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<h3>Abstract</h3> <p>This study aims to provide an in-depth analysis of the state of financial inclusion in Algeria amid ongoing global economic transformations, by focusing on two main pillars: the evolution of financial inclusion in Algeria and the challenges hindering its expansion. Relying on international reports, academic studies, and practical experiences, the study examines the level of access to and use of financial services among adults, with particular attention to the gender gap and the level of financial literacy. The findings indicate that Algeria has experienced a limited improvement in financial inclusion indicators, including an increase in bank account ownership and the use of digital payments. However, excessive reliance on cash, the limited spread of banking institutions and automated teller machines (ATMs), high unemployment rates, and disparities in financial literacy between men and women continue to pose major challenges. The study concludes that strengthening digital financial innovation, expanding the financial services network, and enhancing financial awareness across all segments of society—especially women and youth—represent critical steps toward achieving effective and sustainable financial inclusion, thereby supporting economic growth and promoting sustainable development in Algeria.</p>		
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Introduction

Financial inclusion constitutes one of the fundamental pillars of sustainable economic and social development, as it contributes to empowering individuals and institutions by enabling access to and effective management of financial services. This, in turn, fosters economic growth, reduces poverty, and strengthens resilience to financial shocks. Financial inclusion is defined as ensuring equitable and sustainable access for all segments of society—including vulnerable and marginalized groups—to formal financial products and services, such as bank accounts, savings, credit, and digital payments.

At the global level, countries and international organizations have increasingly recognized the expansion of financial inclusion as a strategic instrument for promoting small and medium-sized enterprises, supporting entrepreneurship, and achieving sustainable development. International experiences have demonstrated that integrating financial technology with digital innovation, alongside the development of financial infrastructure, contributes to reducing cash dependency, facilitating access to financial services, and enhancing the efficiency of financial markets.

In Algeria, the issue of financial inclusion has gained particular importance in light of the economic and social challenges facing the country, notably high unemployment rates, excessive reliance on cash, and the persistence of gender disparities in access to financial services. In response, public authorities have undertaken initiatives aimed at improving citizens' access to financial services, promoting the use of digital payments, and encouraging formal saving and borrowing, thereby supporting the path of economic growth and advancing sustainable development objectives. Against this backdrop, the present study seeks to analyze the prospects of financial inclusion in Algeria within the context of global economic and financial transformations, drawing on the latest international reports, academic studies, and leading practical experiences. The analysis focuses on two main dimensions:

I. The evolution of financial inclusion in Algeria

II. The challenges hindering the expansion of financial inclusion in Algeria

I. The Evolution of Financial Inclusion in Algeria

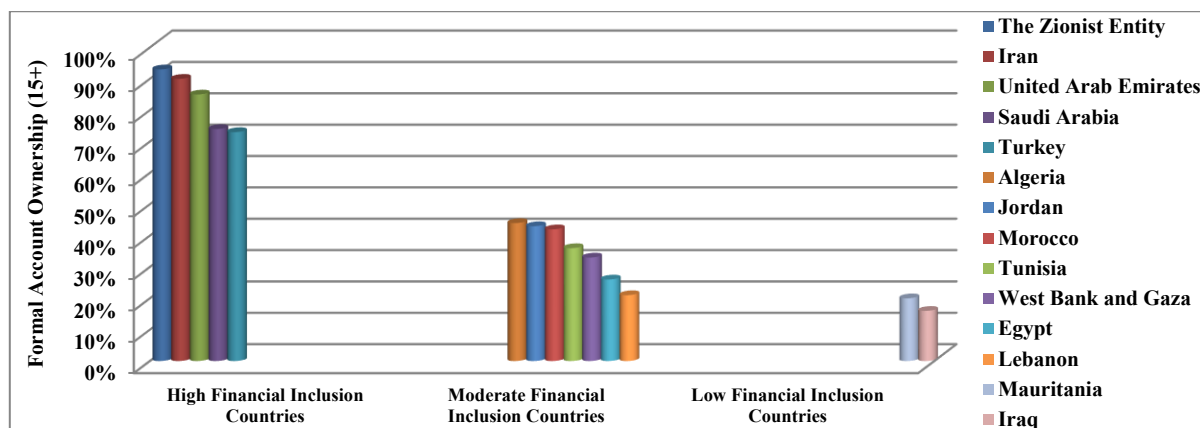
Analyzing the evolution of financial inclusion in Algeria requires a comprehensive examination of both the availability and the use of financial services. This entails assessing the supply of financial services in terms of their availability and adequacy in meeting local market needs, as well as evaluating the extent to which individuals utilize these services, which reflects the demand-side dimension of financial inclusion.

1. The Demand-Side Perspective

Financial inclusion indicators vary across economies due to substantial differences in economic, institutional, and social contexts. In order to analyze the evolution of financial inclusion in Algeria, the countries of the Middle East and North Africa (MENA) region are classified into three categories based on the indicator of account ownership at formal financial institutions, expressed as a percentage of the adult population aged 15 years and above. This indicator is widely recognized and adopted as a standard measure of financial inclusion. The analysis relies on the Global Findex Database (2021), which provides a comprehensive and multidimensional picture of the current state of financial inclusion and the progress achieved in expanding universal access to financial services, as illustrated in the following figure.

