

## Innovation in financial technology the prospects and challenges of Algeria's tourism sector bet

### L'innovation dans la technologie financière les perspectives et les défis du secteur du tourisme en Algérie parient

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Abstract :	Résumé :
<p>This study sought to look at the problem of innovation in financial technology and tourism within the prospects and challenges of this in the framework of supporting economic development, and this by addressing concepts and indicators about the variables and trying to find a relationship that ensures the creation and proposal of solutions in this regard by presenting a set of statistical data in this area and reached through it that this sector is still suffering in Algeria and needs a total engineering In the tourism sector, especially the financial aspect related to this sector</p> <p><b>Keywords:</b> Innovation in financial technology, tourism, Algeria, foreign tourism, domestic tourism</p> <p><b>JEL Classification Codes :</b>O32, B26,L83, F31, J12</p>	<p>Cette étude visait à examiner le problème de l'innovation dans la technologie financière et le tourisme dans les perspectives et les défis de celui-ci dans le cadre du soutien au développement économique, et ce en abordant les concepts et les indicateurs sur les variables et en essayant de trouver une relation qui assure la création et la proposition de solutions à cet égard en présentant un ensemble de données statistiques dans ce domaine et atteint à travers elle que ce secteur est encore souffrant en Algérie et a besoin d'une ingénierie totale Dans le secteur du tourisme, en particulier l'aspect financier lié à ce secteur</p> <p><b>Mots-clés:</b> Innovation dans les technologies financières, le tourisme, l'Algérie, le tourisme étranger, le tourisme national</p> <p><b>Codes de classification JEL:</b> O32, B26,L83, F31, J12</p>

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## **Introduction:**

Many countries have realized that tourism in the current century is not only the largest industry in the world, but will be the major in the world by a large spacing. These countries have been interested in opening new markets along with traditional ones for the sustainability of the tourism tide during the year. They provide tourism programs with high quality services and appropriate distribution channels . Tourism is one of the cornerstones of the world economy due to the significant results achieved by tourism exchanges compared to agricultural and food ones as well as oil exchanges sometimes . Tourism is an economic sector in the process of economic and social development and sometimes could compete oil exchanges.

At the time where the tourism sector in some countries dominate an important part of interest, Algeria ,and despite its enormous tourism potential, has not yet acheived the desired goals and the effective contribution of this sector compared to neighbouring countries. It has not been able at any time and until now what highlights the true picture of tourism in Algeria so that its rank in the international market of tourism remained very weak although it was mentionned in 1966 in what is called Charter of Tourism. This situation is due to the Algerian state's dependence to oil revenues. Despite all the policies adopted by national and political aspects, which did not highlight tourism in Algeria as a basic and effective sector that contributes to the development and overall development of the nation.

Algeria has begun to take care of this sector in the restructuring program in various sectors, including the financial sector, by adopting financial digitization and financial technology, which in turn contributes in facilitating financial procedures in this sector and bringings hard currency within safer and faster procedures Algeria has a crucial tourism having a variety of habits over the African continent and the Mediterranean sea scope, its climate and diversity of views make it a suitable home for tourism of all kinds on beaches, desert areas, and mineral baths throughout the year. Mezab ... ) Moreover, its geographical location has an advantage within the Mediterranean basin due to its proximity to large tourist markets.

## **The main problem:**

Due to the role of innovation in financial technology and its contribution to tourism development, which is the subject of our modest study, the tourism sector is suffering from the narrow view of society as well as the policy in this sector.

Tourism is currently a commercial industry and an important economic sector in the tourism development process, and the experience of many countries has shown the importance of this sector of activity, generating significant funds and bringing in a huge number of tourists. What are the

prospects and challenges of innovation in the financial technology and tourism sector of the Algerian economy ?

