

Agricultural and industrial investment in Algeria: Banking Framework

الاستثمار الفلاحي والصناعي في الجزائر: الإطار المصرفي

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Abstract

This article aims to compare the financing of agricultural and industrial investment files in Algeria, with shedding light on the method adopted by the banker during the study of files related to these two sectors.

This paper revealed that the banking study in terms of from is carried out in the same way, whether for an agricultural or industrial investment case, but the differences are implicit, come from external legal factors linked to the texts in force in Algeria, represented by the laws on the subsidization of the interest rate on investment credit. In addition, the internal technical factors linked to the sectorial nature of the project, such as: method of determining

المخلص

تهدف هذه الدراسة إلى المقارنة بين تمويل ملفات الاستثمار الفلاحية والصناعية في الجزائر، مع تسليط الضوء على الطريقة المنتهجة من طرف المصرفي عند دراسته للملفات المتعلقة بهذين القطاعين.

كشفت هذه الورقة البحثية، بأن الدراسة المصرفية لملف استثمار فلاحي أو صناعي تتم بنفس الطريقة من حيث الشكل. أما الاختلافات فهي ضمنية، تنشأ عن عوامل قانونية خارجية متعلقة بالنصوص المعمول بها في الجزائر، والمتمثلة في تشريعات تخفيض معدلات الفائدة عن القروض الاستثمارية، وعوامل تقنية داخلية مرتبطة بالطبيعة القطاعية للمشروع، ككيفية تحديد رقم الأعمال، المبدأ المحاسبي، الضمانات

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turnover, the accounting principle, the guarantees required and the credit amortization table.

المطلوبة وجدول إهلاك القرض.

الكلمات المفتاحية: قرض مصرفي، استثمار فلاح، استثمار صناعي، الجزائر.

Keywords : Bank credit, Agricultural investment, Industrial investment, Algeria,

تصنيف جال: P 23 ؛ Q 18 ؛ G 21.

Jel Classification: G21;Q18; P 23.

1. INTRODUCTION :

Agriculture and industry are very different activities, which witness a relationship of complementarity rather than a possibility of substitution. However, with the introduction of the bank-investor relationship in this equation, this view may change trend, since the bank's credit file manager is able to set up and study all types of financing requests. Including agriculture and industry, on condition that they meet the requirements decreed by the head office of the bank, in terms of granting credits to customers.

1.1. The study problem:

The problem of this study lies in determining the elements of convergence and divergence between agricultural and industrial investment, from a bank-financing point of view, by proposing the following sub-questions:

- What is the process for granting investment credit?
- What are the support measures for agricultural and industrial investment in Algeria, aimed at subsidizing the bank interest rate?
- What are the technical points of convergence and divergence between agricultural and industrial investments, from a banking point of view?

1.2. The objectives of the study:

This study has a number of objectives, which can be summarized as follows:

- The determination of the essential steps for the study of an investment credit file at the level of the Bank;

- Legal differentiation between agricultural and industrial investment in Algeria;
- Technical differentiation between agricultural and industrial investment in Algeria.

1.3. The axes of the study:

In an attempt to answer the problematic of this study, we will address the following axes:

- First axis: The process of granting an investment credit;
- Second axis: Agricultural and industrial investment according to the Algerian banking vision, legal and technical aspects.

1.4. Literature review:

Study of : Ida Ayu Gede Udayani Manuaba and Nyoman Djinar Setiawina (February 2019), The Effect of Character, Capacity, Capital, Collateral, Condition of Economic and Constraints on Credit Giving Decisions, International Journal of Science and Research, Volume 8 Issue 2. This study aims to determine the effect of character, capacity, capital, collateral, condition of economic and constraint (the six cs analysis of credit) on the decision to grant credit by the Denpasar city LPD to customers in the city of Denpasar. The data sources used are primary data and secondary data. Data collection methods are interviews and questionnaires. The data analysis technique used is descriptive quantitative using the SPSS 23.00 application as an analysis tool. The results of this study indicate that the decision to give credit (Y) by LPD in Denpasar city is strongly effected by character (X), capacity (X2), capital (X3), collateral (X4), condition of economic (X5) and constraint (X6) . Capacity (X2) is the thing that has the most dominant effect, namely the percentage of 52.4%.

