

**LE SECTEUR FINANCIER ET CROISSANCE ECONOMIQUE :
LE CREDIT A LA CONSOMMATION COMME MOTEUR DE LA
CROISSANCE ECONOMIQUE EN ALGERIE**

**The Financial sector and economic growth:
Consumer credit as a driver of economic growth in Algeria**

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Résumé :

Considérant le crédit à la consommation comme un des moteurs de la croissance économique, on se rappelle qu'il n'y a pas longtemps que son introduction, a beaucoup plus profité aux produits importés, au détriment de la production nationale, c'est une cause parmi d'autres qui ont poussé les pouvoirs publics à geler ce genre de crédit en 2009.

Notre objectif à travers ce papier est d'analyser les nouvelles conditions du retour du crédit à la consommation dès 2015, afin de booster le produit national. Théoriquement, le crédit à la consommation devrait relancer la demande, donc la croissance économique dans des économies productives. Réellement, est-ce que ces conditions sont réunies dans l'économie algérienne ?

Les mots clés : le crédit à la consommation, secteur financier, la croissance économique, l'économie algérienne.

Abstract:

Considering the consumer credit as a driver of economic growth, we remember that not long ago that its introduction has much advantage to imported products, to the detriment of national production, it is one cause of many others that led the government to freeze this type of credit in 2009.

We aim through this research to analyze the new conditions for the return of consumer credit again in 2015, in order to boost the national income. Theoretically, the consumer credit should rise the demand, so economic growth in productive economies. Really, do these conditions are met in the Algerian economy?

Keywords: the consumer credit, financial sector, economic growth, the Algerian economy.

INTRODUCTION

Consumer credit has a very important role in the financing of developed economies; it is a source of satisfaction for banks that finance this type of credit, companies offering to sell these products through mixed financing (buyer / bank), households, including the tax administration, etc.

Theoretically, the multiplier effects of consumer credit as a means to boost domestic economic growth have not ended. In order to have these multiplier effects, conditions must be making: to stimulate local production, to establish the risk center, to ensure the smooth running of administrative procedures.

Considering consumer credit as one of the engines of economic growth, it should not be forgotten that its introduction a few years ago in Algeria has led to a strong growth in this market, which has benefited much more from imported products, to the detriment of domestic production, until the decision of the public authorities to suspend it through section 75 of CFL 2009.

The revival of consumer credit took place within the framework of Executive Decree No. 15-114, after the amendment of section 75 of the CFA 2009 which canceled this type of credit. The new decree stipulates that products eligible for consumer credit are those with an integration rate of 40% or more. This innovation is a decision of the public authorities; the aim is to promote the national product, through the revival of demand on our products, and consequently the revival of internal economic growth.

We will try through this research to answer the following question: *What are the conditions that must accompany the introduction of consumer credit and which bring together the interests of all stakeholders?*

1. THE MAIN INGREDIENTS OF ECONOMIC GROWTH

1.1 Financial Development and Economic Growth

Although Bagehot (1874) and Schumpeter (1935) wrote extensively on the importance of finance for economic development, it was Goldsmith (1969) who was the first to prove the existence of a positive correlation between size of the financial sector and long-term economic growth. Goldsmith tried to demonstrate the close correlation between macroeconomic financial assets and economic growth [Panizza, 2012].

Despite Goldsmith's drawing of the causal relationship between finance and economic growth, on the other hand, he has had countless criticisms that state that economic growth is the result of several ingredients, among these finance ingredients. As Robinson (1952) summed it up: "When the company leads, finance follows."

However, the size of the financial sector can be an indicator of economic growth. This has been demonstrated through the work of Levine (1993) in the early 1990s ... [Levine et al, 2000] Since then, several studies have demonstrated that the establishment of a developed financial sector is a key condition for creating sustainable and efficient economic development, especially in the developing countries, the case of Algeria.

1.2 Effective Demand and Economic Growth:

It is in the "General Theory of Employment, Interest and Currency" that John Maynard Keynes (1883-1946) presents his principle of effective demand. The purpose of this principle

is to show how entrepreneurs, by means of expectations, determine the level of employment and economic activity. Effective demand is defined by Keynes as "the amount of expected product D at the point in the aggregate demand curve where it is cut by the aggregate supply curve" [Keynes, 1942].

The reaction of entrepreneurs in all economies is characterized by approach of anticipation of what will have to be soon, through what now exists as signals...

