

Received : 25 February 2024, Accepted: 15 July 2024

DOI: <https://doi.org/10.33282/rr.vx9i2.87>

An Analysis of the Algerian Citizen's Ability to Invest in Crowdfunding Platforms: A Study of Opportunities and Potential Returns

Abdelaziz Salaheddine¹, Boutiara Antar²

¹ Laboratory of Strategies and Economic Policies in Algeria, University of Mohamed Boudiaf, M'sila, Algeria, abdelaziz.salaheddine@univ-msila.dz

² Laboratory of Strategies and Economic Policies in Algeria, University of Mohamed Boudiaf, M'sila, Algeria, antar.boutiara@univ-msila.dz

Corresponding author: Abdelaziz Salaheddine, abdelaziz.salaheddine@univ-msila.dz

Abstract:

This article examines the ability of the average Algerian citizen to invest in crowdfunding platforms, with a focus on projects that suit their limited income. It addresses income distribution and identifies suitable types of projects for investment, such as agricultural projects, handicrafts, and simple technology ventures. The article also discusses the expected returns for each project based on the level of risk and timeframe. Additionally, it highlights the challenges facing crowdfunding in Algeria, including the lack of financial awareness, weaknesses in financial and technological infrastructure, and the legislative needs to ensure the success of crowdfunding platforms in supporting the local economy.

Keywords: Crowdfunding; Small Investment; Algerian Citizen; Small Projects.

INTRODUCTION

In recent years, crowdfunding has emerged as an effective tool for raising capital, allowing small and medium-sized business owners to attract investors to finance their projects through online platforms that rely on small financial contributions from a large number of individuals. This approach provides an opportunity for individual investors, who may not possess large sums of money, to contribute to economic development and support innovative ideas.

Given the economic situation in Algeria, where the average citizen faces limited income amidst rising living costs, a key issue arises: To what extent can this citizen participate in crowdfunding platforms? Does their limited income allow them to allocate a portion for investing in these projects? And if they can, what are the expected returns, and can they achieve a significant profit that improves their financial situation?

This article aims to explore this issue by analyzing the opportunities and obstacles that the average Algerian citizen might encounter when investing through crowdfunding platforms. The

focus will be on identifying suitable projects for limited income levels and evaluating potential returns, providing a clear understanding of how the citizen can benefit from this type of investment.

1. Income and Standard of Living for the Average Algerian Citizen

1.1 Overview of Average Income

The average income of the typical Algerian citizen is a crucial factor in determining their ability to invest in crowdfunding platforms. According to various economic reports and studies, the monthly income of an average Algerian worker ranges between 40,000 and 50,000 Algerian dinars (Time camp, 2024), which is approximately 300 to 400 USD.

It is important to note that there is significant income disparity among citizens due to several factors. In major urban areas such as Algiers and Oran, the average income tends to be relatively higher, particularly in sectors that demand advanced skills or education, such as the financial or petroleum industries (Matallah, Benlahcene, & Matallah, 2022). However, in rural and less developed areas, the average income drops considerably, limiting individuals' ability to save or invest.

The public sector in Algeria remains the largest employer of citizens (Mohammed & Ali, 2019), offering relatively stable but limited salaries compared to the private sector. Public sector employees often receive a steady income, although it is generally lower than the salaries of some private sector workers, especially in high-demand fields or technical specialties. On the other hand, the private sector may provide higher wages but frequently suffers from a lack of job security and financial stability, making individuals more cautious in allocating funds for investment.

Figure (01): Average monthly net salary in the public and private sector in Algeria from 2010 to 2021



Source: (Statista Research Department, 2024)

Some Algerian citizens seek to improve their monthly income by engaging in additional activities such as small-scale trade or freelancing in technological and educational fields. These additional revenues, although limited, may help provide extra funds that can be directed toward investment. Nevertheless, these earnings often remain insufficient to cover daily expenses and enable regular investment.

