The Role of External Governance Mechanisms in Improving the Financial Performance of the Algerian Economic Institutions

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Abstract: This study aims at testing the relationship between the external governance mechanisms and the financial performance in the Algerian economic institutions. The study attempted to highlight the effect of the external governance mechanisms on the financial performance of the Algerian economic institutions through the following indicators: The return rate on assets, the rate of return on sales and the return rate on property rights. A simple and multiple regression analysis methods have been used to reveal the relationship between the variables of the study with the optimal model proposal. The study concluded that external governance mechanisms are applied by the Algerian economic institutions. Hence, the paper found that there is a significant statistical correlation between the external governance mechanisms and the rate of return on assets, and there is a significant statistical correlation between the external governance mechanisms and the rate of return on property rights. A significant statistical correlation between the external governance mechanisms and the rate of return on sales is demonstrated.

Keywords: Algeria; Corporate governance; external governance mechanisms; financial performance; Economic institutions.
Jel Classification Codes : G34 ; L25

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I-Introduction:

The term ‘governance’ has attracted the attention of many professionals and academic researchers as a motto of reform through which economic, social and political development are achieved. This concept is based on many internal and external mechanisms. proper application of governance improves the performance and reputation of these institutions, raises economic growth rates and prevents financial meltdowns. In addition, It leads to the stability of financial markets and attracting investments.

The success of economic institutions is based on the choice of a realistic system that regulates the relationship between institution and stakeholders’ management. Therefore, this paper attempts to address the following question: **What is the effect of applying external governance mechanisms on improving the financial performance of the Algerian economic institutions?**

Study Hypotheses: By relying on a set of independent variables (Corporate external governance mechanisms), the problematic of this study and its relationship with financial performance (dependent variable) have been examined. This research is based on the following hypotheses:

- ✓ There is an application of external governance mechanisms in the Algerian economic institutions under study.
- ✓ There is a positive correlation between the application of external governance mechanisms and the financial performance of the Algerian economic institutions under study

Significance of the study: This study seeks to reduce the risk of falling into economic crisis, protects shareholders' rights and contributes to stabilizing financial markets and raising the level of transparency in the institutions where governance takes a place. This will inevitably improve the financial performance of economic institutions.

Study limits: The study is conducted by focusing on well known Algerian institutions. Mor attention should be paid to the practical aspect of corporate governance, and its activities need to be closely studied in the actual business climate.

The research limitations are as follows:

- ✓ The study took place in industry (**Cevital**, **Ifri** and **Hammoud Boualam**).
- ✓ A period of two full years; From January 2016, until December 2018.

Study Methodology: Within the framework of achieving the research objectives, the study follows two approaches:

- ✓ Descriptive and analytical Method, embodied in the theoretical analysis of the concept of corporate governance and the internal governance mechanisms.
- ✓ Inductive approach by studying the case of applying external governance mechanisms in the Algerian economic institutions under study.
- ✓ A content analysis methodology for the financial statements of Algerian economic institutions under study.

Literature review:

In a study provided by **Ali R & Majdi A Quttainon 2019** on corporate internal and external governance mechanisms in the context of the emerging market, they examined internal and external corporate governance mechanisms in Kuwait. The study discussed the legal environment in which shariaa is a significant source of legislation. It also mentioned that culture is influenced by religion, so that the ownership structure affects legislation. In addition, it examined the corporate control market, which is an important determinant of the external corporate governance mechanisms. It concluded that disruption of the full implementation of corporate governance and the code of ethics are common because of regional geopolitical instability. However, Kuwait is on the right track for improving corporate governance and the code of ethics.

In the same way, **Yasin and al. (2016)** examined the effectiveness of corporate governance mechanisms. They shed light on the main factors introduced in corporate governance around the world; they are often associated with their potential to improve corporate governance practices. The study stressed on the importance of exploring the contribution of those factors in the regulations of many countries. The study also discussed the principles of analyzing the inputs that contribute to their effectiveness, as well as the processes and results of their effectiveness. In addition, there is little evidence that discusses the effectiveness of these actors in terms of process issues.

(Akbar, 2015) examined the role of corporate governance mechanism in optimizing performance in Pakistan as an emerging country in the field of corporate governance. However, more work is still needed to be done for the effective corporate governance and control. The Focus of the past research in this field, especially in Pakistan, has been focused primarily on quantitative and conventional measures such as: Ownership concentration, board size, board composition, CEO/Chair duality, role of audit and other committees. Nevertheless, the aim of this study is to develop a conceptual model by including the factors of corporate governance related to the rules regulating the board of directors, executives of the firms and other stakeholders. Along with the traditional methods, the implementation of these regulatory measures will improve the corporate governance system, which in turn will increase the firm’s efficiency.

