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Bank merger as a mechanism for improving banks' competitiveness and its impact on solving the economic crisis under the Corona pandemic

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ABSTRACT

This study, which was conducted during the epidemic period of the Corona Virus Covid 19, aimed to search for an outlet for the resulting economic crisis. In order to continue and grow, it reduces costs, increases profits, and enhances competitive positions, which will positively affect the performance of the banking system as a whole.

This research dealt with the concept of banking merger, its types and desired objectives, then it touched on the stages and methods of achieving mergers and their effects.

It concluded that Algeria has not yet registered any banking merger despite the difficulties the banking sector is going through, resulting in a lack of spirit of innovation, development and competition, especially during crises, especially the health crisis that has negative effects on the economy (Covid-19). The banking between Algerian banks is a solution to create competitiveness, which will create dynamism in the economy, aiming to get rid of the negative effects of crises, especially the current Corona crisis.

1. Introduction:

At present, the world has witnessed a keen interest in competitiveness, the language of the era and the subject of the hour. It is the driving factor that sets everyone's footsteps and motivates them to work, give, create, innovate, or achieve some other competitive advantage, superiority, or distinction over their peers and competitors, to the highest levels of return and profitability.

The phenomenon of bank mergers is one of the most visible preparations for the post-globalization world (especially since the challenges of globalization may pose significant risks to the economies of developing countries, including Algeria), as well as competition and control over the mechanisms of the world economy. The launching of full market openness to competition and the accelerated growth of world trade at twice the rate of global production growth has led to a global "merger fever" and the involvement of more companies and banking financial institutions in merger deals. Thus, the tendency of banks to merge among themselves has become a global phenomenon, with the aim of maximizing the benefits of economies of scale and expanding operations in line with partnership agreements and commensurate with market openness and

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liberalization, and thus achieving and developing competitive advantage.

Bank merger is also one of the methods to address internal problems of low profitability and weak capital rules and it is one of the most prominent manifestations of preparation for the post-globalization world, competition, and control over the world economy.

In this sense, and currently under the repercussions of the new corona virus crisis, which has directly affected the petroleum market, and as Algeria is a country whose economy is financed by petroleum rents, the crisis has had an impact and will harm our country's economic growth, causing the government to seek solutions and alternatives to reduce the impact of the crisis. The government has tended to encourage domestic production by promoting small and medium enterprises, and has adopted Islamic banking to attract funds outside the banking system. However, despite studies of Islamic banking and the characteristics of Algerian society, the banking system remains uncertain, especially given the fear caused by the current crisis (Corona). If the government also adopts a new mechanism, namely bank merger, banks will be more capable of financing SMEs and more viable and sustainable in the face of this crisis, especially as bank merger increases banks' competitiveness.

Study importance: the importance of the study lies in the search for solutions to the economic crisis that has affected the world as a result of the health crisis caused by the Covid-19 epidemic, from which Algeria is not immune.

Study objectives: The purpose of this study is to identify the effectiveness of bank mergers in increasing the ability and impact of banks to cope with the economic crisis.

Study problem:

Through this proposition, and in order to clarify the importance of the bank merger mechanism in raising the competitiveness of banks and thus enhancing their capacities to help the state cope with economic crises, whatever their causes, we can present the following problems: "How does bank integration contribute to improving the competitiveness of banks, increasing their capacities and enabling them to help overcome economic crises?"

Sub-questions:

1. What is a bank merger?
2. What do we mean by competitiveness? And how is it improved?
3. How does the bank merger affect the competitiveness of banks?
4. How did Covid-19's health crisis cause an economic crisis?
5. How can the bank merger help resolve the economic crisis resulting from the Covid-19 crisis in Algeria?

Hypotheses: To answer previous questions, the following hypotheses have been formulated:

1. Bank merger is a phenomenon that global banks use to benefit from economies of scale.
2. Competitiveness means outperforming competitors engaged in the same activity.
3. Competitiveness increases as banks merge.
4. Bank merger helps solve the Corona economic crisis by benefiting from economies of scale.

Reasons for raising the topic: to try to give solutions to the problems in Algeria arising out of the current economic crisis and the health crisis of Covid-19.

