

The Algerian Stock Market:

A crucial actor in financing the growth and the expansion of Small and Medium Enterprises (SMEs)

دور بورصة الجزائر في تمويل وتوسيع إستثمارات المؤسسات الصغيرة والمتوسطة

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Abstract:

The stock market has emerged as a new financing mechanism in response to new financing demands, particularly the needs of small and medium-sized enterprises (SMEs) that face difficulty in obtaining necessary funding through traditional means. It can attract surplus unemployed capital in the national economy and transform it from idle and dormant money into employed and effective capital into the economic cycle. This is achieved through the issuance of securities (stocks and/or bonds) and their sale to holders of financial surpluses to finance growth, expansion, or even the establishment of new projects, thus providing an opportunity to develop and drive the wheel of economic.

Keywords: Small and Medium Enterprises (SMEs), Bank lending, Stock Market, (IPO) Initial Public Offering, Stocks and bonds.

ملخص :

ظهرت سوق الأوراق المالية كآلية تمويلية مستحدثة استجابة لمتطلبات التمويل الحديثة، والتي تتماشى مع احتياجات المؤسسات الصغيرة والمتوسطة التي تواجه صعوبة في الحصول على التمويل اللازم من البنوك. حيث يمكن جذب الفائض من رأس المال غير الموظف في الاقتصاد الوطني وتحوله من مال عاطل وخامل إلى رأس مال موظف وفعال في الدورة الاقتصادية، ذلك من خلال إصدار أوراق مالية (أسهم و/أو سندات) وبيعها لأصحاب الفوائض المالية لتمويل عمليات النمو والتوسع، أو حتى إنشاء مشروعات جديدة، مما يمنح فرصة مهمة لتطوير الإستثمار وتحريك عجلة التنمية الاقتصادية.

الكلمات المفتاحية: المؤسسات الصغيرة والمتوسطة، التمويل البنكي، البورصة، الإكتتاب العلني للإدخار، الأسهم والسندات.

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Introduction:

-The Stock Market is a crucial actor for small and medium-sized enterprises (SMEs) that are unable to raise the necessary funds through traditional means of financing, especially bank loans, to issue securities such as stocks and bonds, then sell them to owners in order to increase the funds through an public offering subscription called (IPO) Initial Public Offering, and the surplus funds of this operation are used to finance growth and expansion projects or even launch new ones, therefor It has emerged as an alternative mechanism to meet new financing needs with the emergence of enterprises as special financing needs, especially the needs of small and medium-sized enterprises (SMEs). the idea of establishing a stock market came about within the framework of the economic reforms announced in 1987 and implemented in 1988. Legislative Decree No. 93-10 of May 23, 1993, established and organized the Algiers Stock market. This was done through two bodies, The Securities Valuation Exchange Management Company (SGVB), and the Commission for the Organization and Supervision of Stock Market Operations (COSOB), which forms a committee for the organization and supervision of stock exchange operations, as well as a securities management company, with a plan for each.

-The Algerian Stock Market was established in 1997, following the privatization of the economic sector under the 1996 Constitution's proclamation of economic freedom. And due of that many corporations entering the Stock Market, Riad Setif was the first state-owned company to list 20% of its capital, followed by other successful listing operations between 1999 and 2000, including interest rates of over 13%. Perhaps the most important listing operation was the equity offering conducted by the insurance company Alliance on August 8, 2010, for an estimated social capital of 2,205,714,180 Algerian Dinars, and through a capital increase using public savings, more than 4.1 billion Dinars from the capital market. The company was able to withdraw funds from the capital market. From the financial market, represented by transactions in banks and parallel markets, the company issued more than 804.1 million new shares at 83 Dinars per share, equivalent to 30% of its social capital, and 5,518 investors participated in this subscription.

Previous studies:

-One of the most important previous studies was conducted by the World Bank Fund IMF (International Monetary Fund), which classified 30 developed and developing (under developed) countries into three groups according to the degree of development of their stock markets for market size and liquidity. The first group included least developed markets, the second group included markets that were more than twice as developed, and the third group included markets that were more than four times as developed. The study concludes that when the size of the stock market doubles, the loan-to-value ratio increases by 10%, but when the size and liquidity of the market quadruples, the loan-to-value ratio decreases by 25%. In countries without well-developed financial markets, firms tend to avoid using financial markets and bank lending because the opportunity for investors to diversify risk is minimal. So firms tend to avoid using such markets and bank lending. Thus, the two types of financing are complementary when they are both acceptably developed, but when they are out of balance, financing will certainly remain hostage to banks.

Based on the above, we pose the following problematic:

- **Can the stock market be relied upon to finance small and medium enterprises (SMEs)? And is it a substitute source of financment or a complement to bank lending?**

This problematic leads to the following questions and hypotheses:

-**First question:** What is the purpose of directing SMEs to stock market financing?

-**First hypothesis:** This exchange will not only help to attract potential savings and leverage them into investments with adequate returns, but will also provide an important source of financing for projects and help to develop the SMEs sector by increasing necessary liquidity at the right time, thus building the economy and becoming a financial and human resource employment factors.

-**Second Question:** How can SMEs access the stock market?