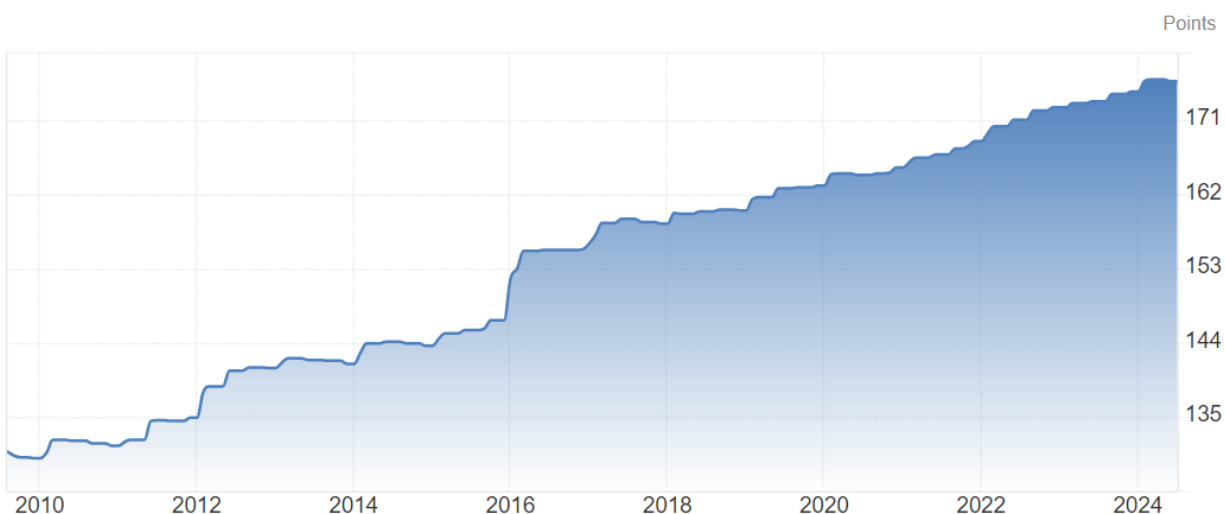
1.2 Daily Financial Priorities

When analyzing the capacity of the average Algerian citizen to allocate part of their income for investment, it is essential to understand the daily financial priorities that directly affect their ability to save and invest. Algerian citizens live in an economic context characterized by rising living costs and the necessity to cover basic needs, which consume the majority of their monthly income.

1.1.1 Housing Costs

Housing represents the largest financial burden for most Algerian households. According to estimates, spending on housing (whether rent or mortgage payments) accounts for a significant portion of household income, potentially reaching 30% to 40% of monthly earnings ([Africa Housing Finance, 2023](#)). For families living in rented properties, costs vary depending on geographic location; rents are notably higher in major cities such as Algiers and Oran compared to more affordable rural areas.

Figure (02): Algeria CPI Housing Utilities 2010-2024



Source: ([Trading Economics, 2024](#))

For those seeking to purchase homes, the burden of mortgage payments is a long-term financial commitment that can last for decades. This ongoing financial obligation limits citizens' ability to

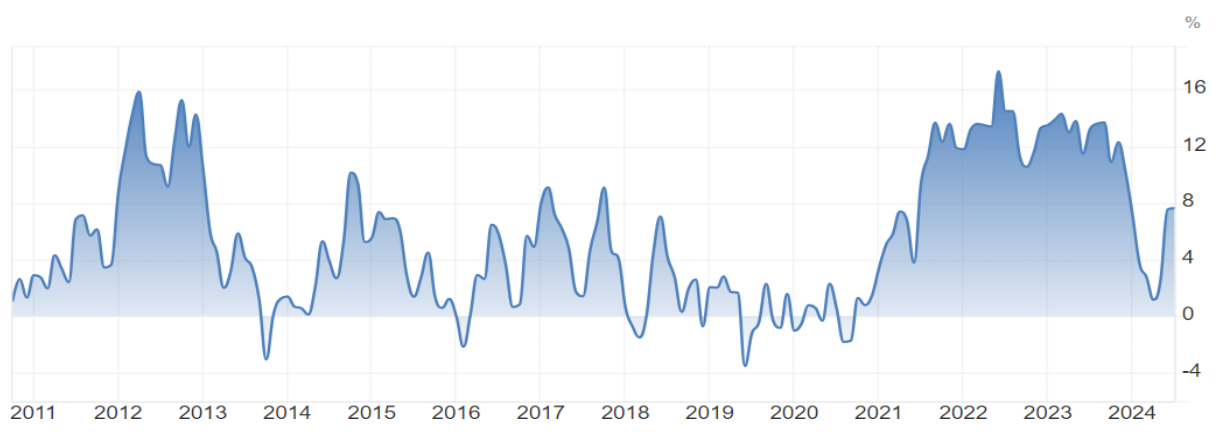
allocate any portion of their income to other investments, such as crowdfunding, as housing remains a top priority.

