



Entrepreneurship and Its Contribution to Diversifying the National Economy

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Abstract

This study examines entrepreneurship as a strategic mechanism for promoting sustainable economic diversification in Algeria within the context of persistent dependence on hydrocarbon revenues and the structural limitations of a rentier economy. Drawing upon an integrated legal-economic analytical framework, the paper explores the conceptual foundations of entrepreneurship and evaluates its relationship with economic transformation, innovation, and productive sector development. Particular attention is devoted to the legislative and institutional architecture governing entrepreneurship in Algeria, including recent investment reforms, startup regulations, and support mechanisms for small and medium-sized enterprises. Using descriptive and analytical approaches, the study assesses the contribution of entrepreneurial activity to the development of alternative sectors such as agriculture, manufacturing industries, and the digital economy, while also examining its role in employment generation, technological innovation, and the expansion of non-oil economic activities. The findings indicate that entrepreneurship constitutes a critical driver of economic resilience and structural transformation by enhancing productive capacities, stimulating innovation-oriented investment, and fostering knowledge-based economic activities. However, the study also identifies persistent barriers that constrain entrepreneurial effectiveness, including bureaucratic complexity, financing limitations, weak institutional coordination, and insufficient integration between innovation ecosystems and productive sectors. The study concludes that achieving meaningful and sustainable economic diversification in Algeria requires comprehensive legal and institutional reforms aimed at improving the business climate, strengthening governance mechanisms, facilitating access to finance, and supporting innovation-driven entrepreneurship. The paper contributes to the growing literature on entrepreneurship and economic diversification in emerging and resource-dependent economies by providing a multidimensional analysis of the Algerian experience and highlighting entrepreneurship as a strategic pathway toward long-term economic sustainability and competitiveness.

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INTRODUCTION

Over the past decades, the global economy has witnessed profound and rapid structural transformations, driven by accelerated technological development and the revolution in information and communication. This has given rise to a new economic model based on knowledge and innovation. This transformation has led to the reshaping of production patterns and economic competition, as reliance on natural resources or traditional sectors is no longer sufficient to ensure sustainable economic growth. Instead, innovation, individual initiative, and entrepreneurship have become among the most important pillars on which modern economies are based.

In this context, entrepreneurship has emerged as a strategic mechanism for enhancing economic dynamism, due to its central role in creating wealth, generating job opportunities, and stimulating innovation. Startups have also become one of the most important manifestations of entrepreneurial activity, given their ability to transform creative ideas into economic projects with added value, especially in light of their increasing reliance on modern technology and digital solutions. These institutions are characterized by a high degree of flexibility and the ability to adapt to economic transformations, making them a key actor in the development of various economic sectors. At the national level, entrepreneurship is of particular importance in countries that depend on a rentier economy, such as Algeria, where achieving economic diversification remains one of the most prominent challenges. Excessive reliance on the hydrocarbons sector makes the economy vulnerable to external fluctuations, which requires the adoption of economic and legal policies aimed at developing alternative sectors and strengthening entrepreneurial initiative as a fundamental lever for achieving this diversification.

In recent years, Algeria has sought to establish a legal and institutional framework that supports entrepreneurship by introducing legal mechanisms to encourage the creation of startups and provide a suitable environment for investment and innovation. However, the effectiveness of these efforts remains questionable in light of the continued existence of certain legal and administrative obstacles that may limit the development of entrepreneurial activity and its ability to make an actual contribution to the diversification of the national economy.

Based on this, the importance of this study lies in its attempt to analyze the role of entrepreneurship, within its legal and institutional framework, in achieving economic diversification by examining the various theoretical and practical dimensions of this role.

On the basis of the above, the following research problem is raised:

To what extent does entrepreneurship contribute to achieving actual and sustainable diversification of the national economy in Algeria, and what are the objectives expected from entrepreneurial projects in order to obtain a diversified economy in Algeria?

To answer the research problem raised, the analytical approach was adopted to study the legal texts regulating entrepreneurship, alongside the descriptive approach to analyze its economic reality. The study will first address the conceptual foundation of entrepreneurship and its relationship with economic diversification, then examine the legal and institutional framework regulating it in Algeria, before analyzing its actual contribution to economic diversification, and finally identifying the most important challenges and future prospects for enhancing its effectiveness.

1. The Theoretical Foundation of Entrepreneurship and Its Relationship with Economic Diversification

The concept of the entrepreneur was first used in the French language at the beginning of the sixteenth century. It was derived from the French word *entreprendre*, which means assuming responsibility for a task, project, or industry. Daniel defines the entrepreneur as a person who is able to organize and manage businesses while accepting risk in order to achieve profitability. Economic diversification, from the perspective of political economy, refers to exports, particularly with regard to policies aimed at reducing dependence on a limited number of export products that may be exposed to price fluctuations or to a temporary decline in demand. In other words, economic diversification refers to the desire to achieve a greater number of basic sources of income in a country, which would streng (Berqiqah & Siddiqi, 2022, p. 7)then its real capacities within the framework of global competitiveness (Bayezid, 2019–2020, p. 66).

1.1 The Concept of Entrepreneurship and Its Distinction from Similar Concepts

1.1.1 Definition of Entrepreneurship

Entrepreneurship is a multifaceted concept that links economics, doctrine, and law. Economically, the Organisation for Economic Co-operation and Development (OECD) defines it as a human activity aimed at creating or developing economic projects through the exploitation of new products, processes, or markets, in a way that generates innovative added value (Organisation for Economic Co-operation and Development (OECD), 2012, p. 23). At the core of this activity lies the element of creativity, the exploitation of unused opportunities in the market, and the assumption of risks associated with this innovation.

