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Empirical Research on SME Financing and Multi-Banking in Oran: Examination of a Sample of Companies for 2024

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Abstract:
The strategic significance of small and medium-sized entreprises (SMEs) has been reinforced by Algeria's shift to a market economy while Their growth is still reliant on funding availability. In this situation, multibanking appears as a tactic that promotes competition among banking institutions, lowers financial risks, and allows for the diversity of funding sources. This paper aims to comprehend: How much does multibanking help local SMEs get better financing? A mixed technique was used with a sample of 25 SMEs in the Oran region to address this. According to the findings, multibanking is a comparatively common practice among small and medium-sized businesses in the area. The degree varies depending on the size, industry, and organizational structure of the businesses.
Keywords: SMEs – Access to financing – Multibanking – Public policy
Jel Classification Codes : L26 – G32 – G21 – H81

Introduction

Algeria's shift to a market economy since the 1990s has reinforced the vital role of small and medium-sized businesses (SMEs), which are increasingly acknowledged as an essential lever for boosting growth, diversifying the country's economy, and generating employment. The number of SMEs in Algeria has dramatically expanded as a result of public authorities' initiatives, which has helped to diversify the country's economy and increase private employment.

Nevertheless, despite these developments, SMEs continue to encounter a number of challenges that impede their growth and restrict their economic influence. One of the biggest obstacles is still getting finance, which is frequently caused by strict banking

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requirements, inadequate guarantees, and a lack of knowledge about available support systems.

By increasing the number of credit sources, encouraging bank competition, and sequencing the risks involved with lending, multiple banking connections can emerge as a pertinent way to enhance access to funding. But this strategy can also lead to limitations, especially when it comes to extra expenses and administrative complexity. In light of this, our study question might be stated as follows: How much does multiple banking help local SMEs get better financing? We speculate that by diversifying their credit sources and lowering their reliance on a single bank, multiple banking helps local SMEs obtain finance.

However, the opposite idea can also be taken into account: excessive numerous banking may make it more difficult to obtain funding by spreading information throughout banks and eroding relationships built on trust with financial partners.

The study uses a mixed methodology that combines quantitative and qualitative analysis to provide a thorough and nuanced assessment of the phenomenon being studied in order to thoroughly examine these hypotheses.

Three interrelated axes serve as the framework for this work. The first integrates structural limitations such information asymmetry and agency costs unique to small businesses while examining the theories of SME finance, including the trade-off theory and hierarchical financing theory. Through a review of the literature, the second axis examines multiple banking and determines its motivations, benefits, and drawbacks.

Lastly, the third axis places the study in the local Algerian context and emphasizes the main difficulties SMEs confront, especially their limited access to funding.

1. Theoretical Underpinnings of Multiple Banking and SME Financing

SMEs' funding choices are explained by a number of ideas. The most crucial ones are:

1.1 SMEs and the Trade-Off Theory

According to this traditional view, SMEs determine the ideal debt level by weighing the tax benefits of debt (deductibility of interest) against its drawbacks (bankruptcy risks, agency expenses) (Modigliani & Miller, 1963[2]; Jensen & Meckling, 1976[3]).

1.1.1 Costs of Financial Distress in SMEs

The tax benefits are outweighed by direct costs (administrative fees) and indirect costs (missed opportunities) over this ideal threshold (Kraus & Litzenberger, 1973[4]; Kim, 1978[5]). Although some founders choose debt over equity dilution, which paradoxically raises the risk of default, family SMEs show accumulated risk aversion

[2] Modigliani, F., & Miller, M. H. (1963). Corporate income taxes and the cost of capital: A correction. *The American Economic Review*, 53(3), 433–443.

[3] Jensen, M. C., & Meckling, W. H. (1979). Theory of the firm: Managerial behavior, agency costs and ownership structure. In K. Brunner (Ed.), Economic social institutions (pp. 163-231). Springer, Netherlands.

[4] Kraus, A., & Litzenberger, R. H. (1973). A state-preference model of optimal financial leverage. The Journal of Finance, 28(4), 911–922.

[5] Kim, E. H. (1978). A mean-variance theory of optimal capital structure and corporate debt capacity. The Journal of Finance, 33(1), 45–63.

to maintain control (Mishra & McConaughy, 1999[6]; Ellul et al., 2007[7]). According to empirical research, there is not always a substantial correlation between the amount of debt in SMEs and the measurement of financial distress costs (De Miguel & Pindado, 2001[8]; López-Gracia & Sánchez-Andújar, 2007[9]).