## **I. Innovation in financial technology and tourism:**

### **1. Financial technology:**

Financial technology is intended to rely on innovation and modernization in traditional financial services methods and type, to facilitate the management of financial operations in financial institutions and bodies, in addition to managing funds for people and using smartphones in banking services, and investment services over the phone, to facilitate the access of these services to customers at any time and anywhere (Hiba & Kaddour, 2018, p. 13)

### **2. The importance of financial technology:**

Financial technology is of great importance at the moment, especially in some countries of the Middle East and North Africa, and among the most important benefits of financial technology we list the following (Ben Alaqama Malika, 2018, p. 95)

- ✦ Promoting creativity and innovation in the financial sector and developing economic transactions
- ✦ Digitizing the financial sector and achieve credibility and transparency
- ✦ Strengthening the desire for transactions, gaining customers and expanding the financial sector
- ✦ Facilitating the availability of sources of funding to various SMEs.
- ✦ Facilitating major business transactions and contribute to the expansion of financial activities.
- ✦ The use of financial technology ensures compliance with regulations, risk reduction and financial stability.

### **3. Uses of financial technology:**

Financial technology is used to help businesses, business owners and consumers to better manage their operations and financial life through the use of specific software and algorithms that are increasingly used on computers and smartphones. Since the revolution of the internet and smartphone, financial technology has grown dramatically, these consumers are increasingly aware of financial technology as part of their daily life. Financial technology is essentially used to describe new technology that seeks to improve and

automate the provision and use of financial services. Its uses can be summarized within the following (al-Shammari & Fattah, 2008, p. 70)

✚ **Payment services:** The most active and flexible banking activities offered by financial technology to many users and customers are to provide them with a variety of payment methods (smartphone payment, external remittances, e-commerce payment flow management.... etc).

✚ **Retail banking:** Simple online banking services, without any material presence of the Agency, include low costs, including budget management solutions as well as various personal financial management tools.

✚ **Financing and investment:** Financial technology attracts individuals' savings by providing simplicity in the offers granted, providing crowd funding platforms to companies and financial bodies, whether in the form of loans or capital investment, as well as providing online financial advice to individuals.

✚ **Services for banks based on a large data base:** they provide solutions for the banking sector, by collecting and analyzing a large database, launched by improving customer relationship management ( purchasing behavior, savings, solvency) .

✚ **Services for banks and financial bodies:** Financial technology offers many solutions to improve corporate governance, such as blockchain technology, which develops blockchain-based solutions, in terms of transaction registration, information processing, risk management, tax management... Etc.

✚ **There are four broad categories of users of financial technology:** banks, business customers, small businesses and consumers. Through trends towards mobile banking, increased information and data, the most accurate and decentralized analysis in access will create opportunities for all four groups to interact in ways unprecedented so far.

## **II. Tourism within the development of the global economy and the Algerian homeland**

### **1. The concept of tourism**

In the past, the word tourism means travel and temporary accommodation outside the original place of residence, in the past people have travelled for various purposes, including getting to know the world and studying foreign languages.

The German "Jobier Fuller" referred to tourism as a natural phenomenon of the modern era, mainly to get recreation and change the atmosphere and environment in which

man lives and the cultural awareness emanating to taste the beauty of the landscape and the euphoria of "enjoying the beauty of nature.

Tourism has also been defined by the Austrian economic scientist Schullern Schrathaus as "the term for any operations, particularly economic processes relating to the presence, residence and proliferation of foreigners inside and outside a particular region or town directly associated with them (Mahmoud, 1975, p. 16)

The English researcher "Norval" directed tourism to foreigners and decided that the tourist is the person who enters a foreign country for any purpose other than taking this country permanent residence or other than working from that country regular work ongoing and spending in this country where he resides money earned elsewhere (Hariri, 1991, p. 18). Temporarily in a foreign country and live outside his original place of residence within twenty-four (24) hours or more and this definition indicates that tourists are:

- ↳ People who travel for fun for family reasons, for health reasons... etc
- ↳ Persons travelling to international meetings to represent their country, whether scientifically, administratively, diplomatically or mathematically.
- ↳ Employers who travel for business reasons.
- ↳ Persons travelling on cruises, even if their stay is less than twenty-four (24) hours.

According to this definition, a range of activities related to the movement and stay of tourists are included in the work and tools related to the tourist's stay, transportation and recreational activities: Various means of transport, accommodation structures, restaurants, amusement parks, cafes, gardens, etc. and free time are thus an industry different from other industries due to the overlap of several sectors and activities in their composition.

## **2. The role of tourism in development issues**

Despite the different economic, social and political effects of the tourism industry in Algeria and its different types and activities, scientific evidence and experiences of countries indicate a remarkable increase in the role played of tourism in general in development issues in its general sense proved by the tourism projects and scientific activities that Algeria has recently set up.

