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Assessing the Performance of Islamic Banking in Algeria After the Implementation of Regulation N° : 20-02: A Statistical Analysis of Growth and Market Concentration Indicators (2021–2025)

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Abstract

This study aims to analyze the performance indicators of Islamic banking in Algeria following the implementation of Regulation No. 20-02 over the period 2021–2024. It adopts a descriptive-analytical approach based on statistical data extracted from the annual reports of the Bank of Algeria. The findings reveal sustained growth in Islamic deposits and financing, accompanied by an expansion in the institutional presence of Islamic banking, while financing remained highly concentrated in Murabaha, Salam, and Ijarah contracts. Furthermore, market share analysis and the Herfindahl–Hirschman Index (HHI) indicate a gradual decline in market concentration due to the increasing participation of public banks, although private banks continue to dominate the market. The study concludes that Islamic banking in Algeria has achieved significant quantitative progress; However, strengthening its developmental role requires greater product diversification and enhanced competition within the banking sector.

Keywords: Islamic Banking; Regulation No. 20-02; Performance Indicators; Islamic Finance; Market Share; Herfindahl–Hirschman Index (HHI))

Introduction

During the last two decades, the Islamic banking industry has recorded substantial and sustained growth, reflecting its increasing prominence and expanding presence across regional and international financial markets, Paid Increasingly demand on Products Services Finance Compatible with rulings Sharia Islamic to side interest growing In it As One ingredients Systems Finance Modern, when Availability from Alternatives financing It is based on share Risks and connection In the economy The real. And mirror this Evolution in Expansion Continuous For the assets Finance Islamic Height number banks Islamic and windows Islamic Please onmoreinterest Legislative Organizational This sector in Many from countries, In what Enhances His contribution in investigation Development Economic andinvestigationStability Financial.

And in Algeria, Despite Embracing her first an experience Banking Islamic in countries north Africa year1991from during Licensing By creating Bank The blessing, shadow spread Banking Islamic limited For years long a result sentence from Challenges Legislative Organizational Institutional.andwith Issuance order number20-02The historian in15March2020The experience of

Islamic banking in AlgeriaTransformation whatever ,This system defined the natureOperations Banking Related banking Islamic and rules Practicing it from before Banks and institutions Finance, Which anchor framework organizationally New allowed By expanding practice Banking Islamic via windows Islamic Banks traditional, and diversification Products Services Banking Islamic in framework Seeking Authorities Public to Filling savings The circulated outside The device The banker, and attracting Money The plump one, and strengthening Inclusion Financial.

And synchronization application this order with registration Changes Note in number from Indicators Quantity Related actively Banking Islamic from Among them size Deposits Islamic and size Finance The recipient, and number windows and branches Islamic and number Customers, And diversity Products Banking Islamic.not that Standing on indication This is amazing Changes and extent Its connection In the frame organizational New Requires Analysis statistically He depends on Data Official And it covers years First from application order, In what Allow By evaluation bearings development This is amazing Indicators away on Impressions public or rulings advance.

Although a number of studies have addressed the reality of Islamic banking in Algeria, most of them predate the issuance of Regulation 20-02 or focused on the jurisprudential, legal and regulatory aspects, while studies that analyzed performance indicators during the first years of implementing this regulation are still limited.

And starting from Which Previously, It revolvedProblem the study in Question President following :

What is the current state of Islamic banking in Algeria under Regulatory System N° : 20-02 during the period 2020–2025, and what do the trends of its key performance indicators reveal about its development ? To answer on This is amazing The problem, It was completed a test Hypothesis President The following :

AThe contribution of system number (20-02) to improving the performance indicators of Islamic banking in Algeria during the period2021-2025And it branches out About her hypotheses Sub The following :

First hypothesis: ContributeRegulation No. (20-02) to promote the institutional spread of Islamic banking in Algeria

Second hypothesisIndicators of Islamic banking activity witnessed remarkable growth during the period (2020-2025))

Third hypothesis : ItThe Islamic finance portfolio in Algeria is characterized by diversity and balance between different financing methods.

Fourth hypothesis: The expansion of public banks contributedBy opening Islamic banking windowsIn promoting competition within the Islamic finance market.

This study is of both scientific and practical importance. Scientifically, it aims to enrich the literature on measuring the performance of Islamic banking in Algeria by employing quantitative indicators and statistical analysis tools to monitor its development trends during the initial years of implementing Regulation 20-02. Practically, it provides findings that can benefit the Bank of Algeria, banks offering Islamic banking services, and policymakers in assessing the current state of this sector and supporting policies aimed at its development and enhancing its contribution to the national banking system.

The study adopted a descriptive-analytical approach, relying on official data published by the Bank of Algeria and the annual reports of banks offering Islamic banking services, while employing a range of descriptive statistical methods, including annual growth rates and compound annual growth rates. (CAGR), and general trend analysis, allowing for the measurement of the development of performance indicators during the period (2020-2025).)

To address the problem at hand, the study was divided into two main axes.This was preceded by a review of the most important previous and similar studies on the subject.;As forFirst axisFallocated The first section covers the theoretical framework related to Islamic banking, the 20-02 system, and performance indicators, while the second section deals with the applied study through statistical analysis of performance indicators.The development of Islamic banking in Algeria during the period (2020-2025), leading to a presentation of the most important results and the formulation of recommendations..

Previous and similar studies on the topic

1- Banking Islamic in Algeria–windows Operations Banking Islamic According to For the system number20-02A model (2020)[1].

I ate the study framework organizational For windows Banking Islamic in Algeria after Issuance order number 20-02, with clarification Operations Banking Islamic and conditions Practicing it inside Banks traditionalThe researchers concluded that:

-order20-02Shares in situation framework legal clear to practice Banking Islamic.

- The systemallowed Opening Windows Islamic inside Banks traditional In what Supports spread Products Islamic.

-order It represents step first about development Industry Banking Islamic in Algeria, unless that His success Requires Continuation For the system Organizational and regulatory.

Although this study gave considerable attention toanalysis side Organizational, Except for aThe end did not It deals measurement Performance Financial For banking Islamic Using Indicators amount or analysis statistical.

2-settlement Banking Islamic in Banks Algerian:Challenges The app and requirements success in a light order20-02 (2020).[2]

The researchers did the following:analysis requirements success application Banking Islamic inside Banks Algerian After the system was issued20-02, with Highlight Most important Challenges Organizational And the processThe researchers reached several conclusions, the most important of which are listed below :

-He provides order20-02basis Legal To launch Banking Islamic.

-success The experiment stops on formation Resources Humanity, and development Products, and promotion censorship legitimacy.

