The emerging enterprise financing policy arising by venture capital (Sofinance Case Study)

سياسة تمويل المؤسسة الناشئة عن طريق رأس مال المخاطر (دراسة حالة شركة Sofinance)

Necira Okba, *Mohamed Kheidher University, okba_necira@ubiv-biskra.dz*
Guessouri Insaf, *Mohamed Kheidher University, insaf_gue@yahoo.com.*

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Abstract:

This study attempted to clarify the role of venture capital in financing small and emerging enterprises in Algeria, as it is one of the techniques used by venture capital institutions by extending this type of institutions with funds and experience in managing and organizing their business through merging the funds of venture capital institutions with the funds of the financing institutions in order to achieve stimulating financing and considerable profits for them. The statement of the problem has arisen the role of the venture capital technology in financing emerging institutions in Algeria through the experience of Sofinance company. The descriptive analytical method was relied on by clarifying what are the venture capital institutions, emerging institutions, and their position in the Algerian economy. At the end, the study concluded that financing through venture capital is a suitable financing alternative for emerging enterprises, as it is the ideal solution to the financing problems they face in the beginning of the post-launch.

Key words: startup enterprise, venture capital, Sofinance
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Corresponding author: Guessouri Insaf, insaf_gue@yahoo.com

1. Introduction :

Small and emerging enterprises play an important role in the economic development of countries, especially with regard to providing jobs and contributing to economic growth. In Algeria, the number of small and medium enterprises exceeded one million in 2016, and yet these institutions still suffer from a fundamental problem represented in adequate financing, their dependence on their own and self-owned funds as a source of internal financing is often insufficient to cover their various needs throughout the stages of their activity. It has no choice but to resort to external financing that includes financial financing through the financial market, which does not enjoy any confidence despite the existence of its institutions whose financing activity remains weak, or bank financing through bank intermediation, which is characterized by limited use of it due to the lack of guarantees on the one hand and its inability to access Financial markets on the other hand.

In this context, the method of financing with venture capital opens promising prospects for small, medium, and modern enterprises emerging in the market in Algeria, as it is considered as an important alternative to the method of bank financing that is based on loans. It is considered as a special contributor in financial enterprises due to the features it has. Its role is represented in financing, accompaniment, and guidance, as it is in fact based on the method of participation without guaranteeing the return or its amount instead of the method of indebtedness adopted by the banks. It is a financing technique that appeared in the United States of America and then spread to the rest of the countries of the civilized and developing world and achieved great success. As for Algeria, it is a Very modern and limited method designed to two companies (Finalep) and (Sofinance)

The problem of the study:

Funding with risk capital is considered one of the events of financing technologies for all countries of the world which has taken an important position in providing many forms of support to small and medium enterprises in order to contribute to raising their value. The problem of the study came as:

Investigating the role of venture capital technique to financing startups enterprises in Algeria Through Sofinance company experience?

Hypothesis of the study:

Algeria like its counterparts is from the countries that, since independence, have sought to push the wheel of growth and achieve balanced development by giving priority to large enterprises within the framework of strategies of industrialized industries and growth poles. A reconsideration of the method of development has been reached through the interest in small and medium enterprises, especially after the development of these institutions, then the presence of emerging institutions interested in technological innovation and its success in most countries of the world.

Accordingly, the main hypothesis of this study has come:

Funding with venture capital is very limited in Algeria for small and emerging enterprises, and it is due to several factors; the most important of which is the lack of specialized companies in this field, and the absence of adequate exit mechanisms from the projects that have been funded.

The Study Design :

For the sake of familiarity and getting close with the various aspects of the study subject, and the answer to the main problem at hand, reliance was placed on:

Descriptive method:

introducing the two variables, namely, venture capital, and emerging institutions in general, and in Algeria in particular, by addressing the most important mechanisms and laws regulating both variables.

