Science, Education and Innovations in the Context of Modern Problems
Issue 1, Vol. 9, 2026

RESEARCH ARTICLE

The problem of bank financing of private investment projects in the tourism sector in Algeria

Sadouki Yasmina
Dr.
University Morsli Abd El Allah of Tipaza
Algeria
Email: sadouki.yasmina@cu-tipaza.dz

Issue web link https://imcra-az.org/archive/389-science-education-and-innovations-in-the-context-of-modern-problems-issue-1-vol-9-2026.html

Keywords Bank financing, private investment, Tourism sector, Algeria, Project funding

Abstract
Tourism-rich countries in general, and Algeria in particular, face significant challenges in tourism development, including the need to establish effective mechanisms to promote this vital sector, which constitutes a fundamental pillar of tourism growth in Algeria. Efforts are primarily focused on finding appropriate means and mechanisms to finance tourism projects, with particular attention paid to private sector initiatives due to their limited capital relative to the substantial costs required to implement them. Investment in the tourism sector is influenced by the quality of services offered, available infrastructure, and a favorable and attractive investment environment. However, despite laws and regulations in place to promote tourism in Algeria, these conditions remain insufficient. Yet, the country boasts exceptional and globally rare tourist resources, making it a leading tourism hub.

Citation
Sadouki Y. (2026). The problem of bank financing of private investment projects in the tourism sector in Algeria. *Science, Education and Innovations in the Context of Modern Problems*, 9(1), 773-779. https://doi.org/10.56334/sei/9.1.69

Received: 21.07.2025 | Accepted: 10.12.2025 | Published: 05.01.2026 (available online)

Introduction:

Despite these strengths, the tourism sector continues to face numerous challenges, particularly regarding financing. The banking sector, particularly banks, remains the main source of financing for tourism investments, in the absence of other financing channels, particularly for private investment projects. Indeed, the latter often have limited financial capacity and must resort to bank loans to carry out their projects.

Although the state intervenes through various support mechanisms and agencies it has created, its role remains closely linked to the involvement of the banking sector. One of the main challenges faced by tourism businesses when investing, and no less important than the issue of tourism land, is access to the financial resources needed to bring their projects to fruition. This is why the majority of domestic private investors in the tourism sector strive to secure financing for their projects.

These considerations lead us to ask the following questions:

- What is the role of banks in financing private tourism investment projects?
- How can this role be strengthened to boost the national tourism sector?

To address this issue, we will analyze the following aspects:

1. The concept of bank financing

2. Sources of financing for private tourism projects

3. Difficulties in financing private tourism investments.

4. Implementation of a new financing technique for private tourism projects - Creation of a financing guarantee fund for tourism loans

First axis: The concept of bank financing and its sources

Financing is a fundamental element for the creation, operation, and expansion of establishments and projects, regardless of their nature and size. A company requires various financing instruments to cover its various financial needs, thus enabling it to operate and fulfill its usual functions. These funds are obtained from various sources.

1. Definition of Bank Financing

Generally speaking, financing refers to the provision of funds by banks to clients, businesses, institutions, and any entities that request them, in return for interest and financial benefits received by the latter. This financing allows them to raise capital for new investment projects, improve and expand existing projects, or meet individual consumption needs in the public sector or for other purposes. (Saker, 2006)

Currently, bank financing has become one of the main sources for individuals to obtain funds. It constitutes a key pillar on which many individuals, businesses, and institutions rely. Furthermore, it is used to support the capital of small businesses and projects.

Bank financing can also be defined as a set of administrative functions related to the management of monetary flows, commitment to these flows, and the bank or institution's ability to achieve its objectives. It also implies the ability to honor and settle the institution's financial obligations within the required timeframe.

Generally speaking, bank financing covers all banking operations related to the granting of funds to individuals, businesses, institutions, and government agencies (Cheikhi & Al-Jazrawi, 1998).

The volume of tourism credit has tripled in recent years compared to 2004. However, the most significant increase was recorded in 2013, mainly due to the adoption of the 2009 Supplementary Finance Act, which introduced several incentive measures for the tourism sector. These measures included the reduction of interest rates on bank loans for tourism investment, bringing them down to 3% and 4.5%.

