




PUBLIC BANKING AND FINANCIAL INCLUSION IN ALGERIA: THE CASE OF BDL

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ABSTRACT

This study examines how the Banque de Développement Local (BDL) has contributed to financial inclusion across four wilayas in western Algeria from 2022 to 2024. Using detailed data from local agencies, the research evaluates four key dimensions: access, usage, quality, and innovation. It looks at indicators like account openings, credit distribution, savings trends, and the adoption of digital financial services. The results show notable progress in expanding access and building trust in financial services. However, deeper financial engagement, especially lending to small and medium-sized enterprises (SMEs) and encouraging investment-driven savings remains limited. While BDL has made strides in social outreach, its role in driving broader economic transformation is still modest. The study suggests that future efforts should focus on improving access to enterprise financing, diversifying financial services, and promoting digital literacy and behavior change. These steps are crucial for translating financial participation into long-term, sustainable development. The findings highlight how regional public banks like BDL can play a pivotal role in inclusive economic growth, particularly in emerging economies.

1 INTRODUCTION

Sustainable development has emerged as a defining global objective that integrates economic growth, social equity, and environmental protection into a cohesive framework for long-term prosperity (Cerin, 2006; Dernbach, 2003).

At its core lies the principle of intergenerational equity ensuring that the needs of the present are met without compromising the ability of future generations to meet theirs (Stoddart, 2011). As countries pursue the United Nations Sustainable Development Goals (SDGs), financial systems

have gained recognition as critical levers for driving inclusive and sustainable outcomes (OECD, 2022; UNDP, 2023).

Among the most powerful instruments within this system is financial inclusion defined not only as access to formal financial services, but also the ability to use them effectively and sustainably (Fouillet & Morvant-Roux, 2018; Aliano et al., 2021). Financial inclusion expands the frontiers of opportunity by enabling individuals and enterprises to save, invest, and manage risk (World Bank Report, 2021). It is a multidimensional process encompassing access,

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usage, and quality, each essential to ensuring that financial participation contributes meaningfully to social welfare and economic resilience (Mellab, 2025; Tharouma, 2022). Financial inclusion in emerging economies is increasingly associated with improved human development outcomes and greater alignment with environmental sustainability (Zeeshan et al., 2022; Liu et al., 2024).

The expansion of digital financial services through mobile banking, electronic payments, and TPE technologies has further amplified the potential of financial inclusion to reach underserved populations and reinforce green innovation (Mertzanis, 2023; Zhang et al., 2024). These technological shifts have transformed the landscape of public sector banking, especially in contexts where private sector actors have little incentive to serve rural or low-profit regions. As such, public banks in developing countries have come to embody dual mandates: as providers of essential financial services and as agents of state-led development policy (OECD, 2022; United Nations Department of Economic and Social Affairs, 2021).

In Algeria, this dual role is formalized through national strategy. The Banque de Développement Local (BDL) is tasked not only with extending financial access but also with supporting broader development objectives, including SME promotion, rural inclusion, and environmental transition (National Sustainable Development Strategy, 2021). However, despite these ambitious mandates, little is known about how such strategies play out at the sub-national level in specific regions, agencies, or client segments.

This paper addresses that gap by providing an exploratory, data-driven analysis of BDL's operational activity across ten local agencies located in four wilayas of western Algeria: Mostaganem, Tiaret, Relizane, and Tissemsilt. Using proprietary agency-level data spanning the years 2022 to 2024, we examine the evolution of key financial inclusion indicators, including account creation (enterprise vs. individual), financing activity (SME, microcredit, personal), deposit behavior (number, amount, and type), and digital financial usage (TPE and e-banking transactions).

Rather than evaluating policy effectiveness in normative terms, this study offers descriptive insights into the spatial dynamics of financial inclusion and their possible implications for sustainable local development. The granularity of agency-level data allows for a rare empirical window into the real-world behavior of public banking operations across differentiated regional contexts urban, semi-urban, and peripheral. In doing so, this paper contributes to emerging literature that emphasizes the local specificity of financial inclusion pathways and the institutional role of public banks in bridging structural gaps (UNCDF, 2023; Ahmad et al., 2024).

Specifically, this study seeks to:

- *Analyze trends in financial access through new account openings (enterprise and individual).*
- *Explore patterns of financing by loan type (SME, microcredit, individual) across the four wilayas.*
- *Investigate deposit dynamics volume, type, and evolution at the agency level.*
- *Assess the uptake of digital financial services (TPE and e-banking) as a proxy for financial modernization.*
- *Derive exploratory insights into the intersection between financial inclusion and local development dynamics in regional Algeria.*

By anchoring empirical observation in robust theoretical foundations, this research aims to stimulate a deeper dialogue on how financial inclusion can be institutionally and regionally embedded as a vector for sustainable development both in Algeria and comparable emerging economies.

