

## Shift towards Islamic finance in Algerian economy

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### Abstract:

This research paper explains the role played by the Islamic banking system in financing projects that drive economic development. Islamic banking encourages the saving process, which play a significant and important role in financing investments in different forms that correspond with the Shariah (the Islamic religion) adopted by Algerian Citizen .

This study emphasizes the need for the Algerian banking system to move towards ways and modalities of Islamic finance, taking in that as a model the successful experiences that produced many Islamic banking products without compromising economic development.

**Keywords:** Algerian banking system; Islamic banking; economic development; Islamic finance

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## 1. INTRODUCTION

The State incomes decrease, after the decline in the rate revenue because of the financial crisis. The decision makers felt the necessity to seek alternatives to these rents and not to depend on its incomes. In view of this decline, it is necessary to raise domestic savings, provide capital accumulation that contributes to the process of economic development.

Like many other countries affected by the financial crisis, the Algerian State known as a Muslim country - the majority of its population is Muslim- Most of citizens who are supposed to put their financial savings in traditional banks prefer to save money over usury banks. This requires serious consideration of the Islamic banking as part of the reform of the Algerian banking system. Because Algerians are reluctant to put their money in banks and the country's income from hard currency is declining, the Islamic banking is more than necessary in light of the government's desire to diversify banking products and put forward various formulas that allow attracting funds in circulation outside the official circle.

**Problem:** After the successful experiences in some countries that have adopted the mechanisms of Islamic banking and implemented their plans successfully, the Islamic banking theme returned to the economic debate. we are trying, through this research paper, to highlight the importance of true Islamic banking and to explain the need for the Algerian banking system to be oriented towards Islamic banking formats. Through this research paper, we answer the following question:

What is the importance of Islamic banking in the Algerian economy?

**Hypothesis:** Islamic banking in Algeria is an imperative. It is a solution that helps in rising the local saving of the State and finance small and medium companies that are known as the pillar of the economic development of any country.

**Importance of the study:** The importance of this study comes from addressing a subject that affects all Muslims, especially in light of the existence of an alternative to usury, which is prohibited by Islamic law.

The importance of the study also lies on clarifying the success factors of the Islamic banking experience in Malaysia and the requirements to activate this technique in the Algerian economy.

**Structure of the study:** According to the above, this research paper attempts to identify three main areas:

- First : the Algerian banking system and Islamic banks
- Second: the importance of Islamic banking in the process of economic development (Malaysian experience)
- Third: the requirements to activate an Islamic banking in Algeria

## **2. Algerian banking system and Islamic banks:**

After independence, Algeria inherited a banking system affiliated with the French economy. It was based on the liberal free regime. Despite of the establishment of national financial institutions after independence, such as the Central Bank of Algeria, the public Treasury and the Development Bank of Algeria (BAD), there was a dual banking system. This system was based in one part on the capitalist system and in another part, on the socialist system under State control, So Algeria decided to nationalize the banks in 1966.

At the beginning that year, a group of public commercial banks was established, some of which were based on the ruins of nationalized French banks. New banks emerged such as:

- The National Bank of Algeria, (BNA), 1966.
- The Algerian People's Loan (CPA) in 1967.
- The External Bank of Algeria (BEA) in 1967.
- Agriculture and Rural Development Bank (BADR) in 1982.
- Local Development Bank (BDL) in 1985.

Many reforms were introduced to the Algerian banking system, including the 1986 and 1988 reforms, but the most important ones were the 1990 reforms, with the adoption of the Law of Cash and Credit, this reform attempted to adapt the Algerian banking system to the requirements of a free market economy, in line with the general economic reforms initiated by Algeria after its renunciation of the socialist system since the end of the 1980s. Under the latter Act, banks operating in Algeria were free to finance various economic sectors and to extend credit for various periods of timelines, in accordance with the phenomenon of universality in international banking, under this Act, the Algerian banking market was also opened to the private and foreign sectors, as a result of which Islamic banks have emerged in Algeria. (Nasser, 2004)

