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## MASTER'S THESIS

Submitted in partial fulfillment of the requirements for the academic degree of  
**Master in Financial Management for Enterprises**

**Startup Financing in Algeria: A Mixed-Methods Study on  
Internal Preferences, Institutional Support, and Alternative  
Funding Awareness**

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## **ABSTRACT**

This study explores how Algerian startups make financing decisions through a dual-perspective mixed-methods approach. The quantitative component is based on a structured survey administered to 67 startup founders and executives, examining their funding preferences, challenges, and perceptions of institutional and alternative sources. The qualitative component consists of 8 semi-structured interviews with staff at the Algerian Startup Fund (ASF), offering internal insights into funding processes and support mechanisms. Results reveal a strong reliance on internal and informal financing, limited access to bank credit, and growing interest in alternatives such as crowdfunding, Islamic finance, and revenue-based models. ASF plays a crucial role in addressing funding gaps, although procedural and communication barriers remain. Key recommendations include simplifying ASF procedures, improving communication strategies, and increasing awareness and accessibility of alternative financing mechanisms. This study combines theory and field data to provide practical guidance for enhancing access to diverse and inclusive financing solutions in Algeria.

**Keywords:** Startup financing, Algerian Startup Fund, alternative funding awareness, institutional support

## **RÉSUMÉ**

Cette étude examine les décisions de financement des startups algériennes à travers une approche mixte à double perspective. La partie quantitative repose sur un questionnaire structuré administré à 67 fondateurs et dirigeants de startups, analysant leurs préférences, contraintes et perceptions des sources de financement institutionnelles et alternatives. La partie qualitative s'appuie sur 8 entretiens semi-directifs menés avec des membres du personnel du Fonds Algérien des Startups (ASF), fournissant une vision interne des processus et mécanismes de soutien. Les résultats révèlent une forte dépendance aux ressources internes et informelles, un accès limité au crédit bancaire, et un intérêt croissant pour des alternatives telles que le financement participatif, la finance islamique et les modèles fondés sur les revenus. L'ASF joue un rôle essentiel pour combler les lacunes de financement, bien que des obstacles procéduraux et de communication subsistent. Les recommandations principales incluent la simplification des procédures de l'ASF, l'amélioration des stratégies de communication, et la sensibilisation accrue aux mécanismes de

financement alternatif. Cette étude combine théorie et données de terrain pour proposer des solutions concrètes visant à améliorer l'accès au financement des startups en Algérie.

**Mots-clés :** Financement des startups, Fonds Algérien des Startups, Sensibilisation de financement alternatif, soutien institutionnel.

## ملخص

تتناول هذه الدراسة قرارات التمويل لدى الشركات الناشئة في الجزائر من خلال منهجية مزدوجة تجمع بين المقاربة الكمية والنوعية. يشمل الجانب الكمي استبياناً منظماً وُزِعَ على ٦٧ مؤسساً ومديرًا لشركات ناشئة لتحليل تفضيلاتهم التمويلية، التحديات التي يواجهونها، وتقييمهم لآليات الدعم المؤسسي والتمويل البديل. أما الجانب النوعي، فيعتمد على 8 مقابلات شبه مهيكلة مع ، لتقديم رؤية داخلية حول إجراءات التمويل وآليات الدعم. (ASF) موظفين في الصندوق الجزائري لتمويل المؤسسات الناشئة ، تكشف النتائج عن اعتماد كبير على الموارد الذاتية وغير الرسمية، وصعوبة في الوصول إلى القروض البنكية، إلى جانب تزايد الاهتمام ببدائل مثل التمويل الجماعي، التمويل الإسلامي، ونماذج التمويل القائم على الإيرادات. يلعب الصندوق دوراً رئيسياً في سد فجوات التمويل، رغم التحديات الإجرائية ومشكلات التواصل. وتشمل التوصيات الرئيسية تبسيط الإجراءات، تحسين استراتيجيات التواصل، وزيادة الوعي بآليات التمويل البديل. تجمع هذه الدراسة بين الإطار النظري والمعطيات الميدانية لتقديم حلول عملية تهدف إلى تحسين سبل تمويل الشركات الناشئة في الجزائر.

**الكلمات المفتاحية:** تمويل الشركات الناشئة، الصندوق الجزائري لتمويل المؤسسات الناشئة، الوعي بالتمويل البديل، الدعم المؤسسي.

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## List of Abbreviations and Acronyms

1. **ASF:** Algerian Startup Fund
2. **ANADE:** National Agency for Support and Development of Entrepreneurship
3. **BHCs:** Bank Holding Companies
4. **BDL:** Banque de Développement Local
5. **BNA:** Banque Nationale d'Algérie
6. **CPA:** Crédit Populaire d'Algérie
7. **CNEP:** Caisse Nationale d'Épargne et de Prévoyance
8. **COSOB:** Commission for the Organization and Supervision of Stock Exchange Operations
9. **ENSM:** National Higher School of Management
10. **FINANCE:** Finance Department (ASF)
11. **ICOs:** Initial Coin Offerings
12. **KMO:** Kaiser-Meyer-Olkin Test
13. **KPIs:** Key Performance Indicators
14. **MENA:** Middle East and North Africa
15. **MVP:** Minimum Viable Product
16. **NIF:** Numéro d'Identification Fiscale (Tax Identification Number)
17. **NIS:** Numéro d'Identification Statistique (Statistical Identification Number)
18. **OECD:** Organisation for Economic Co-operation and Development
19. **P2P:** Peer-to-Peer
20. **PCA:** Principal Component Analysis
21. **POT:** Pecking Order Theory
22. **RC:** Registre de Commerce (Commercial Register)
23. **RBF:** Revenue-Based Financing
24. **SPSS:** Statistical Package for the Social Sciences
25. **STOs:** Security Token Offerings
26. **TOT:** Trade-Off Theory
27. **VC:** Venture Capital

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# **INTRODUCTION**

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## Introduction

In the evolving landscape of global entrepreneurship, startups have emerged as powerful engines of innovation, economic growth, and employment creation. Their agility and capacity for experimentation allow them to challenge existing market structures and pioneer new solutions. However, their success is largely contingent upon their ability to secure adequate financial resources a challenge that is particularly acute in emerging economies like Algeria. In this context, where institutional frameworks are still maturing, financing a startup remains one of the most significant hurdles for entrepreneurs.

Algerian startups face multiple structural and financial challenges that impede their access to traditional funding. Recent studies confirm the dominance of internal and informal financing mechanisms in the Algerian entrepreneurial ecosystem. According to (Benlefki, Bouchetara, Saba, & Gahlam, 2024), over 66% of Algerian startups rely primarily on personal or family savings, underscoring the marginal role of institutional credit and venture capital. The rigidity of bank financing attributed to high collateral requirements, a lack of tailored financial products, and low risk tolerance further exacerbates this issue (Franquesa & Vera, 2021). Consequently, startups are often compelled to rely on self-financing strategies that may limit their scalability and long-term sustainability.

Alternative financing mechanisms have been suggested as a way to mitigate these limitations. Crowdfunding, Islamic finance, peer-to-peer lending, and token-based models offer promising alternatives that bypass traditional gatekeeping institutions. However, their integration into the Algerian ecosystem remains nascent. Regulatory ambiguity, limited investor education, and digital infrastructure constraints continue to hinder widespread adoption. (Cao, 2024) emphasizes that while these mechanisms have transformed entrepreneurial finance globally, their relevance in underdeveloped markets like Algeria requires deeper institutional alignment and cultural adaptation.

At the institutional level, the Algerian Startup Fund (ASF) represents a state-led initiative designed to address funding gaps in the startup sector. Established in 2020, ASF seeks to provide equity-based financing to innovative ventures without requiring traditional guarantees. Yet, awareness of

its mechanisms remains limited among entrepreneurs, and procedural complexity has created perception gaps between institutional offerings and startup needs (Morsli, Bouchetara, & Belali, 2023). This disconnect suggests a misalignment not only in operational terms but also in the communication and outreach strategies of public institutions.

Despite the creation of dedicated frameworks such as the Algerian Startup Act and labeling mechanisms, a comprehensive understanding of how startups navigate financing decisions remains elusive. Existing literature often addresses either the macroeconomic policy environment or specific financing models without fully integrating the perspectives of both startups and institutional actors. This thesis seeks to bridge that gap by offering a dual-perspective analysis rooted in empirical data and theoretical grounding.

The motivation for this research stems from a practical and personal observation. As a co-founder and financial manager of a labeled Algerian startup, I have directly experienced the complexities and limitations that characterize the national financing landscape. Our journey to access funding brought to light several institutional inefficiencies and raised critical questions about the alignment between startup needs and public support mechanisms. These real-world experiences not only shaped the core research problem but also highlighted the importance of exploring the internal functioning of financing institutions especially ASF and their resonance with entrepreneurial realities in Algeria.

The main objective of this study is to analyze the financing behavior of Algerian startups, with a focus on their preferences, constraints, and decision-making processes in relation to institutional support and alternative financing mechanisms. To achieve this, the research investigates three key areas: the internal funding strategies adopted by startups; their perception and utilization of the Algerian Startup Fund (ASF); and their awareness and openness toward non-traditional financing models such as crowdfunding and revenue-based financing.

This research is guided by a central question:

**How do Algerian startups make financing decisions in relation to institutional support and alternative funding mechanisms?**

To answer this, the following sub-questions were developed:

1. What are the internal funding preferences and constraints of Algerian startups?
2. How do startup founders perceive the effectiveness of institutional support, especially from ASF?
3. What is the level of awareness and perceived relevance of alternative financing models?

From these questions emerge three core hypotheses:

- **H1:** Algerian startups tend to rely heavily on internal and informal financing, especially during the early stages of their development.
- **H2:** Startup founders' perceptions of institutional support mechanisms, especially those provided by ASF, significantly influence their financing decisions.
- **H3:** Algerian startups exhibit low levels of awareness and trust in alternative financing mechanisms, despite their increasing availability.

These hypotheses were not formulated arbitrarily but were inspired by findings in the academic literature. For instance, the first hypothesis reflects observations made by (Benlefki, Bouchetara, Saba, & Gahlam, 2024), who highlight the overwhelming reliance on personal and family funds in the Algerian startup landscape. The second hypothesis was informed by (Morsli, Bouchetara, & Belali, 2023), who emphasize that institutional efforts such as those of ASF are often hindered by perception gaps and operational opacity. Lastly, the third hypothesis draws from the work of (Khodheir & Ouguene, 2021), who documented the limited diffusion and weak institutional promotion of crowdfunding and other non-traditional models. Together, these sources provided the analytical and empirical grounding for formulating the study's hypotheses.

To address these hypotheses, this research adopts a complementary mixed-methods approach. The quantitative component consists of a structured questionnaire targeting not only startup founders but also experts in the field of entrepreneurship, in order to collect a broader and more comprehensive perspective on financing preferences, perceived constraints, and familiarity with

institutional and alternative mechanisms. The qualitative component is based on semi-structured interviews with ASF personnel, providing an insider view of institutional processes, challenges, and vision. These two approaches were selected to ensure both breadth and depth in data collection, offering triangulated insights into the startup financing landscape.

This study is grounded in established theoretical models, particularly the Pecking Order Theory (POT) and the Trade-Off Theory (TOT). POT posits a financing hierarchy based on preference for internal funds, followed by debt, and finally equity largely driven by information asymmetries (Myers & Majluf, 1984). TOT, on the other hand, emphasizes a firm's attempt to balance the tax benefits of debt with bankruptcy costs, aiming for an optimal capital structure. Both theories provide useful lenses to interpret empirical observations in the Algerian context, especially when contrasted with the lived experiences of startup founders and institutional practices.

The structure of the thesis reflects the logic and coherence required to explore these themes:

- **Chapter 1** presents the theoretical framework, offering a critical review of traditional and alternative financing mechanisms, startup-specific financial challenges, and applicable financial theories.
- **Chapter 2** details the methodological design, epistemological positioning, and tools used in data collection, alongside an overview of ASF's internal structure and role.
- **Chapter 3** presents and analyzes the empirical results, integrating both quantitative and qualitative findings, and concluding with a triangulated discussion.

Through this structure, the thesis aims to contribute to the literature on startup financing in emerging markets by offering actionable insights for both policymakers and entrepreneurs. It underscores the need for institutional reform, targeted financial education, and greater integration of alternative models to build a more inclusive entrepreneurial ecosystem in Algeria.

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# **Chapter 1**

## **Theoretical Framework of the Research**

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This chapter lays the theoretical foundation for analyzing startup financing practices, with a specific focus on the Algerian context. It critically reviews both traditional and alternative financing mechanisms and integrates them within established theoretical models, aiming to clarify the determinants of financial decision-making in environments marked by institutional transitions.

The first section presents the theoretical and conceptual framework. It examines conventional financing instruments, emerging digital alternatives, and the theoretical approaches that inform startup behavior. The Algerian financing ecosystem is then situated within this broader literature, leading to the identification of key research gaps.

The second section defines the concept of a startup and explores its defining characteristics and development stages. It then outlines the financial constraints commonly faced by startups, including limited access to formal funding, dependence on informal sources, and sensitivity to external market dynamics.

The third section links the available financing strategies to relevant theoretical models. It assesses the applicability of traditional and alternative financing solutions and discusses decision-making behavior through the lenses of the Pecking Order and Trade-Off theories, offering a conceptual basis for the subsequent empirical analysis.

## **Section 01: Theoretical Framework and Research Gap Identification**

The financing of startups has become a central theme in entrepreneurial research, particularly in the context of emerging markets. As young ventures often lack collateral, credit history, or consistent cash flows, traditional financial institutions are typically reluctant to fund them. This literature review explores contemporary financing models for startups, with an emphasis on alternative and digital mechanisms. The objective is to synthesize existing knowledge, identify theoretical foundations, and highlight research gaps, particularly within the Algerian context.

In recent years, innovative financial mechanisms such as crowdfunding, peer-to-peer lending, and token-based models have transformed entrepreneurial finance by offering more accessible funding options. While these alternatives are widely studied in developed economies, their implementation in emerging markets, especially in Algeria, remains underexplored. Additionally, traditional

financing mechanisms, such as bank loans and venture capital, continue to pose accessibility challenges, prompting the need for hybrid and context-specific approaches.

This review therefore investigates the evolution of startup financing, assesses the strengths and limitations of each model, and identifies critical gaps where future research is required. Furthermore, it incorporates relevant financial theories such as the Pecking Order Theory and the Trade-Off Theory to evaluate how startups choose between available options.

## **1.1 Traditional Financing Methods for Startups**

Traditional financing methods have long served as the primary source of capital for startups, especially in their early development stages. These include personal financing, bank loans, and debt-based instruments, which are typically rooted in institutional frameworks. While these models offer a structured means of accessing funds, their effectiveness for startups remains a subject of debate in the academic literature due to barriers such as risk perception, credit constraints, and informational asymmetries.

Personal and family-based financing, often referred to as bootstrapping or love money, is frequently the first resort for entrepreneurs. While this method allows founders to retain full control over their venture, it exposes them to significant personal financial risk and limits the scalability of the business. In many cases, such funding is used during the ideation and product development phases before formal channels are pursued (Cole & Sokolyk, 2018).

Bank financing, although historically central to small business development, presents notable challenges for startups. Due to their limited credit history, lack of collateral, and uncertain cash flows, startups are often deemed too risky by conventional lenders. The study by (Cole & Sokolyk, 2018) highlights a key distinction between business debt financing secured in the name of the firm and personal debt, which is taken on by the entrepreneur individually. Their findings show that startups using business debt tend to achieve better survival rates and higher revenues compared to those relying on personal debt. This underscores the importance of institutional trust and formal financial partnerships in supporting long-term growth.

However, the structure of lending institutions also plays a decisive role in determining access to credit. According to (Franquesa & Vera, 2021), financial institutions that are part of Bank Holding Companies (BHCs) are less likely to provide relationship-based lending. These lenders rely on standardized, transaction-based assessments, which are ill-suited to startups that often lack quantifiable financial indicators. In contrast, independent banks, which rely more on soft information and relational interactions, tend to serve startups more effectively. The authors argue that the structural complexity of BHCs diminishes their capacity to accommodate the unique informational needs of early-stage businesses.

A broader view of the literature reveals similar concerns. (Purnima, Satish, Meena, & Weng, 2021) emphasizes that despite the global importance of traditional financing, most empirical studies focus on developed economies, particularly in Europe and North America. The review notes that while bank loans and trade credit remain dominant, newer themes such as financial technology and social capital are gaining traction. Nevertheless, the heavy reliance on institutional data and conventional credit scoring methods continues to exclude a significant portion of startup activity from formal financing.

In theoretical terms, these financing patterns are explained by frameworks such as credit rationing theory, which posits that lenders avoid extending credit to high-risk borrowers despite potentially viable business plans. (Miglo, 2022) study integrates theories like signaling and financial flexibility into the entrepreneurial finance discourse. It argues that entrepreneurs may seek to signal confidence in their business by using internal resources or retaining high ownership stakes, thus avoiding external debt until later stages. In addition, startups tend to value flexibility more than large firms, avoiding fixed obligations to maintain agility and responsiveness to changing market conditions.

The review also critiques the limited relevance of classical theories such as the Pecking Order Theory and the Trade-Off Theory in startup contexts. Unlike established firms, startups often prioritize access and survival over cost optimization. Therefore, their financing behavior is influenced less by tax shields or information hierarchies and more by availability, timing, and control considerations (Miglo, 2022).

Finally, (Mustapha & Tlaty, 2018) frames startup financing as a distinct field from corporate finance, emphasizing the acute presence of information asymmetry and agency problems. The role of business angels and other informal investors becomes critical in bridging this gap during early development phases, offering not just capital but also expertise and mentoring. However, these resources are not always accessible, making traditional financing both foundational and insufficient on its own.

In summary, traditional financing methods offer essential support to startups but are fraught with limitations that reflect structural, institutional, and theoretical challenges. Their applicability depends heavily on the nature of the startup, the financial system's responsiveness, and the quality of information exchange between borrower and lender. These constraints have paved the way for the rise of alternative financing models, which are explored in the following section.

## **1.2 Alternative and Digital Financing Models**

In recent years, alternative financing mechanisms have increasingly gained attention as viable options for startups facing the limitations of traditional funding. These mechanisms ranging from crowdfunding to peer-to-peer lending and token-based financing have emerged in response to the rigidities and inaccessibility of conventional financial institutions.

Crowdfunding and peer-to-peer (P2P) lending platforms represent a shift in startup funding by removing intermediary gatekeepers and allowing direct interaction with small-scale investors. Empirical research underscores that these models not only expand access to early-stage capital but also offer additional benefits such as market validation and brand awareness. For instance, one study reported a 36% success rate for startup campaigns on Kickstarter, indicating that crowdfunding can serve both financial and marketing functions (Celestin & Vanitha, 2018). However, while crowdfunding promotes democratized access to capital, it remains subject to variability in campaign success and investor trust.

Further, peer-to-peer lending has grown significantly as a response to the credit rationing observed in traditional banking systems. Its appeal lies in offering debt-based financing with relatively fewer formal requirements. However, as noted by (Cole & Sokolyk, 2018), the lack of standardized risk

assessment in these platforms can expose startups to higher interest rates or unpredictable conditions.

The digitalization of financial channels has also reshaped the entrepreneurial finance landscape. Innovative digital technologies such as artificial intelligence and blockchain have enabled new models, including token issuance via Initial Coin Offerings (ICOs), which offer early liquidity and global reach (Cao, 2024). Tokens, in particular, provide entrepreneurs with higher potential returns and earlier investor exits, although this comes at the cost of regulatory uncertainty and volatility in valuation.

Multiple studies have emphasized the lifecycle-dependence of financing choices, suggesting that startups gravitate toward crowdfunding and P2P lending in early stages while preferring venture capital or equity financing in later phases (Bertoni, Bonini, Capizzi, Colombo, & Manigart, 2022); (Klein, Neitzert, Hartmann-Wendels, & Kraus, 2019). These findings reinforce the relevance of the Pecking Order Theory and Trade-Off Theory in explaining financing behavior, especially in technology-driven ecosystems.

While promising, the application of alternative financing in emerging economies remains limited. Regulatory frameworks, investor education, and digital infrastructure gaps pose significant constraints, particularly in countries like Algeria where investor confidence in non-traditional financing channels is still nascent.

### **1.3 Theoretical and Conceptual Framework**

Understanding the financing behavior of startups requires engagement with foundational financial theories. The Pecking Order Theory, originally developed by (Myers & Majluf, 1984), posits that firms prioritize internal financing, followed by debt, and finally external equity due to concerns about information asymmetry and control dilution. This theory has been widely applied in the context of entrepreneurial firms, especially in environments characterized by limited external financing options (Miglo, 2022).

However, the applicability of this model to startups in emerging markets like Algeria is contested. Startups often lack the retained earnings required to initiate self-financing, and debt options are

constrained due to high risk perception and lack of collateral. As a result, the traditional pecking order may not fully reflect the behavior of startups operating in underdeveloped financial ecosystems.

The Trade-Off Theory offers a complementary lens, suggesting that firms balance the tax benefits of debt against bankruptcy risks. Yet, this theory also falls short in capturing the realities of startups, especially in the early stages when profitability is uncertain and debt capacity is low. Studies have argued that the trade-off calculus for startups may favor external equity or alternative financing over debt, contradicting classical assumptions (Bertoni, Bonini, Capizzi, Colombo, & Manigart, 2022).

Another critical framework is Institutional Theory, which helps explain how structural factors such as government policy, investor regulation, and market norms shape the financing environment for startups. In this regard, public-private partnerships and regulatory alignment are seen as enablers of venture development, especially in countries where the state plays a dominant role in market formation (Bai, Bernstein, Dev, & Lerner, 2021).

