



## The Institutional Change of the Algerian Financial Accounting System: According to “Douglass North’s” Theory

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### **Abstract :**

This study aims to examine the effectiveness of the Algerian institutions in providing institutional evolution of the financial accounting system. Through investigating economic literature review and focusing on the institutional change theory of “Douglass North”. The study shows that the institutional evolution occurs when informal rules are changed within the formal rules; only then can the accounting institutional change be brought about by inciting organizations to play their role as institutions. Yet, both Algerian governance mechanisms: the Accounting National Council and the financial market are not activated. Thus, the Algerian Financial Accounting System is suffering from institutional change stagnation.

**Key Words:** Institutional change, Governance, Financial Accounting System; financial market; Institutions.

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### **Introduction**

Interest conflict, between shareholders or other stakeholders and the agents who deliver the accounting information, can be explained first of all in economy by the agency theory. It's clear that the problem is the asymmetry of financial information between principle-agent. This situation leads the stakeholders to make decisions below the transaction optimum. Generally financial accounting systems (FAS) assure to some extent the efficiency of the rules that permeate real financial reports disclosure. Moreover, the way in which these rules are formulated reflects the organizational environment. According to “Douglass North”<sup>1</sup> theory of institutional change: the organizational environment, formal (political, legal, and administrative authority) or informal (culture, values, and standards), determines the rules of the economic game.

The asymmetry of financial information between stakeholders gives birth to free riders' behaviour. The later opens the door for adopting different strategies



which means different ways of presenting financial reporting, researching to optimise individual utility. This diversity leads to anarchy according to prisoner's dilemma theory. Thus, achieving the optimum requires formulating rules with a way that involves stakeholders in the process of its formulation, to assure in one hand that the individual rationality is not limited by the financial information, and in the other hand makes it decide about supporting the institutional change or not. In other words, accounting convergence is a result of coordination between different stakeholders who participate in the process of giving correct financial information about the accounting rules system applied with in a country or outside it. The quality of financial reports disclosed and specially the degree of its comprehension affects heavily transactions costs.

Algeria is a developing country which makes many efforts to improve its business climate. The reform of the accounting system is one of this effort. It arrives to adopt the Financial Accounting System (SCF) for being conform with the International Accounting Standards (IFRS-IAS). The SCF is published according to law 07/11. This financial accounting system is supposed to be the fruit of two institutions: the National Accounting Council (CNC) and the Financial Market. So, the principal question of this study is the following: **Do Algerian institutions effective in providing institutional evolution of the Financial Accounting System?**

This study is based on the principal hypothesis which says: "Effectiveness of institutions in Algeria provides institutional evolution of the Financial Accounting System". And to analyse this hypothesis the study proposes to test the two following sub- hypotheses:

- Algerian National Accounting Council (CNC) is very efficient in formulating accounting directives that develop Financial Accounting System (SCF).
- The Algerian Financial Markets receive correct signs from financial reports disclosed.

The objective of the study is to expose literature review proposals to clarify the correct ways of achieving accounting institutional evolution within the Algerian organizational environment. This study may help standard setters to incite the interaction between the Algerian financial accounting system and the financial markets. To formulate and adapt strategies for revising existing standards basing on the institutional change theory of North. Knowing that the latter form the basis of important organization's financial decisions as the World Bank. Then, focusing on important problems of accounting in Algeria for future research.

## **I. Literature review: Accounting Institutional Evolution**

Financial Accounting System (SCF) of Algeria is a set of rules embedded by



two texts. The first is law 07/11 of 15 Dhou El Kaada 1428 corresponding to 25/11/2007 on the financial accounting system contains seven chapters. (Law n°07-11) The second according to the decree of 23 Rajab 1429 corresponding to July 26, 2008 published in the official journal N° 19 of 25/03/2009 composed of four main titles. (Ministerial decree) This new law changes accounting rules as an attempt to promote economic growth through the institutional evolution. (Bouraoui N., 2007)