**2.1. Islamic banks in Algeria:** The experience of Islamic banks in Algeria is relatively recent, reaching its third decade in 2016, so than Algeria, like many other Arab and Western countries, adopted the Islamic banking system , after the promulgation of the Cash and Loan Act, which created the Algerian ELBARAK Bank as the first Islamic bank in Algeria. Then

other Islamic banks and windows appeared offering Islamic banking services, which we review below:

- **EL-BARAKA Bank:** Algerian EL-BARAKA Bank (limited joint-stock company L.J.S.C) created in March 1990; it was officially opened 20 May 1991. Its activity was actually launched on 1 December 1991. It is the first banking institution founded in the light of the Law on Cash and Loans, promulgated on 14 April 1990. It is also the first banking institution to be capitalized by private and foreign partners in the EL-BARAKA group from Saudi Arabia. The national partner is the Bank of agriculture and Rural Development, which shares equal ownership of the Bank. It is also the first bank to operate in accordance with Islamic law in Algeria. The Bank aims to cover economic needs in the field of banking services and non-usury financing.

- **EL-SALAM Bank:** It is the second Islamic bank in Algeria, the result of the cooperation of the Emirati-Algerian country. Created in June 2006 in Algiers, and launched in October 2008. This was part of the process of establishing a group of EL-SALAM banks in Arab and Islamic countries. The financing methods of Algerian EL-SALAM bank, like other Islamic banks, are divided according to the contracts used. We find the trade-offs contracts and the participation contracts. After the success of the Islamic banking, Algeria was chosen to host one of its headquarters because of its rich investment environment, which helped to open up Algeria's economy to the Arab States. (Elhossni, 2010)

- **Gulf Bank:** The Gulf Bank of Algeria (AGB) was established on 15 December 2003, through the contribution of three leading market banks (Burgan Bank, Kuwait Jordan Bank and Tunis International Bank), which belong to the Kuwait Enterprise Group (KEPCO), the largest holding company in the Middle East and North Africa region. The Bank offers solutions to traditional and Islamic financing. In 2013, the proportion of loans granted according to Islamic finance reached 22%.

- **Algeria's Trust Bank** has also launched an Islamic window that provides its customers with financing solutions in the Murabaha format, in addition to savings account to allow the bank to share its profits with customers. This supply is expected to extend rapidly to traditional banks.

In fact, Islamic banks contribute to increasing the rate of use of the banking system for citizens, as well as to financing the economy. The high and strong demand for these Islamic banking solutions has prompted major traditional actors to embrace and thus provide these services.

In this regard, the Ekofin agency reported last December that BNP Paribas Algeria, the Algerian branch of the French banking group BNP Paribas, advertised Islamic products by Ijarah offer, and an "alternative" account (Financing, 2014)

### 3. The importance of Islamic banking in the process of economic development (with reference to Malaysian experience):

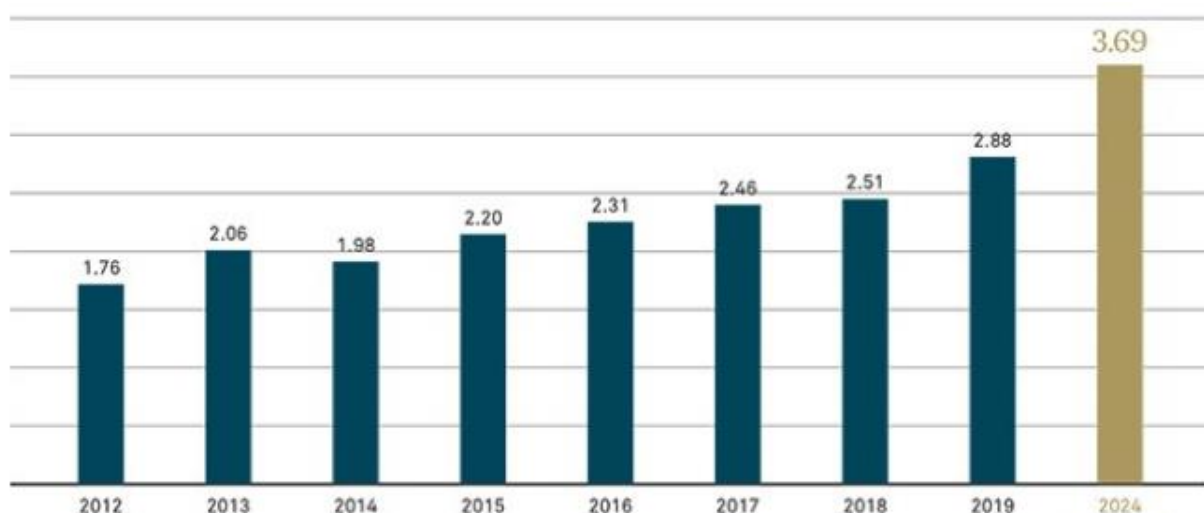
**Islamic finance:** "Is providing something of financial value to another person, either as a donation or as cooperation between the two parties for investment with a view to obtaining profits, to be divided by a pre-agreed proportion depending on the nature of their

