

**Determine the level of corporate governance in small and medium sized enterprises case of “entreprise araba mohamed - Wholesale trade of dairy products in Relizane-”.**

تحديد مستوى حوكمة الشركات في المؤسسات الصغيرة والمتوسطة – حالة "مؤسسة عربية محمد لتجارة الجملة لمنتجات الألبان بغليزان" -.

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*Received: 01/02/2022*

*Accepted: 08/03/2022*

*Published: 30/03/2022*

**Abstract:**

This research aims to of corporate governance in the state of Relizane small and medium-sized sectors Through theoretical and empirical research. In this research, we relied on the interview method to collect The important data for this study , through the interview we conducted with the employees relevant to this research, they are the general manager and the general secretary, an accountant. The results of the research found that the corporate governance of the studied company is in good condition However, the corporate governance mechanism did not play its due role, and the company did not focus on the importance of external stakeholders, and the level of governance for small and medium-sized companies in relizane is still weak and not up to the required level Therefore ,so the application of corporate governance does not depend solely on the published laws and legislations related to corporate governance practices.

**Keywords:** : small and medium sized enterprises; corporate governance; relizane.

**JEL Classification Codes:** G, G3, G34

**ملخص:**

يهدف هذا البحث إلى تحديد مستوى حوكمة الشركات في القطاعات الصغيرة والمتوسطة في ولاية غليزان من خلال البحث النظري والتجريبي. اعتمدنا في هذا البحث على أسلوب المقابلة لجمع البيانات المهمة لهذه الدراسة، و من خلال المقابلة التي اجريناها مع الموظفون ذوو الصلة بهذا البحث وهم المدير العام والأمين العام، محاسب. توصلت نتائج البحث أن حوكمة الشركة في حالة ومع ذلك ، فإن آلية حوكمة الشركات لم تلعب دورها الواجب ، ولم تركز المؤسسة على أهمية أصحاب المصلحة الخارجيين ، كما ان مستوى حوكمة الشركات الصغيرة والمتوسطة في غليزان لا يزال ضعيفاً ولا يرتقي الى المستوى المطلوب لذلك تطبيق حوكمة الشركات لا يعتمد فقط على القوانين والتشريعات المنشورة المتعلقة بممارسات حوكمة الشركات.

**كلمات مفتاحية:** مؤسسات الصغيرة و المتوسطة..، حوكمة الشركات..، غليزان.

تصنيفات JEL : G34, G3, G

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## **1. INTRODUCTION**

In the last decade of the 20th century, the world economy witnessed large-scale and Great changes in different aspects and levels have effectively exerted their influence Policies to achieve good economic growth and development speed, while Developed or developing countries, so these countries no longer depend on Only by making progress in large enterprises can there be economic growth. trend An important decision and solution for the SME sector Facing major challenges brought about by globalization and environmental changes.

Small and medium-sized enterprises are now the key pillars and pillars of the national economy. This sector has Demonstrating their ability to deal with major challenges, they have become indispensable in all economies. In addition, they are leading and driving business, growth, innovation and

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Competitiveness. In fact, statistical data refers to the shocking information that belongs to the efficiency of small and medium-sized enterprises. In creating jobs and reducing the average unemployment rate, achieving growth, bringing Direct foreign investment and extensive participation in GDP, research estimates that 90% of the world's Enterprises are small and medium-sized enterprises, which are roughly separated in various fields.

**Problematic:**

What is the level of implementation of corporate governance in small and medium-sized in the wilaya of Relizane?

**Important of the study:**

We aim through this research to develop a general framework for the governance of Algerian small and medium companies and to discover the degree of corporate governance participation in small and medium-sized companies section.

**Objective of the study:**

The importance of this study lies in the topic it deals with, this is done by showing some aspects that will enhance the role of companies governance in small and medium companies.

**Literature Review:**

**The study of (Salah Ben Hamad, 2011) ,The SMEs Governance Mechanisms Practices and Financial Performance: Case of Tunisian Industrial SMEs"** 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 & Charles K.D Adjas, 2007), " corporate governance and the small and medium enterprises sector: theory and implications".**

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

**The study of (Tawanda Dzama & Bonifac Sibanda, 2015) ," Evaluation of good governance practices In SMEs In Zimbabwe. Case of 3 leather products SMEs in Bulawaty".**

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?**

This study differs from other studies because we focus on it in this paper Corporate governance in companies in SMEs in the wilaya of Relizane, more specifically we intend to define Determinants of the quality of corporate governance in the SME sector.

