



*Analyzing the phenomenon of entrepreneurship in Algeria
through some socio-economic indicators*

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Abstract

The study aims to evaluate the key determinants of entrepreneurship in Algeria through the analysis of factors contributing to and inhibiting the phenomenon, with the objective of redirecting support towards entrepreneurial orientation and action. To achieve this, an exploratory and inductive methodology was adopted to analyze and study the phenomenon scientifically. The results revealed ambiguity and interplay in the determinants under study due to the novelty of the experience and dynamics in the competitive field, as well as the familial background structural model.

Keywords: Entrepreneurship; Attraction and Inhibition; Economic Determinants; Social Determinants.

1. INTRODUCTION

The economic takeoff in Algeria and developing countries in general is considered one of the key contemporary research axes. This dilemma troubles governments, economic actors, and relevant institutions alike. The increasing interest in this modern yet age-old issue necessitates a foundational research framework or unit to serve as a starting point.

With the state's inability to find alternatives on one hand and the limitation of its role in the economy on the other, due to radical shifts in the legal system and economic structure alongside privatization, leading to the withdrawal of most public institutions from the market and their inability to compete for various reasons, it has become imperative to accompany the private sector, with small and medium-sized enterprises at the forefront. This is to achieve the aforementioned goals and rely on them as a unit of analysis and construction.

In the same context, entrepreneurship emerges as a modern and innovative scientific approach that has proven its effectiveness and competence in advancing the national fabric, making it more cohesive within an environment containing numerous tensions and contradictions. This is a result of the transitional stages that the national economy has undergone, along with the instability of the legal, cultural, and social foundations of society, in addition to other determinants. From here, the following question can be posed:

What are the critical determinants of entrepreneurship in Algeria?

In order to address this issue, the study has been divided into four axes:

- 1- The Entrepreneur, the Chinese Fever, and the Challenges of the Parallel Market**
- 2- The Family Enterprise in Algeria: Between Individualism and Collectivism**
- 3- Industrial Structure and Industrial Dynamics in the Private Sector**
- 4- Support and Accompaniment Institutions**

- Study Objectives:

The study aims to highlight entrepreneurship as a fundamental research unit and as an outlet to drive the economy by solidifying entrepreneurial culture and analyzing its various determinants. It also seeks to emphasize the varied impacts of entrepreneurship, whether as prominent inhibiting or attracting elements, within the same context, portraying the reality of entrepreneurship in Algeria through multiple elements.

- Study Significance

The study derives its significance from the phenomenon itself, shedding light on it as recognized by most countries, Algeria being one of them. Additionally, the study underscores its ability to find sustainable solutions to balance overall indicators of the national economy. It aims to elucidate the key elements of attraction and inhibition within its environment, utilizing them to

enhance the density of this type of institution both quantitatively and qualitatively.

- Study Methodology

In addressing the study, we will employ inductive and deductive methods through an analytical approach, considering various theories and the contradictions of reality. The study will focus on several axes that can be categorized as follows:

- * The Entrepreneur, the Chinese Fever, and the Challenges of the Parallel Market.
- * The Family Enterprise in Algeria: Between Individualism and Collectivism.
- * Industry Structure and Industrial Relations in the Private Sector.
- * Support and Accompanying Institutions.

2. The Entrepreneur, the Chinese Fever, and the Challenges of the Parallel Market

The Chinese fever accompanied the opening of the Algerian market, with illicit traders going far and fast. They played the role of pioneers, introducing us to products, supply sources, and the negotiations associated with them. China's share of Algerian imports has continued to grow, saturating the Algerian market with substandard and counterfeit goods. In a previous period, traders were able to deceive consumers. However, this does not necessarily mean that China produces only low-quality goods. Evidence of this is that 50 percent of their products are exported to France, Spain, and other destinations. Therefore, one must consider the competition posed by inferior Chinese final products, based on the production of new items using quality Chinese materials (Benachenehou, 2007, p. 35).

Chinese companies operating in the public works sector have shared with us methods and techniques that accelerated the pace of implementation and led to a qualitative leap by optimizing time, implementing continuous work shifts, and relying on economies of scale. After the decline of Chinese companies due to contraction policies in major projects and the adoption of austerity measures, Algerian contractors continued to invest in the sector through the window of real estate development in various forms and at an acceptable pace. This resulted from the accumulation of knowledge acquired by emulating the Chinese.

