How to Cite:
Benbaira, R., & Alloune, M. L. (2024). The role of corporate governance mechanisms in reducing institutional costs: An exploratory study on a sample of economic institutions in the State of Blida, Algeria. *International Journal of Economic Perspectives*, *18*(5), 851–871. Retrieved from https://ijeponline.org/index.php/journal/article/view/602

The role of corporate governance mechanisms in reducing institutional costs: An exploratory study on a sample of economic institutions in the State of Blida, Algeria

Rima Benbaira
University Lounici Ali -Blida 2, Algeria
Email: r.benbaira@univ-blida2.dz

Mohamed Lamine Alloune
University Lounici Ali -Blida 2, Algeria
Email: m.alloune@univ-blida2.dz

***Abstract*---**This study aims to highlight the role played by the internal and external mechanisms of corporate governance in reducing costs, and to try to apply this to a sample of economic institutions in the state of Blida, through an exploratory study on a sample of 186 people representing: shareholders and owners, managers, heads of departments and sections, accountants and internal auditors in the sample institutions, in addition to a sample of certified accountants, experts and accountants, using the questionnaire tool, the descriptive analytical approach and the case study method. The study concluded that governance helps to reduce the cost of errors, deviations, manipulations, and defective production by limiting them in the future and avoiding the cost of correcting these errors.

***Keywords*---**Corporate governance, internal mechanisms of corporate governance, external mechanisms of corporate governance, cost reduction.

Introduction

In light of the recent changes at the level of global markets and after the financial crises caused by the COVID-19 pandemic and the decline in the purchasing power of various segments of society, in order to conquer the market and gain a competitive advantage that allows Algerian economic institutions to survive and continue in the market and have sufficient flexibility to face changes in the tastes, needs and capabilities of consumers in the market, The importance of

Submitted: 09 June 2024, Revised: 18 July 2024, Accepted: 27 August 2024

implementing corporate governance has increased in order to constantly and continuously control all levels inside and outside the institution through its internal and external mechanisms, in order to limit the manipulations and frauds that occur at the level of the financial statements of institutions and to maximize their profits excessively, as it is a mechanism for efficient and effective monitoring of corporate management, regulating relations inside and outside the institution, to protect the rights of shareholders and stakeholders. Also, to reduce the rate of errors and the amount of faulty production within the institution. Thus, various Algerian economic institutions can significantly reduce the percentage of their wasted costs through the commission of various types of errors and the manipulations that occur in the financial statements of the institution, which do not add value to the institution, but rather constitute a burden on it.

Problem Statement:
To address this important issue, we have formulated the following problem statement: "Do corporate governance mechanisms play a role in reducing the costs of Algerian economic institutions in the study sample?"

Sub-questions:
1. Do the internal mechanisms of corporate governance play a role in reducing the costs of the Algerian economic institutions in the study sample?
2. Do the external mechanisms of corporate governance play a role in reducing the costs of the Algerian economic institutions in the study sample?

Main hypothesis: To answer the main problem statement, we have formulated the following main hypothesis: "There is a correlation between the mechanisms of corporate governance and the reduction of costs in the Algerian economic institutions in the study sample".

Sub-hypotheses: To answer the sub-questions, we have formulated the following sub-hypotheses:
1. "There is a correlation between the internal mechanisms of corporate governance and the reduction of costs in the Algerian economic institutions in the study sample".
2. "There is a correlation between the external mechanisms of corporate governance and the reduction of costs in the Algerian economic institutions in the study sample".

Significance of the research:
This research aims to highlight the importance of applying corporate governance to Algerian economic institutions in order to keep up with all the changes that are taking place globally, with the aim of reducing cost wastage in order to achieve a competitive advantage that will allow them to offer their products at competitive prices in a highly competitive market, for the purpose of survival and continuity in the market.

Methodology used: In order to answer the research problem and prove the validity of the hypotheses, we will use the descriptive analytical method in describing the phenomenon of the impact of the application of corporate governance on reducing the costs of Algerian economic institutions, based on specialized studies and international references. A questionnaire will also be used through a field study on a sample of economic institutions in the state of Blida.

Previous studies:

A **study by Manal Hamed Farag**, “The Impact of the Integration between Strategic Cost Management and Corporate Governance on Achieving Competitive Advantages for Establishments: An Empirical Study”, aimed to highlight the importance of strategic cost management methods in achieving competitive advantage and the importance of activating the relationship between strategic cost management methods and the application of corporate governance in achieving competitive advantage. The study found that there is a correlation between strategic cost management methods and the achievement of competitive advantage, as well as a correlation between the application of corporate governance and the achievement of competitive advantage, and therefore there is a correlation between strategic cost management methods, the application of corporate governance and the achievement of competitive advantage.

This study by Maher Osama Nayef titled “The Impact of Using Governance Mechanisms in Reducing Agency Costs - An Applied Study on Listed Companies in the Palestine Exchange -“ aimed to determine the impact of using governance mechanisms in reducing agency costs. The study found that there is no statistically significant effect between board size, percentage of managerial ownership and agency costs. However, there is an inverse effect between segregation of duties, executive compensation, firm size and agency costs. There is a statistically significant effect between financial leverage, debt financing, firm profitability and agency costs.
There are statistically significant differences between the mean responses regarding corporate governance mechanisms by sector type, in favour of the banking sector compared to other sectors. There are also statistically significant differences between the mean responses regarding agency costs in companies classified by sector type, in favour of the insurance sector compared to the investment and banking sector, in favour of the service sector compared to the banking sector and in favour of the industrial sector compared to the investment and banking sector.

