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The impact of digital finance on enhancing financial inclusion and achieving sustainable development in the tourism sector in Algeria

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Abstract---This study meticulously explores the pivotal role of financial inclusion within Algeria, with a particular emphasis on digital finance due to its profound influence on technological advancements within the financial services sector. This research delineates the current landscape of financial inclusion in Algeria, marked by a diverse array of sophisticated financial offerings and services. It delves into the objectives of achieving monetary and financial stabilization, alongside the implementation of strategic initiatives specifically tailored for the tourism sector, underscoring the transformative impact of digital finance.

Keywords---Financial Inclusion, Financial Services, Tourism Sector.

Introduction

Digital finance is increasingly recognized as a cornerstone within the technological domain, reflecting the profound impact of emerging technologies on the financial services industry. This realm encompasses an array of products and applications engineered to provide banking and financial services through innovative technological means.

The concept of integrating technology with finance, while not new, continues to evolve and expand its scope. The overarching aim of this exploration is to foster an environment in Algeria that is conducive to the flourishing of digital financial services. Moreover, the enhancement of financial inclusion through digital finance is deemed a crucial element of global economic development agendas.

Extensive scholarly research has consistently demonstrated a positive correlation between the extent of financial inclusion and the adoption of digital finance. Digital technologies and platforms offer developing nations viable solutions to the traditional challenges faced in managing tourist destinations, thereby bolstering their global competitiveness. Furthermore, these technologies present unprecedented opportunities for women and rural entrepreneurs to enhance their market access and achieve financial inclusion.

Digital finance is strategically aimed at fulfilling several critical objectives: it seeks to enhance financial inclusion, surmount infrastructural limitations, promote sustainable development, diminish poverty levels, support sustainable economic growth, ensure monetary and financial stability, and devise efficacious strategies tailored for the tourism sector, with a particular focus on Algeria as a case study. Building upon the foundational discussions previously established, the central research question of this investigation is succinctly posed as:

- What impact does digital finance exert on financial inclusion, and how does it contribute to fostering sustainable development within the tourism sector in Algeria?

Several pertinent sub-questions subsequently emerge, designed to delve deeper into the multifaceted dimensions of digital finance:

- How does digital finance potentially influence the scope of financial inclusion?
- What overarching significance does digital finance hold within modern financial systems?
- To what extent does digital finance contribute to broadening financial inclusion?
- In what ways does digital finance support the achievement of sustainable development?
- What tangible impact does digital finance have on the tourism sector within the Algerian context?

Study Objectives

This study is dedicated to elucidating the intricate relationship between digital finance and financial inclusion, positioning digital finance as a pivotal gateway to financial inclusivity. It aims to thoroughly explore this interrelationship while identifying strategic approaches to propel digital finance toward fostering sustainability within the tourism sector in Algeria. Additionally, the study seeks to uncover the realities and challenges associated with promoting financial inclusion and achieving sustainable tourism development through strategic initiatives.

1. Fundamentals of Digital Finance and Financial Inclusion

1.1 Digital Finance as an Introduction to Financial Inclusion

1.1.1 The Concept of Digital Finance:

Digital finance encompasses the provision of traditional financial services via digital technologies, such as computers, tablets, and smartphones. This modality significantly enhances access to financial services, particularly in rural areas where traditional banking infrastructures, like physical branches, may be lacking. Clients are afforded the convenience of accessing services online, eliminating the need to visit a physical branch. By leveraging modern technologies, digital finance targets a broader audience and enables service providers to penetrate new markets effectively.

The Consumer International's Equitable Digital Finance Accelerator ("the Accelerator") plays a crucial role in this ecosystem. It unites consumer associations from low- to middle-income countries, enhancing their capacity to articulate the collective consumer voice concerning equitable digital finance. Furthermore, the Accelerator facilitates the establishment of constructive dialogues between these associations and key stakeholders, including regulators and financial service providers. (Digital Finance, Consumer Experience, January 2023, p02).

Financial inclusion is the principle that individuals and businesses should have access to essential and affordable financial products and services that meet their diverse needs, including transactions, payments, savings, credit, and insurance, delivered in a responsible and sustainable fashion.

This endeavor towards financial inclusion seeks to guarantee that households and businesses across all income brackets can access the necessary financial services to enhance their lives and utilize these services effectively. In Algeria, financial inclusion is officially articulated by the Bank of Algeria as the widespread availability and utilization of a comprehensive suite of financial services by various societal segments, including both institutions and individuals, particularly those who are often marginalized.

