

Examining Access to Financial Resources for Small and Medium Enterprises (SMEs) in Algeria: A Comprehensive Analysis Beyond World Bank Metrics

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ABSTRACT

Like many other countries throughout the world, Algeria's economy has suffered from the erratic price of oil during the past decade. Algeria's government has made great efforts in spite of these obstacles to address societal demands and economic imbalances. SMEs have become increasingly important in today's economy, playing a significant role in areas such as job creation, sustainable development, and the provision of public services. Many of Algeria's small and medium-sized enterprises (SMEs) have a low capital intensity, giving them more leeway to adapt to shifting market conditions. In 2017, the country hosted 1,035,891 micro-enterprises, totaling 97.7% of the SME sector, illustrating the prominence of SMEs in the private sector at 99.98%. Over 2.6 million jobs were directly or indirectly created by these businesses, illustrating the critical role they play in the labour economy. Further demonstrating their relevance is the purposeful concentration of SMEs in coastal locations, where they have easier access to ports and a more concentrated consumer base. Algerian small and medium-sized enterprises (SMEs) rely on self-financing rather than bank loans, as shown by the country's last national census. While government grants do help finance investments, their effect on new and growing businesses is minimal. The current economic climate makes it difficult for SMEs to secure sufficient funding, especially the latter. Financing for economic operations is mostly provided by commercial banks in Algeria, whereas stock markets have little sway, and only 2% of SMEs rely on bank loans. In conclusion, SMEs retain a crucial place in Algeria's economic framework, contributing significantly to employment and overall economic expansion. However, their path is hampered by difficulties in securing funding. Because SMEs in Algeria rely primarily on self-funding, minimally on government subsidies, and rarely on stock markets, targeted actions are essential for addressing financial shortfalls and establishing an environment suitable for sustainable growth.

Keywords: Algeria, Small and Medium-sized Enterprises (SMEs), Economic Growth, Financial Resources, Employment Opportunities.

1. INTRODUCTION

In this introductory chapter, we commence a comprehensive investigation, digging into the complex terrain of small and medium enterprises (SMEs) in Algeria and their convoluted network of financial accessibility. The relationship between SMEs and economic development is a prominent topic of

discussion, reflecting the views expressed in several scholarly works. According to^{1 2}, scholars argue that tiny firms possess a significant role in the economic landscape due to their adaptability during periods of economic decline.

The significance of SMEs in the industrial sector cannot be overemphasised. The influence of these entities spans both emerging and developed nations, making substantial contributions to employment, output, and exports^{3 4}. Public authorities around the globe have significantly increased their efforts to enhance the importance of SMEs, acknowledging their crucial role. Governments have implemented comprehensive programmes to address the various obstacles faced by SMEs in areas such as financing, technology, innovation, management, and exports.

According to projections made by the World Bank, the global labour market is expected to witness a need for over 600 million job opportunities by the year 2030. As a result, there is a growing recognition of the significance of SMEs on a worldwide scale, leading governments to place emphasis on implementing policies that foster entrepreneurial expansion⁵. Nevertheless, small enterprises continue to face intrinsic hurdles that hinder their ability to withstand harsh economic conditions and get crucial strategic resources. The importance of finance as a crucial factor for the development of small and medium-sized enterprises (SMEs) is emphasised, as many countries are facing ongoing challenges in this area, prompting interventions by governmental bodies⁶.

When examining the specific circumstances in Algeria, it becomes evident that SMEs play a crucial role in driving economic development, just like their counterparts in other countries worldwide. In 2019, there were a significant number of SMEs on the landscape, reaching a total of 1.2 million. The private sector held a dominant market share of 99.98%. The dynamic ecosystem of SMEs in Algeria has made a significant contribution to the creation of almost 2.6 million jobs, establishing itself as the principal catalyst for employment growth⁶. SMEs play a crucial role in the economy and are receiving significant attention from Algerian authorities as they grapple with the effects of globalisation.

In light of the aforementioned context, the objective of our research is to investigate a crucial inquiry: Do Algerian SMEs face unique financial obstacles, particularly in obtaining external debt, similar to

