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The Reliance of Small and Medium Enterprises on Islamic Financing Formulas in Algeria

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Abstract
Small and medium enterprises in Algeria can rely on Islamic financing formulas as a genuine and complementary alternative to conventional financing, particularly in financing investments, purchasing equipment, and financing the operating cycle. The success of Islamic financing formulas, however, requires expanding the network and products of Islamic banking, simplifying financing procedures, strengthening collateral, spreading awareness and Islamic financial literacy, and encouraging formulas based on risk and profit sharing. The future of Islamic finance in Algeria therefore depends on the ability of banks and public authorities to turn the existing legal framework into a more diversified and effective financing practice on the ground.

Keywords
Small and medium enterprises (SMEs), Islamic financing formulas, Islamic banking, Algeria.

ملخص:
يمكن للمؤسسات الصغيرة والمتوسطة في الجزائر أن تعتمد على صيغ التمويل الإسلامي باعتبارها بديلا حقيقيا ومكملا للتمويل التقليدي، خصوصا في عمليات تمويل الاستثمارات وشراء التجهيزات وأيضا تمويل دورة الاستغلال، غير أنّ نجاح صيغ التمويل الإسلامية يتطلب توسيع شبكة ومنتجات الصيرفة الإسلامية، تبسيط إجراءات التمويل، تعزيز الضمانات، نشر الوعي والثقافة المالية الإسلامية، تشجيع الصيغ القائمة على المشاركة في المخاطر والأرباح، وبالتالي فإنّ مستقبل التمويل

الإسلامي في الجزائر يرتبط بمدى قدرة البنوك والسلطات العمومية على تحويل الإطار القانوني الموجود إلى ممارسة تمويلية أكثر تنوعا وفعالية على أرض الواقع.

الكلمات المفتاحية: المؤسسات الصغيرة والمتوسطة، صيغ التمويل الإسلامية، الصيرفة الإسلامية، الجزائر.

Introduction

When small and medium enterprises turn to conventional banks to request financing, they face numerous practical difficulties and obstacles, since this type of enterprise most often lacks sufficient collateral, and the interest rates that banks impose on them are high, which places a heavy burden on the owners of these enterprises, among other difficulties.

Given the specific nature of this type of enterprise, which leads it to run into several obstacles, particularly its limited ability to cover all of its own financial needs, it becomes necessary to look for other financing alternatives that take its particular exposure to risk into account and that are better suited to its financial position and available means. Islamic financing emerged in this context as an approach that distinguishes itself from other conventional financing methods through principles aimed at offering interest-free loans combined with profit and loss sharing, along with other positive features that serve the interests of those dealing in these formulas. Islamic finance includes numerous financing formulas and products that allow enterprise owners to cover their needs while taking into account the specific nature and circumstances of this type of enterprise, which may constitute a solution to their financing problem.

Research Problem

This research seeks to test the ability of Islamic financing formulas to resolve the financing problem faced by small and medium enterprises in Algeria, by attempting to determine whether these enterprises can rely on Islamic financing formulas as a financing alternative that provides them with sources of finance consistent with their specific nature, drawing on a questionnaire as the research instrument. The research problem can accordingly be formulated as follows: **Is there a tendency among small and medium enterprises toward the possibility of relying on Islamic financing formulas as a financing alternative suited to their particular characteristics?**

Research Hypotheses

This study was designed to address the following hypotheses:

Main hypothesis: Small and medium enterprises in Algeria can turn to Islamic financing products to meet their financing needs.

The following sub-hypotheses fall under this main hypothesis:

- Murabaha, Musharakah, Ijara, Istisna, Salam, and Mudarabah are each, as a financing source, suited to the financing needs of small and medium enterprises.
- Restrictions imposed on Islamic banking lead to limited use of Islamic financing formulas.
- There is a tendency on the part of the state toward supporting and activating the Islamic finance sector.

Research Objectives

- To examine the possibility of Algerian small and medium enterprises relying on Islamic financing formulas as a financing alternative to bank loans, one that they could readily turn to in order to meet their financing needs, by testing the ability of Islamic financing formulas to resolve the financing problem.

- To offer some proposals regarding the importance of Islamic financing formulas in providing financing alternatives suited to the specific nature of small and medium enterprises.

Research Methodology

In order to test the hypotheses under study and answer the research problem, the theoretical part relied on the descriptive and analytical methods, through an attempt to cover the most important theoretical aspects of the subject by drawing on various references.

For the applied part, concerning the case study on the possibility of financing small and medium enterprises in Algeria through Islamic financing formulas as a financing alternative free from interest-based dealings, the quantitative method was adopted, as it provides a numerical description of the extent or size of a phenomenon and its degree of correlation with other variables. This was done using the appropriate statistical tests through the SPSS statistical software to process and analyze the questionnaire data, in order to arrive at meaningful and valuable indicators that add value to the research.

