

Alternative financing for startups in Algeria: towards synergy between crowdfunding and Islamic finance

التمويل البديل للشركات الناشئة في الجزائر: نحو التآزر بين التمويل الجماعي والتمويل الإسلامي

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Abstract:

In light of the changes that have taken place in recent years, and in order to diversify its economy, the Algerian government has realised the importance of innovative businesses in revitalising the country's economy, in order to diversify an economy based on hydrocarbons. It has therefore become essential to set up an ecosystem that encourages the development of entrepreneurship and innovative economies. However, this type of business faces a number of difficulties and obstacles, not least of which is financing, since traditional bank credit mechanisms are often ill-suited to the specific needs of young innovative businesses. This article explores two promising alternatives: crowdfunding and Islamic finance. Through a comparative analysis. The example of YINVESTI, the first Algerian crowdfunding platform is a perfect illustration of this turning point. We conclude that there is still a long way to go, but that the foundations have been laid, showing that change is on the way.

Keywords: Startup, Crowdfunding, Islamic finance, government policy, Fintech.

Code Jel: M13, G21, G23, G18, O32.

ملخص:

أدركت الحكومة الجزائرية أهمية الشركات المبتكرة في إنعاش اقتصاد البلاد، في ضوء التغيرات التي طرأت السنوات الأخيرة وسعيًا لتنويع اقتصادها القائم على المحروقات. فأصبح من الضروري إرساء منظومة بيئية تشجع على تطوير ريادة الأعمال والاقتصادات المبتكرة. يواجه هذا النوع من الأعمال عددًا من الصعوبات والعقبات، ليس أقلها التمويل، إذ غالبًا ما تكون آليات الائتمان المصرفي التقليدية غير مناسبة للاحتياجات الخاصة للشركات الناشئة المبتكرة. يستكشف هذا المقال بديلين واعدين: التمويل الجماعي والتمويل الإسلامي. ويُعد نموذج "يانفستي" أول منصة تمويل جماعي جزائرية مثالًا واضحًا على هذا التحول. تحليل هذه المنصة يبين أن الطريق لا يزال طويلاً، ولكن الأسس قد وُضعت، مما يُشير إلى أن التغيير قادم.

الكلمات المفتاحية: الشركات الناشئة، التمويل الجماعي، التمويل الإسلامي، السياسة الحكومية، التكنولوجيا المالية

تصنيف JEL : M13, G21, G23, G18, O32

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INTRODUCTION:

The Algerian entrepreneurial landscape has undergone a revival in recent years, marked by the emergence of a new generation of start-ups that are driving innovation and economic transformation, providing a response to the macro-economic problems that have plagued the country for decades, such as the unemployment rate and the problem of diversifying the economy. However, access to finance remains one of the main obstacles to their development. In this respect, Kasych & Amelyaniuk (2020) indicate that the issue of funding is second only to initiative in terms of importance in the implementation of startups. For their part, Kolosok & Koniukh (2017) state that the accumulation of resources in the startup is the most important aspect of its successful implementation. Thus, resources are the cornerstone of a company's existence and growth according to Kotha & George (2012).

In Algeria, the main obstacles to accessing finance for this type of business, which is known for its innovative, creative and generally risky ideas, are as follows:

- Mistrust of financial institutions, given that the traditional banking system, dominated by guarantee and solvency principles that are not well adapted to the profile of young businesses, struggles to meet their specific needs and is insufficient to cover the different life cycles of start-ups, particularly the early, high-risk phases.
- The slowness of bank financing procedures and the lack of sufficient knowledge of their customers, resulting in a poor assessment of the entrepreneur's solvency.
- Weaknesses in local venture capital: Algeria does not yet have a real active venture capital fund, private financing is rare and business angels are poorly structured.

Against this backdrop, the creation of the Algerian Startup Fund (ASF) in 2020 marks a major strategic step forward in the architecture of support for entrepreneurial innovation. Initiated by the Ministry in charge of the Knowledge Economy and Startups and six Algerian public banks (CPA, BNA, BEA, CNEP, BADR and BDL), this public venture capital fund aims to fill the financing gap in the early stages of the life cycle of startups, by providing adapted, agile financial resources without the traditional bureaucratic red tape. With an initial capital of 1.2 billion Algerian dinars, the ASF operates on an equity or quasi-equity investment basis, giving priority to innovative projects approved by the National Start-up Committee. By providing up to 150 million dinars per project, depending on its degree of maturity, the ASF aims to catalyse a dynamic, competitive national ecosystem focused on disruptive technologies, while acting as a lever to attract domestic and foreign private capital. The ASF also aims to fill the financing gap in the early stages, where banks and private investors are generally reluctant to commit.

