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THE ROLE OF ISLAMIC BANKING INNOVATION IN THE DEVELOPMENT OF COMPLEX FINANCIAL CONTRACTS IN ALGERIA*Received 11 February 2024; accepted 29 February 2024; published 07 March 2024*

Abstract. *This study aims to highlight the role of Islamic banking innovation in the development of complex financial contracts, by conducting a field study at the level of Al Salam Bank -Algeria. In order to familiarize ourselves with the aspects of the study, the deductive approach was adopted by describing the concepts associated with both Islamic banking innovation and complex financial contracts. 30 forms were distributed to the workers of the bank under study and 25 valid forms were retrieved for analysis and processing using the SPSS program. After we addressed the subject of the study, the following results were reached: Islamic banking innovation contributes to the development of complex financial contracts effectively and positively by developing available contracts and submitting new innovative contracts that suit the conditions of the bank and in accordance with the provisions of Sharia.*

Keywords: *Islamic banks, ladder contract, complex financial contracts, Islamic banking innovation.*

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Introduction

Given the developments in the Islamic banking system, especially with the global challenges facing Islamic banks, which necessitated the provision of mechanisms to confront the latter in accordance with the provisions of Sharia. Today, the Islamic banking industry needs to develop its products and provide new financing tools to face the financing problems it faces during its activity, in addition to providing innovative new products that compete with its usurious counterpart, and thus resorting to Islamic banking innovation as an essential element for the continuity of these banks and their development with a better level of efficiency, which enables them to achieve leadership in the Islamic banking industry sector. Therefore, this study came to highlight the role of Islamic banking innovation in the development of these Islamic financial products, especially complex financial contracts. Based on the above, the following question can be asked:

To what extent does banking innovation contribute to the development of complex financial contracts at Al Salam Bank-Algeria?

Sub-questions:

The following sub-questions are among the main problems:

Is there a statistically significant relationship between the application of banking innovation and the development of financial contracts installed in Al Salam Bank -Algeria?

- How does banking innovation affect the complex financial contracts at Al Salam Bank - Algeria?

1.1 Hypotheses of the study:

To answer the problem of the study, the following hypotheses were formulated:

- The first hypothesis: There is a statistically significant relationship between the application of banking innovation and the development of complex financial contracts in Islamic banks.
- The second hypothesis: The application of banking innovation within Islamic banks positively affects the complex financial contracts that are dealt with.

1.2 Objectives of the study:

This study seeks to achieve a set of objectives represented in the following:

- Addressing the theoretical framework of Islamic banking innovation.
- Linking the relationship between Islamic banking innovation and complex financial contracts.
- Studying the contribution of banking innovation in the development of complex financial contracts.

1.3 Study Tools:

Statistical analysis tools such as the Statistical Packages for Social Sciences (SPSS) were used.

Literature Review

1. Financial Innovation from a Banking Perspective:

Innovation can be defined as the application of developed methods that meet the current and new needs in the market, with the aim of satisfying customers by ensuring that the product or service offered will meet the needs of this category (Ibrahim, 2015):

- It is also a process carried out by specialists to create and present a new idea or method of work related to solving emerging problems for the purpose of developing or improving banking and finance. Thus, this definition indicates that banking innovation includes the following elements: (Ibrahim B., 2015);
- Creating new financial instruments and banking services;
- Innovating new financing mechanisms;
- Innovating new solutions for financing management, such as liquidity or debt management, or preparing financing formulas for specific projects that suit the circumstances surrounding the project.

2.1.1 Steps of Banking Innovation:

There are steps and procedures associated with banking innovations that can be summarized as follows (Aziza bin Fatima, 2015):

- Generating new ideas, whether these are from internal or external sources.
- Sifting ideas and extracting the best ones in the light of the bank's capabilities.
- Economic evaluation of ideas in terms of their cost, expected demand, production and distribution capacities, and competitive services.
- Choosing the service by putting it on the market in order to try it in a limited range and trying to get consumer reactions to it.