Research Plan

This paper has sought to test the ability of Islamic financing formulas to resolve the financing problem of small and medium enterprises, by attempting to determine whether this type of enterprise, for a sample of small and medium enterprises, can turn to Islamic financing formulas, following the steps below:

- **Axis One:** Testing the possibility of small and medium enterprises relying on Islamic financing formulas.
- **Axis Two:** Discussing the study's hypotheses and drawing conclusions.

Literature Review

Numerous prior studies, both theoretical and empirical in perspective, have addressed the subject of Islamic finance, with the aim of highlighting the importance of Islamic financing formulas in providing financial resources suited to the specific nature and situation of various enterprises.

The study by ʿUmar Bin Dādah (2020), titled *The Effectiveness of Islamic Banks and Financial Institutions in Financing Small and Medium Enterprises: Leading International Experiences and Ways for Algeria to Benefit from Them*.

In this study, the researcher sought to propose a solution to the financing problem faced by small and medium enterprises by examining the Islamic financing alternative offered by Islamic banks and financial institutions. The study reached a number of findings, the most important of which are:

- The Musharakah financing method has a set of features that give it sufficient quality to make it one of the important alternatives for financing small and medium enterprises.
- Providing Islamic financing to small and medium enterprises enables them to generate revenue and secure a lawful (halal) financing alternative.

- Despite this field study's finding that Islamic finance is capable of achieving effectiveness for Islamic banks, on the one hand, and that Islamic banks provide a high-quality financing source for small and medium enterprises in Algeria, on the other, Islamic banks in Algeria, represented by Al Baraka Bank and Al Salam Bank, still refrain from financing small and medium projects owing to the high level of risk associated with them.

The study by ʿAyyāsh Zubayr and Munāsira Samīra (2016), titled *Islamic Finance as a Financing Alternative for Small and Medium Enterprises*.

The two researchers sought to assess the Islamic financing formulas suited to the situation of small and medium enterprises, on the premise that these enterprises could turn to such formulas as a financing alternative, by evaluating the advantages and risks of Islamic financing formulas for small and medium enterprises.

- The Islamic financing method can contribute to the development of small and medium enterprises and reduce their financing problems.
- Mudarabah financing suits small craftsmen and owners of small projects, while Musharakah financing contributes to capital formation, particularly for new enterprises or those in an expansion phase.
- Salam financing allows access to cash liquidity and eliminates the problem of ordering goods that are not available at the time of the request.
- Murabaha financing suits the financing of small and medium enterprises in terms of knowing the cost of goods and merchandise and setting repayment installments consistent with cash flows.
- Istisna financing is considered a means of encouraging small producers to produce, by providing financing from the bank while specifying the product's characteristics.
- Ijara financing frees up a large share of cash liquidity that can be directed toward operations without resorting to borrowing, in addition to helping small and medium enterprises obtain leased assets; it is also less costly than the other financing formulas.

The study by Daoui Alouane and Meriem Messiad (2022), titled *Shift towards and Islamic FinanceinAlgeriaeconomy*.

In this paper, the researchers sought to highlight the contribution of small and medium enterprises, across their various economic activities, to the process of economic development, and then to underline the financing problem they face, given that many of them end up disappearing shortly after their creation. As a proposed solution to the financing problem, the researcher focused on Islamic financing sources, which have proven their worth in many countries, particularly developed ones. The most important findings reached by this study are:

- The Islamic financing formulas best suited to small and medium enterprises in Malaysia are Musharakah, Murabaha, deferred-payment sale, Salam, and Istisna.
- Islamic money in Algeria does not exceed 03% of the total money supply in circulation; despite the pressing need for financing, the Algerian market remains closed to the spread of Islamic banks.

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Axis One: Testing the Possibility of Small and Medium Enterprises Relying on Islamic Financing Formulas

In this axis, we seek to uncover the extent to which small and medium enterprises may turn to Islamic financing formulas in order to address the financing problem they face, given the specific nature of this type of enterprise and the weakness of its financial means. We have therefore chosen to test the tendency of small and medium enterprises toward the possibility of relying on various Islamic financing formulas as an interest-free financing alternative that meets their financing needs in line with their resources and available means, according to the following points:

First: The Methodological Framework of the Study

The methodological framework of the study involves following a number of steps set out according to the following elements.

1. Presentation of the Questionnaire

The questionnaire under study will be presented by addressing its design stages as well as its structure, according to the following points.