Study of : Williams Kwasi Peprah, Albert Agyei and Evans Oteng (September 2017), Ranking The 5C's Of Credit Analysis Evidence From Ghana Banking Industry, International Journal of Innovative Research and Advanced Studies, Volume 4 Issue 9. This research study was to find out how banks in Ghana rank the 5C's in the evaluation of loan applicants. Based on the Yamane (1967) statistical formula among 35 banks in Ghana, 32 banks credit departments responded to this ranking survey. The results indicated in general that banks in Ghana rank from

the order of importance: Capacity, Character, Collateral, Condition and Capital. However, foreign-controlled banks ranked Condition as third and collateral as fourth and domestic-controlled banks ranked Collateral and Capital the same as the least.

2. The process of granting an investment credit:

In this part we will deal with the essential steps related to the granting of credit, through a two-way analysis, the first consists in presenting the approach of the 5 C's (Character, capacity, capital, conditions, collateral), and the second represents the banking practices associated with this function.

2.1. Preliminary steps:

Before proceeding with the study of the banker's credit file, there are a few preliminary steps to be carried out, namely: the interview with the investor, the collection of information and the market study.

2.1.1. Interview with the investor:

Interview is the first step in the process of granting investment credit. It is a subjective assessment of the borrower's personality; it is an assessment of moral and human factors (Kwasi Peprah and al, 2017, p 79). The more favorable the results of the analysis of this factor, the better the chances of obtaining credit (Manuaba and Setiawina, 2019, p 279).

2.1.2. Collecting information:

The collection of information is subdivided into two elements, namely internal and external sources.

2.1.2.1. Internal sources:

As part of the study of the investor's credit file, the investor presents these internal documents to the bank. They represent the consolidated financial and accounting statements like the balance sheet, income statements, cash flow tables and appendices. Non-financial documents such as the business plan, activity report, commercial, technical, social statistics, development plans and forecast studies (Benabdelmoula, 2017, p 72). In the case of investment credits, the banker is much more interested in the forecast data of the business plan

drawn up by the investment or its consultant, since historical accounting data is not available, in particular for the case of a new creation.

For the banker, the internal sources represent the existing information on the internal system of the bank, in particular for the case of the investors already domiciled, such as the turnover entrusted and the situation of the account.

2.1.2.2. External sources:

Represent the press, magazines, sector studies and administrative documents (Benabdelmoula, 2017, p 73). Information on credits granted by other banks. In Algeria, the Bank of Algeria provide these data, after authorization from the investor to proceed with this consultation request.

2.1.3. Market study:

This is done to verify the borrower's vulnerability to economic events. It is to measure any external obstacle that will hamper credit repayment (Kwasi Peprah and al, 2017, p 79). In relation to this factor, it should be noted the existence of an increasing function between the favorable decision to grant credit and the positive results appropriate to this analysis (Manuaba and Setiawina, 2019, p 279). This study takes into consideration the competition on the market, the nature of the products to be manufactured and the provisional load plan (Calum and al, 2011, p 101). Banking experience shows that market study is a common step between the banker and the investor, since the two proceed to its establishment, but each in its own way. The investor collects information on the market in which his project will evolve, and the banker compares this information with the projects already financed. We add to this, that the banker must attach great importance to this phase. This in relation to the regional character of this study, a saturated niche in the east of the country can be profitable in the west of the country; it is for the fact that the regional structures of the bank are the most adapted to concretize this approach.

2.2. Project evaluation:

In this part, we will deal with the factors targeted by the evaluation, as well as its inputs and outputs.

2.2.1. Factors targeted by the evaluation:

The objective of the project evaluation is to analyze the capacity of the project to honor its commitments towards the bank, while using the capital, which represents the financial base of the company.

2.2.1.1. Capacity analysis:

Capacity is the primary source of credit repayment. Banks never consider collateral as a primary source of repayment but rather the borrower's cash flow. Cash flow has therefore become synonymous with the quantitative capacity to repay debt (Baiden, 2011, p 14). The better the analysis of the ability to repay credits, the better the chances of obtaining credit (Manuaba and Setiawina, 2019, p 279).