Analytical method:

To clarify the role, performance and effectiveness of the variables under study, as well as in the case study, which is to clarify the role of venture capital technology in financing emerging enterprises in Algeria through the experience of Sofinance company

the importance of the study :

It is evidenced by the interest of researchers and finance scholars in studying the topic of financing, its mechanisms, and modern methods in order to meet the financial needs at the lowest costs and in a timely manner in the life of the investment project, and to find the most important laws and legislations enacted, especially in order to regulate the legislative frameworks and general concepts of the emerging institution, considering financing technology venture capital is one of the financing alternatives that help financial and technical support for small and emerging enterprises. The idea of this financing is based on the venture capital institution contributing a certain percentage of the investment value without the institution's resorting to bank loans or other sources, which allows the acquisition of investment means, and thus this type of financing is based on the idea of sharing in profits and losses which is suitable for small and emerging enterprises.

2. The first axis: the general conceptual framework for emerging enterprises in Algeria

Defining the concept of emerging institutions is considered necessary for every researcher in this field and for decision-makers of development policies in various countries, making it easier for them to restore developing programs, and set strategic plans to enhance the role of these institutions.

First: the concept of emerging institutions

Any successful institution started from a project idea, and embodied its capabilities, and resources; then it adopted strategies, policies and plans commensurate with its vision, mission and goals. Perhaps the most important stage of the institution's life cycle is its beginning in the form of an emerging institution, and for its importance we will give some definitions:

* it is known according to the English dictionary as: a small project that has just started. The word "Start-up" consists of two parts, which refers to the idea of starting and "UP", which refers to the idea of strong growth.

* As Paul Graham defines it in his famous essay on "Growth" as: a company designed to grow rapidly. (growth = start-up) and the fact that it was newly established does not make it a start-up company stands alone, and it is also necessary for the emerging companies to work in the field of technology, or to be financed by risker or adventurers, or to have a sort of an exit plan. The only thing that matters is growth and whatever else related to startups follows growth.

* As for economist Patrick Fridenson, which is to be a start-up, is not related to age, size, or sector of activity, and the four questions must be answered:

- Potentially strong growth;
- The use of modern technology;
- It needs huge financing;
- Being certain that the market is new in which risk assessment is difficult

We conclude from the definitions: they are small, newly formed companies that depend on technology to create new interesting things at the level of the product or service, an innovation at the level of the profit model, and innovation at the level of expansion. They work to expose a new product, or an innovative service regardless the company's volume, and its activity sector. It is characterized by uncertainty and high risk in exchange for achieving strong and fast growth and making huge profits.

- Through the definitions presented above, we conclude that what distinguishes emerging institutions is continuous growth, as they often falter and go through difficult stages and intense volatility before they know their way to the top. This can be highlighted through the curve designed by: "Paul Graham"

Second: The characteristics of emerging institutio

Emerging enterprises are characterized by modernity and built from an innovative entrepreneurial idea and high potential for rapid growth:

1. **Newly established enterprises*:*** they are distinguished by being young, liberal companies and with two options, either to develop and transform into successful companies or to close their doors and declare a loss

2. **Institutions with an opportunity for gradual and incremental growth:** One of the features that defines the meaning of the start-up company is the possibility of its rapid growth and generating revenue much faster than the costs it requires to operate, meaning that the startups are the company that has the potential to rapidly upgrade its business, i.e. increase production, and sales without increasing costs, as a result, their profit margin grows surprisingly, which means that startups are not necessarily limited to less profits because they are small, but on the contrary they are companies that are able to generate very large profits;

3. **Technology-related institutions that depend mainly on it:** It is distinguished as a company whose business is based on pioneering

ideas and satisfies the needs of the market in a smart modern way. The founders of emerging companies also rely on technology to grow, progress and find financing through online platforms and by winning the help and support of before-business incubators;

4. **Institutions that require low costs:** it is considered as company that requires very small costs compared to the profits it gets, usually these profits come quickly and somewhat suddenly, examples of which are Amazon, Google, Microsoft, Facebook ...