2.2 Reflection from the Islamic perspective:

There is research that tried to address innovation in the Islamic financial framework, most of which was based on its definitions in the general financial framework with the addition of the restriction of adherence to Islamic law. What can be deduced from these definitions is that financial innovation is the introduction of a new financing approach framed by the College of Islamic Sharia with the aim of achieving a step ahead of those provided by the prevailing financing, and with a better level of efficiency and effectiveness, by developing new financial tools, new financing mechanisms that reduce the procedural costs of existing business, and innovating new solutions for financing management such as risk management and liquidity management. The innovation may be

through the advanced application of named contracts within different contexts, or through a combination that achieves added value (Bouhraoua, 2016).

2.2.1 Financial Innovation Controls in Islamic Banks:

Financial innovation in Islamic banks is based on a set of principles and rules, which are represented in five main controls (Yousef Qashi, 2018):

- Based on the Islamic faith: It represents the general basis on which Islamic banking products are based in taking into account what God Almighty has legislated in transactions by replacing what He has forbidden and forbidding what He has forbidden.

- Exclusion of usurious benefits: It is the first pillar on which the Islamic economy is built and then Islamic banks and thus financial innovation, which is the prohibition of usury, it is a basic and necessary condition in existing or innovative financial transactions.

- Avoid ignorance and deceit: The investigation of halal financing and investment in Islamic banks aims to ensure that money is collected legitimately, and used free of any legitimate prohibitions in accordance with the orders and prohibitions that define the features of the Islamic economy, including the need to avoid inventing new financial instruments in which ignorance, deceit, or injustice are suspected and eat people's money wrongly.

- Adopting the principle of profit and loss sharing: Participation in the result is a profit and loss, a gain and a fine, rather than a fixed interest. It is the basis on which the process of developing new financing mechanisms or innovating modern Islamic banking formulas and tools is adopted. It is the general principle of the work of Islamic banks themselves.

- Economic efficiency: The need for financial innovation in Islamic banks to be based on economic efficiency by expanding investment opportunities in risk sharing and reducing the costs of obtaining information and brokerage and brokering commissions.

2.3 Reasons for the need for financial innovation in Islamic banks:

The need to seek Islamic financial solutions arises from several aspects, which we list below:

- Discipline of the rules of Islamic law: The rules of Islamic law for exchange, although limited but disciplined and specific, and therefore the acceptance of transactions that meet the needs of people in an economically efficient manner is subject to non-compliance with these rules. Meeting this condition is not difficult, but it needs to accommodate legitimate rules and purposes, while at the same time being aware and appreciative of people's economic needs.

- The development of financial transactions: Whoever studies the jurisprudence of contemporary transactions must distinguish between the fixed and the developed, and look at the legal adaptation of the new images so that the legal judgment can be clarified and then find alternatives if possible.

- Competition with traditional financial institutions: The existence and growth of capitalist financial institutions to the point of imposing a great deal of challenge on the Islamic economy.

- Facing the challenges facing Islamic financial institutions: The challenges facing Islamic institutions are many and saturated, as many studies have proven that the most important challenge they face is the absence or weakness of financial innovation in accordance with Islamic law in these institutions.

2.4 Challenges of Financial Innovation in Islamic Banks:

Despite the advantages, the provision of Sharia safety for Islamic financial products is one of the most important goals that Islamic banks seek to achieve, and this is evidenced by what the Sharia Supervisory Board seeks within these banks. Sharia safety is important for customers looking for Islamic finance products, but this is not enough in managing the risks of non-compliance with Islamic law. In this context, the success of Islamic banking in achieving and meeting the needs and desires of customers and serving comprehensive development will only be achieved through the continuous development of its financing mechanisms and tools, which is reflected in the levels and rates of profits achieved and increasing its contribution to the development process (Moanis, 2016).