2.2.1.2. Capital analysis:

Banks analysis of corporate capital is important because it helps determine borrowers' risk in the face of the unexpected. A company with high equity capital is able to cover all expenses to ensure balance and profitability (Kwasi Peprah and al, 2017, p 79).

2.2.2. Inputs of the evaluation:

This element represents the basis for calculating the outputs of the evaluation.

2.2.2.1. Determination of the cost of the investment:

The amount of an investment is understood to be its acquisition cost including (OGIEN, 2008, p 97):

- The main investment expense: purchase of land, buildings, machinery, equipment, etc;
- Secondary costs such as notary fees for real estate, costs of transport, assembly or installation of equipment;
- Induced expenses that occur prior to the start-up phase of the investment, such as study costs, staff training, the acquisition of patents and licenses insofar as they do not constitute regular expenses and are directly related to the investment;

- Additional working capital requirements.

2.2.2.2. Forecast of operating cash flow:

Operating cash flow is the difference between the income from the sale of products manufactured, thanks to the investment project, and the expenses incurred by this manufacture. Operating expenses exclude finance costs due to the separation of the investment decision and the financing decision. The industrial or commercial profitability of a project is thus assessed before comparing it to the cost of financing for a given financial structure. Finally, operating expenses do not include the depreciation charge since the depreciation does not entail any outflow of cash (OGIEN, 2008, p.p 97-98).

2.2.2.3. Realization of residual assets:

Operating cash flows will be studied over the period defined by the company as economic duration. For the last period, the cash flow will be increased by the proceeds from the realization of residual assets (OGIEN, 2008, p 99).

2.2.3. Evaluation outputs:

This assessment is done through investment selection criteria such as payback period, net present value and internal rate of return.

2.2.3.1. The payback period:

This is the simplest endpoint. It corresponds to the time required to recover the initial capital invested. This criterion therefore favors the concepts of solvency and liquidity since it measures the period at the end of which the cumulative cash flows are equal to the amount of the investment (Cabane, 2004, p 248).

2.2.3.2. The net present value (NPV):

It is the difference between the value of discounted future collections and the amount of the initial capital invested (Cabane, 2004, p 251).

2.2.3.3. The internal rate of return (IRR):

The Internal Rate of Return (IRR) is the discount rate for which the

NPV is zero: it represents the financial profitability of the investment, the projects selected are then those whose IRR is equal to or greater than the weighted average cost of capital (Cabin, 2004, p 254).

2.3. Credit mobilization:

According to banking practices, the last step, which precedes the mobilization of an investment credit, is the collection of guarantees, but this does not end at this stage, since the follow-up of the repayment of the credit takes place just after its granting.

2.3.1. Guarantees :

The bank guarantee is used to anticipate and cover a possible future risk of non-recovery of the credit (Rachid Moulay, 2006, p 158). The guarantee must also be examined for its validity, so that no problem arises (Manuaba and Setiawina, 2019, p 279). It must also be marketable and valuable enough to cover the credit amount (Kwasi Peprah and al, 2017, p 79). Thus, we can assume that the analysis of collateral will affect the granting of credit (Manuaba and Setiawina, 2019, p 279).

Long banking practice makes it possible to consider an appropriate guarantee for each type of credit. The collection of certain real guarantees is subject to a formality and therefore to deadlines which may be incompatible with the diligence, which requires the processing of operating credits. This is the case, in particular, with the mortgage and pledging of equipment and goodwill. In addition, such guarantees should only be required for the establishment of medium and long-term credits. The banker's experience allows him to judge what is the most suitable guarantee to ensure the successful end of the requested credits (Rachid Moulay, 2006, p.p 159-160).

