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ABSTRACT:
This paper presents a theoretical approach and an empirical study that demonstrate how the Islamic economic principle, Zakat, can promote investment by achieving an ideal distribution of wealth. Indeed, if some researches allowed to develop the theory of distribution of wealth in Capitalism or Marxism context, the present research has a new contextual perspective, which is to introduce and implement the Islamic economic model from where emerges the notion of Zakat that plays an imminent role in decentralizing wealth as well as in resolving socioeconomic issues, such as unemployment and poverty. This Paper has two essential parts that will present first analysis relating distribution of Zakat and promoting investment, and second an empirical study of Algerian experience on Zakat institutions.


INTRODUCTION:
The concept of wealth distribution has been a controversial subject for many centuries as economists, sociologists, philosophers and other physicians have argued over the subject. It interests everybody, peasant or nobleman, worker or industrialist, server or banker, each since the observation post which he occupies. A good distribution of wealth will remove all of the socioeconomic problems that result from social and economic inequalities. There will be no domination among each other, and each individual will be treated the same and will have as much chance to get wealthy as anybody else. This research paper urges us to bring and study a new concept that is very different and more effective than conventional ones. This economic principle, which is Zakat, has long been applied within Muslim communities and proved itself to be healthy to the economy of the society. This statement induces us to conduct a deep analysis on one of most important roles of Zakat, which is promoting investment, by raising important questions: What are the foundations of Zakat? What contributions does it bring to promoting the distribution of wealth and treasury within a society? How application of Zakat can contribute on promoting investment and resolving socioeconomic issues? This paper has three essential parts that will present the analysis relating Zakat and wealth distribution, and the Moroccan context will be taken as an example.

- The first part will be dedicated to the critical analysis of conventional economy, by studying of the worldwide context of the inequality of distribution, and suggesting the application of Zakat as one of the most important Islamic economy instrument.
- The role of Zakat as an instrument of Islamic economy in promoting investment.
- The last part will present the impact of Zakat fundation on promoting investment in Algeria.

1. The role of Zakat in distribution and decentralization of wealth:
The equality of distribution of wealth it is an important economical politic target for most of countries.

1. The worldwide wealth distribution inequality: What alternative?
After a stage of reduction of inequality starting in the forties, industrial countries knew these 20 last years an important increase of inequality which cannot decently be considered any more as short-term. Capitalism, since its inception, has engendered a number of financial crises that impoverished societies around the world. Without economic responsibility and without aligning economic models with democracy, inequalities shall stay forever. As we saw with the financial crisis of 2008 that increased the unemployment rate, which has contributed even more to increasing social and economic inequalities. This model clearly fails to balance wealth distribution among individuals but instead makes the rich richer and the poor poorer. Therefore, this leads us to the critical question: how
effective is capitalism in balancing economic inequalities and ensuring a decent wealth distribution among individuals?

In a sense, we are at this beginning of the XIth century in the same situation as the observers of the XIXth century: we are waiting an impressive transformation, and it is very difficult to know when they can start, and what will resemble the worldwide distribution of wealth, between countries as in inside countries, on horizon of some decades.

Studies, in terms of effective models in distributing wealth evenly among individuals within a particular society, have been done, but they are all theoretical, and thus there are not enough conventional practical facts that support the finest wealth distribution claim.

As a lifestyle, Islam tackles every aspect of society’s concerns. Whether it is at the spiritual, individual, social, economic or political level, Islam gives clear instructions and directives to individuals in order to go through the rightful path. Scholars and Muslim economists developed multiple definitions of the Islamic economic model that are founded based on the fundamental sources of the Islamic sharia which are the Koran and the hadiths.

Contrary to the communist and capitalist system, Islamic economy considers the society as a group of individuals who move, who live and who work in harmony, so link must be strong between the worker and the fruit of its job.

The Islamic economic system strives to achieve an economic growth that will contribute to social equality. Public ease is not the only question to be taken into account, what dominates is that poverty, and inequality in the access to public property, are abolished. It what matters most is the development of a situation that allows everybody to use resources and that could remove poverty, discriminations, inequality of chances and inequality in front of law.

2. The role of Zakat in distribution and decentralization of wealth:

The Islamic economy requires the circulation of capitals and encourages the owners to secure a return from their lands and promotes respect and development of minor private properties much more than the big ones. In fact, Islamic economy cares first about possessors of small capitals before the possessors of big capitals contrary to other visions which are deprive the rich, or make him predominant.

Therefore, the inequality of incomes, based on fact to the private appropriation of means of production, has certainly some advantages since it promotes effectiveness, rationality, innovation, diversification, competitiveness and improvement of the quality of products. However, these advantages can turn into a real danger when the income gap among individuals and classes becomes wider and wealth is concentrated among the richest. The Koran says: « So that it does not circulate among the only rich men of you ».

