

**The Role of Financing in Enhancing Institutional Competitiveness:
A Case Study of Cevital Group in Algeria**

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Abstract:

The study analyzes the financial characteristics of Algerian enterprises, highlighting their reliance on self-financing and state support due to limited access to modern financial markets. Using Cevital as a case study, it shows how internal reinvestment and diversification enhance competitiveness. The research also identifies weak financial culture, unbalanced capital structures, and low transparency as major obstacles. It concludes that better financial governance and diversified financing sources are essential for improving the performance and sustainability of Algerian firms.

Keywords: Financing, Competitiveness, Cevital, Enterprises.

Jel Classification Codes G32,L25.

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1. INTRODUCTION

The global economy has been undergoing rapid transformations for decades, marked by changes in the nature of economic activity and its structural dimensions. Concepts such as liberalization, openness, globalization, and competition between countries and institutions have become central to economic policies. In this context, economic institutions and nations are striving to adapt to this new reality. Traditional institutions are no longer capable of maintaining their positions in increasingly competitive environments, which has led them to adopt new strategic, financial, and managerial approaches. They are now seeking more creative and innovative solutions to survive and succeed in a constantly evolving business environment.

Among the most important factors influencing the success of institutions today is the availability of financial resources and the quality of financial management. Effective financing plays a crucial role in enabling organizations to achieve their production and investment objectives. It is considered one of the key elements that determine the ability of an enterprise to plan, invest, and innovate. Therefore, making the right financing decisions and identifying the most appropriate sources of funding has become a fundamental factor for institutional success, especially for small and medium-sized enterprises (SMEs).

In the Algerian context, given the growing importance of international trade and participation in global value chains, Algerian enterprises are increasingly required to enhance their international competitiveness. This reality highlights the need to better understand the relationship between financing strategies and institutional competitiveness, particularly in light of internal challenges such as weak financial intermediation, the scarcity of suitable financial instruments, and the limited diversity of funding sources. Based on the above, the general research problem can be formulated as follows:

To what extent do financing strategies influence the enhancement of Algerian enterprises' competitiveness in international markets?

1.1 The Concept of Financing

When discussing financing, it is important to understand that it does not merely refer to the act of obtaining funds; rather, it is considered a strategic managerial function aimed at ensuring the provision of appropriate financial resources in the most efficient way to achieve the organization's objectives. Financing is not only a means of running daily operations—it represents the fundamental pillar upon which plans for growth, investment, and expansion are built (Tirole, 2006).

financing can be defined as “the search for suitable methods of obtaining funds, as well as the selection and evaluation of those methods, in order to achieve the optimal mix that meets the financial needs of the enterprise.” (Wang & ping Zhang, 2024).

Similarly, Tirole (2006) describes financing as “the managerial function within any organization concerned with planning for funds, acquiring them from appropriate sources, and ensuring the availability of the financial resources necessary to perform the organization's various activities in a way that supports the achievement of its goals.” (Tirole, 2006).

In essence, financing goes beyond the simple process of securing money. It involves the selection of the most appropriate sources of funds—taking into account factors such as cost, risk, and compatibility with the organization's nature of operations and its long-term strategic orientation.

1.2 The Concept of Institutional Competitiveness

Institutional competitiveness is not merely about “reducing costs” or “increasing production,” but rather it represents an organization's comprehensive ability to deliver added value that surpasses its competitors in a sustainable manner. This concept reflects not only financial performance, but also the organizational structure, human resources, financial management, and the institution's ability to innovate and utilize modern technology (E.porter, 1990).

Some researchers have defined competitiveness as:

“The ability to achieve better performance than competitors in areas such as quality, efficiency, innovation, and service, thereby strengthening the

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organization's position in the market.” (Cheba, Iwana Bak, & Katarzyna Szopik-Depczynska, 2020) or as:

“The ability to achieve better performance than competitors in areas such as quality, efficiency, innovation, and service, thereby enhancing the organization's market position.” (G.Agazu & Chala A.Kero, 2024).

However, this definition does not only reflect financial performance but also encompasses the organizational structure, human resources, financial management, and the institution's capacity for innovation and the use of modern technology.

In the Arab context, institutional competitiveness is measured through several indicators related to operational, financial, and organizational capabilities. It is also closely linked to the availability of appropriate financial resources, their effective utilization, and the efficiency of financial management (Bakhouch, 2021).

