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Reviving Zakat for Micro-Financing and Socio-Economic Development in Algeria

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ABSTRACT

Algeria has managed zakat for wealth distribution and project financing by managing and investing the zakat funds as microfinance to create jobs, reduce unemployment and poverty as well as contribute to financing the local development and encouraging investments by providing financial aids and good loan in financing micro-enterprises through qard el-hassan. Although the qard el-hassan program was freezed in 2014, qard el-hassan is slowly but surely has demonstrated its ability as an Islamic solution to achieve its social and economic goals in Algeria by managing the zakat fund as a financing source. By using descriptive statistics as analytical tool, this paper attends to describe: (1) Facts and figures of zakat in Algeria and (2) The role of zakat for financing through qard el-hassan and socio-economic development in Algeria. Overall, this paper encourages the government of Muslim countries to optimize the zakat fund as a financing source through qard el-hassan and/or another productive contract to face the socio-economic financing problem. Moreover, for the Government of Algeria, allocating zakat funds into qard el-hassan has to be considered to be revived to continue the impact of the Algerian zakat fund on the Algerian socio-economic development.

Keywords: zakat, microfinance, qard el-hassan, socio-economic development, Algeria

INTRODUCTION

Zakat plays a role in economic and social development. Zakat is proven to be able to improve people's welfare and alleviate poverty. History proves that with proper management, zakat is capable to realize them. Studies by Ahmed (2004), Hassan & Khan (2007), Yusoff (2008), Shirazi (2014), and Billah (2016) prove that zakat institutions need to be integrated into poverty alleviation strategies because they are able to provide social security and can be utilized for human resources development in the long term.

In several Islamic countries such as Malaysia, Indonesia, Bangladesh, and Brunei, studies by Nadzri, Abd Rahman, & Omar (2012), Kasri (2014), Hoque, Khan, & Mohammad (2015), Jaelani (2016), Abdullah & Haqqi (2017) and Adiwijaya & Suprianto (2020) prove that the management of zakat not only contributes to poverty alleviation, but is also one of the most important tools to help people who are in debt, develop entrepreneurship, and reduce unemployment by creating jobs in the micro sector.

Likewise in Algeria, the study by Amara & Atia (2016), Rédha, Larbi & Karima (2016), Sayah (2016a), Djaghballou, Djaghballou, Larbani, & Mohamad (2018), Farhi, Mahdjoubi & Eijouli (2018), Barka & Kiari (2019), Sayah, Redif, & Djalam (2019), Ameur & Ahssen (2019), Sayah, Djamal, & Sabrina (2021), and Hassab & Amal (2021) established that zakat has a strategic role in the social and economic development. Zakat has worked for wealth distribution and project financing by managing and investing the zakat funds as microfinance to create jobs, reduce unemployment and poverty, support youth employment

projects, and contribute to finance the local development in this country.

Although the management of zakat funds in Algeria actually represents a new experience to contribute in solving the problems of unemployment and poverty, and although a cursory evaluation shows that different parties are questioning the efficiency and effectiveness of managing the zakat affairs, referring to Djaghballou, Djaghballou, Larbani, & Mohamad (2018), the performance of zakat funds managed by Directorates of Religious Affairs and Wakfs in Algeria has increased sharply during 2003-2013. Indeed the zakat collection in a country with a 42 million population is institutionalized as a state project.

Alongside zakat, *qard el-hassan* as one of the instruments for redistributing income and wealth in Islam also has considerable positive effects on poverty elimination. Studies by Mojtahed & Hassanzadeh (2009) in Iran, then Amin, Ghazali & Supinah (2010) and Abidin, Alwi & Ariffin (2011) in Malaysia, Febianto & Ashany (2012) and Utomo, Maharani & Octavio (2015) in Indonesia, Iqbal & Shafiq (2015) in Pakistan, Zauro, Saad & Sawandi (2016) in Nigeria, Muneer & Khan (2019) in Bangladesh, Mushkalamzai, Taeb, & Hanif (2019) in Afghanistan and Musari (2019) in Association of Southeast Asian Nations (ASEAN) Member State confirmed how *qard el-hassan* needs to be encouraged toward the landscape of social and sustainable finance in developing countries, particularly to contribute in enhancing the social and financial inclusion in Organization for Islamic Cooperation (OIC) countries.

In Algeria, Mohieldin, Iqbal, Rostom, & Fu (2011) referring to Bankakademie International in 2006 reveal that 20.7% of micro business owners do not apply for loans mainly for religious reasons. However, Sayah, Redif, & Djalam (2019) reported that the zakat fund in Setif has managed for financing microbusinesses during 2004 to 2014. Sayah, Dekkiche & Mortet (2021) also reported that the zakat fund in Iran has successfully participated in helping many poor people and financing 150 micro-institutions through *qard el-hassan* during the whole period from 2006 to 2014. This indicated that zakat funds in this country have been managed into Islamic microfinance, one of which is through *qard el-hassan.* Thus, micro business owners actually can apply for loans with religious reasons because Algeria Government has provided solutions through various Islamic financial instruments.