Still, the attitude of private entrepreneurs is pessimistic rather than optimistic, because of the multiple risks incurred by these economic players. So that the vicious circle begins to turn, causing negative consequences for other actors, especially in periods of weak growth or growth. According to Keynes, a voluntary policy by the public authorities can restore confidence to the entrepreneurs, which will have to save thousands of jobs. Among these proactive policies is the revival of consumption, which is a solution that has been Widely used after the Great Recession post 1929, this revival was named by Roosevelt the "New Deal".

In developed countries, consumer credit is highly coveted by households or entrepreneurs, especially in recent years. If we take the EURO zone as an example, and until March 2016, this zone recorded an average growth rate of consumer credit outstanding of around 5.1%. Among the countries that recorded strong increases in the first quarter of 2016: France with (+5.0%), Germany with (+4.1%), Italy and Spain experiencing very strong increases respectively (+ 16.4% and + 11.7%) [Websat Banque de France, 2016].

France can be considered as the European leader in consumer finance for households and businesses. The table 1 shows the broad categories of consumer credit in this country.

Table 1: Changes in outstanding consumer credit (billion €)

	2014			2015				2016	Annual growth rate
	Jun	Sept.	Déc.	Mars	Jun	Sept.	Déc.	Mars	Mars 2016
Total Consumer Credit	144,3	145,4	146,5	146,9	148,2	151,5	151,8	153,4	4,4%
1- Depreciable loans including securitized receivables	98,9	99,6	100,1	100,3	101,8	104,5	104,8	105,5	5,2%
• Of which unrestricted personal loans	-	-	71,7	71,8	72,3	73,0	74,0	75,2	4,7%
• Of which assigned loans or installment sales	-	-	15,2	15,2	15,1	15,3	14,6	14,8	-2,6%
• Other	-	-	13,2	13,3	14,4	16,2	16,2	15,5	16,5%

2- Ordinary accounts receivable	7,3	7,5	7,5	7,4	7,7	7,6	7,6	7,6	2,7%
3- Revolving credits	22,2	21,7	21,5	21,2	20,2	20,0	19,8	19,8	-6,6%
4- Leasing	5,1	5,2	5,4	5,7	6,0	6,6	7,1	7,1	33,3%
5- Autres	10.8	11.4	12	12.3	12.5	12.8	12.5	13.4	8,97%

Source : Websat Banque de France, STAT INFO-mars 2016, document [En ligne] webstat.banque-france.fr/ consulté le 08/08/2016

We will try, by the way, to address the revival of consumption through consumer credit.

1.3 Consumer credit

1.3.1 Definition

According to article 5 of Executive Decree No. 15-114 on the terms and conditions of consumer credit offers: consumer credit: "any sale of goods whose payment is staggered, deferred or split" [Décret exécutif n° 15-114, 2015].

Consumer credit is the category of credit granted to individuals by banking institutions to finance the purchase of goods and services, such as large capital goods (automobile, home equipment).

This category of credit is distinguished by:

- A small amount of credit compared to real estate loans;
- A fairly short repayment period, usually less than 5 years;
- Financing of the property is generally mixed (borrower and lender / Bank).

The particularity of this type of credit; it is intended for the middle class, which can meet these needs immediately, staggering the repayment of the principal and interest according to the capacity of the borrower and the agreement of the lender.

1-3-2 Different types of consumer credit

They can be listed as follows:

- The loan allocated to a given expenditure: most often it is car loans;
- Personal loan not linked to a specific expenditure: usually cash to support a seasonal expense, such as vacation financing;
- The personal revolving credit: which relates to amounts usually drawn from one or more credit cards;
- Leasing : which finances the purchase of tangible assets by companies;
- Online credit via the Internet, specific to developed financial sectors.

1-3-3 The variants of consumer credit

The sales process is based on several steps: [Toutes les infoscrédit.over.blog.com]

- Collection of information about the borrower: income, assets, family, purpose of the application, etc.
- Desired credit terms: amount, duration, etc.

- The lender's proposal: proposed rate, optional insurance, application fees, etc.
- Prior offer: this is the contractual document between the lender and the borrower.

1-3-4 Repayment terms and conditions

Reimbursement is usually made in the form of constant monthly payments, through a table, often referred to as the "credit consumption table". Generally, annuities are paid periodically (monthly payments) for the entire duration initially desired, each annuity consists of two amounts: a part of the principal (consumption of the principal) and interest on the amount that remains of the principal, which was granted during a period "n" usually a month.

Unlike the mortgage loan, repayment in advance generally does not give rise to the collection of early termination indemnity by the lender [Pécourt, 2010].

