



*Evolution of the Algerian Financial Market:  
A Statistical Analysis and Exploring Challenges.*

MOUZIANE FATMA\* <sup>(1)</sup>

[Mouziane.fatma@univ-oran2.dz](mailto:Mouziane.fatma@univ-oran2.dz)

Maitre de Conférence A

University of Oran 2, (Algeria)

ZERIGUI KHADIDJA <sup>(2)</sup>

[Zerigui.khadidja@univ-oran2.dz](mailto:Zerigui.khadidja@univ-oran2.dz)

Maitre de Conférence A

University of Oran 2, (Algeria)

Received :29/09/2023

Accepted :29/12/2023

*Abstract*

The Algerian financial market has undergone significant transformations over the years, reflecting the country's efforts to modernize its economy and attract foreign investment. In this article, we will explore the evolution of the Algerian financial market through statistical analysis and shed light on the various challenges that have emerged along the way and provides a comprehensive examination of the evolution of the Algerian financial market through a statistical analysis and explores the challenges it faces in the contemporary financial landscape. The analysis covers a wide range of financial instruments, regulatory reforms, and economic factors that have shaped the market's trajectory. By delving into the market's history, present state, and future prospects, this article explore the opportunities and challenges that lie ahead for Algeria's financial sector.

- ✓ Algerian stock exchange market, capital structure, listed corporation, emerging market, economics factors.

\* Corresponding author:

## 1. INTRODUCTION

The Algerian financial market, like many emerging economies, has experienced remarkable evolution in recent decades. From its early stages characterized by limited financial instruments and regulatory frameworks, it has grown into a more complex and interconnected system. This article aims to provide a comprehensive overview of the Algerian financial market's evolution, underpinned by statistical analysis and an exploration of the contemporary challenges it faces.

### 1.1. Goal of the study:

The main objective of this study is to identify the factors that influence Algerian corporations' choice between financial market instruments and bank loans. To achieve this objective, we will distribute a questionnaire to Algerian corporations to determine the main factors that affect this choice. The following question will be investigated: What are the main factors that influence Algerian corporations' choice between financial market instruments and bank loans?

### 1.2. Importance of this study:

The importance of this study lies in the fact that it seeks to identify the factors that influence Algerian corporations' choice of financial market instruments as an alternative to traditional borrowing from commercial banks. This is an important area of research because it can help to shed light on the factors that are driving the development of the Algerian financial market and the ways in which Algerian corporations are accessing financing.

### 1.3. Study hypothesis:

There is a significant relationship between the economic, legal, and social factors that affect the choice of debt or financial instruments by Algerian corporations.

## 2. Literature review:

The financial market as an alternative to financing the productive fabric of the Algerian economy (Lila & Naima, 2022): The Algerian economy, which has long been based on oil revenues, has been hit hard by the fall in oil prices. This crisis has revealed the limits of this economic model, which is based on borrowing from banks. To get out of this crisis, Algeria must move towards a more diversified economic model, based on the market economy. An efficient financial market could play an important role in this process by offering businesses an alternative to borrowing from banks.

The financial market in Algeria (kadouri, 2015) : In this paper, the author attempts to show that the construction of a market, in this case the financial market, is not just a technical, economic, and financial problem. It is also a cultural, moral, legal, and accounting issue. The transition to a market economy has taken place in different ways and at different speeds around the world. In transition countries, the performance of the financial market has not met expectations.

The Algerian financial market, which was established in 1995, is still in its early stages of development. This is because the Algerian economy is dominated by oil rents and a sclerotic, omnipresent, and omnipotent public banking system.

The author concludes by asking whether the financial market can develop in Algeria under these conditions. He also suggests that the financial market should be analyzed and improved in order to meet the needs of the Algerian economy.

Quantitative analysis of financial duality in Algeria (GANA Brahim, 2020): The main objective of this article is to explain the development of the Algerian financial sector in a context of financial duality. To better understand the study, the author will first analyze the concept of financial dualism and the appropriate theoretical solutions to reduce it. Then, the author will study the classifications of financial systems according to a number of quantitative and qualitative criteria. This analysis will lead to a quantitative study of the Algerian financial system in relation to financial dualism. Finally, the author will provide some strategic recommendations in the conclusion.

Issues and Challenges in Introducing Islamic Insurance (Takaful) into the Algerian Financial Market: Lessons from Malaysia (Karim & DJAFRI Fares, 2016):

The global takaful market is expected to reach \$12.5 billion by 2015, with Malaysia being one of the largest markets. However, the development of takaful in Algeria has lagged behind. This study explores the issues and challenges that potentially face the introduction of takaful into the Algerian financial market.

