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A COMPARISON BETWEEN THE PRODUCTS OF ISLAMIC AND TRADITIONAL BANKING. CASE STUDY OF BNA NATIONAL ALGERIAN BANK

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Dedication

Dedicated to the memory of My Father ***Nahoui Mohamed Sassi***

May Allah bless his soul and may he be at peace in the life hereafter!

Abstract:

There is no doubt that banks have significant position in the welfare of any economy. In the last few decades, Islamic banking sector was introduced. This new banking type has demonstrated a competitive position with the traditional conventional banks. It has acquired the interest in many countries and regions. Islamic banking system and products has accelerated its growth globally in terms of total assets and market share. Algeria is one of the birthplace for this new system, although, it is not taking a leading role in the implementation as well as the academic research. A summary of Islamic banking principles and products are introduced before going through the details of the empirical study to compare the products of both types of banks. The focus of this research is to know the difference financially of these banks working in the Algerian market. The research main aim is to perform comparative analysis products on the financial performance of both Islamic and conventional banks. Research analyses adopted in this study are descriptive, correlation and regression analyses to test the research hypotheses. Findings of this research provide evidence that some of the inter-bank factors found to have significant effect on the financial performance of these banks; however, no considerable differences between the two groups were found which suggests that bank type is not a significant variable and that conventional and Islamic banks don’t differ from each other with respect to the variables under investigation.

Key worlds: BNA , comparison, products, Islamic banking, conventional banking

ليس هناك شك في أن البنوك لها مكانة كبيرة في رفاهية أي اقتصاد. في العقود القليلة الماضية، تم إدخال القطاع المصرفي الإسلامي. أظهر هذا النوع المصرفي الجديد مكانة تنافسية مع البنوك التقليدية. لقد اكتسبت الاهتمام في العديد من البلدان والمناطق. أدى النظام المصرفي الإسلامي ومنتجاته إلى تسريع نموها على مستوى العالم من حيث إجمالي الأصول والحصة السوقية. والجزائر هي أحد مهد هذا النظام الجديد، رغم أنها لا تضطلع بدور قيادي في التنفيذ وكذلك في البحث الأكاديمي. يتم تقديم ملخص للمبادئ والمنتجات المصرفية الإسلامية قبل الاطلاع على تفاصيل الدراسة التجريبية لمقارنة منتجات كلا النوعين من البنوك. ينصب تركيز هذا البحث على معرفة الفرق المالي بين هذه البنوك العاملة في السوق الجزائرية. الهدف الرئيسي للبحث هو إجراء نواتج تحليل مقارنة حول الأداء المالي لكل من البنوك الإسلامية والتقليدية. التحليلات البحثية المعتمدة في هذه الدراسة هي تحليلات وصفية وترابط وانحدار لاختبار فرضيات البحث. وتوفر نتائج هذا البحث دليلا على أن بعض العوامل المشتركة بين المصارف تبين أن لها أثرا كبيرا على الأداء المالي لهذه المصارف ؛ ومع ذلك، لم يتم العثور على اختلافات كبيرة بين المجموعتين مما يشير إلى أن النوع المصرفي ليس متغيرًا كبيرًا وأن البنوك التقليدية والإسلامية لا تختلف عن بعضها البعض فيما يتعلق بالمتغيرات قيد التحقق.

الكلمات المفتاحية :المقارنة، المنتجات، الخدمات المصرفية الإسلامية، الخدمات المصرفية التقليدية.

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INTRODUCTION

Banking system is considered as very important for the development of an economy in all societies. Islamic banking was introduced in Islamic countries about four decades ago, and todays Islamic banking is growing in various parts of the world and has moved from a mere theoretical concept to a practical reality, therefore it is confronting some new challenges onthe theory and practical issues. Islamic finance is currently practiced in more than 50 countries worldwide. In some Muslim countries, such as Bangladesh, Egypt, Indonesia, Jordan and Malaysia, Islamic banking co-exists with conventional banking and it is not limited to Islamic countries.

These two finance system are operating in the same society and perform all those functions which are expected from a financial institution, however, the philosophy and operations are different. During the past four decades, however, Islamic banking has grown rapidly in terms of size and the number of players. What is Islamic banking and what are the differences between Islamic and conventional banking system? There is no standard way of defining what an Islamic bank is, but broadly speaking Islamic banking is a financial system which is consistent with principles of Islam and all its activities are according to the Islamic law. Islamic and conventional banking have many similarities and differences.

The main and critical difference between these two systems is Interest (Riba) which plays a key role in conventional banking system. From a theoretical perspective, Islamic banking is different from conventional banking because Riba is prohibited in Islam; a unique feature of Islamic banking is its profit-andloss sharing (PLS) paradigm, which is predominantly based on the mudarabah (profitsharing) and musharakah (joint venture) concepts of Islamic contracting. Under the PLS. paradigm, the assets and liabilities of Islamic banks are integrated in the sense that borrowers share profits and losses with the banks, which in turn share profits and losses with the depositors. After the introduction of Islamic banking system many issues were raised and discussed in this regard.

2- THE GENERAL FRAMEWORK OF THE STUDY:

2.1 Research Problem:

With this in mind, some theoretical knowledge which we shall find in the first part followed by a practical study which we shall find in the second part is necessary to try to answer one of the fundamental questions which arises: “what are the differences between Islamic banking products and traditional banking products?”

In order to respond to our main problem, our reflection moves through the response to questions structured as follows:

- What are the fundamental elements enabling the proper functioning of this Islamic finance?
- What is an Islamic bank? How does it differ from a conventional bank?
- What is the practical difference between traditional and Islamic products?
- What is the practical difference between traditional and Islamic finance operations (comparison between Mourabaha Real Estate for Islamic Finance and Real Estate Credit for Conventional Finance)?

To address these concerns, we have adopted a descriptive and analytical work methodology structured in two main parts:

The first part, subdivided into three chapters, reserved for generalities on Islamic finance (Islamic bank, Islamic window, as well as products that these last two offer to their clients) so, on what differentiates this finance from conventional finance which we talked about in our second part (products and goals, functions) to have a better and more specific picture on what is the concept of each one

The second part, also subdivided into three chapters, reserved for the comparative study between conventional and Islamic financing at the level of our bank BNA (National Bank of Algeria) .

We will finish our modest work with some recommendations regarding both Islamic and conventional financing in Algeria

CHAPTER I: CONCEPT OF ISLAMIC FINANCE.

Introductory chapter: Concept of Islamic finance.

The concept of Islamic finance takes on significant proportions. This through the rise of its economic movement on the one hand and the expansion of its financial institutions on the other. In order to better understand the workings of this finance and its functioning, it is necessary to begin this chapter with a historical section: “origin, development and globalization of Islamic finance.

Section One: Origin development and globalization of Islamic finance.

I. Origin and development of Islamic finance:

The origins of Islamic finance are very old and date back to the advent of Islam in the seventh century. The latter established an economic system that met moral and social requirements in the practice of commercial transactions so that these would be in line with Islamic economic thinking. The history of this phenomenon can be presented in two phases: before and after the emergence of the new industry (the Islamic banking industry).

I.1. PRE-EMERGENCE PHASE OF THE ISLAMIC BANKING INDUSTRY:

Since the first concepts of Islamic financial institutions and the establishment of the first banks, the Islamic financial system has undergone a number of important stages. This phase can be divided into two sub-phases:

I.1.1. Appearance and launch phase:

The first traces of the Islamic economic system can be traced back to the time of the first caliphates (from 634) when the financial institution called baytu al-mal was established. This was the beginning of the expansion of the Muslim religion where strict management of state accounts was mandatory.

In 1960, several countries were called upon to meet the challenges of political and social crises following the waves of colonization they had experienced, by adopting the precepts of Islamic finance. A series of conferences led by specialists in the field were organized to develop the models on which the financial institutions concerned were based, and the industry began to take hold rapidly.

In 1963, the first Muslim savings bank was established in MI GHAMR in Egypt, where the population is very religious. This bank, created by Dr Hamad Elnaggar, offered savings accounts based on profit sharing. It did not distribute any interest but invested directly in small commercial and industrial projects in partnership and then redistributed the profits.

However, despite its success, in 1971 the socialist government of President "Jamal Abd-al Nasser" nationalised the fund and it became the "Nasser Social Bank". The Islamic financial principles started to gain momentum, the first Islamic mutual aid fund TABUNG HADGI was created in Malaysia, the same year, the AL BARAKA BANKING GROUP (operational until today) started an international activity by setting up a network in the countries of the Middle East and the Maghreb as well as in the republics with a large Muslim population in the South of the former USSR.

I.1.2. extension and structuring phase:

The seventies were marked by the creation of new Islamic banks in various Muslim and non-Muslim states and following the three major oil shocks (1973-1979-1980) that the world had experienced, which generated very large surpluses of petrodollars and therefore a need to recycle them, to generate the enrichment of the countries in the region (Muslim oil producing countries). To this end, the start of this finance was marked by an impressive boom, hence the creation of the Islamic Conference Organization to provide encouragement for Islamic banking, the creation of the Philippine Amanah Bank (PAB) in 1973 in Asia Pacific. he year 1975 was marked by two major events:

- The creation of the Islamic Development Bank (IDB) in Jeddah: its main role being to provide the necessary funds for development projects in its 54 member countries.
- The creation of the Dubai Islamic Bank (IDB) : the latter was the first private Islamic bank.

This was followed by the establishment of the Islamic Bank of Faisal (IBF) in Sudan in 1979. It was during this same period that several countries proceeded to Islamize their entire banking system: the first country was Pakistan in 1979. It was followed by Sudan and Iran in 1983, and this year was also marked by the creation of Beit and Tamouil-Essaoudi and Tounsi Bank in Tunisia. In 1985, Mauritania created the BAMIS Islamic Mauritanian Al Baraka.

In the 1990s, the share of Islamic finance markets increased, with the number of Islamic banks rising from 34 in 1983 to 195 in 1997. This led to the opening of new branches called: Islamic windows in Muslim countries such as Citibank, which opened its doors in 1996, and HSBC Amanah, created in 1998 in Dubai.

In order to address all the problems faced by Islamic banks, especially those related to differences in the interpretation of Shari'a law, and in order to provide a framework and organization for this aspect, Bahrain, a country that has played a leading role in the rapid expansion of the Islamic banking sector, created in 1990 the AAOIFI (Accounting and Auditing organization for Islamic Financial Institutions), a body that aims to put in place and practice the Shariah-compliant accounting and governance standards that Islamic banks and financial institutions must follow and comply with.

I.1.3. Post-emergence phase of the Islamic banking industry:

The event of 11 September was one of the most important elements marking this phase because nationals of the Gulf countries who had deposited their money in the country targeted by this attack were afraid that their assets would be frozen (the effects of this attack led the United States to freeze the funds coming from Arab countries for fear of financing terrorism), which pushed them to repatriate them.

This movement of funds coincided with the increase in the price of oil which tripled between 1999 and 2005 and caused a considerable amount of liquidity to be placed in up to 200 Islamic banks and led to the expansion of the Islamic financial base. (geneviere, 2012).As a result of the growing demand for Islamic products, innovation has been driven by competition and several products have been issued such as:

- Sukuks: Islamic bonds backed by tangible assets and structured according to the rules of Islamic finance, issued by a German Lander in 2004.
- The Takaful product: practiced by insurance companies and based on the principle of mutuality.