Joseph Schumpeter highlights the entrepreneur as the driving force of economic development through the introduction of new combinations of productive factors, including new products, markets, and methods of production, which he described as the creative destruction of traditional economic systems (Schumpeter, 1934, p. 66).

The entrepreneur has been described as a person who possesses the will and ability to transform a new idea into a real project (Meradj & Righi, 2017, p. 14). In this sense, entrepreneurship includes individual initiative that establishes companies and startups or renews existing activities by introducing breakthrough elements, namely innovations, into the market. From a legal perspective, entrepreneurship is considered an organized economic activity whose conditions are subject to legislation relating to investment and the establishment of startups, including legal incentives, such as tax and financing exemptions, that facilitate the launch of these

projects (Drucker, 1985, p. 5). Thus, the concept of entrepreneurship intersects economically and legally: on the one hand, it is a dynamic economic activity, and on the other hand, it is a legal framework that protects and regulates those who engage in it.

Accordingly, entrepreneurship may be considered, from an economic and doctrinal perspective, as a creative activity that seeks to invest economic opportunities in new or developed projects within a legal environment that encourages innovation and economic diversification. It is not merely a financial investment, but rather a process of value creation, that is, purposeful innovation within an economic system ready for change. Algerian law classifies this activity within the category of startups, thereby framing it legislatively.

1.1.2 Distinction from Similar Concepts

A. Entrepreneurship and Investment

Entrepreneurship is often confused with investment. Investment, in itself, means allocating capital to a project, regardless of its nature, with the aim of achieving a financial return (OECD, SMEs, 2010, p. 11). Investment does not necessarily require an innovative or entrepreneurial element; it may take the form of a financial partnership in an existing company or the leasing of equipment, for example. Entrepreneurship, however, refers to personal initiative and the structuring of a project, whereby the entrepreneur does not merely inject money, but also establishes and manages the project and searches for new opportunities. In other words, entrepreneurial activity includes a set of investments carried out according to an innovative vision and growth plans, whereas investment cannot be reduced to these aspects. In this sense, it can be said that every entrepreneurial activity requires investment, but not every investment is considered entrepreneurship.

B. Entrepreneurship and Small and Medium-Sized Enterprises

Small and medium-sized enterprises are defined by their size, that is, by the number of workers or turnover, and not necessarily by their creativity or growth. They may perform traditional economic functions. Entrepreneurship, on the other hand, describes the nature and quality of the activity, taking into account the project's ability to innovate and expand. An analysis by the OECD indicated that entrepreneurship is not measured by the number of small enterprises in itself, but by the extent of their contribution to innovation and economic growth (OECD, 2015, p. 17). From this perspective, many small enterprises may remain based on stable traditional activities and may not rise to the level of entrepreneurship, while the entrepreneurial spirit may emerge in startups even if they are small at the beginning, because they carry growth objectives and the aim of penetrating new markets. Therefore, sound policies focus on supporting and developing entrepreneurial opportunities within small and medium-sized enterprises rather than merely supporting size.

C. Entrepreneurship and Business Leadership

The term business leadership is sometimes used as an alternative to entrepreneurship, especially in Arabic and French literature. Nevertheless, some researchers distinguish between the two in terms of scope: business leadership refers to the behavior of the proactive individual and his or her skills in adopting new ideas, whereas entrepreneurship describes the integrated process of creating and developing a project in light of economic opportunities. However, in practice, the definitions do not differ greatly. Contemporary discourse often combines the two terms as two sides of the same coin, as they share the same basic characteristics.

1.1.3 Characteristics of Entrepreneurial Activity

Entrepreneurial activity is characterized by a set of essential features that distinguish it from traditional economic activities:

- Innovation and creativity: This represents the fundamental characteristic of entrepreneurship. The entrepreneur introduces new products, services, or methods of production in a way that creates added value for society and markets. This reflects Schumpeter's connection between entrepreneurship and innovation, considering it a mechanism of change in the economy. As the authors of the OECD report found, entrepreneurs often focus on identifying opportunities and creating new solutions rather than following existing methods.
- Risk-taking: An entrepreneurial project is associated with a high degree of uncertainty. Since the idea is innovative, the possibility of failure, whether financial or operational, is high. This leads the entrepreneur to bear greater risks in return for potentially high returns. This willingness to take risks is considered a pillar of entrepreneurship and a reason for its distinctive returns if it succeeds.
- Capacity for growth and expansion: Most entrepreneurial projects aim to grow rapidly beyond local boundaries. They build long-term strategic objectives, such as expanding into markets or increasing market share, rather than merely achieving limited sales. This distinguishes them from traditional small projects that may be limited in scope. An Algerian guide has shown that entrepreneurial projects have a greater capacity for growth because they are based on new ideas and the desire to penetrate wider markets (Juma Saleh Al-Najjar & Abdul Sattar, 2010, p. 33).

