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ECONOMIC DISTRIBUTION AND REGIONAL DISPARITIES IN ALGERIA: ANALYZING ACTIVITIES AND ESTABLISHMENTS ACROSS PROVINCES AND SMALL AND MEDIUM-SIZED TOWNS

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ABSTRACT

This paper examines the economic landscape of Algeria, characterized by a dominant state sector, substantial hydrocarbon resources, and ongoing diversification efforts. It highlights the significant role of the private sector, which comprises approximately 98% of economic entities, primarily small and micro-enterprises. The findings reveal that these smaller businesses are crucial for economic activity, yet they face numerous challenges, including limited access to finance and uneven market dynamics influenced by regional disparities. Through quantitative analysis of the latest Algerian Economic Census, the paper maps the distribution of economic activities across Algeria's provinces and small and medium-sized towns (SMSTs), illustrating varying levels of development and the predominance of certain sectors, notably trade and construction. The study underscores the concentration of economic entities in major urban centers, such as Algiers, Constantine, and Oran, while exposing the underdevelopment in southern provinces. Policy implications emphasize the need for targeted interventions to promote balanced growth, enhance infrastructure, support SMEs, and address the disparities that hinder inclusive development. Ultimately, this research provides insights into Algeria's economic dynamics and recommends fostering sustainable growth across its diverse regions, thereby contributing to the broader discourse on economic diversification and regional development in emerging economies.

KEYWORDS

Economic Diversification, Regional Disparities, Private Sector, Regional Development, Algeria

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1. Introduction

Algeria's economy is characterized by a dominant state sector, significant hydrocarbon resources, and ongoing diversification efforts. Historically shaped by post-independence socialist policies, state control remains prominent across industries. Hydrocarbons, particularly oil and natural gas, account for over 90% of export earnings, making Algeria highly vulnerable to global price fluctuations (Ayad et al., 2023; Deheri & Carmel, 2024). However, recent surges in energy prices have strengthened its fiscal position, allowing for continued subsidies and social spending. In June 2024, the World Bank reclassified Algeria as an upper-middle-income country, reflecting economic progress. Despite this, challenges such as youth unemployment and regional disparities persist (The world bank, 2024). To address these issues, the government has launched initiatives focusing on renewable energy and manufacturing to reduce hydrocarbon dependency and foster sustainable growth (Bounouh, 2023; Energy Capital & Power, 2023; Fournieris, 2022; Hasni et al., 2021). Algeria also maintains a relatively strong external financial

position, with foreign currency reserves and a low external debt-to-GDP ratio, indicating prudent fiscal management. Nevertheless, comprehensive reforms are needed to improve the business climate and attract foreign investment for long-term stability (The world bank, 2024).

Economic disparities remain a critical issue, with regional variations in efficiency, infrastructure, and market access shaping development patterns. Some regions demonstrate higher economic performance, while others face structural challenges that hinder growth (Idrissi & Souar, 2018). The private sector, particularly small and medium-sized enterprises (SMEs), plays a vital role in economic diversification, comprising approximately 98% of active businesses in Algeria (Kebieche & Yousfat, 2021). However, their distribution is uneven due to disparities in infrastructure and policy incentives. Investment behavior is further influenced by factors such as political stability, financial accessibility, and economic policies. While existing literature explores these themes, a research gap remains in understanding the dynamic interactions between economic distribution, regional disparities, and the private sector's role. Addressing these issues is crucial for reducing economic inequalities and fostering balanced growth across Algeria's provinces, particularly in small and medium-sized towns (SMSTs), which are integral to the national urban network (Saidi et al., 2023, 2024).

In this context, the research questions are:

- How is the distribution of economic activities and key establishments across different provinces and small and medium-sized towns in Algeria?
- What are the implications of this distribution for regional development, economic inequality, and the policy interventions necessary to promote balanced growth?

To address the research questions, this study employs a quantitative analysis based on the 2011 Algerian Economic Census, which remains the most comprehensive and recent economic dataset available. This census serves multiple purposes: (1) updating the directory of both physical and legal entities, using the ONS business register as the foundation for statistical applications; (2) providing a reliable and comprehensive dataset for enterprise surveys, particularly for the underrepresented private sector; (3) monitoring and assessing key economic indicators across various non-agricultural sectors, including industry, commerce, construction, and services; and (4) facilitating the development of economic activity indicators, especially concerning the growing role of the private sector. Additionally, it utilizes the last census of population and habitation of 2008 (ONS, 2008) for classifying towns. ArcMap software was used to map and interpret the results, enhancing data visualization and spatial analysis.

This study embarks on a journey guided by several meticulously crafted maps, each serving as a unique lens through which we explore the tapestry of Algerian provinces (48 provinces) and small and medium-sized towns (SMSTs), representing populations ranging from 5,000 to 50,000 inhabitants. Firstly, Algerian provincial maps unveil the distribution of critical elements—from vital establishments in education and healthcare to the multifaceted landscape of economic activities. They dissect factors such as legal categorizations, workforce sizes, gender representations, and revenue ranges, offering an expansive view of Algeria's regional intricacies. Secondly, the small and medium-sized town maps provide valuable information about the country's spread and concentration of economic activities. Our exploration aims to provide holistic insights into Algeria's economic and administrative character. It endeavors to unravel the regional disparities and opportunities that shape the nation's journey toward sustainable development and prosperity. As we traverse Algeria's diverse provinces, we seek to decipher the nuances and dynamics that define this country's unique identity and growth potential.

2. Results

2.1 At The Level of Provinces

According to Figures 1 and 2, 990,496 entities were identified across the national territory, including 934,250 economic entities, which represent more than 94% of the total. The remaining 56,246 are administrative entities. Figure 1 illustrates that the education sector is predominant among the administrative entities, with administration in second place and public health in last across all provinces. This observation highlights the government's significant emphasis on the educational sector while pointing out potential gaps in public health. Figure 2 demonstrates the dominance of the trade sector, which comprises 511,700 entities, accounting for nearly 55% of the total. In addition, the tertiary sector accommodates an impressive 829,688 economic entities, representing almost 89% of the overall total, thereby clearly indicating the predominantly tertiary nature of the national economy.