The study found that there are both economic and spiritual benefits to introducing takaful in Algeria. However, the most important challenge is political will, as genuine support from the government is needed for the effective introduction of takaful. This support should be followed by broad publicity of the industry, an amendment of the laws, and the development of the necessary infrastructure. In summary, the study found that there is a potential for takaful in Algeria, but the government will need

to play a key role in supporting its introduction.

### 3. Historical Overview of the Algerian Financial Market

Algeria's financial market has a relatively short history compared to more developed markets, with the country gaining independence in 1962. During its early years, the Algerian economy was primarily centered around agriculture and hydrocarbons. However, in the late 1980s and early 1990s (Ahmed, 2012), Algeria embarked on a series of economic reforms aimed at diversifying its economy and opening up its financial sector.

In 1990 Algerian government create the first corporation with stocks participation called "SVM" with capital of 3200000DA and this one grew in 1992 to 9320000DA, the temporary law published in 25/04/1993 gave the permission to establish a financial market known as Algerian stock exchange market. The same law gave more recommendation in order to provide the best area for this establishment (Algerienne, 2007; Algerienne, 2007).

#### 3.1. Regulatory Reforms

Algerian Stock Exchange, known as the "Bourse d'Alger" or the Algiers Stock Exchange, has undergone significant regulatory reforms over the years to modernize and strengthen its operations. These reforms aim to make the exchange more attractive to both domestic and international investors, improve transparency, and align with international best practices. Below are some key regulatory reforms that have impacted the Algerian Stock Exchange:

- ✓ Creation of the Financial Market Regulator (APSM): In 1995, the Algerian government established the Financial Market Regulator (Autorité de régulation de la Bourse, APSM) to oversee and regulate the operations of the stock exchange. APSM plays a crucial role in ensuring compliance with securities laws and regulations.
- ✓ Market Modernization: To enhance market efficiency and transparency, the Algerian Stock Exchange has implemented various technological upgrades. These include electronic trading platforms and the Central Depository of Algeria (CSD), which manages securities settlement and registration electronically.
- ✓ Listing Rules and Requirements: The Algerian Stock Exchange has revised its listing rules and requirements to attract more companies to go public. These changes aim to make the

process more straightforward and accessible for potential issuers.

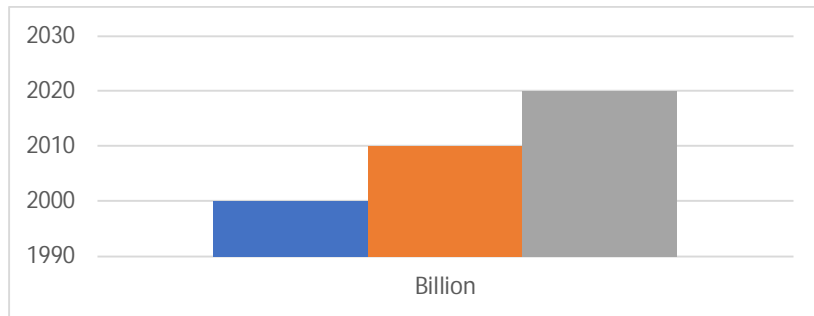
- ✓ **Market Surveillance and Enforcement:** Regulatory reforms have led to improved market surveillance and enforcement mechanisms to detect and prevent market manipulation, insider trading, and other illegal activities (Algerienne J. o., 1995).
- ✓ **Corporate Governance Standards:** The Algerian Stock Exchange has introduced corporate governance standards that listed companies are required to adhere to. These standards are designed to enhance transparency and protect the interests of investors.
- ✓ **Investor Protection Measures:** Regulations have been introduced to protect the rights of investors, including disclosure requirements for listed companies and the provision of accurate and timely information to shareholders.

The Algerian government has taken steps to develop the capital market by introducing new financial instruments, such as bonds and financial derivatives, to diversify investment opportunities for market participants. The regulatory framework has been adjusted to allow greater access for foreign investors to the Algerian Stock Exchange, although foreign ownership restrictions on certain industries may still apply, more Efforts have been made to align Algerian capital market regulations with international best practices and standards, including those set by the International Organization of Securities Commissions (IOSCO).