Approach: in order to prove or deny the validity of the hypotheses adopted in the study, a descriptive historical approach has been adopted that helps to establish argument and proof and to produce objective results that benefit our subject.

Literature reviews:

1. Ghawar Wafa Study, 2017, The Importance of Bank Merger in Raising Banks' Competitiveness - Case Study of The Commercial Bank of Morocco's Merger with Wafa Bank during the period (2001-2007). This study concluded that merger brings about an increase in competitiveness, which varies depending on the parties involved and the circumstances in which the merger takes place. The merger has a differential impact on some competitiveness indicators, which often increases in the competitiveness of merged banks.

2. Abdessalam Bokhroufa Study, 2015, Banking Merger as a Mechanism for Increasing Banks' Competitiveness - Analytical Study - for Two International Models. The study concluded that bank merger policy requires careful and thorough consideration before it can be approved in order to succeed and achieve positive results that enable banks to increase their competitiveness.
3. Fouad Abdel Aziz Eid Study, 2015, Banking Merger of Palestinian Banks (Imperatives and Determinants). This study intersects with our study in the fact that it highlighted the need to apply bank mergers to strengthen local banks. It has demonstrated the most important imperatives and determinants for bank mergers among Palestinian banks. However, it differed from this study by not focusing on the importance of bank mergers as a means of increasing the competitiveness of banks.
4. Bouchlaghem Fatiha Study, Roukyak Hanan, 2015, Banking Merger and Its Role in Improving Banks' Competitive Positions - Case Study of Algeria. It intersected with this study by highlighting the need for banks to embrace the idea of a merger, which is important in strengthening the banking system and the economy as a whole, as well as its effective role in improving the competitiveness of banks.

The first and second studies differed from this study in the fact that they addressed models achieved on the ground. This study differed from the overall studies cited as a proposal for unprecedented mergers in Algeria as solutions to mitigate the effects of the economic crisis caused by the Corona pandemic.

Study structure: this study was divided into three themes. The first one was about the generalities on banking merger. The second theme addressed the competitive advantage, with its third section focusing on bank merger methods for achieving competitive advantage of banks. In the first section of the third theme, we identified the competitive strategies that can be adopted by banks, whereas in the second section, we addressed the relationship of banking mergers to competitive advantage. The last section examined Algeria's reality of banking mergers and the economic crisis caused by the current health crisis in Algeria, as well as possible solutions.

2. **Background of banking mergers:**

Recently, the phenomenon of banking mergers has grown to the point where it is described as the phenomenon of the era and it is a pressing demand of many money market regulators and operators.

2.1 A historical overview of bank merger:

We tackle in this section a historical overview of bank mergers and some of its concepts.

It is noted that bank merger is an old idea that we will address through the following phases:

First phase1893/1904: (AL BAALI, 2012, p. 32)

This phase began in 1893 during the Industrial Revolution as a result of the financial panic associated with the emergence of international cartels between the 1960s and 1880s. The merger reached its peak in 1893, when the giants of oil, mining, iron and steel, and railroad companies were born as a result of vertical and horizontal mergers, which resulted in the disappearance of over 400 financial institutions. However, 154 of the 328 deals were unsuccessful due to the lack of commitment of law legislators who had gone out of regulations to achieve their own interests. This resulted in the Sherman Act, which in 1913 supported the Clayton Act's issuance to stop administrative corruption. These developments resulted in the emergence of the financial crisis manifestations during the period 1904/1907.

Second phase1919/1929: (JAMAL EL DIN, 2002, p. 11)

At this phase, mergers increased between industries that originated in the previous phase. The aim of this wave was vertical integration (vertical mergers) associated with the benefits of large production, with multiple results, notably successful patent protection, preservation of commercial currencies and capital accumulation. The banking industry was affected by these developments and rushed towards mergers. Data indicate that the number of banks decreased from 30,419 in 1921 to 25,113 in 1929. This phase came to an end with the global economic crisis of 1929, which had profound and serious implications for the economies and policies of all world systems.

Third phase1955/1987: (MOHAMMED, 2002, p. 9)

This phase emerged as a result of imbalances in the value of hundreds of companies whose real value did not reflect their market value after World War II and the resulting economic development.