-**Second Hypothesis:** SMEs can access the stock exchange by deciding to enter the stock market. This is the process of accessing the stock market for the first time and attempting to obtain public quotes, which means distributing shares to new investors (shareholders).

-**Third question:** What does the stock Market offer as an alternative financment better than classical bank lending?

-**Third Hypothesis:** The Stock Market plays a very important role in attracting the surplus of unemployed capital into the national economy and transforming it from idle inert capital into employed effective capital in the economic cycle. It also spreads the risk among all shareholders, making it easier to service debt instead of concentrating it on banks that might impose management practices or dispose of mortgaged items in order to recover the loan amount.

-**The methodology:** to reach more applied study of the details, relying on an analytical and statistical approach, and based on a binary classification, we will try to answer the previous problematic and questions by discussing them in Section I “**The importance of SMEs' access to the stock market**”, and in Section II “**The evaluation of the stock Market as a source of financing for SMEs**”.

Section I: The Importance of SMEs Entering the Stock Market

-This phase represents a transition from a closed institution to one that is open to the market through professional investors, individuals, financial analysts, investment banks, rating agencies and other interested parties such as dripping agencies. There are several reasons why SMEs seek to enter the stock market, the most important of which is to seek medium- to long-term financing. However, due to their peculiarities, SMEs face several barriers that prevent them from benefiting from alternative markets.

A) Conditions for the listing of SMEs on the Stock Market:

- The conditions are divided into general conditions, those related to the enterprises, and other conditions of a distinctive character related to the nature of the securities traded¹

1- General conditions

1.1 The securities traded must be issued by a company whose shares are prescribed by the Algerian Commercial Code;

1.2 The company must demonstrate in its internal controls report the existence of an internal audit body, as verified by the auditor;

1.3 Publish certified financial statements showing the financial condition of the company for the two years preceding the application for membership;

1.4 Be profitable in the six fiscal years preceding the application for membership;

1.5 Submit a certified information memorandum to COSOB².

2- Special Conditions

-Two types of securities are traded on the Algerian Stock Market, stocks and maturing bonds, each with special conditions according to the Algerian Commercial Code.

2.1 Conditions for Stocks

- ✓ The capital of the company or organization must be at least equal to 100 million Algerian Dinars and must be equal to at least 100 million Algerian Dinars;
- ✓ The share of stocks offered must represent at least 20% of the capital of the company or organization;
- ✓ The share of stocks must be distributed to at least 300 shareholders at the latest on the date of entry.

2.2 Conditions for corporate bonds

- ✓ The loan ratio must be at least equal to 100 million Algerian Dinars on the date of entry;
- ✓ Bonds must be distributed to at least 100 savers on the date of entry.

B) The decision of SMEs to enter the stock Market

-The process of raising funds is the main objective of the stock exchange, as the latter is considered as one of the financing alternatives available to enterprises, as it allows it to meet its need for long sources of financing to implement the growth strategy and reduce the enterprise indebtedness.

1 - Objectives of going public

-By entering the Stock Market, the SMEs seek to achieve a number of objectives as follows³ :

-The sale of new shares on the stock market results in an increase in the number of holders of the SME's shares and thus an increase in the number of owners, which distributes the responsibility evenly and reduces the burden on the owners of the project, also ensures the continuity and development of the enterprise.

-The nature of the legal procedures established to enter the stock market improves the SME's external image, whether in front of its customers or investors, by making its reputation good in terms of credibility and trust, which allows it to facilitate its commercial and financial relations with its various partners (banks, suppliers, etc.).

-It also allows the SME to benefit from a special and advantageous tax status, as it benefits from attractive tax deductions for up to 10 years, while the sale of shares by the old shareholders is exempt from all types of taxes, as is the case in many countries.

-The study of Braut and Fawcett is one of the most prominent studies that have been adopted as a reference, as it considers that the motives for SMEs to enter the stock market for the first time are many, and can be explicit or implicit and can affect the value of the enterprise, as the table below shows the reasons mentioned by financial officers, arranged according to the degree of agreement, i.e. those who agree or strongly agree with the statements contained in the questionnaire.

Table showing the first listing motives authorised by the financial officers of the SMEs⁴ :

Motivations declared by financial officers	Agree (%)
Creating equity to be used for future acquisitions	59.2
Giving a price or market value to the enterprises	51.2
Enhancing the enterprise's reputation	49.1
Expanding the investor base	45.9
Giving large shareholders the opportunity to diversify their funds	44.1
Reduce the cost of funds	42.5
Allowing venture capitalists to withdraw their funds	32.2
Attract the attention of financial analysts	29.8
Capitalise on the possibility of raising funds from private sources	27.6
Debt is becoming more expensive	14.3

- A closer look at the first three answers shows that the first motivation indicates that the IPO (Initial Public Offering) process is the most important step toward external expansion to achieve growth through acquisitions and mergers, and the second motivation indicates the enterprise's confidence in accepting and complying with the rules of the market through pricing. However, this should not be a priority.

- This is because an enterprise that seeks to use the IPO process for marketing purposes may mislead financial analysts into thinking that an enterprise entering the stock market for the first time is a sound enterprise seeking to expand its project and therefore worthy of investing in its stock. by the IPO process⁵.

