ITJ | The International Tax Journal

The impact of the Islamic financial system in achieving local development: As an example EL MURABAHA sale to the purchase order

Dr. Hamza Laidli [1], and **Dr. Hocine Khalfallah** [2]

[1] Lecturer -B- at the Faculty of Sharia and Economics, Emir Abdelkader University of Islamic Sciences, Constantine, Algeria. Email: laidli.hamza@univ-emir.dz
[2] Lecturer -B- at the Faculty of Sharia and Economics, Emir Abdelkader University of Islamic Sciences, Constantine, Algeria. Email: Hocine.khalfa34@gmail.com

Abstract---Through this study, the researchers aim to highlight the role of the Islamic financial system and its impact on achieving the desired local development, through one of its windows and one of its participatory products, namely murabaha for the purchaser. Through this study, the researchers also seek to highlight the most important principles and rules on which the Islamic financial system is based, as well as to explain its most important objectives and goals. Most importantly, the researchers aim to highlight the richness and diversity of Islamic financial and banking formulas, the extent of this richness's impact on economic revival, the promotion of local development, the achievement of economic prosperity, and the contribution to the attainment of a high standard of living.

Keywords---Regional Advancement, Nurturing, Monetary Paradigm, Islamic, Transaction, Murabaha to the Purchase Orderer.

Introduction

Over the past three centuries, the contemporary world has witnessed significant financial and economic fluctuations and conflicts at both the regional and global levels. The global economic market has also witnessed the clear dominance and control of the global capitalist financial system, which has dominated all economic, social and even political spheres in most countries around the world. It has played a fundamental role in shaping the contemporary world, and anyone who follows global economic and financial affairs is well aware of the magnitude and number of enormous financial and

How to Cite:
Laidli, H., & Khalfallah, H. (2025). The impact of the Islamic financial system in achieving local development: As an example EL MURABAHA sale to the purchase order. *The International Tax Journal*, *52*(6), 4373–4390. Retrieved from https://internationaltaxjournal.online/index.php/itj/article/view/418

The International tax journal ISSN: 0097-7314 E-ISSN: 3066-2370 © 2025

Submitted: 16 March 2025| Revised: 17 October 2025| Accepted: 05 December 2025

economic problems resulting from this system, which have threatened the economies of countries, institutions and individuals. These problems are, in fact, fundamental weaknesses in the existing and prevailing financial system, and the successive global financial crises are the greatest evidence of their inability to achieve economic recovery. For this reason, economic and financial stability and growth have remained the greatest challenges facing the economic systems of countries. Despite numerous attempts by regional and global economic blocks to repair the economic damage and corruption, these attempts, if not unsuccessful, have achieved only minimal results compared to the scale of global financial and economic losses. This is because these economic systems are simply based on exploitation and utilitarianism, and are not characterised by innocence and idealism. They are also subject – whether one likes it or not – to conspiracy theories and intrigue.

In this context, the theory of the Islamic financial system began to emerge as a proposed solution and alternative to the prevailing economic systems, in order to avoid recurring financial problems and crises, as well as to achieve economic prosperity and recovery. The application of this type of economic system has proven to be highly successful in many countries that have adopted it as an alternative to other classical economic systems. The Islamic financial system has demonstrated a great ability to remain stable in the face of successive global economic crises and a strength in managing their risks. The Islamic financial system has also proven its ability to achieve economic advancement and social welfare, as well as to drive local development forward, due to its reliance on diverse and rich participatory formulas and products, foremost among which is the murabaha formula. Therefore, the question and issue raised here is: **To what extent does the Islamic financial system contribute to local development? What role does murabaha for the purchaser play in this?** To answer this question, this research was organised according to the following plan:

- **Section One:** The Islamic Financial System: Concept, Foundations, and Objectives.
  - **Subsection One:** The Concept of the Islamic Financial System.
  - **Subsection Two:** The Foundations and Principles of the Islamic Financial System.
  - **Subsection Three:** The Objectives and Aims of the Islamic Financial System.
- **Section Two:** The Role of the Islamic Financial System in Achieving Local Development.
  - **Subsection One:** The Concept of Local Development.
  - **Subsection Two:** The Objectives of Local Development.
  - **Subsection Three:** The Impact of Islamic Finance on Achieving Local Development.
- **Section Three:** Murabaha to the Purchase Orderer and its Role in Achieving Local Development.
  - **Subsection One:** The Concept of Murabaha to the Purchase Orderer.
  - **Subsection Two:** The Role of Murabaha to the Purchase Orderer in Achieving Local Development.

Conclusion: This section will present the key findings and corresponding recommendations.

Section One: The Islamic Financial System: Concept, Foundations, and Objectives

2.1. Subsection One: The Concept of the Islamic Financial System

The concept and essence of the Islamic financial system is deeply rooted in the jurisprudential and legislative heritage of Islam. This is evident in the status and position that money occupies in Islamic legislative philosophy, where the preservation of money is considered one of the five essential and universal objectives that occupy the forefront and leadership in the hierarchy of priorities of Sharia law. For this reason, we find in Islamic jurisprudential heritage a large section devoted to financial transactions and commercial exchanges, which is an extension of the Qur'anic and prophetic dimension. Many verses of the Qur'an discuss the financial and economic aspects of society, to the extent that the longest verse in the Qur'an is, if I may say so, an economic verse, namely the verse on debt (verse 255 of Surah Al-Baqarah). Likewise, a large portion of the hadiths of the Prophet discuss the financial aspects of life. For this reason, we find that the collections of the Sunnah are not without chapters and books on financial transactions and economic life. If this indicates anything, it indicates the depth and authenticity of the financial and economic dimension of Islamic heritage. Despite this, researchers will hardly find a definition of the term Islamic finance or Islamic economics in heritage books, which is not surprising. Terms are generated and renewed according to developments and new events, and meanings and connotations always precede terms and boundaries. For this reason, many contemporary researchers have attempted to formulate a definition of the Islamic financial system. Some have defined it (Al-Ajlouni, 2010, p. 275) as: 'a set of institutions, laws, regulations and techniques through which financial assets are created and exchanged, financial services are produced and distributed, and funds are allocated based on the expected return on investment, in light of the provisions of Islamic Sharia, with the aim of achieving the optimal utilisation of economic resources and the welfare of society.' Some researchers (Fattoum and Gharbi, 2019, p. 13) also define it as: 'A set of institutions, laws, regulations and techniques through which financial assets are created and traded, financial services are produced and distributed, and funds are allocated based on the expected return on investment, in light of Islamic Sharia law and in integration with general financial policy.' Researchers can contribute to formulating a single definition of the Islamic financial system as: 'A set of economic and financial principles and rules related to the fundamentals of Islamic doctrine and ethics, which aim to balance public revenues and expenditures and direct them towards achieving the state's economic, social and political objectives.' Through this chosen definition, its most important elements can be identified as follows:

- The Islamic financial system consists of rules, principles and foundations, and is not a chaotic system or a set of imaginary theories.
- These rules and principles derive their legitimacy and credibility from the core of Islamic doctrine and the spirit of divine legislation.
- The aim of these rules and principles is to achieve a balance between the collection of public resources by the state and their expenditure on individuals and institutions in accordance with the principle of fair distribution of wealth.
- Directing state resources to achieve the economic, social and political objectives set by the state in accordance with Islamic principles.

