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By Fellag Nourredine & Zerrouki Brahim

Univeristy of Saida-Algeria

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Corporate Governance Perspectives in Algerian Small and Medium Scale Enterprises

Fellag Nourredine [α] & Zerrouki Brahim [σ]

Abstract- This paper objects to focus on the corporate governance practices in the Algerian small and medium size enterprises where the main intention is to recognize and clarify the degree of corporate governance practices. The study has taken place in 6 enterprises located in 3 different provinces. The tool of research is considered to be the questionnaire. After the descriptive and inferential analysis of data collected, we have come out to a set of results: the level of corporate governance in Algerian small and medium enterprises is intermediate and the enterprises widely neglect the external and audit committee, also the implementation of transparency and disclosure principle are not enough which leaded us to conclude that the mode of corporate governance is facing serious imbalances and have to be enable in a good way.

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I. Introduction

Small and medium size enterprises sector has become a key pillar in the equation of getting development and obtaining a satisfied rate of economic growth. During the last 3 decades of the twentieth century, especially in the economy developed countries all attention has turned toward this sensible sector to lead the wheel of development and to bring new vitality to the worldwide economies. However, not just the developed countries who have put their eyes over this sector, also the developing countries like Algeria have provided sustainable efforts to take care of the SMEs. In fact, the statistics refer to stunned information belong to SMEs efficiency in term of job creation and reducing the average of unemployment, achieving growth, bringing direct foreign investment and participate broadly in the GDP, studies estimate that 90% of the world enterprises are SMEs ones and they are separated approximately over all the fields.

Algeria's economy attention has been also turned to the private sector, mainly on SMEs due to their sizable role on the economic development. Therefore, the number of SMEs has been witnessing a remarkable augmentation since Algeria has opened its economy in 1990s progressively to adopt the market economy which is based particularly on the privatization. The statistics show that the notable structure and the main tissue of enterprises in Algeria is roughly 95% SMEs, this means that the government is going after this sector to build a strong economy capable to ensure the auto-satisfaction as a primarily objective and to reach competiveness as long term goals. Despite the great efforts provided by the government to establish a good environment for the SMEs sector to be developed and improved. Although the significant and important role for this sector in building a competitive private sector. SMEs still face enormous problems which hamper it from obtaining development.

In front of all these obstacles and inhibitors that slow down the development process of SMEs sector, Algeria finds itself standing against a big and huge challenges which is to exceed in a good manner this crucial and difficult situation. Corporate governance has then become a major and indispensable request to tackle effectively with the mentioned problems. Although the concept of corporate governance is basically related to the large scale enterprises because it has been initially appeared in this kind of firms to treat the problem of agency between the principle and the manager, but that does not mind to practice this new managerial system in the SMEs sector. However, the attributes that characterize the Algeria SMEs enterprises make it difficult for the good practice of corporate governance, and despite the efforts provided by the government to boost the private sector to have good practices of corporate governance, the enterprises owners and managers still do not take seriously this important tendency to promote the SMEs sector in Algeria.

Problematic: In this paper we are trying to deal with following problematic:

What is that fact of corporate governance practices in the Algerian small and medium size enterprises?

To get answer for this main problematic and to facilitate the research process we ask the following sub-questions:

- ✓ What do we mean by SMEs and what is its place and importance in Algeria economy?
- ✓ What is the definition of corporate governance and what are its principles?

Hypothesis: after being studied the literature review concerning the corporate governance and SMEs sector, we may give the following hypothesis, so as we will able to test it in the empirical part:

Author α: PhD student, University of PhD. Tahar Mouly Saida, Saida, Algeria, laboratory: ITMAM. e-mail: fellagnourredine@yahoo.fr
Author σ: PhD at University of PhD. Tahar Mouly Saida, Saida, Algeria, laboratory: ITMAM. e-mail: Zerrouki02@yahoo.fr

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- ✓ The Algerian small and medium size enterprises do not practice corporate governance principles.
- ✓ The mechanisms of corporate governance are not fully available in Algerian small and medium size enterprises.

