

The Impact of Ordinary Taxes on Fostering Economic Development in Algeria (2000–2021)

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Abstract:

Research Question: The study investigates the efficacy of Ordinary taxes (non-hydrocarbon) in fostering economic development in Algeria. **Motivation:** The study seeks to emphasize a persistent issue afflicting the economies of oil-producing nations in this region, an issue that policymakers may neglect due to their generalized perspective on taxation without recognizing its origins. It aims to rectify this vulnerability as a safeguard against fuel price variations and to foster economic stability, alleviating the impacts of such volatility. **Idea:** The core idea is to assessing the impact of Ordinary taxes on the nation's economic growth from 2000 to 2021. **Data:** Data for the study variables were obtained from the annual reports of the Central Bank of Algeria (<https://www.bank-of-algeria.dz>), the World Bank (<https://www.worldbank.org>), and statistics from the National Statistical Office of Algeria (<https://www.ons.dz>). **Tools:** This study was accomplished by a multivariate linear regression model utilising the examined variables. **Findings:** The study identified a detrimental effect of the standard taxation rates on the Algerian economy, indicating the inadequacy of this taxation in fostering economic development. This results from the imposition of rates beyond the ideal tax thresholds. **Contribution:** This study distinguishes itself by examining the effects of Ordinary taxes on economic development in Algeria, a North African nation reliant on oil exports.

Keywords: Ordinary taxes; Economic Development; GDP; Algeria.

Jel Classification Codes : H26 ; Q11 ; C33

I- Introduction :

Development broadly refers to the progress and welfare of humanity. In contrast, economic development pertains explicitly to enhancing living standards by fulfilling material and moral

demands and requirements. The primary focus of leading decision-makers and economic theorists was establishing a financial framework capable of funding development expenditures and addressing its requirements and financial implications.

Taxation is of utmost importance. It is one of the most prominent financial resources capable of covering all costs and expenses incurred by the state to satisfy the general needs of the people. It is a vital resource for building infrastructure and a fundamental basis for financing strategic projects that benefit the state and the individual. Therefore, taxation's importance lies in each country's flexibility, ability to collect taxes without compromising the social aspects of the individual, and its ability to maintain optimal levels of economic safety from negative adverse effects, thus ensuring smooth economic development and continuity.

Achieving economic development is not as easy as some may think. It is a process that can bring about radical changes in several sectors, reflected in important indicators of economic development. Economic development ensures the vitality of the economy of every country. Therefore, all the efforts of countries seeking to achieve the continuity of economic development are directed towards ensuring its financing in a way that meets all its foundations. Taxation, in general, is the leading financier of it. Accordingly, taxation plays an important role in economic development.

Economic development indicators are statistical measures that provide information about various aspects of the local economy, including GDP, income, employment, production, and business activity. These indicators are used to assess the economic situation and evaluate economic policies, in addition to supporting the decision-making process (Hanrong & Bethany, 2013). The World Bank has included in its regulations 39 indicators (worldbank, 2025), which can be relied upon to study the economic growth of any country or region, among the most common of which are: The ratio of the price level of the purchasing power parity factor (GDP) to the market exchange rate, Total debt service (as a percentage of exports of goods and services and primary income), GDP (present value in US dollars), Gross capital formation (% of GDP) (Sohail, et al., 2025). Total external debt balance (debt due and disbursed, at current US dollar rates), Foreign direct investment, Net inflows (balance of payments, at current prices in US dollars), Inflation and its relationship to economic growth in the short and long term (Andreano, Laureti, & Postiglione, 2013), GDP quantization factor (% per year), Growth in per capita GDP (% per year), which is used as an indicator of quality of life, reflects the rate of economic Growth achieved (Graafland, 2025). Exports of goods and services (% of GDP). The export index has been shown to have a significant impact on economic growth, especially in the presence of diversification in exports (Markakkaran & Sridharan, 2022). Per capita gross national income, according to purchasing power parity (at current international dollar prices), GDP per capita (current US dollar prices), and all three of these indicators play an important role in economic growth (Hussein, Elobeid, Ahmed, Elfaki, & Bashir, 2025). The added value of medium- and high-tech manufacturing industries is an important indicator of economic growth. (David, 2011)

