Private sector financing in Algeria. Why are VSEs/SMEs severely rationed? Field Research Findings

تمويل القطاع الخاص في الجزائر. لماذا الشركات الصغيرة والمتوسطة شديدة التقنين؟ نتائج دراسة ميدانية.

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Abstract: The objective of this article is to analyse the reasons for VSEs/SMEs low level bank financing in Algeria. Although they are multiple and varied, the reasons that are directly related to bankers behaviour are privileged. To do so, we have based ourselves on the results of a field survey, by questionnaire, of a sample of banks. The study shows that the low level of lending to VSEs/SMEs can be explained by two categories of factors: (1) the fragility of Algerian VSE/SME and the environment in which the bank operates ; (2) the banks' incapacity attitude.
Keywords: financing, Algerian banks, credit rationing, VSE/ SME.

Résumé : L'objectif de cet article est d'analyser les raisons de la faiblesse du financement bancaire des TPE/PME en Algérie. Bien qu'elles soient multiples et variés, les raisons qui sont directement liées au comportement des banquiers sont privilégiées. Pour y parvenir, nous nous sommes basés sur les résultats d'une enquête de terrain, par questionnaire, auprès d'un échantillon de banques. L'étude montre que la faiblesse d'octroi de crédits aux TPE/PME s'explique par deux catégories de facteurs: (1) la fragilité de la TPE/PME algérienne et l'environnement dans lequel évolue la banque et; (2) l'attitude d'incapacité des banques.
Mots-clés : financement, banques algériennes, rationnement de crédit, TPE/PME.

ملخص: تهدف الدراسة إلى تحليل أسباب ضعف التمويل المصرفي للمؤسسات الصغيرة و المتوسطة في الجزائر. على الرغم من إنها متعددة و متنوعة، سنتطرق فقط إلى الأسباب المرتبطة مباشرة بسلوك المصرفيين. من أجل ذلك، اعتمدنا على نتائج دراسة ميدانية، عن طريق الاستبيان لعينة من البنوك. توضح الدراسة أن ضعف الإقراض للمؤسسات الصغيرة و المتوسطة يعود إلى نوعين من العوامل:(1) هشاشة المؤسسة الصغيرة و المتوسطة الجزائرية و نقص المنافسة بين البنوك ;(2) سوء التسيير و نقص الفعالية لدى البنوك.
الكلمات المفتاحية: التمويل، البنوك الجزائرية، تقنين القروض، المؤسسة الصغيرة و المتوسطة.

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I- Introduction:

In both theory and practice, channelling domestic savings into investors, particularly to very small, small and medium-sized enterprises (VSEs/SMEs), requires an efficient banking system. That said, easing of the business loans conditions by lenders is one of the specific issues that concerns the debates on the search for greater growth and better performance for these enterprises (Beck & al., 2015; Beck & Demirguc-Kunt, 2006; Beck, 2007; Beck & al., 2011; Kersten & al., 2017 ; Wang, 2016; Moreira, 2016; Quartey & al., 2017; Ndiaye & al., 2018; Ullah, 2019).

In Algeria, despite private sector expanding and importance of companies created in this sector, particularly SMEs/SME-type companies, the easy access to business loans question is still crucial topic of debate. Indeed, even though bank savings have been increasing steadily since the 2000s, the VSEs/SMEs, "which make up almost the entire number of enterprises and hope that the diversification gaol will be reached", have limited opportunities for bank financing compared to other business segments (such as large private and public enterprises) *(National Statistics Office Survey, 2012).* What are the main reasons?

The main goal of this article is to identify the factors that are behind the credit rationing of Algerian VSEs / SMEs. The context in which these companies operate is marked by strong demand for bank credit, on the one hand, and an over-liquidity banking sector, on the other hand. Bellal (2014), Interested in this issue, focused on the analysis of the behaviour of actors whose regulation approach was highlighted. Lassassi and Menaa (2014), using the results of the World Bank survey (2007), analysed the difficulties of access to credit by these companies. Our analysis differs from these by the fact that it is rather the bank offer approach that will be highlighted to explain why this segment of enterprises is very poorly financed by banks. It is a continuation of Si Lakhal (2015 & 2016) studies.

From a methodological point of view, the study is based on the results of a double survey we conducted among Algerian banks (Lalali, 2016; 2018). We will first present the methodological framework adopted. We will then discuss the main results.

