

Legal mechanisms for financing and supporting start-ups in Algeria الآليات القانونية لتمويل المؤسسات الناشئة ودعمها في الجزائر

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Abstract:

The creation, encouragement, and promotion of startups is an economic policy trend aimed at increasing the gross domestic product (GDP), strengthening the industrial network, increasing employment opportunities, and achieving social stability. Financing startups presents a challenge when launching and sustaining them. To secure sufficient funding, startup owners must be able to present and defend a strong project. Financing is the most important aspect, and Algeria has established a fund to finance these projects. Startups require a robust legal framework that keeps pace with economic development. In this research, With a descriptive and analytical approach we will discuss the legal means of financing and supporting startups in general and in Algeria in particular.

Keywords: Economic Diversification, start-ups, financing, stockholders, support.

الملخص:

إن إنشاء وتشجيع وترويج الشركات الناشئة اتجاه سياسي اقتصادي يهدف إلى زيادة الناتج المحلي الإجمالي، وتعزيز الشبكة الصناعية، وزيادة فرص العمل، لتحقيق الاستقرار الاجتماعي. ويمثل تمويل الشركات الناشئة تحديًا عند إطلاقها واستدامتها. ولتأمين التمويل الكافي، يجب أن يكون صاحب الشركة الناشئة قادرًا على تقديم مشروع قوي والدفاع عنه. والتمويل أهم جانب، وقد أنشأت الجزائر صندوقًا لتمويل هذه المشاريع. وتحتاج الشركات الناشئة إلى إطار قانوني متين يواكب التنمية الاقتصادية. في هذا البحث، ومنهج وصفي وتحليلي سنناقش الوسائل القانونية لتمويل ودعم الشركات الناشئة عموماً وفي الجزائر خصوصاً.

الكلمات المفتاحية: التنوع الاقتصادي - الشركات الناشئة - الدعم - التمويل - المساهمين.

Introduction:

Algeria has adopted a different approach to achieving sustainable development and advancing the national economy. By encouraging creativity and innovation and enabling economic diversification, it drives growth and investment in a sound economic environment. Therefore, establishing and supporting startups has become a priority for decision-makers to contribute to advancing development and boosting national production.

Algeria began economic reforms aimed at diversifying the national economy in the early 1990s. This trend shifted toward the concept of small and medium-sized enterprises (SMEs) to gradually move away from its dependence on hydrocarbons. This trend evolved into the concept of startups, as outlined in Law 17/02,¹ which established a special fund to support startups under the 2020 Finance Law.² With the issuance of Executive Decree 20/254,³ the state's policy of promoting and supporting the start-up environment was completed.

The fundamental difference between a traditional company and a startup is that a traditional company is designed to implement and improve an effective business model, while a startup is designed to create a business model. A startup is a newly established company operating in a high-growth technology sector. A traditional company, on the other hand, is a structure designed to design, manufacture, and market products.⁴

We would like to point out that the term "startup" is a modern term that has not yet reached a unified definition, given its association with numerous diverse branches and activities. In terms of its mission, Article 6 of Law 15-21 defines a start-up as an institution that undertakes basic or applied research projects or that engages in research and development activities.⁵ And is referred to in the Guiding Law for Small and Medium-Sized Enterprises No. 17-02. Article 69 of Law No. 19-14, which includes the

1 - Law No. 17_02 of January 10, 2017, containing the guiding law for the development of small and medium-sized enterprises Official journal of the People's Democratic Republic of Algeria No. 02, issued on January 11, 2017.

2 - Finance Law for the year 2020, Official journal of the People's Democratic Republic of Algeria No. 81, issued on December 30, 2019.

3 - Executive Decree No. 20/254 of September 15, 2020, establishing a national committee to award the labels "Startup", "Innovative Project", and "Business Incubator", and defining its tasks, composition, and operation, Official journal of the People's Democratic Republic of Algeria No. 55, issued on September 21, 2020.