Fourth phase1988/1997: (ABD EL-KARIM JABER, 2007, p. 22)

This phase began in late 1992 as a result of the imbalances caused by the Gulf War in the government budgets of the United States of America, the United Kingdom, and other industrialized countries, forcing it to reduce defense expenditures and introduce many military industries into a wave of mergers and unification. The United States of America enacted laws to facilitate mergers and acquisitions and to enable American companies to compete with Canadian, British and German companies. This phase was linked to the phenomenon of globalization, resulting in an environment of complete unity, market opening, free trade zones, and a communications revolution.

Fifth phase:

In the first half of 1998, a $1 trillion deal was announced, equaling all deals completed during 1997 and helping to achieve massive processes of mergers, acquisition, and global monetary stability, as well as increase communication efficiency and eliminate the difficulty of a unified financial language using English. This has led to overcome regional and continental boundaries, particularly in developed countries.

2.2 The concept of bank merger:

There are many definitions of bank mergers: (MUTAWI, 2010, p. 13)

01: It is an agreement that leads to the union of two or more banks and their willful melting into a single banking entity so that the new entity has a higher capacity and greater effectiveness to achieve goals that could not be achieved before the new banking formation took place.

02: It means a union of two or more banks under government or regulatory supervision by the monetary authorities.

2.1. Types and objectives of bank merger:

Bank merger has multiple types, (ABD EL MUTALLA, 2001, p. 11) each with reasons for use and can be divided based on certain standards:

2.1.1. Based on the activity of the merged units: according to this standard, bank merger is classified into the following types:

- **a.** Horizontal bank merger: it is done between two or more banks engaged in the same type of activity. This type of merger results in an increase in great banking monopolies in the market. Governments regulate this type of merger, which negatively affects competition and allows for monopoly profits, leading to the development of government regulation to prevent and combat monopolies.
- **b.** Vertical bank merger: this type of merger takes place between the major bank in the big cities and the small banks in the different regions, thus becoming the extension of the bank.
- **c.** Conglomerate merger: it is defined as being between two or more banks engaged in unrelated activities, such as between a commercial bank and a specialized bank or between a specialized bank and an investment and business bank. There are three types of diverse mergers: (HALIL & ANTOINE, 2000)
    - ∗ Merger for product extension by expanding corporate production lines.
    - ∗ Merger for the purpose of geographical extension of the market over two companies.
    - ∗ Merger for the purpose of diversifying the search, encompassing different and unrelated business activities, and could not be adapted as an extension of the market.

2.1.2 Bank merger in terms of the relationship between the parties of the process: (HAMED, 2011, p. 28)

According to this standard, a bank merger is divided into the following types: (BORKAN, 2005, p. 21)

Friendly merger: it aims to achieve a common interest among the boards of the companies involved in the merger, which takes place through the conformity of will and mutual understanding.

Compulsory merger: when a bank falters, the monetary authorities make a decision on compulsory merger, which is made on an exceptional basis in accordance with conditions determined by the monetary authorities of the state for the purpose of servicing the national economy in general and the banking sector in particular.

Hostile merger: it is done when strong and successful companies in the market look at firms that have good potential but are poorly managed; to seize them against the desire of this target company's board of directors, merge, and change weak management with strong management that can make the best use of the company's potential.

2.1.3 Bank merger based on other criteria: There are several types of bank integration according to some scientific and empirical evidence, the most important of which are:

Merger by gradual swallowing: the bank gradually swallows another bank and buys one or several of its branches.

Merger by acquisition: the bank purchases the shares of the bank with which it wishes to merge.

Merger by absorption: it is done through the purchase of bank operations per se, such as portfolio operations, credit operations, etc.

Merger by annexation: the boards of the two banks are unified.

Merger by amalgamation: a new banking entity is produced through conducting an interaction by mixing two or more banks.