- Creation of renewable value: An entrepreneurial project does not merely generate profit for its owners; rather, it contributes to creating broader economic and social value. It helps diversify national income sources through its focus on new activities and raises individual income levels through the new jobs it provides. Therefore, entrepreneurship contributes to a more balanced distribution of wealth and supports sustainable development (Nadim & Seymour, 2008, p. 8).
- Dynamism and flexibility: The organizational structure of entrepreneurial projects allows greater fluidity in adapting to economic and technological changes. Startups are often relatively small and flexible in decision-making, which gives them a competitive advantage under rapidly changing market conditions. Their direct administrative structure, such as the entrepreneur's reliance on himself or herself, also supports this flexibility (Baait & Rahal, 2016, p. 168).

Taken together, these characteristics make entrepreneurship a fundamental driver of economic diversification and development in Algeria, especially in reducing dependence on the hydrocarbons sector. Entrepreneurship reflects the economy's ability to rely on a knowledge- and innovation-based economy, which international reports confirm as an essential element of competitiveness and economic sustainability.

1.2 The Concept of Economic Diversification and Its Mechanisms

1.2.1 Rentier Economy

A rentier economy is one of the economic patterns that depends almost entirely on revenues from natural resources, foremost among them hydrocarbons, without being accompanied by real diversification in the productive base. This pattern leads to an imbalance in the structure of the economy, as the contribution of productive sectors declines in contrast to the dominance of the rentier sector (Schumpeter, 1934, p. 66).

In Algeria, it can be observed that the national economy has remained linked for many years to oil and gas revenues. This is confirmed by official data showing the weak contribution of non-oil exports to the trade balance, despite the efforts made to diversify the economy (Madouri, 2017–2018, pp. 25-30). This situation results in a set of structural effects, the most important of which is the fragility of public finances and their direct dependence on fluctuations in oil prices in the international market.

Academic studies also indicate that a rentier economy leads to what is known as the resource curse, whereby the state becomes less motivated to develop productive sectors and instead relies on distributing rent in the form of subsidies and social support. This weakens productivity, limits the spirit of economic initiative, and also leads to the worsening of economic imbalances, such as rising unemployment rates and weak innovation, due to the absence of a genuine competitive environment.

Accordingly, the continuation of a rentier economy constitutes a structural obstacle to achieving sustainable economic development, which makes it necessary to move toward a more diversified and balanced economic model.

1.2.2 The Concept of Economic Diversification

Economic diversification is defined as a strategic process aimed at expanding the productive base by developing new sectors and reducing dependence on a single dominant sector, thereby enhancing economic stability and increasing the economy's ability to face external shocks (Nadim & Seymour, 2008, p. 8).

In Algeria, diversification is viewed as an inevitable choice rather than merely an alternative, especially in light of the repeated fluctuations in oil prices. The state seeks to build a multi-pillar economy based on industry, agriculture, tourism, and the digital economy. This orientation highlights the gradual shift from a rent-based economy to a productive economy based on added value.

In this context, the legal framework is of great importance, as the issuance of the law on startups reflects a clear orientation toward supporting innovation and entrepreneurship as a fundamental lever for economic diversification by encouraging the creation of projects based on knowledge and technology.

Diversification is not limited only to the multiplicity of sectors; it also includes improving the quality of production and increasing competitiveness, allowing effective integration into the global economy. Therefore, diversification represents a long-term structural process that requires integrated reforms covering economic, legal, and institutional aspects (OECD, SMEs, 2010, p. 11).

1.2.3 Indicators for Measuring Economic Diversification

To measure the extent to which economic diversification has been achieved, researchers rely on a set of quantitative indicators that reflect the degree of diversity in economic activity. The most important of these are:

- The Herfindahl-Hirschman Index: This index is considered one of the most important tools for measuring the concentration of economic activity, as it is used to determine the extent to which a particular sector dominates the economy. The closer the value of the index is to one, the higher the level of concentration; whereas a lower value indicates

greater diversification. Applied studies in Algeria have shown that this index has fluctuated in recent years, reflecting a relative improvement, but one that remains insufficient to achieve actual diversification (Maramria, 2024, pp. 31–33).

- The Share of Hydrocarbons in Output and Exports: This percentage is a direct indicator of the nature of the economy. A high percentage indicates the persistence of the rentier character of the economy, while a decline indicates progress in the diversification process. It is observed that this percentage remains relatively high in Algeria, despite some recorded improvement.
- The Share of Non-Oil Exports: This percentage represents a key indicator of the economy's ability to create alternative sources of income. Algeria has witnessed gradual improvement in this area; however, this percentage still remains below the level required to achieve real diversification.
- The Growth Rate of Non-Oil Sectors: This indicator reflects the extent of development of alternative sectors, such as industry, agriculture, and services. An increase in this rate is considered evidence of the success of economic policies in directing investment toward productive sectors (<http://wwwawras.com>).

1.2.4 Mechanisms for Achieving Economic Diversification

Achieving economic diversification requires the adoption of a set of integrated mechanisms aimed at restructuring the national economy. The most prominent of these mechanisms are:

- Developing Productive Sectors: Supporting productive sectors, especially manufacturing industries and agriculture, is considered the cornerstone of achieving diversification through the provision of investment incentives and the simplification of administrative procedures.
- Supporting Entrepreneurship and Innovation: Entrepreneurship plays a central role in creating new economic activities, especially in technological fields, which contributes to diversifying sources of income and enhancing added value.
- Developing Infrastructure: Infrastructure is considered a fundamental factor in attracting investment, as it contributes to facilitating production and distribution, thereby strengthening the competitiveness of the national economy.
- Developing Human Resources: Investment in education and training represents one of the most important pillars of diversification, as it contributes to preparing competencies capable of keeping pace with the requirements of the modern economy.
- Reforming Economic and Financial Policy: This includes redirecting subsidies toward productive sectors, reducing dependence on hydrocarbon revenues, and promoting non-oil exports.

