

The Role of Commercial Banks in Promoting Financial Inclusion: A Case Study of the Bank of Agriculture and Rural Development Regional Agency Tebessa 012

Widad Benkirat¹ / Management, Echahid Cheikh Larbi Tebessi, Tebessa, Algeria,
Organizations Management Laboratory, wided.benkirat@univ-tebessa.dz

Atmania Otmane /Economics, Echahid Cheikh Larbi Tebessi, Tebessa, Algeria,
Organizations Management Laboratory, o.atmania@univ-tebessa.dz

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Abstract:

This research evaluates the contribution of Algerian commercial banks to financial inclusion, with focus on a case study of the Bank of Agriculture and Rural Development (BADR). The evaluation encompasses a review of the quality of financial services offered by BADR, examines the growth in demand for these services, and determines the ease of access to these services. A survey of 37 bank employees provided significant data.

The study indicates that the quality of financial services offered by BADR, particularly at its Regional Agency -012- in Tebessa, is relatively low. The increase in the utilization of services delivered by the bank is also limited. While access to these services is not entirely straightforward, it can be considered average. Consequently, the overall contribution of BADR, Regional Agency -012- Tebessa, to fostering financial inclusion is deemed to be low.

Keywords: Financial inclusion, commercial banks, quality of services, financial services.

Jel Classification Codes : G21 ; O16 ; E5.

Résumé:

Cette recherche évalue la contribution des banques commerciales algériennes à l'inclusion financière, en mettant l'accent sur une étude de cas de la Banque d'agriculture et de développement rural (BADR) . L'évaluation comprend un examen de la qualité des services financiers offerts par BADR, examine la croissance de la demande pour ces services et détermine la facilité d'accès à ces services.

Une enquête menée auprès de 37 employés de banques a fourni des données significatives. L'étude indique que la qualité des services financiers offerts par BADR, en particulier à son agence régionale -012- à Tebessa, est relativement faible. L'augmentation de l'utilisation des services fournis par la banque est également limitée. Bien que l'accès à ces services ne soit pas tout à fait simple, il peut être considéré comme moyen. Par conséquent, la contribution globale de BADR, Agence régionale - 012- Tebessa, à la promotion de l'inclusion financière est jugée faible.

Mots clés: Inclusion financière, banques commerciales, qualité de services, services financiers

Jel Classification Codes : G21 ; O16 ; E5.

¹. Corresponding author: widad benkirat, e-mail address: wided.benkirat@univ-tebessa.dz



I. Introduction

The financial system serves as a cornerstone of contemporary economies, playing a pivotal role in resource allocation, bridging the gap between surplus and deficit actors, and, most significantly, expanding financial services accessibility to a broader segment of the population. Consequently, financial inclusion emerges as a paramount objective for economic growth and stability.

In recent years, financial inclusion has garnered significant attention from governments seeking to broaden the scope of their financial services to reach diverse segments of the population. This focus stems from the governments' progress and development, as well as their commitment to ensuring that all members of society have access to these services at reasonable costs and without resorting to informal channels. Consequently, this has spurred competition among various entities, particularly banks, to accelerate the pace of financial inclusion. Banks play a pivotal role in this endeavor, serving as the backbone of financial transactions in numerous countries.

Study Problem

Algeria has sought to establish a banking system to support domestic development and investment since gaining independence. While numerous domestic and international banks now offer financial services, there is still a lack of significant demand for these services among citizens.

Therefore, this study aims to address the following question: **How does the Bank of Agriculture and Rural Development, Tebessa Regional Agency, contribute to enhancing financial inclusion?**

Hypotheses

To address the research question, the study will assess one main hypotheses and three sub-hypothesis as follows:

Main Hypothesis: The Bank of Agriculture and Rural Development's contribution to enhancing financial inclusion is moderate.

Sub-hypothesis 1: Customer utilization of financial services offered by BADR remains comparatively low.

Sub-hypothesis 2: The quality of financial services provided by BADR is generally high.

Sub-hypothesis 3: Financial services offered by the Bank of Agriculture and Rural Development are generally accessible.