Although financial inclusion has become a central topic in Algerian banking policy, existing studies remain primarily national in scale and overlook the regional and institutional variations that characterize the country's public banking sector. While several works (e.g., Mellab, 2025; Mellab, 2023) discuss inclusion metrics at the macro level, no empirical research has examined the Banque de Développement Local (BDL) as a regional development actor. Similarly, previous research on financial inclusion in emerging economies (e.g., Fouillet & Morvant-Roux, 2018; Mertzanis, 2023) largely treats public banking as a

background institution, not as a direct driver of inclusion.

This paper fills that gap by adopting a multi-dimensional, agency-level approach to evaluate how BDL translates national inclusion strategies into local practice within four western wilayas. It thus provides one of the first micro-analyses of Algerian public banking, bridging the empirical void between policy intention and on-the-ground implementation.

2 THEORETICAL FRAMEWORK AND LITERATURE REVIEW

The analysis of the four inclusion dimensions access, usage, quality, and innovation is grounded in the capability approach (Sen, 1999) and institutional theory (North, 1990). The capability approach conceptualizes inclusion as a process that expands individuals' and firms' real opportunities to use financial services, while institutional theory emphasizes the role of organizational design, public mandates, and governance structures in shaping these outcomes.

Together, these frameworks explain why access does not automatically lead to empowerment and how institutional incentives determine whether inclusion remains social (deposit and liquidity expansion) or becomes economic (productive finance and innovation).

2.1 Financial Inclusion: Concept and Dimensions

Financial inclusion (FI) is widely recognized as a pivotal development instrument in emerging economies. Although no single, globally accepted definition exists, it is broadly understood as the process of ensuring access to, and effective use of, formal financial services by all individuals and businesses, especially those historically excluded from the banking system (Mellab, 2025; Aliano et al., 2021).

This multidimensional concept goes beyond the mere availability of financial services. It includes the ability to use these services regularly, securely, and for productive purposes such as savings, investment, credit, and risk management (Tharouma, 2022; World Bank Report, 2021). As such, financial inclusion is seen not only as a tool

to combat poverty but also as a structural enabler of social mobility, market integration, and macroeconomic stability (Fouillet & Morvant-Roux, 2018)



Figure 1. Financial Inclusions Dimensions

Source: Created by the author based on different references

The framework typically breaks FI into three interrelated dimensions as shown in Figure 1:

- Access refers to the availability and affordability of financial services. This includes the physical presence of agencies or ATMs, the regulatory environment, and the absence of structural or discriminatory barriers.
- Usage focuses on the frequency and depth of engagement with financial products through deposits, credit, or insurance and reflects the integration of finance into daily life or entrepreneurial activities.
- Quality captures the extent to which financial services meet user needs in a responsible, transparent, and efficient manner. This includes customer satisfaction, adaptability of products, and the presence of consumer protection mechanisms (Fouillet & Morvant-Roux, 2018; Mellab, 2025).

These dimensions align closely with the indicators used in this study: account openings as a proxy for access; financing activity for usage; and deposit structure (including type and duration) for service quality.

2.2 Financial Inclusion in the Context of Sustainable Development

In recent years, financial inclusion has become tightly interwoven with the broader sustainability agenda. Access to financial services is now seen as a catalyst for achieving multiple Sustainable Development Goals (SDGs), including those

related to poverty, inequality, and environmental resilience (Zeeshan et al., 2022; Liu et al., 2024).

Digital financial technologies (FinTech) further enhance this potential. Tools such as mobile banking, TPE infrastructure, and e-banking platforms extend outreach to remote and underserved communities, reducing costs and improving convenience (Zhang et al., 2024; Mertzanis, 2023). In addition, digital finance contributes to improved environmental performance by dematerializing transactions and facilitating green innovation (GI) through access to credit and investment platforms (Ahmad et al., 2024; Mahmood et al., 2024).

A growing body of literature shows that financial inclusion, green finance (GF), and green innovation interact in a mutually reinforcing loop. As access to formal finance increases, so does the capacity of individuals and SMEs to invest in sustainable practices. In turn, these practices stimulate demand for tailored financial products that promote clean energy, resource efficiency, and climate resilience (Naheed et al., 2024; Yang et al., 2024).