The conceptual framework of corporate governance:
The concept of corporate governance: Not all writings have agreed on a single, clear and specific definition of corporate governance. We can provide a number of definitions as follows:
* The Institute of Internal Auditors defined it in the journal (Tome At The Top) as: “The processes that occur through the procedures used by stakeholder representatives to provide oversight of the management and monitoring of enterprise risks and to ensure the adequacy of controls to achieve objectives and maintain enterprise value through governance performance”. (Draousi and Dhaifallah, 2012, p. 04)
* The World Bank’s definition in 1992: “Good governance is synonymous with effective and optimal economic management that seeks to respond to various specific criticisms directed at states and institutions that challenge the top-down structural reforms that have led to an institutional vacuum instead of mobilising

the capacities and energies of the flourishing society." (Tahiri and Issaoui, 2012, p. 06)

* The Center for International Private Enterprise defines it as: "The framework in which institutions exercise their existence, and governance focuses on the relationship between employees, board members, shareholders and stakeholders, and government regulators, and how all these parties interact in overseeing the company's operations." (Barrouch and Dahimi, 2012, p. 18)

From the previous definitions, we can identify a number of meanings that the concept of corporate governance encompasses (Sulaiman, 2009, p. 18):

- Governance is a set of laws, regulations and rules specific to the control of institutional performance.
- It works to organise the relationships between the board of directors, managers, shareholders and other stakeholders.
- Managing institutions for the benefit of stakeholders.
- The institution is managed and controlled according to a specific structure that ensures the distribution of rights and obligations among the participants in the management of the institution, such as the board of directors, managers and shareholders.

The duties and responsibilities between the participants in the management of the institution, such as the board of directors, managers and shareholders.

1-2 Characteristics of corporate governance: Corporate governance is characterised by the following features: (Boukleb & Namdali, 2021, p. 11)

Transparency: Providing a true picture of everything that happens;

Independence: Including the independence of the board of directors and the various committees;

Accountability: The ability to evaluate and assess the work of the board;

Fairness: Responsibility to all stakeholders;

Responsibility: Respecting the rights of the various stakeholders in the company;

Social responsibility: Considering the company as a citizen.

1-3 Aims and benefits of corporate governance: Corporate governance helps to achieve the following objectives: (Zabidi & Khalifati, 2022, pp. 522-523)

Separation of ownership and management and improving the economic efficiency of companies;

Establishing the appropriate organisational structure to achieve the company's objectives;

Avoiding confusion between the responsibilities of senior management, the board of directors and its members;

Reviewing and amending the company's laws so that the responsibility for supervision becomes the responsibility of both the board and the shareholders;

Protect the rights and interests of shareholders;

Strengthening the element of transparency in all transactions and operations of the company;

Evaluate management performance, improve accountability and enhance trust;

Limiting the use of power for purposes other than the public interest;

Improve the credibility and understandability of information;

Enhance the company's ability to improve its competitive position and attract investment.

1-4 Corporate governance mechanisms: Corporate governance mechanisms are divided into internal mechanisms (within the organisation) and external mechanisms (outside the organisation), the most important of which are financial:

1-4-1- Internal corporate governance mechanisms: The internal corporate governance mechanisms are

a- Board of Directors: The mechanism of the Board of Directors is the best means of controlling the behaviour of executives and management and protecting the capital invested in the company from misuse by management. The more the number of independent directors on the board exceeds the number of non-independent internal directors, the more independent the board is in monitoring the company's financial and administrative performance, supervising it and ensuring the credibility of the financial reports prepared by management. (Jmoui, Brahmi, & Essaidi, 2022, p. 142-143)

b- Audit committee: The audit committee has currently received a great deal of attention from scientific, international, local and specialised bodies, especially after the financial failures and disruptions that occurred in global companies. This attention is due to the role that the audit committee can play as a corporate governance tool in increasing the confidence and transparency of the financial information disclosed by companies through the approval of financial reports and the supervision of the internal audit function, as well as its role in supporting external audit bodies and enhancing their independence, and its role in ensuring compliance with governance principles. (Qorichi & Madoui, 2019, p. 30)

c- Nomination Committee: In order to ensure transparency in the appointment of directors and other employees, it is necessary to appoint from among the best candidates whose experience and skills match the specific skills and experience required by the Company. This committee has been assigned a number of duties, including appointing the most qualified candidates, continuously evaluating their skills, maintaining objectivity in the recruitment process, and announcing the positions to be filled. (Ghazali, 2017, p. 30)

d- Internal Audit: Internal audit assists the company in achieving its objectives, confirms the effectiveness of the internal control system, and works with the board of directors and the audit committee to manage and control risks by evaluating and improving the company's activities and then confirming the accounting and financial information disclosed. (Ghazali, 2017, p. 292)

1-4-2- External mechanisms of corporate governance: The external mechanisms of corporate governance are as follows:

a- Laws and legislation: This includes the laws and legislations that govern the relationships, define the responsibilities and establish the minimum acceptable behaviours in the business environment, as well as the punitive or disciplinary measures that violators, negligent and transgressors are subject to. (Kamouch, 2018, p. 26)

b- External audit: The general framework of corporate governance imposes on the shareholders the need to appoint a qualified, professionally competent and independent external auditor to audit the institution's activities with the aim of expressing a neutral and objective technical opinion on the fairness and accuracy of the financial statements, the results of which are presented to all stakeholders and interested parties. External audit is based on

- Examining information and verifying its accuracy to maximise its usefulness;

- The external auditor is an external and independent party from the company and the parties preparing the financial statements.
The observation on this basis is that it intersects directly with the objectives of corporate governance, as it highlights the importance and sensitivity of the role of external audit in corporate governance, which serves as an early warning system for all parties related to the company (such as the board of directors, shareholders and creditors), as it reveals the strengths and weaknesses in the company's performance, allowing the implementation of appropriate corrective decisions and preventing the business environment from being affected by the manipulations of the company's management.
c- Competition in the product (service) market and the administrative labour market: Competition in the product (or service) market is considered one of the important mechanisms of corporate governance, because if the company's business is not properly managed, it will not be able to compete with the institutions operating in the same industry, and consequently will be exposed to bankruptcy. Competition in the product market disciplines the management market, especially if there is an effective market for top management.
d- Disclosure and transparency: The framework of corporate governance rules should ensure the prompt, accurate and timely disclosure of all matters relating to the establishment of the company, including its financial position, performance, ownership and control.