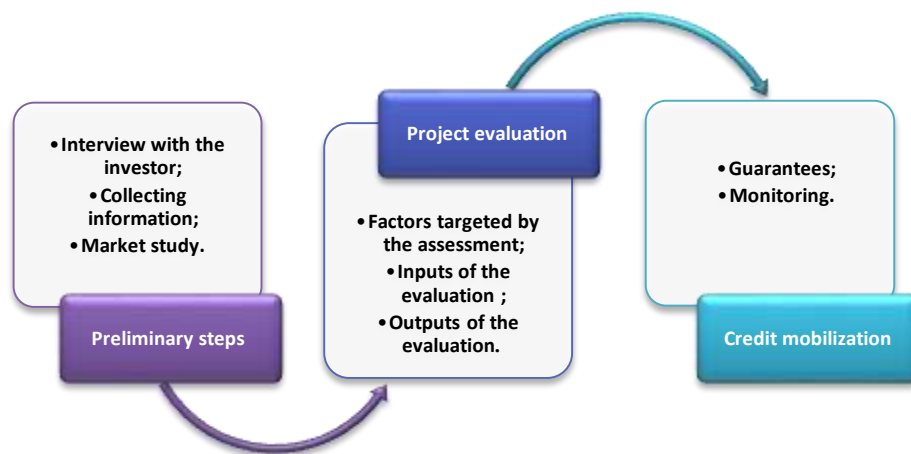
2.3.2. Monitoring of borrowers' situation :

Monitoring can be defined as: a complex activity, which includes following the evolution of borrowers and their cash flows, deciding to renew or terminate credit, monitoring covenants linked to credit, declaring defaulting on payment, managing credit resolution, planning bankruptcy procedures, seizing and selling collateral (Rougès, 2003, page 12). Therefore, once the credit has been granted, active management of

the customer relationship is an element of prevention of the deterioration of the risk (Rachid Moulay, 2006, p 165).

To summarize the process of granting an investment credit, we propose the following diagram:

Figure 1: The process of granting an investment credit



Source: Proposed by the researcher based on the preceding elements

Reading this diagram allows us to have a global vision on the process of granting an investment credit, banking practice requires an interview with the investor, intended to measure his qualitative and quantitative trends towards of his project and this, before filing his file with the bank. The next step is the collection of information and the elaboration of a market study, to find out what are the characteristics of the external environment from which the project will evolve. Project evaluation is a purely quantitative step, it allows to know if this project will be selected or not from a financial point of view by using the criteria of the choice of investment. The bank requires guarantees to cover its commitments to the investor, but banking practice has shown that the real guarantee is the activity of the investor and not his property. However, this does not mean granting unsecured credit (since the bank's money belongs to the depositor and the regulations in force do not allow it), but rather to say that the evaluation of the project must not be focused on

guarantee aspect while neglecting the activity aspect. The investment credit is mobilized in the account of the investor; hence, the intervention of the person in charge of the credit file to follow the repayment, as well as the sanction of any requests for financing related to the investment, in particular the financing of the operating cycle.

3. Agricultural and industrial investment according to the Algerian banking vision:

This part will be subdivided into two axes, namely the legal aspects related to agricultural and industrial investment, as well as the technical aspects associated with this function.

3.1. Investment support measures aimed at subsidizing the bank interest rate:

In what follows, we will deal with the subsidized interest rate on bank credits for the two segments: industry and agriculture.

3.1.1. Support measures for industrial investment credits:

We detail in what follows, the activities concerned by the measures subsidization as well as the rates and durations relating with those measures.

3.1.1.1. The activities concerned:

The Algerian legislator has detailed a list of industrial sectors, benefiting from a 3% subsidized interest rate applicable to bank credits, namely (Art. 75, loi de finances 2015):

- Steel and metallurgy;
- Hydraulic binders;
- Electrical and household appliances;
- Industrial chemistry ;
- Mechanics and automotive;
- Pharmaceuticals;
- Aeronautics;
- Shipbuilding and repair;
- Advanced technologies;
- Food industry ;

- Textiles and clothing, leather and derived products;
- Leather and derived products;
- Wood and furniture industry.

However, it should be noted that the investments made in the regions of the high plateaus and the south*, the mechanisms to help job creation (Art. 1^{er} du décret exécutif n°16-196 fixant le niveau, les conditions et les modalités d'octroi de la bonification du taux d'intérêt des crédits d'investissement, 2016). As well as activities relating to the agriculture and fishing sector (Art. 14 de la loi n° 18-13 portant loi de finances complémentaire, 2018), are governed by specific provisions.