2.2. Subsection Two: The Foundations and Principles of the Islamic Financial System

Those who contemplate and examine the Islamic financial system will find that it is based on principles and rules that stem from the spirit of Islamic Sharia law, its beliefs and its view of worldly life. Earlier, in defining the Islamic financial system, we mentioned that its rules and principles derive their legitimacy from the spirit of Islamic beliefs. The Islamic financial system is inseparable from the spirit and general objectives of Sharia. In addition to being an economic financial system concerned with the financial aspects of life, it is a system based on spiritual and ideological foundations that are inseparable from it, which is something that other prevailing financial systems in the world lack. These foundations can be highlighted as follows: **First: The Absence of Absolute Ownership of Wealth (The Theory of Stewardship on Earth)**

This principle and foundation is based on the Sharia view of the reality of human ownership of wealth and resources in this world. Islamic philosophy dictates that absolute ownership of wealth and resources belongs to Allah alone, with no partner, for He is the true and absolute owner of all things. Wealth belongs to Allah, and human beings' ownership of wealth and other resources is only a trust from God Almighty to human beings, and they do not have absolute ownership of it. For this reason, we find verses in the Holy Qur'an that echo this fundamental principle. For example, when Allah urged us to spend money, He did not attribute its ownership to individuals, but addressed us in the language and logic of the trustee and the one entrusted with it, saying, "Believe in Allah and His Messenger and spend out of that in which He has made you successors." [Al-Hadid: 7], All of this is in order to fulfil the rights of this money in accordance with this stewardship and its implications. Among the implications of the principle of stewardship is the use of this money to serve creation and enable them to benefit from it, as well as the desire to invest and grow it (Al-Ghazali, 1989, p. 70). Whoever believes in this principle of God Almighty fulfils the rights of this money from a sincere and emotional belief that helps him direct it towards what is good for the country and its people.

Second: The Prohibition of Interest (The Ban on Usurious Contracts)
One of the most important principles underlying the Islamic financial system is its view of money as not being a commodity that is bought and sold and has a profit value and interest attached to it, as in classical financial and economic systems. Islam views money as a means of exchange, a unit of measurement and a standard of value, rather than a commodity in itself that can be traded, grown and inflated without effort or work, but simply by waiting for time to pass. This rejection and prohibition does not stem from the Shariah's fear of interest per se, as making profits and earning returns is permissible in Islam and there is no problem with it, as will be explained later. It is at the heart and soul of Islamic Shariah, which combines idealism and realism. Rather, Sharia law's rejection of usury stems from its philosophy and view of interest accruing without effort or investment, because usury leads to the inflation of wealth, economic recession, and stagnation of production. as well as the accumulation of wealth in the hands of certain groups of people. This contradicts Sharia's view of money and resources, which, as mentioned above, should be traded fairly. Therefore, dealing with usury and considering it the basis of current economic systems has led to global economic crises and problems, because wealth is in the hands of a single entity that controls it according to its principles and orientations. Perhaps this is the secret behind why Allah, the Almighty, has forbidden the exploitation of usury for the purpose of multiplying wealth without work, investment, and development, as Allah, the Almighty, says: "O you who have believed, do not consume usury, doubled and multiplied, but fear Allah that you may be successful." [Al-Imran: 130].

Third: The Principle of "Profit in Return for Bearing Responsibility" (Al-Ghunm bil-Ghurm)
This principle is based on the fact that the collection of interest and returns is proportional to the financier's responsibility and willingness to bear risks and losses in the event of project failure or damage to the goods. This principle is linked to the previous one, namely the prohibition of usury in Islamic transactions. The prohibition of interest entails reliance primarily on participatory financing, and this is the fundamental difference between the participatory Islamic economy and the capitalist system, which is dominated by the rule of borrowing (Shabra, 1984, p. 03). Many may wonder about the significance of prohibiting usury, while interest is permitted in other forms of transactions such as sale, speculation, murabaha, and other permissible financial transactions based on participation and compensation. The secret lies in the principle of responsibility. In riba-based loans, we find that the financier guarantees a predetermined and estimated interest rate, and all he has to do is wait and watch for a period of time to get his interest, without bearing any responsibility and regardless of the results of the work in the event of the project's failure. This constitutes an additional burden on the project owner (Al-Ajlouni, 2010, p. 276). For this reason, Islamic law prohibits this type of transaction and considers the interest and returns from it to be unlawful, because it contradicts the aforementioned principle. This is unlike other permissible forms of financing, which are based on the principle of sharing in profits and losses, i.e. sharing in the profits and bearing the losses. The financier who provides funds and resources to others either does so purely out of generosity and kindness without demanding returns or interest, which is a legitimate interest-free loan, or the financing is for the purpose of making a profit and earning interest. This profit is guaranteed to the extent that the owner of the money bears the burdens and losses, so the entitlement to interest is proportional to the extent of responsibility borne, in accordance with the well-known jurisprudential rule: ‘gains and losses are shared’ or ‘the tax is borne by the guarantor.”

Fourth: The Sanctity of Contracts
The most prominent principle underlying the Islamic financial system is the sanctity and inviolability of contracts in financial transactions and exchanges. A contract is considered to be the law of the contracting parties, and this sanctity and great status derive their strength and legitimacy from the explicit text of the Holy Qur'an and the Sunnah of the Prophet (peace be upon him). Allah, the Almighty, says, "O you who have believed, fulfill [all] contracts" [Quran, Al-Ma'idah: 1]. Furthermore, the Prophet Muhammad emphasized that **"Muslims are bound by their stipulations."**

Fifth: The Prohibition of Hoarding and Monopoly

One of the most important principles underlying the Islamic financial system is the prohibition of hoarding and monopolising money, thereby preventing it from being used and circulated. Hoarding and monopolising money prevents it from fulfilling its purpose and objective in people's lives as a means of exchange and financing. This is what makes it a medium of exchange between individuals. Therefore, storing and hoarding money takes it away from its intended purpose, not to mention the negative effects of hoarding and lack of circulation, which harm the economy, prevent prosperity and development, and hinder investment. For this reason, Allah, the Almighty, has promised those who hoard money and prevent it from fulfilling its rights of zakat and charity – which are ways of circulation – with the most severe punishment and torment, as He, the Almighty, said "O believers! Indeed, many rabbis and monks consume people's wealth wrongfully and hinder ˹others˺ from the Way of Allah. Give good news of a painful torment to those who hoard gold and silver and do not spend it in Allah's cause." [At-Tawbah: 34]. In addition, hoarding money and failing to invest and grow it confines wealth to the hands of a select few, due to monopoly and lack of circulation, which is contrary to the philosophy of Sharia and its view of money and wealth. For this reason, Allah, the Almighty, explained the wisdom behind imposing rights on people's money to ensure its circulation among individuals, saying, "not merely circulate among the wealthy among you" [Al-Hashr: 7], thereby ensuring its continuous flow for the benefit of the wider community.

Sixth: The Imperative of Ethical Financing

This is, in fact, one of the most important principles underlying financing in the Islamic financial system, namely the legitimacy of transactions and financing. This is one of the most significant differences between Islamic financial institutions and other traditional financial institutions, which are not concerned with the type of activity carried out by the customer, as their main concern is financing through interest-based loans solely for the purpose of profit. This is in contrast to Islamic financing, which derives its name and philosophy from the principles and spirit of Islamic law. Therefore, financing in Islam means that the activity of the financier must be compatible with the principles of Sharia and not contravene them, and that all financing operations must comply with the limits of the Sharia rules and provisions for investing and operating funds (Bayer, Abdelkader, and Sayeh, p. 106). For example, an Islamic financial institution cannot finance projects that involve prohibited or impure trade or other Sharia-related defects that invalidate the legality of contracts. This is what makes the Islamic financial system noble in its means, in addition to its nobility in its goals and objectives.