Reducing business costs:

2-1- The concept of cost: Cost is usually defined as the sacrifice of a set of scarce economic resources, measurable in monetary terms (for financial accounting purposes), to achieve a specific goal or purpose. Given the importance of the concept of cost, the main elements of the concept need to be addressed as follows (Rady, 2003, pp. 18-19):

Sacrifice: Since the actual cost is a burden borne by the individual or institution, there is no doubt that the feeling associated with bearing the cost is often one of hardship and discomfort. Accordingly, the cost is seen as a sacrifice. On the other hand, the cost and the resulting cash outflow often result in a reduction in available wealth or resources, confirming that the cost is a sacrifice.

In monetary terms: In order for the sacrifice to be recognised, it must be expressed in terms of a certain amount of money. If we accept this conviction, then, by inverse reasoning, expressing the sacrifice in any form other than monetary units will negate its character as a cost and give it some other meaning that is not relevant to the matter at hand. There is no doubt that the sacrifice here is not considered a cost as long as it does not result in an outflow of money.

Achieving benefits: Benefits are at the heart of defining the nature of costs. It is inconceivable to consider any monetary sacrifice as a cost unless it results in a benefit. This distinguishes cost from loss, as the monetary sacrifice that does not result in a benefit is considered a loss. This is consistent with the concept of loss, which refers to the lack of benefit from the amounts charged and sacrificed.

Cost drivers: There are several definitions, including:

* A cost driver is defined as ‘a quantitative measure that reflects the fundamental reason for the formation of a cost element within each cost pool’. (Attia, 2000, p. 21)

* It is also defined as “a measure that reflects the fundamental reason for the formation of a cost element within each activity or cost pool”. (Abdel-Latif, 2003, p. 335)

* It is also defined as “any cause, procedure, event or process that consumes resources and results in the creation and formation of costs”. (El-Eshmawy, 2010, p. 303)

2-2- The concept of cost reduction:

The measure of success for any cost reduction project is the extent of the reduction in the cost of the “unit of production” or “unit of work”, i.e. the relative reduction in cost by increasing production efficiency, which means either increasing the number of units of production using the same resources “labour, materials and finance”, or producing the same number and type of units of production using smaller or less expensive materials, or both. Therefore, cost reduction in a general sense means reducing costs to the point where they are no longer controllable. (Obaid, 2018, p.600)

Cost reduction has been defined as “a positive plan to improve efficiency by eliminating waste or excess in production and increasing efficiency in all areas, using advanced methods to reduce this excess”. Five rules have been defined for continuous cost reduction, which are: reducing the time and effort required to perform the work, eliminating unnecessary activities, selecting low-cost activities, redistributing unused resources, and splitting activities whenever possible. (Al-Hamdani and Abdel-Hussein, 2013, p.480).

From the above, it can be said that cost reduction should be a real reduction, i.e. achieving savings and eliminating unnecessary activities and causes of defects and errors, as they are a burden on the institution. Reducing costs without affecting the quality of the product will be the best approach to maintaining the institution’s competitive position.

The manifestation of cost reduction is one of the following alternatives: increasing the quantity of output while keeping the quantity of input constant, increasing the quantity of output at a higher rate than increasing the quantity of input, decreasing the quantity of input while keeping the quantity of output constant, decreasing the quantity of input at the same rate as decreasing the quantity of output, and increasing the quantity of output and decreasing the quantity of input.” (Al-Hamdani and Abdel-Hussein, 2013, p. 480).

The objective of cost reduction is to determine whether there is a possibility of achieving savings in incurred costs, labour and overheads, and cost reduction is considered a real success without compromising the quality of the product and its ability to meet all consumer desires. (Akeem, 2017, p.22)

2-3- Importance of cost reduction: The importance of cost reduction in the institution can be highlighted as follows: (Amin Hussein and Muqdad, 2020, p. 597)

- Optimal utilisation of available resources by the institution in such a way as to achieve financial savings in a timely manner;
- Motivating the administrative levels to achieve the institution's objectives by adopting methods and standards that serve the process of continuous development in a way that achieves the desired result;
- Helping to achieve control and supervision over all the institution's activities;
- Reaching the level that undermines the competitive position of the institution;
- Optimal use of the institution's available production capacity;
- Reducing the value of products by eliminating unnecessary costs;
- Achieving production efficiency and effectiveness through careful use of production elements in an optimal way;
- Maintaining the continuity of the institution in the competitive environment.

2-4- Elements of cost reduction: There are several elements that can be subjected to the process of cost reduction and they are not specific. Any element, part or department of the institution or stage of production can be considered as an element of cost reduction and the most important of these elements can be summarised as follows: (Karrar Muhammad and Faris Al-Tayyib, 2022, p. 09)

- Capital assets: such as land, buildings, vehicles, machinery, etc;
- Direct and indirect labour;
- Raw materials, finished and semi-finished goods;
- Selling and marketing expenses, including transportation, packaging, installation and maintenance costs;
- General and administrative expenses, including research and development, energy and maintenance of machinery and equipment.

3- The field study:

3-1 The methodological framework of the study: Defining the methodological framework of the study is a fundamental step in initiating the applied aspect, after determining the study population that is consistent with the research topic in its various dimensions and positively responds to the requirements and tools of data collection. This section includes a description of the procedures followed to achieve the objectives of the study, describing the study method, its tool, the population and sample, the sources and methods of data and information collection, and the validity and reliability of the study tool using the SPSS statistical programme. The methodological framework of the study includes the following:

3-1-1 Study methodology: This research is based on the descriptive-analytical method, which expresses the studied phenomenon as it is in reality and accurately describes it qualitatively and quantitatively. The descriptive method is defined as one of the forms of organised scientific analysis and interpretation to describe and quantify a specific problem by collecting data and information about the problem, classifying and analysing them.