4 - Ould safi Othman, Larabi mustapha; The challenges facing startups in Algeria and the mechanisms for supporting and accompanying them. Annals of Economic Sciences at Bechar University Volume 7, Issue 3, Pages 469-483

5 - Law No. 17-02 of January 10, 2017, includes the guiding law for the development of small and medium-sized enterprises, Official journal of the People's Democratic Republic of Algeria No. 02, issued on January 11, 2017.

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2020 Finance Law, stipulates that startups are exempt from corporate profits tax and value-added tax on commercial transactions.

We note the reference to startups as a promising sector that must be developed and strengthened in Article 21 of Law No. 17-02, which states: "The Ministry responsible for SMEs shall establish loan guarantee funds and launch funds in accordance with applicable regulations." "To guarantee loans to SMEs and encourage startups within the framework of innovative projects".¹

To achieve these objectives, a favorable environment must be created to support and assist startups, their growth, and their expansion. To this end, a dedicated Ministry for SMEs and the Knowledge Economy was established in 2019. and relevant regulatory decrees were also issued in 2020.

The importance of this research lies in its discussion of the mechanisms for establishing and supporting startups through experienced entities and institutions, in addition to providing the necessary funding. Funding remains the biggest obstacle facing any project, so the research aims to guide legislators towards finding the easiest ways to ensure the success of this endeavor, which benefits the economy and society. The topic of this research paper concerns an examination of the support mechanisms provided by Algerian law to encourage startups and their financing methods. In our research,

using descriptive and analytical approaches, we will first examine the role of conventional banks in financing startups, second, Islamic financing for startups, and finally, modern sources of financing for startups.

I. The role of traditional banks in financing start-ups.

Money is the lifeblood of all, and of economic life in particular, and is essential to investment and development processes. Therefore, it is an important factor in developing production and keeping pace with economic and technological transformations. It also plays a significant role in individual life and businesses.

Everyone needs enough of it to meet all their needs, such as making payments, settling liabilities, purchasing assets, etc. Therefore, money is of great importance in all types of businesses; it is like the blood that runs through our bodies. It is a tool to meet requirements, while finance is a method for effectively managing money or related transactions. Finance plays a pivotal role, from the idea of starting a business to its liquidation.

1 - Law No. 17-02

Therefore, finance is considered the lifeblood of any commercial organization; without it, no business can function.¹

Startups rely on a very simple personal structure, with the owner taking the reins and making the final decisions. Therefore, they are an entity designed to produce a new product or service under conditions of extreme uncertainty.² Small businesses often have a more personal feel than larger companies.

These businesses are personally managed by their owners, have a small market share, and are largely independent. (SMEs) play a major role in most economies, particularly in developing countries. (SMEs) account for the majority of businesses worldwide and are important contributors to job creation and global economic development.³

SMEs account for the majority of businesses worldwide and are important contributors to job creation and global economic development. They represent about 90% of businesses and more than 50% of employment worldwide. Formal SMEs contribute up to 40% of national income (GDP) in emerging economies.⁴

Given the difficulty of self-financing startups, banking institutions remain the largest source of funding. This financing via banks is based on three formulas:

- The first one takes the form of Short-term loans; These types of term loans are typically provided to businesses that do not qualify for a line of credit. Their term is usually less than a year, although they can be as long as 18 months.

Short-term loans are the second method used by SMEs to finance their operating cycles. These loans include overdraft facilities and advances on merchandise. These types include trade credit and bank credit, with payments made through trade discounts, advances on current accounts, or seasonal loans.

1 - Priyanka Dhoot ; Finance-Lifeblood of Every Business.

<https://imr.dypvp.edu.in/blogs/finance-lifeblood-of-every-business>. vu le 8/4/2025.

2 - ziouche abderaouf, mounir benazzoug, Youcefi alaeddine: emerging institutions in algeria: an analytical study of legal frameworks. Russian law journal volume –xii (2024) issue 2 pp 1510/1521

3 - Khellil Khaled,LoucifKamilia; The contributionofSmallandMedium-sizedEnterprises in Achieving Economic Diversification:AnAnalytical Study oftheAlgerianEconomyDuringthePeriod (2010-2022) ; International journal of economic performance ;Volume 06 .Issue 02. Year 2023. pp:393-407.