1.1.2 Food Costs

Food also represents a substantial part of daily household spending for Algerian families. With rising prices of essential food items such as bread, grains, meat, and vegetables, it is estimated that around 20% to 30% of the average Algerian's income is spent on groceries (Djaz Agro, 2023).

- **Impact of Food Inflation:** Inflation in the food sector leads to price fluctuations, further straining household budgets. When prices rise unexpectedly, citizens may need to cut back on other expenses or even resort to borrowing to cover basic necessities, making investment a distant option.

Figure (03): Algeria Food Inflation 2011-2024



Source: (Trading Economics, 2024)

- **Dependence on Local Markets:** Many Algerians rely on local markets for their daily needs, which can result in price volatility due to changes in local supply and demand. These factors make it difficult for households to set aside part of their income for regular saving or investment.

1.1.3 Education Costs

Education is an important expense for families, particularly those with children in schools or universities. While public education is free, there are additional costs involved, including:

- **Schoolbooks and Supplies:** Families are required to purchase books and other educational materials, adding extra strain to the household budget.

- **Tuition Fees at Private Schools:** Some parents opt to send their children to private schools for better education, which comes with significant costs.
- **Higher Education:** Although public universities in Algeria do not charge high tuition fees, the cost of living for university students, especially those living away from home, imposes an additional financial burden on families.

These educational commitments force households to allocate a large portion of their income toward covering education-related expenses, leaving limited room for any amount to be directed toward investment.

1.1.4 Healthcare Costs

Healthcare is another daily priority that cannot be ignored. Although the public healthcare system in Algeria provides free or low-cost medical services, citizens often face additional costs, such as:

- **Medications and Treatments:** Some medications and treatments are not covered by health insurance or are expensive, requiring citizens to pay for them out of pocket.
- **Private Clinics:** At times, citizens seek faster or more specialized care from private clinics, significantly increasing medical expenses.

1.1.5 Transportation Costs

Transportation is an integral part of daily life for Algerians. Many citizens rely on public transport to get to work or school, which constitutes a portion of their monthly expenses. Transportation costs include:

- **Public Transport:** Many Algerians use buses or trains for commuting, with costs ranging from 5% to 10% of monthly income (Houria & Farès, 2019).

Figure (04): Algeria CPI Transportation 2010-2024



Source: (Trading Economics, 2024)

