
The Reality of Funding for Startups in Algeria and Their Utilization of Business Intelligence Tools

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Abstract:

Our study addresses a new subject, namely startups. It explores the current state of financing for these startups in Algeria and the extent to which they benefit from using business intelligence tools. This is examined through the procedures and measures undertaken by Algeria in recent years to support and develop these entities, given their potential to achieve economic development by contributing to increased output, achieving economic diversification, reducing unemployment rates, and boosting economic growth. Additionally, an important point can be added: the high costs of financing are due to the substantial risk associated with granting loans to these enterprises. Here, innovation becomes a key factor in providing financing for these startups by offering modern methods that consider their particularities and size. This study concludes that startups play a significant role in facing challenges, particularly the obstacle of financing.

Keywords: Business Intelligence; Arab Experiences; Financing; Startups.

Jel Classification Codes: G24, M13, O16, O31.

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1. Introduction:

The world has witnessed several industrial revolutions, the most recent being the contemporary fourth revolution. The beginning of the first industrial revolution is associated with the discovery of the steam engine in 1760 in Britain, which resulted in numerous outcomes, including the shift from the agricultural to the industrial sector and the use of coal as an energy source.

The second industrial revolution began around 1900, linked to the invention of the internal combustion engine, the use and refining of oil, the application of diesel and gasoline in car engines, and the introduction of motorized vehicles. Starting in 1960, the world began to experience the third industrial revolution, associated with the use of computers and the digital revolution.

Since the dawn of the new millennium, the fourth industrial revolution has started to take shape, characterized by achievements in genetic engineering, the internet, 3D printing, artificial intelligence, and virtual currencies, along with their applications across various sectors.

Startups have garnered particular attention from both developed and developing countries, recognizing their role in development. These startups possess unique characteristics that distinguish them from large economic enterprises. Their role is not limited to increasing production levels and revenues; they also contribute to renewing the economic fabric by replacing failed enterprises, restoring market balance, and achieving sustainable development plans.

1.1. Study Problem:Based on the above, the following problem can be posed:

What is the reality of startup financing in Algeria and how important is their benefit from using business intelligence tools?

From this primary issue, we can derive several sub-questions:

- What is the concept of startups?
- What is the current state of startup financing in Algeria?
- To what extent do startups benefit from using business intelligence tools?

1.2. Study importance:

The importance of this study lies in understanding the reality of startup financing in Algeria and how they benefit from the use of business intelligence. Many have worked on developing alternatives to seek insights that are more in harmony with nature, less harmful to the environment, and less depleting of resources. This study also addresses the role played by startups and their increasing contribution to driving economic development and, consequently, diversifying the local economy.

1.3. Study Objectives: This study aims to achieve the following objectives:

- Define the principles of startups and demonstrate their importance in practice.
- Understand the current state of startup financing in Algeria.
- Explore the economic importance of startups and the challenges they face.

1.4. Study Methodology:

In this study, we adopted the descriptive-analytical method to present various concepts and analyze the reality of startups in practice.

1.5. Study Structure: The study is divided into three sections:

- Section One: Theoretical framework for startups.
- Section Two: The current state and prospects of startups.
- Section Three: The role of startups in business intelligence practices and usage.

2. The Theoretical Framework for Startups:

2.1. Concept of Startups

A startup is defined, according to the English dictionary, as a small business that has just begun (<http://dictionary.cambridge.org/fr/dictionnaire/anglais/start-up>). The word "Start-up" consists of two parts: "Start," which refers to the idea of launching, and "up," which signifies strong growth.

The term "up-start" began to be used shortly after World War II, with the rise of venture capital firms, and the term became widely popular thereafter. Nowadays, the term is recognized in the French dictionary Larousse as referring to "young innovative companies in the field of new technologies".

- A startup is defined as a company that aims to market and launch a new product or innovative service targeting a large market. Regardless of the size of the company or its industry, startups are characterized by high uncertainty and risk, in exchange for the potential for strong and rapid growth, with the possibility of generating substantial profits if successful (Boualchaour, 2018, p. 420).
- Neil Blumenthal, co-founder and CEO of Warby Parker, a company that sells sunglasses, described a startup as a company working to solve a problem that has not yet been resolved, with no guarantee that the solution will succeed.
- Others have defined a startup as a small, newly established company seeking to create new markets or capture the largest possible market share by offering value-driven propositions (Hilal & Kroumi, 2021, p. 175).

According to Patrick Fridenson, being a startup is not about the company's age, size, or industry; instead, it must answer the following four questions (1001startups.fr/dis-cest-quoi-une-strat-up):

- Is there potential for strong growth?
- Does it use modern technology?

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- Does it require significant funding, such as through fundraising?
- Are you certain the market is new, making risk assessment difficult?