Such concentration of wealth will inevitably impact the economic, social and political agenda which seeks the common good regarding the distribution of wealth. The Islamic economic system has some instruments that some Muslim economists regroup them in two categories:

a. The fundamental instruments in the Islamic system such as: Zakat, the system of succession, Waqf, donations and expiations (Al kafarat).

b. The principles linked to economic policies such as tax appeal, the implementation of a social security system and the promotion of agricultural and business properties.

Zakat has strong ethical practices, for it develops individuals’ sense of responsibility and their awareness of their duties toward the society to which they belong, and beyond this, it trains them to deprive any form of selfishness, corruption or economic crime. In addition to that, Zakat allows the Islamic community to prevent any delinquency from an economic tyranny which can manifest itself in the absence of a fair and rational system that shares financial resources. Moreover, Zakat is a major instrument in averting an excessive accumulation of wealth and helping the poor and the most vulnerable members of the society.

While the Islamic economic model imposes the deduction of Zakat from people who have enough financial means, it also defines the most appropriate ways of giving it out. Indeed, Zakat targets and goes to the needy people who are depicted into eight traits:
The poor who do not beg: individuals living at the poverty threshold
-The poor who beg: These are extremely poor and, therefore, ask others for food and clothing.
-The Debtors: Debtors burdened by debts and lack financial resources to pay back because of personal needs or social necessity, and thus are forced to borrow money for the sake of their family, for example, are entitled for Zakat.
-Attracting Hearts: Zakat is also to be paid to attract the hearts of those who have been inclined towards Islam and facing economic hardship because of this change. Such donation should be made on a need basis.
-Freeing Captives: Zakat can be used to get the slaves freed. There is hardly any case of this type in these days.
-The traveler: If a foreigner is genuinely in need of money to return to his home and his purpose for traveling is approved, he is entitled to get money from Zakat.
-Allah's Cause: Warriors fighting against an invader of an Islamic State shall receive financial resources from Zakat.
-Zakat Collectors: An institution collecting Zakat can get funds from Zakat.

Despite the obligatory aspect of Zakat in Islam, it's considered essential in depriving wealth concentrations among minorities. Unlike the conventional tax system where the rates are significant, Zakat is characterized by a large domain of application since it's applies to incomes, wealth and invisible property.

The decentralization of wealth and the distribution of Zakat remains therefore a proper means of allocating funds to the people in need not only directly, but also across the creation of new investments. Funds coming from Zakat are divided where they were collected. This politics of redistribution of incomes is much more rational and effective than the conventional wealth centralized system in terms of balancing economic inequalities and achieving social welfare.

Henceforth, regarding the causes inducing income inequalities, Zakat has as imminent role in guaranteeing social justice by bringing necessary measures for the reestablishment of the socioeconomic balance of the society.

II- The role of Zakat in promoting investment:

1. Business Zakat:

Business is defined as the process of property development by way of sale and purchase to gains and accompanied with the intention of trading. It also includes every transaction using the exchange system with the purpose of making a profit with participation intentions. Business Zakat is calculated based on the business assets obtained from business transaction. This means that business Zakat is payable irrespective of whether business operation is running at loss or profit as long as the company has a positive working capital. Business owners are liable to pay business Zakat when fulfill the following conditions:

- Zakat only can be imposed on Muslim. If the business’ shares consist of Muslim and non-Muslim contribution, only the Muslim’s share is subjects to Zakat.
- Compulsory on halal asset only. (Specified in sharia principle).
- “Haul” can defined as the periodic term of the income or the asset subjected to zakat. Haul is based on asset calculated from the initial inception or start of business until the completion of one whole year.
- “Nissab” can defined as the minimum amount of fully owned wealth possessed by a person.
- Assets subjected to Zakat are either it is fully owned physically or full management control of the assets.
- Compulsory for productive assets: The assets must have growth potentials. The wealth should be of a productive nature, from which can derive profit or benefit such as merchandise for business, gold, silver and livestock.
2. The Zakat and investment:

Zakat Foundation is the most important element of Islamic fiscal policy that it’s participate in social and economic equity. Unfortunately, it has been neglected in most Islamic countries and has counteracted in others. We will try to highlight its importance by presenting different roles of the foundation of Zakat in promoting investment, encouraging employment and reducing poverty:

- The role of Zakat foundations in balancing the State budget:
Zakat resources contribute to the positive influence on the general State budget. In terms of public expenditures, they contribute to reducing public spending by the growing size of resources that provide goods, services and social assistance; the reduction is estimated by the volume of resources across their temporal extension, enabling the State to reach the public expenditures rationalization from the input of involving Zakat foundations in investment and efficient consumption fields. These resources contribute to positive and qualitative influence on public revenues by reducing the resources intended for financing some areas that can be established through Zakat foundations, particularly the resources related to taxes, loans, inflationary financing, and the rationalization of the State’s size, that the more its costs increase and the weight shifts to the national economy, the more the public savings increase and the costs of the State’s role in performing its social functions decrease.