-what Still The experiment in Its beginning And you need to to support legislative and my institutions continuous

Upon examining the study, it became clear thatApproved Curriculum Descriptive And did not progress evaluation statistically To perform Banking Islamic after The app actual For the system

3- "calendar Windows Banking Islamic–study condition Algeria (2023)[3]

Where the researcher didevaluation bezel suitability order20-02Instructions Applied To organize Windows Banking Islamic in Algeria.The researcher concluded with the following results :

- presencepoints power in organization Legal For windows Banking Islamic.
-He pointed to presence some gaps that may challenge from efficiency windows Islamic.
Finally, he recommended the necessity ofDeveloping Instructions Organizational and strengthening role Bank Algeria in Supervision and censorship.
Fthe study Focused on evaluation framework organizational And did not It deals development Indicators Performance Actual like Deposits and funding and the origins.
4- "Windows Banking Islamic in Algeria between reality And the hoped: study condition Bank National Algerian (2025)[4].
The researchers evaluated the experience of Islamic banking windows at the National Bank of Algeria following the implementation of Regulation No. 20-02. Their analysis led to several key findings, the most significant of which are as follows:
-Contributed windows Islamic in to provide substitute My savings My funding Compatible with Sharia.
-success The experiment Requires diversification Products, and qualification Resources Humanity, and completion The system Legislative Organizational.
One notable aspect of this study is thatLimited on condition Bank one,This limits the generalization results on sector Banking Islamic in Algeria.
A review of the existing literature reveals that most previous studies have primarily focused on the legal, regulatory, and institutional aspects of Islamic banking or on evaluating the experience of Islamic banking windows in Algeria. In contrast, comprehensive empirical studies that quantitatively assess the performance of Islamic banking under Regulatory System No. 20-02 during the period 2020–2025, using official data and statistical indicators such as market share, average growth, compound annual growth rate (CAGR), and the evolution of deposits and financing, remain scarce. Accordingly, this study seeks to fill this research gap by providing a comprehensive statistical evaluation of the performance and development trends of Islamic banking in Algeria

First Axis: Theoretical Foundations of Islamic Banking and Performance Indicators:

The theoretical framework forms the basis for understanding the nature and characteristics of Islamic banking, as a banking system based on the principles of Islamic law, characterized by the adoption of financing formulas based on profit and loss sharing, and linking financing to real economic activities, which distinguishes it from traditional interest-based banking.,Islamic banking has also witnessed remarkable development in recent years as a result of the expansion of its products and the increasing interest in it at both the local and international levels, which has necessitated the development of the regulatory and legal frameworks governing its activity..
In the Algerian context, It is considered the issuance of Regulation No. 20-02 relating to banking operations related to Islamic banking is a pivotal milestone in regulating this activity, by defining the conditions for practicing Islamic banking operations and regulating the activity of Islamic windows within banks, in line with the public authorities' orientations aimed at developing the Islamic financial industry and enhancing its contribution to mobilizing savings and achieving financial inclusion.
On the other hand, performance indicatorsOne of the most importantAdThe WAT is used to evaluate the activity of banking institutions, as it allows for measuring the development and efficiency of banking activity based on a set of financial and operational indicators. Within the framework of this

study, the focus will be on quantitative indicators related to Islamic banking in Algeria, primarily the volume of Islamic deposits, the volume of Islamic financing, the number of Islamic windows and branches, and the number of customers, as these indicators reflect the development of Islamic banking activity during the study period.

To study Islamic banking and its performance indicators in some detail, we will divide this topic into three sections to gain a better understanding of the subject, which we will address through the following:

Firstly:What is Islamic banking and what are its characteristics?

I have appearance appearance banks Islamic Transformation substantially in thought Financial The hadith, where Presented For example economically connects between Efficiency investment Commitment Ethical and the legal,andWe will showin this The requirement concept Banking And its origins, then We limp on Most prominent Properties that Its distinctiveness on Banking traditional.

1-The Concept and Origins of Islamic Banking

A. Definition of Islamic Banking:to get to know thatHa system Banking It depends in all His transactions investment and service on rulings Sharia Islamic And its objectives, With the aim bring Interests and warding off corruption on the society[5].

as maybe Definition procedurally That she: "Institutions Finance Banking It commits F All Its activities and its rules investment Not Dealing usury Taking or tender"[6].

B. Origins and Historical Development of Islamic Banking : did not Be The idea newborn Coincidence, but rather came response Desire Communities Islamic in Find substitute legitimate For banks traditional that Founded on system Interest usury. And Passed several stages The most prominent of them :

1-Attempts First (the fifties The sixties): like an experience"Banks Saving Local"in dead immersion In Egypt general196, Which Approved on Lending without benefit and funding Projects The small[7].

2-phase Establishment Official(1970s):It is considered Launch The truth, where Founded"Bank Development Islamic"general 1974 As a bank International, followed by establishment"Bank Dubai Islamic"genera l1975 As first Bank Islamic commercial Integrated[8].

3- The stage of the emergence of banking institutions specializing in Islamic banking and the international bodies regulating it, whereThe Islamic banking industry has witnessed 1975 a real breakthrough came with the establishment of the Islamic Development Bank, which contributed to supporting and financing development in its member states. In the same year, Dubai Islamic Bank was founded as the first fully-fledged Islamic commercial bank. Since then, Islamic banking has expanded rapidly in both Muslim and non-Muslim countries, with a diversification of its financial products and the emergence of international institutions to regulate and standardize it, such as the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).(AAOIFI) in 1991, and the Islamic Financial Services Board (IFSB) in 2002 These international institutions have had a significant impact on the development of the Islamic financial industry and the establishment of its Sharia principles, through the studies and solutions they have provided to emerging issues concerning financial innovations and the Sharia perspective on their compatibility with Islamic principles.

C. Characteristics and Objectives of Islamic Banking : It is characterized Banking Islamic With identity Independent Give it fingerprint especially in market Financial, It is represented This is amazing Properties in following :

1-Exclusion Dealing With interest (Prohibition usury): It is considered This is amazing etcAsiة The foundation Basic, The origin in Transactions Islamic he sanctity"usury"In all Its forms, whether He was Ruba Debts (Increase Conditional In exchange term in Loans) or Ruba Sales[9]. Accordingly, Islamic banks refrain from adopting the conventional lending and borrowing mechanism based on predetermined and fixed interest rates

2-**Strong Linkage with the Real Economy through Development-Oriented Financial Intermediation**: Link to the real economy Also known as developmental mediation, this is one of the most prominent characteristics that distinguishes Islamic banking from traditional banking.,Islamic banks are not limited to financial intermediation, which consists of transferring funds from those with a surplus to those with a deficit, althoughThis links financing operations to real economic activities based on the production of goods and services or the financing of investments, thereby achieving added value for the national economy.,This principle is based on the prohibition of usury and fictitious transactions, and on the adoption of financing formulas based on profit and loss sharing or on the sale and financing of real assets, such as Murabaha.,Participation,Speculation,Leasing,Istisna' and Salam, which makes Islamic finance more linked to productive activity and less dependent on financial speculation.

As well asAThey are this link in supporting economic development, creating jobs, and promoting financial stability by directing resources towards real sectors rather than purely financial activities, Recent literature and international Islamic banking standards have confirmed that strengthening the link between Islamic finance and the real economy is a fundamental pillar for achieving the objectives of Sharia and sustainable development.[10].

3-a base Participation in Profit and loss:It depends relationship between Bank Islamic and depositors(Owners Accounts Investment)on a base booty With the penalty(any Profit In exchange to bear Risks)[11],No Guarantees Bank Returning Steady For the depositor, but rather It is distribution Profits The investigator virtually In proportions Common Agreed On it, And in Current occurrence loss material (Don shortening from Bank)He bears it owner head the money, while loses Bank His effort and its management[12].

4-Commitment With controls Ethics and legitimacy: noseparate Banking Islamic on The system Ethics For Islam; where Prohibited On it finance anyactivityMuharram Legally or detrimental In society (like commerce Alcohol The pig Gambling, or weapons not legitimate) , until and that She was that Activities The Profitability High[13].