Importance of the study: the importance of this study is that it tackles and focuses on the theme of corporate governance in the Algerian SMEs by having an empirical study so as to clarify the reality of management in the Algerian enterprises, as this private sector is the key pillar for Algerian economy growth, it will give an addition in term of bringing and giving the chance to the Algerian authorities and to the enterprises leader a clear view of corporate governance practices fact.

II. Literature Review

In this part we will have an overview on corporate governance concepts and small and medium scale enterprises perspectives so as to illustrate our study and present perceptions on the theoretical side of our research axes. In fact, there are many studies that tackled the subject of corporate governance and SMEs from different sides.

III. Previous Studies

We have taken into account some previous studies related to this paper for the object to illustrate the important results reached up to date so as to make the study relevant and have a value, we set bellow studies that helped us to take part in the looking of our main issue.

a) *The study of Saoud Wassila, "corporate governance as a tool to increase the Algerian SMEs performance", doctoral thesis, 2016*

The researcher in this study aimed to determine the contribution of corporate governance in enhancing the performance of the Algerian SMEs. The study had two sides: theoretical and empirical side, in the theoretical part the author tackled the different clarifications about corporate governance, small and medium scale enterprises and the enterprise performance, with the reference to the fact of corporate governance in the Algerian SMEs and its contribution on the economy building. Otherwise, in the empirical side, the researcher analyzed the result of 150 questionnaires distributed on a sample consist of 150 SMEs, the questionnaires questions were headed to the enterprises chiefs and the seniors administrators. The results of this study were as follows: most of the Algerian SMEs confirmed that the implementation of corporate governance would enhance the performance at all levels whether the single or general of the enterprise, and there is a clear acceptance to adopt this system, but in condition to provide the convenient environment for that like the good formation and awareness of the importance and benefits of corporate governance.

b) *The study of Kherraf Houria, "the governance of familial corporate: study the Algerian case.", Magister's memory, 2014*

The researcher tried to tackle the issue of corporate governance on the familial firms in Algeria, he started from the point that the familial firms have a specific nature because it is owned and managed by members of the family, so he tried to clarify the mode of governance of this kinds of firms in Algeria knowing that the majority of Algerian firms are family ones. He made an empirical investigation in the NCA company so as to find the mode of governance of this family company, the result was that there are many changes and adjustments in the system of governance for the family companies and the problem of succession has a huge impact for the strategy of development undertaken by the company, also the management system inside the company is different and has a tough relation with family nature, the relationship between the stakeholders is determined in a tight space not giving the total freedom for them to share their opinions and suggestions.

c) *The study of S. M. yazide, B, abd ouahab, "the reality of corporate governance in Algeria; an empirical study on joint-stock exchange companies", published article*

In this study the writer tried to identify the fact of corporate governance in Algeria for the joint-exchange companies in order to know the degree of concordance between the practice of corporate governance in this enterprises and the principles of OECD and the principles of Algerian corporate governance code, the researcher used a questionnaire to make his study in which he delivered 50 copies on the internal auditors and the board council members. The result was that the companies in which the study was done apply the principles of corporate governance released by OCED and apply also the principles of the Algerian corporate governance code.

d) *What makes the results of this study different from the previous studies?*

The result of this study are different from the others because we are focusing in paper on the corporate governance practices in the Algerian SMEs, more specifically we intend to identify the corporate governance practices reality in the SMEs sector, so the obtaining result are about the characteristic and fact of corporate governance practice; in other hand the disadvantage and advantage of corporate governance levels in SMEs sector.

IV. Corporate Governance

Corporate governance has broadly taken an important place after the succession of the different

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financial scandals and crises that touched many countries; the results were the collapse and bankruptcy of many sizable and sustainable enterprises overall the world, that was essentially due to the lack of good practices of management rules especially in term of monitoring and supervision.

a) Definition of corporate governance

The term of corporate governance does not easily lend itself to one universal definition, there are many definitions depend on the difference between writers perspectives and institution overview to this important concept.

