

Evaluating the performance of the Zakat Fund in economic financing in Algeria: An Analytical Study for the Period 2003-2023

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Abstract:

This research paper aims to evaluate the performance of the Zakat Fund in Algeria during the period 2003–2023. The study adopts a descriptive and analytical approach by presenting various fundamental concepts of zakat and analyzing the performance of the Zakat Fund.

The study concluded that the Zakat Fund in Algeria demonstrates weak performance in financing the economy. The share of zakat in Gross National Income (GNI) amounted to only 0.006%, compared to 3% in oil-producing countries such as Saudi Arabia. This means that the Fund collects only 1 out of every 500 monetary units that should theoretically be collected, which weakens its ability to influence economic activity.

Keywords: Zakat, Zakat Fund, Zakat on Wealth, Gross National Income.

Jel Classification Codes: G28 ; Z12 ; O47

1. INTRODUCTION

Islamic economics has garnered wide attention in the field of development, particularly in achieving economic development through the enhancement of a country's economic performance. This is reflected in the improvement of several key economic indicators, such as investment, production, employment, and income redistribution. The ultimate goal of economic development is to elevate the level of economic and social welfare of individuals, which necessitates the adoption of effective financial and social tools and policies. In this context, zakat is considered one of the most vital mechanisms within the Islamic economic system due to its

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profound impact on both economic and social dimensions. It is prescribed as a religious obligation for every Muslim who meets its conditions. As one of the five pillars of Islam, zakat embodies the integration of economic and religious dimensions in the pursuit of development. To achieve comprehensive economic advancement, economic performance must be strengthened through improvements in key indicators such as investment, production, employment, and income redistribution—ensuring social justice and solidarity among members of society.

Like many other Islamic countries, Algeria has sought to organize the collection and distribution of zakat by establishing the Zakat Fund in 2003. In addition, a supervisory body known as the National Office for Awqaf and Zakat was created in 2021 under Executive Decree No. 21-179. The Fund has thus been operating in the collection of zakat for over two decades, which motivated us to assess its performance in mobilizing zakat resources and contributing to economic financing. Comparative data show that zakat revenues in oil-rich countries, such as the Kingdom of Saudi Arabia, reach around 3% of Gross National Income.

1.1 The problem of the study:

Based on the above, the main research question posed in this study is: To what extent is the Zakat Fund in Algeria effective in collecting zakat revenues to finance the economy?

2.1 Study hypotheses:

This study is based on the hypothesis that the Zakat Fund institution in Algeria, after 20 years of experience in collecting zakat, has acquired the necessary efficiency to collect zakat funds more effectively and efficiently.

1.3 Objectives of the study:

The aim of this study is to clarify the extent to which the Zakat Fund is effective in collecting zakat and contributing to economic financing.

1.4 The importance of the study:

This research paper derives its importance from the role of zakat in achieving economic and social welfare, particularly for the poor and low-income segments of society. Zakat is considered one of the most effective mechanisms for achieving social justice among individuals, in addition to

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its role in promoting social solidarity and cohesion within a single society, thereby contributing to social stability.

1.5 Study Methodology:

Given the nature of the study and in order to achieve its objectives, we relied on the descriptive method to present the various concepts and objectives of zakat, and on the analytical method by utilizing certain data analysis tools to assess the role of the Zakat Fund in collecting zakat and financing the economy.

2. Theoretical Framework of Zakat

2.1 The Concept of Zakat

Linguistically, the word zakat is derived from the Arabic root zakā, meaning to grow, increase, purify, and improve. It is said: zakā al-māl (the wealth increased), and zakā al-raġul (the person became righteous). Thus, zakat carries meanings such as growth, blessing, purification, and righteousness (Ashafa , 2023, p. 77).