#### **4. Statistical Analysis**

One of the key indicators of the evolution of the Algerian financial market is the growth in market capitalization. In the early 2000s, the market capitalization of the Algerian stock exchange was relatively modest. Still, it has steadily increased over the years, reaching several billion dollars by the end of the 2010s according to table 1

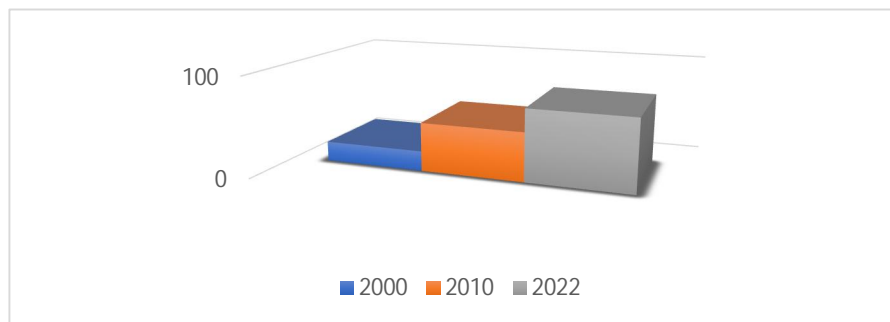
Fig.1: growth of market capitalization



Source: the chart is created by the researchers

This growth is a reflection of increased investor confidence and interest in the Algerian market. The development of the Algerian stock exchange can be defined by the growth in the number of listed companies, as shown in figure 2.

Fig.1: listed companies on Algerian stock exchange



Source: the chart is created by the researchers

#### 4.1.Questionnaires descriptive statistics:

We will use a descriptive statistical method to analyze a questionnaire that assesses the impact of various factors, such as economic, legal, and social factors, on the choice of financial market instruments by Algerian corporations as an alternative to debt financing.

- 4.1.1. **Population of study:** consist the Algerian corporation listed and traded in Algerian stock exchange market.
- 4.1.2. **Sample of study:** Identify Algerian corporations that met the following criteria during the period 2000-2022:

- ✓ Selected companies should maintained their identity over the selected period
- ✓ All companies that have missing data over the period of study are automatically excluded.

4.1.3. **Data collection: information:** Data was collected from a sample of Algerian corporations through the distribution of a questionnaire. This questionnaire provided important information on the factors that influence Algerian corporations' choice to obtain financing from the financial market as an alternative to commercial banks. 130 questionnaires were distributed to financial department officials, including general directors, finance directors, and all finance department employees in each company.

The response rate for the questionnaires was 78%, with 102 respondents out of 130 distributed.

4.2.**Instrument validity and reliability:** At this stage, the researcher used Cronbach's alpha coefficient to test the reliability of the questionnaire items and the respondents' ability to give consistent results.

N of cases      102.0

N of items      23

ALPHA          0.8496

**4.3.Statistical analysis:**

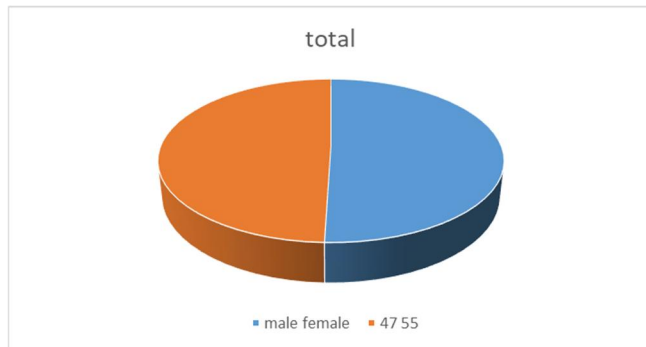
Table 1 shows the gender distribution of the study sample. The researcher found that 46.1% of the respondents were male and 53.9% were female. This may be explained by the fact that most company financial department employees are female.

**Table 1.** The gender distribution of the study sample

gender	frequency	percent
male	47	46.1
female	55	53.9
total	102	100

Source: descriptive analysis from SPSS

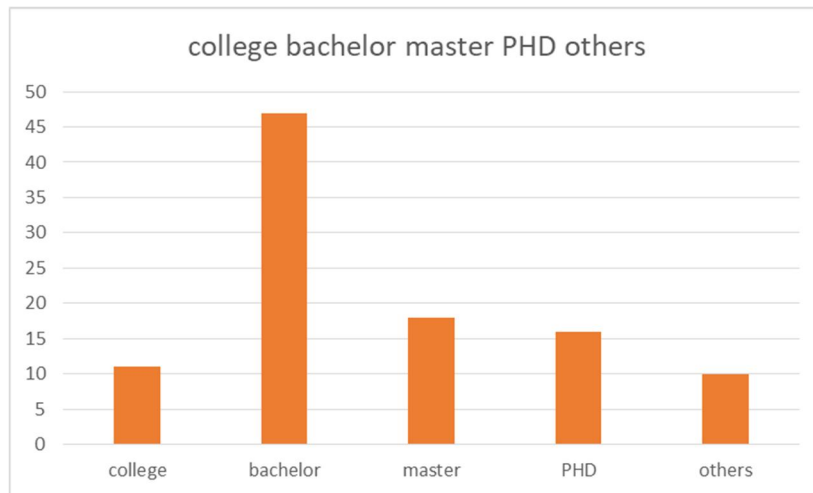
**Fig.3.** Figure of gender distribution of the study sample