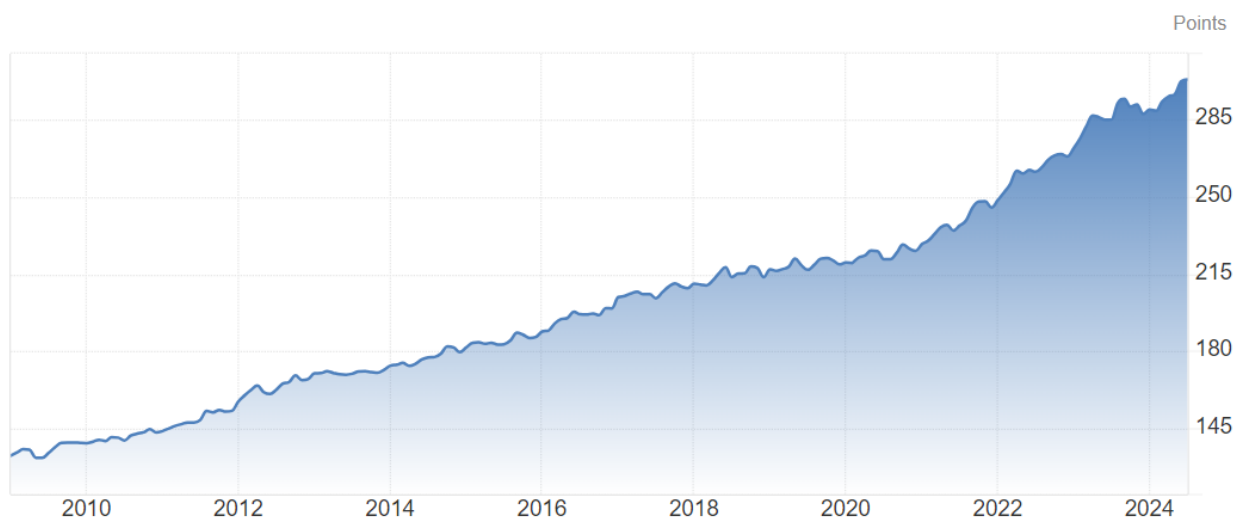
- **Private Vehicles:** For those who own cars, additional costs such as fuel, maintenance, and insurance contribute to their financial burden. With rising fuel prices, these expenses can become overwhelming, reducing the potential for savings

1.1.6 Other Financial Obligations

In addition to basic needs, Algerian citizens face other financial commitments that drain their income:

- **Debts and Loans:** Whether for housing or consumer goods, many citizens have monthly loan payments, reducing the disposable income available for investment.
- **Family Support:** In Algerian culture, family support is a fundamental aspect of social life. Many citizens provide financial assistance to family members, whether to elderly parents or relatives in need, further increasing their financial burdens.

Figure (05): Algeria Consumer Price Index (CPI) 2010-2024

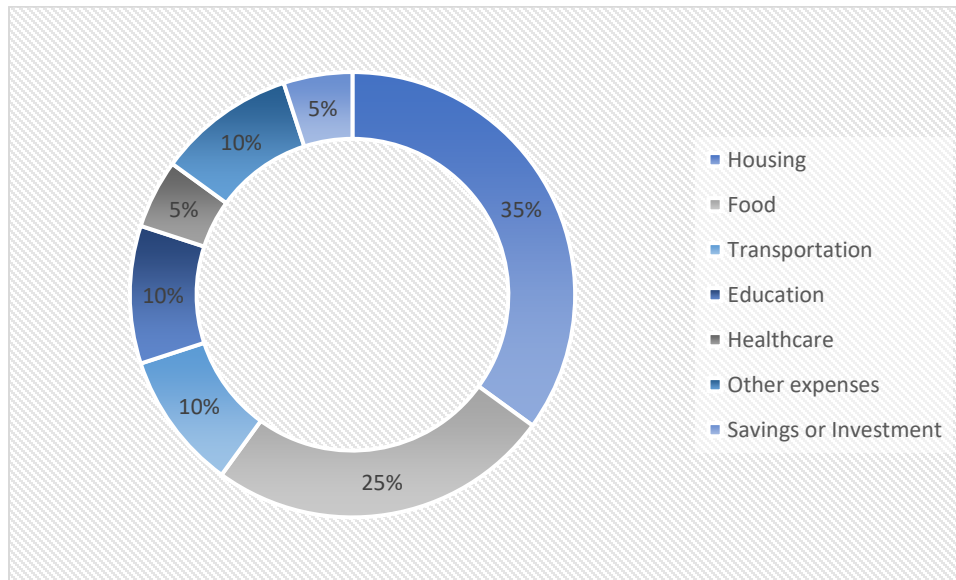


Source: (Trading Economics, 2024)

1.3 The Ability of Citizens to Allocate a Portion of Their Income for Investment

The ability of the average Algerian citizen to allocate a portion of their income for investment is significantly influenced by their daily financial and economic circumstances. With a monthly income ranging between 40,000 and 50,000 Algerian dinars (approximately 300 to 400 USD), citizens face challenges in meeting their basic needs, leaving limited room to allocate funds for investment.