During this period, several Islamic banks opened their doors, such as the subsidiary of the BNP Paribas group in Bahrain in 2003, which provides Islamic financial solutions to the group's clients worldwide and was the player in the second largest Sukuks issue in Saudi Arabia for an amount of 650 million dollars.

The year 2006 was marked by the creation of two important banks: the first in Saudi Arabia under the name of Al Inma Bank and the second is the subsidiary of ES Salam Bank in Algeria. Morocco, in turn, wanted to explore this halal finance in 2007 by adapting three financial products in conformity with the Sharia, namely: the Ijara, the Murabaha and the Musharaka. In 2008, Nor Islamic Bank was created in Dubai, and a year later, it opened its doors in Tunisia with Zitouna Bank: an Islamic retail bank that only became operational in May 2010.

- The IFSB (Islamic Financial Services Board), created in 2002 in Kuala Lumpur, whose mission is to contribute to the evolution of Islamic finance in the global financial system.
- The IIFM (International Islamic Financial Market), created by several central banks with the aim of regulating and promoting new Islamic products issued by the financial markets. Promote the extension of the system to the four corners of the world. (geneviere, 2012)
- According to two reports presented by HSBC in 2010 and ERNEST & YOUNG in 2012, the amount of assets held by Islamic banks rose from about \$100 billion in 1996 to \$400 billion in 2006 and to more than \$1.1 trillion in 2012. (philippe, 2013)

Moody's estimates the global Islamic finance market at around \$750 billion in 2009, but this is expected to rise to \$2.8 trillion by 2015. Experts in the field consider Islamic finance to be the competitor of conventional finance, and even describe it as the finance of the future. (fredj, 2012)The progress of this halal finance is explained by these four main reasons:

André Martens La finance islamique, fondements, théorie et réalité cahier 20-2001 Septembre 2001 page 8

The reinforcement of the Muslim religion over the last fifty years of Islamic obligations, such as the fasting of the month of Ramadan and the pilgrimage to Mecca. -The opportunity that Islamic finance has given to Muslims to move away from the colonial era of the nineteenth century and the first half of the twentieth century, during which the Western banking system dominated in the countries concerned.The oil shocks of the 1970s, a source of increased funds for some Muslim countries.

The possibility for Islamic financial institutions to take over, in some cases, the conventional banking sector when the latter is subject to official policies of financial repression, in the form of low interest rates and credit allocation. (martens, 2001)

I.2. GLOBALIZATION OF ISLAMIC FINANCE:

Islamic finance continues to expand rapidly despite the various obstacles it has encountered. This so-called alternative finance is becoming universal and is now of interest to Muslims and non-Muslims alike:

I.2.1. Non-Muslim countries:

With economic and financial globalisation, non-Muslims are increasingly interested in Islamic finance and are even contributing to its development through the issuance of new Shariah compliant products.

In March 2008, a Moody's report stated that non-Muslim countries as economically important as Japan, the United Kingdom and China are seriously considering expanding Islamic finance in their domestic markets, adding to the credibility of this phenomenon. (saidane, 2011)

A. European countries:

The adoption of Islamic finance by conventional banks appears to be an opportunity as they find themselves obliged to explore new market shares and to integrate Muslim immigrant populations. International banks such as HSBC, Citigroup, Deutsche Bank and even French banks such as BNP Paribas are taking an interest and launching their first Shariah compliant products.

B. United Kingdom:

Following the strong demand for Islamic financial products and services worldwide, the UK is the western gateway to halal finance and is the first western country to accommodate the Muslim population by allowing its conventional banks to open Islamic windows. It has changed its laws by removing the double taxation on Islamic finance transactions (removal of double stamp duty on property loans, the Islamic bank buying the property and then selling it back to the loan customer)

In 2004, Britain established the Islamic Bank of Britain (IBB), the first bank to offer Sharia-compliant banking services. According to the former Governor of the Bank of England, LORD GEORGE, this bank would offer real comfort to Muslim members of English society. (saidane, 2011, p. 99)

C. France:

In France, the Islamic finance market is very much followed, several banks such as BNP Paris bas, Société Générale have created units and subsidiaries in order to develop this aspect and satisfy the customers opting for Islamic products. The country is working on the establishment of a regulatory framework applicable to Islamic financing methods such as Sukuks, Ijara and Murabaha.

According to the Jouini-Pastré report, another competitive advantage that France has but has not yet taken advantage of, given its cultural proximity to Muslim countries, is that it could.

- Acquire world leadership in Islamic finance.
- By doing so, drift capital to the Paris financial center, the amount of which can be evaluated at a first approximation of 100 billion euros (pastre olivier j. e., 2009)

-Moreover, according to the great French lawyer GILLES SAINT MARC: the French legal context is largely compatible with the problems of Islamic finance, the major precepts of the Sharia are also found in our civil code: gambling has been prohibited since 1804 and usury is also prohibited. (fulconis-tielens, 2008).

D. the United States:

In 1997, Islamic finance began to take hold in the United States, with many sharia-compliant products being launched. In 2000, the Dow Jones Islamic Market, the most renowned stock market index in the Islamic financial market, was created. The Americans are trying to find an alternative to this finance which is none other than interest free finance.

Islamic finance is gaining momentum and several banks are being established to meet the needs and requirements of the population by offering several types of services, namely: Ijara, Murabaha and Sukuks. The country has had two major Sukuks issues: the first in 2004 for $110 million and the second in 2006 for $165.67 million for a gas reserve project.

I.2.2. Muslim countries:

A. North Africa:

The low development of Islamic finance in North African countries may seem surprising, yet the population is very sensitive to the religious argument in terms of savings and financing, and the population is still under-banked, with a rate of 25% in Morocco, 20% in Algeria and 33% in Tunisia.

In Morocco, the concept of Islamic finance was only authorized in March 20, 2007, when Moroccan banks were allowed to offer their clients services and products in conformity with the Sharia. In Tunisia, this finance is initially limited to one bank which is none other than Bank and Tamweel Al Tunisi subsidiary of AL BARAKA BANKING GROUP (ABG)

In 2008, the second Islamic bank opened its doors, the Noor Islamic Bank, whose main mission is to direct investments from the member countries of the Gulf Cooperation

Council to the North African region. One year later, the Zitouna Bank, the first universal Islamic commercial bank, was created.

In Algeria, it was only in 1991 that the officials of the central bank BA gave their agreement to the offer of Islamic products by accepting the establishment of the Al Baraka Bank in the country.

In 2008, Algeria acquired a second Islamic bank, El Salam Bank, whose mission is to finance companies and individuals in various sectors such as agriculture.

Today, several banks are opening an Islamic section, such as the CPA: Crédit Populaire Algerian (the state-owned bank), Housing Bank, Société Générale Algeria, AGB: Gulf Bank Algeria and Trust Bank Algeria.

The introduction in North Africa of the most popular Islamic operations in the world is taking place in an international context where Islamic products are becoming more and more important, especially with the investment of petrodollars from the oil crisis of the 1970s. On the other hand, these operations will respond to an increasing internal demand for this type of financing, both by citizens and investors.

Section two: Functioning of Islamic finance

Islam, the last of the monotheistic religions after Christianity and Judaism, was revealed from the year 610 in Mecca. It is a code of conduct that organizes and structures both the external and internal life of the believer, covering all facets of the individual, his social, community, political, economic and religious conduct.

The bearer of the message, the prophet MOHAMMED (sbsl), was at the same time the religious and political leader and the legislator stipulating the rules of life in society. According to Louis Gardet, the philosophy of this religion can be summarized as follows:

" It could just as well be said that Islam is both a religion and a temporal community: better still, a community which takes charge, in a single and indissociable momentum, of the relations of each believer with God and the relations of believers with each other on the moral and political levels ".

Similarly, according to Marcel A. Boisard: "By refusing to dissociate the spiritual from the temporal, the Koranic revelation asserts itself as a religion and a social system". Islam is therefore not a simple belief but a real way of life that takes charge of man's relationship with God on the one hand, and embraces all the knowledge relating to man's relationship with others on the other. (cafouri, 2000)

Islam is a common masculine singular Arabic noun that has its origin in the following two words: Salam: meaning 'peace', or 'aslama': meaning 'to resign, surrender or even submit' to God.

In addition to a religion, it is a way of life, a way of being and a vision of the world, in other words: "Dine Wa Dounia" (cult phrase in Arabic). (slagh, 2001). The dual sources are mainly based on the sources of Islamic law: the charia.

I-Sources of Islamic finance:

The basic rules of Islam are derived from two types of sources: the primary sources and the complementary sources.

I.1. THE QURAN:

The Quran is the holy and sacred book of the Muslims, it is the direct word of ALLAH, characterized by its powerful language, it represents the civil, political and religious code that regulates the life of Muslims. It deals with these three essential points:

Tawhid: the oneness of God, Al Akhbar: the stories about the prophets who preceded Muhammad (SBSL) and Dyanat: the regulations and laws.

These three points are dealt with in 114 suras consisting of more than six thousand two hundred verses (AYAT AL AHKAM) which serve as the basis of Quranic law.

I.2. THE SUNNA:

The Sunnah is a tradition or a way of acting that embodies the strength, generosity and serenity established by the Prophet Muhammad (pbuh), which refers to all those sayings and practices, collected through transmission called: AL AHADITH. The Sunna's main missions are: to affirm what has been said in the Qur'an, to explain it to Muslims in order to help and encourage them to practice it, and also to issue new judgements for statements that have not been quoted in the Qur'an.

In addition, despite the omnipresence of the Qur'an and the general character of the Sunnah, the specificities of a place or time require reflection which is indispensable for the resolution of related problems. Thus, there is a need to turn to al FIQH (jurisprudence) based on other sources, namely: al Ijma and al Qiyas.

I.3. AL IJMA:

The authority of the IJMA is based on the mistrust of individual opinion, it constitutes a rule established by the unanimity of jurisconsults, these rules will be valid and have the force of law if they do not contradict the Qur'an and the Sunna.

The authenticity of this source is based on the hadith of the Prophet (SBSL): *“My nation will not agree unanimously in error”* (karich, le systeme financier islamique de la religion a la banque, 2002) .

I.4. QIYAS:

Qiyas is reasoning by analogy, it consists in making a comparison or a simulation between two subjects, two matters... It extracts from the two main sources, the Koran and the Sunna, acts that took place in the past and are applicable by analogy to the present facts.

I.5. COMPLEMENTARY SOURCES:

The complementary sources are taken into consideration by the four legal schools recognized by the Sunni tradition, namely: the Malikites, the Hanbalites, the Shafi'ites, and the Hanafites. These sources include Al ISTIHSAN (the appreciation of the scholar), Al ISTISLAH (the public interest), Al ISTISHAB (the presumption of continuity).

II. the economy in Islam:

Islam encourages thrift and encourages Muslims to work for wealth but on the basis of fair distribution: *"Wealth and children are the ornament of the life of this world. But good works that endure have a better reward with your Lord and give a beautiful hope"* verse 18 of Sura EL KAHF. The specificities of the Islamic economic and social system can be presented as follows:

II.1. THE PRINCIPLE OF STEWARDSHIP OF PROPERTY:

According to Dr. LachmiSiagh: *"No property is the exclusive or even the real property of its possessor. The real owner is God who leaves man his vicegerent on the earth who must make it fruitful",* the concept of temporary ownership of property essentially leads to avoid certain abuses such as: accumulation of capital, waste of wealth, hoarding. (slagh, mensuelle business and finance , 2005).