-Understanding the actual motives behind helps to understand the reality of the SMEs and thus helps to determine their objective value.

-For the Mitto and Bancel study of 12 European countries, researchers concluded that the decision to IPO cannot be explained by a single theory: financing growth, creating a positive public image, and seeking financial flexibility, especially for organizations that want to be free from banking pressures⁶.

2.Factors influencing the decision of SMEs to enter the Stock Market: The decision of SMEs to enter the Stock Market “alternative market” is influenced by a number of factors, some related to the internal environment of the enterprise and others to the external environment.

2.1. Internal factors

2.1.1-Management characteristics: Most enterprises have significant trust relationships between individuals, sometimes even family, and therefore management and ownership may overlap, and in most cases, management is the owner of the enterprise, and some of these managers do not have the necessary competence and experience to manage it, which can have a negative effects, On the other hand, the personality of management plays an effective role in making the decision to enter the stock market, because management makes this decision through a series of factors represented by the following:

- ✓ Management's willingness to give up autonomy in its business decisions.
- ✓ Management's willingness to give up autonomy in managerial decision-making.
- ✓ Management's role in establishing the enterprise and management's ability to expand financial resources to achieve rapid growth.
- ✓ The extent to which management uses expert advice to help economic enterprises overcome obstacles, either internally or through laboratories, research centers, and scientific research institutes⁷.
- ✓ Education level. Managers who are highly educated in economics and business administration are more knowledgeable in all aspects of project management and operations, manager's age may indicate this experience.
- ✓ Managers' perception of the stock market. The culture of investing in the stock exchange plays an important role in encouraging managers to enter the stock market, despite in the absence of this culture⁸.

2.1.2 Organizational characteristics: The most important factors related to the organization that influence the decision to enter the stock market are⁹:

- ✓ The enterprise's position in relation to competitors in the same field.
- ✓ -The enterprise's share of the existing market with stable revenue potential.
- ✓ -The size of the enterprise and the nature of its financial structure (ability to convert capital or part of it into equity or debt).
- ✓ **2.2 External factors:**

related to market activity at the stage of entry to the stock exchange, considering the development of the organization and the density of listed institutions¹⁰:

- ✓ Stock exchanges that offer incentives to smaller companies' intensity of activity, if the number of large listed enterprise is small, this means that there are no SMEs on the stock market, and this is the case in many developing countries. Thus, stock exchange activity is very weak and does not encourage these enterprises to list within the stock market, because the efficiency of the stock exchange, which accounts for the largest percentage of the institutional base of all countries.

- ✓ The process of entering the stock market is not a permanent and continuous activity, because it takes a long time to gather information and take the necessary steps to adapt the state of the institution to the new reality and financial environment.
- ✓ The digitalization of the financial administration and all institutions and organizations active in the financial market facilitates the process of entry to the Stock Market, not only to reduce the difficulty of the procedure, but also to give it more credibility and in a shorter time.
- ✓ Take into account the degree of financial literacy and investment awareness in the organization's environment. For more information, the most important factors influencing the decision by SMEs to enter the stock exchange are presented in the **(Appendices 1)**.

-The decision to enter the Stock Market is the result of factors that must be well considered, including those related to the institution's external environment, from knowledge of market rules and financial conditions, to those related to the conditions of the institution and its management style. Also, this figure reflects the correlation between efficiency, high demand for the product, the manager's excellent, As an activity characterized by training, it accurately reflects the correlation between incentives and the characteristics of the parties that aid in the entry decision, but if the market is narrow or non-existent at all, or if managers are hesitant to make a decision, the enterprise may not come to benefit from entry¹¹.

C) Symptoms of Entry into the Stock Market for SMEs:

- Despite the many advantages offered by the Stock Market for SMEs, this does not mean that the listing process is without any difficulties or limitations, as the stock exchange is characterized by vitality and activity, and because of this, new shareholders¹², demand a greater return to offset this excessive fee that may not meet the needs of the enterprise:

Barriers to entry the Stock Market	Percentage of enterprises
Unfavourable conditions or timing	%60
Insufficient enterprises size	%45
High entry costs	%45
Fear of being undervalued	%26
Fear of losing autonomy	%39

Source : Yassine Elayeb, op. Cit. p. 307.

- In addition to the above factors, another team believes that the inexperience of SMEs and the lack of information about the procedures before entering the stock market represent one of the most important symptoms of listing. Therefore, before announcing the start of a capital offering, these enterprises usually rely on other institutions, such as venture capital firms, which serve the purpose of participation and publicity on lesser terms¹³.

- According to Braud and Fawcett's study, the motivations for not wanting to go public and becoming an open organization may be risky decisions, cited respectively by the CFOs of organizations that do not want to go public, maintaining decision-making independence 55.6%, inappropriate economic conditions in the general and activity sectors 48.2%, avoidance of lower

ownership ratios 47%, lack of disclosure to competition 33%, strict requirements of financial market law 32%, lack of need for more funds 30%, high fees and costs of the entry process 27%¹⁴.