4 - Murat Bayraktar, Neşe Algan.The Importance Of SMEs On World Economies. INTERNATIONAL CONFERENCE ON EURASIAN ECONOMIES. Turkish 2019. Pp 56-61. <https://www.researchgate.net/publication/345358967>. vu le 1/3/2025.

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A short-term loan provides a borrower with quick cash in exchange for repayment within one year or less. These loans tend to have higher interest rates and are usually easier to qualify for than extended term loan types.¹

- The second form takes the form of Intermediate-term loans; These are funds obtained by the enterprise from other economic operators, whether in the form of cash or assets.

The Intermediate-term loans in generally run between one to three years and are paid in monthly installments from a company's cash flow.

Intermediate-term bank loans are often secured by certain guarantees and repaid in installments to protect both the borrower and lender from the risk of sudden default for financial reasons.² Financing sources include term loans and equipment loans.³

Most commonly, medium-term loans are suitable for business expansion plans, and equipment and software purchases. These intermediate term loans offer 3-year to 5-year agreements, with bi-weekly or monthly repayment schedules.⁴

- The third form takes the form of long-term loans; These loans last anywhere between 3 to 25 years. They use company assets as collateral and require monthly or quarterly payments from profits or cash flow. They limit other financial commitments the company may take on, including other debts, dividends, or principals' salaries, and can require an amount of profit set aside specifically for loan repayment.⁵

Startups are increasingly finding it difficult to access financing from banks due to the stringent capital requirements of the Basel Accord. The new Basel III measures may restrict banks' ability to provide long-term credit to businesses and may also limit financing options available to SMEs, including trade finance. Riskier SMEs face greater difficulty in borrowing from banks, as banks find it difficult to consider SMEs due to their lack of reliable accounting structures.⁶

1 -ESCWA. Short-term loans are loans that have an original maturity normally of one year or less, but with a maximum of two years or less to accommodate variations in practice between countries. Domain: Finance. Source: (AF.41) – Annex to chapter XIII

2 - Taher Latrash, *Banking Techniques*, Office of University Publications, Algeria 2001, pp. 74-75.

3 - khedidja attia, lynda ait bachir; sources of funding startups in algeria: towards growth and development ;journal of quantitative economics studies volume 10, number 01 (2024), pp 327 -343.

4- What You Need To Know About Term Loans For Businesses.

<https://www.woodsborobank.com/blog/what-you-need-to-know-about-term-loans-for-businesses/> vu le 5/04/2025.

5 - What You Need To Know About Term Loans For Businesses.idem

6 - Murat Bayraktar, Neşe Algan. Ibid p 57.

Appropriate for financing commercial real estate and major construction projects, long-term loans can be used to offset building remodels, and large equipment purchases at a low interest rate. Lenders generally require applicants meet strict credit requirements for approval. The most important types of which are:

First Subtitle: Common stocks and preferred stocks.

Article 715 bis 40 of the Algerian Commercial Code,¹ define a stock as a negotiable security issued by a joint-stock company as a representation of a portion of its capital. It represents the rights of a stockholder or partner in the company, granted upon subscription.²

Investors prefer financing through stocks because they achieve better returns, protect against the effects of inflation, and increase the company's borrowing capacity. Stocks also have an indefinite maturity date, and there are no fixed obligations or burdens on the company, such as the interest accrued in the case of financing through loans.³

However, the disadvantages of issuing common stocks are the emergence of new stockholders and an increase in the number of those with control over the company, the right to vote, and the right to make decisions.⁴ The costs of issuing and selling common stocks are usually higher than those of bonds and preferred stocks. Unlike bonds, the company is not obligated to pay fixed interest on preferred stocks.⁵

Preferred stocks are a long-term source of financing for public joint-stock companies and combine the characteristics of both equity and borrowing. Preferred stocks rank second after debt in priority when liquidating the company, with common stockholders ranking third.