Figure 1. Classification of MENA Countries by Financial Inclusion Indicator, 2021^(*)

(*) **Note:** Several MENA countries are excluded from the analysis due to the lack of data in the Global Findex Database 2021, namely: Palestine, Syria, Djibouti, Libya, Yemen, Bahrain, Sudan, Somalia, Kuwait, Oman, and Qatar.

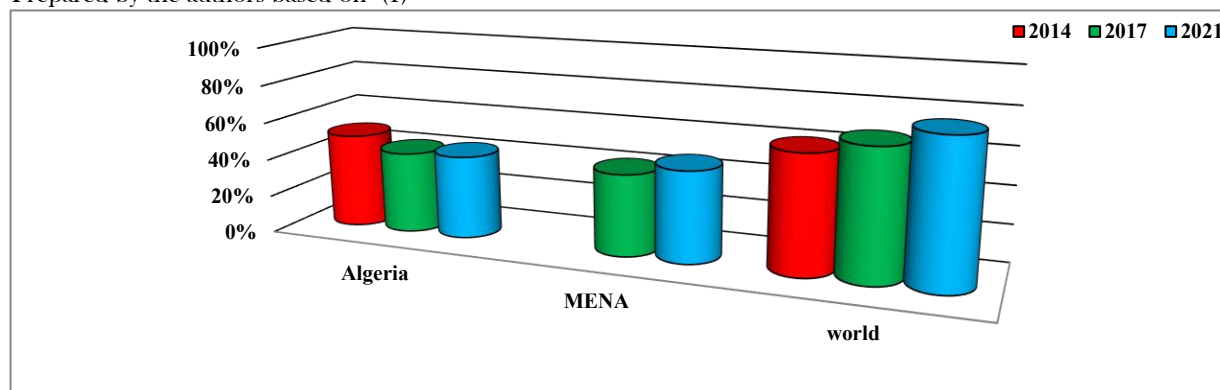


Prepared by the authors based on (1)

As illustrated in the figure above, Algeria is classified among the Middle East and North Africa (MENA) countries with a **moderate level of financial inclusion**, i.e., below 50%, based on the indicator of account ownership at formal financial institutions as a percentage of adults aged 15 and above. It is noteworthy that Algeria holds the highest share of account ownership among countries with a moderate level of financial inclusion, reaching **44%**, which represents a strong position compared to neighboring countries—for instance, Morocco (42%), Tunisia (36%), Egypt (26%), and Mauritania (16%)—in 2021.

Figure 2. Adults with Financial or Mobile Accounts in Algeria vs. Other Regions

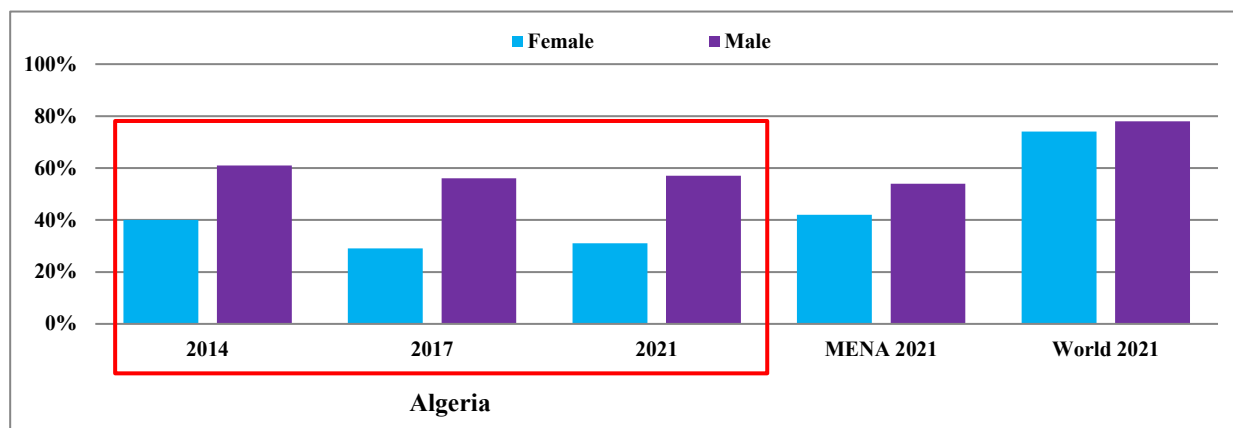
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As shown in the figure above, Algeria experienced a decline in account ownership at formal financial institutions compared to 2014 (43% in 2017 versus 50% in 2014), indicating shortcomings in the strategic plan aimed at promoting financial inclusion and building trust in formal financial institutions. A similar trend is observed for 2021, where Algeria saw a slight increase of one percentage point compared to 2017 (44% in 2021 versus 43% in 2017). Globally, however, account ownership increased significantly, with 76% of adults holding an account at a financial institution in 2021 compared to 68% in 2017. In the Middle East and North Africa (MENA) region, 48% of adults had an account in 2021, up from 43% in 2017. Nonetheless, this increase remains insufficient, given that a large proportion of the population in the region is young. Other factors—such as unemployment or lack of perceived need for an account, as is the case in Algeria—continue to hinder financial inclusion, highlighting the urgent need for coordinated efforts to improve access.

Even though account ownership in Algeria has slightly increased, significant gender disparities persist: 57% of men have accounts compared to 31% of adult women in 2021, as illustrated in the following figure.