2- RETURN OF THE CREDIT TO CONSUMPTION IN ALGERIA: CHARACTERISTICS AND NOVELTIES

Consumer credit was reinstated in 2015 through section 88 of the 2015 Finance Act, to the delight of households who have been claiming it since 2009. Indeed, the return to consumer credit has been marked new legislation and guidelines to facilitate its implementation.

2-1 Errors to avoid

Consumer credit is not a novelty, whether for Algerian banks or Algerian households. The novelty can be lies in the will to avoid the many errors that have been committed before. Among these errors are:

- The inefficiency of the risk center, especially its indifference to over-indebtedness of households;
- Before the cancellation of consumer credit by section 75 of the CFA of 2009, this type of credit financed the purchase of imported products. In other words, Algerian banks have boosted the economic growth of the exporting countries;
- Before the cancellation of Article 75, consumer credit generated a high demand for imported manufactured goods, much to the delight of importers. On the other hand, it helped to consume considerably exchange;
- The old version of consumer credit has turned its back on our domestic products, as it has helped to kill many SMEs early on.

2.2 Characteristics of consumer credit version 2015

We will try to highlight the specificities of consumer credit in the budget law of 2015.

2.2.1 The type of consumer credit

The type of consumer credit is the most traditional and the most common, it is the "personal credit affected". It is a credit, the granting of which subject to the acquisition of an asset, from a seller is selling products from domestic production.

2-2-2 Terms of financing and repayment

According to Article 15 of Executive Decree No 15-114 on the terms and conditions of consumer credit bids: "the borrower shall have the option of repaying all or part of his credit in advance, contractually foreseen" [Décret exécutif n° 15-114, 2015].

The amount of consumer credit shall not exceed 70% of the property to be acquired. It is fair to note that the maximum amount of this credit will be a multiple of the amount of the

SNMG, covering a period ranging from 3 months to 60 months, depending on the object to be financed [www.liberte-algerie.com].

According to Article 16 of Executive Decree No. 15-114 on the terms and conditions of offers for consumer credit: "the total monthly repayment of the credit contracted by the borrower can not under any circumstances, exceed 30% of the net monthly income regularly collected, in order to avoid over-indebtedness of the customer "[Décret exécutif n° 15-114, 2015].

The bank has the right to choose the way of financing (classic / Islamic). In other words, either the traditional financing of the purchase from the merchant, or the involvement of the bank by buying the property and then selling it to the borrower (consumer), this formula commonly called "El Mourabaha".

The cost of credit includes interest (freely negotiable rates), bank charges related to the credit agreement and the insurance premium, while the monthly repayment should not exceed 30% of the monthly income.

2-2-3 The enterprises concerned by consumer credit

According to Article 4 of Executive Decree No 15-114 on the terms and conditions of offers for consumer credit: "operators whose products are eligible for consumer credit are those who:

- Carry out a production activity on the national territory;
- Produce or assemble goods for sale to individuals [Décret exécutif n° 15-114, 2015].

2-2-4 The categories of products subject to consumer credit

According to Article 4 of Executive Decree No 15-114 on the terms and conditions of consumer credit offers: 'eligible goods may meet an integration rate fixed, as appropriate, By joint decree of the Ministry for Consumer Protection and the Minister concerned " [Décret exécutif n° 15-114, 2015].

The product ranges that will be eligible for consumer credit are the products of national production belonging to the following seven industrial sectors:

- Manufacturing of electrical appliances and appliances: televisions, video, sound and mp3, cameras and camcorders, heaters, air conditioners, refrigerators, domestic kitchen equipment, domestic washing equipment and small appliances, etc.
- Manufacturing activity of phones, tablets and smartphones: phones, cell phones and tablets, etc.
- Construction of motor vehicles and motorcycle engines: passenger cars, motor bicycles and tricycles, etc.
- Manufacturing of office machines and information processing equipment: computers, other computer equipment and accessories, etc.
- Industrial manufacturing activity of wooden furniture sets for domestic use: furniture, furniture sets and accessories made of wood or associated with other materials for domestic use.
- Textile and leather activity: upholstery, tapestry, carpet and bedding
- Activity of building materials: ceramics and sanitary ceramics

According to officials, this list is not exhaustive; other products can be integrated at any time, provided that these products fulfill the conditions retained previously.

2.2.5 The supply of consumer credit

According to Article 5 of Executive Decree No 15-114 on the terms and conditions of offers for consumer credit: "the offer of consumer credit must contain sincere and fair information, specifying in particular the elements the terms of the grant, and the rights and obligations of the parties to the credit agreement. The granting of consumer credit is reserved exclusively for resident nationals " [Décret exécutif n° 15-114, 2015].