Technically, zakat refers to “a specified portion of wealth ordained by Allah to be given to eligible recipients. The term also refers to the act of giving this portion. It is called zakat because it increases the wealth from which it is taken, purifies it in meaning, and protects it from harm” (Ashafa , 2023, p. 77)

2.2 The Legal Ruling on Zakat

Islamic economics is built upon the foundations of Sharia and is regarded as a divinely guided system, as its principles and values are derived directly from the Qur'an and the Sunnah (Meddahi, 2019, p. 50)

2.2.1 Zakat in the Holy Qur'an

Allah Almighty has commanded wealthy Muslims in His Noble Book to pay zakat in thirty-two different instances, and He has recommended that a portion of their spending be allocated to charity. Zakat serves as a means of eliminating envy and hatred among Muslims, purifying the hearts of both the rich and the poor, and relieving the disadvantaged from the injustice of being deprived of what Allah has bestowed upon the wealthy. This is in accordance with His words, the Exalted, in verse 103 of Surah At-Tawbah. Allah Almighty has warned those who withhold zakat of a severe

punishment, as stated in His words, the Exalted, in verse 34 of Surah At-Tawbah. (Denden F. h., 2023, p. 11)

2.2.2 The Legal Ruling of Zakat in the Prophetic Sunnah

Numerous authentic hadiths have affirmed the obligation of zakat and its mandatory nature for financially capable Muslims, as it is one of the fundamental pillars of Islam. The Prophet Muhammad ﷺ said: "Islam is built upon five pillars: bearing witness that there is no god but Allah, establishing prayer, giving zakat, fasting during Ramadan, and performing pilgrimage to the House for those who are able to do so." He also said: "I have been commanded to fight the people until they *testify* that there is no god but Allah and that Muhammad is the Messenger of Allah, establish prayer, and give zakat. If they do so, they will have protected their lives and wealth from me—except by the right of Islam—and their reckoning is with Allah. (Denden & Bourahla, 2024, p. 4)

2.3 Zakat Beneficiaries (Masarif al-Zakat)

Allah Almighty clearly defined the eligible recipients of zakat in the Holy Qur'an, specifically in Surah At-Tawbah, verse 60. This Qur'anic verse explicitly limits the disbursement of zakat to eight main categories, which are: (Ashafa , 2023, pp. 79-80)

- **The poor (al-fuqarā')**: Those who do not possess what is sufficient to meet their basic needs.
- **The needy (al-masākīn)**: Those who have some means or income, but it is insufficient to cover their essential necessities.
- **Zakat administrators (‘āmilūn ‘alayhā)**: Those assigned the task of collecting and distributing zakat.
- **Those whose hearts are to be reconciled (mu'allafatu qulūbuhum)**: Individuals whose hearts are to be inclined toward Islam or whose faith is to be strengthened.
- **In emancipation (fī al-riqāb)**: To free captives or slaves and contribute to the elimination of bondage.
- **Debtors (al-ghārimūn)**: People overwhelmed by debt who are unable to repay it.
- **In the cause of Allah (fī sabīlillāh)**: Traditionally refers to lawful

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jihad; however, some scholars have broadened the concept to include public-benefit charitable projects.

- **The wayfarer (ibn al-sabīl):** A traveler stranded on their journey who cannot return to their home country.

2.4 Conditions Required for the Obligation of Zakat:

For a Muslim to be held accountable for the payment of zakat, a set of fundamental conditions must be met to determine whether the wealth qualifies for zakat. These conditions are as follows: (Denden & Bourahla, 2024, pp. 5-6)

2.4.1 Full Ownership (Al-Milk al-Tāmm):

This means that the wealth must be completely and exclusively owned by its possessor, such that the individual has full legal and Shariah authority to dispose of it without restriction. The wealth must be in the person's possession and clearly identifiable, enabling them to use or invest it without needing permission from others.

2.4.2 Growth Potential (Al-Namā’):

This refers to the characteristic of wealth to increase or grow. It is divided into two types:

- **Real Growth:** Wealth that naturally grows or generates profit, such as livestock that reproduce or trade that yields returns.
- **Estimated Growth:** Wealth that may not grow in practice, but is considered capable of growth under Islamic law, such as cash, gold, and silver.

2.4.3 Reaching the Nisab (Minimum Threshold):

The wealth must reach a legally defined minimum amount (nisab), which marks the threshold between poverty and affluence. If the wealth does not reach the nisab, zakat is not obligatory.