However, this dynamic is not without risks. Digital expansion may widen existing inequalities if it is not accompanied by strong inclusion safeguards, digital literacy, and equitable access to technology (Qing et al., 2024). This makes the institutional role of public banks critical not only to scale financial services, but also to ensure their inclusive and sustainable deployment.

2.3 The Development Role of Public Banks in Emerging Economies

In developing countries, public banks are more than conventional financial institutions; they serve as development agents that bridge structural gaps in both geography and population reach. They are particularly important in areas where private banks perceive low profitability and thus offer minimal presence (United Nations Department of Economic and Social Affairs, 2021, p. 65).

Public banks have the mandate to support policy-led financing, especially in sectors aligned with national sustainability strategies such as green infrastructure, SME development, and financial inclusion. Their operations can be aligned with ESG criteria and national development plans,

offering a mechanism to translate macroeconomic objectives into targeted, localized action (OECD, 2022, p. 109).

In Algeria, this dual role is institutionalized in the National Sustainable Development Strategy (2021), which positions public banks like the Banque de Développement Local (BDL) at the center of the state's economic and social inclusion efforts. The strategy mandates public financial institutions to support the energy transition, improve access to credit for underserved populations, and enable regional development through tailored financial instruments.

In this context, regional agencies become the operational frontlines of national strategies. Their activities, ranging from opening accounts and issuing loans to facilitating digital transactions, serve as concrete indicators of how development mandates are enacted in practice. This study builds on this perspective by examining agency-level behavior across four Algerian wilayas, providing empirical insight into how public banks contribute to financial inclusion and regional sustainability.

2.4 Banking Innovation and Sustainable Finance

Innovation in financial services is a key mechanism through which banks can support both inclusion and sustainability. Digital financial tools such as TPE systems and e-banking platforms have enabled financial institutions to reduce costs, manage risks more effectively, and extend services into traditionally inaccessible regions (Wan et al., 2023; Wu & Wu, 2025).

This transformation is not only technological but also strategic. By integrating FinTech into their operational models, banks can reallocate resources toward environmentally and socially beneficial outcomes. For instance, studies have shown that FinTech enhances the efficiency of green lending, supports investment in clean technologies, and encourages sustainable consumer behavior (Guang-Wen & Siddik, 2022; YunQian, 2023). Across 52 developing countries, digital finance has been linked to improved environmental performance and more inclusive economic development (Bakry et al., 2024).

In Algeria, where financial digitization remains uneven, the use of TPE and e-banking data provides a useful proxy for evaluating financial modernization and the bank's adaptive capacity to serve diverse client segments. In this study, the geographic distribution of digital transactions across BDL's agencies will serve as a critical lens for assessing how banking innovation intersects with regional development.

The theoretical constructions outlined above form the analytical backbone of this study. The three core dimensions of financial inclusion access, usage, and quality, are operationalized through actual banking data:

- New account openings reflect access to the financial system.
- Financing volumes (SME, microcredit, personal loans) indicate usage depth and the bank's support for entrepreneurship and economic activity.
- Deposit trends and typologies (current, savings, term) provide a proxy for financial trust and user satisfaction (quality);
- Digital transaction data (TPE, e-banking) reveal innovation diffusion and technology adoption across regions.

3 METHODOLOGY

This study employs a comparative descriptive design to analyze how BDL's regional agencies contribute to financial inclusion across four western wilayas: Mostaganem, Tiaret, Relizane, and Tissemsilt. The population comprises ten BDL agencies distributed across these regions, representing the totality of the bank's western regional network. Hence, no sampling was necessary; the study uses a full census of available branches.

The empirical investigation is guided by the following hypotheses, derived from the capability approach and institutional theory, which together frame financial inclusion as a cumulative and institutionally mediated process:

H₁: Expanding financial access through BDL's regional agencies increases participation in the formal financial system but does not necessarily translate into productive engagement.

H₂: Growth in credit and deposit activities enhances institutional trust and financial stability but remains concentrated in non-productive segments such as individual and microcredit lending.

H₃: The diffusion of digital financial tools improves transactional efficiency and outreach but has yet to generate significant behavioral transformation toward investment-oriented inclusion.

Each hypothesis corresponds to a distinct empirical indicator set. Data were obtained from internal BDL operational reports covering the period 2022–2024 and verified across ten agency-level records. Comparative analysis across regions was performed using descriptive statistics, inter-agency trend analysis, and visual representation through tables and graphs.