To sum up, the previous studies and many other studies agreed that there is a close relationship between the external governance mechanisms and the financial performance of economic institutions, but they did not agree on determining these mechanisms and their powerful effect on performance. However, this paper seeks to include empirical and analytical results on the effects of external governance mechanisms on the financial performance of three active economic institutions in Algeria. Thus, the findings on other economic institutions can be generalised.

I.1. Theoretical framework

Economically speaking, the term ‘corporate governance’ is concerned with making balance between economic and social goals, as well as between individual and collective objectives. Therefore, there is no specific definition for the above-mentioned concept.

The Public Oversight Board (Pob, 1993) defined corporate governance as "those oversight activities undertaken by the board of directors and audit committee to ensure the integrity of the financial reporting process". However, a narrow view of corporate governance limiting it to only monitoring activities may probably underestimate the role that can be played by corporate governance.

In 1999, the OECD defined it as (OCED, 1999): "Corporate governance involves a set of relationships between a company‘s management, its board, its shareholders other stakeholders, corporate governance and provides the structure through which the objectives of company are set and the means of attaining those objectives and monitoring performance are determined".

In addition, (Monks, 2002) defined corporate governance as the relationships among various participants in determining the direction and performance of corporation. Thus, the primary participants are the shareholders, the management, the boarded of directors. Other participants include the employees, customers, suppliers, creditors, in addition to the community.

I.2. External governance mechanisms:

Governance mechanisms are defined as the methods used to deal with agency problems that arise between management and shareholders in general, and between the minority shareholders and the majority controlling shareholders.(Freeman, 1984).

Several mechanisms that fall under the external governance mechanisms are concerned with the subsequent monitoring of administrative and accounting practices.

.I.2.1.Mechanism of the effectiveness of the shareholders

There is no specific definition of the effectiveness of the shareholders. When shareholders express their opinions at any time or try to influence the decision of an organization, they are considered as positive shareholders (Nesbitt, 2005).

I.2.2. Mechanism of the Rights of Stakeholders

Stakeholders are the persons with legislative, financial, and technical interests that the institution must maintain its relationship with them, because its decisions may affect them and it may be affected by their decisions.(Jonathan, 2003).

I.2.3. External Audit Mechanism

The auditor is responsible of the shareholders in relation to the performance of the audit process and he or she is responsible for what was stated in his report from the moment of the audit report in the institution's general assembly and before any authority that relied on this report from taking decisions.(Ghosh, 2005).

I.2.4. Mechanism of Laws and Legislations

The law under which the institution operates is one of the external governance mechanisms due to the differences in the work from one institution to another (Hassan.m.kabir, 2004).

I.3. Financial Performance

Defined financial performance as a famous indicator of an organizational performance measurement. It is measured by financial indicators such as sales growth, profitability that is reflected by some ratios such as return on investment (ROI), return on sales (ROS), and return on equity (ROE). Consequently, to be prospective firm, a company has to focus on its financial performance. (Montague, 2016)

II– Methods and Materials:

The following is the methodological aspect that will be followed to conduct the field study where the community, the sample of the study and the type of tool used in the collection of primary data will be identified, as well as the statistical treatment methods used in the analysis of the collected data.

Target population and Study Variables: Academically speaking, field researches involving all members of the study population are usually hard to carry out. Therefore, the study population consists of a sample of three Algerian economic institutions: Cevital, Hamoud Boualem and Ifri, in which the principle of corporate governance is adopted. The latter institutions are working hard to adopt the Algerian charter of corporate governance (2009). The Charter issued in 2009 is a guideline to help the Algerian institutions understand the basic principles of good governance, edited by a GOAL Team with the contribution of the Forum of the heads of Institutions, the Association of Algerian Producers of Drinks, the Ministry of Small and Medium Enterprises and Investment Promotion, and the Ministry Handicraft.

The variables of this study are external corporate governance mechanisms as independent variables, and financial performance as a dependent variable. According to Figure No. 01.

First tool to study: A questionnaire that contains 34 statements was designed; scale of stakeholders' effectiveness mechanisms (10 statements), scale of the mechanism of the effectiveness of external auditors (14 statement), and the scale of the mechanism of shareholders' effectiveness (08 statement). Twenty-five questionnaires were distributed to the followings: (director, deputy director, head of department) of each institution, with a final total estimated at (75 respondents) as shown in table No. (1).

Second tool to study: A content analysis methodology was used to study the financial lists of institutions under study. To calculate the research variables related to the institutions' performance (The return rate on assets, return rate on property rights and return rate on sales), the study relied on the accounts table data of the three institutions above-mentioned for the period between January 2016 and December 2018.

Methods of Data Analysis: The Statistical Package for Social Sciences (SPSS20) was used for data analysis and to generate statistical methods and measures according to the study requirements. It was applied as follows:

- Cornbrash's Alpha coefficient to test the liability of study instrument.
- Means and the standard deviations to determine the responses of respondents to the sample;
- Pearson correlation coefficient: Used to determine the extent to which the study variables are related to each other.
- Multiple Linear Regression Model and Linear Regression to test the hypotheses of the study.
- Determination factor was used to determine the effect of independent variable on dependent variable.