1.1.2 Family Governance and Agency Expenses

By matching their interests, a highly leveraged SME might lessen agency conflicts between managers and shareholders by producing enough cash flow to fund interest payments and repayments (Jensen & Meckling, 1976)[10]. Because the owner and manager are frequently the same individual, family SMEs typically have low agency costs due to centralized and flexible decision-making (Anderson & Reeb, 2003) [11]. However, familial altruistic behaviors that put family interests ahead of financial success or ownership dispersion might cause conflicts (Gómez-Mejía et al., 2001) [12]. For instance, keeping inept family members on staff can result in significant agency expenses. SMEs frequently use debt as a management tool to reduce these risks, especially to prevent opportunistic behavior and preserve family lifespan (Peters, Ünür, Clark, & Schulze, 2004[13]; Lubatkin, Ling, & Schulze, 2007[14]).

1.1.3 Factors Particular to SMEs Affecting Financial Structure

The financial decisions made by SMEs, which take into account socio-emotional goals including upholding control, intergenerational transmission, and family values, are not always adequately explained by classical theories (Berrone, Cruz, & Gomez-Mejia, 2012) [15]. In order to maintain autonomy and family legacy, these factors explain a careful financial structure with less use of debt (Daskalakis & Psillaki,

[6] Mishra, C. S., & McConaughy, D. L. (1999). Founding family control and capital structure: The risk of loss of control and the aversion to debt. Entrepreneurship Theory and Practice, 23(4), 53–64.
[7] Ellul, A., Guntay, L., & Lel, U. (2007). External governance and debt agency costs of family firms (Finance and Economics Discussion Series, No. 2007-15). Board of Governors of the Federal Reserve System.
[8] De Miguel, A., & Pindado, J. (2001). Determinants of capital structure : New evidence from Spanish panel data. Journal of Corporate Finance, 7(1), 77–99.
[9] López-Gracia, José, and Sonia Sánchez-Andújar (2007), "Financial Structure of the Family Business: Evidence From a Group of Small Spanish Firms." Family Business Review 20 (4) : 269–87.
[10] Jensen, M. C., & Meckling, W. H. (1979). Theory of the firm: Managerial behavior, agency costs and ownership structure. In K. Brunner (Ed.), Economic social institutions (pp. 163-231). Springer, Netherlands.
[11] Anderson, R. C., & Reeb, D. M. (2003). Founding-family ownership and firm performance: Evidence from the S&P 500. The Journal of Finance, 58(3), 1301–1328.
[12] Gómez-Mejía, L. R., Núñez-Nickel, M., & Gutierrez, I. (2001). The role of family ties in agency contracts. Academy of Management Journal, 44(1), 81–95.
[13] Peters, H. E., Ünür, A. S., Clark, J., & Schulze, W. D. (2004). Free-riding and the provision of public goods in the family: A laboratory experiment. International Economic Review, 45(1), 283–299.
[14] Lubatkin, M. H., Ling, Y., & Schulze, W. S. (2007). An organizational justice-based view of self-control and agency costs in family firms. Journal of Management Studies, 44(6), 955–971.
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2007[16]; Feudjo, 2006[17]). This cautious leverage management is driven by the desire to pass on a financially sound company (Gallo & Vilaseca, 1996) [18]. By incorporating risk aversion, family governance, and socio-emotional goals, the analysis of SME financing enhances trade-off theory and produces an ideal debt level that is lower than that of large enterprises.

1.2 SMEs and the Pecking Order Theory (Hierarchical Financing Theory)

According to the pecking order theory, which was created by Myers (1984)[19] and codified by Myers and Majluf (1984) [20], SMEs choose their financing sources in a preferential order, mainly to save expenses associated with information asymmetry between managers and outside investors. Internal finance prioritizes retained earnings since they are the least expensive source that maintains shareholder control and eliminates transaction costs. Debt, particularly low-risk debt, is favored when internal finances are insufficient due to its reduced cost and favorable indication of corporate confidence. Due to high expenses, control dilution, and unfavorable market signals, equity issuance continues to come last. This hierarchy represents the cautious approach of SMEs, which, in contrast to larger companies linked to capital markets, prioritize internal finances above expensive external options and family/managerial control.

In summary, the pecking order theory emphasizes control desires, relative costs, and information asymmetries and offers a useful framework for comprehending the distinct financing practices of SMEs. With a wealth of empirical backing, it is a crucial instrument for evaluating corporate finance structure choices.