2.3. Subsection Three: The Objectives and Aims of the Islamic Financial System

The objectives of the Islamic financial system do not in fact differ from the generally accepted objectives of economic policy in general, but the point of difference between the Islamic financial system and the capitalist system lies in the framework and means by which these objectives are to be achieved. In the Islamic financial system, the achievement of these objectives will be defined by the framework of Sharia law, which aims at broader objectives to include humanitarian and ethical aspects (Al-Ajlouni, 2010, p. 278). The most important of these objectives can be defined as follows (Shabra, 1984, p. 03):

First: Fostering Prosperity and Economic Well-Being

There is no doubt that the ultimate goal of the Islamic financial system is no different from that of its classical counterparts, in that its objective is to generate profit and improve the standard of living of individuals in the context of legitimate prosperity and wealth. Profit and economic prosperity remain and will always remain the primary goal of all financing operations and participatory formulas of various kinds. This goal does not contradict the philosophy of Sharia law but rather is consistent with God's purpose for humanity to be stewards of the earth and colonise it in the positive sense of the word. Islam is not a religion of austerity that calls its followers to monasticism, but rather a religion that encourages a positive outlook on life and affirms that people have the right to live a life befitting their status as God's vicegerents on earth (Shabra, 1984, p. 03). This can only be achieved through economic prosperity based on profit.

Second: Ensuring Monetary Stability

One of the most important goals of Islamic finance is to strive to achieve stability in the value of money, given its importance in economic and social life. Money is the lifeblood and backbone of life, without which life cannot function properly. The instability of money inevitably leads to inflation, and thus prevents money from performing its function as a unit of account. Inflation also generates a significant change in trust and commercial stability between individuals and institutions, due to the unstable credit system (Qatqanji, 2008, p. 33). Ancient Islamic scholars pointed out the danger of turmoil and instability in the value of money. Ibn al-Qayyim, may God have mercy on him, said (Ibn al-Qayyim, 1423 AH, p. 2/105): **"The price is the standard by which the value of money is determined, so it must be limited and fixed, neither rising nor falling; For if the price were to rise and fall like commodities, we would have no price by which to judge sales, but rather everything would be a commodity, and people's need for a price by which to measure sales is a general necessity."** This is a precise understanding from him, may Allah have mercy on him, and it is a foresight into the contemporary economic reality.

Third: Establishing Social Justice and Equitable Wealth Distribution

One of the most prominent goals of the Islamic financial system is to achieve distributive justice of wealth. The distribution of income or wealth refers to the method adopted by a particular economic system to determine the share of each element of production based on its contribution to the production process. Islam adopts justice and equality as fixed values in all areas, including the fair distribution of wealth and not leaving it concentrated among a certain group of people. Some may raise objections and questions, arguing that achieving distributive justice is the goal of all economic policies. The answer is that the difference between the two philosophies is that achieving this justice in the Islamic system is based on moral foundations stemming from the spirit of Sharia, while the pursuit of it in capitalist systems is the result of pressure from social groups and does not stem from a spiritual commitment to human brotherhood (Shabra, 1984, p. 6).

Section Two: The Role of the Islamic Financial System in Achieving Local Development

3.1. Subsection One: The Concept of Local Development

First: Linguistic Meaning: The term 'local development' is a descriptive compound consisting of two words – an adjective and a noun – namely: "development" and 'local.' Therefore, it is necessary to clarify the linguistic meaning of both.

- **First: In language:** Development in language: is a verb derived from the verb (nama-yannamu), and the letters nun, mim and alif in the language indicate elevation and increase (Ibn Faris, 1979, page 5/479), and I developed and nurtured something in the sense of causing it to grow and making it grow (Ibn Manzur, 1999, page 14/295), and I nurtured the fire by throwing wood on it and stoking it (Al-Jawhari, 1984, page 6/2516).
- **And locality:** an artificial source taken from (place), and the place or locality is the place where people settle (Ibn Faris, 1979, p. 2/21), and the community: society (Al-Zubaidi, 1965, p. 28/320). Thus, the word local refers to the smallest spatial area, or the specific geographical framework to which a particular group of people belongs, as opposed to regional or international.

Second: In terminology: It is difficult for researchers to arrive at a specific and accurate definition that regulates and defines the meaning of this term, because, according to specialists, this term did not appear in social and human sciences literature until the 1960s. We can begin to clarify the meaning of local development based on the United Nations definition, which defines it as: 'processes that can unite the efforts of citizens and governments to improve economic and social conditions in local

communities, help them integrate into the life of the nation, and contribute to its advancement to the greatest extent possible' (Bouamama and Bouamama, 2008). It is also defined as: **'the process by which effective cooperation between popular and governmental efforts can be achieved to raise the economic, social, cultural and civilizational levels of local communities and local units from the perspective of improving the quality of life for the inhabitants of local communities at any level of local administration in a comprehensive and integrated system'** (Abdul Hamid, 2001, p. 13). Greffer Xavier also defined it as **'the process of diversifying and enriching economic and social activities within a given region by mobilising and coordinating the energies and resources of that region'** (Bou Hanna, 2021, pp. 16-17).
Through these definitions, we can conclude that local development is a developmental process that integrates the joint efforts of the state and individuals at the local level, making optimal use of available resources to achieve economic growth, social advancement, and improved living standards.

3.2. Subsection Two: The Objectives of Local Development

Local development seeks to achieve numerous objectives at various levels. We will therefore divide local development objectives into social and economic objectives, as follows (Mashri, 2011, p. 74):

First: Social objectives:

- Improving the standard of living for individuals by providing basic goods and services. Local development does not only mean increasing gross domestic product, but also enabling individuals to access as many goods and services as possible. This is known as the theory of basic needs. (Bou Hanna, 2021, p. 26).
- Reducing regional disparities and achieving social justice, as one of the most prominent goals of local development is to reduce regional and local disparities in order to achieve regional balance.
- One of the most prominent social objectives of local development is to address unregulated and unplanned population distribution. Achieving local development in remote and rural areas limits random migration to urban areas in search of a decent life and prosperity. This results in many social problems due to overcrowding in certain areas at the expense of others and significant disparities in population distribution. Achieving development in these areas limits this phenomenon and optimises the use of the resources and wealth of these areas, rather than abandoning them and leaving them unexploited.

Second: Economic objectives:

- Revitalising and diversifying the economy and raising economic growth rates by exploiting all available resources and providing conditions conducive to increased production, as well as promoting local investment in existing natural resources by supporting public infrastructure.
- Providing as many jobs as possible and reducing unemployment, which leads to a waste of energy and a loss of talent and capabilities. Local development aims to utilise the workforce and the productive energies of young people. This will drive the wheel of development towards progress and advancement. Islamic law considers work and production to be among the acts of worship and devotion for which the person performing them will be rewarded. Furthermore, a strong believer is better and more beloved to Allah than a weak believer.
- Contributing to the provision of capital and support for small and medium-sized enterprises, thereby encouraging and supporting entrepreneurial activity, as one of the biggest obstacles to economic advancement is the scarcity of capital suffered by entrepreneurs and those with development ideas. Achieving genuine local development in accordance with precise standards and principles will ensure continuous support for local capital to address existing deficits, shortages and weaknesses.

These are the overall objectives that local development can achieve in the social, economic and many other fields. They can be summarised as raising the level of the state in all areas. This can be achieved by setting community standards, providing opportunities for investors to easily establish their projects, and reducing the restrictions that affect the success of those projects.