II– Presentation of empirical study: methodological approach:

The methodological approach adopted in this study is hypothetico-deductive. Guided by our initial questioning, it is akin to a logical sequence of reasoning and the construction of knowledge brought by: observation, analysis and deduction. In order to achieve this, a double field survey per questionnaire *(self-administered)* was adopted as the main tool for mobilising data and information. The survey is constructed in such a way to reflect, at least for the part used for this research, the factors which guide bankers' behaviour in providing loans to VSEs/SMEs. The first survey covered a random sample of 250 bank branches from 15 banking establishments situated in the Centre-East region of Algeria (Lalali, 2016). It focused on the transformations of banking intermediation. The section devoted to the Bank/businesses relationship analysis is exploited in this research. The second survey will be conducted during the first half of 2019 with 58 bank loan officers. It was conducted among banks of Bejaia and Tizi Ouzou. While focusing on the VSEs/SMEs financing conditions, its aim is to complete and update the results of the first survey.

From an operational point of view, the approach is based on the explanation of the constraints access to bank credit-*CreRat (dependent variable to be measured).* The dimensions explanation were indexed and grouped into five parts analysis *(explanatory variables).* The first three relate to the external environment of the bank, while the other two reveal the bank's vulnerability:

- *The informational opacity of Algerian banks* (*InfOp).* Credit rationing is positively correlated with the insufficiency of the bank's information on the company. The less information available about the company the less credit can access *(hypothesis 1);*
- *The management risk (RisMan).* The greater the information asymmetry, the more credit risk is managed by requiring more physical collateral *(Hypothesis 2);*
- *The weakness of banking competition (WeaCom).* The more competitive the banking sector is, the more credit is granted *(hypothesis 3);*
- *The professional environment incentives-motivations (ProEn):* Crédit rationing is positively correlated with the professional environment in which bankers operate. The more incentive and motivation the bank's management policy is provided, the more credit is granted *(hypothesis 4);*
- *The professional qualification of bankers (ProQu).* The higher the banker's level of qualification, the greater his or her ability and commitment to extend credit *(hypothesis 5).*

III- Empirical Findings and Discussion:

The results of our survey reveal the existence of several reasons behind the reluctance of Algerian banks towards VSEs/SMEs. According to our hypothetical construct, these will be divided into two broad categories. The first relates to the specificities of the Algerian company and the environment in which the bank operates. The second category of reasons refers to the bank's incapacity attitude.

III.1. Rationing as a response to the bank's environment:

Our survey shows that the banks' reliance on rationing can be largely explained by three factors (variables): (1) informational opacity; (2) management risk and; (3) banking competition.

III.1.1. The cost of producing bank information for VSEs/SMEs:

The very hostile behaviour of bankers towards VSEs/SMEs is due to the importance of the transaction and production information costs, on which imperfection and asymmetric information play a predominant role (Beck, 2007; Berger & Frame, 2007; Moro & al., 2015). The banking theory presented as a logical consequence of the imperfection of the financing contracts and the importance of the failing risk inherent in this customer segment (Stiglitz & Weiss, 1981; Diamond & Dybvig, 1983; Diamond, 1984, 1991; Williamson, 1986; Berger & Udell, 2005; Rocha & al., 2011; Ryan & al., 2014; Kirchenmann, 2016; Asongu, 2017; Meles & al., 2017). In this case, it is important to recall the incentive nature of the availability of the information required by the bank in order to relax the conditions for granting loans.

In Algeria, it must be noticed that the banking relationship between banks and VSEs/SMEs is strongly characterized by insufficiency, both in volume and quality of the private information that banks hold on this business segment. This is to further constrain the strengthening of this relationship, which is supposed to be a requirement for getting lenders to trust them and finance their growth (Lalali & Yaici, 2016). However, due to a lack of certainty, honesty and informational transparency on the part of the managers of the majority of these companies, bankers are explicitly taking a position in favour of tightening credit conditions as one of the main solutions to guard against their opportunism.