In addition, the Ministry of Tourism has entered into agreements with several public and private financial and banking institutions. Financial and banking institutions involved in financing tourism investments include:

- **CPA** (Crédit Populaire d'Algérie)
- **BDL** (Local Development Bank)
- **CNEP** (National Savings and Provident Fund)
- **BADR** (Bank of Agriculture and Rural Development)
- **FGAR** (SME Credit Guarantee Fund)
- **SPA El Djazaïr Istithmar** (Algeria Investment Company)

In addition, some private banks, such as **SGA, AGB** (Arab Gulf Bank), Al **Baraka Bank**, and **Trust Bank**, have committed, since 2014, to financing tourism investment projects up to 70% of the project cost, for a maximum term of 12 years, offering several benefits, including:

- **Extension of the loan repayment period for large-scale**, high-value investments.
- Reduction of the processing time for bank financing applications to 40 days. • FGAR covers the financing guarantee for equipment.
- Algérie Investment provides support to investors' capital to enable them to obtain bank loans.

The government has also established Wilaya Investment Funds, aimed at facilitating access to financing for SMEs, including those operating in the tourism sector. By Article 100 of the 2009 Supplementary Finance Act, 48 investment funds have been established at the wilaya level, in addition to six venture capital companies, including:

- Algérie Investissement, whose capital is 30% owned by CNEP and 70% by BADR.
- SOFINANCE, created by five public banks.
- FINALEP, a joint Algerian-French company founded with the participation of Crédit Populaire d'Algérie, the Banque de Développement Local, and the Agence Française de Développement.

Finally, it is worth highlighting the tax incentives granted to the tourism sector, which were discussed in the first chapter of this study. These measures constitute a form of indirect financing for tourism investment projects.

2. The Importance of Bank Financing

Each state adopts an economic, financial, and development policy consistent with current practices in other countries around the world. The objective of this policy is not only to ensure economic growth but also to guarantee the well-being of its citizens. To achieve development goals, it is essential to adhere to a set of fundamental principles, including planning development projects based on the country's economic needs and capacities. The success of development projects depends on the development of a rigorous financing plan, enabling institutions to meet their financial needs and adopting practices that promote optimal use of available funds. (Chafik & Tneib, 1997)

Thus, the fundamental role of bank financing is to implement the country's financial policy through the following actions:

• Providing capital to support, develop, and establish projects, which contributes to the creation of numerous job opportunities and the reduction of unemployment, thus promoting economic development.

• Improving the well-being of society in general and individuals in particular by providing employment opportunities, facilitating access to financial resources, and enabling them to meet their basic needs. This can also lead to an improvement in living standards and access to comfort goods.

• Freeing up tied-up financial resources, whether held by institutions or external economic actors.

• Helping businesses overcome their financial difficulties by enabling them to emerge from deficits and protecting them against the risk of bankruptcy.

Second Axis: Financing Sources for Private Tourism Projects

Private tourism projects first mobilize their internal financing resources before resorting to external financing sources. These fall into several categories, including:

1 - Personal Savings

Tourism project promoters often invest their savings at the beginning of their business. This financing method is preferred because it allows them complete freedom to manage the business and guarantees them exclusive ownership of the profits in the event of success. It also avoids resorting to other sources of financing that are riskier or difficult to access.

However, if personal savings prove insufficient, particularly when expanding the business or in the absence of sufficient equity (Al-Ansari & Awad), the investor can turn to another source of financing, namely financial assistance from family, relatives, or friends.

2 - Family Resources

To overcome financing difficulties, an entrepreneur can seek help from family or relatives, who can provide the necessary funds to launch their project. This financing method has the advantage of being simple and accessible.

However, it also carries risks, particularly regarding the repayment of borrowed amounts. If the project does not generate profits and suffers losses, family lenders will seek to recover their money, which can lead to tensions and interference in business management. However, these relatives do not always have the necessary expertise to make informed decisions, which could harm the viability of the project and jeopardize its success. (Sediki, 2005/2006)

However, in most cases, tourism projects cannot continue their development by limiting themselves to the two previous sources of financing, due to the high costs of tourism services and the intense competition that characterizes this sector, both nationally and internationally.

Thus, investors turn to other external sources of financing, including:

3 - External Financing Sources

Private tourism projects rely on various external financing sources, which can be short-, medium-, or long-term.

1. Trade Credit

Trade credit is a form of short-term financing granted by suppliers to businesses. It corresponds to the value of purchased goods that the business resells or uses in its production process. This source of financing is often preferred over bank loans and other forms of short-term financing. In some cases, it is even the only source of short-term financing available to some businesses.