Newly introduced indicators include the Science-Industry Compatibility Index (SIM), measures of dynamic income and correlation density, and diversity indicators based on specialization (Teixeira & Pinto, 2025). On the other hand, the unemployment rate index in

society is of great importance in reflecting economic growth, as it expresses the productive category that is not involved in economic activity, as there is a direct, long-term relationship between economic growth and unemployment. (Mandi, Jana, Gupta , & Maiti, 2025)

II. Literature review

II. 1. Taxation and Economic development

The term "development" is a critical economic notion for policymakers and economists. It comprises a collection of interrelated and cohesive ideas and concepts grounded in theoretical frameworks and developmental assumptions, aligned with performance evaluation indicators for holistic development (Amin, 2022). Development aims to achieve a prevailing standard of living and the desired conditions for all (Mohamed, 2008). It is a normative concept designed to promote economic growth by raising productive capacity from a certain level to higher levels within the country (Al-Jilani, 2021)

Countries oversee economic growth as a foundation for enhancing living standards through development indicators that demonstrate the extent of the state's involvement in executing its development initiatives and projects. Consequently, taxation is regarded as the fundamental catalyst for propelling economic progress (Guo, Wang , Liu, Chen, & Zhao, 2025). The variety of its concepts does not diminish its fundamental financial function, as it encompasses a collection of taxes that are compulsory deductions and financial contributions levied on taxpayers based on their capacity (Durusu-Ciftci, Gokmenoglu, & Yetkiner, 2018) by the authority, to generate revenue consistently, without any specific advantage to them, to fulfil the objectives of the state (Amoh, Ofori-Boateng, Nsor-Ambala, & Anarfo, 2023). Contemporary finance assigns taxation a fundamental function as a revenue generator. (Zhang & Song, 2022)

The subject of tax policies and their influence on economic growth has consistently captivated scholars in economics and policymakers aiming to enhance social welfare within a robust economy (Lapatinas, Kyriakou, & Garas, 2019). It has, in various capacities, catalyzed the pursuit of national economic development (van den Boogaard, Prichard, Benson, & Milicie, 2018). Numerous studies have examined the long- and short-term effects of tax policy on economic growth, affirming its substantial influence, especially in European nations (Maganya, 2020). Nonetheless, this effect may be uneven among national economies and even within a single national economy. Altering tax rates by an equivalent percentage can yield unequal impacts on economic growth. A 1% tax rise frequently exerts a more detrimental effect than a decrease (Phan, Le, & Nguyen, 2025). However, this is not a rigid principle; the nature of the tax package in which these increments are enacted also influences the outcome. A 10% tax rise correlates with this rise, leading to a reduction in yearly GDP growth of around -0.2% when incorporated into a negative fiscal package (taxes, expenditure, and deficit). In contrast, the identical increase yields a roughly 0.2% rise in yearly GDP growth when incorporated within a favorable fiscal package (Alinaghi & Reed, 2021), in energy-dependent nations with rentier economies, such as the GCC states.

High tax rates inhibit entrepreneurship by diminishing profit margins, hence undermining the state's interests in resource allocation and economic assistance (Elshani & Pula, 2023). Moreover, increasing tax rates encourages the informal sector, or the parallel unregulated

market, to engage in tax evasion. creating a bottleneck effect (Bilan & Apostoaie, 2025). The concept of tax elasticity pertains to the ratio of changes in tax to changes in the tax base. Tax elasticity directly influences both private and state investment based on the level of elasticity (Bogachov & Vishnevsky, 2024).

Moreover, high tax rates adversely affect unemployment rates by diminishing labor demand in the job market. which adversely affects economic growth in the medium and long term (Daveri & Tabellini, 2000). Consequently, the unemployment rate was used as the metric in our present study. The influence of taxation on economic growth might differ based on the enacted tax policies, the characteristics of the economy, and its elasticity and robustness. Taxes influence long-term economic growth; nevertheless, their effects are confined to the short and medium term (Gurdal, Aydin, & Inal, 2021), hence rendering them unsuitable for policy strategies focused on sustainable economic development. Taxes influence foreign trade balances, serving as instruments to produce money from international commerce while also supporting and safeguarding domestic industrial activities (Ağca, Uçar, & Ufuk Uladi, 2024). This is accomplished by augmenting rebates on exported products for domestic firms, resulting in a decrease in competing foreign output (Chen, Mai, & Hui-Chuan, 2006).