Figure (1)
Efficiency VSEs/SMEs Management

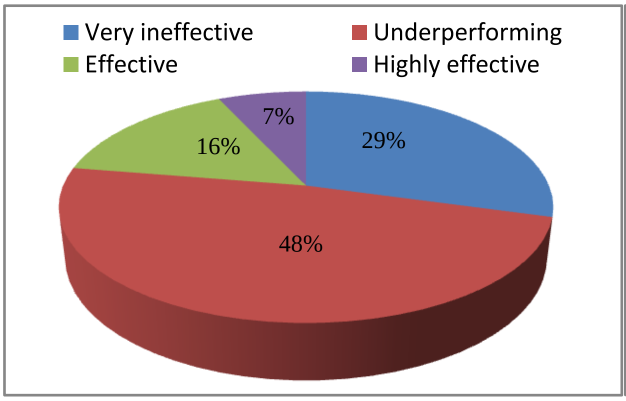


Figure (2)
Relevance of information provided by VSEs/SMEs

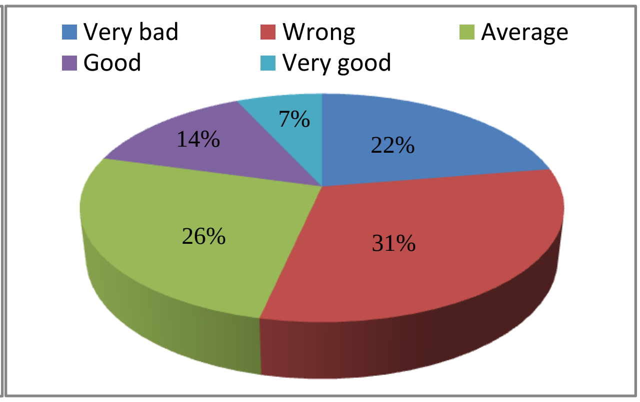


Figure (3)
Level of confidence in VSEs/SMEs accountants

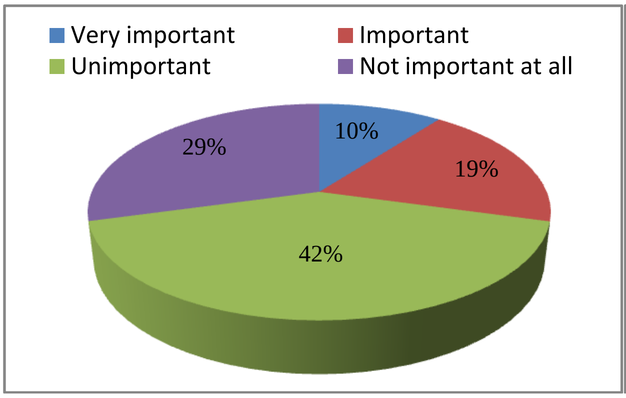
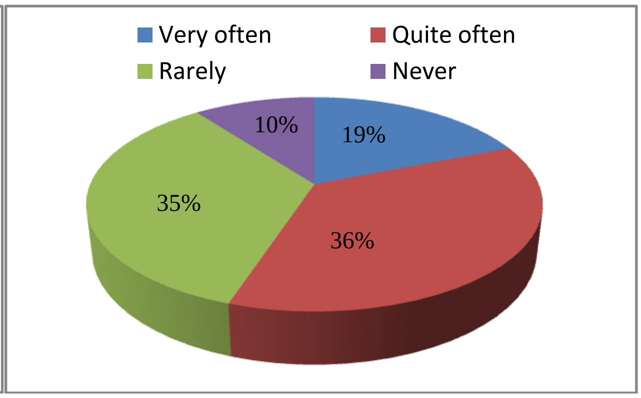


Figure (4)
Face-to-face interviews with VSEs/SMEs managers



Source : Drawn up on the basis of the survey data (2018).

First of all, it is important to link the low probability of obtaining credit for VSEs/SMEs to the managerial system in which they evolve. Good management means taking the right decisions and acting in the interest of the company. It also means better management of relations within the company and between it and its external partners. This is not entirely true in the Algerian context as the survey statistics reveal that 62% of the bankers questioned placed the managerial inadequacy of business leaders at the centre of the problem of their vulnerability. In terms of efficiency, 34% and 20%, respectively judge the degree of managerial efficiency of VSEs/SMEs as not very efficient and very inefficient *(Figure 1).* In addition, the data from our double survey allow us to define the culture of this companies' segment in relation to three essential factors (in order of importance): (1) *the predominance of direct and oral communication*; (2) *the predominance of family relationships* and; (3) *the ignorance of universal management principles.* Given that the majority of Algerian SMEs is VSEs (i.e. 97.7% of the SMEs stock in June 2018), family relationship take precedence over professional relationship. The executive comes from the family and usually has a monopoly on all aspects of running the business. According to the major bankers interviewed, he is qualified as being unable to present a complete and coherent business plan. Moreover, due to their insufficient level of training, risk aversion and strong attachment to the company's assets, managers are less ambitious, very reluctant to share power and open up to their various partners. As a result, these characteristics lead to severe constraints on access to external financing.