In light of the foregoing, this paper stands with a set of hypotheses that: (1) Zakat in Algeria plays a key role in reducing poverty, encouraging investments, and driving the wheel of economic growth by providing financial aids, and good loan in financing micro-enterprises. (2) *El-qard el-hassan* is slowly but surely demonstrating its ability as an Islamic solution to achieve its social and economic goals in Algeria by managing the zakat fund as financing source.

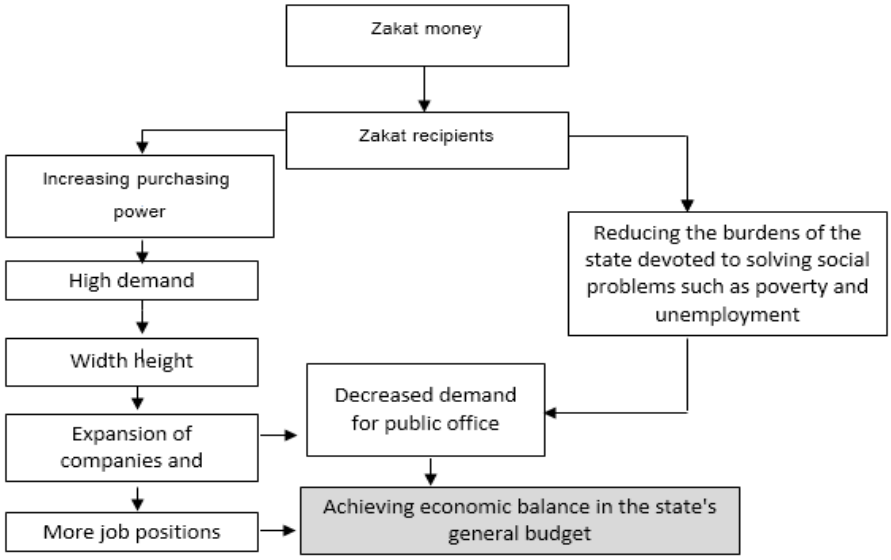
Therefore, this paper addresses the following issues: (1) Facts and figures of zakat in Algeria, and (2) The role of zakat for financing through *qard el-hassan* and socio-economic development in Algeria. Overall, this paper believes that it is important to discuss these issues in order to encourage the government of Muslim countries to optimize the zakat fund as a financing source through *qard el-hassan* and/or another productive contract to face the socio-economic financing problem. Moreover, for the Government of Algeria, allocating zakat funds into *qard el-hassan* can finance the working capital of young people which constitute a large percentage in Algerian society. More than 75% of such people have a high rate of unemployment.

LITERATURE REVIEW

Besides one of the five most important pillars of Islam, Hassab and Amal (2021) mention that zakat is also a means of social and economic solidarity among Muslims. On the one hand, it works to redistribute money and affects the psychology of the rich who pay it. On the other hand, it achieves a material and psychological balance for the poor, as it aims to reduce social and economic differences between the rich and the poor. It is also considered the solution to many problems such as inflation, deflation and economic stagnation, the problem of financing, the problem of unemployment and employment, poverty and other economic and social problems.

According to Ahmad & Habib (2013), zakat has a built-in program to reduce inequalities and bring about a distribution of income that is benevolent and in conformity with its concept of human brotherhood. The major objectives of Islam in distribution consist: (1) Fulfilment of basic needs for all; (2) Equity but not equality in personal incomes; and (3) Elimination of extreme inequalities in personal income and wealth. By taking out a portion of the wealth of the rich that is legally imposed at a specific time, Sayah (2016a) reminded that Islam places the one who prevents zakat in the category of the disobedient. It is a specific right of money that has reached the quorum for its beneficiaries if the requirements related to ownership of kind of wealth and the passing of year are complete. It is a certain amount above the *nisab* for a year that the rich people bring to the deserving poor. It is a certain amount because it is a known right to money that is determined according to certain rules.

Figure 1. The economic and social role of zakat



Source: Sayah (2016a)

Previous experiences, especially in the era of the Prophet, may Allah bless him and grant him peace, and the in era of Omar bin Abdul Aziz, zakat has proven its potential. When zakat is taken in full and spent in its targeted heads of allocation, it contributes to solving many social and economic problems. Achievement of these goals depends on the extent of people's confidence in the fund's activity and the extent of their belief in the system. Figure 1 shows the role of the zakat fund in improving the purchasing power of the individual, as well as achieving the recovery in the national economy, creating

job opportunities, and achieving economic balance for the state.

In addition to the main role that the zakat plays in collecting and disbursing the fund to the poor and needy, part of the fund can be directed also to finance micro projects through the good loan. The existence of a good loan in Islamic economics generally is associated with what is known as *qard el-hassan. Qard el-hassan* (also written as *qard hasan, qard-ul-hassan, qardul hassan)* is an example of a unique Islamic social finance instrument. *Qard el-hassan* is often referred to as a zero-return loan, benevolent loan, voluntary loan, soft loan, charitable loan or beautiful loan.