It was defined as: "corporate governance system as the structure that organize the company's management and control; ensuring that this structure includes a system of incentives for managers, and that the board of directors is linked to the company's performance, which aims to maximize the shareholders profits and encourage management to the best investment of the company's resources"[1].

Scholars have a clear definition of corporate governance as: "the formal mechanisms of directing, supervision, and control put in place within a company in order to monitor the decisions and actions of its senior managers and ensure these are compatible and consistent with the specific interest of shareholders and the various other interests of stakeholders who contribute to the operations of the company".[2]

Gerrard Chareaux one of the pioneers in the field of corporate governance defined it as:"The mechanisms which intend to determine the authorities and have an impact on the directors decisions, in other word govern their leadership toward the corporate and set the scope of their authorities"[3].

Cadbury (1992): define corporate governance as "the whole system of controls, both Financial and otherwise, by which a company is directed and controlled"[4].

It is clear from afore mentioned definitions that corporate governance is concerned with The processes, systems, practices, procedures, rules and regulations that govern Institutions, the manner in which these rules and regulations are applied and followed, the Relationships that these rules and regulations determine or create, the nature and the Effects of those Relationship.

In Algeria, there are many scholars who tackled the issue of corporate governance in general and corporate governance in small and medium size enterprises, we may list some of definitions given by Algerian scholars to corporate governance concept, although the opinion differ from one person to another according to the side by which he defines corporate governance:

Corporate governance in SMEs is defined as: "all the procedures and schedules used to run and manage the internal affairs of the enterprise, aiming to increase its value at the long term which will bring benefit to the investors and guarantees the financial safety"[5].

According to Hossam Ghodban: corporate governance in Algeria Aims to regulate the relation between stakeholders in the enterprises, thus it represents 3 major trends: firstly, the narrow trend which focus on the necessity to make governance in favor of shareholders by reducing the cost of capital. Secondly, the huge trend which focus on the necessity to enhance the enterprise's performance as it is a source of wealth's creation. Finally, the global trend which adds another responsibilities to corporate governance as the engagement of the social responsibility, business ethics"[6].

[1] Mekkaoui Mekki and others, the role of corporate governance in attracting foreign direct investment to the arab countries, EPRA international journal of economic and business review, vol-3, issue-9, September 2015, p:02.

[2] Ahmed Gaid Noureddine, corporate governance application in Algerian financial sector, international journal of research in business studies and management, vol-2, issue-11, november 2015, p:03.

[3] Mimouni yassine, the development of SMEs and the good governance, magister memory, university of Telemcen, 2012, p: 15

[4] Cadbury Rapport (1992), Report of the Committee on the Financial Aspects of Corporate Governance », London.

[5] Saoud Wassila, corporate governance as a tool to increase the performance of SMEs, doctoral thesis, university of Mssila, Algeria, 2016, p:17.

[6] Houssam Eddine Ghodbane, "contribution in the suggestion of a model of corporate governance for the Algerian economic enterprises", doctoral thesis, university of Bisikra, Algeria, 2014, p:5.

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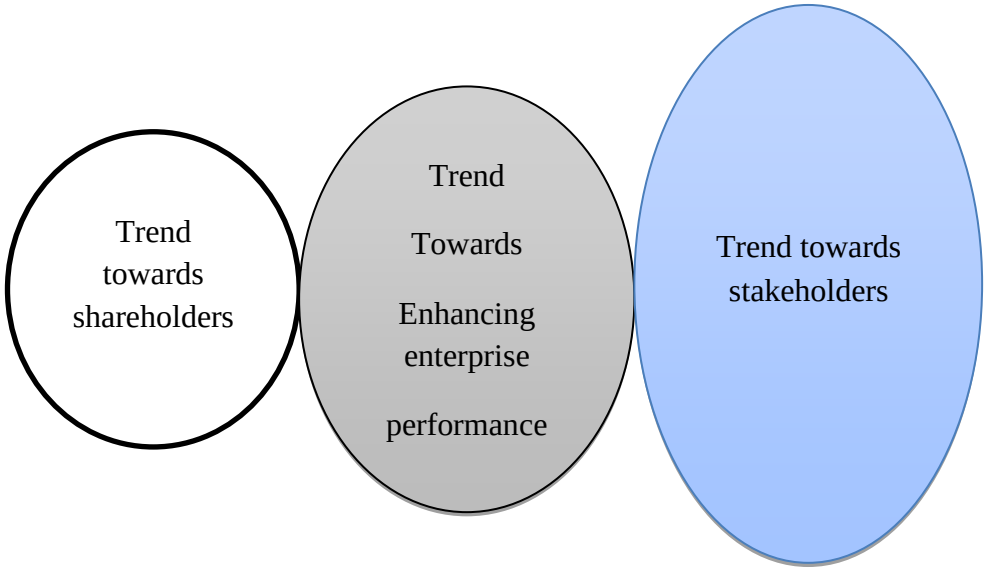
The following shape shows the trends of corporate governance in Algeria