Secondly, the adoption of a prudential attitude towards bank financing of VSEs/SMEs can be explained by the existence of a strong asymmetry of information between banks and these companies (Berrada & al., 2014; Duarte & al., 2017). It finds its reason for being in the universe in which they operate. Indeed, in addition to the information opacity of the managers of these companies, most of the VSE/SMEs do not have coherent information systems capable of conveying reliable, complete and timely quantitative data. At this point, while recognising the importance of accounting and financial documents as key elements for analysing and making decisions on the application of credits, nearly 80% of the bankers interviewed referred this reluctance to the ambiguity of the information conveyed by companies *(Figure 2).* As a result, this promotes a strong climate of mistrust towards them. The data in Table 1 reveal that the majority of bankers say they have more confidence in public and private enterprises but much less confidence in VSEs/SMEs.

Table (1): Bank and level of confidence by type of entreprise

	Very Important	***Important***	***Unimportant***	***Not at all Important***
Public Enterprises	32,9	29,3	23,9	13,7
Large private companies	36,9	34,2	20,8	15,1
Private VSEs	18,9	13,2	29 ,7	37,9
Private SMEs	27,4	19,6	30,7	22,5
Liberal Professionals	32	24	27,3	16,9

Source: Based on survey data

The role of accountants in charge of the production, certification and transmission of hard information appears explicitly in bankers' judgements, which corroborates the finding reported in Si Lakhal (2015) and which qualifies a lack of professionalism. Indeed, many believe that these accountants are not independent on the companies and share the feeling that they are acolytes of the poor quality of the accounting and financial statements produced in these companies and sent to their bank. According to the survey data, 71% of the bankers interviewed do not trust the certification of these companies, and 63% of them believe that their documents do not reflect the reality of the business. At this point, as one of our interviewee said: *"(...) accountants tend to produce financial information more for tax and banking purposes, but rarely for financial reporting purposes. (...) In order to ensure that these accountants retain their clients, they act more in accordance with the directives of business leaders than with the imperative of audit and certification» (Branch Manager, 2018).* This observation is practically shared by the majority of the bankers we met. Further, the latter, as Si Lakhal (2015) pointed out, agree on the fact that VSEs/SMEs pursue a triple-accounting. The first is aimed at tax authorities and is designed in such a way to reduce the turnover and profits of the company, often resulting in a negative balance. The second is intended for the bank and refined to bring out the financing plans in line with the company's needs, resulting generally in a positive balance. The third is specific to the company and reflects the authenticity of its accounting and financial data, resulting in a reasonable, neutral and honest balance sheet.

In addition, three other factors appear to be largely responsible for the highly fragile nature of the quality of the information held by the bank on VSEs/SMEs. These are: (1) the insufficiency of the role to be played by the central credit registrar as a clearing house for credit information and as a tool to help manage the risks inherent in credits allocated to VSEs/SMEs; (2) the effective absence of a central balance sheet office to collect and centralise all financial information on VSEs/SMEs; and (3) the absence of private credit bureaus to act as providers of information to banks on the quality of their various borrowers.

The other major fact, which is no less important than the previous ones, is that VSEs/SMEs' recourse to informal activities and to opportunistic behaviour are likely to fail to provide the bank with standardised and complete information, which makes it even more difficult for them to access credit. These companies, "according to the majority of the bankers questioned", are very unattractive if they continue to judge that their managers do not stop manipulating the information provided to them. At this point, and despite the solutions adopted, the issue is far from having a convincing solution: *"Even if accounting and financial balance sheets as a source of information are, in most cases, replaced by fiscal and parafiscal balance sheets, the information contained in these documents is also erroneous' (Branch Manager, Lalali, 2016).* This could have the effect of developing a feeling on the part of the banker that the loan is not being repaid, as a result, an overestimation of risk /or credit rationing. This could have the effect of developing a feeling on the part of the banker that the loan is not being repaid, as a result, an overestimation of risk /or credit rationing.