Tax policies have been employed not only to facilitate economic growth but also to mitigate and resolve economic crises. A socio-economic political strategy for addressing economic crises depends on tax policies that expedite recovery and foster sustainable economic growth. SEG is accomplished by utilizing the most appropriate tax framework to enact growth-enhancing tax modifications while safeguarding the working class and individuals with constrained incomes (Arnold, et al., 2011). This methodology is particularly appropriate for nations that formulate their policies on social assistance, such as Algeria. Moreover, selective taxes exert a positive impact on economic growth in the short and medium term, in contrast to income and corporate taxes, which adversely affect it (Neog & Gaur, 2020). Lowering corporate tax rates enhances the attainment of sustainable economic development (Haladu, Bin-Nashwan, Yusuf, & Yaro, 2025). Nonetheless, even with the judicious selection and timely implementation of taxes, they do not inherently produce economic development (Cornevin, Corrales, & Mojica, 2024). They necessitate supplementary and adaptive systems to attain this objective. The objective is that the state's intensified efforts to address the issue of tax proportionality at the macroeconomic level will positively influence the achievement of balanced economic growth (Fölster & Henrekson, 2001). Taxes and government expenditure are two interdependent methods for attaining sustainable long-term economic growth, as their collective impact on institutional quality has been demonstrated (Laborde Debucquet, Estrades, & Bouët, 2013).

This study distinguishes itself by examining the effects of Ordinary taxes on economic development in Algeria, a North African nation reliant on oil exports. The study seeks to emphasize a persistent issue afflicting the economies of oil-producing nations in this region, an issue that policymakers may neglect due to their generalized perspective on taxation without recognizing its origins. It aims to rectify this vulnerability as a safeguard against fuel price variations and to foster economic stability, alleviating the impacts of such volatility. Three primary indicators were utilized by the researchers to examine the impact of Ordinary taxes

(OT) on economic development. The selection of these three variables was based on their significance and the availability of data within the target economy. The indicators are: Non-Hydrocarbon Exports (Nh-EX), Per capita GDP (PerC), and Employment rate (ER).

Nh-EX demonstrates a country's integration into the global economy and its expansion in marketing its goods and services regionally and internationally (Fölster & Henrekson, 2001), (Federici, Parisi, & Ferrante, 2020). Furthermore, there exists a definite link among taxation and export advancement. **PerC** directly reflects an individual's income and ability to meet their basic and luxury needs. **ER**, while being a socioeconomic indicator, directly reflects the economic and social situation. The main reason for choosing these indicators over others is the economic nature of Algeria as a rentier economy that depends almost entirely on oil revenues on the one hand. In addition, Statistics for these indicators are provided at the local level with greater accuracy than the rest of the indicators. By tracking the impact of these indicators, the appropriate model for the study was formulated.

II -METHODOLGY AND HYPOTHESES

The study aims to determine the impact of OT on economic development in particular. So, the primary hypothesis of this study is articulated as follows:

***Ordinary taxes affects economic development in Algeria.**

To enhance comprehension of this hypothesis, the study incorporated sub-hypotheses to identify the source of the effect, which was evaluated using three indicators: Nh-EX Index, PerC Index, and ER Index. Given that these three indicators are the most honest way to express the activity of the Algerian economy, and that they have accurate data available both locally and internationally

Sub-hypotheses

- * Ordinary taxes affects the performance of the export(Nh-EX) index.
- *Ordinary taxes affects the performance of the per capita(PerC) index.
- *Ordinary taxes affects the performance of the employment(ER) index.

Study Data and Variables

To ascertain the relationship between independent and dependent variables and attain more precise results, three multiple linear regression models were developed, augmenting the number of explanatory factors, in accordance with the study's findings (William & Guay, 2008). This aims to assess the effect of OT on three distinct economic development indicators: the Nh-EX index, the PerC index, and the ER index. The standard model was finalised by the application of non-linear least squares (NLS), which aids in forecasting outcomes based on the available data while elucidating anomalies, whether positive or negative, inside this study's dataset (Draper & Smith, 1981). This approach is utilised in linear regression models, following a linear regression connection represented by the subsequent equation: $Y=f(x_1,x_2,x_3,x_4)$.