1.3 Different Strategies[21]

Today, SMEs have access to quick, personalized finance solutions as well as flexible alternatives to conventional bank loans. While crowdequity trades equity for finance, increasing visibility, legitimacy, and investor governance input, crowdlending provides direct loans from consumers via online platforms at competitive rates without the need for middlemen. Associative organizations offer low-rate participation or cooperative loans without personal guarantees; while factoring and invoice assignment quickly turn receivables into cash for working capital needs.

Business angels and venture capital firms provide networks, capital, and strategic counsel to support expansion. Revenue-based finance avoids ownership dilution and collateral restrictions by providing capital that is returned in proportion to future

[16] Daskalakis, N., & Psillaki, M. (2007). Do country or firm factors explain capital structure? Evidence from SMEs in France and Greece. Applied Financial Economics, 18(2), 87–97.

[17] Feudjo, J. R. (2006). Homogénéité, hétérogénéité de l'équipe dirigeante, performance de l'entreprise et enracinement du dirigeant. La Revue des Sciences de Gestion, Direction et Gestion, 219(Organisation 115), 115-128.

[18] Gallo, M. A., & Vilaseca, A. (1996). Finance in family business. Family Business Review, 9(4), 387-402.
https://doi.org/10.1111/j.1741-6248.1996.00387.x (Consulted on 04/27/2025).

[19] Myers, S. C. (1984). The capital structure puzzle. The Journal of Finance, 39(3), 575-592. https://doi.org/10.1111/j.1540-6261.1984.tb03646.x (Consulted on 04/27/2025).

[20] Ibid.

[21] Organisation de coopération et de développement économiques OCDE (2020), Instruments de financement alternatifs pour les PME de l'ASEAN , Éditions OCDE, Paris. OECD Publishing. https://www.oecd.org/finance/alternative-financing-instruments-for-ASEAN-SMEs.htm
https://doi.org/10.1787/a4779afc-en .

revenues. Through contacts and mentoring, incubators, contests, interest-free honor loans, and family "love money" offer rich non-financial support. In general, these choices encourage finance diversity, sustained SME growth, and less bank dependency.

2. Theoretical Structure and Financial Consequences of Multibanking and SMEs

In order to maximize firm value while minimizing financial risks, the trade-off theory proposes an ideal debt level that arises from balancing the tax benefits of debt, such as interest deductibility and financial discipline imposed on managers, with its costs, such as bankruptcy risks and agency costs resulting from conflicts of interest among shareholders, managers, and creditors (Modigliani & Miller, 1963[22]; Jensen & Meckling, 1976[23]). Despite its usefulness, SMEs find it less appropriate due to their substantial reliance on banks and restricted access to financial markets.

Due to information asymmetry and the high costs of external financing, the pecking order theory establishes a sequential preference for financing sources: internal funds first, then the least risky external debt, then more expensive debt, and finally equity issuance as a last resort (Myers, 1984) [24]. This hierarchy highlights the challenges of obtaining bank loans, especially with a single bank, while reflecting the preference for less expensive and non-dilutive sources in SMEs.

SMEs can increase credit availability, lessen their reliance on a single bank, and obtain better financing terms through a variety of partnerships thanks to multibanking. In line with alternative finance strategies that increase capital sources while reducing agency costs and information asymmetry hazards, it combats the negative aspects of traditional banking, such as credit rationing and the high costs of single-bank relationships.

2.1. Monobanking, or the Exclusive Banking Relationship

By lowering information and transaction costs through in-depth knowledge of the business and risks, traditional monobanking offers SMEs an exclusive relationship with a single bank, easing credit issuance and building mutual confidence (Petersen & Rajan, 1994) [25]. According to Ongena and Smith's research[26], this special connection encourages credit availability and monitoring but exposes businesses to "hold-up" risk, in which the bank abuses its negotiating position. Despite increased information costs and possibly decreased credit availability, multibanking reduces this risk by diversifying partners; the difficulty is in determining the ideal number of banks to balance these effects, with SMEs frequently choosing diversity.

2.2. Multibanking's Development as a Strategic Reaction

By lowering single-bank reliance and hold-up risk and encouraging competition for higher rates, lighter guarantees, and flexibility—akin to implicit financial

[22] Modigliani, F., et Miller, M.H. (1963). Corporation Income Taxes, and the Cost of Capital: A Correction. American Economic Review, 53 (3), 433-443. https://doi.org/10.2307/1809167

[23] Jensen, MC et Meckling, Wh (1976). Theory Of The Firm: Managerial Brhavior, Agency Costs and Ownership Structure. Journal of Financial Economics, 3 (4), 305-360. https://doi.org/10.1016/0304-405X(76)90026-X

[24] Myers, SC (1984). The capital structure puzzle. Journal of Finance, 39 (3), 575–592.