Data were collected from internal agency-level records and financial statements for the period 2022–2024. These proprietary datasets include monthly transaction logs, credit registers, and deposit summaries, which were consolidated and anonymized by the author to protect confidentiality. Data cleaning involved verification of totals across months, removal of incomplete entries, and cross-validation with BDL's annual activity reports (2022, 2023).

Operationalization of Indicators: Each dimension of financial inclusion was operationalized as shown in Table 1.

Table 1. Operationalization of Indicators

Dimension	Indicator	Description
Access	Number of new current and deposit accounts	Reflects expansion of formal financial participation
Usage	Composition of loans (individual, SME, microcredit)	Measures the productive intensity of credit activity
Quality	Deposit structure by type (savings, term, current)	Indicates trust and engagement stability

Source: Created by the author based on different references

Given the descriptive and institutional nature of the data, the study applies trend analysis and inter-agency comparison. Indicators were standardized by agency size to ensure comparability, and results were presented using tables and line graphs to illustrate growth dynamics and structural differences.

The approach is qualitative–quantitative hybrid, emphasizing interpretation over econometric modeling. Findings are discussed considering international frameworks such as the World Bank Global Findex and the UNDP SDG framework for inclusive finance.

4 EMPIRICAL FRAMEWORK

4.1 The Case of the Banque de Développement Local (BDL)

The Banque de Développement Local (BDL) represents a paradigmatic case of Algeria’s ongoing financial transformation, illustrating how a state-owned bank can function simultaneously as a commercial intermediary and a developmental instrument. Established in 1985, BDL’s institutional architecture reflects the dual mandate

of Algeria’s public financial institutions: to ensure profitability and liquidity management while promoting social equity and territorial cohesion. This institutional hybridity positions the bank as both a market actor and a vector of inclusive public policy.

Between 2022 and 2024, BDL played a decisive role in implementing the national monetary formalization program, aimed at channeling liquidity from the informal economy into regulated financial circuits. Under this reform, individuals could regularize undeclared funds through formal banking deposits, subject to a 10% fiscal levy and guaranteed confidentiality. As one of the lead executing institutions, BDL operationalized this measure by simplifying deposit procedures and integrating digital compliance mechanisms, thereby combining macroeconomic stabilization with an expansion of the formal financial base.

4.1.1 Descriptive Evidence (2022–2024)

Agency-level data across ten regional BDL branches in the wilayas of Mostaganem, Tiaret, Relizane, and Tissemsilt reveal a consistent upward trajectory in financial inclusion indicators.

Table 2. *Deposits Totals and Year-over-Year Change*

Indicator	2022	2023	2024	Change (%)
Number of Accounts	57 200	63 400	70 100	+22.6%
Credit Volume (Billion DZD)	5.8	6.9	7.5	+29.3%
Savings Deposits (Billion DZD)	12.4	14.6	15.3	+23.4%
TPE Devices (Units)	310	420	490	+58.1%

Source: Data provided by the Banque de Développement Local (BDL, 2025).

This descriptive profile confirms that financial access measured by account ownership expanded steadily, while the volume of deposits and credit intermediation increased by more than one-fifth over the period. The number of electronic payment terminals (TPEs) rose sharply, reflecting accelerated digital diffusion within local markets.

However, a closer examination of credit composition shows that individual and microcredit loans accounted for nearly 70% of total lending, compared to only 15% for SMEs. This imbalance indicates that while BDL has succeeded in promoting broad social inclusion, its contribution to productive or enterprise-driven finance remains comparatively limited.

4.1.2 Institutional Modernization and Behavioral Shifts

Concurrently, BDL intensified its digital transformation and financial literacy agenda. The bank organizes four “*journées informatives*” annually across regional branches, acting as structured financial education programs. These campaigns, supported by expanded online and mobile banking infrastructure, have generated tangible behavioral change: clients demonstrate growing confidence in formal banking, increasingly depositing savings and adopting e-banking services.

The interplay between institutional modernization and citizen trust restoration has become a defining

feature of BDL's regional performance. Digitalization has operated not merely as a technological upgrade but as a behavioral catalyst, encouraging integration of informal liquidity into formal banking channels and improving transparency in client relations.

4.1.3 Strategic Integration and Developmental Role

In alignment with the national entrepreneurship and employment strategy, BDL collaborates with state agencies and private banks to co-finance microenterprise and SME projects, offering subsidized credit and tailored advisory support. These initiatives extend inclusion from social access to productive empowerment, linking financial participation to job creation and regional development.