Figure 3. Gender Gap in Account Ownership (15+) – Algeria vs. Other Regions



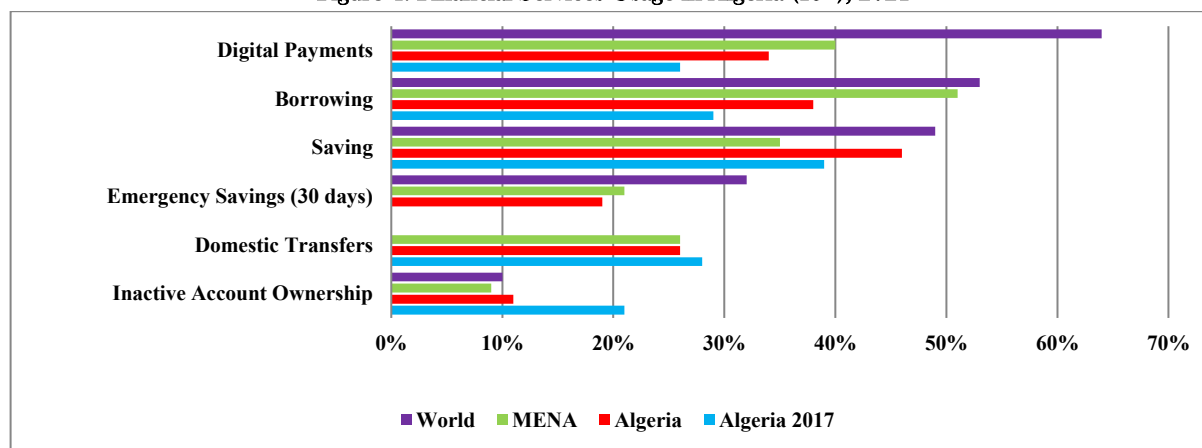
Prepared by the authors based on (2)

According to the figure above, there is a wide gender gap of 26% in Algeria. It is worth noting that this gap has decreased by one percentage point compared to 2017; however, it remains higher than in neighboring countries: Morocco (25%), Tunisia (17%), Libya and Mauritania (11%) (2). This indicates a lack of attention to women’s financial inclusion in Algeria, due to low economic integration and high financial illiteracy among women, particularly in rural areas, suggesting that the majority of women experience financial exclusion.

A similar situation is observed in the Middle East and North Africa (MENA) region, where the gender gap in 2021 reached 12 percentage points in favor of males, whereas at the global level, gender disparities are much narrower, with a 4 percentage point gap favoring men.

The persistent gender gap in Algeria highlights the insufficiency of financial instruments that promote inclusive access to credit through formal financial institutions, coupled with the lack of trust among citizens toward financial institutions.

Figure 4. Financial Services Usage in Algeria (15+), 2021



Prepared by the authors based on (2) (3)

As shown in the figure above, Algeria experienced an increase in digital payments, with 34% of Algerian adults making or receiving digital payments in 2021, up from 29% in 2017, representing a 5-percentage-point increase. This growth coincided with the COVID-19 pandemic. Nevertheless, compared to global figures, the ability of individuals in Algeria to cope with unexpected expenses or job loss remains a significant challenge, as only 19% of adults were able to access emergency funds within 30 days without difficulty, indicating limited financial resilience in the country. In 2021, 46% of adults in Algeria reported having saved money over the past year (compared to 49% globally and 35% in the Middle East and North Africa). However, only 16% of savers deposited their savings formally in a bank or other financial institution, representing an increase of 5 percentage points over 2017 (11%). This figure is higher than the MENA average; for instance, neighboring countries such as Tunisia recorded 4% and Morocco 1% formally

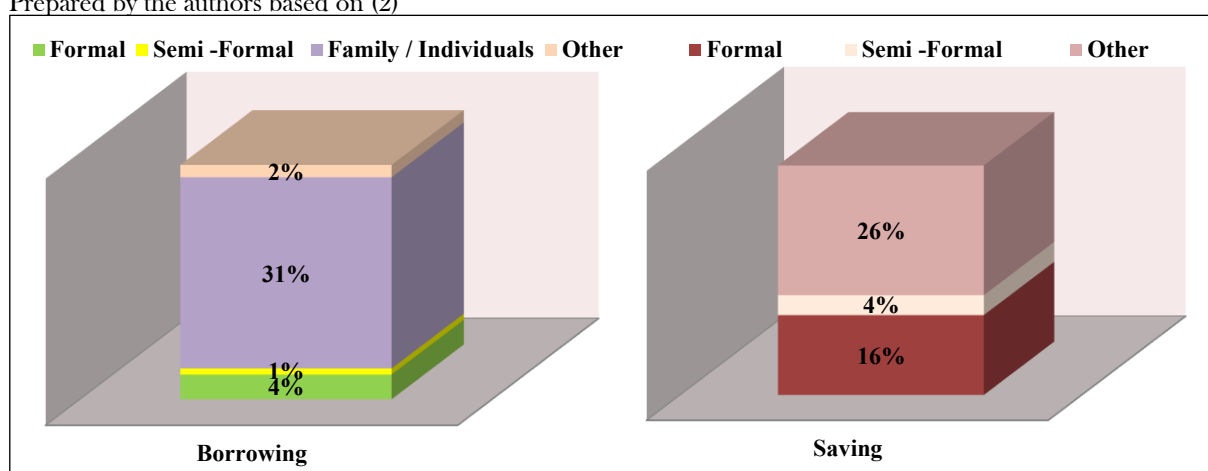
saved, while the MENA region overall showed no change in formal savings between 2017 and 2021, maintaining a rate of 11%.