[25] Petersen M.A., Rajan R.G., (1994), “The benefits of lending relationships : Evidence from small business data”, The journal of Finance, vol. 49, n°1, p. 3-37.

[26] Ongena, S. et D.C. Smith (2000), «What determines the number of bank relationships? Cross-country evidence », Journal of Financial Intermediation, vol. 9, no 1, p. 26-56

insurance—multibanking is a crucial SME tactic against banks' informational monopoly. It diversifies banking relationships for increased security, influenced by internal SME variables, banking market structure, and economic situations. These are the primary types of variables influencing the adoption of multibanking.

2.2.1. Firm Size

Multibanking is positively impacted by firm size: larger SMEs, which are less informationally opaque, multiply banking ties to meet expanding and varied financial needs while enabling banks to share risks (Ongena & Smith, 2000; D'Auria et al., 1999) [27]. However, this approach is limited in smaller businesses due to management expenditures (time, resources).

2.2.2. Firm Age

The number of banking relationships is determined by the firm's age: mature firms gradually diversify their funding sources, following a life cycle where age positively influences multibanking, while young SMEs, characterized by informational difficulties (lack of experience, reputation), restrict themselves to one or a few banks (Farinha and Santos, 2000) [28].

2.2.3 Diverse and Complex Financial Requirements

By contacting specialized institutions, SMEs who turn to specialized financing (factoring, leasing) maintain more banking ties (Aleksanyan, Harpedanne de Belleville, & Lefilliatre, 2010) [29]. Similar to this, businesses who are expanding quickly and have a variety of needs (such as equipment, working capital, and innovation) use multibanking to maximize resources through banks that are specific to each form of funding.

2.2.4 Management Capability and Relational Competencies

In order to handle numerous relationships and take advantage of them, managerial relational skills are crucial for multibanking. These skills include negotiation skills, administrative and financial monitoring, and banking expertise. According to Uzzi (1999) [30], social connections and trust make funding and banking diversity easier to obtain.

2.2.5 Banking Market Structure and Competitive Context

SMEs are encouraged to use multibanking in order to obtain better funding terms due to increased banking competition (Bolton et al., 2016) [31]. On the other hand, bank

[27] D'Auria C., Foglia A. et Marullo-Reedtz P. (1999), "Bank interest rates and credit relationships in Italy", Journal of Banking and Finance, 23, 1067 – 1093.
[28] Farinha L. et Santos J. (2000), "Switching from single to multiple banking relationships: determinants and implications", Bank for International Settlements Working Paper.
[29] Aleksanyan, L., Harpedanne de Belleville, L.-M. et Lefilliatre, D. (2010). Les déterminants de la multibancarité des entreprises en France. *Bulletin de la Banque de France*, 2e trimestre 2010.
[30] Uzzi, B. (1999). Embeddedness in the making of financial capital: How social relations and networks benefit firms seeking financing. *American Sociological Review, 64*(4), 481–505. https://doi.org/10.2307/2657252
[31] Bolton, P., Freixas, X., Gambacorta, L. et Mistrulli, P.E. (2016). Relationship and Transaction Lending in a Crisis. *The Review of Financial Studies, 29* (10), 2643–2676. https://doi.org/10.1093/rfs/hhw041

consolidation limits prospects for banking relationship diversity by reducing the number of players.

2.2.6 The Expenses and Limitations of Multibanking

Diversification and better terms are two advantages of multibanking, but there are disadvantages as well, such as complicated administration, increased costs, and monitoring hazards, which are especially detrimental to small SMEs (Ongena & Smith, 2000). By improving loan access and reducing exclusive banking risks versus administrative expenses, it strikes a compromise between these.

3. Context and Study Setting

Despite information asymmetry, banks are excellent at financing SMEs by using economic analysis and risk management as crucial financial intermediaries (financial intermediation theory). SMEs use multibanking to diversify sources, increase security, and combat bank over-reliance, but long-term partnerships enhance lending access and solvency evaluation.

In order to test hypotheses, this section connects conceptual examination with technique, data collection and processing, and field analysis.