Figure (06): Percentage Distribution of Algerian Citizen's Income on Daily Needs



Source: Prepared by the researchers

The first step in evaluating a citizen’s investment capacity is to determine the net disposable income after covering all essential expenses, such as housing, food, education, and healthcare. In most cases, these expenses consume up to 80% to 90% of the citizen’s total monthly income. This leaves a narrow margin for any additional expenditures, including investment.

Although the average income may seem sufficient to cover daily expenses, the actual ability to save and invest is often limited. Financial analyses suggest that an Algerian citizen may only be able to allocate 5% to 10% of their monthly income for investment. This translates to an available investment amount of between 2,000 and 5,000 Algerian dinars per month, which is considered limited in the context of financing projects or participating in crowdfunding platforms.

Even if a citizen manages to allocate a portion of their income for investment, there exists a knowledge and behavioral gap between actual saving and making the decision to invest. Many Algerians experience a fear of risk, particularly when it comes to crowdfunding projects, which are perceived as risky ventures by many. The average citizen may be hesitant to risk savings accumulated over several months or years, fearing potential losses in a project that may not offer guaranteed returns.

Moreover, a large number of citizens lack the necessary financial literacy to make informed investment decisions. In the absence of financial education on how to assess investment opportunities and the risks associated with them, individuals may be reluctant to allocate their savings toward investment.

Economic conditions, including inflation rates and rising living costs, play a major role in determining investment capacity. Inflation, particularly in food and housing prices, erodes the purchasing power of income, making it difficult for citizens to save enough for investment.

Economic challenges, such as job market instability and reduced job security, further decrease confidence in the ability to save and invest. Many citizens prefer to hold onto cash as a means of ensuring financial security in the face of potential economic crises, rather than risking investment in projects with uncertain returns.

2. Types of Suitable Investment Projects

When considering the ability of the average Algerian citizen to invest through crowdfunding platforms, it is essential to focus on projects that align with their limited financial capacity and offer reasonable opportunities for returns. These projects should be relatively low-cost, with the potential for achievable profits in the short to medium term. Here, we explore four types of projects that could be suitable for investment.

2.1 Small-Scale Agricultural Projects

Small agricultural projects are among the most promising investment opportunities for Algerian citizens, given the consistent demand for agricultural products and the flexibility in cost. Examples of these projects include:

- **Poultry Farming:** Poultry farming is an easy-to-start venture, allowing small investors to enter the field with relatively modest amounts. This type of project provides relatively steady returns, as poultry and eggs can be sold easily in the local market.
- **Medicinal Herb Cultivation:** Growing medicinal herbs such as mint or parsley can be profitable for small investors due to the low startup costs and local demand for these products. Small plots of land, even in urban areas, can be used to generate good yields.

These projects rely on low investments, with startup costs ranging between 10,000 and 30,000 Algerian dinars, and can yield returns of 15% to 25% in the medium term.

2.2 Handicrafts and Small Commercial Projects

Crafts and small commercial ventures offer a good opportunity for small investors looking to generate reasonable returns from low investments. These projects include:

- **Handmade Products:** Crafts such as natural soap making, leather goods, or pottery require relatively low capital. These products are popular in local markets due to consumer interest in traditional and unique items.

- **Small Shops:** Opening a small shop to sell clothing, accessories, or local food products can be a suitable option. Such projects do not require high startup costs and can generate good returns if located in strategic areas or fulfilling an unmet market need.

These projects require investments starting at 10,000 Algerian dinars, with potential returns of up to 30%, depending on demand and product quality.