3.1.1.2. Subsidized rate and duration:

The Algerian legislator has argued that the rate and duration of the subsidization are set at a maximum of 3%, the benefit of which is limited to five years (Art. 94, loi de finances 2016). While detailing that the duration of support for the subsidization, was set at 5 years for credits greater than 7 years and 3 years for credits equal to or less than 7 years. In addition, the subsidized interest rate for the remainder of eligible investments is set at 2% (Art. 5 du décret exécutif n°16-196 fixant le niveau, les conditions et les modalités d'octroi de la bonification du taux d'intérêt des crédits d'investissement, 2016).

By way of recap, the duration of the subsidized coverage is set at 5 years for credits greater than 7 years and 3 years for credits equal to or less than 7 years, and the rate of the subsidization varies between 2 % and 3% depending on the activity and the region where the investment is located.

3.1.1.3. Simulation on the industrial investment credit amortization table:

In this simulation, we will present the case of an investment in the

*Subsidized interest rate on credits granted by banks up to: 80% for investments made in specific areas and in the wilayas of the South and high plateaus (investments made in the various sectors of activity). In addition, 95% for investments made in specific areas and in the wilayas of the South and high plateaus (investments made in the sectors of agriculture, hydraulics and fishing). <http://www.andi.dz/index.php/fr/mesures-d-appui-a-l-entreprise> site consulted on 03/03/2021.

industrial chemicals sector, located in the north of the country, the technical characteristics of which are as follows:

- Credit amount: 80,000,000.00 DZD;
- Interest rate: 7%
- Subsidized rate: 3%;
- Duration: seven years including two years of deferral (the subsidized duration is three years including the deferral).

Table 1: Simulation on an amortization table of an industrial investment credit

Unit: DZD

Year	Period	Remaining	Principal	Interest	Quarterly
1	first trimester	80 000 000	0	800 000	800 000
	second trimester	80 000 000	0	800 000	800 000
	third trimester	80 000 000	0	800 000	800 000
	fourth trimester	80 000 000	0	800 000	800 000
2	first trimester	80 000 000	0	800 000	800 000
	second trimester	80 000 000	0	800 000	800 000
	third trimester	80 000 000	0	800 000	800 000
	fourth trimester	80 000 000	0	800 000	800 000
3	first trimester	80 000 000	4 000 000	800 000	4 800 000
	second trimester	76 000 000	4 000 000	760 000	4 760 000
	third trimester	72 000 000	4 000 000	720 000	4 720 000
	fourth trimester	68 000 000	4 000 000	680 000	4 680 000
4	first trimester	64 000 000	4 000 000	1 120 000	5 120 000
	second trimester	60 000 000	4 000 000	1 050 000	5 050 000
	third trimester	56 000 000	4 000 000	980 000	4 980 000
	fourth trimester	52 000 000	4 000 000	910 000	4 910 000
5	first trimester	48 000 000	4 000 000	840 000	4 840 000
	second trimester	44 000 000	4 000 000	770 000	4 770 000
	third trimester	40 000 000	4 000 000	700 000	4 700 000
	fourth trimester	36 000 000	4 000 000	630 000	4 630 000
6	first trimester	32 000 000	4 000 000	560 000	4 560 000
	second trimester	28 000 000	4 000 000	490 000	4 490 000
	third trimester	24 000 000	4 000 000	420 000	4 420 000
	fourth trimester	20 000 000	4 000 000	350 000	4 350 000
7	first trimester	16 000 000	4 000 000	280 000	4 280 000
	second trimester	12 000 000	4 000 000	210 000	4 210 000
	third trimester	8 000 000	4 000 000	140 000	4 140 000
	fourth trimester	4 000 000	4 000 000	70 000	4 070 000

Source: established by the researcher based on the preceding elements and an interview with a banking executive

This amortization table was designed based on the regulations governing the granting of investment credits, according to the constant

amortization method, the interest rates of which are not the same, namely 4% and 7 %, this in relation to the 3 years subsidization period since the overall repayment period is seven years.

According to the reading of these legal texts, we note that a large panoply of investment is concerned by the subsidization of the interest rate of the investment credits, that it is industrial or part of other sector of activity. This guides us to detail in what follows, the advantages linked to the agricultural sector within the framework of the ETTAHADI investment credit.