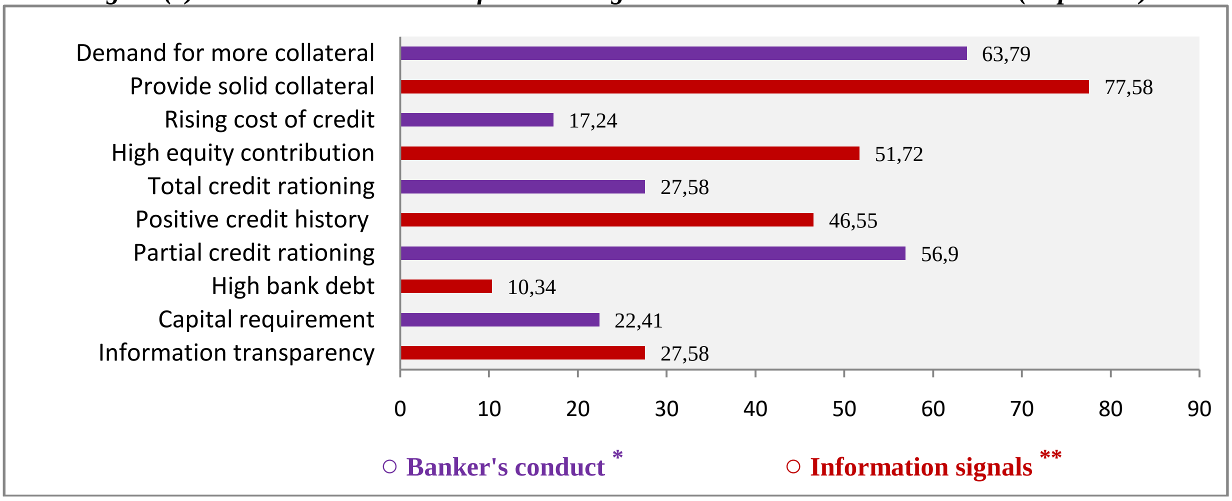
Finally, another major reason for the banker's relatively ambiguous perception of VSEs/SMEs is the lack of direct talks between the bank and company managers even before processing the financial information collected. These meetings, although recognized as a solution to provide further clarification and to build good bank-business relations, are weakly anchored in the Algerian banker's approach. According to the testimony of a branch manager we interviewed, *"(...) Consciously or unconsciously, it is through discussions with project holders (credit applicants) that we realize certain realities that are unfortunately not mentioned in their credit file. (...) These can lead us to the revision of our final decision" (bank loan officers, 2018).* In relation to the data from our survey, only 46% said they used this approach *"quite often"* and *"very often" (Figure 4).* This indicates that, apart from the information contained in the financial statements (hard type information), Algerian banks reveal a strong weakness in the collection of other complementary information on the quality of its corporate customer base (soft type information). In such a situation, it is the risk of amplification of the phenomenon of uncertain decision-making *(adverse selection)* that may occur.

III.1.2. Credit management risk *Banks- VSEs/SMEs:*

The lack of easy access to business loans is assessed in relation to the way in which the costs and risks incurred are managed by the banks. As a preventive measure against the unreliability of hard information transmitted by companies, bankers resort to the *Collateral Management Systems-CMS* (Menkhoff, 2011; Duarte & al, 2017; Meles & al., 2017) and the limitation of the amounts credits allocated (Stiglitz & Weiss, 1981; Berger & al,. 2011; Kirshenmann, 2016). Indeed, according to the results of our survey, the demand for more material collaterals, as the main instrument for rationalising borrower behaviour, is perceived by 63,79 % of the bankers questioned. On this point, 61% consider the loan guarantees presented to bankers to be of poor quality. Non-satisfaction with the totality of the credit is cited by 57%. This type of rationing results from: 1) a lack of project data; 2) a lack of solid loan guarantees and; 3) a lack of confidence in VSEs/SMEs.

Similarly, with regard to the nature of the signals that are perceived by bankers as indicative of the good conduct of their borrowers, we found that the submission of a sound material guarantee is put forward as the main signal (up to 78%). That said, the stronger the security provided, the greater the likelihood of obtaining a bank loan. With regard to the type of credit, bankers refer to medium- and long-term credit as the credit whose obtaining is strongly conditioned by the presentation of a very high level of physical security (its value sometimes exceeds the amount of credit requested). Conversely, the number of credit applications rejected for lack and /or weakness of the guarantees required is considered to be too high. The second signal invoked by bankers as an indication of good selection lies in the importance of the proportion of equity capital committed by the entrepreneur in the financing of his project (nearly 52% of responses). According to 46,55% of bankers, the third signal indicated as a sign of good conduct is the quality and very honourable track record of the borrower. Indeed, when the credit history of borrowers has a good reputation, the probability of obtaining new credit at lower costs may be higher.