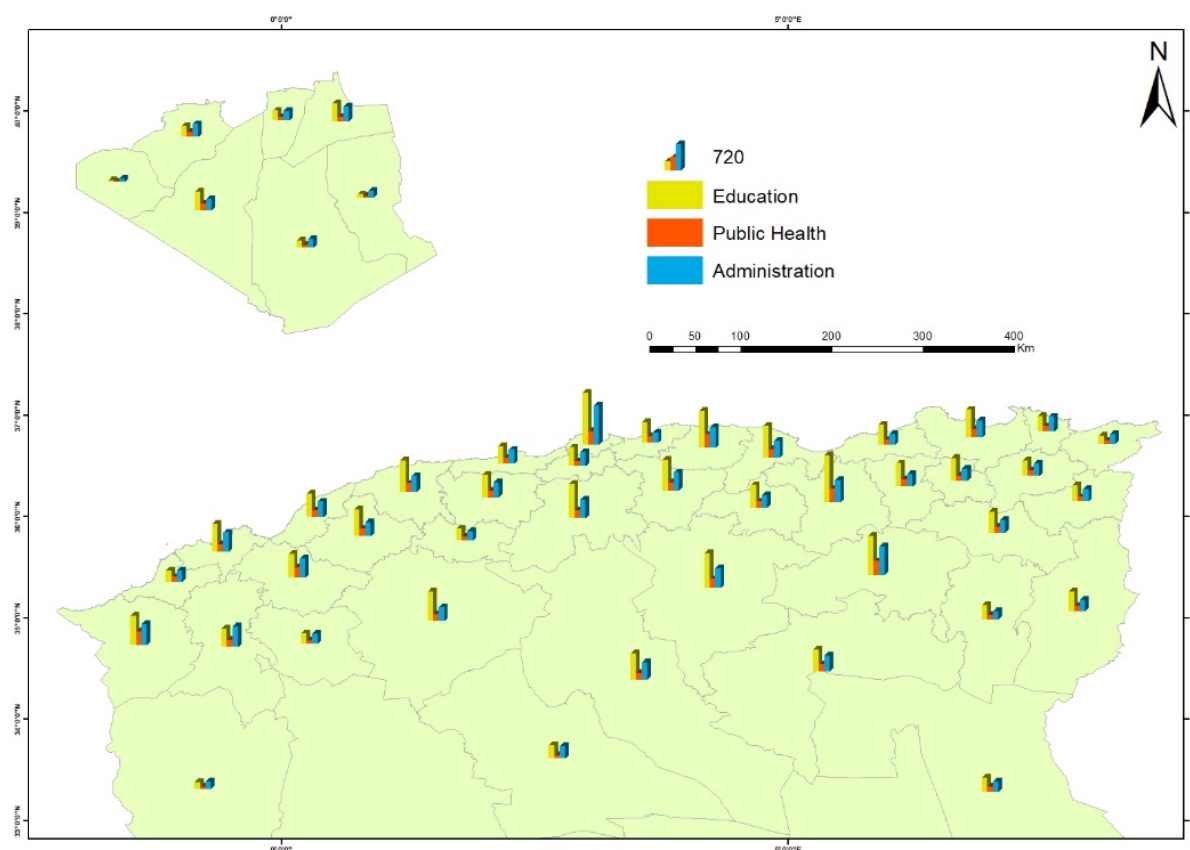


Fig. 1. Distribution of administrative entities by provinces. Source: edited by the authors based on the Algerian economic census

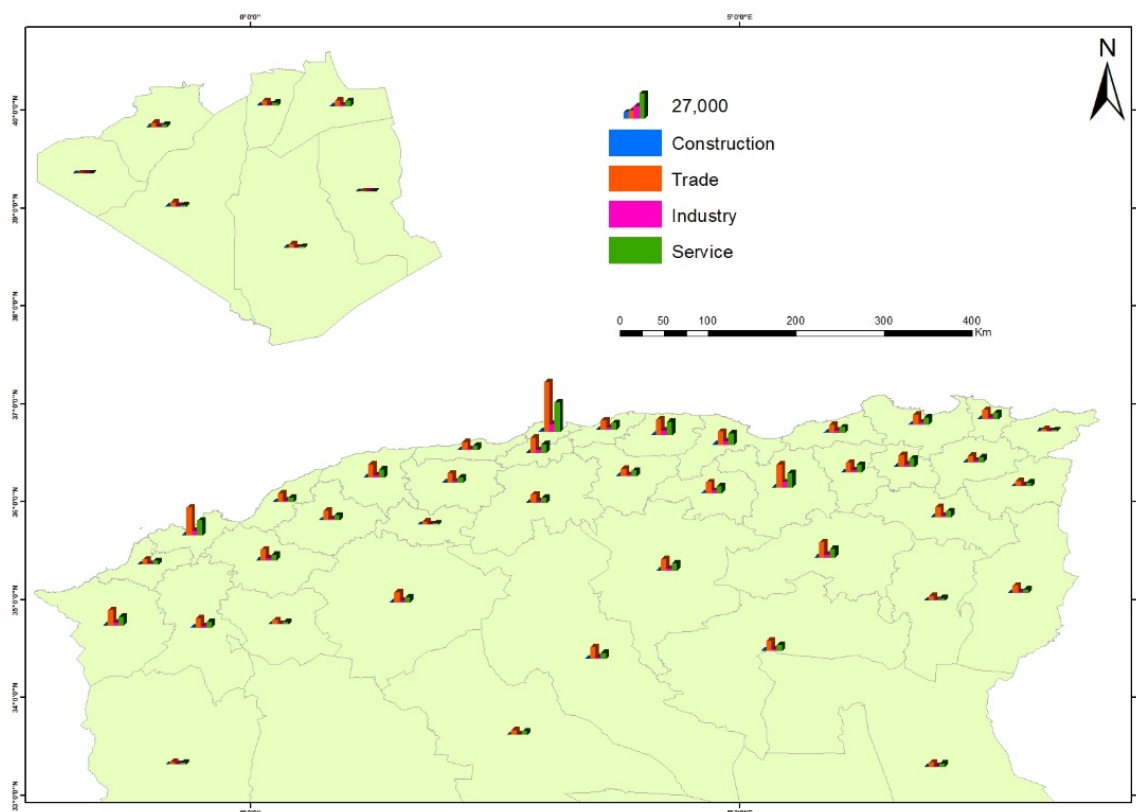


Fig. 2. Distribution of economic entities by provinces and sector of activity (Construction, Trade, Industry, Services). Source: edited by the authors based on the Algerian economic census