The suite of services encompasses current and savings accounts, payment and transfer services, insurance, financing, and credit services, along with other innovative financial solutions offered at competitive and reasonable prices. A significant goal of financial inclusion is also to safeguard the rights of consumers of financial services by aiding them in the proper management of their funds and savings, thereby preventing them from resorting to informal financial channels and tools which lack regulatory oversight and often impose high costs, ultimately leading to dissatisfaction with the financial and banking services available through these unofficial routes. The degree of financial inclusion is assessed based on the availability of financial services (supply side), their utilization (demand side), and the quality of these services. (Rakhrour Youcef, BenillesBillel: March 2021, p 301).



Figure 01: Dimension of Financial Inclusion

Source: Akissi Ariane Tatiana Kouassi, "Digital Services for the Financial Inclusion of Rural Women: From the Case of Alidé in Benin to the Proposal of a Model for Côte d'Ivoire," Université Senghor, March 24, 2019, p17.

1.2. The Importance of Financial Inclusion

Financial inclusion holds significant value as it embodies the ability of individuals and businesses to access a broad spectrum of financial products and services that are not only affordable but also tailored to their needs, provided by trustworthy and responsible entities.

This access is pivotal as it represents a key driver of progress across seven of the seventeen Sustainable Development Goals. The World Bank Group acknowledges financial inclusion as an essential factor in alleviating poverty and fostering shared prosperity.

The availability of financial products and services simplifies daily operations and empowers households and businesses to either plan for future endeavors or address unforeseen circumstances. An individual possessing a checking account, for example, is more likely to utilize additional financial services such as credit or insurance, initiate or expand a business, invest in education or healthcare, manage risks, and navigate through financial adversities, all of which can substantially elevate their overall quality of life.

Moreover, embracing new economic models, such as utilizing e-commerce data to advance financial inclusion, is becoming increasingly significant. Strategic approaches, such as the development of a national financial inclusion strategy that collaborates with various stakeholders, financial regulators, telecommunications entities, competition authorities, and educational ministries, are crucial for amplifying the impact and reach of financial inclusion initiatives. (Website: www.worldbank.org)

1.3. The Relationship between Digital Finance and Financial Inclusion

Digital finance represents an evolving process that introduces innovative methods of conducting financial transactions, which in turn fosters the gradual development of organizational culture by enhancing its flexibility, transparency, value, and the efficacy of transactions. This evolution plays a crucial role in improving the main performance indicators of financial services. Within this framework, the relationship between digital finance and financial inclusion can be delineated into two distinct types: positive and negative relationships.

a. Positive Relationship:

The positive dynamics defining the interplay between digital finance and inclusive finance are centered on the provision of financial services via mobile phones, smart tablets, and other related devices. These technologies are particularly transformative for residents in rural and remote areas who own such devices.

Assuming these rural populations have access to internet-enabled devices, the deployment of digital finance is anticipated to exert a beneficial impact on financial inclusion. The positive correlation between the utilization of digital finance and access to financial services illustrates that digital finance, when integrated into the lives of low-income individuals, significantly enhances financial inclusion in rural settings.

Moreover, users of digital financial services can also play a pivotal role in amplifying the process of awareness and media utilization to leverage digital financial services effectively, thereby increasing the populace engaging with digital finance, which contributes to growth and enhanced financial inclusion.

b. Negative Relationship:

The negative aspects that influence the relationship between digital finance and inclusive finance stem from the assertion that "digital finance service providers are profit-oriented entities that use financing to amplify profitability or maximize profitable opportunities for their affiliates," such as banks and both financial and non-financial institutions.

These providers employ digital finance as a strategic marketing tool in a discriminatory manner, targeting potential high and medium-income clients to engage with a digital finance platform or infrastructure. This approach serves as a potent marketing strategy to entice low-income and impoverished clients to utilize digital platforms or infrastructures, often without addressing the broader needs of financial inclusion. (Ozili, P. K. (2018), p 330.)

2. The Effectiveness of Digital Finance and Its Role in Achieving Sustainable Development and Developing the Tourism Sector in Algeria

2.1 Theoretical Framework of Tourism and Sustainable Development

2.1.1 Definition of Tourism

Tourism is a multifaceted field often synonymous with leisure, it is the aspect of pleasure travel that garners widespread attention. The tourism industry prefers not to segregate this form of travel from other types, viewing leisure travel merely as one element within a broader spectrum of travel engagements.

This perspective has somewhat overshadowed the significant contributions of social sciences to tourism and has not been conducive to foundational research. As leisure travel merges seamlessly into the wider travel landscape, leisure itself becomes entwined with an expanding array of what are termed free-time activities.