However, public or semi-public funding instruments, although mobilised through various schemes, are proving insufficient to cover the entire life cycle of start-ups, particularly the early, high-risk phases.

Faced with these limitations, innovative solutions have emerged worldwide, with crowdfunding and Islamic finance playing an increasingly important role. Crowdfunding is a flexible, non-binding form of financing that enables project sponsors to mobilise savings directly from civil society. For its part, Islamic finance, based on ethical principles and the prohibition of interest (riba), offers solutions for financing economic projects that respect the religious values of a large section of the Algerian population.

Algeria, aware of these developments, has begun a transition towards the integration of these new models. In 2021, the Commission for the Organization and Supervision of Stock Market Operations (COSOB) published a regulation governing crowdfunding, and in 2025 granted the very first licence to a private national platform, 'Yinvesti', marking a major regulatory turning point. At the same time, the development of Islamic finance is being supported by the Bank of Algeria and the introduction of a Shariah compliance framework. The Algerian Startup Fund (ASF), for its part, is beginning to explore avenues of financing compatible with Islamic principles.

In this context, the hypothesis of a synergy between crowdfunding and Islamic finance opens up promising prospects for the financing of start-ups. This hybrid model, which is still in its infancy, could meet the challenges of financial inclusion, mobilising national savings and diversifying funding sources, while respecting the country's cultural and economic references. In this article, we will attempt to explore the conditions for the emergence of these two promising alternatives as alternative financing for start-ups based on the complementarity between crowdfunding and Islamic finance in Algeria. It focuses on three main areas:

1. Analysis of the financial innovation driven by these mechanisms,
2. Study of the regulatory framework for crowdfunding and Islamic finance in Algeria and the main stakeholders involved in the expansion of these new forms of financing.
3. Case study of the first pioneering ethical crowdfunding platform in Algeria: YINVESTI

1. Financial innovation for startups: concepts and challenges

In transition economies such as Algeria's, financial innovation plays a central role in revitalizing traditional financing mechanisms, which are often ill-suited to the specific needs of startups, due to their high innovation intensity and lack of track record and guarantees, and are perceived

as risky by traditional financial institutions. This calls for a reconfiguration of financing methods to encourage the emergence of a dynamic and inclusive entrepreneurial fabric.

By financial innovation, we mean the introduction of new instruments, platforms, practices or organisational structures that can respond to these challenges. In particular, it allows bridges to be built between the supply and demand of capital in contexts of institutional rigidity. We will focus on two particularly promising forms of innovation in the Algerian context: crowdfunding and Islamic finance.

1.1. Crowdfunding: a participative and disintermediated lever

1.1.1. Definition of the 'Crowdfunding' concept

Crowdfunding is a new participative financing technique based on fundraising via digital platforms, enabling a large public (crowd) to invest, lend or donate to support an entrepreneurial project. The word 'crowdfunding' is made up of "crowd" and 'funding', which means collaborative financing, socio-financing, financing 2.0, or literally crowdfunding (Bourouba, 2018, p.341).

An impressive rise in this phenomenon has been observed in recent years, driven to bypass traditional channels, startups and SMEs are directly soliciting savings via the internet, following 2.0 fashion (Negiar, 2014, p22). The World Bank, in particular, sees crowdfunding as a way for diaspora members to contribute to the development of their home countries by financing innovative projects.

The risk taken by crowd-funders can be much lower due to the smaller amount of money they invest individually, and they can become consumers or participate in the distribution of income (Zorica, 2014, p.46), in addition to the profitability of online financial transactions, so that several regulators have encouraged the presence of crowdfunding to improve financial inclusion (Salizatul, Siti, Nurakmar, Tung & Khong, 2018, p.18).

On the other hand, it is important to point out that conventional banks and microfinance institutions are often reluctant and suspicious of the loans they may grant to startups, known for their innovative and risky nature; this is due to higher costs and lack of collateral. But these concerns fade away when crowdfunding platforms take over; individual lenders don't think like banks and crowdfunding gives partner institutions the opportunity to test new loan products through specific platforms using internet and technology that allows them to extend the scope of their activities and be more efficient. These funding alternatives appear to be less stressful and more flexible than existing funding systems. Compared with traditional financing methods,

crowdfunding procedures appear to be very simple for companies and start-ups seeking financing.