The private sector strongly dominates the economic landscape, comprising 915,316 entities, or 98% of the total (Figure 3). The public sector accounts for 1.8%, while mixed and foreign companies represent 0.2% of the total. Commerce ranks first in the private sector, with 508,638 entities, or 55.6%. Additionally, retail trade constitutes 84.6% with 427,931 entities, while services hold second place with 306,213 entities. Accommodation and catering activities account for nearly 20%. Manufacturing industries include 91,149 entities, making up 10% of the total. These are led by the food industry, which comprises 23,252 entities, or 25.5%, followed by the clothing industry at 11.6%.

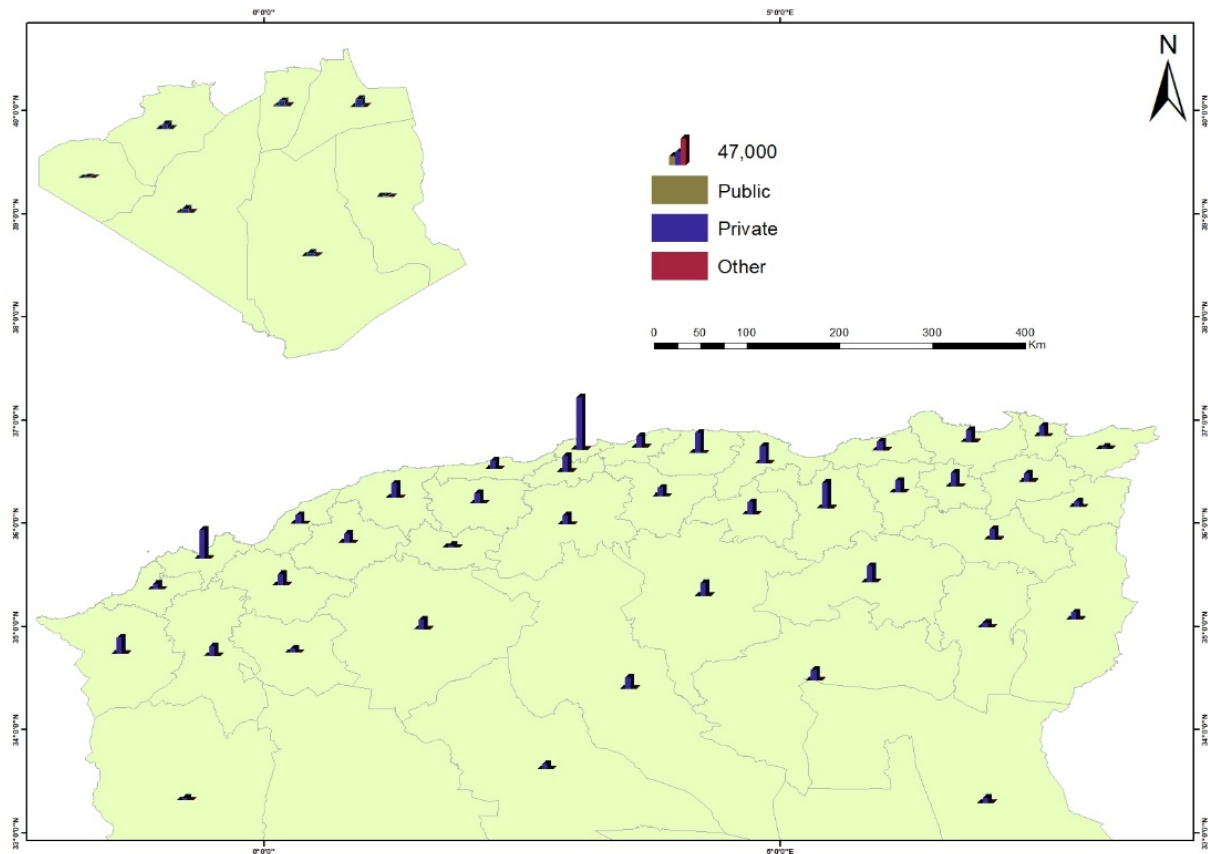


Fig. 3. Distribution of economic entities by provinces and legal sector (private, public, other). Source: edited by the authors based on the Algerian economic census

Figure 4 reveals a remarkable aspect of the nation's economic landscape: the dominant presence of physical persons, constituting 95% of the economic composition. In contrast, moral persons comprise a more modest 5% of the economic structure. This finding highlights the fundamentally micro-level focus of the country's economic framework, where individual entrepreneurs and small businesses play a crucial role. The capital city, Algiers, emerges as the primary hub, featuring a concentration of moral persons that reach nearly 21%. Following Algiers, the province of Oran ranks a distant second at 6.8%, with Sétif close behind at 5.3%. This distribution pattern reflects the geographical significance of these provinces concerning legal entity activity.

A similar trend is observed in the distribution of individuals, with Algiers again leading the way. In this instance, Algiers accounts for 9.9% of all economic entities, followed by Oran at 5.6% and Sétif at 5.1%. On a larger scale, encompassing the entire country, Algiers continues to stand out as an economic epicenter, displaying an absorption rate of 10.4%. It is an unmatched economic hub, attracting a significant share of physical and moral person. Its economic significance reverberates throughout the country, reinforcing its status as a premier economic center.