According to Iqbal & Mirakhor (2008, 2011), Askari, Iqbal & Mirakhor (2009), Obaidullah & Khan (2008), Chapra & Khan (2008) and ISRA (2010, 2015), *qard el-hassan* is one of the social-welfare contracts in the form of interest-free loan to make funds available to the needy people. This loan is extended without any extra payment or benefit or return or charge or profit-sharing or any other compensation from the borrower. The lender expects a reward only from Allah SWT. In many places of the Holy Qur'an, Allah has mentioned and encouraged humankind to do *qard el-hassan* by assuring better rewards in this world and in the hereafter. The verses of the Qur'an and Ahadith addressing the subject are:

> *"Who is it that would loan Allah a goodly loan so He may multiply it for him many times over? And it is Allah who withholds and grants abundance, and to Him you will be returned".* (Qur'an 2:245),
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> *"[Charity is] for the poor who have been restricted for the cause of Allah, unable to move about in the land. An ignorant [person] would think that they are self-sufficient because of their restraint, but you will know them by their [characteristic] sign. They do not ask people persistently [or at all]. And whatever you spend of good - indeed, Allah is Knowing of it."* (Qur'an 2:273),
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> *"And Allah had already taken a covenant from the Children of Israel, and We delegated from among them twelve leaders. And Allah said, 'I am with you. If you establish prayer and give zakah and believe in My messengers and support them and loan Allah a goodly loan, I will surely remove from you your misdeeds and admit you to gardens beneath which rivers flow. But whoever of you disbelieves after that has certainly strayed from the soundness of the way.'"* (Qur'an 5:12),
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> *"But if they turn away, [say], 'I have already conveyed that with which I was sent to you. My Lord will give succession to a people other than you, and you will not harm Him at all. Indeed my Lord is, over all things, Guardian.'"* (Qur'an 11:57),
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> *"And who is more unjust than one who is reminded of the verses of his Lord but turns away from them and forgets what his hands have put forth? Indeed, We have placed over their hearts coverings, lest they understand it, and in their ears deafness. And if you invite them to guidance - they will never be guided, then - ever."* (Qur'an 18:57),
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> *"Who is it that would loan Allah a goodly loan so He will multiply it for him and he will have a noble reward?"* (Qur'an 57:11),
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> *"Indeed, the men who practice charity and the women who practice charity and [they who] have loaned Allah a goodly loan - it will be multiplied for them, and they will have a noble reward."* (Qur'an 57:18),

"If you loan Allah a goodly loan, He will multiply it for you and forgive you. And Allah is Most Appreciative and Forbearing." (Qur'an 64:17),

"Indeed, your Lord knows, [O Muhammad], that you stand [in prayer] almost two thirds of the night or half of it or a third of it, and [so do] a group of those with you. And Allah determines [the extent of] the night and the day. He has known that you [Muslims] will not be able to do it and has turned to you in forgiveness, so recite what is easy [for you] of the Qur'an. He has known that there will be among you those who are ill and others traveling throughout the land seeking [something] of the bounty of Allah and others fighting for the cause of Allah. So recite what is easy from it and establish prayer and give zakah and loan Allah a goodly loan. And whatever good you put forward for yourselves - you will find it with Allah. It is better and greater in reward. And seek forgiveness of Allah. Indeed, Allah is Forgiving and Merciful." (Qur'an 73:20),

Anas bin Malik reported that Allah's Messenger (may peace be upon him) saying: I saw in the night of Isra, at the door of heaven is written: Shadaqah is given ten times and qard 18 times. I asked, O Jibril, why reward for qard is greater than sadaqa? He answered: because the beggar asks something which he may have in some form and quantity, while the borrower will not borrow except for a needy purpose." (HR. Ibn Majah and Baihaqi),

It is reported that the Prophet (saw) said, in the night of the journey, I saw on the gate of heaven written, 'reward for sadakah is ten times and reward for qard al-hasan is eighteen times'. So, I asked the angel, how is it possible? The angel replied, "Because beggar who asked had already had something but a borrower did not ask for loan unless he was in need." (HR. Ibn Hisham & Ibn Majah),

Reported by Abu Hurairah Ra., the Prophet (saw) said, "whoever relieves a believer from a difficulty in this world, Allah will relieve him from his difficulty and Allah will facilitate him in this world and world hereafter." (HR. Muslim).

In Islamic economics, *qard el-hassan* is one of '*tabarru'* contract which can be advanced for the purpose of microcredit and poverty alleviation. Musari (2019) explained that microfinance institutions (MFIs) can provide this contract to the people who are in need of small start-up capital and/or have no business experience and/or have emergency needs. Then, the MFIs may charge only a service or administration fee. The term of repayment will be on instalment basis for an agreed period. Musari (2017, 2019, 2020) also mentioned that *qard el-hassan* can be a meeting point between the conventional MFIs and Islamic MFIs, and also between conventional microfinance and Islamic microfinance, for financing the poor. Poverty alleviation is the main goal, so financing for the poor should avoid interest rates.

Furthermore, by collecting the information from the World Bank and Islamic Financial Service Board (IFSB) database to construct an unbalanced panel, study by Hasan, Hassan, & Rashid (2021) with 21 countries' samples during 2013 to 2018 confirmed that *qard el-hassan* can play a decisive role in ensuring sustainable development. The result of the study also concluded that the inclusion of *qard el-hassan* in the total shari'ah-compliant financing portfolio can foster sustainable development.