1.1 Stages of Questionnaire Design

The questionnaire under study was prepared in ordinary (paper-only) form and was submitted for review by professors specializing in the financing of small and medium enterprises and in Islamic finance before being distributed to the sample members. The design of the questionnaire went through two stages:

- **Form construction stage:** The form included 32 questions and was submitted for review by a group of specialized professors, in order to evaluate and correct it in terms of the soundness, precision, and comprehensiveness of the questions, as well as the coherence of the axes under study, and to ensure that the questions asked served the hypotheses put forward.
- **Questionnaire distribution and administration stage:** The questionnaire was distributed in its ordinary (paper) form through several methods, including direct interviews with respondents, distributing the forms to sample members with the help of their colleagues, and also distributing them to some colleagues employed in senior management at some of the enterprises under study. This was followed by the stage of retrieving the forms and receiving the sample members' responses through the same methods used in the distribution process.

1.2 Structure of the Questionnaire

The questionnaire form was built on the basis of 32 questions, divided into four sections:

- **Section one:** contains various general and qualitative data on the sample members;
- **Section two:** includes the first axis of the questionnaire's subject matter, concerning the importance of Islamic financing formulas for small and medium enterprises (dimensions of financing decision-making);

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- **Section three:** contains the second axis of the questionnaire, concerning the extent of financial managers' knowledge, in Algerian small and medium enterprises, of the characteristics of Islamic financing formulas (financial literacy);
- **Section four:** the final section, which includes the third axis of the questionnaire, concerning the possibility of Algerian small and medium enterprises relying on Islamic financing formulas to meet their financing needs and the financing formulas most suited to them.

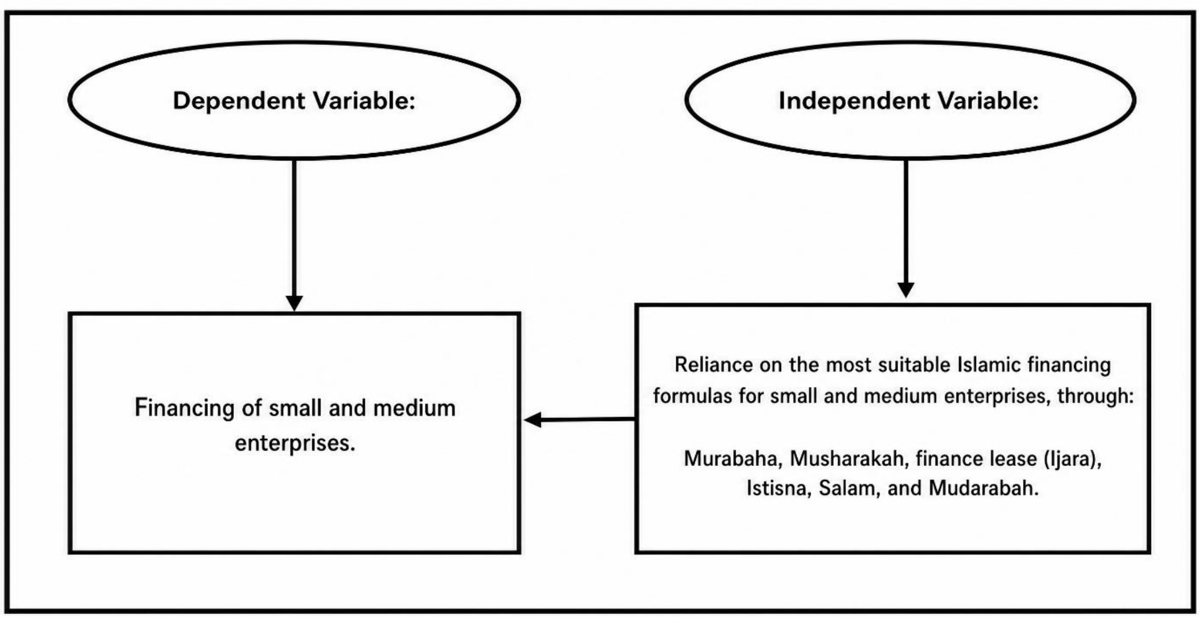
It should be noted that this study focused on section four, corresponding to the third axis of the questionnaire mentioned above. (Ābidī, 2023/2024)

2. Study Model

The study model helps to show the nature of the relationship between the study's variables, and in order to build a model that reflects the research problem, a set of variables must be defined and the relationship between them tested.

Drawing on some of the prior studies referred to in the introduction of this paper, a set of explanatory variables was selected, namely Murabaha, Musharakah, Ijara, Istisna, Salam, and Mudarabah, and an attempt was then made to test the effect of these variables on the variable of small and medium enterprise financing as the dependent variable. The following figure summarizes the study's descriptive model.

Figure 01: The Study's Descriptive Model



Source: Prepared by the researcher based on the study's variables.

