Financial globalization and its impact on some macroeconomic indicators of Algeria during the period 2014-2024

العولمة المالية وأثرها على بعض المؤشرات الاقتصادية الكلية للجزائر خلال الفترة 2014– 2024

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Received:17-01 -2026 *Accepted: 01 -04 -2025*

Abstract: In this research paper, we will study financial globalization and its impact on some macroeconomic indicators of Algeria, by identifying the basic concepts of financial globalization, as well as its foundations and the most important tools, and to know its risks and advantages, especially on developing countries with unprecedented financial liberalization, while providing a modern explanation of various key research terms. in the Applied side we present the latest statistics of the various macroeconomic variables that relied on our study in order to analyze and search for the impact of financial globalization on the Algerian economy.

Keywords: financial globalization, foreign direct investment, trade balance, economic growth, interest rate.

ملخص: نكشف في هذه الورقة البحثية إلى تسليط الضوء على العولمة المالية وأثرها على بعض المؤشرات الاقتصادية الكلية للجزائر، من خلال التعرف على المفاهيم الأساسية للعولمة المالية، ومعرفة مخاطرها ومزاياها في ظل هذا التحرر المالي الغير مسبوق ، مع تقديم لأحدث الإحصائيات للمتغيرات الاقتصادية الكلية التي اعتمدنا عليها في دراستنا للبحث عن أن الأثر الذي تخلفه العولمة المالية على الاقتصاد الجزائري.

كلمات مفتاحيه: العولمة المالية، الاستثمار الأجنبي المباشر، الميزان التجاري، النمو الاقتصادي، سعر الفائدة.

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1. INTRODUCTION

The financial system of any country is the basic indicator of its economic and financial stability, after the phenomenon of globalization it has become difficult for developing countries to fully control their financial system, and here we are talking about global economic variables in the forms of financial globalization.

The reasons affecting the financial system are many, varied and complex with each other, including internal ones related to the financial system itself, and external ones such as the challenges of the legislative aspect, the economic climate and political orientation, and international economic developments.

In this study, we focus on international economic factors, specifically financial globalization and its impact on some economic indicators. Financial globalization is one of the remnants of the financial liberalization that the world has known after the technological revolution, by affecting the internal and external economic balances, in addition to the inability of traditional finance to fulfill the obligations of Algerian economy, especially with regard to financing the development process.

In our research, we presented financial globalization and its impact on the economic indicators of Algeria, and this, given the importance of financial globalization in the development of the financial system to serve the national economy, in addition to presenting the most important risks and challenges that can affect the Algerian economy, especially with the decline in oil prices and the collapse of the dinar.

The problematic:

it can be posed in the following question :

What is the impact of financial globalization on some macroeconomic indicators of Algeria during the period 2014-2024?

2. The concept of financial globalization

We show the various definitions and elements related to financial globalization as follows:

2.1 Definition of financial globalization:

There are many concepts and definitions related to financial globalization, so we chose the definition that best suits our research:

-Globalization has been at the economic level, from the liberalization of foreign trade, the transfer of foreign direct investment between a large number of countries, the trend more towards market economies, and the increased role of international financial institutions. (Al-Sawi, 2025, p. 171)

-The clearest picture of the New World Economic Order is based on the processes of liberalization of international trade, global companies, the movement of major

mergers between giant companies, and also enshrines the flow of movement of funds and investments around the world and freedom of dealing in financial fields". (Al-Salami, 2024, p. 25)

- It can also be defined as :

"Financial globalization is defined as the huge growth in the volume and quality of financial transactions that penetrates all forms of geographical barriers and regulatory restrictions so that financial transactions are carried out within the framework of a unified global financial market that ensures obtaining the highest returns with the least risk". (Ahmed Yousef duwedin, 2019, p. 233)

