



LES ETAPES D'UN FINANCEMENT DE PROJET

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Not all entrepreneurs possess sufficient personal funds to invest in their project. Hence, when creating a new business or project, the entrepreneur needs to look for different funding resources to get started. So how can you finance your project?

To convince funders to invest, the project initiator needs to present a project by showing its potential, demonstrate its profitability and prove its economic interest.

There are different types of funding and financial aids that exists to help new entrepreneur fund their project like Personal contributions, Governmental funding; and

External funding :

A) A bank loan:

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A project can be financed through bank loans. In order to have access to this kind of funds, you need to build a solid and detailed business plan which will demonstrate the viability and profitability of your project. It will reassure the bank and other financial institutions as to your ability to repay the loan.

However, bank loans are not free, as you still need to pay the interests, and should your business fail, you still need to repay the loan.

The banks usually favor the financing of durable goods (equipment, computer...) and are less inclined to grant you the capital to finance the activity itself.

When the bank grants a loan, it generally requires from the initiator to provide guarantees or personal guarantee. When acquiring personal properties, the bank usually asks for collaterals or a mortgage to cover for its risk of loss.

However, these collaterals are generally not sufficient to cover the entire financial risk. Therefore, the bank also requires from the project initiator to provide a personal guarantee.

Once the bank agrees to release funds to finance the project, it must indicate the terms of repayment including: the capital borrowed, the duration of repayment, and the annual percentage rate of charge (APRC).

An amortization table must also be provided after the signature of the loan offer. It details, for each payment, the due dates, the outstanding capital, the interests, and the withdrawal date.

The amortization period of a contract depends on the financial capacity of the company and the amount of the investment. It can be a short-, medium- or long-term financing.

Depending on the professional project, the amount borrowed can be repaid over:

- Less than 2 years for cash flow needs.
- Between 2 and 7 years for all other needs except for the purchase of a property.
- Up to 15 years, or even 20 years, for the acquisition of commercial premises (premises, offices, factory, etc.).

B) Crowdfunding:

Crowdfunding is an alternative method to raise money for your project from individuals, also known as crowdfunders.

Contrary to investors, crowdfunders do not get any share from the company and do not expect a financial return on their investment.

Crowdfunding is also an attractive alternative because of its minimal risk, cause not only the entrepreneur have complete control over his company, he, also, has no obligation to reimburse the funders if the project ends up failing.

The only obligation would be to give back what you promised the crowdfunders, in exchange of their contribution

C) Business Angels:

These angel investors are mostly successful entrepreneurs who wish to invest in innovative and promising projects. In addition to the financial help, the entrepreneurs can also benefit from the investor's network and experience.

However, the investment is, most of the time, provided in exchange of equity. Therefore, all the decision-making process will be done with the angel investors.

D) Intercompany loan:

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Intercompany loans, also known as intracompany loan agreement, outlines the conditions of a loan between a lending company and borrowing company. In France, only stock companies or limited liability companies whose accounts are certified by an auditor may grant loans to companies with which they have economic ties. However, these loans must remain incidental to their main activity.

The Macron Law specifies the cases in which there are economic ties between two companies:

- The two companies belong to the same economic interest group (EIG).
- One of the two companies has received a public subsidy for a project involving them.
- The borrowing company (or a member of its group) is a subcontractor of the lending company (or a member of its group).
- The lending company has granted the borrowing company (or a member of its group) a patent or trademark license, a franchise, or a management lease.
- The lending company is a customer of the borrowing company or is indirectly linked to the borrowing company through a third party that has or had a business relationship with the lender and the borrower.

Conditions to be respected by the lending company

During the two financial years, prior to the loan, the lending company must:

- have equity higher than the share capital and a positive gross operating surplus.
- have a positive net cash.

The overall ceiling on loans granted by the lending company:

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There's also a cap on loans granted by the lending company. The amount of loans granted under article L. 511-6 3 bis of the Monetary and Financial Code by a company must not exceed a ceiling equal to the smaller of the following two amounts:

- 50% of net cash,
- 10 million when the lender is a small and medium-sized enterprise (SME), 50 million for a mid-sized company or 100 million for a large company

The overall ceiling on loans granted to a borrowing company:

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The amount of all loans granted by a single company to another during a financial year may not exceed the greater of the following two amounts

- 5% of the limit defined above (overall limit on loans made by the lending company);
- 25% of the ceiling defined above (overall ceiling for loans granted by the lending company), up to a maximum of 10,000 euros.

In all cases, the granting of a loan must be formalized in a loan contract and its duration may not exceed two years.

Article rédigé par Madame Nour EL OUAHMANI, juriste, sous la direction de Maître Mounia BELKACEM

Pour plus d'informations, contactez le Cabinet PLF: pistris.law.firm.contact@gmail.com