work and the extent of their contribution to capital and decision-making". (Rahal haffad, 2018)

In their various forms of financing, Islamic banks contribute to the promotion of different investments, creating new positions of employment, fighting the save of money outside banks and encouraging the citizens who fight usury to invest. This keeps the capital within the country.

Islamic financing emerged 50 years ago, in countries with large Muslim populations who were keen to ensure their sources of funding were governed by the requirements of Shariah and the principles of Islam. In 2019, Islamic finance assets amounted to US\$2.88 trillion, the highest recorded growth for the industry since the global financial crisis. The prospects look positive: by 2024, this is set to rise to US\$3.69 trillion. While Muslim countries have turned to Shariah financing to fund their thirst for capital, another underlying reason for its popularity is that Shariah financing is beginning to broaden its appeal among non-Muslim countries too (MELLON, 2021)

**fig 1:**global Islamic finance assests growth(US dollar trillions)



**source:** Bny MELLON, growing global appeal of islamic finance.march 2021

### 3.1. Islamic methods of financing medium and small projects:

Economists have paid increasing attention to small and medium enterprises (SMEs), because of their role in achieving economic and social development and contributing to addressing the problems of unemployment and poverty on the one hand and increasing productivity on the other.

The main areas in which small and medium enterprises are active and contribute to supporting national output are as follows:

- Productive industrial development projects: the conversion of raw materials into manufactured or semi-manufactured materials, the processing, packaging of finished materials (e.g., Alimentations products, mills, wood).
- Mining and agricultural development projects (livestock, fish and agriculture).

- Health development projects and service projects (hotel, tourism, maintenance...).
- Various commercial activities and contracting activities (electricity projects, civil construction).

All these projects certainly contribute to the process of economic development, but the problem they face is one of financing, as many of them end up disappearing shortly after their establishment due to lack of managerial skill and lack of funding. One of the most important forms of financing for such projects, we focus in this research paper, on sources of Islamic finance that have proved their worth in some countries.

Islamic sources of finance on which small and medium-sized enterprises can rely are:

- **Musharakah (joint- venture):** It is one of the methods of banking financing that means contributing to the capital of the project. This participation may be permanent, where banks finance their companies with part of the capital in exchange for part of the profits as agreed and grant the project and only monitor and follow up. It may also be in the form of declining participation, where the bank recovers part of the financing with profits and gradually abandons the partnership until it is outside the project.
- **Mudarabah (Speculation):** Here, the parties agree to share profits. In the case of loss, bank loses capital and speculator loses work, effort and reputation (Rachid, 2000)
- **Murabaha (meaning profit):** Was originally a term of Fiqh (Islamic jurisprudence) "Sale at the first price with a known profit increase agreed between the seller and the buyer". It is more appropriate to estimate this increase at the rate of return on investments achieved by the seller from his activity.
- **Bia-ajil (deferred payment sale):** The amount of the good sold is paid in future installments and is in total more than its present value. It has been authorized by jurists to set the time limit at the commencement of the sales contract, to indicate the value of each premium and to determine the duration of receipt.
- **Bia-Salam (Sale with urgent payment):** The jurists define it as an urgent-term sale in which the goods are seized and in which the fast-track is the value (khaldi khadidja, 2004). Is a contract where by the price of the present is delivered in exchange for well-described and well-defined futures (number, weight). The producer requires expenses to carry out its activity and may not be content with its own resources, contracting with others to sell a quantity of its production and receiving the cost of spending immediately
- **Bia' Al-Istisna (literally, a request to manufacture something):** It asked the manufacturer to make a good according to specifications, at a certain price and for a certain period of time (SENGKiong, 2014).