Figure (5): Banker's conduct Vs. Information signals ***(In percent)***



* Banker's conduct in the event of a lack of information
** Borrower information signals to bankers
Source: Drawn up on the basis of the survey data (2018).

In Algeria, it must be recognised that the high guarantees level taken on VSEs/SMEs reflects, a priori, a way of managing the relatively precarious nature of the quality of the relations that banks maintain with this segment of companies as well as the quality of the information that the former have on the latter (Lalali, 2016, Lalali & Yaici, 2016). From another point of view, it reveals a kind of deficiency in the bank’s risk assessment and risk management capacities.

Generally speaking, The requirement of material collaterals for obtaining loans supposes the acquisition of reliable information on the quality of the project to be financed and the ability of its holder to pay the interest and return the credit at maturity. Conversely, it is rather the exclusion of loan applicants that manifests itself (Boot & Thakor, 1994; Berger & Udell, 2005; Jiménez & al, 2006; Berger & al., 2011; Niinimaki, 2017; Meles & al., 2017). In other words, this solution should also encourage the banks to screen its applicants ex ante so as to select only the best. In the context where the problem of lack of information is acute, this reasoning is not entirely obvious. Holders of projects of good quality, but without the required guarantees, may be discriminated against in favour of other holders of projects presenting these guarantees, but for a lower quality *(adverse selection).* While this form of selection is reassuring for the banker, it can be harmful because it can lead to misallocation of resources (Wang, 2010). In short, the use of the CMS is certainly a solution, but not entirely incontrovertible.

This is a perfect illustration of the case of Algerian companies. Although the number of these companies underwent significant dynamics over the last two decades, the typology by size, as highlighted above, is still largely dominated by family firms. These companies, even if they unveil significant growth opportunities, are unable, due to the fragility of their assets, insufficient equity and the unavailability of personal property to be mortgaged, to provide the required collateral. In addition to the importance of the risks they exhibit, these companies have little contact with the banking sector, which makes their access to credit more restrictive, particularly with the existence of the lack of confidence shown between them. This situation is corroborated by the replies obtained from the bankers questioned, since nearly 67% of them consider that the proportion of loans granted to VSEs/SMEs in return for a real, financial and/or personal guarantee is relatively *"important"* and *"very important".* Loans for equity financing are associated with a harder and more complex guarantee system compared to working capital loans. This is in line with the results of Lassassi and Menaa (2014), which revealed that nearly 65% of the SMEs studied (590 in numbers) were financed in return for collateral.

Finally, the last factor invoked by the bankers questioned to justify limiting the chances of VSEs/SMEs in obtaining credit is the non-repayment of much of the credit granted in the past. This case has raised much more, for companies that have been financed under the various State aid schemes. Although statistics on this point are non-existent, it is important to remember that according to our interviewees, the number of beneficiaries who have not been able to repay their credit is relatively high. To this end, the bankers also point to the slowness of the legal proceedings initiated to recover the debts they hold against these companies. *"Doubtful-litigious loans, (...) even if they are backed by material collateral, the value of which sometimes exceeds their amount, are not easy to recover. (...) Bringing the guarantee into play by way of the courts, after having tried all possible solutions amicably, is a long and arduous process for the banker. (...) We now have files that we filed with the courts more than ten years ago, but unfortunately, without any follow-up" (bank loan offecers, 2018).* This finding is practically corroborated by the majority of the bankers interviewed.

III.1.3. The low level of competition between banks:

The weakness of competition in the banking sector, the wide spread between lending and deposit rates, the relatively dominant nature of traditional banking activity and the high concentration of this activity in one customer segment are the other explanation for the banks' lack of interest in VSE/SMEs. Tai-Long Chong and al., (2013), based on their study of the Chinese banking market, have shown that greater competition between banks reduces the constraints on access to credit for SMEs. Looking at bank financing for U.S. SMEs, Peterson and Rajan (1994) show that the lower the spread between the lending and deposit rates, the higher the probability of obtaining credit.

Similarly, credit conditions, under the market power hypothesis, would be increasingly relaxed if the level of competition in the credit market is higher (Berger & Udell, 1995; Carbo-Valverde & al., 2009; Hainz & al., 2013; Hanedar & al., 2014; Ryan & al., 2014; Leon, 2015; Love & Peria, 2015; Fungáčová & al., 2017). It is in this trend that Hainz and al., (2013), studying a sample of 4931 precautionary bank loans from 70 countries, have shown that the lower the competition in the credit market, the more collateral is required to obtain credit. On the other hand, Duarte and al., (2017) assume that credit market concentration reinforces bankers' cautious attitude towards VSEs/SMEs. Banks do not require guarantees for better risk management, but rather to reduce selection efforts.