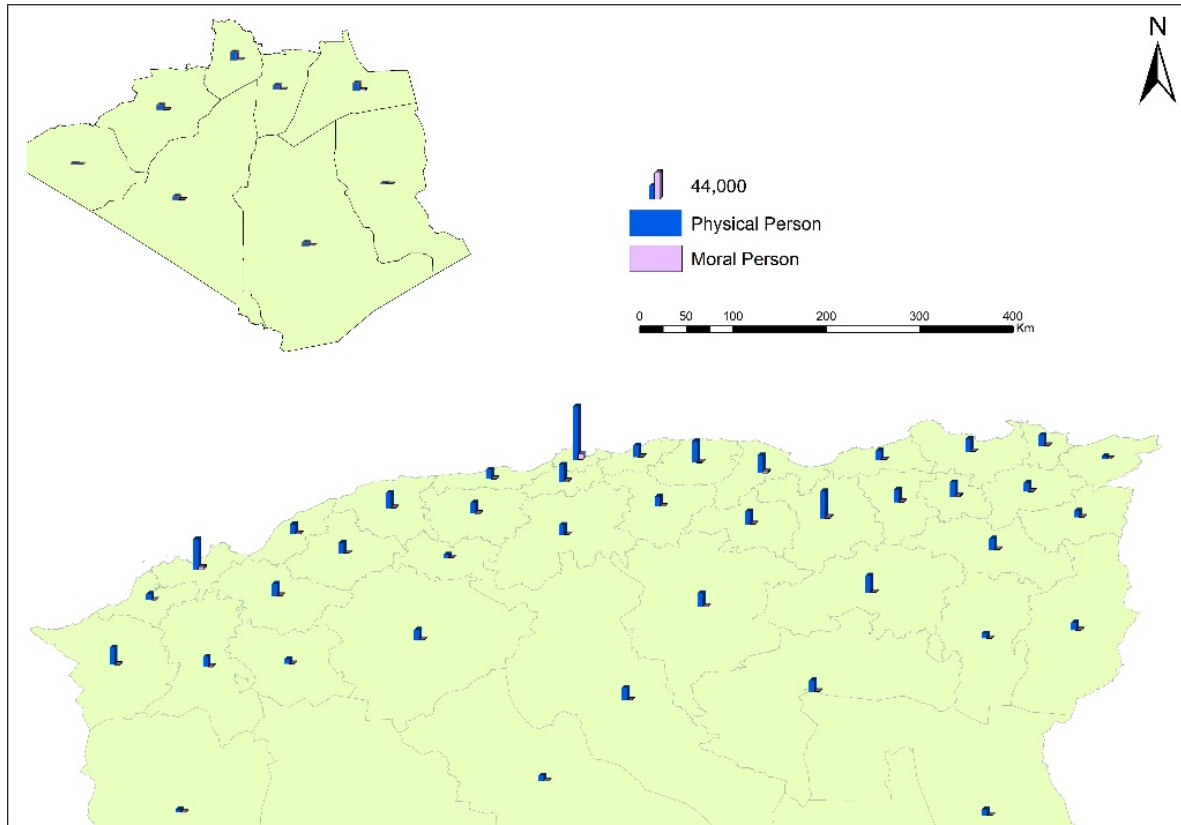


Fig. 4. Distribution of economic entities by provinces and legal form (physical person, moral person).
 Source: edited by the authors based on the Algerian economic census

The distribution based on the gender of business managers reveals that out of the 888,794 individuals identified, 798,026, or 89.8%, are men. Women make up the remaining 10.2%. At the provincial level, the data shows that among the 90,768 individuals represented by women, 12.4% are located in the capital, followed by the province of Oran at 6.2% and Tizi Ouzou at 5.6%. A similar trend is noted among men, with corresponding rates of 9.6%, 5.5%, and 3.8% (Figure 5). This data highlights a gender dimension within the entrepreneurial landscape, as men primarily hold leadership positions. Additionally, it illustrates the concentration of female business managers in particular provinces, suggesting potential regional differences in gender representation and opportunities within the business sector.

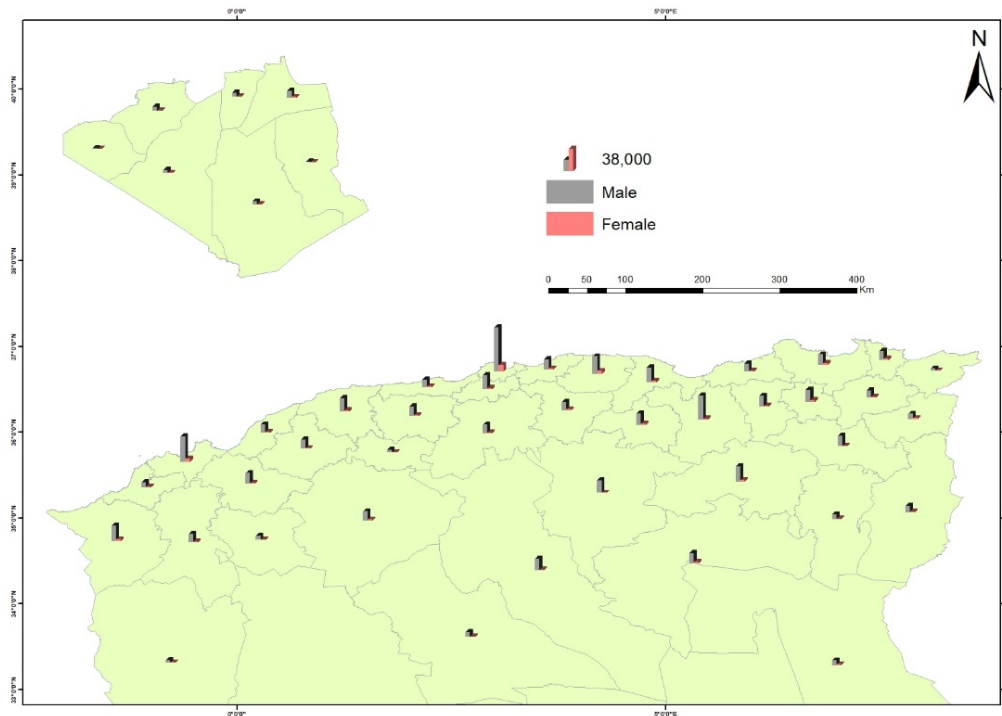


Fig. 5. Distribution of physical person by provinces and gender (Female, Male). source: edited by the authors based on the Algerian economic census

The data regarding employment indicates a notably high concentration of companies in the 0-9 employed workforce bracket. Specifically, out of the 934,250 economic entities, nearly 914,106 fall within the 0-9 employee workforce category, accounting for 97.8% of all economic entities. Notably, only 932 economic entities employ 250 or more workers (Figure 6). This information highlights the crucial role of small and micro-enterprises in shaping the nation's economic landscape. Their prevalence underscores the importance of policies and support mechanisms aimed at nurturing and sustaining these smaller businesses, which together make significant contributions to economic growth, job creation, and entrepreneurial vigor.