### 3.2 the five pillars of Islamic finance (Gearen, 2009) :

Islamic finance is based on the application of *Shari'ah*, or Islamic law, to banking. One of the main principles of Islamic finance is that of shared risk/shared reward, in which both profit and loss are shared between the bank and its customers.

- no application of interest;

- no uncertainly or speculation;
- no financing of companies in certain sectors(weapons, pork, gumbling);
- profit and loss must be shared;
- financial transactions must be backed by tangible assets.

Through the next two components, we illustrate the role of Islamic banking in the development of the Malaysian economy and the success factors of the Malaysian experience as evidence of the importance of this financial source.

### **3.3. The financing role of Islamic banks in Malaysia:**

since 1970's,malayzya has constructed a detailed plan to domestically develop Islamic finance into a full-fledged dual banking system by 2020.

The role of Islamic banks in the development process in Malaysia is evident. Islamic banks contribute to the higher standard of living of more than 54% of Malaysian citizens. Muslim ownership of companies and wealth increased to 25%, up from 2.2% and from a poor society. That improves only rudimentary agriculture and suffers from unemployment to one that contributes effectively to all aspects of the economy, especially after the privatization processes of the mid-1980s, from which Muslims benefited with economic gains due to the Malaysian Pilgrimage Fund and the Islamic Bank of Malaysia. Thus, the contribution of Islamic banks has evolved in line with significant developments and innovations in Islamic financial instruments.

Islamic banks have contributed to the financing of very important development projects, including the following (Jaghar sami, 2015, p. 132):

- \$16 billion worth of electricity projects, to achieve a development goal that would transform Malaysia into a fully industrialized country, since electricity projects are the cornerstone of competitive industrial enterprises and are one of the most important industrial infrastructure.
- Projects for the development and expansion of the transport network, and the expansion of the railway network from industrial areas to ports and vice versa.
- Government projects and infrastructure services amounting to \$6.6 billion, since the development of government machinery and services has a significant impact on attracting investment and managing the country more efficiently.
- The share of industry in Islamic finance in Malaysia amounted to \$6.8 billion. This is the immediate goal of the Malaysian Development Plan, which has a significant positive impact on Malaysian local product and the diversity of the production and export structure.

One of the most notable indicators of success of the Islamic banking industry in Malaysia are the diversity of banking products, Malaysia's increased control of Sukuk Islamia (Islamic bonds) at the global level and its ability to deal with financial risks by enabling it to establish, and appoint the NEGARA Bank, since 1990 to act as a lender for financing Islamic banks.

Rivenetev's 2021 Islamic Finance Development Index predicts that the value of the Islamic finance industry will raise to \$4.94 trillion in 2025. The report highlighted new trends this year, including the expansion of the financial technology industry and digital

banks led by Malaysia, Indonesia, Saudi Arabia, Bahrain and the United Arab Emirates. Malaysia and Indonesia maintained the highest rating for the second consecutive year. According to the report, the industry's global assets maintained strong growth, rising 14% to \$3.374 trillion in 2020. The Sukuk sector is the second largest sector in Islamic finance, grew by 16% in 2020 under the leadership of both GCC and Southeast Asian countries. The report noted that Islamic finance assets in Saudi Arabia increased by 18% in 2020 to \$826 billion. Saudi Arabia has achieved governance developments in addition to its leading position in the Corporate Social Responsibility Index. Its ranking rose from 64 in 2019 to 74 in 2020, placing it third behind Malaysia and Indonesia.