Source: created by the researchers

Figure 4 shows that 46.1% of the study subjects have a bachelor's degree. This is likely due to the large number of retired employees in the sample. Employees with a master's or PhD degree represent 17.6% and 15.7% of the sample, respectively, and they occupy the highest job levels in the corporation. Employees with a college degree or other qualification make up the remaining 9.8% to 10.8% of the sample.

**Fig.4.** Figure of education degree



Source: created by the researchers

#### 4.4.Hypotheses test:

To test the null hypothesis (H0) and alternative hypothesis (H1) that reflect the relationship between outside factors, such as economic, legal, and social factors, and the choice of Algerian corporations to obtain financing from the Algerian stock market rather than commercial banks.



Here is an explanation of the different outside factors that can affect the choice of Algerian corporations to obtain financing from the Algerian stock market rather than commercial banks:

4.4.1. **Economic factors:** represented by (E)

- ✓ **Economic growth (E1):** A strong economy with positive economic growth is more likely to attract investors to the stock market. This is because investors are more likely to invest in companies in an economy that is growing and expanding.
- ✓ **Interest rates (E2):** Low interest rates make it more attractive for companies to raise money from the stock market rather than from commercial banks. This is because companies can typically borrow money at a lower cost from the stock market than from commercial banks.
- ✓ **Inflation (E3):** High inflation can erode the value of corporate profits and make it less attractive for investors to invest in the stock market.

4.4.2. **Legal factors:** represented by (L)

- ✓ **Securities laws (L1):** The strength and effectiveness of a country's securities laws can also affect the choice of corporations to obtain financing from the stock market. Strong securities laws can help to protect investors and make the stock market a more attractive place to invest.
- ✓ **Corporate governance laws (L2):** Good corporate governance laws can also encourage companies to go public and raise money from the stock market. Corporate governance laws can help to ensure that companies are managed in a fair and transparent manner, which can make them more attractive to investors.

4.4.3. **Social factors:** represented by (S)

- ✓ **Investor culture (S1):** The level of investor culture in a country can also affect the choice of corporations to obtain financing from the stock market. If there is a strong investor culture in a country, then more people will be likely to invest in the stock market, which can make it more attractive for companies to go public.
- ✓ **Public awareness of the stock market (S2):** Public awareness of the stock market is also important. If people are not aware of the stock market or how to invest in it, then they are less likely to invest in it.

These are just some of the outside factors used on our research that can affect the choice of Algerian corporations to obtain financing from the Algerian stock market rather than commercial banks. It is important to note that these factors can interact with each other in complex ways.

We used a one-sample test method to examine the relationship between all of the outside factors and the choice of Algerian corporations to obtain financing from the Algerian stock market rather than commercial banks. We formulated two hypotheses, as follows:

H0: there is no relationship between outside factors and the choice of Algerian corporation to obtain financing

$$\mu_1 = \mu_2 = \dots = \mu_7$$

H1: at least two factors are different

$$\mu_1 \neq \mu_2$$

to test this hypothesis we use the following condition: if the P-Value is less than 5% we exclude the null hypothesis H0 and we accept the alternative hypothesis H1

Table 2. Result of One sample test

One Sample Test						
Outside factors	t	Df	Sig. (2-tailed)	Mean Difference	99% Confidence interval of the difference	
					Lower	Upper
					Test Value = 0.05	
E1	34.655	101	0.001	2.2539	2.0832	2.4247
E2	33.888	101	0.020	2.2441	2.0703	2.4180
E3	28.666	101	0.000	2.1167	1.9228	2.3105
L1	36.340	101	0.002	2.2735	2.1093	2.4378
L2	26.412	101	0.000	2.1167	1.9063	2.3271
S1	32.310	101	0.000	1.8610	1.7105	2.0130
S2	20.559	101	0.000	1.8716	1.6326	2.1106

Source: descriptive analysis from SPSS

Table 2 shows the descriptive statistics for all of the factors used in this study. The p-values for all of the factors are less than 0.05, which means that we can reject the null hypothesis and accept the alternative hypothesis. This means that all of the factors, economic, legal, and social, have a significant relationship with the choice of Algerian corporations to obtain financing.

