreed-upon profit margin, in accordance with Islamic law. This financing is for individuals who are Algerian citizens, residing or non-residing, of legal age, and with full civil rights to obtain the financing necessary to purchase residential property from private owners or real estate developed by a contractor. The financing amount in this context is greater than 30,000,000 DZD, with consideration given to the repayment ability, and the financing term can reach up to 40 years. The financing percentage can reach up to 90% of the total property cost, with the customer required to pay 10% as a seriousness margin.

Conclusion:

The banking sector is a vital component of economic activity, as all operations conducted by banks and financial institutions have a direct impact on overall economic activities across various sectors. In recent years, there has been growing interest from the Algerian government in expanding the activities of banks and financial institutions through the introduction of participatory banking under Law 18-02, and Islamic banking under Law 20-02, which defines Islamic banking operations and the rules governing their practice by banks and financial institutions, This initiative aims to provide direct and widespread Islamic financial services through Islamic windows that mobilize liquidity outside the scope of the traditional banking system particularly for those who refuse to deal with interest-based conventional banks, whether for depositing their money or financing their economic projects. It also reflects the increasing interest in financial inclusion and the public demand for Sharia-compliant financial products in society;

Therefore, it became necessary for the Algerian government to intervene by enacting new laws and adopting measures that comply with Islamic Sharia in terms of principles, transactions, and financial products.

The study reached the following conclusions:

- Opening Islamic windows presents an opportunity for conventional banks to attract larger deposits and achieve additional profits;
- Expanding Islamic windows within conventional banks is a positive step and an encouraging opportunity for these banks to transition to Islamic banking;

- Islamic windows can contribute to increasing the volume of financial and economic transactions, thereby absorbing a significant portion of the cash circulating outside the banking sector particularly in the informal market thus benefiting the national economy;
- Providing various Sharia-compliant financing alternatives contributes to economic growth by diversifying investments according to each financing method and reducing risk;
- Offering Sharia-compliant accounts with full operational flexibility helps improve the economic efficiency of banks by diversifying deposits and enhancing deposit-attraction strategies.

Recommandations:

- It is essential to amend and issue several supporting laws for Islamic banking, such as tax laws, commercial law, and the insurance system, due to their significant influence on the development of Islamic banking in Algeria;
- Efforts should be made to simplify procedures for opening Islamic windows in conventional banks operating in Algeria, particularly regarding the licensing process by the Bank of Algeria, and to generalize this approach to all public banks;
- Work on raising awareness of Islamic banking through periodic open-door events organized by banks;
- Provide regular and continuous training for bank employees in the field of Islamic banking.

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