

Fight against poverty in Algeria: Mechanisms and expected results

مكافحة ظاهرة الفقر في الجزائر: الآليات والنتائج المنتظرة

Lutte contre la pauvreté en Algérie: Mécanismes et résultats attendus

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Abstract:

The study seeks to know the extent of the country's success and the contributions of each beneficiary in reducing poverty, by conducting a survey of the state of poverty locally, with the use of the inductive approach to analyze the data collected. The results showed that the mechanisms adopted to reduce poverty are not operating in a clear way, but the phenomenon is constantly increasing. Accordingly, a new strategy must be adopted, whereby solutions begin with achieving a sustainable survey of graduates of public and private educational institutions, with knowledge of the scientific and practical features of each graduate in order to guide or direct them to establish companies that are in line with their desires.

Mots clés: Funding mechanisms, Poverty, Poverty indicators, Fight against poverty in Algeria.

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ملخص:

تسعى الدراسة إلى معرفة مدى نجاح الدولة ومساهمات كل مستفيد في الحد من الفقر، وذلك من خلال إجراء مسح لحالة الفقر محليا، مع استخدام المنهج الاستقرائي لتحليل البيانات التي تم جمعها. وأظهرت النتائج أن الآليات المعتمدة للحد من الفقر لا تعمل بشكل واضح، لكن الظاهرة تتزايد باستمرار. وعليه، لابد من اعتماد استراتيجية جديدة حيث تبدأ الحلول من تحقيق مسح مستدام لخريجي المؤسسات التعليمية العامة والخاصة، مع ضرورة معرفة السمات العلمية والعملية لكل خريج بهدف إرشادهم أو توجيههم لتأسيس مؤسسات تتماشى مع رغباتهم.

الكلمات المفتاحية: آليات التمويل، الفقر، مؤشرات الفقر، محاربة ظاهرة الفقر في الجزائر.

Abstract:

L'étude cherche à connaître l'ampleur du succès du pays et les contributions de chaque bénéficiaire à la réduction de la pauvreté, en réalisant une enquête sur l'état de la pauvreté au niveau local, avec l'utilisation de l'approche inductive pour analyser les données collectées. Les résultats ont montré que les mécanismes adoptés pour réduire la pauvreté ne fonctionnent pas de manière claire, mais le phénomène est en constante augmentation. En conséquence, une nouvelle stratégie doit être adoptée, par laquelle des solutions commencent à aboutir à une enquête durable auprès des diplômés des établissements d'enseignement publics et privés, avec une connaissance des caractéristiques scientifiques et pratiques de chaque diplômé afin de les guider ou de les orienter vers la création d'entreprises qui correspondent à leurs désirs.

Mots clés: Mécanismes de financement, Pauvreté, Indicateurs de pauvreté, Lutte contre la pauvreté en Algérie.

Plan:

Introduction

1) Financing mechanisms adopted in Algeria

1-1) Beneficiary of funding

1-2) Bank funding

2) Methods and Materials

2-1) Study methodology, society and sample

2-2) Study Tool and procedures

Conclusion

Introduction:

In view of the reality we live in Algeria, the phenomenon of poverty has been exacerbated by the continuing increase in the number of graduates from various universities, public or private sector and even uneducated public-sector training and training institutes (who have not studied), and the continuing decline in resources allocated to project delivery due to the decline in petroleum revenues, In order to determine the success of the previous experience in what has been achieved in a small enterprise and companies that help in creating wealth for their founders on the one hand and providing positions of occupation on the other hand, all of this has led us to submit to our public administrative institution (State, municipality) on contributions and assistance in integrating all unemployed persons who are provided with the conditions for the establishment of small family companies, industrial, service, commercial or agricultural enterprises and to request statistics that help us analyze the phenomenon of poverty.

we present the problem: **How can the funding mechanisms developed in Algeria be effective in reducing the phenomenon of poverty locally in Algeria, particularly in the wilaya of Ain-Defla?**

847

«Fight against poverty in Algeria: Mechanisms and expected results»

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1) Financing mechanisms adopted in Algeria:

The first revealing signs of the phenomenon of poverty appeared at the end of the 1980s, specifically from the 1986 oil crisis, and were expressed by the observation drawn from the research carried out in Algeria, notably the two national surveys carried out by the National Statistical Office, respectively in 1988, for that on household consumption expenditure and in 1995 for that on the measurement of household living standards¹. Now the strategic objectives of operation are to actively reduce poverty and promote the professional integration of the people and professionals, including the contributions of the beneficiaries of the integration process, and banks through legislation that allows them to contribute to poverty eradication, and many agencies, including the National Microcredit Agency, which in turn seeks to reduce poverty and social vulnerability in remote and rural areas by encouraging people to form and self-employment through the establishment of micro-enterprises.