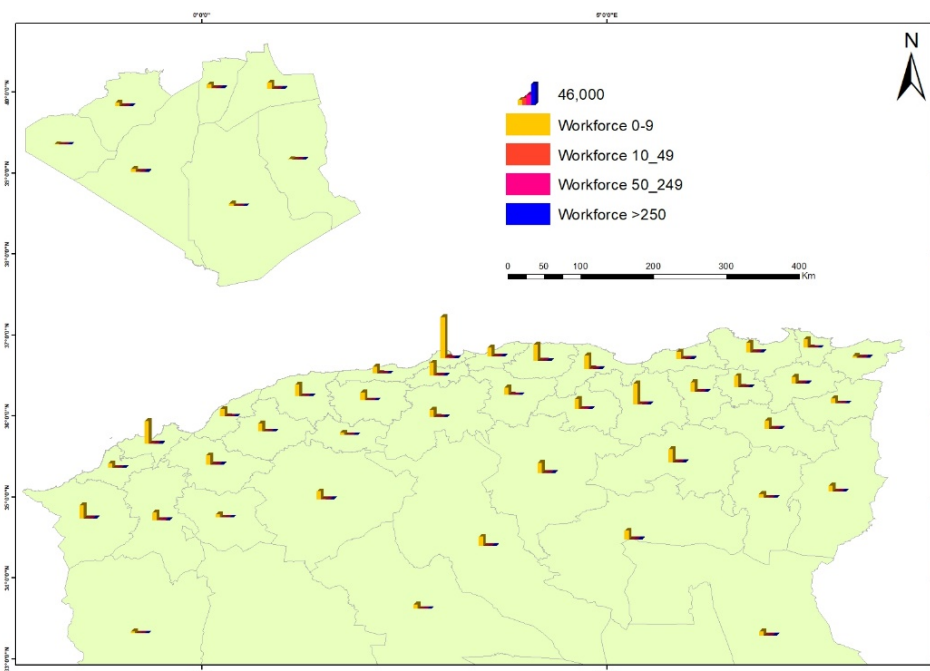


Fig. 6. Distribution of economic entities by provinces and workforce (0 – 9, 10 – 49, 50 – 249, more than 250). Source: edited by the authors based on the Algerian economic census

The distribution of 934,250 economic entities by revenue reveals that nearly 93.6% of these entities have an annual turnover of less than 20 million DA, amounting to 874,403 entities (figure 7). Economic entities with a turnover between 20 and 200 million DA total 53,153, representing approximately 5.7% of the total number of listed entities. Consequently, less than 1% of the listed entities have an annual turnover greater than or equal to 200 million DA (Figure 7). This nuanced distribution of economic entities based on turnover underscores the diverse range of businesses contributing to the country's economic vitality. While smaller enterprises dominate in number, larger enterprises, although fewer, play a pivotal role in shaping the overall economic landscape.

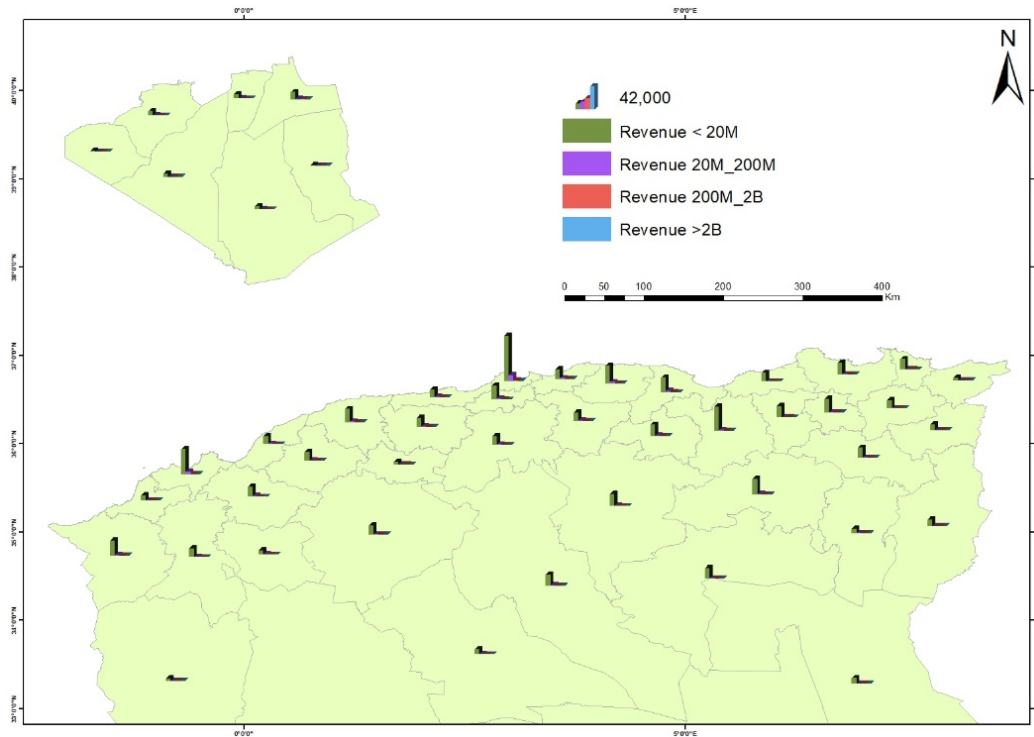


Fig. 7. Distribution of economic entities by provinces and revenue. Source: edited by the authors based on the Algerian economic census