3.1.2. Support measures for agricultural investment credits:

We detail in what follows the agricultural actions concerned by the subsidization as well as the rates and durations relating thereto.

3.1.2.1. The agricultural actions concerned:

ETTAHADI credit is a subsidized investment credit and granted by the agriculture and rural development bank, within the framework of the creation of new agricultural and livestock operations, on unused agricultural land under private property and the private domain of the state. The Ministry of agriculture and rural development support interest. Whose actions eligible for ETTAHADI credit are (Ministry of Agriculture and Rural Development, 2021):

- Land development and protection preparation works;
- Agricultural Irrigation development operations;
- Acquisitions of factors and means of production;
- Realization of infrastructure, storage, transformation, packaging, recovery;
- Protection and development of animal and plant genetic heritage.
- Artisanal production.

3.1.2.2. Subsidized rate and duration :

ETTAHADI credit subsidies are calculated on the following bases (Ministry of Agriculture and Rural Development, 2021):

- If the credit repayment period is five years or less, the interest is supported by the Ministry;

- The beneficiary of the credit will have to pay 1% interest when the repayment is made between the sixth and the seventh year;
- The beneficiary of the credit will have to pay 3% interest when the repayment is made from the eighth and ninth year;
- If the project lasts more than ten years, the beneficiary will have to pay all the interest.

While also pointing out that this credit is linked to the terms of granting which materialize as follows (Agriculture and rural development bank, 2021):

- Personal contribution varies between 10% and 20%;
- Amount loaned between 1,000,000.00 DZD and 100,000,000.00 DZD;
- Repayment period between 3 and 15 years.

3.1.2.3. Simulation on the credit amortization table:

In this simulation, we will present the case of an investment in the agricultural sector, the technical characteristics of which are as follows:

- Credit amount: 80,000,000.00 DZD;
- Interest rate from the first year to the fifth year: 0%;
- Interest rate from the sixth year to the seventh year: 1%;
- Duration seven years including two years deferred.

Table 2: Simulation on an amortization table of ETTAHADI investment credit

Unit: DZD

Year	Period	Remaining	Principal	Interest	Quarterly
1	first trimester	80 000 000	0	0	0
	second trimester	80 000 000	0	0	0
	third trimester	80 000 000	0	0	0
	fourth trimester	80 000 000	0	0	0
2	first trimester	80 000 000	0	0	0
	second trimester	80 000 000	0	0	0
	third trimester	80 000 000	0	0	0
	fourth trimester	80 000 000	0	0	0
3	first trimester	80 000 000	4 000 000	0	4 000 000
	second trimester	76 000 000	4 000 000	0	4 000 000
	third trimester	72 000 000	4 000 000	0	4 000 000
	fourth trimester	68 000 000	4 000 000	0	4 000 000
4	first trimester	64 000 000	4 000 000	0	4 000 000
	second trimester	60 000 000	4 000 000	0	4 000 000

	third trimester	56 000 000	4 000 000	0	4 000 000
	fourth trimester	52 000 000	4 000 000	0	4 000 000
5	first trimester	48 000 000	4 000 000	0	4 000 000
	second trimester	44 000 000	4 000 000	0	4 000 000
	third trimester	40 000 000	4 000 000	0	4 000 000
	fourth trimester	36 000 000	4 000 000	0	4 000 000
6	first trimester	32 000 000	4 000 000	80 000	4 080 000
	second trimester	28 000 000	4 000 000	70 000	4 070 000
	third trimester	24 000 000	4 000 000	60 000	4 060 000
	fourth trimester	20 000 000	4 000 000	50 000	4 050 000
7	first trimester	16 000 000	4 000 000	40 000	4 040 000
	second trimester	12 000 000	4 000 000	30 000	4 030 000
	third trimester	8 000 000	4 000 000	20 000	4 020 000
	fourth trimester	4 000 000	4 000 000	10 000	4 010 000

Source: established by the researcher based on the preceding elements and an interview with a banking executive

Reading this table, allows us to see that the interest received on an agricultural investment credit is lower than that linked to an industrial investment credit, this is explained by the support advantages granted to the agricultural sector in Algeria, aimed at promoting this segment. However, it is wise to point out that the amortization tables put forward on this paper are subject to a tax exemption. As a hypothesis.

