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- 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 Algerian SMEs have to increase and develop an honest and ethical relation with all the stakeholders: employees, customers , banks and the taxes administration.
- 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.
- 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

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organization with each other.	$\alpha$	0.016
	N	74

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

From the table 5 the level of indication equal to ( $\alpha=0.016$ ) and that is under (0.05), the correlation coefficient equal to ( $R= 3.60$ ), so there is a positive correlation relation statistically significant at a level of indication equal to ( $\alpha=0.05$ ), this leads us to the result that Maintaining a good relationship between the owners of the enterprise and the stakeholders is an essential determinant of corporate governance quality in Algerian SMEs.

**The second hypothesis:** The nature of ownership structure and the role of partners are among the determinants of corporate governance quality in Algerian SMEs.

**Table6:** second hypothesis test.

Data	Governance system application	
The family nature and problems of succession.	Correlation coefficient	3.80
	$\alpha$	0.000
	N	74

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

From the table 6 the level of indication equal to ( $\alpha=0.000$ ) and that is under (0.05), the correlation coefficient equal to ( $R= 3.80$ ), so there is a strong and positive correlation relation statistically significant at a level of indication equal to ( $\alpha=0.05$ ), this leads us to the result that The nature of ownership structure and the role of partners are among the determinants of corporate governance quality in Algerian SMEs.

**Conclusion and recommendation:**

Corporate governance system in Algeria has recently witnessed an important escalation in terms of providing more efforts and giving new approaches to enhance its practices among the Algerian enterprises whether private or public ones. However, corporate governance is not related only with big enterprises, in fact, SMEs are also targeting to benefits from this new managerial system. As in Algeria the SMEs are considered to be the largest tissue of enterprises mode, therefore corporate governance begins to maintain its pillar inside the Algeria SMEs. They are seeking to find the best ways to implement corporate governance so as to get the utmost benefit from corporate governance, so the objective is not only to show that the enterprise is implementing corporate governance practices but to enhance the system of management of the enterprise on the other hand.

Through this paper in both the theoretical and empirical part we did shed light on the corporate governance on the Algerian small and medium sized enterprise where the objectives was to state or to identify the determinants of corporate governance quality in the Algerian SMEs enterprises, this paper has come to a set of results as the following:

- The ownership structure and the role of partners inside the SMEs are determinants of corporate governance quality, that means as long as the ownership structure is clear inside the enterprise and the partners maintain a clear position in terms of practicing their rights and doing their duties, this would bring a good index of corporate governance quality.
- Maintaining a good relationship between the owners of the enterprise and the stakeholders is an essential determinant of corporate governance quality in Algerian SMEs, this means that the enterprise would have a good practice of corporate governance as long as the relation between the owners and the stakeholders is characterized in a strong manner and it goes well.
- External regulations and transparency also are among the determinants of corporate governance quality, this means that as much as the regulation and laws that organize the environment of business are enabled in favor of the enterprises activities it would give a good index of corporate governance quality.
- The concept of corporate governance is not enabled as best as it should be in Algerian SMEs.

**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 the level of answer is intermediate, between ( 3.5 to 5) means the level of answer is high.

**Section 1:** corporate governance.

**Table 3:** the results of the first section questions' opinion.

Axes	Median	Deviation Standard	Opinions
Responsibilities of director's board	3.05	0.878	Intermediate
The role of stakeholders.	3.67	0.906	high
The equitable treatment of shareholders	4.12	0.859	high
The protection of shareholders' rights in the company status.	3.69	0.723	high
Disclosure and transparency	2.34	0.755	intermediate
Total	3.37	0.824	Intermediate

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

**Analysis:** we notice from the table 3 that the scope of the corporate governance is at an arithmetic median equal to ( 3.37) with a deviation standard equal to (0.824), that means that the corporate governance level in enterprises being studied is intermediate, the interviewees agree that enterprises do practice corporate governance but not in a perfect level, the role of stakeholders, the equitable treatment of shareholders and the protection of shareholders rights are done as it should be, the others principles do not exist certainly in term of disclosure and transparency.