Table (01): Suitable Projects for Low-Income Investors through Crowdfunding Platforms: Sectors and Expected Returns

Sector	Minimum Investment (Algerian Dinar)	Expected Returns (%)	Expected Return Duration	Risk Level
Agriculture (Poultry Farming)	10,000 – 20,000	15% – 25%	3 – 6 months	Low
Handicrafts	5,000 – 15,000	20% – 30%	6 months – 1 year	Low
Small Commercial Projects (Cafes)	10,000 – 20,000	15% – 35%	6 months – 1 year	Medium
Simple Technology (Apps/Services)	10,000 – 30,000	30% – 50%	1 – 2 years	Medium to High
Renewable Energy (Solar Panels)	20,000 – 30,000	10% – 25%	2 – 3 years	Medium
Health (Medical Products)	15,000 – 25,000	20% – 40%	1 – 3 years	Medium

Source: Prepared by the researchers

2.3 Local Technology Projects

Local technology opens up avenues for small investors to engage in innovative projects with high growth potential. Notable examples include:

- **Development of Local Apps:** Citizens with technical skills can invest small amounts in developing applications or software solutions that serve the local community, such as apps focused on education, healthcare, or e-commerce. These projects may require limited initial investment, but the potential returns could be high if the project successfully meets market needs.
- **Internet and Basic Technology Services:** Creating small platforms or tech services, such as providing tech consulting or developing websites for local businesses, could be suitable for tech-savvy investors, offering opportunities to generate additional income.

These projects may require relatively small initial investments (around 10,000 to 30,000 Algerian dinars) and have significant growth potential if the idea is innovative and meets a real market demand.

2.4 Renewable Energy Projects

With growing interest in sustainable energy and environmental awareness, renewable energy projects represent a promising investment opportunity, even for small investors. Examples of these projects include:

- **Installation of Small Solar Panels:** Investing in the installation of small solar panel systems for personal or commercial use can generate good returns in the medium term. The demand for clean energy solutions is rising in Algeria, as citizens seek to reduce dependence on traditional energy sources and lower electricity bills.

Renewable energy projects require slightly higher investments compared to the other projects mentioned, with initial costs ranging from 20,000 to 30,000 Algerian dinars. These investments can yield returns of 15% to 25% in the long term through energy cost savings or the sale of excess electricity.

3. Analysis of Expected Returns

When considering the ability of the average Algerian citizen to invest in crowdfunding platforms, it is important to analyze the expected returns and assess the associated risks. Returns vary depending on the type of project and the sustainability of the investment. Let's examine these returns from several perspectives.

3.1 Short-Term vs. Long-Term Returns

Crowdfunding projects can differ in the time frame for generating returns, depending on the nature and scope of the project.

- **Short-Term Returns:** Some projects provide relatively quick returns within a few months. Examples of such projects include poultry farming or medicinal herb cultivation, where products can be sold in local markets after a short production cycle. For instance, poultry farming may yield returns within 3 to 6 months after the start of production, allowing investors to realize quick income from their investments.
- **Long-Term Returns:** Some projects require more time to generate profits, such as technology or renewable energy ventures. Solar energy projects, for example, may take a year or more before they start generating returns, as they rely on reducing energy consumption costs or selling excess electricity. Emerging technology projects may take even longer to generate sustainable income, as they require the development and testing of products before entering the market. Long-term projects often yield higher returns, but they require patience and a longer commitment period.

3.2 Risk Level and Potential Returns

Risk and potential returns are closely related when analyzing any investment. The higher the risk, the greater the potential for significant returns, but also the higher the possibility of loss.

- **Low-Risk Projects:** This category includes projects such as handicrafts or poultry farming. These projects require relatively low investments and can generate reasonable returns (ranging between 15% and 25%) with low levels of risk, as they rely on steady local demand for products. For instance, a handicraft project like leather product manufacturing may be low-risk since these products enjoy consistent demand in local markets. The main risk is tied to the investor's ability to effectively market their products.
- **Medium- to High-Risk Projects:** This category includes technology and renewable energy projects. Technological ventures may yield high returns if the idea is innovative and meets a market need, but they come with higher risks due to market volatility and the possibility of failure. Emerging technology projects could achieve returns of 50% or more, but if the idea does not succeed or fails to gain market traction, the investor may suffer losses. Renewable energy projects also carry risks due to high initial costs and delayed returns, but they can generate long-term financial benefits.

3.3 Impact of Repeated Investment

Repeated small investments can lead to significant cumulative returns in the long run. This strategy is also known as staggered or incremental investing, where an investor allocates small amounts regularly across multiple projects over different time periods.