1.2.5 Policies for Promoting Diversification in Algeria

Algeria has adopted several policies and programs aimed at achieving economic diversification, most notably the 2016–2020 Economic Development Plan, which focused on developing multiple sectors and reducing dependence on oil.

Official statements also confirm that economic diversification has become a strategic challenge for the state in light of global economic transformations, reflecting a growing awareness of the importance of moving toward a more sustainable economic model (Algerian Press Service (APS), 2025).

Economic reports have shown relative improvement in the performance of some non-oil sectors, especially in the fields of agriculture and industry, indicating the beginning of a gradual transformation in the structure of the national economy.

2. The Legal and Institutional Framework of Entrepreneurship in Algeria

Executive Decree No. 03-78 of February 2003 and Executive Decree No. 03-79 of February 2003 were issued concerning the system and types of business incubators, as well as the public bodies and organizations that manage them. Business incubators graduate projects after a period ranging from 18 to 36 months. Business incubators in Algeria are financed through local, national, and international public aid, as well as procedures related to rental real estate and procedures related to various services (Ben Ennoui & Nouioua, 2025, p. 78).

The state seeks to transform the entrepreneurial ideas of young people into private projects and enterprises that contribute to local or national development through support and assistance mechanisms created for this purpose. These mechanisms work to assist young people in developing their ideas and investments by providing entrepreneurial support and guidance according to the needs of each investment project, enabling it to become an independent and established enterprise (Jebli & Azzouz, 2023–2024, p. 1).

2.1 The Legislative System Regulating Entrepreneurship in Algeria

The legislative system is the basic framework that determines the nature of the legal environment for entrepreneurship, as laws play a central role in directing economic activity and stimulating individual initiative. The Algerian legislator has sought to develop this

system through successive reforms affecting various aspects of investment, startups, small and medium-sized enterprises, and financing mechanisms.

2.1.1 Investment Laws

Investment laws constitute the main pillar of the legislative system supporting entrepreneurship, as they aim to provide a legal environment that encourages the creation and expansion of projects.

Investment Law No. 22-18 introduced a qualitative shift in investment policy by adopting new principles based on freedom of investment, transparency, and the simplification of procedures, which enhances the attractiveness of the investment climate in Algeria (Law No. 22-18, 2022). This law also abolished many previous restrictions and adopted the declaration system instead of the licensing system in some cases, contributing to the reduction of bureaucracy.

In the context of strengthening governance, new regulatory bodies were established, including the High National Commission for Appeals Related to Investment, which aims to guarantee investors' rights through a mechanism for appealing administrative decisions (Presidential Decree No. 22-296, 2022). The National Investment Council was also created as a strategic body responsible for guiding the state's investment policy and determining its priorities (Executive Decree No. 22-297, 2022).

Recent studies indicate that the new Investment Law has contributed to improving the business climate by providing legal guarantees for investors and strengthening legislative stability, which is an essential condition for encouraging entrepreneurship (Salim, Ain, & Jawadi, 2024, p. 10). This law also aims to direct investment toward productive sectors, especially those related to economic diversification.

2.1.2 The Law on Startups

In the context of keeping pace with global economic transformations, especially the transition toward a knowledge-based economy, the Algerian legislator has introduced a specific legal framework for startups.

Executive Decree No. 20-254 is considered the reference text in this field, as it defines the criteria for granting the labels Startup, Innovative Project, and Business Incubator, which has contributed to giving a clear legal character to this type of enterprise (Issuance of Executive Decree No. 20-254 of Muharram 27, 2020). This classification is considered an important step toward organizing the innovation environment in Algeria.

The importance of this text lies in the fact that it links entrepreneurship to innovation, as it requires a startup to be based on an innovative and scalable idea, which strengthens its role in creating added value. This legal framework also enables startups to benefit from various advantages, such as administrative facilities and financial support.

From an analytical perspective, the integration of the concept of Startup into Algerian legislation reflects a shift in the state's vision of entrepreneurship, from a traditional activity to an activity based on knowledge and technology.

2.1.3 Texts Relating to Small and Medium-Sized Enterprises

Small and medium-sized enterprises are one of the fundamental pillars of the national economy, given their role in creating wealth and providing jobs. The legislator regulated this field through Law No. 17-02 relating to the promotion of small and medium-sized enterprises, which aims to support these enterprises and improve their competitiveness by providing mechanisms for assistance, training, and financing (Law No. 17-02 of Rabi' Al-Thani 11, 2017). This law highlights the importance of these enterprises in achieving economic development.

Studies also confirm that supporting small and medium-sized enterprises is an effective mechanism for achieving economic development, especially through integrating them into the economic cycle and strengthening their ability to adapt to changes (Yahiaoui & Dahou, 2023, p. 184). These enterprises also contribute to diversifying the national economy through their activity in various sectors.

In the same context, research indicates that small and medium-sized enterprises play a central role in implementing investment policies, especially under the new Investment Law, as they are considered an essential partner in achieving economic growth (Lajnaf & Bouarioua, 2021, p. 317).