3.1 Definition, Features, and Development of SMEs in Their Environment

3.1.1 Algeria's Official Definition and Criteria for SMEs Classification

A uniform framework for their support is established by the European SME definition (European Commission, 1996)[32], which is based on three cumulative criteria: fewer than 250 employees, annual turnover not exceeding €40 million or balance sheet total ≤ €27 million, and independence (external ownership ≤ 25%). Algeria takes inspiration from this in Law No. 17-02 (2017)[33], which defines SMEs as businesses with 1 to 250 UTA (annual work units, combined for part-time), annual turnover ≤ DZD 4 billion, or balance sheet ≤ DZD 1 billion, with the same independence criterion; they are categorized as micro, small, and medium enterprises based on headcount, turnover, and balance sheet (Table 1). It should be noted that businesses in Algeria that surpass certain thresholds—headcount > 250 UTA, turnover > DZD 4 billion, or balance sheet > DZD 1 billion—are regarded as big businesses.

Table 1: Classification of Firms by Size and Financial Capacity

Category	Number of Employees (AWU)	Annual Turnover (DZD)	Annual Balance Sheet Total (DZD)	Brief Description
Very Small Enterprise (VSE)	1 to 9	< 40 millions	< 20 millions	Microenterprise with high flexibility, generally family-managed

[32] Commission of the European Communities. (1996). Commission Recommendation of 3 April 1996 concerning the definition of small and medium-sized enterprises (96/280/EC). *Official Journal of the European Communities, L 107*, 4–9. http://data.europa.eu/eli/reco/1996/280/oj

[33] République Algérienne Démocratique et Populaire. (2017). Loi n° 17-02 du 10 janvier 2017 fixant les conditions de création des micro-entreprises, petites et moyennes entreprises, ainsi que leur développement. Journal officiel de la République algérienne démocratique et populaire, n° 02, 10 janvier 2017.

Small Enterprise (SE)	10 to 49	≤ 400 millions	≤ 200 millions	SME with simplified organization, more stable and formalized activity
Medium Enterprise (ME)	50 to 250	400 millions to 4 milliards	200 millions à 1 milliard	Structured SME(s), capable of more complex operations and larger investments

Source: Adapted from Articles 8, 9, and 10 of Law No. 17-01 of January 10, 2017, on SME Promotion Orientation Law.

3.1.2 Algerian SMEs' Sectoral and Structural Features

In 2022, there were about 1,359 million private SMEs in Algeria, with a strong sectoral concentration in services (51%, especially transport), crafts (24%), construction (15%), and manufacturing industries (8,5%). Agriculture (0,6%) and hydrocarbons (0,25%) remained marginal, with growth rates of 5-6% annually. The majority of businesses are relatively small (97% <10 employees), with small businesses (2,5%) and medium-sized businesses (0,4%) being minoritarian. Geographically, they are concentrated in the northern major wilayas, where their per capita density is lower than that of other countries, indicating significant potential for regional development[34].

3.2 Regulatory, Institutional, and Economic Restraints on SMEs

Algerian SMEs' growth and competitiveness are constrained by a number of institutional, financial, and legal issues. It is helpful to differentiate between institutional and regulatory framework restrictions and economic limits in order to gain a better understanding of these hurdles.

3.2.1 Financing, Competition, and Taxation as Economic Restraints

For Algerian SMEs, financing is a significant barrier due to stringent banking requirements (large guarantees, exorbitant fees, drawn-out processes). CGCI-PME guaranteed 1,980 files for DZD 114,4 billion in 2024 (up 7% from 2023). However, only 21% of the total was made up of projects < DZD 50 million, indicating the challenges micro-enterprises have in obtaining significant funding[35].Due to a high tax rate and unfair competition from the unorganized sector, SMEs frequently turn to self-financing or unofficial sources, which restricts investments and growth[36].

3.2.2 Institutional and Regulatory Restraints: Legal Framework and Administrative Burden

Algerian SMEs must go through at least 14 creation procedures (CNRC application, notarized statutes, domiciliation, registration, tax disclosures), which include poorly integrated organizations and protracted delays[37]. Even with legal improvements,

[34] Ministère de l'Industrie et de la production pharmaceutique. (2023). Op. cit.
[35] Caisse de Garantie des Crédits d'Investissements – PME. (2024). *Rapport annuel 2024*. https://cgci.dz/wp-content/uploads/2025/09/Rapport-annuel-2024.pdf
[36] Zemmit, Z., & Bouchoucha, C. (2025). The role of tax system complexities in shaping decision-making processes of small and medium enterprises: Evidence from Laghouat, Algeria. The International Tax Journal, 52(3), 987-998. Retrieved from https://internationaltaxjournal.online/index.php/itj/article/view/118
[37] Agence nationale des déchets (AND). (2022). *Guide de création d'entreprise*. https://and.dz/site/wp-content/uploads/guide-de-creation-dentreprise-2022-3.pdf

private investment is hampered by strict regulations, a delayed judicial system, and high tax pressure (IBS 23%, professional tax 2% of turnover, TVA 19%).