Study method

In this research, the descriptive method was used in the theoretical part to explain the concept of financial inclusion and the role of banks in fostering this concept, drawing upon diverse sources and references. In the practical section, the case study approach was utilized to contrast the roles of foreign and Algerian banks in promoting financial inclusion. This was accomplished by examining the Agricultural and Rural Development Bank in the Tebessa region.

II. Literature Review

II.1 Financial Inclusion

Given that financial instability may arise when the financial system is unable to effectively allocate funds to investment opportunities, as noted by Frederick Mishkin, financial inclusion is a decisive element to guarantee the stability and efficiency of the financial system. (Smaïl, 2012, p. 456)

Financial inclusion involves not only the availability and use of financial services by people and enterprises, but also the aspect of product and service delivery quality. It is also essential for responsible financial growth and well-being, both for an individual and the economy as a whole. (Chitimira & Warikandwa, 2023, p. 3)

in a wider definition, Elaine Kempson and Sharon Collard of the Personal Finance Research Centre, defined financial inclusion as “Everyone should have access to, use and retain:

- A secure account, or equivalent, for reliable income deposit, safekeeping, and convenient access;
- A suitable system for paying household bills and recurring expenses; A reliable method for purchasing goods and services, including remote transactions;
- A system for effective income and expenditure balancing; • These financial services must be accessible without compromising financial control or incurring excessive or unforeseen charges. These services may be provided through multiple accounts. (Kirwan, 2021, p. 9)

Accordingly, there are several principles underpin financial inclusion:

- Leadership: Governments need a broad commitment to financial inclusion to alleviate poverty.
- Diversity: Offer a wide range of affordable services (savings, credit, payments, transfers, and insurance) through diverse service providers.
- Innovation: Develop robust infrastructure—including technological and institutional innovation—to expand access to and use of the financial system.

- Protection: Develop necessary consumer protection legislation.
- Empowerment: Foster financial literacy and capacity.
- Collaboration: Create an institutional environment with clear accountability and coordination within government, and encourage partnerships and consultations among government, the business sector, and other stakeholders.
- Knowledge: Use improved data to develop evidence-based policies, measure progress, and adopt a gradual "test and learn" approach acceptable to regulators and service providers.
- Proportionality: Develop a policy and regulatory framework proportionate to the risks and benefits of such innovative products and services, based on an understanding of gaps and barriers in current regulation.
- Framework: Consider international standards, national conditions, and support for a competitive environment. (CGAP, 2011, p. 51)

In conclusion, financial inclusion entails extending the reach of financial services to underserved populations. This can be achieved through a combination of traditional and digital channels offered by commercial banks and financial institutions.

II.2 Financial Inclusion Strategies for Commercial Banks

Commercial banks can enhance financial inclusion by implementing a comprehensive strategy that encompasses the following key steps: (Bruno & Blaise, 2017, p. 4)

- a- Establishing Efficient Banking Systems: Implement user-friendly systems and regulations to streamline banking operations and eliminate barriers to financial services accessibility for all users.
- b- Regulating Informal Channels: Work towards regulating informal financial channels by bringing them under the purview of regulatory bodies for effective monitoring and supervision.
- c- Leveraging Technology for Financial Services: Introduce innovative channels to provide financial services, utilizing the latest technologies to reach all segments of society. Continuously monitor these channels to ensure their effectiveness.
- d- Enhancing Financial Infrastructure: Improve the financial infrastructure by establishing credit bureaus and developing robust payment, settlement, and mediation systems.
- e- Promoting Financial Awareness: Actively promote financial awareness and education to enhance financial literacy among the population.

II.3 The role of commercial and central banks

Within the field of financial inclusion, banks assume a crucial role in promoting financial literacy and awareness, particularly among the youth. By embracing innovative approaches, banks expand the accessibility of diverse financial services, while simultaneously ensuring consumer protection.

Central banks can also help improving financial inclusion by: (Katie, 2020, pp. 20-21)

- Financial education: Monetary authorities are frequently entrusted with the responsibility of fostering financial literacy and awareness, as well as safeguarding consumers. This can be accomplished by disseminating financial awareness standards and transparent information that protects consumers of financial services. This makes individuals more financially informative, and gives them the necessary financial knowledge.

- Central banks play a crucial role in promoting financial inclusion by supervising and monitoring financial services, products, institutions, and payment systems. This oversight helps mitigate misconduct by market participants and fosters ethical standards, and also provides a relevant framework for delivering financial services, ensuring effective financial intermediation.