North<sup>2</sup> built a whole theory called the institutional change to explain the effective way of formulating rules that lead to a successful economic growth. He defines institutions as “the rules of the game in a society, or, more formally, the humanly devised constraints that shape human interaction”. (North D. , 1990a) These institutions have to be set up to reduce the transaction costs arising from asymmetrical information. According to North, “institutions are created by individuals – evolve and are altered by individuals”. (North D. , 1990a) It means that the stakeholders involved in a transaction have to participate in determining their rules. These agents are the only ones capable of overcoming the obstacles related to extra costs brought about by the incomplete nature of contracting. Then North distinguishes two kinds of obstacles that constitute the rules of the game which are formal and informal institutional environment. (North D. , 1990a)

In the process of the accounting institutional change, Algeria has inspired from the international standards IAS/IFRS to brought about institutional change to its accounting system. (Bouraoui, 2017) Knowing that the IAS/IFRS are needed in international accounting for controlling the asymmetry of information cost's while disclosing financial reports. The internationalization of the world's capital markets pushes countries to converge their national financial accounting system with IAS/IFRS. According to (Andreas.Hellmann et al, 2013), IAS/IFRS are only required for consolidated accounting in European countries. And for (Nobes & Robert, 2020), there are two classifications of accounting. The Anglo-American which is the result of the existence of a strong equity-outsider financing market and the continental European Model which is due to the weak equity-outsider. Besides, Andreas Hellmann calls this difference between accounting model the financial system characteristics. Therefore, changing an accounting model, like what Algeria has done, normally represents a shift from the continental model which was inherited from the Franch colonial to the Anglo-American one which is generally used by developed countries that have effective governance.

Williamson says that there are alternative forms of governance as means of overcoming costs brought about by the incomplete nature of contracting: market governance depending on the system of prices, organisational governance depending on the authority offered by organizations and hybrid governance which needs both



to achieve transaction optimum. (Williamson O E, 1991) It is obvious that accounting rules have to be the results of interaction between the financial market where equity prices are determined, and the organization of certified accountants who deliver comprehensive accounting information system. These forms of governance as framework provided a technical means to measure, evaluate, and communicate information of an economic and financial nature.

It is important to note that international standards are only required for companies orientated to capital market. They have to consolidate their financial statements to benefit from the system of market prices. As (Choi & Meek, 2011) argue “neither process necessarily implies replacing national standards with international ones; national and international accounting standards can coexist”. Besides, (Andreas.Hellmann et al, 2013) give the example of Germany which was classified by Nobes as a continental European Model. Then in 2009 has introduced huge reforms on its commercial law normally considered as a step towards the Anglo-American model. But the writer confirms that it still follows the national accounting and use consolidation for international accounting. Economic growth is fuelled by the desire of countries to achieve strong, stable and liquid capital markets. And to expend its capital markets across national borders, it needs to converge its national accounting to IAS/IFRS to gain investor understanding and confidence. The accounting convergence for most arguments is to increase the operational and allocational efficiency of capital markets. (Shearer, 2005)

But as criticism to accounting convergence. First, the most important value of accounting is flexibility. It means its ability to adapt to various situations and there is doubted that international standards could be flexible enough to handle differences in national backgrounds, traditions, and economic environments. Second, Critics also question whether comparability is the right goal of financial reporting. They fear that reflecting the underlying reality of a company’s performance and financial may be sacrificed in pursuit of achieving comparability. Third, they also worry that a global monopoly standard-setter will inhibit innovation and the development of better-quality standards. Finally, the question is if comparability can be achieved without proper enforcement and as long as firms’ reporting incentives differ across countries. (Choi & Meek, 2011)

Further the coexistence of national and international accounting standards within a country can be explained by the theory of institutional evolution of (Ostrom, 1990) who emphasises on the importance of three elements for the evolution of institutions: The authority, common property rights, and norms which can be offered only by self-governance of organizations. According to her the process of changing rules depends on the collective action success of an organization in excluding free