METHODOLOGY

This research uses a literature survey by referring to data and information documented in reports submitted from authorities and mass media during 2003 to 2021. The analytical tool used in this study is descriptive statistics because the purpose of this study is only to describe the facts and figures of zakat in Algeria and the role of socio-economic development of zakat in Algeria since its launch for the first time in 2003.

RESULTS AND ANALYSIS

Facts and Figures of Zakat in Algeria

Algeria is located in the heart of North Africa. Embassy of Algeria (n.d) described that the country's population is 42 million and covers an area of 2.381.741 km^2 and is bordered by the Mediterranean Sea on the North, then Sahrawi Arab Republic, Mauritania, and Morocco on the West, Niger and Mali on the South as well as Tunisia and Libya on the East. Algeria is at a crossroads of three worlds, i.e. African, Arab, and the Mediterranean. As the 10th largest in the world and the largest country in Africa, Algeria is a global producer of natural gas and has been categorized as the first oil discoverer in recent years.

In Algeria, zakat fund is a religious and social institution established by Executive Decree No. 91-82 on 7 of Ramadan 1411 corresponding to March 23, 1991 and operates under the supervision of the Ministry of Religious Affairs and Wakfs, which guarantees religious coverage. The fund was established in 2003 and its first application was in the states of Annaba in the east and in the region of Sidi Bel Abbes in the west. The money was collected in cash by opening a postal account belonging to the Mosque Foundation and then circulated throughout the national territory, to all provinces, in the year 2004.

In Algeria, the zakat fund is subject to the supervision of the Ministry of Religious Affairs and Wakfs, whereby the Minister chairs the Board of Directors of the fund, and the Ministry's organs are responsible for the fund's activities. In this country, the payment of zakat is optional, subject to the will of the individual and the central bodies by involving the private sector in the management of the fund, the councils of neighbourhood committees, and senior donors. The proceeds of the fund are spent as follows: (1) An outcome directed to the poor and needy; (2) Proceeds directed to the expenses of the Zakat Fund, and (3) Proceeds directed to investment *(qard el-hassan).*

Referring to Sayah, Redif, & Djalam (2019), zakat in Algeria is calculated on 2.5% of movable capital and between 5% to 10% of the fixed income funds like farmland, factories, and investment-oriented stocks; and 20% of oil and coal. Salhi (2009) mentioned that zakat in this country has worked on allocating part of the money of the rich towards the poor and therefore it lowers the levels of expenditures of the poor from the general State Budget.

Table 1. Distribution of zakat fund earnings of Algeria

Datum	The proportion of the proceeds of Zakat	
	The collected zakat funds is less than 5 million DZD	**The collected zakat funds is more than 5 million DZD**
The poor and needy.	87,5%	50%
The expenses of collected zakat to *el-qard el-hassan*	-	37,5 %
The expenses of the fund management.	**12,5% is distributed as follows**: 4.5 % to cover the activities of the Commission on state costs. 6% to cover the commission's basal activity costs. 2% to cover the costs of the fund's Committee activities at the national level.	

Source: Processed by the authors based on The Ministry of Religious Affairs and Wakfs of Algeria, 2003.

Table 1 shows the distribution of the Algerian Zakat Fund's proceeds. If the zakat collected is more than five million Algerian Dinars (DZD), then half of it is distributed to the poor. A rate of 37.5% of the zakat outcome gets distributed as loans *(qard el-hassan)* and if it is less than 5 million DZD, a rate of 87% gets distributed on the poor and no provision is made for loans *(qard el-hassan).* The aim is to achieve self-sufficiency among low-income people.

In organizing the zakat fund and fundraisers, Ameur & Ahssen (2019) mentioned that the Ministry of Religious Affairs and Wakfs of Algeria establishes it on the three levels: the basic, the provincial, and the national. At the national level, Amara & Atia (2016) and Rédha, Larbi & Karima (2016) explained the existence of a national committee as the organizing body of the fund. The committee formulates and follows-up the national policy of zakat and legislations, as well as it contains members of the supervisory committees which monitor the work of the provincial committees. The committee has a task to find the components of the supreme council of the zakat fund and the basic functions for being a regulator for everything related to zakat fund in Algeria.

Then, at the provincial level, the provincial committee at each province has task to finalize eligible cases for subsidies and fund's loans. The committee entrust and submits the data and final recommendations at the state level. Committees at each district level have a task to identify the zakat recipients in the district. Their mission is to identify people eligible for zakat at the grass root level.

Referring to the cases of distributing zakat proceeds during 2003 to 2020, this study categorizes the allocation of zakat in Algeria into three distribution models. *First*, when it exceeds five million dinars. *Second*, when it is less than five million dinars. *Third*, during the Coronavirus pandemic.