Third: The objectives of financing emerging institutions

The process of financing emerging institutions is characterized by a set of characteristics that qualify them to achieve the desired goals of establishing this type of institution, and through it the importance and role of microfinance in the stimulation of the economic and social development movement is reflected in:

- Providing the necessary liquidity for the investment project by supplying the necessary equipment;
- Facilitating the various cash and financial flows between the various economic agents by ensuring the employment of resources, especially among financial bodies and other economic agents, and covering part of the costs of the investment project;
- The trade finance industry requires the presence of parties that regulate banking risks and control them by deficit insurance agents on payment and guarantee accounts;
- These parties cooperate with the commercial banking sector and other financial institutions to provide international trade products;
- Moving the economy wheel, improving production, raising productivity and upgrading to the global level;
- Diversity in banking activities and faster response to customer requests;
- Raise the export capacities of enterprises by supporting and financing emerging enterprises;
- Financing helps expand, open new units or production lines for these enterprises, and increase the volume of their activities, including the increase in employment.
- Leasing financing helps emerging enterprises to obtain equipment, machinery, and modern equipment; regarding their

limited financial capabilities and inability to borrow from banks. It also contributes to obtaining hard currency, and works to reduce borrowing

- Working on sponsorship and financing activities for formation and training in order to raise the efficiency and effectiveness of qualifying this type of institution.

Fourth: The constitutive law of Algerian startups

With regard to encouraging investment outside of hydrocarbons, the Finance bill project for the year 2020 approved tax facilities and incentives for the benefit of "start-up" enterprises that are active in the areas of innovation and new technologies and exempt them from tax on profits and fees on value added in order to accompany them in the start-up stage and ensure their subsequent development. The ministry of small and medium enterprises, emerging enterprises, and the knowledge economy is working on creating a legal and regulatory framework and defining ways to evaluate its performance for emerging enterprises by developing a roadmap to support and fund these institutions by involving the stock exchange and investment capital, determining how expatriates can contribute, and applying "quasi-total" tax exemption mechanisms, to enable youth to effectively contribute to disengaging the national economy from hydrocarbons and enabling them to play an important role in the national economy.

In addition, an investment capital fund was established with the participation of public banks and the National Agency for the Promotion and Development of Technological Barns, with the aim of forming a company to finance emerging enterprises, and the text of the Supplementary Finance Law 2020 that allows capitalization companies to acquire more than 49% of the shares of the startup in order to support the financing of emerging institutions, which represents the main challenge. For the growth of these institutions with high capabilities and for investment capital companies, the 2006 law limited the contribution of these companies in economic projects to 49%, and it was also suggested that four types of economic zones will be created at the national level, which would be an incubator for emerging institutions and other investments with incentive financial and tax advantages. The emergence institution is the sum of human and material resources that are allocated for the sake of promoting an innovative idea that may be new in markets outside its target range, and its financing is usually from economic dealers such as banks, pioneering institutions and supporting government agencies. It is noticeable in Algeria that more than 500 thousand startups have been established with financing From the National Agency for Youth Employment Support, the National Unemployment Insurance Fund.

The most important decisions to embody this strategy are:

- ✓ Establishing an investment fund dedicated to financing and supporting startups;
- ✓ Establishing a supreme council for innovation, which will be the cornerstone of the strategic direction in the field of valuing ideas, innovative initiatives and national potentials for scientific research in the service of developing the knowledge economy.
- ✓ Establishing the legal framework that defines the concepts of emerging institutions and incubators as well as the terminology for the knowledge economy ecosystem, in order to facilitate the procedures for establishing these entities in addition to the process of preparing the relevant regulatory texts, which will lead to reviewing the existing texts in order to adapt the financing mechanisms to the growth cycle of emerging institutions
- ✓ Transferring the National Agency for the Promotion and Development of Technology Ponds {ANPT} to the Ministry of Small Enterprises, Emerging Enterprises and the Knowledge Economy;
- ✓ The transformation of the regional technological excellence pole {HUB} for emerging enterprises which is being carried out by the company "Sonatrach" at the level of the major wind park "Dunya Park" to the Ministry of Small Enterprises, Emerging Enterprises and the Knowledge Economy
- ✓ Enabling holders of innovative projects and emerging institutions to benefit from the available spaces within the institutions of the youth sectors and professional training at the national level
- ✓ Preparing local groups for spaces designated for emerging enterprises, with priority given to areas with great potential for innovative project holders, especially the states of Bashar,