Notably, (Olsen, 2019) comparative analysis of startup valuation frameworks adds nuance to these theories by emphasizing the role of human capital, previous funding rounds, and industry experience as key valuation drivers. His findings advocate for a flexible, context-sensitive approach to understanding startup financing, one that considers lifecycle stage and investor expectations.

Taken together, these theoretical models reveal the multifaceted nature of financing decisions and the necessity of contextual adaptation when applying them to Algeria.

## **1.4 Startup Financing in Algeria**

The financing ecosystem for startups in Algeria remains fragmented and underdeveloped, characterized by a heavy reliance on informal channels and limited penetration of venture capital. A recent quantitative study of 129 labeled startups reveals that over 66% relied primarily on personal savings or contributions from family and friends, highlighting the dominance of self-

financing due to the inaccessibility of institutional funding (Benlefki, Bouchetara, Saba, & Gahlam, 2024).

Access to traditional bank credit is virtually nonexistent for most Algerian startups, with only one firm in the sample reporting successful acquisition of a bank loan. This aligns with international findings on the rigidity of bank financing for early-stage enterprises, particularly in economies with high administrative burdens and credit risk aversion (Franquesa & Vera, 2021).

Venture capital, while theoretically promising, remains limited in scope. Approximately 17% of startups received VC funding, largely through the Algerian Startup Fund (ASF). Although ASF was established to address funding gaps, the limited awareness of its mechanisms and its highly formalized procedures have hindered its full potential. Even incubators and support structures, which are often expected to play a pivotal role in startup financing, have had negligible impact on funding outcomes (Benlefki, Bouchetara, Saba, & Gahlam, 2024).

Comparative studies with other MENA countries illustrate the missed opportunities. In Saudi Arabia, for instance, strong government-backed VC programs have catalyzed significant startup growth, reaching \$446 million in investments in just the first half of 2023. Algeria, by contrast, remains constrained by regulatory opacity, the absence of an exit market, and a nascent culture of risk capital (Boudjelal & Gouigah, 2024).

Nonetheless, recent policy innovations such as the “Startup Support Fund” and the ASF mark steps toward building a more inclusive financial landscape. The ASF’s equity-based model offering up to 20 million dinars without requiring guarantees represents a novel approach adapted to Algeria’s economic realities. Yet, the success of these initiatives depends on regulatory clarity, investor mobilization, and robust post-investment support (Boudjelal & Gouigah, 2024).

## **1.5 Critical Synthesis and Research Gaps**

The existing body of literature reveals considerable advances in understanding startup financing across diverse ecosystems. However, a closer examination of the studies discussed in this review exposes several persistent limitations particularly when applied to emerging economies such as Algeria.

First, while traditional financial theories emphasize a firm's progression from internal to external sources of capital, empirical observations in developing contexts challenge this trajectory. The dominance of personal and informal financing channels among Algerian startups often cited as a consequence of banking rigidity and investor aversion to risk (Benlefki, Bouchetara, Saba, & Gahlam, 2024); (Cole & Sokolyk, 2018) points to the enduring preference for endogenous funding mechanisms, particularly in early-stage ventures. This tendency remains insufficiently theorized and underexplored in relation to local market structures and entrepreneurial culture.

Moreover, although institutional actors such as the Algerian Startup Fund (ASF) and incubator networks have been introduced to mitigate funding challenges, their effectiveness remains ambiguous. While some studies acknowledge their potential to enhance startup performance (Morsli, Bouchetara, & Belali, 2023), others underline a disconnect between the presence of institutional support and its perceived accessibility or usefulness (Benlefki, Bouchetara, Saba, & Gahlam, 2024). This discrepancy highlights the need to investigate not only the structural presence of these mechanisms but also the way they are perceived and utilized by entrepreneurs.

In parallel, the rapid global development of alternative financing channels particularly those based on digital platforms such as crowdfunding, peer-to-peer lending, and tokenization has introduced new possibilities for startup finance. Yet, these tools remain marginal in the Algerian landscape. Research suggests this marginality may stem from limited awareness, investor skepticism, or regulatory uncertainty (Cao, 2024); (Klein, Neitzert, Hartmann-Wendels, & Kraus, 2019). Despite their potential, these models have not achieved significant penetration into the Algerian entrepreneurial ecosystem, suggesting a significant gap between innovation in financial instruments and their institutional and cultural readiness for adoption.

In light of these gaps, there is a compelling need for research that explores how financing decisions are made in environments characterized by resource constraints, institutional ambiguity, and evolving financial technologies. Most of the existing literature either focuses on macro-level policy recommendations or offers fragmented empirical data without integrating the founders' perceptions and lived realities into the analysis.

This gap underscores the relevance of adopting a mixed complementary methodological approach one that integrates quantitative data on financing patterns with qualitative insights into entrepreneur-institution dynamics. Such a strategy allows for a holistic understanding of both the structural and behavioral dimensions of startup financing in Algeria. This approach also responds to calls in the literature for more context-sensitive studies that bridge theory with practice in under-researched economies.

## **Section 2. Startups and Their Financial Constraints**

Startups have emerged as pivotal actors in modern economies, driving technological advancement, generating employment, and promoting innovative solutions to existing challenges. As key engines of economic growth and competitiveness, startups embody agility, experimentation, and risk-taking. However, these ventures frequently encounter significant financial hurdles, particularly in their early stages, due to their inherent uncertainty, lack of collateral, and limited financial history.

This section delves into the foundational concepts surrounding startups and their financing needs. First, it defines what constitutes a startup and explores their unique characteristics and development stages. Then, it examines the principal financial challenges startups face, which often determine the course of their development and survival. Finally, it explores the theoretical models that guide financing decisions, helping to understand how entrepreneurs choose among various funding sources such as personal funds, traditional bank loans, or alternative mechanisms like crowdfunding and venture capital.

By addressing these dimensions, this section provides a solid theoretical framework to support the empirical investigation into startup financing practices in Algeria, particularly in relation to institutional mechanisms such as the Algerian Startup Fund (ASF).

### **2.1 Defining the Concept of a Startup**

The term "startup" has become a ubiquitous label in the contemporary entrepreneurial ecosystem, yet its precise definition remains fluid and context-dependent. While startups are often associated with innovation, rapid growth, and technological orientation, the academic and institutional literature offers multiple interpretations based on the context in which the term is applied.

From a global perspective, the Organisation for Economic Co-operation and Development ([Organisation for Economic Co-operation and Development \(OECD\), 2019](#)) broadly defines a startup as a young company, typically less than five years old, that is in the process of developing a scalable and innovative business model. These firms are characterized not only by their novelty but also by their potential for high-impact disruption in existing markets.

In the Algerian context, the definition of a startup has been formalized through ([People's Democratic Republic of Algeria , 2020](#) ), which is further elaborated in what is commonly referred to as the Algerian Startup Act. According to this framework, a startup is defined as a company governed by Algerian law that is less than eight years old, relies on a business model based on innovative products, services, or concepts, and demonstrates strong growth potential. Additional criteria include a maximum annual turnover threshold set by the National Labeling Committee, a minimum of 50% ownership by individuals, approved investment funds, or other labeled startups, and a workforce not exceeding 250 employees. The National Labeling Committee is responsible for awarding the official “Startup” label, which serves as a prerequisite for accessing specific public and private support mechanisms, including financing from the Algerian Startup Fund (ASF).

Moreover, academic literature has contributed various nuanced understandings of startups. For instance , ([Kollmann, Stöckmann, Hensellek, & Kensbock, 2016](#) ) describe startups as new ventures that operate under extreme uncertainty and aim for innovation-driven market entry. These firms usually engage in lean experimentation, making data-driven decisions to pivot or persevere based on real-time feedback. Similarly, ([Spigel & Harrison, 2018](#)) highlight the importance of entrepreneurial ecosystems in shaping the nature and success trajectory of startups, suggesting that the local context can significantly influence their definition and strategic orientation.

A startup’s fundamental distinction lies in its intentional pursuit of innovation and scalability, as opposed to simply operating a small business. As noted by ([Giones, et al., 2020](#)), the startup journey often begins with an idea or prototype and is marked by continuous validation, iteration, and resource acquisition, often under significant financial and operational constraints. Therefore, for the purposes of this thesis, we define a startup as: A young, innovation-driven, and scalable enterprise operating under conditions of high uncertainty, actively seeking to develop and validate

a sustainable business model frequently within technology-driven sectors and often supported by institutional frameworks such as the Algerian Startup Act.

This definition encapsulates both international academic perspectives and the specific legal-institutional context of Algeria, providing a coherent foundation for analyzing the financing mechanisms and strategic choices of such ventures.

## 2.2 Characteristics and Development Stages of Startups

### 2.2.1 Characteristics of Startups

Startups are dynamic entities distinguished by their pursuit of innovative solutions, scalability, and rapid growth potential. They often operate under conditions of significant uncertainty, necessitating adaptability and resilience. Key characteristics include a strong emphasis on innovation, a scalable business model, and a focus on addressing unmet market needs (Nurcahyo, Akbar, & Gabriel, 2018)

To deepen the understanding of these defining traits, it is essential to examine the specific dimensions through which startups express their unique operational behavior. These dimensions include organizational structure, ownership and control, strategic orientation, and financial resources. As shown in Table 1, each of these areas reveals patterns that differentiate startups from more mature firms, especially during their formative stages. The table presents a paraphrased synthesis adapted from (Nurcahyo, Akbar, & Gabriel, 2018), who reviewed a wide range of literature to identify consistent features that characterize early-stage ventures.

**Table 1:** Key Operational Characteristics of Startups

Dimension	Characteristics
<b>Organization</b>	Small-scale operations, informal structures, limited differentiation, and a homogenous internal environment.
<b>Ownership</b>	Centralized ownership with the founder or owner-manager playing a dominant role in decision-making, often relying on intuitive judgments and direct supervision.

<b>Strategy &amp; Innovation</b>	Emphasis on niche market strategies, a preference for risk-taking over security, rapid innovation cycles, and positioning as first or second movers in the market.
<b>Financial</b>	Initial funding primarily sourced from personal savings or close family members, often lacking structured financial planning and product R&D investment.

Adapted from (Nurcahyo, Akbar, & Gabriel, 2018)

These characteristics are not only foundational to understanding startup behavior but also influence their decision-making processes, strategic positioning, and ability to secure external financing. Recognizing the structural informality, centralized decision-making, and reliance on personal financial resources helps in contextualizing the challenges startups face, particularly in environments where institutional support is still developing. Furthermore, these traits underline the need for adaptive management practices and flexible growth strategies tailored to the volatile nature of early-stage entrepreneurial ventures. A comprehensive understanding of these dimensions is therefore essential for both researchers and policymakers seeking to foster a supportive startup ecosystem.

**2.2.2 Development Stages of Startups**

The development of startups typically progresses through distinct stages, each presenting unique challenges and opportunities. (Kumbhat & Sushil , 2018 )propose a multi-dimensional model outlining four primary stages: Discovery, Validation, Refinement, and Growth.

- **Discovery Stage:** This initial phase involves identifying a market problem and conceptualizing a solution. Startups focus on defining their value proposition and developing a minimum viable product (MVP). The team is usually small, and formal organizational structures are minimal.
- **Validation Stage:** In this phase, startups test their MVP with early adopters to assess product-market fit. Feedback is used to refine the product, and initial revenue streams may begin to develop. The organizational structure starts to formalize, and initial funding is often sought.

- **Refinement Stage:** Startups focus on optimizing their business model and scaling operations. Processes become more structured, and the team expands to support growth. Revenue generation becomes more consistent, and additional funding rounds may be pursued.
- **Growth Stage:** In this mature phase, startups aim for significant market expansion and increased profitability. Organizational structures are well-defined, and the company may explore new markets or product lines. Sustainable revenue streams are established, and the startup may consider exit strategies such as mergers or acquisitions.

Organizational learning plays a critical role throughout these stages. (Sekliuckiene , Vaitkiene , & Vainauskiene , 2018)emphasize that startups must continuously adapt and learn to navigate the complexities of each development phase. This learning process involves acquiring new knowledge, refining strategies, and fostering a culture of innovation.

In parallel, organizational learning plays a critical role throughout these stages. (Sekliuckiene , Vaitkiene , & Vainauskiene , 2018) emphasize that startups must continuously adapt and learn to navigate the complexities of each development phase. This learning process involves acquiring new knowledge, refining strategies, and fostering a culture of innovation.

More recently, (González Martínez, Terzidis, Lütz, & Hebllich, 2024 )highlighted the strategic decisions startups must make in early phases ranging from product development to team formation which significantly influence future growth and survival. Their systematic review underscores how these decisions vary across stages and require specific learning and leadership capacities.

Taken together, these complementary perspectives suggest that the trajectory of startup development is not only shaped by external market dynamics but also by internal learning capabilities, strategic agility, and adaptive decision-making all of which are critical in transitioning from early-stage ideation to sustained growth and market competitiveness.

## 2.4 Financial Challenges Faced by Startups

Startups, by their nature, often face significant financial constraints that can impede their development and survival. Unlike established businesses, startups typically operate in highly

uncertain environments with unproven business models, which limits their access to conventional financing mechanisms such as bank loans or credit lines ([Federal Reserve Banks, 2024](#)). These challenges are compounded by their limited financial histories, absence of tangible collateral, and unpredictable cash flows all of which contribute to a perception of elevated risk among traditional financial institutions.

### **2.3.1 External Financing Constraints**

A major financial challenge faced by startups is the difficulty in securing external financing, particularly in the early stages of development. According to the 2024 Report on Startup Firms by the Federal Reserve, over 70% of new ventures experience some form of funding shortfall, with many unable to obtain even partial financing from banks or investors. The report highlights that startups are significantly more likely to rely on owner financing compared to mature small businesses, often out of necessity rather than choice ([Federal Reserve Banks, 2024](#)).

([Arnold, Claveres, & Frie, 2024](#)) further elaborate on the scarcity of venture capital (VC) across several regions, especially in Europe, where startups encounter fragmented markets, asymmetric information, and cautious investment behavior. This problem is more acute for innovative startups in technology-intensive sectors that require substantial upfront capital before generating revenue.

### **2.3.2 Dependence on Personal and Informal Funding**

In the absence of institutional funding, many startups turn to personal savings or informal support from family and friends. As noted by ([Bank of England, 2024](#)), such reliance can create significant personal financial strain for founders and limit the scope for rapid business scaling. While informal funding is often easier to access and less bureaucratic, it rarely provides sufficient capital to support strategic growth, research and development, or market expansion.

Furthermore, informal financing lacks the structure and discipline that external funding sources impose, which can result in poor financial planning or unsustainable operational decisions ([Bank of England, 2024](#)).

### 2.3.3 Strategic Financial Management Challenges

Even when capital is available, startups frequently struggle with effective financial planning and control. (Limar, 2024) emphasizes that many early-stage ventures lack the managerial expertise necessary to manage cash flow, monitor expenses, or make data-driven financial decisions. The absence of structured budgeting and forecasting systems often leads to resource misallocation and inefficient cost structures.

This limitation in strategic financial management hinders long-term growth, particularly in competitive environments where rapid iteration and scaling are essential for survival.

### 2.3.4 Vulnerability to Market Fluctuations and Investor Trends

Startups are highly sensitive to macroeconomic changes and investor sentiment. During times of market downturn or uncertainty such as the recent tightening of monetary policy in global markets investors tend to retract from high-risk ventures, leaving startups with reduced access to venture capital or angel investment (Arnold, Claveres, & Frie, 2024). These fluctuations intensify the financial instability of startups that already operate under limited margins and irregular revenue streams.

### 2.3.5 Comparative Summary of Startup Financial Challenges

To synthesize the key challenges, Table 2 provides a comparative overview of the financial obstacles most frequently encountered by startups, organized by theme and supported by recent literature.

**Table 02:** comparative overview of the financial obstacles

Type of Challenge	Description	Sources
External Financing Constraints	. Startups face difficulty accessing external funding such as venture capital or bank loans.	. (Federal Reserve Banks, 2024)  . (Arnold, Claveres, & Frie, 2024)

	<ul style="list-style-type: none"> <li>. Main reason: they are perceived as high-risk due to limited operational history.</li> </ul>	
<b>Personal Financing Dependency</b>	<ul style="list-style-type: none"> <li>. Founders often rely on their personal savings or family support in early stages.</li> <li>. This creates high financial pressure and limits scalability.</li> </ul>	. (Bank of England, 2024)
<b>Financial Planning Limitations</b>	<ul style="list-style-type: none"> <li>. Many startups lack budgeting expertise, structured accounting systems, or cash flow forecasting tools.</li> <li>. Leads to mismanagement of limited resources.</li> </ul>	. (Limar, 2024)
<b>Investor Sentiment Vulnerability</b>	<ul style="list-style-type: none"> <li>. Startups are affected by investor mood swings, political instability, and macroeconomic shocks.</li> <li>. Funding can be delayed, reduced, or withdrawn unexpectedly.</li> </ul>	. (Arnold, Claveres, & Frie, 2024)
<b>Revenue Instability</b>	<ul style="list-style-type: none"> <li>Cash inflows are inconsistent or delayed, especially during product development and market entry phases.</li> <li>Often accompanied by a high burn rate and fragile customer acquisition pipelines.</li> </ul>	. (Limar, 2024) . (Federal Reserve Banks, 2024)

### Section 03: Financing Strategies and Theoretical Models in Startup Decision-Making

In recent years, entrepreneurship has become an increasingly popular choice for individuals aiming for independence, innovation, and economic self-sufficiency (Celestin & Vanitha, [How to fund your startup: Innovative approaches for aspiring entrepreneurs](#), 2018). While considerable research has examined how startups are funded, a comprehensive analysis that integrates both traditional and emerging financing strategies is still lacking (Klein, Neitzert, Hartmann-Wendels, & Kraus, [Start-up financing in the digital age: A systematic review and comparison of new forms of financing](#), 2019).

To bridge this gap, this section offers a structured examination of the financing landscape and the theoretical frameworks that inform startups' financial choices. It begins with an overview of conventional financing methods, including personal funding, bank loans, and venture capital, which often serve as foundational resources for early-stage ventures. The discussion then explores the growing relevance of alternative approaches such as Islamic funding, crowdfunding, and peer-to-peer lending, which reflect the evolving needs and constraints of modern entrepreneurs. Finally, this section introduces key theoretical models namely the Pecking Order Theory and the Trade-Off Theory that help explain how and why startups make specific financing decisions, offering a deeper understanding of the strategic reasoning behind these choices.

### **3.1 Traditional Financing Methods**

Traditional financing forms the bedrock of most startups' early financial strategy. These mechanisms are well-established and are often the first point of reference for founders in need of capital. This section analyzes the core types of conventional financing, explores their accessibility, and outlines common challenges startups face in leveraging these sources.

#### **3.1.1 Bank loans**

According to ([Hadjadj & Amarouche, The methods of funding the startups and small and middle-sized companies: A comparative study, 2024](#)) bank loans typically come with interest and are subject to predefined contractual terms, often requiring tangible guarantees or collateral. These financial products can be structured as short-term, primarily for daily operations, or long-term for strategic investments. Startups frequently seek short-term loans to manage immediate operational needs. Commercial banks are a primary source for such financing, yet early-stage ventures often struggle to meet stringent lending criteria due to the following reasons:

- Traditional banks use evaluation models that may not suit startups' unique profiles;
- Substantial personal guarantees are usually required as security;
- Entrepreneurs are often expected to provide a thorough business plan or feasibility report, which raises initial costs and increases the loan burden;

- High-risk ventures with significant liabilities are often rejected in favor of safer investments.

These barriers are particularly pronounced in underbanked regions with fewer financial providers. Nonetheless, improvements in internet infrastructure and digital platforms have started to ease some access issues, enabling better financial outcomes for startups (Prieger, 2023).

### 3.1.2 venture capital

Venture capital (VC) has emerged as a vital funding avenue for high-growth startups that lack access to traditional credit or capital markets (Bumbac & Ștefaniuc, 2021). Access to VC has been linked to stronger financial performance, particularly in revenue generation and reducing the likelihood of failure (Ubarhande & Vanarse, 2024).

However (Lerner & Nanda, 2020) highlight some limitations of the VC model:

- It tends to prioritize a narrow range of innovations that align with funders' criteria;
- Decision-making power is concentrated among a few major investors, potentially skewing investment patterns;
- There has been a recent decline in the emphasis VCs place on governance and oversight.

These factors suggest that while VC funding is a powerful driver of growth, it may not always support broader or transformative innovation goals.

### 3.1.3 Angel investors / Business Angels

Angel investors are private individuals who finance startups at early stages, typically using personal funds. Their contributions are not limited to capital; they often bring industry expertise, mentorship, and strategic advice (Cumming & Zhang, 2019).

Unlike institutional investors, angels can offer more adaptable terms and are guided by both financial and relational motivations. Recent research shows that over half of startup recipients are now backed by new angel investors, partly thanks to government incentives promoting risk capital

engagement (Berger & Gottschalk, 2025). Their active involvement frequently plays a critical role in a startup's long-term development (Arya, Mittendorf, & Pfeiffer, 2021)

### **3.1.4 Personal financing / Love money**

Founders often rely on their own resources during the early stages of launching a business. Personal savings not only serve as a primary funding source but also signal strong commitment to potential investors (Hussain, 2024).

In addition, many startups receive informal funding from personal networks commonly referred to as the 3Fs : family, friends, and fools. These contributions are typically based on trust and emotional support rather than formal financial analysis or risk assessment (Benlefki, Bouchetara, Saba, & Gahlam, 2024). While such funding lacks institutional structure, it remains a vital support system for many entrepreneurs at the ideation and pre-launch stages.