Section II: Evaluation of the performance of SMEs:

- An enterprise that decides to enter the Stock Market must evaluate its cash, real assets and estimate the approximate value of the price of its shares, this evaluation before announcing the price amount of target capital with the offer directed to the offering process is critical to establish an appropriate price that reflects the real value of the shares to be achieved by the offering to the target investors.

A) Performance of SMEs under stock Market financing:

-The purpose of this section is to discuss the definition of enterprise value, the process of valuing an enterprise, and its importance in the success of an IPO.

1- The importance of evaluation as a criterion for success:

- Introduction enterprise value is the total amount of money determined in cash for all the assets of a corporation, and this amount is concluded by a professional, often called an auditor, based on the report of each annual corporate meeting, However, the purpose of an enterprise's valuation is to determine the value of the enterprises as represented by private funds¹⁵, which is determined by the net asset value, It is the difference between the value of ongoing assets and the value of net liabilities, the real value of the wealth invested by the company¹⁶.

-The need for valuation when an organization enters into certain transactions in order to achieve certain objectives:

- ✓ Acquisition or volume transfer of an enterprise;
- ✓ Reorganization with the aim of reducing costs and increasing profits;
- ✓ Capital increase by releasing capital or part of it, or by subscription on the stock market;
- ✓ Investment in a financial investment house, in terms of management of the investment portfolio;
- ✓ Investment in a company that is a subsidiary of a financial investment house, in terms of management of the investment portfolio;
- ✓ Deciding to buy or sell, bonds or stocks, to financial investors for managing an investment portfolio;
- ✓ Liquidating an enterprise, in the event of bankruptcy, with the purpose of ascertaining the value of its assets, paying its creditors and the various privatization parties;
- ✓ Mergers or alliances between different enterprises and corporations;
- ✓ Management through evaluation by the enterprise's directors;
- ✓ Operational and strategic decisions, including financial ones;
- ✓ The management of an enterprise by its directors;
- ✓ Guiding and making operational and strategic decisions, including decisions¹⁷.

2-The impact of valuation on the success of an enterprise's listing:

-The institution's valuation process is one of the critical stages that determine the success of the stock market entry process, where all of the enterprise's physical and human assets are reassessed by experts in the field and professionally accredited research firms; if the entry price is lower than the real value of the institution, lowering the price additional costs from the entry process, but

conversely, if the stock price is excessively high, the success of the SMEs process may be threatened. For this reason, investors are interested in purchasing the assets of the enterprise, determining the optimal price is critical to the success of the enterprise's listing on the stock market.

B) The Impact of Stock Pricing on SMEs:

-Most Stock Market listings are based on reducing the underwriting price from its real value, which varies from one country to another, but reached 7% in the 1980s, 15% between 1990 and 1998, and then (the Internet bubble) reached 65% at its peak¹⁸.

-The theory explaining the underpricing of equities at entry is based primarily on the existence of information asymmetries and signalling phenomena (L'existence d'asymmetries informationnelles et de phénomènes de signalisation).

-The information model assumes that institutional investors, accompanying banks, and investors provide the best information when entering the securities market. Some investors are well informed about the intrinsic value of outstanding shares and therefore apply only for the most attractive issues, while less informed investors apply for all issues. This leads to greater demand for attractive issues and a clear reduction in the price of new issues, resulting in higher returns after stock exchange entry.

-This creates a phenomenon known as the "winner's curse"¹⁹, whereby investors with weak information subscribe to higher-priced issues that fall in price soon after listing, so that the rate of return earned by these investors is lower than that of other investors, and in some cases negative, especially in higher-priced issues.

-To avoid losing these types of investors, it is necessary to ensure that they receive positive returns on average, which would reduce the relative price of entry to the stock market, but since this reduction is costly for institutional investors, it is necessary to limit it by reducing information asymmetries.

-This reduction would be costly to institutional investors, so they seek to limit it by reducing information asymmetries.

-Empirical studies have shown that individual investors (individuals as regular persons) are considered less informed than institutional investors (institutional investors record higher rates of return than individual investors).

1-Discounting as a result of strategic actions to maintain the power of large shareholders:

- The process of devaluing shares upon entry into the stock market is costly, but it increases the dispersion of ownership and thereby limits the control of large shareholders.

-When stocks trade at a price lower than their intrinsic value, the expected return is very high and thus the demand for stocks is high. This allows the enterprises to concentrate its underwriting on natural persons, while the original owners retain all power in the enterprise, since the latter have no interest in controlling the enterprise.

2-Direct reduction of admission fees as a litigation management tool:

- In some countries, especially in the United States of America, investors may sue the issuer of the security as a result of financial losses incurred by the investment in the stock due to undisclosed information, and in this context, a discount can be a means of minimizing litigation risk.

3-Discounting as a means of making financial markets more liquid:

- Discounting entry prices strengthens secondary markets, for this reason, discounted assets often find demand for underwriting, as they may sell their shares to rational investors at a price higher than the entry price, and trading operations on the day of entry generate brokerage income for financial intermediaries to compensate for the losses associated with the initial discount on entry.

C) Evaluation of Stock Market as a Source of Financement for SMEs

-Stock exchanges for SMEs offer several advantages to the stock market, and to the national economy as well. This section recognizes the most important benefits of alternative markets as a source of financing for the needs of SMEs, for their importance and benefits to the securities market and the economy as a whole.