2.2 At the level of Small and Medium-Sized Towns (SMSTs)

The spatial distribution of construction activity in Algeria (Figure 8) is concentrated in certain SMSTs located in the northern regions, including El Khroub (Province of Constantine), Azazga (Province of Tiziouzzou), Feraoun and Akbou (Bejaia), Bouinan (Blida), and Bouira. In the highlands, areas such as Ain Oussera (Province of Djelfa) and Barika (Batna) show significant activity, as do the southern regions with Khemis Miliana (Province of Ain Defla), Hassi Messaoud (Province of Ouargla). These regions exhibit a notable clustering of construction-related entities, represented by red-shaded hotspots in Figure 8. In contrast, construction activity diminishes in the central and southern desert regions, illustrated by the light-yellow shading that indicates fewer entities. This pattern suggests that regional economic disparities are influenced by infrastructural challenges and demographic variations, highlighting the need for policy intervention to promote development in underrepresented areas.

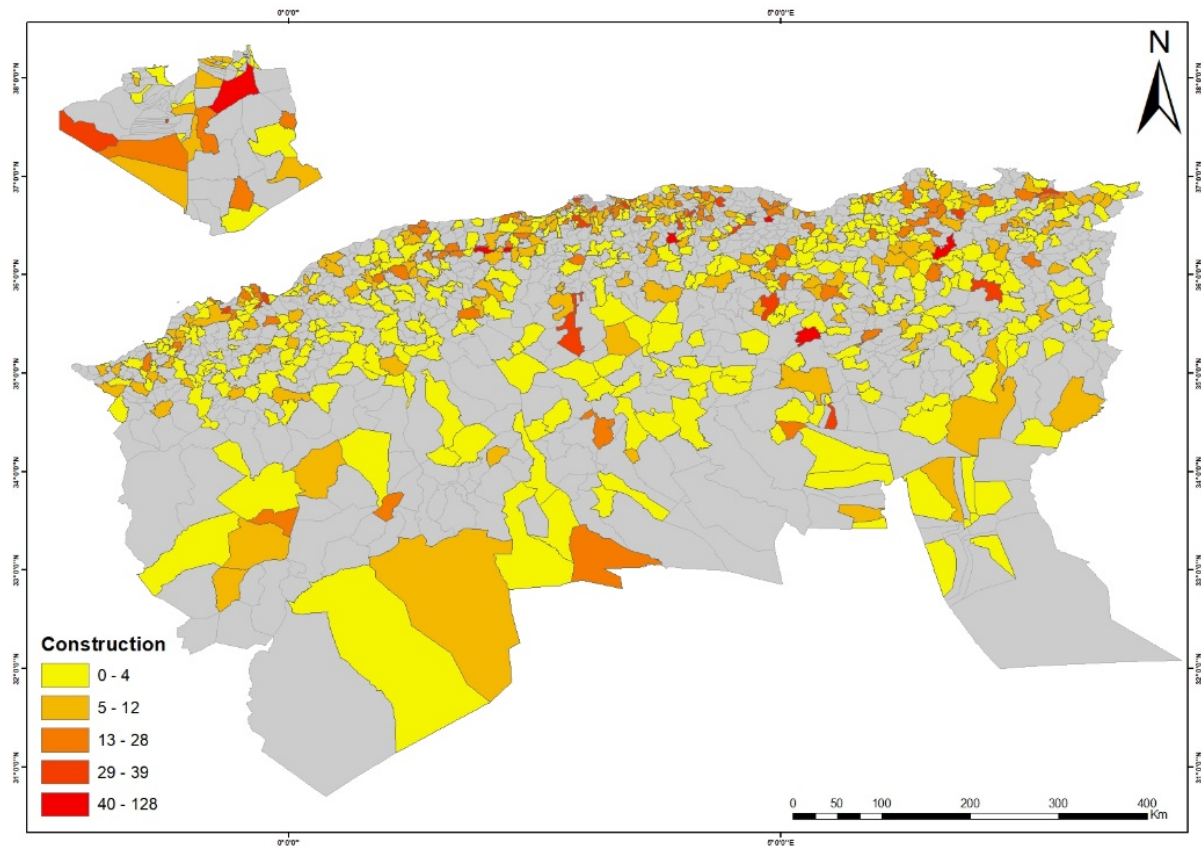


Fig. 8. Distribution of Construction by SMSTs.

Source: edited by the authors based on the data of the relevant census

Figure 9 is essential for understanding the economic dynamics in SMSTs, illustrating how trade concentrates in specific regions, particularly in the northern and highland areas, except for Tamanrasset, the only medium-sized town in the Hoggar Tassili region where trade is vital due to its strategic geographical position, economic significance, and its capacity to meet local needs. Located at a crossroads connecting several Saharan regions and neighboring countries like Mali and Niger, Tamanrasset acts as an important transit hub for the flow of local and international goods (Spiga, 2002). This trade greatly strengthens the local economy by creating jobs, supporting small businesses, and attracting traders through trade fairs that stimulate economic activity. The existence of trade hubs indicates that these towns likely enjoy improved infrastructure, transportation connections, or market access, which can foster local economic growth. In contrast, areas with little trade activity may experience limited economic opportunities and poor market access, highlighting the need for policy interventions to promote trade. Understanding this distribution is crucial for developing strategies to encourage balanced regional development, as it identifies regions that may need more substantial support to integrate into both the national and global economies.