Preferred stocks are certificates issued by corporations to provide capital when needed, similar to common stocks.⁶ They also represent the preferred stockholder's ownership of a portion of the corporation, dependent on the

1 - Order No. 75-59 of September 26, 1975, containing the Commercial Code. (Official journal No. 101 of December 19, 1975) as amended and completed.

2 - Ammar Amoura, *Explanation of Commercial Law*, Dar Al-Ma'rifa, Algeria, 2010, p. 236.

3 - Thomas Smith ; Why Stocks Generally Outperform Bonds.
<https://www.investopedia.com/articles/basics/08/stocks-bonds-performance.asp#citation-5> vu le 2/4/2025.

4- Ahmed Bouras, *Financing of Economic Establishments*, Dar Al-Amum for Publishing and Distribution, Annaba, 2008, p. 13.

5 - Marco Ventoruzzo, *Issuing New Shares and Preemptive Rights: A Comparative Analysis*, 12 Rich. J. Global.L. & Bus. (2013). Pp 517-542

6 - Jabbar Mahfoudh, *Financial Papers*, First Edition, Dar Houma, Algeria 2002, p. 24.

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number of stocks they hold. Preferred stocks have a par value, a market value, and a book value, but no maturity date.¹

There is no legal obligation to pay dividends. This type of stock does not require pledged assets as collateral, as is the case with loan financing. Preferred stocks do not have a fixed maturity date, making them more flexible than bonds.²

However, they are flawed because the rate of return on preferred stocks is higher than the rate of return on bonds, and preferred stock dividends do not provide any tax exemption, as is the case with loan financing.³

Preferred stockholders also differ from common stockholders in that they receive their dividends before common stockholders, and they do not lose their right to receive dividends if the corporation does not declare a dividend distribution in any given year. In other words, preferred stock dividends are cumulative dividends that the corporation must pay when making a distribution decision.⁴

Comparing common stocks to preferred stocks, we find that common stocks can be sold quickly and liquidly, while preferred stocks are more difficult to sell. Common stock holders also do not have a priority right to receive dividends, unlike preferred stock holders. Financing is issued through common stocks only once during the life of the corporation, unlike preferred stocks. It should be noted that common stock holders have the right to vote, while preferred stock holders generally do not. Finally, there is no maximum return for common stock holders, unlike preferred stocks, which have a maximum return.⁵

Second Subtitle: Bonds.

A bond can be defined as a document issued by a corporation.⁶ It is a contract or agreement between the corporation and an investor, whereby the investor lends a specific amount to the corporation, which pledges to repay the principal amount with agreed-upon interest on specific dates. A bond is a document proving a loan in exchange for interest paid annually. It entitles

1 - Akhilesh Ganti. op-cit.

2 - Francis Wilks & Jones solicitors; Non-payment of dividends & unfair payment policies. <https://www.franciswilksandjones.co.uk/smes-directors-shareholders/shareholder-disputes/non-payment-of-dividends-unfair-payment-policies/> vu le 30/03/2025

3 - Hayoula Iman; Means of Financing in the Economic Institution, Master's Thesis, Blida University 2005, p. 59

4 - Team Qapita ; Preferred Stock vs Common Stock: Understanding Stock Ownership Options. July 12, 2024. <https://www.qapita.com/blog/preferred-stock-vs-common-stock>. vu le 4/4/2025.

5 - Brian Baker, Bob Haegle ; Common stock vs. preferred stock: What's the difference?

6 - A bond is an instrument under seal whereby one person binds himself to another for the payment of a specified sum of money either immediately or at a fixed future date. Halsbury's Laws, 4th Edition. Volume 13, para 88.

the holder to receive the nominal value of the bond on the maturity date and the right to receive a periodic return, which is a percentage of the nominal value. The bond has a market value that may increase, decrease, or equal the nominal value. Meaning that there is a possibility of profit or loss for the bond holder.