It should be noted that Muzara'ah (agricultural share-cropping), Musaqah (irrigation-partnership farming), Mugharasah (tree-planting partnership), and Qard Hasan (benevolent interest-free loan) were excluded, as they are not consistent with the nature of the sector in which the enterprises under study operate, namely the primary processing of plastic material.

Legitimate financing sources refer to the various financing sources sanctioned by Islamic law, encompassing numerous financing formulas and methods for using and investing funds through lawful means, whether by combining capital with capital or capital with labor (Khabbābah and Brāhīmī, 2009, p. 13). Among the Islamic financing formulas is Musharakah, which is based on the Islamic bank providing part of the financing for the project while the client covers the remaining part of the financing required for the project (Barakah, 2015, p. 173), with both parties sharing the expected return, whether profit or loss, according to an agreed ratio (Qaḥf, 2011, p. 46). Mudarabah, for its part, refers to a partnership contract for profit, with capital contributed by one party and labor by the other (al-Hāshimī, 2010, p. 175); both Musharakah and Mudarabah are financing formulas based on sharing the return on investment. Among the debt-based financing formulas is Murabaha, which means selling a commodity at a price that includes the trader's cost of the commodity plus a known profit margin (ʿAbd al-Muṭṭalib, 2014, p. 34), with the sale to the client required to take place only after the trader has taken ownership of the commodity (Khawjah, 2013, p. 21). There is also Salam, which means selling a described commodity at a price paid immediately, with delivery of the goods deferred to a known term and under specified conditions (Irshīd, 2015, p. 194), and Istisna, which is a contract under which goods are manufactured to known specifications using materials supplied by the manufacturer, on the basis that the party commissioning the work pays a specified amount at the start of the contract or in installments during the performance of the agreed work between the two contracting parties (Makhlūf and Saḥnūn, 2022, p. 904). There is also Ijara, which means a known benefit for a known fee, and is a contractual agreement between two parties whereby the lessee benefits from the right to use an owned asset for a specified period of time in exchange for rent paid according to the agreement (Khawjah, 2013, p. 199).

Second: The Study Population, Its Boundaries, and Data Collection and Analysis Tools

This part covers the definition of the study population and its boundaries, as well as the definition of the sample under study.

1. Study Population

The population targeted for this study consisted of all employees working in financial administration at the level of small and medium enterprises operating in the industrial sector within the Algerian business environment. Two criteria were used in selecting the study population: the first was that the individual required to respond had to work in an Algerian small or medium enterprise operating in the industrial sector, and the second was that the individual had to be a specialist in financial administration within these enterprises (finance and accounting department, senior management), that is, on the basis of specialization in the field of financing. The questionnaire was accordingly prepared and directed to a group of financial managers in order to draw on their views and accumulated experience in the field of financing.

The study population therefore consists of all employees working in financial administration at a group of industrial small and medium enterprises whom we were able to reach, numbering 70 individuals.

2. Boundaries of the Study

***2.1 Boundaries relating to the study's data*:** The study's data relate to the importance of Islamic financing formulas in providing financing for small and medium enterprises while taking into account the specific nature of this type of enterprise, as well as this type of enterprise's tendency toward relying on Islamic financing formulas as an alternative that resolves the financing problem.

***2.2 Boundaries relating to the time frame*:** Information was collected by some administrative staff belonging to the group of industrial small and medium enterprises under study, using the questionnaire as the instrument. The results and content of this study are tied to the time in which it was conducted, namely during 2024.

***2.3 Boundaries relating to the spatial frame*:** The spatial frame refers to the geographic boundaries of the sample under study. The study was applied to a group of employees at the level of financial administration working at a group of industrial small and medium enterprises operating in the primary processing of plastic material in the industrial zone of Sétif Province.

***2.4 Substantive boundaries*:** This study relates to topics concerning the ability of Islamic financing formulas to resolve the financing problem faced by small and medium enterprises given the limited external financing sources, on the premise that this type of enterprise has limited recourse to bank loans in Algeria, through the axes related to it.

3. Study Sample

The sample under study consists of a group of employees working in financial administration at a group of industrial small and medium enterprises operating in the primary processing of plastic material in Sétif Province, numbering 70 enterprises, specifically those holding financial decision-making authority within these enterprises. The financial accountant, financial director, enterprise manager, and enterprise owner were targeted, given that they hold the authority to make any decision relating to whether or not to rely on the available financing sources, that is, relying on a purposive non-random sample.

The questionnaire was distributed to all 70 sample members; however, 51 questionnaires were retrieved after the period set by the researcher for conducting the study had elapsed. After examining and reviewing the retrieved forms, it was found that all of the retrieved forms met the requirements and were suitable for analysis, thereby constituting the study sample. The following table shows the sample under study.