Collectively, these outcomes illustrate that BDL embodies the transitional character of Algeria's financial system: bridging monetary reform, digital inclusion, and socio-economic modernization. The agency-level evidence underscores a four-dimensional inclusion pattern

- Access expanded by 22.6%,
- Usage diversified modestly through rising loan volumes,
- Quality improved via deposit stability (+23.4%), and
- Innovation accelerated through TPE and e-banking adoption (+58%).

Thus, BDL serves as both an empirical lens and a conceptual referent for understanding how public banks operationalize inclusive finance in a transitioning economy.

4.2 Access Dimension: New Current Accounts by Client Type and Region

Figure 2 displays the evolution of new current account openings across BDL's regional network between 2022 and 2024, distinguishing individuals from enterprise clients. The evidence reveals a clear structural asymmetry: individual accounts represent more than four-fifths of total openings, while enterprise accounts, though rising gradually, remain marginal in all regions. This pattern reflects a system in which financial inclusion has advanced primarily through retail expansion households, salaried workers, and micro-

entrepreneurs rather than through productive enterprises.

The progressive increase nevertheless indicates a cumulative diffusion effect, confirming that access to formal finance has broadened steadily across territories. Yet the persistent divergence between categories underscores an inclusion trajectory that is socially extensive but economically shallow, signifying a widening of participation without equivalent deepening in productive capacity.

This configuration epitomizes the Access dimension of financial inclusion as theorized by Fouillet and Morvant-Roux (2018) and refined by Mellab (2025). Their framework identifies access as the institutional capacity to translate availability and affordability into actual entry for previously excluded populations. BDL's performance operationalizes this principle through pragmatic instruments simplified account-opening procedures, digital onboarding, and rural branch proliferation that transform theoretical accessibility into tangible participation. The dominance of individual accounts is therefore not an anomaly but an expected outcome of an inclusion model designed to achieve mass penetration before productive sophistication. According to the BDL feedback, enterprise account creation remains constrained by documentation burdens and collateral norms, confirming that the institution's first-phase strategy privileges social democratization over entrepreneurial depth.

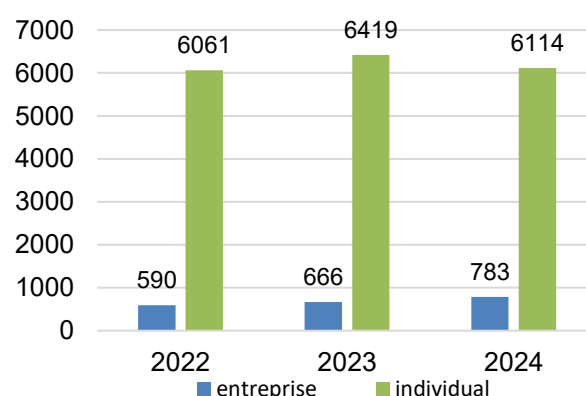


Figure 2. *Financial Inclusion Dimensions*

Source : Data provided by the Banque de Développement Local (BDL, 2025).

Critically, this expansion fulfils the breadth criterion of inclusion while revealing its structural limits. It advances SDG 8 (Decent Work and Economic Growth) and SDG 10 (Reduced

Inequalities) by integrating previously unbanked citizens, yet it leaves the depth dimension productive finance and SME activation largely untapped. The next stage must therefore shift from quantitative access to qualitative empowerment, converting participation into capacity and liquidity into investment. In this sense, Figure 1 crystallizes the inaugural moment of BDL's inclusion cycle: a verifiable democratization of financial access that establishes the empirical foundation upon which usage, quality, and innovation will be constructed.

4.3 Usage Dimension: Financing by Loan Type and Region

Figure 3 presents the distribution of BDL's financing activity between 2022 and 2024 across three categories individual loans, microcredit, and SME finance and across its regional agencies. The data exhibit a persistent structural asymmetry: individual loans account for roughly two-thirds of total disbursements, microcredit represents a growing but moderate share, and SME financing remains comparatively marginal.

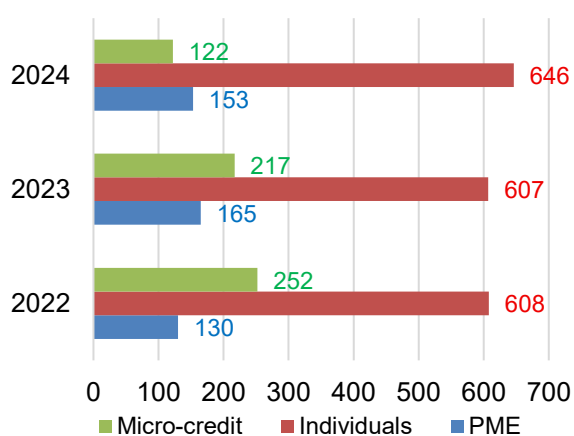


Figure 3. Financing by Loan Type and Region
 Source: Data provided by the Banque de Développement Local (BDL, 2025).