5-censorship legitimacy Independent: It is characterized banks Islamic With the presence"body For censorship legitimacy"inside Its structure Organizational, It is Committee Components from Scientists Sharia The economy Islamic, And it is Her decisions Obligatory Management Bank To check from that all Contracts and transactions It agrees with Jurisprudence Islamic before Present it For the public[14].

SecondlyThe regulatory framework for Islamic banking in Algeria

Although Algeria was the first to deal With financial productseWhile the adoption of Islamic banking has contributed to its advancement, the lack of genuine will to preserve and develop this achievement has caused it to lag significantly in the field of finance.ePeace be upon you at the level of theIslamic countries have not reached this level; on the contrary, they have recorded a decline in financial services.eThe adoption of Islamic financial products remained merely statements and slogans here and there, as some government and banking sources reported: "Six state-run banks are currently planning to launch Islamic financial services by the end of 2017 or early 2018, and there are plans to form a national Sharia board to oversee the..."AIslamic banking was active by the end of 2017[15];orOfficially, and as part of government plans, some instructions were issued to adopt Islamic banking in the form of regulations that do not rise to the level of laws.IndependentAmong the most prominent measures adopted were the issuance of two regulations (Regulation 18-02 and Regulation 20-02), which are considered the first measures that express the true will of the monetary authority in Algeria.To approveIslamic banking, encouraging the use of its products and supporting banks and financial institutionsTo approveCollaborative products,And in what followsYWe will discuss the most important points in both systems, in addition to mentioning the points that each system overlooked.

1- Regulation 18-02 relating In Islamic banking: Regulation N°18-02 dated 04/11/2018, containing the rules for conducting banking operations related to participatory banking by banks and financial institutions, was issued. This regulation contains only 12 articles, including the following[16]:

- Article Two of this system defined the operations related to Islamic participatory banking as "all operations carried out by banks and financial institutions, represented in financing and investment operations." Which does not entail the collection or payment of interest.
- The same article included categories of participatory banking products, which were classified as : Murabaha, Musharaka, Mudaraba, Ijara, Istisna', Salam, as well as deposits in the investment account.
- Participatory banking products are subject to the provisions of Article 03 of Regulation 13-01, which sets out the general rules relating to banking conditions applicable to banking operations.
- Article 3 of this system stipulates that banks and accredited financial institutions active and wishing to offerIts productsParticipatory finance : A descriptive presentationFor the productAttached to the opinion of the bank or financial institution's compliance officer, in application for licensing.
- Pursuant to Article 3 of this Regulation, licensed banks and financial institutions seeking authorization to provide Islamic banking products must include, within their licensing application, a detailed description of the proposed product together with the opinion of the bank's or financial institution's Sharia Compliance Officer
- Article 04 states that banks and financial institutions wishing to obtain a certificate of conformity of their products to the provisions of Sharia must subject those products to evaluation by the legally qualified national authority after obtaining the license.
- Article 05 of this system defines the "participatory finance window" as "a department within an accredited bank or accredited financial institution that exclusively grants participatory banking services and products."
- The same article, in addition to articles 06 and 07, focused on the need for the independence of the participatory finance window through accounting separation between the participatory finance

window and the other activities of the bank or financial institution, through the independence of customer accounts within the participatory finance window from the rest of their customers' accounts. In the event of multiple participatory finance windows, they must be treated as one entity.

- Article 8 states that financial institutions licensed to offer these products must inform their customers of the pricing schedules and the minimum and maximum conditions that apply to them.
- Deposits in the investment account are subject toA written agreement concluded with the customer authorizes the bank to invest its deposits in a portfolio of projects and operations of the participatory finance window, and the depositor is entitled to a share of the profits and bears a share of the potential losses recorded by the window.
- Participatory banking products are subject to all legal and regulatory provisions relating to banks and financial institutions.

Therefore, based on a comprehensive review of the principal provisions of Regulation No. 18-02 governing participatory banking, its major strengths and limitations can be identified. Accordingly, the regulatory framework can be evaluated through the following key points:[17]:

1-thatThis regulation is considered the first attempt to establish a legal framework to regulate Islamic banking operations in Algeria after a long wait, althoughIt did not rise to the level of a special law for Islamic banking or even an amendment to the monetary law.and creditThe current situation, but it still remains a step intrendThe correct way is through which we can reach what is greater, which is of course what is hoped for. According to this system, any bank that wants to offer an Islamic product must obtain a license from the Bank of Algeria, like any other newly introduced banking service. After this license, the bank must obtain a certificate of conformity of the product to the provisions of Islamic Sharia, by a national body legally qualified for this. This procedure would unify the operations of Islamic banks operating in Algeria with regard to offering that product, whether it is an Islamic bank or an Islamic window. This system also stressed the need for the financial and accounting separation of the activities of the Islamic window from the rest of the bank's activities, including the preparation of a balance sheet that highlights the assets and liabilities of the window, as well as its related income and expenses. This separation in itself is a positive and required thing.

2- Although Regulation No. 20-02 strengthens transparency through mandatory disclosure of pricing and product conditions, it leaves important issues unresolved, particularly the Shariah justification of certain returns and fees and the legal liability of Islamic banks for investment deposits in cases of negligence or misconduct under the **Mudarabah** contract. Greater regulatory clarity is therefore needed to enhance legal certainty and public confidence.

3-This organization defines participatory products as those that do not involve collecting or paying interest. This definition may be correct but it is incomplete, meaning it is neither comprehensive nor exclusive. Banking products may not deal with interest, neither taking nor giving, and they may not be participatory or Islamic at the same time. We should add to their definition that they must comply with the provisions of Islamic Sharia.

4- Regulation No. 20-02 clearly identifies the Islamic banking products that licensed banks and financial institutions are authorized to offer. These products include Murabaha, Musharaka, Mudaraba, Ijara, Istisna', Salam, and investment account deposits. By explicitly enumerating these contracts, the Regulation establishes a well-defined legal framework governing Islamic banking operations in Algeria. Consequently, the scope of authorized Islamic banking activities is confined to the products expressly provided for in the Regulation, excluding other Sharia-compliant contracts—such as Muzara'ah, Musaqah, and Mugharasa—from commercial banking practice unless they are incorporated into the regulatory framework through future legislative or regulatory amendments.

This regulation did not stipulate the necessity for Islamic windows to have a Sharia supervisory board, even if it consists of only one person, because Sharia supervision is not limited to ensuring the service's compliance with Sharia law before it is provided. Rather, it encompasses its operation and facilities before, during, and after the service is provided, meaning it extends to internal and external Sharia auditing, especially...The source of the fearThe main concern for the public dealing with these windows is the extent to which Sharia-compliant controls are respected in providing financial services;

5-This system states that any bank wishing to offer participatory financial products must obtain prior authorization from the Bank of Algeria, but it does not mention the need for a qualified human framework, because the lack of a qualified and trained human framework in the field of Islamic financial transactions is one of the reasons for the apprehension about opening windows specializing in providing Islamic banking services within traditional banks.