This is in addition to various facilities such as tax exemptions or reductions, especially traditional industries, as well as customs assistance and facilities received by public, private and foreign tourism owners, as well as the state's contribution to the costs of establishing services for tourism projects such as paving roads in rugged tourist places as well as the establishment of electricity, water, telecommunications and other networks.

The economic, social and political effects of tourism can be summarized according to the following axes (Mahe & Qahaf, 1999, p. 22)

**1st. Foreign capital flow:**

- ✚ The contribution of foreign capital to investments in the tourism sector (building hotels and tourist villages.(...
- ✚ Tourism payments received by the State in exchange for visas to enter the country.
- ✚ Currency conversion differences.
- ✚ Daily expenditure of tourists against tourism services (basic and supplementary) in addition to spending on demand for productive goods and services for other economic sectors.
- ✚ Other hotel revenues from tourists

The negative effects of profit shifts and the entry of foreign workers into Algeria associated with such projects at the same time can be taken into account, it is possible to apply some policies that limit these effects, which depends on a number of other factors, such as the share of foreign companies in the capital of the tourism project, the volume of funds borrowed from within the state, the annual taxes paid by foreign companies compared to their counterparts from national projects, especially the public sector) in the same sector...

**2nd. Transfer of technological technologies**

The extent to which the technological level brought by foreign companies is compatible with environmental changes within the country, such as the availability of skills to operate different equipment, equipment and production systems, the ways in which the product is delivered and marketed and adapted to cultural and spiritual beliefs and values, and annex services.

- ✚ The cost of technology, the expected effects on employment and the balance of payments...
- ✚ Negative effects on national projects.

There are a number of other advantages arising from the presence of such foreign companies in the ways in which tourism services are sold, or in the application of modern management systems, in addition to the fact that the presence of foreign companies can prompt national companies to modernize and develop their existing systems so that they can continue in the service market. The importance of administrative contracts is particularly important in this regard as a method of transferring technological techniques in hotel management, for example, or other tourism activities .

**3rd. Employment:**

The expansion of tourism as well as other associated projects (annexes, supplementary and basic services, tourism service industries) helps to create many new jobs, in this regard the direct and indirect effects (e.g. salaries paid) and indirect (e.g. multiplier and other political impacts) resulting from increased employment opportunities and low unemployment in a society with an increasing population cannot be ignored, and increased employment opportunities also result in a higher level of economic well-being. and other effects or benefits. Low unemployment can lead to a high degree of social peace and increase public confidence in leadership

**4th. Contributing to the development and economic and social balance between regions**

If the state distributes the establishment of new tourism projects, whether private, public or foreign, in different regions of the country, this could lead to the development and development of these regions, i.e. it leads, for example, to the creation of new jobs, improved living standards, exploitation of the natural resources available in these areas, development and creation of new civilized communities, redistribution of incomes between urban and rural areas...

In addition to many indirect effects and benefits, investments in rural or remote areas may need to be encouraged, for example, by the State granting special concessions to investors or giving them financial and technical assistance.