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- ¹ Varum, C. R. (2013). Employment and SMEs during crises. *Small Bus Econ* 40, 9–25. <https://doi.org/10.1007/s11187011-9343-6>
- ² Weaven, S., Quach, S., Thaichon, P., Frazer, L., Billot, K., & Grace, D. (2021). Surviving an economic downturn: Dynamic capabilities of SMEs. *Journal of Business Research*, 128, 109-123.
- ³ Kumar, R. S. (2013). and Economic Performance of Ancillary SMES: An Empirical Analysis. *Springer*, 149–159. https://doi.org/10.1007/978-81-322-0746-7_13
- Mines, M. of I. and. (2018). *SME Statistics Information Bulletin n°31*. 7–14. OCDE. (2018). *Le financement des pme et des entrepreneurs 2018*. <https://www.oecd.org/cfe/smes/FR-Highlights-Financing-SMEs-and-Entrepreneurs-2018.pdf>
- ⁴ Batrancea, L. M., Balci, M. A., Chermezan, L., Akgüller, Ö., Masca, E. S., & Gaban, L. (2022). Sources of SMEs financing and their impact on economic growth across the European Union: Insights from a panel data study spanning sixteen years. *Sustainability*, 14(22), 15318.
- ⁵ Bank, W. (2020). *Small and Medium Enterprises (SMEs) Finance*. <https://www.worldbank.org/en/topic/sme/finance>
- OECD. (2019a). *Financing SMEs and Entrepreneurs 2019 an OECD scoreboard*. <https://doi.org/www.snd11.arn.dz/10.1787/23065265>
- OECD. (2019b). *OECD SME and Entrepreneurship Outlook 2019*. 33–69. <https://doi.org/www.snd11.arn.dz/10.1787/34907e9c-en>
- official journals. (2017). *Directive Law No. 17-02*.
- ⁶ Mines, M. of I. and. (2018). *SME Statistics Information Bulletin n°31*. 7–14. OCDE. (2018). *Le financement des pme et des entrepreneurs 2018*. <https://www.oecd.org/cfe/smes/FR-Highlights-Financing-SMEs-and-Entrepreneurs-2018.pdf>

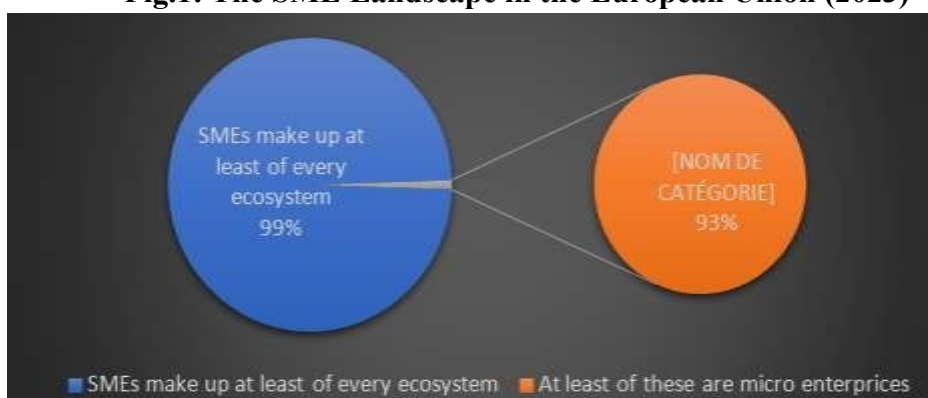
SMEs worldwide? The hypothesis that forms the basis of our investigation is that despite their strong economic position, Algerian SMEs face ongoing difficulties in obtaining consistent financial resources, which may impede their progress. Furthermore, in spite of their considerable economic importance, the geographical distance between SMEs and financial markets exacerbates the challenges associated with obtaining bank loans, so introducing an additional level of intricacy to their financial environment. In the pursuit of scholarly exploration, our objective is to illuminate the subtle complexities and complexity that underlie the financial dynamics of small and medium-sized enterprises (SMEs) in Algeria.

2. Unveiling the Impact of SMEs on Economic and Social Development

Upon delving into the essence of this chapter, we uncover the significant impact exerted by SMEs on worldwide economic and social progress. These organisations, which make up almost 90% of businesses globally, are crucial drivers of economic growth and job creation, accounting for over 50% of global employment⁷. The interdependent association between SMEs and the overall national income is readily apparent, since both formal and informal SMEs combined account for more than 40% of the national income or Gross Domestic Product (GDP) in developing nations⁸. In light of the difficulties posed by sluggish economic expansion and inadequate investment, societies are progressively exploring strategies to enhance SMEs, acknowledging their crucial significance as catalysts for transformation. In the midst of increasing discontent with prevailing circumstances, there is a pressing need to foster conditions that offer substantial aid, thereby enabling small and medium enterprises (SMEs) to flourish.

A closer look at the European business scene reveals that metrics like employee count, revenue, and total assets are used to categorise firms into micro SMEs. As to E.U. guideline 2003/361, SMEs encompass firms with less than 250 employees, an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not surpassing EUR 43 million. According to a 2023 estimate by the European Commission, there are roughly 24 million SMEs in the European Union, accounting for 99% of European businesses.