## **3.2 Emergence and Role of Alternative Financing**

Although traditional funding remains important, its rigid conditions such as high collateral requirements and conservative risk assessment limit its accessibility. In response, startups are increasingly drawn to alternative financing models that offer more agility, fewer entry barriers, and stronger alignment with the flexible nature of early-stage ventures.

These alternative mechanisms bypass conventional intermediaries and are especially effective in regions where formal financial systems are underdeveloped or exclusionary.

### **3.2.1 The Islamic funding**

Islamic finance provides Sharia-compliant alternatives to conventional interest-bearing loans. Common contracts include Murabaha (cost-plus financing), Mudaraba (profit-sharing), Musharaka (joint ventures), and Qard Hassan (interest-free loans). These models appeal to founders seeking culturally and ethically aligned financial solutions.

Yet, some contracts present operational constraints for startups. For example, Murabaha arrangements often have short repayment cycles and limited flexibility, which can be risky for

businesses with uncertain cash flows. Mudaraba, which depends on transparent profit-sharing, may not be suitable for ventures with insufficient financial histories. Musharaka particularly in its diminishing form offers a more appealing path as it supports gradual transfer of ownership, although fixed Musharaka structures may increase financial strain (Hadjadj & Amarouche, [The methods of funding the startups and small and middle-sized companies: A comparative study, 2024](#)).

### **3.2.2 Crowd Funding**

Crowdfunding enables entrepreneurs to gather small contributions from a large number of backers, often through digital platforms. It has been particularly effective in mobilizing capital for creative initiatives and community-driven projects (Wisudanto, Cahyolaksono, Ardiyanto, & Kholiq, [2024](#)).

In Algeria, this financing model has been formalized through Law No. 20-07 (2020) and Regulation No. 23-01 by (Commission for the Organization and Supervision of Stock Exchange Operations (COSOB), [2023](#)). These regulations permit various entities including investment fund managers and licensed brokers to operate as Crowdfunding Investment Advisors (CIPs), provided they meet specific legal and operational standards. This regulatory framework has strengthened investor protection and encouraged wider adoption of crowdfunding in the country.

### **3.2.3 Revenue-based Financing**

Revenue-Based Financing involves providing capital in exchange for a fixed percentage of a startup's future earnings until a pre-agreed limit is met. Unlike traditional loans, repayment amounts fluctuate with revenue performance, and unlike equity, it avoids ownership dilution (Dey, [2024](#)).

The rise of fintech platforms has made RBF more accessible by linking repayment systems directly to real-time sales data. This enhances transparency, reduces risk, and strengthens alignment between funders and founders (Russel, Shi, & Clarke, [2024](#)). As (Peniaz, [2024](#)) notes, RBF occupies a middle ground between equity and debt, offering resilience in volatile revenue environments.

### 3.2.4 Peer-to-Peer Lending

P2P lending directly connects borrowers and lenders via online platforms, removing the need for banks or other intermediaries. This model offers startups a faster, often more accessible, credit option (Bachmann, et al., 2011). Interest rates in P2P platforms are typically set by algorithms or market-based systems like reverse auctions. The digital nature of these services lowers administrative costs and broadens the pool of available lenders, including international participants (Lin, Prabhala, & Viswanathan, 2013)

### 3.2.5 Token-based Financing

Token-based funding models such as Initial Coin Offerings (ICOs) and Security Token Offerings (STOs) use blockchain technology to generate capital through the sale of digital tokens. These tokens can function as service access keys (utility tokens) or as tradable equity representations (security tokens). (Howell, Niessner, & Yermack, 2020)

Token sales gained momentum between 2017 and 2018, offering startups a global, decentralized alternative to conventional funding sources (Momtaz, 2020). The use of smart contracts increases transparency, automates compliance, and reduces transaction costs (Chen & Bellavitis, 2020).

Nonetheless, token-based financing faces considerable regulatory uncertainty. The lack of standardized legal frameworks and the speculative nature of ICOs have raised investor protection concerns, leading to a shift toward more regulated STOs (Momtaz, 2020) .

This section has provided an integrated overview of both traditional and alternative startup financing approaches. While conventional sources like bank loans and venture capital remain essential, alternative methods such as Islamic finance, crowdfunding, revenue-based financing, and token-based mechanisms , are reshaping the financial landscape for entrepreneurs. These emerging models are particularly relevant in developing economies, where access to traditional capital remains limited.

The next section will delve into the theoretical foundations of startup financing decisions, with particular emphasis on the Pecking Order and Trade-Off theories, to better understand the rationale guiding entrepreneurs' capital structure choices.

### **3.3 Theoretical Models Guiding Financing Decisions**

Startups face unique challenges when deciding how to finance their operations. Unlike established companies, startups often lack access to traditional funding channels and must make critical decisions with limited information. Two major theories help explain how startups make financing choices: the Pecking Order Theory and the Trade-Off Theory. These models offer different perspectives on how firms prioritize funding sources based on internal preferences, external constraints, and financial structure considerations.

#### **3.3.1 Pecking Order Theory and Its Application in Startups**

The Pecking Order Theory (POT), originally developed by (Myers & Majluf, 1984), suggests that firms prefer to finance projects using internal funds first. If internal financing is insufficient, they then turn to debt, and finally to external equity as a last resort. The theory is grounded in the idea of asymmetric information. Founders usually have more knowledge about their company's potential than external investors. Because of this information gap, seeking equity can signal weakness to investors and reduce the company's perceived value.

For startups, internal financing is often limited. Therefore, the decision to seek debt or equity becomes more strategic. According to (Cui, 2024), in the digital economy, startups still tend to follow the pecking order logic. They often rely on personal funds or retain earnings before exploring external sources. Crowdfunding platforms have also emerged as an intermediary solution aligned with the POT.

(Kuma & Yosuff, 2020) argue that crowdfunding bridges the gap between internal and external funding. It provides access to funds while maintaining partial control and minimizing dilution of ownership.

Empirical studies support the applicability of POT in startup environments. (Agyei, Sun, & Abrokwah, 2020) found evidence from Ghanaian startups indicating a clear preference hierarchy consistent with the theory. They noted that startups with strong internal cash flows were less likely to seek external financing. Similarly, (Abdullazade, 2020) tested POT on U.S.-listed firms and observed that even among mature companies, the pattern of funding preference aligned with the pecking order.

Another element supporting POT in startups is their high sensitivity to ownership control. According to (Altun, 2022), founders often avoid equity financing because it can lead to loss of decision-making authority. This is especially critical in early stages when the business vision is closely tied to the founder's direction. This preference reinforces the tendency to use internal funds and debt before equity.

(Prędkiewicz & Prędkiewicz, 2017) added that startups engaging in innovative activities are more cautious about disclosing sensitive information to potential investors. Their study found that firms with high innovation scores were more likely to follow the pecking order model to avoid external scrutiny.

While the POT provides a useful framework, its assumptions may not apply universally. (Runach & Narwal, 2022) found that certain factors like industry type, market maturity, and founder characteristics can influence deviations from the theory. For example, tech startups in highly competitive markets may prioritize fast growth over control, making equity more attractive despite its drawbacks.

the Pecking Order Theory provides a useful lens to understand how startups structure their financial decisions. It explains the common reluctance toward equity and the increasing interest in hybrid options such as crowdfunding. While not universal, its logic remains widely observable in entrepreneurial settings.

### **3.3.2 Trade-Off Theory in Startup Financial Behavior**

The Trade-Off Theory (TOT) offers a different perspective. It proposes that firms aim to reach an optimal capital structure by balancing the costs and benefits of debt and equity. According to this

theory, debt offers tax advantages but increases the risk of financial distress. The goal is to find a balance that minimizes the cost of capital while managing risk.

This model has been widely tested in various settings. (Fourati, 2021) applied the TOT to startup financing and found that firms with concentrated ownership structures often preferred debt to retain control. However, as debt levels increased, they faced rising risks and adjusted their strategies accordingly. This supports the idea of a dynamic balancing process, where firms continuously adjust their financial mix in response to internal and external factors.

(Dierker, Lee, & Seo, 2019) tested the dynamic version of the TOT and found that firms adjust their capital structure when there are significant changes in business risk. Startups, which operate in high-risk environments, often revise their debt levels as they gain market stability or face new uncertainties. The study showed that such adjustments are deliberate and reflect an underlying optimization strategy.

(Ichwanudin, Nurhayati, & Anwar, 2023) also emphasized the importance of risk and capital structure. Their study showed that startups with moderate leverage levels tended to have higher firm value, aligning with the TOT's central argument. They concluded that startups should not avoid debt completely but rather use it strategically to enhance value.

Despite its strengths, TOT may be less practical in early-stage startups. These firms often lack the financial data and market presence needed to accurately assess their optimal capital structure. As a result, the application of TOT is more relevant for startups in growth or maturity stages.

The Trade-Off Theory provides important insights into how startups think about financial risk and value creation. It emphasizes that the use of debt is not inherently negative. Instead, the focus is on balance leveraging financial tools strategically while managing the potential downsides. As startups grow, this dynamic approach becomes increasingly significant in long-term planning and investor engagement.

## **Conclusion**

This chapter has laid the conceptual and theoretical groundwork essential to understanding the financial behavior of startups, particularly within the specific context of Algeria's evolving entrepreneurial ecosystem. The analysis began by presenting an overview of both traditional and alternative financing mechanisms available to startups. This dual perspective enabled a clearer understanding of the structural advantages and limitations of each model, especially in environments where access to capital remains uneven and often restricted.

The discussion then turned to the specificities of startups their defining features, growth trajectories, and evolving financial needs. These aspects are crucial, as they determine not only the amount and type of capital required but also the timing and strategic preferences behind financing decisions. Emphasis was placed on the multifaceted financial challenges encountered by startups, from limited access to external funding and over-reliance on informal sources to broader issues such as institutional inefficiencies and market instability.

Finally, the chapter introduced key theoretical models namely, the Pecking Order Theory and the Trade-Off Theory that provide a conceptual lens for interpreting startups' financing behavior. These models not only guide the empirical investigation but also serve to connect observed entrepreneurial practices with established financial theory.

By combining theoretical insights with context-specific considerations, this chapter sets the stage for a deeper exploration of internal financing processes and institutional interventions, particularly those undertaken by the Algerian Startup Fund (ASF) in support of entrepreneurial development.

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**Chapter 2**

**Methodological Framework**

**and Presentation of the Algerian Startup**

**Fund (ASF)**

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This chapter outlines the methodological framework adopted for the present research and introduces the institutional context of the Algerian Startup Fund (ASF), which constitutes a central pillar of the study. In line with the dual-perspective approach set out in the introduction, the chapter is organized into two main dimensions: the research methodology and the institutional landscape.

The first section presents the foundations of the research design, highlighting the epistemological positioning and methodological choices. Given the complexity of startup financing in Algeria where multiple formal and informal mechanisms intersect with evolving institutional frameworks a mixed-methods strategy was deemed most appropriate. This approach allows for a complementary understanding of the phenomenon by combining quantitative data from startup founders with qualitative insights from ASF personnel.

The second section details the implementation of this mixed-methods design, including data collection tools and analytical techniques. On the quantitative side, the development and distribution of a structured questionnaire aim to explore startups' financial preferences, constraints, and perceptions. On the qualitative side, semi-structured interviews with ASF staff offer in-depth perspectives on institutional mechanisms and challenges. The triangulation of these data sources ensures a robust and holistic analysis.

The third section provides an institutional overview of the Algerian Startup Fund (ASF), a public initiative created to address the financing gap faced by innovative ventures. This section presents its creation, internal structure, and operational mechanisms, as well as its financial intervention tools. By contextualizing ASF within the broader entrepreneurial ecosystem, this chapter offers a foundational understanding of the institutional actor central to the empirical dimension of this study.

Together, these components form the backbone of the research, ensuring methodological rigor and contextual relevance in addressing the central question of how Algerian startups navigate financing decisions in relation to both institutional support and alternative funding mechanisms.

## **section 1: Mixed-Methods Research Design**

This section outlines the methodological framework guiding this research, aimed at examining startup financing decisions and the role of institutional support in Algeria. The approach follows a mixed-methods design, integrating both qualitative and quantitative data collection techniques. The qualitative component draws from semi-structured interviews with key stakeholders at the Algerian Startup Fund (ASF) and internal ASF documents, while the quantitative component leverages a survey of startup founders to explore financing practices and perceptions.

Data analysis methods for both components are detailed, ensuring that findings are robust, reliable, and contribute to a comprehensive understanding of the research questions.

In addition, utmost confidentiality was maintained throughout the research process, particularly during the internship at ASF . All data collected has been kept anonymous and cannot be shared externally, in accordance with ASF's privacy policies and ethical guidelines.

### **1.1.Epistemological Positioning**

In academic research, the epistemological positioning provides the foundational lens through which knowledge is approached, interpreted, and constructed. It informs the selection of methods, the nature of data collected, and the way results are analyzed and understood. In the context of this thesis, which investigates both the internal mechanisms of a state-led financing institution and the experiences of Algerian startups navigating traditional and alternative funding channels, an appropriate epistemological stance must allow for both empirical inquiry and contextual depth.

- **The Pragmatic Paradigm**

This research adopts the pragmatic paradigm, an epistemological stance that emphasizes practical outcomes and the use of multiple methods to best address the research problem. Rather than aligning strictly with positivism which focuses on measurable, objective reality or interpretivism which emphasizes subjective, context-based understanding pragmatism seeks a middle ground. It values methodological flexibility and places the research question at the core of the inquiry process (Kaushik & Walsh, 2019).

Given the complex nature of startup financing in Algeria, where institutional frameworks, founder perceptions, and alternative financing mechanisms such as Yenvesti intersect, a singular epistemological approach would limit the ability to provide comprehensive insights. Pragmatism allows the integration of structured survey data with rich, qualitative insights drawn from field-based observations and professional exchanges with ASF staff, enhancing the overall robustness and real-world applicability of the findings.

The decision to adopt a pragmatic approach is based on the study's two main objectives: examining the role and internal workings of the Algerian Startup Fund (ASF) as an institutional player in startup financing, and understanding how Algerian startups view and access traditional and alternative funding sources. A mixed-methods approach is used to achieve these goals, where surveys offer generalizable data and exchanges with ASF staff, context-specific insights. Pragmatism supports the integration of these methods, offering flexibility to explore both institutional dynamics and the perspectives of startups in a comprehensive manner.

## **1.2 Methodological Approach**

In research design, the methodological approach whether inductive, deductive, or a combination of both determines the logical pathway through which knowledge is constructed. In this study, the approach is dual and complementary, integrating deductive reasoning for the quantitative component and inductive reasoning for the qualitative component. This logic aligns with the theoretical foundations of mixed-methods research, where different reasoning pathways can be harnessed to maximize explanatory power and practical relevance (Creswell & Plano Clark, 2018).

The deductive approach underpins the quantitative phase of this thesis, where hypotheses were developed based on established theories namely, the Pecking Order Theory and Trade-Off Theory and tested through structured survey questions administered to Algerian startup founders. These hypotheses concern factors influencing financing preferences and constraints within the Algerian entrepreneurial ecosystem.

Conversely, the qualitative component employs an inductive approach, allowing for emergent insights into the internal functioning of the Algerian Startup Fund (ASF). This component is guided by semi-structured interviews with key ASF staff and an analysis of institutional documents

collected during the internship. Through inductive reasoning, this phase explores themes and institutional dynamics that are not predetermined but rather arise during field engagement, ensuring a contextually rich understanding of ASF's internal mechanisms.

This combined use of reasoning types is supported in the literature. As (Proudfoot, 2023) explains, many mixed-methods studies adopt “an inductive/deductive hybrid thematic approach” to produce both theoretical testing and grounded, emergent insights. Similarly, (Maxwell & Chmiel, 2014) emphasize that mixed-methods designs benefit from logical flexibility, as researchers often move “back and forth between inductive discovery and deductive confirmation”.

This dual approach is particularly well-suited to the research goals of this thesis: on one hand, to test theoretical assumptions regarding startup financing behavior in Algeria, and on the other, to uncover how public institutions like ASF operationalize support mechanisms internally

### **1.3 Operationalization of the Mixed-Methods Design**

Given the complexity of startup financing in emerging economies like Algeria, where institutional structures are still evolving and access to capital remains a significant constraint, a mixed-method design was deemed the most appropriate. This design allows for the integration of quantitative data with qualitative depth, capturing measurable trends as well as contextual insights.

Scholars have consistently emphasized that the combination of qualitative and quantitative approaches enhances the validity and interpretative power of research in entrepreneurship and innovation. This is particularly relevant when investigating complex issues such as funding barriers, institutional mechanisms, and startup decision-making (Creswell & Plano Clark, 2018) (Venkatesh, Brown, & Bala, 2013). In the Algerian context, the scarcity of empirical work that integrates both the entrepreneur's and the institution's perspectives further supports this choice. The mixed-method design not only addresses this gap but also ensures triangulation and complementarity, offering both statistical generalizability and contextual relevance.

## **Section 02 : Application of the Mixed Methods: Data Collection and Analytical Tools**

This section presents the operationalization of the mixed-methods approach adopted in this research. It outlines the data collection strategies and analytical tools employed to investigate the internal financing mechanisms of the Algerian Startup Fund (ASF). By integrating both quantitative and qualitative data, the study aims to capture a comprehensive understanding of ASF's processes and practices. The section first details the design and administration of the survey targeting startups, followed by the structure and execution of semi-structured interviews conducted with ASF personnel. Finally, it introduces the analytical techniques used to interpret and triangulate the collected data, ensuring the robustness and validity of the research findings.

### **2.1 Quantitative Approach and Data Collection**

We present the methodological instrument adopted to assess the effectiveness of financing mechanisms and institutional support directed toward startups in Algeria. That emphasizes the theoretical and practical foundations on which the research tool was constructed ensuring that its structure aligns with the nature of the phenomenon under investigation. And also outlines the key stages followed to guarantee the tool's relevance to the research objectives, the precision of the results, and its consistency with the research problem and field analysis framework.

#### **2.1.1 Study Instrument**

As part of the fieldwork, a structured questionnaire was employed as the principal data collection tool to examine the effectiveness of financing and institutional support mechanisms available to Algerian startups. This instrument was selected due to its flexibility in reaching a considerable number of actors, and its capacity to convert responses into statistically analyzable indicators while preserving participant anonymity.

To reach startup founders and executives, a non-probabilistic convenience sampling method was adopted. This approach was chosen primarily due to limited access to the complete population of labeled startups, as well as time and logistical constraints. Although it does not allow for statistical

generalization, this method is widely used in exploratory research aiming to gather diverse perceptions from targeted respondents (Creswell & Creswell, 2017).

In total, 80 questionnaires were distributed to the sample participants. Of these, 67 were returned, and after excluding incomplete or analytically non-compliant responses, 65 questionnaires were deemed valid for final analysis.

**Table (3):** Questionnaire Distribution and Response Rate

Type of Questionnaire	Count	Percentage (%)
Distributed Questionnaires	80	100
Retrieved Questionnaires	67	83.75
Valid Questionnaires	65	81.25
Invalid Questionnaires	2	2.50

Source: Prepared by the student

### 2.1.2 Hypothesis Justification and Questionnaire Design

The questionnaire was designed to collect the perspectives of entrepreneurship stakeholders regarding the effectiveness of modern financing tools and institutional support targeted at startups in Algeria. Its construction was guided by the study's objectives and research problem, comprising 23 items distributed across three main thematic dimensions selected for their high relevance to the research topic.

The three dimension are detailed as follows:

- **Dimension 1:** Internal Financing of Startups includes 8 items assessing the extent to which startups rely on self or family resources to finance their operations. This dimension was developed to test Hypothesis 1: (Startups in Algeria prefer internal financing over external funding sources, particularly in their early stages). The items in this section assess the degree to which startups rely on personal savings, family contributions, or reinvested profits as primary funding sources. Internal financing is widely recognized as the most

accessible and least risky source for early-stage startups, particularly in environments where external funding is either limited or bureaucratically complex (Coleman & Robb, 2012); (Fatoki, 2014). According to (Beck & Demirguc-Kunt, 2006), entrepreneurs in emerging economies often prefer internal sources to avoid the burdens of debt and maintain control over their ventures. In Algeria, where formal venture capital and angel investment networks are underdeveloped, the reliance on internal capital is especially pronounced (Morsli, Bouchetara, & Belali, 2023).

- **Dimension 2:** This dimension encompasses 8 items designed to evaluate startup founders' perceptions of the effectiveness of institutional support mechanisms in Algeria. It was developed to test Hypothesis 2: The perception of institutional support mechanisms significantly influences startup founders' financing decisions. The items assess experiences with governmental initiatives, funding programs like the Algerian Startup Fund (ASF), and the quality of institutional assistance in terms of accessibility, transparency, and impact on startup growth. The Algerian Startup Fund (ASF), established in October 2020, has been a pivotal initiative aimed at fostering the growth of startups across the country. ASF has reviewed over 350 startup applications, processed 139 funding requests, and supported startups across 22 different provinces, successfully raising over 1.2 billion dinars to support these initiatives (Startup Algeria , 2025). Despite these efforts, challenges persist. A study by (Boumenad, 2021) highlights that while the National Agency for Support and Development of Entrepreneurship (ANADE) has financed numerous projects, the effectiveness of such institutional support varies, with some entrepreneurs facing bureaucratic hurdles and limited access to resources . Additionally, (Badreddine, 2023) emphasizes the need for adapting the regulatory framework and implementing specific tools for the creation and support of startups, such as incubation and acceleration structures, to better meet the increased needs of startups .
- **Dimension 3:** This dimension includes 7 items assessing the level of awareness and trust that Algerian startup founders have in alternative financing methods such as crowdfunding, revenue-based financing, and peer-to-peer lending. It was constructed to test Hypothesis 3: Awareness and trust in alternative financing channels remain low among Algerian startups. The items explore knowledge, perceived legitimacy, and willingness to use these alternative instruments. Alternative financing channels have gained traction globally, but

their adoption in Algeria remains limited. A study by (Khodheir & Ouguene, 2021) indicates that despite the potential of crowdfunding as a financing solution for SMEs, its growth in Algeria is hindered by a lack of awareness and initiatives from authorities . Additionally, research by (Ghezal & Benchouat, 2024) emphasizes the importance of innovative financing methods, such as venture capital and crowdfunding, to address the shortcomings of traditional funding in Algeria .