This hierarchy reveals a credit structure driven primarily by social inclusion rather than by productive investment. The gradual upward trend across all categories nevertheless attests to an active and widening engagement with formal credit mechanisms, confirming that BDL's inclusion has advanced beyond simple access into a phase of functional utilization. Yet the constrained weight of SME lending exposes a critical asymmetry between social breadth and

economic depth – a pattern typical of early-stage inclusion systems.

Within the theoretical architecture of financial inclusion, this configuration corresponds to the Usage dimension, where access is transformed into recurrent and diversified financial behavior. Following Tharouma (2022) and Aliano et al. (2021), usage measures the intensity and purpose of financial engagement, assessing whether credit fosters consumption stability or productive growth. BDL's portfolio demonstrates that inclusion has matured into sustained participation, but its structure remains oriented toward liquidity management and micro-enterprise survival rather than toward capital accumulation or innovation.

According to the BDL feedback, this outcome reflects deliberate institutional priorities: digitized personal-credit systems and government-backed micro-lending programs facilitated rapid diffusion, while the stricter collateral and documentation requirements of SME lending limited its expansion. The resulting model privileges financial security over productive risk-taking, aligning with the cautious developmental stance characteristic of public banks in transitional economies.

From a developmental standpoint, this pattern generates both achievement and constraint. It advances SDG 1 (No Poverty) and SDG 8 (Decent Work and Economic Growth) by stabilizing household liquidity and supporting micro-entrepreneurship, yet it contributes only partially to SDG 9 (Industry, Innovation and Infrastructure). Sustainable inclusion thus requires a strategic rebalancing of the credit portfolio toward SMEs, green sectors, and long-term investment.

Consequently, Figure 3 encapsulates the consolidation stage of BDL's inclusion trajectory: a verified expansion of credit usage that ensures social and financial stability, while simultaneously delineating the frontier that must be crossed for inclusion to evolve from participation into productive transformation.

4.4 Quality Dimension: Deposit Amounts Over Time

Tables 3 and 4 present the structural composition of deposits collected by the Banque de Développement Local (BDL) between 2022 and 2024, distinguishing both the annual volume of

deposits and their distribution across financial instruments. The data indicate a substantial increase in total deposit volumes from 2022 to 2023, followed by relative stabilization in 2024 a pattern that marks the post-regularization normalization phase of the Algerian financial system.

This evolution demonstrates that the expansion of access achieved in the early reform period has transitioned into a phase of behavioral consolidation, where depositors maintain consistent financial engagement rather than temporary participation.

Table 3. Deposits Totals and Year-over-Year Change

	2022	2023	2024
Annual Flow	6 824 313 000	6 367 407 000	- 2 861 372 000
Number of Deposits (operations)	103 304	108 494	113 553
Total Deposits	56 344 724 000	73 030 374 000	69 886 804 000
Annual growth rate of total deposits	/	16.80%	1.20%

Source: Data provided by the Banque de Développement Local (BDL, 2025).

The stability of deposit levels, combined with the continued rise in the number of realized deposit operations, reflects not only the widening of financial participation but also the consolidation of institutional trust. According to data provided by the Banque de Développement Local (BDL, 2025), this trust is rooted in policy and technological transformations: the absorption of liquidity from the parallel economy through the 10% regularization mechanism, the digitalization of banking procedures, and intensified public communication campaigns through “journées informatives” (information days). The BDL feedback confirms that citizens increasingly perceive formal banking as both accessible and secure, transforming social confidence in public institutions into enduring financial loyalty.

Table 2 further illustrates the behavioral dimension of this inclusion. Savings and current accounts together consistently exceed 90% of total deposits, while term deposits remain marginal. This predominance of liquidity-oriented instruments signals that financial inclusion in Algeria remains at the Quality stage where stability, reliability, and user confidence dominate but has not yet advanced fully to Innovation, characterized by diversified and investment-oriented portfolios.

As theorized by Fouillet and Morvant-Roux (2018) and Tharouma (2022), the Quality dimension represents the point where inclusion ceases to be purely quantitative and becomes relational: participation transforms into permanence, and trust becomes institutionalized.