2.4.4 Surplus Beyond Basic Needs:

The wealth must exceed the owner's essential living needs. Zakat is not due on wealth that is needed for basic necessities. The definition of "basic needs" varies according to socio-economic conditions and is subject to scholarly judgment and ijtihad.

2.4.5 Freedom from Debt:

Zakat is not obligatory on wealth that is offset by outstanding debts. If an individual owes debts that reduce their net wealth below the nisab, they are not required to pay zakat until their debts are settled.

2.4.6 Completion of the Hawl (Lunar Year):

For most forms of zakatable wealth—such as livestock, trade assets, and cash—a complete lunar year (12 months) must pass while the wealth remains in the person’s possession. However, for agricultural produce and fruits, zakat is due at the time of harvest and does not require the passage of a year.

These conditions ensure fairness in the imposition of zakat, making it obligatory only on wealth that exceeds a person’s needs. This promotes economic balance and social solidarity within the Islamic community

2.5 Conditions for the Zakat Payer:

In order for a person to be obligated to pay zakat, certain conditions must be met: (Hassani & Mazouzi, 2025, pp. 156-157)

- **Islam:** Zakat is prescribed exclusively for Muslims; thus, the payer must be a Muslim.
- **Freedom:** Scholars unanimously agree that zakat is not obligatory on slaves, but only on free Muslims. This is supported by the hadith of Jabir (may Allah be pleased with him): *“There is no zakat on a slave’s wealth until he is freed.”*
- **Sanity and Puberty:** Scholars differ regarding the obligation of zakat upon minors and the mentally ill. One group argues that zakat remains obligatory regardless, based on general evidence from the Qur’an and Sunnah, such as the verse: *“Take from their wealth a charity by which you purify them and cause them increase...”* (Surah At-Tawbah, 9:103) The opposing view contends that the purification mentioned in the verse refers to purification from sin—something not applicable to children or those without legal capacity.

2.6. The Role of Zakat in Enhancing Economic and Social Performance

Zakat plays a crucial role in improving both social and economic indicators. Among the most prominent of these roles is:

2.6.1 The Role of Zakat in Income Redistribution

The fair distribution of income and wealth is a fundamental element in promoting the economic and social well-being of individuals, which in turn contributes to achieving sustainable economic development. This is because the growth of real national output does not necessarily lead to improvements in individuals' real income levels unless it is accompanied by a fair distribution of wealth and income. Therefore, achieving justice in the allocation of resources is considered a foundational pillar for ensuring inclusive and sustainable economic development. (Denden F. h., 2023, p. 62)

Zakat contributes to income redistribution in a way that directly impacts overall economic activity. Income redistribution refers to the reallocation of part of the wealth and income that individuals have lawfully acquired over a certain period, redirecting it toward other individuals who are deemed eligible according to specific Sharia-based criteria. (Taiar & Saidani, 2022, p. 303)

This is achieved through financing and supporting poor craftsmen, helping them establish small enterprises, or paying off their debts—thus enabling them to become new business owners and integrating them into the economic cycle. Zakat is therefore an effective tool for income redistribution, allowing direct monetary transfers from the wealthy to the poor and needy. This strengthens social solidarity, reduces economic inequality, and supports both stability and sustainable development.

2.6.2 The Role of Zakat in Combating Poverty and Alleviating Its Severity:

Combating poverty is considered the primary objective of zakat in the Islamic economic system, as indicated in the verse: “Zakah expenditures are only for the poor and the needy...”(Surah At-Tawbah, 9:60) The fundamental purpose of zakat is to alleviate poverty in society and to strengthen social solidarity. When the wealthy support the poor, the living conditions of the most vulnerable groups improve. Poverty is one of the major obstacles to economic development, as it limits individuals' productive capacity and negatively affects growth rates. Thus, reducing

poverty contributes to enhancing economic performance and promoting social stability, which in turn helps achieve comprehensive and sustainable economic development. (Denden & Bourahla, 2023, p. 14)