**Table (04):** Distribution of Questionnaire Items by Thematic Dimension

Dimension	Number of Items
Dimension 1: Internal Financing of Startups	8
Dimension 2: Perceived Effectiveness of Institutional Support	8
Dimension 3: Awareness and Trust in Alternative Financing	7
<b>Total</b>	<b>23</b>

**Source:** Prepared by the student

Furthermore, the questionnaire items were assessed using a five-point Likert scale, where respondents indicated their level of agreement with each statement. The scale ranged from 1 to 5, with 1 representing (Strongly Disagree), 2 for (Disagree), 3 for (Somewhat Agree), 4 for (Agree), and 5 for (Strongly Agree).

### 2.1.3 Statistical Methods Used

Following the collection of responses from the study sample, the data were analyzed using the Statistical Package for the Social Sciences (SPSS, Version 26). A combination of descriptive and inferential statistical techniques was employed to interpret the responses and to test the study's predefined hypotheses. The statistical methods used in the analysis include the following:

- **Frequency Distribution and Percentages:** These methods were applied to analyze the demographic and general characteristics of the respondents. Frequency tables and percentage values were accompanied by visual charts to offer a clear overview of the data distribution.

- **Arithmetic Mean:** The arithmetic mean was used to measure the central tendency of responses, enabling the identification of the average level of agreement across respondents and providing insight into the general orientation of opinions.
- **Standard Deviation:** This measure was employed to evaluate the dispersion of responses around the mean for each item or variable in the questionnaire. It helps in illustrating the variability and consistency of the participants' answers.
- **Cronbach's Alpha Coefficient:** Cronbach's Alpha was calculated to assess the reliability of the data collection instrument. This coefficient reflects the internal consistency of the scale across different variables included in the study.
- **Pearson Correlation Coefficient:** The Pearson coefficient was utilized to examine the relationship between different study variables. The coefficient ranges from -1 to 1, indicating the strength and direction of the correlation between variables.
- **Principal Component Analysis (PCA):** PCA was conducted to identify the key components contributing to the variance in the dataset. This method aids in dimensionality reduction and uncovers underlying patterns that enhance the interpretation of the results.

## 2.2 Qualitative Approach and Data Collection Tools

The qualitative phase aimed to gain a deep understanding of the internal institutional mechanisms behind public startup funding in Algeria, focusing on the Algerian Startup Fund (ASF).

### 1.3.1 Data Collection Tools

- **Internal Document Analysis**

An extensive review of internal documentation collected during the internship at the Algerian Startup Fund (ASF) was carried out. These materials encompassed procedural and regulatory documents, funding application templates, evaluation grids and scoring tools, internal performance reports, and post-disbursement monitoring dashboards. The analysis of these documents facilitated a comprehensive understanding of ASF's internal decision-making processes and governance mechanisms related to startup funding. However, due to the non-disclosure agreement signed as part of the internship engagement, these internal documents cannot be shared or reproduced in this

thesis. Their use was strictly limited to informing the research without compromising institutional confidentiality.

- **Semi-Structured Interviews**

A total of eight semi-structured interviews were conducted with professionals from different ASF departments. One interview guide was used for all participants, as they work within the same institutional framework. In accordance with their request, neither their names nor their specific job titles have been disclosed.

**Table (05):** Overview of Interviewed ASF Staff by Department and Interview Duration

Interviewee	Department	Duration
P1	Participation	18 minutes
P2	Participation	60 minutes
P3	Monitoring	45 minutes
P4	Monitoring	42 minutes
P5	Monitoring	33 minutes
P6	Monitoring	25 minutes
P7	Finance	51 minutes
P8	Finance	38 minutes

**Source:** Prepared by the student

Themes covered during the interviews included:

- General Overview of the ASF Mechanism : Understanding each participant’s role and their perspective on ASF’s mission, internal workflow, and support process from labeling to post-funding phases.
- Evaluation and Decision-Making: Exploring the criteria, tools, and internal procedures used to assess and select startups for funding.
- Post-Funding Follow-Up: Investigating ASF’s monitoring tools, follow-up mechanisms, and departmental responsibilities after the investment is made.

- **Reimbursement Phase:** Examining the contractual reimbursement framework, exit strategies, and the startup repayment expectations.
- **Coordination and Internal Challenges:** Analyzing interdepartmental coordination, communication tools, and the structure of ASF's internal workflow.
- **Awareness and Perception of Alternative Financing:** Identifying whether ASF staff are familiar with alternative financing tools (e.g., crowdfunding) and their opinions on their relevance.
- **Strategic Vision and Recommendations:** Collecting suggestions for improving ASF's procedures, long-term vision, and alignment with startup ecosystem realities.

These interviews enriched the understanding of ASF's internal operations and complemented the quantitative findings.

### **2.2.2 Data Analysis and Triangulation**

To interpret the qualitative data obtained from semi-structured interviews with the Algerian Startup Fund (ASF) staff, we applied thematic analysis, a flexible yet rigorous method well-suited to uncovering patterns in organizational contexts. This approach is especially appropriate when exploring complex institutional processes, such as those governing startup funding mechanisms and interdepartmental collaboration.

Thematic analysis enables researchers to identify, analyze, and report recurring themes within textual data, thus revealing deeper insights into participants' experiences, perceptions, and interactions. In this research, we followed the six-phase framework proposed by [\(Naeem, Ozuem, Howell, & Ranfagni, 2023\)](#), which offers a clear and structured roadmap for qualitative analysis:

- **Data Familiarization:** Interview transcripts were read multiple times to gain an in-depth understanding of the content. Key ideas were noted in this initial stage.
- **Initial Coding:** Relevant segments of text were coded based on their alignment with the research objectives, focusing on patterns related to ASF's funding logic, internal procedures, and monitoring practices.

- **Theme Development:** Codes with conceptual similarities were grouped to form preliminary themes reflecting broader trends and meanings across the dataset.
- **Theme Review:** The themes were refined by checking their coherence in relation to both the coded extracts and the entire data corpus, ensuring internal consistency and distinctiveness.
- **Theme Definition and Naming:** Each theme was clearly defined and labeled to capture the underlying message and its relevance to the research question.
- **Report Production:** A final narrative was constructed, integrating illustrative quotes and connecting the identified themes to theoretical insights and the broader analytical framework of the study.

This structured approach allowed us to transform rich qualitative material into a well-organized thematic structure, shedding light on ASF's internal funding logic and its practical implications for startup support. The triangulation of these qualitative findings with the survey-based quantitative data further strengthens the validity of our results and provides a comprehensive view of the institutional practices at ASF.

Having outlined the epistemological orientation, methodological strategy, and data collection techniques underpinning this research, the subsequent section presents a detailed overview of the Algerian Startup Fund (ASF). As the institutional focal point of this study, ASF plays a central role in shaping the landscape of startup financing in Algeria. This section introduces its historical background, organizational structure, operational mechanisms, and role in supporting entrepreneurial development, thereby contextualizing the qualitative findings discussed later in the thesis.

### **Section 3: Presentation of the Algerian Startup Fund (ASF)**

To better understand the institutional environment surrounding startup financing in Algeria, it is essential to present the Algerian Startup Fund (ASF), which plays a central role in the national strategy to support innovation and entrepreneurship. This section outlines the creation, mission, operational structure, and intervention mechanisms of the ASF, highlighting the framework within which many Algerian startups evolve and seek financial support.

### 3.1 Overview and Creation of ASF

The Algerian Startup Fund (ASF) was officially launched in October 2020 as part of a national effort to strengthen the country's innovation ecosystem and support the emergence of a knowledge-based economy. The fund is designed to finance startups through equity and quasi-equity mechanisms. This initiative represents a structural shift in Algeria's economic approach, transitioning from traditional credit subsidies to a model that encourages risk-sharing and capital participation through public venture capital.

While venture capital (VC) has existed in Algeria since the early 1990s, its presence has remained modest in scale and limited in sectoral reach, with most initiatives focusing on industrial upgrading and SME development rather than the startup ecosystem. Notable examples include:

- FINALEP, founded in 1991 through an initiative led by the Banque de Développement Local (BDL) and Crédit Populaire d'Algérie (CPA), with a mission to support SME participation and investment ([FINALEP, n.d.](#));
- SOFINANCE, established in 2001 under the supervision of the National Council of State Holdings to promote industrial modernization and new financial instruments ([SOFINANCE, n.d.](#));
- ASICOM, launched in 2008 as part of a bilateral investment initiative between Algeria and Saudi Arabia ([ASICOM, n.d.](#));
- El Djazaïr Istithmar, created in 2009 by BADR and CNEP to support private equity investments ([El Djazaïr Istithmar, n.d.](#)).

These entities, through contributing to investment efforts in diverse sectors, their focus has been primarily on industrial upgrading and SME modernization, with limited direct support for the startup ecosystem. In this context, ASF represents a first of its kind: a public venture capital fund exclusively focused on startups, created in collaboration with six national public banks (BEA, BADR, BNA, CPA, CNEP, and BDL) under the guidance of the Ministry of Knowledge Economy, Startups and Micro-enterprises. Access to ASF financing is contingent upon obtaining the official "Startup" label, as regulated by ([People's Democratic Republic of Algeria, 2020](#)), which defines the eligibility criteria and procedures for recognizing startups in Algeria. This broad institutional

involvement is unprecedented in Algeria's financial landscape and reflects a clear commitment by the state to invest in and structurally support the development of startups as a national priority. The fund's core objectives include:

- Supporting the emergence and scaling of startups with high innovation and growth potential;
- Encouraging equity-based financing models aligned with startup realities;
- Establishing a stable institutional framework for state startup engagement;
- Contributing to Algeria's long-term transition toward a diversified, innovation-led economy.

By integrating venture capital logic into national policy, ASF marks both a continuation of Algeria's investment history and a pivotal shift toward inclusive and sustainable startup development.

### **3.2 Internal Structure and Operational Mechanisms of ASF**

To effectively fulfill its mission, the Algerian Startup Fund (ASF) has adopted a well-defined and functional internal organizational structure. The fund operates under the supervision of a General Directorate, which is responsible for both strategic oversight and day-to-day operations. This structure is composed of several specialized departments and units, each with clearly delineated roles:

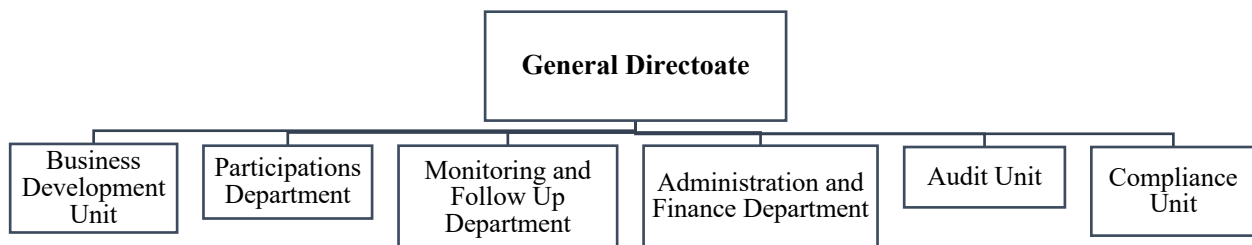
- **General Directorate:** Provides leadership and strategic direction across all ASF activities.
- **Business Development Unit:** In charge of sourcing and engaging startups, promoting ASF initiatives, and ensuring alignment with national innovation priorities.
- **Participations Department:** Oversees the evaluation, structuring, and management of equity investments in labeled startups, serving as the main interface for capital participation.
- **Monitoring and Follow-Up Department:** Conducts post-investment tracking and performance assessments to ensure effective use of funds and achievement of developmental milestones.

- **Administration and Finance Department:** Manages internal financial operations, budget execution, human resources, and administrative support functions.
- **Audit Unit:** Carries out internal control and audit functions to reinforce transparency and financial accountability within the institution.
- **Compliance Unit:** Ensures that all internal activities conform to legal, regulatory, and ethical standards, safeguarding institutional integrity.

This organizational arrangement facilitates effective coordination and decision-making, thereby enhancing ASF’s capacity to implement its public venture capital mandate in a transparent, structured, and impact-driven manner.

An organizational chart illustrating these departments and their interrelations is included to visually represent ASF’s internal governance and operational flow.

**Figure 1 :** Organizational Structure of the Algerian Startup Fund (ASF)



Source: Prepared by the student

### 3.3 ASF’s Modes of Intervention and Support Tools

The Algerian Startup Fund (ASF) adopts a venture capital approach in its intervention strategy, aiming to address the structural financing gaps that hinder the growth of innovative enterprises in Algeria. Rather than relying on debt instruments that often impose rigid repayment schedules and collateral requirements, ASF provides equity-based funding, positioning itself as a long-term partner in the development of startups.

As a public venture capital fund, ASF mobilizes state resources to invest directly in startups with high innovation potential and scalable business models. These investments are typically made

through minority equity participation, enabling ASF to share both the risks and rewards of entrepreneurial ventures. This approach allows startups to access substantial financial resources without the immediate pressure of repayment, fostering an environment conducive to experimentation, innovation, and market expansion.

ASF's financial instruments are selected through a rigorous, case-by-case evaluation process conducted by internal technical committees. The fund adapts its support tools according to the maturity stage, sector, and specific needs of the startup. While equity financing remains the core intervention method, ASF also has the capacity to design hybrid mechanisms that align with the evolving dynamics of the startup ecosystem.

In addition to its direct financial contributions, ASF plays a catalytic role by coordinating with incubators, accelerators, and other innovation enablers. This indirect support ensures that beneficiary startups are not only capitalized but also embedded within a supportive network that provides mentoring, capacity building, and access to market opportunities.

Through this dual model of financial and ecosystem support, ASF fulfills a strategic mission that goes beyond funding contributing to the structuring of a robust national venture capital framework that can sustain Algeria's digital and entrepreneurial transformation.

## **Conclusion**

This chapter established the methodological foundations of the study through a mixed-methods approach, combining quantitative and qualitative tools to ensure a comprehensive analysis. It also provided an overview of the Algerian Startup Fund (ASF), highlighting its structure, mission, and financing mechanisms. These elements collectively set the stage for the next chapter, which will present and analyze the empirical findings in light of the study's objectives and theoretical framework.

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**Chapter 3**  
**Results And Discussion**

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This chapter is dedicated to presenting and interpreting the main findings of the study based on the data collected from both the questionnaire and the interviews. It aims to assess the effectiveness of financing mechanisms and institutional support provided to startups in Algeria, in accordance with the research objectives and questions. The chapter is structured into three sections:

The first section focuses on the quantitative results obtained from the questionnaire responses. These results are analyzed using descriptive and inferential statistical tools through SPSS (Version 26). This section includes frequency distributions, means, standard deviations, and relevant statistical tests, all aimed at examining startup founders' perceptions of internal financing, institutional support, and awareness of alternative financing.

The second section presents the qualitative results obtained through semi-structured interviews with professionals working within the Algerian Startup Fund (ASF). These insights offer a complementary perspective by shedding light on the internal funding processes and institutional mechanisms from the viewpoint of key actors within the ecosystem.

The third section provides a comprehensive discussion of the results by comparing and contrasting the quantitative and qualitative findings. This section seeks to interpret the data in light of existing literature and theoretical models such as the Pecking Order Theory and the Trade-Off Theory. It also explores how the results align or diverge from prior studies and highlights implications for policy and practice in the Algerian startup landscape.

Through this structure, the chapter aims to provide a holistic understanding of the realities and challenges of startup financing in Algeria.

## Section 1: Results

This section presents the results of the research conducted on the internal funding mechanisms and operational practices of the Algerian Startup Fund (ASF). It is divided into two main parts, combining both quantitative and qualitative findings in accordance with the adopted mixed-methods approach. The quantitative results, derived from structured questionnaires, offer a general overview of trends, perceptions, and challenges related to financing and institutional support. The qualitative results, based on semi-structured interviews conducted with ASF staff members, provide in-depth insights into the fund's internal procedures, interdepartmental coordination, and perspectives on strategic issues. Together, these findings form the empirical foundation for the analysis and discussion presented in the next chapter.

### 1.1 Quantitative Results

#### 1.1.1 Reliability and Validity Testing of the Questionnaire

To ensure the consistency and accuracy of the measurement tool used in this study, the reliability of the questionnaire was assessed using Cronbach's Alpha coefficient. This test was applied to examine the internal consistency of the various thematic dimensions within the instrument. The statistical analysis, conducted via SPSS version 26, produced the following results:

**Table (06):** Overall Reliability of the Questionnaire

Reliability	
Cronbach's Alpha	Number of Items
0,902	23

**Source:** Prepared by the student based on SPSS 26 results

As shown in the table above, the overall reliability of the questionnaire is excellent, with a Cronbach's Alpha coefficient of 0.902. This indicates a high degree of internal consistency among the items and confirms the robustness of the instrument in capturing data on the effectiveness of startup financing mechanisms and institutional support in Algeria, including those related to the Algerian Startup Fund. Given that the obtained value significantly exceeds the minimum acceptable threshold of 0.60 in social science research, it reinforces the instrument's reliability and its validity in measuring the phenomena under investigation.

A more detailed evaluation of both reliability and validity was conducted at the level of each dimension of the questionnaire, as presented in the table below:

**Table (07) : Reliability and Validity Coefficients by Dimension**

<b>Dimension</b>	<b>Number of Items</b>	<b>Cronbach's Alpha</b>	<b>Validity Coefficient</b>
Internal Financing of Startups	8	0.849	0.921
Perceived Institutional Support	8	0.680	0.824
Awareness and Trust in Alternative Financing Tools	7	0.818	0.904
<b>Overall Questionnaire</b>	<b>23</b>	<b>0.902</b>	<b>0.949</b>

**Source:** Prepared by the student based on SPSS 26 results

The first dimension, which focuses on internal financing mechanisms employed by startups, achieved a Cronbach's Alpha of 0.849 and a corresponding validity coefficient of 0.921. These results indicate a strong internal alignment between items measuring internal sources of funding and resource mobilization strategies.

The second dimension, which addresses perceptions of institutional support, reported the lowest reliability coefficient (0.680). Despite being relatively lower than the other dimensions, it remains within the acceptable threshold for social science research, suggesting sufficient internal coherence to reflect respondent views on government programs and public policy mechanisms.

The third dimension, focusing on awareness and trust in alternative financing, achieved a reliability score of 0.818 and a validity coefficient of 0.904, indicating a very good level of consistency. This supports the reliability of the items measuring perceptions of emerging funding approaches such as venture capital, crowdfunding, and peer-to-peer lending.

Finally, the overall high reliability and validity coefficients affirm that the questionnaire is a reliable and valid tool for capturing startup founders' perspectives on financial strategies and the institutional environment in Algeria.

### **1.1.2 The Correlation Between Dimensions and Their Components**

To assess the degree of association between each dimension and its constituent statements, Pearson's product-moment correlation coefficient was employed, as detailed below:

**Table (08):** Interpretation Scale for Pearson’s Correlation Coefficient

Coefficient Range	Interpretation
0.00 – 0.30	Negligible correlation
0.31 – 0.50	Weak correlation
0.51 – 0.70	Moderate correlation
0.71 – 0.90	Strong correlation
0.91 – 1.00	Very strong correlation

Source: Prepared by the student

**Table (09):** Pearson Correlation Analysis of Dimension 1 Statements (Internal Financing of Startups)

Correlations		
Dimension 1: Internal Financing of Startups		
During initial stages, startups primarily depend on personal savings rather than external funding sources.	Pearson Correlation	0,708
	Sig. (bilateral)	0,000
	N	65
Internal financing enhances flexibility and control for startup founders.	Pearson Correlation	0,612
	Sig. (bilateral)	0,000
	N	65
External financing (e.g., bank loans, venture capital, ASF) entails considerable risk at the early stages.	Pearson Correlation	0,858
	Sig. (bilateral)	0,000
	N	65
The majority of Algerian startups initially depend on endogenous financial resources.	Pearson Correlation	0,675
	Sig. (bilateral)	0,000
	N	65
External financiers frequently impose constraints that diminish operational autonomy.	Pearson Correlation	0,476
	Sig. (bilateral)	0,000
	N	65
Bureaucratic impediments and procedural opacity in external financing deter startup engagement.	Pearson Correlation	0,683
	Sig. (bilateral)	0,000
	N	65
Internal financing represents the most secure and readily obtainable funding source at the outset.	Pearson Correlation	0,824
	Sig. (bilateral)	0,000
	N	65
External capital becomes essential only upon validation of the business model.	Pearson Correlation	0,721
	Sig. (bilateral)	0,000
	N	65

Source: Prepared by the student based on SPSS 26 results

The results displayed in Table (09) indicate that all correlations between the general dimension and its individual items are positive and statistically significant at the 0.000 significance level.