Although Algeria shows better figures than its neighbors, it still falls short of the desired level, as the savings indicator is a key measure of financial usage. The low formal saving rate may be attributed to weak trust in the banking system, religious considerations deterring interest-based returns, and the predominance of cash-based transactions rather than the use of bank accounts.

A similar pattern is observed regarding borrowing from financial institutions. Although borrowing in Algeria improved by 10 percentage points compared to 2017, the country still lags significantly behind global levels, with 38% of Algerian adults borrowing from financial institutions in 2021, compared to 53% globally. Comparing these figures with account ownership and formal savings during the same period reveals a lack of proportionality, likely due to high interest rates or difficulties in accessing credit because of collateral requirements. These obstacles pose a major challenge for the Algerian government in promoting inclusive access to finance, especially since a significant portion of adults relies on alternative borrowing sources.

Figure 5. Key Sources of Saving and Borrowing in Algeria, 2021

Prepared by the authors based on (2)



Based on the figure, it is evident that Algerian individuals rely on alternative methods for saving and borrowing more than on formal channels:

➤ **Saving:** Only 16% of savers reported saving formally in a bank or other financial institution. An alternative is semi-formal saving, either through a savings club or entrusting savings to someone outside the household, with 4% of savers reporting using this method. Notably, 26% of savers reported saving through other means, which may include keeping cash at home or saving in the form of livestock, jewelry, real estate, etc. While account ownership is a prerequisite for formal savings, the percentage of account holders exceeds that of formal savers, indicating that the use of savings accounts remains limited. Two main motives for saving are observed: old age and saving for the establishment, operation, or expansion of a business.

➤ **Borrowing:** 38% of adults reported borrowing money. According to the figure above, borrowing from family or friends is by far the most common source of credit, at 31%, whereas only a very small proportion turn to formal credit, which declined by one percentage point from 2017 to 2021, with just 4% borrowing from formal financial institutions. This is low compared to neighboring countries, for example, Tunisia (10%) and Egypt (7%). This situation has prompted national strategies to enhance financial inclusion. The 2021 Global Findex survey also inquired about the purpose of borrowing: for medical expenses or to start, operate, or expand a business. In Algeria, 12% of adults reported borrowing in the past year for medical purposes. Considering that saving and borrowing are key mechanisms for financing business investments, it is noteworthy that relatively few individuals reported saving or borrowing for commercial projects.

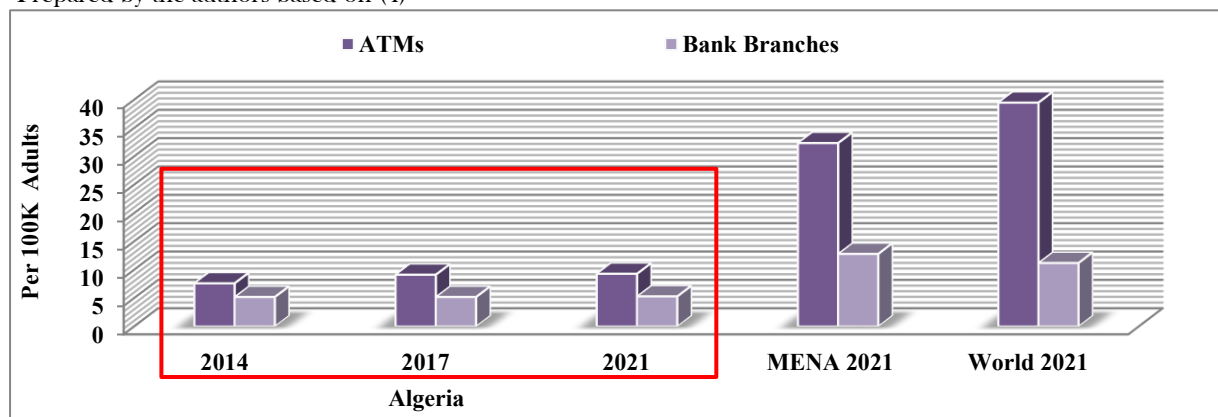
In summary, Algeria possesses a relatively active borrowing environment; however, the low share through formal channels highlights the potential for addressing demand more effectively through digital channels.

2. Supply-Side Perspective:

The number of bank branches and ATMs is one of the most important indicators of financial inclusion, particularly for the access dimension. Higher values of these indicators increase the likelihood of including a larger number of adults in the community, and vice versa. To ensure comparability, these figures are presented per 100,000 adults, as shown in the following figure.

Figure 6. Bank Branches and ATMs in Algeria, 2021

Prepared by the authors based on (4)



The figure clearly shows that the number of commercial bank branches in Algeria is very low compared to the Middle East and North Africa (MENA) region and the world, which recorded 12.8 and 11.2 commercial bank branches per 100,000 adults, respectively, in 2021. Furthermore, the number of bank branches in Algeria does not align with or keep pace with population growth. The indicator stood at 5.3 commercial bank branches per 100,000 adults, which is insufficient and represents one of the main causes of financial exclusion in the country. This ratio has remained relatively stable since 2014, showing little change. According to the same statistics, the total number of commercial banks declined to 19 banks (6 public banks and 13 private banks) after remaining stable at 20 banks during 2011–2017 (5). Meanwhile, the number of commercial bank branches increased from 1,501 branches in 2017 to 1,603 branches in 2021, marking a 6.7% increase.