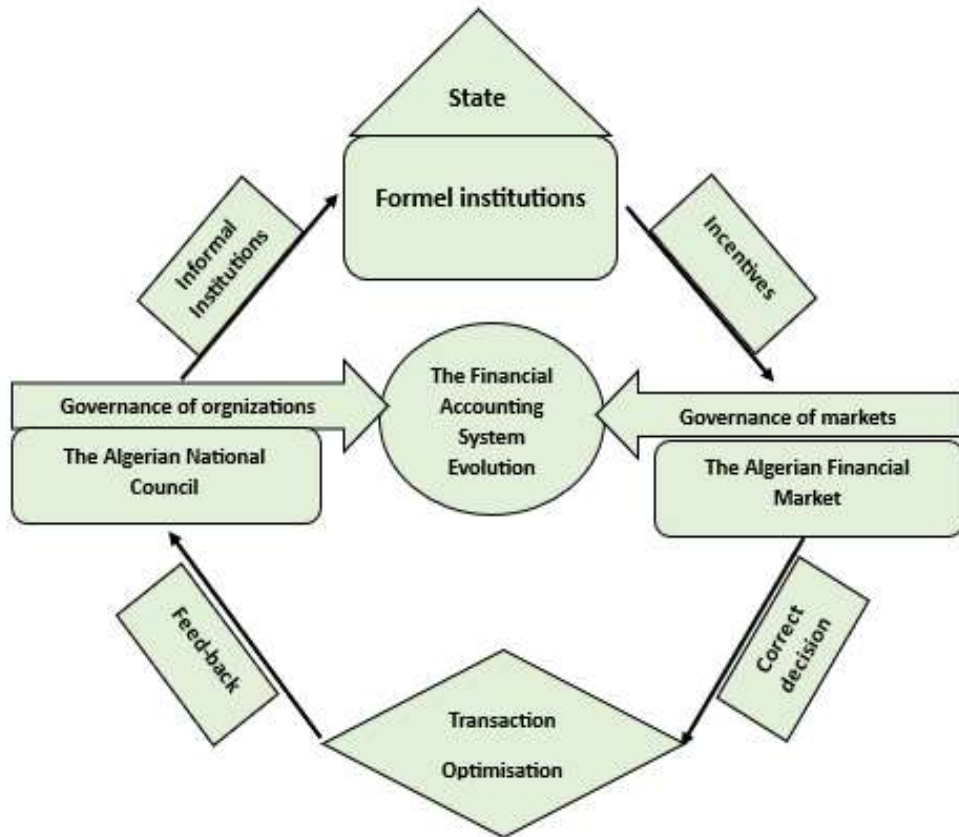
riders. The latter, generally break the rules set up by stakeholders and it prevents them from achieving the transactions optimum. The existence of the system of authority within an organisation, like the National Accountants Council (CNC), can easily detect and survey the agents who capture the accounting law for their own interests. Then the common property rights that they set up as professional, help them to protect and innovate. Adding to that the force of norms which assure the institutional change durability. As (Choi & Meek, 2011) confirms: "the success of recent convergence efforts by international organizations may indicate that convergence is happening as a natural response to economic forces". It means that the accounting institutional change cannot be enforced by the huge regime but rather reflects the established system of rules of internal organizations.

It is the choice of organizations that permits the change in the institution. (North, 1989) states: «As organizations evolve over time to capture potential returns more effectively, they will gradually seek to alter the existing institutional constraints; either indirectly through the interaction of organizational behaviour and its impact on changing informal rules; or by seeking to alter formal institutions directly».

## **II. Research methodology**

The study requires the use of qualitative research method to investigate literature review tackling the issue of institutional evolution, and linking it with the financial accounting system evolution. This method helps in interpreting the solutions offered by modern economic currents, then projecting it on the case of the Algerian Financial accounting system evolution.

**Figure 1: The process of Financial Accounting System Evolution**



**Source: Elaborated by the writers basing on the literature review section**

Theories of noble prizes, cited in literature review section, form the corn stone instruments used for collecting data and explaining the process of answering the general question, as it is showing in figure (1). That present the process of describing and analysing the main variables proposed by economist focusing on the institutional change theory of Douglass North.