Bonds are used by companies, municipalities, states, and sovereign governments to finance projects and operations. Owners of bonds are debtholders, or creditors, of the issuer. Bond details include the end date when the principal of the loan is due to be paid to the bond owner and usually include the terms for variable or fixed interest payments made by the borrower.¹ The bonds, support the loan. This guarantees that you that will pay back the loan according to its terms, usually in monthly payments.²

The legislator stipulates that the bondholder does not stock in the profits that the institution may obtain, and the cost of the bond is pre-determined. Note that bond yields are often lower than common stock yields. When loans are used to finance the company, bondholders cannot participate in oversight with the company's owners.

However, the problem remains that the cost of bonds is fixed. If the company's profits decline or fluctuate, the company or institution may become unable to pay the interest costs. Bonds usually have a fixed maturity date, and the company's financial manager must build a reserve to pay the bond interest on time.

II. Islamic Financing for Start-Ups:

Islamic financing can support and develop start-ups, making them a true player in economic development, given the diversity of Islamic financing formulas that meet the needs of these institutions.³ Islamic finance is based on the principle of profit and loss sharing, which is appropriate for the nature of emerging institutions. This involves financing economic projects by granting credit and loans in exchange for interest determined either by the market or by the central bank. The elimination of usurious interest means that the structure of the use and investment of funds differs from that of conventional banks. Islamic banks employ investment methods such as Mudharabah, musharaka, and murabaha.

1 - Jason Fernando ; Bonds: How They Work and How To Invest; Updated May 03, 2024 ; <https://www.investopedia.com/terms/b/bond.asp> .visited 5/2/2025.

2 -idem.

3 - Abdellatif, H., Embarka, L., & Lalafatma, R. (2024). Islamic banking as a mechanism for financing start-ups. *International Journal of Economic Perspectives*, 18(12), pp 2215–2222.

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First Subtitle: Mudharabah: Mudharabah is a kind of partnership, where in one party provides finance to the other for the purpose of carrying on trade ; It is a partnership between work and money, with the money coming from one party and the work and expertise coming from the other, with the profit shared between them according to the agreement. The owner of the money in the Mudharabah has no right to interfere, but he does have the right to impose appropriate or suitable terms for the contract.¹

Mudharabah is a partnership in profit, and its forms may be between the bank and the customer, or between the owner of the money and the trader. Mudharabah in Islamic jurisprudence, is a contract between two people, whereby one of them provides money to the other to trade with for a stock of the profit. If there is no profit, the money belongs to its owner; if there is a deposit, it is from the money, and the trader is not liable for any of the deposit ; A suitable ecosystem has been established for practicing Islamic banking in Algeria, particularly through the enactment of laws and legislation by public authorities that permit this.²

There are two types of mudaraba; General or absolute mudaraba, in which the agreement includes no restrictions on the partner's authority, whether in terms of type, location, or the persons with whom they deal. The partner enjoys complete freedom of action. Specific or restricted mudaraba: The agreement includes conditions that restrict the partner's freedom of action, such as obligating the owner of the funds to invest in a specific product, sector, or location, or to deal only with a specific person, or other conditions³

All indicators suggest that Algeria is moving in the right direction to establish a banking system that is fully compliant with the provisions of Islamic Sharia.⁴

Second Subtitle: Musharaka: Algeria opened its doors to Islamic banking with the issuance of Decree No. 20-02 of March 15, 2020, regarding banking operations related to Islamic banking.⁵ As part of the adoption of

1 - M. N. H. RYANDONO, K. A. KUSUMA, and A. PRASETYO, "The Foundation of a Fair Mudharabah Profit Sharing Ratio: A Case Study of Islamic Banks in Indonesia," *The Journal of Asian Finance, Economics and Business*, vol. 8, no. 4 Apr. 2021, pp. 329–337,

2 - Ahmad zakirullah bin mohamed shaarani. Djasriza bt jasin2, mohd noor adzwan bin adam ; empowerment of mudarabah practices In facing covid 19 endemic challenges In malaysia. *Journal of Islamic Economics, Finance and Banking* Vol. 6, No. 1, June 2023,pp 19-40.