6-AlsoThis system did not specify the nature of the national body qualified to grant a certificate of conformity for participatory banking products.AIslamic Sharia rulers;

7- The Regulation establishes the institutional scope of participatory banking by specifying the financial institutions authorized to provide such services ;

Despite the period The long wait that preceded the issuance of this system did not bring solutions to important problems that were a major obstacle to moving towards participatory banking. Among these problems we find the relationship of the central bank with the components of the banking system within the framework of banking supervision through the implementation of monetary policy and its tools that conflict with the principles of participatory banking.(Discounting policy, overdraft accounts, interbank market,...);

2-Regulation 20-02, which specifies banking operations related to Islamic banking and its rules of practice.

Published in issue number 16 of the Official Gazette of the People's Democratic Republic of Algeria, dated 29 Rajab 1441 AH, corresponding to—March 24, 2020. Regulation 20-02 dated March 15, 2020, which defines banking operations related to Islamic banking and the rules for their practice by banks and financial institutions, where Article No. 23 thereof states that it cancels the previous regulation (18-02) and regulates the rules for the practice of Islamic banking in a new way, and among the most important things it contains are the following:

- Article 1 states that the purpose of this system is to define banking operations related to Islamic banking and the rules that must be followed during these operations, in addition to the conditions that must be met by banks and financial institutions to practice Islamic banking and the conditions for prior authorization by the Bank of Algeria.
- The definition of the banking process related to Islamic banking is thatThis is any transaction that does not result in the collection or payment of interest;

- The system mentioned insameThe material covers the various Islamic banking products approved by the Bank of Algeria, namely: Murabaha, Musharaka, Ijara, Salam, Istisna, deposit accounts and deposits in investment accounts. These products were then defined in Articles 5 to 12 of this system.
- The system obligated all partiesRFinancial institutions wishing to offer Islamic banking products must provide a certificate of compliance with the provisions of Islamic Sharia issued by the National Sharia Authority for Islamic Financial Industry Fatwas, in addition to a product description card and the opinion of the compliance officer of the bank or financial institution concerned.

Following the adoption of Regulation 20-02, Islamic banking witnessed a surge in activity through Islamic banking windows at both public and private banks. This is a testament to the regulation's role in streamlining the licensing process for these windows, thus giving the green light for the genuine commencement of Islamic banking activity. This is further evidenced by the statistics...First time gradeIn the Bank of Algeria reportsBenoudab recordednumberstoNew statistics for Islamic banking that were not included before 2020.

3- Procedures accompanying system 20-02:after Issuance order number20-02,I moved Banking Islamic in Algeria from phase Experiments Limited to phase organization Legal and institutional Comprehensive, where situation Bank Algeria framework organizationally clear to practice Operations Banking Islamic inside Banks and institutions Finance, In what Guarantees Her agreement with rulings Sharia Islamic and requirements censorship Banking, And It was distinguished This is amazing Stage Group from procedures Organizational Enhanced, Most importantHa:

-to set Products Banking Islamic Licensed In it, like Murabaha And participation, And speculation, And the lease, Istisna' (manufacturing contract), And peace, and accounts Investment deposits Islamic with statement features all project and conditions His practice[18].

-Obligation Banks By creating Bodies or committees For censorship legitimacy Takes over monitoring bezel agree Products and contracts with rulings Sharia Islamic before Present it And during Implementing itIn additionSubjugation Products Islamic For licensing Monitoring Bank Algeria, In what Guarantees Unification Practices and strengthening trust in Industry Banking Islamic[19].

-Issue Instruction number03-20The historian in 02 April2020that I have identified Properties Technology and procedures application Products Islamic inside Banks, Which Contribute in Unification mechanisms Implementation.

The regulatory framework for Islamic banking has been further strengthened through the introduction of detailed procedural rules governing its operations, including the issuance of specific accounting and chart of accounts standards tailored to Islamic banking activities[20] and organization market Cash between Banks Islamic during year 2025[21] , He is what Reflects development A gradually about building system Banking Islamic Integrated in Algeria

Second Axis : Analysis of the Evolution of Islamic Banking Performance Indicators in Algeria (2021–2024)

1. Institutional Expansion of Islamic Banking in Algeria : appearance Issuance system Bank Algeria number 20-02 a point transformation in path Banking Islamic In Algeria, so save First time framework Legally Organizationally Integrated to practice Activity Banker Islamic inside The system Banking, And Boost this framework organizational credibility Industry Banking Islamic from during Subjugation Its products For authentication legitimacy from before Authority legitimacy Nationalism For issuing fatwas For industry Finance Islamic , In what made available For banks marketing products Compatible with rulings Sharia according to Controls Organizational Unified, whether via construction Banks Islamic Specialized or from during creation Windows Islamic inside Banks traditional.

And it became clear Data Bank Algeria For the year2024that Activity Banker Islamic become Part of daily activity inside The device Banker National, where He presents 12bank Services Banking Islamic Distributed between six Banks generality Six Banks especially , to side Two banks specialistsinBanking Islamic In picture Complete, andIt indicates this Evolution to breadth FieldInstitutionsY For this activity, Thereforetransmission Banking Islamic from phase The app Limited to phase Integration gradual within Structure Banking Nationalism, In what Ysave a base institutional more capacity on absorption demand Increasing on Services Finance Islamic.

As for from where Spread The geographer, Lost reached number Agencies Banking 1673an agency At the end year2024, It includes 102window Islamic any what It represents about 6.1% from total The network Banking, Despite that This is amazing ratio what Still Limited comparison With the network traditional, for Approval model windows Islamic inside Banks Menu Reflects Direction organizationally It aims to acceleration spread Services Finance Islamic By taking advantage from Structure Infrastructure Banking The list, instead to bear Costs construction network Independent, He is option harmonize with requirements Efficiency operational in Stages First For development Industry Banking Islamic.

It became clear Comparison between The two sectors Year Private presence contrast clear in pace adoption this The type of banking service, Lost Acquired Banks Private on 79window Islamic , In what Equivalent 77.5% from total windows Islamic In exchange 23window only I have Banks Public In proportion 22.5%, unless that This is amazing Numbers gain indication He explained when Link it Size The network Banking per sector; banks Public possess 1272an agency , In exchange 401an agency only For banks Private, He is what Meaning that windows Islamic Represents about 19.7% of total Agencies Banks Private, in when no Exceeds 1.8% of Banks Public.

And he points this Disparity In lineageto difference Strategies Followed in development Activity ; whereI headed Banks Private to employment Banking Islamic As a means To promote Her ability competitiveness and attracting slices New from Customers, while I preferred Banks Public Approval policy expansion gradual It fits with requirements Transformation organizational and management Risks operational.

And from perspective Inclusion Financial, no It is limited effect this Spread institutional on more numberwindows the introduction For services Banking Islamic but rather It extends to expansion a base beneficiaries from Services Finance Official.Lost Enable Integration windows Islamic inside The network Banking traditional from approximation Services Banking Compatible with rulings Sharia to various Categories the society, Especially Individuals Those They were They play on Dealing with Banks For reasons legitimacy, He is what Enhances capacity The device Banker on polarization savings not Packaged and its integration within The course Economic Official, In what harmonize with Goals President For inclusion Financial.

and Supports Indicators Spread Banker this Orientation, so It rose number Agencies order Banker and institutions Finance from 1740an agency year2023to 1761an agency year2024, Simultaneously with to improve Indicators Coverage Banking, where It decreased middle number Population per an agency Banking from 26917Breeze to 26839Breeze , as to improve an average Access to Services Banking To reach to window banking one per7946person 2024in age the job In exchange7975person during Year Previous.And it forms This is amazing Indicators environment institutional favorable To continue expansion Banking Islamic As Benefit directly from development Structure Infrastructure Banking Nationalism And from to improve levels Access to Services Finance.