III- Results and discussion:

III 1- **Reliability and validity of study instrument**: This was measured by the internal consistency coefficient of the Cornbrash's Alpha standard. It was found that the reliability coefficients of the measuring instrument components are all higher than 0.6. This is a good value for consistency of internal consistency. In addition, the total reliability of Cornbrash's Alpha was 0.821, which gives a strong indication of the stability of the results of the tool and its consistency. This means that the questionnaire can be used to measure the studied variables, and to disseminate the results of the questionnaire to the entire study population. In order to know the self-truth, we calculated the square root of the reliability coefficient. It was found that the self-confidence coefficient is high for the study variables 0.906. This indicates the validity of the study instrument (see Table No.(02).

III -2 **The descriptive analysis of respondents' responses to the variables of the study**: We relied on the five-digit Lycart model to answer the questionnaire. The values of means and the standard deviation were calculated by descending order based on their relative importance according to the mean of the arithmetic average in the study. Based on this, we have interpreted it according to the following criteria: Less three low, 3 averages, greater than three high.

III -2-1 **The descriptive analysis of the dimensions of corporate external governance mechanisms**:

- **The descriptive analysis of the dimensions of the mechanism of shareholders' effectiveness**: Through a full reading of the data of Table No. (03), it is clear that there is a response for the members of the study sample towards the phrases of the mechanism of shareholders effectiveness, which reflects the absence of dispersion and the large differences in the responses of respondents to the study, and this means that the economic institutions under study support the mechanism of shareholders effectiveness.

It is clear from Table No. (03) that every response to the EA terms indicates a high scale. The general trend for this dimension indicates a high scale with an average of 3.740 and a standard deviation of 0.810.

- **The descriptive analysis of the dimensions of the mechanism of the Rights of Stakeholders**: Through a full reading of the data of Table No. (04), it is clear that there is a response for the members of the study sample towards the phrases of the mechanism of the Rights of Stakeholders. This reflects the absence of dispersion and the large differences in the responses of respondents to the study, and this means that the economic institutions under study support the mechanism the Rights of Stakeholders.

It is clear from Table No. (04) that every response to the EA terms indicates a high scale. The general trend for this dimension indicates a high scale with an average of 3.215and a standard deviation of 0.451.

- **The descriptive analysis of the dimensions of the external audit role mechanism**: Through a full reading of the data of Table No. (05), it is clear that there is a response for the members of the study sample towards the phrases of the external audit role mechanism. This reflects the absence of dispersion and the large differences in the responses of respondents to the study, and this means that the economic institutions under study support the external audit role mechanism Stakeholders.

It is clear from Table No. (05) that every response to the EA terms indicates a high scale. The general trend for this dimension indicates a high scale with an average of 3.352and a standard deviation of 0.750.

Analysis and Test of Hypotheses

The first hypothesis: The first hypothesis states that there is an application of external governance mechanisms in Algerian economic institutions under study.

It is statistically inferred by reading the full data of Table No. (06). It is clear that the most important external mechanisms for corporate governance, according to the study sample, are the shareholder equity mechanism at 80.1%, followed by the external audit role mechanism at 75.4%. The role of stakeholders 62.1%. It is worth noting that the relative importance of all metrics is 73.5%, all of which are significant. At least 60%.

Finally, the fourth mechanism is the mechanism of laws and legislations under which institutions operate, as it is considered one of the external mechanisms of government. And it varies according to work from one institution to another. Then measure it using a placebo variable according to the law to which the institutions under study are subject (1) or (0).

From the above, we conclude the validity of the first hypothesis, which provides for the application of external governance mechanisms in the Algerian economic institutions under study.

Consequently, it is concluded that the following hypothesis: There is an application of external governance mechanisms in the Algerian economic institutions under study, is valid.

Economic analysis: the above-mentioned results are consistent with the findings of a study made by Metrik & Gompers Ishili in 2003 related to the United States of America. Furthermore, the present study is consistent with the findings of Chamelou and Iskander in 1999. The latter researchers consider that the aim of external governance mechanisms of the institution is to support and complement the work of the internal mechanisms of the institution through the institution's organizational framework for assessing and monitoring its performance.

According to the organizational framework of the Agency theory of Berls & Means, it is stated that the separation between ownership of the capital and institution's management by those who are not owners of property rights affects the level of financial performance of the institution, as activating the mechanisms of shareholders and stakeholders through creating distinct relations between them and the institution is an important resource that reflects positively on the financial performance of the institution. On the contrary, the failure to form positive relationships may create financial risks for a wide range of stakeholders and shareholders.