Fig.1: The SME Landscape in the European Union (2023)



Source: Based on JRC Calculations (Eurostat's Structural Business Statistics)

Figure 1 shows the geographic spread of SMEs in the European Union, where it is clear that micro-sized businesses predominate, making up roughly 99% of the SME landscape. There is a 93% contribution from microenterprises. In the European Union, small and medium-sized enterprises

⁷ Bank, W. (2020). *Small and Medium Enterprises (SMEs) Finance*. <https://www.worldbank.org/en/topic/sme/finance>

⁸ Bank, W. (2020). *Small and Medium Enterprises (SMEs) Finance*. <https://www.worldbank.org/en/topic/sme/finance>

(SMEs) are crucial to the employment landscape. Over 97 million people worked at a small or medium-sized enterprise (SME) in 2018, and represents roughly 66% of the labour force. This accounts for one-third of all jobs, illustrating the considerable contribution of SMEs to the job market.

Table 1. Employment in SMEs in the European Union (2023)

| | Value Added | | | | Employment | | | | Number of employees | | | |
|---|-------------|------------|-------------------|----------|------------|------------|-------------------|----------|---------------------|------------|-------------------|----------|
| | Micro SMEs | Small SMEs | Medium sized SMEs | All SMEs | Micro SMEs | Small SMEs | Medium sized SMEs | All SMEs | Micro SMEs | Small SMEs | Medium sized SMEs | All SMEs |
| Mining and quarrying | 6.30% | 13.70% | 14.50% | 34.50% | 8.70% | 15.90% | 17.10% | 41.60% | 79.20% | 16.30% | 3.70% | 99.20% |
| Manufacturing | 5.40% | 11.30% | 18.00% | 34.70% | 12.90% | 17.70% | 21.60% | 52.10% | 84.40% | 12.00% | 2.90% | 99.30% |
| Electricity, gas, steam and air conditioning supply | 11.50% | 6.30% | 9.10% | 26.80% | 15.00/4 | 5.40% | 10.00% | 30.40% | 97.00% | 1.90% | 0.70% | 99.70% |
| Water supply, sewerage, waste management and remediation activities | 9.90% | 14.70% | 20.60% | 45.20% | 8.90% | 14.90% | 22.60% | 46.40% | 80.90% | 13.70% | 4.30% | 98.90% |
| Construction | 34.10% | 28.90% | 15.90% | 79.00% | 47.00% | 27.90% | 12.40% | 87.20% | 94.00% | 5.40% | 0.50% | 99.90% |
| Wholesale and retail trade | 22.70% | 21.80% | 17.90% | 62.40% | 33.80% | 20.40% | 13.70% | 67.90% | 93.50% | 5.60% | 0.70% | 99.90% |
| Transportation and storage | 13.20% | 16.30% | 16.40% | 45.80% | 19.70% | 17.30% | 15.00% | 52.00% | 91.70% | 6.80% | 1.20% | 99.70% |
| Accommodation and food services | 36.80% | 28.90% | 14.30% | 80.00% | 44.10% | 30.00% | 11.70% | 85.70% | 90.60% | 8.70% | 0.60% | 99.90% |
| Information and communication | 11.40% | 11.10% | 15.20% | 37.70% | 22.20% | 15.40% | 17.00% | 54.50% | 94.60% | 4.20% | 0.90% | 99.80% |
| Real estate activities | 51.80% | 15.40% | 16.80% | 84.00% | 93.70% | 14.60% | 10.50% | 88.80% | 98.30% | 1.40% | 0.20% | 100.00% |
| Professional, scientific and technical activities | 37.00% | 20.40% | 15.10% | 72.60% | 51.40% | 17.50% | 11.40% | 80.30% | 97.30% | 2.30% | 0.30% | 99.90% |
| Administrative and support services | 18.50% | 13.30% | 16.50% | 48.30% | 16.70% | 12.70% | 16.70% | 46.10% | 93.20% | 5.10% | 1.40% | 99.60% |

| | | | | | | | | | | | | |
|----------------|--------|---------|--------|---------|--------|---------|--------|---------|--------|--------|-------|---------|
| All industries | 18.60% | 16.50 % | 16.60% | 51.80 % | 29.40% | 19.40 % | 15.50% | 64.40 % | 93.50% | 5.50 % | 0.80% | 99.80 % |
|----------------|--------|---------|--------|---------|--------|---------|--------|---------|--------|--------|-------|---------|

Source: Based on JRC Calculations (Eurostat's Structural Business Statistics)

Note: Value added is not adjusted for inflation

Statistics are broken down by business of size in Fig 2, which shows value-added, employment and the number of enterprises that are integrated into different sectors. In addition to their roles in the creation of new jobs and expansion of the economy, SMEs in the EU play a significant role in intra E.U. commerce. Small and medium-sized enterprises (SMEs) account for the vast majority of E.U. trade. SMEs, as seen in the table above are responsible for over half of the value of goods traded inside the EU. Here, we see that 51% of all E.U. value added comes from SMEs. We will continue to explore how small and medium-sized enterprises (SMEs) have shaped Europe's economy and culture.