-also defined :"Financial globalization refers to the phenomenon of international integration between different financial markets, the essence of financial globalization lies in the movements of capital between different financial markets without barriers, the exchange, circulation and liquidation of debts, monetary and financial assets are carried out outside national borders". (Al-Zahra, 2016, p. 251)

2.2 Instruments of financial globalization:

Financial globalization has many tools that are considered the main driver of it, they belong to developed countries in the form of global institutions, which we mention in order:

-multinational companies and their role in foreign direct investment: Multinational companies are the leaders of capitalism towards globalization due to their rapid spread, as these companies dominate international trade in goods and services, control the world economy and play a key role in the internationalization of investment and trade with the supremacy of global patterns in production .

-the communications and information revolution: the relationship of globalization with the communications and information revolution is a reciprocal relationship and has become a major source of decision-makers.

-international blocs: we mention among the most effective economic blocs and the impact of the economic forces of the participating countries, both the European Union, the North American Free Trade Area and the Southeast Asian Association, one of the reasons that encouraged the establishment of these alliances is the expectation of economic prosperity resulting from an increase in the size of the economy, regional specialization in production and attracting foreign investments seeking large markets . (Asma, 2025, p. 19)

2.3 Effects of globalization :

Globalization has been accompanied by various phenomena that have emerged on the world stage, and these phenomena may be economic, political, cultural, communication, or others: (Rais, 2016, p. 37)

- Transformation of economic and capital concepts ;

-The increasing role of international organizations and the shrinking role of the state in the management of the economy ;

- Increasing indebtedness and the growing role of multinational companies ; - Dispelling surpluses instead of filling them ;

-Increasing disparities between social classes and widespread unemployment.

2.4 Disadvantages of financial globalization:

Financial globalization has another face that deepens the crises of countries and facilitates their dissemination for developed countries, so the disadvantages are as follows:

-The increasing vulnerability and dependence of the global economy and, consequently, the weakening of economic security, due to the deepening impact of the national economy by the fluctuations of the external Arena, compliance with the application of the WTO openings with its current mechanisms, would lead, especially in the long term, to exposing the stability of the national economy to shocks and fluctuations.

-The widening of income inequality and the growth of wealth between states and between the populations within a single state, which is what the well-known authors Hans Martin and Herr aduschmann warned about in their book entitled "The trap of globalization", because the expected gains from deepening globalization have not been shared equally among nations and peoples. (Ziad, 2013, p. 29)

- Economic globalization, through its liberalization of markets, production, investment, trade, finance and others, limits the state's interference in the conduct of economic activities, and this is imposed by the state's failure to take economic measures and policies that limit the freedom of companies to exercise all their activities.

2.5 The dangers of financial globalization :

Financial globalization carries a lot of risks, especially for developing countries, especially those that have financial markets, so we will detail them as follows:

- The emergence and spread of the phenomenon of money laundering: many countries, especially developing countries, have been exposed to waves of illegal money entering and leaving across national borders, as well as the opening of the local market to foreign investors, which serves as another channel for funds, which entails the spread of administrative corruption in the banking system, encouraging evasion from law enforcement, loss of confidence in the local market, and diverting investors to criminal activities with high profits, as well as tax evasion on funds.

-Creating deception in front of countries with financial deficits, financial globalization opens up to countries with access to available capital in different parts of the world at the first stage, that is, government investments will not depend on the size of national savings only, but will be able to finance them with foreign loans, privatization of all services and social institutions, reducing the size of government spending on services and social welfare, as well as the consequences of excessive demand for foreign loans.(Abbas Abadi, 2014, p. 204)

3. The impact of financial globalization on macroeconomic indicators of Algeria

Algeria is one of the developing countries that does not have large and developed financial markets, which is one of the effective influences of financial globalization, and therefore we have taken into our study the flow of foreign capital, which is considered the most important influences of financial globalization in developing countries.