Both phenomena may share a common origin: the revival of the values of play and pleasure in societies characterized by postmodernism, rationalism, individualism, and materialism. A retrospective examination of the history of leisure travel could provide valuable insights into these interpretations, positioning tourism potentially as akin to new religions. The cultural associations of play and the sacred have long been noted; however, scholarly explorations into the relationship between tourism and the sacred, religion, and pilgrimage remain scarce and largely unconvincing. (Leisure and Society, 1988, pp. 7-10).

2.1.2 Definition of Sustainable Development

Sustainable development is an approach to economic growth that aims to harmonize economic and social progress with the conservation of the environment, which is viewed as a legacy to be entrusted to future generations. This concept of development encompasses several imperatives:

- ✓ Addressing the fundamental needs of present and forthcoming generations, taking into consideration demographic challenges such as access to water, food, education, healthcare, and employment.
- ✓ Elevating the quality of life.
- ✓ Upholding the rights and freedoms of individuals.
- ✓ Promoting the adoption and enhancement of renewable energy sources.
- ✓ Within the agricultural sector, for instance, sustainable development entails economically viable management practices that neither harm the environment nor deplete natural resources for future generations. (Jean-Claude, Besson-Girard, 2007, p 30)



Figure (02): Sustainable Development

Source: www.insee.fr

2.2 The Role of Financial Inclusion in Achieving Sustainable Development Goals:

The transformative impact of financial inclusion on achieving sustainable development goals is evident across various international contexts:

- The Familia Bolsa program in Brazil exemplifies this impact by reducing transaction costs from approximately 15% in 2001 to under 3% by 2005, achieved through the consolidation of benefits into an electronic payment card. This shift notably contributed to poverty reduction in the Dominican Republic, decreasing from 12% to 18%. Moreover, a gender-sensitive approach in assessing loan repayment capabilities has led to enhanced financial access for women, thereby increasing their representation in financial programs. A study in South Africa highlighted that financial inclusion facilitated via government digital transfers significantly augmented women's capacity for decision-making within households and nearly doubled their presence in the labor market. (UNSGSA, Alliance, UNCDF, 2018, p08).
- In Ghana, the Safe Water Network's implementation of smart meters and digital payments has effectively doubled its revenue per liter. This advancement has not only improved waste management but also expanded the potential for developing sustainable potable water supplies in other regions.
- The scenario in Bangladesh showcases the mobilization of national savings to fund sustainable development goals, where the digitization of salaries has yielded substantial benefits for low-income women, enhancing their economic status and participation. (Ferrata, L., 2019, p445-458)

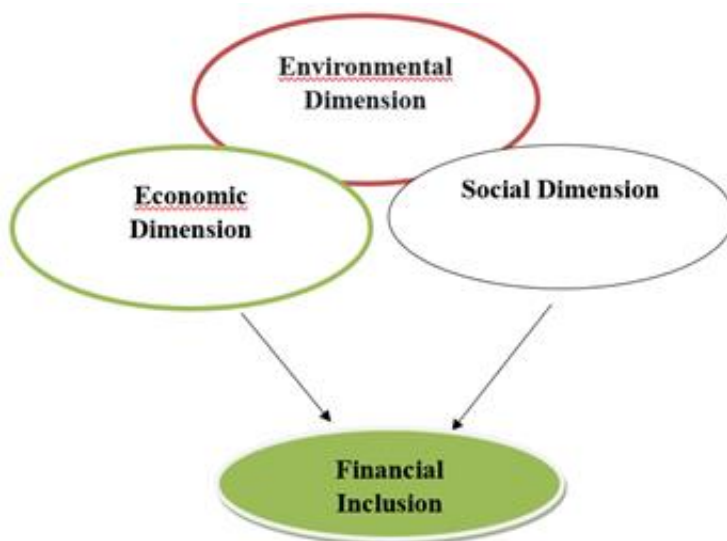


Figure (03): The Dimensions of Sustainable Development Linked to Financial Inclusion

Source: Ozili, P. K. (December 2018). "Impact of digital finance on financial inclusion and stability," *Borsa Istanbul Review*, VOL 18, N° 4, p 188.