3-1-2 Study tool: Within the framework of the field study and with the aim of testing the role of corporate governance mechanisms in reducing the costs of institutions, the questionnaire was selected as a measurement tool. Several implementation steps were taken to ensure its validity and reliability. The reliability of the questionnaire means that the answer will be approximately the same when it is repeated to the same people, and its validity means that it measures what it was designed to measure. The questionnaire is divided into two main parts:

Part One: Concerning the axis of corporate governance mechanisms, consisting of two dimensions: the internal governance mechanisms of companies and the external governance mechanisms of companies.

Part two: on the axis of cost reduction.
In order to achieve the objectives of the study, which is to identify the trends of the individuals in the study sample regarding the role of corporate governance mechanisms in reducing costs, in this part of the statistical analysis we examine the results of the responses of the individuals in the study sample for the dependent variables. This is done by presenting the initial statistical indicators of their responses, based on the arithmetic means, standard deviations and degree of importance of the responses of the sample individuals, as follows:
- The range to determine the length of the class = (highest degree (strongly agree) - lowest degree (strongly disagree)) / number of levels, and this is to determine their direction towards each statement, whether they are: strongly agree, agree, neutral, disagree, strongly disagree.
- Determine the length of the class using the range where (5-1)/5= 0.8

Where we get the following ranges:

Table 1: Shows the levels of the five-point Likert scale

Range of Arithmetic Mean		Questionnaire for map	Degree of agreement
[1 - 1.80]	From 0.1 to 1.80 degrees	Strongly disagree	Very low score
(1.80 - 2.60]	From 1.80 to 2.60 degrees	Disagree	Low score
(2.60 - 3.40]	From 2.60 to 3.40 degrees	neutral	Medium score
(3.40 - 4.20]	From 3.40 to 4.20 degrees	Agree	High score
(4.20 - 5]	From 4.20 to 5 degrees	Strongly Agree	Very high score

Source: Prepared by the researchers

3-1-3 Population and sample: The study population consists of economic institutions of all types: industrial, commercial and service. The basis of scientific research is to carry out research on all members of the research community, as this leads to correct and accurate research results. Given that the population under study is characterised by dispersion and a large number, the sample was selected and determined randomly for several reasons, the most important of which are time and cost constraints and the size of the population under study.

Therefore, the questionnaire designed for the purposes of the study was distributed to a sample of economic institutions, accounting offices, experts and accountants in the State of Blida, where the sample size was estimated at 200 questionnaires, starting from March 2024 until May 2024, in order to allow sufficient time for understanding the statements and terms and to obtain more accurate answers from the respondents. 193 questionnaires were distributed, 190 were returned and only 186 were valid for the study. The following table illustrates this:

Table 2: Shows the distribution of the study tool

Number of questionnaires	Distribution	retrieved	Final
200	193	191	186

Source**:** Prepared by the researchers.

3-2 Data and information collection sources and methods
3-2-1 Data collection sources: The data for the study were obtained from two sources:

Primary sources: The data was obtained through the design and distribution of a questionnaire to a sample of the research community, which was then emptied and analysed using the Social Statistical Package program and appropriate statistical tests to obtain meaningful indications and indicators that support the subject of the study.

Secondary sources: The data were obtained from university theses, articles and reports related, directly or indirectly, to the subject of research and study. The aim of using secondary sources in this research is to identify the sound scientific bases and methods in the writing of studies, as well as to get a general idea of the developments that have occurred and are occurring in the field of this research.

3-2-2 Statistical methods used in data analysis: After the questionnaire has been designed, tested and modified, it is generalised to the target sample of the study, and after it has been collected from the respondents, it is analysed. There are several statistical analysis programmes to obtain meaningful indications and indicators that support the topic. The SPSS (Statistical Package for Social Sciences) programme is then used, which facilitates decision-making on the subject of the study through its data management and rapid statistical analysis of the results, using the following statistical tools
Frequencies and percentages for demographic variables.
Cronbach's alpha coefficient to measure the reliability of the research tool.
Validity coefficient to measure the validity of the research tool.
Simple linear regression equation to study the effect of one variable on another.
Pearson's correlation coefficient to examine the relationship between variables.

3-3 Reliability and Validity of the Study Instrument: In order to know the procedures of reliability and validity of the questionnaire, this is done by calculating the value of Cronbach's Alpha for reliability and self-validity as shown in the following table:

Table No. (03): Represents the value of Cronbach's Alpha reliability coefficient and self-validity of the questionnaire

Axes	Number of statements	Reliability coefficient	validity
Corporate governance mechanisms	22	0.674	0.820
Internal Mechanisms of Corporate Governance	21	0.642	0.801
External Mechanisms of Corporate Governance	43	0.820	0.905
Cost reduction	9	0.578	0.760
All items in the questionnaire	52	0.851	0.922

Source: Prepared by the researchers based on the results of SPSS.

From the table, we can see that the reliability coefficient of the questionnaire using the alpha coefficient ranged between (0.642-0.820), and for all the items of the questionnaire, the reliability coefficient value was 0.851, which indicates that the scale has a good and acceptable level of reliability. The intrinsic validity of the questionnaire reached 0.922, which indicates that the questionnaire is valid for what it was designed to measure.