A significant weakness is also observed in the distribution of ATMs in Algeria, compounded by the low number of bank branches. In 2021, which is considered the best year on record, the density of ATMs reached 1.20 units per 1,000 km², indicating a concentration in certain areas at the expense of others. Additionally, in 2021, there were 9.3 ATMs per 100,000 adults, which is very low compared to MENA (32.35) and globally (39.49). The total number of ATMs in Algeria in the same year was 2,868 units, showing a slight increase of approximately 8% over 2017. However, this remains insufficient, roughly comparable to the number of bank branches (1,603 branches in 2021), which translates to approximately two ATMs per branch, negatively impacting financial inclusion, especially since ATM availability is a key indicator of access to financial services (6).

Overall, Algeria has shown some relative improvements from 2017 to 2021 in the use of financial services. Nevertheless, the country lags behind the world and many regional areas, with only a slight increase observed. Notably, the spread of formal financial services remains below 50% on average, highlighting the need for continued efforts to expand financial inclusion.

II. Challenges Hindering the Expansion of Financial Inclusion in Algeria

Among the factors preventing the expansion of financial inclusion in Algeria, the following stand out:

1. Limited Banking Coverage

This analysis relies on global standard ratios for banking penetration and bank density, as illustrated in the table below:

Table 1. Banking Penetration and Density in Algeria, 2014–2021

Years	Population (Millions) ¹	Total Number of Bank Branches ²	Banking Penetration (%)	Bank Density ^(2/1) per 10,000 Adults
2014	38760168	1531	25316	0.395
2015	39543154	1556	25413	0.394
2016	40339329	1577	25579	0.391

2017	41136546	1595	25790	0.388
2018	41927007	1617	25928	0.386
2019	42705368	1642	26008	0.384
2020	43451666	1671	26003	0.385
2021	44177969	1700	25987	0.385

Banking Penetration = Population / Branches (1 Branch per 10,000 Adults)

$$\text{Bank Density (Cameron)} = 10,000 \times \frac{\text{Branches}}{\text{Population}}$$

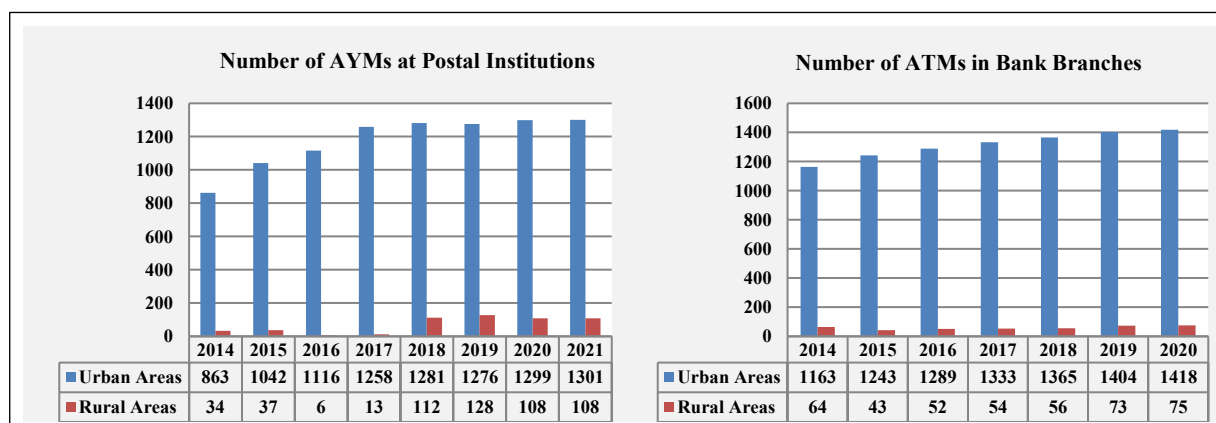
- Value = 1: Optimal Level
- Value > 1: Positive Deviation from the Optimal Level
- Value < 1: Negative Deviation from the Optimal Level

Prepared by the authors based on (7) (5) (8) (9)

As shown in the table above, regarding the geographical coverage of bank branches, a significant weakness in banking outreach is evident. In 2021, there was only one branch for every 25,987 inhabitants. This is further confirmed by the low banking density, which stood at 0.385, below the benchmark value of one. This represents a negative deviation according to the Cameron model, indicating that the level of bank branch penetration is insufficient. Consequently, banking services are not accessible to all segments of society, highlighting a structural imbalance in the geographical distribution of bank branches. Most branches are concentrated in the northern regions of the country, which limits access to banking services and products for the majority of the population, particularly those residing in rural and remote areas.

To address these challenges, several measures could be implemented. These include increasing investment to expand the banking branch network in rural and southern regions, promoting competition among private banks to offer more diversified and competitively priced banking services, and enhancing financial technology (FinTech) to facilitate access to banking services via mobile phones and the Internet. Implementing these measures could improve the distribution of banking services across the country and broaden financial access to a larger portion of the population.