Therefore, a startup can be defined as a company that aims to market and launch a new product or innovative service targeting a large market. Regardless of the company's size or industry, startups are characterized by high uncertainty and risk in exchange for strong and rapid growth, with the potential for substantial profits if successful.

From the above, it can be said that startups are young companies primarily focused on finding innovative and creative solutions to unresolved problems. They seek to penetrate markets with their products or services, and investments in them are marked by a high degree of risk.

2.2. Characteristics of Startups

Startups are distinguished by a set of characteristics summarized as follows:

- Newly established companies: Startups are recently created companies with no prior market history.
- Scalable and growth-oriented companies: One of the key features defining startups is their potential for rapid growth and the ability to generate revenue much faster than the costs required for operations.
- Low-cost companies: Startups generally require lower costs compared to the profits they generate, which often come quickly and unexpectedly.
- Technology-driven companies: Startups are closely linked to technology and rely primarily on it.
- Innovative capacity: This refers to their ability to develop new products.
- High enthusiasm and motivation: This is due to their individual ownership.
- Quick decision-making: With fewer hierarchical layers and a smaller workforce, startups can make decisions rapidly.
- Flexibility and adaptability: Startups can swiftly adjust to changes in their environment.
- Support for large companies: They contribute by providing intermediary products to larger enterprises.
- Contribution to import substitution policies: Startups play a role in achieving such policies.
- Contribution to job creation and unemployment reduction: Startups help generate real employment opportunities and reduce unemployment levels.
- Contribution to local development strategies (Bournane & Souli, p. 133).

2.3. Characteristics of Startups: The characteristics are as follows:

- **Recently established companies:** Yes, they are. Many people make the mistake of classifying small companies as startups, but this is not what we are discussing here.

- **Startups are young companies:** They have two options: either to develop into successful businesses or to close and face losses.
- **Companies with potential for progressive and increasing growth:** One of the defining features of startups is their ability to grow rapidly and generate revenue much faster than the costs required for their operations.
- **In other words, startups have the potential to scale their business quickly:** This means increasing production and sales without a proportional increase in costs, resulting in an impressive profit margin.
- **This implies that startups are not necessarily limited to lower profits because they are small:** On the contrary, they are capable of generating substantial profits.
- **Low-cost companies:** The concept of a startup implies that it is a company that requires very low costs compared to the profits it generates, and these profits often come quickly and somewhat unexpectedly. Examples of successful startups include Amazon, Google, Microsoft, and others.
- **Founders of startups rely on technology to grow and advance:** They find funding through online platforms and gain assistance and support from business incubators. Therefore, a startup is a term used to describe newly established companies that have emerged from a creative entrepreneurial idea, with significant potential for rapid growth and prosperity. Some notable internet-based startups that have achieved remarkable success in Algeria include:
 - The first Algerian e-commerce website GUEDDINI.COM, which was funded through the National Agency for Youth Employment Support.
 - The leader in online job sites EMPLOITIC.COM.
 - The free classified ads website OUEDKNISS.COM.
 - The news and forums website DJELFA.INFO (Belghanami, 2021, p. 22).

2.4. The Importance of Startups:

The startup sector is one of the dominant sectors in the economies of many countries around the world. This is why most countries have shifted towards supporting and developing these companies, due to the economic and social goals that startups strive to achieve.

We can summarize the importance of startups as follows:

- Providing productive and genuine job opportunities and combating unemployment.
- Innovation in research and development.
- Increasing productivity and maintaining competitiveness.
- Contributing to relative economic development.
- Investing savings and attracting foreign investors and capital.

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- Contributing to economic growth (Largat, 2023, p. 484).

3. The Reality and Prospects of Startup Financing:

3.1. Sources of Startup Financing:

The sources of startup financing are as follows:

- **Self-financing:** This means that the startup owner relies on their own money, especially at the beginning of the business. They may cover the costs with simple personal savings. The advantage of this method is that the owner retains full ownership of the company without the need to give up a share of it or part of its management to external partners.
- **Small business loans:** Most banks now offer programs for financing small projects. This method has the benefit of allowing the owner to retain ownership of the business. However, banks impose several conditions and commitments that the borrower must meet within specified periods.
- **Venture capital:** This involves medium- and long-term commitments from large companies and businesspeople who are willing to take significant risks. They are prepared to invest large sums, often amounting to millions of dollars, to help a startup with a promising idea grow and succeed.
- **Angel investor:** This is a wealthy investor who contributes to financing startups in exchange for a share of the company, which can sometimes reach 24%. Therefore, this option may not be suitable for entrepreneurs who wish to maintain full control over their businesses.
- **Government assistance programs:** Capital can be obtained in various forms, either repayable or non-repayable, depending on the country's policies and orientations. This type of funding might take the form of non-repayable support to develop a particular project or preferential loans. Some government bodies also offer funding programs for startups at lower costs and with easier procedures. These government assistance programs cover all activities that startups might undertake.
- **Business incubators:** These are institutional structures (public or private) designed to assist small businesses, whether newly established or in the growth phase. They help these businesses become strong and stable by offering suitable spaces for operation, providing business advice and guidance, and offering administrative support services. They also facilitate access to financial and professional resources (Hamroush & Boutraa, 2022, p. 252).