Additionally, this article explores the nitty-gritty of SMEs in the American economy, illuminating their myriad functions and effects on the national economy. The U.S. Small Business Administration (SBA) is in charge of determining what makes a company "small" and so eligible for special tax breaks and other benefits from the federal government. Companies are often categorised according to their ownership type, staff count, annual revenue, and NAICS (North American Industry Classification System) industry. In particular, these criteria are not narrowly focused on SMEs but focus on businesses of all sizes.

The United States definition of a small or medium-sized enterprise (SME) varies depending on the sector or type of company being discussed^{9 10}. Large corporations can have up to 1,500 workers; medium-sized businesses can have up to 500; small businesses can have up to 250; and micro businesses can have up to 6 employees. Additionally, adding to this intricacy are sectorspecific subtleties. For eligibility as a SME, the number of employees must be under 500 for manufacturers and 100 for wholesalers. For example, a nickel mining company can have as many as 1,500 workers, whereas a silver mining company with fewer than 250 workers is considered a small or medium-sized business.

SMEs emerge as essential contributors to the U.S. economy, outnumbering major enterprises significantly. In 2023, 99.9 percent of U.S. businesses were classified as small, making up 32.2 million establishments as per the U.S. Chamber of Commerce, 2023 report. Beyond their numerical significance, these companies are crucial to the expansion of both domestic employment and international trade. Small businesses were responsible for creating 17.3 million new jobs from 1995 to 2021. Small businesses, defined as those with fewer than 20 employees, saw significant gains, generating 1.1 million net jobs.

3. Pioneering SMEs: Driving Algeria's Economic Landscape

This section delves deep into the economic structure of Algeria to reveal the crucial role that small and medium-sized businesses (SMEs) have played in determining the country's economic course. The narrative presents a vivid picture of the diversified and dynamic SME ecosystem in Algeria, from defining characteristics to regional dynamics and industry contributions.

In Algeria, the definition of SMEs has developed through the legal system, with key turning points along the way. The first attempt was made in 2001 under directive law 01-18, which established

⁹ Hayes, K. (2013). SMEs and the Economy. *Business Journalism*, 175–185. https://doi.org/10.1007/978-1-4302-63500_20

¹⁰ Vijayakumar, H. (2021). Impact of AI-Blockchain Adoption on Annual Revenue Growth: An Empirical Analysis of Small and Medium-sized Enterprises in the United States. *International Journal of Business Intelligence and Big Data Analytics*, 4(1), 12-21. <https://www.uschamber.com/small-business/state-of-small-business-now>

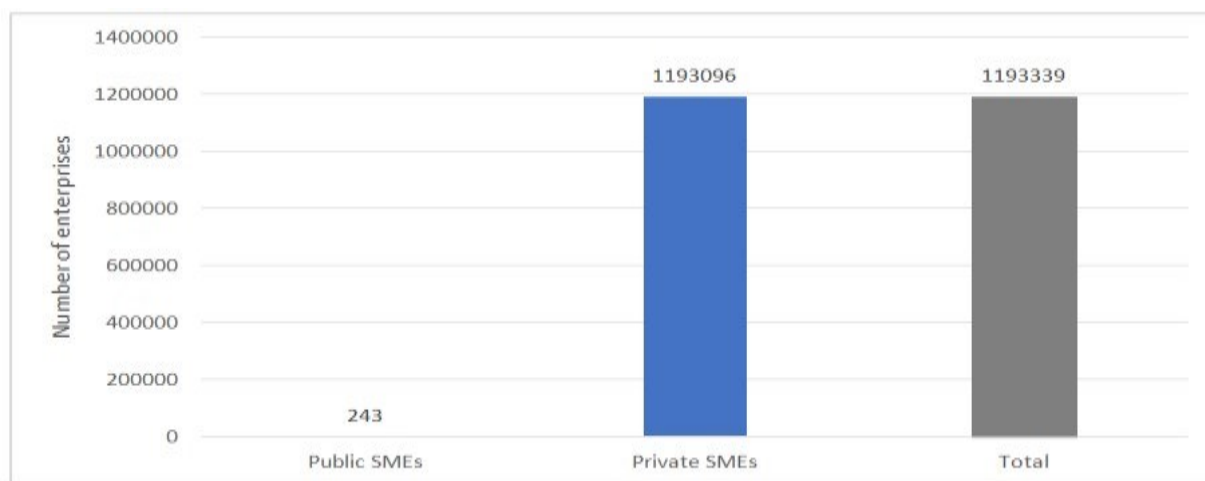
parameters such as personnel count, annual revenue, total assets, and degree of autonomy. Legislative directive 17-02 further clarified this definition in 2017. Micro-enterprises are defined as businesses with between one and nine employees, a yearly revenue of less than forty million dinars, and a yearly balance sheet of less than twenty million dinars. Employing 10 to 49 persons, with an annual turnover and balance sheet not exceeding 400 million dinars and 200 million dinars, respectively¹¹.