Among the most important external challenges to financial innovation in Islamic banks are the following (Ibrahim B., 2015):

- Subjecting Islamic banking institutions to standards and controls that are inconsistent with the nature of their work in the countries in which they are active and their transactions to the same financial standards and controls applied to usurious banks, and thus the limitation of some laws to address the task of Islamic banks in achieving the requirements of their customers in the application of Islamic financing formulas.

- Lack of secondary Islamic financial markets for trading, as Islamic banks cannot resort to international financial markets or traditional banking institutions in the event of lack of liquidity or desire to employ surplus liquidity, because the nature of the work of these institutions differs from the nature of the work of Islamic banks.

- The lack of Sharia oversight bodies at the required level, especially from a technical point of view, as they lack experience in accounting and financial matters, which makes judging by them on the tools and formulas of financing and mechanisms of new work often tainted by many doubts and criticisms, which makes it difficult to reach a unified fatwa.

3. Composite Financial Contracts:

3.1 The Concept of Composite Financial Contracts:

It is considered a product of the union of two or more Islamic finance contracts. The goal of one of the producers within the compound financial instrument is to preserve the capital that has been invested, while the goal of the second instrument is to work on the development of capital. The value of this type of compound products depends on the return associated with one or both contracts (Hajar Saadi, 2014).

3.2 Types of complex financial contracts: These include the following:

3.2.1 Composite financial contracts within the framework of participation methods: Composite financial contracts are applied in the fields of finance and investment in several ways, as follows:

- **Sale of Murabaha to the Purchaser through the Musharaka Contract:** The Murabaha Contract for the Purchaser through the Musharaka Contract is a composite contract with two contracts, the Murabaha Contract for the Purchaser and the Musharaka Contract, so it is not a Murabaha Contract or a Musharaka Contract, but rather based on the Murabaha Partnership that takes from the Murabaha some of its characteristics, and at the same time it is based on the partnership between the two parties in business and profit according to the agreement. This contract is based on the re-engineering of the Murabaha sale to the purchase order through the musharaka contract as follows (Abū, 2007):

- The customer submitted an application to the Islamic Bank regarding obtaining financing, either in whole or in part, to buy certain goods on the basis of the customer's knowledge of the quality of the goods and how to market them, as he determines their specifications, and then requests to buy them from the bank.

- The bank buys the goods according to the specifications specified by the customer, and his hand remains a safe hand, not a possession hand, as there is no full ownership of the goods, neither the bank nor the customer, but the ownership here is shared between the two (Bourhala, 2015).

- **Participation ending with ownership:** The participation ending with ownership is considered the participation of the Islamic Bank with one or more other parties in the establishment of a specific project with a certain capital with the aim of profit, where the bank and the partners contribute to the capital of this project at a certain rate, provided that the bank is given the right to replace the partner in the ownership in one batch or in installments as required by the agreed terms, by gradually purchasing the bank's share of the profits obtained, provided that the bank's share in the full capital of the project is gradually transferred to the other party (Mohammed Al-Rifai, 2004).

3.2.2 Financial contracts installed within the framework of sales methods: Financial contracts installed within the framework of sales methods are represented by the following contracts:

• **Mudaraba and Murabaha Merger Contract:** This contract of participation is based on the merger of the mudaraba contract with the Murabaha contract in one complex contract and the mechanism of work of this contract is as follows (Lamiya, 2014):

- The customer submits a request for financing from the Islamic Bank according to the Mudaraba formula.

- After studying the customer, the bank provides the necessary financing to the speculator, provided that the latter invests it within the framework of what is agreed upon.

- The bank requires the customer to purchase the goods he wishes to obtain from the Mudaraba financing granted to him.

- The customer buys the goods and resells them to the bank, and the latter sells them through Murabaha to other customers, and here speculation is restricted by this commercial method of buying and selling and the customer has no right to violate the agreed terms.