Source: prepared by the student.

Shape 1: Tends of corporate governance in Algeria.

b) Principles of corporate governance

First published in 1999 and subsequently revised in 2004, the OECD in publishing its elements of corporate governance, took into account the views of many different countries on the subject of what constitutes good corporate governance.

The OECD states "the primary role for regulation is to shape a corporate governance environment compatible with societal values that allows competition and market forces to work so that corporations can succeed in generating long-term economic gain. Specific governance structures or practices will not necessarily fit all companies at all times (OECD, 1999).

The OECD identifies the following key elements of good corporate governance:

1. The rights and obligations of shareholders;
2. Equitable treatment of shareholders;
3. The role of stakeholders and corporate governance;
4. Transparency, disclosure of information and audit;
5. The board of directors and Non-executive members of the board;
6. Executive management, compensation and performance.

The main theme of the above principles lies in four basic principles. Firstly, the issue if business ethics and compliance, secondly the adequacy of the business decision making mechanism, thirdly adequate disclosure and transparency and fourthly financial control and administration (keeping and financial accounting). These OECD principles are so sound that even the non-members of OECD are implementing and adopting. Morck (2005) states that the soundness of these principles has been proved by its adoption all over the world.

c) Why corporate governance is important?

Corporate governance occupies a big importance in the view of the modern enterprises, that is because it tackles with many tough troubles which have a relation with management and ownership; it has also a huge correlation in determining the developing strategy of the firm. It is also considered by investors as a criterion to base upon in the firms that do good governance. However, it was noticed that the firms that practice corporate governance have high shares more than those who do not practice corporate governance.

V. Small and Medium Seize Enterprises

The abbreviation SMEs stands for Small to Medium Enterprises. Almost every company we know today began as an SME. Globally, they have a very significant contribution in the provision of goods and services for the society; without SMEs, big companies may not be able to meet the demand for goods and services in an expanding customer base.

a) Definition of small and medium size enterprises

SMEs have no standard definition, they have been identified differently by various individuals and organizations, such that an enterprise that is considered small and medium in one country is viewed differently in another country. Some common indicators employed in the various definitions include total assets, size of the labor force employed, annual turnover and capital investments[7].

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labor force employed, annual turnover and capital investments[7].

According to the European commission, an enterprise is deemed as having a small or medium size when the total number of its employees is below 250 people [8]. The European Commission mentions that an enterprise can be deemed medium indeed, when it meets the following conditions simultaneously: the number of its employees is more than 49 and fewer than 250; the annual turnover does not exceed 40 million euro or the total of the balance assets is not more than 27 million euro. Small enterprises are considered those enterprises which have no more than 50 employees and an annual turnover of at least 7 million euro or whose total balance assets do not exceed 5 million euro. Very small enterprises are defined as those with no more than 10 employees.

According to the Algerian ministry of commerce, Small and Medium Enterprises is defined regardless of its legal status in term of providing either good or service or even both, by setting some characteristics which are:

- Not more than 250 employees;
- Annual turnover does not exceed 02 billion dinars or whose annual balance sheet total does not exceed 500 million dinars;
- It should match with the criteria of independence.

b) Attributes of small and medium sized enterprises

Small and medium enterprises have fulfilled many tasks in their history, they manufactured products which were ignored by large enterprises and offered various specialized services. Up to the present they have played an important role in GDP creation, in the process of employment, labor productivity increase and in regional development; they are viewed as an important source of new ideas and innovation[9].