- The role of Zakat foundations to increase consumption:
The Zakat invest to grow capitals through improving businessmen’s to outlook for new markets and grow up there business, because Zakat, by redistributing income and a part of wealth in favor of the poor and needy, leads to increase demand for consumption, and to encourage investors to increase investments to meet growing demand for goods and services. This raises the marginal efficiency of capitals and the volume of the aggregate investment in the society.

- Contribution of Zakat to reduce unemployment:
The best way to reduce the phenomenon of unemployment is the exploitation of Zakat in activating the role of the three elements of production (Labor, capital and natural resources). As Zakat is working on the mixture between the elements of production “labor and capital” in the verification in verification process where the interests of owners and workers speculators. Thus, Zakat contribute in finding a job by searching for the means of production, investment or reinvest that. Will, positively affect employment and recruitment levels.

- The role of Zakat in financing skills training:
Voluntary use of zakat payments to buy a place in a training program can constitute an investment in the future success of a worker or business owner.

- Financial and investment role of Zakat foundations:
Zakat foundations play a prominent role in promoting production and service mini-and-small projects, as well as they increase, regenerate and evolve productive assets through influencing investment dynamics.

- The role of Zakat in investment risks guarantee of mini-and-small projects:
The Zakat guarantee investment risks for mini-and small projects through establishing a fund to cover investment risks in these Zakat projects. For this purpose, the people in debt recipient is guaranteed which will increases the motivation towards investment, investment risk and the establishment of economic projects (salhi, 2012: 7).

- Zakat and reimbursement of debt relief:
The use of this standard zakat category could assist small business owners or workers to get out from under debt accrued from previous business-related or personal financial setbacks, thus giving them a fresh start.

- Zakat foundations and their role in sustainable development:
Zakat resources help in solving social problems that objective economic systems have failed in treating them, by providing education opportunities, health care and the access to services and essential commodities, through their significant role in improving the cultural and social level of the Islamic community’s members despite their degradation at the recent time.

- Zakat foundations and their role in the eradication of poverty:
The poverty problem can be classified in economic problems, because the meaning of poverty is the inability of financial resources for the individual or for society to meet economic needs, poverty is also a social problem as it affects a range of community and disable them from taking part in community development (Alqardawi, 1997: 17). Zakat foundations can fight poverty and control it in the whole society.

- The Zakat contribute in reducing inflation rate:
Zakat can be used in the positive impact in reducing the phenomenon of inflation as monetary instruments used to alleviate that by affecting the methods of supply and demand of money. However, in order to manage the monetary policies in terms of money, Zakat collections and distributions or management of Zakat to be considered as one of the monetary policies to reduce the inflation rate by imposing Zakat to be paid to recipients.

III- Algerian Zakat fund : Case study
The Algerian Zakat Fund is a religious and social foundation created in Algeria in 2003 and operating under the supervision of the Ministry of Religious Affairs and Waqf, it is a charitable foundation aimed at achieving solidarity in society.

1- Presentation of Algerian Zakat fund:
The Zakat foundation envisage the collection of Zakat in three ways:
- The Mosque boxes: The zakat foundation put a box of collecting zakat in every mosque.
- The postal transfer: Direct way of collect Zakat, and the must using by people.
- The bank transfer: Used principally by immigrant.

The Zakat foundation distributes money in these percentages:
- First case: If the assets are inferior to 5 Million DH
  - 84%: Distributed to poor and needy
  - 16%: Cover the costs of Zakat foundation.

- Second case: If the assets are superior to 5 Million DH
  - 50%: Distributed to poor and needy
  - 34%: For financing project investment
  - 16%: Cover the costs of Zakat foundation.

Development of Zakat outcome: Zakat outcome fulfilled for the Fund has seen considerable development; the following table shows the evolution of the volume of Zakat Fund national outcome during a decade.