As for the external auditor's mechanism, it helps the institution achieve accountability and integrity, and enhances financial performance. Early detection of weaknesses and defects in managing the company at the appropriate time by applying the external audit mechanism will ensure more supervision and reduce fraud and forgery.
As for the fourth mechanism, it is an imaginary variable that is not significant. This is due to the fact that the legal and regulatory environment poses a barrier to the effectiveness of the external audit mechanisms. Therefore, it is necessary to review the legislation related to Algerian institutions.

The second hypothesis: The second hypothesis states that there is a positive correlation between the application of external governance mechanisms and the financial performance of institutions.
The testing plan for this hypothesis will proceed according to the following steps:
Step 1: Simple regression analysis using SPSS: The study hypothesis test was conducted by using simple regression analysis between the dependent variables of the three performance measures and the independent variables of external governance mechanisms. The results of this analysis are shown in tables (7) - (10).

Considering the contents of table (7), The following results were obtained:
The concept of effectiveness of the shareholders is positively correlated with performance measures, namely the rate of return on assets, the rate of return on equity, and the rate of return on sales according to the regression coefficient values 0.163, 0.194, 0.349 respectively, and according to the test values of 2.257, 6.434, 3,426 at a significant level 0.005.0.001, 0.001 respectively.
The Simple of regression model between the dependent variable Y performance measures and independent variable X mechanism of effectiveness of the shareholders according to the test values are 8.164, 41.393 ,11.74, respectively at a significant level 0.005, 0.001, 0.001. respectively.

By looking at the contents of table (8) , we found:
The concept of the Rights of Stakeholders mechanism is positively correlated with performance measures, namely, the rate of return on assets, the rate of return on equity, and the rate of return on sales according to regression coefficient values of 0.055, 0.236 and 0.150 respectively and according to test values 0.952, 4.197 and 2.622 respectively and at a significant level of significance 0.006 , 0.009, 0.001, respectively.
The Simple of regression model between the dependent variable Y Performance measures and independent variable X Mechanism of Rights of Stakeholders according to the test values 8.906, 17.617, 6.873 respectively at the level of significance 0.002.0.001.0.002 , respectively.

By looking at the contents of table (9), we found:
The concept of the role of external audit is positively correlated with performance measures, namely the rate of return on assets, the rate of return on equity, and the rate of return on sales according to regression coefficient values 0.123, 0.309 and 0.164 respectively and according to T test values 2.143, 5.627, 2.877 and at a significant level of 0.033, 0.001 , 0.004, respectively.
The Simple of regression model between the dependent variable Y performance measures and independent variable X according to the test values 4.594, 31.668, 8.266, respectively at the level of significance 0.033 .0.001. 0.004, respectively.

By looking at the contents of table (10) , we found:
The concept of the mechanism of Laws and Legislations is negatively correlated with performance measures, namely, the rate of return on assets, the rate of return on equity, and the rate of return on sales.
The Simple of regression model between the dependent variable Y and independent variable X according to the test values 0.969, 0.358, 0.004 respectively at a the level significance 0.055. 0.326 .0.953, respectively

From the above analysis, it is concluded that there is a positive correlation between the three performance measures and the external governance mechanisms.

Step 2: Multiple regression analysis using SPSS: Firstly, the correlation test was examined using the simple regression model, the importance and importance of the correlation between external governance mechanisms and the financial performance of the institutions under study was demonstrated. Secondly, the second main hypothesis is divided into three partial hypotheses; each one is validated by each individual model using the multiple regression model.

First model: The effect of external governance mechanisms on the return rate on assets.
H 0: There is no significant effect between the rate of return on assets and external governance mechanisms in the companies under study.
H1: There is a significant effect between the rate of return on assets and external governance mechanisms in the companies under study.

Under the hypothesis that there is a significant effect between the rate of return on assets as a dependent variable Y and external governance mechanisms as independent variables, a multiple gradient regression analysis was used to determine 5% as a significant level to enter the independent variables. The table (11) summarizes the test results of this hypothesis according to its model.

Model equation: Below we will show both dependent variable and independent variable we will offset in equation of model as follows: Y = The rate of return on assets; X_1 = effectiveness of the shareholders; X_2 = the Rights of Stakeholders; X_3 = External audit role.

$$\mathbf{Y= -0.963 + 0.533\ X1+ 0.410\ X2+ 0.215\ X3+\varepsilon}$$

- **Statistical analysis:** According to the multi-stage regression model, and according to the results in Table (11), it is found that there is a significant effect of external governance mechanisms on the rate of return on assets, as a result, the analysis showed that the determination factor was (R^2)0.058, that is, the ratio of external governance mechanisms explained by the rate of return on assets which is about 5.8%, and that the estimated regression model was significant, as the calculated value was (f) 9.847, which had a significance level less than 0.001. Therefore, the rate of return on assets is positively affected by the mechanism of effectiveness of the shareholders mechanism, the mechanism of stakeholders rights, and the role of the external audit role mechanism in the institutions under study.
- **Regarding the previous analysis**, it is concluded that there is a significant effect between the return rate on assets as a dependent variable, and the mechanisms of external governance as independent variables. The zero hypothesis H0 is rejected and the alternative hypothesis H1 is accepted; this states that there is a significant effect between the return rate on assets and the external governance mechanisms in the companies under study.