Despite the sector's opening to competition, the algerian banking market is still very monopolistic and less competitive. This finding has been widely debated and the subject of much academic research. The public banking sector accounts for nearly 76% of the national banking network, more than 85% of banking activity and 85.6% of the banking system's assets (Bank of Algeria, 2018). Similarly, the diversification of banks' loan portfolios is still very inadequate. Leasing, Factoring, Private equity, Islamic lending and Crowdfunding are used very little.

In such a context, the tightening of credit access conditions for VSEs/SMEs finds its reason, following the example of Carbo-Valverde and al., (2009), in the policy of lending and deposits interest rates. Indeed, the size of the gap between these two types of rates has meant that the interest margin achieved by the banks in the marketplace is relatively high. These increased, in percentage terms, from 2.5 in 1999 to 3.3 in 2002 and then to 6.1 in 2005. It stabilized at 6.3 during the period 2006-2018 (World Bank, 2019). In 2018, interest margins relative to the banking sector's gross income will be close to 72.7%. This situation stems from two major characteristics: (1) the absence of a real policy to mobilise domestic savings, especially since the interest rate on deposits has not exceeded 1.8% since 2005, whereas it was around 6.3% in 2001 and 5.3% in 2003; (2) the absence of a real innovation policy with regard to VSEs/SMEs, which see the cost of their access to credit increase. Secondly, due to the lack of an adequate information framework, banks tend to overestimate the default risks of projects seeking financing. As a logical consequence, small and medium-sized business loans are granted at higher interest rates than those offered to large companies, which often makes them unable to bear the costs. Finally, the structure, which is relatively close to lending rates compared with the maturity of the financing (short, medium and long terms) and the nature of the operations to be financed (services, trade, industry, construction, etc.), undoubtedly does not encourage bankers to focus on financing productive investment in this segment of businesses, which requires long-term financing and relatively high risk taking. We would like to come back here to the testimony of a banker who tells us that: *"(...) Indeed, what we have to admit is that the bank is a company that seeks to earn the maximum without taking a lot of risks. To this end, the opportunities offered by certain sectors of activity, such as trade, services, foreign trade, etc., are very profitable to the extent that the agency places the financing of SME investment as a second priority" (bank loan officers, 2018).*

III.2. Credit rationing as a corollary of poor governance:

III.2.1. The professional environment: *incentives and motivations :*

Motivation in the professional environment is nowadays placed at the centre of individual and collective efficiency and performance. As a result, the motivation of the company (Howard & al., 2016; Freitas & Duarte, 2017; Kanfer, 2017). The involvement of the staff must be at the service of the performance of this company. Beyond the characteristics of each individual, everyone's action and commitment can be fostered through a number of combinations: tangible (salary, bonuses, benefits, etc.) and/or intangible (promotion, academic training, official residence, etc.). It finds its reason in the different theories of motivation and governance mechanisms within the bank. Overall, shareholder-managers and bankers do not have the same focus. The former seek to maximize their profits, and are therefore guided by a concern to develop financing for riskier projects. Bankers, on the other hand, seek to maximize their personal interest (increase their remuneration, increase their profits, take advantage of promotions, benefit from professional advantages, etc.). Under these conditions, the former must act in the sense of having involved the latter well, so as to strengthen their sense of belonging to the bank and to consider themselves part of the bank's success.

Many interviewed bankers told us of the difficulties in finding an appropriate and rewarding work and compensation framework. Managers of branches, in particular public banks, as well as their staff, receive remuneration and benefit from promotions, not on the basis of the level of their competitiveness in the market, but rather on the basis of a number of non-incentive criteria (seniority, level of education, position held, affinities, loyalty, family ties, etc.). The same applies to variable compensation payable in the form of profit distribution. This is the same for all the bank's staff, irrespective of the performance and the amount of turnover achieved by the commercial branches. Adding to this, a fixed compensation policy, which is assumed by the majority of our interviewees to be inappropriate and non-incentive given: (1) the reconciliation of the remuneration received by branch managers with the salaries received by their executive staff; (2) the low salaries received by public sector bankers compared to those paid by foreign banks established in Algeria. In short, this situation is perceived as a profound injustice in relation to the work done*: "(...) it is unfair that the difference in remuneration between the one I receive as branch manager, main signatory and risk taker and the one received by my teller is only twenty thousand dinars!! (...), this is very demotivating and sometimes gives a strong feeling of leaving for a foreign bank where the working environment is more motivating" (branch manager, 2018).*