This type of credit is also called "automatic credit" because it naturally adapts to fluctuations in business volume: it increases during periods of growth and decreases during periods of economic downturn. This is one of its main advantages, in addition to the fact that it is often obtained without cumbersome administrative formalities. (Charrad, 2014/2015)

2. Commercial Paper

Commercial paper is a guaranteed payment instrument issued by large companies known for their financial strength. These securities are sold by specialized intermediaries to end investors, such as:

- Commercial banks,
- Insurance companies,
- Investment funds,
- Companies with excess cash.

These commercial papers have a face value, a fixed interest rate, and a specified maturity date, generally between one and six months. The interest rate charged is often lower than that of traditional bank loans, but slightly higher than the interest rate on certificates of deposit. (Khababa, 1998)

C. Bank Credit

Bank credit encompasses all types of loans granted to companies by financial institutions and private banks. Companies generally use this type of financing in the following situations:

- When operational needs exceed resources from equity capital.
- When the company's market reputation does not allow it to easily access financing or benefit from favorable terms.
- When the company is newly established and does not yet have sufficient credibility to obtain commercial credit facilities. Bank credit is therefore one of the main sources of short-term financing used by businesses. Obtaining it depends on the company's reputation and solvency, unlike trade credit, which is directly linked to the company's transaction volume.

Private tourism projects can also be financed through long-term financing mechanisms, including:

- Bonds, which can be secured or unsecured.
- Long-term bank loans, often granted to large companies or large-scale projects. (Khababa, 1998)

Banks support private tourism projects through various forms of financing, including:

- Financial leasing (rental with an option to purchase).
- Crowdfunding (Moudaraba, Murabaha, etc.).
- Long-term contractual bank loans.

Banking services dedicated to tourism sector businesses

In addition to financing, banks offer various specialized banking services to tourism project developers, including:

- Issuing tourist checks. (Zeitoun, 2001)
- Opening documentary credits for tourism transactions.
- Foreign currency transfer and exchange orders.
- Tourism credit cards (Visa, Mastercard).

Despite the diversity of financial instruments and banking services available to tourism sector investors, several constraints persist, making access to bank financing difficult for many private tourism project developers.

Third area: Difficulties in financing private tourism investments

Obtaining bank financing for a tourism project is not an easy task. Private investors in the tourism sector face numerous difficulties before receiving a positive response from the bank regarding the financing of their investment.

1. Limited Bank Involvement in the Tourism Sector

Although the role of banks in financing tourism projects has significantly evolved since 2013, their contribution remains small compared to other economic sectors.

This is mainly due to the specific nature of tourism investments, which are characterized by:

- Long implementation times, representing increased risk for banks.
- High investment costs, requiring substantial financing.

• Delayed return on investment, making these projects less attractive to financial institutions.

As a result, banks are reluctant to grant long-term loans to tourism developers.

2. Inadequate Evaluation of Financing Applications

Another major obstacle relates to the processing of credit applications. Currently, financing applications for tourism projects are reviewed by ordinary banking agents, who also process credit applications for other economic sectors.

However, these agents:

• Do not specialize in the tourism sector.

• Do not have the necessary knowledge to understand the specificities of tourism investments.

This lack of specialized training affects the quality and efficiency of financing application processing, often leading to unjustified rejections or excessive delays in loan approvals (Ismail, 1995).

3. Analysis of the viability of tourism projects

Before granting a loan, the bank conducts an in-depth study of the feasibility and profitability of the tourism project. This analysis is based on several criteria, including: (Chiha)

• Assessment of the project's financial risk.

• Analysis of the expected return on investment.

• The investor's solvency and repayment capacity.

However, given that tourism investments often require several years to generate profits, banks remain wary of providing significant long-term financing.

Financing private tourism projects faces several challenges, including banks' lack of specialization, reluctance to grant long-term loans, and processing procedures poorly adapted to the specificities of the sector. To overcome these obstacles, it is essential to strengthen the training of banking agents and develop financial mechanisms adapted to the realities of tourism. (Pierre, 1996)

The feasibility study of the tourism investment project highlights the project's costs and the degree to which the investor adheres to economic indicators when calculating prices. (Obeid)

An investor applying for a bank loan may forget to accurately include training and operational testing expenses in pre-operational costs. They may also fail to consider the cost of building worker housing or transportation, despite the remoteness of the project site and the lack of adequate transportation infrastructure.

Furthermore, some common errors include:

• Underestimating the costs of connecting to public infrastructure (electricity, water, sanitation).

• Failing to account for increased asset costs (buildings, facilities, equipment).