II.2. VALUING WORK:

Work in Islam has an important value, being the main factor of production, the latter contributes to the economic development of the country. As such, every capable Muslim is under the obligation to work and enrich his or her wealth.

II.3. THE SPIRIT OF SOLIDARITY:

Under the effect of various factors that the world had undergone such as:

capitalism, Protestant ethics, wars and others, individualism had set in, become a component of human life. To remedy this, Islam promotes collectivism and encourages the Muslim world to solidarity and community life.

II.4. THE NEUTRALITY OF TIME

Time in Islam is a creation of God and he is the owner of it; any commercial transaction based on time without the intervention of the main factor: labor is illicit.

II.5. MONEY IN ISLAM:

Money in Islam is a mere intermediary, it has no value in itself, so it cannot be sold or rented. Its main purpose is to facilitate the exchange of goods, so it must be free to spend and circulate. Meanwhile, if this money can have an added value materialized by interest, its holders will only accumulate their income and will subsequently limit the economic activity of the country.

Therefore, the bank margin is only considered lawful by the Islamic Shariah if it is generated by one of the following activities: Sale - Participation - Rental - Manufacturing.

Also, in order to avoid any kind of problem and to preserve the rights arising from the various transactions between Muslims, the Islamic economy relies mainly on transparency, thus the Qur'an requires the writing of acts and contracts.

III. The basic principles of Islamic finance:

Islamic banks respond to the precepts of Islam and are mainly based on specific principles, which aim to optimise the results of financial and commercial transactions for the benefit of the contracting parties.

III.1. THE PROHIBITION OF RIBA (INTEREST AND USURY):

III.1.1. The RIBA:

The word RIBA in Arabic means to increase and increase, throughout Muslim history this word has been recognized as the equivalent of interest paid on a loan.

The prohibition of usury did not originate with Islam but goes back to Judaism which condemned interest-bearing loans between Jews and allowed them for loans made by Jews to foreigners: *"From a stranger you may charge interest, but from your brother you shall not charge interest, that the Lord your God may bless you in all that you do in the land where you are going to enter to possess it."*

The prohibition of loan remuneration is found even in Ancient Greece, according to the policies of Aristotle:

> *"It is only natural to hate the usurer's trade on account of the fact that his wealth comes from his money itself, and that money was not invented for that purpose. It was made for exchange, whereas interest only multiplies it. And this is where it got its name from: the little ones, in fact, are like their parents, and interest is money born of money. So that this way of acquiring is the most contrary to nature".*

The Christian religion also forbids interest, but implicitly:

"If you lend to those from whom you expect to receive, what credit is that to you? Even sinners lend to sinners so that they may receive in return an equal amount. But love your enemies, and do good, and lend, despairing of no man". (Chrysostome)

In 1515, reformers like Calvin defended non-usurious interest lending when applied to the rich and rejected it when it led to the impoverishment of debtors. If in the Christian religion reformers favoured the integration of interest, this is not the case in the Muslim religion.

III.1.2. RIBA in Islam:

Islamic finance does not consider money as an asset that can generate income by itself due to the passage of time. Such income can only be generated by the profitability of the asset financed.

The term RIBA in Islam has a great meaning and is not limited to the notions of usury and interest but to illicit profit or even to a benefit without the equivalent of service rendered. It is an illegal exchange: Two types are listed:

- Riba al-dayn (riba al-jahiliya): it represents the premium paid by the borrower to the lender in respect of the repayment period granted to him.
- Riba al-bai': (riba al-fad): this is the surplus arising from an exchange of goods for another of the same kind.

With the advent of Islam, all commercial transactions that were largely carried out with interest loans were prohibited: "Those who swallow (practice) the proceeds of usury will rise on the Day of Resurrection as one whom Satan has defiled with his contract. And this is because they say: usury is the same as sale (trade).

"God has permitted selling; He has forbidden usury. He who receives this warning from his Lord and puts an end to this iniquity will be forgiven for the past, and his business will be with God alone. Those who return to usury will be delivered to the fire, or they will dwell therein forever" Surah AL BAQARAH verse 275.

The Islamic prohibition of interest is based on the fact that money is not capital. It will only become so after transformation through work and effort. According to Iqbal and Mirakhor "money is only potential capital and it will only become real capital after it is combined with another resource to undertake a productive activity". Money therefore has no intrinsic utility and is only a means of exchanging goods.

III.2. THE PROHIBITION OF GHARAR:

The term Gharar defines the exchange of goods whose existence and characteristics such as: nature, price, description of the exchanged good are not certain. In other words, it is the risk or hazard that accompanies this transaction. According to Professor Mustapha Al-Zarqa: "Gharar is the sale of objects whose existence and characteristics are not certain because of their nature, which makes their sale similar to gambling.

Several examples are cited in the main source of this prohibition which are the Ahadith of Prophet Muhammad (sbuh) such as *"The Prophet (saws) prohibited the purchase of an animal in its mother's womb, the sale of milk in the udder without measure, the purchase of the spoils of war before their distribution, the purchase of charitable donations before their receipt, and the purchase of what a sinner has reaped before his sin."*

III.3. THE PROHIBITION OF HOARDING:

Islam encourages Muslims to work and grow what they own for the individual good and the common good of society: *"And to those who hoard gold and silver and do not spend it in the way of God, then announce to them a painful punishment...Taste, then, of what you hoard! "* (Surah 9, Verses 34 and 35.)

III.4. THE PROHIBITION OF MAYSIR (SPECULATION):

Islam encourages investment and therefore risk-taking, but formally condemns risky betting in the terms of a contractual relationship. MAYSIR refers to all types of gambling, betting and speculation: "Satan desires to stir up hatred and enmity between you through wine and gambling, to take you away from the remembrance of God and from prayer. Will you not therefore abstain? Surah EL MAIDAH verse 91. Thus, any sale that is based on chance, such as the sale of derivative products, is forbidden.

III.5. ILLEGAL ACTIVITIES AND PRODUCTS:

Haram activities are in contrast to God-permitted operations, known as halal operations, and therefore no Islamic financing can cover an activity that is prohibited by Shariah law. The main prohibited activities and products are as follows - trade in certain sectors of activity (alcohol, pork, weapons, gambling...) and by extension, all commercial relations with firms marketing HARAM.

III.6. THREE P(PLS) PRINCIPLE:

Islam formally prohibits interest and encourages profit by developing a system based on the principle of profit and loss sharing (three P's): the risk is borne by each of the parties who entered the business and the losses will be borne in proportion to their initial stake. This system takes into consideration the anticipated profitability of the projects financed and not the solvency of the borrowers. (karich, le systeme financier islamique de la religion de la banque)

III.7. PRINCIPLE OF BACKING WITH A TANGIBLE ASSET:

This is the requirement to back all financing with a tangible asset. Indeed, Islamic banks, and the transactions they finance, are distinguished by their genuine link to the real economy. This means that the financial and monetary movements they carry out are closely linked to economic activity. The expansion of credit not backed by real assets is excluded and banks cannot initiate or accentuate a speculative process. Credit is based on real savings and these can only yield a return if they are directly invested in productive activities. Finance and the real economy are thus closely intertwined. Thus, Islamic banks tend to engage in investment operations to create new resources or in financing operations to facilitate the circulation and transfer of these resources. (chatti).

Section three: the products of Islamic finance.

Like all banking institutions, Islamic banks offer a range of products to meet the needs of individuals and businesses. products that meet the needs of individuals and businesses. Thus, in addition to providing management and security of payment instruments, they offer various deposit and financing products. and financing products. Our objective is to highlight the particularities of Islamic banks, in this section, we will mainly develop the Islamic deposit and financing products and financing products whose management is arranged according to a design appropriate to the fulfilment of the roles mentioned above.

I. The deposit products:

Deposits are an important financial resource for banking institutions. In order to mobilize them, Islamic banks offer their customers different types of accounts.

I.1. THE CURRENT ACCOUNTS:

This is a category of non-interest-bearing accounts that hold funds that can be withdrawn at the first by their holders. As they are secured, they can be accepted by Islamic banks as Islamic banks as qoroudh hassana or amana. The latter have the right to use them in their Islamic banks have the right to use them in their financing operations, but at their own risk.

I.2. THE SAVINGS ACCOUNTS:

As a link between current accounts and investment accounts, savings accounts are special current accounts with variable interest rates. Savings accounts are special current accounts with a variable remuneration depending on the profits made by the Islamic bank. Depending on the profits made by the Islamic bank. The capital is not guaranteed, but account holders have the right to withdraw account holders have the right to withdraw their funds on a regular basis.

I.3. THE INVESTMENT ACCOUNTS:

Also known as profit and loss accounts, investment accounts are term accounts whose funds are intended to be invested, according to the moudharaba principle, by the company. term accounts whose funds are intended to be invested by the bank in its financing operations, according to the principle of moudharaba.by the bank in its financing operations. Their capital is not guaranteed and they benefit from a variable and they benefit from a variable remuneration. There are two forms:

I.4. RESTRICTED INVESTMENT ACCOUNTS:

their funds are intended to finance operations or sector specified by their holders. Their remuneration depends on the activity financed.

I.5. UNALLOCATED INVESTMENT ACCOUNTS:

their funds are not earmarked for any particular financing. Their remuneration depends on the overall results that the bank the bank achieves. Let us now turn to the presentation of Islamic financing products.

II. The financing products:

The notion of funding reflects both a transfer of resources and the existence of a time limit. It is participatory when the provider of funds takes part in the decisions related to the funded project. It is debt-creating when the financier distances himself from the financed and maintains a creditor/debtor relationship with the latter. With the latter in a creditor/debtor relationship.

Islamic financing is defined as *"any provision of resources governed by Sharia law".* (saadallah, 1996).or that it *"covers all financial and legal techniques that allow the financing of goods or services in accordance with the requirements of Sharia law, regardless of the law applicable to the contractual documentation related to that financing".* (p grangerau, 2004).

The philosophy of Islamic banks calls for the design of new financing techniques that will be able to provide an alternative to interest-based techniques, giving priority to risk sharing and the success of the projects financed. This is a difficult task that has required considerable effort, as a result of which Islamic bank financing has been built mainly around the following Islamic bank financing has developed mainly around three categories of products, which are summarized in the following diagram. Summarizes.

II.1. VARIABLE INCOME PRODUCTS:

The principle of profit and loss sharing has led to the design of some products whose income is essentially dependent on those of the projects financed without being known in advance. The principle of profit and loss sharing has led to the design of some products whose income is essentially dependent on the income of the projects financed without being known in advance. The techniques are the moudharaba and the moucharaka.

II.1.1. the Mudharaba:

It is a meeting between two parties with complementary wealth; work and money. It is a contract of association between a contributor of capital called "rab el mal" and an entrepreneur called "moudharib".entrepreneur called "moudharib" who grants the first the ownership of the assets and the second the right to autonomous management of the business.to autonomous management of the business without interference from the former.

Historically, the moudharaba has been known since the time of the Arabs -perhaps even before- who traded in caravans. Who traded in caravans? The rab el mal financed the merchandise and the moudharib took care of and the moudharib was in charge of reselling it and making a profit. The profits were shared on an agreed pro rata basis.