1-1) Beneficiary of funding:

The beneficiary is the person who is ready to work-whether educated, educated, or educated, or who has gained a certain level of education or composition and who has left school, or who has not already enrolled in school, as is the persons living in remote areas where life is difficult. New thinking is needed to make the beneficiary like to work either in his environment or in any field that is appropriate for a job by creating a small business or organization that has a decent income, and the beneficiary takes a number of attributes, including but not limited to:

- Peasant farmers:

The history of developed countries shows that the development of agriculture requires the deployment of a complete ecosystem, combining public and private actors in multiple fields: agronomic research, agricultural education, technical and economic advice, organization of farmers in the form of cooperatives and inter-professional organizations, agricultural risk management, social services in rural areas, etc².

The areas concerned by agricultural credit are³ :

- ↪ creation, equipment and modernization of new farms and / or breeding;
- ↪ reinforcement of the production capacities of those existing and insufficiently developed;
- ↪ economic enterprises which contribute to the intensification, transformation and promotion of agricultural and livestock products requiring medium-term financing needs.

- Livestock raising:

Includes both beef and dairy cattle, pigs, sheep, goats, horses, mules, asses, buffalo, and camels; the raising of birds commercially for meat or eggs (i.e., chickens, turkeys, ducks, geese, guinea fowl, and squabs) is treated separately. For further information on dairy cattle breeds, feeding and management, see dairying. For a discussion of the food value and processing of meat products, *see* the article meat processing. For a further discussion of breeds of horses, *see* the article horse: Breeds of horses⁴.

- Traditional craftsman:

There are numerous expressions of traditional craftsmanship: tools, clothing and jewelry, costumes and props for festivals and performing arts, storage containers, objects used for storage, transport and shelter; decorative art and ritual objects; musical instruments and household utensils, and toys, both for amusement and education. Many of these objects are only intended to be used for a short time, such as those created for festival rites, while others may become heirloom that are passed from generation to generation. The skills involved in creating craft objects are as varied as the items themselves and range from delicate, detailed work such as producing paper votives to robust, rugged tasks like creating a sturdy basket or thick blanket⁵.

1-2) Bank funding:

Banks are the main source of finance for all business investment projects, whether small, medium or large. The risks associated with moves in interest rates and levels of liquidity are those that result in adverse fluctuations in earnings levels due to changes in market rates and bank funding costs⁶.

- The poverty situation from a banking point of view:

According to the World Bank's report on economic prospects in Algeria on 16/04/2018, the unemployment rate increased by 1.2%, reflecting stagnant growth in the non-oil sectors, 11.7% in September 2017 versus 10.5% in the same month of 2016, and the unemployment rate is particularly high among learners, youth and women, this may reflect their preference for waiting for jobs in the formal sector, and the unemployment rate increases

undermine poverty reduction, and 10% of the population lives again on the brink of poverty The gap between regions continued, with the unemployment rate in some areas (the desert) at twice the national rate and in others (the plains) at three times the national average, and the latest official accounts (2011) at 5.5%, with only 0.5% of the population in extreme poverty, and the official accounts are based on the poverty line estimated at \$3.57 (3.18)/day of purchasing power parity at the 2011 prices in the urban (rural), which is low for the upper-income group of countries⁷.

Exploitation loans are those that are directed to finance all operations or activities of small enterprises or enterprises in short periods, often not more than a year, and take several forms, including: bank advances, the Fund's facilities, seasonal Loan, interest rates⁸.

Investment loans are those that are directed to finance long- or medium-term operations of companies that need financial resources to cover their activities. Medium-term loans are originally intended to finance installations of up to seven years' duration, such as equipment and tools, transport equipment, production equipment, manufacturing and conversion, where the life of the asset financed must not exceed the duration of the loan, and take a number of forms, including: rental finance, sales and re-leasing operations, rental operational, financial Leasing⁹.

So long-term loan financing is a heavy burden on the firm and must be met later and takes the following forms: shares and bonds, long-term Loans¹⁰.