3.2. Factors for the Success and Failure of Startups:

Graham (Graham) provided advice for those looking to start a business, urging them not to seek ideas from their imagination but to search for ideas in the problems they personally face or those around them. He emphasized that the best ideas for startups are those that can be funded with their own resources and developed

through their personal skills, ideas that many others would not think of or be able to implement, such as Facebook, Google, Yahoo, Apple, and Microsoft.

Graham also outlined the key factors for the success and failure of startups:

3.2.1. Success factors:

He summarized them in three main factors:

- Start with the right and capable people, especially when selecting investors.
- Spend as little money as possible (frugality).
- Acquire a customer base.

Anyone who combines these three factors ensures the success of their ideas and businesses.

3.2.2. Failure factors:

According to Graham, there is only one mistake that kills startups: not responding to users' or customers' needs. A company that fails to meet what users want is essentially ensuring its failure and lack of sustainability (Jabari & Jabari, 2022, p. 593).

3.3. Perspectives on Startup Financing:

The sources of startup financing have evolved, ranging from traditional commercial activities long established to newer sources created by contemporary needs. Below, we will discuss startup financing sources from various perspectives.

3.3.1. From the Perspective of Economic Development Financing:

Based on the classification of economic development financing, we can distinguish between two types of funding sources: domestic and external.

- **Domestic funding sources:** The startup sector is financed through optional national savings, whether from individuals or institutions. Given the insufficiency of both public and private savings to meet the required funding needs, other domestic sources include taxation, public loans, and currency issuance.
- **External funding sources:** Some countries rely on foreign resources to finance their startup sectors to meet their funding needs. These external funds can take the form of direct foreign investment from individuals, organizations, or institutions, or come in the form of financial aid, grants, and facilities.

3.3.2 From the Perspective of Corporate Financing:

This refers to the company's financial structure, including both debt and equity, meaning all the budgetary resources that the company uses to finance either its investment cycle or its operational cycle.

Sometimes, startup financing takes the form of support provided by the government in various forms, the most significant of which include:

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- Granting tax, parafiscal, and customs exemptions.
- Providing technical assistance and consultation from specialists in supporting and assisting companies, who are qualified by the relevant authority.
- Offering long- and medium-term loans to finance investments, and short-term loans to finance operations (Kechouri & Kechout, 2020, p. 52).

4. The Role of Startups in the Practices and Use of Business Intelligence:

4.1 Successful Models of International and Arab Startups:

Several startups, regardless of their geographic location, have achieved remarkable success. In this context, we will present examples of such companies, whether international or Arab, that have achieved significant success in their respective fields:

4.1.1. Klarna:

Klarna was founded in 2005 as an online payment bank by Sebastian Siemiatkowski, Victor Jacobsson, and Niklas Adalberth from the Stockholm School of Economics, with its headquarters in Stockholm. The idea behind Klarna led to the creation of the Klarna payment gateway, which provides financial services and solutions online, realizing their vision of offering a faster and more convenient payment method for European commercial websites.

4.1.2. Facebook:

Some refer to Facebook as the "godfather of startups," considering that it began in a small room by a university student named Mark Zuckerberg in 2003. His goal was to facilitate communication among his fellow students at Harvard University. By 2012, Facebook had surpassed one billion users, making it the largest social network in the world, and today it has more than two billion users. However, Facebook faced numerous challenges, including lawsuits and user data leaks, indicating that the path to success was filled with difficulties.

4.1.3. Yassir:

Yassir was founded in 2017 by Mehdi Yettou and Nouredine Tayebi. Initially, it provided transportation services, allowing users to request a driver via a smartphone app to travel anywhere at any time. Yassir also offers training courses for drivers, taking a 15% share of profits, which includes taxes and fees. The company allows drivers the freedom to choose their working hours. Yassir focuses on several key principles:

- Ease of use: Customers and drivers only need to download the Yassir app on their smartphones, with a dedicated version for both the customer and the driver.
- Service availability: Yassir is always available, operating 24/7.
- High-quality service: The company aims to reduce wait times for both customers and drivers while ensuring

safety (Amarouch & Meziane, 2022, p. 91).