Table 01: Distribution of the Number of Forms Among the Small and Medium Enterprises Under Study

Position of sample members	Forms distributed	Forms retrieved	Percentage retrieved

Accountant in the finance and accounting department	13	09	12.8%
Financial director (financial manager)	30	25	35.7%
Enterprise manager	15	13	18.6%
Enterprise owner	12	04	5.7%
Total	70	51	72.8%

Source: Prepared by the researcher based on the information available on the sample under study.

We note that the number of retrieved forms represents 51 out of 70 forms, that is, a retrieval rate of 72.8%, which is an acceptable rate.

4. Data Collection and Analysis Tools Applied in the Study

This paper relied on the questionnaire as the data collection tool and on a number of data analysis tools, summarized in the following points:

- **Data collection tool used in the study:** consists of the Questionnaire, relying on the direct-inquiry method by approaching the sample members. It was prepared and directed to a group of financial managers in order to draw on their views and accumulated experience in the field of financing, given that Algeria's experience in Islamic banking is still recent, and that there is a tendency on the part of government bodies toward supporting the field of Islamic finance in Algeria.
- **Scale used in the study:** A three-point Likert scale was used in this study to measure the targeted concepts, given the ease of its use in filling out the questionnaire and, accordingly, in facilitating data collection. It is used in numerous questionnaire forms owing to the ease of its preparation, interpretation, and use (Mujāhidī, 2011).
- **Data analysis and hypothesis testing tools:** The data obtained from the questionnaire were processed and analyzed using a computer through IBM SPSS Version 25, whereby all tables and social science measures appropriate to this study were extracted with the aim of providing a comprehensive description of the degree of agreement of sample members with these questions, summarized in the following table:

Table 02: Data Analysis Tools Used in the Study

Tool	**Description**
Percentages	Used to determine the proportion of respondents choosing particular questionnaire items, and also used to describe the research sample in terms of the personal and occupational characteristics of the targeted individuals.
Cronbach's Alpha	Considered one of the most important statistical tests for analyzing questionnaire data; in light of this test's results, the questionnaire is either revised or accepted (meaning that the sample is suitable for the study). It is used to determine whether or not the questionnaire's items are internally consistent (Bashīshī, Majlakh, and ʿAlī, 2021, p. 599), and is also used to

	test the reliability of the data collection instrument, that is, to calculate the reliability coefficient for the whole questionnaire, as well as to calculate internal consistency validity (dimensions).
Pearson Correlation Coefficient	Used between the study's variables in order to confirm construct validity and demonstrate that the scale measures what it was designed to measure (ʿAnān, 2021-2022, p. 192); it allows one to determine whether or not a linear relationship exists between two variables.
Kolmogorov-Smirnov Test	A statistical test used to determine whether the distribution of the sample under study follows a normal distribution. The significance level of this test must be greater than the required value for a normal distribution (0.05) for the measurement instrument to be considered normally distributed, which allows parametric tests to be used in the statistical data analysis.
Mean	The means of the items and dimensions allow the tendencies of the sample members regarding the study's variables to be determined. Since a three-point Likert scale was used, the means indicating the strength of the level of the computed variable dimensions must exceed the hypothetical mean, estimated at (02) (this being the neutral point on the scale), and the strength of the level is judged accordingly.
Standard Deviation	Used to judge the extent to which respondents in the study sample agree on the mean of the answers; the larger the deviation from this mean, the greater the dispersion in the answers and the lower the level of agreement on the same answer and significant levels (Bahlūl and Kallāsh, 2022, p. 633).
One-Sample T-Test	Confirms whether there is statistical significance in the answers of the respondents under study regarding all of the form's axes and items, thereby confirming whether the hypotheses put forward are valid or not.

Source: Prepared by the researcher based on Ābidī Lāmiyā, *Determinants of Algerian Small and Medium Enterprises' Recourse to Islamic Financing and Conventional Financing (A Study of a Group of Small and Medium Enterprises)*, doctoral dissertation, Corporate Finance specialization, Faculty of Economic, Commercial, and Management Sciences, Ferhat Abbas Sétif University 1, Algeria, 2023-2024, pp. 413-415.

Third: Analysis of the Reliability and Validity of the Study Instrument

Before proceeding to analyze and draw conclusions, it is first necessary to ascertain the validity and reliability of the questions under study, so as to ensure that the results are credible and more realistic.

1. Reliability Analysis

Reliability refers to the extent to which a test truly measures the trait it is intended to measure, that is, the stability of test scores and their lack of susceptibility to external circumstances (Bin Ṣāfī, 2014, p. 142). In this study, reliability is represented by the values of the Cronbach's Alpha coefficients and the Pearson correlation coefficients.

Table 03: Cronbach's Alpha Value (Measuring the Questionnaire's Reliability Results)

Item	Value
Cronbach's Alpha value	0.835
Number of items	27

Source: Prepared by the researcher based on the output of SPSS Version 25.