### III. The organizational environment of institutional change

Since the theory of institutional change stipulates that: the organizational environment, formal (political, legal, and administrative authority) or informal (culture, values, and standards), determines the rules of the economic game. It is what motivates businessmen. When the institutional regulatory environment is rational, the incentives are positive, transactions are intensified between economic agents, unitary costs are reduced, and thus investment and growth are on time. But, when the incentives are less rational, and the policy is a dictatorship that takes by force the profitability of businessmen, the opposite happens, its path is backwardness



and poverty. (North D. C., 1995a) This theory can be used to scope the determinants of the accounting institutional evolution. Knowing that (Choi & Meek, 2011) confirms their influence on accounting development. He says “Accounting must respond to society’s ever-changing informational needs and reflect the cultural, economic, legal, social, and political conditions within which it operates”.

### **1. Formal institutions**

Formal institutions, according to North, are shaped by political, legal, and administrative authority. (North D. , 1990a) They are the existing structure of rights which defines the agents’ existing wealth-maximization.

#### **1.1. Political authority**

The political authority clarifies the role played by each economic agent in providing correct accounting information on the basis of which decision-making is made at all levels. If the disclosure of accounting information is provided by the financial market and the various accounting organizations, then the decisions will be based on realistic and accurate accounting information. But, if the combination consists of the government and its public institution, the investment decision will be based on restricted, fixed information that does not reflect actual practices. As (Choi & Meek, 2011) “Secrecy vs. transparency: a preference for confidentiality and the restriction of business information on a need-to-know basis versus a willingness to disclose information to the public”.

#### **1.2. Legal authority**

who assumes the task of describing accounting practices and procedures: the government or professional organizations. If the government is the one in charge of formulating the accounting rules enforced at the level of different organizations, the authority of the accounting profession will be weak. Because professionals are not participating with their experience and capabilities in detecting delinquent behavior, in order to provide correct information on transactions prevailing in the Algerian environment. They are crucial agents who can set up a system of rules on the basis of cost-benefit. Moreover, they are the only capable of ensuring various assessments necessary to adjust the institutional changes brought about by international accounting standards with the SCF. As (Choi & Meek, 2011) suggest “Professionalism vs. statutory control: a preference for the exercise of individual professional judgment and professional self-regulation, as opposed to compliance with prescriptive legal requirements”.

#### **1.3. administrative authority**

Administrative authority is related to the country level of development. Developed countries witness the development of professional organizations that already have established accounting policies. The latter requires greater coordination by the government to codify institutions. While in developing countries, professional organizations are in the process of being established, which requires huge costs for





organization. As the circle of these organizations expands, the costs of coordination will be divided among a larger number of stakeholders. Then transaction cost will be optimised. According to (Choi & Meek, 2011): the development of the country “affects the types of business transactions conducted in an economy and determines which ones are most prevalent. The type of transactions, in turn, determines the accounting issues that are faced”.

## **2. Informal institutions**

Informal institutions are very important in (North D. , 1990a) theory. He links them firmly to individuals shared mental models and belief systems. (North D. , 2005a) Indeed, North repeatedly noted that “the reason why so many plans to reform the economy fail is because reformers focus on changing the formal rules of the game, but disregard informal constraints”. Informal institutions are shaped by cultures, standards, and values. (North D. , 2006)

### **2.1. Culture**

The perceptions of individuals and organizational actors shape their choices. This state is called by (North D. C., 1995a): “the mental constructs of the players” which means “the way the mind interprets the information it receives”. It is related with the evolution of cultural heritage, progress in scientific knowledge, and current experiences. (Choi & Meek, 2011) emphasize on the difficulties faced by professional accounting education in countries suffering from low general educational levels.

### **2.2. Standards**

Organizations that exist in a particular society are built on a given institutional standards. They already have an internal structure which relates its agents. Besides, it has an external one which is more complex because it relates it with other organisations. Therefore, the latter tends to maintain its standards as a safe choice instead of accepting changing the standards.

### **2.3. Values**

Government interference in the management of accounting information destroys and prevents the formation of social capital, which results from repeated situations for a long time and enables the development of common standards and patterns of reciprocity between the agents of the accounting profession and the various stakeholders, as they enable social capital to build institutional bases to solve accounting problems.