3.3 Methodological Approach of the Study

3.3.1 Data Collection, Sampling, and Population

Regardless of banking history, the study looks at 25 SMEs in the Oran region that are clients of Foreign Trade Bank Of Algeria (BEA). These companies were chosen at random using the ASCREM system among businesses with 10–100 employees. The BEA regional directorate collected data on sectors, turnover, headcount, obligations, and credit kinds between May and July 2024 using both structured and unstructured executive interviews. The data was rigorously cleaned for quality and dependability.

25 local SMEs (mainly SARLs) and three SPAs, including two larger companies, make up the sample; 52% of them are engaged in manufacturing, and 15% are split between construction, commerce, and lodging-restoration (Table 2).

Table 2 : Detailed characteristics of the sampled SMEs

Legal form	Num. of partners	Sector of activity	Size	Turnover (millions DA)	Age (years)
SARL	3	Manufacturing industry	SE	103	8
EURL	1	Accommodation and food sces	VSE	34	13
SARL	2	Manufacturing industry	ME	1 463	34
SARL	2	Human health and social work activities	VSE	30	12
SARL	2	Manufacturing industry	ME	1 996	23
SARL	2	Manufacturing industry	SE	342	11
SARL	2	Manufacturing industry	SE	398	23
SARL	3	Manufacturing industry	SE	231	27
SARL	2	Manufacturing industry	LE	4 238	27
SARL	2	Manufacturing industry	SE	282	21
SARL	2	Trade	ME	624	23
SARL	2	Manufacturing industry	ME	681	27
SARL	2	Construction	SE	250	7
SARL	2	Trade	ME	85	24
EURL	1	Construction	ME	66	13
SARL	2	Accommodation and food sces	ME	500	18
SPA	2	Manufacturing industry	LE	7 613	20
SPA	2	Construction	SE	229	20
SPA	1	Manufacturing industry	LE	8 134	20
SARL	2	Professional, scientific and technical activities	ME	2 412	31
SARL	2	Manufacturing industry	VSE	25	8
SARL	2	Accommodation and food services	SE	330	16
SARL	2	Accommodation and food services	LE	1 500	36
SARL	2	Trade	SE	250	17

SARL	2	Manufacturing industry	ME	519	28

Source : Field study results (2024)

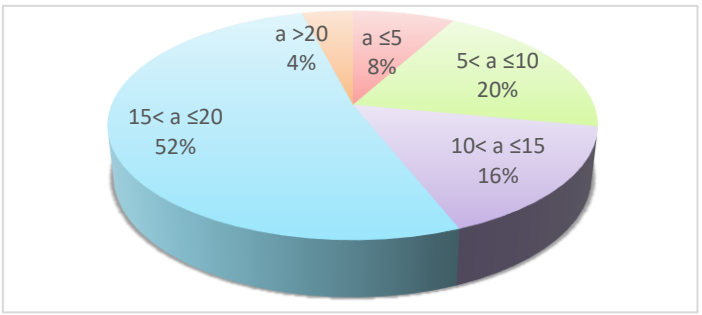
The study offers a thorough and accurate picture of SMEs' financial circumstances in a multibanking setting by giving priority to all outstanding credit extended to them rather than just new credit. With turnover ranging from tens of thousands to several million DZD and seniority ranging from seven to thirty-six years, the sample's diverse distribution—12% micro-companies, 36% small/medium enterprises, and 16% large structures—attests to strong experience and unique banking risk. Analysis of customized credit utilization (documentary credits, working capital, medium- and long-term investments) is made possible by this diversity. Private SME credits at BEA totaled DZD 936 billion (34% of total) in 2024, mostly for small entities constrained by strict guarantee requirements[38].

It felt necessary to provide a realistic presentation of the bank where our survey was conducted before beginning the analysis of the data gathered for our study.

3.3.2 Examining and Interpreting the Findings

A crucial measure of the strength of a banking connection is its seniority, which reveals that 52% of clients have maintained relationships for 15–20 years, indicating mutual stability and long-lasting trust. This longevity lowers default risks, lowers management costs, and makes financial profile knowledge easier. Relationships lasting less than 15 years are considered minoritarian, while those lasting more than 20 years are considered privileged. This stability enhances loan decisions and risk management in Algeria's bank-dominated system by building mutual confidence.