- **Cumulative Effect:** Over time, an investor can achieve cumulative returns from their various investments. For example, if the average Algerian citizen invests 5,000 Algerian dinars monthly in small projects through crowdfunding platforms, they can accumulate investments totaling 60,000 Algerian dinars over the course of a year. With annual returns ranging from 10% to 30%, these investments can begin to yield consistent and sustainable profits.
- **Project Diversification:** Diversification plays a crucial role in reducing risks and increasing returns over the long term. Instead of focusing on a single project, small amounts can be distributed across multiple projects. For instance, an investor could distribute their investments between agricultural projects, handicrafts, and local technology, thereby minimizing the impact of any potential loss in a particular project.

4. Challenges of Crowdfunding in Algeria

Despite the significant opportunities crowdfunding offers for financing small and medium-sized enterprises, several challenges hinder its development in Algeria. These challenges pertain to citizens' financial literacy, financial and technological infrastructure, and the laws and regulations governing this type of funding. Below is a detailed analysis of these challenges:

4.1 Financial Literacy

Financial literacy is one of the critical factors for the success of crowdfunding in Algeria. Many citizens lack sufficient knowledge about how to manage their investments and the importance of crowdfunding as a financing and investment tool.

A. Lack of Awareness about Crowdfunding Mechanisms:

Crowdfunding remains a relatively new concept in Algeria, meaning that many citizens are unaware of how these platforms operate or how to participate effectively. A common belief persists that investing requires large amounts of capital or deep financial market knowledge, limiting the willingness of average citizens to engage in this field.

B. Importance of Financial Education

To promote the culture of crowdfunding among citizens, it is necessary to enhance financial education programs. These programs should focus on explaining the basics of crowdfunding, how to assess associated risks, and the importance of diversifying investments. Financial education will build trust among citizens and encourage them to explore opportunities available on crowdfunding platforms.

C. Fear of Risk

Due to the lack of financial awareness, many citizens may be hesitant to engage in crowdfunding investments, fearing the risks associated with project failure or capital loss. It is essential to build trust in these platforms by providing accurate information about how they work and how investors can be protected from risks.

4.2 Financial and Technological Infrastructure

Financial and technological infrastructure plays a key role in the success of crowdfunding platforms in Algeria. Despite the noticeable improvement in internet access and technology use, there are still challenges that affect citizens' ability to access these platforms.

A. Limited Financial Inclusion:

Many Algerians remain outside the formal banking system, making it difficult for them to access the financial tools required for participating in crowdfunding. Financial inclusion is a critical

factor in enabling citizens to actively participate in these platforms. Improving financial inclusion will require the provision of accessible banking services for all citizens, including electronic bank accounts and digital payment methods.

B. Constraints on Electronic Payment:

Crowdfunding requires the use of electronic payment methods, such as bank cards or e-wallets. In Algeria, the use of these tools remains limited, restricting citizens' ability to participate in online platforms. Developing electronic payment infrastructure and enhancing its usage is necessary to facilitate the small financial transfers required for crowdfunding participation.

C. The Need for Local Platforms:

Although crowdfunding is growing globally, Algeria lacks dedicated local platforms for this type of funding. Having local platforms would help provide a familiar environment for citizens, where they can use local currency and adhere to national regulations. Developing local platforms would also make it easier for Algerian projects to receive funding from within the country, rather than relying on international platforms.

D. Weak Technological Infrastructure in Rural Areas:

Although internet access is prevalent in major cities, many rural areas still suffer from weak technological infrastructure. This hampers access to crowdfunding platforms in these regions and limits the participation of citizens living outside major cities. Improving internet services in rural areas would provide more citizens with the opportunity to engage in crowdfunding.

4.3 Laws and Regulations

The legal and regulatory framework is one of the biggest challenges facing the development of crowdfunding in Algeria. While there have been initial steps toward regulating this type of funding, the current legislation may not be sufficient to protect the rights of all parties and provide an encouraging environment for investment.