2.3 Requirements for Economic Development and Tourism in Algeria

Tourism in Algeria is increasingly recognized as a pivotal catalyst for economic and social development, driven by demographic, sociological, and economic changes in industrialized countries. Moreover, the rapid emergence of new markets in Eastern Europe has led to significant transformations within the tourism sector. Known for its capacity to create jobs, generate foreign currency, and distribute wealth, tourism has become an appealing endeavor globally. Even nations traditionally resistant to foreign presence are now demonstrating a greater openness towards tourism, viewing it as a potential avenue for overcoming economic crises and revitalizing regions with declining economic activities. (Website: academia-arabia.com)

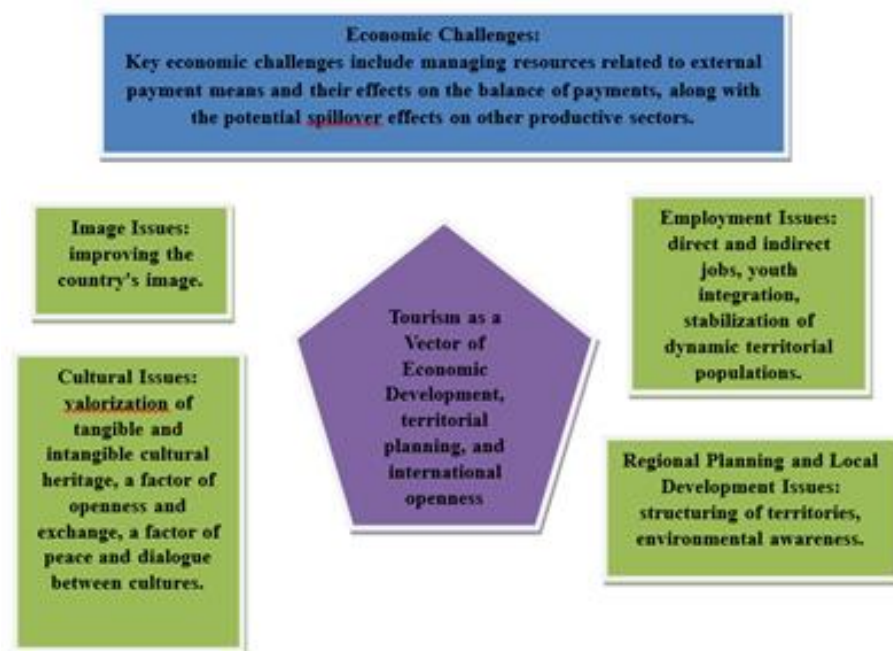


Figure 04: The Challenges of Touristic Development in Algeria

Source: Ahmed Sid, Elements of the Tourism Development Strategy in Algeria, Expert Meeting on the Contribution of Tourism to Sustainable Development, UNCTAD, Geneva, March 14-15, 2013, p 10.

3. The Reality and Challenges of Digital Finance for Enhancing Financial Inclusion and Achieving Sustainable Tourism Development in Algeria

3.1. The Reality and Prospects of Digital Finance

A distinguished panel of experts and representatives from financial institutions and agencies convened in Algiers on Wednesday under the auspices of Care (Circle of Action and Reflection for the Business), endorsed by the Prime Minister and the Minister of Finance.

The session was pivotal in evaluating the constraints and future prospects of digital finance in Algeria. As a nation characterized by widespread internet coverage (90% in 3G) and significant mobile penetration (116%), Algeria is positioned to embrace the expansion of electronic financial services amidst a globally connected landscape.

The relentless pace of technological advancements is revolutionizing financial services and capital markets through digital transformation. This transformation is driven by the proliferation of data (Big Data) and its complexities, presenting new challenges in data governance.

The advent of cloud computing and the enhanced efficiency provided by artificial intelligence and automation are leading to considerable productivity gains, the development of new business models, and enhanced company performance. To effectively navigate this transformation, companies are compelled to reevaluate their processes, operational modes, managerial practices, and corporate culture. Nevertheless, this shift towards digitalization also presents significant challenges, especially concerning privacy, security, intellectual property, and liability.

Digital financial services are poised to play a critical role in achieving Sustainable Development Goals, providing a vital tool for integrating financial services with sustainable tourism initiatives. Cardholders currently do not perceive their cards as instant payment instruments. It is observed that cards are used in only a third of all transactions, primarily for cash withdrawals.

The challenge lies in gradually and completely building this trust among cardholders. This is essential in order to fully capitalize on the reforms envisioned by the government aimed at modernizing the banking and financial system. Achieving this would not only enhance the usability of digital payment systems but also align with global standards in financial transactions. (Website: <https://lapatrienews.dz>).

3.2.Tourist Products That Must Be Developed to Promote the Tourism Sector in Algeria

The strategic development and diversification of the tourism offer, along with the introduction of new tourist activities, are pivotal for:

- Integrating Algeria into the international tourism market.
- Meeting the needs of citizens in the areas of tourism, swimming, and entertainment, which are increasing due to the improvement of living standards and population growth.
- The harmonious, sustainable, and balanced development of tourist activities.
- There are also development programs for the tourism sector in accordance with the strategic reference framework of the tourism policy in Algeria.