In Algeria, crowdfunding is still in its beginnings, but there is growing interest in it, particularly among young entrepreneurs, content creators and those with projects that have a social or cultural impact. The legal framework has begun to evolve; in March 2021, the Algerian government announced the regulation of crowdfunding (the Complementary Finance Law 2021). The Commission for the Organization and Supervision of Stock Market Operations (COSOB) is responsible for regulating the sector, given that participatory financing is one of the most important options available, making it possible to obtain financing from the general public in a short space of time and at a lower cost by using special electronic platforms that facilitate direct communication between project holders and investors, and that this would make a major contribution to the dynamism that our country is experiencing in the field of start-up financial technology. The table below shows the main issues and obstacles influencing the development of crowdfunding in Algeria.

Table No. 1: Challenges and Obstacles to the Development of Crowdfunding in Algeria

Challenges	Obstacles
Diversification of funding sources for startups	Low digital literacy among the general public
Financial inclusion of young entrepreneurs and project leaders	Technique still little known by the community
Using digital tools for crowdfunding	Lack of public trust in local platforms
Support for innovation and non-bankable sectors (culture, tech, green)	Low banking and limited use of electronic payment methods
Opening up to the diaspora and mobilizing external funding	Regulatory framework still evolving despite initial approvals
Possible synergy with Islamic finance (mudaraba, waqf, etc.)	Low visibility and awareness around crowdfunding mechanisms

Source: Personal design.

1.1.2. Crowdfunding platforms

1.1.2.1. Definition of crowdfunding platforms

Crowdfunding platforms are digital interfaces (websites or mobile applications) that facilitate online fundraising from a large number of individuals (the ‘crowd’), by ensuring the transfer of funds between those who wish to make a donation or invest and those who need capital.

Crowdfunding platforms work by allowing project founders who are looking for funding to make a presentation or publish a description of their idea or project on the site, specifying the amount of money they need, the purpose of their request and, where applicable, what they are

getting in return for their contribution. Potential backers can then discover projects via social media or by visiting a crowdfunding website. They can interact both with those seeking funding and with other potential backers, and then decide whether to support the campaign. If the funder believes in the idea and wants to help make the project possible, they can support the project by donating money via the crowdfunding website. In general, the amount donated by a backer is small in relation to the overall funding.

1.1.2.2. Main functions of crowdfunding platforms

- 1) Hosting of projects: each project has a dedicated page with a description, objectives, budget, timetable, compensation, etc.
- 2) Payment processing: integration of secure payment systems to receive contributions.
- 3) Campaign management: communication tools (emails, videos, social networks), performance monitoring, statistics.
- 4) Transparency and compliance: identity verification, regulatory compliance, tracking of funds raised.

1.1.3. **Types of crowdfunding**

1.1.3.1. Donation-based crowdfunding:

This is funding based on voluntary contributions, with no expectation of financial or material return. Donors support a social, humanitarian, artistic or personal project. This model is often used by associations, NGOs or civic initiatives.

1.1.3.2. Reward-based crowdfunding:

Contributors receive non-financial compensation in exchange for their support, such as a product, service or recognition. This type of crowdfunding is frequently used to launch innovative products, cultural or creative projects.

1.1.3.3. Lending-based or crowdlending crowdfunding:

Funds are raised in the form of repayable loans, with or without interest. It is an alternative to bank loans. Lending-based crowdfunding is an investment vehicle through which investors provide loans to startups to support their projects in exchange for the receipt of fixed periodic income and the repayment of the capital originally invested.

1.1.3.4. Equity-based crowdfunding:

Contributors become shareholders in the project or company financed, in exchange for their investment. This model is generally used for high-potential start-ups seeking funds for their growth. Equity-based crowdfunding is based on the principle of sharing profits and losses with the financed start-up.

1.2. Islamic finance: an ethical and inclusive alternative

In the context of emerging economies, where access to finance remains one of the main obstacles to the development of innovative entrepreneurship, Islamic finance is emerging as a credible and ethical alternative to conventional financial channels. Based on the principles of Sharia law, Islamic finance prohibits the payment of interest on money (riba) and favours participatory financing methods based on risk and profit sharing.

For start-ups, whose financing needs are often characterised by a high degree of uncertainty and a lack of guarantees, Islamic contracts such as the mudaraba (partnership between an investor and an entrepreneur) and the moucharaka (capital association) offer a flexibility conducive to taking initiative. Unlike traditional bank financing, where the repayment burden is independent of the success of the project, these instruments allow risks to be pooled, making financing more in line with the dynamics of entrepreneurial innovation.