4.2. The Role of Startups in Utilizing Business Intelligence:

Business intelligence (BI) has become one of the most crucial aspects for startups in today's world. It is essential to be aware and knowledgeable about its implications. Business intelligence refers to a set of systems and tools that allow users across various positions within a company, or the end user, to collect, store, and analyze company data to guide business decisions.

Most startups and large companies globally aim to enhance their competitiveness or at least remain within the competitive sphere by finding more innovative ways to attract customers, offering new and improved services. Achieving this requires hard work and quick decision-making, based on real-time insights into the company's overall performance.

The availability of accurate, real-time information can save decision-makers a lot of time. In the past, they would have had to wait for the annual report to learn about the profitability of a particular service or product, wait for financial studies to identify the most profitable product at the end of an industrial phase, or await sales reports for a specific period to assess the suitability of a product or service for a particular region.

The general purpose of business intelligence is to help companies and their management achieve their goals. It's not just about generating a set of reports and interconnected charts. The essential point is that these reports should answer specific questions that ultimately guide the company's decisions and its employees towards achieving optimal performance based on the available data.

You can use BI systems and tools to analyze any company activity. For instance, they can be used to monitor the performance of the sales department. Imagine being surrounded by water (data), and BI tools act as a boat (with limited capabilities to some extent) that allows you to navigate and discover remarkable things (insights and information about the company's current situation).

The significance of business intelligence in startups includes:

- Efficient cost management.
- Improved sales and better management of marketing campaigns (Alef Startup).

4.3. Business Intelligence and Its Importance in Startups:

The importance of business intelligence in startups can be summarized as follows:

Efficient cost management: Business intelligence allows you to identify what drains your financial resources and pinpoint the most expensive areas in your company by analyzing cost components. This enables you to discover areas where costs can be reduced. For example, a company can review its inventory to identify the most in-demand products and those with the least sales, also known as "deadstock," which sit idle in storage. By reducing such inventory, the company can lower storage costs. Business intelligence toolshelp reveal where

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cost reductions are possible, such as selecting the best supplier based on previous dealings to reduce procurement costs.

- **Improving sales and managing marketing campaigns:** The customer is the lifeblood of any company. The more you know about your customers - such as their purchasing interests, potential customers, or their geographic and demographic distribution - the more you can increase sales, predict product demand, and improve targeting in marketing campaigns. In the world of sales and startups, the most profitable customer isn't necessarily the one with the highest single transaction but rather the one who makes repeated purchases, demonstrating greater loyalty to the company.

Business intelligence tools help categorizes customers based on their purchasing frequency and contributions to overall company profits. This enables you to identify top customers and those with less engagement, allowing for better targeting of their needs, increasing their loyalty, and attracting similar customers through tailored marketing campaigns.

Business intelligence tools also assist in analyzing and evaluating the performance of marketing campaigns, maximizing return on investment (ROI). By analyzing the sources through which people engage with the marketing campaign, you can refine your targeting efforts. For instance, if certain products sell more frequently during specific periods, business intelligence tools can guide sales representatives to focus on customers genuinely interested in the company's offerings and direct their efforts accordingly.

5. Conclusion:

It can be said that startups have gained significant attention globally, as they are one of the most modern approaches to achieving economic development. They play a crucial role in creating jobs for ambitious and innovative youth, while also generating a competitive advantage by creating added value. Startups are considered among the most important drivers of economic growth for nations. The increasing focus on them has become essential due to their major significance in enhancing the national economy. Economically, they contribute to development, while socially, they help reduce unemployment. However, despite their positive aspects, startups are also vulnerable to numerous challenges and obstacles at various levels. Therefore, they require constant follow-up and support throughout all stages of their establishment.

5.1. Study Recommendations:

Through this study, several findings were reached, leading to the following suggestions:

- ✓ Encourage the creation of green startups that prioritize environmental preservation and resource conservation to achieve sustainable development in Algeria.
- ✓ Startups go through challenging phases before reaching success, and many fail before even beginning.
- ✓ Financing is the necessary means by which funds are provided to the investing company to complete the project according to agreed-upon standards and conditions.
- ✓ Support structures for startups are essential for their growth and development.
- ✓ In light of the findings of this study, the following recommendations are proposed:
- ✓ The need to promote a culture of transitioning toward sustainable consumption and production methods in Algeria.
- ✓ Involve young entrepreneurs and startup owners in waste management, valorization, and recycling.
- ✓ Support and encourage the establishment of business incubators, as they are among the best means of supporting startups.
- ✓ Provide financing to startups at both the pre-establishment and establishment phases, including expanding the functions of youth support agencies such as the National Agency for Youth Employment Support, the National Student Insurance Fund, and the National Investment Development Agency.

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