This concept first officially emerged through the "BIT" report in Kenya in 1972, where the report stated that the social issue in developing countries is not unemployment but the expansion of the informal sector engaged in the production of goods and services. This expansion was fueled by rural migration to third-world cities (Hammouda, 2006, p. 80). The parallel market refers to all income-generating activities that are not recorded in the accounts of gross domestic product, either intentionally hidden to evade legal obligations related to disclosing these activities or because these income-generating activities violate the prevailing legal system in the country.

The first cannot be discussed except through legal discourse rather than an economic perspective. As for the second, it is particularly present in developing countries, especially in Algeria,

and is considered an important entry point or pathway in the establishment of enterprises – if we overlook tax collection. The opportunistic entrepreneur would undoubtedly prefer to engage in the parallel market because it is characterized by the freedom of entry and exit, non-compliance with rules and regulations (Boudelal, 2008, p. 02), imitation, infringement on industrial and commercial property rights. Additionally, the relatively small scale of these operations aligns with the unique nature of entrepreneurial work and its association with small and medium-sized enterprises capable of growth.

These activities revolve around "productive households, especially in rural areas, providing services based on the barter system exchanged by individuals, itinerant vendors, and unlicensed commercial (Al-Mousawi & Al Batata, Al Moussawi, Abdul Jabbar, 2018, p. 25), industrial, and craft projects. Recognizing these projects as entrepreneurial ventures is contingent upon the extent of the harm they inflict on the mechanism of competition itself, considering that they engage in economic activities and hold a market position.

The negative impact of the parallel market on the development of the private sector becomes evident as it represents an illegitimate competitor in economic activities that does not bear any costs, enabling it to distribute its products and services at lower prices. This is unlike private or public sector institutions that operate officially and legally, incurring various costs, notably tax payments, leading to higher prices for their products and services. This renders them unable to compete effectively. Additionally, the parallel market's violation of property rights further diminishes the willingness of investors to enter the market and take on the associated risks, as they anticipate an unfair competitive environment that limits the expansion of the official private sector in economic activities (boudekdedekh, 2011, pp. 20-21).

3. The Family Enterprise in Algeria: Between Individualism and Collectivism

The family enterprise is the most prominent nucleus of the economic fabric, especially in developing countries. This directly impacts its organizational structure, employment system, and decision-making processes. The family enterprise cannot be regulated solely through legal patterns or the size of the institution, but rather through the interaction between the institution and the family. Ownership often passes to the second generation. The spirit of the enterprise is nourished by the spirit of the family. Additionally, the family is a sphere of collaboration where trust replaces self-interest or benefit. "Small and medium-sized French enterprises are established in the recognized form, around a marital dynamic (husband and wife and sometimes children). In contrast, Algerian enterprises revolve around blood ties (father and children, and sometimes uncles and cousins). Wives, wives of children, and other relatives are mostly on the periphery of production processes and decision-making (Madoui, 2018, p. 78). The Algerian family follows the paternal pattern since ancient times, where paternal authority is the fundamental characteristic of our society. The paternal system refers to the pattern and distribution of power within the Algerian family based on the dominance of men over women and the dominance of elders over younger members. This implies a hierarchical distribution along the axes of age and gender (Al- Turki , 2012, p. 3).

Family-background enterprises in Algeria face significant challenges, especially for those that are leading institutions. The legal nature and the concentration of decision-making authority specifically within individuals from the second generation are no longer universally accepted within the family environment. This necessitates restructuring these enterprises to ensure their continuity in the absence of disclosure and relying solely on the trust factor under the guise of the founding father. The problem of the third generation is more complex, and we will witness it in the coming decade since most of these enterprises are still under the authority of the second generation. This requires deeper research to find realistic solutions within the legal frameworks of institutions in Algeria as an alternative to resolving the company and starting over from scratch. This approach avoids losing the stability, reputation, market share, and customer loyalty of the enterprise. Ultimately, this can be attributed to the evolution of the value system in parallel with the development of Algerian society, transitioning from collectivism to individualism, which is a value for modern industrial communities.

What Alfred Marshall stated in 1890 is not far from what preceded it. He mentioned that three generations are sufficient to destroy the project of the first entrepreneur. A century later, in 1987, Ward affirmed that 30 percent of projects are transferred to the second generation by the family, and only 13 percent make it to the third generation. This confirms the heirs' inability to ensure the maintenance and renewal of entrepreneurial efforts.