2.1.4. Objectives of bank merger: bank merger aims to achieve a set of basic and essential objectives and points: (BAOAZUZ & DARWASI, 2004, p. 19)

* Bank merger gives greater confidence, tranquility, and security to the public, customers, and clients by providing banking services at the lowest possible cost, the highest quality, and by better marketing of banking services.
* Creating a better competitive banking position by creating a new banking entity with increased competitiveness, more profitable and less risky investment opportunities.
* Establishing more experienced administration that performs the bank's functions more efficiently.
* Providing substantial capital, creating resilience to risk from potential deposits and loans, improving the level of labor by providing experience, quality training, and various means of communication.
* Creating stronger and more competitive units, as well as increasing profits without deviating from banking principles because banking is governed by precise and sensitive standards.

2.1.4. Stages and effects of bank merger:

*4.*1 Stages of bank merger: Bank merger goes through three stages: (HAHO, 2012, p. 31)

First stage: the first stage is the preparation of the merger process in terms of preparing the Bank for merger through restructuring, determining the Bank's value and payment methods, and undertaking a thorough study of clients in the banking market.

Second stage: declaration of readiness for merger and bearing the consequences thereof.

Third stage: this stage includes assessing and determining the implications of banking mergers, how to upgrade the new banking entity, how to influence the banking market, how to determine as much return as possible, how to improve performance in the new situations, agreeing on the format of the new governing body and assessing the benefits to be derived from the new banking entity after the merger.

Effects of bank merger: merger has negative and positive effects on the banking system:

Positive effects: (BEN AWALI, 2007, p. 36)

Transfer of financial liability: a bank merger results in the transfer of the financial liability of the merged banking institution to the merging banking institution, which replaces it in all its rights and obligations. This means that merger avoids faltering or difficult banking units and financial troubles.

Increasing the capital base: increasing the bank capital as a result of the merger and relying on it to finance the bank's ability to:

Taking greater financial risks, promoting projects, and successfully managing operations.

Confronting the globalization of business by increasing its ability to relate to the client's circumstances in situations of boom and recession.

Avoiding severe financial and banking crises and shocks, as well as their negative effects.

High rating of merged banks: when two banks merge, the resulting new bank is given a higher credit rating by correspondents and international credit rating institutions.

Improving technology, frameworks, and banking services: the merger entails the ability of the new banking entity resulting from this merger to invest in human resources, attract banking and regulatory competencies, and improve the labor force of the bank by training it to assess banking risks. It also entails the acquisition of effective and efficient management capable of dealing with the successive variables of the financial banking industry.

Restructuring of merged banks: the merger will improve the productive efficiency of merged banks, provided that the bank in possession of strong administration can benefit from the underlying advantages and activate them, reorganizing and managing the institution so that it can carry out its mandated business more efficiently.

Part two: Negative effects: (abou bakr mustafa, 2004, p. 39)

There are also some possible negative effects of bank merger, including:

Bank merger entails monopolistic and quasi-monopolistic situations and the resulting disadvantages that are well known that some governments have some anti-monopoly legislation.

Lack of customer care due to the significant size.

Products (services) provided by merged financial and banking institutions are not fully integrated, in which some services that compete with each other must therefore be eliminated or reduced.

The merger may entail uneven situations that lead to deep imbalances in the banking market and the disappearance of the motive for development, which has a negative impact on customers and investment activity in general.According to studies, the success rate ranges from 50% to 75% of 15 mergers studied.

The impact of giant banks failure on the economy as a whole has increased, as the bankruptcy or faltering of banks could lead to financial disasters as was the case in the countries of the world following the 2008 financial crisis.

Competitive Advantage: Concept and origin of competitive advantage

The concept of competitive advantage has been known since 1939 due to Edward Chamberlin (1939), then it was developed in 1959 thanks to Philip Selznik (1959), where competitive advantage was linked to competitiveness. As this concept has evolved, some economists, including M. Porter, have described competitive advantage as a strategic goal pursued by banks in the face of severe competition challenges. (AL SALMI, 2001, p. 41)

Competitive advantage can be defined as:

Definition 01: the concept of competitive advantage refers to the ability of banks to formulate and apply strategies that put it ahead of other banks. It is achieved when customers realize that, as a result of their dealings with the bank, they receive a higher value than the bank's competitors. (NEDJAR, 1997, p. 44)

Definition 02: it is the skill, technique or resource that allows an institution to produce more customer values and benefits than competitors. Competitive advantage confirms the institution's distinction and difference from such competitors from the perspective of customers who accept this difference and distinction as it brings them more benefits and values than others. (ZIDAN, 2005, p. 21)

Definition 03: it is also defined as the organization's ability to formulate and apply strategies that place it in a better position than other organizations operating under the same conditions, where it is achieved through better utilization of the various capabilities, competencies, and possibilities of the institution. (BRICH, 2006, p. 19)

Definition 04: others also define it as the Bank's ability to sweep the banking market by controlling costs and supply rates of services while maintaining the quality of services provided.