Companies with 50-249 employees, a yearly revenue of 400-4 billion dinars, and a balance sheet of 200-1 billion dinars are considered medium-sized businesses in Iraq (Government, G. S., 2017).

In 2019, Algeria was home to an impressive 1.2 million SMEs, 99.98% of which operated in the private sector. The fact that only 264 businesses are owned by the government demonstrates how flourishing entrepreneurship is in the country (Mines, 2018). There was a net gain of 32,881 small and medium-sized enterprises (SMEs) between the first halves of 2017 and 2018, or 3.10 percent. The growth rate for private SMEs' legal entities was even higher, at 5.39 percent.

Since 2010 (Minister of Industry and Mines, 2018), the number of private SMEs in Algeria that have their own legal identities has been steadily increasing, as shown in Figure 3.

Fig. 3: Number of private and public Small and Medium-sized Enterprises (SMEs) in Algeria in 2019



4.3 SMEs and Employment Dynamics

In 2019, SMEs in Algeria were the primary drivers of job growth, directly or indirectly responsible for the creation of approximately 2,819,000 million jobs, which accounted for 25.03%. The private sector, providing 99.09% of all employees in private SMEs, surpassed the public sector greatly, where just 0.91% of the entire workforce was employed¹². The overall workforce of SMEs was 2,690,246 employees by the end of the first half of 2018, marking a 3.39% growth from the first half of 2017. On average, approximately three people are employed by private SMEs, demonstrating the dominance of SMEs in terms of job options. In 2018, 97.7% of all SMEs in Algeria were micro-sized businesses with between zero and nine employees. Of all businesses, just 2% were classified as small businesses (10-49 employees), while only 0.3% were classified as medium-sized (50-249 employees)¹³. Small

¹¹ Kasemi, S., & Gadi, I. (2022). Small and medium enterprises and economic growth in Algeria through investment and innovation.

¹² Maiza, M. A., Habbache, F., & Bensedira, A. (2021). Access to finance for SMEs: an analysis in Algeria. *Journal of Financial, Accounting & Managerial Studies*, 8(2).

¹³ Mines, M. of I. and. (2018). *SME Statistics Information Bulletin n°31*. 7–14. OCDE. (2018). *Le financement des pme et des entrepreneurs 2018*. <https://www.oecd.org/cfe/smes/FR-Highlights-Financing-SMEs-and-Entrepreneurs-2018.pdf>

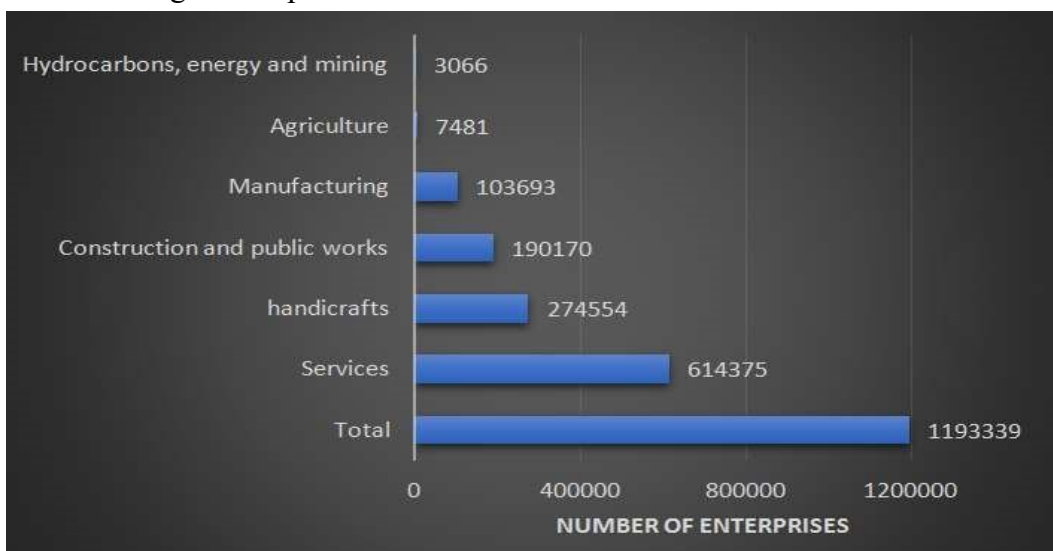
and medium-sized businesses, which make up only 2.3% of the total but play a critical role in creating new jobs, are far outnumbered by their micro-sized counterparts.