2.1.4 Legal and Institutional Financing Mechanisms

Financing mechanisms are among the most important elements that determine the success of entrepreneurship, as projects cannot be implemented without the availability of appropriate sources of financing. The Algerian state has worked to provide a legal framework for financing that includes various traditional and modern mechanisms by regulating the relationship between investors and financial institutions and providing legal guarantees that encourage investment (The Legal Framework for Investment in Algeria, 2026).

Government bodies also play an important role in supporting financing by providing support and financing programs directed toward startups and small and medium-sized enterprises, in addition to facilitating access to bank loans.

From an analytical perspective, the effectiveness of these mechanisms remains linked to the extent of their integration with the other elements of the economic system, especially the institutional and legislative framework. The success of entrepreneurship requires a flexible financial environment adapted to the nature of projects.

2.2 The Institutional Framework Supporting Entrepreneurship in Algeria

The institutional framework for entrepreneurship is one of the most important actual determinants of the success of economic policies, as effective entrepreneurial dynamism cannot be achieved in the absence of an integrated institutional system that supports the project from its inception to the growth stage. In this context, Algeria has sought to build an institutional model based on interaction among legislation, support mechanisms, and accompanying structures, in a way that strengthens the role of entrepreneurship in achieving economic diversification.

2.2.1 Mechanisms for Supporting the Creation of Enterprises

Mechanisms for supporting the creation of enterprises represent the first link in the entrepreneurial process, as they are responsible for assisting project holders during the establishment stages, whether through financial, administrative, or technical support.

Investment Law No. 22-18 introduced a qualitative shift in the philosophy of state intervention, as it enshrined the principle of freedom of investment, abolished many administrative restrictions, and adopted the declaration system instead of the licensing system in many cases. This aims to reduce bureaucracy and stimulate individual initiative (Law No. 22-18, 2022). This law did not merely establish general principles; rather, it created a new institutional framework based on specialized bodies responsible for assisting investors.

Among the most prominent of these bodies is the Algerian Investment Promotion Agency, which plays a central role in receiving projects, guiding investors, facilitating their access to economic land, and assisting them throughout the various stages of project implementation (Bouziane, 2024, p. 120). This transformation reflects a shift from a traditional administrative model based on control to a modern model based on economic public service.

The Orientation Law on the Promotion of Small and Medium-Sized Enterprises also strengthened the role of this category of enterprises, considering them the main actor in the economic fabric. It provided for the creation of multiple support mechanisms, including technical assistance, training, and the facilitation of financing, with the aim of increasing their ability to survive and grow (Law No. 17-02, 2017).

However, applied studies indicate that the effectiveness of these mechanisms remains relative due to the continued existence of certain administrative obstacles and weak coordination among the various stakeholders, which affects the speed of project implementation (Obeid, 2023, p. 10). In addition, the multiplicity of mechanisms may sometimes lead to overlapping competencies, which requires strengthening institutional governance.

2.2.2 Incubators and Business Accelerators

Incubators and business accelerators are among the most important modern tools for supporting entrepreneurship, especially in a knowledge-based economy, as they play an essential role in reducing the risk of failure for startups. The Algerian legislator has regulated these structures under Executive Decree No. 20-254, which defines the legal framework for granting the labels Startup, Innovative Project, and Business Incubator (Executive Decree No. 20-254, 2020). This is considered an advanced step toward building an organized national innovation ecosystem. This text is of particular importance because it links entrepreneurship with innovation and moves it beyond its traditional dimension toward its technological dimension.

The importance of incubators is reflected in the fact that they provide an integrated environment for the entrepreneur, including:

- Administrative and legal supervision.
- Technical consultations.
- Connecting entrepreneurs with investors.
- Providing workspaces.
- Facilitating access to financing.

Business accelerators, on the other hand, target projects that have reached a relatively advanced stage and focus on accelerating their growth through intensive programs that include strategic guidance and market access. Academic studies have confirmed that these structures contribute directly to increasing the success rates of startups and promoting innovation, especially in digital and

technological sectors (Fallah, 2022, p. 15). They also create an interactive environment that stimulates the exchange of knowledge and expertise.

However, the effectiveness of these incubators in Algeria faces several challenges, including:

- Limited financing.
- Weak links between universities and economic enterprises.
- Lack of management experience.
- Geographical concentration in major cities.

This calls for the development of a national model for incubators based on integration with the economic system.

2.2.3 The Role of Public Bodies in Supporting Entrepreneurship

Public bodies play a central role in guiding and activating entrepreneurship by setting public policies, providing the legal framework, and ensuring the implementation of economic programs.

The new Investment Law has established a set of legal guarantees aimed at strengthening investors' confidence, such as the principle of equality before the law, protection of investment from expropriation, and the guarantee of freedom to transfer profits. This reflects the state's orientation toward improving the investment climate. These guarantees also constitute a basis for attracting both foreign and domestic investments.

In order to enhance effectiveness, the state has adopted a new approach based on the digitization of administrative procedures and the simplification of bureaucratic processes, which contributes to reducing administrative time and improving the quality of public services. This transformation is necessary in light of international competition to attract investments.

Public bodies also play a strategic role in:

- Establishing sectoral policies.
- Directing investment toward priority sectors.
- Supporting innovation and scientific research.
- Financing projects of a strategic nature.

Recent studies indicate that the success of these bodies in performing their role is linked to the extent of coordination among them and to their ability to adapt to economic transformations, especially in light of the shift toward a knowledge-based economy (Jaoui & Kerfouf, 2024–2025, p. 30).