3 - Al-Malqi, A. A, 2000

4 -Samiha Nouri, The Evolution of Islamic Banking in the Algerian Banking System: An Analytical Study for the Period 2018-2023. *Revue El-Tawassol*Vol30 N°03.2024,pp 106-121.

5 - Regulation No. 20-02 of 20 Rajab 1441, corresponding to March 15, 2020, defining banking operations relating to Islamic finance and the conditions for their exercise by banks and financial institutions.. OFFICIAL JOURNAL OF THE ALGERIAN REPUBLIC No. 16

Islamic banking services in public banks, Algeria is implementing the rules applicable to "participation" products, which do not entail the collection or payment of interest. The concept of participation expands to include all commercial, industrial, and agricultural activities, with the goal of achieving profit for all parties, which is consistent with the nature of Islamic banking operations.¹

Musharaka in Islamic banks takes several forms, depending on the formula governing the contract; it can be continuous or final, depending on the agreement and the type of project. It is a contribution between two or more parties to the capital of an institution, project, or operation, with the results (loss or profit) being distributed according to agreed-upon ratios. This is based primarily on trust, the project's performance, or professionalism.²

Musharaka, as applied in Islamic banks, most often takes the form of financing projects or temporary transactions proposed by clients.

Third Subtitle: Murabaha: It is a sale transaction at the purchase price plus a known profit margin agreed upon between the buyer and seller (sale with a known profit). in this sense Murabahah was not a financing mode rather a sale agreement.³

Murabaha can take two forms:

- 1- a direct commercial transaction between a seller and a buyer. It is therefore a financing formula that allows Islamic banks to finance their clients' operational needs (inventory, materials, intermediate products)
- 2- investments.

Murabaha is one of the most common modes used by Islamic Banks. It refers to a sale where the seller discloses the cost of the commodity and amount of profit charged. Therefore, Murabaha is not a loan given on interest rather it is a sale of a commodity at profit. The subject matter of the Murabaha contract must be Sharia-compliant; activities prohibited by Islam are not financed. The bank undertakes the initial purchase of the goods. The basic premise of Murabaha is that the profit margin accruing to the bank is not based on the commercial, rather than the financial, nature of the transaction. The purchase and resale must be real and not fictitious.

Du 24 mars 2020. P31.

1 - Fouad BENHADDOU : The Central Bank and its proposed monetary policy tools after Algeria's opening up to Islamic banking; Contemporary fiqh and economic issues (COFEI) Journal Volume4 Issue2, (2024) pp 26-42.

2 - Mouhoub Dalal. Deghmoum Hichem : Musharakah Mutanakisah (MM) Financing ; Experience of Islamic Banks, International journal of economic performance, Volume:04 Issue:01 Year:2021. Pp 672-691

3 - Muhammad Taqi Usmani. Kluwer Law International. The Hague. 2002. Pp. 125.

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In this regard, according to Islamic banking practice, a sale transaction is considered a credit sale, and the financing transaction is merely an appendage to the commercial transaction that justifies the commission charged by the bank. They are comparable to conventional installment sales policies or mortgage credit tools, provided they follow Sharia-compliant principles with no reliance on interest-based practices.¹

The amount of the return, the bank's profit margin, and the repayment terms must be known and agreed upon in advance between the two parties. In the event of late payment, the bank may impose late payment penalties on the defaulting client, which are deposited into a special account called "revenues pending liquidation."

However, the bank cannot increase its profit margin for exceeding the payment deadlines. However, if the customer's bad faith is proven, in addition to late payment penalties, the bank has the right to claim compensation for unpaid debts. This compensation is assessed using the bank's own operational criteria, avoiding any reference to interest rates.²

After the completion of the Murabaha contract, the final buyer becomes the buyer of the goods and assumes responsibility for them. However, the bank may take the sold goods as collateral to repay the sale amount and enforce the mortgage in the event of non-payment. It may also take into account the customer's insolvency and grant them a rescheduling of their debt without charging an additional profit margin.³

III. Modern Sources of Financing for Start-Ups.

Given the unique nature of start-ups, their limited financial resources, limited capital, and labor intensity, they are in dire need of permanent and ongoing financing. Therefore, the Algerian state has worked to provide numerous financial and technical support programs to bolster these institutions' ability to compete and continue to contribute to local and national development.

