Prospects and problems for Islamic Finance in Algeria

Q: There are currently only two Islamic banks in Algeria, why?

Zubair bin Terdeyet: Al Baraka Bank of Algeria was the first private bank in the country in 1991 but the events which hit Algeria, have hindered several years developing the Algerian banking sector as a whole.

Only very recently that new banks have started to enter the country because it creates great interest to foreign banks at once applications are now too many and there is a syndrome “Khalifa” which pushing the Bank of Algeria to be very cautious in these awards amenities. Other Islamic banks have applied for accreditation (Abu Dhabi Islamic Bank and Kuwait Finance House, editor’s note), it was not until just the answers but we believe this market will grow rapidly. The question is whether the local one day will launch an Islamic bank with capital of 100% Algerian.

Q: What obstacles are internal to the development of Islamic finance?

ZBT: The brakes are psychological as it is not easy to accept a new system when you think that existing is unique and perfect. Today, the financial crisis has challenged the supremacy of the conventional system.

It is then that the regulatory and tax environment are appropriate. It should send positive signals to foreign investors trying to establish a banking system with international standards. For Islamic finance is primarily of conventional finance but with the criteria of the Shariah and Algeria is lagging behind its North African neighbors. The stock market is virtually nonexistent, private equity * and asset ** management are not
practiced, and finally the non-convertibility of the currency is an obstacle.

Q: How to develop Islamic finance in the Maghreb?

ZBT: Slowly but surely. In Morocco, there has so far suggested alternative products but nothing more. In Tunisia, Best Bank has been operating since 1983, Best D for several years, Noor came to install a representative office and an application for approval has been made for a universal bank.

Investment funds as GFH (Gulf Finance House, Islamic investment bank based in Bahrain, editor's note) also have very large projects in the Maghreb as the proposed business center for $3 billion in Tunis.

Q: If Algeria is late, why and how of Algiers, the hub of Islamic finance?

ZBT: Morocco is the country most in arrears and not Algeria. Tunisia is certainly ahead but the conventional banking sector is highly developed Islamic finance is not strategic to the development of domestic banking sector.

While Algeria with both banks and possibly two others, one step ahead in terms of 100% of Islamic banks and may create any number of international market Islamic banking.

The country must build a financial system from scratch, it would be much easier to build two systems in parallel.

If she decides, Algeria to afford to build a “hub” to the financial picture of Bahrain because it is all part of creating a financial district, which requires heavy investment financial or in North Africa alone it would have the financial means of its ambitions.

Q: Who benefits currently two Islamic banks present on the territory of Algeria, Al Baraka Bank and Al Salam Bank Algeria, and who will they benefit?

ZBT: Al Salam Bank has not yet begun its activities but the model chosen is that of a universal bank is facing individuals and businesses. Al Baraka is also aimed at two types of clientele. Little info that is important, Al Baraka will start with FIDES in micro finance to boost entrepreneurship.

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