3.3. Subsection Three: The Impact of Islamic Finance on Achieving Local Development

No fair-minded observer of global economic affairs can doubt that the Islamic financial system is the most effective in achieving financial stability in the face of global financial crises. It is also the system that best achieves local development and prosperity at the local level. The reason and secret behind the Islamic financial system's ability to achieve development and contribute effectively to it is the diversity and multiplicity of financial and economic formulas and products. This is in contrast to classical systems and banks, which rely on a single product, namely interest-bearing loans, while Islamic banks and finance are based on multiple and diverse investment formulas and products. These formulas are genuine development products based on the real circulation and trading of goods and benefits. They also lead to the full and optimal utilisation of capital, the creation of small and medium-sized investment-oriented economic institutions, and the provision of a significant number of jobs and employment opportunities. All of this leads to real development and economic and social prosperity, and thus all the aforementioned goals and objectives are achieved. Below, we attempt to present the most important Islamic participatory formulas that contribute significantly to achieving this desired development, as follows (Jawani, p. 38):

First: Participatory Financial Instruments

1) **<u>Mudaraba (Profit-Sharing Partnership)</u>**

It is called in the language of the people of Hijaz: (al-qarad), and the first is the language of the people of Iraq, and speculation in the language is taken from striking the ground, trade and other travel, and one of its meanings is also: to hasten to walk (Ibn Faris, 1979, page 3/398), and from it comes the saying of Allah, the Exalted: "And others striding through the land seeking the bounty of Allah..." [Al-Muzzammil: 20]. and qarad is derived from qard, which means to cut off, and it is a term used in speculation by the people of the Hijaz, as if the speculator cuts off a part of his money to give it to others to trade in (Ibn Manzur, 1999, p. 11/110).

As for the terminology, speculation, qarad, and muqaradah have been defined in many ways. Imam Sheikh Khalil defined it as follows (Al-Hattab, p. 443): **'Qard: a commission on trade, in cash, delivered with a portion of its profit.'** Imam Ibn Arafa defined it as follows (Al-Rasaa, 1993, p. 500): **'Enabling money for those who trade with it in exchange for a portion of its profit, without the wording of a lease.'** Al-Jurjani defined it as follows (Al-Jurjani, 1985, p. 233): **'It is a partnership contract in profit with money from one person and work from another.'**

Through these definitions, it becomes clear to us that mudaraba is a purely investment process, through which the two elements of production, namely labour and capital, are combined and blended, so that one party (the financial institution) provides capital to the other party (the financier), who then trades with this capital and generates a profit. The profit is divided between them according to the agreement in the contract. Therefore, mudaraba is an investment process par excellence, which is also derived from its linguistic meaning, which is to strike the earth and trade in it, as mentioned above. This involves the movement and circulation of capital, which contributes to prosperity and development.

2) **<u>Participation (Musharaka)</u>**

This is an interaction between the company and, in linguistic terms, means mixing and blending between the two partners (Ibn Manzur, 1999, page 7/99). Participation is interaction, as in the words of Allah, the Almighty: "Indeed, he was to us a devoted partner (khalīṭan)" [Sad: 24], where khalīṭan refers to partners who have combined their funds (Abu Hayyan, 1993, 7/377).

There is a difference of opinion among jurists regarding the definition and limits of partnership. The most accurate definition is that of the Hanafi school, because it expresses the reality of partnership (Al-Zuhayli, 1985, p. 793). The Hanafi school defines it as: **'a contract between partners in capital and profit'** (Ibn Abidin, 2003, p. 6/466).

It can be inferred from these definitions that a partnership or joint venture is an investment formula in which a contract is concluded between two parties, whereby the first party (e.g. a financial institution) partners with the second party (one or more individuals) in capital (new or existing), where the two parties share the losses within the limits of their contributions, as well as share the profits in predetermined proportions between them (Jawani, p. 105). It is one of the formulas and products that contribute to capital investment and also provide support and financing to business owners who are unable to provide capital, all of which drives development towards progress and prosperity.

Second: Commercial profit-making formulas and products:

1) <u>Murabaha:</u>

This is a formula (action) of profit, and profit in language has several similar meanings revolving around increase, advantage and growth in commercial exchange in particular. The Mu'jam al-Maqayis dictionary states: **'The letters ra, ba and ha have the same root in mubayya, and shaf – with a broken shin and an open ba – means surplus, profit and increase'** (Ibn Faris, 1979, p. 2/474).

As for terminology, murabaha has been defined in several different ways by the jurists of the four schools of thought, as well as by contemporary jurists. Murabaha is considered the backbone of commercial and investment financing, especially the second type, which is murabaha for the purchaser. as it plays a fundamental role in achieving development and investment of capital. For this reason, we will mention everything related to it in the third section to avoid tedious repetition.

<u>2) Salām:</u>

With an open emphatic sīn and an open lām, it is taken in the language from giving, leaving, and presenting, and it means predecessor in weight and meaning, so I submitted to him and preceded him, both meaning Salām is the language of the people of Hijaz, and salaf is the language of the people of Iraq. Salām comes from the verb aslam and salam, which means to give money for a known commodity for a known period of time, as if you gave the price to the owner of the commodity and handed it over to him (Ibn al-Atheer, p. 2/396). Salm was given this name because the price is handed over without compensation, and salaf was also given this meaning. From this comes the term sahaba salaf salih (righteous predecessors) for the Companions of the Prophet (al-Qarafi, 1994, p. 5/223).

As for the technical term, it has been said: **'It is a contract on a specified item in the debt with a substitute given in advance,'** and it has been said: **'It is the delivery of a present substitute for a specified item in the debt'** (Al-Nawawi, 2003, p. 3/242).

From the above definition of salam, it is clear that salam is any contract in which one of the contracting parties pays an amount in advance as the buyer to the other contracting party as the seller, on condition that the latter undertakes to deliver the goods in his possession, according to specific terms and specifications, and within specific and fixed time limits. It is one of the types of sales that are permissible according to the Qur'an and Sunnah, and Imam Ibn al-Mundhir reported the consensus of the scholars on its permissibility (Ibn Qudamah, Al-Mughni, 1997, p. 6/385). It is one of the forms of financing that truly contributes to development, increases wealth, and provides financing to individuals and institutions to engage in many economic and developmental activities. The application of the salam formula enables the bank or financial institution to employ capital and invest it in projects that generate profits and returns, whereby the financial institution can make a profit through the purchase price and sale price of the goods delivered, This is what most banks and financial institutions in the Islamic world have adopted, and it is what Al Baraka Bank of Algeria has adopted in its financing of certain institutions. The following table shows the development of salam financing at Al Baraka Bank of Algeria from 2004 to 2006:

Table 1: Development of Salam financing at Al Baraka Bank Algeria.