Zakat is a significant financial resource in the Islamic economy—not a marginal or negligible revenue. It is levied at a rate of one-tenth (10%) or half of one-tenth (5%) on agricultural produce such as grains, fruits, and vegetables, and at a rate of one-quarter of one-tenth (2.5%) on cash and commercial wealth. Zakat is obligatory on every Muslim who owns the nisab (minimum threshold), provided they are free from debt and their basic needs are already fulfilled. Therefore, zakat serves as an important instrument for redistributing wealth and promoting economic justice, contributing to social balance and supporting sustainable development. (Meddahi, 2019, p. 55)

2.6.3 The Role of Zakat in Reducing Unemployment and Increasing Employment:

Zakat contributes to supporting employment through several mechanisms: (Denden & Bourahla, 2023, pp. 13-14)

- Financing small enterprises for poor artisans and professionals, enabling them to escape unemployment and integrate into the labor market. This promotes private investment and creates new job opportunities.
- Activating idle production factors, which increases investment, enhances the productive capacity of workers, and develops their skills.
- Stimulating investment by boosting aggregate demand—since increased consumption by poorer segments of society leads to expanded production and the creation of additional jobs.
- Improving workers' productivity by supporting education, healthcare, and access to basic needs, thereby enhancing human capital.
- Creating direct employment by hiring individuals to manage zakat collection and distribution, and indirect employment by settling the debts of insolvent individuals (al-ghārimīn), enabling them to resume

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their economic activities rather than face bankruptcy.

Moreover, Islamic economics rejects voluntary unemployment. It considers able-bodied individuals who abstain from work as not eligible for zakat, in order to ensure that productive factors are not left idle and that financial support reaches those who are genuinely in need.

2.6.4 The Role of Zakat in Controlling Price Increases and Inflation:

Inflation refers to the relative rise in the general price level over a given period, typically one year. Zakat can play a role in mitigating inflationary pressures through several mechanisms: (Feliachi, 2020, pp. 94-96)

- Utilizing idle production factors: The concern of capital owners about the erosion of hoarded wealth due to the annual deduction of a portion for zakat funds compels them to convert it into productive investments. This transforms idle capital into productive capital, thereby increasing aggregate supply and reducing inflation.
- Directing zakat towards productive projects: The distribution of zakat aims to enable its beneficiaries to achieve self-sufficiency by providing them with tools and capital that allow them to engage in their businesses and crafts. This contributes to increasing production and thus raising aggregate supply. Such an increase in production and aggregate supply leads to lower prices and reduced inflation rates.
- Providing cash flows and avoiding the issuance of new money: Collecting zakat throughout the lunar year helps provide the necessary monetary amounts without forcing the authorities to resort to issuing new currency and increasing the money supply, which is one of the causes of inflation.

2.6.5 The Role of Zakat in Reducing Economic Recession:

Recession occurs when production declines, workers are laid off, and economic activity contracts over extended periods, often as a result of a decrease in aggregate demand. Zakat contributes to mitigation recession through the following:

- Stimulating consumption and aggregate demand: As previously mentioned, zakat redistributes income in favor of the poor, low-income, and marginalized groups, who are known to have a high marginal propensity to consume. This means that transferring zakat funds from hoarded wealth to funds directed toward consumption leads to an increase in aggregate demand and economic activity. In addition, zakat aims to combat poverty and unemployment, thereby increasing the employment of the unemployed, raising the incomes of disadvantaged groups, and consequently increasing consumption, aggregate demand, and economic activity.
- Boosting investments, production, and thus aggregate supply: Zakat directs hoarded wealth toward sustained investments, as capital owners fear the erosion of their wealth due to the imposition of zakat. Zakat also provides the resources necessary to enable individuals to engage in self-employment and crafts, with the aim of helping them escape poverty, as previously noted.
- In-kind collection of zakat: Zakat can be collected in the form of goods from those upon whom it is imposed and distributed directly to eligible recipients. This reduces the stock of goods held by zakat payers and limits excessive hoarding, thereby stimulating aggregate demand. (Feliachi, 2020, p. 103)
- Advancing the disbursement of zakat: Zakat collection can be expedited temporarily if the economy is in urgent need of these hoarded funds, particularly for groups affected by economic crises, in order to help stabilize the economy and alleviate the severity of the recession. (Feliachi, 2020, p. 103)