1- Advantages for SMEs:

-Alternative markets play an essential role for SMEs. Because this market improves the investment climate of the stock market and helps the development of SMEs and family businesses²⁰:

- ✓ Provides an additional source of financing to support SMEs:
 - Self-financing to finance ambitious and very expensive investment and expansion programs, in addition to the problems and difficulties of obtaining financing from banking and financial institutions Providing additional sources of financing to support promising SMEs suffering from lack of funds.
 - Developing management practices and making appropriate adjustments to improve management efficiency, position, effectiveness, and profitability so that stock prices do not fall.
- ✓ Allow small and medium-sized enterprises to gain access to strategic investors in the form of shareholders and improve their efficiency.
- ✓ To provide key incentives for listed companies to track stock price fluctuations, improve economic performance indicators, and increase dividend rates, thereby increasing shareholder confidence in management and attracting new shareholders.
- ✓ Listing in this market contributes to the improvement of the company's image with clients, and in addition to the provision of credit from banks, there are other benefits such as extending payment deadlines and obtaining discounts, Also, IPO play an effective role in increasing private capital for listed SMEs.

As a result, SMEs will be able to increase their own size and demand capital in response to changes in their degree of risk and expected returns.

-The liquidity of listed enterprises will be enhanced as a result of the daily valuation of shares, which will liquidate the acquisition and disposition of value by subscribers:

- ✓ Establishing fair value for SMEs will raise investor awareness, informing them of the reality of these organizations, helping them to judge their success or failure, and improving corporate management and policies.
- ✓ With the ongoing transparency and control imposed by alternative markets, MSM (Master of Science in Management) management continually strives to make strategic decisions that enhance the value of the enterprises to satisfy shareholders and increase their income, especially when linked to stock prices.
- ✓ In this regard, a number of studies have demonstrated the positive impact of corporate governance by improving the performance of enterprises after they enter alternative markets.
- ✓ Most important among them is the granting of high and attractive benefits while demonstrating an institution's status as an MSM-registered enterprise.
- ✓ Membership in this market creates a special status among institutions, because it shows that the enterprise is in good economic standing and in very good financial condition.
- ✓ Registration on the stock market enhances an enterprise's reputation, increases its credibility in the eyes of others, and makes it known to investors, since it allows for greater scope for disclosure of information about the enterprise's activities and future prospects:
 - For the most ambitious SMEs, there is the potential to fund very expensive expansion investment programs.
 - For this reason, they may be able to diversify their sources of financing by bringing in new shareholders when their financing needs are great and their own financial resources are insufficient during the expansion phase.
- ✓ As a transitional step until SMEs gain sufficient capacity and experience to register directly on the primary market, allowing them to adapt to the operations of the stock exchange before they register on the primary market.
- ✓ Increasing the liquidity of the exchange and negotiation of the value of the institution in the alternative market will increase the liquidity of the institution's shares by increasing the number of holders and the intensity of competition among them.
- ✓ Committing to offer a small percentage of shares to the public when entering an alternative market, as opposed to the primary market, can free up capital for small businesses without losing control by the owners.
- ✓ By giving workers and employees the opportunity to participate in capital and the possibility of earning incentive bonuses for their shares, it increases loyalty and work ethic among workers and employees²¹.

Several studies have been conducted on the structure of capital owned by SMEs and how it is priced in the capital market, including the issue of the characteristics of non-priced firms (non cotées)²²:

Comparison of quoted and unquoted SMEs	
In The Stock Market	
unquoted SMEs	quoted SMEs
1- Centralisation of ownership of the collective capital: - Mixing the personal or family assets of the manager. - Concentration of authority and responsibility, lack of control of managers, lack of specialisation of officials. - A management style that favours autonomy, survival and growth. - Agency relationships between: ✓ majority and minority partners. ✓ lenders and managing owners. 2- Lack of direct access to capital markets: ✓ Rationalisation of external private resources, difficulty in valuing securities, aggravated information asymmetry. ✓ Lack of diversification of external resources.	1- Widespread ownership of collective capital: - Relative autonomy of the organisation's assets. - Delegation of authority and responsibility, existence of internal and/or external control, specialisation of officials. - A management style that favours shareholder wealth maximisation, financial autonomy and survival. - An agency relationship between: ✓ shareholders and directors. ✓ shareholders and lenders. 2- Potential to support private organisations: ✓ Distributed and open capital, possibility of diversification of funding sources (raising capital or borrowing). ✓ - Quality of published financial information.

-After recognizing the most important advantages that alternative financial markets offer to the FFM (Foundations in Financial Management), the benefits to the economy are listed below:

2- Benefits to the stock market and the economy as a whole:

- SMEs are an important tool to promote development and increase the rate of growth due to their effective role in mobilizing savings and optimal allocation of resources;
- They increase the productivity of economic enterprises and have a positive impact on the economy as a whole, leading to recovery and accelerating the pace of development;
- They mobilize savings by offering a wide range of options to surplus units, including more attractive financial assets in terms of liquidity, yield, and risk. It encourages surplus units to

reduce consumption expenditures in favor of savings, and Encourage the surplus units to prioritize saving and reduce consumption expenditures.