Among the characteristics of small and medium enterprises that have made them able to play an important contribution toward the economic and social development as well as contribute to reduce the rate of unemployment, the following characteristics are presented:

- Enhancing the initiative spirit of individual and group by initiating economic activities for goods or services that didn't exist before, as well as the revival of economic activities which have been abandoned such as the traditional industries.
- Reintegration of the demobilized employees from their positions due to the bankruptcy of some public institutions or the employment reduction in some organizations as a result of restructuring and privatization, which would supports the possibility of compensation of some of the lost activities.
- Generating new offers of job both directly via enterprises establishers and indirectly through recruiting of other jobless individual within enterprises, which can lead to a rapid response to social demands in the employment field, as these enterprises seek to provide work positions intended for individuals who do not meet the needs of large organizations, These enterprises pay less wages than the large organizations do, as the average qualifications is inferior to those obtained by employees working for large organizations. Small and medium enterprises can establish an effective tool for activities resettlement in the remote areas, leading them to be an effective tool for a significant enhancement of local wealth and a mean of domestic regions merging and integration.

c) Difficulties faced by SMEs

SMEs sector have a lot of difficulties weather when they get established or during the exercise of their activities, the following points state the most important troubles that SMEs may face:

- Difficulties in term of administrative and executive procedures to get the approval of the project.
- Increasing the tax rate on turnover, revenue and profits.
- Administrative problems: there are always ignorance or even disqualifying management technics and that may lead to the mixture between their own business and project business. Besides, there are a shortage of the skilled labor due to the augmentation of formation and training costs.
- Marketing problems.

d) Challenges faced by SMEs

A number of studies have been performed on challenges faced by SMEs in developing countries as well as Algeria. Small and Medium Industries Development Plan (SMIDP) in its 2001-2005 report (SMIDEC, 2002) and SME Master plan (2012) identified many challenges faced both at the domestic and international levels. These challenges can be summarized as the following [10]:

✓ Innovation and technology adoption (low commercialization, poor technology uptake);

[7] Asma Benzazoua Bouazza, samll and medium enterprises as an effective sector development and employment creation in Algeria, journal of economics, commerce and management, vol. 3, issue 2, united kingdom, 2015, p: 02.

[8] L.I. Savlovschi, N.R.Robu, the role of SMEs in modern economy, Economia Seria Management, vol-14, issue-1, 2011, p: 01-02.

[9] Ľubica Lesáková, small and medium enterprises in the new world of globalization, forum scientiae oeconomia, vol-2, N-3, 2014, P:04.

[10] Nurmazilah mahzan, chia meng yan, harnessing the benefits of corporate governance and internal audit: advice to SMEs, the 5th Indonesia international conference on innovation, entrepreneurship, and small business (IICIES 2013), social and behavioral sciences 115, 2014, p:03.

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- ✓ Human capital development (lack of job readiness of employees and effectiveness of training);
- ✓ Access to financing (limited non-banking avenues, poor credit worthiness and lack of know how /resources);
- ✓ Market access(information barriers for exports, low marketing and branding);
- ✓ Legal and regulatory environment (Licensing and permits issues, compliance to regulations); and infrastructure (trade clearance and facilitation system and low/infrequent trade volumes).

e) The fact of SMEs in Algeria

The number of SMEs in Algeria has known an important growth especially after transition from the socialist economy toward the market economy in the beginning of the last decade of the 20th century, the statistics show that the amount of SMEs in the first semester of 2013 was 747.934 in which 90% are very small enterprises, whereas the number of the same sector was 455.398 in 2009, these statistics indicate the huge growth of SMEs in Algeria and that is due mainly to the policy of Algerian authorities aiming to promote this sector and make it a resource of wealth's creation. Despite the tremendous effort provided by the government to enhance the performance of this sector, the fact points out to the disability of this sector to cover the huge shortage that big enterprises can't take into account.