2.6.6 The Role of Zakat in Financing the Development Process:

Zakat is considered a stable financial resource that contributes to the internal financing of development, thereby reducing dependence on external funding and reinforcing economic self-reliance. It also activates idle wealth by reinjecting it into the economy and directing aggregate demand in support of economic activity. Zakat possesses the capacity for annual growth due to population increases, technological advancements, and the

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discovery of new resources. It serves as an effective development financing mechanism through the following features: (Denden & Bourahla, 2023, p. 14)

- Its obligatory nature: Zakat is a compulsory duty upon every free Muslim who owns zakatable, growth-oriented wealth that reaches the minimum threshold (niṣāb), ensuring a continuous and predictable annual revenue flow.
- Regular collection: Zakat is collected periodically—annually based on the lunar calendar (ḥawl) or upon the realization of growth, such as in the case of agricultural produce—guaranteeing its continuity as a sustainable financial tool.
- Diverse revenue bases: Zakat is characterized by its flexibility, as it encompasses both traditional and modern types of productive wealth, allowing for expansion in revenue sources in line with evolving economic activity.
- Growth in zakatable wealth: With population growth and increasing numbers of people reaching sufficiency due to development progress, along with the emergence of new zakatable assets and the discovery of natural resources, zakat revenues are expected to grow over time.
- Low administrative cost: The expenses associated with zakat collection and management are relatively low, often representing a small fraction of total proceeds, which enhances its efficiency as a financial resource.
- Minimization of evasion: The zakat system incorporates mechanisms that limit the potential for evasion, ensuring that funds reach their rightful beneficiaries and contribute to the stability of its financial flows

3. Evaluating the Performance of the Zakat Fund in Algeria:

The National Office of Awqaf and Zakat (NOAZ) is responsible for supervising the management of the Zakat Fund, in accordance with Executive Decree No. 21-179. The Office is a public institution of an

industrial and commercial nature, possessing legal personality and financial autonomy, and operates under the supervision of the Ministry of Religious Affairs and Endowments.

The Office plays a pivotal role in managing public endowments (awqaf), overseeing their administration, exploitation, development, and investment in line with the donor's intent and the provisions of Islamic law. It also serves as a central mechanism for collecting, distributing, and developing zakat funds in accordance with Sharia principles, ensuring their role in promoting social solidarity and economic development.

3.1 The Office's Functions in the Field of Zakat:

The National Office of Awqaf and Zakat is considered an effective mechanism for collecting, distributing, and investing zakat funds, in line with Islamic rulings and the legal framework governing this domain. As the official entity responsible for zakat management, the Office is entrusted with several key duties, which may be categorized under three main pillars: (Denden & Bourahla, 2023, p. 19)

First: Within the Framework of Public Service

- Collecting zakat from individuals and institutions through organized mechanisms.
- Distributing zakat to its rightful beneficiaries, thereby strengthening the values of solidarity and social compassion.
- Updating and digitizing the national database of zakat beneficiaries to ensure fair and transparent distribution.

Second: In the Sphere of Socioeconomic Development

- Establishing effective mechanisms for the development of zakat resources to ensure their sustainability and increase their impact.
- Supporting and assisting young entrepreneurs in launching small businesses, in coordination with relevant institutions, to promote entrepreneurship and combat unemployment.
- Concluding cooperation agreements with financial and economic institutions in alignment with the Office's objectives.
- Contributing to national charitable and solidarity campaigns aimed at supporting vulnerable and underprivileged groups.

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Third: In the Scientific and Media Field

- Participating in awareness and media campaigns on the importance of zakat, in coordination with the Ministry of Religious Affairs and Endowments.
- Organizing scientific symposia, conferences, study days, and training workshops to enhance awareness of the zakat obligation and improve its administration.
- Educating citizens and building trust in the zakat system through public education programs and community-based initiatives.
- Publishing magazines and specialized literature in the field of zakat to disseminate knowledge and promote a culture of economic solidarity.

In this way, the Office serves as a crucial link between zakat payers and beneficiaries, working to modernize and enhance the zakat system in order to fulfill its goals of building a more just and cohesive society.