Figure 7. ATMs at Post Offices and Bank Branches in Algeria, by Region



Prepared by the authors based on (10)

Although Algeria experienced a significant increase in the number of automated teller machines (ATMs), both within postal institutions and commercial bank branches, over the period from 2014 to 2021, the vast majority—if not all—of these ATMs remain concentrated in urban areas. This spatial concentration is likely driven by higher population density and greater levels of economic activity in these regions, particularly in major cities. Nevertheless, there is a clear need for improvements and targeted initiatives aimed at expanding ATM networks to rural areas, as such expansion could have a substantial positive impact on financially underserved populations, thereby contributing to enhanced financial inclusion and local economic development. Achieving this objective largely depends on government policies and the specific needs of local populations.

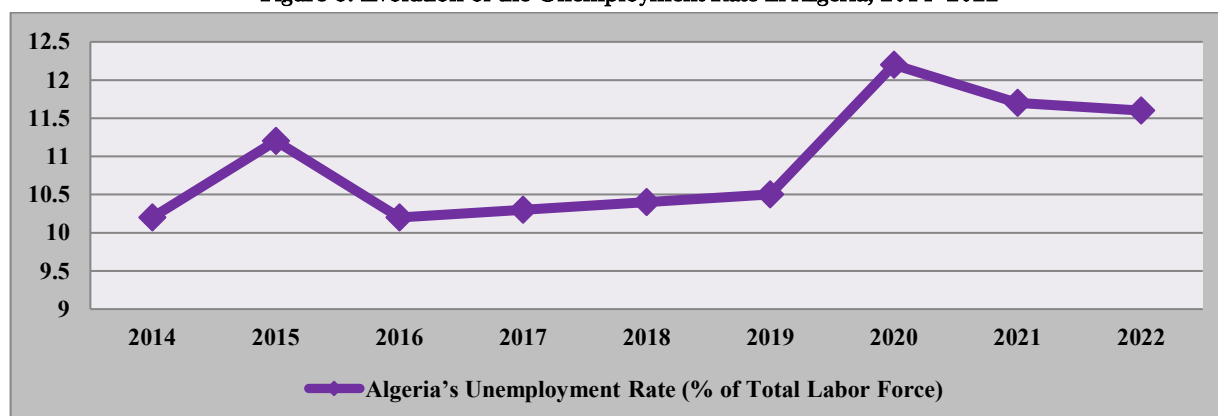
It is worth noting that extending ATM networks to rural areas requires additional financial investments and supporting infrastructure, including the expansion of telecommunications networks and the provision of reliable electricity supply. Moreover, effective strategies are needed to raise awareness among rural populations regarding the use of ATMs and electronic banking services. Strengthening financial inclusion in rural areas can stimulate the

development of small businesses and local economic projects, enhance employment opportunities, and reduce reliance on informal financial channels and the shadow economy. Therefore, it is essential for the government to design and implement effective strategies to expand ATM networks and strengthen banking services in rural areas in a manner that aligns with population needs and prevailing economic conditions.

2. High Unemployment Rates

Employment is one of the key determinants of financial inclusion. Individuals who are unemployed or engaged in informal, irregular, or insecure forms of employment often face significant barriers to accessing financial services and participating in the formal financial system, primarily due to income instability and limited financial security.

Figure 8. Evolution of the Unemployment Rate in Algeria, 2014–2022



Prepared by the authors based on (11)

As shown in the figure above, unemployment rates in Algeria remain relatively high, exceeding 10% in most years, particularly in light of the country's high proportion of youth. The year 2020 recorded the highest unemployment rate at 12.2%, while the lowest rate was observed in 2014 at 10.2%, which nonetheless remains relatively elevated. A comparison between the highest and lowest unemployment rates reveals a difference of only two percentage points, indicating a relatively stable yet persistently high level of unemployment over the period under review (12).

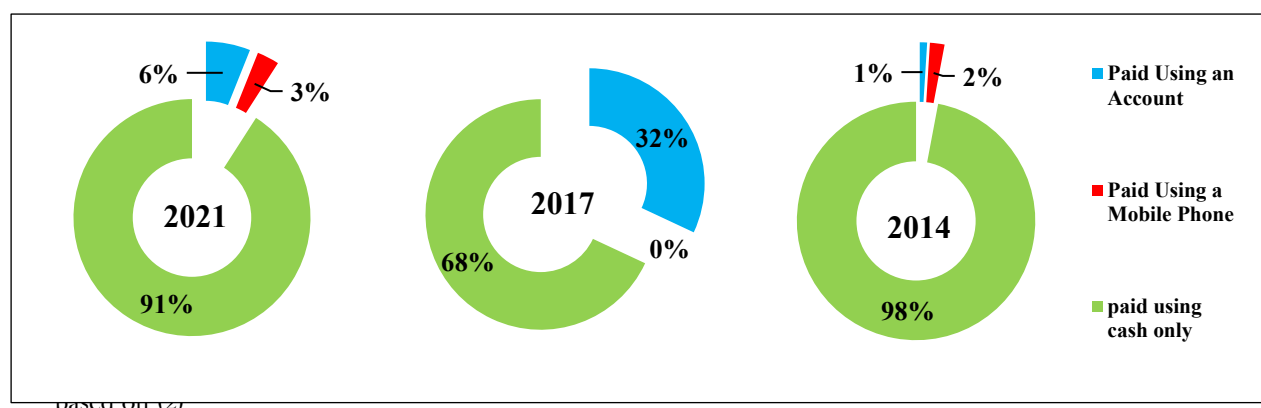
This situation reflects the presence of structural economic and social challenges in Algeria, especially for young job seekers. Despite the multiplicity of government efforts and programs—such as the unemployment allowance granted to first-time job seekers registered with the National Employment Agency—and the significant public funds allocated to these initiatives, outcomes remain below expectations. Unemployment and its associated socio-economic effects continue to be evident in the lived reality of Algerian society.