- Participation of Algerian banks in financing SMEs:

The protocols of an agreement between the Ministry of SMEs and several national banks have been completed to reflect the guideline for promotion of SMEs, particularly article 14, and an agreement has been signed with five public banks (BNA, Badr , CPA, BDL and BEA*) on three articles:

* Five public banks:

Article 01: The subject of this protocol is promotion of mutual financial intermediation between banks and the SME sector.






Article 02: The parties shall, in particular:

- ↪ direct loans to productive value-added activities and job creation;
- ↪ establish standards and requirements for lending to SMEs;
- ↪ develop and upgrade banks' relationship with SMEs under the supervision of the Bank of Algeria;
- ↪ expand loan lines employment; support to small and medium-sized enterprises with export capacity through appropriate financing;
- ↪ develop a common and consultative methodology in cooperation with finance ministries and external research and fund-raising with international financial providers;
- ↪ develop an initiative under the supervision of the Ministry of Small and medium-sized enterprises to set up their own financial flows and development programs.

Article 03: Appointment of qualified and competent representatives by the parties to follow up the protocol arrangements referred to in the preceding article.

- National Agency for Microcredit:

The National Agency for Microfinance is a working system as a tool to reduce poverty and the fragility of the poor classes in Algerian society. It

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-  BNA (Banque Nationale d'Algérie - National Bank of Algeria);
 -  BADR (Banque de l'Agriculture et du Développement Rural - Bank of Agriculture and Rural Development);
 -  CPA (Crédit Populaire d'Algérie - Popular Credit of Algeria);
 -  BDL (Banque de Développement Local - Local Development Bank);
 -  BEA (Banque Extérieure d'Algérie - External Bank of Algeria).

primarily targets individuals who are willing and willing to engage in an activity and do not have the financial resources to carry out that activity.

- **General objectives of the National Agency for the Microcredit:**

The overall objectives of this agency can be limited to the following points:

- ✓ to promote self-employment and domestic work among vulnerable groups in both urban and rural areas;
- ✓ to encourage professionals in traditional and professional industries, especially for women in rural and urban areas;
- ✓ to provide all the support that indigenous people in rural areas need in order to create productive economic and cultural activities for goods and services in exchange for access to incomes.

- **Basic functions of the National Agency for the Microloan:**

The core functions of the National Microloan Agency are as follows:

- ✓ the functioning of the microcredit apparatus as required by applicable legislation;
- ✓ support, advise, and accompany microfinance beneficiaries to complete their projects or develop their activities;
- ✓ inform beneficiaries of eligible projects of the various assistance they will receive;
- ✓ following up the activities carried out by the beneficiaries of the agency's programs, taking care to respect the terms of the books of conditions linking them to the agency and assisting them when needed with the institutions and authorities concerned with the implementation of their projects.

2) Methods and Materials:

These sections of the research paper should be concise. The audience reading the paper will always want to know what materials or methods that were used. The methods and materials may be under subheadings in the section or incorporated together. The main objective for these sections is to provide specialized materials, general procedures, and methods to judge the scientific value of the paper.

2-1) Study methodology, society and sample:

Sociologists use many different designs and methods to study society and social behavior. Most sociological research involves ethnography, or "field work" designed to depict the characteristics of a population as fully as possible.

- Study hypotheses:

Starting with the sub-questions, and having a look at how to manage the state-approved financing mechanisms, and based on the fact that universities and public and private sector training and training institutes graduate, we formulate the following hypotheses:

- ↪ state-approved financing mechanisms are one of the most important pillars of research, even in a phased manner, contributing to the reduction of poverty and are an innovative solution;
- ↪ state-approved funding mechanisms seek to identify the potential available in the state and the willingness of individuals, groups or families to initiate small enterprises appropriate to their configurations and aspirations;

country-approved financing mechanisms have been able to contribute to funding coverage for all the small enterprises and institutions that are desired to be established at the level of each state municipality, albeit in a different way, and to integrate many of the poor according to their potential for entry into the world of work.

- Curriculum:

The scientific approach adopted in this study is the inductive approach, which is based on the study of reality or phenomenon as it is, and as an accurate description that is expressed in an adequate manner, the method of study adopted varied between the theoretical methods in general and the field in the wilaya of Ain-Defla in particular.