In addition, Islamic finance incorporates an ethical and social dimension that makes it particularly well suited to sustainable development objectives, especially in contexts where confidence in traditional financial institutions is limited.

In Algeria, the recent determination of the authorities to promote Islamic participatory finance, through regulatory texts and the approval of new players, could provide strategic leverage for the financing of start-ups, in addition to existing public schemes. However, this transition requires adapting the legal framework, raising awareness among entrepreneurs and standardising Islamic financial products to meet the specific needs of start-ups.

1.2.1. Islamic finance products offered in Algeria: between financial innovation and doctrinal anchoring

Islamic finance, based on compliance with Sharia principles, has gradually been established in Algeria in response to a twofold requirement: on the one hand, to meet the demand of a section of the population looking for ethical financial products; on the other hand, to diversify the banking offer in a context of search for alternative financing, particularly for small and medium-sized enterprises (SMEs) and start-ups. Since the promulgation of Bank of Algeria Regulation No. 20-02 of 15 March 2020, providing a framework for Islamic finance operations, several banks have launched a range of products that comply with the rules of Islamic jurisprudence (fiqh al-mu'amalāt).

1.2.1.1. Murabahah (sale with profit margin)

Murabahah is a sale contract with profit margin, where the bank acquires an asset at the customer's request, then sells it back to the customer at an agreed price including a predetermined margin. This product is particularly used to finance capital goods, vehicles or professional equipment. In the context of start-ups, it enables the acquisition of material resources without recourse to usurious credit, while providing a degree of visibility over costs.

1.2.1.2. The Mudaraba (financing-capital-labour partnership)

The Mudaraba is a partnership in which one party provides the capital (rabb al-māl) and the other (moudārib) manages the project. Profits are shared according to a pre-agreed distribution key, while losses are borne solely by the capitalist. This mechanism is suitable for financing innovative or entrepreneurial projects with high potential, particularly when the project owner has no initial capital but has know-how or an innovative idea.

1.2.1.3. Musharakah (venture capital partnership)

Musharakah is based on a capital partnership between the bank and the customer, each contributing to the financing of the project, with joint participation in profits and losses. This form of financing is suited to the development of sustainable entrepreneurial activities, particularly in the industrial or agricultural sectors. It is based on a strategic partnership and long-term mutual trust.

1.2.1.4. Ijara (Islamic leasing)

Ijara is a leasing contract, often combined with an option to buy (Ijara muntahiya bit-tamlik). The financial institution acquires an asset and leases it to the customer, who can buy it at the end of the contract. This mechanism is used in the transport, professional property and technical equipment sectors. It is an interest-free alternative to traditional financial leasing.

1.2.1.5. Islamic investment accounts

Some institutions offer Sharia-compliant investment accounts, where the funds deposited are invested in halal projects on a profit-sharing basis (in accordance with Mudaraba principles). These accounts should be distinguished from conventional savings accounts, as gains are not guaranteed and losses may be shared.

1.2.2. Algerian stakeholders in the development of Islamic finance

The development of Islamic finance in Algeria relies on the joint involvement of several public, banking and regulatory stakeholders, who play a structuring role in the implementation, supervision and dissemination of Sharia-compliant financial products. These players are located at different levels of the financial ecosystem, ranging from regulation to operationalisation, via strategic support.

1.2.2.1. The Bank of Algeria

As the central monetary authority, the Bank of Algeria plays a decisive role in the legal and regulatory framework for Islamic finance. It issued Regulation 20-02 of 15 March 2020, which defines the conditions for carrying out Islamic banking operations. In particular, it requires banks to set up an internal Sharia committee and a system for ensuring compliance with the principles of Islamic finance. It also supervises transparency, risk control and customer information procedures.

1.2.2.2. The National Sharia Supervisory Commission (CSCN)

Established in 2021 within the Bank of Algeria, the National Fatwa Commission for Islamic Finance, now the National Sharia Supervisory Commission, is responsible for:

- Validate the compliance of products and contracts offered,
- Issue legal opinions (fatwas) on Islamic financial innovations,
- Harmonise the practices of banks offering Islamic services.

1.2.2.3. Public and private banks

Several banks now offer Islamic finance through dedicated branches or specialised subsidiaries:

- Public banks: Banque Nationale d'Algérie (BNA), Banque de l'Agriculture et du Développement Rural (BADR), CNEP-Banque, CPA, etc.
- Banks with mixed or private capital: Al Baraka Bank Algérie, Banque Al Salam, Trust Bank Algeria.