General Objectives:

- Extend the effects of this policy to other sectors (such as traditional industry, transport, services, industry, and employment).
- Improve macro balances: employment, growth, trade and financial balance, and investment.
- Reconcile tourist promotion with ecological considerations.
- Continuous improvement of Algeria's image: so that the program aims to evolve the perception held by international concessionaires towards the Algerian market.

Table 01: Ongoing Projects in Concession Tourist Hubs

Tourist Hubs by Excellence	Number of Projects
Northeast	23
North-Central	32
Northwest	18
Southwest of the Oases	04
The Great Southern Ahaggar	03
Total	80

Source: Ministry of Territorial Planning, Environment, and Tourism, entries of tourists and exits of nationals at Algerian borders

3.3. The Challenges of Achieving Financial Inclusion in Algeria

Achieving financial inclusion in Algeria requires a structured and well-researched approach. It is advised that the process of financial inclusion begins only after the completion of a comprehensive study on the supply and demand gaps. This study serves as a foundational element from which states can either establish future objectives with set priorities or use it as a preliminary step in crafting a national strategy that involves all relevant stakeholders.

In any scenario, the goals of such a strategy need to be clear, measurable, and achievable within set timeframes, leveraging concerted efforts directed towards common objectives to encompass the broadest possible spectrum of the target sectors. Algeria is actively advancing its digital financial services to realize genuine financial inclusion. Among the key measures approved by the Bank of Algeria to develop a national financial inclusion strategy are:

- Educating and sensitizing the youth about financial principles according to international standards, involving various stakeholders including financial regulators, telecommunications providers, and educational institutions.
- Contributing effectively to the financing of economic projects for small and medium-sized enterprises.
- Launching promotion and awareness campaigns to familiarize the public with various banking products, particularly those associated with new technologies, applications, and financial innovations.
- Expanding the networks of banks and financial institutions across all regions of the country, ensuring accessibility and convenience.

- Encouraging Islamic banking through the enactment of regulations aimed at strengthening and deepening financial inclusion.
- Implementing a "digital identity" system since 2013, which has enabled financial institutions to efficiently manage their clients, comply with anti-money laundering regulations, and adhere to 'know your customer' requirements. This system has also facilitated the growth of new business models, such as e-commerce platforms, integrating digital financial services seamlessly.
- Addressing poor financial protection for clients: The system linked to the bank deposit guarantee allows a client to be compensated in the event of a bank's bankruptcy or cessation of activity up to a certain threshold, which is considered relatively low and not conducive to stimulating savings. As part of the financial inclusion policy and in an effort to restore trust in the bank-client relationship, this compensation threshold has been increased, but it remains insufficient, particularly in light of high inflation rates and the low interest rates on savings deposits.
- Combating the lack of financial literacy: Financial awareness is defined as the propensity of individuals and economic institutions to deposit their cash balances and their reliance on various payment methods to settle their economic transactions. The demand for bank deposits correlates positively with the level of banking awareness. (Alexandra Zins, Laurent Weill, 2016, p 35).

4. Conclusion

The scholarly literature provides various definitions of financial inclusion and digital finance, yet no consensus has been reached regarding the precise definitions of these two pivotal concepts. Nonetheless, there is a general agreement within previous studies that inclusive growth should ensure that all individuals have the opportunity to contribute to and benefit from increasing prosperity.

Notably, digital technology has been identified as a crucial factor in enhancing the financial inclusion of women in rural areas. Drawing from these insights, our study proposes a theoretical model for financial service providers in Côte d'Ivoire to utilize as a foundation for sustainably improving rural women's access to formal financial services. In the Algerian context, the indicators of financial inclusion discussed in this article reveal a significant developmental lag, alongside notable advancements in the tourism sector. From our discussions, several outcomes can be distilled:

- The need for the establishment of national strategies dedicated to financial inclusion.
- Reform of the national payment systems, including the markets for money transfers.
- Recognition that financial inclusion introduces new market actors and alters the distribution of roles and risks, which diverges from traditional approaches to providing retail financial services.

- The imperative for continued development and diversification of financial services.

Based on these observations, we propose the following solutions:

- Enhanced protection for consumers of financial services to safeguard their rights and promote trust in the financial system.
- Continued acknowledgment of financial inclusion as a critical element for the financial stability and integrity of an economy.
- A reinforcement of the importance of digital finance and the role of tourism in driving economic growth and development in Algeria.
- An affirmation that financial inclusion is inherently positive, negating the need for debate over whether better institutional frameworks for financial inclusion can catalyze beneficial changes for the populations involved.

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