• **Parallel ladder contract:** in which the bank purchases a quantity of a commodity described by a future delivery, and then sells a similar quantity of the same commodity also described by the same delivery date, so it can make a profit represented by the difference between the two prices at the time of purchase and at the time of sale (Ayyash, 2020).

• **Financial contracts installed under Ijara methods:** Financial contracts installed under Ijara methods include the following contracts:

- The **Ijarah bond model is described as:** Ijarah bonds are an innovative type of Islamic bond, which is a combination of the bond as a financial instrument, the Ijarah contract, the peace contract and its mechanisms. There should be a described service such as university education, for example, so that the description is detailed and does not leave room for dispute. It was the education of a university student, who meets certain conditions and is assigned a course of study known for his time, duration and description. After that, the university, which is the service provider (Rashad, 2017).

- **Ijarah ending with ownership:** It is defined as the ownership of a benefit from a known property for a known period, followed by the ownership of the property during the period of the lease or at its end by its gift or sale with an offer and acceptance at the time and a new contract (Mohamed, 2012). Ownership ends in the lease contract ending with ownership according to four images (Al-Qatanji, 2010):

- A lease contract with the promise of the donation of the property upon completion of the payment of all rental installments, provided that the donation is a separate contract.

- A lease contract with a promise to sell the leased property for a nominal or real amount to be paid by the lessee at the end of the period after paying all the agreed rental installments.

- A lease contract with a promise to sell the leased property once all the rental installments due have been agreed upon.

- A gradual lease contract so that at the end of each period, the lessee buys part of the leased property and rents the remaining part and so on until the entire leased property is purchased.

- **Compound cooperative insurance:** Compound cooperative insurance is defined as: A collective insurance contract under which each participant is obligated to pay a certain amount of money as a donation, to compensate those affected by them on the basis of solidarity and solidarity when the insured risk is achieved, in which the insurance operations are managed by a specialized company, on the basis of agency with a known wage. Among the most prominent forms of compound cooperative insurance (Abd., 2006).

- **The first** is the meeting of the insurance contract and the Ijara contract. The first contract is an insurance contract between the trustees based on the donation of each individual to the insurance fund as a donation, that is, the amount is owned by the fund (in the event of any risk to one of the individuals, it is compensated by the fund). The second contract is an Ijara contract between the trustees and the administration (a netting contract) in which the fund is obligated to pay a lump sum agreed upon to the administrators as a fee.

The second picture: It is a meeting of insurance and speculation contracts in which the management invests funds contributed by the trustees in an investment fund next to the insurance

fund. In this picture, it is also possible to meet three contracts, namely insurance, speculation and leasing, in which the management takes a fee for managing and organizing the insurance process, and they also take profits according to the agreed percentage for another work, which is to invest those funds.

Methods

A field study of the role of Islamic banking innovation in the development of complex financial contracts:

This topic will address the field aspect of our study, which is: The contribution of Islamic banking innovation in the development of complex financial contracts, where the questionnaire was used to complete aspects of this topic at the level of Al Salam Bank -Algeria.

Results

4.1. Field Study Methodology:

The descriptive analytical approach was used in order to achieve the objectives of the study, which is the extent to which Islamic banking innovation contributes to the development of complex financial contracts in Islamic banks.

4.2 The study population and sample:

Our study group represents the workers of Al Salam Bank in Algiers, estimated at 30 workers, where 30 questionnaires were distributed and after the review process, 25 valid questionnaires were obtained for analysis.

4.3 Study Tools:

The questionnaire was relied on as a basic element of data collection from the study community, as it included the following parts:

- *Part 1:* Personal data related to the study community, and this part included 04 paragraphs represented by the following: job, specialization, professional experience and academic qualification
- *The second part:* The part that deals with the problem of our study has been divided into two axes. Each axis examines part of the problem and includes 11 paragraphs.
- *The first axis:* It includes 05 paragraphs and expresses the extent to which Al Salam Bank applies Islamic banking innovation.
- *The second axis:* It includes 6 paragraphs and expresses the contribution of Islamic banking innovation in the development of complex financial contracts (Table 1).