Ouargla, Constantine, Oran, Tlemcen, Setif and Batna, before expanding this endeavor to the entire national territory.

The second axis: the financing technology of venture capital institutions

The activity of venture capital institutions began in the United States of America in the fifties in response to the financing needs of small and medium-sized companies and the new revolution in the field of technological progress, especially in the industries of computer, electronics and information technology. These institutions then spread to other countries in order to meet the needs of investment financing, and the venture capital aims to overcome the insufficient supply of capital on favorable terms from existing financial institutions and to provide financing for new or high-risk projects that have high growth potential and return.

First: the definition of venture capital

* A method or technique for financing investment projects by venture capital companies, and this technique is not based on providing cash only, as is the case in bank financing, but on the basis of participation, whereby the participant funds the project without guaranteeing the return or its amount; therefore, he risks his money and thus the small, new medium-sized, and marketing institutions that face difficulties in this field are helped because the banking system refuses to grant it loans due to lack of guarantee.

* A financial technology in which the investor holds up the risk in whole or in part of the loss in the event of failure of the funded project, and in order to mitigate the risks, he is not satisfied with providing cash, but rather contributes to managing the institution in a way that achieves its development and success. The role of venture capital companies is not limited to financing the construction stage only, but extends for the renewal phase, as well as financing expansion and growth, which requires the presentation of a development plan by the institution.

* As defined by the European EVCA Association: European Venture Capital Association, every capital employed by a financial intermediary specializing in private projects with various risks characterized by strong growth potential but not immediately implying a certainty of obtaining an income or ensuring that the capital will be recovered on

the specified date (and that is the source of risk) in the hope of obtaining a strong surplus value in the relatively distant future if the share of this institution is sold after years.

* It represents the funds that are invested to achieve high capital gains and the investors are willing to assume a high-risk ratio and the lack of liquidity for long periods. The venture capital opinion is counted in exchange of investing on a share in the company’s property; it is conceptualized by the added value to business, that are invested in which is provided through several different functions, including: participation in management, promotion of the company's products, planning and providing advice, and the owners of venture capital help the project to develop its management team.

From the previous definitions, we can conclude that:

Venture capital represents an important aspect of the current financing requirements for emerging projects in financing innovations, which banks hesitate greatly, because their risks are highly compared to the potential results, as well as the intangible nature of the assets of these projects whose investment is focused on technology, or knowledge “Savoir-Faire”. It does not represent real guarantees for banks; It is based on sharing profits and losses, that is, participating in good and bad times.

Second: The basic requirements for creating an enabling environment for venture capital

According to economist Thomas Hillman - University of Eastford 2000 - there are specific areas that must be addressed when establishing a climate that fits with venture capital, as the focus must be on the financial market structure, the availability of human resources, investment opportunities for supportive institutions, and the existence of a stable government policy that has a direct impact on venture capital which are as below:

- Developing economic environment and free macroeconomics: availability of economic freedom and less interference by government;
- The presence of qualified management and the availability of human resources due to their importance in the level of the risk capital sector, the unique technical capabilities you need, and the availability of interested project owners;
- Market integration for capital and IPO;

- Removing legal, regulatory and financial obstacles, especially those related to capital markets, in order for them to reach an effective level that helps them fulfill the roles assigned to them;
- Establishing laws that protect intellectual property rights from patents, copyrights, and trademarks;
- A strong, efficient and reliable judicial system that puts contracts and shareholder rights into practice;
- The existence of an institutional framework that can be generalized, focusing attention on the essential role that governments and universities play in promoting project organization