Table 1: The evolution of the volume of Zakat Fund outcome during the period 2003-2014

<table>
<thead>
<tr>
<th>Years</th>
<th>Annual outcome of Zakat (DZD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>56122571.95</td>
</tr>
<tr>
<td>2004</td>
<td>239853995.98</td>
</tr>
<tr>
<td>2005</td>
<td>508656551.75</td>
</tr>
<tr>
<td>2006</td>
<td>686440187.46</td>
</tr>
<tr>
<td>2007</td>
<td>732514125.32</td>
</tr>
<tr>
<td>2008</td>
<td>654451244.60</td>
</tr>
<tr>
<td>2009</td>
<td>6999297921.87</td>
</tr>
<tr>
<td>2010</td>
<td>899192808.57</td>
</tr>
<tr>
<td>2011</td>
<td>1179063793.74</td>
</tr>
<tr>
<td>2012</td>
<td>1306642511.54</td>
</tr>
<tr>
<td>2013</td>
<td>27682577951.98</td>
</tr>
<tr>
<td>2014</td>
<td>1318759818.43</td>
</tr>
</tbody>
</table>

Through Table 1, we note the evolution of the fund’s outcome during the period 2003 until 2014.
2- The role of Algerian Zakat fund in promoting investment:

The Zakat foundation play an important role in financing small projects by using ‘AL QARD ALHASSAN” (good loan), so 37% of Zakat funds are allocated in this investment, the total amount aimed at investment in 2013 reached about 3090371143.51 DZD, distributed on approximately 718 beneficiaries.

**Qard Alhacen(Good loan) Financing:** It is the most used way by Zakat Fund to finance projects to help the poor, and it is often used to ensure the continuity of simple investment activities, and to keep jobs associated with those activities.

The Qard Alhacen(Good loan) financing is done to two cases (Masdor & Kalmine, 2014: 11):
- Case one: The financed people are insolvent and they are exempt from payment.
- Case two: The financed people request extension of repayment, if it is proved that they are solvent.

This financing strategy goal to establishing the principle “We don’t give them to still poor but to grow up”, so from this principle the Algerian Zakat foundation cooperate with Albaraka Bank to invest different projects:

- **Mini projects financing:**
  This financing includes housewives, handicapped people who are able to work, as well as unemployed youth; the National Commission of Zakat Fund defines a limit for this type of financing, and the Bank will directly pay the supplier (no relation between the supplier and the beneficiary).

- **Supporting projects secured at the Loan Guarantee Fund:**
  These loans are resulted through an agreement between the Fund and the Ministry of Religious Affairs and Waqf (endowments), with consultation with the Al Baraka Bank of Algeria which is a member of the Loan Guarantee Fund of small and medium-sized enterprises.

- **Helping enterprises in debt that are capable of recovery:**
  The Bank determines a list of the beneficiaries of this type of financing by identifying their needs, to what extent they are recoverable and how to pay those debts; the encasement include only the principal, but not the interests paid to banks.

- **Creation of companies between the Fund of Zakat Investment and Al Baraka Bank of Algeria:**
  These projects are resulted by agreement between the Al Baraka Bank of Algeria and the Ministry of Religious Affairs and Waqf (endowments); the Bank shall determine the size and quality of the projects supposed to be done. Unemployed capable to work will benefit from these projects.

3- The role of Algerian Zakat fund in recruitment:

The Zakat foundation participates positively in recruitment, investment and consumption, by four kinds of recruitment:

- Recruitment of the needy: Help the needy to find a job by giving to him a machine or raw materials or skills training.
- Recruitment of travelers: Facilitate the integration of travelers into the labors market.
- Recruitment of freeing captives: Reintegration of the free captives in the society as a principal citizen who participate in economic development.

**Table 2: Number of the persons beneficiate from Alqard Alhassan.**

<table>
<thead>
<tr>
<th>Years</th>
<th>Zakat allocations</th>
<th>Alqard Alhassan (Good loan)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>118,158,269.35</td>
<td>0</td>
</tr>
<tr>
<td>2004</td>
<td>200,527,635.50</td>
<td>256</td>
</tr>
<tr>
<td>2005</td>
<td>367,187,942.79</td>
<td>466</td>
</tr>
<tr>
<td>2006</td>
<td>483,584,931.29</td>
<td>857</td>
</tr>
<tr>
<td>2007</td>
<td>566,814,000.00</td>
<td>1147</td>
</tr>
<tr>
<td>2008</td>
<td>428,189,797.29</td>
<td>800</td>
</tr>
<tr>
<td>2009</td>
<td>887,000,000.00</td>
<td>1200</td>
</tr>
</tbody>
</table>
From this table we can Remarque that the percentage of persons who beneficiate from the credit to create their projects is growing up, and consequently this projects can create a new jobs and participate in economic development.

**Conclusion:**

This paper has for objective to analyze the Zakat as benchmark to evaluate the economic growth and to demonstrate its role in promoting investment and reducing unemployment. This research may contribute to evaluate economic growth as new index to measuring the growth of economic among Islamic countries.

The subject of distribution of wealth, turns out in reality to be much larger than it s ’ appears to it, a phenomenon which needs a deepened study, and that leads us towards the reason of the choice of this subject which presents Zakat as an ethical and practical solution to this paradox. So, how Morocco could resolve the problem of distribution of wealth inequality with application of Zakat foundation?

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