• Neglecting exchange rate fluctuations when purchasing equipment in foreign currency.

• Incorrectly assessing customs duties on imported assets.

• Underestimating the cost of financing, which leads to long-term difficulties in repaying the loan.

Several errors can be noted when analyzing project revenues:

• Overestimating the selling prices of the project's products or services, making its offering less competitive.

• Inadequate market research, which does not take into account competition from new projects currently being launched.

• Overoptimism in assessing the scale-up of operations, without considering initial market challenges.

• Errors in calculating operating costs, including maintenance costs, salaries, energy consumption, and raw materials.

These errors can jeopardize obtaining bank financing and lead to difficulties in ensuring the project's viability.

For these reasons and many others, it is necessary to change financing methods in the tourism sector by adopting venture capital as an alternative.

This approach ensures financial support while benefiting from the support of venture capital firms, which not only invest funds but also participate in project management throughout the project.

5. Establishment of a new financing technique for private tourism projects - Creation of a tourism loan financing guarantee fund -

Conclusion:

Through the study of this topic, it became apparent that it was necessary to create banks specialized in financing tourist accommodation capacity and reception infrastructure while increasing financial involvement in a large number of tourism investment projects. The objective is to encourage entrepreneurs to invest their capital in the tourism sector, as is the case in Morocco, which has established banks specialized in this field, such as Crédit Immobilier et Hôtelier (CIH).

Furthermore, the establishment of an interest rate reduction system on loans for tourism projects, with the difference covered by a special interest rate reduction fund, would increase the attractiveness of tourism investment. It is also essential to train banking staff in tourism project management so that they can properly review financing applications, taking into account the sector's specific characteristics compared to other economic sectors.

Furthermore, the establishment of a special loan guarantee fund for tourism investments is essential. This fund should directly guarantee tourism loans with banks, thus reducing the burden of guarantees required by the latter from tourism investors before granting financing.

We also recommend the adoption of new financing mechanisms to stimulate the tourism sector and encourage private investors. Among these mechanisms, Islamic Housing Finance (IHF) in Islamic banks has proven to be an effective model, particularly in several Islamic tourism countries such as Saudi Arabia, Kuwait, and the United Arab Emirates. These countries have achieved very satisfactory results, having had a positive impact on the development of their tourism sectors. This mechanism would enable private investors to obtain financing for the construction and equipment of new tourism infrastructure.

Finally, we believe it is crucial to create a new type of loan called a "hotel loan," as is the case in developed countries in the tourism sector. This loan could be implemented within one of the existing banks, such as Crédit Populaire d'Algérie (CPA) or the Banque de Développement Local (BDL), which provide the majority of financing to the private sector.

In conclusion, combating nepotism in the granting of tourism loans and reducing bureaucracy remain the most effective solutions to support domestic private investors and boost the tourism sector.

References:

1. Al-Ansari, A. M., & Awad, I. K. (n.d.). Management of Tourism Establishments, 1st edition. Amman: Dar Safaa.
2. Chafik, M., & Tneib, H. (1997). Fundamental Principles of Financial Management. Lebanon: Dar Al-Mustaqbal and Distribution.
3. Charrad, J. (2014/2015). The Role of Banks in the Development of the Tourism Sector: The Case of the Wilaya of El Oued, Master's Thesis in Economics. Specializing in Banks.
4. Cheikhi, H., & Al-Jazrawi, I. (1998). Modern Financial Management, 1st edition. Jordan: Dar Safaa for publishing and distribution.
5. Chiha, M. R. (n.d.). Monetary and Banking Economics. Alexandria: Dar Al-Maaref University.
6. Ismail, M. O. (1995). Financing and Financial Management of Business Organizations. Cairo: Dar Al-Nahda Al-Arabiya.
7. Khababa, N. (1998). Financial Management. Beirut: Dar Al-Nahda.
8. Obeid, S. T. (n.d.). Financial Management. Cairo: Ain Shams Library.
9. Pierre, P. (1996). Tourism, an Economic Phenomenon. Paris: Éditions Les Études de la Documentation Française.
10. Saker, M. L. (2006). Conferences on the financing of economic development. Mohamed Khider Biskra University.
11. Sediki, S. (2005/2006). The Role of Banks in Financing Tourism Projects: A Case Study of the External Bank of Algeria, Jijel Agency, Master's Thesis in Economics,. Jijel .
12. Zeitoun, M. (2001). Tourism Statistics. Al-Ahram Library.