**Section 2:** corporate governance quality's determinants.

**Table 4:** the results of the second section questions' opinion.

Axes	Median	Standard Deviation	Opinion
Relationship between the owners of the enterprise and the stakeholders.	3.01	0.985	intermediate
Transparency.	3.44	0.929	Intermediate
External regulation and monitoring.	3.60	0.944	high
Disclosure of compensation policies and practices.	2.30	0.897	low
Ownership structure and the role of partners.	4.21	0.925	high
Total	3.31	0.936	

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

**Analysis:** The data shown in the table 4 indicate that the arithmetic median of the section two question is equal to (3.31) with standard deviation equal to (0.936), that refers that the level of determinants of corporate governance quality is intermediate, the interviewees agree that there are a set of corporate governance determinants quality on the enterprise such as relationship between the owners of the enterprise and the stakeholders, transparency, external regulation and monitoring and ownership structure and the role of partners.

**2. Hypothesis test:**

To test the hypothesis we used the Parson's coefficient in an indication level equal to ( $\alpha=0.05$ ), the size of sample equal to (N=74).

**The first hypothesis:** Maintaining a good relationship between the owners of the enterprise and the stakeholders is an essential determinant of corporate governance quality in Algerian SMEs.

**Table 5:** First hypothesis test.

Data	Governance system application
The relationship of the actors in the	Correlation coefficient
	3.60

- An independent and non-executive member from the board of director must be appointed within two years, and he might be a member in the consultant board of director.
- The company must disclose about their engagement of corporate rules in their annual report.

**Empirical part:**

After being discussed the theoretical sides about corporate governance and small and medium size enterprises, we come to accomplish our study by empirical investigation so as to identify the determinants of corporate governance quality in the Algerian SMEs enterprises. In this part we will test the reliability of hypothesis.

**I. Research methodology:**

**1. The approach taken in the study:** this study is about a survey on some joint-stock companies in the west region of Algeria including: Chlef, Tlemcen, Sidi Belabass, Oran, 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.

**2. The study population:** the population of our study is made of all the joint-stock companies in the west region of Algeria.

**3. The study sample:** the sample of our study is made of 20 joint-stock companies; we have targeted the most actor members in these companies especially the shareholders, stakeholders, the members of executive team, the owners. We have delivered 85 questionnaires but we have recovered only 74ones, 7 questionnaires were ousted because the answers were not suitable for the treatment, the other 4 were lost.

**4. Tools of collection data:** there are many tools to help gathering data so as to be treated statistically and transform it from the qualitative form to the quantitative form; in our study we used the questionnaire because it is the suitable tools for such kind of studies.

**5. Questionnaire:** the questionnaire is formed of three main sections, was divided along the study request and hypothesis:

**6. First section:** this part is dedicated to the personnel information of the interviewees; it is about the demographic data.

**7. Second section:** this part is about the nature of corporate governance in these companies, it is formed of 26 questions.

**8. Third section:** is made of 24 questions, this part is dedicated to identify the determinants of corporate governance in the mentioned SMEs.

The questions were easy and clear so as to facilitate the answer.

To check the stability and trust of the questionnaire, “Cronbach alpha” is used, so its value was found 0.77. It means that the coefficient of stability is good. In order to check he trust, the square racing on “cronbach alpha” coefficient is entered and it is value was found 0.87. The following table clarifies this.

**Table 2:** stability coefficient ( Cronbach Alpha)

Questions number	Cronbach alpha
44	0.77

**Source:** prepared by student from SPSS22.

**II. The Sample Features Analysis:**

The features of the sample were analysed in order to define the demographic variables and how people of the sample are divided according to each variable, the result indicates that:

- Among 74 interviewees, 057% have academic qualifications, 27% have licence diploma, 10 have engineering diploma, and 6% have high level.
- Among 74 interviewees, 55.4% have enough experience, 29.3% between 5 to 10 years of experience, and 15.3% more than 15 years of experience.
- Among 74 interviewees, 85.4% are administrative workers, 53.3% are board of director’s members, and 32.1% are executive team members.

- The good governance practices pave the way to SMEs to grow or attract additional investors as alternative to raising capital through borrowing from banks at high cost.
- corporate governance improves management efficiency, limits internal conflicts and helps in making transition of ownership to heirs a smooth process.