On the other hand, doctrinal analysis shows that the institutional framework in Algeria is still in a transitional stage, as it seeks to reconcile the traditional role of the state as a regulator with its modern role as a facilitator and catalyst for investment. Some studies also emphasize the need to strengthen the independence of economic bodies and improve their governance.

3. The Contribution of Entrepreneurship to the Diversification of the National Economy

Entrepreneurship development centers have been established as a mechanism to support and assist students and graduates of higher education institutions in creating and developing micro-enterprises according to an economic approach, promoting the spirit of entrepreneurship, and contributing to the spread of entrepreneurial culture within the university environment. This aims to encourage students to engage in self-employment and transform their ideas into real projects, thereby highlighting the university's contribution to achieving economic and social development. Entrepreneurship development centers at higher education institutions in Algeria have become spaces for receiving students and graduates of higher education institutions who have projects related to entrepreneurship and wish to create their own micro-enterprises. These centers provide them with training, assistance, support, awareness-raising, and guidance services in cooperation with various actors, foremost among them the National Agency for the Support and Development of Entrepreneurship (Chermat & Bouksani, 2025, p. 20).

Entrepreneurship is considered a fundamental driver of economic and social development, as it has a positive impact on increasing employment, promoting innovation, and diversifying the economy. Studies have shown its role in reducing unemployment through the creation of micro and medium-sized projects, strengthening entrepreneurial culture and management capacity among young people, in addition to enhancing sustainable environmental performance.

3.1 The Role of Entrepreneurship in Developing Alternative Sectors

Entrepreneurship is one of the most important modern pillars on which states rely to achieve economic diversification, especially in light of global transformations toward the knowledge economy and the reduction of dependence on natural resources. In Algeria, entrepreneurship emerges as a strategic mechanism for restructuring the national economy by directing investment toward alternative sectors capable of creating added value and achieving economic sustainability (Bouteldja, Zerroukhi, & Ghellab, 2020, p. 5).

The impact of entrepreneurship is clearly evident in a number of vital sectors that constitute a fundamental support for diversification, foremost among them the agricultural sector, manufacturing industries, and the digital economy. These sectors contribute to reducing dependence on hydrocarbons and strengthening economic balance.

3.1.1 Entrepreneurship in the Agriculture and Food Industries Sector

The agricultural sector represents one of the most important strategic alternatives to the rentier economy in Algeria, given its natural potential, such as land, climate, and water resources, as well as its human potential. Entrepreneurship has contributed to restoring the importance of this sector through the emergence of modern agricultural projects based on innovation and technology, such as smart farming and drip irrigation.

The importance of agricultural entrepreneurship lies in its contribution to achieving food security, which is one of the state's strategic objectives. It works to reduce dependence on food imports, especially in light of international fluctuations (Senoussi & Mahboub, 2020, p. 3). These projects also contribute to creating jobs, particularly in rural areas, which strengthens local development and limits the phenomenon of migration toward cities.

On the other hand, the food industries play an integrative role with agricultural activity, as they allow primary products to be transformed into manufactured products with added value, such as transforming milk into dairy products or vegetables and fruits into canned products. This integration enhances the profitability of the sector and increases its contribution to gross domestic product (Studies, 2024, p. 2).

However, this sector still faces several challenges, including weak financing, limited use of modern technology, and the absence of effective marketing networks, which requires strengthening policies that support agricultural entrepreneurship.

3.1.2 Entrepreneurship in the Manufacturing Sector

Manufacturing is considered one of the most important pillars of economic diversification, given its ability to transform natural resources into products with high added value. In this context, entrepreneurship emerges as an effective tool for developing this sector through the creation of small and medium-sized industrial enterprises based on innovation and local production (Saou, 2018, p. 120).

Industrial entrepreneurship contributes to reducing external dependence by producing local goods that serve as substitutes for imports, which has a positive impact on the trade balance. It also contributes to creating integrative links among various economic sectors, such as the connection between agriculture and the food industry, or between natural resources and manufacturing industries (Saou, 2018, p. 15).

From an economic perspective, the development of this sector leads to increasing the added value of the national economy, improving productivity, and enhancing competitiveness in international markets. Industrial entrepreneurship also contributes to diversifying the industrial fabric by introducing new activities based on technology.

Studies have confirmed that industrial policies supporting entrepreneurship represent a decisive factor in achieving economic diversification, especially when investments are directed toward sectors with high growth potential.

Despite this importance, the sector still suffers from several obstacles, most notably weak industrial financing, administrative complexities, and a lack of technical qualification, which limits the effectiveness of entrepreneurship in this field.

3.1.3 Entrepreneurship in the Digital Economy and Startups

The digital economy is considered one of the most important areas of economic diversification in the modern era, as it relies on knowledge and technology as basic factors of production. This transformation has led to the emergence of startups as one of the most important forms of modern entrepreneurship.

Digital entrepreneurship contributes to creating new economic activities, such as e-commerce, digital services, and smart applications, which opens broad prospects for economic growth and promotes innovation. This sector is also characterized by rapid growth and lower costs compared with traditional sectors, making it a fertile field for young people.

From a theoretical perspective, entrepreneurship is defined as an activity based on exploiting economic opportunities in a changing environment, which is clearly embodied in the digital economy, where markets change rapidly and new opportunities constantly emerge (Nadim & Seymour, 2008, p. 8).

Startups also play an important role in technology transfer and the development of the knowledge economy, which contributes to enhancing the competitiveness of the national economy at the international level.

