

Towards the embodiment of the Postal Bank as a support for Algerian banking institutions

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Abstract: This study explores the establishment of a postal bank in Algeria, aiming to assess its potential to enhance the existing banking system and promote financial inclusion. Utilizing a descriptive analytical approach, the research examines the historical context of Algeria Post, its current services, and the operational framework necessary for transforming it into a banking institution. Key findings indicate that Algeria Post possesses significant financial resources and a vast network of postal accounts, which could facilitate the successful implementation of a postal bank. The results suggest that such an institution could significantly improve access to financial services, particularly for underserved populations. The value of this study lies in its contribution to the discourse on banking innovation in Algeria, providing insights for policymakers and stakeholders seeking to strengthen the national banking sector through the integration of postal services.

Keywords: Postal; the bank; Banking sector.

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I- Introduction:

The banking system is a crucial component of economic stability and growth, attracting considerable attention from researchers and stakeholders worldwide. This heightened interest stems from the banking sector's pivotal role in facilitating financial transactions, fostering investment, and supporting both individual and institutional economic activities (Mishkin, 2007; Beck et al., 2013). In Algeria, the significance of banking entities is becoming increasingly apparent, especially as the country embarks on a journey toward greater integration into the global economy. This transition necessitates the inclusion of diverse stakeholders—ranging from individuals to institutions—within a cohesive banking framework (World Bank, 2020). To this end, the proposal to transform the Algerian Post Office, which boasts over 28 million active postal accounts, into a public banking institution known as "Post Bank" has emerged as a strategic initiative aimed at enhancing financial accessibility (Algerian Ministry of Finance, 2022).

While Algeria already has a network of traditional banks, the establishment of a Post Bank is essential for several reasons. First and foremost, financial inclusion remains a significant challenge in Algeria. Many individuals, particularly in rural and underserved areas, lack

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access to conventional banking services. The Post Bank, leveraging the extensive reach of the Algerian Post Office, can provide banking services to these populations, thereby promoting financial inclusion and ensuring that a broader segment of the population can participate in the financial system (World Bank, 2021). Secondly, public trust in banking institutions can be a barrier to financial engagement. The Post Bank, as a public entity, may foster greater trust among citizens who might be hesitant to engage with private banks due to concerns over fees or perceived biases. By positioning itself as a community-focused bank, the Post Bank can build relationships based on transparency and accessibility (Demirgüç-Kunt et al., 2018).

Additionally, the diversification of banking services is crucial for a resilient financial system. While existing banks may focus on specific segments of the market, the Post Bank can offer tailored services that cater to the unique needs of various demographics, including low-income individuals, small businesses, and the elderly. This diversification can enhance competition in the banking sector, ultimately benefiting consumers through improved services and lower costs (Beck & De Jonghe, 2016). Moreover, the establishment of the Post Bank can serve as a catalyst for economic development. By facilitating savings, providing microloans, and supporting local businesses, the Post Bank can stimulate economic activities in areas that are often neglected by traditional banks. This aligns with Algeria's goals of economic diversification and integration into the global market (International Monetary Fund, 2020). Lastly, the Post Bank can enhance financial literacy and education among the population. With its extensive network and community presence, the Post Bank can implement programs aimed at educating citizens about financial management, savings, and investment, thereby empowering them to make informed financial decisions (OECD, 2019).

However, despite the potential benefits of establishing Post Bank, a critical question arises: To what extent can this new banking entity effectively support and strengthen the existing Algerian banking system? This inquiry reveals a significant gap in the current literature regarding the impact of innovative banking models on traditional banking systems, particularly in emerging economies like Algeria (Bourkhis & Nabi, 2013). This research paper seeks to illuminate the functions and implications of the Post Bank within the broader banking landscape. By employing a descriptive analytical approach, we will explore the necessary steps for establishing such an institution and assess its potential to bridge the existing gaps in the Algerian banking system.

Through this investigation, we aim to contribute valuable insights into the evolving dynamics of banking in Algeria and identify pathways for future research in this vital area. This study aims to examine the role of the Post Bank in enhancing the overall effectiveness of the Algerian banking system. It will investigate the main functions and services that the Post Bank intends to offer, with a particular focus on its potential impact on financial inclusion. Additionally, the research will assess the strategies necessary for integrating the Post Bank within the existing banking framework, ensuring its accessibility to a diverse range of stakeholders. Furthermore, the study seeks to identify potential challenges in establishing and operating the Post Bank while exploring opportunities for collaboration with existing financial institutions. Ultimately, the insights gained from this research intend to inform policymakers

and stakeholders about the implications of introducing the Post Bank, contributing to the revitalization of Algeria's banking sector. By addressing these aims, this study seeks to fill a gap in the current understanding of how new banking entities can support and strengthen national banking systems, particularly in developing economies like Algeria.