Table 1. Description and coding of the study variables

Variable	Number of paragraphs	Type of variable
Islamic Banking Innovation	05	The independent variable
Composite Financial Contracts	06	The dependent variable

Source: Prepared by researchers

All statements were presented using the five-point Likert scale (Likert), which requires the study sample to determine the degree of approval or disapproval of the selected choices.

4.4. Validity and reliability of the questionnaire:

Ensuring the validity and stability of the tool is done according to the following:

4.4.1 Validity of Arbitrators:

The validity of the questionnaire is confirmed by submitting it to a group of specialized professors with the necessary adjustments after the retrieval process.

4.4.2 Persistence of the study:

The reliability and validity of the questionnaire paragraphs are analyzed by: Testing each of the questionnaire axes with the calculation of Alpha Crombach, as shown in the following Table 2.

We note from the above table that the reliability coefficient of the two axes together was estimated at 74%, while the validity coefficient was estimated at 82.89%. These values are considered acceptable to measure the validity of the data and the stability of the study tool, and they reflect the internal consistency that exists between the paragraphs of the questionnaire.

Table 2. Values of the reliability and validity of the questionnaire

Axes	Number of paragraphs	Stability coefficient	Validity coefficient
Al Salam Bank Application for Islamic Banking Innovation	05	76%	82.05%
Contribution of Islamic Banking Innovation to the Development of Composite Financial Contracts	06	72%	83.47%
The two axes together	11	74%	82.89%

Source: Prepared by researchers based on SPSS outputs

4.5 Analysis of the results of the study variables:

The interviewer's data will be analyzed in order to know the direction of the study sample and their views on the subject of the study by relying on the five-point Likart scale (from strongly agree, at the maximum, to completely disagree, at the maximum).

4.5.1 Analysis of the results of the first section:

It relates to general information related to the personal data of employees of the bank under study.

Table 3. Distribution of repetitions and percentages of the study sample

Variables	Level	Frequency	Percentage
Academic qualification	Bachelor's Degree	4	40%
	Master's	2	20%
	PhD	1	10%
	Other	1	10%
Current Position	bank manager	1	10%
	Head of Finance Department	1	10%
	Risk Management Service	1	10%
	Other	1	10%
PROFESSIONAL EXPERIENCE	Less than 5 years	3	30%
	Less than 5 years	3	30%
	10-15 years	5	50%
	15 years and above	2	20%
Major	Islamic Economy	1	10%
	Accounting	1	10%
	Banking	2	20%
	Other	1	10%

Source: Prepared by the two researchers based on the outputs of SPSS

• **According to the educational qualification:** Based on the Table 3, it is clear that our study community has been divided into different categories at the scientific level, where 40% of the workers have a bachelor's degree 20% have a master's degree, 10% have a doctorate degree, and these percentages reflect the high scientific level of the category under study, as the multiplicity of competencies in Al Salam Bank allows them to answer the questionnaire in a logical and more realistic way and thus obtain positive results.

• **According to the years of professional experience:** Based on the Table 3, it is clear that the majority of Al Salam Bank workers have a professional experience of 50% from 10 years and above, in addition to 30% for workers whose experience ranges from 5 years and above, while Mansabneh represents 20% for workers from 15 years and above. This reflects the positive outlook of the bank as it seeks to recruit qualified groups with significant professional experience.

• **By job level:** The category of workers who hold the position of bank manager has reached 10% and the head of the finance department has reached 10% in addition to the head of the risk management department has reached 10%, thus being able to get more accurate answers.

• **According to the specialization:** It is clear from the table that the highest percentage was for accounting and banking management specialists, which is estimated at 30% for both, followed by the specialization of Islamic economics, which is forgotten by 20%, and this indicates the availability of specialized categories in the field of banking, thus obtaining realistic answers and providing positive results.