3-4 Presentation and analysis of the results of the study:

3-4-1 Study and analysis of personal and functional data: The personal and functional data that we will analyse are: age, educational qualification, professional qualification, years of professional experience, and can be summarised in the following table:

Table No. (04): Characteristics of sample units

Variable	Statement	Frequency	Percentage Ratio%
Age	Less than 30 years	31	16.7
	From 30 to less than 39 years	47	25.3
	From 40 to 49	82	44.1
	50 years and above	26	13.9
Age	Total	**186**	**100**
Academic qualification	Professional certificate in accounting	26	13.97
	Higher Technician	33	17.75
	Bachelor's degree	57	30.65
	Majester/master	59	31.72
	Doctorate	11	5.91
Academic qualification	Total	**186**	100
Professional Qualification	manager	11	05.9
	Head of department/section	30	16.1
	Accountant	45	24.2
	Internal Auditor	33	17.7
	Chartered Accountant	37	19.9
	Accountant	21	11.4

	Accounting Expert	09	04.8
	Total	**186**	**100**
Years of experience	Less than 5 years	28	15.1
	From 5 to 9 years	49	23.3
	From 10 to 14 years	70	37.6
	More than 15 years	39	21
	Total	**186**	**100**

Source: Prepared by the researchers.

Table No. (04) shows the following:

- 82 respondents representing the age group of 40 to 50 years, with a percentage of 44.1%, while the number of respondents from the age group of 30 to 40 years was 47, with a percentage of 25.3%, followed by a percentage of 16.7% for the age group under 30 years, and finally a percentage of 13.9% for the age group over 50 years.
- There were 59 respondents with a Master's degree, with a percentage of 31.72%, while the number of respondents with a Bachelor's degree was 57, with a percentage of 30.65%, on the other hand, we find the percentage of 17.75% for the Higher Technician level, followed by a percentage of 13.97% for the Accounting Professional Certificates, and finally a percentage of 5.91% for the Doctorate degree.
- The category of accountant had 45 respondents with a percentage of 24.2%, followed by the category of chartered accountant with 37 respondents with a percentage of 19.9%, then the category of internal auditor with a percentage of 17.7%, then the category of head of department/section with a percentage of 16.1%, then the category of chartered accountant with a percentage of 11.4%, then the category of manager with a percentage of 5.9% and finally the category of accounting expert with a percentage of 4.8%.
- 70 respondents have experience between 10 and 14 years, with a percentage of 37.6%, while the category with experience between 5 and 9 years had 49 respondents, with a percentage of 26.3%, and finally the percentages of 21% and 15.1% for the categories with more than 15 years and less than 5 years respectively.

3-4-2 Analysis of the results of the corporate governance mechanisms axis: This includes the following

a- Analysis of the results of the internal corporate governance mechanisms: The results of the questionnaire in this part are shown in the following table:

Table No. (05): Represents the sample's responses to the internal mechanisms of corporate governance

Statements	alternatives										arithmetic mean	standard deviation	Degree
	Strongly disagree		Disagree		Neutral		Agree		Strongly agree				
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%			
Statement 01	129	69.4	57	30.6	-	--	-	--	-	--	1,31	0,462	Very low
Statement 02	8	4.3	33	17.7	36	19.4	62	33.3	47	25.3	3,58	1,170	High
Statement 03	8	4.3	4	2.2	27	14.5	72	38.7	75	40.3	4,09	1,010	High
Statement 04	-	--	39	21	61	32.8	59	31.7	27	14.5	3,40	0,977	High
Statement 05	-	--	24	12.9	30	16.1	78	41.9	54	29	3,87	0,978	High
Statement 06	16	8.6	18	9.7	35	18.8	58	31.2	59	31.7	3,68	1,253	High
Statement 07	10	5.4	14	7.5	13	7	8	47.3	61	32.8	3,95	1,089	High
Statement 08	-	--	8	4.3	53	28.5	58	31.2	67	36	3,99	0,906	High
Statement 09	2	1.1	34	18.3	56	30.1	59	31.7	35	18.8	3,49	1,031	High
Statement 10	8	4.3	41	22	55	29.6	59	31.7	23	12.4	3,26	1,070	Medium
Statement 11	10	5.4	22	11.8	51	27.4	42	22.6	61	32.8	3,66	1,204	High
Statement 12	4	2.2	39	21	59	31.7	68	36.6	16	8.6	3,28	0,964	Medium
Statement 13	17	9.1	48	25.8	36	19.4	44	23.7	41	22	3,24	1,302	Medium
Statement 14	4	2.2	56	30.1	70	37.6	44	23.7	12	6.5	3,02	0,941	Medium
Statement 15	13	7	27	14.5	29	15.6	85	45.7	32	17.2	3,52	1,145	High
Statement 16	8	4.3	27	14.5	39	21	88	47.3	24	12.9	3,50	1,031	High
Statement 17	2	1.1	40	21.5	35	18.8	64	34.4	45	24.2	3,59	1,108	High
Statement 18	11	5.9	36	19.4	57	30.6	46	24.7	36	19.4	3,32	1,164	Medium
Statement 19	-	--	42	22.6	43	23.1	50	26.9	51	27.4	3,59	1,117	High
Statement 20	4	2.2	24	12.9	68	36.6	71	38.2	19	10.2	3,41	0,916	High
Statement 21	32	17.2	32	17.2	24	12.9	62	33.3	36	19.4	3,20	1,392	Medium
Statement 22	10	5.4	34	18.3	36	19.4	73	39.2	33	17.7	3,46	1,139	High
Overall Mean Overall Standard Deviation											3.426	0.384	High

Source: Prepared by the researchers based on the results of SPSS.

From the above table (05), we note that the responses of the sample individuals regarding the internal mechanisms of corporate governance indicate that most of the sample individuals' responses are at a high level of agreement on the indicators of this dimension, where the overall mean of the internal mechanisms of corporate governance dimension reached 3.426, i.e. towards a high level, with a standard deviation of 0.384, which means that the sample is dispersed and heterogeneous in this dimension.