3.1 The development of foreign direct investment and the movement of capital in Algeria:

In the last ten years, Algeria has witnessed large inflows of foreign capital, as they have been changing from year to year, and this is due to the opening of the Algerian economy and the search for partners in the economic field in order to support the national economy and maintain its stability despite many economic and other obstacles.

Algeria has generally known a significant inflow and stable movement of foreign capital.

As shown in the following table:

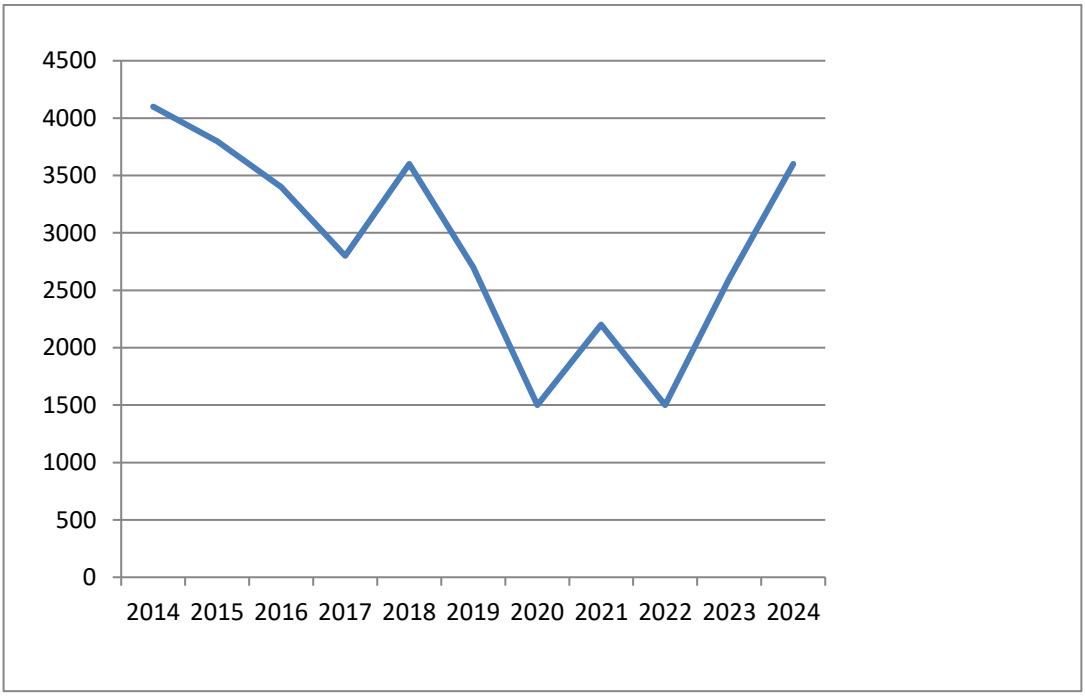
Table No. (01): development of foreign direct investment in Algeria during the period (2014-2024) Million dollars

years	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Investment volume	4100	3800	3400	2800	3600	2700	1500	2200	1500	2600	3600

Source: https://ar.tradingeconomics.com/algeria/foreign-direct-investment

-Based on the data of the table above, we can put the following figure:

Figure 01: development of foreign direct investment in Algeria during the period (2014-2024)



Source: Prepared by the researcher based on the data of the table above

In general, the development of foreign direct investment for Algeria 2014-2024 is observed a decline and fluctuation in the entry of foreign investments, as the

beginning of the study of the period 2014 estimated the amount of foreign direct investment inflow at 4100 million dollars, and began to decline to reach the lowest volume of inflows.

in 2020 and 2022 for the first time due to the corona pandemic, the curve of the volume of foreign investment began to improve gradually, reaching at the end of 2024 to 3600 million dollars, this indicates the openness of the Algerian economy, in addition to the role of financial globalization in its impact on the volatility of foreign direct investment through the annual statistics shown above.