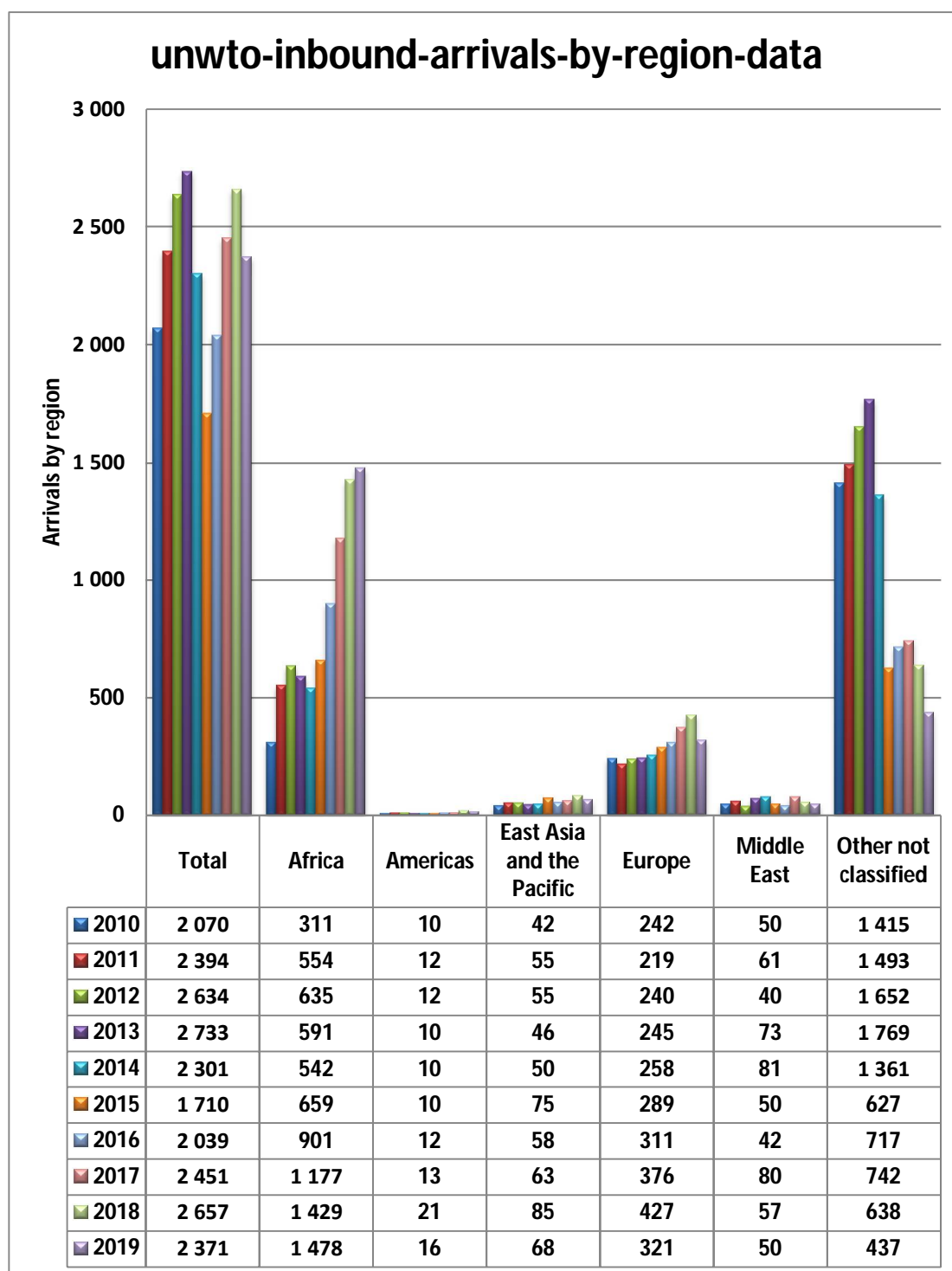
Achieving a certain degree of economic development for the regions of states may undoubtedly make a constructive contribution to achieving economic balance between the regions of the country and solving many of its social problems.

Although it is difficult to accurately measure the degree of integration and the type and number of economic relations between tourism projects and other internal economic and service activities, the expected economic and social impacts of the development of tourism activity in creating multiple types of internal families among other economic sectors cannot be ignored, with direct and indirect benefits, the most important of which are:

- ↳ Encouraging the investment of national capital and diversifying its uses in new projects.
- ↳ Creating new jobs.
- ↳ Exploiting natural resources and creating new uses for them.
- ↳ High state revenues from taxes and others...

- Promoting and developing (development or distribution) of other service sectors assisting the tourism sector.
- When the state's revenue swells, it increases the government's ability to create new labour opportunities by establishing new economic projects.

**Figure 01: Total International Arrivals for ALGERIA**



**Source:** UNWTO, Tourism Statistics Data ,BASIC TOURISM STATISTICS, ALGERIA, <https://www.unwto.org/statistic/basic-tourism-statistics>



Through the illustration and table, Algeria's total international arrivals were at an increasing pace of more than 2,000 from 2010 to 2013 and then declined in 2014 and 2015 due to the transition period and the political and economic reasons at the time, and in 2016 it re-escalated over 2,000 international tourists and decreased in 2019 due to international and global action due to the outbreak of COVID-19. One of the most prominent international arrivals is from Europe, and then the rest of the continents come in the second half at a similar pace.