Third: The financing stages of projects with the technology of venture capital

Venture capital is financing with private capital, that is, sharing of risks between financial partners in general, and venture capital operations finance emerging institutions that grow faster than institutions established by dealers only. Venture capital operations differ according to the stage in which the institution is located, and it takes the following methods:

A- ***Capital-Creation:*** In its broadest sense, it finances innovative emerging institutions that are surrounded by many risks and have a great capacity for growth and development, and this stage is divided into two phases:

Capital before launch, which is allocated to cover the expenses of research and development and laboratory models, as well as testing the commodity in the market, which is the most dangerous stage due to the high probability of failure during this stage and the second stage is the **launch capital**, which is allocated to finance the establishment of the project.

B – ***Development capital:*** At this stage, the project becomes revenue-generating, but it is facing financial pressures that make it resort to external financing sources so that it can achieve growth and expansion from 5% to 10% annually.

C- ***Ownership Transfer capital:*** This type of financing is used when the majority of the owners of the project capital are changed, or when an existing project is converted into a financial holding company that aims to purchase several existing projects. Industrial and financial projects in the project to a new group of owners.

D- ***Correction capital:*** The capital of the correction is allocated to the projects that are already in place, but they are experiencing special difficulties, and they have the self-capabilities to recover their health, so they need a financial uplift so the institution takes the risk capital in its hand until it rearranges its affairs and settles again in the market and becomes Able to make profits.

Fourth: Venture capital institutions in Algerian law

The Algerian government's experience in establishing a capital market is a recent risk when compared with the experiences of European countries, as the Algerian government has worked to develop a legal framework that regulates and controls the market in addition to providing the necessary incentives for both contractors and venture capital institutions, which were mainly tax incentives in addition to facilities related to exit methods from investments, with the aim of activating the venture capital market in Algeria. The Algerian government has established a group of venture capital institutions, by entering as an investor with limited liability, with the aim of providing sufficient capital to finance the first generation of small and medium enterprises that depend on technology venture capital to obtain financing.

1- The legislative and institutional framework for venture capital companies in Algeria

According to the Algerian legislator in Chapter 1 of Law 11-06 issued on June 24, 2006, the Algerian legislator defines venture capital companies as companies that aim to participate in the company's capital, and in every process represented in providing shares of private or sub-private funds to institutions in the process of incorporation or growth, transfer or privatization.

We can conclude the following points from the previous definitions:

1- Venture capital is the financing of investment projects at the start-up stage with the provision of expertise and advice.

2- Venture capital is an investment with high risk attached.

3- Venture capital is a technique for financing investment projects by companies called venture capital companies without cash.

4- Venture capital is capital employed by a specialized high risk financial intermediary.

5- Venture capital, according to the Algerian legislator, is a participatory capital.

The legislator has focused on the stages of growth of the institution, the subject of financing, as well as the modalities for entering the venture capital company, which is represented in the venture capital, which includes the capital directed to finance institutions in the pre-construction and construction phase. The growth capital directed to the development of the institution after its establishment and the capital Transfer, in addition to retrieval of contributions and, or shares held by another venture capitalist.

As for the incentives provided by the Algerian government to attract venture capital institutions, they are mainly represented in tax incentives and other incentives linked to the ways these institutions exit investments, and this is to ensure greater liquidity in the market. Most of the tax incentives provided to venture capital institutions in Algeria were included in Chapter 6 of Law No. 06-11 of June 24, 2006, relating to consulting capital companies, and further clarified through Executive Decree No. 08-56 issued on February 11, 2008.

With regard to Algeria, the term investment capital has been adopted, while there is a difference between financing with risk capital and financing with investment capital, as it is with capital investment. The first (venture capital) is a narrow concept to those funds that relate to innovative institutions before the establishment stage or are high-risk projects newly established and the financier faces a high degree of uncertainty (pre- and post-launch phase) and the term venture capital is more common in use.