Table 4. Deposit Composition by Instrument (Amounts and Shares)

		Savings	Currents	Term Deposits
2022	Number	47 691	55 613	/
	Amount	30 533 781 000	22 033 616 000	3 777 327 000
	Share in total deposits	67.59%	29.73%	2.70%
2023	Number	50 990	57 504	/
	Amount	36 171 625 000	22 987 448 000	13 871 300 000
	Share in total deposits	67.59%	30.56%	1.85%
2024	Number	92 313	59 322	/
	Amount	39 501 154 000	26 252 472 000	4 133 178 000
	Share in total deposits	67.51%	30.66%	1.83%

Source: Data provided by the Banque de Développement Local (BDL, 2025).

Developmentally, this behavioral consolidation contributes to SDG 8 (Decent Work and Economic Growth) and SDG 16 (Peace, Justice, and Strong Institutions) by reinforcing financial credibility and monetary stability. Yet the same pattern delineates the next frontier of inclusion. For deposits to sustain long-term development, they must evolve from liquidity preservation toward productive intermediation funding SMEs, green investment, and innovation programs.

In this respect, the 2022–2024 period captures the consolidation moment of BDL’s inclusion continuum, where financial access has matured into stability, and stability now holds the potential to generate capital formation and innovation-driven growth.

4.5 Innovation Dimension: Deposit Composition by Instrument

Figure 3 displays the composition of deposits across BDL’s regional agencies between 2022 and 2024, distinguishing savings accounts, current accounts, and term deposits. The data reveal a pronounced concentration of liquidity in savings and current accounts, which together represent more than ninety percent of total deposits, while term deposits remain marginal across all regions. This structural concentration highlights a financial behavior oriented toward short-term security and accessibility, reflecting users’ preference for liquidity over long-term commitment.

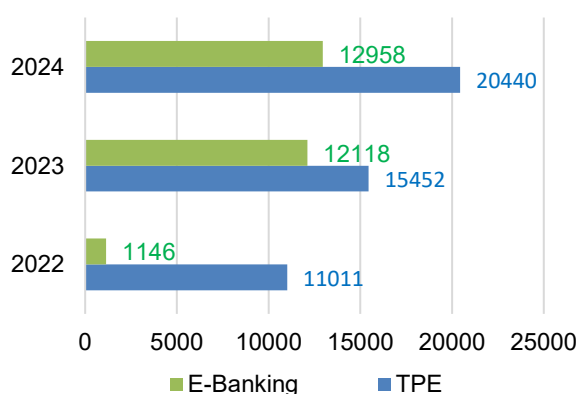


Figure 4. Digital Transaction

Source: Data provided by the Banque de Développement Local (BDL, 2025).

Although the overall volume of deposits has continued to expand (as shown in Figure 3), the internal structure of these deposits exposes the limits of behavioral diversification. Inclusion at this

stage has achieved stability, but not yet financial sophistication: clients are confident, but still risk-averse, managing funds primarily for safety rather than for value creation.

This configuration corresponds to the Innovation dimension of financial inclusion, the phase in which stability and trust evolve into diversified, forward-looking financial behavior. As formulated by Mertzanis (2023) and Zhang et al. (2024), innovation entails both the technological and behavioral transformations that allow users to transition from passive participation to active financial strategy. In BDL’s case, innovation remains incipient. The institution’s digital expansion including mobile banking, e-deposit platforms, and real-time transfers has facilitated access and convenience but not yet stimulated the adoption of long-term instruments.

According to the BDL feedback, this cautious pattern stems from contextual and policy factors: an emphasis on liquidity management during post-crisis recovery, limited promotion of investment-oriented products, and moderate public familiarity with term-based saving instruments. The result is a liquidity-centered inclusion model secure and functional, yet not fully transformative.

From a developmental perspective, this structure both consolidates and constrains progress toward sustainable finance. It strengthens SDG 12 (Responsible Consumption and Production) by promoting prudent saving behavior, but delays contributions to SDG 9 (Industry, Innovation, and Infrastructure), which depend on long-term capital mobilization. The challenge for BDL now lies in transforming digital inclusion into behavioral innovation encouraging users to adopt diversified financial tools through education, incentives, and tailored products.

4.6 Synthesis of Empirical Insights

The four figures collectively outline the empirical life cycle of inclusion within BDL’s ecosystem. The trajectory unfolds sequentially: Access expanded the base of participation; Usage diversified engagement through credit; Quality consolidated trust through deposits; and Innovation now emerges as the pending phase of behavioral transformation. The process demonstrates that financial inclusion at BDL is not static but institutionally cumulative each dimension enabling the next.