3.2 The development of the economic growth rate in Algeria:

"Economic growth is generally defined as the continuous expansion of the possibilities of the economy to maximize the production capacity of goods and services on a continuous cumulative basis over periods of time at a rate greater than the rate of expansion of population growth, which stimulates the ability to meet the needs of society sustainably ." (Asma, 2025, p. 32)

Algeria is very interested in this indicator by seeking to improve it through various economic processes and trends, especially those related to the country's public policy.

As shown in the following table:

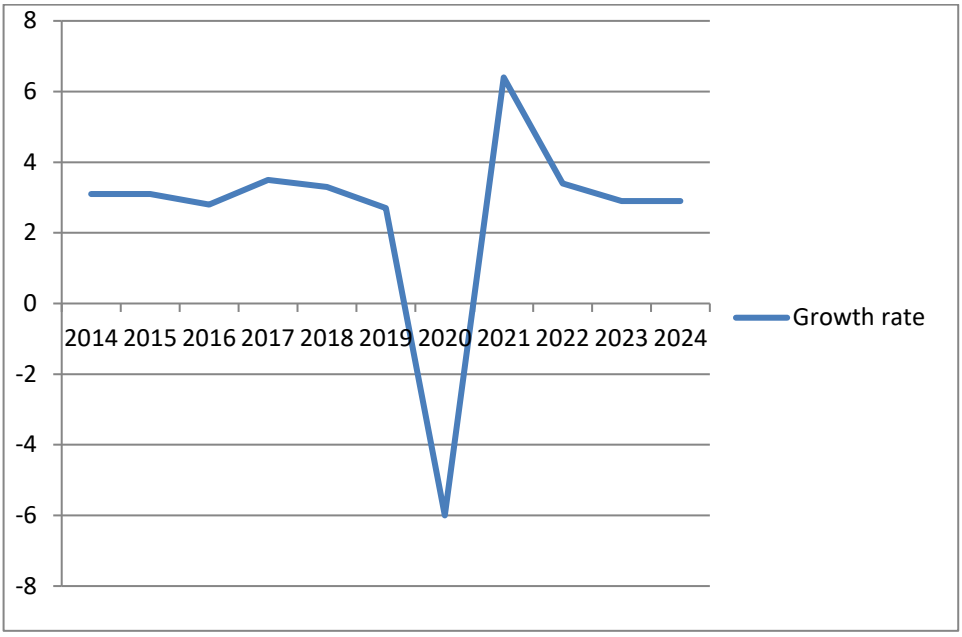
Table No. (02): the development of the economic growth rate in Algeria during the period (2014-2024)

years	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Rate%	4.1	3.2	3.9	1.5	1.4	1	5-	3.8	3.6	4.1	3.6

Source: https://ar.tradingeconomics.com/algeria/full-year-gdp-growth

From the previous data, we formulate the following figure

Figure No. (02): the development of the economic growth rate in Algeria during the period (2014-2024)



Source: Prepared by the researcher based on the data of the table above

In the above figure, we find that the curve of foreign direct investment has declined since the beginning of the study until the year 2020 and then began to improve, and when compared with the economic growth rate.

we find that there is a great similarity between the two curves, where economic growth at the beginning of the period was 4.1% in 2014 and began to decline and fluctuate to reach -5% in 2020 and then began to improve in recent years of the study.

We can say that there is a clear impact of foreign direct investment on economic growth in Algeria .

3.3 The evolution of the interest rate in Algeria during the period (2014-2024) :

The interest rate is one of the indicators that have a causal relationship between investment and savings and interest is defined as follows:

" it is the return obtained as a result of investing an amount of money in an activity for a specific period of time according to a certain rate or it is the cost of borrowing cash" (Shaikha, 2020, p. 243)

the interest rate determines the general direction of investment, whether external or internal and stimulates the flow of foreign direct investments.

The interest rate in Algeria is one of the important indicators that our study focused on because it has a clear impact on the economy and money through

discount rates and the investors ' perception of this rate, as it is one of their priorities in the investment process.