The study included independent variables controlling for each of the aforementioned indicators, in addition to the target variable, which is Ordinary taxation, in order to obtain model predictions and examine the variance matrix and standard errors of the estimates. Data for the study variables were obtained from the annual reports of the Central Bank of Algeria (<https://www.bank-of-algeria.dz>), the World Bank (<https://www.worldbank.org>), and statistics from the National Statistical Office of Algeria (<https://www.ons.dz>). The ER index was used

instead of the unemployment rate index, whose data varied between local sources and the World Bank. The annual ER was calculated using the differences between the reported qualified workforce and the weighted annual unemployment rates. Table No. (01) summarizes the data of the study variables.

Table No. (01): Study variables

Models	Dependent Variable	Independent Variables
Export Index	Annual Non-Hydrocarbon Exports (Nh-EX)	1- Annual Ordinary Taxes (OT) 2- Annual Exchange Rate (ExR) 3- Annual Foreign Investment (FI) 4- Gross Domestic Product (GDP)
GDP Per Capita Index	Annual Per Capita GDP (PerC)	1- Annual Ordinary Taxes (OT) 2- Annual Population Growth Rate (PGr) 3- Inflation (Inf) 4- Gross Domestic Product (GDP)
Employment Index	Annual Employment Rate (ER) %	1- Annual Ordinary Taxes (OT) 2- Government Spending (Gs) 3- Inflation (Inf) 4- Gross Domestic Product (GDP)

Source : the efforts of researchers based on various studies

From the table above, we can formulate the equations related to each indicator as follows:

Nh-EX Index

$$Y=f(OT, ExR, FI, GDP) \quad (1)$$

$$Nh-EX = \beta_0 + \beta_1 OT + \beta_2 ExR + \beta_3 FI + \beta_4 GDP + \varepsilon \quad (2)$$

PerC Index

$$Y=f(OT, PGr, InF, GDP) \quad (3)$$

$$PerC = \beta_0 + \beta_1 OT + \beta_2 PGr + \beta_3 InF + \beta_4 GDP + \varepsilon \quad (4)$$

ER Index

$$Y=f(OT, Gs, InF, GDP) \quad (5)$$

$$ER = \beta_0 + \beta_1 OT + \beta_2 Gs + \beta_3 InF + \beta_4 GDP + \varepsilon \quad (6)$$

Model Assessment

Table No(02) : Estimation of multiple linear regression models for variables

Dependent variable : Ln(EX)				
variable	coefficient	Std.Error	t-Statistic	Prob
Ln(OT)	-1.9108805	0.439452	-4.348340	0.0005
Ln(EXR)	4.260621	0.702107	6.068335	0.0000
Ln(FI)	0.013371	0.115496	0.115775	0.9093
Ln(GDP)	2.636519	0.493773	5.3395537	0.0001

C	-36.51845	5.764256	-6.335329	0.0000
R-squared	0.905694		Mean dependent var	0.141504
Adj R-squared	0.882117		S.D.dependent var	0.503919
F-statistic	38.41501		Akaike info criterion	-0.466609
Prob(F-statistic)	0.000000		Durbin-Wateon stat	1.881962
Dependent variable : Ln(PerC)				
variable	coefficient	Std.Error	t-Statistic	Prob
Ln(OT)	-0.276820	0.013665	-20.25740	0.0000
Ln(PGr)	0.172564	0.054661	3.157005	0.0058
Ln(INF)	-0.012890	0.007399	-1.742204	0.0995
Ln(GDP)	1.097478	0.024756	44.33150	0.0000
C	-2.946287	0.231421	-12.73130	0.0000
R-squared	0.997598		Mean dependent var	8.184402
Adj R-squared	0.997033		S.D.dependent var	0.371217
F-statistic	1765.476		Akaike info criterion	-4.767694
Prob(F-statistic)	0.000000		Durbin-Wateon stat	1.662270
Dependent variable : Ln(ER)				
variable	coefficient	Std.Error	t-Statistic	Prob
Ln(OT)	-0.037856	0.051837	-0.730283	0.4752
Ln(GDP)	0.197699	0.055950	3.533485	0.0026
Ln(GS)	0.040620	0.160006	0.253865	0.8026
Ln(INF)	-0.009196	0.013863	-0.663303	0.5160
C	1.316695	0.932330	1.412264	0.1759
R-squared	0.811495		Mean dependent var	3.566591
Adj R-squared	0.767141		S.D.dependent var	0.076136
F-statistic	18.29587		Akaike info criterion	-3.573187
Prob(F-statistic)	0.000005		Durbin-Wateon stat	2.249158