2- Legal forms of venture capital companies in Algeria

The legal form adopted by these companies differs from one country to another. For example, in France, these companies are a suspended company or a partnership limited by shares, but in general, the most common form of venture capital companies is a contributor company.

In Algeria, the legal nature of these companies was not clearly and explicitly defined until after 2006, which is the date of codifying the system of these companies. These companies took two forms:

1- ***Financial institutions:*** where venture capital companies were in Algeria in the form of a financial institution within the framework of Law No. 10-90 of August 26, 1990 related to cash and amended and supplemented loans, where financial institutions were authorized to take and own contributions in any institution according to Article 117 of Law No. 10-90 Amended by Article 74 of Ordinance 03- 11. Banks and financial institutions can take and own contributions, and these contributions for banks may not exceed the limits set by the Monetary and Loan Board.

2- Commercial institutions: It is the second form of venture capital companies, as they take the form of a contributor company that is subjected to the commercial law and has the advantages that these companies are not subjected to the restrictions of the Bank of Algeria, as well as the embodiment of the principle of separation between state funds that cannot be waived from the commercial funds of the state subjected to commercial law .

Fifth: The importance of venture capital in financing emerging enterprises in the Algerian economy

Through the characteristics of venture capital, we can observe its role in promoting and supporting transformation or investment in the knowledge economy, as the strengthening of innovation is the most prominent form of an economy based on science and knowledge. In addition to increasing the number of jobs, and financing programs for financial institutions have been activated as the demand for financing increases. In the event of success and expansion of these projects later, the importance of venture capital is represented in:

* **Finance the economy:** venture capital occupies a primary position in financing the economy. For example, in the United States of America, investments between 1970-2000 were estimated at about 273 billion dollars, which achieved about 1300 billion dollars for the American economy.

* **Creating job positions:** This is done by establishing new institutions through financing with risk capital, and thus absorbing unemployment from society.

* **Investing small local savings:** the process of creating new financing sources such as venture capital would also encourage contractors to establish their own enterprises and thus invest family savings and their contribution to the economic cycle.

* **Contribute to reducing imports:** the process of strengthening emerging projects would also create local production and thus reduce the proportion of imports and even contribute to raising the value of exports.

The third axis: a case study of the company "Financial for Investments, Contribution and employment Sofinance"

On August 6, 1998, the National Council for State Contributions granted its approval to establish the Financial Company for Investments, Contribution and Employment in accordance with the Monetary and Loan Law 90/10.

First: the legal foundation of Sofinance

The company requested its approval from the Bank of Algeria on November 19, 2000, and the bank approved its request in decision 2001-01, which stipulates its approval as a financial institution. Its legal nature is a company with shares that can carry out all recognized operations for financial institutions with a social capital of 5 billion Algerian dinars. Provided by the Public Treasury, as it launched its activities directly on the 9th of January 2001. This financial institution also operates within the framework of Law No. 96-09 regulating the rental loan operations, which is the first activity practiced by Sofinance.

Sofinance contributes to the creation and development of small and medium-sized enterprises, especially modern emerging enterprises of a technological nature, by taking contributions in their capital, as well as in their rehabilitation programs; Financing through a rental loan for the benefit of these institutions is one of the basic occupations that the company practices. Through the tasks it carries out for the benefit of small and medium enterprises, Sofinance aims, through the tasks presented for small, and small-sized enterprises, to create jobs and demonstrate competencies, as it works to move the financial market.

It was established on the initiative of the National Contributions Council with the main objective of contributing to the support and revival of the economy, that is, to contribute to modernizing the national productive system, and to making, developing new financial instruments.