### 3.4. Success factors of Malaysia's experience:

The Malaysian experience is very different. It has even become a leader of the Islamic banking industry in the world and a center of Islamic finance. It can be judged to be an integrated experience with a well-defined integrated plan, to which a wide range of economists have contributed. The main elements of the force in the Malaysian experience can be summarized as follows:

- Establishment of an Islamic insurance company.
- The development of a wide range of Islamic products that are compatible with the requirements of the times, while adhering to Islamic legal frameworks, including Islamic Sukuk.
- Progress in work, where one bank has been accredited for 10 years (1983-1993) was a test period limited to a single bank, with all the means and tools available for its success, than traditional banks were allowed to open Islamic windows, after which the financial liberalization phase was regulated by a specific group of successful Islamic banks, and at each stage the central bank prepared plans and programs for success by building and developing a set of institutions such as the Supreme Legal Supervisory Authority, the Financial Market Unit and the Islamic Products Studies and Innovation Unit of the Central Bank of Malaysia
- A legal and constitutional cover that takes into account the requirements of the Islamic banking industry and derives its legitimacy from the Malaysian Parliament.
- Attention to the academic side, where the Islamic University of Malaysia was founded in the same year as the Islamic Bank with the task of preparing future cadres and promoting research and development for all academics.

The Islamic banks may contribute to accelerating economic development, where's (Abd elwahed, 1999):

- **The Islamic Banking Corporation is considered to be more capable of accumulating investible cash balances:** The participation mechanism by which it operates means that it is not an intermediary institution between savers and investors, as in commercial banks, but rather an intermediary institution between savings holders who want to invest their money jointly and entrepreneurs who want to finance their investment projects on this basis. While commercial bank savers expect interest on their money, investor savers expect a return on their money as a result of their investment. The return on investment is a "profit"

determined by the success of the investment project, which is therefore an income directly linked to productive activity, and there are, of course, possibilities surrounding such return on investment. It may be low and may be high, and it is logical for anyone who wants to invest in their savings to find a greater incentive because they expect greater profit, which is not achieved under the interest system, as there are many restrictions on higher interest rates in the bank market set by the central bank for macroeconomic objectives and other constraints exercised by the banks themselves for credit and efficiency policies. Hence profitability under participatory mechanisms changes with much more flexibility than under debt financing mechanisms and is therefore more able to attract savings for investment. The actual experience of Islamic banks has demonstrated their interest and ability to mobilize very small savings compared to commercial banks.

- **The Islamic banks are better able to distribute available monetary resources to the best uses for economic and social development:** In principle, the Islamic Bank can achieve what the usury Bank has not. Because he's simply not going to rely on the rule of financial appropriateness to distribute his cash resources to projects that need loans recovered in addition to interest. The Islamic Bank is involved in profit-making, and in order to maximize its halal profits, it must give preference to financing for the higher-returning projects that follow. Thus, the mechanism of participation differs in principle from that of the current interest rate in the banking market in the ability to distribute monetary resources according to expected rates of return. This result depends on the efficient practices of the participation processes. The more these operations are associated with expected and well-founded rates of profit, taking into account risk, they become more efficient, and the use of cash resources allocated to investment in society is close to optimization.

- **Being directly contributing to the equitable distribution of national income during the development process:** By distributing financial resources on the basis of productivity and economic efficiency, the issue of equitable economic development is not of interest to usury banking companies. Due to its importance, bank finance has become among the different types of financing. It is known that those who receive financing also have an opportunity to increase their income, and vice versa. Hence the enormous impact that an unfair distribution of bank finance can have on the structure of the distribution of national income in any society. Experience of bank finance has shown that it is the big customers - even though they were rich or big companies - who get the big share of bank financing. Thus, they have access to the largest segment of income, getting richer and larger in society and more able to access finance and income, and so on if we say:

Major clients are always the most efficient, because of the fact that they have had the greatest share of financial resources and the largest share of income. However, this is not supported by reality or theoretical logic, and we have already pointed out that banks that rely on the interest system do not necessarily lend to more efficient and higher-return projects.

On the other hand, the system of co-financing, as should be exercised through an Islamic banking system, does not depend on the financial sol of the owners of investment



projects and, if this may be taken into account, depends primarily on the viability of the economic enterprise and the confidence in the seriousness and experience of its owner.