We present the evolution of the interest rate for the last ten years as follows:

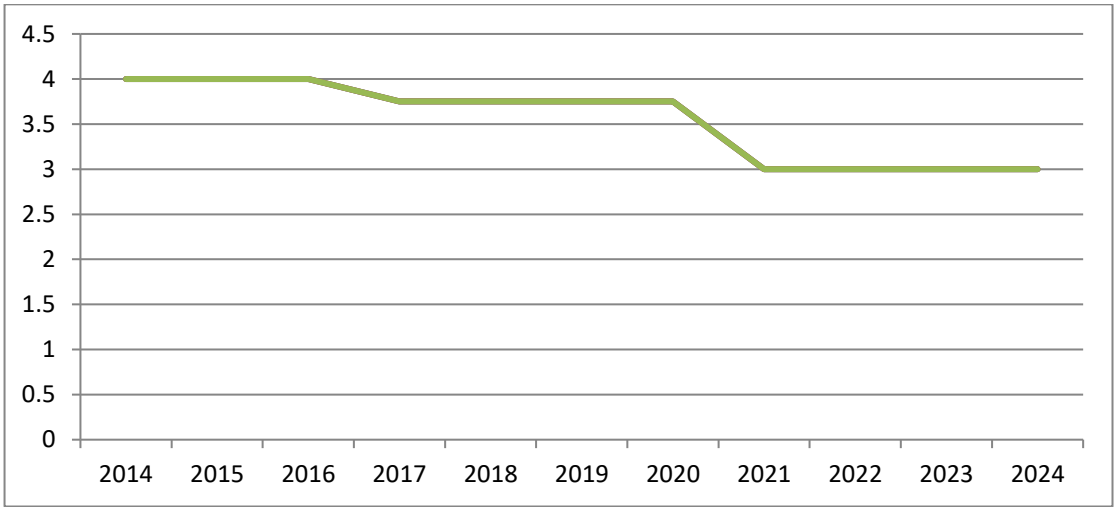
Table No. (03): the development of the interest rate in Algeria during the period (2014-2024)

years	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
rate	%4	%4	%4	%3.75	%3.75	%3.75	%3.75	%3	%3	%3	%3

Source: https://ar.tradingeconomics.com/algeria/interest-rate

From the above data, we can present the following figure

Figure No. (03): The evolution of the interest rate in Algeria during the period (2014-2024)



Source: Prepared by the researcher based on the data of the table above

We note from the curve of the development of the interest rate of Algeria from 2014 to 2024 a great convergence between different years, where we found that a phased fixed rate, every three years or more maintains the same interest rate, and this indicates the existence of a three-or four-year plan to maintain a stable interest

rate, although there is a noticeable decline since the beginning of the study, where it was 4% and then in 2024 reached 3%, and this explains that the decline in the interest rate due to internal and external economic influences.

we can say that the decline in the interest rate until 2021 is similar to the same decline that affected foreign direct investment, which enhances the impact of financial globalization on foreign cash flows and foreign direct investment.

We note that there is also an impact on the interest rate and therefore we can say that financial globalization has an impact on the interest rate in Algeria .

3.4 The development of the inflation rate in Algeria :

Prices are one of the most important indicators of economic and social stability.

in this part of our research we touched on prices and inflation .

The inflation rate in Algeria is receiving great attention, because of its importance and impact on the national economy, as various countries, such as Algeria, are trying to make this rate at the lowest rate in order to maintain the economic, political and social stability of the country.