### **3. The relationship of financial technology to tourism**

Technology has changed the way people travel, inspiring innovations in research and facilitating online booking and payment connectivity, and customization offers better experiences, yet these developments have overshadowed the role payments play in the digital travel system. There are many influences driving payment trends in the travel industry and what travellers, travel retailers and financial technology institutions are looking for not only to survive but also to thrive and evolve over time.

Individuals have experimented with simple and seamless payments from e-commerce players and digital services such as Amazon and Uber, which allow users to pay from almost anywhere, anytime and deliver their products or services to their doorstep, which should be while travelers make online bookings. As destination-based purchases grow on the go and focus on destination support, the tourism industry is ready for payment innovation and global financial technology innovation is taking place at a rapid pace around the world. The financial technology sector helps the ecosystem integrate permanent payment methods, comply with cumbersome new regulations and fight fraud.

Travel and hotel companies should also move quickly to adopt technologies that will easily help them accept the widest range of alternative local payment methods such as real-time bank transfers, electronic wallets, direct debits and digital payments. Because the travel industry is based on close and collaborative partnerships, innovation in payments can be a strategic factor to enable greater collaboration. Reduces friction and helps passengers pay for additional services such as excess baggage at the airport.

### **4. Innovation of financial technology and alternative payment methods**

Tourism and mobility is an expensive purchase as consumers expect payment to be smooth, fast and secure with a selection of credit and/or debit cards in physical wallets and

applications such as PayPal that include a digital wallet, travellers expect to be able to choose how to pay for their flights and hotels.

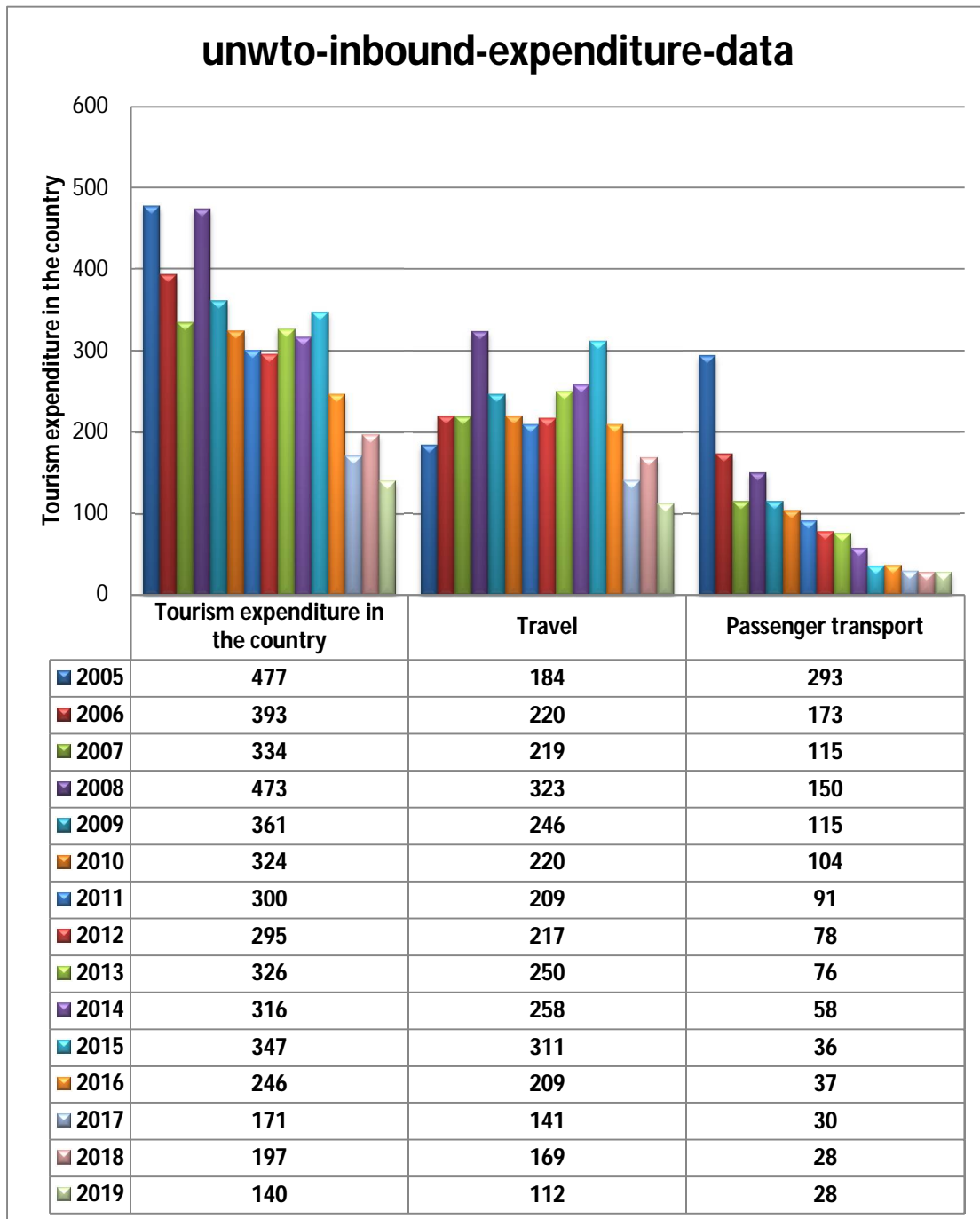
Spending at the destination is different - access to museums, taxis or subway fares where consumer preferences determine how travel companies operate in the destination, especially when those destinations attract an international audience. One of the reasons for Uber's global expansion is that the app acts as an actual digital transport portfolio when users are away from home with a purposeful message that comfort governs the day.