The following data delivered by the ministry of industrial development and investment promotion present the number of jobs held by the SMEs in the first semester of 2013.

Table 01: Statistical bulletin of Algerian SMEs for 1st 2013

SMEs / period	Number of SMEs	Number of job's creation	Number of entities created per year	Job's creation by new entities	SMEs cessation of activity
2012	687 386	1 776 461	27 736	99 892	2 182
1st semester of 2013	747 934	1 915 495	34 811	177 010	2 661

Source: ministry of industrial development and investment promotion, Statistical bulletin of SMEs for 1st 2013, N:23, November 2013, p:07.

VI. Framework of Corporate Governance in Algerian SMEs

On July 2009, a work team made of CARE club (circle of action and reflection on the company) and FCE (forum of enterprises chiefs) with the collaboration of public authorities in the name of ministry of small and medium size enterprises and crafts, they agreed to release a code of corporate governance for the Algeria companies mainly the small and medium size ones, this code is the first edition for such kind of initiatives targeting to improve and master the managerial system for the Algerian companies. However, this code is like the others ones in different countries but has the characteristic of the Algerian companies from different sides and perspectives.

It is considered as a basic document for the Algerian companies, public and private ones, who want to improve their performance and competitiveness on the local and foreign market, explained its founders, led by the forum of enterprises chiefs. The code is based on the achieving of the following principles:

– Transparency: it means that the rights and obligations also the prerogative and resulting responsibilities must be clear for all.

- Equity: it means that the distribution of rights and obligations between the stakeholders, also the privileges and engagements related with it have to be done fairly.
- Responsibility: it means that the responsibility of everyone is determined by a clear objectives and not with divided objectives.
- Accountability: that means every actor person in the company is responsible toward the other persons in term of practicing the given responsibilities.

a) The challenges of SMEs in term of corporate governance

The Algerian SMEs face in term of corporate governance practices a lot of challenges, we might point out at some of them in the following statements

How to ameliorate the relation with the bank: the company is in front of a big challenge to enhance their relation with the financial administration, the banks do not trust in financial statement for the Algerian companies that is why they do not give funds to them. Otherwise, the enterprise need to break these barriers by practicing corporate governance principles and establishing a relation of trust with the bank so as to get the sources of funding.

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b) *How to bring external investment to the initial core of the familial enterprise*

Almost the Algerian companies are familial which stands against bringing external investors to the company, so they need to open the door for the foreign investors so as to bring other sources of capital, and to spread the activity of the company, and do not enact instructions that restrain investors to take opportunity of investment.

c) *How to establish a relation of trust with fiscal administration*

The relation between the enterprises and the fiscal administration has to be trustful so as to give freelance and liberation for the company and boost their transparency and disclosure.

d) *How to clarify the relation between shareholders*

A lot of companies suffer from internal conflicts between the shareholders in term of different issues related to the strategy undertaken by the company which is obliged to figure out solutions to these internal conflicts between shareholders.

e) *How to clarify the responsibilities between the executive team*

A huge number of enterprises may face the dilution of the responsibilities, sometime there are exceed in responsibilities between the executive team, these may cause and lead to internal conflicts between the responsibilities of the executive team and the shareholders, so the practice of corporate governance will identify the responsibilities and functions of everyone in the company. Hence, it will fight against this kind of conflicts inside the company.

f) *How to adjust the succession's problem*

This may be the most crucial problem for the companies in Algeria due to the familial nature of the most companies; a lot of firms can't manage the situation after the death of the founder, that because of the absence of laws inside the firms that organise such kind of issue related to the succession matter, so firms have to put in clear and determined rules and instructions to organize this process.

VII. Empirical Part

a) *Research methodology*

This paper aims to shed light on corporate governances practices within the Algerian small and medium size enterprises. Therefore, to collect the necessary data for our study we have used the questionnaire as an instrument to collect the qualitative information about different aspects and perspectives of corporate governance practices.