However, this sector faces challenges related to weak digital infrastructure, lack of financing, and insufficient supervision, which requires the development of specific policies to support it.

3.2 The Impact of Entrepreneurship on Economic Indicators

Entrepreneurship is one of the most prominent mechanisms affecting the structure of the national economy, as it represents a fundamental driver for redistributing economic activity and stimulating growth. Its role is not limited to creating new projects, but extends to bringing about structural transformations affecting the nature of production, the distribution of resources, and employment patterns. In this context, entrepreneurship is closely linked to the improvement of economic indicators, especially those related to employment, diversification of income sources, and the promotion of innovation (Drucker, 1985, p. 19).

The impact of entrepreneurship is characterized by being cumulative and interactive, as each element, namely employment, income, and innovation, supports the others, thereby creating continuous economic dynamism.

3.2.1 The Impact of Entrepreneurship on Job Creation

Employment represents one of the most important economic and social indicators that reflect the effectiveness of economic policies. In this context, entrepreneurship contributes directly to creating jobs, especially in light of the limited capacity of traditional sectors to absorb the workforce (Schumpeter, *The Theory of Economic Development*, 1934, p. 66).

Entrepreneurial projects, especially small and medium-sized ones, are considered the main source of job creation due to their flexibility and rapid spread compared with large enterprises. These projects are not limited to creating direct jobs within the enterprise; their effects also extend to creating indirect jobs through production and distribution chains (storey, 1994, p. 112).

Table 1. Comparative Dimensions of Entrepreneurship and Economic Diversification in Resource-Dependent Economies

Dimension	Traditional Rentier Economy	Entrepreneurship-Driven Diversified Economy	Expected Socioeconomic Outcomes
Main Source of National Revenue	Hydrocarbon exports and state rents	Multiple productive and innovation-based sectors	Reduced economic vulnerability
Economic Structure	Highly centralized and resource-dependent	Diversified and knowledge-oriented	Sustainable long-term growth
Role of Innovation	Limited technological integration	Innovation-centered entrepreneurial ecosystem	Increased competitiveness and productivity
Employment Pattern	Public-sector dependence	SME and startup-driven employment generation	Reduction in unemployment rates
Investment Orientation	Extractive and consumption-oriented	Productive and technology-based investment	Expansion of value-added sectors
Institutional Dynamics	Bureaucratic and state-dominated	Flexible, market-responsive governance	Improved business climate
Export Composition	Dominance of oil and gas exports	Growth of non-oil exports and digital services	Enhanced trade resilience
Entrepreneurial Ecosystem	Weak support mechanisms	Integrated incubators, accelerators, and financing systems	Strengthened innovation capacity
Economic Resilience	Highly exposed to external shocks	Adaptive and diversified economic structure	Greater macroeconomic stability

Development Paradigm	Rent distribution model	Knowledge and innovation-based development model	Inclusive and sustainable development
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Source: Developed by the author based on the theoretical and institutional analysis of entrepreneurship and economic diversification.

Table 2. Strategic Contributions and Structural Challenges of Entrepreneurship in Algeria

Strategic Area	Contribution of Entrepreneurship	Major Structural Challenges	Policy Implications
Agriculture and Food Industries	Enhances food security and rural employment through modern agricultural initiatives	Weak financing and limited technological integration	Expand agricultural innovation financing and smart farming support
Manufacturing Industries	Promotes local production and import substitution	Administrative complexity and limited industrial infrastructure	Strengthen industrial investment incentives and regulatory reforms
Digital Economy and Startups	Facilitates innovation, digital transformation, and knowledge-based economic growth	Weak digital infrastructure and insufficient venture financing	Develop digital ecosystems and startup financing mechanisms
Employment Generation	Creates direct and indirect job opportunities, particularly for youth and graduates	Skills mismatch and limited entrepreneurial training	Integrate entrepreneurship education and vocational capacity building
Innovation and Competitiveness	Encourages technological innovation and productivity improvement	Weak university-industry collaboration	Promote research commercialization and innovation partnerships
SME Development	Expands productive activities and local economic participation	Limited access to finance and institutional support	Improve SME governance frameworks and access to credit
Investment Climate	Stimulates private investment and economic dynamism	Bureaucratic procedures and regulatory instability	Simplify administrative procedures and strengthen legal certainty
Regional Development	Supports economic decentralization and local value creation	Geographical concentration of entrepreneurial support structures	Expand incubators and support centers across regions
Economic Diversification	Reduces dependence on hydrocarbons through sectoral diversification	Persistence of rentier economic structures	Adopt long-term diversification and innovation-oriented policies
Institutional Transformation	Encourages modernization of governance and digital public services	Weak institutional coordination	Strengthen inter-institutional governance and digital administration

From an analytical perspective, three levels of impact can be distinguished:

- Direct impact: employing labor within the project.
- Indirect impact: creating jobs in related activities, such as transport, marketing, and services.
- Stimulating impact: encouraging new projects as a result of the success of existing projects.

Entrepreneurship also contributes to integrating new groups into the labor market, especially young people and graduates, by transforming them from job seekers into creators of job opportunities.

In addition, entrepreneurship enhances the flexibility of the labor market, as it allows new work models, such as self-employment and digital work, which contributes to adaptation to modern economic transformations.

3.2.2 The Impact of Entrepreneurship on Diversifying Sources of Income

Diversifying sources of income is one of the most important strategic objectives of any economy seeking to achieve stability and sustainability. In this context, entrepreneurship plays a central role in expanding the productive base by creating new economic activities.