3.2 The Zakat Fund in Algeria

The Zakat Fund in Algeria is a religious and social institution operating under the supervision of the Ministry of Religious Affairs and Endowments. This affiliation grants it a legal framework rooted in the legislation governing mosque institutions. The Fund is structured into three main organizational levels: (Denden & Bourahla, 2024, p. 18)

3.2.1 The Local (Grassroots) Committee:

This level functions at the daïra (district) level and is responsible for identifying zakat beneficiaries within its geographical area. The deliberative committee includes: the committee chair, heads of mosque-based committees, representatives of neighborhood committees, local notables, as well as representatives of zakat payers. This composition ensures transparency and fairness in the distribution of zakat funds.

3.2.2 The Provincial Committee:

Located at the wilaya (province) level, this committee is tasked with the final review of zakat files after the preliminary decisions made by the local committees. Its deliberative body is composed of: the head of the

provincial authority, two senior-ranking imams in the province, prominent zakat payers, representatives from the provincial federation of mosque committees, the head of the provincial religious council, in addition to experts in law, accounting, and economics, a social worker, and the heads of grassroots committees. This diverse structure ensures a meticulous and transparent assessment of beneficiary files.

3.2.3 The National Committee:

At the national level, the fund is overseen by the Higher Council of the Zakat Fund, which serves as the supreme supervisory body directing the fund's operations. The Council comprises: the president of the council, presidents of provincial zakat committees, members of the Shariah authority, a representative of the High Islamic Council, representatives of ministries relevant to the fund, and senior zakat payers.

The council also includes several oversight committees responsible for monitoring and evaluating the performance of the provincial committees to ensure compliance with Shariah and regulatory standards. The core mission of the Higher Council is to act as the central authority responsible for policymaking and overall supervision of all zakat-related activities in Algeria, ensuring the highest standards of efficiency and transparency in the management and distribution of zakat funds.

3.3 Methods of Calculating Various Types of Zakat :

Zakat is calculated based on the type of assets and savings held by a Muslim individual, as detailed in the following table:

Table 1. Method of Calculating Various Types of Zakat in Algeria

Type of Zakat	Quorum	Amount of Zakat	Calculation method	Performance time
Cash Zakat	85 grams of gold or more	2.5%	$(\text{Amount} \times 2.5) / 100$	After one full year
Trade Goods Zakat	85 grams of gold or more	2.5%	$(\text{Market value of goods} + \text{saved cash} + \text{collectible debts} - \text{due debts}) \times 2.5\%$	After one full year

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Stocks Zakat	–	2.5%	(Market value of shares + profits) $\times$ 2.5%	After one full year
Bonds Zakat	–	2.5%	(Market value of bonds only) $\times$ 2.5%	After one full year
Confirmed Debts Zakat	–	2.5%	Debt amount $\times$ 2.5%	Annually upon due date
Doubtful Debts Zakat	–	2.5%	Debt amount $\times$ 2.5% upon collection	One-time upon recovery
Gold Zakat	85 grams of gold or more	2.5%	(Gold weight $\times$ price per gram) $\times$ 2.5%	After one full year
Crops and Fruits Zakat	647 kg of wheat or 825 liters (volume)	10% (natural irrigation) 5% (artificial irrigation) 7.5% (mixed)		At harvest time

Source: Prepared by the researcher based on data from the website of the Algerian Ministry of Religious Affairs and Endowments (<https://marw.dz>)

According to Table 1, individuals who possess savings equivalent to or exceeding the value of 85 grams of gold are obligated to pay zakat. These savings may take the form of liquid cash, goods, gold, stocks, or bonds, and in all such cases, the individual must pay 2.5% of the total value of their assets.

As for zakat on debts, it becomes due upon collection. Regarding zakat on agricultural produce, the applicable rate depends on the method of irrigation: if the crops are irrigated naturally (by rainfall), the zakat rate is 10% of the total harvest; if irrigated artificially (using man-made irrigation systems), the rate drops to 5%. In cases where both methods are used, a mixed rate of 7.5% is applied.