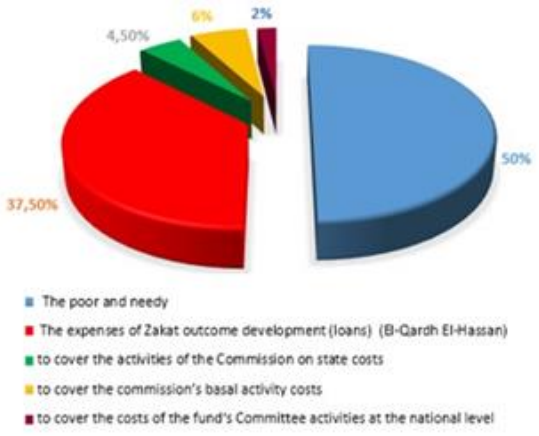

Figure 2. Distribution of zakat proceeds in case if the collection is more than 5 million DZD

Figure 2 shows the distribution of zakat proceeds in the first case when the outcome is more than 5 million DZD since the launch of this policy in 2003. By processing the data based on The Ministry

of Religious Affairs and Wakfs of Algeria in 2003, zakat is most widely distributed to the poor and needy (50%) and through *qard el-hassan* (37.5%). Then, rest of the budget is allocated on cost of activities (6%) and to cover cost of administration (4.5%), and to cover the fund's costs of the committee activities at the national level (2%).

Figure 3 shows the distribution of zakat proceeds in the second case when the outcome is less than 5 million DZD. By processing the data based on The Ministry of Religious Affairs and Wakfs of Algeria in 2003, zakat is most widely distributed to the poor and needy (87.5%). The rest was distributed to cover the commission's activity cost (6%), to cover the activities of the commission (4.5%), and to cover the costs of the committee activities at the national level (2%).

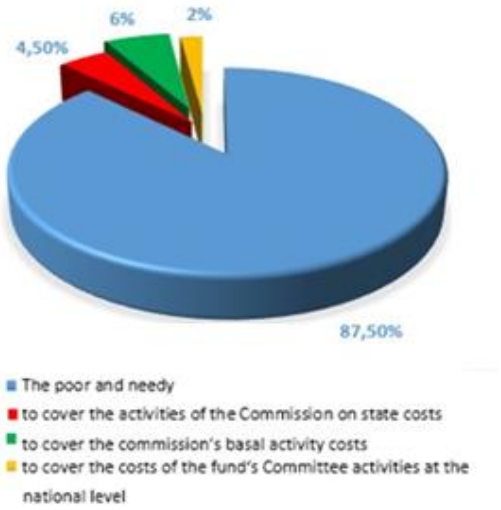

Figure 3. Distribution of zakat proceeds in the case of the outcome is less than 5 million DZD

Source: Processed by the authors based on The Ministry of Religious Affairs and Wakfs of Algeria, 2020.

Figure 4 shows the distribution of zakat proceeds in the third case in the time of Coronavirus pandemic. By processing the data based on The Ministry of Religious Affairs and Wakfs of Algeria in 2020, zakat is still most widely distributed to the poor and needy (89.5%). The rest was distributed to cover the activities of the commission (6%) and to cover the commission's administrative activities at national level (4.5%).

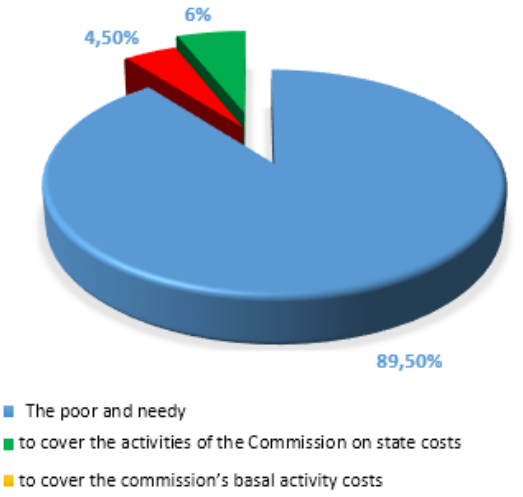

Figure 4. Distribution of zakat proceeds in the time of Corona

Source: Processed by the authors based on The Ministry of Religious Affairs and Wakfs of Algeria, 2003.

In 2020, the proceeds of the national zakat fund decreased to below 730 million DZD, after it amounted to 1.54 billion DZD during the year 2019. APS (2021a) reported declining revenue from the collection of the national zakat fund as a result of closing the mosques as part of the measures to check the Coronavirus spread. The revenue in 2020 increased to 730 million DZD, lower than 1.54 billion DZD which was generated in 2019. The revenue has been distributed to poor families, especially those affected by the pandemic. Thus, as reported also by APS (2021b), the Ministry of Religious Affairs and Wakfs announce zakat of money for the new Hijri year 1443 is set at 731,000 DZD. The current pandemic becomes the major consideration.

The role of socio-economic development of zakat in Algeria

Since its launch in 2003, the collection of zakat in Algeria reached its highest value in 2019 with a value of 1.540 billion DZD. It increased thirty times compared to 2003.

However, the revenue of the national zakat fund decreased in 2020 and did not exceed 730 million DZD due to the closure of mosques to avoid the spread of the Coronavirus. Figure 5 shows the progress of data collection performance since 2003 until 2020. In total, the amount reached more than 17.486 billion DZD.