The Algerian government can play a pivotal role in expanding employment opportunities and fostering economic development as a means of reducing unemployment rates. This can be achieved through the creation of sustainable and stable jobs, the promotion of financial literacy, and the provision of appropriate financial services for individuals facing difficulties in securing regular income and social benefits. Such measures would enhance individuals' participation in the formal financial system and contribute to strengthening financial inclusion.

3. Weak Transition toward a Cashless Economy

Excessive reliance on cash remains one of the key economic challenges faced by many countries, and Algeria is no exception. A large share of economic transactions continues to be settled in cash, with limited use of postal or banking accounts, as illustrated in the following figure.

Figure 9. Percentage of Adults (15+) Paying Utility Bills in Algeria



The figure above shows that in 2014, 97% of utility bills in Algeria were settled in cash, indicating that cash was the predominant means of payment during that period. This reflects a strong reliance on cash transactions for bill payments. In 2017, this proportion declined markedly to 68%, suggesting a relative increase in the use of non-cash payment methods, such as bank accounts, payment cards, or electronic payment instruments.

Despite this improvement in 2017, the trend reversed in 2021, with the share of cash-based bill payments rising again to 91%, signaling a renewed and substantial reliance on cash. This shift was accompanied by a sharp decline in the use of bank accounts for bill payments, which fell from 32% to 6%, representing a decrease of 26 percentage points. As for mobile phone-based payments, their use reached 3% in 2021, which constitutes only a modest development compared to 2017, when this method was virtually non-existent.

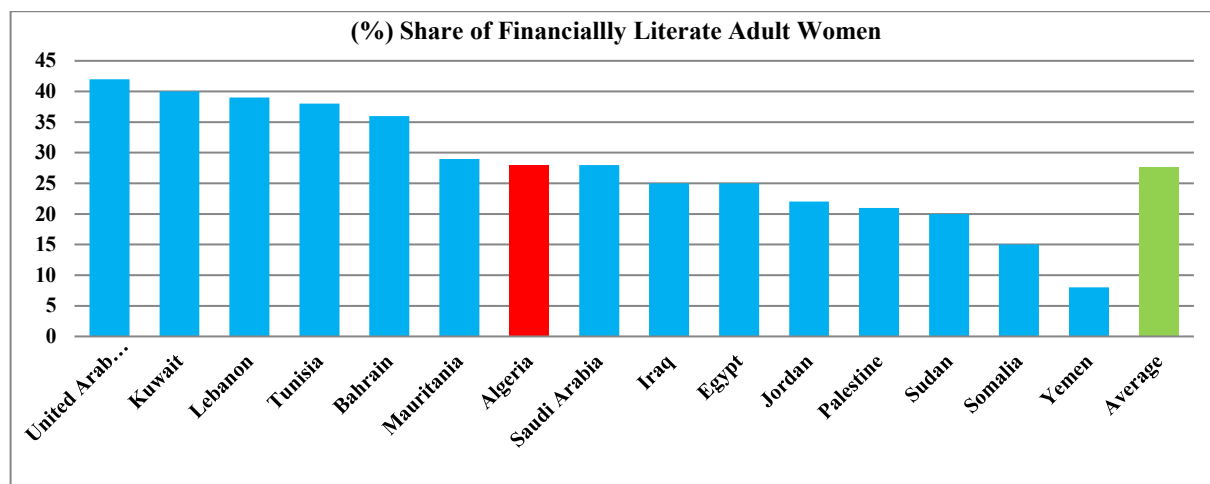
Overall, the period between 2017 and 2021 witnessed a significant setback in the use of non-cash payment instruments—particularly bank-based and mobile payments—for settling utility bills in Algeria. This trend provides strong evidence of the persistence and expansion of the informal economy, which is characterized by limited interaction with formal financial institutions. Several factors may explain this phenomenon, including:

- Limited awareness of electronic payment methods, reflecting insufficient knowledge of their benefits and a lack of familiarity with their secure use. This suggests a need for enhanced financial education and training on digital banking services, mobile applications, and other electronic payment tools.
- A preference for cash transactions or dealings with unregistered individuals and businesses, often motivated by the desire to avoid fees, taxation, and regulatory requirements.
- Constraints related to the availability and quality of banking services and electronic payment infrastructure, as limited access to digital financial services can hinder their adoption.
- Low levels of trust in the banking system, as weak confidence in formal financial institutions may encourage individuals to rely on cash transactions or informal service providers.

4. Weak Financial Literacy among Women

Weak financial literacy remains a major challenge in many countries worldwide, including Algeria. Despite the efforts undertaken by the Algerian government and relevant stakeholders to promote financial education—particularly through programs aimed at empowering women in finance and investment—progress remains limited, and Algeria continues to lag behind in this area.