## **5 . RESULTS AND DISCUSSION**

Algerian corporations use financial market instruments instead of traditional borrowing from commercial banks for a number of reasons, including:

**Greater flexibility:** Financial market instruments offer greater flexibility than bank loans in terms of the terms and conditions of the financing. For example, corporations can choose financial market instruments with different maturities, interest rates, and repayment schedules.

**Lower costs:** Financial market instruments can sometimes be less expensive than bank loans, especially for larger corporations with good credit ratings.

**Access to a wider range of investors:** Financial market instruments can give corporations access to a wider range of investors than bank loans. This can be particularly beneficial for corporations that are looking to raise large amounts of capital.

The findings of this study, which show that all external factors have a significant relationship with the choice of Algerian corporations to obtain financing, have a number of implications for policymakers and practitioners:

**Policymakers** can use the findings to develop policies that promote the development of the Algerian financial market and make it easier for corporations to access financing. For example, policymakers could provide tax incentives for corporations to go public or to raise money through the stock market. They could also invest in infrastructure and education to support the development of the financial market.

**Practitioners** can use the findings to better understand the factors that influence Algerian corporations' financing decisions and to develop products and services that meet the needs of Algerian corporations. For example, financial institutions could develop new types of financial products that are tailored to the needs of Algerian corporations. They could also provide advisory services to help Algerian corporations choose the right financing solution for their needs.

Additionally, the study found that cultural factors can also influence the choice of Algerian corporations to obtain financing. For example, some Algerians may be hesitant to invest in the stock market because they are unfamiliar with it or because they believe it is too risky.

Policymakers and practitioners can address these cultural challenges by raising awareness of the stock market and by providing education and training on how to invest in it. They can also work to improve the transparency and regulation of the stock market to make it more attractive to investors.

## **5. CONCLUSION**

The Algerian financial market has undergone a significant transformation in recent years, becoming more diversified, integrated, and globalized. This transformation has been driven by a number of factors, including the growth of Islamic finance, the development of derivatives trading, and the increasing participation of foreign in

The transformation of the Algerian financial market has had a number of positive effects. For example, it has made it easier for Algerian businesses to access financing and has helped to reduce the country's reliance on foreign capital. The transformation has also made the Algerian financial market more attractive to foreign investors, which has helped to boost the country's economy.

However, the Algerian financial market still faces a number of challenges. For example, the market is still relatively small and illiquid. The market is also vulnerable to shocks from the global economy.

Despite these challenges, the Algerian financial market is likely to continue to grow and develop in the years to come. The government of Algeria is committed to developing the financial sector and has taken a number of steps to support the market, such as establishing a new financial regulatory authority and launching a financial literacy program

The continued development of the Algerian financial market will benefit both Algerian businesses and individuals. For businesses, it will make it easier to access financing and manage risk. For individuals, it will provide more investment opportunities and help to improve financial inclusion.

## 5. Bibliography List :

- Ahmed, K. (2012). *LE MARCHE FINANCIER EN ALGERIE* :. Les cahiers du CREAD.
- Algerienne, J. o. (1995, 05 23). law number 8. *Establish of surveillance and inspection commission COSOB*. Algeria.
- Algerienne, J. o. (2007). *Journale officiel de la bourse Algerienne*.
- d'Algerie, b. (s.d.). *bourse d'Algerie*. Récupéré sur [sgbv.dz](http://sgbv.dz).
- GANNA Brahim. (2020). Analyse quantitative du dualisme financier en Algérie. *Revue du Lareiid*, 07, 15-36.
- kadouri, A. (2015). Le marche financier en Algerie : Situation et perspectives. *les cahiers du cread*, 110.
- Karim, K., & DJAFRI Fares. (2016, JUNE). Issues and challenges in introducing islamic insurance (Takaful) into the Algerian financial market: lessons from Malaysia. *Comptemporary Issue and Development in the global Halal industry*, 359-369. Récupéré sur [https://link.springer.com/chapter/10.1007/978-981-10-1452-9\\_33](https://link.springer.com/chapter/10.1007/978-981-10-1452-9_33)
- Lila, A.-D., & Naima, F. (2022). The financial market as an alternative to financing the productive fabric of. *Revue Algérienne d'Economie et gestion*, 16, 255-275.