This finding confirms internal consistency and conceptual alignment among the items constituting the first dimension, reflecting a shared perception among respondents regarding the relevance of internal financing during the nascent phases of startup development.

Notably, four statements specifically items 1, 3, 7, and 8 exhibit correlation coefficients exceeding 0.70, placing them within the (strong correlation) category. This suggests a high degree of alignment between these items and the overall construct, emphasizing respondents’ strong recognition of the strategic importance of self-financing in early-stage entrepreneurship due to its risk mitigation and control-preserving features.

Statements 2, 4, and 6 demonstrate (moderate correlation), with coefficients ranging between 0.60 and 0.69. These results indicate that while these dimensions substantively contribute to the construct, they are relatively less salient within the collective conceptual framework.

Conversely, statement 5 yields an (acceptable) correlation coefficient, falling below the 0.50 threshold. Although statistically significant, this comparatively lower association may be attributed to varied interpretations among respondents or to the statement addressing more peripheral procedural considerations rather than core beliefs.

In summary, the outcomes substantiate the construct validity of the dimension and reinforce the prominence of internal financing in the entrepreneurial mindset of the respondents. The variation in correlation magnitudes offers nuanced insights into the salience of each indicator, thereby enriching the analytical depth of the study.

**Table (10):** Pearson Correlation Analysis of Dimension 2 Statements (Perceived Role of Institutional Support)

Correlations		
Dimension 2: Perceived Role of Institutional Support		
Institutional support mechanisms significantly influence startup financing decisions.	Pearson Correlation	0,299
	Sig. (bilateral)	0,000
	N	65
A favorable perception of public institutions encourages entrepreneurs to pursue external capital.	Pearson Correlation	0,712
	Sig. (bilateral)	0,000
	N	65
Institutional opacity and procedural ambiguity erode founders’ trust.	Pearson Correlation	0,705
	Sig. (bilateral)	0,000
	N	65

Startups frequently refrain from institutional financing due to excessive administrative burdens.	Pearson Correlation	0,636
	Sig. (bilateral)	0,000
	N	65
Public initiatives such as ASF may facilitate financing, provided their communication is effective.	Pearson Correlation	0,679
	Sig. (bilateral)	0,000
	N	65
Public funding bodies endeavor to align with the actual needs of startups.	Pearson Correlation	0,332
	Sig. (bilateral)	0,000
	N	65
Entrepreneurs' perceptions of institutional support are influenced by peer experiences.	Pearson Correlation	0,407
	Sig. (bilateral)	0,000
	N	65
Institutional guidance plays a critical role in shaping startups' financial strategies.	Pearson Correlation	0,709
	Sig. (bilateral)	0,000
	N	65

**Source:** Prepared by the student based on SPSS 26 results

As shown in Table (10), all items pertaining to the second dimension examining the perceived influence of institutional support exhibit positive and statistically significant correlations with the dimension at the 0.000 level. This suggests robust internal consistency and conceptual coherence, thereby validating the reliability of the dimension as a measure of respondents' perceptions.

Three items namely, statements 2, 3, and 8 fall within the (strong correlation) bracket ( $r > 0.70$ ), highlighting their centrality in shaping the overall construct. These statements underscore the importance attributed to institutional trust, perceived transparency, and the strategic role of guidance.

Items 4, 5, and 6 fall within the (moderate correlation) category, reflecting substantive yet relatively less dominant contributions. These items pertain to procedural barriers, communication efficacy, and institutional alignment with entrepreneurial needs.

In contrast, items 1 and 7 yield coefficients under 0.50, signifying only (acceptable correlation). These dimensions may indicate more varied perspectives or less agreement among respondents, possibly due to contextual factors or differing interpretations of institutional intent.

**Table (11):** Pearson Correlation Test for the Items of Dimension Three (Awareness and Trust in Alternative Financing)

Correlations
<b>Dimension Three: Awareness and Trust in Alternative Financing</b>

Alternative financing includes several options such as crowdfunding or revenue-based financing.	Pearson Correlation	0,543
	Sig. (bilateral)	0,000
	N	65
Crowdfunding is considered a viable solution for companies in Algeria.	Pearson Correlation	0,462
	Sig. (bilateral)	0,000
	N	65
Modern financing methods are generally unknown among Algerian entrepreneurs.	Pearson Correlation	0,775
	Sig. (bilateral)	0,000
	N	65
Most startups in Algeria do not trust digital financing platforms.	Pearson Correlation	0,804
	Sig. (bilateral)	0,000
	N	65
Alternative financing is not widely used due to a lack of information and promotion.	Pearson Correlation	0,760
	Sig. (bilateral)	0,000
	N	65
There is a need to raise awareness and educate founders about innovative financing models through campaigns, training sessions, etc.	Pearson Correlation	0,817
	Sig. (bilateral)	0,000
	N	65
Traditional financing methods are perceived as more credible than modern ones due to founders' familiarity with them.	Pearson Correlation	0,783
	Sig. (bilateral)	0,000
	N	65

**Source:** Prepared by the student based on SPSS 26 results

Table (11) presents the results of the Pearson correlation test used to measure the relationship between the items of the third dimension and the overall concept of (awareness and trust in alternative financing). The results show that all correlation coefficients are positive and statistically significant at the 0.000 significance level, indicating a meaningful alignment between each item and the overall dimension. The correlation coefficients range from 0.462 to 0.817, reflecting variations in the strength of association between the items and the dimension.

When classifying the strength of correlation, it is evident that five items namely items 3, 4, 5, 6, and 7 recorded correlation coefficients above 0.75, placing them within the category of strong correlation. These results reflect a high alignment between the content of these items and the dimension. They also suggest a deep awareness among respondents of the limited spread of alternative financing in Algeria, which is attributed to a lack of awareness, mistrust in digital platforms, and the dominance of traditional methods due to habits and past experiences. The findings also highlight a recognized need to intensify education and awareness efforts regarding these innovative financing models.

On the other hand, the items that fall within the medium correlation category items 1 and 2 showed correlation coefficients ranging between 0.462 and 0.543. Although their degree of correlation is lower, it remains statistically significant, indicating a reasonable alignment with the overall concept. This may reflect a moderate openness among respondents to new financing concepts, albeit without strong practical knowledge or conviction.

It is worth noting that all items achieved correlation coefficients above 0.46, with no item showing weak or insignificant correlation. This reflects a satisfactory consistency within the dimension's content and demonstrates a general awareness among the studied sample regarding the topic of alternative financing, in terms of both challenges and development potential.

Overall, these results confirm the conceptual validity of the third dimension and indicate that awareness and trust in alternative financing are highly relevant topics within the Algerian entrepreneurial context. This is especially true given the funding challenges faced by startups and the growing need to diversify financing sources and build trust in digital and innovative mechanisms.

### 1.1.3 Analysis of the Personal Data of the Study Sample

The demographic characteristics of the individuals who participated in the study, comprising both startup founders and experts in startup support. The analysis includes variables such as role, year of company creation, sector of activity, and other relevant data collected through the questionnaire. Understanding the composition of the study sample is essential for contextualizing the findings and ensuring the credibility and representativeness of the results. The diversity in roles and experience levels within the sample enhances the explanatory power of the study, offering a comprehensive view of financing practices and perceptions within Algeria's entrepreneurial ecosystem.

- **Distribution of the Study Sample According to Role**

**Table (12):** Distribution of the Study Sample According to Role

Role	Frequency	Percentage
Startup Founder	38	58.5%

Expert in Startup Support	27	41.5%
<b>Total</b>	<b>65</b>	<b>100%</b>

**Source:** Prepared by the student based on SPSS 26 results

From the data presented in Table (12), it is evident that the distribution of the study sample according to role shows that the majority of respondents are startup founders, representing 58.5%, compared to 41.5% who are experts specializing in the support and financing of startups. This distribution reflects a relatively balanced representation of the two main categories relevant to the topic of the study, which enhances the comprehensiveness of the findings and gives them greater explanatory and analytical strength.

This diversity of roles highlights a dual perspective that enriches the study by integrating the viewpoints of active founders within the startup ecosystem with those of experts who possess in-depth knowledge of institutional support mechanisms and alternative financing experiences. Therefore, the findings are not only based on the personal experiences of startup founders but also grounded in objective assessments provided by professionals familiar with the support infrastructure of this sector.

Moreover, this distribution reflects a shared interest from both categories in the subject of the study, indicating a growing awareness of the importance of understanding the reality of startup financing and the accompanying support mechanisms in Algeria. This adds to the academic and professional credibility of the findings.

- **Distribution of the Study Sample According to the Year of Company Launch**

This variable concerns the 38 startup founders in the sample. The results of the descriptive analysis revealed the following:

**Table (13):** Distribution of the Study Sample According to the Year of Company Launch

Year	Frequency	Percentage
2020	6	9.2%
2021	8	12.3%
2022	8	12.3%

2023	6	9.2%
2024	7	10.8%
2025	3	4.6%
<b>Total</b>	<b>38</b>	<b>58.4%</b>

**Source:** Prepared by the student based on SPSS 26 results.

According to the data presented in Table (13) , the distribution of startup founders in the sample according to the year their company was launched shows a variation in the timing of startup creation. The highest proportions are observed in the years 2021 and 2022, each accounting for 12.3%, indicating a notable surge in startup launches during this period. This may be attributed to the development of institutional support policies and improved access to funding sources.

The data also show that the years 2020 and 2023 each recorded an equal percentage of 9.2% for startup launches, suggesting continuity in entrepreneurial initiatives despite possible economic challenges during those periods. In 2024, the percentage rose slightly to 10.8%, reflecting ongoing dynamism in Algeria’s entrepreneurial environment. On the other hand, 2025 registered the lowest percentage at 4.6%, which is a natural outcome considering the recency of the year and the limited time to assess the impact of newly launched ventures.

This temporal distribution reflects the dynamic nature of the entrepreneurial landscape in Algeria, with varying launch dates indicating different stages of maturity and development. The presence of both recently established and older startups within the sample adds valuable diversity in perspectives and experiences, lending greater depth and credibility to the study’s analysis of institutional support and modern financing mechanisms on the performance of these enterprises.

#### 1.1.4 Distribution of Study Sample Members According to the Startup’s Sector of Activity

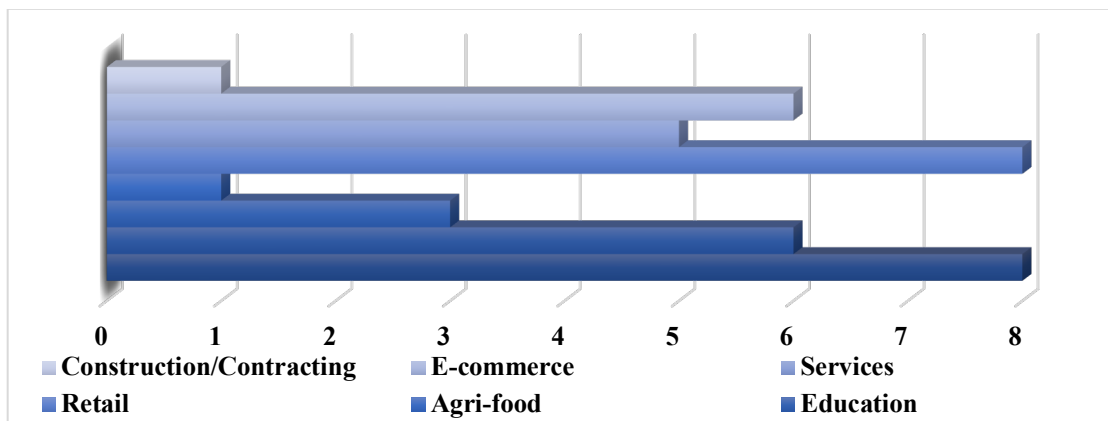
**Table (14):** Distribution of Study Sample Members According to the Startup’s Sector of Activity

Sector	Frequency	Percentage
Technology	8	12.3%
Health	6	9.2%
Education	3	4.6%

Agri-food	1	1.5%
Retail	8	12.3%
Services	5	7.7%
E-commerce	6	9.2%
Construction	1	1.5%
<b>Total</b>	<b>38</b>	<b>58.4%</b>

Source: Prepared by the student based on SPSS 26 results.

**Figure (02):** Distribution of Study Sample Members According to the Startup’s Sector of Activity



Source: Prepared by the student based on SPSS 26 and Excel software results.

The data from Table (14) and Figure (02) show a noticeable diversity in the investment fields, reflecting the comprehensiveness of the study across various economic sectors. The technology and retail sectors recorded the highest representation among respondents, each accounting for 12.3%, indicating a growing interest in these areas within Algeria’s entrepreneurial landscape.

The health and e-commerce sectors each represented 9.2%, followed by services at 7.7%, highlighting emerging trends toward offering innovative technological and digital services. The least represented sectors were education (4.6%), agri-food, and construction (1.5% each), pointing to untapped opportunities in these areas that may warrant more support and encouragement.

This distribution reflects the varied nature of startups’ economic activities and emphasizes the need for support and funding policies to account for this diversity by offering tailored solutions to each

sector's needs. Additionally, the sectoral concentration disparities invite evaluation of the effectiveness of financing and institutional support based on the nature of the activity.

The inclusion of multiple sectors in the sample enhances the credibility of the study's findings and provides a comprehensive view of the challenges and opportunities faced by startups across different economic domains.

### 1.1.5 Application for Public Funding or Support

**Table (15):** Distribution of Study Sample Members According to Question 1

Response	Frequency	Percentage
Yes	20	30.8%
No	18	27.7%
<b>Total</b>	<b>38</b>	<b>58.4%</b>

**Source:** Prepared by the student based on SPSS 26 results.

Based on the data from Table (15), the respondents are nearly evenly split regarding their past experience in applying for public funding or support for their startups. 30.8% indicated that they had previously applied, while 27.7% had not.

Although the percentage of those who applied is slightly higher, this small gap highlights two key points: first, the level of awareness among entrepreneurs about available support mechanisms; and second, the presence of administrative or bureaucratic obstacles that may hinder access to these mechanisms.

Moreover, the results show that nearly half of the sample have not had actual experience applying for public funding, which may indicate weak communication channels or a lack of institutional guidance and support. This also reflects a possible gap between support agencies and startup founders, suggesting a need to reassess incentive policies and their accessibility to the target group.

Hence, this distribution has important implications for the efficiency and effectiveness of the public support system and underscores the need for more dynamic measures to ensure broader and

fairer access to available resources, promoting growth and development in Algeria’s entrepreneurial environment.

### 1.1.6 Awareness of the Algerian Startup Fund (ASF)

**Table (16):** Distribution of Study Sample Members According to Question 2

Response	Frequency	Percentage
Yes	33	50.8%
No	5	7.7%
Total	38	58.5%

**Source:** Prepared by the student based on SPSS 26 results.

The results in Table (16) indicate that 50.8% of startup owners reported being aware of the Algerian Startup Fund (ASF), compared to only 7.7% who stated they were not. This shows a relatively acceptable level of initial awareness of the fund among the target group, reflecting preliminary engagement or interest in entrepreneurship support policies in Algeria.

This disparity in awareness levels highlights the need to enhance promotion and awareness efforts regarding the ASF, whether through academic institutions or organizations supporting entrepreneurship, in order to broaden the knowledge base about available financing mechanisms for startups and facilitate future access to them.

### 1.1.7 Reception of Funding from ASF or Other Institutional Entities

**Table (17):** Distribution of Study Sample Members According to Question 3

Response	Frequency	Percentage
Yes	4	6.2%
No	34	52.3%
Total	38	58.5%

**Source:** Prepared by the student based on SPSS 26 results.

The statistical results indicate that only a small portion of the sample 6.2% (equivalent to 4 individuals) reported receiving funding from ASF or another institutional entity. Conversely, 34

respondents, or 52.3%, stated they had not received such funding. This reveals a clear gap between awareness of funding sources and the actual ability to benefit from them. The limited number of beneficiaries suggests either low effectiveness of the financial support mechanisms or administrative and procedural complexities hindering access to these resources.

It may also reflect a lack of promotional initiatives or absence of convincing policies by the funding entities. In this context, funding should not be viewed merely as a financial resource, but as part of an integrated system that requires institutional accompaniment, transparency, and closer engagement with entrepreneurs' realities.

Therefore, the effectiveness of any fund or support body is not only measured by its existence but by its capacity to reach actual beneficiaries and ease the conditions for access. These data thus point to a structural challenge in bridging the gap between supply and demand in the institutional funding market for startups, necessitating a deep review of the mechanisms used to ensure broader and fairer access in Algeria's entrepreneurial environment.

### 1.1.8 Familiarity with Alternative Financing Sources

**Table (18):** Distribution of Study Sample Members According to Question 4

Response	Frequency	Percentage
Yes	19	29.2%
No	19	29.2%
Total	38	58.4%

**Source:** Prepared by the student based on SPSS 26 results.

The data from Table (18) reveal a perfect balance in the respondents' answers: 29.2% reported being aware of alternative financing sources, and the same percentage (29.2%) reported being unaware, with 19 respondents in each group.

This equilibrium is quite telling. Despite the importance of alternative financing as one of the most prominent modern trends in global startup support, awareness of such sources among the target group remains limited and inconclusive. It cannot be assumed that nearly a third of the sample

possesses real knowledge of these tools without assessing the depth of understanding or actual readiness to utilize them.

Furthermore, the equal split between awareness and lack of awareness indicates a level of ambiguity within the entrepreneurial community whether in terms of information exposure or trust in non-traditional financing alternatives. It could also suggest the absence of structured awareness campaigns or the weak integration of innovative financing concepts into institutional and academic frameworks supporting startups.

Therefore, these findings raise essential questions about the effectiveness of the regulatory and educational frameworks related to alternative financing, highlighting an urgent need for promotional and training tools aimed at improving understanding and engagement with these mechanisms. Increasing awareness of modern financing sources is a crucial first step toward empowering youth to explore and access sustainable and innovative financial solutions.

## **1.2 Qualitative Results**

This section presents the results of the qualitative study conducted during the internship at the Algerian Startup Fund (ASF). A total of eight semi-structured interviews were carried out with ASF staff members across three key departments: Participation, Monitoring, and Finance. The interviews aimed to explore ASF's internal processes related to startup funding, monitoring, and reimbursement, in alignment with the thematic structure of the interview guide.

Each dimension of the guide is analyzed separately. For each one, a table summarizes the statements of all eight interviewees, followed by a detailed narrative that links and compares their responses. Where applicable, additional materials provided by interviewees are included as supporting figures. Interviewees who declined to answer specific questions due to confidentiality constraints are noted as such.

### 1.2.1 General Overview of the ASF Mechanism

**Table (19):** General Overview of the ASF Mechanism depending to Q1 , Q2 , Q3

Interviewee	Department	Statement
1	Participation	“I’m part of the Participation Department. Our department handles the evaluation of startup files after the labeling phase. ASF’s mission is to reinforce equity in startups and accompany them through strategic investment. The process starts with receiving the label, then the startup sends their file, then comes the pitch day, followed by the investment committee decision. After a favorable decision, we move on to the pact of association, constitution of statutes, and finally, signing the convention of current account. ASF acts as a minority shareholder with a maximum 5 year horizon.”
2	Participation	“ASF helps startups by giving them financial and legal structure. First they have to get labeled. Then they send their business plan and financials. After that, we evaluate the project and prepare it for the committee.”
3	Monitoring	“I can’t speak about the full mechanism. My work starts after ASF invests. But I know that there’s an evaluation, a committee, and then a follow-up process.”
4	Monitoring	“I’m not involved in the initial steps. ASF invests in startups after a labeling phase and project study, but I mainly intervene after funding.”
5	Monitoring	“ASF selects startups after a pitch and committee review. We only begin once the contract is signed. I can’t go into details about the selection part.”
6	Monitoring	“I don’t know much about how ASF chooses startups. That’s not my task. I only know there’s a label and some kind of evaluation process.”
7	Finance	“ASF’s goal is to finance startups with 0% interest current accounts. The process starts after the labeling. Once participation is validated, we handle the fund disbursement and the required legal steps like NIF, RC, and signing the current account agreement.”
8	Finance	“ASF is a tool to support innovation through structured public financing. After selection and approval, we manage the administrative and financial parts, including bank accounts and fund transfers.”

**Source:** Prepared by the student

According to Interviewee 1, ASF's intervention starts after a project receives the national Startup or Innovative Project label. She explained in detail the sequential steps that follow: the labeled startup submits its file to ASF, which includes a business plan and required legal documents. Then comes the Pitch Day, where project holders present to ASF experts, followed by a decision from the Investment Committee. Upon approval, the process includes signing the pact of association, preparing the statutes, and registering or updating the RC (Registre de Commerce), NIF, and NIS. Finally, a current account agreement is signed, enabling fund disbursement in tranches.

Interviewee 1 also gave us a supplementary document (see appendix c) listing the administrative documents required .

Interviewee 2, also from Participation, confirmed this sequence but gave a more condensed explanation focused on labeling, evaluation, and committee decision.

Interviewees 3 to 6 (Monitoring) had limited or no direct involvement in the early stages. They all stated that their role begins after the funding is approved, and they had no detailed knowledge of ASF's front-end investment mechanism. In some cases, the interviewees clearly stated: "That's not my task" or "I can't go into details" due to internal confidentiality.

Finance Department staff (Interviewees 7 and 8) highlighted that their technical and legal work begins after project approval. They discussed financial structuring, account setup, and compliance controls, and confirmed that disbursement depends on the project's readiness and completion of all administrative steps.