3.2. Technical differentiation between industrial and agricultural investments:

The comparison between the industrial and agricultural sectors is not obvious, given the independence of the technical specificities of each segment, but at the same time, it is possible to determine several points of structural differentiation between these two investments, materialized by the reflexes developed by bankers and financial consultants during the assembly and analysis of these files.

Based on various interviews with banking executives and financial consultants, we can draw the following table, which summarizes the main points of differentiation between agricultural and industrial investments.

Table 3: Technical differentiation between industrial and agricultural investments

	Agricultural investment	Industrial investment
Turnover	Calculated on the basis of knowledge of the field	Calculated on the basis of a technical data sheet of the equipment, proposed by the supplier
Subsidization	Texts in force governing the agricultural sector	Texts in force governing the industrial sector
Accounting principle	Special accounting	Accounting and financial system
Guarantees	Agricultural capital assets cannot always be pledged	An industrial asset can be pledged
Amortization table	Multi-level interest rate	Two-tier interest rate
Entry into production	The entry into production can go up to 5 years for arboriculture productions such as date palms and olive trees	Entry into production after a maximum of two years after receipt of the equipments

Source: Various interviews with banking executives and financial consultants

Reading this table requires the explanation of the details referred to below:

3.2.1. Determination of turnover:

The determination of turnover in the agricultural sector is based mainly on the experience acquired in the field, because each agricultural crop has different characteristics whether for arboriculture, gardening or cereal cultivation. In this sense, the exclusive investment in arboriculture is risky from a project profitability point of view, since the project cannot drain cash flows until the fourth or fifth year of the establishment of the project. So this branch must be accompanied by a cereal crop for example, which generates cash flows in the first year of investment (Interview with a financial consultant).

On the other hand, in industrial investment, the determination of turnover is more framed, the basis of its calculation of which is the technical sheet of industrial equipment provided by the manufacturer of the production lines.

3.2.2. Guarantees required:

In the industrial sector, the guarantees required are subdivided into three parts namely: real guarantees such as mortgage and pledge. Personal guarantees such as sureties and financial guarantees such as insurance and cover from specialized guarantee funds.

In agriculture, the concept is almost the same, except that animal or plant wealth cannot be pledged, which weighs a large part of the liability on damage insurance companies, to cover losses in the event of the occurrence of physical claim (Interview with a banking executive).

3.2.3. The accounting principle:

The accounting standards governing industrial investment in Algeria are those of the accounting and financial system, and the processing of the production line can take several dimensions, such as the calculation of accounting depreciation, financial depreciation and determination of the margin from expenses and turnover. Another time we note that the parameters of this section are framed and classic.

In return, in the agricultural sector, we have a sectorial or special accounting and financial system, since the processing base is not identical to industry, which requires a good knowledge of the details of agriculture in order to be able to translate its events in accounting entries.

4. CONCLUSION:

From the elements broken down on this paper, we prove to conclude that the reflexes of a banker or a financial consultant are the same from a financial point of view. When setting up or processing a credit file whether for an agricultural or industrial investment, but the points of divergence that may arise are exogenous and endogenous in relation to the nature of the activity of each sector, as well as the promulgations of the legal texts in force. Because the formula for

calculating the net present value, for example, is the same for all types of projects, but it is the methods for determining cash flows, the basis for calculating the net present value, which are different.

From another angle of analysis, the investor in Algeria is in a situation of arbitration between an agricultural or industrial sector, in particular for the agri-food industry, a hybrid niche between the two sectors. In this case, the arbitration criterion will be the amount of credit, since in Algeria the maximum amount of credit is one hundred million DZD, for an agricultural subsidy, beyond this limit bank financing will be available in classic investment credit.

The link between agriculture and industry is the agri-food industry. This paper opens the door of research to a reflection to create a special status for this strategic sector, in terms of subsidized interest on investment credits in Algeria. This in relation in particular to the size of the related financial envelopes.

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