Competitiveness is not merely the result of high quality or low costs; rather, it is the outcome of the integration of multiple elements within the organization, including:

- A strong administrative structure: Effective management is capable of making well-informed decisions that strengthen the organization's position.
- Qualified human resources: People are the main drivers of innovation, creativity, and operational efficiency.
- Adequate financing: Sound financial support enables the organization to modernize equipment, develop products, and strengthen its position in both local and international market.

2. The Relationship Between Financing and Competitiveness

Financing is not merely a supporting factor for competitiveness but rather a major driving force behind it. Sound financing provides an organization with the capacity to (Bodnaruk, William O'Brien, & Alexander Simonov, 2016):

- Invest in Research, Development, and Innovation:
Adequate liquidity enables firms to invest in research and development (R&D), adopt modern technologies, and strengthen their innovative capabilities. Studies show that financial support and

reduced financing constraints significantly increase R&D spending and improve total factor productivity. Additionally, maintaining financial flexibility enhances firms' ability to undertake ambitious and risky innovation projects, thus improving innovation efficiency and resilience.

- **Improve Operational Efficiency through Capital Expenditure:** Sufficient financing allows organizations to acquire modern machinery, improve production processes, and enhance productivity. Capital investments lead to cost reduction, operational optimization, and higher product quality—factors that help firms compete more effectively in both local and global markets.
- **Expand into New Markets:** Access to financing is essential for penetrating new markets, as expansion requires investments in marketing, logistics, distribution networks, and scaling production capacity. Well-capitalized firms are better positioned to explore new customer segments and strengthen their presence in competitive environments.
- **Strengthen Financial Resilience and Crisis Management:** A solid financial structure—characterized by strong liquidity, balanced leverage, and stable funding sources—enhances a firm's ability to withstand crises and economic shocks. Financial robustness allows firms to maintain strategic activities, including innovation, even under uncertainty (Xia, Zhilin Qiao, & Guanghua Xie, 2022).
- **Optimize Financing Structure for Innovation and Growth:** Research indicates that internal financing and equity funding tend to support innovation more effectively than debt financing, particularly for R&D-intensive firms. Moreover, public R&D funding plays a dual role: it not only provides liquidity but also signals the firm's innovation potential to private investors, thereby improving access to additional financing (Fulghieri & Mustafa Sevilir, 2009).
- **Enhance Market Liquidity and Innovation Output:** For publicly traded enterprises, higher stock liquidity reduces financing costs and encourages greater investment in innovation activities, especially in

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small and medium-sized enterprises (SMEs) (Malamud & WFrancesco Zucchi, 2019).

- **Ensure Financial Stability While Supporting Innovation:** While innovation is essential for competitiveness, maintaining financial stability is equally critical. High levels of non-performing loans (NPLs) within the financial system may restrict credit supply to innovative firms, undermining their innovation capacity.

3. Financial Characteristics of Algerian Enterprises

In the Algerian context, economic institutions—whether public or private—possess specific financial characteristics that distinguish them from enterprises in developed or emerging economies. Algerian companies rely heavily on the state as their primary source of financing and face considerable challenges in accessing modern financial instruments such as stocks, bonds, or long-term bank financing (Sofian & Dadene Ahmed, 2014).

The main financial characteristics of Algerian enterprises can be summarized as follows (Khoury, 2022):

- **High reliance on self-financing:** Most companies depend on retained earnings or the reinvestment of internal resources, which limits their ability to pursue large-scale investment projects.
- **Weak financial culture:** Financing is often perceived not as a strategic management process, but merely as a means of covering financial shortfalls.
- **Unbalanced financial structure:** Many enterprises have a high debt-to-equity ratio, which increases their exposure to financial risks and reduces their flexibility in future borrowing.
- **Lack of transparency in financial management:** Deficiencies in disclosure and governance make it difficult for external parties, such as banks and investors, to provide financing with confidence.

These characteristics collectively illustrate the structural financial constraints faced by Algerian enterprises, which in turn limit their competitiveness and ability to integrate into global financial markets.

3.1 Financing and Competitiveness in Cevital Group

Cevital Group is the largest private industrial conglomerate in Algeria. It was officially established in 1998 as a joint-stock company (SPA) specializing in agri-food industries in Béjaïa, Algeria. The group was founded by Issad Rebrab, an Algerian entrepreneur who had previously invested in the metal construction and heavy industry sectors before expanding into food processing and manufacturing.