In other words, the banker is probably not motivated to increase his market share and attract more potential customers. For this reason, it develops a reserve behaviour and a kind of reluctance to finance productive investments, the costs of which are assumed to be much higher *(in terms of the effort and time required to study the files and manage the risks associated with them).* All the more so since, in operational and regulatory terms, the banker's responsibility is relatively important (Lalali, 2016). According to the revelation of one of the bankers interviewed, which was shared by the majority of interviewees, *"Risk-taking is a main component of our business, but the incentives for the agency to take risks are very low. Although bankers are subject to considerable criminal liability in this area, they are placed on an almost equal footing with those who refuse to take risks elsewhere. Conclusion: I'd rather not take risks than be locked up!" (Branch manager, Lalali, 2016).*

III.2.2. Vocational qualifications: capacity-commitment:

The other major shortcoming that explains, in part, the failure of banking strategies lies in the lack of managerial skills of the banks. In theory as well as in practice, human capital investment is a necessity for business success. This need is all the more important for a bank whose activity requires people linking. (García-Meca & García-Sánchez, 2018). In Algeria, it must be acknowledged that, despite the efforts made in terms of development, staff upgrade and recruitment of qualified and competent manpower, Algerian banks still have a flagrant lack of human capital capable of supporting the bank's development in accordance with international standards.

Overall, the insufficient level of corporate governance within banks *(in particular, public banks)* is another reality facing the Algerian banking sector. The lack of transparency in the management of these banks seems to us to be one of the main handicaps hindering their commitments to VSE/SMEs. Indeed, these banks have proven incapable of producing and disclosing information in sufficient quantity and quality. According to the majority of our interviewees, the sharing of this information between the different services and/or departments is slow and difficult to achieve. This is likely to weaken the system of control over agency managers and, as a result, make the system of resource allocation less efficient. The second constraint which also seems to us important in explaining the insufficient level of banking governance, particularly in the public sector, is the confusion of roles between Bank's Board of Directors (BOD) and its Chief Executive Officer (CEO). The CEO acts both as a controller (in his capacity as chairman of the board), and as chief executive (in his capacity as guarantor of the operational management of the bank). This is likely to weaken the bank's internal control system. Moreover, the boards of directors of public banks lack strategic vision and continue to operate, not in terms of economic rationality and value creation, but rather to accompany the State economic and social development policies. In addition, there are structural handicaps which are no less important than the previous ones. These are, in particular: (1) the weak integration of the marketing function in the management of the bank's relations with its corporate clientele; (2) the low level of ICT integration within the framework of these relations; (3) the absence of a strategy for developing a long-term relationship with VSE/SMEs and; (4) the anachronism of the banking offer with regard to this segment of enterprises.

IV- Conclusion:

The issue of the lack of loans to VSEs/SMEs is at the centre of many debates and controversies between economic decision-makers and economists. Through this article, we have aimed at analysing the causes of credit rationing in Algeria. To this end, the results of the survey carried out on a sample of banks enabled us to observe that the difficulties of access to business loans are to be linked to the uncertainty that VSEs/SMEs sector characterises as well as to the failure of the bank's strategy.

While focusing on the reality of VSEs/SMEs as perceived by the banker, the study found that the lack of loans granted to this segment of companies can be explained first of all by the nature of the risks presented. The common factor is the failure of the information framework in which the company operates. VSE/SMEs are also unable to provide complete and exhaustive information to their banker. This is likely to develop a climate of mistrust between companies and their bankers. To address this, lenders are using, alongside loan rationing, the real collaterals system as a solution to mitigate the risks associated with the problems of lack of information on VSEs/SMEs. Beyond these two fundamental parameters, the survey revealed the existence of other parameters related to macroeconomic credit policy. The overall characteristics of the credit market play a predominant role in the orientation of this policy towards the financing of sectors other than VSEs/SMEs.

The other set of factors explain the insufficient credits allocated to the VSEs/SME sector which is linked to the internal environment in which the bank operates. Indeed, the results of our survey reveal that the weakness of the dynamics management risks by Algerian banks and their hostile attitude towards risk presupposes a reconfiguration of the traditional approaches adopted. This requires, on the one hand, an upgrading of their staff towards the profession of risk manager and, on the other hand, the adaptation of assessment risk methods and risk management policies.

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