4.5.2 Analysis of the paragraphs of the first axis:

The first axis is the extent to which Al Salam Bank applies Islamic banking innovation, and it includes paragraphs as shown in the following Table 4.

Table 4. Paragraphs of the first axis

Paragraphe No.	Paragraph Phrase
1	The bank has a section on banking innovation
2	The bank includes financial engineers
3	The bank bases its transactions on the principle of originality and innovation
4	The bank provides innovative legitimate solutions to face financing problems
5	The bank's reliance on banking innovation when managing its liquidity and paying its dues

Source: Questionnaire prepared by the enumerators

After analyzing the paragraphs of the first axis, the following results were reached as shown in the following Table 5.

Table 5. Analysis of the paragraphs of the first axis

Paragraph No.	Arithmetic mean	StDev	Intake level
1	4.2	0.973	Strongly agree
2	4.1	0.959	Agree
3	-3.87	861.	Agree
4	3.96	For 896.	Strongly agree
5	3.75	813.	Agree

Source: Prepared by researchers based on the outputs of SPSS

Based on the previous Table 5, which shows the views of the sample under study, which included both the arithmetic mean and the standard deviation of the first axis related to the extent to which Al Salam Bank applies Islamic banking innovation, the following was noted:

- With regard to the variable of Islamic banking innovation, we note that the arithmetic mean (from paragraph 1 to paragraph 5) has ranged between 3.96-4.2. According to Table 5, all values indicate a degree of agreement or strong agreement with the paragraphs related to this variable, and therefore it can be said that the sample members agree on the extent to which Al Salam Bank-Algeria applies Islamic banking innovation.

4.5.3. Analysis of the paragraphs of the second axis:

The second axis is the contribution of Islamic banking innovation to the development of complex financial contracts, which includes paragraphs as shown in the following Table 6.

Table 6. Paragraphs of the second axis

Paragraph No.	Paragraph Phrase
1	Banking innovation develops and improves banking
2	Banking innovation develops complex financial contracts to ensure the economic efficiency of financial products
3	Banking innovation has enabled the delivery of complex products that are ahead of market needs
4	Banking innovation enables the renewal of complex financial contracts to meet contemporary financing needs
5	Banking innovation enables the provision of innovative financing formulas suited to the circumstances of the bank
6	Banking innovation enables a bank to create new financial instruments or develop financial instruments that were already in existence

Source: Questionnaire prepared by the enumerators

Table 7. Analysis of the paragraphs of the second axis

Paragraph No.	Arithmetic mean	StDev	Intake level
1	4.3	981	Strongly agree
2	4.2	0.952	Strongly agree
3	3.98	875	Agree
4	3.96	0.894	Agree
5	4.1	0.948	Strongly agree
6	3.97	0.859	Agree

Source: Prepared by researchers based on the outputs of SPSS

After analyzing the paragraphs of the second axis, the following results were reached as shown in the following Table 7.

Based on the previous Table 7, which shows the views of the sample under study, which included both the arithmetic mean and the standard deviation of the second axis related to the extent to which Islamic banking innovation contributes to the development of complex financial contracts. The following was observed:

- With regard to the variable of complex financial contracts, we note that the arithmetic average (from paragraph 1 to paragraph 6) has ranged between 3.96-4.3. According to Table 7, all values indicate a degree of agreement or strong agreement with the paragraphs related to this variable. Therefore, it can be said that Islamic banking innovation contributes significantly to the development and improvement of banking and financial business in general and the development of complex financial contracts in particular through the development of available contracts and the submission of new innovative contracts that suit the conditions of the bank and in accordance with the provisions of Sharia.

4.6 Hypothesis testing:

The validity of hypotheses is tested by the following:

4.6.1. Hypothesis 1:

There is a statistically significant relationship between the application of Islamic banking innovation and the development of complex financial contracts in Islamic banks.

To test the validity of the hypothesis or not, we use the correlation coefficient to find out the strength of the relationship between complex financial contracts and Islamic banking innovation.