The roots of Cevital date back to the 1970s and 1980s, when Rebrab created several metal and construction-related companies such as SOELECOM, METALOR, and METAL SIDER, which later formed the foundation of the group (Reuters, 2022). In 1995, Cevital began its operations focusing on food processing activities such as oil refining, sugar production, bottled water, and juice packaging at its Béjaïa industrial complex. (Cevital Group, 2023).

During the early 2000s, the company diversified its operations into other industrial sectors, including glass manufacturing, steel production, logistics, retail distribution, and home appliances, becoming a major multi-sectoral group in Algeria (Zawya, 2006)

In the 2010s, Cevital pursued an international expansion strategy through the acquisition of several European companies, such as Brandt (France) and Oxxo (France), extending its presence across Africa and Europe (Jeune Afrique, 2021). Today, the group consists of more than 25 subsidiaries and industrial units operating on three continents and employs around 13,000 workers. Its main activities include agri-food industries (oil, sugar, and packaging), heavy industries (glass and steel), home appliances, logistics, and retail distribution (Cevital Group, 2023).

Cevital's corporate philosophy is based on reinvesting profits to foster industrial and technological growth, promote exports, and strengthen Algeria's non-oil industrial base. The group plays a central role in diversifying the Algerian economy by developing competitive, high-value industries capable of reaching international markets (Oxford Business Group, 2021).

4. RESULTS AND DISCUSSION

4.1 Financial Performance Evolution of Cevital Group

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The table below summarizes Cevital Group’s financial evolution between 2019 and 2023 through three main indicators: turnover, net profit, and net margin. These figures reflect the company’s growth dynamics and its ability to strengthen competitiveness through effective financing strategies and operational efficiency.

Table 1. Evolution of Turnover, Net Profit, and Net Margin

Unit: billion DZD

Year	Turnover	Net Profit	Net Margin (%)
2019	480	24	5%
2020	510	26	5,1%
2021	545	30	5,5%
2022	590	38	6,4%
2023	640	44	6,9%

Source : <https://www.cavital.com/Key-figures>

Cevital Group showed steady financial growth between 2019 and 2023. Its turnover rose from 480 to 640 billion DZD, and net profit increased from 24 to 44 billion DZD, reflecting improved efficiency and profitability. The net margin also grew from 5.0% to 6.9%, showing better cost control and effective financial management. Overall, the company’s strong performance demonstrates that its financing strategies have successfully enhanced its competitiveness and sustainability in both local and international markets.

4.2 Cevital’s Financing Structure and Its Strategic Impact

The table below illustrates the composition of Cevital Group’s financing sources and their contribution to the company’s financial stability and competitiveness. Understanding this structure helps explain how Cevital maintains a balance between internal funding and external borrowing to support expansion, innovation, and operational continuity.

Table 2. Cevital’s Financing Structure

Type of Financing	Share of Total Financing (%)	Characteristics
Self-financing	40%	Reduces financial risk and enhances autonomy
Bank loans	35%	Used to expand production

(long-term)		lines and modernize technology
Short-term financing	15%	Covers temporary operating expenses
External investment	10%	Limited due to foreign investment constraints

Source: (COSOB, 2025)

Cevital’s financing strategy is well balanced, combining internal funds (40%) with bank loans (35%), short-term credit (15%), and external partnerships (10%). This mix allows the company to maintain financial stability, support innovation, and fund expansion projects. The strong reliance on self-financing reduces financial risk, while access to external credit enhances growth potential. Overall, this strategy has strengthened Cevital’s competitiveness and long-term sustainability.

4.3 The Relationship Between Financing Strategies and Cevital’s Competitive Performance

The following table highlights how different financing strategies implemented by Cevital Group have directly contributed to improving its competitiveness. By linking each financing source to its operational and strategic outcomes, we can observe how financial decisions supported innovation, expansion, and market diversification.

Table 3. Impact of Financing on Innovation and Productivity

Investment Area	Type of Financing	Result Achieved	Competitive Impact
Modernizing sugar production lines	Long-term bank financing	Production increased by 15%	Reduced costs and improved quality
Developing the oil unit	Self-financing + Loans	Capacity increased by 20%	Enhanced exports to Africa
Establishing mineral water unit	External investment	New products introduced	Activity diversification and risk reduction

Source : (Djemai & Siham Berrahrah, 2025, p.9)

The table shows that financing strategies have been essential in driving

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Cevital's competitiveness. Long-term bank loans enabled industrial modernization, improving both efficiency and quality. The combination of self-financing and bank credit facilitated expansion and export growth, while foreign investments supported product diversification and innovation. Overall, these financial approaches enhanced Cevital's ability to compete locally and internationally by improving productivity, expanding markets, and ensuring sustainable development.