The community is based on the principle of family unity and collaboration in work (Arezni et autre, 2011, p. 160). Its outcomes are common property for the family, with a desire to help each other in facing others, supported by the characteristics of belonging to the community. This applies to traditional families or less open families to others, unlike what was prevalent in Algeria, especially before the last two or three decades. After that, the trend towards individualism as a specific value in Algeria is not fully realized. Due to its novelty and the difficulty of separating the family sphere from the business sphere, as any departure from family contribution shifts the entrepreneur from the stage of initiating actual business activities to the goal of mobilizing financial resources. The shorter this period, the more the entrepreneur can effectively materialize the potential project. Conversely, the longer the period, the higher the likelihood of being bound by employment patterns, working under supervision, and a decrease in independence (Belhida, Hamdawi, 2020, pp. 151-152). The process of creating economic value through the establishment of social value represents one of the driving forces for productivity, creativity, and growth. Stability fosters and is connected to the ability of the institution to persist, and vice versa (Kharchi, 2021, p. 42).

4. Industrial Structure and Industrial Dynamics in the Private Sector

The Algerian private sector is characterized by a collection of small-sized individual family enterprises suffering from a lack of invested capital, a shortage of technical qualifications in the workforce, and the use of less advanced technology. These enterprises tend to focus on areas with high profitability and are not subject to any price or regulatory control by the state (Abdullah, 2008, p. 89).

The observer of the most invested sectors in Algeria over the past ten years sees a trend towards trade, services, and public works sectors, at the expense of the productive sector. This emphasizes the

inefficiency of Algerian entrepreneurs on one hand and their reluctance towards the production process on the other. The latter is characterized by high risk, as entrepreneurs seek to avoid direct competition with foreign products, especially those from China, opting instead to act as distributors and marketers for these products.

As for entrepreneurs in the production sector, especially the transformative sector, the liberal measures accompanying economic reform programs, particularly import freedom, currency devaluation, and the absence of restrictions on foreign payments, have negatively impacted the sector's activities. This has solidified intense and unequal competition between domestic products and similar products imported from abroad. This has led Algerian investors to prefer importing goods from abroad and reselling them in Algeria to achieve profit margins within the framework of what is commonly known as the bazaar economy. With the contractionary policies adopted by successive governments, reaching their peak with the arrival of the novel coronavirus and the collapse of foreign trade volume, the private sector represented by Algerian entrepreneurs could not serve as an alternative to cover the supply gap. This scarcity of goods led to a rise in prices accompanying the economic downturn, forming what is referred to as stagflation. The state is now discussing recovery plans, the success of which undoubtedly depends on the willingness of local enterprises to take the initiative and explore business opportunities within a comprehensive national strategy. The industry structure is considered an attractive factor for investment in general and for entrepreneurial projects in particular, as "Porter" explains the forces of attraction through the five forces: the negotiating power of customers, the negotiating power of suppliers, the threat of alternative products, the threat of new entrants, and the competitive rivalry within the industry. The potential, and competition in the sector, the contractor must be able to know his market positioning or the expected market share, which requires the existence of an information system capable of providing that. This is lacking in the business environment in Algeria due to false declarations by economic actors and the parallel market on one hand, and the paralysis of the Algerian stock exchange on the other hand. In addition to non-market factors, there are no specific demand functions for products and no control of the supply of goods and services, making the contractor navigate in an uncertain environment. Nevertheless, this situation can generate unconventional opportunities that require Algerian contractors to anticipate the overall reality of the country, especially regarding changes in the legal system. For example, the protective policy imposed on the apple sector enabled investors to achieve additional profits, prompting them for further investments. However, the automotive sector failed to localize the industry due to the lack of real handling. After the closure of the factories, we couldn't even provide spare parts that are not technologically intensive, despite the fact that the automotive sector operates in a market dominated by a few.

Also, the Algerian market has a strength derived from demographic factors, making it a developing market, at least in the direction of population growth, assuming the stability of other factors, of course.

Starting from the fact that a contractor and his enterprise cannot isolate themselves from the variables of the business environment, which provide him with a set of opportunities, as well as presenting another set of threats. A sectorial perspective, based on all industries with similar final products, is limited, in contrast to that built on industrial clusters, which are considered interconnected

chains of related industries. This applies to integration in terms of production inputs, technology, consumers, or distribution channels, whether forward, backward, or horizontally. From related industries, whether in the context of integration (forward, backward, or horizontal) in terms of production inputs, technology, consumers, or distribution channels, and so on. Industrial clusters are a real support for small and medium-sized enterprises, particularly through a kind of connection and integration within the framework of cooperation and shared interests.