This set of responses highlights the structured yet segmented nature of ASF's internal operations. While the Participation Department demonstrates comprehensive knowledge of the funding process, including legal and administrative sequencing, Monitoring and Finance departments are more involved in post-approval execution and show limited familiarity with earlier stages. The consistency between Interviewee 1's detailed account and ASF's official internal guide reinforces the procedural clarity within Participation, while the divergence across departments reflects a division of labor based on functional boundaries.

## 1.2.2 Evaluation and Decision-Making

**Table (20):** Evaluation and Decision-Making

Interviewee	Department	Statement
1	Participation	“We use a multi-criteria grid. We evaluate the founding team first experience, skills, and ability to manage risk. Then the market potential, scalability, and innovation level. Financial elements are essential. If the business model is weak or unrealistic, it’s usually a rejection.”
2	Participation	“The team’s profile and market knowledge come first. Then we look at how the project is structured financially. Business model, cost structure, and projected revenues are all considered.”
3	Monitoring	“We don’t participate in evaluations, but I know they use a scoring system with economic impact, innovation, and business logic.”
4	Monitoring	“I’m not part of the evaluation, but the grid includes innovation, potential, and scalability. I’ve seen that financial projections must be credible.”
5	Monitoring	“Evaluation is based on a grid. But I’m not directly involved. Financial indicators are important they must align with the startup’s phase.”
6	Monitoring	“That part is confidential and belongs to Participation. I don’t know the criteria in detail.”
7	Finance	“We verify financial consistency. We don’t evaluate startups directly but we ensure the forecasts are not exaggerated and that assumptions are documented.”
8	Finance	“The Participation team leads this phase. We just check that there’s a solid financial structure and that revenue logic is aligned with the market.”

Source: Prepared by the student

Interviewee 1 explained that the Algerian Startup Fund (ASF) utilizes a structured multi-criteria framework to evaluate funding applications. This internal grid prioritizes key aspects such as the profile and capabilities of the founding team, market potential, scalability, and the degree of innovation embedded in the project. She also stressed the critical importance of financial components particularly the realism of the business model as a deciding factor in whether a startup advances to the investment committee. Interviewee 2 supported this view, confirming that market comprehension and financial structure are essential pillars in the evaluation process. The financial forecasts, cost structure, and projected revenues must align with the startup's strategic context. If the numbers are inconsistent or overly optimistic, the project may either be revised or dismissed.

Interviewees from the Monitoring Department (3 to 6) consistently indicated that they are not directly involved in the evaluation phase. However, some acknowledged the existence of an internal scoring system used by the Participation Department, which includes both qualitative and quantitative criteria such as innovation, market dynamics, and projected impact. Interviewee 6 explicitly noted that these elements are classified as confidential and fall outside the scope of Monitoring. It is important to mention that ASF staff shared the scoring grid and its components with the researcher to support understanding during the internship. However, due to internal policy and confidentiality requirements, this document could not be reproduced or disclosed in this thesis.

Finance staff (Interviewees 7 and 8) also confirmed that their role is limited to the technical review of financial assumptions rather than participating in strategic evaluation or scoring. Their responsibility lies in ensuring that forecasts are internally coherent, aligned with the startup's maturity level, and consistent with sector norms.

The results suggest that ASF's evaluation and decision-making process is governed by a structured scoring system managed by the Participation Department, with technical support from the Finance team. Monitoring personnel are not involved in the assessment process and maintain only a general awareness of its structure. While detailed documentation of the scoring system was shared internally, it remains confidential and cannot be included in this thesis. The process appears rigorous and criterion-based, reflecting ASF's dual focus on strategic potential and financial feasibility

### 1.2.3 Post-Funding Follow-Up

**Table (21): Post-Funding Follow-Up**

Interviewee	Department	Statement
1	Participation	“Our department is not involved in follow-up, but we define KPIs and reporting obligations within the investment pact before disbursement.”
2	Participation	“We agree in advance with Monitoring on the indicators they will later follow. Once the pact is signed, follow-up is no longer within our responsibilities.”
3	Monitoring	“We follow up on startups based on a timeline of milestones outlined in the “repayment schedule” over five years. The first two years are grace periods; reimbursement starts in the third year.”
4	Monitoring	“Monitoring is done using a follow-up calendar. If startups don’t respond, we raise alerts internally and send formal notices.”
5	Monitoring	“We rely on milestones defined in the investment pact. We compare them with progress and request explanations if there’s a delay.”
6	Monitoring	“We contact startups directly if they go silent. If they do not respond, we move to internal escalation. We are still in the pre-reimbursement period for most cases.”
7	Finance	“We rely entirely on Monitoring to validate that milestones are met. We only release tranches once Monitoring gives us confirmation.”
8	Finance	“We try to be flexible when a startup faces delays, but if there is no justification and no response, we move to a legal solution. Our goal is not confrontation, but we must protect ASF’s position if no cooperation is possible.”

Source: Prepared by the student

Post-funding follow-up at the Algerian Startup Fund (ASF) is principally managed by the Monitoring Department, with preparatory contributions from the Participation Department and procedural verification by the Finance Department. The findings indicate a clearly segmented structure, where each department operates within a specific mandate at different stages of the post-investment process.

According to Participation Department interviewees (Interviewees 1 and 2), their role is to define the key performance indicators (KPIs) and reporting obligations that will later be tracked by the Monitoring team. These elements are formalized during the negotiation of the investment pact and jointly reviewed with Monitoring prior to fund disbursement. Once the investment contract is signed, Participation withdraws from further involvement in follow-up activities.

The Monitoring Department (Interviewees 3 to 6) is responsible for operationalizing the follow-up phase. Their work is structured around a five-year disbursement and repayment schedule, which outlines project-specific performance milestones and repayment expectations. The first two years are formally designated as a grace period, during which no reimbursement is required. Starting from the third year, startups are expected to initiate partial repayments, with full reimbursement foreseen by the fifth year. At the time of the interviews, most startups were still in the grace period, and thus the reimbursement component of monitoring had not yet been activated.

Monitoring staff conduct follow-up using internal tools, startup progress reports, and predefined tracking mechanisms. In the event of delayed reporting or lack of communication from startups, ASF initiates direct outreach. When no response is obtained or when justifications are insufficient, the case is escalated internally through alerts and formal notification procedures. While the overall approach remains adaptive to the realities of early-stage startups, ASF upholds a structured and progressive escalation protocol in cases of persistent non-compliance.

Finance Department respondents (Interviewees 7 and 8) stated that their role is reactive, limited to the release of tranches based on validation from Monitoring. Disbursements are conditional upon confirmation that operational and financial milestones have been met. One Finance staff member noted that the department prioritizes constructive communication and aims to support startups facing temporary obstacles. However, when a startup becomes unresponsive over an extended

period without valid justification, ASF initiates legal action to preserve institutional accountability and recover funds.

ASF's post-funding follow-up process is grounded in a structured interdepartmental workflow, centered around a five-year disbursement and repayment schedule. Participation defines the indicators, Monitoring executes the operational oversight, and Finance enforces financial conditionality. While the reimbursement phase had not yet begun at the time of data collection, ASF had already established both preventive coordination mechanisms and formal escalation procedures to ensure long-term compliance and repayment.

#### **1.2.4 Reimbursement Phase**

The responses collected across departments reflect that while the reimbursement phase is formally defined within ASF's contractual structure, it has not yet entered into active implementation. This is largely due to the institution's recent creation and the fact that most startups in its portfolio are still in their early years of funding

Participation Department staff (Interviewees 1 and 2) confirmed that reimbursement mechanisms are introduced during the initial agreement stage and are documented in the investment pact. They described these mechanisms as being linked to exit strategies, such as buyback of shares or acquisition, with repayment expected over a five-year exit horizon.

However, when the topic was raised with the Monitoring Department, most interviewees (Interviewees 3, 4, and 5) indicated that this component falls outside their operational scope. Their responses consistently redirected the matter to the Finance Department. One interviewee (Interviewee 5) gave no answer, and another (Interviewee 6) cited confidentiality as the reason for not addressing reimbursement-related procedures.

Within the Finance Department, both interviewees (7 and 8) confirmed that reimbursement provisions exist in the pact, notably through mandatory buyback clauses. However, they emphasized that no reimbursement cases had been initiated at the time of the interviews, given that none of the funded startups had yet reached the contractual five-year threshold. This institutional

reality reflects the early stage of ASF's investment activity, where projects are still in their growth and development phase, and repayment cycles have yet to commence.

While ASF has clearly defined reimbursement mechanisms embedded in its legal and financial agreements, no practical enforcement had occurred at the time of data collection. The responsibility for managing reimbursement lies primarily with the Finance Department, though the current portfolio has not reached the maturity required to activate these procedures. This situation is consistent with ASF's institutional youth and the long-term nature of its equity-based investment model

### **1.2.5 Coordination and Challenges**

Interview responses across the three core departments at ASF demonstrate a clear and structured model of internal coordination. Participation, Monitoring, and Finance collaborate at each stage of the funding process, from project selection and legal finalization to follow-up and disbursement. The coordination is described as active, continuous, and clearly defined, with all staff operating within a shared institutional framework.

From the Participation Department (Interviewees 1 and 2), coordination is initiated at the point of project approval, with a formal handover of documents and indicators to the Monitoring Department. This transition is described as systematic and traceable, ensuring that Monitoring has full visibility into project expectations and contractual obligations.

Interviewees from the Monitoring Department (Interviewees 3 to 6) consistently reported that internal processes are well-structured, and that collaboration with other departments is embedded in daily operations. Monitoring communicates regularly with both Participation and Finance through shared documentation, ongoing updates, and cross-functional meetings. Every project is jointly managed through coordinated efforts, especially during milestone validations or in case-specific reviews.

Finance staff (Interviewees 7 and 8) confirmed that all financial actions are based on validated inputs from Monitoring and Participation, and that departmental coordination is essential for fund release procedures. The responses reflect a high level of operational coherence, where each unit contributes to a continuous flow of information and decision-making.

ASF demonstrates a strong internal coordination framework that connects Participation, Monitoring, and Finance in a seamless and structured manner. Responsibilities are clearly defined, and interdepartmental collaboration is consistent throughout the project lifecycle. This level of integration supports ASF's ability to respond efficiently to project developments, track performance, and ensure that all operational decisions are made collectively and transparently .

### **1.2.6 Awareness and Perception of Alternative Financing Models**

The responses related to alternative financing models reveal a limited but emerging awareness among ASF staff, concentrated primarily within the Participation and Finance departments. Interviewees from the Monitoring department and one from Finance either did not answer the question or indicated no input on the topic. Within the Participation Department, Interviewee 1 reported awareness of crowdfunding mechanisms and specifically cited diaspora-focused platforms such as Yenvesti, describing them as complementary financing options for startups, particularly during early development stages. Interviewee 2 also acknowledged knowledge of crowdfunding platforms and alternative financing models, although without further elaboration.

From the Finance Department, Interviewee 8 demonstrated a high level of familiarity with alternative financing. She referenced Yenvesti as a growing platform targeting the Algerian diaspora and noted its relevance for startups seeking more flexible capital solutions. Her response reflected an active interest in emerging financing trends within the ecosystem.

Interviewees from the Monitoring Department (Interviewees 3 to 6), along with Interviewee 7 from Finance, did not provide an answer to the question.

Awareness of alternative financing, particularly crowdfunding, exists among a few members of the Participation and Finance departments. The reference to Yenvesti by two interviewees suggests a basic institutional familiarity with emerging non-traditional funding channels. However, responses were limited in number, and no detailed operational knowledge was provided by the majority of interviewees, reflecting that the topic remains peripheral to ASF's current internal practice

### **1.2.7 Strategic Vision and Recommendations**

The majority of ASF staff members interviewed did not provide strategic recommendations or long-term visions for the institution. In most cases, respondents either stated that this type of information was confidential, or preferred not to elaborate on future planning aspects. Despite the limited feedback, a shared perception emerged among several interviewees that ASF is progressing in a positive direction in fulfilling its mandate.

One notable contribution came from Interviewee 2 (Participation Department), who stated that ASF is on the right path and emphasized its unique positioning as the first institutional venture capital fund in Algeria dedicated exclusively to startups. This distinction was cited as a structural advantage that aligns with ASF's national mission and the evolving needs of the entrepreneurial ecosystem.

Although other departments did not provide specific recommendations, their overall tone reflected institutional alignment and confidence in ASF's current strategy.

Strategic recommendations were limited due to the confidentiality of such matters and the early stage of ASF's development. However, the responses suggest a shared perception that ASF is structurally sound and institutionally well-positioned. Its role as a pioneer venture capital fund for startups in Algeria was viewed positively, particularly by members of the Participation Department.

## **Section 2 : Discussion and Interpretation**

This section presents a critical discussion of the results obtained through the mixed-method approach adopted in this study. The objective is to interpret the findings from both the quantitative and qualitative phases, highlighting patterns, contrasts, and points of convergence with existing literature and theoretical frameworks.

The first part focuses on the analysis of the quantitative data, particularly in relation to startup experiences with ASF, challenges in fund accessibility, and awareness of alternative financing mechanisms. The second part interprets the insights collected through interviews with ASF staff, shedding light on internal processes, interdepartmental coordination, and perceptions of institutional efficiency.

Finally, the third part offers a triangulated discussion that brings together the two data sources. This integrative analysis also reflects on the findings through the lens of the research methodology and the theoretical models guiding this study namely, the Pecking Order Theory and the Trade-Off Theory in order to understand the financial decision-making behaviors of startups and the institutional dynamics shaping their financing pathways

### **2.1 Discussion and Interpretation of Quantitative Results and Hypothesis Testing**

This section aims to analyze the questionnaire components and test the study's hypotheses in order to explore the experiences of startup financing and the institutional support provided in Algeria. It adopts a dual-perspective approach that combines the evaluation of modern financing mechanisms on one hand, and the assessment of the internal processes of the Algerian Startup Fund (ASF) on the other. The field study was conducted on a sample of startup founders and experts in the field to gain insights into the reality of financing and how it is activated in Algeria's entrepreneurial ecosystem.

#### **2.1.1 Discussion and Interpretation of Quantitative Results**

This subsection presents and descriptively analyzes the results of the questionnaire axes using appropriate statistical tools to measure the respondents' attitudes towards the role of institutional

support and financing mechanisms in enabling startup funding in Algeria. The analysis aims to provide an initial understanding of the respondents' perception of the impact of modern financing tools and institutional support in helping startups overcome financial and administrative challenges and achieve sustainability in the local market.

**Table (22):** Criteria for Determining Respondents' Attitudes Based on the Five-Point Likert Scale

Arithmetic Mean	Level
1.00 – 1.79	1
1.80 – 2.59	2
2.60 – 3.39	3
3.40 – 4.19	4
4.20 – 5.00	5

**Source:** (Ezz, 2007)

**Table (23):** Respondents' Opinions on dimension 1 (Internal Financing of Startups)

Statements	Scale	Strongly Disagree	Disagree	Somewhat Agree	Agree	Strongly Agree	Mean	Standard Deviation	Assessment	Rank
In the early stages, startups should rely more on personal savings than on external financing.	Frequency	4	9	8	27	17	3.68	1.19	Agree	8
	Percentage	6.2%	13.8%	12.3%	41.5%	26.2%				
Internal financing provides greater flexibility and control for startup founders.	Frequency	1	2	9	24	29	4.20	0.91	Agree	3
	Percentage	1.5%	3.1%	13.8%	36.9%	44.6%				
External financing (bank loans, venture capital, ASF) involves high risk for startups in their early stages.	Frequency	3	4	10	23	25	3.97	1.10	Agree	7
	Percentage	4.6%	6.2%	15.4%	35.4%	38.4%				
Most startups in Algeria rely on internal sources of funding in their early stages.	Frequency	1	5	8	18	33	4.18	1.03	Agree	4
	Percentage	1.5%	7.7%	12.3%	27.7%	50.8%				
External financiers often impose restrictions that reduce the company's independence.	Frequency	2	2	7	34	20	4.05	0.91	Agree	6
	Percentage	3.1%	3.1%	10.8%	52.3%	30.8%				
The excessive paperwork and lack of clarity in external financing hinder startup founders from benefiting from it.	Frequency	2	1	7	31	24	4.14	0.89	Agree	5
	Percentage	3.1%	1.5%	10.8%	47.7%	36.9%				
Internal financing is the safest and easiest option in the beginning.	Frequency	2	3	7	19	34	4.23	1.03	Strongly Agree	2
	Percentage	3.1%	4.6%	10.8%	29.2%	52.3%				
External financing becomes necessary only after validating the business model.	Frequency	1	3	9	16	36	4.28	0.98	Strongly Agree	1
	Percentage	1.5%	4.6%	13.8%	24.6%	55.4%				
<b>Dim1: Internal Financing of Startups</b>							<b>4.09</b>	<b>0.70</b>	<b>Agree</b>	

Source: Prepared by the student based on SPSS 26 results.

This analysis focuses on the results of dimension 1 related to internal startup financing in Algeria. The responses reflect perceptions about the role of internal financing in supporting the sustainability of startups during their early phases. From the table, all statements recorded average scores within the “Agree” level, indicating a generally positive trend toward the importance of internal financing for Algerian startups. Key findings include:

- The statement (In the early stages, startups should rely more on personal savings than external funding) had a high mean (3.68), indicating that most respondents view internal financing as the safer option during initial startup phases.
- The statement (Internal financing provides more flexibility and control for startup founders) had a mean of (4.20), highlighting a strong preference for internal financing due to its operational advantages and autonomy.
- The statement (Most startups in Algeria rely on internal funding sources in their initial phase) had a mean of (4.18), suggesting that self-financing remains the dominant source during early development.
- The statement (External financiers often impose restrictions that reduce company independence) scored (4.05), reflecting concerns that external funding may limit strategic decision-making.
- The statement (Excessive paperwork and lack of transparency in external funding hinder startup access) scored (4.14), underlining administrative challenges in accessing external resources.
- The statement (Internal financing is the safest and easiest option at the beginning) scored (4.23), showing strong belief in its significance during early stages.
- The statement (External funding becomes necessary only after validating the business model) had the highest mean (4.28), suggesting that most respondents believe that external financing should be sought only after confirming the viability of the business model.

Based on the overall average of the dimension (4.09) with a standard deviation of (0.70), it can be concluded that the sample strongly agrees with the importance of internal financing as a fundamental mechanism to support startups in Algeria, while also expressing reservations about external financing due to the constraints and pressures it may impose.

**Table (24):** Respondents' Opinions on dimension 2 (Perception of Institutional Support)

Statements	Scale	Strongly Disagree	Disagree	Somewhat Agree	Agree	Strongly Agree	Mean	Standard Deviation	Assessment	Rank
Institutional support mechanisms play an important role in startups' financing decisions.	Frequency	–	–	17	21	27	4.15	0.82	Agree	4
	Percentage	–	–	26.2%	32.3%	41.5%				
A positive perception of public institutions encourages founders to seek external financing.	Frequency	1	3	10	15	36	4.26	0.99	Strongly Agree	3
	Percentage	1.5%	4.6%	15.4%	23.1%	55.4%				
Lack of transparency in institutional procedures reduces founders' trust.	Frequency	1	1	10	19	34	4.29	0.90	Strongly Agree	2
	Percentage	1.5%	1.5%	15.4%	29.2%	52.3%				
Startups often avoid institutional financing due to administrative complexities.	Frequency	1	3	7	32	22	4.09	0.90	Agree	6
	Percentage	1.5%	4.6%	10.8%	49.2%	33.8%				
Programs like ASF can encourage financing if communicated effectively.	Frequency	1	1	7	13	43	4.48	0.87	Strongly Agree	1
	Percentage	1.5%	1.5%	10.8%	20%	66.2%				
Public funding bodies understand the real needs of startups.	Frequency	3	12	29	15	6	3.14	0.98	Somewhat Agree	8
	Percentage	4.6%	18.5%	44.6%	23.1%	9.2%				
Founders are influenced by peers' opinions regarding the effectiveness of institutional support.	Frequency	2	2	28	19	14	3.63	0.96	Agree	7
	Percentage	3.1%	3.1%	43.1%	29.2%	21.5%				
Institutional guidance is one of the key elements in shaping the startup's financial strategy.	Frequency	1	–	10	33	21	4.12	0.78	Agree	5
	Percentage	1.5%	–	15.4%	50.8%	32.3%				
<b>Dim 2: Impact of Perception of Institutional Support</b>							<b>4.02</b>	<b>0.50</b>	<b>Agree</b>	

Source: Prepared by the student based on SPSS 26 results.

The table presents the participants' evaluation of the dimension of institutional support and its influence on startups' financing decisions. The data indicates a generally positive assessment, with an overall mean score of 4.02 and a standard deviation of 0.50, reflecting a significant perception of the importance of institutional support in enhancing the financing environment for startups.

- The statement (Programs like ASF can encourage financing if communicated effectively) ranked first, with a mean of 4.48 and a standard deviation of 0.87, indicating strong agreement with the effectiveness of such programs when they are clearly and transparently communicated.
- This was followed by the statement (Lack of transparency in institutional procedures reduces founders' trust), which scored a mean of 4.29, highlighting the negative effect of institutional opacity on founders' decisions, particularly in relation to institutional financing.
- The statement (A positive perception of public institutions encourages founders to seek external financing) recorded a mean of 4.26, emphasizing the role of institutional image in motivating founders to pursue funding opportunities.
- The statement (Startups often avoid institutional financing due to administrative complexities) scored a mean of 4.09, indicating a shared understanding among respondents that bureaucratic hurdles pose a real barrier to accessing institutional funding mechanisms.
- The statement (Institutional guidance plays a role in shaping startups' financial strategies) ranked fifth with a mean of 4.12, suggesting that formal guidance is considered important in the development of financial strategies.
- Conversely, the statement (Public funding bodies understand the real needs of startups) received the lowest mean score of 3.14, indicating a degree of skepticism among respondents regarding public institutions' ability to grasp the actual needs of startups.