Second model: The effect of external governance mechanisms on the return rate on equity

H 0: There is no significant effect between the rate of return on equity and external governance mechanisms in the institutions under study.
H1: There is a significant effect between the rate of return on equity and external governance mechanisms in the institutions under study.

Under the hypothesis that there is a significant effect between the rate of return on equity as a dependent variable and external governance mechanisms as independent variables, a 5% stepwise regression analysis was used as an important level for entering the independent variables. Table (12) shows a summary of the results of testing this hypothesis.

Model equation: Below both dependent variable and independent variable will be shown in equation of model as follows: Y = The rate of return on equity; X_1 = the Rights of Stakeholders; X_2 = the Rights of Stakeholders; X_3 = audit role external**.**

$$Y = -0.321 + 0.730X1 + 0.422X2 + 0.216X3 + \varepsilon$$

- **Statistical analysis:** According to the multi-phased regression model The results in table (12) indicate that there is a significant effect of external governance mechanisms on the rate of return on equity, where the results of the analysis showed that the coefficient of determination was(R^2) 0.155. This means that the ratio of external governance mechanisms of the return rate on equity is about 15.5%, and that the estimated regression model was significant, as the calculated value was (f) 27.296, which had a significance level less than 0.001.
  Therefore, the rate of return on equity is positively affected by the mechanism of effectiveness of the shareholders mechanism, the mechanism of stakeholders rights, and the role of the external audit role mechanism in the institutions under study.
- **Regarding the previous analysis**, it is concluded that there is a significant effect between the rate of return on equity as a dependent variable, and the mechanisms of external governance as independent variables. The zero hypothesis H0 is rejected and the alternative hypothesis H1 is accepted; this states that there is a significant effect between the rate of return on equity and the external governance mechanisms in the companies under study.

Third model: The effect of external governance mechanisms on the return rate on sales

H 0: There is no significant effect between the return rate on sales and external governance mechanisms in the institutions under study.

H1: There is a significant effect between the return rate on sales and external governance mechanisms in the institutions under study.

Under the hypothesis that there is a significant effect between the return rate on sales as a dependent variable and external governance mechanisms as independent variables, a 5% stepwise regression analysis was used as an important level for entering the independent variables. Table (13) shows a summary of the results of testing this hypothesis.

Model equation: Below we will show both dependent variable and independent variable we will offset in equation of model as follows: Y = the return rate on sales; X_1 = effectiveness of the shareholders ; X_2 = audit role external; X_3 = the Rights of Stakeholders

$$Y = -0.245 + 0.194X1 + 0.150X2 + 0.105X3 + \varepsilon$$

- **Statistical analysis:** According to the multi-phased regression model, the results in table (13) indicate that there is a significant effect of the external institutions' governance mechanisms on the return rate on sales. The results of the analysis showed that the coefficient of determination was(R^2) 0.0468; that is the ratio of external governance mechanisms explained by the return rate on sales is about 4.68%. and the estimated regression model is significant, where the calculated value was (f) 11.74, which, at a level of significance, is less than 0.001.Therefore, the return rate on sales is positively influenced by the mechanism of effectiveness of the shareholders and mechanism of the rights of stakeholders and the external audit role mechanism in the institutions under study.

- **Regarding the previous analysis**: It is concluded that there is a significant effect between the return rate on sales as a dependent variable and external governance mechanisms as independent variables. Thus, the zero hypothesis H0 is rejected, the alternative hypothesis H1 is accepted, which states that there is a significant effect between the return rate on sales and external governance mechanisms in the institutions under study.

- According to the previous models, and after removing the mechanism of legislations and laws that have a weak impact on financial performance, it is concluded that the external corporate governance mechanisms (the mechanism of the effectiveness of shareholders, the mechanism of stakeholders, the external audit mechanism)are the main variables of the model. These mechanisms explain the change in the financial performance rates in the institutions under study.

Finally, the hypothesis of the second study which states that there is a positive correlation between the application of external governance mechanisms and the financial performance of economic institutions under study is valid.

- **Economic analysis:** The results of the study are consistent with the Stakeholder Theory, introduced by (Freeman 1984) in its part related to the external mechanisms of corporate governance by following the developments of financial performance indicators of the institutions and maximizing their performance. The results of the study proved the performance impact between the financial performance rates (the return rate on assets, the return rate on property rights and the return rate on sales) towards the external mechanisms of corporate governance (the mechanism of the effectiveness of shareholders, the mechanism of stakeholders, the external audit mechanism).