Types and objectives of competitive advantage:

First: Types of competitive advantage: it can be classified into two basic forms:

- Competitive advantage at lower cost: similar or better quality products are offered at a lower price than of competitors, that is, the ability of the bank to design, manufacture, and market the product at the lowest cost, resulting in greater benefits.

- Differentiation advantage: products are presented in such a way that customers are aware that they are unique from those offered by competitors, that is, the provision of distinct products and services that have a high value from a consumer's point of view. It is also called high quality advantage.

Second: Objectives of competitive advantage: the banking organization seeks through the competitive advantage to reach a set of objectives:

* Create new marketing opportunities.
* Enter a new competitive area to experience a new market or deal with a new currency or quality of goods and services.
* Develop a new independent vision of the goals the organization wants to reach and the great opportunities it wants to pursue.
* The basis of competitive advantage is to create value for customers because it is the basis for achieving quality.
* Value is what matters most to the organization because it is a complex matter that can only be known through its clients and should therefore be consulted whenever possible.
* By achieving and maximizing value, the organization seeks to reach customer satisfaction in order to ensure its survival in the current competitive market.

2.2 . Approaches for bank merger to achieve the competitive advantage of banks:

Bank merger approaches are numerous and different, and each one of them is a model in itself. These approaches can be identified as follows:

Full integrated comprehensive encyclopedic approach: it deals with all aspects of merger and subjects them to careful research, in which this approach addresses them either with study or analysis. There is no room for coincidence; rather, everything is under full control and supervision without any freedom of movement or flexibility. Everyone is subject to it without exception, as it is a general full approach that includes many tools and other approaches, transferring them into basic axes and qualified strategies to build a strong competitive advantage. This approach focuses on a thorough study of the banks to be merged.

Gradual successive approach: it is a step-by-step approach in the merger process, using a step-by-step policy to ensure its success or address all imbalances that already exist in merged banks. It also ensures that the merged entity suffers no negative consequences. This approach is based on the following:

-Develop a comprehensive, integrated, and holistic strategy for bank merger with all its advanced aspirations and objectives, and translate them into a comprehensive overall plan.

-Develop a standard timescale program implemented within the framework of the merger plan.

-Identify of the operational tasks to be followed in order to achieve successive gradual mergers.

Innovative Renewed Approach: it depends on the adoption of new forms and methods to achieve the merger process and the non-use of the traditional methods already used. This approach is based on the fact that the bank (doing the merger) has units for innovation, development, and improvement that are responsible for:

Seek innovative new ideas and forms for the bank merger.

Find new ways, tools, and means for the bank merger.

Look for new perceptions of bank merger processes.

The more innovative these units are, the higher and better they can achieve innovative merger. Thus, the impact of innovation on performance, implementation, and operation becomes the measure by which the merger's success is measured. Furthermore, the use of any of these approaches is determined by the nature and personality of the people in charge of the merger process.

2.2.1 Competitive strategies that can be adopted by banks:

Competitive strategy can help the banking institution acquire skills, markets and advantages that allow it to outperform its competitors and win market shares and new customers. This is illustrated by defining the competitiveness strategy as "an integrated set of actions that lead to a continuous and sustainable competitive advantage over competitors." Selecting the appropriate strategy in this area depends on the axis of the competitive advantage, and thus the axis of the competitive advantage can be linked to the target market in figure below (MOHAMED SAID, 2002, p. 202):