The study Background:

The postal sector at the international level is of great importance in raising the economic level of countries. This is especially evident in the services it provides, which finance individuals, institutions, and the economy in general, as well as in the communication services that benefit various economic and social actors (Boujheish, 2022, p. 591).

Historically, the French banking system is among the first in the world to implement the idea of a Post Bank. This was achieved in 2005 under Article 16 of Law No. 2005-516, issued on May 20, 2005, which pertains to the regulation of postal activities (Mishawar and Khalaf, 2021, p. 438). Since its inception, the French Post Bank has been performing banking functions, particularly in granting loans without requiring prior savings (Mishawar and Khalaf, 2021, p. 439). In the Arab world, Morocco is the first country to establish a Post Bank, which began operations on June 8, 2010. This institution facilitates access to banking services across various regions, accepts deposits, grants loans, and provides savings and banking insurance, all while aiming to enhance financial inclusion and strengthen the banking system (Al Barid Bank of Morocco, 2024).

The concept of the Post Bank emphasizes the need to secure the future of postal services by integrating financial services. A well-known phrase circulated in France before establishing the Post Bank in 2005 reflects this motivation: "To ensure the future of postal services, we must secure the future of financial services. To secure the future of financial services, we must provide credit. To obtain credit, you need a credit institution." This perspective highlights the necessity of transforming the postal service into a banking institution, focusing on securing financial supplies and ensuring the postal entity's continuity. It underscores the Post Bank's role in the banking arena, particularly in accepting deposits, which are vital for operational sustainability.

In addition to managing current accounts for traditional postal service users, the primary functions of the Post Bank mirror those of commercial banks. These include accepting deposits, which is fundamental for any bank's liquidity; granting loans based on specific conditions; creating deposit money to generate funds for lending; discounting commercial papers to meet customer demand for deferred transactions; and supervising and monitoring funds (Qouadria, Qadhi, Raj, 2022, p. 6). Furthermore, the secondary functions of the Post Bank as a comprehensive banking institution may encompass providing a range of banking services, diversifying financing sources, engaging in modern financial activities, and implementing electronic banking functions, including Islamic banking (Ben Issa, Kersh, 2018, p. 259).

Postal banking services can occupy a significant position in the retail banking market, establishing a single banking model that prioritizes customer service. Objectives of the Post

Bank include providing and financing suitable investment projects, addressing potential financial crises, fostering partnerships, adapting to societal changes, and promoting development and innovation (French Bank Postal, 2024). Specifically, the establishment of a Post Bank aims to achieve financial inclusion within the national banking system, leverage the resources of postal institutions to enhance banking capabilities, and provide comprehensive financial services across the country (Bouziane, Hamdouch, 2022, p. 192).

II- Algeria Post as case study:

Unlike the inherited institutions in Algeria from the oppressive colonizer, the Algerian Post institution did not have an origin inherited from this colonizer. Instead, its establishment emerged as a result of a series of rapid developments driven by the economic and financial environment in Algeria.

1- Establishment of Algeria Post:

The Postal and Telecommunications Institution in Algeria was established according to the provisions of Order 75-89 dated December 30, 1975, which includes the Postal and Telecommunications Law. This order specifies that Algeria Post is a public institution with an industrial and commercial nature, subject to the authority of the Ministry of Postal Services and Telecommunications.(Official Journal of Algeria, 1976)

By the year 2000, the Algerian authorities had developed the operational mechanisms of Algeria Post, which had previously been under state control and monopoly. This was achieved through Law No. 2000-03 dated August 5, 2000, which pertains to the general rules concerning postal and wired and wireless telecommunications (Official Journal of Algeria, 2000). This law primarily aimed to separate Algeria Post from the wired and wireless telecommunications institution. Additionally, Algeria Post operates under Law No. 18-04 dated May 10, 2018, which defines the general rules for postal and electronic communications. This law grants exclusive operational activities to Algeria Post.