We also note that the responses of the individuals in the sample had an arithmetic mean ranging from 1.31 to 4.09.What explains these results is that the internal mechanisms of corporate governance, from the board of directors, the audit committee, the nomination committee and the internal audit committee, work to monitor the behaviour of executives and management and to protect the capital invested in companies from misuse by management. They also ensure the credibility of the financial reports prepared by management, work to enhance the confidence and transparency of the financial information disclosed, and seek to appoint directors and employees who have the necessary experience, skills, competence and integrity. In this way, the internal governance mechanisms help the companies under review to achieve their objectives, manage and control risks, and evaluate and improve the company's activities.

B- Analysis of the results of the external corporate governance mechanisms: The results of the questionnaire in this part are shown in the following table:

Table (06): Represents the responses of the sample individuals to the external mechanisms of corporate governance

Statements	alternatives										arithmetic mean	Standard deviation	Degree
	Strongly disagree		Disagree		Neutral		Agree		Strongly agree				
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%			
Statement 01	10	5.4	26	14	32	17.2	55	29.6	63	33.9	3,73	1,219	High
Statement 02	8	4.3	37	19.9	55	29.6	45	24.2	41	22	3,40	1,159	High
Statement 03	12	6.5	21	11.3	35	18.8	87	46.8	31	16.7	3,56	1,095	High
Statement 04	8	4.3	31	16.7	57	30.6	72	38.7	18	9.7	3,33	1,005	Medium
Statement 05	-	--	26	14	42	22.6	37	19.9	81	43.5	3,93	1,105	High
Statement 06	12	6.5	21	11.3	35	18.8	87	46.8	31	16.7	3,56	1,095	High
Statement 07	8	4.3	33	17.7	36	19.4	62	33.3	47	25.3	3,58	1,170	High
Statement 08	8	4.3	4	2.2	27	14.5	72	38.7	75	40.3	4,09	1,010	High
Statement 09	-	--	39	21	61	32.8	59	31.7	27	14.5	3,40	0,977	High
Statement 10	-	--	24	12.9	30	16.1	78	41.9	54	29	3,87	0,978	High
Statement 11	16	8.6	18	9.7	35	18.8	58	31.2	59	31.7	3,68	1,253	High
Statement 12	10	5.4	14	7.5	13	7	88	47.3	61	32.8	3,95	1,089	High

Statements	alternatives										arithmetic mean	Standard deviation	Degree
	Strongly disagree		Disagree		Neutral		Agree		Strongly agree				
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%			
Statement 13	-	--	8	4.3	53	28.5	58	31.2	67	36	3,99	0,906	High
Statement 14	2	1.1	34	18.3	56	30.1	59	31.7	35	18.8	3,49	1,031	High
Statement 15	8	4.3	41	22	55	29.6	59	31.7	23	12.4	3,26	1,070	Medium
Statement 16	10	5.4	22	11.8	51	27.4	42	22.6	61	32.8	3,66	1,204	High
Statement 17	4	2.2	39	21	59	31.7	68	36.6	16	8.6	3,28	0,964	Medium
Statement 18	17	9.1	48	25.8	36	19.4	44	23.7	41	22	3,24	1,302	Medium
Statement 19	4	2.2	56	30.1	70	37.6	44	23.7	12	6.5	3,02	0,941	Medium
Statement 20	13	7	27	14.5	29	15.6	85	45.7	32	17.2	3,52	1,145	High
Statement 21	8	4.3	27	14.5	39	21	88	47.3	24	12.9	3,50	1,031	Medium
Overall Mean Overall Standard Deviation											3.572	0.381	High

Source: Prepared by the researchers based on the results of SPSS.

Through the table above, number (06), we observe that the responses of the sample individuals regarding the external mechanisms of corporate governance show that most of the responses of the sample individuals are with a high degree of agreement on the indicators of this dimension, where the overall average of the external mechanisms dimension of corporate governance reached 3.572, i.e. towards a high degree level, and a standard deviation of 0.381, which means that the sample is dispersed and heterogeneous in this dimension.

These results can be explained by the fact that the external corporate governance mechanisms, such as laws and regulations, external audit, competition in the product (service) market and in the administrative labour market, disclosure and transparency, work to define the ethics of science and the minimum behaviours that must be respected in the business environment. They also define the disciplinary and sanctioning procedures to which violators and negligent employees are subject, and help to obtain a neutral and objective technical opinion on the fairness and adequacy of the financial statements, with the presentation of the results to stakeholders, revealing the strengths and weaknesses in the performance of the business environment in the companies studied, allowing the adoption of appropriate remedial decisions and preventing the business environment from being affected by manipulations occurring within the company. They also help to stay in a highly competitive market and strive for its continuity, rather than withdrawing from the market (i.e. achieving a market share that is characterised by growth rather than decline), and to ensure accurate and timely disclosure of the financial position, performance, ownership and control of the companies under review.

3-4-3 Analysis of the results of the cost reduction axis:

The results of the questionnaire in this axis were as shown in the following table:

Table No. (07): Presentation of the Responses of the Sample Persons for the Cost Reduction Axis

Statements	**alternatives**										**arithmetic mean**	**standard deviation**	**Degree**
	Strongly disagree		Disagree		Neutral		Agree		Strongly agree				
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%			
Statement 01	2	1.1	40	21.5	35	18.8	64	34.4	45	24.2	3,59	1,108	High
Statement 02	11	5.9	36	19.4	57	30.6	46	24.7	36	19.4	3,32	1,164	Medium
Statement 03	-	--	42	22.6	43	23.1	50	26.9	51	27.4	3,59	1,117	High
Statement 04	4	2.2	24	12.9	68	36.6	71	38.2	19	10.2	3,41	0,916	High
Statement 05	32	17.2	32	17.2	24	12.9	62	33.3	36	19.4	3,20	1,392	Medium
Statement 06	10	5.4	34	18.3	36	19.4	73	39.2	33	17.7	3,46	1,139	High
Statement 07	10	5.4	26	14	32	17.2	55	29.6	63	33.9	3,73	1,219	High
Statement 08	8	4.3	37	19.9	55	29.6	54	24.2	41	22	3,40	1,159	High
Statement 09	12	6.5	21	11.3	35	18.8	87	46.8	31	16.7	3,56	1,095	High
Overall Mean Overall Standard Deviation											3.474	0.551	High

Source: Prepared by the researchers based on the results of SPSS.