A. Absence of Specialized Legislation:

Until recently, there were no specific and clear regulations governing crowdfunding in Algeria. This legal vacuum makes it difficult for investors and projects to understand their rights and obligations when using crowdfunding platforms. The absence of regulatory laws also leads to hesitation among citizens, who fear fraud or financial failure.

B. Restrictive Financial Regulations:

The restrictions on money transfers within and outside Algeria present another obstacle to crowdfunding. Financial laws should allow greater freedom for money transfers and participation in digital investments, aligning with the requirements of crowdfunding platforms.

C. The Need for Legal Protection for Investors:

Current legislation may not provide sufficient protection for small investors who want to participate in crowdfunding platforms. For example, in the case of a crowdfunding project failure, there should be legal mechanisms that ensure the recovery of part of the capital or compensate investors. Laws should also guarantee transparency in operations and the information provided on platforms to prevent the exploitation of investors.

D. Developing Regulations to Support Innovation:

Regulations need to be flexible enough to encourage innovation and entrepreneurship. Crowdfunding relies on supporting new and innovative projects, and laws must allow startups to access capital without strict regulatory barriers. This requires establishing clear and flexible legal frameworks that regulate crowdfunding without restricting innovation or participation.

CONCLUSION

When considering the opportunities available for the average Algerian citizen to invest through crowdfunding platforms, a variety of projects suit limited income levels. Small agricultural projects, such as poultry farming or medicinal herb cultivation, offer excellent short-term return opportunities with relatively low risks. In contrast, medium-risk projects such as handicrafts and small commercial ventures provide moderate returns with potential for expansion. Finally, technological and renewable energy projects offer long-term returns but come with higher levels of risk. Potential returns for low-risk projects range between 15% and 30%, while more advanced projects can achieve returns of 50% or more in the case of success, despite the increased risks.

To make crowdfunding more attractive to citizens in Algeria, several improvements are necessary.

- **Enhancing Financial Awareness:** Awareness programs should be intensified to explain to citizens the benefits of crowdfunding and how to manage investments wisely.
- **Improving Technological Infrastructure:** Enhancing financial and technological infrastructure, such as electronic payment methods and internet access, will allow more citizens to participate in the platforms.
- **Amending Legislation:** The legal framework must be developed to ensure investor protection, increase transparency, and enhance the reliability of platforms, thereby boosting citizens' confidence in this type of investment.

In conclusion, it is essential to encourage Algerian citizens to invest wisely with small amounts that fit their income levels. Investing in projects with quick returns and low risks is a good starting point. At the same time, investors should carefully study available opportunities, assess

the risks associated with each project, and diversify their investments to mitigate risks. Over time, repeated investments can generate reasonable cumulative returns, helping improve citizens' financial conditions in the long run.

Bibliography

- Africa Housing Finance. (2023). Housing Finance in Algeria. *Africa Housing Finance Yearbook*. Retrieved from <https://housingfinanceafrica.org/countries/algeria/>
- Djaz Agro. (2023). *Predominant Food Models In Algeria*. Retrieved from Djaz Agro: <https://www.djazagro.com/en/news-trends/studies-trends/food-patterns-in-Algeria>
- Houria, B., & Farès, B. (2019). The quality of service in urban public transport in Algeria. *International Journal of Quality and Service Sciences*.
- Matallah, S., Benlahcene, L., & Matallah, A. (2022). Government subsidies and income inequality in Algeria: An analytical and empirical study. *Theoretical and Applied Economics*, pp. 147-162.
- Mohammed, Z., & Ali, K. (2019). Public Private Partnership and its role in development in Algeria: Opportunities and challenges. *Dafater Boudax Journal*, pp. 122-133.
- Statista Research Department. (2024, 06 18). *Average monthly net salary in the public and private sector in Algeria from 2010 to 2021*. Retrieved 05 21, 2024, from statista: <https://shorturl.at/166bE>
- Time camp. (2024). *Time camp*. Retrieved 01 25, 2024, from Average Salary in Algeria: <https://www.timecamp.com/average-salary/algeria/>
- Trading Economics. (2024). *Algeria Food Inflation*. Retrieved from Trading Economics: <https://tradingeconomics.com/algeria/food-inflation>