- ✎ Most international hotel chains have realized that guests making purchases are accelerating the financial technology sector by providing payment gateways and easy access to platforms used by tourists.
- ✎ Travel agents - whether retailers or online agencies - play an important role by helping tourists understand how payments work when they arrive at their destination.
- ✎ Takeaways with a message if the guest can't pay for the product and service offered, there's no point in serving it.
- ✎ Travel is an increasingly important driver of global economic growth. International tourism has grown faster than global GDP over the past several years and is expected to continue on a positive path.
- ✎ Technology makes travel smoother. Just as mobile phones have transformed e-commerce, the near deployment of connected devices and geolocation software can be applied to payments and passenger security.

For example, financial service providers can now compare a trader's location to the passenger's last mobile location if the location matches, the information is sent to the source bank, which can then confidently approve this transaction, which is the kind of smart use of real-time data that helps make the travel experience safer and more comfortable.

But in some countries, this is not yet possible. There is no infrastructure to support a system that is completely cash-free and here comes the role of ATMs for many travellers, the best alternative to paying plastic is to withdraw cash in local currency from ATMs before tourists need to buy directly and this means that their money remains in a secure electronic account until it is spent it is more convenient and safe than having to carry travelers' cheques or large amounts of money. More importantly, if traders learn that an increasing part of their customers hold payment cards, they are likely to start accepting the cards themselves.