Coherent accounting institutional system requires to change both the formal and informal institutions. The enforcement of formal institutions cannot be achieved without the informal rules which time-consume. Therefore, accounting institutional evolution is a lengthy process.





#### **IV. Governance Mechanisms for Accounting institutional change**

According to literature review, the institutional evolution of the Algerian Financial Accounting System is achieved through the interaction between governance mechanisms. These mechanisms are the authority offered by Algerian National Accounting Council (CNC) and the efficiency of the Algerian Financial Market.

##### **1. The Authority of Algerian National Accounting Council**

The evolution of institutions depends on one hand on the accounting organization's self-governance in providing financial information about the prevailing system and on the other, on following an adaptable strategy for achieving institutional accounting evolution.

###### **1.1. The organisation's self-governance**

The National Accounting Council (CNC), the official accounting standardization body under the supervision of the Ministry of Finance, established in March 1998. Its main purpose is to coordinate and synthesise accounting standardization and related applications for the commissions of the elected assemblies, the organizations, companies or persons interested in its work. (Conseil National de la comptabilité, 2022) The decree N° 11-25 of January 27, 2011 setting the composition, powers and operating rules of the CNC.

In its first attempt at accounting institutional change, entrusted the work to a group of Algerian experts (PCN commission). According to (Ammour, 2022) in January 1990, a questionnaire was sent to accounting professionals but, few responses were received due to the fact that the interested parties were busy with their personal work (individual interest). Then in July 2000, a second questionnaire was sent to professionals and the questionnaires responses show that the technical side was given more importance than the conceptual side of accounting. The PCN commission opted to revise the ancient accounting system called National Accounting Plan (PCN) without replacing it but, at the end of 2000 the group has been stopped.

Then in a second attempt, entrust the work to a foreign organization. the accounting reform mission was the subject of an international call for tenders. The call for tenders was won by the French consortium (Conseil National de la Comptabilité, Conseil Supérieur de l'Ordre des Experts-Comptables and Compagnie Nationale des Commissaires aux Comptes), with funding from the World Bank. The latter was interrupted because the deadlines were not respected and the work was falling behind schedule. (Bouraoui, 2017)

After the study of the PCN, the working group of the French group presented a report of three possible scenarios for the reform (Ammour, 2022):



- First scenario: simple adaptations of the PCN;
- Second scenario: adaptation of the PCN and openness to international solutions;
- Third scenario: development of an accounting system in accordance with International Accounting Standards.

The Ministry of Finance, through the CNC, retained the 3rd scenario: an accounting system in accordance with International Accounting Standards. The choice of the Algerian CNC constitutes a reversal compared to the option chosen by the PCN commission. This choice can be explained by the influence of international institutions (World Bank and International Monetary Fund), because the latter recommend IAS/IFRS for countries that use their resources. The SCF came to application up to 2010. (Bouraoui, 2017)

Besides the SCF has had a project for its evaluation and revision. The project is formulated by the Ministry of Finance which has registered an action program with the National Accounting Council from 2018. A working group was set up with the mission of evaluating and revising the SCF. (Yahi N, 2018)

The process of formulating the financial accounting system (SCF) shows that the council CNC which is responsible of the institutional change is not autonomous. The SCF does not reflect the real rules used by different stakeholders of the Algerian environment. The accounting system was imposed from an exterior council which represents the direct interference of the state on regulating the financial information through its ministry of finance. The state role has to be limited to codifying the system of rules set up at the level of the various constituent bodies of the National Accountability Council. Because the state, no matter how great it is, suffers from a lack of information. The decision to support or not to support an institutional change of the prevailing accounting system depends on the stakeholders who are interested in financial information. The situation changes, but the individual remains the same.

### **1.2. Adaptable strategy**

(Larson, 1996) Shows three strategies used by countries in transition towards international standards IAS/IFRS: The first strategy called alignment which implies that accounting systems are universal in their application, apart from geographical, temporal or systemic differences. The second strategy, called particularism, at the other end, implies that accounting is in itself based on the environment. Therefore, specific accounting practices are needed in each country, so ignore existing systems. Finally, the adaptation strategy, trade-off between these two extremes, which implies that while many operations may be universal, important differences could exist between different country environments and should be considered. Thus, existing accounting systems should be modified and adapted to meet the needs of each country and to be used correctly.