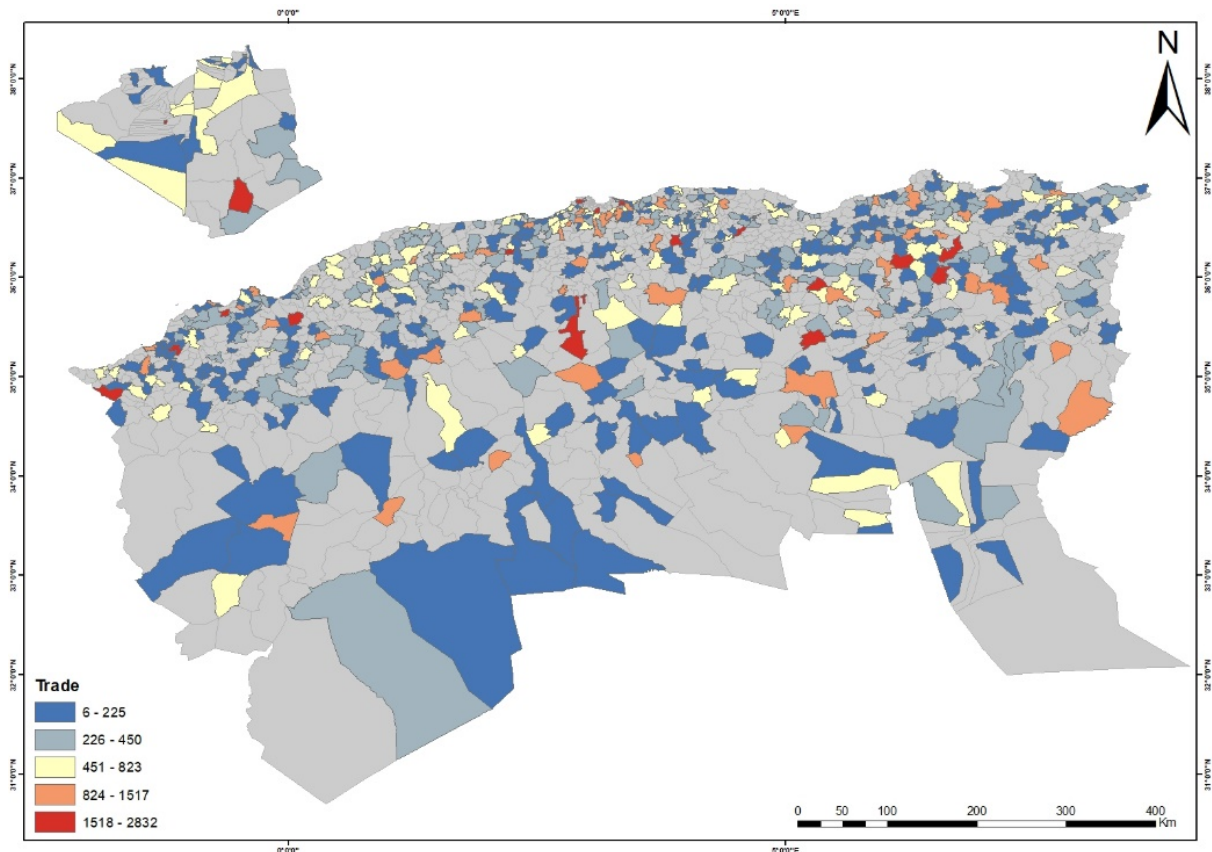


Fig. 9. Distribution of Trade by SMSTs.

Source: edited by the authors based on the data of the relevant census

Figure 10 illustrates the distribution of industrial activities across SMSTs, offering insights into how industrialization is geographically organized. The clustering of industries in specific SMSTs, primarily in the northern regions and the highland east of the country in the production of olive oil, especially in the provinces of Tizi-Ouzou and Bejaia (Algérie presse service, 2023a, 2023b), also occurs in Hassi Messaoud (Ouargla province) in the southeast, where the oil and gas industry is prominent, and in Tamanrasset located in the Hoggar Tassili region, where the recycling industry plays a vital role. (Spiga, 2002). These towns likely reflect government policy incentives, access to natural resources, and proximity to infrastructure such as energy sources and transportation networks. This concentration of industrial activity can stimulate local economic growth and employment. However, it may also result in regional inequalities, where some towns become industrial hubs while others remain underdeveloped. The figure raises essential considerations for sustainable development, as towns with significant industrial activity might encounter environmental pressures, resource depletion, and social changes. Therefore, assessing both the benefits of industrial growth in these towns and the challenges it presents for long-term regional development planning is crucial.

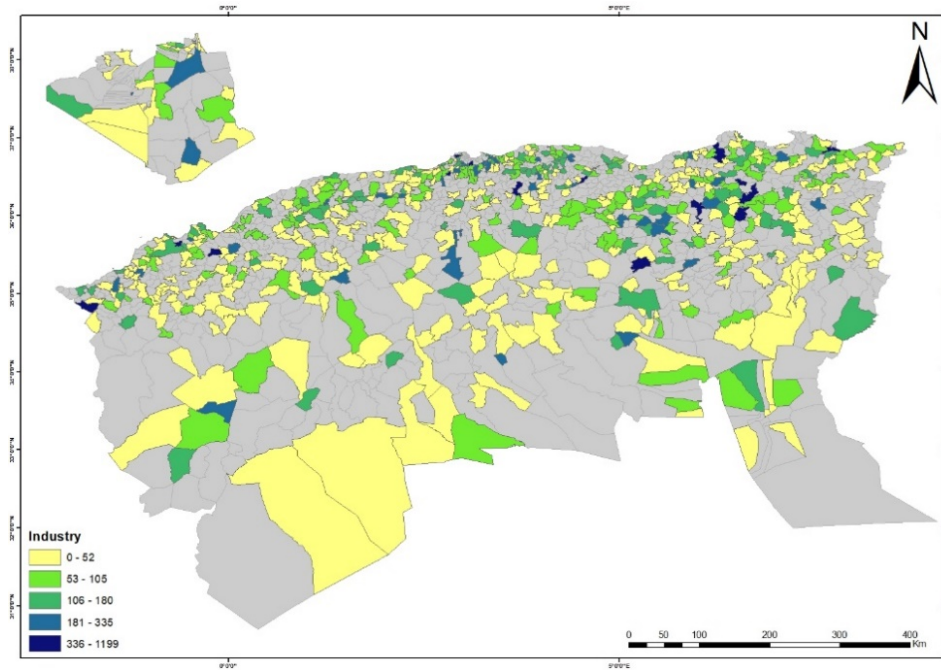


Fig. 10. Distribution of industry by SMSTs.