3.4. Evaluation of the performance of the Zakat Fund in Algeria:

3.4.1 Evaluation of the development of Zakat in Algeria:

The Zakat Fund in Algeria collects three main types of zakat: zakat on wealth, zakat al-fitr, and zakat on crops. Fig1 below illustrates the development of each type of zakat over the study period.

According to Fig.1, it is observed that zakat on wealth has fluctuated

during the study period. The collection of zakat improved between 2003 and 2014 with slight variations, as its value rose from 30 million DZD to 804 million DZD.

During the period 2015–2020, zakat collection showed a kind of stability, except for the years 2019 and 2020, when the amount of zakat rose to 850 million DZD after having been 685 million DZD in 2015.

In contrast, the collection of zakat on wealth between 2020 and 2024 was affected by the COVID-19 pandemic, as it declined from 730 million DZD in 2020 to 408 million DZD in 2021. This decline is attributed to the drop in net savings in the Algerian economy, which fell to 4,442 billion DZD in 2020 after having reached 6,661 billion DZD in 2018. Due to the condition of completing one lunar year (ḥawl) for zakat, the impact of this decrease was reflected in the 2021 zakat collection, which is based on the previous year's savings.

Despite this decline, zakat collection quickly recovered, reaching 858 million DZD in 2024. Overall, the average annual growth rate of zakat on wealth was 29.27%, which may indicate improved zakat collection mechanisms and increased compliance.

As for Zakat al-Fitr, it showed continuous improvement during the period 2003–2018, rising from 25 million DZD to 614 million DZD, with an average annual growth rate of 35.73%. Despite this upward trend, Zakat al-Fitr recorded a slight decline in 2008 and 2014 by 6.66% and 1.88%, respectively.

In 2020, due to measures associated with the COVID-19 pandemic, it was not possible to collect Zakat al-Fitr. However, it soon recovered, increasing from 437 million DZD in 2021 to 791 million DZD in 2024.

The continuous increase in Zakat al-Fitr is attributed to demographic growth in Algeria, as the population increased from 31 million in 2003 to 46 million in 2023. Since Zakat al-Fitr is obligatory for every individual regardless of gender or age group, this population growth contributed to the increase in the total amount collected over the years.

Regarding zakat on crops, a clear fluctuation is observed during the period 2004–2021. The highest value was recorded in 2021 at 130 million

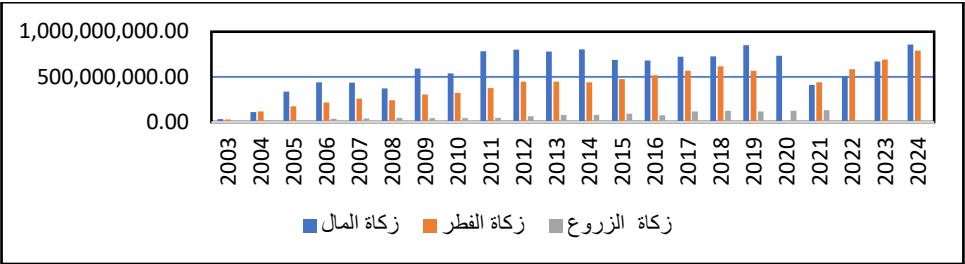
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DZD, while the lowest was in 2005 at 0.7 million DZD. The average annual value of zakat on crops was 69 million DZD.

This fluctuation is due to the variations in grain production in Algeria. For example, grain production dropped in 2010 to 40 million quintals compared to 52 million quintals in 2009, which led to a decline in zakat on crops from 42 million DZD to 40 million DZD.

Therefore, zakat on crops directly depends on the level of agricultural production in Algeria, making it vulnerable to climate changes, agricultural policies, and investment levels in the farming sector.