From the above table (07), we note that the responses of the sample individuals for the cost reduction axis indicate that most of the sample individuals' responses were at a high level of agreement on the indicators of this axis, where the overall average of the cost reduction axis was 3.474, i.e. towards a high degree level, and a standard deviation of 0.551, which means that the sample is dispersed and not homogeneous in this axis.

It is also worth noting that the average of the responses of the individuals in the sample was between 3.20 and 3.73, and what explains these results is that the reduction of the costs of institutions helps in the optimal use of the available productive capacities of the companies in a way that achieves financial savings at the appropriate time and motivates the administrative levels to achieve the objectives of the company by adopting methods and standards that serve the process of continuous development. It also helps to achieve control and supervision over all the activities and cost drivers of the company, and also seeks to reach the level that improves its competitive position in a highly competitive market, as well as reducing the value of products by eliminating unnecessary and non-value added costs, and thus achieving production efficiency and effectiveness through careful use of production elements, and finally achieving the most important objective of the companies in the study sample, which is continuity in the market.

3-5 Hypothesis testing:

3-5-1 The main hypothesis: The main hypothesis states that: "There is a relationship between corporate governance mechanisms and cost reduction in the Algerian economic institutions in the study sample". To test this hypothesis, we use the simple linear regression test.

Table (08) presents the simple regression equation

independent variable	Dependent variable	Correlation coefficient	Coefficient of determination	T-value	B value	F Value	Level of Significance
Corporate governance mechanisms	Cost reduction in institutions	0.636	0.405	11.192	0.428	125.260	0.000

The source: Prepared by the researchers based on the results of SPSS.

We note from the table above that the Pearson correlation coefficient between the mechanisms of corporate governance and the reduction of institutional costs is R = 0.636, which is a positive correlation coefficient, which explains the existence of a positive linear relationship between the two variables. This is due to the fact that the mechanisms of corporate governance have a positive impact on reducing the costs of institutions and influence them.

As for the explanatory power of the regression model, represented by the coefficient of determination, it reached 0.405, which means that the mechanisms of corporate governance explain 40.5% of the changes that occur in the reduction of institutional costs, or that 40.5% of the changes that occur in the reduction of institutional costs are attributable to the mechanisms of corporate governance, and the rest is due to other factors, including random error.

With regard to the overall significance of the model, the results of the F-test reached a value of 125.260 at a significance level of 0.000, which is less than the significance level of 0.01, and the test of the significance of the partial regression model reached a value of T=11.192 at a significance level of 0.000, which is less than the significance level of 0.01. The regression coefficient for the variable of corporate governance mechanisms for the significant regression model is positive, which means a positive effect, which means that an increase of one unit of corporate governance mechanisms leads to a reduction of institutional costs. With these results, we accept the main hypothesis, which states that There is a correlation relationship between the mechanisms of corporate governance and the reduction of costs in the Algerian economic institutions, the study sample, and the regression equation that explains the relationship between the mechanisms of corporate governance and the improvement of the reduction of institutional costs is:

Reduction of institutional costs = 0.428 + 0.405 * corporate governance mechanisms.

We know that corporate governance means control at all levels within the institution, and this in turn leads to a reduction in deviations and errors, which then leads to a reduction in the costs of correcting errors and defective production, as well as the costs of misappropriation and fraud.

3-5-2 The first sub-hypothesis: It states: "There is a correlation between the internal mechanisms of corporate governance and cost reduction in the Algerian economic institutions in the study sample". To verify the validity of this hypothesis, the Pearson coefficient was used and the following result was obtained after statistical processing:

Table 9: Shows the relationship between the internal mechanisms of corporate governance and the reduction of institutional costs

Pearson's Rho		Institutional cost-cutting	Decision
External mechanisms of corporate governance	Correlation coefficient	**0.686	**The correlation is statistically significant at the alpha level (0.01)
	Significance level	0.000	
	Sample Size	186	

Source: Prepared by the researchers based on the SPSS results.

From the above table (Table 9), we can see that the Pearson correlation coefficient between the scores of the participants in the study sample in (the internal mechanisms of corporate governance) and their scores in the (reduction of institutional costs) axis was (0.686**), which is a positive value. This means that the correlation between (the internal mechanisms of corporate governance) and the (reduction of institutional costs) scores of the sample participants is positive, i.e. the sample participants' scores in (the internal mechanisms of corporate governance) are distributed in the same way as their scores on the (reduction of institutional costs) scale, and vice versa. The result of this correlation was statistically significant at the alpha level of significance (α=0.01). Accordingly, there is a correlation between the internal mechanisms of corporate governance and cost reduction in the Algerian economic institutions in the study sample.

3-5-3 The second sub-hypothesis: The second hypothesis of this study states: "There is a correlation between the external mechanisms of corporate governance and cost reduction in the Algerian economic institutions in the study sample". To verify the validity of this hypothesis, the Pearson coefficient was used and the following result was obtained after statistical processing:

Table 10: Shows the relationship between the external mechanisms of corporate governance and the reduction of institutional costs

Pearson's Rho		Institutional cost-cutting	Decision
Internal mechanisms of corporate governance	Correlation coefficient	**0.539	**The correlation is statistically significant at the alpha level (0.01)
	Significance level	0.000	
	Sample Size	186	

Source: Prepared by the researchers based on the SPSS results.