The following table shows the value of the values of the correlation coefficient (Table 8).

Table 8. Link Up

		Islamic Banking Innovation
Composite Financial Contracts	Pearson correlation	.844*
	Sig. (bilateral)	.016
	N	30

Source: Prepared by researchers based on SPSS outputs

Through the Table 8, we note that the value of the correlation coefficient is estimated at 0.844 at a significance level of 0.05. This indicates that there is a positive direct relationship between Islamic banking innovation and the development of complex financial contracts in Islamic banks. From the above, it can be said that: the first hypothesis is correct.

4.6.2. Hypothesis 2:

The application of banking innovation within Islamic banks positively affects the complex financial contracts that are transacted.

To test the validity of the hypothesis or not, we use the simple linear regression equation to determine the impact of Islamic banking innovation on complex financial contracts. The equation can be written as follows:

$$Y = \beta_0 + \beta_1 X + \varepsilon \quad (1)$$

- Dependent variable:
- β_0 and β_1 : coefficients
- Independent variable:
- ε - random error

The following tables illustrate the linear regression model for our study topic:

Table 9. Regression Model

Model	R	R-deux	R-deux adjusted	Standard error of the estimate
1	0.844 _a	0.712	725	0.53697

Source: Prepared by researchers based on SPSS outputs

Table 10. ANOVA

Model	Sum of squares	ddl	Average of squares	D	SIG
Regression	1.658	5	1.587	7.568	0.015 _a
Residue	9.547	25	0.359		
Total	11.205	30			

Dependent variable: Composite financial contracts

Through the previous Table 9-11 and linear regression model analysis, it is clear that: The general model is of significant significance, where SIG is estimated at 0.018 less than 0.05, which means that the application of Islamic banking innovation has a positive impact on the development of complex financial contracts. The regression equation can be formulated as follows:

Table 11. ANOVA

Model	Non-standardized coefficients		Standardized coefficients	O	SIG
	α	Standard error	β		
Constant	2.549	324		7-18	000.0
Training system	815	165	547	2.54	0.018

$$Y = 2.549 + 0.815x \quad (2)$$

Based on the regression equation, it is clear that: The independent variable (Islamic banking innovation) explains the dependent variable (complex financial contracts) by 80%, that is, the application of Islamic banking innovation by Al Salam Bank-Algeria has a positive impact on the complex financial contracts it practices during its transactions, and therefore it can be said that the second hypothesis is correct.

Conclusion

The issue of disbelief in Islamic banks has become an inevitable necessity, especially in light of the transition from imitation and simulation of traditional products to innovation and originality to Islamic products, which allows the introduction of new innovative financial instruments that are not imitated and contribute to their development by raising the efficiency and effectiveness of existing financial instruments and developing others if possible, thus improving the quality of their services and meeting the needs of their customers, in addition to modernizing the banking systems, services and products provided. Based on the theoretical and field study in addition to analyzing the results of hypothesis testing, the following results were reached:

- Islamic banking innovation is based on providing new solutions for financing management such as liquidity or debt management or preparing financing formulas for specific projects that suit the circumstances surrounding the project.

- The application of complex financial contracts in the fields of finance and investment calls for the need to create and innovate tools related to solving emerging problems for the purpose of developing or improving banking business.

- Islamic banking innovation contributes greatly to the development and improvement of banking and financial business in general and the development of complex financial contracts in particular through the development of available contracts and the submission of new innovative contracts that suit the conditions of the bank and in accordance with the provisions of Sharia.

- Islamic banking innovation works to develop complex financial contracts to ensure the economic efficiency of financial products that precede the needs of the market.

- The application of banking innovation in Islamic banks makes them compete with their usurious counterparts by meeting the needs of their customers and providing advanced and innovative banking services.

The application of Islamic banking innovation allows banks to carry out their activities in a qualitatively innovative manner and reduce their transaction costs, thus maximizing their profitability and improving their level of liquidity.

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