1.2.2.4. The COSOB (Commission d'Organisation et de Surveillance des Opérations de Bourse)

As part of the diversification of sources of financing, the COSOB has extended its remit to include participative finance, including Islamic finance. In particular, it supervises the approval of crowdfunding platforms offering halal financial instruments, and is concerned with the conditions for the future issue of sukuk (Islamic bonds).

1.2.2.5. The High Islamic Council (HCI)

An advisory body reporting to the President of the Republic, the HCI issues religious and doctrinal opinions on the compliance of economic and financial practices with Islamic principles. It supports the theological legitimacy of Islamic finance, thereby strengthening public confidence in these products.

1.2.2.6. Universities, training institutes and research centres

Universities) and business schools have introduced training modules in Islamic finance. Scientific conferences, dissertations and publications are also multiplying, contributing to the growth of intellectual capital in this field.

1.2.2.7. Professional associations and private initiatives

Some initiatives, such as the Algerian Islamic Finance Forum, or Fintech start-ups exploring halal participative finance, are starting to emerge. These players contribute to raising public awareness, financial innovation and the construction of an entrepreneurial Islamic ecosystem.

Table 2: Table: Algerian players in Islamic finance and their products or functions

Actor	Products or functions offered in Islamic finance
Bank of Algeria	• Regulations (Regulation No. 20-02 of 2020) • Approval of Islamic banking products • Monitoring of Sharia compliance systems
National Sharia Supervision Commission (CSCN)	• Validation of product Sharia compliance • Issuance of religious opinions (fatwas) • Supervision of internal Sharia committees
Banque Nationale d'Algérie (BNA)	• Murabaha • Ijara (rental with option to purchase) • Islamic Investment Account • Opening of Islamic counters in several wilayas
Banque Al Salam Algérie	• Murabaha • Musharakah • Mudaraba • Ijara • Islamic Bank Cards • Islamic Real Estate and Auto Financing
Banque Al Baraka Algérie	• Products for individuals and businesses: Murabaha, Ijara, Salam, Istisna, etc. • Halal-compliant SME financing • Islamic savings services
CNEP-Banque	• Islamic windows • Murabaha (real estate, equipment) • Ijara for individuals

BADR (Banque de l'Agriculture et du Développement Rural)	• Islamic financing for agricultural projects • Products based on Murabaha and Ijara
COSOB (Commission de surveillance de la Bourse)	• Supervision of Islamic crowdfunding platforms • Preparation of the framework for sukuk (Islamic bonds) • Regulation of halal financial instruments
Haut Conseil Islamique (HCI)	• Religious opinions on Islamic finance • Promoting ethical compliance • Raising public awareness
Universités & centres de formation	• Diploma courses in Islamic finance • Academic research and publications • Supervision of dissertations and conferences
Startups Fintech & initiatives privées	• Exploring Halal Crowdfunding • Digitizing Islamic Products • Raising Awareness Through Digital Platforms

Source: Personal design.

1.2.3. Prospects and Limitations

Islamic finance represents an important lever for banking and alternative financing, particularly for project leaders who reject interest-based instruments (riba). Its integration with modern mechanisms such as participatory crowdfunding, as well as its integration into a broader entrepreneurial ecosystem (incubators, halal investment funds, wakala, productive waqf), constitutes a promising avenue for the development of Islamic entrepreneurship in Algeria.

1.3. Towards Strategic Complementarity

The challenge today is to envision a synergy between these two financial innovations: crowdfunding, through its ability to mobilize the decentralized resources of civil society, and Islamic finance, through its regulatory framework and alternative tools to traditional credit. A hybrid model of "halal crowdfunding" could thus emerge, combining the advantages of digital technology with the cultural legitimacy of Islamic finance. This type of innovation would simultaneously democratize investment, reduce financial exclusion, and strengthen startups' resilience in the face of the volatility of traditional financing.

2. Regulatory Framework for Alternative Financing in Algeria

The development of alternative financing in Algeria, particularly through crowdfunding and Islamic finance, requires the existence of a favorable legal and institutional environment. However, until recently, the regulatory framework was virtually nonexistent or unsuitable for these new financial practices. Aware of the strategic importance of diversifying startup financing instruments, the Algerian government has undertaken several legislative and

institutional reforms since 2020 aimed at regulating these practices while promoting the emergence of innovative startups.