From the above table (Table 10), we can see that the Pearson correlation coefficient between the scores of the participants in the study sample in (the external mechanisms of corporate governance) and their scores in the (reduction of institutional costs) axis was (0.539**), which is a positive value. This means that the correlation between (the external mechanisms of corporate governance) and the (reduction of institutional costs) scores of the sample participants is positive, i.e. the sample participants' scores in (the external mechanisms of corporate governance) are distributed in the same way as their scores on the (reduction of institutional costs) scale, and vice versa. The result of this correlation was statistically significant at the alpha level of significance (α=0.01). Accordingly, there is a correlation between the external mechanisms of corporate governance and the reduction of costs in Algerian economic institutions in the sample studied.

Conclusion

The application of corporate governance at the level of Algerian economic institutions contributes to several benefits, the most important of which are good auditing and control at all levels within the institution in order to detect errors and manipulations, correct them and avoid them in the future. This helps to reduce the waste of costs that do not add value to the current and future institution by correcting these errors and avoiding them in the future. This study has reached a number of results, the most important of which are:

- The correct application of the mechanisms of corporate governance is ensured by a group of stakeholders in the application of corporate governance, and each has its role and responsibilities in the practice of management and control, and thus improving performance.
- Corporate governance helps to detect, correct and prevent the recurrence of mistakes in order to reduce the costs that may be incurred in the future;
- Corporate governance seeks to detect manipulation within the institution, particularly at the level of its financial statements;
- Corporate governance ensures the application of all government laws and regulations in order to avoid financial penalties for non-compliance;

- The advice and opinions of the external auditor contribute to the correct application of governance and the reduction of its costs;
- Governance seeks to prevent faulty production by applying pre- and post-control to all stages of production, thereby reducing the cost of faulty production.
- The commitment of companies to the mechanisms and principles of governance leads to an increase in the efficiency of their performance and thus to an increase in the trust and loyalty of employees, and increases the ability of managers to control management, overcome difficulties and innovate new methods and ways to reduce costs.

Based on the above findings, we propose the following recommendations:
- Appoint efficient managers to avoid wasting the costs of mismanagement;
- The institution must train staff and workers so as not to incur the cost of correcting errors resulting from the ignorance or incompetence of workers;
- Activate and develop the role of governance mechanisms in detecting fraud and errors in cost accounting.
- The sampled companies must develop clearer and more detailed plans, based on scientific principles and methods, that contribute to reducing the costs identified, with specific targets, and the administrations are committed to implementing them.
- Commitment to follow the advice of the external auditor in order to avoid wasting costs by repeating the same mistakes in the future.

References

1. Akeem, L. B. (2017). Effect of cost control and cost reduction techniques on organisational performance. International Business and Management Journal, 14 (03), pp. 19-26.
2. Al-Ashmawy, M. (2010). Cost accounting: Traditional and modern perspectives. Jordan: Dar Al-Yazuri for Publishing and Distribution.
3. Amin Hussein, H., & Mikdad, M. A. (2020). Adoption of the cost flow map and its impact on cost reduction. Journal of Humanities, 08 (04).
4. Intisar Ahmed Obeid. (2018). The impact of accounting for human resources in cost reduction. Journal of Economic and Administrative Sciences, 103 (24), pp. 595-611.
5. Bouguile, W., & Namdeli, B. (2021). Establishing and implementing corporate governance principles in Arab countries - Egypt as a model. Journal of Quantitative and Qualitative Research in Economic and Administrative Sciences, 03 (01), pp. 07-31.
6. Jamaoui, A., Brahmi, F., & Al-Saidi, S. (2022). The impact of corporate governance mechanisms in reducing creative accounting practices - a professional vision (field study). Journal of Economic Studies, 13 (01), pp. 137-154.
7. Haddad, M. (2008). The role of corporate governance in economic development. Corporate governance and its role in economic reform. Damascus: University of Damascus.
8. Hassani, R. (2012). Corporate governance mechanisms and their role in reducing financial and administrative corruption. Corporate governance as a mechanism to reduce financial and administrative corruption. Biskra: Mohammed Khider University.

9. Radi, M. S. (2003). Principles of cost accounting. Alexandria: University House.
10. Zeboudi, A., & Khalifati, J. (2022). The effect of applying corporate governance principles on the credibility of financial statements - a field study. Journal of Advanced Economic Research, 07 (01), pp. 520-533.
11. Abdel-Latif, N. A. (2003). Introduction to cost measurement systems (applications in industry, contracting and services). Cairo, Egypt: University House.
12. Attia, H. A. (2000). Cost accounting in applied fields. Cairo: University House for Printing, Publishing and Distribution.
13. Aqoun, Sh., Doufie, Q., & Bourouina, A. (2020, December). Corporate governance and its role in stabilising the business environment - a study of international experiences. Al-Asel Journal of Economic and Administrative Research, 04 (02), pp. 15-35.
14. Ghazali, Z. (2017, December). The effect of corporate governance on dividend policy - a study of a sample of listed Saudi companies. Journal of Industrial Economics (13), pp. 288-307.
15. Quraishi, K., & Madawi, S. (2019). Internal corporate governance mechanisms as an approach to reduce financial and administrative corruption. Al-Maqrizi Journal for Economic and Financial Studies, 03 (02), pp. 18-33.
16. Karrar Mohammad, H. M., & Faris Al-Taib, M. A. (2022, 06). The impact of applying the theory of constraints in reducing costs in manufacturing companies. Journal of Humanities and Social Sciences, 08 (02), pp. 001-018.
17. Kamush, A. A. (2018). An analytical study of corporate governance models - mechanisms and operating system. Journal of Administrative and Financial Sciences, 02 (02), pp. 22-37.
18. Mahmoud Al-Saeed Bouderbalah, & Jaloul Harrouchi. (2021). The role of corporate governance in determining the level of accounting conservatism in the financial statements of Algerian companies - a field study. THE JOURNAL OF ECONOMIC GROWTH AND ENTREPRENEURSHIP, 04 (07), pp. 37-50.