We show that in the following table:

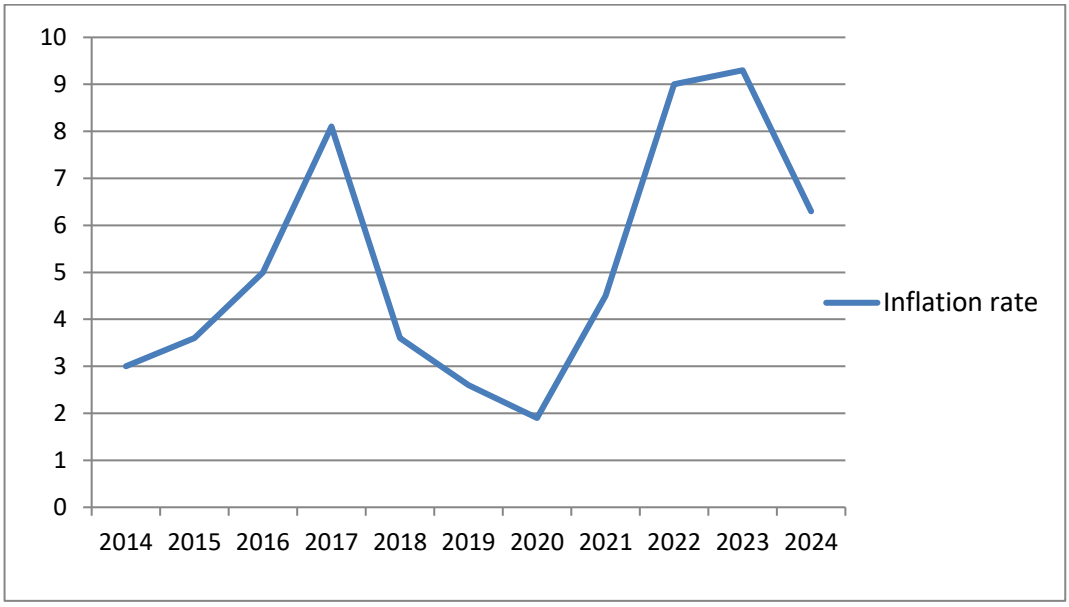
Table No. (04): the development of the inflation rate in Algeria during the period (2014-2024)

years	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
rate	%3	%3.6	%5	%8.1	%3.6	%2.6	%1.9	%4.5	%9	%9.3	%6.3

Source: https://ar.tradingeconomics.com/algeria/inflation-cpi

From the above table, we formulate the following figure

Figure no. (04): the development of the inflation rate in Algeria during the period (2014-2024)



Source: by the researcher based on the data above

We note that the inflation rate in Algeria has taken significant changes, at the beginning of the study period 3% and began to escalate to reach 8% in 2017, this is due to the economic policies followed, especially in relation to the monetary issuance policy.

then the rate began to decline significantly to reach in 2020 to its lowest level during the study period at a rate of 1.9%, this rate is considered to be a stabilization in prices and an improvement in purchasing power due to a decline in the basis for closing external borders due to the corona pandemic, this rate began to rise very rapidly to reach the highest rate in the entire study period 2023, where it was set at 9.3%immediately after it drops to 6.3%, which is a noticeable decline.

From this we can say that there is a relationship between financial globalization and the rate of economic growth in parallel .

3.5 The development of the trade balance in Algeria during the period (2014-2024)

The trade balance is defined as:

" the movement of goods, including exports and imports of goods that are usually called visible trade " . (Said Sami Al-Hallak, 2018, p. 2)

the trade balance is considered a mirror reflecting the strength and efficiency of the economy, in the use of its economic resources and its ability to bring and maintain hard currency, where it is considered the first indicator indicative of the

independence of the economy, whenever the trade balance achieves a large surplus, this indicates that the economy is independent and autonomous.

we chose this external aggregate indicator in order to find out the degree of impact of financial globalization on the economy Algeria through foreign trade .