Figure 10. Financial Literacy among Women in Algeria Compared to Arab Countries, 2021



Prepared by the authors based on (13)

As illustrated in the figure above, Algeria continues to exhibit a significant gap in women's economic participation compared to other Arab countries. Algeria ranked seventh in terms of the percentage of financially literate women relative to the total adult female population, with a rate of 28%, despite progress achieved in recent years through initiatives and programs aimed at supporting women in finance and investment. Nevertheless, a substantial gap remains in women's participation in the workforce and entrepreneurship in Algeria.

This economic disparity is also evident in financial inclusion, where only 31% of women have a financial account, compared to 57% of men, according to the Global Findex Database. Such a gap in financial inclusion not only limits women's financial independence and ability to manage their resources but also adversely affects their employment opportunities and the growth of their businesses.

Although the challenges in Algeria are significant, there are also opportunities. The government is pursuing financial inclusion strategies aimed at improving women's access to financing and related financial services. Notably, innovative digital financial services have considerable potential to accelerate this process by enabling low-income women to access financial services through non-traditional channels. However, this is not guaranteed; it requires a carefully designed approach to ensure that emerging systems in Algeria's digital finance ecosystem are inclusive of women rather than excluding them.

Several factors have been identified as contributing to the continued weakness in this area:

- **Economic Challenges:** Algeria faces economic constraints due to declining oil prices, a primary source of national revenue, which reduces the capacity to allocate additional resources to financial literacy programs.
- **Educational Challenges:** There may be a lack of financial education in schools and universities, leaving individuals without the foundational knowledge required to understand and manage financial matters.
- **Borrowing Orientation:** The prevalence of irresponsible borrowing can overshadow the importance of financial literacy, as some individuals prefer taking on debt rather than pursuing savings and smart investment strategies.
- **Lack of Awareness and Guidance:** Limited knowledge and awareness play a substantial role in low engagement with financial literacy initiatives.

To overcome weak financial literacy in Algeria, the government, financial institutions, and educational entities must collaborate to develop effective programs targeting different segments of society. These programs could include educational materials, workshops, and personalized financial guidance for individuals and households. Furthermore, awareness campaigns highlighting the importance of financial planning and saving can strengthen the culture of financial literacy among Algerian women.

Conclusion

This study concludes that the state of financial inclusion in Algeria reflects a combination of relative improvements and deep structural challenges. Indicators reveal limited progress in certain dimensions of financial inclusion, particularly in terms of bank account ownership and the increased use of digital payments, notably during the COVID-19 pandemic. However, these improvements remain insufficient to reach the levels of financial inclusion observed globally or even in some countries within the Middle East and North Africa, highlighting the persistence of structural imbalances within the financial system.

From the demand side, the analysis shows that actual usage of formal financial services remains low, despite a substantial proportion of the population holding bank accounts. Cash continues to dominate, and informal channels

are frequently used for saving and borrowing. The study also revealed a significant gender gap in financial inclusion: Algerian women continue to face financial exclusion due to limited financial literacy, low economic integration, and socio-economic constraints, which hinder their ability to access and effectively utilize financial services to improve their economic conditions.

From the supply side, the study identified a clear weakness in the distribution of bank branches and ATMs, with a pronounced geographic imbalance. Most facilities are concentrated in urban areas, leaving rural and remote regions underserved. This lack of infrastructure is a key factor explaining limited access to financial services, particularly for vulnerable groups, and reflects a failure to keep pace with population growth and economic changes. Additionally, high unemployment rates, especially among youth, further limit financial inclusion, given the strong link between access to financial services and employment stability or regular income.

The study also highlighted that the shift toward a cashless economy in Algeria remains limited. Despite efforts in financial digitization, cash continues to dominate daily transactions, reflecting low trust in formal financial institutions, limited awareness of electronic payment methods, and challenges related to digital and regulatory infrastructure.

In light of these findings, the study emphasizes that promoting financial inclusion in Algeria requires a comprehensive and integrated approach. This approach should focus on strengthening financial infrastructure, expanding the network of bank branches and ATMs—particularly in rural areas—accelerating digital transformation, and developing electronic financial services. Equally important is investing in financial literacy programs, particularly targeting women and youth, as a critical tool for reducing financial exclusion and enhancing the effective use of financial services.

Therefore, achieving effective and sustainable financial inclusion in Algeria hinges on the capacity of public policies to build trust in the financial system, reduce socio-economic gaps, and leverage digital financial innovation as a key driver to support economic growth and achieve inclusive socio-economic development.

Ethical Considerations

This study was conducted in accordance with internationally recognized principles of research ethics. The research is based exclusively on secondary data sources, including international reports, official statistics, and previously published academic studies. No primary data collection involving human participants, personal interviews, surveys, or experiments was undertaken. Consequently, ethical approval from an institutional review board was not required. The authors ensured proper citation of all sources and adhered strictly to academic integrity standards, avoiding plagiarism, data manipulation, or misrepresentation of findings.

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Conflict of Interest

The authors declare that there is no conflict of interest regarding the publication of this paper. The authors have no financial, professional, or personal relationships that could have influenced the research outcomes or interpretations presented in this study.

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