A. Types of Mudharaba:

The muharaba can be either restricted or unrestricted (muqayada or mouttlaqa). The unrestricted Mudaraba agreement does not specify particular conditions such as the period of the agreement, the location of the business, the branches of the business, the suppliers and customers with whom the business will be conducted. the period of the agreement, the location of the business, the branches of the business, the suppliers and customers to be dealt with. to be dealt with. The Mudharib has an open mandate and is allowed to do whatever the business requires as the business as it unfolds. If he is at fault because of intentional negligence, fraud or misrepresentation, he would be liable for the consequences and any losses and any losses that may arise from this. Indeed, these losses cannot be charged to the accounts of the case.

The limited Mudharaba agreement contains restrictions on one of the above-mentioned parameters. In this case, the Mudharib must respect the restrictions imposed by rab el mal, failing which he would be fully responsible for the consequences of the Otherwise, he would bear the full responsibility for the consequences. In the case where the Mudharaba is of limited duration, it is automatically dissolved. If the Mudharaba is of limited duration, it is automatically dissolved on the agreed date.

Distribution of profits:

The profit is distributed between the two parties according to a ratio that must be determined at the time of signing the contract. the contract is signed. The Musharib is not entitled to a fixed remuneration or to a fixed amount specified in advance that will be specified in advance which will be deducted from future profits; the only entitlement is a share of these profits is a share of the profits once they are made. Any distribution before the end of the contract is considered as an advance. If there is an agreement that all profits go to the muharib, the transaction is considered an interest-free loan (qardh hassan) from sahib el mal to the muharib. considered an interest-free loan (qardh hassan) granted by sahib el mal to the moudharib. By Therefore, the former alone bears the risks associated with the capital. On the other hand, if a clause stipulates that that all profits accrue to the sahib el mal, the moudharib would be entitled to remuneration in the form of a salary for services rendered. for the services rendered.

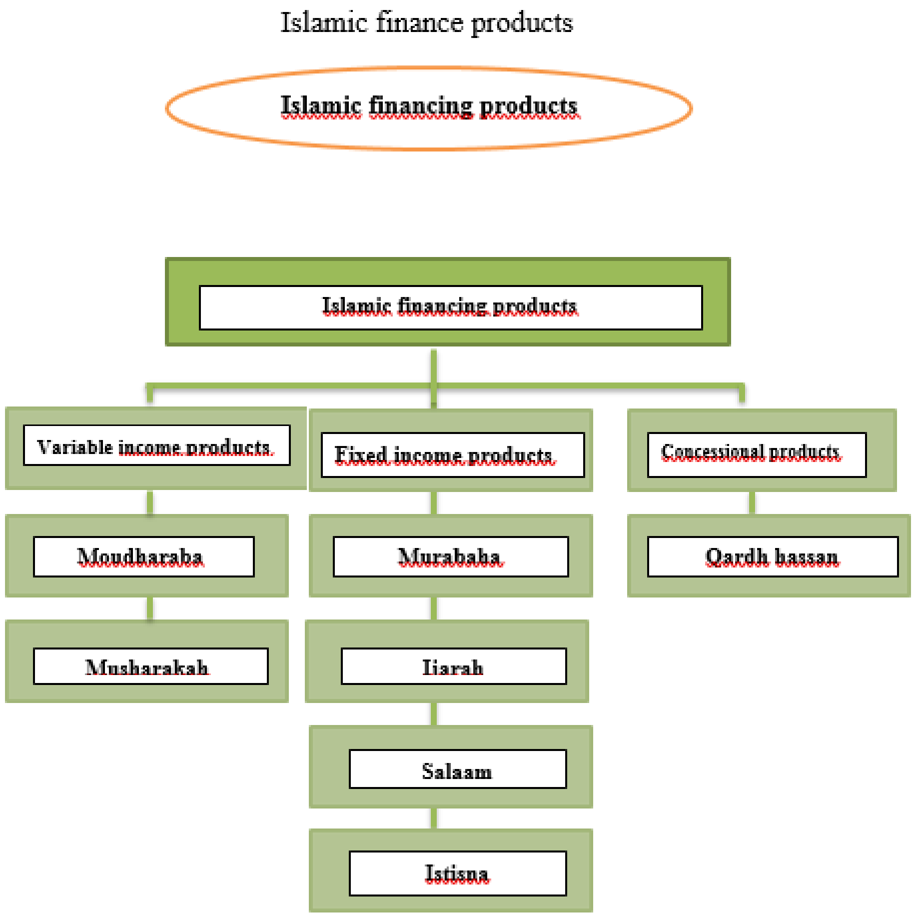

Figure 1 : Islamic financing products

The case of losses:

In the event of a loss charge, the financial loss is the responsibility of the rab el mal, the manager's loss being is the opportunity cost of his or her own labour force that has failed to generate a surplus income. Indeed, apart from the case of breach of contract or proven negligence, the manager does not have to guarantee the capital.

In the case of a continuous Mudharaba, the determination of an accounting period by mutual agreement is customary. agreement, is customary. This segmentation in time allows an independent treatment of each period. However, in such a framework, the net loss of any period is reflected in the profits of the following period.the profits of the following period. This explains the common practice of building up reserves for losses.

The Mudharaba in Islamic banks:

Adopted by Islamic banks, contemporary authors have conceived it as a means of financing and a management principle for both resources and uses. and as a management principle for both resources and uses. It is at the origin of It is the basis for the design of some theoretical models of Islamic banks that we will present later in this paper.

With this product, Islamic banks aim to encourage entrepreneurship while valuing the non-financial contribution of those whose capital is incorporated in themselves: seriousness, uprightness integrity, transparency and a specific know-how designed to satisfy real needs through continuous effort.

II.1.2. Moucharaka:

The moucharaka is a method of financing based on the fair distribution of risks among the partners. It can be defined as "the participation of two or more parties in the capital of the same capital of the same business". (saadallah R. , 1996).Where each partner has a say in the project and can intervene directly in its management. Directly involved in the management of the project. Net profits are shared in proportions agreed in the contract agreed upon in the contract, and which are not necessarily equal to those calculated on the basis of calculated on the basis of the initial contributions. On the other hand, losses are borne exactly in proportion to the proportion to each person's contribution to the capital.

A. Types of moucharaka:

Bipartite segmentation gives rise to the permanent moucharaka and the degressive moucharaka.In the first form, the partners are linked for a long period of time which may be limited in time (moucharaka mountahiya) or not; that is, the moucharaka is valid for a period of time. (moucharaka mountahiya) or not; that is, the moucharaka is valid for the entire life of the funded project. life of the project financed.

The second form offers the partner the possibility of gradually withdrawing from the project through repayments spread over a schedule studied on the basis of the profits and repayment capacity that it generates, at the end of which ownership of the project is fully transferred to the partner.repayment capacity, at the end of which ownership of the project is fully transferred to the acquiring entrepreneur.

The Musharaka in Islamic banks:

As a banking product, Islamic banks take on exactly the role of a partner with all the rights that go with it. However, in general, they only intervene in the management of the management of the project proposed by the client only to ensure that it runs smoothly, as the latter has a better grasp of the operations due to his personal experience.

Originally, the two mechanisms (moucharaka and moudharaba) mentioned above were designed for long-term financing for business creation. Long-term financing for business creation. However, their use for one-off short and medium-term However, their use for short- and medium-term operations is common. This is the case for the financing of services (e.g. transport), trade, import of goods, letters of credit, agriculture.

The validity of profit-sharing contracts is based on compliance with economic, legal, social and ethical standards. Legal, social and ethical standards. They expose Islamic banks to the real risks of the activity financed in addition to the traditional risks of conventional banks. This makes their returns uncertain and less predictable. Being profit-oriented and seeking to achieve returns, Islamic banks have developed fixed income products that blend into credit sales. merged with credit sales.

Fixed income products:

As defined in the Encyclopedia Britannica on page 722, credit is "a transaction between two parties in which the first provides money, goods, services or securities in return for a promise of future payment by the second". Thus, if we analyze the scope of this definition it is very broad. Indeed, it encompasses the loan of money, the sale of goods on credit and the leasing, which is a sale on credit of equipment services.

Historically, selling on credit was known at the time of Prophet Muhammad, may the prayers of God and His salvation be upon him. God's prayer and salvation be upon him. It was a sale with direct financing by the seller without no intermediary. It appeared in the

West as a substitute for pawnbroking in the 19th century. It became more widespread after the Second World War, particularly for acquisition of durable goods needed for household and business equipment. Nowadays, specialized banking organizations have come between sellers and buyers as intermediaries in this type of financing. as intermediaries in this type of financing they pay the cash price to the seller and they grant the buyer an instalment payment. Thus, there are three parties involved: the seller, the intermediary bank and the buyer.

Since lending money is excluded from making profit in the Shariah, credit sales of goods and services are recognized through the authorization of trade and the facilities granted to it.and services are recognized through the authorization of trade and the facilities granted to it. In the time of the Prophet, the Arabs often confused these two practices, and they failed to understand the difference. The difference. However, the difference is there, but it is subtle. This nuance is not denied by the Qur'an and is confirmed in verse 275 of Sura al-Baqarah: *"...This is because they say, 'trade is just like interest'. Whereas Allah has made trade lawful and interest unlawful...".* The same is true of many contemporaries. The ulama explain this much sought-after difference by the fact that in interest-bearing loans, there is an exchange of money remunerated (R.Saadallah,1996,p19).on the basis of the repayment term, which does not necessarily correspond to the opportunity cost borne by the lender of investing the loan amount in a given activity for the same period. While in the credit sale, time is not traded independently, it is traded on an exchange, the latter relates to a tangible asset whose value determines the selling price in the first place. Thus, time influences the price but is not subject to a separate remuneration. (saadallah R. , techniques islamiques de financement , 1996).As a guarantee, the seller retains title to the object sold until the customer has paid the debt. Islamic banks, having shown interest in this mode of financing, have proceeded to develop a number of techniques that we present below.

II.1.3. The mourabaha:

It is a sale with a revealed profit margin. This concept is used to refer to "an agreement whereby the seller buys the goods desired by the buyer and then sells them back to the buyer with an agreed profit margin. Payment will be made within a specified period either as a lump sum or in instalments. The seller undertakes all the management necessary for the purchase and assumes the risk of the goods until they are delivered to the buyer. (Chapra, 1997).When this instrument is used by the bank, it plays the role of a trading house that only sells what it actually holds. Consequently, the mourabaha constitutes a transaction the first is between the Islamic bank and the supplier of the commodity, and the second is between the bank and the supplier of the commodity, and the third is between the bank and the supplier of the commodity. The first is between the Islamic bank and the supplier of the goods, for which payment is made in cash, and where it appoints its purchasing client as its agent to receive the goods, the second is between the Islamic bank and its client, for which payment is made in cash. In the latter, the settlement is deferred.

The legitimacy of mourabaha in sharia law is often disputed by Muslim jurists because of its strong resemblance to interest lending. Because of its strong resemblance to interest-bearing loans. Murabaha is widely used in the financing of imports and exports and the acquisition of automobiles.

II.1.4. Ijara:

This instrument is similar to leasing. The main object of the contract is the usufruct of a capital good equipment, machinery or rolling stock. This usufruct is sold to the lessee at a predetermined price. The lessor retains ownership of the asset with all the rights and responsibilities.

As a form of financing used by the bank, the bank, at the customer's request, acquires the described goods from the designated supplier and rents them to the customer for a certain period of time. The amount of the lease payments is determined on the basis of the book depreciation of the asset, the costs incurred and the margin earned.