The approach taken in the study: this study is about a survey on some joint-stock companies in the region of CHLEF, Ain defla and Ghlizane. we decided to follow this approach after long field investigations. Hence, we arrived to a result that this kind of companies is the most suitable for our study due to the characteristics that distinguish this enterprises which will help us to reach our main objective from this study.

Tool of the study: It was an ended question questionnaire in form of likert's scale quintet.

Population of the study: the population of the study is the small and medium size enterprises and it was determined that the enterprises that have less than 250 employers are considered SMEs ones.

Sample of the study: The sample size of this research paper is consisted of 10 SMEs located in 3 provinces namely as follow: Chlef, Ain defla and Ghlizane. The number of question naires being delivered were 150 and we only received back 120 questionnaires, the interviewees made of the top manager, stakeholders, shareholders, executives members and members of board of director.

Questionnaire axes: Data collected were analyzed using both inferential and descriptive statistical tools. The questionnaire has included 3 parts as follows:

1. Identification of the enterprise: general ideas of the enterprise; its sector of activity, its date of creation, its statute and the demographic information of the interviewees.
2. Questions relative to the corporate governance practices basing on the principles of corporate governance.
3. Information relative to the external and internal mechanisms of corporate governance.

Tool used to analyze the collecting data: The statistical package for social sciences (SPSS) has been used to treat the data collected and transform it from the qualitative pattern to the quantitative pattern.

VIII. Reliability of the Questionnaire

The research instrument was validated by 4 Experts in the area of study and their comments were incorporated on the research instrument. Reliability of the research instrument was tested on the Cronbach's Alpha and the results obtained are as below:

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Table 2: Reliability of the questionnaire

Reliability statistics	
Number of items (N)	Cronbach's Alpha
44	0.756

Source: prepared by the student from SPSS 22

The Cronbach's Alpha value of 6 and above is considered good and according to the above test results a value of 0.756 is considered good and reliable. The checks and balances in this regard are appropriate to produce results that are reliable and generalizable.

a) Results and discussion of findings

Inferential and descriptive statistical tools of analysis were applied in this paper to analyze data collected from the field. Of the 120 respondents; 54% are male and 46% are women. The respondents who are in the 20- 29 years age group constitute 18%, 30-39 years are 48%, whereas those in the 40-49 years age group constitute 28% and those who are 50 years and above constitute only 6%. Marital status of the respondents is that 68% are married, 26% are single and 6% are widowed. The sample indicated a relatively well educated sample of respondents.

1. Analysis the data of the study

In this section we will analyse each part of the questionnaire leaning on the arithmetic median and the standard deviation, the median between (1 to 2.5) means the level of answer is low, between (2.5 to 3.5) means that the level of answer is intermediate, between (3.5 to 5) means the level of answer is high.

Part one: corporate governance principles practices.

Table 3: The results of the first section questions' opinion: corporate governance principles

Axes	Median	Deviation Standard	Opinions
Responsibilities of director's board	3.80	0.847	high
The role of stakeholders.	3.32	0.936	intermediate
The equitable treatment of shareholders	1.69	0.937	low
The protection of shareholders' rights in the company status.	3.66	1.147	low
Disclosure and transparency	2.25	0.855	low
Total	2.94.	0.944	Intermediate

Source: prepared by the student from the SPSS 22 outputs.

Analysis: The results of the answers related to the principles shown in the table number 03 indicate that the level of corporate governance practices inside the small and medium size enterprises is intermediate with a median equal to 2.63, the standard deviation is 0.944. From the table below we can notice that the degree of corporate governance principles is unequal; the enterprise pay more intention to the responsibilities of director's board. Whereas, there are a total neglect to the equitable treatment of share holders, disclosure and transparency. In general the interviewees have an agreement that there are a sharp lack in term of corporate governance practices.

Part two: corporate governance mechanisms

Table 4: The results of the second section questions' opinion: mechanisms of corporate governance.

Axes	Median	Standard Deviation	Opinion
Audit committee.	1.45	0.869	intermediate
Internal audit	2.63	0.925	low
Board of director	3.69	1.014	high
External audit	2.12	0.761	low
Total	2.47	0.822	intermediate

Source: prepared by the student from the SPSS 22 outputs.