- Study Community:

The study community is made up of the poor, the total beneficiaries of the micro-loan and the proceeds of micro-credit granted by the National Agency for the functioning of the micro-loan by sex (table 01 and 03), the activity sector (table 02), the municipalities classified below the poverty line (table 04), and the number of agency-established institutions (table 05) from 2010 to 2018.

- Study Sample:

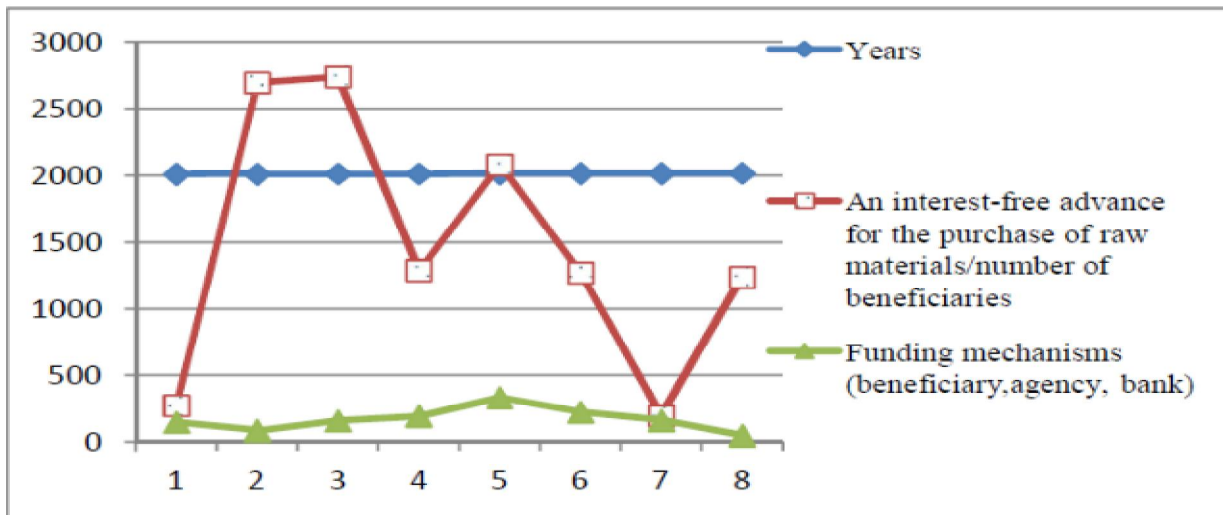
The study included all the municipalities of the wilaya of Ain-Defla to see how the funding mechanisms adopted by the state were successful in effectively contributing to reducing poverty, the sample size was quite equal to the study community, meaning that the sample size of the study was estimated at 100%.

Table 01 - Number of loans granted by the National Agency for Microcredit Management of Ain Defla Province

Years	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
An interest-free advance for the purchase of raw	272	2693	2739	1290	2081	1272	196	1239	/	11782
(Funding mechanisms (beneficiary,agency, bank	146	85	160	194	333	224	162	48	/	1352
Total	418	2778	2899	1484	2414	1496	358	1287	/	13134
Number of job positions created	627	4167	4349	2226	3621	2244	537	1931	/	19702

Source: Data provided by the state branch of Ain Defla State of the National Agency for Microcredit Management from 2010 to 2018, obtained on 08 October 2018.

Figure 01 - Number of loans granted by the National Agency for Microcredit Management of Ain Defla Province



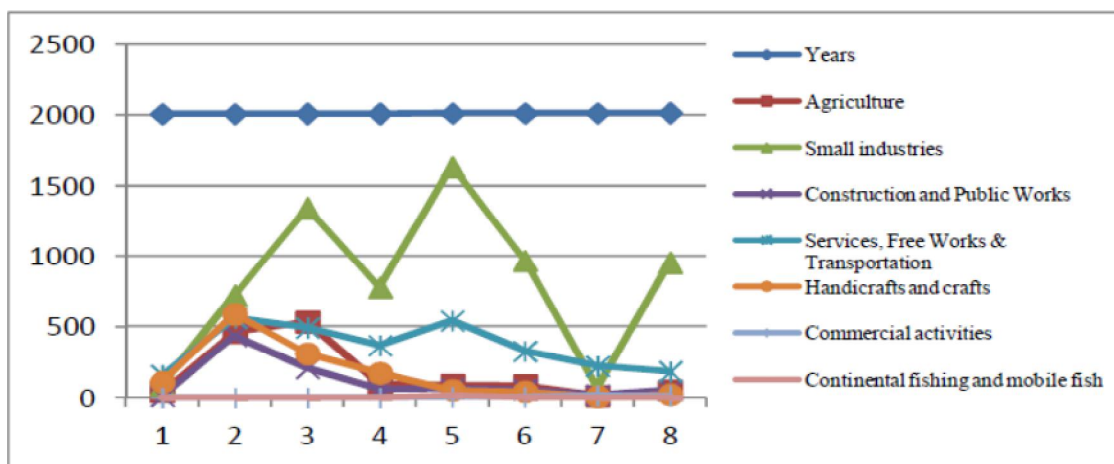
Source: Is set up by researchers based on Table 01 and MS Excel.

