Vol.7 Issue.4 December 2022

Review of Socio - Economic Perspectives
ISSN: 2149 - 9276
E-ISSN: 2547-9385

Determinants of financial inclusion in Algeria: An ARDL Bounds Test approach

Rahima Benaini[1,•] **& Samiya Metair**[2,α]

[1] *Lecturer, Department of economics, Maghnia University Center, Algeria*
[2] *Ph.D. student, LEPPESE laboratory, Maghnia University Center, Algeria*

Article History

Received: 3 June 2022 Revised: 15 November 2022 Accepted: 28 November 2022 Available Online: 5 December 2022

Keywords: financial inclusion index, financial dimensions, determinants, ARDL approach, Algeria
JEL classification: G21; C33

Citation: Benaini, R. & Metair, S. (2022). Determinants of financial inclusion in Algeria: An ARDL Bounds Test Approach, *Review of Socio-Economic Perspectives,* 7(4), 43-54.

Abstract

Our study aims to afford an empirical insight on the factors that have a great impact on financial inclusion levels in Algeria during the period $Q_1$2004-$Q_4$2019, using ARDL approach. Using the dataset provided by the World Bank, our empirical results found that the composite index of financial inclusion (FII) based on three dimensions following Sarma (2008) approach is bounded from 0.08 to 0.51, which is proportionally small. Farther, the estimation findings revealed a positive relationship between financial inclusion index and GDP per capita as a proxy of incomes, population, oil rent, interest rate, while, money supply is not significant factor. However, the strong positive relationship is found between FII and corruption, fixed phone subscriptions as a measure of internet access, which means there are the most important determinant of FII in Algeria.

1. Introduction

In recent years, a rapidly growing of literature continues to devote the critical role of financial access through reducing extreme poverty, boosting shared prosperity and reducing income inequality (World Bank, 2020). Financial inclusion from the process of providing access to financial products and services to individuals and small businesses, it could serve not only as a tool to support economic growth, but also as a means to boost social development through the reduction of poverty and inequality .Besides, financial inclusion as the proportion of individuals and firms that use financial services has increasingly become a policy priority at international and national levels, especially after the 2008 global financial crisis. Currently, financial inclusion has received much attention from policymakers, researchers, and international financial institutions as a promising source of benefits to the economy (IMF, 2020).

Moreover, Financial inclusion has become an attractive topic at the global level with governments, financial institutions, and policymakers, developing interest in understanding it more deeply (Amoah, A., Korle, K. and Asiama, R.K, 2020), The existence of high level financial exclusion has been acknowledged by many developed and developing nations as one of the socio-economic challenges on the agenda (Sarma, M., & Pais, J., 2011); (WentzeL, J. P., Diatha, K. S. & Yadavalli, V. S. S., 2016). The World Bank in its 2020 targets placed universal financial access as one of its objective (Demirguç-kant & al, 2018), (WBG,W,B,G, 2018), which indicates how financial inclusion has become an attractive topic globally and more than 50 countries made headline financial inclusion commitments as of the end of 2014 (Louis, L. & Chartier, F, 2017.) (Demirguç-kant & al, 2018). In 2017, the World Bank Group (WBG) clearly highlighted that many countries are developing National Financial

• **E-mail:** benainirahima2021@gmail.com & **ORCID:** https://orcid.org/0000-0002-8514-4390
α **E-mail:** metair.samiya@cumaghnia.dz & **ORCID:** https://orcid.org/0000-0003-4535-9589

DOI: https://doi.org/10.19275/RSEP140
Article Type: Original Paper