With regard to Algeria, according to (Bouraoui, 2017) study the SCF is inspired from IAS/IFRS with adaptation to the local context. Concerning the technical choices, the SCF is more a specificity of the Algerian accounting tradition with a plan of accounts, the rules of result account and the models of the financial statements. These characteristics are outside the scope of IAS/IFRS standardization.

It is obvious that the IAS/IFRS is detailed, pages are devoted to each topic covered with precise definitions, detailed recognition and valuation principles. This is not the case of the SCF, which devotes a few paragraphs to each topic addressed without definition in certain standards and detailed explanation of the principles of recognition and valuation. The Algerian accounting setter opted for the Common Law to open the door for stakeholders to participate in future institutional changes. (Choi & Meek 2011) distinguishes between Code Law and Common Law. Code Law means that accounting rules are established in a national law which is highly described and detailed. While the rules of Common Law are without details and flexible which makes it possible to innovate and exoticizing judgement.

The SCF has brought many accounting innovations in valuation and accounting rules which correspond to the Anglo-American model of accounting. Such as the use of fair value measurements for financial instruments and separation of accounting results from tax result. The choice of the adaptation strategy of the SCF with the IAS/IFRS can be considered as attempt from the Algerian government to incite start-ups, small and medium size companies to follow directly the Anglo-American model of accounting. Therefore, they can easily be introduced to financial markets. But that depends on the government efforts to develop tax law according the to the changes brought out by the SCF in a way that balance between tax revenue proceeds and law stability.

Financial accounting system quality helps investors to make effective decisions and intensify their investments. Moreover, Financial market receives correct signs and capital cost will be optimised.

## **2. The Efficiency of the Algerian Financial Market**

The financial market is the place that give the best incentives for achieving the best allocation of resources.

### **2.1. Financial market signals**

North through his theory of institutional change confirms that institutional change is brought about by organizations. The stakeholders who have to participate in the process of formulating financial accounting standards will benefit from it while searching financial market funding. According to signalling theory of (Spense, 1973), the quality of financial accounting system can be used as a sign to investors. Because it indicates a certain level of financial information transparency and then



narrowing the information gap. A signal in economy means an information that permits decision making.

The development of financial markets means that there are a lot signals. The use of accounting information should therefore contain no risk of deprivation of investment opportunities in listed companies. Financial markets are now the main place of exchange between supply and demand for accounting information due to the evolution of accounting standards.

The Algerian stock market is poor. The principal market destined to large company include only five companies. They have been listed on the official listing of the Algiers Stock Exchange since 2016, it started with two companies in 1998, one of which was delisted from the official listing in 2006. (Bekada, 2020) Small and medium size companies' market includes only one company AOM Invest introduced in 2018. (Algiers stock exchange, 2022) debt securities market which consists of debt securities and public treasury bonds. The number of companies listed on the stock exchange has an important indication of the rapid development of the market. The higher the number of listed companies, the greater the number of investments which increase the efficiency and effectiveness of the market. In contrast, the lower the number of listed companies, the lower are investments and the lower is market efficiency.

The stock market in Algeria, after nearly two decades of its entry into operation, has not been able to impose direct financing of the economy as an alternative to debt financing. Algiers Stock Exchange showed stagnation. In 2019 the index of market capitalization and value traded 0.21% and 0.0012% respectively marking a significant decline. While the Gyro Index scored 0.56% which explains the state of stagnation at the level of capitalization, liquidity and activity.

## **2.2. Property right transfer**

The huge interference of the state as economic agent destroyed the Algerian market effectiveness. It possesses and manages strategic companies, such as (Local Development Bank, Bank of Agriculture and Rural Development, External Bank, Mobilis Company, Algeria Telecom, Djezzy, Algerian Insurance and Reinsurance Company, Airlines, Kossidar Complex). A real political will can revive the Algiers Stock Exchange. As (Edella & Ostrom, 1992) say: Systems of property rights that do not include the right of transfer are considered incomplete. Moreover, they lead to inefficiency, since the owners of property rights cannot trade in the benefits for the improvement of another resource system or other funds. Nor can another one who is more efficient in using the system of resources, buys all the system or part of it.