And face general, Reveal This is amazing Indicators that development Banking Islamic in Algeria did not It is It is limited on diversification Products Banking, But become It is based on building a base institutional favorable inside The device The banker, This allowed bitAndYR ground Necessary For growth Continuous in Deposits and funding Islamic during years The last, And with that for Limitation windows Islamic on about 6% only from total Agencies Banking It indicates on that Industry no Still in phase expansion, and that there field wide To promote Its spread, whether from during more number windows, or transformation Some of them to Branches Specialized, or expansion Its spread geographer in areas The density Population Limited.And from matter this Expansion that Enhances input Banking Islamic in Filling Savings, and support Inclusion Financial, and guidance Resources about finance Activities yield, In what Establishes Her role As one ingredients Mediation Finance Supporter For the economy The real.

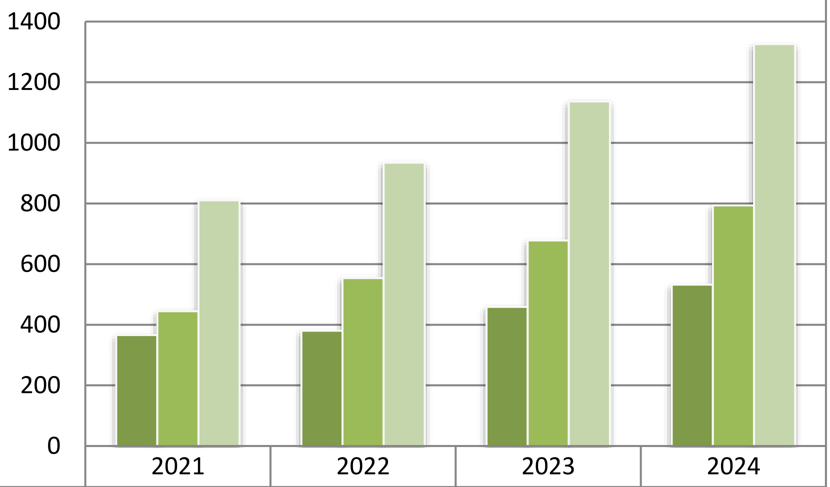
It is also not possible evaluation this Spread institutional By standing when number Banks or windows Islamic Just that, But It requires analysis bezel Its reflection on Indicators Activity Banker Islamic, Especially development Deposits Islamic and products Finance and size Total For activity, He is what YTake it loyal element.

2. Analysis of the Volume of Islamic Financing in the Algerian Banking Sector :

shares framework organizational that He anchored it Bank Algeria, from during Licensing Through practice Actual For banking Islamic and adoption Banks Islamic Specialized, to side to open Windows and windows Islamic inside Banks Commercial, in events Transfer Quality in path Industry Banking Islamic Algeria,And mirror that in Height Continuous For size Finance Islamic during years The last one, as He shows it Shape(01), that He reviews development size Activity during period2021–2024, And it stands out The path Ascending For different Its components.

He explains Shape (01) development size activity Banking Islamic in Algeria during period2021–2024, from during Track development products Finance Islamic deposits Islamic and size Total For activity.

Figure 1. Growth of Islamic Banking Volume in Algeria, 2021–2024



	2021	2022	2023	2024
Islamic Financing Products Volume	365.9	380.5	458.7	532.2
Islamic Banking Deposits Volume	444.7	554	678.2	793.5
Islamic Banking Deposits Volume	810.6	934.5	1136.9	1325.7

Source : Prepared by researchers based on the 2025 Annual Report of the Bank of Algeria

Figure 1 illustrates a clear upward trend in the development of Islamic banking activity in Algeria over the period 2021–2024, as reflected in the growth of both Islamic deposits and Islamic financing. The overall volume of Islamic banking activity increased from DZD 810.6 billion in 2021 to DZD 1,325.7 billion en 2024, representing an absolute increase of DZD 515.1 billion and a cumulative growth rate of 63.5%. During the same period, Islamic deposits expanded from DZD 444.7 billion to DZD 793.5 billion, recording a growth rate of 78.4%, while Islamic financing rose from DZD 365.9 billion to DZD 532.2 billion, representing a comparatively lower growth rate of 45.4%.

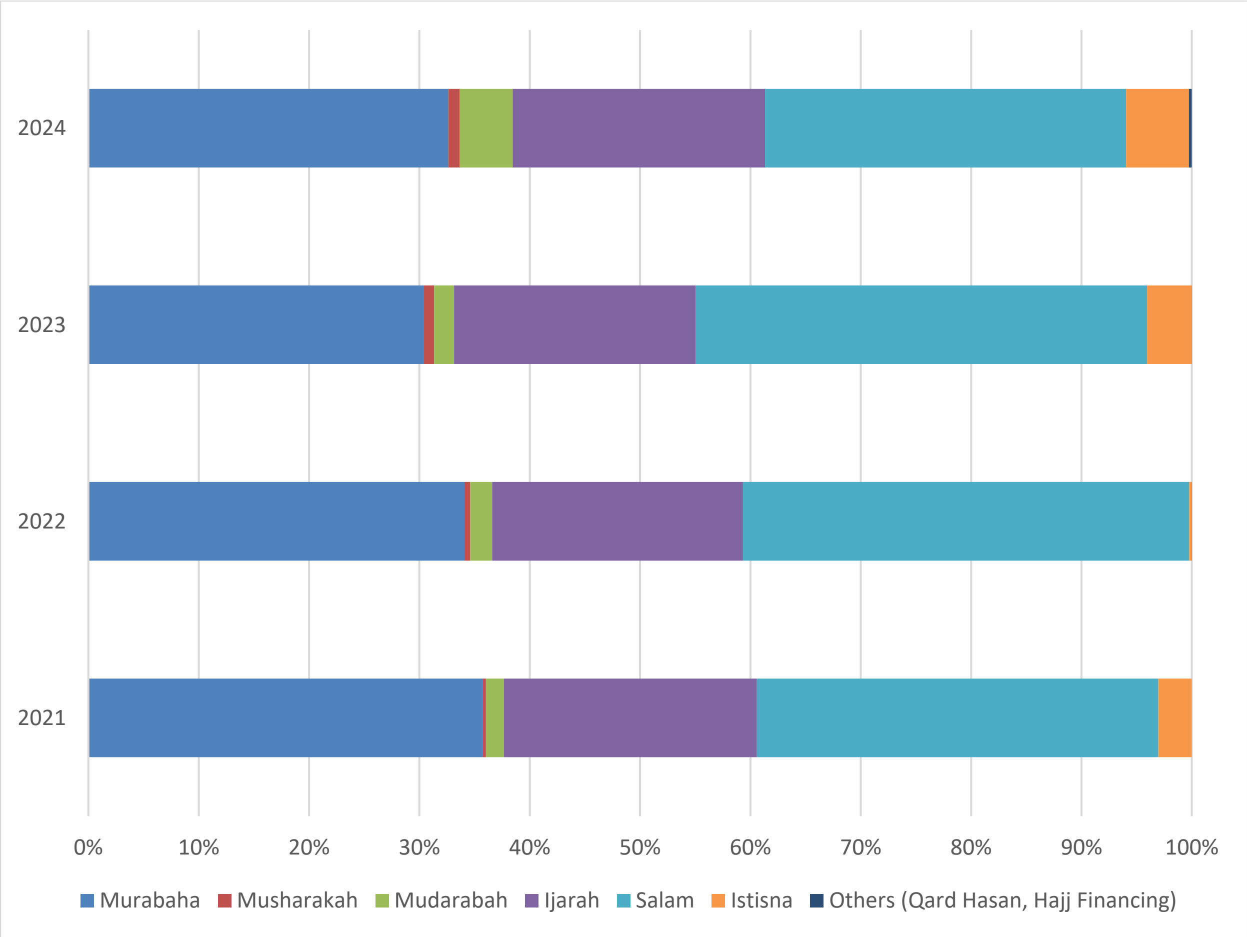
The faster expansion of Islamic deposits relative to Islamic financing suggests that Islamic banks have been more successful in mobilizing financial resources and attracting customers' savings than in deploying these resources through financing activities. This pattern is consistent with the characteristics of an emerging Islamic banking industry, where strengthening the deposit base and building public confidence generally precede the large-scale expansion of financing operations. Consequently, these findings indicate the progressive consolidation of Islamic banking in Algeria, reflected in growing public acceptance of Sharia-compliant financial products and a gradual enhancement of Islamic financial inclusion**.**