Thus, Islamic banking opens a new door in order to break out of the impasse in the distribution of available financial resources only to the owners of financial funds, thus opening the way for a better distribution of national income, which is crucial for equitable economic development. Economic development may in some cases be achieved when measured by national income growth rates or per individual average income. But when we come to the actual distribution of national income, the average individual income of a large group of the population has not increased, and it may have declined because of the poor distribution of income.

**- Positive behavior driving the development process is encouraged in contrast to the Usury Banking Corporation:** The benefit system has proved to play a bad role in encouraging negative behavior. In unfairly distributing income between the lazy, sleepers or passive people on the one hand, and those who work and face the risks and problems of productive activity. Since its legal establishment at the end of the Middle Ages in Europe, the interest system has caused the growth of this inactive group of people who earn income from renting their money without the hardship of doing productive work. Productive business income is distributed beyond justice and efficiency between those with cash surpluses, whether savings, wealth inherited or acquired by legal or illegal means, and those who work, produce and contribute to an increase in their income. This is rejected by Islam, and this is rejected by the participatory Islamic banking system.

#### **4. Requirements for the activation of Islamic banking in Algeria:**

Economic experts have recently discussed the prospects of the Islamic Banking Division for the Algerian Economy in a context characterized by considerable interaction on leniency in some Arab and Islamic countries, which could be an alternative solution to the mobilization of funds, especially since current estimates suggest that Algeria is losing approximately 20 per cent of the estimated \$350 billion of funds in Islamic transactions in the world, It's in the form of sukuk. 58 per cent are in Malaysia, 25 per cent are in the Gulf States, 13 per cent are in Europe, and sovereign sukuk account for 70 per cent of their worldwide financial value (Nouari, 2017).

Experts have emphasized that Islamic banking mechanisms play a role in Islamic finance, along the lines of sukuk that are a major tool for the development of the economy and are the most appropriate option for attracting funds held in homes, which may lose their nominal value. In return, they can be used for projects that benefit the economy, companies and citizens.

It's necessary use of financial resources traded outside official frameworks, estimated by specialists at \$40 billion, is sufficient to spare Algeria recourse to the external debt market.

A US Gallup poll for the World Bank confirmed that nearly half of Algerians prefer to obtain Islamic banking products rather than traditional bank loans even though the cost of

the former's services is higher than the latter. Despite the demand for Islamic banking products, banks offering such offers face many obstacles to the spread and functioning of Islamic financial institutions, including the following:

- The limited number, size and prevalence of the market in the interior of Algeria.
- Lack of a legislative and regulatory system, supporting institutions, infrastructure and human resources capable of working in these institutions.
- The absence of a special regulation on banks that deal with the provisions of Islamic law. There is no such vessel as a legal guarantor at the level of the Central Bank. It is framed and protected against the range of possible banking risks that may occur in the national monetary market, particularly in view of the absence of legislative and legal frameworks for Islamic monetary instruments in the Algerian monetary system. This makes it even more difficult for these banks to obtain the liquidity they need in their activity, on the basis that the provisions adopted by them, which deal with Islamic law, do not allow them to resort to the cash market to cover their requirements through the way in which they contract with classical financial institutions, which deal in the way of usury benefits.
- The large shortage of bankers and executives qualified to operate Islamic banking. Some banking institutions suffer from a shortage of managers and bankers who are competent to implement instruments that conform to the principles of Islam in financing the economy and real estate, as well as the short-lived Islamic banking industry.

Given all these obstacles that are already impeding the success of the Islamic banking process in Algeria, and given the significant role and importance of Islamic banks in achieving economic and social development, it requires the monetary authorities to create an enabling environment for their work through several requirements, outlined below (Sliman nasser, 2010, pp. 311-313)

#### **4.1. Regulation of banking:**

The most important measures to promote the enactment of a banking law for Islamic banks provisions for its establishment and control include the following:

- Inclusion of the Islamic banking file in the reform of the banking system.
- The establishment of a competent committee of legal, economic, legal and banking experts to prepare a law on Islamic banks.
- Study the laws governing the operation of Islamic banks in Arab and Islamic States and the need to draw on their experience in this area.
- Full cooperation between the authorities concerned in order to ensure its success.