4.4 Cevital's Product Sales Structure and Market Distribution

The table below presents the distribution of Cevital Group's sales by product type and target markets. It highlights the company's strategic diversification across sectors and regions, reflecting its ability to balance domestic dominance with international expansion. This sales structure also demonstrates how Cevital's financing and investment decisions have supported product variety and market competitiveness.

Table 4. Sales Distribution by Product Type

Product Type	Share of Total Sales (%)	Target Markets
Refined Sugar	45%	Algeria, Europe, West Africa
Edible Oils	30%	Domestic market, Tunisia, Mali
Margarine	15%	Algeria, Morocco
Water and Juices	10%	Domestic market

Source : (Djemai & Siham Berrahrah, 2025, p.08)

Cevital's sales structure shows a strong diversification strategy. Sugar represents the largest share (45%) and is largely exported to Europe and Africa, while edible oils (30%) and margarine (15%) dominate regional markets. Water and juices (10%) mainly target domestic consumers. This balanced mix between local and export sales highlights Cevital's competitive strength, financial stability, and successful use of financing strategies to support market expansion and product diversification.

4.5 The Impact of Financing Strategies on Cevital Group's Competitiveness Indicators

The following table illustrates the direct relationship between Cevital Group’s various financing strategies and its level of competitiveness in both domestic and international markets. The diversification of funding sources—internal and external—has enabled the company to improve quality, increase productivity, and strengthen its ability to expand and adapt to economic changes.

Table 5. Relationship Between Financing Strategy and Competitiveness Level

Type of Financing Strategy	Affected Competitive Indicators	Result
Long-term investment financing	Product quality productivity	Production increased by 15%
Short-term operational financing	Distribution speed flexibility	Delivery time reduced by 20%
Sustainable self-financing	Financial stability risk management	Profit margin stability
External bank financing	Access to new markets	Export growth toward Europe

Source: (COSOB, 2025)

Cevital’s financing strategies have a direct and positive impact on its competitiveness. Long-term investments improved productivity and product quality, while short-term financing enhanced logistics and flexibility. Self-financing ensured financial stability, and external funding supported export expansion. Overall, the diversification of financing sources strengthened Cevital’s efficiency, growth, and international competitiveness.

5. CONCLUSION

This study demonstrated that financing strategies play a decisive and multidimensional role in enhancing the competitiveness of Algerian enterprises, with Cevital Group standing as an exemplary case of effective financial management. By relying on a balanced combination of self-financing, bank loans, and long-term investment strategies, Cevital succeeded in maintaining financial stability while supporting innovation, modernization, and international expansion. These strategic financial choices reflect a forward-looking vision in which financing decisions are closely aligned with the company’s long-term objectives.

The analysis confirmed that adequate and well-managed financing

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enables firms to enhance productivity, improve product quality, and optimize operational efficiency—factors that directly reinforce market position and export capacity. In contrast, insufficient or poorly structured financing can restrict innovation, limit expansion opportunities, and weaken overall competitiveness.

In Cevital's case, financial flexibility allowed the company to modernize its infrastructure, adopt advanced technologies, and diversify its activities across various sectors such as food processing, logistics, steel production, and renewable energy. This ability to mobilize financial resources efficiently enabled the company to respond effectively to market fluctuations and pursue sustainable growth.

Overall, Cevital's experience highlights that the long-term strength of a company's competitiveness depends fundamentally on the effectiveness of its financing strategies. Based on the findings of this study, several strategic directions emerge that Algerian enterprises should consider to strengthen their competitiveness:

- Diversify financing sources instead of relying on a single method;
- Improve access to credit and investment instruments, especially those supporting technological upgrading;
- Develop a culture of continuous reinvestment in modernization, research, and innovation;
- Strengthen financial planning and risk management to anticipate market fluctuations;
- Enhance managerial training in financial strategy to improve decision-making efficiency;
- Encourage public–private cooperation to support innovative and export-oriented industries;
- Prioritize digitalization, automation, and green technologies as pillars of future competitiveness.

In conclusion, the Cevital case demonstrates that strong, flexible, and strategically oriented financing is the foundation upon which innovation, resilience, and long-term success are built. Firms seeking sustainable

competitiveness must therefore treat.

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