Generally speaking, this contract includes a purchase option that can be exercised at the end of the lease, in which case it is referred to as an ijara wa iqtina' transaction. In this case, it is referred to as an ijara wa iqtina' transaction. This transfer of ownership is done in the context of a separate contract to a this transfer of ownership takes place under a separate contract at a price that corresponds to the residual value of the property. According to the fiqh academies, the latter contract can only be signed at the end of the lease with an ex-ante promise.

It should be noted that these ijara and ijara wa iqtina contracts are Sharia-compliant since the income is a fixed rent remunerating the usufruct of an existing property and not a fixed annuity on financial assets.

Ijara is often used by businesses to enjoy the use of a material or equipment without the cash constraints of an immediate disbursement of a large sum. Equipment without the liquidity constraint of an immediate disbursement of a large sum.

II.1.5. Istisna:

The istisna' is "a contract by which one party orders another to manufacture and supply him with goods, clearly stating the description of the goods, the delivery date and the price on the date of payment” (Mabid Ali MOHAMED AL-JARHİ, 2001). This contract must be an irrevocable arrangement.

Used by Islamic banks, this transaction is called istisna' tamwili and contains two separate types of contracts. The first is a financing contract with the beneficiary under which the price is paid by the beneficiary at a later date in installments. The first is a financing contract with the beneficiary under which the price is paid by the beneficiary at a later date in instalments, and the bank undertakes to deliver the goods on the agreed dates. The second is an istisna' sub-contract between the bank and the manufacturer who undertakes to manufacture the goods according to specific specifications and to deliver the goods on the agreed dates, which correspond to the first contract. the first contract, to the buyer who is designated as the official receiver. The bank undertakes to pay the manufacturer either in cash or in instalments during the manufacturing process.

II.1.6. Salam:

While istisna' covers payment after delivery of the goods, the salam contract is 'a contract in which the price is paid in advance at the time of signing, whereas the delivery of the goods is not. Contract in which the price is paid in advance at the time of signing, while the delivery of the goods/service is at a specified future date". (Mabid Ali MOHAMED AL-JARHİ, 2001).This type of contract is not suitable for all types of goods., but rather for goods whose manufacture requires the contractor to make the contractor with heavy expenditure requiring advances from the beneficiary.

In Islamic banks, this instrument contains two separate types of contracts; the first is a salam contract with the contractor in which the price, delivery date, and dates on which advances are made are specified. The second is an instalment sales contract with the beneficiary; this is linked to the first because the delivery date must be later than that agreed in the first contract concluded.

II.1.7. Concessionary products:

The range of concessional products includes free loans, also known as qoroudh hassana. These are intended for disadvantaged people who need money for certain personal (marriage, death, circumcision, etc.) or personal projects (marriage, death, circumcision, etc.) or professional projects (running a farm, opening a business, etc.), (opening a business, etc.).

The above principles and products of Islamic banks provide them with moral values, management rules and technical means that could help them introduce the benefits that their practice has the potential to bring at several levels. In this context, in our next section, we will list some of the benefits that are so strongly emphasized by the advocates of Islamic banking.

chapter II: definition, origins, goals and functions

Introductory chapter: definition and Origins of traditional Banks.

Section one: definition and origins of traditional banks.

I- Definition of traditional Banks:

Traditional banks, also called "deposit banks" are credit Financial institutions that are essentially not receiving Deposit of individuals subject to withdrawal upon request or after a short period of time and dealing mainly with short credit Yes, and therefore "shall not be considered commercial banks if they do not perform the function of accepting deposit withdrawals upon request from Human institutions or what is essentially involved in short-term credit, such as banks. Savings and mortgage banks. (خلق, 2006).

From this definition, banking evolution has generally tended to be the domain of banking operations commercial banks are no longer limited to short-term credit operations such as deposit taking individuals, corporations, deduction of bills of exchange, short-term loans to trade and industry to meet their needs for money. But banking development in many countries has gone to the establishment of banks it's also a lot of activities like providing industry and public agencies with long-term credit to finance and expand fixed capital. (الهندي, 1996)

Thus, the chosen and general definition of traditional (commercial) banks is that "they are a kind of corporation Financial institutions are mainly involved in accepting deposits and granting credits, and commercial banks in this sense are considered intermediaries between those who have a surplus of funds and those who have a deficit of funds, even though Traditional banks are not the only intermediaries in this field, but they are distinguished by certain characteristics mediators

I.1. ORIGINS OF TRADITIONAL BANKS:

To know the Origins of traditional banks and the factors supporting their entry and activity in developing countries and In particular, traditional banks in Europe appeared in the late Middle Ages in prosperity The great things that some Italian cities, like Florence and Genoa, have known because of the Crusades, what they've asked for Huge sums of money went into equipping armies and conducting the war, (Espace_réservé1) and those returning from the war brought in Lots of money, lots of precious metals, and this mobility resulted in a tremendous accumulation of wealth, and the merchants were more beneficiaries of this data

Therefore , the necessity of Banking necessitated the spread of the idea of accepting deposits from banks in order to preserve them from stealing and forfeiting in exchange for nominal certifications, then the idea evolved into a step of transferring deposits from a person to another and from there to the endorsement phase, to finally get the certificate to appear depositing bearer) means that the beneficiary's name is not designated on the certificate of committal (, it is the mechanism and tool that emerged check and bank notes (bank notes in their contemporary form).

Money changers not only accepted deposits, but initially invested their own money lend it to others with interest, and then lend the depositors' money after having experienced that amount of money was 90% of the Savings remain frozen without being pulled, making huge profits for them. (Espace_réservé1)

Money changers did not stop there, but allowed their clients to draw sums above their deposits in fact, the overdraft, but this procedure caused many houses to collapse and fail Banking is the result of late debt servicing, which pushed economic thinkers in the late sixteenth century to Demand the government to establish currency exchange houses to keep deposits and ensure their safety

Thus, the financial banking business developed from money-changers to exchange houses to banks (banks), and returns to The history of the emergence of modern banks to the middle of the twelfth century AD, as the first worthy financial institution With this name it is the bank established in Venice in Italy in 1157 AD, then the Spanish Bank of Barcelona Which was established in 1401 was accepting deposits and discounting bills of exchange. As for the oldest government bank, it was established in Venice in 1587 under the name of Bank de Rialetto, and after that the

Bank of Amsterdam in the Netherlands 1609 to guarantee and manage deposits (Rialto di pizza della banco), which is the model that most European banks (Henr, 1979) followed.

The functions of banks developed from receiving deposits and providing loans, especially bills, to expansion in The process of lending, credit facilities and the process of generating money, with the advent of the Industrial Revolution and its expulsion from entering In the era of production that depends on the division of labor, and what it requires of allocating huge funds to ensure its realization Successfully, the banks also opened their way to expansion and took the form of joint stock companies until they reached The form that you see in our time." Today's bank represents the money changers of yesterday, as it passed from a money changer in a shop. On the picture that some money changers are still holding on to are specialized employees sitting in offices They refer to the affairs of the economy in its broadest field. (خلف)

And in the last years of the nineteenth century, coinciding with capitalism reaching its monopoly stage, From its manifestations the conglomeration of producers and the integration of projects and the acquisition of the strong by the weak, a movement began to focus Banks by way of merger (fision) or by way of holding companies. (الشليمي, 1997)

The scope of the memorial movement expanded after the First World War in most capitalist countries, and this was accompanied by the intervention of The state regulates the business of banks, so the right to issue cash (bank notes) is limited to a specific type of money Banks are the central banks, while conventional banks remain specialized in financing businesses Bank money generation.

Section two: goals and functions of traditional banks

Conventional banks seek to achieve several goals, foremost of which is the goal of maximizing profits in addition to providing the necessary financing for the national economy, as traditional banks exercise many functions, and that is what we will address through this requirement.

I.1. Goals of Traditional Banks:

Conventional banks are characterized by three important characteristics that distinguish them from other institutions, which are profitability, liquidity and security.

I.1.1. profitability:

The major part of the bank's expenses consists of fixed costs represented in interest on deposits and This means that the profits of those banks are more affected by the change in their revenues, so if the bank's revenues increase by a certain percentage This results in an increase in profits by a greater percentage, and on the contrary, if the revenues decrease by a certain percentage Profits have decreased by a greater percentage, and the bank's profits may even turn into losses, and this requires the management of the bank to Seeking to increase revenue and avoid its decline.

If the dependence on deposits is one of the negative aspects as a result of the bank's obligation to pay interest on it, whether it is achieved Profits or not, the return that the bank achieves on its investments is usually less than the return requested by its owner Then if the bank relies on property funds to finance its investments, it will close its doors from the first day Relying on deposits as a main source of financing investments, the bank achieves, in particular, the net benefits that are represented in The difference between the profits generated from investing those deposits and the interest paid on them.

I.1.2. Liquidity:

The major part of the bank's financial resources is deposits payable on demand the bank should be ready to fulfill it at any moment, for example *"the bank can pay the depositors' dues".* Or postpone the payment of his dues, even for some time, just a rumor about the lack of sufficient liquidity the bank has the capacity to shake the confidence of depositors and force them to suddenly withdraw their deposits, which may expose the bank to bankruptcy. As happened in the Lebanese Intra Bank, which stopped paying depositors' dues as a result of a sudden increase in Withdrawals that the bank was unable to meet with its cash resources. (أحمد, 1998)

Liquidity depends on:

- The stability of the deposit: The higher the ratio of time deposits to total deposits, the more management feels the bank is more likely to lie.
- Short term credit facilities: The shorter the duration of the facilities granted by the bank, the more reassured the bank's management will be because economic conditions may change.

I.2.3. Safety:

The capital of conventional banks is small, as its ratio to net assets does not exceed 10 % This means that the safety margin is small for depositors whose money the bank depends on as a source of investment and cannot absorb losses that exceed the value of the capital.

What we can deduct from the three objectives of conventional banks is that there is a clear conflict between them, thus achieving a goal Liquidity means keeping a larger part of the financial resources in the form of cash, and thus retreating from investment and increasing the granting of loans, and consequently not achieving higher rates of profitability, which is a negative impact on the profitability goal and vice versa, if the bank wants to expand the investment process and grant loans, this will lead To influence the goal of liquidity, and therefore there is a conflict between the goals of traditional banks and to achieve balance and compatibility between the goals, traditional banks must adhere to the directives and decisions of the Central Bank, especially in the aspect of providing liquidity to meet the demands of depositors.

Thus, we can say that profitability is the main goal of iron banks. While liquidity and stock are two conditions or factors to achieve the goal of profitability. (الحق, 2000)

III. functions of traditional banks:

II.1. ACCEPT DEPOSIT:

This job is considered one of the most important jobs of the Commercial Bank at all because of its important implications for the rest of the Bank. The bank's business and consequently the success of the bank, the management of banks attaches great importance to the issue of deposits, and works to study and analyze these deposits continuously in terms of their concentration, size, duration ... etc., and among the most important deposits are commercial banks.

- Current and demand deposits: These accounts are usually short-term and the client has the right to withdraw from the deposit account by check or personally and usually does not give the depositor in this account any interest.
- Term accounts and their types: These accounts usually have conditions that determine the process of withdrawing from them, and withdrawals are only made from them personally, and the owner gives interest on them according to the conditions for opening accounts.
- Debit current accounts: These are accounts represented in advances, credit facilities and loans granted by the bank to its customers.