## **2. Theoretical part :**

### **2.1 What is corporate governance?**

A number of definitions have been given to corporate governance. According to (Mayer, 1997), corporate governance is concerned with ways of bringing the interests of (investors and managers) into line and ensuring that firms are run for the benefit of investors. Corporate governance is concerned with the relationship between the internal governance mechanisms of corporations and society's conception of the scope of corporate accountability (Deakin, S. & Hughes, A, 1997). It has also been

defined by (Keasey, k , Thompson, S, & Wright, M, 1997, p. 17) to include “the structures, processes, cultures and systems that engender the successful operation of the organisations”. Corporate governance is also seen as the whole set of measures taken within the social entity that is an enterprise to favour the economic agents to take part in the productive process, in order to generate some organisational surplus, and to set up a fair distribution between the partners, taking into consideration what they have brought to the organisation (Maati, 1999, p. 74).

Corporate governance systems may be therefore thought of as mechanisms for establishing the nature of ownership and control of organisations within an economy. In this context, corporate governance mechanisms are economic and legal institutions that can be altered through the political process – sometimes for the better. (Shleifer, A. & Vishny, R, 1997).

The term “Corporate governance” does not easily lend itself to one universal definition. Different writers have defined it differently from different perspectives. It was defined as: “a system of law and sound approaches by which corporations are directed and controlled focusing on the internal and external corporate structures with the intention of monitoring the actions of management and directors and thereby, mitigating agency risks which may stem from the misdeeds of corporate officers” (Sifuna, 2012, p. 04)

From these definitions it may be stated more generally that different systems of corporate governance will embody what are considered to be legitimate lines of accountability by defining the nature of the relationship between the company and key corporate constituencies.

## **2.2 the importance of effective corporate governance:**

As a result of globalization and the increasing complexity of business there is a greater reliance on the private sector as the engine of growth in both developed and developing countries. Corporations are legal entities created by societies because they are an efficient form of organization and society benefits from their existence. Corporations contribute to economic growth and development, which in turn leads to improved standards of living as well as the alleviation of poverty. The end result of all this activity is the creation of more stable political systems (Mohamad, 2004, p. 03).

Furthermore as noted by (Gregory, H.J. & Simms, M.E., 1999), the quality of corporate governance is important since it has a direct impact on:

- a. The efficiency with which a corporation employs assets.
- b. Its ability to attract low-cost capital.
- c. Its ability to meet the expectations of society.
- d. Its overall performance.

In addition to what we have cited, corporate governance has too importance in defining the following issues (hamadi, 2012, p. 25):

- Fighting against the managerial and financial corruption inside the enterprises and do not let its existence and its return again;

- Ensuring the integrity, neutrality and uprightness for all the workers in the enterprises.

- starting from the board of directors arriving at the lowest level of the corporate workers.

- Determining the maximum benefit from the internal methods of control.

- Providing the enough level of disclosure and transparency.

- Guarantee a big level of efficiency for the external auditors, also make sure that they are on high degree of independency and they are not under any kind of pressure from the board of directors or from the executive directors.

### ***2.3 What is a Small and Mid-size Enterprise (SME)?***

Small and mid-size enterprises (SMEs) are businesses that maintain revenues, assets or a number of employees below a certain threshold. Each country has its own definition of what constitutes a small and medium-sized enterprise (SME). Certain size criteria must be met and occasionally the industry in which the company operates in is taken into account as well.

Though small in size, small and mid-size enterprises (SMEs) play an important role in the economy. They outnumber large firms considerably, employ vast numbers of people and are generally entrepreneurial in nature, helping to shape innovation.

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 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 (Bouazza, 2015).

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 ( Algerian Ministry of Small and Medium handicrafts, 2009):

- 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.

#### **2.4 corporate governance in Algerian SMEs:**

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 (Zerrouki & Fellag , 2017, p. 22) .

### **3. Empirical part:**

#### **3.1 Methodology of the study:**

We have used the interview method to gather the suitable data and

information about corporate governance practices. Besides, there are also other means like:

- Direct observation.
- The empirical visit to several directions and services of the enterprise.
- Analysis of the content depending on the publications released by the enterprise.

**Parties concerned of the interviews:** the following table defines the persons to whom the questions of the interview were addressed.

**TABLE -1- :** persons inside the enterprise concerned of the interview.

Persons interviewed	Directions and departments
director	Director Office
Enterprise accountant	Accounting Office
The secretary	Secretariat

**Source:** Made by the researchers.

**The process of interviewing:** the following table shows the way by which the interview has done through the time of interview and the number of sessions.