Source: by authors, from Eviews 12.0

From Table above, we can extrapolate the following results. We note that the Fisher statistic value for the export index model is $F = 38.41501$. In contrast, the probability of the proposed model was $\text{ProbNh-EX} = 0.000001$, which is a highly significant value at (1.5 and 10)%. This indicates the validity of the proposed model and its ability to determine the impact of the independent variables on the dependent variable. Furthermore, the $R^2 = 0.90$, which means that 90% of the changes in Nh-EX are explained by the proposed model.

The regression model also gives the linear relationship between the study variables with regard to the export index as follows:

$$\text{Ln(Nh-EX)} = -1.91088492094 * \text{LnOT} + 4.26062105859 * \text{LnEXR} + 0.0133714521927 * \text{LnFI} + 2.63651912181 * \text{LnGDP} - 36.5184548329$$

Likewise, for the model of the variable PerC, we note that $F = 1765.476$ and the model probability $\text{ProbPerC} = 0.000001$, which is a highly significant value at (1, 5, and 10)%. This

indicates the validity of the proposed model and its ability to determine the impact of the dependent variables on the independent variable. The R2 value also equals 0.99, which means that 99% of the changes in the level of PerC are explained by the proposed model.

The regression model also gives a linear relationship between the study variables regarding the PerC income index, as follows:

$$\text{Ln(PerC)} = -0.276819587511 \cdot \text{LnOT} + 0.172563891068 \cdot \text{LnPGR} - 0.0128902516257 \cdot \text{LnINF} + 1.09747765342 \cdot \text{LnGDP} - 2.94628713849$$

As for ER variable, we note that $F = 18.29587$ and the model probability of $\text{ProbER} = 0.000005$, which is a highly significant value at (1.5 and 10)%. This indicates the validity of the proposed model and its ability to determine the impact of the dependent variables on the independent variable. The $R^2 = 0.81$, which means that 81% of the changes in employment rates are explained by the proposed model.

The regression model also provides a linear relationship between the study variables with regard to the employment index, as follows :

$$\text{Ln(ER)} = -0.0378560358246 \cdot \text{LnOT} + 0.197699396066 \cdot \text{LnGDP} + 0.0406197844122 \cdot \text{LnGS} - 0.00919553780798 \cdot \text{LnINF} + 1.31669521602$$

Quality of the Study Model

Correlation of Residuals:

Table No (03): Breusch-Godfrey Serial Correlation LM Test

Null hypothesis : No serial correlation at up to 2 lag			
Breusch-Godfrey Serial Correlation LM Test (Nh-EX)			
F-statistic	0.291336	Prob	0.7517
Obs*R-squared	0.839085	Prob. Chi-Square(2)	0.6573
Breusch-Godfrey Serial Correlation LM Test (PerC)			
F-statistic	2.964833	Prob	0.0822
Obs*R-squared	6.232907	Prob. Chi-Square(2)	0.0443
Breusch-Godfrey Serial Correlation LM Test (ER)			
F-statistic	0.334226	Prob	0.7211
Obs*R-squared	0.938571	Prob. Chi-Square(2)	0.6254

Source: by authors, from Eviews 12.0

The Breusch-Godfrey test for residual correlation is a common test for detecting autocorrelation. This test is based on rejecting or not rejecting the null hypothesis of residual autocorrelation.

H0: No serial correlation

H1: Serial correlation

Table (3) shows that the probability values for all studied indicators are $\text{Por} > 0.05$. Therefore, we accept the null hypothesis, meaning that the model does not suffer from autocorrelation.