2- Duties of Algeria Post:

According to Article 108 of Order 75-89 dated December 30, 1975 (Official Journal of Algeria, 1976), the postal check services were assigned under the authority of the Ministry of Postal Services and Telecommunications. Additionally, Article 109 of the same Order 75-89 grants the authority to open postal accounts for both individuals and legal entities to the postal and telecommunications authority. Furthermore, apart from other postal transactions conducted by Algeria Post through postal services, the institution is also authorized, under Article 12 of Law No. 2000-03 dated August 5, 2000, to establish savings services and expand the range of financial services provided to its customers on a commercial basis, in accordance with the laws related to currency and credit (Official Journal of Algeria, 2000).

- The main services provided by Algeria Post include: (Guemiche, Jouida , 2021, p. P85)
- Transporting correspondence of all types, whether personal or official;

- Offering a range of postal financial services, such as postal checks and money orders;
- Managing postal current accounts;
- Providing account balance inquiries through voice technology or online;
- Issuing electronic withdrawal cards for holders of postal current accounts;
- Ensuring electronic money transfer operations;
- Performing clearing operations between different accounts.

Additionally, Algeria Post is responsible for implementing the national policy for the development of postal and postal financial services by managing all service activities at the national level, as well as developing and renewing the structures under its authority.

It is clear here that Algeria Post does not limit its services to postal services only. A significant portion of the services it provides to its customers are related to the financial sector, which has made this institution indirectly compete with banks in Algeria.

3- Organizational Structure of Algeria Post:

According to Ministerial Decree No. 02/A/C/P.B.M.S.L.T.R. dated January 21, 2010, the general organizational structure of Algeria Post is as follows: (Algerian Post, 2024)

- The institution is managed by the General Director (appointed by a presidential decree);
- It is overseen by a Board of Directors chaired by the Minister in charge of Postal Services or a representative;
- It is organized into executive and commercial committees, and is responsible for marketing.

Algeria Post operates at three levels: central, regional, and local, as follows:

Table 1: the organizational structure of Algeria Post

Level	Division	Assignment
Central	Divisions of Professions	Network and Postal Professions
		Cash and Postal Financial Services
		Mail and Parcels
	Central Support Directorates	Information Technology and Network Security
		Real Estate and General Means
		Finance and Accounting Directorate
		Human Resources
		Training and Improvement
		Strategy, Organization and Management Control
		Postal Structures and Buildings
		Central Inspection
		Audit and Internal Control
		Communication Directorate

Regional		Standardization and Quality
		Postage Stamps and Philately
	Regional Inspections	13 Regional Inspections
	Regional Financial Centers	8 Regional Financial Centers
Regional	Regional Accounting Centers	8 Regional Accounting Centers
	Provincial Postal Units Directorates	50 Provincial Postal Units

Source: Algeria Post, 2024

4- Modern Services Provided by Algeria Post:

In light of the significant developments observed in various institutions, both globally and locally (in Algeria), particularly regarding the use of information and communication technologies to enhance service delivery, Algeria Post has also moved swiftly to implement these technologies.

The most prominent modern services provided by Algeria Post are as follows:

- **Classic Electronic Withdrawal Card:** This is the first withdrawal card approved by Algeria Post. Its holder can perform a range of banking services, such as checking the balance of their current account, conducting withdrawals, and obtaining postal identity statements(Qaymash, Jowayda, 2021, p. P87).

- **Gold Card:** This is an advanced version of the classic electronic withdrawal card, introduced after the classic card was withdrawn. The holder of the Gold Card can perform the following operations: (Qaymash, Jowayda , 2021, p. P87)

- Withdrawing cash in Algerian national currency;
- Checking the balance of the current account;
- Requesting postal checks;
- Requesting statements of postal transactions conducted;
- Transferring and paying money;
- Paying bills;
- Paying for purchases at certain points.

- **BaridiMob App:** It is an application that allows you to perform a range of functions, which are the same functions that can be done with the Golden Card, such as cash transactions, checking the balance, and transferring money from one postal account to another (Algerian Post, 2024).

- **BaridiWeb Site:** The BaridiMob app and the BaridiWeb site offer similar postal financial and cash services. However, the difference between them is that the BaridiMob app is installed on smartphones and requires the use of those smartphones. On the other hand, BaridiWeb is only accessible by logging into the Algeria Post website via the internet and requires a username and password, which can be obtained by visiting an Algeria Post office.