2.1. Crowdfunding Regulation: A Step Forward Led by the COSOB

2.1.1. Legal and Institutional Framework

Crowdfunding regulation in Algeria has undergone significant changes, driven by the public authorities' desire to diversify funding sources for project leaders, particularly young companies, startups, and those with innovative initiatives.

One of the major milestones in this dynamic is the intervention of the Commission for the Organization and Supervision of Stock Market Operations (COSOB), which published Regulation No. 21-01 in 2021 relating to the modalities for conducting crowdfunding in Algeria. This text lays the legal foundations for the activity of crowdfunding platforms, defining their legal status, the types of authorized financing, transparency obligations, and investor protection rules. The legal framework is based primarily on Executive Decree No. 21-155 of May 3, 2021, establishing the terms and conditions for crowdfunding through digital platforms. This text laid the regulatory foundations for the sector by defining:

- The types of crowdfunding permitted (primarily investment crowdfunding, equity crowdfunding, and lending crowdfunding);
- The conditions for platform approval;
- Obligations regarding transparency, financial security, prevention of money laundering, and terrorist financing;
- The role of the supervisory authority, namely the Commission for the Organization and Supervision of Stock Exchange Operations (COSOB).

2.1.2. Role of the COSOB

The Commission for the Organization and Supervision of Stock Exchange Operations (COSOB) has been designated as the supervisory authority for the crowdfunding sector. It has a dual role: on the one hand, it is responsible for issuing licenses to operators wishing to launch a platform; on the other, it ensures compliance with prudential standards and the proper functioning of operations carried out via these platforms.

In 2023, COSOB published an authorization guide specifying the criteria to be met in terms of governance structure, technological systems, risk management, separation of financial flows, and investor protection. This guide also establishes fundraising ceilings, eligible project categories, and investment thresholds for individuals.

In 2025, COSOB issued the first official authorization to a national crowdfunding platform, marking the transition from the regulatory to the operational phase.

However, challenges remain, particularly in terms of supervision, financial education for users, and interoperability with public business support systems.

2.2. The Regulatory Framework for Islamic Finance in Algeria: Towards the Inclusion of Halal Crowdfunding

The development of Islamic finance in Algeria is part of a strategy to diversify the national financial landscape, aimed at meeting growing societal demand for Sharia-compliant instruments. This regulatory structuring process has accelerated significantly since 2020, with the authorities' stated desire to make Islamic finance a lever for financial inclusion, particularly for the unbanked and innovative project leaders.

2.2.1. A Regulatory Foundation Laid by the Bank of Algeria

The cornerstone of the regulatory framework is Regulation No. 20-02 of March 15, 2020, issued by the Bank of Algeria, which sets out the conditions for carrying out Islamic banking operations. This text governs the marketing of Sharia-compliant financial products by banks operating in Algeria, whether public or private. It requires, in particular:

- The establishment of an internal Shariah committee for each institution offering Islamic services;
- The obligation to separate Islamic flows from conventional transactions;
- Transparency in contracts, particularly the clarification of shared risks, profit margins, and ownership arrangements;
- Submission of products for approval by the National Shariah Supervision Commission.

This regulation has enabled several banks to launch Islamic branches offering products such as Murabaha, Mudaraba, Ijara, and Musharakah, in compliance with the standards of Islamic jurisprudence.

2.2.2. The role of the National Shariah Supervision Commission (CSCN)

Established in 2021 within the Bank of Algeria, the National Shariah Supervision Commission plays a central role in the doctrinal oversight of Islamic finance. It is responsible for:

- Validating the compliance of products and contracts with Shariah law;
- Standardise case law interpretations;
- Supervise the internal Sharia committees of financial institutions.

In view of the emergence of Islamic crowdfunding, this commission is called upon to examine new participatory financial models based on Mudaraba (profit sharing) or Musharakah (association) contracts, in order to ensure their religious legitimacy.

2.2.3. Opening the regulatory framework to Islamic crowdfunding

Although Executive Decree No. 21-155 of May 2021 on crowdfunding does not explicitly address Islamic finance, it leaves room for interpretation and adaptation. The financial markets regulatory authority, COSOB, recognized the possibility of crowdfunding models compatible with Islamic principles in 2023, in collaboration with Shariah supervisory bodies.

In 2025, this momentum materialized with the official approval of the first Islamic crowdfunding platform, based on the principles of Mudaraba and Musharakah, with prior validation of its business model by the CSCN. This marks a decisive step towards the institutionalization of halal crowdfunding as an alternative entrepreneurial financing instrument.