Variance constancy test

Table No (04) ARCH Test

Heteroskedasticity Test : ARCH			
(Nh-EX)			
F-statistic	1.725272	Prob	0.2139
Obs*R-squared	3.361457	Prob. Chi-Square(2)	0.1862
(PerC)			
F-statistic	0.734198	Prob	0.4945
Obs*R-squared	1.590171	Prob. Chi-Square(2)	0.4515
(ER)			
F-statistic	1.154775	Prob	0.3387
Obs*R-squared	2.392132	Prob. Chi-Square(2)	0.3024

Source: by authors, from Eviews 12.0

The Arch test is regarded as one of the most prevalent assessments to test the homogeneity of error variance. The White test for homogeneity of error variance involves comparing the variances of sample estimates under conditions of stability and variance disparity. This test does not necessitate the normal distribution of the sample, nor does it presume a particular form of heterogeneity (White, 1980).

From Table (04), we note after conducting the Bruch test that the probability value is greater than 5% for all studied variables ($P > 0.05$). Therefore, we accept the null hypothesis and say that the conditional variance of errors is homogeneous.

The same is true in Table (05) for the White test. We find that its probability value is greater than 5% ($P > 0.05$). Therefore, we accept the null hypothesis based on the homogeneous variance of the error term.

Table No (05) White test

Heteroskedasticity Test : White			
(Nh-EX)			
F-statistic	2.493900	Prob	0.2139
Obs*R-squared	17.27100	Prob. Chi-Square(13)	0.1862
Scaled explained SS	8.923696	Prob. Chi-Square(13)	0.7787
(PerC)			
F-statistic	1.361778	Prob	0.3527
Obs*R-squared	16.09167	Prob. Chi-Square(2)	0.3078
Scaled explained SS	8.717733	Prob. Chi-Square(13)	0.8487
(ER)			
F-statistic	1.069332	Prob	0.4897
Obs*R-squared	14.99065	Prob. Chi-Square(2)	0.3788
Scaled explained SS	5.750517	Prob. Chi-Square(13)	0.9724

Source: by authors, from Eviews 12.0

Normal distribution test for the model's residuals

Table (06) below indicates that all probability values for the variables are greater than 5% ($P > 0.05$). Therefore, we accept the null hypothesis and state that the model's residuals follow a normal distribution.

Table No (06) test for the model's residuals

variable	Jarque-bera	Prob
Nh-EX	0.442622	0.801467
PerC	0.772775	0.679507
ER	0.532812	0.766128

Source: by authors, from Eviews 12.0

III- Results and discussion

III.1. Results Analysis

From Table (02), we note that the variables proposed in the export index model were generally significant. When examining the effect of the OT variable on the Nh-EX variable, we find that its coefficient has a negative effect estimated at (-1.91) a highly significant value with a probability of (0.0005), which is less than 1%. This is explained by the fact that a change in OT by one unit negatively affects Nh-EX by reducing them by (1.91) corresponding units. On the other hand, we find that the most influential variable on the export index in this study is the exchange rate index (EXR), with a coefficient of (4.26) and a probability of (0.00001), which is a highly significant value, in addition to the gross domestic product (GDP) variable, with a coefficient of (2.63). With a probability of (0.000), we also find that the least influential variable on Nh-EX is foreign investment (FI), with a coefficient of (0.01). This coefficient was insignificant with a probability of ($0.90 > 0.05$).

As for the second proposed indicator PerC, we find from Table (2) that the effect of OT variable on PerC variable has a negative effect, as its coefficient was estimated at (-0.27), which is a highly significant value with a probability of (0.00001), which is less than (1%). This is explained by the fact that a change in OT by one unit negatively affects PerC income, reducing its value by (27%). On the other hand, we find that the most influential variable on the PerC indicator is the gross domestic product (GDP), with a coefficient of (1.09) and a probability of (0.00001), which is A highly significant value, in addition to the population growth variable with a coefficient of (0.17) and a probability of (0.0058). We also find that the inflation variable has a negative impact on PerC with a coefficient of (0.01), but it is insignificant with a probability of ($0.099 > 0.05$).