- Supporting specific initiatives targeting financially marginalized populations: Some central banks actively facilitate financial services to the population. For example, they promote microfinance programs or provide subsidized financing to commercial banks for lending to priority borrower groups.

III. Model Specification

III.1 The banking agency under study

This research paper aims to analyze the operations of the regional agency of Bank of Agriculture and Rural Development (BADR) within Tebessa region.

III.2. Data and Sample

This study's population comprises the 37 employees of the Tebessa Agency, Bank of Agriculture and Rural Development. Due to the population's limited size, a complete census was undertaken. Table 1 details the sample characteristics.

Table (01): Study Sample Characteristics

Sample Characteristics		replication	Percentage
Gender	Male	12	32.4%
	Female	25	67.6%
	Total	37	100%
Age	20 to less than 30 Years	3	%8.1
	30 to 40 years	17	%45.9
	40 to 50 years	16	%43.2
	Over 50 years	1	%2.7
	Total	37	100%
Academic Qualifications	University	26	70.3%
	Postgraduate studies	7	18.9%
	Other certificates	2	5.4%
	Total	37	100%
Professional Experience	1 to less than 5 years	4	%10.8
	5 to 10 years	11	%29.7
	10 to less than 15 years	15	%40.5
	15 years and above	7	%18.9
	Total	37	%100

Source: Derived from SPSS analysis

The table above shows that The Regional Agency of the Bank of Agriculture and Rural Development's executive team is predominantly female, with 67.6% of leadership positions held by women. The majority of executives fall within the youth category, and 70.3% hold university degrees. Furthermore, 40.5% of executives have between 10 and 15 years of professional experience, making this the largest group.

A structured questionnaire, aligned with the G20's financial inclusion dimensions (access to, utilization of, and service quality), served as the primary data collection instrument. The questionnaire also included an initial section for the collection of personal information.

III.3 Questionnaire data analysis

The findings of the study can be discussed in the following tables derived from SPSS analysis

Table (02): Assessment of sample participants' responses concerning the proximity of financial service access points.

N°	Phrase	Mean	Standard Evaluation	Position	Assessment Level
1	The process of opening a bank account is prompt and straightforward	1.8514	0.201	5	Low
2	The associated costs are relatively low	2.5241	0.231	2	Medium
3	The bank has a wide network of interconnected branches	2.2988	0.211	4	Low
4	The bank's ATMs are conveniently located and accessible 24/7	2.6302	0.224	1	Medium
5	The bank offers a range of electronic services accessible via phone or website	2.4491	0.361	3	Medium
		2.3507	0.235	/	Medium

Source: Derived from SPSS analysis

The provided data indicates that the average accessibility score for services was 2.3507, suggesting a moderate level of satisfaction with the accessibility of services offered by the Tebessa State regional agency. However, the approval rating for immediate and straightforward bank account opening procedures is low. Additionally, customers perceive that the bank lacks a sufficient number of interconnected branches. On a positive note, customers moderately agree that the bank provides certain electronic services and that ATMs are consistently operational.

Table (03): Assessment of sample participants' responses concerning the proximity of financial service utilization

N	Phrase	Mean	Standard Evaluation	Position	Assessment Level
6	Our clientele is consistently expanding	1.7677	0.610	3	Low
7	The accounts facilitate both domestic and international transactions	2.3331	0.515	1	Low
8	A diverse range of individuals and organizations utilize our comprehensive financial services, including loans and other offerings	1.5433	0.985	4	Low
9	We offer our clients a variety of credit card options, including Visa and MasterCard	2.1380	0.309	2	Low
		5521.9	0.604	/	Low

Source: Derived from SPSS analysis

As the table shows, the overall mean for the dimension of utilizing financial services offered by the Bank of Agriculture and Rural Development, Tebessa Regional Directorate, was approximately 1.9552, indicating a low level of approval. Their endorsement of the various statements within this dimension was generally low.