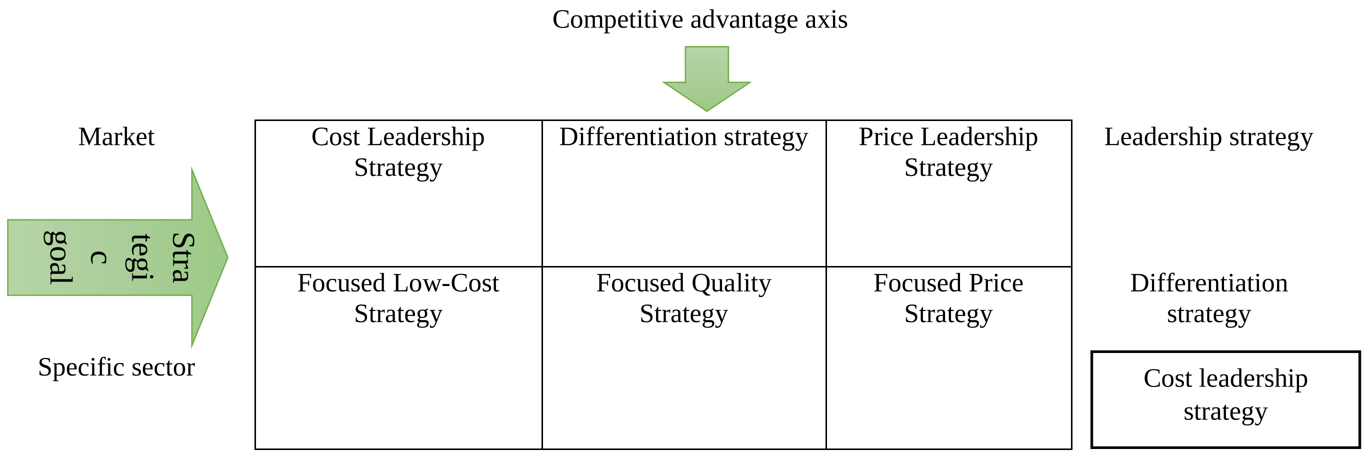

Figure 1: Strategic alternatives in the case of competitive advantage

Part 01: Cost Leadership Strategy: through this strategy, the Bank focuses on rationalizing the costs of producing services so that it can gain a competitive advantage by reducing the prices of its services.

Part 02: Differentiation strategy: the bank offers services of high quality compared to those provided by other competing banks and at a price equal to those banks.

Part 03: Focused Price Strategy: banks' service delivery is based on a specific sector. These banks provide the demands and wishes of the target sectors by providing services and products at lower prices or with distinct services compared to competitors. Thus, competitive advantage is achieved through a value-achieving strategic policy with three elements:

a. This strategy should not be applied by its current potential competitors.
b. The inability of other competitors to achieve the same advantages as that strategy.
c. Take into account competitors' reactions, where Kotler has developed four types of potential reaction strategies by competitors:

* Consideration strategy: there is no reaction from competitors due to considerations such as (lack of financial resources, planning, etc.)
* Selection strategy: the competitor selects one strategy to focus on, for example, a price reduction strategy.
* Growth strategy: the competitor moves quickly if he feels the invasion of the market in which he is active as a means of warning competitors that he is competitive and confrontational.
* Unexpected strategy: according to this strategy, a competitor's behavior is random and unintended which makes it difficult for his competitors to predict a reaction based on its history, economic location or any other element. Hence, we come to an important conclusion that is competitive strategy has a sensitive role represented in: modifying and developing systems to meet the requirements of the changing environment and

- exploiting the excellence aspects in order to achieve a desirable competitive position in the market and thus achieve a competitive advantage.

2.2.3 Relationship of bank merger to competitive advantage (DRADJI, 2007, p. 12)

Bank merger, as we said earlier, is one of the variables of globalization. It is imperative to increase competitiveness by achieving economies of scale, as well as to bring the banking unit to a certain economic size that allows it to increase efficiency by reducing costs and maximizing profit. This is all about achieving rapid growth, maintaining survival, and increasing the share of the new banking entity in the global and domestic banking market. The results of the merger process can be summarized in the following points:

- Bank merger, especially among small banks, provides an opportunity to achieve economies of scale related to expansion by building on technological advances in bank operations, attracting the best competencies, and increasing credit confidence in dealing with financial enterprises.
- Expansion in new markets, creation of new sources of revenue, and creation of conditions for diversification of banking services, thereby enhancing the Bank's position in the banking market, supporting its activity, increasing the deposit volume, and diversifying its sources.
- Reducing cost, increasing marketing capacity, and efficient banking service.
- Increasing global competitiveness in banking services liberalization.
- Increasing risk-taking under financial liberalization policy.