Table 2: Definition of SME’s in Algeria

| Enterprises | Employee | Turnover (dinars) | Total assets (dinars) |
|---------------|----------|-------------------------|-----------------------|
| Micro | 1-9 | <20 million | < 10 million |
| Small | 10-49 | <200 million | < 100 million |
| Medium | 50 - 250 | 200 million – 2 billion | 100 – 500 million |

With only 25 SMEs per 1,000 population in 2018, Algeria's SME environment is regionally concentrated, well below the global average of 45 enterprises per 1,000 residents. More than two-thirds of the country's small and medium-sized enterprises (SMEs) are located in the North, with Algiers alone home to 67,839 SMEs¹⁴. Many small and medium-sized enterprises (SMEs) are located in coastal wilayas due to the high population density and well-established industrial zones found there¹⁵. Businesses can save money on transport because of the North's proximity to ports.

Private SMEs in Algeria displayed a wide range of industrial activities in 2019. Services, handicrafts, and construction accounted for over 89% of these businesses, while agriculture and manufacturing made up over 9%¹⁷.



While services, handicrafts, and construction comprise a large portion of Algeria's private SMEs (89%), they operate throughout a wide range of industries. Although they play an essential role, private sector agribusiness and manufacturing only account for about 9% of all SMEs.

Small and Medium-Sized Enterprises in Algeria: A Lifecycle Analysis

Thirty-one thousand eight hundred eighty-four new private SMEs were established in Algeria through the first half of the year, including 17,426 new legal entities and 14,458 new natural individuals. The reactivations impacted 4,870 private SMEs (organisations) and 3,057 private SMEs

¹⁴ ibid

¹⁵ Aibeche, R., & Bousmaha, A. (2022). Urban growth and attractiveness in a bipolar urban system.

¹⁷ Mines, M. of I. and. (2018). ¹⁸ ibid.

(individuals). But during the same time period, 3,421 SMEs (legal persons) faced closure, a considerable rise from the 2,051 incidents recorded during the first half of 2017¹⁸.

Algerian SMEs go through a perpetual cycle of birth, revival, and death. The dynamic nature of the SME scene is reflected in the increase in closures, which shows shifts across industries. Algeria's SMEs are resilient and crucial to the country's economy despite the complex maze of legal definitions, regional dynamics, and industry intricacies they must negotiate.

4. Navigating Algeria's Financial Waters: A Deep Dive into Banking Dynamics

This section deconstructs the banking and financial system in Algeria, looking at its distinguishing features, the products and services it provides, and the role financial markets play in propelling economic growth. As a developing sector, Algeria's banking system is characterised by a patchwork of different banks. Public enterprises like Banque Extérieure d'Algérie (BEA) and Banque Nationale d'Algérie (BNA) and commercial players like BNP Paribas and Société Générale Algeria are also welcome to use the system. Leasing and mortgage refinancing firms are examples of such specialised businesses that cater to specific markets.¹⁶ Twenty commercial banks have been given the green light for operation in Algeria. These banks range from state behemoths like BEA and BNA to private organisations like Arab Banking Corporation – Algeria (ABC) and Arab Bank PLC – Algeria. Arab Leasing Corporation and Ijar Leasing Algerie - SPA are two of the ten licensed financial institutions in Algeria.

Public and commercial banks in Algeria both provide a variety of services meant to spur economic growth. Financial institutions offer more to businesses than just checking and savings accounts; operating credits and investment loans are also available¹⁷. Overdraft lines, cash facilities, and discounting of commercial paper are all examples of operating credits, which are designed to fund a business's day-to-day operations. Additionally, Investment Loans are used specifically for purchasing machinery and other capital goods; the loan term is typically between three and seven years. Financial market trends may be traced back to 1993, when an Algerian securities market was established, and expanded upon by legislative decrees and later laws. In 1999, the Society of Stock Exchange Management (SGBV) established the Algiers Stock Exchange¹⁸, a stock exchange that deals in both equities and bonds.

SAIDAL Group, EGH EL AURASSI, ALLIANCE INSURANCE, NCA-Rouiba, and BIOPHARM are just a few of the well-known companies listed on the Equity Securities Market, the primary market for significant corporations. Furthermore, AOM Invest is included in a specialised market for small and medium-sized businesses (SMEs). They encompass securities issued by corporations and government agencies, including a bloc OAT market dedicated to fungible treasury bonds issued by the Algerian treasury.