### **III.2: Problems of corporate governance in Algeria**

The Algerian are suffering from many troubles related to different sides, whether is internal or external problems. In fact the main problems are known and clear, we can cite them as bellow:

- The formation of board of directors and there is no segregation between board of directors function and executive administration function and enterprises management function, the level of control too and the number of council meetings.
- **Board of director's members:** Lack of appropriate number of independent non-executive members of director's board to be able to present autonomous opinions and efforts stemming from their sense of responsibility.
- **Board of director's committees:** The most important is audit committee, nominations and remunerations committee and to what scope is their efficiency and independency, the available or not of independent non-executive members on both committees.

Also, the general environment of investment in Algeria is not appropriate hence has non-existence of laws and instructions that organize the economic activity. Furthermore, there is no law that guarantee the good practice of corporate governance in companies and give it the commitment nature in condition not to be confused with the current laws.

### **III.3: Procedures of enhancing corporate governance in Algerian SMEs:**

In order to establish a good practice of corporate governance, the enterprise must be depend on a package of measures so as to promote and improve its performance, we distinguish between short term and long term measures.

#### **a. Short term measures:**

The enterprise have to fellow a written policy addicted to corporate governance, this policy have to be disclosed and released by the company. On the other hand, the manner of how to form the board of director, the role of its members and their special skills must be clear, the company is recommended too to for a consultant board of director. In addition, the relation and communication between minor shareholders need to be evident; it is the same for the disclosure and accounting systems. On the other side, the enterprise is obliged to appoint independent auditors and announce a timetable about everything to happen inside it.

- The policy of corporate governance states to provide an advisory board of director formed of three or four members, the purpose from this is to bring help in term of taking decision by enlightening the administration and board of director with independent objective opinions, otherwise providing to the shareholders potential nominees to work as independent members of director's board.
- The company appoint a managing member of director's board between the existence experts in the market.
- The company fellows an environmental social policy towards the citizen and must disclose and release about this policy.
- The policy of the company must ensure the equitable treatment for the minor shareholders.

#### **b. long term measures:**

The policy of corporate governance works on appointing an consultant board of directors within one year, and this consultant board held four sessions in the year, the company must have a timetable and documents for the fundamental meetings and must be given to the consultant board of director before the meetings appointments, in which of policy of corporate governance states the followings issues:

**Source:** ministry of industrial development and investment promotion, 2013, *Statistical bulletin of SMEs for 1<sup>st</sup> 2013*, N:23, p:07.

### **III. corporate governance in Algerian SMEs:**

SMEs in Algeria form large segment of business activities. Generally, they take the form of private companies owned by small number of shareholders. Often have less than 100 employees. Such companies are usually family-owned run by family members where the authorities and powers are generally held by an individual normally the major shareholder. For that reason the owners commonly consider them as running their personal properties. Perhaps the question that strikes the mind of business owners and directors of small and medium size companies as well as the executive management team " why should we opt to choose to introduce new systems and internal rules which impose limits on the way we do business and our business conduct?". The answer is simply corporate governance plays a significant role for SMEs since it defines the role of shareholders as owners on the one hand, and as business managers on the other hand. This is best done through a process that spells out governance rules and guidelines.

On July 2009, a work team formed 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 of the world 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 everybody responsibility 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 person in term of practicing through the given responsibilities.

#### **Why corporate governance is important for SMEs:**

Traditionally, corporate governance has been associated with larger companies and the existence of the agency problem. However, There is no universally approved standard model of corporate governance for SMEs. Nevertheless, there are sources of guidance to which SMEs and their advisers can turn.

Some argue that because SMEs have few employees who are mostly relatives of the owner and thus no separation of ownership and control, there is no need for corporate governance in their operations. Also, the question of accountability by SMEs to the public is non-existent since they do not depend on public funds. Thus, corporate governance brings its importance to small and medium enterprises In Algeria through dealing with the problem of separation between management and ownership, since most of the Algerian enterprises belong to families, we can state the importance of corporate governance for the Algerian SMEs as the following:

- Internal conflicts between managers and owners would be better managed and more attention given to achieve growth objectives and support profitability.
- Sound governance practices lead to improve internal control systems.

time. Some common indicators employed in the various definitions include total assets, size of the labour force employed, and annual turnover and capital investments. In addition, no single definition of SMEs exists among officials of multilateral development institutions because each thinks within the context of the official definition of his own institution . “A common definition of SMEs includes registered businesses with less than 250 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.