Table (04) : Assessment of Sample Members' Responses on Financial Services Quality Dimensions

N°	Phrase	Mean	Standard Evaluation	Position	Assessment Level
10	The costs associated with utilizing financial services at the bank are considered reasonable and acceptable	2.0992	0.654	2	Low
11	The bank effectively implements all necessary security measures to safeguard its financial services	1.8378	1.346	6	Low
12	The bank demonstrates efficiency and responsiveness in handling customer complaints and concerns	1.9022	0.684	5	Medium
13	The bank actively engages in promoting financial literacy and knowledge among its customers	2.6025	1.191	1	Medium
14	The bank's website presents clear and concise information regarding its services, ensuring ease of understanding for customers	1.9992	1.632	3	Low
15	The bank fulfills its responsibility by informing customers of their rights and obligations related to the financial services provided	1.9459	0.235	4	Low
		2.0644	0.957	/	Low

Source: Derived from SPSS analysis

An evaluation of the service quality dimensions provided by the bank revealed a mean score of 2.0644, indicating a generally low level of approval among the study sample. Notably, respondents expressed dissatisfaction with the bank's adherence to security requirements and the provision of comprehensive information on its website. Additionally, the sample indicated only moderate approval for the bank's prompt handling of customer complaints and its efforts to promote financial literacy among its clientele.

III.4 Hypotheses test

-Primary Hypothesis

The Tebessa Agency of the Bank under study moderately contributes to the promotion of financial inclusion.

Table (05) : Main Hypothesis Testing Results

Mean	Financial Inclusion Axis	Degree of Agreement
Total Mean	2.1202	Low

Source: Derived from SPSS analysis

Based on the provided data, the arithmetic mean for the financial inclusion axis was approximately 2.1202, indicating a low level of approval. Consequently, the contribution of the Bank of Agriculture and Rural Development, Regional Agency - 012- Tebessa, in enhancing financial inclusion is considered limited.

-Sub-Hypotheses

Table (07):Sub-Hypotheses test

Dimensions	Mean	Degree of agreement
accessibility of financial services dimension	2.3507	Medium
utilization of financial services dimension	5521.9	Low
Quality of financial services dimension	2.0644	Low

Source: Derived from SPSS analysis

-Hypothesis 1: Customers' utilization of services offered by the Agricultural and Rural Development Bank, Regional Agency -012- Tebessa is low. The provided data indicates that the average score for the dimension of using financial services within the financial inclusion dimensions was 5521.9, suggesting a notably low level of adoption. This observation supports the validity of the hypothesis

-Hypothesis 2: posits that the Agricultural and Rural Development Bank, Regional Agency -012- Tebessa delivers high-quality services. However, the tabular data reveals a service quality mean of 2.0644, indicating low client satisfaction. Therefore, this hypothesis is rejected; the bank's service quality is deficient. Hypothesis 3 proposes that the Agricultural and Rural Development Bank, Regional Agency -012- Tebessa offers readily accessible financial services. The calculated mean for service accessibility is 2.3507, suggesting only average accessibility. This indicates that accessing the bank's financial services presents challenges.

-Hypothesis 3: The third sub-hypothesis: The financial services of the agency under study are readily accessible. As seen in the table, the arithmetic mean for the dimension of ease of access to services was calculated to be 2.3507, indicating an average level of agreement. This suggests that accessing the various financial services offered by this bank is not straightforward but rather presents some challenges.

IV. Conclusion

In summary, financial inclusion refers to the provision of financial services to all segments of society, including individuals and institutions, at an affordable cost. This enables these segments to benefit from their financial resources while also integrating them into the formal financial sector.

Banks play a crucial role in promoting financial inclusion by expanding their networks and offering a diverse range of financial services at reasonable costs. Additionally, the provision of various electronic financial services further enhances financial inclusion.

Study results

The study provided the following findings:

- The Bank of Agriculture and Rural Development offers a diverse range of financial services.
- Accessibility to these services at Tebessa Regional Agency of Bank of Agriculture and Rural Development is moderate.
- Client utilization of these services, however, is limited.
- Finally, the quality of service provided by Bank of Agriculture and Rural Development is inadequate.

Recommendations

In the end of this study these are some recommendations:

- The necessity of expediting the account opening process with simplified procedures;
- Expanding the network of bank-affiliated branches;
- Promoting the delivery of innovative financial services;
- Providing financial services at competitive rates;
- Providing information about the bank's services through its website;
- The importance of promoting financial literacy among the community.



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