2.2.4 Algeria's reality of bank merger (MOHSEN AHMED, 2007, p. 34)

- Although bank merger has been applied in some Arab countries, including Lebanon and Egypt, Algeria has not had any merger though there are many public and private banks in which, like some countries, a merger can take place. Public banks have control over the financing of the national economy, receiving 90% of resources and providing 95% of loans, while private banks have weak market shares and thus little competition, as well as weak active financial markets that help and contribute to the promotion and sale of equities. Private Banks are not yet up to the required level either because they finance quick-profit activities and therefore do not need competition, or because they want competition from other banks but unable to do so because of their limited financial resources, low technical and technological level, and lack of proper administrative organization.
- This is probably due to the nature of the banking system in Algeria, which has not allowed for mergers among public banks and between public and private banks, whether national or foreign. Algerian legislation allowed foreigners to own only 49% of Algerian bank shares, which was seen as an obstacle to foreign investors. The decision adopted in June 2005 by the Ministry of Finance to own more than 51% of the capital of the Algerian banks proposed for the partnership would have contributed to the launching of banking mergers in Algeria.
- Thus, banking globalization must be accompanied by the application of bank mergers, especially as Algeria seeks to join the Agreement of the Liberalization of Trade in Banking Services. This means that a large number of large banking institutions will enter the Algerian market to offer their innovative services, especially since the Algerian banking scene has not yet known this type of service. There are several reasons why Algerian banks need to merge:
- The inability of individual Algerian banks to compete with foreign banks.
- The capital of Algerian banks is small compared to the large capital accumulated among global banks, which are mostly merged banks.
- Poor performance of Algerian banks and their lack of experience in entering modern banking services, such as financial derivatives, etc.
- Compliance with the decisions of the Basel Committee requires the merger of Algerian banks in order to create sufficient capital.
- Algerian banks can be incentivized to merge through several radical changes in the banking sector, including the adoption of the concept of universal banks and the need to recapitalize and purge banks in order

to acquire competitive advantages that enable them to retain their market share and compete with foreign banks and thereby increase their profitability.

* Recent trends (NABILE MORSI, 1988) in the banking industry and the Algerian banking reality show that bank merger is one of the most important strategies to be pursued by Algerian banks. Moreover, there is an urgent need for the merger and acquisition of banks, particularly as capital markets become more open and the new requirements of the Basel Committee, as well as the fact that the banking structure of Algeria is characterized by public banks controlling a large proportion of the market and the private banks being small in terms of both capital and asset size, which requires their merger with larger entities in order to avoid the risk of financial distress.

2.3 Economic effects of the Corona crisis on Algeria:

The Corona virus first appeared in the Republic of China in December 2019 (MEI, 2021-2022, p. 41)and spread to the rest of the world, causing significant harm and damage not only to global health and the number of victims, but also to all economic sectors, particularly industry, transportation, and services due to the high cost of prevention procedures. The growth of the world economy is expected to decline to its lowest level as a result of three points:

First: The effect of production disruption caused by Coronavirus and its containment procedures on the supply side.

Second: Global demand has declined, especially in tourism and recreational industries.

Third: The global spread of these effects as a result of the cross-border spread of the virus, as well as the decline in global demand rates in the major industrialized countries and China, affected Arab economies in many areas, mainly tourism and oil export revenues.

This has had negative repercussions and consequences for the Algerian economy, which is heavily dependent on consumption. China comes first as a major supplier to Algeria of large-consumption materials and manufacturing sectors, and, given the paralysis of Chinese factories, it will move significantly to some sectors in Algeria.

On the other hand, the services sector achieves nearly half of GDP and provides employment opportunities of more than 60% of employment. This main sector includes banking services, insurance, tourism and leisure, transportation, communication and Internet services, as well as the hotel sector, which has been paralyzed by more than 80% and has become quarantine centers.