- **Mobile Post Offices:** This service involves deploying a fleet of heavy-duty vehicles equipped to provide a range of modern postal services to more remote areas across all regions and provinces (Algerian Post, 2024).

III-The move towards establishing a postal bank in Algeria

Unlike many countries, Algeria has the advantage of having a vast network of postal facilities, which could accelerate the successful implementation of the postal bank concept. This is particularly relevant as some countries, such as France, have demonstrated the ability of this institution to drive the development of the banking sector in the country.

1- The idea of establishing a postal bank in Algeria

The idea of establishing a postal bank in Algeria was not a coincidence, but rather a necessity and a result of the successes achieved by postal banking institutions established in several countries, most notably the French Postal Bank and the positive results they have achieved in terms of financial inclusion. The first indications of the Algerian authorities' desire to create this institution came after the statement of the Minister of Post, Telecommunications and Information Technologies on June 13, 2018, when she confirmed that the idea of establishing a postal bank in Algeria had become feasible on the ground through the opening of the first banking agencies affiliated with Algeria Post, especially since Algeria Post had overcome its financial problems and achieved positive results that allow it to finance investment and development projects (Minister of Post and Telecommunications, 2024). These financial and economic studies, as well as studies to rehabilitate post offices in line with global banking structures, have strengthened the opportunities to implement the postal bank project in Algeria, following the same steps as its postal counterparts in countries that have taken giant strides in this field.

2- Justifications for the orientation towards activating the postal bank in Algeria

A group of motives emerged that hastened the necessity of moving towards transforming Algeria Post into a bank (postal bank), and thus enhancing the opportunities for developing the Algerian banking system in general, which are as follows:(Bouzana and Hamdouch, 2022, p. 192)

- Increasing capital through strengthening the partnership between Algeria Post and the Algerian banking sector;
- Exchanging expertise, technological and human qualifications between the postal sector and the Algerian banking sector, especially since both sectors have a considerable history in the field of financial transactions;
- The ability to provide integrated financial services after the merger of the two sectors;
- The possibility of achieving financial inclusion after the creation of this new entity (postal bank);
- Algeria Post possesses a very large base of postal accounts, which helps to drive the wheel of the Algerian banking system immediately after converting this entity into the Algerian banking system.

Moreover, Algeria Post possesses very significant financial qualifications that can be translated in the following table:

Table 2: Qualifications of the Algerian Post Institution

Designation	Qualifications
Post Offices	4292
Automated Teller Machines (ATMs)	1995
Multi-Service Spaces	62
CCP Accounts	28.67 million
Gold Cards	13.17 million

Source:(Ministry of Post and Telecommunications, 2024)

As shown in the following figure, the development of the number of current accounts at the Algerian Post Institution during the period from 2019 to April 2024 is as follows

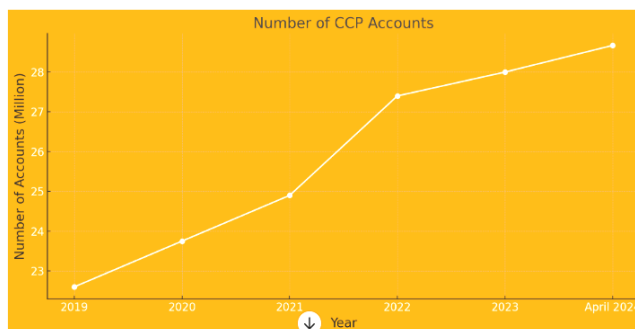


Figure 1: Development of the number of current accounts for Algeria Post customers for the period 2019-2024

Source: Ministry of Post and Telecommunications, 2024

The chart showing the development of the number of Algeria Post subscribers illustrates the continuous increase in the number of these subscribers over the study period from 2019 to April 2024, with an increase reaching 6.07 million accounts.

The following chart also reflects the development of the number of post offices in Algeria from 2019 to April 2024. This development indicates the vast network of Algeria Post branches across the country, which could drive the evolution of the Algerian banking system if this institution is converted into a bank in the future.