Statement / Year	(2004)	(2005)	(2006)
Scale (million DZD)	4184	5233	4320

(Been Bayr, Abdul Qadir, and Sayeh, p. 113)

Fourth: Formulas and products of a mutualistic nature:

1) **<u>Zakat:</u>**

As every Muslim knows, zakat is one of the pillars and fundamental principles of Islam. Zakat was legislated in Islam to achieve noble goals and lofty principles. It purifies wealth from the taint of suspicious gains, and purifies and cleanses the soul from the diseases of stinginess, miserliness, selfishness and self-love, in addition to providing comfort and assistance to the poor and needy. All of these are noble purposes and lofty goals behind the legislation of this noble act of worship. We do not wish to discuss the devotional dimension of zakat here, as that is a separate topic. Rather, we wish to discuss the economic and developmental dimension of zakat. Many may wonder about the economic benefits of zakat in addition to its devotional benefits. Many researchers have pointed to these effects on economic life and local development, and we will try to explain them in the following points: (Al-Rouqi, 1987, p. 340)

- The collection and distribution of zakat to its designated recipients, as mentioned in the Sharia evidence, is a financing process that helps distribute wealth and prevents it from being hoarded by a certain group of people, which makes it a developmental formula in itself.
- Zakat contributes to freeing capital from stagnation and hoarding. This is because those who know that they have a right to their money pay it in accordance with the Shariah law they believe in, and they seek to mobilise their money and direct it towards investment and development in order to make a profit from which they can pay zakat. This drives development and prevents capital from being idle and stagnant, which provides economic and developmental support to society. Perhaps an example of this is the impact of Umar ibn al-Khattab, which Imam Malik mentioned in Al-Muwatta in the chapter (Zakat on the wealth of orphans and trade for them) from Malik: that it reached him that Umar ibn al-Khattab said: **'Trade in the wealth of orphans so that it is not consumed by zakat.'** This is an accurate interpretation of the meanings of Islam, and it clarifies the economic dimension of zakat.

2) <u>Waqf:</u>

In language, it means imprisonment and prevention. It is said that a house is a waqf if it is imprisoned in the way of Allah, and something from it is called a waqf or a waqf, and its plural is awqaf, like clothes and garments. As for the technical term, it has been defined in many ways, but the researcher believes that the best and most concise definition is: 'Imprisoning the original and releasing the benefit' (Ibn Qudamah, Al-Mughni, 1993, p. 16/361).

In addition to being a charitable project of a voluntary and cooperative nature, waqf plays an effective developmental and economic role that contributes to driving development and investment. Some of the economic and developmental dimensions of waqf can be explained in the following points: (Al-Khatib, p. 265)

- Waqf is considered a source of financing that helps increase overall consumption, as most of its beneficiaries are from vulnerable and low-income groups, such as orphans, the disabled, widows, students, and other vulnerable groups. Endowments made to these groups help to increase and stabilise their consumption and improve their standard of living, which is undoubtedly an economic gain.
- The impact of waqf on job creation and contributing to the elimination of unemployment, as waqf covers various sectors of employment, from education, hospitals, shelters for orphans and the disabled, mosques, Quranic schools, and other institutions that need to be managed and run. This creates jobs and also transforms facilities and real estate from idle private property into productive investment institutions that need to be managed and staffed. Thus, the clear impact of waqf on creating numerous jobs, providing opportunities for work and income, and consequently absorbing unemployment is evident.
- The waqf also contributes to alleviating the financial burden on the state by assisting in the establishment of many facilities that are essential to life, such as schools, hospitals, care homes, mosques, Quranic schools and others. All of these projects form the basic infrastructure of society, and the expenses of these projects are borne by the state. Therefore, waqf contributes to reducing and rationalising public expenditure, thereby transferring it to other development sectors, which is one of the economic development gains of waqf.
- The contribution of waqf to bank credit (Al-Khatib, p. 265), where some saw the possibility of waqf for financial liquidity, shares and bonds to be used in the areas for which they were established. This has a clear impact on economic development, as waqf can be converted into small financial institutions that finance merchants, farmers and manufacturers through legitimate financing methods such as murabaha,

mudaraba and others. The profits of the waqf financial institution are then directed towards achieving the objectives of the waqf. In this way, the waqf contributes to investment, development and general welfare.

Fifth: Agricultural and Farming-based Financial Models

1) **Muzara'ah:**

In Arabic, al-Muzara'ah is a reciprocal form derived from the verb zara'a (to plant), meaning 'to plant' and 'to cultivate.' The noun form is 'al-zar',' which refers to sowing, germination, and growth. Allah, the Exalted, says: "Is it you who make it grow, or are We the Grower?" [Al-Waqi'ah: 64], meaning: Do you grow it, or do We grow it for you? (Ibn Manzur, 1999, pp. 6/36-37).

As for the terminology used by jurists, it has been defined in several ways by jurists of different schools of thought. Among these definitions is that given by the Maliki imams, who defined it as: 'Muzara'ah is a partnership in ploughing' (Al-Rasa', 1993, p. 513). According to the correct view of the Maliki school, it is not binding merely by contract, but rather by sowing. Ibn al-Majishun and Sahnun asserted that it is binding by contract alone, which is also the view of Ibn al-Qasim. The reason for the disagreement between them on this issue is the predominance of one aspect over the other in sharecropping, because it is both a partnership and a lease. Those who emphasise the partnership aspect do not consider it binding merely by contract, while those who emphasise the lease aspect consider it binding merely by contract (Al-Dardir, Al-Sharh al-Kabir 'ala Mukhtasar Sidi Khalil, page 3/372).

Therefore, sharecropping is a partnership contract between two parties to cultivate, reclaim and plough land, either in the form of a lease, or on the basis that the yield and produce will be shared between the two parties according to the agreement in the contract.

2) Musaqat:

In Arabic, this is a reflexive verb form derived from the verb saqa, meaning to water. The source is al-saqi, which means to water something (Ibn Faris, 1979, page 3/84). The technical meaning of musaqat does not differ from the linguistic meaning. Ibn Manzur said (Ibn Manzur, 1999, page 6/298): **"Musaqa in palm trees and vineyards is one-third, one-quarter, and the like. It is said that so-and-so watered so-and-so's palm tree or vineyard if he gave it to him and used it, on condition that he maintains it, waters it, and takes care of it from wells and the like. whatever Allah brings forth from it, the worker shall have a share of such and such a share of what it yields, and the rest shall belong to the owner of the palm trees. The people of Iraq call it "mu'amalah"."** This definition of musaqat mentioned by Ibn Manzur corresponds to the definition of the fuqaha, as it is defined by the Maliki school of jurisprudence as: **'a contract for the cultivation of crops in proportion to their yield, without the use of the terms sale, lease or contract'** (Al-Rasaa, 1993, p. 508). It has also been said that: **'It is when a man gives a tree to someone to tend, and the yield is shared between them'** (Ibn Jazi, 2013, p. 467). The Hanbalis defined it as follows: 'Musaqah is when a man gives his trees to another man to water them and do whatever else they need, in exchange for a known portion of their fruit' (Ibn Qudamah, Al-Mughni, 1997, p. 7/527).

Thus, musaqat is a partnership contract between two parties, one of whom owns orchards of fruit trees, for example, but does not have the ability to care for, water, and repair them. so they enter into an agreement with a natural person or a legal entity such as an authority, institution or company to water and care for and repair the trees, on the condition that the proceeds from the fruit are shared between them according to the agreement, so that both the owners of the trees and those who water them benefit.

After presenting the concept to both parties, it is worth mentioning the developmental and economic impact of sharecropping and tenant farming. There is no doubt that these are two methods that help increase investment and stimulate local economic development in a very sensitive sector, namely the agricultural sector. Therefore, the most important effects of sharecropping and tenant farming in achieving economic prosperity and well-being can be summarised in the following two points: (Akhtar, 2004, p. 351).

- The tithe imposed as zakat on the produce of the land, which is imposed on the crop itself as a right on both parties to the sharecropping agreement, is considered a source of financing for individuals due to the cultivation and investment of the land. Without this process, zakat would not be due and wealth would not be circulated. For this reason, sharecropping is considered a reason for the establishment of zakat and tithes on farmers, which makes it one of the most important sources of development that contributes to the circulation of wealth. It is also considered a source of financing that contributes to the development of individuals and society.