It should be noted that reliability is high the closer the Cronbach's Alpha coefficient is to one, while a value closer to zero indicates a lack of reliability, and that the agreed minimum threshold for the Cronbach's Alpha coefficient is (0.6).

We further note that the study's overall internal consistency reliability coefficient (Cronbach's Alpha) reached (0.835), a high value that exceeds the excellent threshold of (0.80). It also exceeds the agreed minimum threshold for reliability of (60%) and is greater than the statistically acceptable relative value of (0.60), meaning that it is an excellent and acceptable rate for the purpose of analysis. We can therefore say that the questionnaire is characterized by credibility and reliability, and can accordingly be relied upon in the study's field application.

2. Instrument Validity Analysis

The validity of the instrument refers to its ability to measure what it was designed to measure (Bin Ṣāfī, 2014, p. 142), and to the clarity and comprehensibility of its items. To ascertain the instrument's validity, we address the following points:

- **Face validity of the instrument:** this means having the questionnaire reviewed by a group of specialists and professors experienced in constructing research questionnaires, thereby determining the clarity of the items and their capacity to achieve the study's objectives. For this type of validity, we relied on a group of professors specializing in the financing of small and medium enterprises and in Islamic finance, as well as professional practitioners, to review it before it was distributed to the sample members.
- **Internal consistency validity:** this refers to the extent to which each item of the questionnaire is consistent with the axis to which it belongs, determined by calculating the Pearson correlation coefficients between each item of the questionnaire and the overall score of that same axis.

The following table shows the correlation coefficients for the items of the third axis, corresponding to section four of the questionnaire, given that this paper focuses solely on the content of the third axis, concerning the possibility of Algerian small and medium enterprises relying on Islamic financing formulas to meet their financing needs and the financing formulas most suited to them.

Table 04: Correlation Coefficients for the Items of the Axis Under Study

Item number	Correlation coefficient	Significance level
Axis: the possibility of Algerian small and medium enterprises relying on Islamic financing formulas to meet their financing needs and the financing formulas most suited to them		

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item 14	0.657	0.000
item 15	0.640	0.000
item 16	0.577	0.000
item 17	0.408	0.003
item 18	0.336	0.016
item 19	0.477	0.000
item 20	0.512	0.000
item 21	0.501	0.000
item 22	0.343	0.014
item 23	0.501	0.000
item 24	0.284	0.043
item 25	0.133	0.353
item 26	0.413	0.003
item 27	0.551	0.000

Source: Prepared by the researcher based on the output of SPSS Version 25.

We note from the table above, which contains the Pearson correlation coefficient for each item in the axis under study, that these coefficients are generally positive and statistically significant (less than 0.05), which indicates the internal consistency validity of the questions with their axis.

- **Construct validity:** measures the extent to which the objectives that the instrument seeks to achieve are met, and shows the extent to which each dimension is correlated with the axis to which it belongs, as can be seen in the following table:

Table 05: Pearson Correlation Coefficient for the Axis Under Study

Item	**Axis under study**
Correlation coefficient	0.955
Significance level	0.000

Source: Prepared by the researcher based on the output of SPSS Version 25.

Based on Table 05, we note that the axis under study, concerning the possibility of Algerian small and medium enterprises relying on Islamic financing formulas to meet their financing needs, correlates with the questionnaire at a rate of (95.5%), and is statistically significant at the (0.05) significance level, that is, a confidence level greater than (95%). We can therefore say that the scale used is of high quality, enabling us to obtain credible results.

Axis Two: Discussing the Study's Hypotheses and Drawing Conclusions

Before discussing the hypotheses, it is first necessary to present the results obtained, which reflect the opinions and tendencies of the sample members under study, through an analysis of the questionnaire items for the axis under study, as follows:

Table 06: Presentation of Sample Members' Answers to the Questionnaire Items for the Axis Concerning the Possibility of Small and Medium Enterprises Relying on Islamic Financing Formulas

Item No.	Statement	Mean	Std. Dev.	Mean Diff.	T-value	Sig.	Rank	Rating
Axis Three: The possibility of Algerian small and medium enterprises relying on Islamic financing formulas to meet their financing needs and the financing formulas most suited to them								
14	Your enterprise believes there is no tendency among financial managers to make use of Islamic finance instead of conventional finance	2.25	0.913	0.25	1.99	0.052	7	Moderate
15	Your enterprise believes that Murabaha suits its financing needs, as an alternative to conventional financing (interest-bearing loans) that achieves the same objectives but through a lawful method	2.39	0.896	0.39	3.12	0.003	4	High
16	Your enterprise believes that Musharakah suits its financing needs owing to its flexibility in financing small and medium projects, particularly diminishing Musharakah ending in ownership	2.35	0.795	0.35	3.16	0.003	5	High
17	Your enterprise believes that Musharakah cannot be applied across different fields (trade, industry, agriculture, crafts), and that the bank is considered a partner rather than a creditor, as is the case in conventional banks	2.09	0.922	0.09	0.75	0.451	10	Moderate
18	Your enterprise believes that the finance lease suits	2.27	0.850	0.27	2.30	0.025	6	Moderate