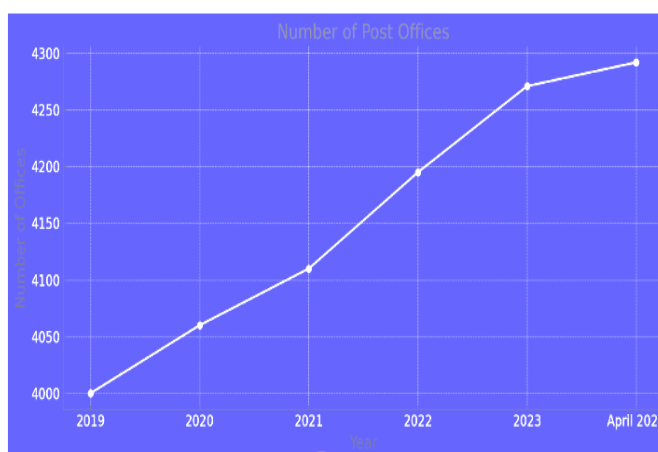


Figure 2: Development of the number of post offices in Algeria for the period 2019-2024

Source: Ministry of Post and Telecommunications, 2024

3- Elements for Establishing the Postal Bank Institution in Algeria:

In order to effectively establish a strong and secure postal bank institution in any country, it is essential to strengthen partnerships through the following points :(Bouzana and Hamdouch, 2022, p. 192)

- Enhance the financial strength of the postal bank institution within the Algerian banking system by increasing partnership opportunities between the bank's internal capital and other banking institutions within the same banking system.
- Create multi-party partnerships (postal bank institution, banks, financial institutions, insurance companies, etc.).
- Enter into cooperation agreements with newly established foreign postal banking institutions to strengthen various forms of partnerships that may benefit the Algerian postal banking institution.
- Form partnerships between the Algerian postal banking institution and local and foreign development and technology institutions to increase opportunities for developing technological infrastructure and competitiveness.

4- Steps towards Establishing a Postal Bank in Algeria

The methods and mechanisms for transitioning to postal banking institutions vary from country to country. These differences in transition are primarily due to the legislative, legal, and regulatory frameworks unique to each country, as well as the organizational structure of their banking systems. However, the formal procedures that need to be considered, which act as a link between all banking institutions during their operations and supervision of their banking institutions, necessitate agreement on the following steps as essential for transitioning from an institution to a bank: (Belhaji, 2021, p. 383)

- Submitting a file to the Monetary and Credit Council, affiliated with the Central Bank (in the case of Algeria), which contains the planned program (the program to transform Algeria Post into a banking institution under the name Algerian Postal Bank);
- A banking law (Monetary and Credit Law in the case of Algeria) can be proposed for legislative approval. This law would include the necessary changes and proposals to transform this postal institution into a bank (a bill subject to approval or rejection). However, in Algeria, the authority to establish and open banks is vested in the Monetary and Credit Council, as stipulated in Article 62 of Law 03-11 dated August 26, 2003.
- If the bill is approved and becomes law, an application to establish a bank under the name 'Postal Bank' will be submitted to the competent authority as per the country's prevailing banking law (in Algeria, this is the Monetary and Credit Council, which is legally authorized to receive and study applications for the establishment of banks);
- The council would then proceed to study the application, focusing specifically on analyzing all the data and accounts related to the postal institution, particularly verifying the compatibility of accounts and contributions with all customers;

- The central bank's undertaking of the banking accounting operations for this banking institution (Algeria Post);
- Granting the decision to authorize the opening of the bank by the Bank of Algeria, represented by the Council of Currency and Loan.

Conclusion:

After studying the topic of the Postal Bank in Algeria through three main sections—where the first section provided a general introduction to the concept of the Postal Bank, the second section introduced Algeria Post, and the third section discussed the realization of the Postal Bank in Algeria—it is evident that Algeria Post holds significant importance in Algeria, especially as the number of affiliates with this longstanding Algerian institution continues to grow.

The study also highlighted the potential of Algeria Post, particularly its material and technological assets, which are continuously developing. These assets suggest that a Postal Bank, if effectively implemented, could contribute to blending banking and postal services in Algeria, thereby advancing the overall banking system in the country.

In summary, our study leads to several recommendations to accelerate the realization of the Postal Bank idea in Algeria and support other banking institutions and the banking system in general. These recommendations are as follows:

- Re-adapt the Algerian Currency and Loan Law to facilitate the realization of the Postal Bank concept;
- Enhance coordination between state agencies involved in the banking and postal sectors, namely the postal sector (Ministry of Postal and Telecommunications) and the banking sector (Bank of Algeria);
- Study various successful international experiences in the banking sector that have successfully created similar banking-postal entities (such as studying the French experience).

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