- Reduce the cost of mobilizing savings through more rational investment management²³.
- Financial intermediation allows savers and financial enterprises to access greater investment potential because it allows markets to allocate resources more appropriately and stimulates technological progress, especially in the area of communications technology.
- Deepens the securities market, paving the way for financial innovation and diversifying the securities available to investors. Expand available investment opportunities because alternative markets are more efficient and can attract a large number of new institutions without having a strong relationship to the number of firms, just as they are a link in the spot capital market.
- provides important incentives and motivation for investors by achieving fair prices for securities traded on alternative markets, and protects mutual parties.
- Increase average per capital income by financing investment opportunities in the small business sector, thereby increasing production levels, raising the level of production and employment, and increasing the level of national income.
- Financing the process of economic development by providing funds to (SMEs) and helping them to borrow from the public for the purpose of accelerating the rate of growth of SMEs and the economy as a whole.
- Allow the government to absorb the securities of companies to be privatized. This process urgently needs a securities market that can monetize the privatization process, which in turn will lead to the prosperity and expansion of alternative securities markets.
- The best evidence of the importance of foreign capital in economic recovery is the experience of the emerging economies in Southeast Asia and Latin America, where securities markets are highly dynamic. Avoiding inflationary waves.
- In particular, the long-term nature of these loans means that results take a long time to materialize.
- Contribute to and benefit from the further integration and blend of the informal sector into the macroeconomy.
- The demand for alternative markets from various economic sectors has undoubtedly contributed to the growth and expansion of the activities of these enterprises and to the revitalization of the stock market.
- The alternative markets have achieved many successes and gains, which will be reflected positively in the national economy as a whole in terms of increased economic growth rates and overall prosperity.
- Therefore, given the importance of this financing mechanism, its disadvantages must be highlighted so that beneficiaries can compare it to other competing financing methods²⁴.

D) Disadvantages of the Alternative Market for SMEs:

1.Despite the many advantages of the alternative market as a financing mechanism, especially for SMEs, it is not without its disadvantages, in particular:

- Financial institutions bear the costs of experts and consultants, media and awareness-raising activities, the underwriting process-related additional costs, such as administrative and legal expenses associated with the underwriting process.

- Capital increases through IPOs (Initial Public Offering) do not allow for profit retention, as organizations are obliged to distribute profits to shareholders on a regular basis. The introduction of new shareholders spreads decision-making power among many shareholders.

2.The introduction of new shareholders disperses decision-making power among many shareholders.

3.Transparency and disclosure lead to a lack of privacy and confidentiality regarding the organization's information (sales, profit margins, distributions, etc.), allowing customers, professionals, and competitors to predict the organization's objectives and future.

Although there are additional costs associated with the obligation of an enterprise to publish its financial statements in national newspapers (public and private), transparency is nevertheless not seen as a disadvantage, but as a credibility tool that generates trust and dispels any doubts attached to its products and services, thus promoting trust among economic operators²⁵.

E) Importance of financing through the stock Market compared to bank loans:

- Bank loans are one of the traditional and important forms of financing in the economies of countries, where financial companies receive loans to meet different types of financing needs. However, the many regulations and rigidities involved in lending to small and medium-sized enterprises (SMEs) due to their specific nature and high financing risk, financing through the securities market has emerged as a new way to specifically address the needs of this type of financial enterprise:

The importance of stock market financing compared to bank loans²⁶		
Comparisons	Financing through the stock market	Bank's Financement
The Cost	At the lowest possible cost, especially in the presence of market efficiency.	Cost Requires a relatively high cost.
Maximum funding limit	No limit, especially if the market is large.	Maximum funding limit depends on the bank's capital.
Collateral or asset requirements	No assets are required as collateral.	Requires the existence of assets that the bank is satisfied
Protection of shareholders' rights	Listing on the Stock Market makes it easier for partners who are not involved in the management process, through accurate and appropriate monitoring of the company's situation, future plans and performance levels, especially in the case of family businesses.	There is no positive impact in terms of protecting shareholders' rights.

The importance of stock market financing compared to bank loans²⁷		
Comparisons	Financing through the stock market	Bank's Financement
Mergers and Acquisitions	Listing helps increase the chances of mergers and acquisitions (mergers and acquisitions by bigger companies).	No impact.
Facilitate exit of partners (shareholders)	Venture capital and investment funds prefer to invest in listed enterprises in the Stock Market for the facilitate exit.	Bank financing does not provide any advantage for exits.
Organisational Efficiency	Listing and disclosure obligations contribute to organisational efficiency.	There is no direct impact on organisational efficiency.
Determining the fair value of partners (shareholders)	Contributes to determining the fair value of the organisation through market value.	Does not affect the fair value of the organisation.
The possibility of technical and administrative support	The presence of the enterprises on the Stock Market facilitates the entry of strategic investors who can help develop the company technically and administratively	Bank financing is limited to loans only.