#### **4.2. Regulation of the relationship with the Central Bank:**

Under the regulation of the banking system, the Central Bank can regulate its relationship with Islamic banks by:

- Islamic banks' investment accounts should not be subject to the statutory reserve ratio or at least reduced because Islamic banks will not benefit from the reserve in contrast to traditional banks, either in terms of interest payments or in terms of protection for holders of such funds because they are speculative deposits involved in profit and loss.

- The Central Bank should play the role of a last resort for Islamic banks to lend if they are faced with liquidity crises. The Central Bank may offer facilities in the form of good loans in exchange for concessions received by the Central Bank.
- The ratio of liquidity in Islamic banks must be lower than that imposed on traditional banks on the basis of different components of the liquid assets in Islamic banks than in ordinary banks. Islamic banks accept bills on the basis of collection rather than deductions.
- The best way to measure capital adequacy in Islamic banks is to apply the Basel II ratio applied globally since 2007. The Bank of Algeria must adopt the capital adequacy standard issued by the IFSB of Malaysia in 2005 in accordance with the Basel II ratio, which takes into account the specificity of work in Islamic banks. After this standard was recognized by the Basel Committee itself, several countries imposed this standard on their Islamic banks.
- It is necessary to prepare scientifically and practically qualified frame works for Islamic banks and financial institutions. In this area, the experience of leading Islamic banks, such as the Islamic Research and Training Institute of the Islamic Development Bank, advantage of (Jeddah), can be taken Islamic Economy Centre of the International Islamic Investment and Development Bank. It is also necessary to build on the efforts of some regional and international bodies working to develop Islamic banking as the accounting and auditing body for Islamic financial institutions (Bahrain), which establishes accounting standards consistent with globally applicable accounting standards on the one hand and with Shariah provisions on the other, and the Financial and Islamic Services Council (Malaysia) IFSB, which sets standards of caution and caution consistent with global standards.

## 5. Conclusion:

Despite the urgent need for financing and the reduction of the budget deficit, which is exacerbated by the financial and economic crisis that has been in its head since 2015, the Algerian market remains closed to the proliferation of Islamic banks, with only 3 per cent of Islamic money in Algeria. Despite the benefits offered by such products, which offer distinct solutions to the collection of savings and the use of such savings in development programs, experts say that the circulation of liquidity outside official channels is caused by the existence of usury benefits, which are an obstacle to bringing this financial bloc to banks, as well as to their exit as loans if they are brought to banks.

The Islamic Bank is an urgent need to correct the situation, and the existence of Islamic banks and their dependence on participation not only means a positive contribution to the equitable distribution of income between those who hold investible cash surpluses and those who invest in them, but also to the development of positive behavior by individuals that is absolutely necessary for correct economic development. That's because participation when taken fairly means that two think together about the decision and take responsibility together, not just one who thinks and takes responsibility. In other words, participatory mechanisms drive everyone to contribute to economic activity.

In the light of the study around which this research paper was centered, a number of recommendations could be included:

- Imitation of Malaysian experience with the regulatory and legal framework for building a strong Islamic banking system;
- The Algerian State must exploit Shariah in the banking sector and thus try to create and diversify new banking products that are in line with the people belief. Investment formulas are varied, the phenomenon of saving money out of bank is eliminated and capital can be maintained within the country. Especially since Malaysia has demonstrated that Islamic law is not an obstacle to prosperity and progress, on the contrary, it has been a smart solution to global challenges.

### Study horizons:

The succession of recent financial crises, particularly those resulting from the Corona pandemic, has underscored the need for the Islamic development approach. The crisis has affected the humanitarian aspect built on cooperation, which requires a true economy based on the foundations of Islam, which prohibits usury, prohibits monopoly, and calls for work, production and equitable distribution. In the light of this, the issue of the role of Islamic banking in addressing the Corona coming could be suggested.

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