II.1.1. Deposit money creation:

The creation function that leads deposits is considered one of the most important functions performed by traditional banks and the basic idea in This creation of banks to drive deposits comes from the habit of people in modern societies to settle their payments by means of the checks they draw on their deposits. (رشد العصار, 2000)

And based on the function of accepting deposits and lending, banks are able to create deposit money .so the public has deposits that it owns and deposits that do not exist, by substituting the bank’s pledge to pay for the actual money in the loans it grants, and thus the bank creates means of payment that takes the place of money, and is represented by the customer being able to deal with these means and they are in written form like a check.

II.1.2. Granting loans and advances (credit):

This function, as we mentioned previously, is parallel in its origin and importance to the function of accepting deposits, and it is a function that correlates with the function of accepting deposits. Deposits in addition to the cost of funds from other sources is to invest these available funds effectively, and the most important means of exploiting these available resources is the means of granting loans and credit in exchange for a predetermined interest from the borrower. The forms of loans and credit vary, including what is considered a direct loan such as loans Short and long-term or indirectly, such as discounting bills of exchange. (الحق, 2000, p. 17)

II.1.3. commercial paper discount:

The urgent need for businessmen, individuals and institutions for the present liquidity makes them turn to Commercial banks in order to collect their commercial papers before their due date, in return for interest that the bank deserves for a transaction. The discount that he made, and this interest is called the discount amount, and this process is called the process of discounting papers commercial.

Section three: Resources and uses of conventional banks.

I. traditional bank resources:

Commercial banks' resources are divided into subjective resources and resources. Not subjective and it's like my machine:

I.1. SUBJECTIVE RESOURCES: WHICH IS:

I.1.1. Paid-up capital:

Any capital held by the owner and shareholders upon the establishment of the bank, (قاسم, 2003)which they also pay it when thinking about raising capital, which is necessary for the start of the bank's business and the Bank's paid-up capital is divided into:

D. A department that the bank manager can order at any time.
E. A department called Capital Reserve that the manager can ask for in case of bank failure, liability Shareholders Capital Value Reserve Strengthens the Bank's Position with Depositors.

a. Precautions:

This amount of net profits from financial institutions is deducted to meet any future emergency to which the Bank may be exposed and is divided into: (رشد العصار, 2000, p. 78)

Legal Reserve: This is a percentage of the Bank's net and compulsory profits each year. This ratio is predominantly 10%. The Bank continues to deduct this ratio until the equity value equals the Bank (i.e. until the legal reserve is equal to the fully paid capital). The legal reserve is a means of preventing any loss that may result from the Bank's various operations.

Optional Reserve: It is a reserve made by the bank on its own, optionally, by deducting a certain percentage of the net profits each year as an optional reserve, deposited with the central bank to achieve two objectives.

- Strengthen the bank's financial position and earn the trust of its clients.
- To cope with any emergency loss the bank faces an increase over the legal reserve, as a decrease in the value of assets and others.

General Reserve: Another reserve that the bank deducts from its net profit by a certain percentage, to meet any loss that it may suffer, exceeds the legal reserve and optional.

Undistributed profits: The Bank's activity usually results in profits at the end of the year that it distributes all, but part of them and the rest is added to the Bank's capital.

allocation: Allocations are used to adjust assets to their true value at the date of preparation Budget, in accordance with the accepted basis of evaluation, and an example of allocation is found; Custom Doubtful Debt, Custom Consumption, Custom Declining Stock Prices.(2010/2011 ،صوري)

I.1.2. Not subjective resources:

a. Deposit:

Deposits are the main source of the Bank's resources and can be classified into the following types: (2001 ،امن)

- **Toffee deposits**: Sums saved by small savers and used by banks to encourage income earners limited on savings, at the same time you are a source of bank sources and deposit and withdrawal procedures on this type of deposit is easier but the interest rate on them is lower compared to other deposits.

Current Deposits: Also known as on-call deposits, as the customer can withdraw them at any moment in time and without notifying the bank, which are not paid interest.

Term deposits: They are for a fixed term and cannot be withdrawn before the expiry of the period, and banks pay interest to the owners of these deposits.

Deposits Notified: These deposits have interest, but the owner has to tell the bank before withdrawing them for a certain time, and the interest is higher than the deposit for a notification.

b. Credits to local banks and correspondents:

Includes credits to local banks, whether commercial or specialized, as well as credits to banks and correspondents abroad, resulting from banking between them. (تحف، 2000)

b. Resources from the Central Bank and other banks:

The Central Bank is an essential source of financing for commercial banks by providing loans to them by guaranteeing their assets or re-debiting their commercial papers, this process is an essential function of the Central Bank that is committed to performing these banks in times of financial hardship or hardship. This does not mean the Central Bank's commitment to finance the activities of these banks, But his task of providing financial aid is intended to provide the necessary amount of liquid cash to meet its obligations to depositors only in times of economic supplies, in order to maintain the banking system Protecting it from collapse in these circumstances, as well as for the availability of relationships between other operating commercial banks With him in the banking field.

II. Use of traditional bank:

II.1. LOAN: (الشيخ)

Loans are the most important uses of commercial banks' resources and can be classified into the following types.

- **Long-term loans**:

This is credit over seven years, and this type of loan is directed at fixed assets financing, i.e. heavy investments, such as buildings and factories, massive equipment... In other words, investments of more than seven years' depreciation, this type can sometimes be up to 20 years. Guarantees for this type of credit are primarily official mortgage, mortgage and acquisition mortgage, and interest on this type of loan is determined by the relevant authorities.

- **Medium Term Loans:**

This type of loan is more than one year and less than 20 years, so after the financial transaction was limited to short-term financing, commercial banks turned to project financing. Establishments with medium-term loans of up to five years and this type of loans often takes place in the form of instalments whose maturity dates and value are determined in the terms of the lending contract, with the highest interest rate for short-term loans.

Short loans:

This type of loan constitutes the bulk of the types of loans offered by commercial banks and is fulfilled at the end of the process for financing them. It has a number of images, the most important of which are: discount, fund facilitation, seasonal loan.

II.3. FOUNDATIONS OF BANKING:

Traditional bank is based on a set of bases that govern their activities and determine the nature of their work. These are:

II.3.1. Commodity Money:

Commercial banks consider money as a commodity in which they are traded and not, where commercial banks deal with the same money for sale and purchase, by issuing a set of financial liabilities preferred by lenders at low interest rates and hence employing such funds in assets preferred by borrowers at a higher employment return than the interest rate paid to depositors.(رستم، 2014)

a. interest rate:

The interest rate paid by the Commercial Bank on deposits and those taken from loans is the price paid or received for the use of money s interest rate is one of the most important mechanisms of commercial banks in financing growth and expansion. Increasing the interest rate will increase the volume of deposits, i.e. savings, and thus increase the bank's ability to grant credit.(العجلوني، 2008)

c. Collection of deposits and savings based on the credit base and indebtedness:

The essence of commercial banks' work lies in their receipt of deposits of all kinds, which are due upon request or after a period of time, and then they use these deposits to grant loans and various credit facilities. Credit is the most important and dangerous function of commercial banks. The funds they grant as loans are not their property but depositors' funds. Therefore, the Commercial Banks Administration formulates a credit policy to achieve good and safe use of available funds with an appropriate return. (رستم، 2014، صفحة 7)

d. Financial diversification:

Commercial banks receive funds from various sources and in different cases from depositor’s s borrowers. Banks undertake this diversification in order to meet the risks of lending and investment by financing many assets with diverse returns and risks, this is called financial diversification and risk and return on more than one asset to maximize the expected return.(المغربي، 2004)

CHAPTER III : PRACTICAL CAS

Part one: practical case

Chapter one: The BNA and Islamic finance.

The purpose of this chapter is to present the National Bank of Algeria and to give an overview of its operation and its performance, presenting the hosting structure «Islamic Finance Department» and the Islamic products provided by this bank.

Section one: Presentation of the reception structure.

III.1. National Bank of Algeria:

a. History:

1966: The first national commercial bank, the National Bank of Algeria (NBA), was created on 13 June 1966. It carried out all the activities of a universal bank and was also responsible for financing agriculture.

1982: The restructuring of BNA has resulted in a new Bank, BADR, specializing in financing and promoting the rural sector.

1988: Law No. 88-01 of 12 January 1988 on the orientation of economic enterprises towards their autonomy had undeniable implications for the organization and tasks of the BNA.

1990: Law No. 90-10 of 14 April 1990 on Money and Credit, for its part, led to a radical overhaul of the banking system in harmony with the country's new economic guidelines. It has put in place fundamental provisions, including the transition to the autonomy of public undertakings.

1995: the NBA was the first Bank to be approved by the Board of Money and Credit on 05 September 1995.

2009: in June 2009, the BNA's capital rose from 14.6 billion Algerian dinars to 41.6 billion Algerian dinars by issuing 27,000 new shares of 01 million dinars each, subscribed and held by the Treasury.

2011: The NBA is entrusted with the management of ten wilayas investment funds within the framework of the supplementary finance law of 2009.

2013: In January 2013, the bank announced a partnership with the Compagnie d'Assurances des Hydrocarbures (a subsidiary of Sonatrach) to develop an insurance offering In October 2013, the State Shareholding Board approved the introduction of the BNA on the Algiers Stock Exchange.

2018: The capital of the BNA rose from 41.6 billion Algerian dinars to 150 billion dinars**.**

2020: The National Bank of Algeria obtains the authorization to market the products of Islamic Finance on Thursday, July 30, 2020. The NBA now offers a wide range of savings and financing products, in accordance with the precepts of Islamic Sharia, certified by the bank's Sharia Committee and by the National Charaic Authority of Fatwa for the Islamic Finance Industry.

b. Organization of BNA:

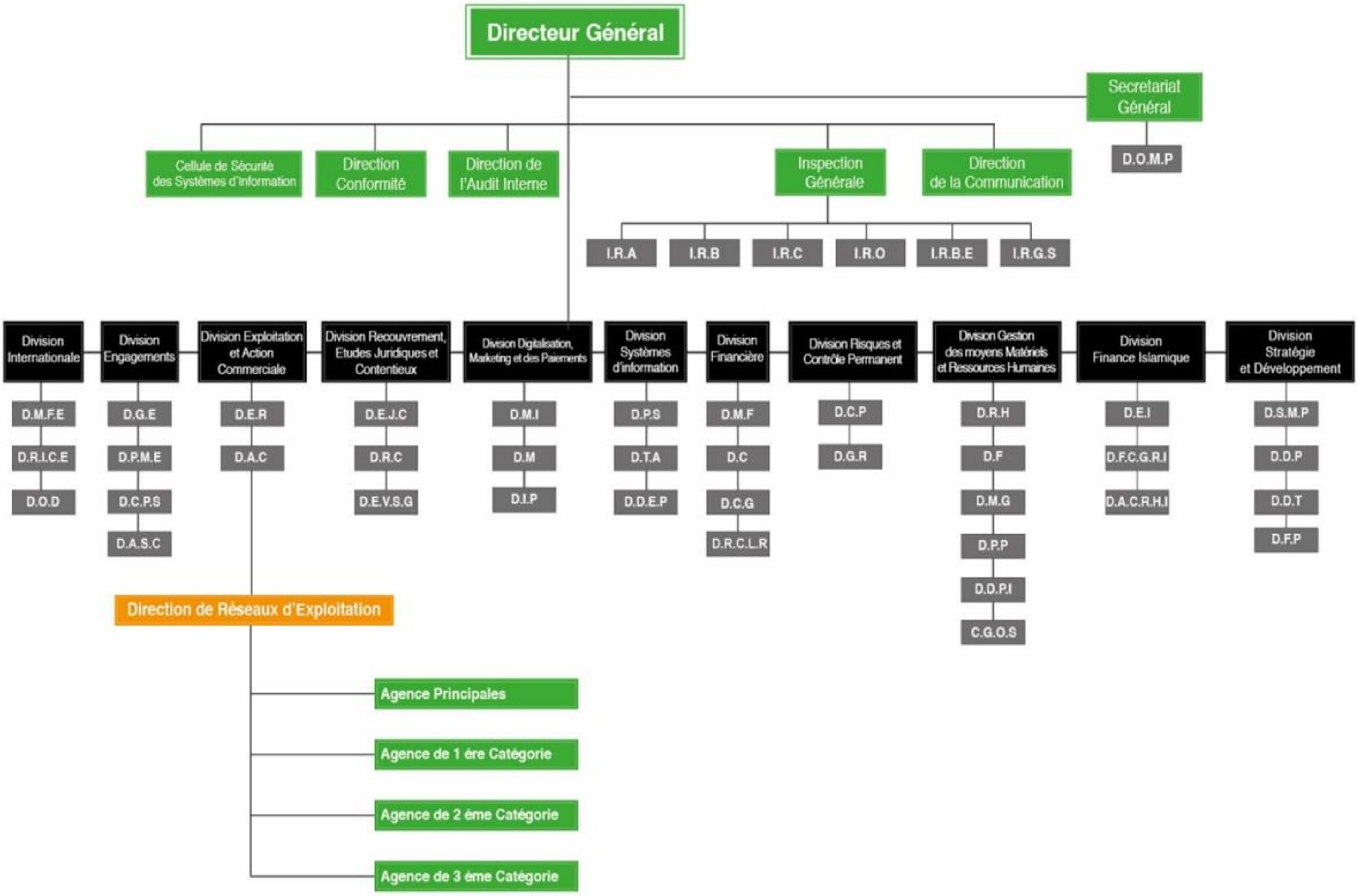

Figure2: Organization chart of the National Bank of Algeria (bna.dz)

c. Exploitation network:

Today, the bank's operating network consists of more than 200 branches spread over the national territory, these branches are supervised by 19 regional directorates called Management of the Operating Network (DRE). Each RPD has hierarchical authority over a number of agencies.

D. The BNA in figures:

In march 2022:

key figures	• 216 Branches spread across the National territory. • 19 Directorates of Network of Farms • 145 Cash Dispensers (ATM) • 99 ATMs (ATM). • More than 5,000 Collaborators. • Several hundred companies subscribed EDI service. • 236 169 Inter-Bank Cards. • 2,839,525 Client Accounts. • 43,000 E-Banking customers. • 4,600 TPE installed. • 13 Web merchant.
financial results	• Net Banking Income (NBI): 95,705 Million DA • Gross Operating Income (EBR): 73,600 Million DA. • Operating income (ROE): DA 50,036 million. • Net Income: DA 35,832 million.
business outcomes	• Balance Sheet Total: 3,082,299 Million DA. • Total Client Resources Cumulative (excluding currency): 1,849,643 Million DA

	• Jobs Clientele: 1,822,444 Million DA. **• Outstanding Real Estate Loans:** **More than 52 billion DA.** **• Outstanding Business Loans: 91,412** **Millions DA.** **• Outstanding SME/PMI loans: 109,862** **Millions DA.**

Table1: BNA figures in March 2022

III.2. The reception structure: The Islamic Finance Department:

As part of the National Bank of Algeria's commercial strategy to diversify its range of resource products and financing, a decision has been taken the creation of a directorate in charge of Islamic finance called «Direction Finance Islamic: DFI».

The establishment of this directorate meets the principle of separation between the Islamic finance activity and the traditional activities of the bank, in application of the provisions published in the Bank of Algeria regulation no. 20-02 of 15 March 2020 defining the banking operations of Islamic finance and the conditions of their exercise by banks and financial institutions.

The tasks, responsibilities and organization of the Directorate of Islamic Finance.

a. Missions:

1. The D.F. I's mission is to supervise and manage the business Islamic finance.
2. It implements the policy of development of Islamic finance activity in line with the bank's strategic priorities.

3. It is responsible for designing, developing and promoting new Islamic products.
4. It shall develop the trade action plan for Islamic products, based on objectives defined in the bank's strategic plan.
5. Designs sales support tools tailored by customer segment to develop the bank/customer relationship.
6. It supervises assists and animates the network in the marketing of Islamic products.
7. It establishes the periodic situations and reports related to the activity.

b. Relationships:

1. The Islamic Finance Department reports to the Operations and Commercial Action Division "D.E.A.C".
2. In carrying out its missions, it maintains close functional relations with the Shari'a Compliance Audit Unit and the Department of Accounting of Islamic Finance.
3. It maintains cooperative relations with all the bank's structures.
4. It has functional authority over the network with respect to its field of activity.

c. Duties of the Director:

1. The Director shall facilitate, coordinate and control all activities of the structure for which he is responsible.
2. they reports on his activity to his division.
3. they shall carry out his duties within the framework of the annual and multiannual action plans approved by the hierarchy.
4. It divides the functions, missions and tasks within the departments defined by this circular.
5. It directs departments in the missions assigned to them.
6. Develops and executes the Management Action Plan within the authority and budgetary authorities granted.

7. It draws up proposals for profit-sharing rates in collaboration with the Management Control Department.
8. Develops the development plan for the agencies responsible for the finance activity islamic.
9. It engages in partnership actions with suppliers within the framework of the Islamic finance activity.
10. Prepares the structure activity report.

d. Organization:

1. The Islamic Finance Department is structured in two (02) departments and one (01) department of Islamic Finance Studies and Development.
2. Department “Monitoring and Animation of Islamic Finance”.
3. Administrative Management Department.

Section two: Islamic products of the BNA

III.2.1. Islamic accounts:

III.2.1.1. Islamic savings account:

It is a savings account according to the precepts of the Shari'a housing funds entrusted to the Bank which invests them in Islamic financing projects. The customer has the choice between the Islamic savings account with and without remuneration.

III.2.1.2. Unrestricted Islamic Investment Account CIINR:

The unrestricted Islamic investment account CIINR is an account based on the Moudaraha principle focused on profit and loss sharing. It allows you to invest the funds entrusted to the bank in Islamic financing projects the gains are calculated at the end of the fiscal year according to a key agreed and agreed in advance.

III.2.1.3. for individuals:

a. **Financing products:**

1. **Mourabaha Automobile:**

The Mourabaha Automobile allows the customer to purchase his vehicle according to the precepts of the sharia, the bank buys the vehicle from the local dealer and resells it to him for a profit margin agreed and known in advance.

2- Mourabaha Real Estate:

With the same principle, the Mourabaha Immobilier allows the client to own his accommodation. The Bank buys the property and resells it to him for a profit margin known and agreed in advance.

3-Mourabaha Equipment:

This product also allows the customer to purchase his equipment or appliances according to the precepts of the Shari'a, the bank buys the property from the local supplier and resells it to him for a profit margin agreed in advance.

III.2.1.4. For Professionals and Companies

1. **ijara:**

The financing «IJARA» is a lease contract with an option to purchase (IJARA MOUNTAHIA BITAMLIK) in accordance with the precepts of the Islamic Shari'a, for non-destructible durable equipment.

The Bank purchases the property from local suppliers and leases it to the customer. At the end of this contract, the customer lifts the purchase option and becomes the owner of the property.

III.2.2. General Comparison between Islamic Finance and Conventional Finance:

III.2.2.1. Differences in principles:

points of divergence	Islamic finance	Conventional finance
the aim	Profitability is not the main goal sought by Islamic finance, the priority is given to respect for principles of sharia law, satisfaction the needs of society and the achievement of social justice	Conventional finance is profit-based without taking into consideration the human values
remuneration	The practice of interest being unlawful in view of Islam, The realization of the profit by Islamic banks is conditioned by: -the transformation of funds into material or intangible property, – the association with a job, – the creation of wealth.	Conventional finance is based primarily on interest, The traditional banks draw most of their income in playing on interest rates considered as the rents of Money loaned for a period determined.
The sharing of risk	Risk sharing is the special feature the most important of finance Islamic. The Islamic Financing System requires the bank to be associated with the customer, not only in earnings, but also in losses. Finance Islamic is a participatory finance	Conventional finance does not apply this principle, the traditional banking system transfer the risks to one and same person, given that the bank does not support losses.
the role	The Islamic Bank has in addition the role as a financial intermediary, a role	The classic bank has Only a role financial intermediary. It raising funds and using them

	commercial intermediary because all Islamic financial transaction must must be backed by an asset tangible real and material and above all inmate	In lending operations.

Table 2: Comparative study of Islamic finance and conventional finance (Benilles billel, Mansri meriem,esc)

III.2.2.2. Comparison of the main products of Islamic finance and conventional finance:

products	points of divergence
Ijara and the Leasing Company	In a leasing agreement, it is possible, if necessary, to reschedule payments. According to Islamic law: any modification of the contractual terms can only be done through the signing of a new contract. -In conventional leasing, the risk of destruction or loss of the asset may be borne by the lessor or the lessee (usually the lessee). In an ijara contract it is the lessor who continues to have responsibility for the property except in case of malice or negligence of the lessee. -In a lease, in case of late payments, the contract provides for penalties (as a percentage of the amount due). This condition is inapplicable in an Islamic contract - In a contract of ijara payments cannot begin until the lessee has taken possession of the property in question. On the other hand, in the lease agreement payments can start

	from the moment the lessor buys the underlying asset
Mourabaha and buyer credit	-The margin is the remuneration of the risk incurred by the bank between the time it takes delivery of the order and the time it resells it to its customer. it is fixed and does not vary with the payment period. Whereas the remuneration of the conventional bank is a fixed interest rate determined according to the principal of the debt and its duration.
Moudharaba and private equity	The main distinction between the two formulas is the notion of risk. The Islamic financing system requires that the bank be associated with the client, not only in the gains, but also in the losses. Whereas in the conventional system, the bank is only interested in receiving interest except the fate of the investment.

Table 3: Comparative study of Islamic finance and conventional finance

Chapter two: comparison between Mourabaha Real Estate for Islamic Finance and Real Estate Credit for Conventional Finance

section1: Eligibility criteria and conditions

1. Eligibility criteria for funding « MOURABAHA REAL ESTATE»:

The «Mourabaha real estate » is intended for private residents and non-residents for Fund the acquisition:

- New housing completed with a developer.
- A dwelling acquired from an individual.

To access the financing of «Mourabaha real estate», the client must complete the following criteria:

- to have an Algerian nationality.

- to be under the age of 75 years old.

- have a monthly, stable and regular salary or income of an equal amount, or more than forty thousand dinars (40,000,00 DA);

- have legal capacity.

Income documents provided by a non-resident must be included in the services territorially competent consular authorities of their place of residence.

In case of co-acquisition, the Co-buyer may be the spouse, the ascendants, the first-degree descendants and direct collateral. It must meet the eligibility criteria above, with the exception of income.