Concerning the contract of this type of credit, this contract must contain clear and precise information, as Article 6 stipulates that: "every credit contract must be preceded by a prior credit offer to enable the borrower to assess the nature and scope of the financial commitment to which he may subscribe and the conditions of performance of the contract " [Décret exécutif n° 15-114, 2015].

2.3 The Risk Center: Roles and Responsibilities

In order to ensure the solvency of the consumer-borrower, a central business and household risks (CREM) was set up by the Bank of Algeria.

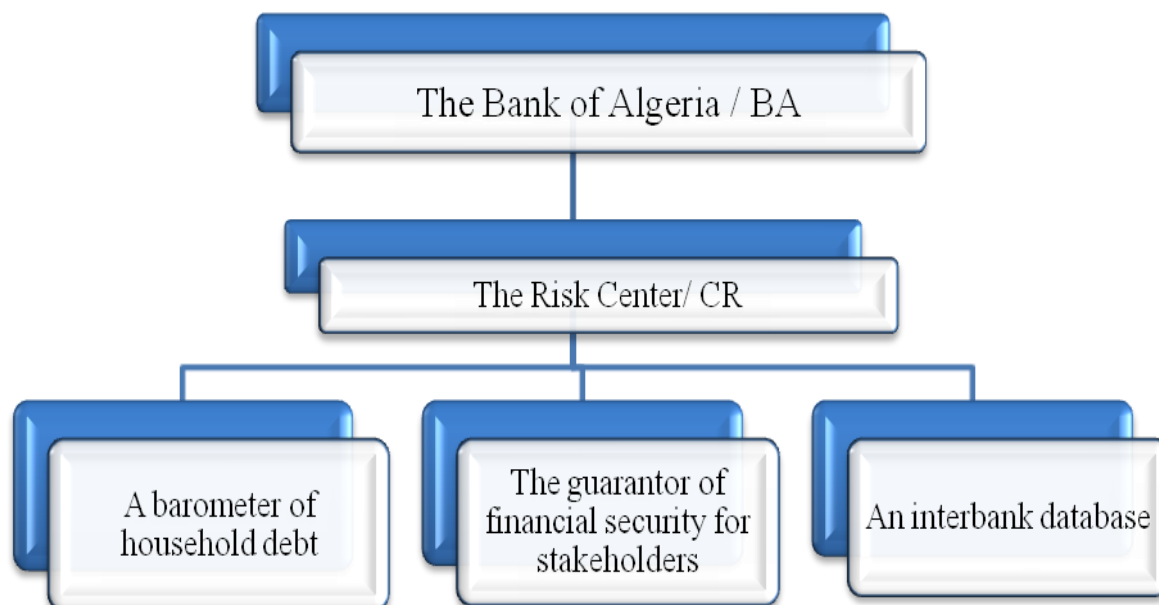
Despite the fact that the risk center has existed in Algeria since 1995 and the regulatory texts date back to 1994. It is housed in the bank of Algeria, more precisely within the risk department, especially since there are also of other plants, namely that of unpaid debts and that of balance sheets [www.liberte-algerie.com].

This tool provides interbank credit risk management by integrating all contracted loans and customer data including defaults into its system.

There is no banking system without a risk center / CR, the latter with several roles to fulfill, through the following figure, one can see the main roles of the CR.

Through the figure 1 we can clearly see the roles attributed to the CR:

Figure 1: The main roles of the Bank of Algeria's CR



Source: developed by us

- The risk center will serve as a barometer that will monitor both: the level of household debt, and ensure the financial security of banks.

- The risk center uses its prerogatives to ensure the financial security, be it private individuals or that of the banks, which are called upon to grant such loans.
- This is a place where credit information is centralized. It is endowed with a database fed by all loans granted by banks and financial institutions, especially those specialized in leasing.

The Risk / CR facility has recently been modernized to meet the new challenges of our financial system and international requirements.

3- CONSTRAINTS AND CHALLENGES OF THE CONSUMER CREDIT IN ALGERIA

Frozen since 2009 to slow imports and limit the level of indebtedness of households, consumer credit will be reintroduced in 2016 to encourage the consumption of the domestic product and the local production apparatus, in a context where Algeria, More than ever, need to diversify its economy and reduce its imports.

3-1 Is any product manufactured or assembled locally a product eligible for consumer credit?