The subscription process in the stock markets, takes place in a gradual manner preceded by a large marketing process at the level of individuals and organizations, locally and internationally. In which private brokerage companies, banks and media institutions participate. In addition to that, avoid to list companies in times of crisis and choosing the appropriate time. Opening public companies' capital through the stock exchange plays an important role in addressing the problem of trust that disturb private dealers and investors.

The success of the primary market and the smooth process of listing companies, whether public or private, and the return of confidence to the investor, can only be achieved by opening the way for private financial mediation. Encouraging them to play the role of communication. Besides, increasing the culture of the stock exchange among Algerians, individuals and companies, in light of public stockbrokers' failure to intervene.

Solve the dilemma of disrupting the secondary market by solving the problem of liquidity of shares traded in the market, finding institutional investors who contribute to the movement of the market like commercial banks who can play the role of market maker, by issuing a legislative text through the finance law or promulgating a text at the general meetings of financial institutions which, under the supervision of the Prime Minister or the Minister of Finance, decides to allocate 3% of the turnover of these establishments in the activation of the Algiers Stock Exchange, and to enact legislation providing for the payment of fines in the event that this amount is not used to activate the Stock Exchange.

Choosing financial institutions that play a negotiating and marketing role before the beginning of the subscription, whether with local or foreign dealers, especially since public financial and service institutions are popular with foreign dealers (partial privatization through the stock exchange).



## Conclusion

This study search for testing the effectiveness of the Algerian institutions who are supposed to make an institutional evolution of the financial accounting system (SCF); as an attempt to improve the Algerian climate and thus promote economic growth.

Investigating literature review focusing on the institutional change theory of “Douglass North” is the methodology used in this paper to arrive at the following ideas:

- Institutions are the rules of the game in a society.
- Rules are constraints devised by human that shape the interaction between stakeholders.
- Institutions affects directly transaction costs because the interaction between stakeholders to obtain the correct information engender a supplement cost called coordination cost.
- Institutional change can only be achieved by overcoming stakeholders’ constraints.
- North has distinguished two kinds of constraints that can face organisations: Formal and informal institutions.
- The organization is a group of stakeholders interested in a given transaction.
- Institution is a group of shareholders who has a collective interest that requires setting up institutions for overcoming the cost of the asymmetric information.
- Formal institutions are shaped by political, legal, and administrative authority which are the existing structure of rights.
- Informal institutions are the corner stone in North’s theory, thus institutional evolution cannot be achieved without changing the informal constrains which are shaped by cultures, standards, and values.

Choi and Meek as accounting theorists have confirmed the link between the organisational environment and the accounting institutional change.

Algeria has inspired from the international standards IAS/IFRS to brought about institutional changes to its accounting system. But the international standards are corresponding to developed countries who has a developed financial market represented by strong equity outsiders. Yet, the latter follow the Anglo-American model of accounting set-up by organisations that take a lengthy time to evolute its institutions. Thus, Algeria still follows the continental European Model of accounting (The use of results account, charges classified by nature...) Moreover, the huge interference of the state in the work of the National Accounting Council that prevents informal institutions change and breaks signal transfer to the financial capital market. May be adaptable strategy chooses by Algeria to transit towards the



Anglo-American model of accounting and not detailed SCF, are a way to incite organizations to regain their role of making accounting institutional changes.

This study opens away for future researchers to focus on proposing good accounting practices that feat with the Algerian culture, and give more importance to themes that show the way of introducing the Algerian small and medium size companies to the financial market.

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### Notes:

<sup>1</sup>- Douglass North was an American economist, nobel prize winner of the 1993 in economic sciences for his contribution to shape the economic growth of nations throughout history.

<sup>2</sup>- Douglass North is an economic historian who arrived to explain why there are developed an under developed countries.