## **II.2 Importance of the SMEs in the economic growth**

SMEs make up over 90 per cent of businesses worldwide and account for between 50 and 60 per cent of employment. However, their importance in the development process goes beyond their strength in number. There is a rich body of research on the development contribution of small enterprises. The value of the small business sector is recognized in economies worldwide, irrespective of the economy’s developmental stage. The contribution towards growth, job creation and social progress is valued highly and small business is regarded as an essential element in a successful formula for achieving economic growth. The development of SMEs offers numerous possibilities of job's opportunities which could help on reducing unemployment and also dealing with demographic challenges of the growing population. Therefore, the development of SMEs sector may help to reinforce the concurrence and the productivity, other side will stimulate the structural transformation, a proper sector of SMEs have to do with innovation and with a technologic upgrade. There are a number of factors responsible for the importance of SMEs in a developing Country:

- They foster an entrepreneurial culture and provide resilience in the economy.
- They are an important vehicle for poverty reduction through employment generation.
- They contribute to reducing inequalities in the economy by distribution of wealth.
- Their efficiency in resource allocation is higher socially in that they provide more employment at lesser capital costs compared to large enterprises.

The important economic contribution of SMEs has aroused significant interest from both international organizations and academic researchers whose goals include using public policies to trigger growth in SMEs, ultimately enhancing overall economic performance. Accordingly, since the 1970’s, many researchers have worked to establish an explanatory framework for the growth of SMEs. 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 20<sup>th</sup> 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 1<sup>st</sup> 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
1 <sup>st</sup> semester of 2013	747 934	1 915 495	34 811	177 010	2 661

Good corporate governance seeks to create an institutional framework that encourages all participants to contribute towards better corporate performance aligned with good governance practices. The concept of corporate governance can be viewed from at least two perspectives the narrow view and the broad perspective depending on the view of the policymakers, practitioners and theorists . Sheikh and Chatterjee define corporate governance as 'a system whereby directors are entrusted with responsibilities and duties in relation to the direction of a company's affairs', while Sternberg views it as 'ways of ensuring that corporate actions, agents and assets are directed at achieving the corporate objective established by the corporation's shareholders'.

the most appropriate definition which is more relevant to small and medium size enterprises (SMEs) describes corporate governance as "a set of rules, regulations and structures which aim to achieve optimum performance by implementing appropriate effective methods in order to achieve the corporate objectives". In other words, corporate governance refers to internal disciplines or systems, which govern the relationships among 'key players' or entities that are instrumental in the performance of the organization.

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

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".

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".

The following shape shows the trends of corporate governance in Algeria:

## **2. Determinants of corporate governance:**

The determinants of corporate governance are classified in two sections: internal and external ones, the following shape define and distinguish them.

**Shape 02:** Determinants of corporate governance.

**Source:** Mohamed Hassan Youcef, 2007, *determinants of corporate governance and their applies with particular signal to their nature apply in Egypt*, National Investment Bank, p:04.

### **II. Small and medium size enterprise:**

#### **II.1: Definition of small and medium sized enterprises:**

Just like Corporate Governance, the term SMEs does not lend itself to one universally acceptable formal definition. SMEs 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. Even within a country, the definition changes over

constraint and managerial incompetence in the Ghanaian SME sector could also be overcome with a good corporate governance structure in place.

***The study of Shahnawaz Mahmood, " corporate governance and business ethics for SMEs in developing countries: challenges and way forward, published article, 2015.***

The researcher This paper discussed issues facing SMEs in developing countries (particularly in South Asia) and the need for embracing corporate governance and ethical business practices. This paper proposed that an incentive based system for encouraging SMEs to adopt good governance practices is more likely to succeed. It also presented a market based solution through creation of venture services companies for engaging closely with SMEs. SME Chambers can also play a critical in this regard. This paper also discussed the framework through a Code for SMEs and suggested mechanism to develop it. Developing and implementing a framework of corporate governance for SMEs needs to be a participatory and engaging process. The key components of the Code are also given. Business ethics practices from SME perspective are also discussed.

***The study of Tawanda Dzama, Bonifac Sibanda," Evaluation of good governance practices In SMEs In Zimbabwe. Case of 3 leather products SMEs in Bulawayo", published article, 2015.***

The researchers in this study sought to evaluate the corporate governance practices being employed by SMEs in Zimbabwe. The main objective was to evaluate the corporate governance practices of SMEs against seven characteristics of good corporate governance: clear strategy, effective risk management, discipline, fairness, transparency, social responsibility and self-evaluation. Descriptive survey, through the use of interviews and a questionnaire were used. A sample of 45 research participants was drawn from the 3 SMEs using judgmental sampling method. Data analysis was done through descriptive statistic analysis model.