First Subtitle: Venture capital companies:

A newly established mechanism for financing start-ups, established by Law No. 06/11,⁴ venture capital companies are defined as commercial

1 - Fouad BENHADDOU .op.cit. p36.

2 - Bin Naceur Fatima: Managing the risks of financing formulas in Islamic banks: a case study of Al Baraka Bank. Magester's thesis; University of Ouargla 2008/2009. P 144.

3 - Miloud Guemouh: Murabaha and its application in Algeria, Journal of Humanities, Issue 2, Volume 33, Year 2022 ;pp 219-233.

4 - Law No. 06-11 of June 24, 2006, relating to venture capital companies (Official journal of the People's Democratic Republic of Algeria No. 02, No. 42 - year 2006

financial companies that manage a portfolio of securities using their own resources. Their objectives are to help mobilize savings from institutions and individuals, develop and stimulate the financial market, and promote project and investment financing. This technique is not based solely on providing cash, as is the case with bank financing, but rather on participation to finance the project without guaranteeing the return or the amount. Thus, they risk their own capital, thus assisting small and medium-sized enterprises, and even start-ups, that face difficulties in this area.¹

Second Subtitle: Start-up financing bodies and funds.

Small and medium enterprises (SME) and startup support and financing agencies in Algeria provide numerous forms of assistance to entrepreneurs in this sector, with the aim of establishing, developing, and expanding their businesses. These agencies offer consultations and information on project implementation and monitoring, provide loans at low interest rates, on favorable terms, and with various financial structures, and provide various equipment and tools, depending on the nature of each agency's program.² These agencies include:

- The National Agency for the Support and Development of Entrepreneurship.
- The National Agency for Microcredit Management.
- The National Unemployment Insurance Fund.
- Loan Guarantee and Startup Funds.
- Investment Funds.

Conclusion:

When businesses, small and medium-sized enterprises (SMEs), and startups move, the economy moves. Financing remains one of the most significant challenges facing startups, and this could lead to their disappearance despite the support provided. However, financing through banks, whether conventional or Islamic, remains an effective solution for the survival and continuity of startups. They can also turn to support funds directed at SMEs to obtain the necessary financing.

Islamic banks financing targets both the equity as well as the working capital needs of enterprises. It is expected that its impact on economic

1 -Boussaha Najat, Abdelaziz Nougti, The Twelfth National Forum, Startups and Incubators, February 15, 2021, University of El Oued, Part One, 2021 Edition, p. 186.

2 - Khedidja ATTIA, Lynda AIT BACHIR. Op.cit

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development will be more pronounced. The avoidance of usurious interest by Islamic banking is an additional plus. It is mentioned that allocating financial resources on a productive basis is more efficient than their allocation on a purely lending basis. It has also been argued that the whole banking system would be more stable and less liable to suffer from financial crises. A monetary system based on *riba* is also unjust as it allows savers and banks to get away with interest (guaranteed fixed rate of return on their loans) without bearing a fair part of the risks faced by entrepreneurs. In conclusion, we have reached a set of results and suggestions, which we summarize below:

Results:

- Startups are newly established companies with extremely rapid growth potential. They need support and guidance.
- There are no texts that fully regulate startups.
- A short term loan is a valuable option, especially for small businesses or start-ups that are not yet eligible for a credit line from a bank.
- Establishing a startup depends on financing.

Suggestions:

- Establish a unified law specific to startups.
- Updating the Monetary and Credit Law to make greater use of Islamic financing methods.
- Expanding Islamic finance.
- Transforming Islamic finance from its current state, from an adaptation strategy to a transformation strategy. Implementing this strategy in practice requires banking specialists.
- Supporting business incubators at university institutions.

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