Across dimensions, a consistent structural logic appears. Inclusion has been socially inclusive but economically cautious, a design reflecting the dual mission of public development banking: to guarantee equitable access while preserving stability. The institution has fulfilled its social mandate effectively, yet the transition from liquidity to productivity remains incomplete. Credit and deposit behaviors confirm that inclusion has evolved from outreach to permanence but still awaits diversification. The findings also validate the theoretical model's internal coherence. Access created participation; usage established engagement; quality generated trust; and innovation now defines the frontier of maturity. BDL's experience confirms that inclusion matures not linearly but recursively each phase reinforcing the previous one through institutional learning and user confidence.

The data reveal an inclusion system that has achieved breadth, continuity, and stability, but not yet transformative depth. To move toward sustainability, BDL must redirect its liquidity base toward productive finance and use digitalization not merely as a tool of facilitation but as a catalyst for innovation. In summary, the evidence portrays BDL as an institution that has transformed inclusion from an abstract policy into a tangible social reality.

The next challenge lies in converting that achievement into developmental inclusion one that mobilizes finance for investment, productivity, and long-term growth. Inclusion at BDL has reached credibility; its ultimate success will depend on whether it can now generate creativity

5 CONCLUSIONS

This study demonstrates that the Banque de Développement Local (BDL) has successfully translated Algeria's national financial inclusion strategy into tangible institutional outcomes across four western wilayas. Between 2022 and 2024, financial inclusion improved significantly across all core dimensions: access expanded by 22.6%, usage by 29%, quality by 23.4%, and innovation by 58%. These gains reflect a cumulative process in which access fosters participation, usage consolidates engagement, quality strengthens trust, and innovation introduces behavioral shifts through digital

finance. Collectively, these trends signal a gradual institutionalization of inclusion within the public banking sector.

Yet, the analysis also reveals a persistent structural asymmetry in credit allocation. While BDL has broadened access, lending activity remains concentrated in individual and microcredit segments comprising nearly 70% of the portfolio while SME financing accounts for only 15%. This distribution reflects the bank's dual mandate: promoting equitable access while safeguarding financial stability. As a result, BDL has succeeded in building liquidity and institutional trust but has not fully transitioned toward a model of productive, innovation-oriented finance.

From a theoretical perspective, these findings affirm the relevance of the capability–institutional framework: financial inclusion in Algeria appears to evolve recursively, with each stage reinforcing the next through institutional learning and user confidence. However, this same recursive structure also underscores the need for strategic recalibration. To align inclusion efforts with the broader goals of sustainable development, institutional adaptation must go beyond outreach to address structural gaps in financial intermediation.

The analysis suggests several policy directions. First, rebalancing the credit portfolio toward SMEs and start-ups is essential, supported by regional guaranteed mechanisms to mitigate risk and mobilize entrepreneurship. Second, the institutionalization of financial and digital literacy programs should transform existing outreach efforts into a permanent, structured component of BDL's development mandate. Third, product diversification such as long-term savings accounts, Islamic finance instruments, and green investment products can attract stable deposits and finance environmentally aligned enterprises. Fourth, regional inclusion dashboards would enhance monitoring and accountability by systematically tracking access, credit composition, and digital adoption. Finally, partnerships between BDL, fintechs, and microfinance institutions could accelerate innovation and extend financial services to currently excluded populations.

While this study is geographically focused on western Algeria, the selected wilayas are not

anomalous. Rather, they represent a microcosm of the national financial landscape, particularly given their early adoption of post-2021 regional financial reforms. The regulatory framework, overseen uniformly by the Bank of Algeria, ensures that observed institutional behaviors within BDL are reflective of broader systemic shifts toward formalization, transparency, and digitalization.

Although the research adopts a descriptive, non-inferential approach, its value lies in identifying institutional patterns and reform outcomes. Future work could build on this foundation by applying quantitative methods to assess the impact of inclusion policies on investment, employment, and innovation. Comparative studies across Maghreb or Mediterranean banking systems would further

contextualize Algeria's inclusion model within regional development trajectories.

In sum, BDL's experience encapsulates Algeria's broader evolution toward a more inclusive and modern financial system. The bank has restored trust, expanded access, and laid the groundwork for institutional inclusion. Its next challenge is to translate that institutional credibility into innovation channeling liquidity into productive activity, converting access into opportunity, and making financial inclusion not just a policy goal, but a durable engine of sustainable economic growth.

BDL's trajectory illustrates the broader challenge of transforming financial inclusion from social outreach into a durable engine of productive and sustainable growth.

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