Commercial banks play a major role as intermediaries in Algeria's financial landscape. In order to attract deposits at low-interest rates, these banks lend money at high-interest rates. The Algiers Stock Exchange's impact on business funding is minimal in this setting¹⁹. Loans from financial institutions, either in the form of operational loans for ongoing activities or investment loans for the purchase of machinery and equipment, provide the backbone of economic operators in Algeria. Algeria's banking industry, financial markets, and economic actors all influence one another and the

¹⁶ KPMG. (2019). *Guide investir en Algérie, Alger*.

¹⁷ *ibid*

¹⁸ Algiers Stock Exchange. (2020). *No Title*. <http://www.sgbv.dz/?page=rubrique&lang=eng&mod=120>

¹⁹ *ibid*

country's financial landscape. The next parts provide a more in-depth look at the financial landscape in Algeria, exploring its unique challenges and prospects.

5. Financing SMEs in Algeria: A Banking Odyssey

This section explores the function of commercial banks in Algeria as it relates to financing SMEs. Bank loan characteristics, sector distribution, and their effect on the economy as a whole are all analysed. According to data collected on a regular basis, bank loans have played an increasingly important role as the principal source of firm financing in Algeria's real sector of the economy since 2013.

Table 3. Total Credits Breakdown by Year: Short-Term, Medium-Term, and Long-Term

| Year | Short-term Credits | % | Medium & Long-term Credits | % | Total Credits |
|------|--------------------|----|----------------------------|----|---------------|
| 2013 | 1,423.4 | 28 | 3,732.9 | 72 | 5,156.3 |
| 2014 | 1,608.7 | 25 | 4,895.9 | 75 | 6,504.6 |
| 2015 | 1,710.6 | 24 | 5,566.6 | 76 | 7,277.2 |
| 2016 | 1,914.2 | 25 | 5,995.7 | 75 | 7,909.9 |
| 2017 | 2,298.0 | 26 | 6,582.0 | 74 | 8,880.0 |

| | | | | | |
|------|---------|----|---------|----|---------|
| 2018 | 2,687.1 | 27 | 7,289.3 | 73 | 9,976.3 |
|------|---------|----|---------|----|---------|

Source: Official Bank of Algeria reports.

The data reveals a favourable trend, demonstrating that firms in Algeria experience minor hurdles in receiving loans from commercial banks. It's worth noting that a large proportion of the loans are of the medium- to long-term variety, suggesting that they are being used for financial investment.

**Credit Extended to the Economy (Values in Billion Dinars at Period Ends)
 Distribution of Income by Sector, by Year**

| Year | Public Sector | % | Private Sector | % | Total |
|------|---------------|----|----------------|----|---------|
| 2013 | 2,434.0 | 47 | 2,722.0 | 53 | 5,156.3 |
| 2014 | 3,382.3 | 52 | 3,121.7 | 48 | 6,504.6 |
| 2015 | 3,688.2 | 51 | 3,588.3 | 49 | 7,277.2 |
| 2016 | 3,952.2 | 50 | 3,957.1 | 50 | 7,909.9 |
| 2017 | 4,311.3 | 49 | 4,568.3 | 51 | 8,880.0 |
| 2018 | 4,943.6 | 50 | 5,032.2 | 50 | 9,976.3 |

Data derived from official Bank of Algeria reports.

Bank loans are vital to the economy's public and private sectors, and their equitable distribution demonstrates this. The National Statistics Office conducts a quarterly assessment of the industrial sector to help us better understand the effects of bank loans. Most company executives say they are

in good financial shape regarding cash and equivalents, but they face difficulties, including exorbitant fees, slow debt collection, and loan repayments. **Important Results by Industry**

- Over 27% of the production potential in the public sector and more than 76% in the private sector utilise bank loans, facing few problems.
- Nearly half of businesses in the steel, metal, mechanical, electrical, and electronic sectors report a normal cash condition, and 26% use bank loans with few obstacles.
- Nearly 84% of building material and industrial activity businesses report satisfactory cash flow, and 81% make good use of bank loans.
- In the chemical industry, over half of company executives report a positive cash flow, and 26 percent have used bank loans without encountering significant roadblocks.
- Sixty-four percent of businesses in the food industry report a positive cash flow, and more than 75 percent use bank loans without major obstacles.
- About 84% of textiles and leather industry firms claim to be in a comfortable financial position, with 4% obtaining bank loans (mostly without difficulty).
- More than a quarter of business owners in the wood, cork, and paper industries report having a normal cash flow, with the majority financing their operations using bank loans and nearly half reporting no problems.

While cash flow is typically seen positively, obstacles exist, and strategic use of external funding is necessary, as highlighted by the poll, highlighting the intricacy of the interaction between bank loans and the various industrial sectors.

There haven't been enough studies done on business financing in Algeria to draw any firm conclusions. However, data from a 2011 economic census provide some illumination. About 660,000 businesses were included in the survey, and their responses revealed the primary considerations that led to their first investment choice.