Analysis: The results in the table number 4 refer that the arithmetic median of the questions of the second part is equal to 2.57 with a standard deviation equal to 0.822 which means that the level of corporate governance mechanisms existence is intermediate. The interviewees agree that the enterprises do not give an important attention to the audit committee and to the external audit, which is very important for the good management of the enterprises' tendency.

2. Hypothesis test

To test the hypothesis we used the Parson's coefficient in an indication level equal to (α=0.05), the size of sample equal to (N=120).

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The first hypothesis: The Algerian small and medium size enterprises do not practice corporate governance principles.

Table 5: The result of testing the first hypothesis

Data		Governance system application
Corporate governance principles practices	Correlation coefficient	3.36
	α	0.006
	N	120

Source: prepared by the student from the SPSS 22 outputs.

Analysis: From the table 6 the level of indication equal to (α=0.006) and that is under (0.05), the correlation coefficient equals to (R= 3.36), so there is a strong and positive correlation relation statistically significant at a level of indication equal to (α=0.05), this leads us to the result that the Algerian small and medium enterprises do not practice corporate governance principles.

The second hypothesis: The mechanisms of corporate governance are not fully available in Algerian small and medium size enterprises.

Table 6: The result of testing the second hypothesis

Data		Governance system application
Corporate governance mechanisms	Correlation coefficient	4.01
	α	0.000
	N	120

Source: prepared by the student from the SPSS 22 outputs.

From the table 6 the level of indication equals to (α=0.000) and that is under (0.05), the correlation coefficient equal to (R= 4.01), so there is a strong and positive correlation relation statistically significant at a level of indication equal to (α=0.05), this leads us to the result that the mechanisms of corporate governance are not fully available in the Algerian small and medium enterprises.

IX. Conclusion

Although the concept of corporate governance is a bit old in term of appearance but it is new in tem of implementation especially in developing countries like Algeria. This study shows that the practices of corporate governance principles in the sector of SMEs is determined by many imbalances, in spite of the tremendous efforts that have been provided by the Algerian government to boost the pillar of enhancing the practices of corporate governance. However, this paper has come to a set of results as follows:

- The implementation of the principle of transparency and disclosure in the SMEs, in general is low, meaning that the SMEs are not good enough in implementing the principles of openness and independence. As the implementation of responsibilities of board of director and the role of stakeholders are a bit high, meaning that SMEs are paying enough care to these two principles in a manner to give a good overview to the external environment.
- The SMEs in general do not have audit committee and do not interest in external audit, whereas the internal audit is not enough enabled.
- The concept of corporate governance is not enabled as best as it should be in Algerian SMEs.
- An enormous efforts have to be provided by the collaboration of both the Algerian authorities and the SMEs chiefs to boost forward and improve the implementation of corporate governance.

According to the result of this paper, we may give the following recommendation:

- ✓ The implementation of sound corporate governance in the Algerian SMEs have to be determined through two aspects: the first one is related to the ministry commandment as it is considered the main actor to provide the suitable environment and the motivator for that, the second aspect is through the enterprises themselves and that will definitely inhibit the administrative corruption phenomenon.
- ✓ providing more efforts on laying corporate governance culture in the environment of business by setting up Algerian corporate governance institutions and to promote for corporate governance principles.
- ✓ reinforcing the disclosure and transparency of the financial reports, and this by enabling the different tools the accounting system like audit process.
- ✓ the necessity to adopt the Algerian corporate governance code, and the work on making amendments of the content in order to be directed to different kind of enterprises.
- ✓ the Algerian SMEs have to increase and develop an honest and ethical relation with all the stakeholders: employees, customers, banks and the taxes administration.

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We may recommend areas for future studies as the following:

- The importance of corporate governance in running the financial distress of the Algerian SMEs.
- The role of corporate governance in enhancing the efficiency of management of the Algerian SMEs.
- The impact of implementing corporate governance on reducing the internal and external conflict of the Algerian SMEs.
- The importance of adoption of transparency criteria on the enhancing the performance of the Algerian SMEs.

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