Table 02 - The most important sectors and the size of their financing by the National Agency for Microcredit Management For the mandate of Ain Defla from the year 2010 to 2018

Years	2010	2011	2012	2013	2014	2015	2016	2017	2018	Ratio	
Agriculture	42	464	536	95	91	89	15	52	/	10,52%	1384
Small industries	92	724	1346	778	1636	969	71	955	/	49,93%	6571
Construction and Public Works	10	437	209	64	67	58	22	56	/	7,01%	923
Services ,Free Works & Transportation	161	562	495	369	543	328	226	187	/	21,81%	2871
Handicrafts and crafts	113	591	313	176	54	44	9	23	/	10,05%	1323
Commercial activities	0	0	0	1	6	8	15	14	/	0,33%	44
Continental fishing and mobile fish	0	0	0	1	17	0	0	0	/	0,14%	18
Total	418	2778	2899	1484	2414	1496	385	1287	/	100,00%	13161

Source: Data provided by the state branch of Ain Defla State of the National Agency for Microcredit Management from 2010 to 2017, 08 October 2018.

Figure 02 - The most important sectors and the size of their financing by the National Agency for Microcredit Management For the mandate of Ain Defla from the year 2010 to 2018



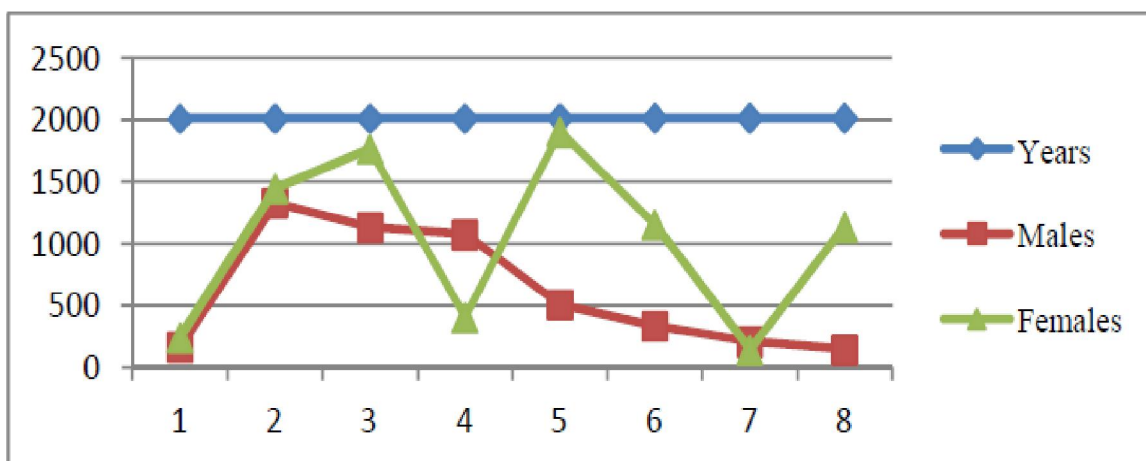
Source: Is set up by researchers based on Table 02 and MS Excel.

Table 03 - Number of loans granted by the National Agency for Microcredit Management of Ain Defla from 2010 to 2018

Years	2010	2011	2012	2013	2014	2015	2016	2017	2018	Ratio	Total
Males	172	1331	1134	1076	511	339	212	149	/	%37,49	4924
Females	246	1447	1765	408	1903	1157	146	1138	/	%62,51	8210
Total	418	2778	2899	1484	2414	1496	358	1287	/	%100,00	13134

Source: Data provided by the state branch of Ain Defla State of the National Agency for Microcredit Management from 2010 to 2018, obtained on 08 October 2018.

Figure 03 - Number of loans granted by the National Agency for Microcredit Management of Ain Defla from 2010 to 2018.