-All the differences mentioned in the table above indicate that financing through the stock exchange includes several advantages compared to bank lending. On the one hand, this is a good option for SMEs to raise the necessary funds through subscription for capital increase, which allows them to expand their financial base and enter into domestic and foreign investments that allow them to increase their competitiveness, bringing size and growth to the institution without incurring any additional burden.

-Regardless of whether this situation has encouraged economic operators to move away from over-reliance on bank loans to direct financing through the stock market. This contributed to the financialization of the global economy, with the stock market replacing banks as the primary source of capital and liquidity to finance investment and promote economic growth.

-Also it should be noted that reliance on financing through the stock market does not preclude the possibility of obtaining bank loans in the future. Those firms at an advanced stage will be able to benefit from bank financing on better terms because of their high solvency and ability to provide the necessary guarantees.

F) Enterprise “Moustachir”, successful entrance to the Stock Market:

-The first start-up to enter the Algerian Stock Market is “Moustachir”, an S corporation (SPA) that provides a service organization specialized in the consulting sector, which offers a digital platform to connect consultants and professionals with companies seeking consulting and solutions in various sectors, and from December 1 to 31, 2024, the subscription process for the purchase of “Moustachir” shares will be open. This is a historic stage for the corporation and an important one for the future of the Algerian stock market.

-With the presence of a market dedicated primarily to SMEs, the Algerian Stock Market is entering a new phase and new vitality by listing two public banks on the Algerian Stock Market, increasing their capital from \$500 million Dinars (Around 2.5 million US Dollars) to \$4 billion Dinars (Around 10 million US Dollars).

- In a statement released earlier by the Algerian Stock Market (ASM), Kheireddine Boulifa, CEO of the start-up “Moustachir”, emphasized that the corporation has entered a new phase and new vitality, and that the decision to enter the stock market after two years of activity and high growth rates is Moustachir is capitalized at 94437500 Algerian Dinars and the subscription price is 760 Dinars per share (stock). The subscribers are normal persons of Algerian nationality residing in Algeria, Moustachir's employees and consultants, and Algerian legal entities, including public and private institutions.

-Benmohoub, President of the Board of Directors of Value Exchange Management Company (COSOB), in the presence of Kheireddine Boulifa, President and CEO of Moustachir, for the offering period from December 1 to 31, 2024. The results of the offering were announced. According to Buznada, the official listing of “Moustachir” shares will take place on Tuesday, February 4, 2025, and shareholders will know the final results of the transaction.

-Regarding the share subscription procedure, the representative confirmed that it was very successful, as the demand for shares exceeded the supply by 119.69%, adding that the number of desired shares reached 149,615 against 125,000 (25% of the capital) According to the head of COSOB, the project The amount raised by the project was 94,625,000,000 Algerian Dinar, which were sold to 306 subscribers, including 257 normal persons (62,500 shares), 29 employees and consultants of the start-up (12,500 shares), and 20 other Algerian companies (50,000 shares). 45 provinces applied, with Algiers in first place with 71 subscribers applied for 39,453 shares, accounting for 31.56% of the total, while Bejaia came in second with 24,725 shares from 5 subscribers, accounting for 19.78% of the total. In second place was Setif, with 11 people purchasing 14,204 shares, or 11.36% of the total, On the last day of subscription²⁸.

-Benmohoub also emphasized the exchange's role in supporting start-ups and strengthening its ecosystem by creating two new sections on the exchange, these two sections were launched under the new General Rules of the Value Exchange, issued in January 2024. According to the speaker, the Exchange's rules on venture capital crowdfunding, a financing suitable for small businesses and start-ups, will be issued soon. The director general of the Algiers Stock Exchange's management company also noted that the listing of the start-up “Moustachir” on the Algiers Stock Market is a significant event, especially since the company was listed after only two years of activity, and stressed the mobilization of enterprises to welcome and support this company.

Conclusion:

- In conclusion, the Algerian Stock Market is a market where securities are traded as an alternative means of financing SMEs, and this market has emerged as an innovative financing mechanism that responds to new financing requirements and the emergence of enterprises with special financial needs, primarily the needs of SMEs. It is a more flexible alternative to meet the needs of these enterprises by issuing securities (equity and/or debt) and selling them to owners of financial surpluses, who can then use these surplus funds to finance growth and expansion projects, or even to launch new projects, when they are unable to raise the necessary funds. In contrast, this experience is in its early stages in Algeria, and it is difficult to know if the results will be decisive in favor of SMEs or not, but it offers a new option that makes them more comfortable in raising their capital.