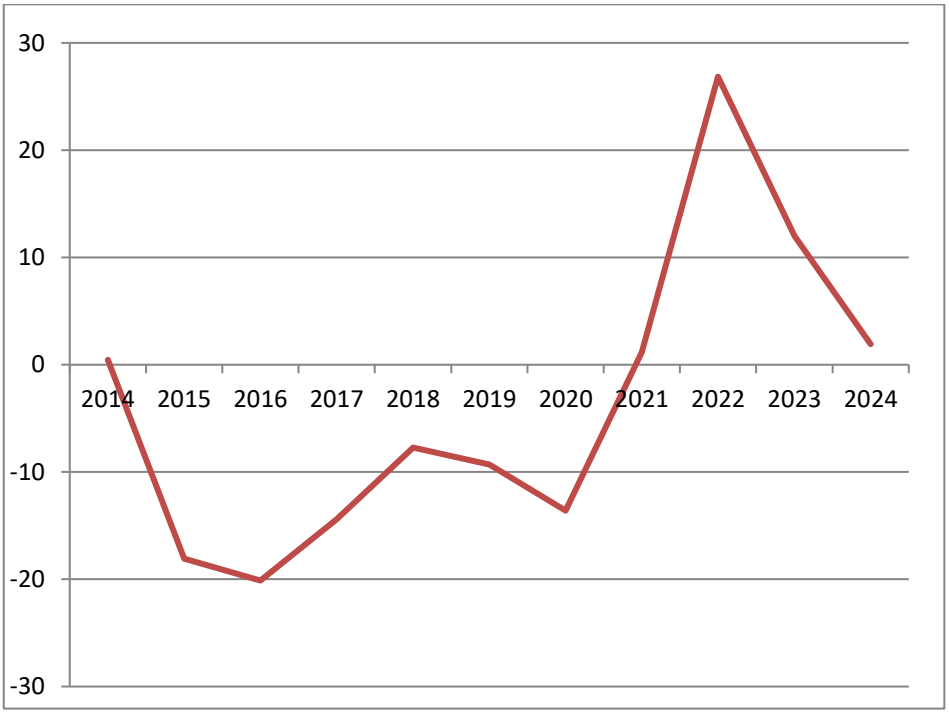
As shown in the following table:

Table no. (05): development of the trade balance in Algeria during the period (2014-2024) **Billion dollars**

years	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Rate%	0.459	18.08	20.12	14.41	7.72	9.30	13.61	1.17	26.85	12.01	1.92

Source: prepared by the researcher based on the statistics of the central bank

Figure no. (05): development of the trade balance in Algeria during the period (2014-2024) **Billion dollars**



Source: by the researcher based on the data of the table above

The Algerian trade balance has taken significant fluctuations, with a deficit exceeding 2.12 billion dollars and a surplus of 26.8 billion dollars in just five years, as we noted that the trade balance is in a continuous deficit, mainly due to the deterioration of oil prices in addition to the political conditions that Algeria was going through, where the deficit continued for more than six years of continuous

deficit after 2015, and then began to improve surplus exceeded 26.8 billion dollars in 2022.

this surplus did not maintain its level 2023 to decline by 1.9 billion dollars, despite all this we note that there is also an impact and similarity with the curve of foreign direct investment.

we can say that financial globalization It affected the foreign trade of Algeria by affecting oil prices. Based on the above, financial globalization has a clear impact, we rely on our analytical study, which adopted statistics and descriptive study, each economic variable has a direct and indirect relationship to financial globalization.

4.Conclusion:

Algeria should take advantage of financial liberalization in financial globalization, and more specifically in financing its budget deficit caused by fluctuations in oil prices and maintaining its economic stability, in order to finance development projects that are highly dependent on it for the success of economic and social progress.

The general policy directions of the country must be adapted to the changes at the international level, especially with regard to modern strategies of financial policies and international financial liberalization, based on what was stated in our research financial globalization and its impact on macroeconomic indicators in Algeria, and the future prediction of the effects of financial globalization and the treatment of various crises caused by it, therefore it is necessary to limit the areas in which financial globalization affects the Algerian economy to maintain social, economic and political stability.

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