Source: Is set up by researchers based on Table 02 and MS Excel.

Table 05 - Number of SMEs Established by the National Agency for Microcredit Management of Ain Defla State from 2010 to 31/12/2018.

Years	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
Number of companies	146	85	160	194	333	224	162	48	/	1352

:Source Data provided by the state branch of Ain Defla State of the National Agency for Microcredit Management from 2010 to 2018, obtained on 08 October 2018.

2-2) Study Tool and procedures:

Research tool may be defined as: Anything that becomes a means of collecting information for study is called a research instrument. For example, observation forms, interview schedules, questionnaires, and interview guides are all classified as research tools¹¹.

- The credibility of the study tool:

Since all data presented for analysis and examination are from its official source in the Algerian State, we want to ascertain whether compared to or to observe how all these efforts contribute to reducing poverty at the level of all the state municipalities.

- Statistical data processing methods:

In this survey, we collect information by extrapolating the study community to the extent that funding mechanisms are effective in reducing poverty in the wilaya of Ain-Defla in order to reach the various possible

results, analyzing them according to the data available in our hands, and thus producing logical conclusions that can be useful especially as the perceived problem is shown to be exacerbated and therefore recommendations can be made for the future.

- The first hypothesis:

Is that the financing mechanisms of the fragile social classes in Algeria have contributed to the solution, even in a phased manner, to the reduction of the phenomenon of poverty, which is an innovative solution.

- The second hypothesis:

State-approved funding mechanisms seek to identify the potential available in the state and the willingness of individuals, groups or families to initiate small enterprises appropriate to their configurations and aspirations. In order to test whether this hypothesis is accepted or denied, all the data contained in table 02 should be analyzed for the number of development economic sectors available at the state level in general, and the willingness of individuals, groups and families benefiting from triangular funding projects to comply with their work when receiving their triangular funding projects, taking into account their configurations and aspirations.

- ☞ farmers sector: Its share of micro-credit from 2010 to 2018 was about 1384, representing 10.52%;
- ☞ small-scale industry: Through Table 01, the wilaya of Ain-Defla has a small business concerned with the production of small industrial goods, with the loan share of these activities estimated at 6,571 loans from 2010 to 2018, representing 49.93%;

- ↪ construction and public works employment: Its share of micro-credit from 2010 to 2018 was 923, representing 7.01%;
- ↪ services and Free Works: Its share of microcredit from 2010 to 2018 was about 2871 and represents 21.81%;
- ↪ traditional industry and crafts resources: Its share of micro-credit from 2010 to 2018 was about 1323, representing 10.05%;
- ↪ business activity: Its share of micro-credit from 2010 to 2018 was about 44, representing 0.33%;
- ↪ continental fishing and mobile fisheries: Its share of microcredit from 2010 to 2018 was about 18, representing 0.14% .

- The third hypothesis:

State-approved financing mechanisms have been able to contribute to funding coverage for all the small enterprises and institutions that are desired to be established at the level of each state municipality, albeit in a different way, and to integrate many of the poor according to their potential for entry into the world of work.

Conclusion:

The triple finance projects are considered one of the most important pilgrimages to contribute to finding solutions, even in a phased manner, in reducing poverty, and it is an innovative solution, However, with the existence of this mechanism, the phenomenon of poverty continued to worsen, and we will see that through the findings.

Through the above, the following **results** can be reached:

- ↪ we noticed the public authorities resorting to solutions that require the participation of both the state and commercial banks, and the beneficiaries in financing projects that are compatible with the desires of the owners of these projects;
- ↪ the triple financing projects granted loans and advances to the poor and low-income groups, and women staying at home, who are considered vulnerable groups, whether in urban or rural areas;
- ↪ microcredit was distributed to a large extent on the small industries sector, the traditional industries, crafts and agricultural sectors.

Accordingly, the following **recommendations** can be submitted:

- ↪ establishing an informational, informational network in order to communicate between all members of the local community;
- ↪ accurate and true statistics of the number of poor people from year to year;
- ↪ the necessity to take care of the number of graduates each year.

Accordingly, the following **suggestions** can be made:

- ↪ the need to provide attractive quality funding to certification holders, so that micro-finance projects are heavily involved;
- ↪ public authority goes out into the domain;
- ↪ the necessity to simplify the support procedures with firmness in the follow-up and periodic evaluation of the awarded projects.

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