	its financing needs, as an alternative to the conventional leasing product						
19	Your enterprise believes that operating Ijara suits its financing needs by providing machinery and equipment for a set fee without transferring ownership of the asset, making it more of a commercial transaction than a financial one	2.03	0.870	0.03	0.32	0.749	11	Moderate
20	Your enterprise believes that Istisna suits its long-term financing needs as an established enterprise seeking to expand	2.09	0.806	0.09	0.86	0.389	9	Moderate
21	Your enterprise believes that Salam suits its financing needs, with the Islamic bank paying the price to the client immediately and receiving the goods at a later date	2.11	0.886	0.11	0.94	0.348	8	Moderate
22	Your enterprise believes that Mudarabah suits its financing needs by financing a single transaction, working capital, or the provision of operating assets by the managing partner	1.96	0.847	-0.03	-0.33	0.742	12	Moderate
23	Your enterprise believes that Mudarabah can be applied over the short,	1.86	0.825	-0.13	-1.18	0.240	13	Moderate

	medium, and even long term							
24	Your enterprise believes that using Mudarabah enables it to avoid bearing the financial risks that fall on the capital provider	1.86	0.825	-0.13	-1.18	0.240	13	Moderate
25	Your enterprise believes that there are restrictions imposed on Islamic banking that lead to limited use of Islamic financing formulas	2.47	0.808	0.47	4.15	0.000	1	High
26	Your enterprise believes that there is a tendency on the part of the state toward supporting and activating the Islamic banking sector	2.41	0.852	0.41	3.44	0.001	2	High
27	Your enterprise believes that Islamic finance has promising prospects in Algeria	2.39	0.750	0.39	3.73	0.000	3	High
Total		2.18	0.384	0.18	3.43	0.001	—	Moderate

Source: Prepared by the researcher based on the output of IBM SPSS V.25.

Hypothesis statement: There is a statistically significant relationship, at the (0.05) significance level, between the possibility of relying on Islamic financing formulas and the financing problem of small and medium enterprises.

- **Null hypothesis (H0):** There is no statistically significant relationship, at the (0.05) significance level, between the variable of relying on Islamic financing formulas and the financing problem of small and medium enterprises.
- **Alternative hypothesis (H1):** There is a statistically significant relationship, at the (0.05) significance level, between the variable of relying on Islamic financing formulas and the financing problem of small and medium enterprises.

Table 07: Presentation of the Results for the Axis Under Study

Item	Mean	Std. Dev.	Mean Diff.	t-value	Sig.	Rating
Axis Three	2.18	0.384	0.18	3.43	0.001	Moderate

Source: Prepared by the researcher based on the output of IBM SPSS V.25.

Based on Table 07, we note that the mean for this axis reached (2.18), that is, a moderate degree of acceptance, with a standard deviation of (0.384), which is less than one, indicating homogeneity in the answers of the respondents in the study sample. We also note that the mean difference between this axis and the hypothetical test mean of (02) reached (0.18), which confirms the moderate rating for this axis. As for the t-value at this level of difference, it is statistically significant at the (0.001) significance level, which is less than (5%), and since the calculated t-value of (3.43) is greater than the tabulated value of (1.676), we reject the null hypothesis, which states that there is no statistically significant relationship, at the (0.05) significance level, between the variable of relying on Islamic financing formulas and the financing problem of small and medium enterprises, and we accept the alternative hypothesis, meaning that there is a statistically significant relationship, at the (0.05) significance level, between the variable of relying on Islamic financing formulas and the financing problem of small and medium enterprises.

From the point of view of the sample members under study, it can be said that there is a tendency and a possibility on the part of small and medium enterprises toward relying on Islamic financing formulas as an alternative to conventional financing sources and a solution to the financing problem they face. This is shown by item 14, the results of which indicate a tendency among managers and directors to make use of Islamic finance instead of conventional finance, should it be made available in the economic environment; personal interviews with some managers and owners regarding how these formulas work also revealed a willingness to deal in them if given the opportunity, particularly given that they suffer from a shortage of financial resources.

Murabaha, as a financing source, helps small and medium enterprises cover their financing needs as an alternative to conventional financing, thereby achieving the same objectives but through a lawful method, as shown by item 15.

Musharakah, as a financing source, helps small and medium enterprises cover their financing needs through the flexibility that characterizes this source in financing small projects, particularly diminishing Musharakah ending in ownership, as shown by item 16.