The service sector has been paralyzed in the labor market following the suspension of its activity to reduce the spread of the coronavirus. It is considered a source of livelihood for millions of workers, whether organized workers or daily laborers.

This new epidemic has already caused serious damage to Algeria's economy, as it depends heavily on revenue from fuels. The prices of which have collapsed since the outbreak of this pandemic, which has clearly revealed a glitch in our petroleum-rent-based economy. States and international organizations are increasingly concerned about the economic consequences and implications of precautionary measures taken to prevent and slow the prevalence of this virus in all countries of the world, the most important of which is the major economic lockdown. International efforts are intensifying to seek and adopt economic policies on an emergency basis to mitigate the economic and social impact of the coronavirus.

In that regard, the prime Minister stressed that Algeria is living a difficult and unprecedented economic situation resulting from a structural crisis of previous Governments, as well as from the collapse of oil prices and the Corona pandemic, the biggest health crisis since independence. He stressed the need to assess the economic and social implications of the Covid-19 pandemic objectively and without bidding in order to prepare for the post-health crisis and maintain the commitment of enterprises and workers in the new battle to rectify the national economy.

For a preliminary assessment of the magnitude of the damage, the current Minister of Finance presented a report showing that transport, tourism, restaurants and hotels, as well as the energy sector, are the most affected by the prevention measures against the Corona epidemic:

In only two months (March and April), Algerian Airlines suffered losses estimated at 16.3 billion DZD.

In the same period, losses from private hotels and tourism agencies amounted to 27.3 billion DZD.

Craft activities suffered losses of 12.07 billion DZD.

The losses of Naftal Company reached 20 billion DZD.

The losses of Sonelgaz reached 6.5 billion DZD.

Algeria's measures to address the economic crisis caused by the Corona pandemic:

States and economic institutions need a set of policies that will mitigate the negative economic effects of the emerging corona virus, and Algeria, in an effort to achieve that. Representatives of economic operators and the Joint Ministerial Committee proposed a series of measures, such as the suspension of employers' tax burdens, the granting of bank loans at subsidized rates and interest exemptions, facilitation procedures for companies to interest-free exploitation loans, the elimination of delay fines on the debt of public transactions companies, and unemployment insurance for free professionals, as well as measures to support and revive the economy, the most important of which was the establishment of a fund to assist small and medium-sized enterprises.

2.4 Bank merger and its impact on exiting the economic crisis caused by the Corona pandemic:

The measures taken by Algeria to address the economic crisis caused by the Corona pandemic include many methods, the main focus of which is on the banking system, which also suffers from a lack of resources and weak structures, requiring attention. In order to achieve this, Algeria has adopted the Islamic Banking by opening special windows in its public banks and allowing private individuals to adopt them. Perhaps the most important factor that gives banks the firmness and strengthens financial centers is their application of bank mergers among them to benefit from the advantages of large scale economies, which makes them more capable to play their role to get out of the current economic crisis and increase the competitiveness of these banks. Bank merger has always been the main way out of the economic crises that affected the world in the last century.

3. Conclusion

Bank merger is a modern-day phenomenon due to its significance and impact on bank competitiveness. However, it is still absent from Algeria for many reasons, including the fact that public banks control most of the financing of activities while private banks are not yet up to the required level. This is not particularly consistent with the phenomenon of globalization, as modern technologies in Algeria are still lagging due to their high cost, low bank capital, and small asset volumes, which is a challenge. One of the main axes that must be included in the program of modernization of Algerian banks is the application of the merger option so that banks can introduce and adopt the universal bank option as one of the most prominent stages for successful mergers.

These mergers give strong banking institutions that will lift Algeria out of the current economic crisis resulting from the Corona epidemic and its prevention measures.

Results and recommendations:

In reviewing the historical stages of the development of bank mergers, we note that each new phase emerged as a solution to a crisis that occurred in that period. As a result and under the current economic crisis resulting from the Corona health crisis, it can be said that the option of merger has become a necessity rather than an option under the current circumstances, particularly in Algeria, given the weakness of its banking system, which needs a strong push to increase its competitiveness. Banking merger is one of the best mechanisms to achieve so.

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