- The issue of kharaj (tax), whereby the state can impose a specific annual tax on individuals and investors in the agricultural sector who have benefited from the state's ownership of public agricultural land for the purpose of investing in, exploiting and developing it. The right imposed on them by the state in the form of taxes and royalties in exchange for the state granting them ownership of that land at a symbolic price, for example, or in the form of leasing or other forms of exploitation that the state allows individuals and investors, Accordingly, the taxes imposed on them become a source of financing for the public treasury, which is considered an economic gain that contributes to local development.

In addition to these two economic effects of sharecropping and farming, there are other benefits that contribute to economic development and prosperity, such as providing jobs and employment, absorbing unemployment, reviving and utilising agricultural land, and preventing it from lying fallow and unproductive. This also achieves another benefit, which is providing and achieving self-sufficiency in food and reducing irrational imports. All this and many other economic and developmental gains are achieved through sharecropping and farming.

After this presentation of the various Islamic economic formulas and products, it is clear to us how rich and diverse the methods of development are in Islamic finance. This is in contrast to financial financing in classical economic systems, which is based on a single source, namely interest-bearing loans, based on a unilateral view and a selfish philosophy of profit and interest. This has led the Algerian state to adopt the Islamic model in banking by opening Islamic banking windows in many accredited banks in Algeria, which, praise be to God, are continuously developing and flourishing. Below are some tables and graphs illustrating the development of Islamic finance.

- **Development of key financial indicators for the Algerian Bank of Peace during the period (2011-2018):**

Figure 2: Development of some financial indicators for Al-Salam Bank

Financial indicators for Al-Salam Bank

Al-Salam Bank Assets

Al-Salam Bank deposits

Al-Salam Bank financing

Source: Study on the reality and prospects of Islamic banking development in Algeria in line with banking reforms, article in Al-Bashair Al-Iqtisadiya magazine, prepared by Dr Faraj Allah Ahlam and Dr Hamadi Mourad, Volume 7, Issue 01 (p. 263).

- **Development of the percentage of Islamic financing granted by the Algerian Gulf Bank:**

Figure 3: Percentage of financial financing granted by the Algerian Gulf Bank

Islamic financing

Total financing volume

Previous source, (p. 264).

Section Three: Murabaha to the Purchase Orderer and its Role in Achieving Local Development.

In the researcher's view, one of the most prominent financing formulas in the Islamic financial system is the murabaha formula for the purchaser, due to the financial support it provides to individuals and institutions. Murabaha for the purchaser is also considered one of the most common banking and financial transactions in Islamic financial institutions, as it is the easiest transaction for financial institutions and banks and the least risky for them. It also contributes to the financing of individuals and small and medium-sized economic institutions, all of which helps to drive development forward. For this reason, the researcher chose murabaha as a model of Islamic financing products that have a significant impact on achieving local development, as explained in the following sections.

4.1. Subsection One: The Concept of Murabaha to the Purchase Orderer.

First: the concept of murabaha in language and terminology.
Before delving into the meaning of murabaha for the purchaser, it is necessary to first mention the meaning of ordinary murabaha. then the concept of murabaha for the purchaser, and before that, it is necessary to mention the linguistic meaning of murabaha. In language, murabaha is a form of (mutual action) taken from profit, which is the surplus and increase in the sale (Ibn Faris, 1979, page 2/474). The linguistic meaning of murabaha is close to its technical meaning, as will be explained below. Arabs say: I made a profit on a commodity, meaning: I gave him a profit, and he gave him money on a murabaha basis, meaning: on the profit between them, and I sold the thing or commodity on a murabaha basis at ten dirhams per dirham, and it is necessary to name the profit (Ibn Manzur, 1999, page 5/101). Therefore, murabaha in the technical sense used by jurists is known to linguists in the sense used by jurists, which is that one man sells a commodity to another on the condition that the latter will earn a profit on it. and the seller must first disclose to the buyer the price at which he purchased the goods. This linguistic meaning of murabaha has been confirmed by linguistic authorities as being the meaning used by Arabs.

As for murabaha in the technical sense, its meaning, as mentioned above, does not differ from the linguistic meaning. It has been defined in several ways by jurists of different schools of thought, who agree on the same meaning. Among the definitions given are the following: **'A sale whose price is based on the price of a previous sale, without necessarily being equal to it'** (Al-Rasaa, 1993, p. 384). Al-Dardir defined it as follows (Al-Dardir, The Closest Path to the School of Imam Malik, 2000, p. 96): **'It is the sale of what was purchased at a price and a known profit.'**
From these two definitions, we conclude that murabaha sale is when a person sells his goods to another person at the same price at which he bought them, with a specific profit margin agreed upon by both parties. This is a type of trust sale, because the seller is trusted with the purchase price he mentions. He may sell it at the same price at which he bought it, which is called tawliya, or he may sell it at less than its original price, which is called wadiya, or he may sell it at more than its original price, which is murabaha (Al-Zuhayli, 1985, page 4/703).

The questioner may ask: If murabaha is about making a profit in trade or commercial exchange, what is the difference between it and ordinary sale? Since no sale is without profit! The answer to this question, in the opinion of the researcher, is that the difference lies in the seller's disclosure of the purchase price of the goods, since in a normal sale, the seller does not disclose to the buyer the purchase price of the goods being sold, and they rely on bargaining in this regard. whereas in murabaha, the seller must disclose the purchase price of the goods, on the condition that the buyer earns a certain profit. Therefore, it is based on the seller's trustworthiness in disclosing the purchase price. Thus, a normal sale is of a bargaining nature, while murabaha is of a credit nature. For this reason, the Maliki school of jurisprudence considered murabaha to be inferior to other types of sales, preferring other types of sales to it, because it is based on trustworthiness, which few people adhere to. For this reason, it says in al-Sharh al-Saghir al-Dardir: **'What is meant by permissibility is contrary to the first, and that is why the Sheikh said: "The most preferable is the opposite of it." Bargaining is more preferable to the scholars than auction sales, trust sales, and consignment sales, and the most restrictive to them is murabaha sales, because it depends on many things that the seller rarely fulfils properly.'** (Al-Dardir, Al-Sharh al-Saghir 'ala Aqrab al-Masalik ila Madhhab al-Imam Malik, pp. 3/215-216). As it also says in Al-Talqin: **'Selling is permissible through bargaining and murabaha. Bargaining is when the seller sells at a price agreed upon between him and the buyer without informing him of his capital, and murabaha is when he mentions his capital and the profit is agreed upon between them.'** (Al-Baghdadi, p. 2/387).

As mentioned above, murabaha is divided into two types: ordinary murabaha, which we mentioned earlier, and murabaha for the purchaser, which we have chosen as an example of Islamic financing products.