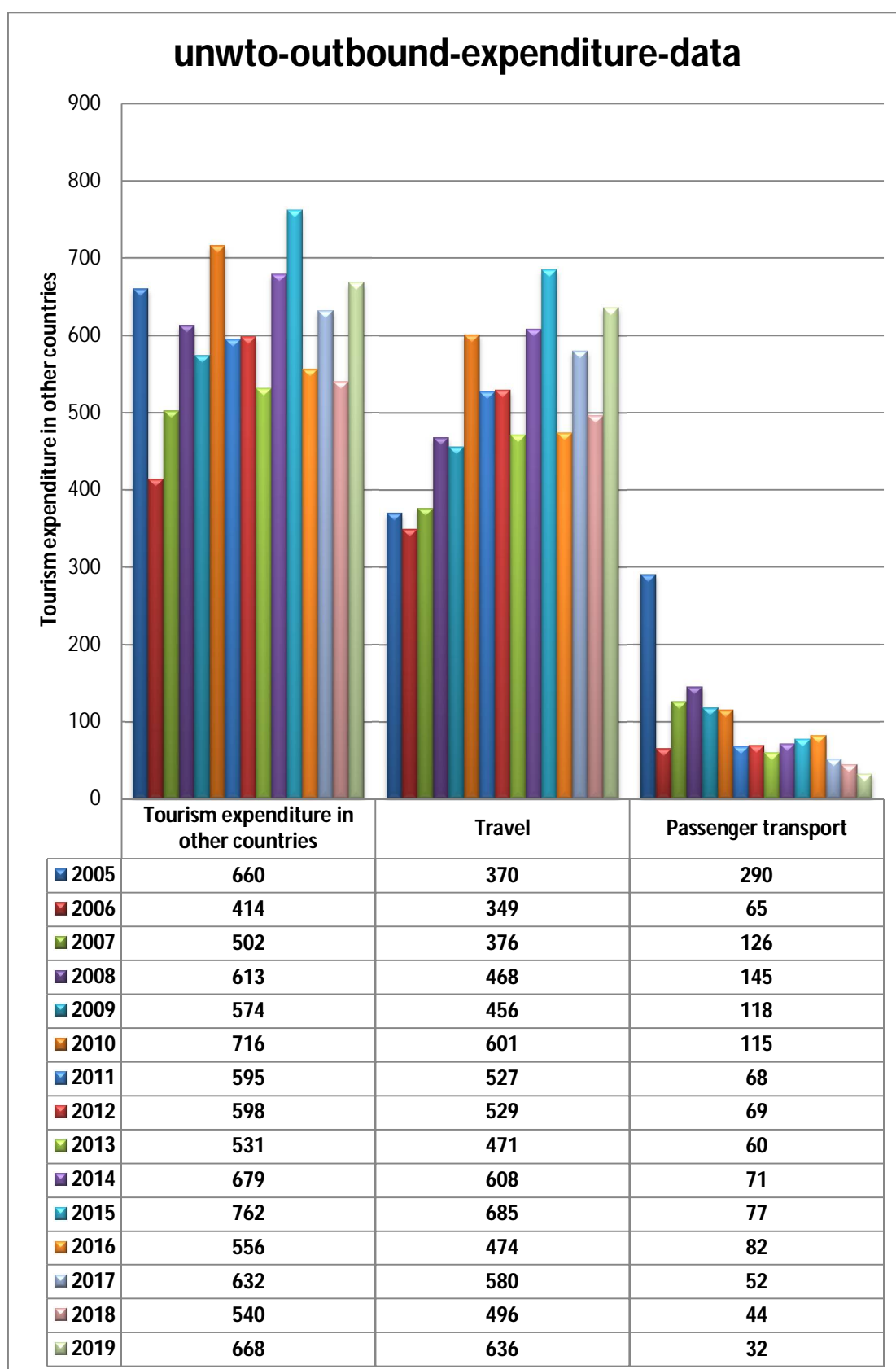
**Figure 02: Total domestic tourism expenditures**



**Source:** UNWTO, Tourism Statistics Data ,BASIC TOURISM STATISTICS, ALGERIA, <https://www.unwto.org/statistic/basic-tourism-statistics>

Through the figure and illustration showing the various expenses for tourists and travellers within the Algerian country, we find that internal total expenditures decreased throughout the period between 2005 and 2019. This is due to passenger expenses during the same period, as evidenced by 2011. Domestic transport expenditures declined and declined each year throughout the period between 2005 and 2019.

**Figure 03: Total Foreign Tourism Expenditures**



**Source:** UNWTO, Tourism Statistics Data ,BASIC TOURISM STATISTICS, ALGERIA, <https://www.unwto.org/statistic/basic-tourism-statistics>

Through the figure and illustration showing the various expenses for Algerian tourists and travellers outside the Algerian country, external total expenditures increased and decreased slightly over the period between 2005 and 2019. This is due to passenger expenses during the same period. External transport expenditures declined and declined each year throughout the period between 2005 and 2019.

### **III. Conclusion**

The success of the tourism sector in achieving integration between it and other economic and service sectors depends on the extent to which the latter is able to meet the different needs of the first in terms of quantity, quality and timing...

The development and modernization of the tourism sector, and the positive results can be achieved in advancing economic and social development, may contribute constructively to solve many problems. Security and social peace in the state can lead to the development of tourism movement and increase the flow of the state's financial resources which may help to increase its ability to spend on various areas of investment and social services as well as the development and creation of trade and political relations between the state and other countries of the world.

The sound performance of the tourism sector, fuelled by the rapid growth of emerging markets, has created an effective cycle as industry and governments work together to invest in facilities, infrastructure, human resources and technologies that allow an increasing share of the world's population to travel abroad in a safer environment. It won't happen overnight but we are already beginning to see change.

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