The availability of financial resources was viewed as extremely important by 59% of businesses when making their first investment decision, with private businesses ranking it higher (59%) than public businesses (37%). While just 3.3% of businesses reported using bank loans as their principal source of investment funding, self-financing (83.2% of businesses) and governmental subsidies (5% of businesses) were far more common. Notably, larger firms with over 50 employees exhibited higher dependency on bank loans (22.1% and 23.1%, respectively). Only 2.1% of businesses with fewer than 50 employees and 2.3% of businesses with more than 250 employees reported using bank loans as their primary source of finance, respectively.

The report emphasises the multifaceted nature of Algeria's business finance ecosystem, in which both private and public sources play important roles. Although bank loans are not typically the first option considered, their use grows in tandem with the company's size. Commercial banks' involvement in funding small and medium-sized enterprises (SMEs) in Algeria is multifaceted, involving considerations of the economic sector, firm size, and the current financial landscape. Algeria's economy remains heavily influenced by the interplay between financial institutions, businesses, and outside investors.

6. Conclusion

Algeria, like to several nations across the globe, confronts economic difficulties arising from the fluctuating nature of oil prices in the previous decade. Notwithstanding these challenges, the Algerian government has undertaken substantial endeavours to tackle societal demands and economic disparities. In light of the prevailing economic conditions, Small and Medium-sized Enterprises

(SMEs) have emerged as crucial agents in fostering local economic growth, generating employment opportunities, promoting sustainable development, and facilitating the provision of public services.

In Algeria, a significant number of small and medium-sized enterprises (SMEs) function with a low level of capital intensity. This characteristic provides these enterprises with operational flexibility, allowing them to adapt to changing circumstances. Moreover, these SMEs play a vital role in the creation of employment opportunities within the Algerian economy. In 2017, the nation possessed a total of 1,035,891 micro-enterprises, which accounted for around 97.7% of the entire small and medium-sized enterprise (SME) sector. The significance of small and medium-sized enterprises (SMEs) in stimulating economic growth is apparent, as evidenced by the recorded count of 1,060,289 SMEs in 2017. The proportion of small and medium-sized enterprises (SMEs) in the private sector accounted for an impressive 99.98% of the total.

Moreover, it is worth noting that small and medium-sized enterprises (SMEs) in Algeria played a significant part in the creation of more than 2.6 million employment opportunities in the year 2017, thus highlighting their crucial contribution to the labour market. The remarkable concentration of small and medium-sized enterprises (SMEs) in Algeria is mostly attributable to their strategic location in coastal regions. This geographical advantage provides these SMEs with close proximity to ports, which facilitates efficient import and export activities. Additionally, the high population density in these coastal areas offers a larger consumer base, increasing market opportunities for these businesses. Furthermore, the presence of developed industrial zones in these regions further enhances the attractiveness of coastal areas for SMEs.

The availability of financial resources: According to the initial findings of the national census, the availability of financing options emerges as a significant determinant impacting the investment choices of SMEs within the private sector in Algeria. It is noteworthy that the significance of this factor exhibits that SMEs in Algeria do not typically consist of bank loans. In contrast, self-financing assumes a position of importance, signifying a dependence on internal resources for the purpose of finance. The extent of governmental subsidies' contribution to investment finance for SMEs is constrained. According to the census data, it can be inferred that the subsidies provided have a limited impact on facilitating the establishment and growth of SMEs in Algeria. From an individual standpoint, it is apparent that SMEs in Algeria have obstacles when it comes to obtaining financial resources. The accessibility of financial resources holds considerable significance for owners and managers of SMEs when they are making decisions regarding investments. The aforementioned emphasis becomes more pronounced as the scale of the organisation diminishes, hence highlighting the challenges encountered by smaller businesses in acquiring sufficient financial resources.

The Algerian financial system predominantly depends on financial intermediation, wherein commercial banks play a pivotal role in providing funding for various economic activities. On the other hand, it is noteworthy that stock markets have a limited impact on the provision of financial resources to firms, particularly SMEs. A mere 2% of SMEs regard bank loans as their primary and indispensable means of obtaining financial support. Furthermore, it has been observed that approximately 20% of SMEs, with a special emphasis on those of medium size, have effectively secured financing through bank loans. In summary, SMEs hold a pivotal position within Algeria's economic framework, making substantial contributions to the generation of employment opportunities and overall economic expansion. However, the trajectory of these enterprises is characterised by obstacles encountered in their pursuit of financial resources. The prevalence of self-funding, in conjunction with minimal dependence on government subsidies and the limited involvement of stock markets, highlights the necessity of focused initiatives aimed at bridging

financial deficiencies and cultivating a conducive ecosystem for the sustained growth of small and medium enterprises (SMEs) in Algeria.

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