Second: The concept of murabaha for the purchaser and its legal ruling.
The researcher cannot find a definition for this type of sale in the books of Islamic jurisprudence, even though its content is deeply rooted in the literature of ancient jurisprudence, as will be discussed below. It should be noted that the first person to use this term was Dr. Sami Hamoud in his doctoral thesis: (Developing Banking Business in Accordance with Islamic Sharia), which was discussed on 30/06/1976 at the Faculty of Law, Cairo University. This term then became popular and spread, and for this reason we will mention some of the definitions of contemporary scholars of murabaha for the purchaser as follows:

- Dr. Sami Hamoud defined it as follows (Hamoud, 1982, p. 432): **'The customer approaches the bank and asks it to purchase the required goods according to the description specified by the customer, and on the basis of the bank's promise to actually purchase those goods, murabaha, at the price agreed upon, and the customer pays the price in instalments according to his means.'**
- Dr. Younis Rafiq Al-Masri defined it as follows (Jawani, p. 41): **'A person wishing to purchase goods approaches the bank because he does not have sufficient funds to pay for them in cash and because the seller will not sell them to him on credit, either because he does not engage in deferred sales, because he does not know the buyer, or because he needs the cash. The bank then purchases the goods for cash and sells them to its customer at a higher deferred price.'**
- Dr. Muhammad Sulayman al-Ashqar defined it as follows (al-Ashqar, 1404 AH, p. 06): **'The bank and the customer agree that the bank will purchase the goods... The customer is obliged to purchase them from the bank afterwards, and the bank is obliged to sell them to him at a spot price or a deferred price, the increase over the purchase price being determined in advance.'**

These definitions make it clear that this sale is a contract between two parties in which the buyer or customer (the purchaser) asks the seller (the Islamic bank), who is the agent, to purchase a specific commodity with precise specifications and take ownership of it. The seller then sells it to the buyer at an interest rate agreed upon by both parties, with payment to be made in instalments at specified times.

4.2. Subsection Two: The Role of Murabaha to the Purchase Orderer in Achieving Local Development

Murabaha for the purchaser is one of the most profitable and beneficial formulas and products for Islamic banks and financial institutions, as it is considered the best alternative to the riba-based loan used by traditional banks. It generates profit and interest for financial banks just like the riba-based loan, and perhaps even more. It also provides customers with sufficiency and savings for various goods and necessities for individuals and customers. For this reason, the researcher in this study chose this formula as a model for achieving local development, as it is considered the most common formula in Islamic banks, in addition to representing the largest share of investments, reaching 80% of the total investments in some Islamic banks (Abdul Qadir, 2020, p. 138). Examples of the evaluation of investment activity through murabaha in some Islamic banks can be found (Bin Bayer, Abdelkader, and Sayeh, p. 110). For example, we find that the percentage of investment operations through murabaha for purchase orders at Faisal Islamic Bank of Sudan reached 75% in 2005. In a statistical survey conducted by the State Bank of Pakistan on the evaluation of Islamic banking activity in Pakistan, these statistics showed that murabaha ranked first with a percentage of 40%.

Table 2: Value of Murabaha financing at Arab Islamic Bank.

Unit: Jordanian dinar

Years	2004	2005	2006	2007	2008
Value of Murabaha financing	132،569،103	672،580،114	915،774،146	395،006،190	029،188،194

Having outlined this simplified presentation of the investment financing process for Murabaha for the purchaser in some Islamic banks, it is worth noting the most important effects of Murabaha for the purchaser in achieving local development, as follows:

First: Murabaha for the purchaser contributes to covering the needs of individuals and institutions more than other investment formulas such as mudaraba, musharaka, musharaka, etc., as these formulas require effort, work and capital turnover through trade, manufacturing, etc. This suits only a certain segment of society, while those who need financing to acquire equipment or for ordinary consumption are not suited to these methods. Therefore, murabaha for the purchaser comes to cover this need.

Second: the murabaha formula for the purchaser is largely compatible with the banking activities of financial institutions. Naturally, a bank or financial institution is not a shop that sells goods and merchandise; it does not purchase goods first and then offer them to customers. Rather, the function of a bank or financial institution is to act as an intermediary and manager of needs, acquiring items based on customer requests and then reselling them to customers at a known profit margin. Therefore, murabaha for the purchaser is considered a flexible and practical model that is well suited to the work of banks and financial institutions.

Third: Murabaha for the purchaser contributes to meeting and providing various financing needs for different economic, commercial, agricultural and other sectors by providing financing to producers of goods, commodities and services, as well as financing machinery and equipment that help establish productive projects.

Fourth: Murabaha for the purchaser plays a role in the establishment of small and medium-sized enterprises, which play a major role in achieving local development that includes ordinary individuals and citizens. This is because financing in conventional banks is primarily concerned with financing large projects and large economic institutions that often do not benefit ordinary individuals. They also require huge amounts of capital to set up, which often makes them the preserve of the state or large investors, whereas murabaha for the buyer enables small investors to set up small or medium-sized enterprises. This creates and provides many jobs and helps to achieve a better balance of development between urban and rural areas. In addition, this type of enterprise contributes to the utilisation of financial savings, which supports the national economy. (Mahrez and Mashali, 2019, p. 1/26).

Fifth: The religious and doctrinal dimension of murabaha for the purchaser, considering it a permissible legal formula, thus encouraging individuals and institutions to strongly favour Islamic banks that adopt this type of transaction. This leads to a revival of banking activity for the financial institution, as we observe, especially in our country Algeria, a strong reluctance and abstention from financing and dealing with interest-based loans, due to the strength of Sharia immunity and the great sensitivity to the issue of interest-based loans. This has led to a noticeable decline and fluctuation in individual investment in interest-based banks. However, if Islamic banks were allowed to adopt this type of Islamic financing, we would see an unprecedented rush of individuals and institutions to these banks, which would contribute to the development of banking and finance, and this would drive the wheel of development forward.

Conclusion

From what has been presented and explained in this research paper, we can say that the Islamic financial system plays an effective role in achieving local development, due to the availability of this financial system in many and varied forms and products based on profit, liquidity and wealth circulation. This is in contrast to other classical financial systems based on a single product, namely interest-bearing loans, which have always weighed heavily on investment by placing an excessive burden on investors. For this reason, the Islamic financial system is considered a good alternative for countries seeking progress and development, especially the murabaha formula for purchase orders, which has an effective impact on achieving sustainable local development.

Key findings:

- The Islamic financial system is a set of economic and financial principles and rules linked to the fundamentals and principles of Islamic doctrine and ethics.
- The Islamic financial system is based on principles and rules that stem from the spirit of Islamic law, its philosophy and its view of life in general, and money in particular.
- The Islamic financial system has lofty goals and objectives aimed at achieving prosperity in living standards. Like other financial systems, it is a profit-oriented system that aims to generate and grow wealth, and is not merely a charitable mutual aid system.
- The Islamic financial system has a clear impact and a very effective role in achieving local development, due to its multiple participatory formulas and investment products, unlike the classical financial system based solely on interest-bearing loans.
- The murabaha sale to the purchaser is considered the most common investment formula in Islamic banks due to its flexibility and suitability for contemporary banking activities, in addition to being the least risky for them.
- Murabaha for the purchaser is one of the permissible sales according to the scholars, which has been decided by most of the approved fiqh councils and sharia bodies.
- Murabaha for the purchaser is also considered one of the most effective formulas and products for achieving local development, due to its role in establishing small and medium-sized investment projects and institutions, which benefits ordinary citizens and individuals.

Recommendations:

Following this presentation, the researcher can make the following recommendations:

1) The need to adopt an Islamic banking system in Algeria with the aim of achieving sustainable local development.
2) Emphasising the need to provide the political and legal environment and social conditions for individuals and institutions to accept Islamic finance.
3) Mobilising all print and audio-visual media, as well as advocacy platforms, to promote Islamic finance and convey its image to the public.
4) The need for Islamic banks to diversify their participatory formulas, such as salam, qard, ijara, musawara, musaqat and other formulas, in order to open the door to as many customers as possible, with the aim of enriching the economic and investment arena.

Sources and References:

The Holy Quran.