3. Case Study: YINVESTI, a Pioneering Ethical Crowdfunding Platform in Algeria

The YINVESTI platform represents a major innovation in the emerging crowdfunding landscape in Algeria, approved by the Commission for the Organization and Supervision of Stock Exchange Operations (COSOB) in March 2025. Operating under the status of Participatory Investment Advisor (CIP) in accordance with COSOB Regulation No. 23-01, it is the first structure legally authorized to raise funds from the public for the financing of entrepreneurial projects through a crowd-equity model.

3.1. Background

YINVESTI, founded in October 2023 by Chemseddine Habhouf, Kheireddine Boulefa, and Abderrahim Abdellaoui, was designed as a digital platform connecting project leaders (startups, SMEs) and investors, with a subscription model and professional support.

3.2. Official Approval

In April 2024, COSOB granted YINVESTI provisional approval (for 12 months) as a Participatory Investment Advisor (CIP), in accordance with Regulation No. 23-01 of April 12, 2023.

In March 2025, YINVESTI became the first crowdfunding platform to receive definitive approval in Algeria.

However, we have noticed a reluctance among stakeholders on the platform; since obtaining its approval in March 2025, the platform has only 3 projects and 612 users. **Why is there such reluctance towards this type of financing ?**

3.3. Challenges Facing the YINVESTI Platform:

The current reluctance towards the YINVESTI platform can be explained by various factors, structural, technical, and cultural, that are hampering its adoption, despite a promising launch. Below is a detailed and nuanced analysis of the possible reasons:

3.3.1. Lack of Trust and Awareness

- Crowdfunding remains a new concept for the Algerian community, particularly in its equity/investment form.
- YINVESTI is a young platform whose credibility remains to be built.
- The lack of institutional visibility (few public campaigns, weak media presence) does not help reassure potential investors.

3.3.2. Weak Project Supply

- Currently, the site only displays three submitted projects, which does not allow for the creation of a true market of opportunities.
- A vicious circle: fewer projects = fewer investors = less interest from project leaders, and vice versa.

3.3.3. Technical and Ergonomic Issues

- Several user reports (particularly on LinkedIn and forums) mention an unintuitive interface, rigid navigation, and a lack of visual dynamism.
- The lack of real-time indicators (fundraising rates, campaign progress, number of investors, etc.) creates a lack of transparency that undermines trust.

3.3.4. Gaps in Financial Education

- The very concept of crowdfunding is still misunderstood and poorly understood: people often confuse it with a simple donation or with fraudulent schemes.
- Furthermore, the target population (young people, VSEs, diaspora) often has little experience in due diligence, project analysis, or financial literacy.

3.3.5. Regulatory Environment Still Unclear

- Despite COSOB Regulation 23-01, the legal framework remains in its infancy and little known to investors. Taxation, guarantees, and recourse in the event of failure remain unclear.
- The lack of insurance or risk coverage mechanisms reduces the appetite of small investors.

3.3.6. Lack of community and activity

- Unlike platforms like Kickstarter or Beehive, YINVESTI has not yet developed an active community (comments, live sessions, customer feedback, etc.).
- Crowdfunding relies heavily on social dynamics, which is currently lacking.

Finally, the reluctance toward YINVESTI does not stem from a rejection of the principle, but from a lack of maturity of the surrounding ecosystem: awareness, offerings, education, technology, legal framework, and community activity.

3.4. YINVESTI's Future Outlook

YINVESTI's future outlook as the first licensed crowdfunding platform in Algeria is promising, but is conditioned by several factors. Here is a structured academic analysis of the short- and medium-term outlook, structured around four strategic areas:

3.4.1. Consolidation of Positioning in the Local Market

- Strengthening Regulatory Legitimacy: YINVESTI's official status as a Participatory Investment Advisor (CIP) gives it a head start. This can encourage startups to use the platform, especially in an ecosystem still under development.
- Pioneering Effect: As a leading player, YINVESTI benefits from a reputation and trust effect, especially among institutions (COSOB, ministries, incubators).
- Partnerships with support structures (ANADE, incubators, public funds): These synergies could strengthen its role in financing start-ups.

3.4.2. Expanding customer segments and sector diversification

- Expansion into new sectors: beyond digital and e-commerce, projects related to sustainable agriculture, the green economy, or healthcare could emerge.
- Targeting the Algerian diaspora: by securing flows through COSOB regulation, YINVESTI could capture the interest of Algerians abroad wishing to invest locally.
- Development of an offering dedicated to women entrepreneurs and young graduates, who are underserved by traditional bank loans.