The results of the study on the institutions' external governance mechanisms are partly consistent with the "Agency Theory" introduced by (Berls & Means) theory, which states that the external governance mechanisms are merely a tool for monitoring the integrity of the performance of the managers, as the concept of the theory developed after the contribution of both Jensen & Meckling. Thus, stakeholders and shareholders benefit from the services of external audit mechanisms to reduce the information asymmetry between the managers and potential investors, by providing information on the financial performance of the institution.

IV-Conclusion:

The study concluded that the practices of the governance mechanisms of the institutions under study that focus on adopting external mechanisms by identifying and expanding the links between shareholders, rights holders and external auditors, lead to maximizing performance for institutions and improvement in performance rates such as the rate of return on assets, property rights, and the return rate on sales.

The results of the multiple regression model between the performance of the institutions as a dependent variable and the external governance mechanisms of the institutions as independent variables showed a positive correlation between the three performance measures: (The return rate on assets, the return rate on sales and the return rate on equity) and the external mechanisms of corporate governance.

Under the assumption that there is a significant correlation between the return rate on assets, the return rate on sales and the rate of return on equity as dependent variables and the mechanisms of governance of external institutions as independent variables, we connected that:

1. There is a significant effect of some external corporate governance mechanisms on the return rate on assets.

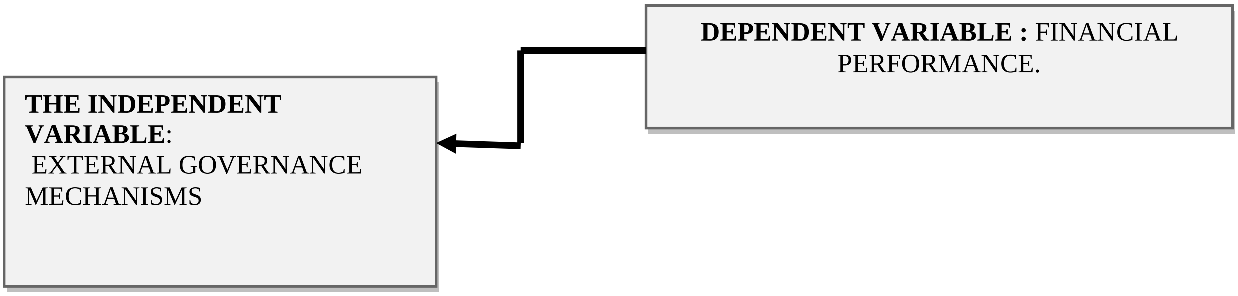
2. There is a significant effect of some external governance mechanisms on the return rate on equity**.**

3. There is a significant effect of some external corporate governance mechanisms on the return rate on sales.

In light of the results obtained, this paper recommends that international rules should be set to ensure the effectiveness of governance mechanisms at the international level, along with activating economic institutions as a priority for carrying out their tasks to avoid the financial crises. However, In Algeria, it is necessary to formulate an integrated scientific framework for governance as guidelines for the scientific application, in accordance with the conditions of the Algerian economic environment.

- Appendices

. Figure No. 01: Illustrates variables to work in the study



Source: Prepared by the researchers.

Table (1) :): Characteristics of the Economic Institutions of the Sample of the Study and the Number of Questionnaires Distributed

Company name	Study community	Number of distributed questionnaires
Cevital	managers and frames of company of Cevital	25
Ifri	managers and frames of company of Ifri	25
Hammoud Boualam	managers and frames of company of Hammoud Boualam	25

The source : Prepared by researchers

Table (2) : Results of Cronbach's Alpha Coefficient of Study Variables

Variable	Number of Phrases	Cronbach's Alpha	Sqrt Cronbach's Alpha
The external corporate governance mechanisms	32	0.936	0.906
total summation		58	0.821

The source : Prepared by researchers based on SPSS 20 outputs

Table (03): Descriptive Analysis of the Dimensions Analysis of the Mechanism of Effectiveness of Shareholders

N0	Phrases	the standard déviation	The values of means	priority level	Level of significance	order
01	All shareholders of the institution are entitled to represent the minority on the board of directors.	1.212	3.43	68.6	High	5
02	The notification of the shareholders general assembly invitation includes nominating the auditors, stating their names, CVs and fees.	1.195	1.16	63.2	High	6
03	The notification of the shareholders general assembly invitation includes nominating the committee of auditors, stating their names, CVs and fees..	1.283	2.80	56.1	High	8
04	The notification of the shareholders general assembly invitation includes submitting a statement of the dividend policy, including the statement of amounts, along with providing the explanation.	0.982	1.21	84.2	High	3
05	institution's management allows proxy voting.	1.170	3.60	72	High	4
06	institution's management allows voting by post.	1.205	3.29	65.8	High	7
07	institution's management allows voting through the firm's website	1.251	2.61	52.3	High	9
08	The period between the date of the general assembly 's notification and the date of its convening is usually seven days.	1.02	1.01	85.6	High	2
09	The institution has a mechanism that allows dual ownership of shares to prevent takeovers.	1.01	1.00	86.3	High	1
10	The institution allows stock trading by executives.	1.240	2.51	52.1	high	10
	Total average	0.810	3.740		High	