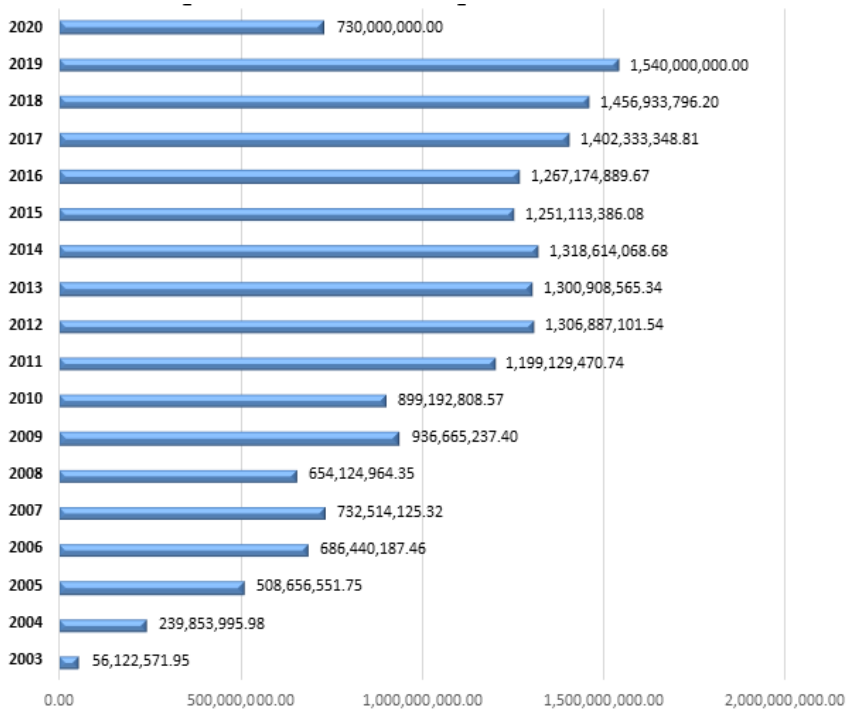

Figure 5. Zakat collection in Algeria during 2003-2020

Source: Processed by the authors based on The Ministry of Religious Affairs and Wakfs of Algeria, 2003-2020.

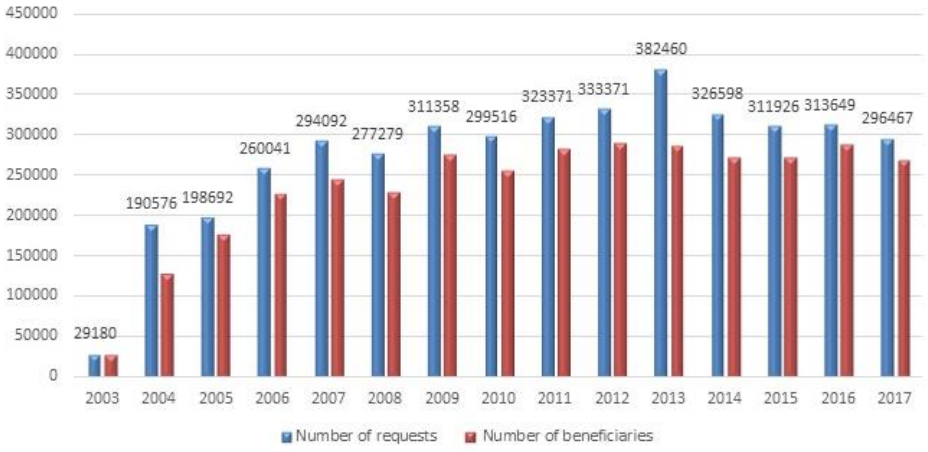

Figure 6. Number of requests and beneficiaries families of zakat in Algeria (2003-2017)

Source: Processed by the authors based on The Ministry of Religious Affairs and Wakfs of Algeria, 2003-2020.

Furthermore, during 2003 until 2020, the highest requests by families for zakat were recorded in 2013 with about 382,460 requests and as many as 286,633 families had been funded. The highest number of families funded by zakat occurred in 2012 when as many as 3,533,536 families from a total of 4,148,576 requests were registered. Overall, the number of requests and

beneficiaries families of zakat since its launch in 2003 can be seen in Figure 6.

Then, the highest amounts of zakat that was allocated to the *qard el-hassan* was during 2003 to 2014 when as much as 293,829,521,90 DZD were allocated in 2012. The total proceeds of zakat funds allocated to the *qard el-hassan* since 2003 amounted to 1,881,975,070.86 DZD as shown in the following Figure 7.

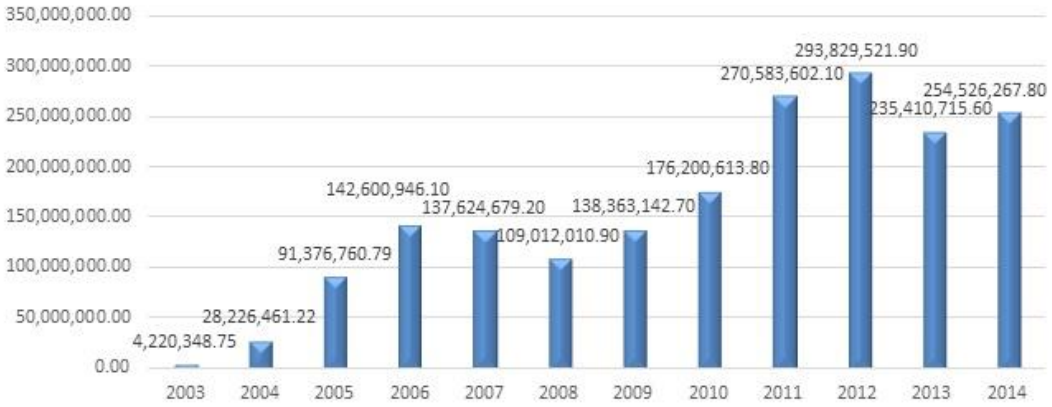

Figure 7. The Allocation of zakat fund to *el-qard el-hassan* in Algeria (DZD)

Source: Processed by the authors based on The Ministry of Religious Affairs and Wakfs of Algeria, 2003-2014.