Enhances this trend hypothesis that framework organizational that SendYes system Bank Algeria number20-02shares in to improve environment a job Banking Islamic and increase trust Customers In it, He is what mirror in Height Continuous For deposits Islamic And expanded Activity Financial and that shadow Sleepand Resources surpasses growth Uses, The matter that It stands out presence margin additional maybe Exploiting it To increase Funding Islamic The guide For the economy The real.

Third: Analysis of the existing Islamic financial products

Analyzing the structure of Islamic financing products provides a fundamental basis for assessing the performance of Islamic banking, as it reflects the diversity of Shariah-compliant financing instruments and the extent to which banks allocate their resources in accordance with Islamic principles. It also highlights the relative importance of each financing mode and its contribution to the overall growth of Islamic banking activities. In this context, **Figure 2** illustrates the evolution of the Islamic financing portfolio in Algeria over the period **2021–2024**:

Figure 2. Structural Distribution of the Islamic Financing Portfolio in Algeria, 2021–2024



Source: Prepared by researchers based on the 2025 Annual Report of the Bank of Algeria

1- analysis development structure products Islamic finance in Algeria during period (2021–2024)

It shows Shape (2) that Banking Islamic in Algeria Witnessed during period (2021–2024) dynamism Ascending included various Products Financial not that this The slumberand did not It is homogeneous between Available financial products, but rather Characterized With the presence structure My financing severe Concentration in number limited from Products, He is what Reflects Properties Structuralism For the stage Current from development Industry Banking Islamic in Algeria.

It is observed that Murabaha It continued in occupation Rank First By a difference big on rest Products, so It rose Its size from130.7one billion Dinar year 2021 to 173.6one billion Dinar year 2024 , He is what It represents growth Approaching 33% during a period the study.and this Height notmerely more in demand on Finance Islamiconly, Rather, this is due to two fundamental characteristics that distinguish This financial product (Murabaha); Where as banks tends to Murabaha on one hand because of decrease Its risks and the possibility to set Its return pre, And from entity other She prefers it Customers For ease Its procedures and its suitability To finance needs consumer Investment short and average term.

And from perspective economic, for continuation dominance Murabaha confirms that Banking Islamic Algerian no Still It depends on Finance Standing on Sale more from Its adoption on Finance Standing on Investment Participation, He is pattern common in most Experiments Islamic The emerging, But he in the time same Limits from input Banking Islamic in investigation Her message development represented in share Risks and motivation Investment The real.

in In contrast, Reveal Data on development marked In financing Peace, that It rose From 1331.one billion Dinar year2021toIt was 187.7 billion dinars in 2023, then it decreased slightly to reach174.2one billion Dinar year2024, To become One greater Products Islamic from where Size.And it is covered this Evolution importance especially because a contract The ladder It is from more Formulas related Funded Activity Productive Especially sector Al-Fallahi, Which Meaning that Part Increasingly from Finance Islamic Started He is heading about to support Economy The real Instead from Limitation on finance Operations commerce and consumption.And gains this Orientation importance greater in shadow Policies Public The archer to investigation Security food and diversification Economy outside sector fuels.

as I registered Leasing growth stable from83.9one billion Dinar to121.7one billion Dinar during period itself, He is development maybe Its interpretation Increasingly demand on finance Acquisition Equipment Real estate and means Production Don Asylum to Loans traditional, addition to expansion Banks Public in marketing This is amazing Formula after construction windows Islamic.And he points that to that Institutions Economic I became Look to Leasing As tool finance My investment long term more From it merely project banking substitute.

And on Despite from Growth relative that I recorded it Speculation And participation, unless that Their contribution in total Funding Islamic I remained Limited extremely, Lost It rose Speculation from about6billions Dinar to 25.7one billion Dinar , while did not Overcome Participation 5.4billions Dinar year2024, no maybe explanation this weakness only Modernity The experiment Algerian, but rather It is related also In short from Restrictions Institutional, from The most important of them to rise risks Related to obtainingThe knownة, and difficulty evaluation Projects, and absence mechanisms فعّmachine For distribution Risks, In addition to framework Accountant and the supervisory that no Still more suitability For decades Finance Menu on Theيّen From him For decades Participation in Profits and losses.

And it stands out Istisna' In turn As one Products that It began to get to know Expansion gradually, so It rose from 11.1one billion Dinar to 30.3one billion Dinar during a period the study, Despite that Its size what Still limited comparison Murabaha And peace, unless that Its development Reflects beginning Heading banks Islamic about finance Projects Industrial Investment, He is what It agrees with Goals Politics Economic The archer to to encourage Investment Product and strengthening Value Added Local.

generally forDataThe study shows that more from three Quarters Activity financing Islamic It focuses in three products only she:Murabaha And peace, And the lease, while Take possession rest Products on rate Marginal.And he points this Focus to that Banking Islamic in Algeria what Still in phase Expansion horizontal from during more size Funding, And did not It moves after to phase Diversification Vertical that It is characterized In balance greater between various Formulas financing.

Through reading inwhat rose in Report annual Bank Algeria For the year2024, that Confirmed that activity Banking Islamic custom dynamism Strong, where It rose Deposits Islamic In proportion 17% and funding Islamic In proportion 16% comparison year2023, He is what Reflects increase trust Customers in this style from Mediation Finance And expanded a base His customers.