I- Conditions for granting financing:

The security deposit «Hamich Al Jiddiya», paid by the customer, must not be less than 10% of the price of the accommodation. It shall be estimated on the basis of the sale price shown on the purchase commitment, a specimen of which is annexed.

The applicable profit margin is set at:

- 5.75% for savers.

- 6.25% for non-savers.

The maximum term for payment of the monthly instalments is forty (40) years, up to the age of 75. In the case of coacquisition, the highest age is taken into account.

The management fee is 0.5% of the total amount of the tax-free financing, which is collected in advance at one time. This management fee cannot be refunded in the event of the client’s renunciation of the financing.

II- Procedures for handling files and conditions for setting up:

The “Mourabaha real estate” financing is preceded by a file study and the client’s risk profile.

The Client presents himself to the agency expressing his need, the responsible for Islamic products performs the simulation of the desired payment methods and presents to the client the conditions of the Mourabaha real estate according to his request, in particular:

- The margin to apply.
- The time limit for payments;
- Payment schedule (frequency, amount).
- Management fee and all other costs (notary fees, fees recording,)
- The establishment of a first mortgage.
- The possible use of external expertise.

The official responsible for Islamic products publishes the offer of «the Mourabaha real estate » according to the attached template and gives it to the client.

The client has a period of (15) fifteen days to reply to it. During this period, the client may renounce the financing in question. In the event of acceptance, the Islamic Products Officer gives the client the request for "la Mourabaha real estate» (See template in appendix) and the authorization to consult the Business and Household Risk Centre "C.R.E.M" (See template in appendix), together with the list of documents to be provided.

In addition to the documents listed in the "Check List", the buyer must submit the following parts case of a dwelling acquired from a developer:

- A housing assignment decision.
- A booking contract or any other document justifying the award of a dwelling in which the transfer price is mentioned.
- The consistency and address of the dwelling.

Case of a dwelling acquired from an individual:

- A copy of the deed of ownership of the dwelling.
- The original of the requisition for housing information (negative mortgage certificate) issued by the land conservation of the place of location of the immovable dating from less than three (03) months.
- The transaction information sheet, duly completed, signed by both parties (Cf. template in appendix).

- A housing evaluation report issued by a technical design office accredited by the bank.

Section two: progress of the operation of mourabaha real estate for Islamic finance:

In our case, we will deal with a request for Mourabaha real estate financing made by Mr. Fatah Islam, a 36 old year's man who asked our agency BNA (386; biskra) for the acquisition of a home from an individual.

- **Case of a dwelling acquired from a developer:**

  - A housing assignment decision;
  - a booking contract or other document justifying the allocation of a dwelling whether sale price is stated;
  - the consistency and address of the dwelling.

- **Case of a dwelling acquired from an individual:**

  - A copy of the deed of ownership of the dwelling;
  - The original of the requisition for housing information (negative mortgage certificate) issued by the land conservation of the place of location of the immovable dating from less than three (03) months;
  - The transaction information sheet, duly completed, signed by both parties (Cf. template in appendix);
  - A housing evaluation report issued by a technical design office accredited by the bank.

Islamic financing simulation for this case:

In this section, we will deal with a request for Mourabaha real estate financing made by Mr.ISLAM FATAH, born 25/06/1986, engineer , married and father of one child who asked our agency BNA (386; biskra) for the acquisition of a home from an individual.

Name	Islam
First name	Fatah
The amount of financing	6000 000 00 DZD
The income of the applicant	60 000 00 DZD
The type of funding chosen	Mourabaha real estate
duration of financing (month)	470
the amount of “hamich al jiddia”	1 793 009 56 DZD
the percentage of “ hamich el jiddia”	28.88%
The amount of of funding	4 206 990 44 DZD
hamich el jiddia required	1 793 009 56 DZD
maximum funding	4 206 990 44 DZD

Table 4: Simulations of Mourabaha Real Estate

Our Client comes to our agency aroused express his need to acquire a housing, the responsible of the Islamic products proceeds to the simulation of the modalities of payment desired and presents to the client the conditions of the Mourabaha Real Estate according to his request .SO Based on the information provided, we will be able to process the real estate loan file by following these steps.

- Determining the amount of funding: 4 206 990 44 DZD
- The duration: 470 months
- The profit margin: 707 3009 56 DZD
- The ability to repay: 30%
- The insurance premium: The IAD death insurance premium rate is a weighted rate that takes into account the amount of financing, the client’s income and other factors such as the client’s age and funding period. In our case and following the simulator of the AGLIC insurance company, our client prefers to pay the entire premium in cash: 2000 000 00 DZD
- Calculation of the monthly payment: 24 000 00 DZD
- The management committee: 28.88%

Result of this simulation:

applicant's capacity for re-filling	24 000 00 DZD
management commission	25 031 59 DZD
total to be repaid TTC	11 280 000 00 DZD
margin	707 3009 56 DZD
The amount of TVA	0 DZD
mansuality	24 000 00 DZD
result	accepted

Table 5 : Results of the Simulations of Mourabaha Real Estate

After acceptance of the offer by our client, the Islamic Product Manager gives the client the request for " Mourabaha real estate» (See template in appendix) and the authorisation to consult the Business and Household Risk Centre "C.R.E.M" (See template in Annex), together with the list of documents to be provided.

- The constitution of the file.
- The Agency's decision: The Agency shall notify the Client in writing of the Bank's decision within a period not exceeding forty-eight (48) hours from the date of the decision. The notification template for Decision is annexed.

Section three: For conventional finance we studied the same case with same information to see the differences is results.

so, for the Procedures of handling files and conditions for setting up and Conditions for granting financing are the same in the Islamic finance but the difference is in the simulation of the credit immobile

so for the case we took Mr.ISLAM FATAH, born 25/06/1986, engineer , married and father of one child who asked our agency BNA (386; biskra) for the acquisition of a home from an individual.

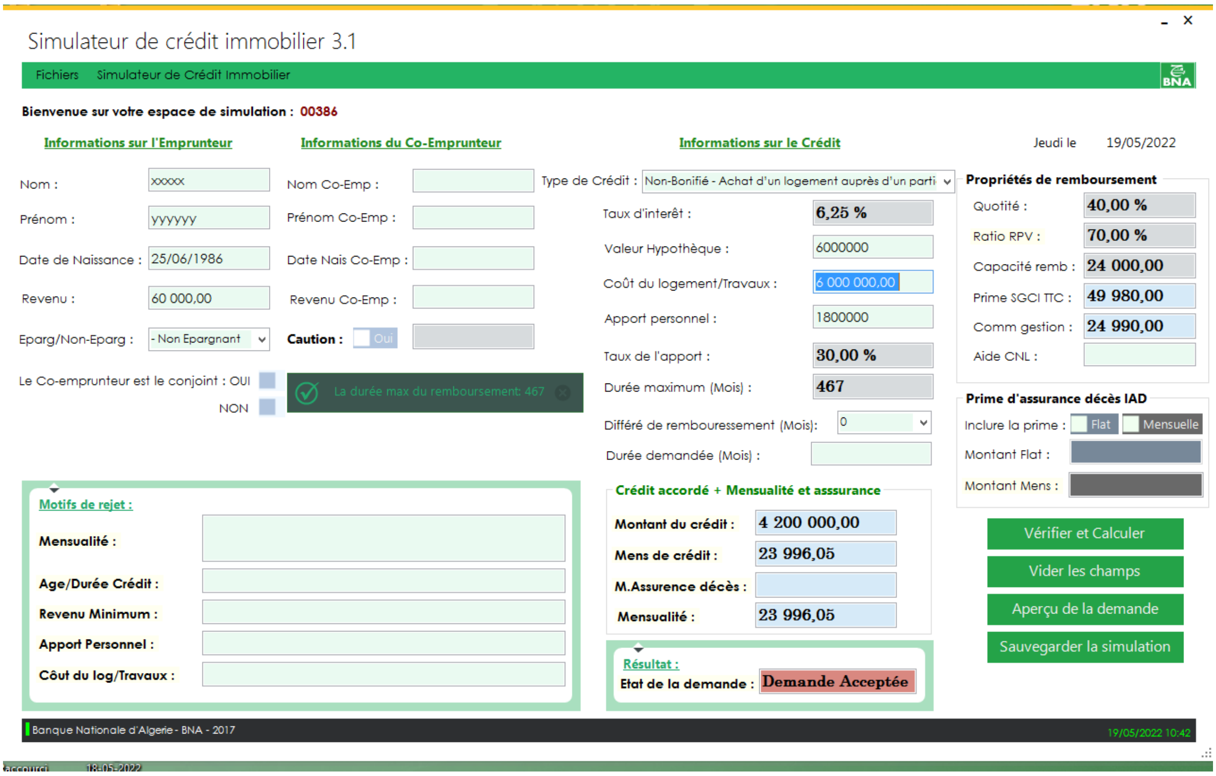

Figure 3: Simulations of real estate credit

-As we can see the differences in results of the conventional finance case:

- Determining the amount of funding: 4200 000.00 DZD
- The duration: 467 months
- The profit margin: 30%
- The ability to repay: 180000 DZD
- The insurance premium: 49 980.00 DZD
- Calculation of the monthly payment: 24 000.00 DZD
- The management committee: 40%

After acceptance of the offer by our client, the traditional bank Product Manager gives the client the request for “real estate credit” (See template in appendix) and the authorization to consult the Business and Household Risk Centre "C.R.E.M" (See template in Annex), together with the previous list of documents to be provided.

To conclude this case study, the products of Islamic finance are: present in Algeria for 26 years, as seen within the agency of BNA the Algerian consumer is attracted by the financing of consumption by Mourabaha and especially the Mourabaha real estate. BNA offers several tempting products but the mourabaha more than 80% of the financing. This last chapter, which represents a case study, gave us an idea about the differences that comes of the Islamic and conventional finance products in Algeria and one of the main players in this ethical finance in our country AL BNA.

Points the most important findings of the research can be summarized through this study at the following:

By way of conclusion, we can note that the understanding of the origins of Islamic finance, as well as those of its early forms of organization, allowed the formalization of its rules and principles, the spread of its practices around the world and its acceptance as an alternative to the so-called “classic” financial system. In spite of the fact that the real first experiments organized are late, they have been able to lead to an international membership In order to ensure the development of this finance, Islamic banks are a major asset in the implementation of its principles as well as the implementation of the various mechanisms and levers that constitute the essence of Islamic finance.

Concerning the types and sectors of activity, the Islamic window is more selective and sorts eligible projects: some are therefore outside the field of financing. The idea of arriving in traditional banks dates back to the 1970s, and the idea only came into effect after an apparent success and a dramatic increase in turnout. In fact, Islamic windows are considered to belong to traditional banks. These windows have no legal personality independent of the main bank. The owner has one.The liquidity needs to finance projects, the Islamic Bank uses either the Mudaraba mechanism or funds from personal accounts, ready to be reused. On the contrary, conventional structures, banks draw their resources from money creation. But what about the Islamic window or the fungibility of money and the inseparable nature of conventional and Islamic funds question the origin of funds intended to ensure the financing of a project.

From our study case which is comparison between Mourabaha Real Estate for Islamic Finance and Real Estate Credit for Conventional Finance to the Islamic finance in Algeria needs to develop in order to mobilize savings and, above all, to absorb money outside the banking circuit. And this, through a regulatory framework governing its practice, which actually exists but lacks several points for the legal provisions to be adequate to the proceeds of Islamic finance.

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