**TABLE -2-:** timetable of the process of the interview.

Time of the interview	Number of sessions	People concerned of the interview
30 -40 minute	1	director
25-30 minute	1	Enterprise accountant
15-20 minute	0	The secretary

**Source:** Made by the researchers.

### **3.2Axes of the interview:**

The questions of the interview focused on three main aspects of corporate governance

perspectives:

- The culture of corporate governance.
- The internal system of corporate governance.
- Implementation of corporate governance mechanisms.

**TABLE -3-:** the questions and answers of the interview.

Number	Questions	Answers
01	Does the organization	The institution seeks with all its



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	actually apply the concept of corporate governance?	mechanisms to implement the principles of corporate governance
02	Is there an organizational structure at the enterprise level that precisely defines the division of tasks and responsibilities?	Considering that our organization is a small one with a limited number of workers, every person is in his right place and performs his work entrusted to him and assumes his responsibilities.
03	Who performs the auditing process in the institution and how is this process done?	The audit is carried out by the company's accountant Who protects the capital of the enterprise and realizes Management objectives, where the accountant prepares Budgets, review invoices and ascertain how much Identical between what he intended to do and what he was Actually to detect bugs and ban counterfeiting and cheating, This would increase the accountability capacity Management and take responsibility, that is to say Increase credibility and strengthen employers which reduces and administrative corruption.
04	-At what extent does the enterprise engage in terms of laws and legislations regulations?	The institution follows various laws and regulations Regarding the quality and business of the enterprise.

05	Is important information disclosed objectively, honestly, fairly and impartially to all parties related to the institution?	Of course, the institution discloses and delivers information in a honest, transparent and timely manner to all parties related to the institution.
06	Is the distribution of rewards and compensations done in a fair manner in your organization?	There is a salary Timetable within the institution but Every extra effort expended in the interest of the institution shall be rewarded without discrimination.
07	Is there discrimination in the accountability of individuals within the organization?	We work here as one family but everyone who makes a mistake is held accountable no matter their position
08	Do the employees of the institution enjoy intellectual independence in all matters related to the work entrusted to them?	In our organization, everyone does his work in his own way without restriction. The important thing is to achieve the goals of the institution in the end.
09	Do small and medium enterprises in the state of Relizane really apply corporate governance?	According to my experience in the market, I believe that most institutions apply corporate governance well and always seek to intensify efforts to implement it in a way that is consistent with corporate governance in developed countries. Because the actual application of governance drives the organization to continuity and growth in the short and long term

**Source:** Made by the researchers.

### **Analysis:**

To evaluate the corporate level in the mentioned enterprises we have made an interview the managerial staff and employees so as to reach to a valued judgment, the analysis of the result are as the following:

- 1- We found that the organization implements corporate governance well.
- 2- We have found that the organization relies in its internal system on a chart that clarifies tasks and defines responsibilities, and thus would facilitate oversight and accountability
- 3- the enterprise is working hard to apply the corporate governance concept which will reduce the corruptive behaviors that may affect the reaching of the underlined objectives.
- 4- we concluded that the internal audit of the enterprise is done by the enterprise accountant.
- 5- On the issue of the reward process, we concluded that there is a clean and fair schedule salary within the project and that every effort is rewarded as a form of motivation and all in a fair manner.
- 6- We also found that every person is held accountable for his mistake, regardless of the position he occupies, and this would limit the appropriate exploitation of personal interests that harm the institution.
- 7- Regarding independence in performing tasks, through our interview, we noticed that workers enjoy a great deal of intellectual independence in carrying out the tasks directed to them.
- 8- the enterprise follow the system and applies all laws and legislations related to the activity.
- 9- Realizing employees and managers that corporate governance is the way to protect them and the continuity of the organization through good management.

### **4. CONCLUSION**

The efforts expended to implement corporate governance in small and medium-sized companies in the state of Relizane are good, still at the beginning, and the chance of success is very large, but this success will not be achieved just by launching legislation and regulations, but rather an appropriate environment must be created for that. In this regard, you should focus on

Small and medium businesses that need to be rehabilitated to reintegrate into the global economy defined by intense competition.

And throughout our study in the mentioned enterprise, we have reached to the following result:

- There is an awareness of the importance of implementing corporate governance in small and medium enterprises.
- There are efforts to implement corporate governance in the organization.
- The weakness of the legislative and fiscal system which hamper the good practice of corporate governance in SMEs.
- The small and medium sized enterprise sector in Algeria is still weak and it need a huge effort to develop it.

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