As for the third proposed indicator ER, the Table (02) indicates that the effect of the OT variable on ER variable has a negative impact, as its coefficient is estimated at (0.037), which is an insignificant value with a probability of (0.47), which is greater than (5%). A change in OT by a value of one unit has a negative impact on ER, but this effect is not significant in the proposed model. On the other hand, we find that the most influential variable on ER rate indicator in this study is the gross domestic product (GDP) indicator, with a coefficient of (0.197) and a probability of (0.0026), which is a significant value. Statistically and less than (5%), as for the remaining independent variables, their effect was insignificant, as we find that

for the government spending variable (GS), its coefficient reached (0.046) and a statistically insignificant probability of (0.80), and inflation had a coefficient of (0.009 –) that is, with an inverse effect and a statistically insignificant probability of (0.51 >0.05).

III.2. Discussion

The research indicated that OT adversely affects Nh-EX within the Algerian economy. It is elucidated by the imposition of taxes on goods and services, which escalates production costs and constrains their competitiveness in foreign markets. Wech leads in a reduction of their international market share, as seen by the annual decrease in Nh-EX according to the model's findings. The results align with the conclusions of Previous studies (Lapatinas, Kyriakou, & Garas, 2019), (Fölster & Henrekson, 2001), (Laborde Debucquet, Estrades, & Bouët, 2013), which confirm the negative impact of taxes on local exports and limit their competitiveness. Nonetheless, this does not imply that taxes exert an unequivocally adverse effect on exports. They can serve as an incentive and catalyst for the local economy if maintained within favourable parameters, and the reduction of such factors, together with the provision of incentives and exemptions to local enterprises (Chen, Mai, & Hui-Chuan, 2006).

The research also concluded that OT has a negative impact on the PerC in Algeria. This phenomenon is attributed to the adverse impact of elevated taxes on GDP, whereby a decline in GDP results in a reduction in PerC levels. Consequently, taxes exert an indirect adverse effect on PerC levels. This outcome aligns with previous conclusions (Elshani & Pula, 2023), (Bogachov & Vishnevsky, 2024), but taxes can have a positive impact when imposed at studied rates on GDP and PerC (Arnold, et al., 2011).

The study showed that OT adversely affects employment rates in the Algerian labor market. It is due to the increasing imposition of taxes, which diminishes the labour market's capacity to accommodate the workforce. Moreover, elevated income taxes lead to lower wages, thereby prompting a transition from public work to self-employment. This finding aligns with previous studies (Durusu-Ciftci, Gokmenoglu, & Yetkiner, 2018), (Phan, Le, & Nguyen, 2025), (Daveri & Tabellini, 2000).

IV- Conclusion

The present study aimed to elucidate the effect of Ordinary taxes (non-hydrocarbon) (OT) on Algerian economic development through a multiple linear regression model, utilising three distinct regression models. Each model aims to assess the influence of Ordinary taxes on a specific economic development indicator. In this regard, three indicators were selected to reflect this effect. These indicators were the Non-Hydrocarbon Exports (Nh-EX) index, the Per Capita share of the gross domestic product (PerC) index, and the Employment rate (ER) index. The study demonstrated that Ordinary taxes adversely affect all these indicators, with the extent of influence differing among each dependent variable and the collective independent variable.

The analysis of the study results revealed an inverse relationship between OT and the growth of Algerian Nh-EX, indicated by a coefficient of (-1.91). Additionally, OT also has an adverse effect on PerC, with a coefficient of (-0.27), and both coefficients are statistically significant. As for the effect of OT on employment rates, it also had an adverse effect, indicated by a coefficient of (-0.037). Nevertheless, this result is not statistically significant according to the study model. Based on the results obtained, Ordinary taxes in Algeria adversely affect the

examined economic growth variables, hence hindering economic development. That is attributable to taxation rates exceeding their appropriate thresholds. This outcome aligns with the findings of A collection of studies previously conducted (Zhang & Song, 2022), (Phan, Le, & Nguyen, 2025), (Bilan & Apostoiaie, 2025), (Bogachov & Vishnevsky, 2024), (Neog & Gaur, 2020), which demonstrated the adverse effects of taxation on economic growth when rates are set outside an appropriate threshold range, whether too low or too high. Commitment to the optimal limits of taxes, which are rates that support government resources, and do not inhibit the growth of economic activity (Branimir, Vera, & Jelena, 2017). Moreover, in return, stimulate the economic cycle (Gashi, Asllani, & Boqolli, 2018). The Algerian legislator must strive to keep OT rates within their optimal limits in order to achieve their positive impact on economic development.

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