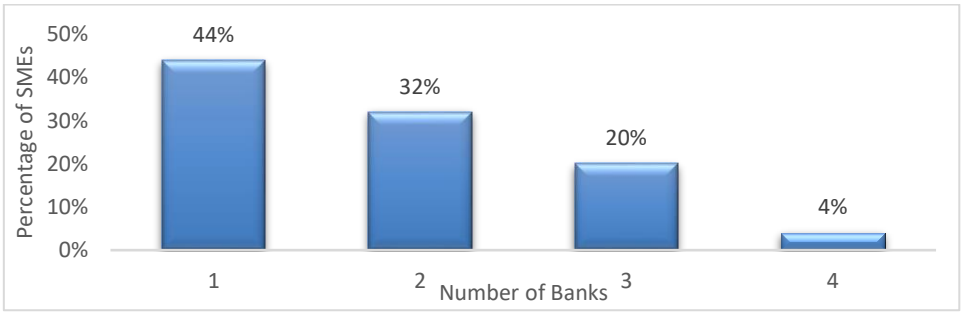
Figure1: The banking relationship's seniority (years)



Source: Results of the field study (2024)

Figure2: Evaluation of the Surveyed SMEs' Level of Multibanking

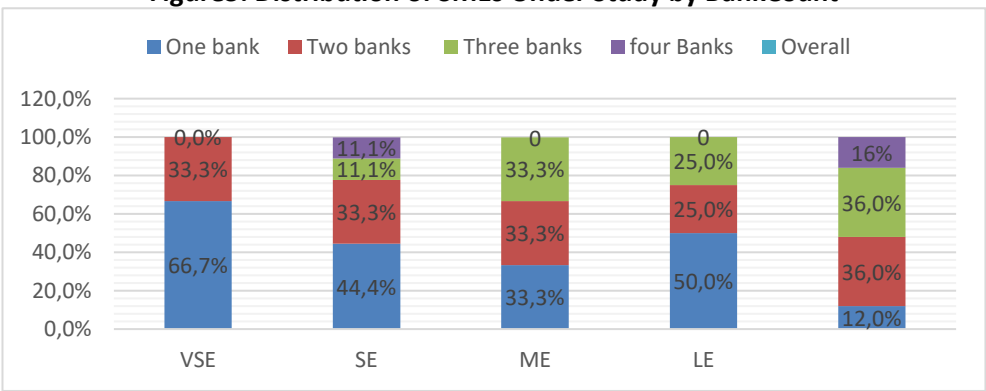
[38] Banque Extérieure d'Algérie. (2024). *Rapport d'activité annuel / exercice 2024*. https://bea.dz/pdf/Rapport2024.pdf



Source: Results of the field study (2024)

Figure2 shows that multibanking is common among the SMEs under study: 44% continue to use monobanking, 32% have two banks, 20% have three, and 4% use four. This diversification grows with the size of the company: SMEs with successful projects increase the number of partners in order to meet needs, lessen reliance, promote competition (better terms), and make up for poor customer service. As a result, multibanking becomes an effective financial tactic that improves flexibility and loan availability.

Figure3: Distribution of SMEs Under Study by BankCount

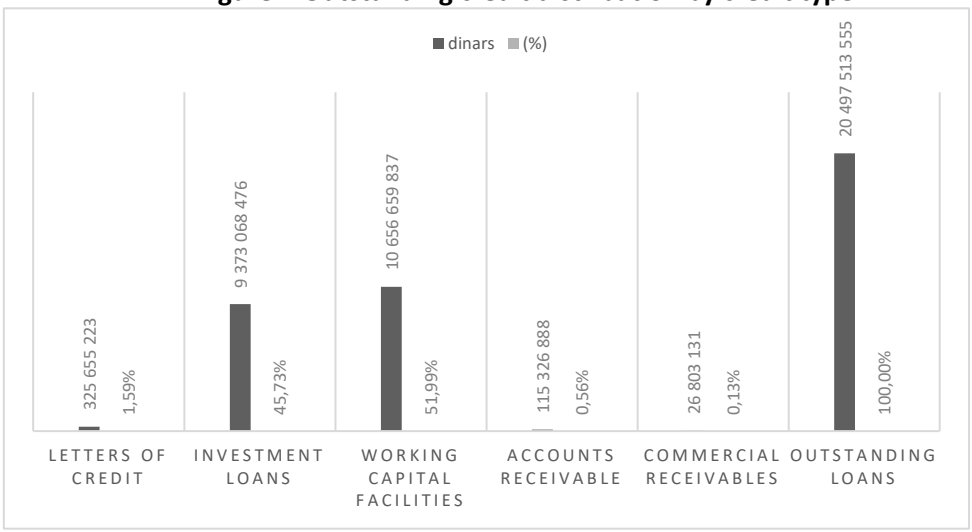


Source: Results of the field study (2024)