In summary, the findings demonstrate that the perceived dimension of institutional support plays a fundamental role in shaping founders' attitudes and behaviors toward financing. Trust, transparency, and effective institutional communication emerge as key factors in encouraging the use of these support mechanisms. The results also highlight the need to reassess administrative frameworks and bridge the gap between public institutions and startup needs in order to enhance the effectiveness of institutional support.

**Table (25):** Respondents' Evaluation of the Third Dimension (Awareness and Trust in Alternative Financing)

Statement	Scale	Strongly Disagree	Disagree	Somewhat Agree	Agree	Strongly Agree	Mean	Standard Deviation	Evaluation	Rank
Alternative financing includes various options, such as crowdfunding or revenue-based financing.	Frequency	2	4	24	21	14	3.63	0.99	Agree	6
	Percentage	3.1%	6.2%	36.9%	32.3%	21.5%				
Crowdfunding is considered a viable solution for companies in Algeria.	Frequency	1	17	20	20	7	3.23	1.01	Somewhat Agree	7
	Percentage	1.5%	26.2%	30.8%	30.8%	10.8%				
Modern financing methods are generally unfamiliar to Algerian entrepreneurs.	Frequency	2	2	9	27	25	4.09	0.96	Agree	5
	Percentage	3.1%	3.1%	13.8%	41.5%	38.5%				
Most Algerian startups do not trust digital financing platforms.	Frequency	2	1	6	29	27	4.20	0.91	Strongly Agree	4
	Percentage	3.1%	1.5%	9.2%	44.6%	41.5%				
Alternative financing is not sufficiently used due to a lack of information and promotion.	Frequency	1	0	3	19	42	4.55	0.73	Strongly Agree	2
	Percentage	1.5%	0.0%	4.6%	29.2%	64.6%				
There is a need to raise founders' awareness of innovative financing models through awareness campaigns, training programs, etc.	Frequency	1	0	4	14	46	4.60	0.75	Strongly Agree	1
	Percentage	1.5%	0.0%	6.2%	21.5%	70.8%				
Traditional financing methods are perceived as more credible than modern ones due to founders' familiarity with them.	Frequency	1	2	6	23	33	4.31	0.88	Strongly Agree	3
	Percentage	1.5%	3.1%	9.2%	35.4%	50.8%				

Source: Prepared by the student based on SPSS 26 results.

The overall mean score for this dimension (4.09) and the standard deviation (0.62) indicate that respondents express a significant level of agreement on the importance of enhancing awareness and trust in alternative financing mechanisms. This reflects a growing recognition among respondents of the relevance of this model in supporting startups.

- The statement (There is a need to raise founders' awareness of innovative financing models through awareness campaigns, training programs, etc). ranked first, with a mean of 4.60 and a low standard deviation of 0.75, indicating an almost unanimous consensus on the urgent need for institutional awareness efforts regarding non-traditional financing methods through practical and actionable initiatives.
- This was followed by (Alternative financing is not sufficiently used due to a lack of information and promotion), with a mean of 4.55 and a standard deviation of 0.73, confirming the presence of a knowledge and communication gap that remains one of the main challenges hindering the adoption of these mechanisms in the Algerian market.
- The statement (Traditional financing methods are perceived as more credible than modern ones due to founders' familiarity with them) came in third with a mean of 4.31, highlighting a certain caution or bias toward conventional methods, which may act as a barrier to embracing alternative options.
- The statement (Most Algerian startups do not trust digital financing platforms) followed with a mean of 4.20, indicating a high level of skepticism toward fintech solutions despite their global spread, and pointing to challenges related to building digital trust.
- In fifth place was the statement (Modern financing methods are generally unfamiliar to Algerian entrepreneurs), with a mean of 4.09, supporting earlier findings regarding the lack of awareness.
- The statement (Alternative financing includes various options, such as crowdfunding or revenue-based financing) scored a mean of 3.63, suggesting a partial or limited understanding of these options among certain segments of respondents.
- Lastly, the statement (Crowdfunding is considered a viable solution for companies in Algeria) recorded the lowest mean score of 3.23, revealing practical reservations or doubts about its local applicability possibly due to the absence of model experiences or a clear legal framework.

In summary, the results indicate a growing theoretical awareness of alternative financing. However, there remains a clear gap in terms of trust and practical application. This calls for intensified awareness efforts and the development of appropriate legislative and technical frameworks to support the adoption of these mechanisms within Algeria’s entrepreneurial ecosystem.

### 2.1.2 Principal Component Analysis (PCA) Results

To better understand the underlying dimensions shaping perceptions of institutional financing mechanisms and support for startups in Algeria, a Principal Component Analysis (PCA) was conducted on the data collected through the survey instrument. This statistical technique was selected for its ability to reduce the dataset’s dimensionality while preserving as much variance as possible, thus allowing for the extraction of meaningful factors that contribute to the interpretation of the respondents’ views.

**Table (26):** Results of Principal Component Analysis (PCA)

Statistical Indicator	Value	Interpretation
Number of items	23	Number of observed variables (survey items)
Kaiser-Meyer-Olkin (KMO) Test	0.785	Statistically significant (> 0.7), indicating data suitability for PCA
3. Bartlett’s Test of Sphericity	$\chi^2 = 963.062$  df = 253  Sig = 0.000	Significant at 0.05 level, indicating correlations among variables
Number of extracted factors	6	Six components with eigenvalues > 1, reflecting the most influential dimensions
Cumulative variance explained	71.89%	Indicates good explanation of the data (more than 60% of total variance)

**Source:** Prepared by the student based on SPSS 26 results.

The results of the PCA revealed strong statistical indicators confirming the validity of the data used to identify the underlying dimensions related to startup financing and institutional support mechanisms in Algeria. A total of 23 items were retained in the survey tool, covering various aspects of financing and internal support related to the Startup Fund, thus ensuring a comprehensive representation of the dimensions related to the research topic.

Regarding the sampling adequacy, the Kaiser-Meyer-Olkin (KMO) measure recorded a value of 0.785, which is statistically significant and exceeds the commonly accepted threshold of 0.7. This suggests that the sample size and partial correlations among variables are sufficient to conduct a reliable factor analysis. Additionally, Bartlett's Test of Sphericity was statistically significant ( $\chi^2 = 963.062$ ,  $df = 253$ ,  $Sig = 0.000$ ), indicating that the correlation matrix differs from the identity matrix. This supports the assumption of meaningful correlations among variables, justifying the use of factor analysis.

Based on the eigenvalue criterion ( $>1$ ), six principal components were extracted, representing the most influential dimensions in the respondents' perceptions of institutional financing and its mechanisms. This number reflects the relatively complex structure of the topic, with each component representing a distinct analytical dimension in the entrepreneurial and startup ecosystem.

In terms of overall data explanation, the cumulative variance explained reached 71.89%, which indicates that these six factors account for a substantial portion of the variance in the sample responses. This is considered a high percentage in field studies with a social or economic nature, and it reflects the effectiveness of the measurement tool in capturing theoretical concepts and adapting them to the practical Algerian context.

Therefore, these results provide a solid foundation for proceeding to the next phase, which involves a detailed analysis of the extracted components. This will contribute to uncovering how startups are financed and assessing the efficiency of the internal operations of the supporting fund, from the perspective of stakeholders and active actors in the field.

### 2.1.3 Hypothesis Testing of the Study

#### ⇒ Hypothesis Statement:

There are statistically significant indicators that Algerian startups prefer internal financing over external sources, particularly during their early stages, at a 0.05 level of significance.

- **Null Hypothesis (H<sub>0</sub>):** There are no statistically significant indicators that Algerian startups prefer internal financing over external sources, particularly during their early stages, at a 0.05 level of significance.
- **Alternative Hypothesis (H<sub>1</sub>):** There are statistically significant indicators that Algerian startups prefer internal financing over external sources, particularly during their early stages, at a 0.05 level of significance.

**Table (27):** T-test for the Internal Financing Dimension of Startups

Evaluation	Significance Level	Degrees of Freedom	T Value	Variable
Statistically significant	0.000	64	46.83	Internal Financing for Startups

**Source:** Prepared by the student based on SPSS 26 results.

As shown in the table above, the p-value (0.000) is significantly lower than the significance level adopted in this study (0.05). Additionally, the T value reached 46.83 with 64 degrees of freedom, a high value indicating a significant difference between the hypothetical and actual means in the respondents' answers.

Accordingly, we reject the null hypothesis and accept the alternative hypothesis, which states: (There are statistically significant indicators that Algerian startups prefer internal financing over external sources, particularly during their early stages, at a 0.05 significance level).

This result suggests that most startups tend to rely on internal financial resources, such as personal savings or family funding, due to several factors notably the lack of trust in external sources, the absence of effective alternative financing options, complex banking procedures, and difficulty in accessing bank financing.

This finding aligns with recent literature, which emphasizes that internal financing is often the most realistic choice for startups in early stages, especially within environments where the entrepreneurial ecosystem and venture financing are underdeveloped, such as the Algerian market.

⇒ **Testing the Second Main Hypothesis**

There is a statistically significant positive effect of startup founders’ perceptions of institutional support mechanisms on their financial decision-making, at a 0.05 level of significance.

- **Null Hypothesis (H<sub>0</sub>):** There is no statistically significant positive effect of startup founders’ perceptions of institutional support mechanisms on their financial decision-making, at a 0.05 level of significance.
- **Alternative Hypothesis (H<sub>1</sub>):** There is a statistically significant positive effect of startup founders’ perceptions of institutional support mechanisms on their financial decision-making, at a 0.05 level of significance.

**Table (28):** T-test for the Dimension of Founders’ Perceptions of Institutional Support

Evaluation	Significance Level	Degrees of Freedom	T Value	Variable
Statistically significant	0.000	64	64.87	Awareness and Trust in Alternative Financing

**Source:** Prepared by the student based on SPSS 26 results.

As shown in the table, the p-value (0.000) is far below the adopted significance level of 0.05. The T value reached 64.87 at 64 degrees of freedom, indicating a significant difference between the hypothetical and actual means, and reflecting a tangible impact of founders’ perceptions of institutional support mechanisms on their financial decisions.

Based on these results, we reject the null hypothesis and accept the alternative hypothesis, which states: (There is a statistically significant positive effect of startup founders’ perceptions of institutional support mechanisms on their financial decision-making, at a 0.05 significance level).

This result supports the theoretical framework of the study, indicating that effective financial decisions among startup founders are closely linked to their awareness and understanding of available institutional support mechanisms (such as incubators, public agency assistance, tax

exemptions, and training). These mechanisms help reduce risk and encourage more confident and ambitious funding decisions during the foundational and launch phases.

This outcome is consistent with current trends in entrepreneurship support, which emphasize that a strong and supportive institutional environment is a key factor in enhancing financing decisions, especially during the early stages of startup development, when funding options are limited and challenges are high.

⇒ **Testing the Third Main Hypothesis**

There are statistically significant indicators that the level of awareness and trust in alternative financing channels (such as crowdfunding and revenue-based financing) remains low among Algerian startups, at a 0.05 level of significance.

- **Null Hypothesis (H<sub>0</sub>):** There are no statistically significant indicators that the level of awareness and trust in alternative financing channels remains low among Algerian startups, at a 0.05 significance level.
- **Alternative Hypothesis (H<sub>1</sub>):** There are statistically significant indicators that the level of awareness and trust in alternative financing channels remains low among Algerian startups, at a 0.05 significance level.

**Table (29):** T-test for the Dimension of Awareness and Trust in Alternative Financing

Evaluation	Significance Level	Degrees of Freedom	T Value	Variable
Statistically significant	0.000	64	53.20	Awareness and Trust in Alternative Financing

**Source:** Prepared by the student based on SPSS 26 results.

As the table shows, the p-value (0.000) is much lower than the adopted significance level of 0.05. The T value reached 53.20 with 64 degrees of freedom, indicating a significant difference between the theoretical mean and the actual mean of the respondents' answers.

Accordingly, we reject the null hypothesis and accept the alternative hypothesis, which states:

(There are statistically significant indicators that the level of awareness and trust in alternative financing channels (such as crowdfunding and revenue-based financing) remains low among Algerian startups, at a 0.05 significance level).

This result indicates that, despite offering flexible and non-traditional funding opportunities, alternative financing channels are still not fully understood or trusted by startup founders in the Algerian context. This may be due to a lack of knowledge, skepticism about their effectiveness, or the absence of legal and regulatory frameworks that ensure the safe use of these mechanisms.

This finding is consistent with contemporary literature, which highlights that limited financial literacy and entrepreneurs' hesitation to adopt alternative financing tools are among the key challenges hindering the diversification of funding sources in developing countries. The shift toward modern financing models requires institutional efforts in raising awareness, building legal frameworks, and providing secure and reliable platforms.

## **2.2 Discussion and Interpretation of Qualitative Results**

After presenting the results of the qualitative investigation in the previous section, this part of the study focuses on their interpretation and critical analysis. The aim is to explore the perspectives shared by ASF staff members across departments and to understand how these insights reflect ASF's internal procedures, institutional maturity, and role in the Algerian startup ecosystem. Each thematic dimension is discussed in detail to highlight key patterns, departmental roles, and operational logics that emerged from the interviews.

### **2.2.1 General Overview of the ASF Mechanism**

The responses related to the overall ASF mechanism revealed a structured but departmentally segmented process. Participation Department interviewees provided detailed explanations regarding the sequential steps from labeling to fund disbursement. In particular, Interviewee 1 described with clarity the chronological flow of administrative and legal requirements including the preparation of statutes, commercial registration, tax identification, and signing of the current account agreement reflecting alignment with ASF's internal guide. This level of detail confirms

that the Participation Department acts as the entry point for startups and manages the most complex procedural phases.

In contrast, Monitoring Department staff consistently reported that they are not involved in the initial stages and possess only a general understanding of the selection and evaluation process. This is not surprising given that their responsibilities begin post-disbursement. Similarly, Finance Department interviewees highlighted their focus on execution and compliance, particularly in validating fund release conditions. This division of responsibilities reflects a well-structured workflow, in which departments intervene at different operational points.

Nevertheless, the lack of cross-departmental exposure to the full lifecycle of ASF-funded projects may have implications for knowledge integration, even if coordination remains functional. The interviews show a clear distribution of tasks and limited duplication, ensuring efficiency, but they also hint at possible missed opportunities for institutional learning across stages.

### **2.2.2 Evaluation and Decision-Making**

Evaluation and funding decisions are centralized in the Participation Department, which applies a multi-criteria grid encompassing both qualitative and quantitative elements. Interviewee 1's explanation of the evaluation grid which incorporates team quality, innovation, market potential, scalability, and financial feasibility shows ASF's attempt to blend strategic and financial dimensions in its investment decisions.

The absence of detailed commentary from Monitoring staff on this process reinforces their non-involvement, although their awareness of the internal scoring system suggests some degree of transparency within the organization. The acknowledgment by Interviewee 6 of confidentiality restrictions further highlights the institutional maturity in handling sensitive evaluative tools.

Finance Department interviewees underlined their support role in validating the financial assumptions presented in business plans. Their technical function verifying forecasts, cost structures, and internal consistency complements the strategic assessments conducted by Participation. This dual-layered approach provides rigor and specialization, though it may also reinforce functional silos if interdepartmental feedback mechanisms are weak

The presence of a structured scoring model and clear departmental roles confirms ASF's commitment to procedural transparency. However, the strict segmentation of responsibilities also calls attention to the potential need for cross-validation and interdisciplinary collaboration in complex investment cases.

### **2.2.3 Post-Funding Follow-Up**

One of the most developed institutional processes within ASF is post-funding follow-up. Participation defines KPIs and reporting obligations during the investment pact stage, but once disbursement occurs, Monitoring assumes full responsibility for tracking startup progress. The interviewees described this transition as systematic and well-coordinated.

Monitoring staff emphasized their use of a five-year disbursement and repayment schedule, which delineates project milestones. The first two years are designated as a grace period, while repayment is expected to begin in year three and intensify through year five. Although most startups were still in the early phase at the time of data collection, Monitoring was already engaging in structured follow-up activities using reporting tools and escalation protocols.

The escalation mechanisms mentioned including internal alerts and formal notices reflect a progressive compliance strategy that balances support with accountability. Monitoring's reliance on both relational communication and formal tracking illustrates ASF's hybrid approach: human-centered yet contractually anchored.

Finance Department responses confirmed their reliance on Monitoring to validate startup performance before releasing tranches. Their limited but essential role ensures a separation of duties between performance evaluation and fund disbursement, which supports internal control and reduces financial risk.

Overall, this phase of ASF's operation appears highly developed, suggesting that follow-up and monitoring are treated as core pillars of the institution's governance model.

#### **2.2.4 Reimbursement Phase**

The discussion of the reimbursement phase highlights ASF's institutional reality as a recently created structure. All departments acknowledged that the reimbursement component is defined contractually particularly through clauses related to exit strategies such as buyback or acquisition but no active enforcement had occurred at the time of the interviews.

Participation staff described how reimbursement expectations are introduced early in the investment relationship. However, Monitoring staff either redirected the topic to Finance or declined to comment due to confidentiality. Finance staff noted that no startup had yet reached the five-year maturity threshold, and thus reimbursement remained theoretical for the time being.

This points to a latent phase in ASF's operational cycle: the procedures are in place, but practical testing has not yet begun. This temporal gap is natural for a venture fund at an early stage, yet it also raises questions about how ASF will manage risk, flexibility, and legal enforcement once repayments are due.

While the current absence of enforcement limits evaluative feedback, the structured definition of reimbursement mechanisms suggests ASF is preparing for long-term sustainability while still adjusting to the early dynamics of startup growth.

#### **2.2.5 Coordination and Challenges**

One of the most consistent themes in the interviews was the strength of ASF's internal coordination. Contrary to assumptions of departmental silos, staff across all levels described a well-integrated structure, where Participation, Monitoring, and Finance communicate regularly and act in alignment throughout the project lifecycle.

The handover process from Participation to Monitoring is described as systematic and traceable, while Monitoring and Finance coordinate on milestone validations and fund disbursement. Tools such as shared documentation systems, follow-up calendars, and scheduled meetings reinforce ASF's capacity to manage multi-departmental processes.

Finance Department interviewees confirmed that all disbursements are subject to joint validation, reinforcing procedural integrity. This level of integration indicates a strong internal culture of accountability, where each unit is aware of its scope but collaborates effectively with others.

ASF's coordination model appears to be one of its operational strengths. The institution has succeeded in building a horizontal flow of communication, which may prove particularly valuable as the number and complexity of funded startups increase over time.

### **2.2.6 Awareness of Alternative Financing**

Awareness of alternative financing models such as crowdfunding is limited within ASF but not absent. Only members of the Participation and Finance departments expressed familiarity with platforms like Yenvesti, which was cited as an emerging diaspora-focused crowdfunding solution.

The fact that Interviewees 1, 2, and 8 were the only ones to comment on this theme suggests that alternative financing is not yet a core topic of institutional reflection. Monitoring staff did not engage with the subject, and one Finance member did not provide an answer.

This limited engagement reflects both the early maturity of Algeria's alternative financing ecosystem and ASF's institutional focus on equity-based participation. While some internal awareness exists, no formal mechanisms have been established within ASF to integrate or complement its model with non-traditional funding platforms.

Nonetheless, the acknowledgment of alternative financing by a few staff members may indicate an emerging openness to broader financing instruments especially as startup needs diversify and policy frameworks evolve.

### **2.2.7 Strategic Vision and Recommendations**

The final dimension of the interview focused on strategic vision and institutional recommendations. Most interviewees declined to respond, citing confidentiality or a lack of formal position on long-term planning. However, the general tone of responses indicated confidence in ASF's current trajectory.

Interviewee 2 from the Participation Department notably emphasized ASF's role as the first institutional venture capital fund exclusively dedicated to Algerian startups, framing it as a structural milestone in the national innovation ecosystem. This perception reinforces the idea that ASF is still in a phase of institutional consolidation, focusing on operational grounding before expanding its strategic horizon.

While explicit strategic recommendations were limited, the responses show a shared belief that ASF is progressing appropriately within its mandate. This cautious but optimistic outlook is characteristic of institutions in their formative years, where procedural development often takes precedence over broader institutional transformation.

### **2.2.8 Global Discussion and Interpretation of the Qualitative Research**

The qualitative analysis conducted with ASF staff members reveals an institution that is in a structured and formative phase of development, operating within clearly defined mandates and interdepartmental procedures. Each dimension of the interviews has highlighted not only the specificity of departmental responsibilities but also the consistency in institutional discourse regarding ASF's strategic role in Algeria's startup financing ecosystem.

The general overview of ASF's mechanism showed a clear procedural design, with Participation leading the initial legal and investment phases, and Monitoring and Finance stepping in after funding approval. While this segmentation is expected in institutional workflows, it also reflects ASF's functional clarity, where roles are well-defined and coordinated.

The evaluation and decision-making processes were confirmed to follow a rigorous, criteria-based model primarily controlled by the Participation Department. The consistent emphasis on innovation, market potential, and financial realism indicates a strong alignment with best practices in venture investment. The involvement of Finance as a technical validator further strengthens the decision-making process, though the limited involvement of Monitoring suggests a strict compartmentalization in this phase.

The post-funding follow-up dimension emerged as one of the most operationally developed areas within ASF. Monitoring employs structured tools and a milestone-based roadmap to track startup

progress, while Participation and Finance collaborate through a well-established handover process and conditional disbursement protocols. These practices indicate a maturing institutional capacity to balance flexibility and accountability in supporting startups.