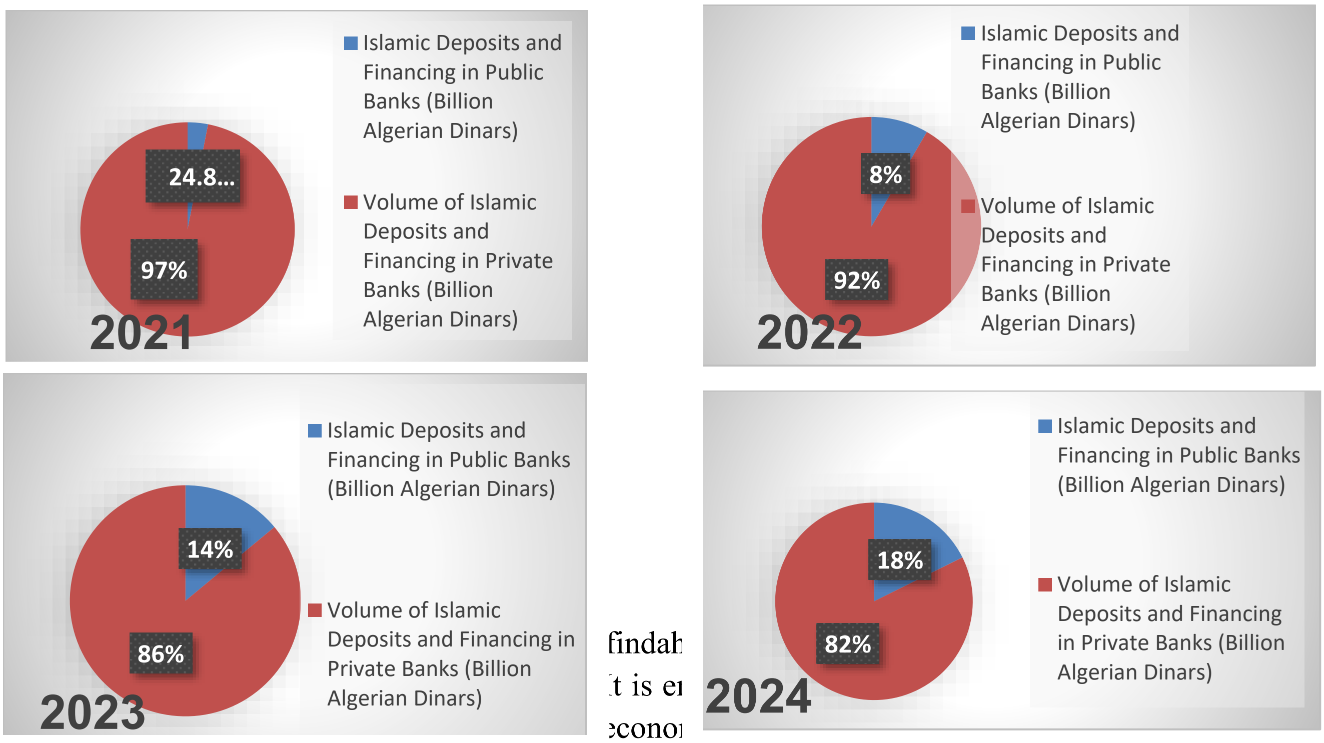
Despite that This is amazing Indicators Reflect success order20-02in to provide the environment Organizational Necessary To launch Banking Islamic It Reveal in The opposite on Paradox a task; growth The investigator He was growth quantitatively more From him Transformation Structurally,So high size Funding no Meaning necessarily approach Banking Islamic from Objectives of Islamic Finance, what It lasted contracts Participation and speculation no Still Represents lineage tiny from Activity Banker, This Meaning that The challenge Future no It lies in more size Finance only, and thatwhat in re Structure wallet Products In what Enhances input Banking Islamic in finance Investment Production And innovation And makes it more capacity on investigation Goals Development Economic and inclusiveness Financial.

2- Analysis of the distribution of Islamic finance shares across the private and public banking sectors

The distribution of market share in Islamic finance between public and private banks is a key structural indicator for assessing the development of the Islamic banking industry in Algeria. It provides an accurate picture of the market structure and the level of competition among various banking players. This distribution also reflects each bank's ability to utilize Islamic financial products to attract customers and expand its financing base, thus explaining growth trends, the degree of activity concentration, and the impact of regulatory reforms accompanying the implementation of Regulation No. 20-02. In this context, this section analyzes the evolution of market share in Islamic finance between the public and private banking sectors, aiming to clarify the characteristics and dynamics of the market structure during the study period.

We will use an indicator Hervendale-Hirschman (Herfindahl-Hirschman Index (HHI)To study the degree of concentration of Islamic finance between the private and public banking sectors, and to judge it more accurately and scientifically according to global indicators, this indicator is considered the most widely used for this purpose. Before calculating this indicator, we will present Figure (3) to illustrate the structure of the distribution of Islamic finance shares between the private and public banking sector

Figure (3): Shares of the public and private banking sector in Islamic finance in Algeria during the period 2021-2024



Source : Prepared by the authors based on the Bank of Algeria's Annual Reports (2022, 2023, and 2024)

Higher HHI values indicate a greater degree of market concentration and a lower level of competition, whereas lower values reflect a more balanced distribution of market shares and a more competitive market environment.

Mathematical Formula : HHI $= \sum_{k=1}^{n} \mathbf{Si^2}$

where :

(HHI) : index Hervendale-Hirschman.

(Si) : share Market For the institution(i) (with regards centennial) In this study, we examine the market share of both the public and private banking sectors.

(n) : number Institutions or Sectors place the study.

According to Ministry Justice American (US Department of Justiceand committee commerce Federalism(FTC), It is explanation Values Index as follows:[22]

Concentration level	Value HHI
Low concentration market (high competition)	Less than 1500
Medium-concentrated market	From 1500 to 2500
Highly concentrated market (clear dominance)	More than 2500

And in This is amazing the study, SunsetIt will be used index Hervendale-Hirschman HHITo measure degree Focus in market Finance Islamic Algerian between Banks Public and banks Private, With the aim evaluation bezel dominance One The two sectors on The market, Analysis development structure competition during period(2021–2024).And it is decrease value Index via Time proof on to retreat degree Focus And improved the environment competitiveness, until and that I remained market within category markets High Focus.

Table(01):development share Market and indicator Focus in market Finance Islamic Algeria

Degree of concentration	**index HHI(a point)**	**Change in the share of public banks%**	**Private banks' share%**	**Public banks' share%**	**Year**
Very high concentration	9390		96.85	3.15	**2021**
High concentration	8333	6.05	90.8	9.2	**2022**
High concentration with gradual decrease	7278	10.2	83.75	16.25	**2023**
High concentration with continued decline	6630	5.2	78.55	21.45	**2024**

Source: Compiled by researchers based on Bank of Algeria reports for the years 2022, 2023, and 2024

It shows Table that market Finance Islamic in Algeria Characterized during a period the study degree High from Focus The market, where Acquired Banks Private on share The largest from Funding Islamic In exchange presence limited For banks Public in beginning period.He confirms that to rise index Hervendale-Hirschman to about9390a point year2021, He is level surpasses By far Limit Reference Approved Internationally(2500a point), In what It indicates on that market She was It is characterized With focus severe dominance clear For the sector private.

And he explains this the situation I'll be Banks Private She was The pioneer to marketing Products Banking Islamic The matter that She enabled it from formation a base Considered from Customers and acquisition expertise operational and marketing before entrance Banks Public to this Activity.as that Limitations input Banks Public during Year First Reflect that practical activation windows Islamic She was no Still in Its stages First, whether from where Completion Structures Organizational or formation Resources Humanity or development Products.