It focused on the company's tasks with the following points:

- Providing assistance and advice to public economic enterprises in privatization and assignment processes, from the evaluation stage to the actual assignment;
- Providing assistance with the aim of upgrading the public productive system
- Support, qualification and development of institutions by guiding and assisting them in their financial and strategic restructuring, including diagnosing, opening capital, searching for partnership, providing all appropriate financing opportunities such as capital contributions, medium loans, sponsorship guarantee and lease loans
- Developing and setting up a financial engineering center for the benefit of the State Contributions Council in which the economic institutions benefit from
- Sofinace intervenes in the following ways: by means of funds for contributing to the capital of institutions in construction and / or growth, by financing with a lease loan, by means of direct loans or loan guarantees, channeling funds for the benefit of dealers, providing assistance and advice to institutions.

The lease loan represents the largest part of the financing provided by the company at a rate of 68% 2012 due to the great flexibility of this technology and the increasing demand for it from dealers, especially in the following areas: construction, public works, irrigation works, transportation of passengers and goods, works and marine works, industry ...

We point out that despite the general framework of the objectives of the ruler for Sofinance, the huge part of its financing is directed to public institutions and companies of any size. As for their contribution to financing the private sector, which consists of small and medium enterprises, it is very limited and only private investors who purchase currently produced equipment and newly-created equipment. Thus, most of their customers benefit from them. Most of its customers are state-owned companies including COSIDER for public works and construction, EPTRC for road works, ALTRO, the SNTR company for the transport of goods.

Second: the financing path through Sofinace venture capital

Sofinance intervenes in financing the highest budget of small, medium projects, by taking contributions through venture capital in the capital of enterprises in the process of construction, or on capital for development and growth, or by financing restructuring, transfer of ownership and buyback of shares held by another company for venture capital to ensure the sustainability of small and medium enterprises and to maintain job positions in them.

Its overlap is at most 49% of the capital of the financing institution, where the largest value of the contribution is 50 million dinars (for investment funds) in a limited investment period between 3 to 7 years, and this is according to the legislation governing venture capital companies in Algeria. Sofinace uses as a mean of depressing one of the following securities: common stock, investment certificates, convertible bonds, social stakes and other transferable values.

The process of strengthening the project's private funds passes through five basic stages that the person assigned to carry out studies will do at the level of the financial institution

1. ***Prospecting, searching for and selecting projects.***

2. Analyzing the proposed project by studying all aspects that contribute to its realization. The selection of projects will be based on the nature of the project, the type of work plan, the technical and management efficiency of the initiators, the economic and the financial return; its capacity to generate jobs, and finally the project's importance to the economic and social growth of the state in the case of state funds.

3. Formalizing the participation: After the approval of the project financing presented in the framework of a state investment fund, the public treasury is informed through an official report accompanied by a contribution request and a summary of the project. The shareholding agreement is signed between the two parties to protect their interests, and the new company is formally established upon the notary in the form of a limited responsibility company, or a company with shares.

4. Management and following-up of participation: During Sofinance's presence in the capital of the financed project, the partners benefit from periodic reports that allow them to follow up on investment budgets and achievements made from the exploitation process.

5. Exit from participation: Sofinance's goal is to stay in the investment which has financed for a period of 5 to 7 years, after which it gives up its shares according to what was agreed upon with the shareholders at the beginning of the project. This exit can be towards the partner shareholder according to the provisions of the commercial law, through external industrial or financial appellants, foreign or local, or through the exchange of movable values if conditions permit.

Sofinance has diversified its portfolio of funds offered in various projects, between construction financing or growth financing, and the following table shows the nature of financing in the projects it has undertaken.