3.4.3. Transition to an Islamic (halal) crowdfunding model

- Sharia compliance: through partnerships with the National Sharia Supervision Commission (CSCN), YINVESTI can develop products based on Mudaraba and Musharakah.
- Regional strategic positioning: by becoming a player in halal crowdfunding, YINVESTI could position itself in the Maghreb-Gulf region. Increased attractiveness to ethical investors seeking to reconcile profitability and religious compliance.

3.4.4. Technological Strengthening and Openness to Innovation

- Platform Improvements: a redesigned user interface, integration of dynamic dashboards, real-time KPI tracking, and direct interaction between project owners and investors (forums, live streams).
- Adoption of blockchain or smart contract technologies: in the medium term, to ensure transparency, traceability, and automation of contracts.
- Potential opening to fundraising in cryptocurrencies or central bank digital currencies (CBDCs) if the Algerian regulatory framework allows.

CONCLUSION

The emergence of an alternative financing ecosystem is now a strategic necessity for the development of innovative entrepreneurship in Algeria. In an environment where traditional financing remains rigid, bureaucratic, and unsuited to the specific needs of startups, the use of innovative solutions such as crowdfunding and Islamic finance appears not only relevant, but also structuring.

Crowdfunding, through its ability to mobilize small investors around meaningful projects, helps circumvent traditional barriers to accessing capital. Islamic finance, meanwhile, offers an ethical and participatory framework based on risk sharing, the prohibition of speculation, and the promotion of real economic activities. These two approaches, although distinct in their genesis and structure, share commonalities that are likely to meet the economic, social, and cultural requirements of the Algerian context.

The example of YINVESTI, the first Algerian crowdfunding platform approved by COSOB, perfectly illustrates this shift. Launched by a team of local entrepreneurs, YINVESTI is not just a technical platform: it's also a strong signal that things can change. It shows that it is possible to build a bridge between ambitious projects and citizens willing to invest in their economy. Despite certain limitations, whether in terms of the quality of the interface, data transparency, or lack of communication, this initiative lays the foundations for a paradigm shift.

But beyond the technical and regulatory aspects, persistent reluctance remains. This is explained in particular by the lack of a truly engaged community around the platform. Unlike other regional or international experiences, YINVESTI has not yet succeeded in creating a vibrant ecosystem with social interactions, shared feedback, and a sense of belonging. However, crowdfunding relies above all on collective dynamics, mobilization around impactful projects, and a relationship of trust between investors and project leaders. Building this community through outreach tools, participatory events, and awareness campaigns will be crucial to the platform's future.

International experience, particularly in the Arab world, shows that it is possible to improve these platforms, making them more transparent, more interactive, and, above all, more credible. Drawing inspiration from these best practices, YINVESTI will be able to evolve, strengthen its presence, and attract a new generation of investors, including those from the Algerian diaspora. In short, there is still a long way to go, but the foundations have been laid. Platforms like YINVESTI show that change is underway. For it to accelerate, we must continue modernization efforts, strengthen the regulatory framework, better train project leaders, and continue to bring

finance closer to citizens. Ultimately, the entire national economy could benefit, more open, more innovative, and, above all, more human.

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LEGISLATION AND REGULATIONS:

Executive Decree No. 20-54 of February 25, 2020: Creation of the Ministry of Small Businesses, Startups and the Knowledge Economy

Executive Decree No. 20-254 of September 15, 2020: Creation of the National Committee for the "Startup/Innovative Project/Incubator" Label

Executive Decree No. 20-356 of November 30, 2020: Establishment of a body to promote and manage startup support structures

Executive Decree No. 21-170 of April 28, 2021: Eligibility for startup tax benefits (2020 Finance Act)

Executive Decree No. 21-303 of August 1, 2021: Creation of a startup ecosystem support and development fund (special account No. 302-150)

Order of September 4 2023: Approval of COSOB Regulation No. 23-01 (April 12, 2023) on Crowdfunding Investment Advisors (CIPs)

COSOB Regulation No. 23-01: Conditions for the approval, operation, and supervision of CIPs (maximum amounts, selection, investor protection)

COSOB Regulation No. 23-02: Creation of a guarantee fund to secure crowdfunding operations

COSOB Regulation No. 23-03: Qualification of agents authorized to negotiate crowdfunding investments.