In the Italian shoe industry, which is a leader in the field, there are numerous supporting industries directly associated with it. This has contributed to the creation of an industrial cluster capable of global competition and excellence through various players in the broad environment. It begins with specialized design institutes, leather factories, and extends to the production machinery industry. The Algerian economy can apply a similar formula in many industries, such as textiles, leather, and mechanics, by establishing specialized institutes and fostering logical connections among various economic stakeholders. This, in turn, drives these industries to form a clustered structure, enhancing their competitive capabilities (Qattaf, 2009, p. 138), especially in response to local demand. Small and medium-sized enterprises (SMEs) focus on serving specialized and limited markets that do not entice large enterprises to enter. Their small and comparable sizes, along with their large numbers, make it difficult for them to monopolize the market except under exceptional circumstances (Al-Dawi, 2011, p. 69).

Here, the role of the entrepreneur capable of innovation becomes apparent, whether through the production of a new product, the renewal of a previous product, penetrating new markets, or establishing a network of relationships with other institutions that enable them to find a position within the industrial cluster and benefit from the value chains of other enterprises. However, the reality for Algerian entrepreneurs remains dependent on foreign markets in several fields. Often, they are forced to suddenly raise prices due to their connection to raw materials sourced from international markets. Their production activities may be halted due to the unavailability of spare parts. Additionally, their production, especially in agricultural industries, may fluctuate due to variations in the agricultural season. For instance, industrial tomatoes, apricots, and dates may be available at attractive and competitive prices in a certain season, tempting entrepreneurs to enter these industries. Nevertheless, in subsequent years, they may face challenges in achieving standardized prices.

5- Support and Accompaniment Institutions

In this context, it is essential to distinguish between two paths. The first revolves around training and guidance, focusing on directing and enhancing the skills of the project holder to enter the market and sustain their venture. The second path centers on financing, its methods, and its distribution among the factors of production.

The first path is considered the foundation of entrepreneurial thinking, serving as a genuine approach to establishing an enterprise. Financing, on the other hand, represents a part of the support mechanism and does not pose any challenges, especially with the presence of venture capital banks targeting startup projects. This is unlike traditional banks that link credit grants to feasibility studies, which consider low-risk factors critical in credit approval, or resort to seeking tangible guarantees often in the form of real estate.

the economic opening in Algeria was followed by numerous reforms after the issuance of the Banking and Credit Law, which marked a departure from previous practices and laid the groundwork for Algerian entrepreneurs to leverage market mechanisms, including financing. However, the financial constraints and the conditions at that stage did not allow the realization of these goals. With the onset of recovery and the improvement of financial conditions at the beginning of the third millennium, the introduction of support institutions played a role in reducing the risk levels for banks. This was achieved either by direct participation in financing through bilateral and trilateral loans or by banks assuming risk through loan guarantee funds. Additionally, there was a reduction in the level of personal contribution to minimal levels, resulting in an increase in the number of loan beneficiaries at the expense of risk and training. This led project holders to pursue implementation at the expense of capability, contrary to the goals set by the state, despite the existence of successful models. The creation of wealth occurs through the development of entrepreneurial culture based on its values, rather than through the sudden provision of means of production. Project holders are urged to compete in the field without significant background or accumulated knowledge, or to build an enterprise based on a logical, progressive path driven by institutional desire.

6. CONCLUSION

The socio-economic determinants of entrepreneurship in Algeria are influenced by government policies and economic conditions, particularly the challenges of the parallel market (tax evasion, money laundering, informal markets). This complicates business regulation and disrupts the formal market. In order to ensure the continuity and success of their businesses in this challenging context, entrepreneurs find the need to establish supportive institutions and facilities that provide them with financing and technical training to adapt to economic transformations and compete effectively in the volatile and complex market.

Additionally, social conditions (individual and collective in Algerian family businesses) allow freedom in decision-making and innovation, providing the necessary support and collaboration to ensure the sustainability and excellence of business operations in an environment facing multiple challenges. his balance contributes to the establishment of strong and sustainable institutions, promoting entrepreneurship, and contributing to the development of the national economy.

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