Table 01: Sofinance's most important financial services during the period 2015-2017

Items	2015	2016	2017
Capital contribution	1245600	1047000	1163937
The rental loan	4933000	5138000	6250598
Commitment loan	672000	1608000	827966
Long and medium term loans	3292000	2845000	3077998
Fixed income bonds	**500 000**	**50000**	**50 000**

Table 02: The most important projects funded by Sofinance throughout activity and nature of financing, 2019

Region	Project activity	Sector of activity	Type of financing
Batna	beverages and juices	food industry	Construction financing
Blida	Clinic, rest and treatment center	services	Construction financing
Tiaret	Hotel Clinic	Tourism Services	Construction financing
Umm Al-Bouaki	Concrete Construction Finance	Industry	Construction financing
Bejaia	tight closure	Industry	Construction financing
	Sugar packaging	food industry	
	Concrete Construction Finance	Industry	
	Mountain Tourism	Tourism	
Oran	service station Hotel	services Tourism	Construction financing

Despite what Algeria has done in this field, the contribution of venture capital institutions is still modest and confined to financing industrial, service, tourism projects, and the total absence of innovative emerging projects on which many companies' venture capital rely on in developed countries. Algeria is considered the worst experience in this field compared to other Maghreb countries, Algeria ranked 110, according to the World Bank's report for the year 2011, in relation to the volume of venture capital supplies, while Tunisia ranked 35 and Morocco ranked 30 out of 142 countries.

Conclusion :

Venture capital is an investment financial tool that finances projects which form the early stages of construction and carry significant risk and future returns. This financing is provided by specialized companies in the form of a contribution to the capital, thus strengthening the private funds of small and medium enterprises, and participation in all its aspects. This participation requires identifying all the merits of small and medium-sized enterprises projects, and for this we find risker in capital employ its knowledge, expertise, experiences and the sum of its relationships in order to reach the institution to create value, it gives the investor the opportunity to implement his ideas and embody them as well as provide investors with high returns for investing their money for a specific period, and it has a prominent importance in economic development and an effective role in financing institutions and behind it the economy as a whole. it provides assistance in managing the company due to the multiplicity of innovations and proposed ideas that achieve its development, in addition to supporting institutions, whether by providing financial cover for them or by Non-financing strategy; estimating administrative help that would work to reduce the risks to which it is exposed. for the Algerian experience in this field is still in its first stages which needs more efforts, overcoming obstacles, and expanding work in venture capital companies in small and newly emerging enterprises in the national market.

After studying the topic, the main hypothesis proved the correctness of its presentation considering that financing with venture capital is very limited in Algeria, and this is due to several factors, the most important of which is the lack of specialized companies in this field, and the absence of appropriate exit mechanisms from the projects that have been funded. The experience in the field of venture capital is very modest so, We find that it is still in its early beginnings, and needs to make more efforts, overcome obstacles facing venture capital companies, and expand work in this way in all sectors and areas of investment; this is what we have seen through the experience of the financial company for investment, contribution and employment Sofinance that can be Considered as a leasing company rather than a venture capital company, although it was established as a company specializing in venture capital.

The study also concluded with a set of results, perhaps the most important of which we summarize them:

- Venture capital is an important tool in financing and accompanying the growth of small and emerging enterprises in the medium and long-term, as it contributes to creating jobs and increasing economic growth in the country.
- The legal system regulating venture capital activity in Algeria is comprehensive, as the legislator has included it with investment capital, which requires setting up a legal arsenal to practice the activity of venture capital institutions that takes into account the economic and social environment in which small and emerging enterprises operate
- Sofinance Corporation's activity is weak and limited in the field of industry, services and its contribution to financing does not exceed 49%, focusing on leasing financing compared to financing through venture capital;
- The necessity of the availability of large-cap venture capital companies to meet the increasing demand for financing in Algeria, which requires encouraging the partnership of a group of institutions to establish a venture capital company

- Providing the frameworks that are qualified to introduce this technology with the capabilities and means that it puts under the disposal of the project owner, as the contribution of the venture capital company is not only material, but extends to the technical side of management as well
- The necessity of creating a large number of venture capital companies affiliated with the private sector because they are not subjected to the financing restrictions that state ones are subject to
- The emerging enterprise works at the beginning of its activity to enter the market with an innovative idea that depends heavily on technology, and it may be in the product, marketing processes, in the distribution and marketing communication system, or in the organizational structure.

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