In contrast, the reimbursement phase revealed ASF's institutional youth. Although repayment structures are contractually defined, no practical cases had yet occurred at the time of data collection. Staff responses confirmed awareness of these mechanisms but emphasized that startups had not yet reached the point of repayment enforcement. This finding highlights the fund's long-term orientation and the need to observe future implementation for deeper insights.

The discussion on interdepartmental coordination revealed strong institutional integration. Contrary to possible assumptions of departmental silos, ASF staff uniformly described a collaborative environment where roles are respected, transitions are managed, and fund release is contingent on validated performance. The internal coordination mechanisms appear to be one of ASF's operational strengths, contributing to consistency in process delivery.

Awareness of alternative financing models remains limited, although not absent. Only a few interviewees demonstrated familiarity with crowdfunding and diaspora-focused platforms such as Yenvesti. This suggests that while ASF operates primarily within a traditional institutional logic, there is growing exposure to emerging financing models, particularly among staff who engage with the entrepreneurial ecosystem more closely.

Finally, in the absence of broad strategic recommendations due to confidentiality, the responses still reflected a shared belief in ASF's relevance and direction. The fund's positioning as Algeria's first institutional venture capital entity dedicated to startups is recognized internally as both a milestone and a mandate, shaping how staff perceive its role and potential impact.

Taken together, the qualitative data portray ASF as an institution with clear internal procedures, departmental cohesion, and a strong operational base, while also showing signs of emerging adaptability and strategic reflection. These findings provide an essential contextual layer for interpreting the survey data and engaging with theoretical frameworks in the next section.

## **2.3 Triangulated Discussion: Connecting Quantitative and Qualitative Insights**

Following the presentation and individual analysis of the quantitative and qualitative data, this subsection aims to synthesize both strands of results and relate them to the underlying theoretical models, namely the Pecking Order Theory (Myers & Majluf, 1984) and the Trade-Off Theory. The triangulation process allows for a comprehensive interpretation of how startups perceive and experience financing challenges in Algeria, especially within the institutional context of ASF.

### **2.3.1 Institutional Mechanisms and Startup Readiness: Alignment Between Survey and Fieldwork**

Quantitative data revealed that institutional support is widely acknowledged as a critical enabler for startup financing. For instance, the majority of respondents (mean = 4.48) strongly agreed that programs like ASF can encourage financing if communicated effectively. This aligns with qualitative findings, where ASF staff from the Participation and Monitoring departments emphasized ASF's internal clarity and operational rigor across phases labeling, evaluation, investment decision, and post-funding follow-up.

The internal processes described by interviewees such as the use of predefined scoring grids and five-year reimbursement calendars reflect ASF's structured intervention logic. These narratives support the perception that ASF is a well-positioned institutional actor, confirming the role of institutional structures in enabling financing access (Miglo, 2022); (Bai, Bernstein, Dev, & Lerner, 2021). Nonetheless, the qualitative data also suggested a relatively narrow engagement with alternative financing, echoing survey results where awareness of such mechanisms remained moderate (mean = 3.63 for general awareness of crowdfunding)

### **2.3.2 Internal vs. External Financing Preferences: Theoretical Consistency with the Pecking Order**

Survey responses indicated a strong preference for self-financing or informal capital in the early stages, consistent with the Pecking Order Theory (Myers & Majluf, 1984). Founders prioritized internal sources to avoid external interference and preserve autonomy. This pattern was echoed in interviews with ASF staff, who noted that many startups arrive with limited formal financial

strategies and rely heavily on personal funds, only turning to ASF when other options are exhausted.

The reluctance toward equity or structured institutional financing, particularly in early stages, aligns with the theoretical assumptions of asymmetric information and control dilution (Altın, 2022); (Prędkiewicz & Prędkiewicz, 2017). In this regard, ASF's approach favoring equity participation without immediate reimbursement obligations can be seen as a response to these founder concerns, acting as a bridge between informal startup behavior and structured financing.

### **2.3.3 Risk Management, Debt Aversion, and the Trade-Off Model**

While the Trade-Off Theory posits that firms balance the benefits of debt with its risks, the data suggests that Algerian startups remain highly debt-averse. In the qualitative interviews, reimbursement mechanisms were acknowledged but not actively implemented due to ASF's institutional youth. Similarly, survey data showed skepticism toward institutional repayment mechanisms and an overwhelming agreement that startups avoid financing because of administrative burdens (mean = 4.09) .

These findings reinforce (Fourati, 2021) view that startups in high-risk environments rarely adopt debt-based strategies unless they are well-structured and accompanied by robust institutional safeguards. ASF's use of minority equity participation and long-term exit strategies suggests alignment with the logic of optimizing capital without immediate financial pressure a practical embodiment of the Trade-Off Theory adapted to early-stage firms.

### **2.3.4 Alternative Financing: Emerging Awareness Without Strategic Integration**

Quantitative data revealed a moderate level of trust in crowdfunding and other alternative models. While some respondents showed openness to these tools, others expressed hesitation due to lack of information and platform credibility (mean = 4.20 regarding mistrust in digital platforms) . This ambiguity is mirrored in the qualitative findings, where only a few ASF staff, notably from the Finance and Participation departments, demonstrated awareness of platforms like Yenvesti.

This points to a limited, non-institutionalized recognition of alternative models, echoing the insights of (Bertoni, Bonini, Capizzi, Colombo, & Manigart, 2022) and (Momtaz, 2020), who note

that while alternative financing is theoretically promising, practical engagement remains weak in developing ecosystems. ASF's current structure prioritizes equity over innovation in financing tools, reinforcing the dominance of traditional venture logic over more flexible, decentralized funding alternatives.

### **2.3.5 Institutional Trust and Communication: Bridging the Expectation Gap**

A core theme emerging across both datasets was the perception of institutional opacity. While ASF appears internally coordinated, as confirmed by all departments in the qualitative phase, survey respondents still expressed concerns about transparency and procedural ambiguity (mean = 4.29 on the issue of reduced trust due to opacity). This gap suggests that while ASF is internally robust, its external communication and visibility may require enhancement to fully align with startup expectations.

(Olsen, 2019) emphasizes that startup financing ecosystems must be responsive not only in structure but also in perception. Institutional clarity, if not adequately communicated to beneficiaries, can hinder uptake even when processes are well-established. ASF's challenge, therefore, lies not in restructuring, but in enhancing its external narrative and engagement strategies.

### **2.3.6 Strategic Alignment with Institutional Theory**

From an Institutional Theory perspective, ASF exemplifies a state-led mechanism aiming to structure the entrepreneurial finance environment through formalized tools, risk-sharing, and long-term partnership models. Staff confidence in ASF's trajectory, despite limited strategic vision disclosure due to confidentiality, suggests internal alignment with national innovation goals (Bai, Bernstein, Dev, & Lerner, 2021); (Benlefki, Bouchetara, Saba, & Gahlam, 2024).

However, the absence of active reimbursement cases and the weak integration of non-traditional finance highlight that ASF is still consolidating its institutional identity. This corresponds with the early-stage positioning described in literature on public-private venture initiatives in emerging economies (Boudjelal & Gouigah, 2024).

## **Conclusion :**

This chapter has presented and discussed the results of the study based on both quantitative and qualitative data, offering a comprehensive view of startup financing behavior and institutional dynamics in the Algerian entrepreneurial context. The quantitative analysis provided measurable insights into startup founders' and experts perceptions, preferences, and challenges regarding financing access, while the qualitative phase offered in-depth institutional perspectives from within the Algerian Startup Fund (ASF).

The findings revealed that most Algerian startups tend to favor internal financing sources due to limited access to external funds and a desire to maintain control, consistent with the assumptions of the Pecking Order Theory. At the same time, institutional support mechanisms such as ASF play a critical enabling role, although perception gaps and limited awareness of alternative financing options still exist.

The interviews with ASF staff highlighted the Fund's structured internal processes, interdepartmental coordination, and long-term investment logic. However, they also confirmed that some key operational phases, such as reimbursement, remain at an early stage due to the institution's recent establishment and the developmental timeline of funded startups.

The triangulated discussion demonstrated alignment between quantitative and qualitative results, and theoretical models such as the Pecking Order Theory, the Trade-Off Theory, and Institutional Theory. The analysis highlighted both the operational maturity of ASF as a public venture fund and the evolving readiness of startups to engage with structured financing models.

Overall, the chapter has shown that Algeria's entrepreneurial financing landscape is in transition, shaped by institutional innovation, founder behavior, and emerging policy frameworks. These results provide a solid foundation for drawing conclusions and proposing actionable recommendations in the final chapter of this thesis.

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## **Conclusion**

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## **General Conclusion**

This study explored the dual reality of startup financing in Algeria by examining both the behavior of startup founders and the internal mechanisms of the Algerian Startup Fund (ASF). Employing a complementary mixed-methods approach, data were collected through quantitative surveys targeting entrepreneurs and experts in the startup field, as well as qualitative interviews with ASF staff across the Participation, Monitoring, and Finance departments.

The findings revealed a predominant reliance on internal funding sources such as personal savings and family contributions. This trend is consistent with the Pecking Order Theory, which suggests that startups avoid external capital in favor of internal sources due to concerns related to control, risk aversion, and access barriers. This preference for informal and internal resources remains one of the defining features of Algerian entrepreneurial behavior.

The qualitative component, meanwhile, highlighted that ASF operates through a structured and coordinated internal framework. The Participation Department is responsible for project evaluation; the Monitoring Department ensures follow-up through predefined schedules and milestone assessments; and the Finance Department manages disbursements and contractual compliance. Although reimbursement mechanisms are clearly outlined in ASF's contracts, they have not yet been activated, largely due to the early development stage of many supported startups. Furthermore, entrepreneurs generally view ASF's support positively, although transparency, clarity of processes, and communication remain areas for improvement.

Awareness of alternative financing mechanisms such as crowdfunding, Islamic finance, and diaspora-led initiatives like Yenvesti was found to be limited, both among startup founders and within certain ASF departments. This reflects a broader institutional tendency to center conventional funding models while underutilizing more flexible, participatory financial instruments.

While ASF's model shows significant promise, the study also brought to light several limitations:

- Scope limitation: The study primarily focused on labeled startups and ASF staff, excluding non-labeled ventures, private funders, or other institutional actors like accelerators and angel networks.
- Temporal limitation: The research presents a snapshot in time; it does not account for longitudinal evolutions in ASF operations or startup growth.
- Access limitation: Some relevant data were constrained by availability or confidentiality, especially concerning internal ASF performance metrics or rejected applications.

Despite these constraints, the research provides valuable insights into Algeria's financing ecosystem and the institutional evolution driven by ASF.

In terms of future research perspectives, several avenues emerge from this study:

- Broadening the scope to include unlabeled startups, private investors, and additional stakeholders within the Algerian innovation ecosystem.
- Conducting longitudinal studies to assess how ASF's support affects startup trajectories over time and whether the reimbursement mechanisms ultimately contribute to sustainable financing practices.
- Comparative analyses between Algeria and other countries in the MENA region to identify transferable models and regional patterns in startup financing and institutional support.
- Exploring alternative finance in-depth, particularly the potential of emerging mechanisms like token-based finance, diaspora investments, and collaborative platforms.

Based on the study's findings, several policy and institutional recommendations are suggested:

- Strengthen ASF's external communication to enhance startup understanding of evaluation criteria, monitoring processes, and reimbursement obligations.
- Develop dedicated training programs for early-stage entrepreneurs focusing on financial planning, legal frameworks, and navigating institutional mechanisms.
- Promote institutional learning and openness toward innovative funding tools, particularly those fostering community and diaspora engagement.
- Ensure a transparent, gradual, and adaptive application of reimbursement clauses, aligned with the financial maturity and operational performance of startups.

In conclusion, the integration of structured public support through ASF represents a significant milestone in the modernization of Algeria's entrepreneurial financing landscape. ASF's equity-based approach, coupled with milestone-driven follow-up, provides a solid foundation for promoting innovative business development. However, for this model to fully realize its transformative potential, persistent gaps between institutional design and startup perception must be addressed.

The emergence of alternative financing models, the strengthening of entrepreneurial financial literacy, and the continuous refinement of ASF's procedures and outreach strategies will be decisive in shaping the next phase of ecosystem maturity. Ultimately, Algeria's capacity to diversify funding channels and build institutional trust will be central to the sustainability, resilience, and global competitiveness of its startup sector.

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# **APPENDICES**

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## **APPENDIX A**

**- Electronic Survey in English and Arabic-**

## Section 1: Personal Information

1. What is your current role?
  - Startup Owner
  - Expert in Startups (e.g., incubator director, academic, consultant)
2. If you are a startup owner, in which year was your startup launched?
3. What is your startup's sector of activity?*(Dropdown list)*
4. Have you ever applied for public funding or support for your startup?
  - Yes
  - No
5. Are you aware of the Algerian Startup Fund (ASF)?
  - Yes
  - No
6. Have you received funding from ASF or any other institutional body?
  - Yes
  - No
7. Are you familiar with alternative financing methods (e.g., crowdfunding, revenue-based financing)?
  - Yes
  - No

## Section 2: Preference for Internal Financing

Likert scale: 1 = Strongly Disagree to 5 = Strongly Agree

1. In the early stages, startups should rely more on personal savings than external funding.
2. Internal financing offers more control and flexibility for startup founders.
3. I consider external funding (bank loans, VC, ASF) too risky for early-stage startups.
4. Most Algerian startups I know rely on internal sources during their launch phase.
5. External funders often impose restrictions that limit startup autonomy.
6. The paperwork and complexity of external funding discourage its use.
7. My experience suggests internal financing is the most accessible initial funding source.
8. External financing becomes more relevant only after initial validation of the business model.

## Section 3: Influence of Institutional Support Perception

Likert scale: 1 = Strongly Disagree to 5 = Strongly Agree

1. Institutional support mechanisms play a crucial role in startup funding decisions.
2. A positive perception of public institutions increases the willingness to seek external funding.
3. Lack of transparency in institutional processes reduces trust among founders.
4. Startups often avoid institutional funding due to bureaucratic hurdles.
5. Programs like ASF, if well communicated, can encourage more founders to seek support.
6. I trust that institutional funding bodies understand the real needs of startups.

7. Founders are influenced by peers' opinions regarding institutional support efficiency.
8. Institutional guidance is as important as the funding itself in shaping startup financial strategies.

## Section 4: Awareness and Trust in Alternative Financing

*Likert scale: 1 = Strongly Disagree to 5 = Strongly Agree*

1. I am familiar with alternative financing options like crowdfunding and revenue-based financing.
2. Crowdfunding is a viable solution for startups in Algeria.
3. Awareness of non-traditional funding methods is low among Algerian entrepreneurs.
4. Most Algerian startups lack trust in online platforms for financing.
5. Alternative financing methods are underutilized due to limited information and promotion.
6. There is a need to educate founders about innovative funding models.
7. Traditional financing is still perceived as more credible than alternative sources.

### القسم الأول: المعلومات الشخصية

1. ما هو دورك الحالي؟
  - صاحب/صاحبة شركة ناشئة
  - خبير في الشركات الناشئة (مثل مدير حاضنة، أستاذ جامعي، مستشار...)
2. إذا كنت صاحب شركة ناشئة، في أي سنة تم إطلاق شركتك؟  
(قائمة سنوات من 2020-2023)
3. ما هو قطاع نشاط شركتك الناشئة؟  
(قائمة منسدة تتضمن مجموعة من القطاعات)
4. هل سبق لك التقديم للحصول على تمويل أو دعم عمومي لشركتك؟
  - نعم
  - لا
5. هل أنت على دراية بصندوق الشركات الناشئة الجزائري (ASF)؟
  - نعم
  - لا
6. هل تلقيت تمويلاً من ASF أو من هيئة مؤسساتية أخرى؟
  - نعم
  - لا
7. هل تعرف مصادر التمويل البديل (مثل التمويل الجماعي، التمويل المرتكز على الإيرادات)؟
  - نعم
  - لا

### القسم الثاني: تفضيل التمويل الداخلي

مقياس ليكرت: 1 = أعارض بشدة إلى 5 = أوافق بشدة

1. في المراحل الأولى، يجب على الشركات الناشئة الاعتماد أكثر على المدخرات الشخصية بدل التمويل الخارجي.
2. يوفر التمويل الداخلي مرونة وتحكمًا أكبر لمؤسسي الشركات.
3. أعتبر أن التمويل الخارجي (قروض بنكية، رأس مال استثماري، ASF) ينطوي على مخاطر كبيرة للشركات في مراحلها الأولى.
4. أغلب الشركات الناشئة في الجزائر التي أعرفها تعتمد على مصادر داخلية في بدايتها.
5. غالبًا ما يفرض الممولون الخارجيون قيودًا تقلل من استقلالية الشركة.
6. الإجراءات الورقية وتعقيد التمويل الخارجي يجعلان استخدامه غير محبذ.
7. من خلال تجربتي، التمويل الداخلي هو المصدر الأول والأكثر سهولة في البداية.
8. يصبح التمويل الخارجي ضروريًا فقط بعد التحقق من نموذج العمل.

### القسم الثالث: تأثير تصوّر الدعم المؤسّساتي

مقياس ليكرت: 1 = أعارض بشدة إلى 5 = أوافق بشدة

1. تلعب آليات الدعم المؤسّساتي دورًا مهمًا في قرارات تمويل الشركات الناشئة.
2. النظرة الإيجابية للمؤسسات العمومية تشجع المؤسسين على طلب التمويل الخارجي.
3. غياب الشفافية في الإجراءات المؤسّساتية يقلل من ثقة المؤسسين.
4. غالبًا ما تتجنب الشركات الناشئة التمويل المؤسّساتي بسبب التعقيدات الإدارية.
5. يمكن أن تشجع البرامج مثل ASF على التمويل إذا تم توصيلها بشكل فعال.
6. أثق بأن الهيئات الممولة العمومية تفهم احتياجات الشركات الناشئة الحقيقية.
7. يتأثر المؤسسون بآراء أقرانهم حول فعالية الدعم المؤسّساتي.
8. التوجيه المؤسّساتي لا يقل أهمية عن التمويل نفسه في رسم الاستراتيجية المالية للشركات.

### القسم الرابع: الوعي والثقة في التمويل البديل

مقياس ليكرت: 1 = أعارض بشدة إلى 5 = أوافق بشدة

1. أنا على دراية بخيارات التمويل البديل مثل التمويل الجماعي أو التمويل المبني على الإيرادات.
2. التمويل الجماعي يُعتبر حلاً قابلاً للتطبيق بالنسبة للشركات في الجزائر.
3. الوعي بأساليب التمويل غير التقليدية لا يزال منخفضًا بين رواد الأعمال الجزائريين.
4. أغلب الشركات الناشئة في الجزائر لا تثق بالمنصات الرقمية للتمويل.
5. لا يتم استخدام التمويل البديل بشكل كافٍ بسبب نقص المعلومات والترويج.
6. هناك حاجة لتثقيف المؤسسين حول نماذج التمويل المبتكرة.
7. لا تزال وسائل التمويل التقليدية تُعتبر أكثر مصداقية من البديلة.

## **APPENDIX B - Interview Guide -**

## **I. Introduction**

"I am currently writing my Master's thesis on how the Algerian Startup Fund (ASF) follows up with funded startups, focusing on the reimbursement phase and internal expectations/challenges. This conversation is confidential and strictly for academic purposes. No names or sensitive information will be shared. The interview will take approximately 30 minutes."

## **II. General Overview of the ASF Mechanism**

1. Can you briefly describe your role within the ASF?
2. In your opinion, what is the ASF's main mission in supporting startups?
3. What are the key steps from application to post-funding follow-up?
4. What are the most frequent challenges in implementing this funding program?

## **III. Common Themes for All Departments**

### **A. Evaluation & Decision-Making**

5. What are the main criteria used to evaluate funding applications?
6. How important are financial elements (forecasts, business model) in funding decisions?

### **B. Post-Funding Follow-up**

7. How does the ASF monitor startups after disbursement? (Tools, indicators, communication)
8. How are cases handled where startups become inactive or stop communicating?

### **C. Reimbursement Phase**

9. How prepared are startups for the reimbursement phase, in your experience?
10. What strategies exist to support startups during repayment?
11. Are there safeguards to secure future reimbursement?

### **D. Coordination & Challenges**

12. How does your department coordinate with others in the ASF?
13. What are the biggest challenges in ensuring startup success and repayment?

### **E. Alternative Funding**

14. What is your opinion on alternative funding models (e.g., equity, grants) compared to the ASF's 0% interest loan model?

### **IV. Strategic Vision & Recommendations**

15. What improvements would you suggest to strengthen follow-up and reimbursement?

16. How can the ASF ensure sustainability while supporting startups' critical phases?

17. Any recommendations to align ASF's expectations with startup realities?

## **APPENDIX C - ASF's Internal Document -**

## Liste des documents à fournir

### 1. Startup :

- *Acte de naissance*
- *Copie Carte Nationale d'Identité*
- *Résidence*
- *Copie du Registre de Commerce*
- *Copie des statuts de la Société*
- *Dénomination Commerciale (délivrée par le CNRC)*
- *Lettre d'acceptation du commissaire aux comptes*
- *Bail de location (si existant)*
- *Numéro d'identification fiscale (NIF)*
- *Numéro d'identification Statistique (NIS)*

### 2. Projet Innovant :

- *Acte de naissance*
- *Copie Carte Nationale d'Identité*
- *Résidence*
- *Dénomination Commerciale (délivrée par le CNRC)*
- *Lettre d'acceptation du commissaire aux comptes*

ALGERIAN STARTUP FUND – ASF – 46, Boulevard Mohamed V, Alger Centre