Source: edited by the authors based on the data of the relevant census

Figure 11 illustrates the distribution of services across Algeria's SMSTs, reflecting the availability of essential services. Concentrating services in specific towns, especially in the northern and highland-east regions, alongside Tamanrasset and Hassi Messaoud in the south, suggests better infrastructure and more advanced urbanization processes. Towns with greater access to services are likely to experience higher living standards, enhanced human capital development, and improved economic resilience. In contrast, towns with a limited availability of services may face social challenges and fall behind in economic development due to insufficient access to healthcare, education, and other crucial services. The figure emphasizes the importance of equitable service distribution for achieving balanced regional growth, highlighting the necessity for targeted investments in underserved towns to improve overall socio-economic well-being and reduce regional disparities.

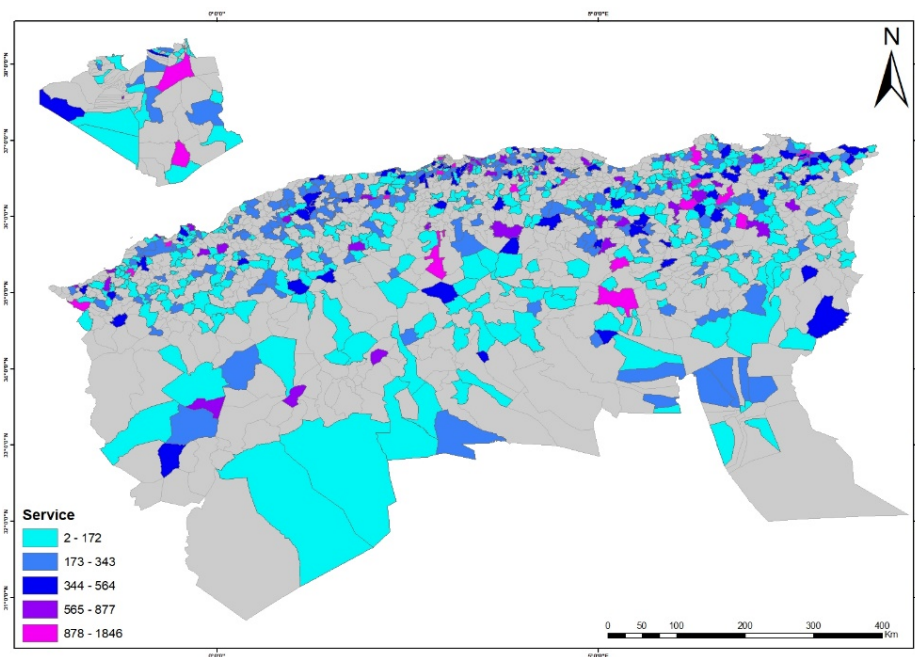


Fig. 11. Distribution of services by SMSTs.

Source: edited by the authors based on the data of the relevant census

3 Discussion and Conclusion

Algeria's economic landscape reflects a complex interplay between a dominant state-controlled sector, a dynamic yet fragmented private sector, and significant regional disparities. This study offers a comprehensive spatial analysis of economic activities across provinces and sectors using data from the most recent Algerian economic census and GIS mapping. The findings show that the private sector constitutes approximately 98% of economic entities, with small and micro-enterprises making up 97.8%. This emphasizes both opportunities for grassroots economic activity and challenges stemming from limited resources, market access, and financial constraints. Although these enterprises play a significant role in job creation, their limited scalability restricts broader economic expansion. A notable trend in Algeria's economy is the predominance of the tertiary sector, especially trade, which underscores a service-oriented structure that requires diversification for more sustainable growth. The geographic concentration of economic activities in urban centers like Algiers, Oran, and Constantine further highlights regional disparities. While Algiers stands as the main economic hub, this centralization presents both advantages and challenges, reinforcing the need for regional policies that promote equitable development. Provinces with superior infrastructure and market access attract more economic activity, while many southern and inland regions remain underdeveloped, perpetuating economic inequalities. Addressing these disparities necessitates targeted investments in infrastructure, industrial diversification, and improved connectivity to support economic growth in underserved areas.

Moreover, the spatial distribution of economic entities reveals an uneven industrial concentration, with most businesses clustered along the northern coastal belt. The high number of micro-enterprises in these regions reflects a fragmented economic structure, often characterized by informal, family-owned businesses with limited growth potential. This economic centralization restricts opportunities for smaller towns, necessitating policy interventions that promote decentralization through financial incentives, infrastructure development, and regional capacity-building initiatives. The study also highlights gender disparities in economic participation, with women occupying only 10.2% of managerial positions. This underrepresentation indicates the need for policies to promote female entrepreneurship and leadership, particularly outside major urban centers. Closing these gaps through targeted initiatives can enhance economic inclusivity and create a more balanced workforce.

Furthermore, sectoral analysis reveals the critical importance of human capital development. The emphasis on education within administrative entities underscores the need for investing in skills and workforce development to ensure long-term economic resilience. However, shortcomings in public health services may hinder overall productivity, pointing to the necessity for a balanced investment strategy across essential sectors such as healthcare, education, and industry. To respond to these structural challenges, an integrated policy framework is vital for fostering balanced economic growth. Government initiatives focused on economic diversification—especially in renewable energy and manufacturing—are positive steps toward reducing hydrocarbon dependency. However, these efforts must align with regional needs and capabilities to guarantee inclusive development. Enhancing infrastructure, supplying financial support for SMEs, and customizing interventions to specific regional characteristics will be essential for achieving sustainable economic growth throughout Algeria.

In conclusion, while Algeria possesses strong economic potential, structural imbalances and regional disparities pose significant challenges. Promoting SME development, addressing geographic inequalities, and investing in human capital are fundamental to fostering a more inclusive and resilient economy. Implementing policies that support economic diversification and decentralization can facilitate equitable growth and ensure that all provinces contribute meaningfully to national economic progress.

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