Fig.1 Evolution of types of zakat in Algeria during the period 2003-2024 (DZ unit)

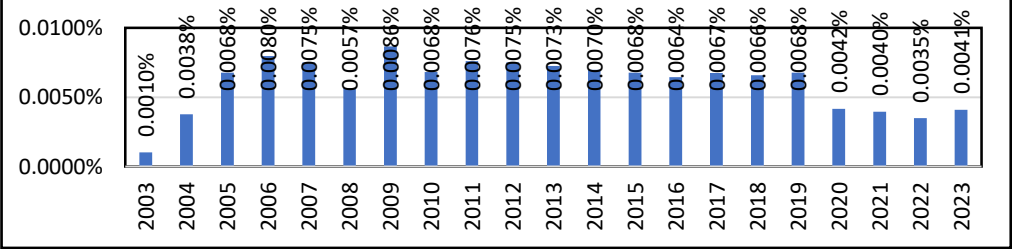


Source: Prepared by the researcher and relying on the National Office of Awqaf and Zakat

3.4.2 Analysis of the Development of the Zakat Fund’s Importance in Zakat Collection in Algeria:

To assess the importance of zakat in the Algerian economy, it is necessary to examine the contribution of zakat to the Gross National Income (GNI). The following figure illustrates this development:

Fig.2 Evolution of the volume of Zakat relative to gross national income (%)



Source: Prepared by the researcher based on:

- World Bank data
- National Office of Endowments and Zakat (NOEZ)

We have seen in the theoretical framework how zakat can play a pivotal role in the national economy by encouraging investment, stimulating production, and enhancing social performance. However, in order to achieve these goals, it is necessary to mobilize significant financial resources to strengthen the role of zakat in promoting economic and social development.

From the figure presented earlier, it is evident that the ratio of zakat to Gross Domestic Product (GDP) in Algeria has experienced notable fluctuations during the study period. Between 2003 and 2006, the zakat-to-GDP ratio increased from 0.001% to 0.008%, reflecting an improvement in zakat collection relative to GDP. In 2008, however, the ratio declined to 0.0057%, indicating a relative decrease in zakat revenues. During the period 2011–2019, the ratio remained relatively stable, with an average of approximately 0.007%.

In contrast, the period 2020–2023 was marked by economic recession due to the impact of the COVID-19 pandemic, which led to a decline in the zakat-to-GDP ratio to 0.0035% in 2022 and 0.0041% in 2023.

Results Analysis:

The data indicate that the average ratio of zakat collected to GDP during the period 2003–2023 stood at only 0.006%, a remarkably low figure when compared to the theoretical zakat rates in other oil-producing countries, which range between 2.5% and 3.2% of GDP, with an average annual rate of approximately 3% of national income (Al-Dhukair, 1993, p. 491).

When comparing the actual collected ratio (0.006%) to the expected ratio (0.3%), a significant gap becomes evident between the real potential of zakat and the actual amounts collected. This gap implies that the amounts collected through the Zakat Fund represent only 0.2% of the potential zakat revenues, meaning that for every 500 monetary units theoretically due, only 1 unit is actually collected. Such a shortfall significantly weakens the fund's capacity to influence economic and social performance.

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4. CONCLUSION:

The study results reveal that despite zakat's vital role, the performance of the Zakat Fund in Algeria remains significantly weak in terms of collection. The share of collected zakat amounted to just 0.006% of GNI, while it is expected to reach around 3%, based on the experience of other oil-producing countries.

This weakness can be attributed to several factors, including:

- The absence of a legal obligation to pay zakat through the Zakat Fund;
- Individuals' preference for distributing zakat directly to beneficiaries instead of through official channels;
- Insufficient awareness of zakat's developmental role, which undermines its effectiveness as an economic and social instrument.

Accordingly, the hypothesis stating that “the Zakat Fund in Algeria, after 20 years of experience, has gained the necessary efficiency to collect zakat effectively” is rejected.

Recommendations:

Based on the above findings, and in order to improve the Zakat Fund's performance, the following measures are recommended:

- Intensify awareness campaigns in mosques to emphasize zakat's religious obligation and promote the importance of distributing it through official channels like the Zakat Fund;
- Highlight the Fund's efficiency and transparency in comparison with direct distribution, to encourage public trust;
- Enhance transparency in zakat collection and distribution processes;
- Develop digital payment platforms to make it easier for individuals to fulfill their zakat obligation through the Fund.

Bridging the zakat collection gap is crucial, given zakat's potential to contribute to economic and social development. Therefore, implementing fundamental reforms in collection and distribution mechanisms is essential to increase efficiency and ensure equitable resource allocation

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