During year2022, It began Indicators market to get to know Change gradually, so It rose share Market For banks Public about six points centenary comparison year2021, He is what led to decrease index Focus to about8333a point, Despite survival market within category markets severe Concentration, for this Evolution Reflects beginning transmission competition from Accreditation semi The complete on Banks Private to sharing Increasing For banks Public.

for meIt will pass this The path during year2023, where It rose share Market For banks Public to what Approaching10%, Simultaneously with decrease index HHI to about 7278a point, And it indicates This is amazing Result on that an average growth Finance Islamic inside Banks Public become surpasses an average His growth I have Banks Private, He is what led to re distribution gradual For shares Market Don that Meaning that decline in Activity absolute For banks Private.It is considered this Discrimination whatever, because decrease share Relativity no Meaning

necessarily decrease value Funding, But may He is a result growth market College At a rate faster I have competitors.
As for in year2024, Lost I continued Banks Public Strengthening Her presence inside The market, to rise Her share to Proximity five total Finance Islamic, In exchange about four Fifths For banks Private, He is what led to to retreat index Focus to about6630a point .And on Despite from that market I remained within category markets High Concentration, for The decrease Continuous in value Index Reflects presence transformation My structure gradual about distribution more balance For shares Market.
And from perspective Economics Competition, for This is amazing Results It indicates to that market Finance Islamic in Algeria income phase Transition from dominance institution or category Banking one to market more competitive , a result entrance Banks Public As a competitor actual.And it follows on that antiquities Positive It is in diversification Products Finance Islamic and improving quality Services Expanding a base beneficiaries, Please on Strengthening efficiency Mediation Finance and guidance More from Resources about finance Activities Economic The real. as Reveal Results that Growth that I knew him Banks Public did not It is Standing on re distribution Customers between The two sectors only, But linked also Expanding Size Total for the market Finance Islamic and attracting slice from Customers Those They were They avoid Dealing with Banks traditional For reasons It relates By compliance For rulings Sharia.It means that that Expansion that I witnessed it Banking Islamic shares in expansion market Banking itself Not merely re Sharing it.

Therefore, we conclude thatIndicators share Market Focus The market It refers to that market Finance Islamic in Algeria to attest during period(2021–2024)Transformation Structurally gradually, Characterized decrease tangible in degree Focus Height continuous in the weight relative For banks Public, with continuation Banks Private in Keeping On the site Entrepreneur.He confirms this The path that application order (20-02)shares in expansion a base Presenters Services Banking Islamic and strengthening competition inside The market, unless that continuation to rise index HHI above border Reference International It indicates on that market did not Arrives after to phase competition balanced, The matter that summons Continued development Products Islamic Expanding spread windows and branches Islamic In what Supports fusion Banking Islamic in The system Banking Algerian And strengthens Her contribution in finance Economy The real.

a test hypotheses the study :

She sought This is amazing the study to a test Hypothesis President and number from hypotheses Sub from during analysis Indicators development Banking Islamic in Algeria during period(2021–2024), Dependence on Data Statistics and reports Bank Algeria, And It resulted Results on following :

Firstly: a test Hypothesis President

Hypothesis President:shares order number(20-02) in to improve Indicators performance Banking Islamic in Algeria during period(2021–2024).
a result Test: Hypothesis Acceptable
Interpretation:Proven results the study that Issuance order number(20-02)save framework organizationally clear to practice Activity Banker Islamic, And reflected that on various Indicators Performance, where expansion Spread institutional For banking Islamic And it rose sizes Deposits

and funding Islamic In picture Continuous, as to improve presence Banks Public inside market Finance Islamic And it decreased degree Focus The market gradually.not that this improvement He was more Clarity in Indicators Quantity From him in Indicators The structure He is what Meaning that order shares in to push growth Industry Banking Islamic Don that Investigates after Transformation The complete about model banking Islamic diverse And high Efficiency.

Secondly: Testing the Sub-Hypotheses

Sub-hypothesis 1 : Regulation No. 20-02 contributed to strengthening the institutional expansion of Islamic banking in Algeria

a result Test : Acceptable

Interpretation: Confirmed Results expansion number Banks that progress Services Banking Islamic Height number windows Islamic and its spread inside The device The banker, In what Reflects to improve Structure Institutional For banking Islamic and preparation the environment Organizational Necessary To develop it.

Sub-hypothesis 2 : Islamic banking activity indicators exhibited sustained growth throughout the study period

a result Test:Acceptable

Interpretation : Showed the study Height Continuing in total Activity Banker Islamic, where I registered Deposits Islamic growth surpasses78%, while It rose Funding Islamic More from45%, He is what Reflects growth trust Customers in Products Banking Islamic and increase capacity Banks on Filling Resources Finance.

Sub-hypothesis 3: The Islamic financing portfolio in Algeria is characterized by a diversified and balanced distribution across different financing modes**.**

a result Test : Rejected.

Interpretation : She showed Results that Finance Islamic no Still It focuses degree large in three Formulas President she Murabaha Peace And the lease, in when I remained Formulas Participation and speculation Istisna' The input Limited.Therefore, for wallet Finance no Reflect after Diversity that It targets him Banking Islamic But prevails On it Finance Standing on SaleOr what is known as trading more from Finance Standing on Participation in Risks.

Sub-hypothesis 4: The expansion of public banks has contributed to strengthening competition in the Islamic banking market in Algeria.

a result Test:Acceptable.

Interpretation: Showed results index Hervendale-Hirschman((HHI) Decrease gradually in degree Focus The market, Simultaneously with to rise share Market For banks Public, He is what It indicates on to improve level competition inside The market, despite continuation dominance Banks Private during a period the study.

results the study: It resulted the study on sentence from Results President maybe Summary In the It comes:

1-shares order number(20-02)in anchoring framework organizational more Clarity For banking Islamic mirror in expansion Its spread institutional and strengthening Their integration gradual inside The system Banking Algerian.

2-I registered Indicators Activity Banker Islamic Sleep̃And Continuously during period(2021–2025), Represents in Height Continuous For deposits and funding Islamic In what Reflects increase trust Customers and expansion demand on Products Finance Compatible with rulings Sharia.
3-Showed the study presence Disruption in structure Products Financial where Focused majority Funding in Formulas Murabaha Peace And the lease, In exchange Limitations input Formulas Participation and speculation Istisna' (manufacturing contract), The matter that Reflects continuation dominance Formulas Low Risks on account Formulas Finance developmental.
4-revealed results analysis Shares Market on continuation leadership Banks Private in market Finance Islamic, with growth input Banks Public In picture Gradually, In what Reflects transmission market about structure more competitive.
5-between analysis index Hervendale-Hirschman ((HHI) Decrease gradually in degree Focus The market during a period the study, unless that Values Index I remained higher from border Reference International, Which It indicates on that market no Still It is characterized With focus high despite improvement gradual in level competition.
6-Proven Results that Growth that I knew him Banking Islamic did not It is limited on re distribution Shares Market between Banks, But linked also By expanding Size Total For the market Banking from during polarization Dealers Renew They were They refrain on Dealing with Banks traditional.
7-I finished the study to that improvement The registrar in Mr. Drã Banking Islamic He was more Clarity in Indicators Quantity comparison In terms of indicators Quality, Which It indicates on that Industry Banking Islamic in Algeria I moved to phase expansion, But it did not It amounts after level Maturity institutional competitive that She can from Undertaking The complete In turn in finance Economy The real.

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