The source : Prepared by researchers based on SPSS 20 outputs

Table (04): The Descriptive Analysis of the Dimensions Analysis of the Mechanism of the Rightsof Stakeholders

N0	Phrases	Standard Deviation	Values of Means	priority Level	Level of Significance	
01	The institution declares environmental issues in public means of communications.	1.152	3.13	62.6	High	7
02	The institution shall disclose transactions with the relevant parties.	1.023	3.68	73.5	High	3
03	The institution discloses till the largest ten investors in the institution.	1.194	3.79	75.9	High	2
04	The institution shall disclose the investors, each holding more than 10% of the institution's shares.	1.212	3.43	68.6	High	5
05	The institution discloses the percentage of shares held by people who work within the institution.	1.195	3.16	63.2	High	6
06	The institution shall disclose extraordinary meetings of the general assembly.	1.283	2.80	56.1	High	8
07	The Institution discloses how the general assembly may direct and obtain responses to its queries from the Board of Directors.	0.982	1.21	84.2	High	1
08	The institution issues annual reports indicating the governance rules to which the organization is bound.	1.170	3.60	72	High	4
	Total average	0.451	3.215		High	

The source : Prepared by researchers based on SPSS 20 outputs

Table (05): The Descriptive Analysis of the Dimensions Analysis of the External Audit Role Mechanism

N0	Phrases	the Standard Deviation	The Values of Means	Priority Level	Level of Significance	Order
01	The institution's external auditor discusses the results of the internal audit with members of the audit committee.	1.145	3.30	65.9	High	8
02	The institution's external auditor provides assurance services on risk management processes.	1.072	3.26	65.1	High	10
03	The external auditor provides advisory services to the institution	1.152	3.13	62.6	High	12
04	Within the external audit members of the institution, there are some specialists, including those who are familiar with the nature of the operational and technical activities of the institution.	1.023	3.68	73.5	High	5
05	The institution's external auditor has an effective mechanism for communicating with individuals and officials of the institution.	1.194	3.79	75.9	high	4
06	The external auditor communicates and coordinates with	1.212	3.43	68.6	high	7

	the internal audit department.					
07	The External Auditor liaises and coordinates with the Audit and Management Committee.	1.195	3.16	63.2	high	11
08	The external auditor is nominated by the institution's audit committee.	1.283	2.80	56.1	high	13
09	The external auditor of the institution is appointed by the appointments committee of the institution's board of directors.	0.982	1.21	84.2	high	3
10	The fees and remunerations of the institution's external auditor are determined by the remuneration committee of the board of directors and with the approval of the general assembly.	1.170	3.60	72	high	6
11	The external auditor or one of his relatives is prohibited from playing a financial role in the institution or performing any administrative position in the institution.	1.205	3.29	65.8	high	9
12	The institution's external auditor is held accountable by the institution's general assembly.	1.251	2.61	52.3	high	14
13	External auditors of the institution are given ongoing training to enable them to exercise reasonable professional care.	1.02	1.01	85.6	high	2
14	The institution's external auditor discusses the results of the internal audit with members of the audit committee.	1.01	1.00	86.3	high	1
	Total average	0.750	3.352		High	

The source : Prepared by researchers based on SPSS 20 outputs

Table (06): Mean, Standard Deviation and the Relative Importance of External Mechanisms for Corporate Governance in the Institutions Under Study

N^0	Phrases	Average	Déviation	Priority	priority level
01	audit role external	3.352	0.750	02	75.4
02	Laws and Legislations	-	-	04	-
03	effectiveness of shareholders	3.740	0,850	01	80.1
04	Rights of Stakeholders	3.215	0.451	03	62.1
	Total average	3.385	0.607	73.5	

The source : Prepared by researchers based on SPSS 20 outputs

Table (07) : Results of the Simple Regression Analysis between the Performance Measures and the Mechanism of Effectiveness of the Shareholders

the Independent Variable of Mechanism Effectiveness of the Shareholders									
dependent variable	Correlation coefficient	coefficient of determination	Test t	Sing p	Correlation coefficient	Test T	Sing p	result of relationship	Imposition result
ROA	0.163	0.027	8.164	0,005	0.163	2.257	0.005	Sing	Acceptance
REA	0.349	0.122	41,393	0.001	0.349	6.434	0.001	Sing	Acceptance
ROS	0.194	0.038	11,739	0.001	0.194	3.426	0.001	Sing	Acceptance