Entrepreneurship contributes to:

- Introducing new sectors into the economy.
- Developing existing activities and improving their returns.
- Creating new products and services.

This diversity leads to reducing dependence on a single sector, which limits the risks associated with its fluctuations, especially in rentier economies.

From an economic perspective, the diversification of income sources leads to:

- Increasing gross domestic product.
- Improving income distribution.
- Strengthening financial stability.

Entrepreneurship also contributes to diversifying sources of income at the individual level, as it provides multiple opportunities for earning outside the traditional framework, such as small projects and digital services (Audretsch , 2007, p. 21).

From a deeper analytical perspective, income diversification resulting from entrepreneurship leads to the geographical and sectoral redistribution of economic activity, which strengthens local development and reduces regional disparities (Acs & Audretsch , 2010, p. 35).

3.2.3 The Impact of Entrepreneurship on Supporting Innovation

Innovation is considered the essential element that distinguishes entrepreneurship from other economic activities, as it is fundamentally based on exploiting opportunities and providing new solutions.

The contribution of entrepreneurship to innovation is reflected through:

- Developing new products and services.
- Improving methods of production and organization.
- Introducing modern technology.
- Creating innovative business models.

From an economic perspective, innovation leads to:

- Increasing productivity.
- Improving quality.
- Reducing costs.
- Enhancing competitiveness.

Entrepreneurship also contributes to spreading a culture of innovation within society by encouraging individual initiative and stimulating creativity, which leads to the emergence of a dynamic economic environment (Baumol , 2002, p. 56).

From a structural perspective, innovation resulting from entrepreneurship is considered a fundamental factor in the transition toward a knowledge-based economy, where knowledge and technology become the main source of economic value (Cantner, Dinopoulos, & Lanzillotti, 2005, p. 45).

CONCLUSION

This study shows that entrepreneurship is no longer merely a secondary economic option, but has become an inevitable strategic direction for achieving economic diversification in Algeria, especially in light of the limitations of the rentier model based on hydrocarbons. The analysis has shown that entrepreneurship has a real capacity to reshape the economic structure by creating jobs,

diversifying sources of income, and promoting innovation, in addition to its role in developing alternative sectors such as agriculture, manufacturing, and the digital economy.

However, the achievement of these objectives remains linked to the effectiveness of the legal and institutional framework governing entrepreneurship. This has revealed the existence of a set of structural challenges that hinder its development. At the forefront of these challenges is the complexity of administrative procedures, which still constitutes an obstacle for project holders, as it leads to longer periods for establishing enterprises and reduces the attractiveness of investment. In addition, the weak effectiveness of legal texts in practice, despite their theoretical development, reflects the existence of a gap between legislation and practice, which negatively affects the business climate.

Furthermore, the issue of financing remains one of the most prominent obstacles facing entrepreneurship, especially in light of the difficulty of accessing traditional sources of financing, the limited diversity of financing mechanisms, and the continued presence of bureaucratic practices that limit the flexibility of the economic environment and affect investment dynamism.

In the face of these challenges, it is necessary to adopt a comprehensive reform vision aimed at strengthening the effectiveness of entrepreneurship as a tool for economic diversification. The most important of these reforms is the need to review the legal framework in a way that ensures the simplification of procedures, the unification of legal texts, and the strengthening of legislative stability, in line with the requirements of the modern economy. Improving the business climate also remains an essential condition through reducing bureaucracy, enhancing transparency, and adopting digitization in administrative transactions.

On the other hand, supporting innovation and the digital economy represents a fundamental pillar in developing entrepreneurship, as the transition toward a knowledge-based economy has become a necessity imposed by global transformations. Strengthening public-private partnership is also one of the most important mechanisms capable of providing an integrated economic environment that combines public resources with the flexibility characterizing the private sector.

Accordingly, it can be said that the success of entrepreneurship in achieving economic diversification in Algeria does not depend only on the availability of resources, but is mainly linked to the state's ability to activate real and deep reforms affecting the various legal, institutional, and economic aspects. Today, entrepreneurship represents a strategic challenge that requires strong political will, a clear economic vision, and an integrated system capable of transforming ideas into projects, projects into added value, and value into sustainable development.

Based on the previous results, we present the following recommendations:

- Entrepreneurship and the dissemination of entrepreneurial thinking among individuals regarding economic activities represent the most appropriate and successful means of achieving economic diversification outside the hydrocarbons sector.
- It is necessary to develop a map of the entrepreneurial opportunities available in each sector, as well as the economic demand for the products of each sector.
- It is necessary to train specialized staff in the field of support and assistance, whose role is to study, monitor, and evaluate entrepreneurial projects in order to ensure their success without wasting or misusing funds.
- The legislative and legal framework for enterprises should continue to be improved by simplifying administrative procedures and making them more flexible.
- Entrepreneurship support bodies, such as incubators and facilitation centers, should be strengthened by providing them with competencies and expertise in various fields, in addition to expanding their geographical coverage at the national level.

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Author Contributions

Dr. Louni Nacera solely conceived the study, conducted the legal and economic analysis, interpreted the findings, and prepared the manuscript.

Ethical Approval and Consent to Participate

Not applicable. This study is based on legal, institutional, and theoretical analysis and does not involve human participants, personal data, or experimental procedures requiring ethical approval.

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