***What makes this study different?***

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

***Theoretical part:***

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

***1. 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: " a good management of internal company and careful decision of resource allocation can reinforce company performance". Gerrard Chareaux one of the pioneers in the field of corporate governance has 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". Others writers have given definitions to the corporate governance as follows:

The process carried out by the board of directors, and its related committees, On behalf of and for the benefit of the company's Shareholders and the other Stakeholders, to provide direction, authority, and oversight to management.

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.

**Literature Review:**

We have taken in account some previous studies related to this thesis 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.

**Bbackground of the study:**

***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.

***The study of Abdelouahab Dadene and others, "The Determinants of CSR in Algerian SMEs: an empirical and exploratory study", published article, 2013.***

The objective through this study was to determine the concept of CSR in Algerian SMEs. The question that guided this research was to know how SMEs' managers perceive the concept of CSR. And the main hypothesis of this research was: "knowing the perception of the concept of CSR which allows leaders to better conduct any program of mainstreaming CSR into the business." For that this research depended on a quantitative analysis through a survey conducted with 86 Algerian SMEs from January 2012 to May 2012. The obtained results have helped to determine and develop CSR concept, as well as these results have allowed proposing a scheme of analysis to improve social and environmental commitment in Algerian SMEs. Hence, the action of Algerian SMEs in favor of socio-environmental commitment is primarily motivated by mainly regulatory issues.

***The study of Salah Ben Hamad," The SMEs Governance Mechanisms Practices and Financial Performance: Case of Tunisian Industrial SMEs", published article, 2011.***

The researcher main objective in this paper consists in highlighting the interaction dominating the governance relating mechanisms, namely, the directors' characters, the ownership structure and the directors' board regarding the SME performance. An examination of the tests conducted on a sample constituting of 50 Tunisian SMEs has shown that both the ownership structure and the board of directors play a paramountly role in improving the SME performance. The results have also indicated that the directors' do not greatly affect the performance owing to several careers related to the outside external environment of the SME.

***The study of Joshua Abor and Charles K.D Adjasi, " corporate governance and the small and medium enterprises sector: theory and implications", published article, 2007.***

The purpose of this paper was to identify the extent to which the corporate governance framework can be applied to small and medium enterprises (SMEs), and discussed these issues further within the Ghanaian context. The result of this study were : It is clear that corporate governance brings new strategic outlook through external independent directors and enhances firms' corporate entrepreneurship and competitiveness, the problems of credit

**الكلمات المفتاحية:** حوكمة المؤسسات، المؤسسات الصغيرة والمتوسطة، محددات حوكمة المؤسسات، مؤسسات المساهمة.

### **Introduction:**

In the recent years, corporate governance has been known a sustainable concern from a lot of countries and international organization. However, the collapses of the big enterprises in USA like Enron, WorldCom, and the Asian crisis on the other side, all this things has contributed on the growing interest of corporate governance concept. In fact, corporate governance has proved its capacity and efficiency in resolving disorders inside the enterprise and the conflict between stakeholders and shareholders.

Algeria has also adopted lately this new system of management as a mechanism to develop its economic sector on different basis of growth. The economic situation in Algeria has witnessed an enormous turmoil since the adoption of the socialist system in the beginning of 1980's, as this system is based on the big enterprises to lead the track of development. Algeria has changed its policy towards its strategies of development. Thereby, the market economic was the solution for the Algeria government, this lead Algeria to insert a tremendous recycle of its own enterprises.

Small and medium size enterprises sector is among the pillar components of development in the economic market. Algeria has been given a great interest to this sector as it became the engine of the development and growth process in Algeria. Statistics show that the ration of SMEs' contribution on the Algerian GDP is roughly 90% outside the hydrocarbure sector, the number of SMEs in Algeria according to the industrial ministry is estimated to be **747934** enterprise .Also, SMEs has shown its ability to reduce the ration of unemployment and its capacity to create new area of job's opportunities.