Multibanking procedures are strongly influenced by firm size (Figure 3). While small entreprises exhibit diversification (44,4% monobanking, 33,3% with two banks, and 22% with three or four), very small entreprises mostly rely on monobanking (66,7%). Large entreprises split equally (50% monobanking, remainder multibanked), while medium-sized entreprises show a balanced distribution (33% among 1-3 banks).

Larger SMEs are strategically using multibanking to diversify funding sources, promote bank competition, lessen reliance on a single bank, and close service gaps, according to this pattern. Multiple banking partnerships improve financial flexibility, security, and opportunity coverage in credit-constrained circumstances that are essential for growth and sustainability.

Figure4: Outstanding credit distribution by credit type



Source: Results from the field study (2024)

SME outstanding loans are dominated by working capital facilities (Figure 4), followed by investment loans, letters of credit, accounts receivable, and trade receivables. These two main categories account for 97,72% of totals and are essential for both daily operations and strategic undertakings. Through trade-related finance, overdrafts and trade receivables support banks as the primary external funding source for the SMEs under study. The private sector, particularly SMEs, plays a crucial role in national financing, as evidenced by the 2024 Bank of Algeria report, which shows DZD 11256.5 billion in bank credits, of which 40,6% go to the public sector and 59,4% to the private sector.

The average bank relationships by business size are displayed in Table 3: MSEs (2 banks), SEs (1,89), LEs (1,75), and VSEs (1,33). MSEs exhibit the strongest multibanking and diversification, growing in tandem with firm growth. Compared to MSEs and LEs, VSEs and SEs collaborate with more institutions for investment loans but fewer for operating capital. This illustrates a three-way relationship between size, loan type, and diversification: MSEs more widely diversify working capital sources, while smaller businesses expand their investment banking connections.

Table3: Credit typology by SME nature

Nature of the SME	Letters of Credit	Investment Loans	Working Capital Facilities	Accounts Receivable	Commercial Receivables	Average Number of Banks
SE		3 759 239 320	356 720 360	25 251 319		1,89
VSE		3 982 689 797	65 143 845			1,33
ME	289 139 408	1 557 436 726	8 278 295 632	90 075 569	26 803 131	2
LE	36 515 815	73 702 633	1 956 500 000			1,75

Source: Results from the field study (2024)

Conclusion

In an environment characterized by institutional, administrative, and financial constraints, this study on the function of multibanking in SME financing in Oran emphasizes its critical significance. A very common practice is revealed by the empirical analysis: 44% of monobanking SMEs, 32% with two banks, 20% with three, and 4% with four, with intensity rising with size (VSEs: 1.33 banks; MSEs: 2 banks). The outstanding amounts are dominated by working capital and investment loans (97,72%), indicating that banking is the main source of external funding.

The primary hypothesis—that multibanking maintains a positive relationship with the amount and quality of funding, allowing for less reliance on a single partner, wider negotiating margins, and the exploitation of investment opportunities—is completely supported. Because the advantages of diversification outweigh management costs (administrative supervision, necessary skills), the opposing hypothesis—excessive multibanking impeding access—is not supported.

Theoretically, these findings support the trade-off theory (Modigliani & Miller, 1963; Jensen & Meckling, 1976) and the hierarchical financing theory (Myers, 1984), while highlighting the unique characteristics of Algerian SMEs, such as their strong risk aversion, reliance on the public banking system, and marginality of alternatives (venture capital, crowdfunding, business angels). Methodological limitation: Although aggregate BEA statistics (936 billion DZD for private SMEs, 34% of the total) confirms the importance of the private sector, the inability of banks to access outstanding sums makes it impossible to precisely distinguish between public and private contributions.

Strengthened interbank competition, greater financial information transparency, technical assistance, and streamlined administrative processes are all ways that public policy should promote banking diversification. In the end, multibanking goes beyond tactical decision-making to become a strategic lever for financial resilience, boosting Oran SMEs' investment potential and stimulating the local and national economy.

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