Results:

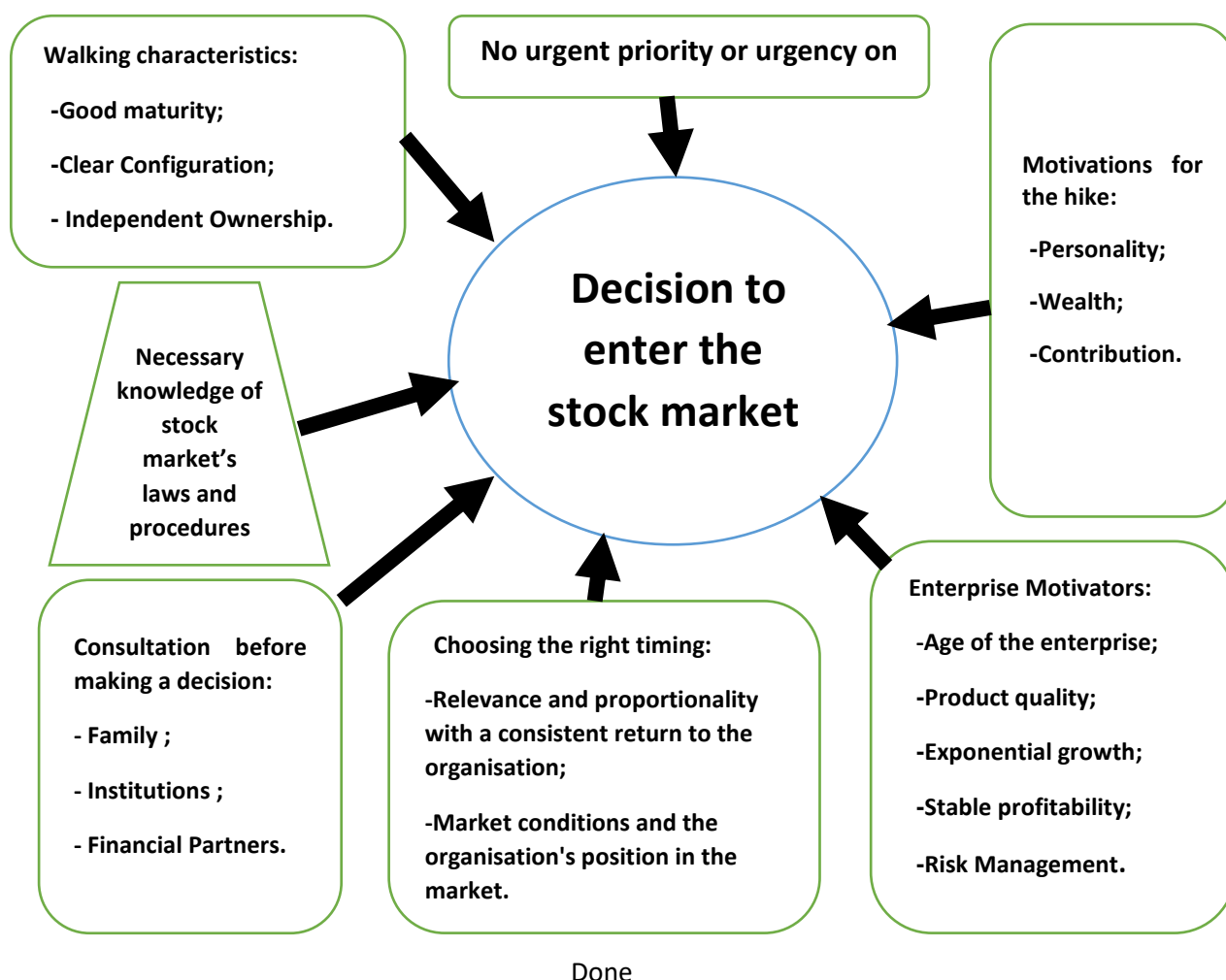
- 1- In Algeria, SME financing is hindered by a lack of specialized banks and financial institutions willing to take on risk, limiting available financing options and methods, with firms often relying on traditional bank lending.
- 2- Financial assistance to Algerian SMEs has been modest and failed to meet expectations due to lack of compliance with assistance frameworks and mechanisms, often only providing funds without follow-up.
- 3- The alternative securities market provides financing for SMEs, enabling them to issue and trade securities, promoting enterprise development and economic growth.
- 4- The decision to enter a stock market is influenced by internal factors like management characteristics and company culture, as well as external factors like financial market efficiency, investment awareness, and large companies' market participation.
- 5- The Algerian Stock Market is small and illiquid due to limited listed companies and investors' reluctance to trade, resulting in low trading volume and rates, negatively impacting performance and contributing little to the national economy.

Recommendations:

- 1- Improve the Algerian Stock Exchange's image to boost local companies' confidence and attract foreign investment. This requires reviving the main market for large companies, applying effective strategies based on successful international experiences;
- 2- To promote the stock market in Algeria, it's essential to expand its scope, emphasize public relations, and use various media to convey information to economic actors, especially SMEs;
- 3- More effective promotional policy is also needed to promote financial culture and raise awareness about the importance of raising funds through IPOs;
- 4- Professional meetings, mainly aimed at MSM executives and managers, prepare and organize conferences, seminars, symposia, study days, and lectures to raise their awareness of the role and importance of modern financing through the stock exchange and to intensify their efforts in this endeavor;
- 5- Reform the laws governing companies to adapt them to the specificities and capabilities of SMEs in the Algerian economic reality, and including digitalization of management;
- 6- Work to revise the conditions for admission of SMEs to the stock market;
- 7- Simplify and facilitate procedures while taking into account the financial situation of SMEs, such as lowering the minimum number of shareholders and listing fees;

- 8- Incorporate Islamic finance into the stock market, establish its legal framework and develop its financial products, so that SMEs managers are not reluctant to participate in Islamic finance on religious grounds;

Appendice 01



Done

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