Qard el-hassan continued to show growth in all the national territory since the zakat fund was managed professionally in 2003. Unfortunately, then there was a decline in 2008. The decline was recorded by approximately 652 loans to recommence growth to reach more than 1,340 projects in 2012 and more than 1,311 micro-institutions in 2013. Then, 606 projects were launched in 2014. Overall, the distribution of *qard el-hassan* in Algeria spreads into four regions. The Algerian East region remains leader in this area with a percentage coverage of 61% followed by the Central region with a percentage coverage of 26%. Then comes the West region with 8% and in the Southern region, the share is 5% as shown in Figure 8.

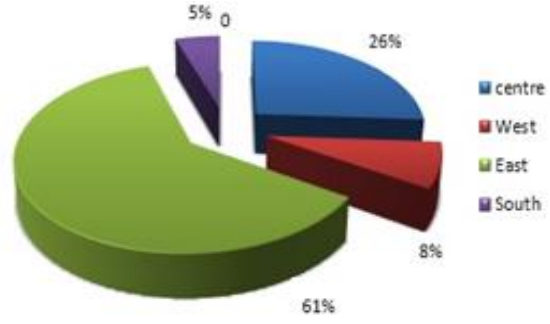

Figure 8. The distribution of *el-qard el-hassan* in Algeria by region

Source: Processed by the authors based on The Ministry of Religious Affairs and Wakfs of Algeria, 2014.

The year 2013 recorded the highest requests for *qard el-hassan* since its launch in 2003. As many as 6,439 requests were received. In the previous 10 years, the requests for this service were not more than 7. The year 2012 recorded the highest beneficiaries of the *qard el-hassan* reaching 1,340 people. While the total beneficiaries of the *qard el-hassan* since 2003 amounted to about 8,849 with the total requests standing at 29,934. Overall, the number of requests and beneficiaries of *qard el-hassan* in Algeria can be seen in the following Figure 9.

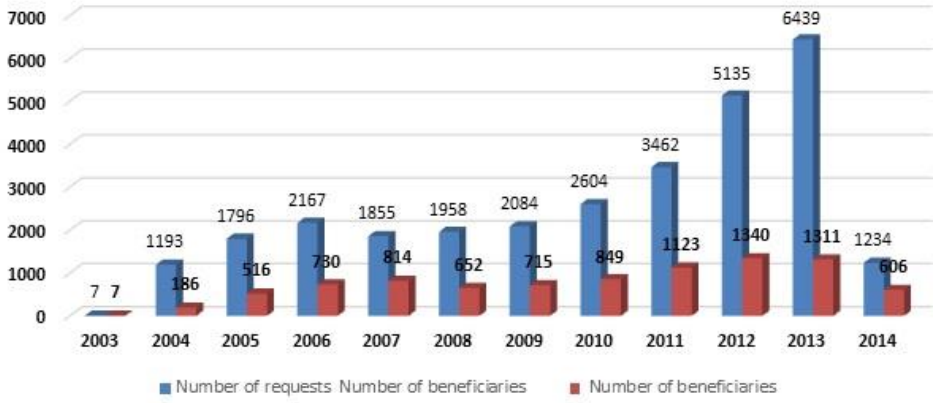

Figure 9. Number of requests and beneficiaries of *el-qard el-hassan* in Algeria (2003-2014)

Source: Processed by the authors based on The Ministry of Religious Affairs and Wakfs of Algeria, 2003- 2014.

Through *qard el-hassan*, the micro projects financed by zakat fund can be classified into six groups. Figure 10 denotes the domination of service industry with a total of 1,331 projects (33%), followed by the production sector with a total of 712 projects (18%), and traditional industries with a total of 607 (15%). The trading sector is in fourth place with a total of 570 projects (14%). The agricultural sector has a total of 506 projects (12%). Finally, the industry sector occupies the last place, with a total of 328 projects (8%).



Figure 10. Number of funded projects through *el-qard el-hassan* (2003-2014)

Source: Processed by the authors based on the Ministry of Religious Affairs and Wakfs of Algeria, 2003-2014.

Hereinafter, the projects funded by *qard el-hassan* can be categorized into five projects groups, i.e. medical and paramedical projects, craft projects, service projects, productive projects, and agricultural projects. Table 2 summarizes the five projects groups and its examples funded by zakat through *qard el-hassan*.