The finance lease, as a financing source, suits the financing needs of small and medium enterprises as an alternative to the conventional leasing product, with the bank leasing a set of assets that match investors' needs, which they may subsequently own as they wish, as shown by item 18.

Islamic banks tend to avoid dealing in Salam and Istisna as financing sources for small and medium enterprises compared to the other formulas, owing to the higher degree of risk that the parties to the contract may bear. According to the respondents, the Islamic bank avoids Salam because it is based on paying the price to the client immediately and receiving the goods at a later date, and it avoids Istisna as a financing source suited to the long-term financing needs of established small and medium enterprises seeking to expand, since it provides financing during the establishment phase through advance payments or periodic installments during execution, which makes it riskier and costlier, particularly with regard to the project feasibility study, as shown by items 21 and 20.

As for Musharakah as a financing source, it does not suit established small and medium enterprises already active in the business environment, but rather suits newly established small and medium enterprises, so that the bank can enter as a partner rather than a creditor, as is the case in conventional banks, as shown by item 17.

There are restrictions imposed on Islamic banking that lead to limited use of Islamic financing formulas, as shown by item 25.

There is a tendency on the part of the state toward supporting and activating the Islamic finance sector, and it has promising prospects in Algeria, as shown by items 26 and 27.

Conclusion

This paper has sought to test the ability of Islamic financing formulas to address the financing problem faced by small and medium enterprises, as a financing alternative for meeting and covering their various financing needs in a manner consistent with the specific nature of this type of enterprise. Among the most important findings reached are the following:

- There are restrictions imposed on Islamic banking that lead to limited use of Islamic financing formulas, including procedures and regulations based on interest-bearing foundations required by the central bank, since Algerian Islamic banks operate in an environment subject to the regulatory frameworks adopted by the Bank of Algeria. It should be noted that these regulatory frameworks are built on interest-bearing foundations that run counter to the principles of these Islamic banks and the values on which they were established, given that they are for-profit commercial companies.
- Algeria's experience with Islamic financing methods is limited in scope, given that Islamic banks in Algeria rely heavily on Murabaha and Ijara, while their reliance on Salam and Istisna is very limited.
- There is a tendency on the part of the state toward supporting and activating the Islamic banking sector, and it can accordingly be said that Islamic finance has promising future prospects in Algeria.
- Islamic finance represents a solution to the financing problem faced by small and medium enterprises, owing to Islamic banks not being excessive in their conditions for granting financing.
- Murabaha, as a financing source, helps small and medium enterprises cover their financing needs as an alternative to conventional financing, thereby achieving the same objectives but through a lawful method.
- Musharakah, as a financing source, helps them cover their financing needs through the flexibility that characterizes this source in financing small projects, particularly diminishing Musharakah ending in ownership.
- The finance lease, as a financing source, suits the financing needs of small and medium enterprises as an alternative to the conventional leasing product, with the bank leasing a set of assets that match investors' needs, which they may subsequently own as they wish.
- There is apprehension among financial managers about relying on Islamic financing formulas instead of the conventional financing formulas currently in use, owing to their lack of sufficient and necessary knowledge of this type of financing, in addition to its not

being well made available, given that there are only two Islamic banks in Algeria along with some Islamic branches and windows at conventional banks, since the use of these Islamic formulas in Algeria is very limited and recent compared to conventional financing formulas.

- Islamic banking in Algeria represents no more than 2% of the financing system, consisting of Al Baraka Bank and Al Salam Bank along with some Islamic financing windows opened at some financial institutions subject to conventional financing regulations.
- The process of relying on Islamic finance faces several challenges, the most important of which are the limited availability of certain financial products, the low level of financial awareness required among enterprise owners, the weak recourse to Musharakah and Mudarabah compared to debt-based formulas, and the need to develop the institutional framework and products to better suit the specific nature of small and medium enterprises.

Study Recommendations

These can be summarized in the following points.

- The mechanisms of Islamic finance in the financial sector need to be activated, given their considerable importance in providing financing sources as an alternative to conventional financing, by training specialized personnel in Islamic economics and developing scientific research in this field in order to develop Islamic banking, as well as spreading Islamic financial literacy, particularly among those holding financial decision-making authority in small and medium enterprises, economic operators, and even employees and customers at Islamic banks.
- Encouraging the establishment of Islamic financial institutions specializing in financing small and medium enterprises.
- Working to adapt legislation, laws, and regulatory frameworks to facilitate small and medium enterprises' access to financing.
- Avoiding confusion of understanding regarding the operation of Islamic banks in Algeria under a conventional central bank that deals in interest, and therefore the need to establish a specialized Islamic financial department within the central bank, given that Algeria's experience with Islamic finance is still very recent.

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