Reintroduced by Article 88 of the Finance Act 2015, this appropriation is intended exclusively for products manufactured or assembled locally [Décret exécutif n° 15-114, 2015]. It remains that the conditions for considering this product or other product as eligible for consumer credit are ambiguous. Among these ambiguities:

- The floor-rate of integration of the product: this rate was fixed at the beginning at 70%, then at 40%, and finally, this rate has been revised downwards (less than 20%) for the car Renault. If the products selected are of low integration rate, this will benefit foreign firms, and therefore the initial purpose of consumer credit, which is internal growth, will not be realized ...
- Assembly of products and transfer of technology: for locally assembled products, there are no clearly defined conditions. For example, specify the components (hard, soft) that must be produced locally, including the conditions for a likely transfer of technology and know-how ...
- The source of products eligible for consumer credit: if we measure the spin-offs of products financed by consumer credit, we will soon see that products that are assembled from known brands and that have a large advertising budget, and strategies to target and attract the consumer ... will have their share of markets soared. On the other hand, the products of SMEs, PMI and TPE will be excluded ...

3-2 Are our banks able to keep pace with foreign banks?

During the year 2015, we witnessed a total indifference of the Algerian public banks, either in terms of information to answer the questions of customers interested in this type of credit, or in terms of implication to promote this new banking product which is consumer credit.

On the other hand, foreign banks jumped at the opportunity, by activating to conclude contracts of agreement or exclusivity with the suppliers, to name only BNP Paribas, this bank knew how to be the first on the starting block before the official launch of this type of credit at the beginning of 2016, since it received a hundred credit applications for the acquisition of the Renault Symbol automobile from December 20, 2015.

3-3 Who will benefit from the revival of demand?

Theoretically, consumer credit has an efficient role in building a diversified non-hydrocarbon national economy through the presentation of experiences from many countries that have adopted this strategy to support the national product. The question is: *does our economy have the productive potential to receive the expected benefits?*

It should not be forgotten that there was an experience before 2009, which showed these limitations according to the majority of Algerian experts, due to a weakness of regulatory mechanisms on the one hand and a lack of prospects to s' oriented towards the diversification of our economy at the expense of the blind import of all and of anything.

The cancellation of consumer credit by section 75 of the CFA for 2009 was motivated by:

- Over-indebtedness of households;
- Demand for imported goods;
- Increase in crescendo and on a continuous basis of the import invoice.

In order to avoid the mistakes of the past, we must put the objectives of our economy first, and then we must periodically review the mechanisms responsible for achieving these objectives. The opinions, criticisms and benchmarking of the experts are the goods that have come, to correct the shooting and improve the performance of the applied tools, in order to diversify our economy.

3-4 Will the benefits be immediate?

According to Algerian economist experts, there will be a progressive contribution of the new procedures in the 40% increase in the rate of integration of local products, currently estimated at 20%, knowing that national production is based on 80% import of raw materials and other assembly parts [www.algerie-eco.com/index].

Consumer credit can give what is lacking as a competitive value to our domestic product, which can be a breath of fresh air for domestic production in the face of foreign competition.

It can be said that the spin-offs of consumer credit will be initiated gradually with the involvement of large companies and SMEs in accordance with the directives of the government. The multiplier effect of the positive effects will be multiple for all the players in our economy.

3-5 Does consumer credit have its place in Islamic banks?

In order for consumer credit to become popular with Algerian consumers, it is necessary to seriously consider new formulas adapted to certain consumers who reject the traditional formulas of bank loans for religious reasons. This requires the involvement of Islamic banks which have a role to play, since these new (Islamic) financial products are already adopted by banks even in Western countries.

CONCLUSION

If during the year 2015 the government finally decided to revive consumer credit, to boost domestic demand, in order to promote the national product, and thus contributed effectively to economic growth ... and to realize these conditions, conditions (ingredients) must be met, these conditions are guaranteed for all stakeholders (households, banks, government). Among these conditions: avoid mistakes of the past; have an overview of our productive capacities; develop a flexible strategy to rectify the situation at every opportunity; Have the incentive to correct anomalies by solutions of proximity and specific to our banking system and our economy.

Renewing demand is only the beginning, it must be followed by other decisions at the level of government, to reinforce what works in productive societies, and try to correct what does not work, especially the SMEs. Giving an opportunity to the national product requires courageous decisions to import uncontrolled imports and wacky spending that swallowed our foreign exchange reserves...

All the experiments have shown that economic growth must be preceded by reforms in the banking and financial sector. In other words, decisions must be made urgently in our banking sector, especially in terms of decentralization of the decision...

Consumer credit should boost economic growth immediately in supply economies, the case of the New Deal in the USA after the Great Post-1929 recession, which is not the case in Algeria. To overcome this crucial problem, a specification must be signed between the government and the producing companies concerned. The clauses contained in these specifications may oblige signatory companies to increase their integration rates annually.

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