Table 2. Activities financed by *el-qard el-hassan*

Projects	***Project Features***	***Examples of the Project***
Medical and paramedical projects	Treatment at lower costs, provision of permanent jobs, high-end servi-ces and conti-nuous cash flows	
Craft projects	Ensuring the continuity of crafts, durabi-lity and stability in jobs, modera-te financing costs and conti-nuous flows	Wood engra-ving, copper engraving, traditional pottery, blacksmithing.
Service projects	It responds to market needs, its financing costs are small (computer, co-pier, etc), conti-nuous jobs and significant cash flows.	Telephone ser-vices, the in-ternet, automa-ted media, nur-series, simple vocational training, se-wing, haircuts.
Productive projects	Greater em-ployment, ra-ther high costs, and significant cash flows that reflect the mag-nitude of the project.	Weaving clothing, food, furniture, building materials.
Agricultural projects	Larger employ-ment, semifixed and medium costs, signify-cant cash flows that reflect the evolution of profitability.	Beekeeping, poultry and livestock farming.

Source: Processed by the authors from many sources

Unfortunately, the lack of continuous follow-up and strict monitoring of the projects allowed the beneficiaries to change their activities and spend the *qard el-hassan* in a destination other than the programmed destination for it. This resulted in the impossibility of recovering the loans, which were estimated at about 70% of the total loans of approximately 8,849 good loans worth 1,881,975,070 DZD at the level of the national territory. This prompted the Minister of Religious Affairs and Wakfs to freeze the work of the *qard el-hassan* in 2014 until all the granted funds are recovered.

On the other hand, the Ministry of Religious Affairs and Wakfs recently established a specialized accompanying committee, consisting of experts in finance and business, in order to guide, advise and correct the performance of young investors involved in the *qard el-hassan* system, which it supervises in order to ensure the greatest chances of success and effectiveness for the new projects and activities. This is to ensure the continuity of the *qard el-hassan* business.

The ministry also urged the distribution of zakat proceeds for the year 2021 to families without allocating a part of the *qard el-hassan* or to those working on it, and this allows spending zakat revenues on consumption only without financing investments and creating mini-projects. Therefore, the zakat funds do not have a role in reducing unemployment as they only encourage consumption. The basis of zakat is enrichment. On the authority of Omar, may Allah be pleased with him, *"If you give, then become rich,"* and the motto of those in charge of the Algerian fund is "*we do not give it to keep it poor, but rather to make it zakat"* and this is what the *qard el-hassan* embodies.

Finally, all the explanations in this results and analysis section are in line with the research results of Rédha, Larbi & Karima (2016). The idea of creating the zakat fund as a microfinancing source actually is a rational way which is consistent and in accordance with the principles of shari'ah and the observance of channelling funds to especially the poor. Without doubt, the Algerian zakat fund has proven to create new businesses, which leads to reduction in unemployment and poverty. But, this potential contribution remains realized only to a small extent. The creation of new enterprises through zakat fund can help in reducing unemployment.

Regarding the policy of Minister of Religious Affairs and Wakfs to freeze the work of *qard el-hassan* in 2014 until all the granted funds are recovered, in line with Amara & Atia (2016), it needs the active role of governance principles and mechanisms in increasing the efficient performance in the future in order to continue the impact of the Algerian Zakat Fund on the Algerian economy and society.

CONCLUSION AND RECOMMENDATION

Conclusion

The real dimension of zakat is social and economic solidarity and an increase in livelihood by investing part of the zakat funds through the *qard el-hassan* in investment projects that contribute to alleviating poverty and developing local development. The zakat fund, despite its modernity, was able to contribute to extending a helping hand to many poor people around 4 million needy families, financing micro-projects that amounted to 8,849 micro-enterprises within 12 years, and creating jobs for unemployed youth thanks to the *qard el-hassan*, despite the lack of its resources, which amounted to 1,881,975,070.86 DZD. The zakat fund has achieved good results. Therefore, regarding the policy to freeze the work of *the qard el-hassan* in 2014 until all the granted funds

are recovered, it needs the active role of governance principles and mechanisms in increasing the efficient performance in the future in order to continue the impact of the Algerian Zakat Fund on the Algerian economy and society.

Recommendations

Based on the results, some suggestions can be offered as follows:

1. It is important for the Ministry of Religious Affairs and Wakfs to implement Zakat Core Principles as good zakat governance at all levels of zakat fund committees.
2. In the future, it is preferable to carry out projects oriented towards the development of the productive and agricultural sectors, which contribute to the added value of the national economy.
3. It needs for the zakat fund committee to study in depth the projects of the loan applicants and estimate the value of the benefits that can be collected, as well as the number of workers that can be employed, and to carry out the process of comparison between the different projects in order to facilitate the evaluation of priority in granting good loans.
4. Monitor the projects that have been funded and penalise beneficiaries who have used the good loan for other purposes.
5. Intensifying awareness campaigns and sensitising the importance of zakat and its economic and social role through the media. It is a must to spread the religious and cultural awareness in the community and urging them to take the role of zakat seriously.
6. Increasing the percentage of zakat funds for investment from 37.5% to 50%.
7. Developing policies and strategies to assist and support the Islamic finance sector with *qard el-hassan.*
8. Working towards the creation of an independent fund for goodwill lending and trying to expand the lending process.
9. Broad involvement of civil society and continuous communication with endorsers using various means to build trust.
10. Establishment of a special committee composed of financial experts and business specialists to study the benefit/risk ratio of various applications related to micro-project financing in order to optimize the use of zakat resources.

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