1) Ibrahim Bouhna (2021), Local Development and Social Justice in Algeria (Master's thesis), Faculty of Law and Political Science, Department of Political Science, Jijel: Mohammed Seddik Ben Yahia University.
2) Ibn al-Athir, al-Mubarak bin Muhammad al-Jazari, The End of Modern History and Influence, Beirut: Dar Ihya al-Turath al-Arabi.
3) Ahmed Abdelkader (2020), Murabaha in Islamic Banks: A Jurisprudential Study, no publication details.
4) Al-Ashqar, Omar Suleiman (1404 AH), Murabaha Sales as Conducted by Islamic Banks, Kuwait: Al-Falah Library.
5) Bouamama Ali, Bouamama Nasr al-Din (2008), The Concept of Local Development and Obstacles to its Implementation, First Forum on Local Development in Algeria: Reality and Prospects, Institute of Economic and Management Sciences, Bordj Bou Arreridj: University Centre.

6) Al-Jurjani, Ali bin Muhammad al-Sharif (1985), Definitions, Beirut: Lebanon Library.
7) Ibn Jazi, Muhammad bin Ahmad (2013), Jurisprudential Laws in a Summary of the Maliki School of Thought and Notes on the Shafi'i, Hanafi and Hanbali Schools of Thought, Beirut: Dar Ibn Hazm.
8) Al-Jawhari, Ismail bin Hammad (1984), Al-Sihah Taj al-Lugha wa Sahih al-Arabiyya, Beirut, Dar al-Ilm lil-Milayin.
9) Habib bin Bayr, Abdul Qadir Abdul Rahman, and Hamza Sayeh, Applications of Islamic Banking Financing Formulas Based on the Principle of Commercial Debt (research paper), no data available.
10) Al-Hattab, Muhammad bin Muhammad bin Abdul Rahman, Mawaheb al-Jalil Sharh Mukhtasar Khalil, Dar Alam al-Kutub.
11) Abu Hayyan, Muhammad bin Yusuf (1993), Al-Bahr al-Muhit, Beirut: Dar al-Kutub al-Ilmiya.
12) Al-Khatib Mahmoud bin Ibrahim (1422 AH), The Impact of Waqf on Economic Development, The Impact of Waqf on Economic Development, research presented at the First Waqf Conference, Saudi Arabia: Umm Al-Qura University.
13) Al-Dardir, Abu al-Barakat Sidi Ahmad (2000), The Closest Paths to the Doctrine of Imam Malik, Kano: Ayub Printing Press.
14) Al-Dardir, Abu al-Barakat Sidi Ahmad, The Small Commentary on the Closest Paths to the Doctrine of Imam Malik, Dar al-Ma'arif.
15) Al-Dardir, Abu al-Barakat Sidi Ahmad, The Great Commentary on the Summary of Sidi Khalil, Cairo, Dar Ihya al-Kutub al-Arabiyya.
16) Al-Rassa, Abu Abdullah Muhammad al-Ansari (1993), The Sufficient and Satisfactory Guidance to the Truths of Imam Ibn Arafa, Beirut: Dar al-Gharb al-Islami.
17) Al-Rougi, Khalid Abdullah (1987), The Islamic Financial System through the Book of Money by Abu Ubaid (Master's thesis), Mecca: Umm al-Qura University.
18) Al-Zabidi, Sayyid Muhammad Murtaza al-Husseini (1965), Taj al-Arous min Jawhar al-Qamus, Kuwait: Kuwait Government Printing Press.
19) Sami Hassan Ahmad Hamoud (1982), Developing Banking Business in Accordance with Islamic Sharia, Amman: Al-Sharq Printing Press and Library.
20) Shabra, Muhammad Omar (1984), The Monetary and Banking System in Islamic Economics (research paper), Islamic Economics Research Journal, Issue No. 02, Volume 01, Riyadh.
21) Al-Shafi'i Muhammad ibn Idris (2001), Al-Umm, Mansoura: Dar Al-Wafa for Printing, Publishing and Distribution.
22) Al-Shaybani, Muhammad ibn Al-Hasan (1999), Al-Mukharaj min Al-Hail, Cairo: Library of Religious Culture.
23) Saleh Mahrez and Bilal Mashali (2019), Towards Encouraging Investment in Small and Medium-sized Enterprises as a Strategic Option for Achieving Sustainable Local Development (refereed article), Journal of Management and Economic Research, Issue: 01, Volume: 01.
24) Ibn Abidin, Muhammad Amin (2003), Rad al-Mukhtar on al-Durr al-Mukhtar Sharh Tanwir al-Absar, Riyadh: Dar al-Alam al-Kutub.
25) Abdul Hamid Abdul Muttalib (2001), Local Finance and Local Development, Alexandria: Dar al-Mahaliya.
26) Abd al-Latif ibn Abd Allah al-Abd al-Latif (1422 AH), The Impact of Waqf on Economic Development, research paper presented at the First Waqf Conference, Saudi Arabia: Umm al-Qura University.
27) Abdul Wahab bin Ali bin Nasr al-Baghdadi, Indoctrination in Maliki Fiqh (Doctoral thesis), Faculty of Sharia and Islamic Studies, Department of Sharia Graduate Studies, Mecca: Umm al-Qura University.
28) Al-Ajlouni Ahmad Taha (2010), The Contemporary Islamic Financial System: Theoretical Framework and Practical Application (research paper), Journal of Administrative Sciences Studies, University of Jordan, Amman.
29) Al-Ghazali, Abdul Hamid (1989), On the Islamic Approach to Economic Development, Cairo: Dar Al-Wafa for Printing and Publishing.
30) Ibn Faris, Ahmad bin Faris bin Zakariya (1979), Measures of Language, Beirut, Dar Al-Fikr.

31) Fatoum Maamar and Si Lakhdar Gharbi Yassin (2019), Features of the Islamic Financial System and its Institutional Frameworks (research paper), Faculty of Economics, Business and Management Sciences, M'sila: Mohamed Boudiaf University.
32) Ibn Qudamah, Muhammad ibn Abdullah ibn Ahmad (1997), Al-Mughni, Riyadh: Dar Al-Alam Al-Kutub.
33) Ibn Qudamah, Muhammad ibn Abdullah ibn Ahmad (1993), Al-Mughni, Giza: Dar Hijr.
34) Al-Qarafi, Ahmad ibn Idris (1994), Al-Zakhira, Beirut: Dar Al-Gharb Al-Islami.
35) Qatqangi, Samer Mazhar (2008), Islamic Economic Controls in Addressing Global Financial Crises, Damascus, Dar Al-Nahda.
36) Ibn Qayyim al-Jawziyya, Muhammad bin Abi Bakr bin Ayyub (1423 AH), Informing Those Who Sign About the Lord of the Worlds, Saudi Arabia, Dar Ibn al-Jawzi.
37) Muhammad Jaouani, Financing Formulas in Participatory Banks: A Fundamental Study, Fatima al-Fahriya Centre for Research and Studies (Mafad).
38) Mushari Muhammad al-Nasir (2011), The Role of Small and Medium-Sized Enterprises in Achieving Sustainable Local Development (Master's thesis), Faculty of Economics, Management and Business Sciences, Setif: Farhat Abbas University.
39) Ibn Manzur, Muhammad bin Makram bin Ali (1999), Lisan al-Arab, Beirut, Dar Ihya al-Turath al-Arabi.
40) Nasir Ahmad Akhtar (2004), The Role of Sharecropping and Musaqat in Local Development (Doctoral Thesis), Faculty of Islamic Studies, Karachi: University of Karachi.
41) Al-Nawawi, Yahya bin Sharaf (2003), Rawdat al-Talibin, Riyadh: Dar al-Alam al-Kutub.
42) Wahba al-Zuhayli (1985), Islamic Jurisprudence and its Eviden