The source : Prepared by researchers based on SPSS 20 outputs

Table (08) : The Results of the Simple Regression Analysis between the Performance Measures and the Mechanism of the Rights of Stakeholders

	The Independent variable of Mechanism of the Rights Stakeholders								
dependent variable	Correlation coefficient	coefficient of determination	Test t	SingP	Correlation coefficient	Test T	Sing p	result of relationship	Imposition result
ROA	0.055	0.003	8,906	0.006	0.055	0,952	0.006	Sing	Acceptance
REA	0.236	0.056	17,617	0.001	0.236	4,197	0.001	Sing	Acceptance
ROS	0.150	0.022	6,873	0.050	0.150	2,622	0.009	Sing	Acceptance

The source : Prepared by researchers based on SPSS 20 outputs

Table (09) : The results of the Simple Regression Analysis between Performance Measures and the External Audit Role Mechanism.

	The Independent Variable of External Audit Mechanism Role								
Dependent variable	Correlation Coefficient	Coefficient of Determination	Test t	SingP	Correlation Coefficient	Test T	SingP	result of relationship	Imposition result
ROA	0.123	0.015	4.594	0.033	0.123	2.143	0.033	Sing	Acceptance
REA	0.309	0.096	31.668	0.001	0.309	5.627	0.001	Sing	Acceptance
ROS	0.164	0.027	8.266	0.004	0.164	2.877	0.004	Sing	Acceptance

The source : Prepared by researchers based on SPSS 20 outputs

Table (10): The Results of the Simple Regression Analysis between the Performance Measures and the Mechanism of Laws and Legislations .

	The independent variable of the mechanism of laws and legislations								
dependent variable	Correlation coefficient	CCoefficient of determination	Test t	**Sing**P	Correlation coefficient	Test T	**Sing**P	result of relationship	Imposition result
ROA	0.057	0.003	0.969	0.326	0.057	0.984	0.326	No sing	Acceptance
REA	0.035	0.001	0.358	0.550	-0.035	-0.598	0.550	No sing	Acceptance
ROS	0.003	0.001	0.004	0.953	-0.003	-0.059	0.953	No sing	Acceptance

The source : Prepared by researchers based on SPSS 20 outputs

Table (11): Results of Multiple Regression Analysis the First Effect of External Corporate Governance Mechanisms on the return rate on assets.

Dependent variable	Independent variables	Correlation coefficient	Coefficient of determination	Test F	Moral	Regression coefficient	Test T	moral
The return rate on assets	effectiveness of the shareholders X1	0.533	0.248		0.000	0.500	4.088	0.000
	the Rights of Stakeholders X2	0.410	0.168			0.396	3.145	0.002
	External audit role l X3	0.215	0.046	9.847		0.198	2.254	0.000
	Fixed					-0.963	-1.808	0.005
	The result			morale of model		moral of régression coefficients		
	coefficient of determination					5.8%		
	Multiple regression equation: Y= -0. 963 + 0.533 X1+ 0.410 X2+ 0.215 X3+ε							

The source : Prepared by researchers based on SPSS 20 outputs

Table (12) : Results of Multiple Regression Analysis for the Second Model Test, the Effect of External Governance Mechanisms on the return rate on equity

Dependent variable	Independent variables	Correlation coefficient	Coefficient of determination	Test F	Moral	Regression coefficient	Test T	Moral
The rate of return on equity	effectiveness of the shareholders X1	0.730	0.533		0.000	0.730	5.814	0.000
	the Rights of Stakeholders X2	0.422	0.178			0.422	3.337	0.000
	audit roleexternal X3	0.216	0.047	27.296		0.216	3.215	0.000
	Fixed							0.001
	The result			morale of model		moral of regression coefficients		
	coefficient of determination					15.5%		
	Multiple regression equation: Y = - 0.321+ 0.730X1+0.422X2+0.216X3 + ε							

The source : Prepared by researchers based on SPSS 20 outputs

Table (13) : Results of Multiple Regression Analysis of the Third Model Test, the effect of External Governance Mechanisms on the Return Rate on Sales

Dependent variable	Independent variables	Correlation coefficient	Coefficient of determination	Test F	Moral	Regression coefficient	Test T	Moral
The return rate on sales	effectiveness of the shareholders X1	0.194	0.038		0.000	0.194	3.426	0.000
	audit external role X3	0.150	0.023	11.74		0.150	3.124	0.000
	the Rights of Stakeholders X2	0.105	0.011			0.105	2.215	0.000
	Fixed					0.245-	1.184-	0.001
	The result			moral of model		moral of regression coefficients		
	coefficient of determination					4.68%		
	Multiple regression equation: Y= -0.245+ 0.194X1+ 0.150X2+ 0.105X3+ ε							

The source : Prepared by researchers based on SPSS 20 outputs

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