Although the big efforts provided by the Algerian government to enhance the internal and external environment for this sector so as to be competitive, there is still a lot of challenges to deal with. Corporate governance is not enabled yet in SMEs sector. It has been firstly adopted since the release of the code of corporate governance in Algeria in 2009 by the collaboration FCE and ministry of small and medium size enterprises, during this meeting, the Algerian government represent by the Ministry of SME's has vowed to push corporate governance forward by creating the good environment so as to succeed this process.

**Problematic:** As Algeria is seeking to enhance corporate governance practices on the SME's, it is necessary to have a look or to know the determinants of corporate governance in SME's, so in this paper we will deal with the following question: **what are the determinants of corporate governance quality in Algerian small and medium sized enterprises sector?**

To facilitate our research and to get the answer for our thesis we may ask this affiliate question:

- what does it mean by corporate governance?
- what is the fact of small and medium size enterprises in Algeria economy?

### **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:

- Maintaining a good relationship between the owners of the enterprise and the stakeholders is an essential determinant of corporate governance quality in Algerian SMEs.
- The nature of ownership structure and the role of partners are among the determinants of corporate governance quality in Algerian SMEs.

**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

***Determinants Of Corporate Governance Quality In Algerian Small And Medium Sized Enterprises: Case of joint stock companies in the west region of Algeria.***

**محددات جودة حوكمة الشركات في الجزائر الشركات الصغيرة والمتوسطة الحجم: حالة**

**الشركات المساهمة في المنطقة الغربية من الجزائر.**

Fellag Nourredine- Doctorant  
-Université de Saida -  
[fellagnourredine@yahoo.fr](mailto:fellagnourredine@yahoo.fr)

Zerrouki Brahim - Professeur de l'enseignement supérieur  
-Université de Saida -  
[zerrouki02@yahoo.fr](mailto:zerrouki02@yahoo.fr)

**Abstract:**

This study aims to shed light on corporate governance in the Algerian small and medium sized enterprises where the main intention is to identify and make the point over the determinants of corporate governance quality on the Algerian SMEs, The study took place in 20 joint-stock enterprises in the west region of Algeria, the empirical study was about a questionnaire in which we tried to recognise the fact of corporate governance of these stated companies and to pull out the different determinants of corporate governance quality. However, our reached results were that the corporate governance practices is a bit enabled as it should be, and the determinants of corporate governance quality are: external regulations and monitoring, ownership structure and the role of partners, transparency and disclosure and the good relation between owners and the different stakeholders.

**Key words:** corporate governance, small and medium size enterprises, determinants of corporate governance, joint-stock enterprises.

**JEL classification :** G, G3, G34.

**الملخص:**

تهدف هذه الدراسة إلى إلقاء الضوء على واقع الحوكمة في المؤسسات الصغيرة والمتوسطة الجزائرية وذلك من خلال محاولة معرفة محددات نوعية الحوكمة في المؤسسات الصغيرة والمتوسطة الجزائرية، وكذلك محاولة التعرف على ما مدى ودرجة ممارسة الحوكمة في المؤسسات الجزائرية. ولقد أخذنا مؤسسات المساهمة الجزائرية كعينة من المؤسسات الصغيرة والمتوسطة، وشملت الدراسة على 20 مؤسسة مساهمة على مستوى الجهة الغربية للوطن واستخدمنا وسيلة الاستبيان من أجل الحصول على المعطيات الخاصة بممارسات الحوكمة في المؤسسات الصغيرة والمتوسطة الجزائرية. وتوصلت الدراسة إلى نتيجة مفادها أن مستوى ممارسات حوكمة المؤسسات متوسط الى حد ما ولم يرتقي بعد إلى المستوى المطلوب، من جانب آخر تتمثل محددات حوكمة المؤسسات الجيدة في: طبيعة القوانين والأنظمة الداخلية والخارجية المنظمة لنشاط المؤسسة، طبيعة هيكل الملكية داخل المؤسسة ودور الشركاء فيها، الشفافية والافصاح عن المعلومات والنتائج ووجود أيضا علاقة جيدو بين ملاك المؤسسة ومختلف أصحاب المؤسسة داخل المؤسسة وخارجها.

**الكلمات المفتاحية:** حوكمة المؤسسات، المؤسسات الصغيرة والمتوسطة، محددات حوكمة المؤسسات، مؤسسات المساهمة.