Financial Management and Entrepreneurial Governance
Gestion financière et gouvernance entrepreneuriale

Aboura Ouassila[1], **Benbayer Habib**[2]
[1] University of Oran2, Mohamed Ben Ahmed, LARAFIT Laboratory (Algeria)
[2] University of Oran2, Mohamed Ben Ahmed, LARAFIT Laboratory (Algeria)
Received: 26-10-2025 *Accepted:* 03-05-2026

Abstract:

In a context of intense competition and stringent institutional requirements, the governance of small and medium-sized enterprises (SMEs) is a crucial determinant of their long-term sustainability. This study aims to examine the role of financial management as a strategic lever to strengthen SME governance, particularly in terms of transparency, accountability, and effective organizational control. The research was conducted on a sample of 30 SMEs in the agri-food sector in Oran, Algeria. Data were collected through structured questionnaires and analysed using descriptive, correlational, and regression statistical methods. The results indicate a significant positive relationship between the rigor of financial management practices and the quality of governance. SMEs that implement systematic budgeting, rigorous financial monitoring, and internal control mechanisms demonstrate enhanced managerial accountability, increased stakeholder trust, and improved overall organizational performance. These findings highlight the essential role of robust financial management in promoting sustainable governance and ensuring long-term business continuity.
***Keywords** : Financial information, Financial management, Governance, SMEs, Agri-food sector, Algeria*
***JEL Classification Codes**: G30, M10, L26, O16*

Résumé :
Dans un contexte de concurrence intense et d'exigences institutionnelles strictes, la gouvernance des petites et moyennes entreprises (PME) constitue un déterminant crucial de leur pérennité. Cette étude vise à examiner le rôle de la gestion financière comme levier stratégique pour renforcer la gouvernance des PME, notamment en termes de transparence, de responsabilité et de contrôle organisationnel efficace. La recherche a été menée sur un échantillon de 30 PME du secteur agroalimentaire à Oran, en Algérie. Les données ont été recueillies à l'aide de questionnaires structurés et analysées à l'aide de méthodes statistiques descriptives, corrélationnelles et par régression. Les résultats indiquent une relation positive significative entre la rigueur des pratiques de gestion financière et la qualité de la gouvernance. Les PME qui mettent en œuvre une budgétisation systématique, un suivi financier rigoureux et des mécanismes de contrôle interne affichent une meilleure responsabilité des dirigeants, une confiance accrue des parties prenantes et une performance organisationnelle globale améliorée. Ces résultats soulignent le rôle essentiel d'une gestion financière solide pour promouvoir une gouvernance durable et assurer la continuité à long terme des entreprises.
***Mots-clés** : Information financière, Gestion financière, Gouvernance, PME, Agroalimentaire, Algérie*
Codes de classification Jel : G30, M10, L26, O16

[1] ***Corresponding author**:* Aboura Ouassila, , E-mail*: aboura.ouassila@univ-oran2.dz*

INTRODUCTION

According to the OECD (2015), small and medium-sized enterprises (SMEs) represent the backbone of the global economy, playing a pivotal role in both economic and social development. In Algeria, SMEs also occupy a dominant position: data from the National Office of Statistics (ONS) indicate that they constitute the vast majority of enterprises and contribute significantly to employment creation. Nevertheless, they continue to face numerous structural challenges, including limited access to bank financing, a restrictive legal and administrative environment, and governance structures that remain largely informal. These constraints heighten their vulnerability and partly explain their high failure rates, particularly during the early stages of activity (Daily, McDougall, Covin & Dalton, 2002).

In this context, corporate governance emerges as a central concern, as it determines the transparency, credibility, and sustainability of SMEs. Among the various strategic levers available, financial management occupies a key role. As highlighted by St-Pierre (2018), financial management extends beyond a mere set of techniques for monitoring monetary flows; it functions as a genuine strategic management tool. Through practices such as budgetary planning, cash flow control, investment decision-making, and access to external financing, financial management structures the decision-making process, strengthens internal control, and enhances managerial accountability (Brigham & Ehrhardt, 2017; Brealey, Myers & Allen, 2017).

Financial information also plays a decisive role in this process. It provides managers with accurate and reliable data to evaluate past performance, anticipate future requirements, and inform strategic orientations (Bushman & Smith, 2001). However, its true value is realized only when integrated within a coherent system of financial management, transforming it into a genuine governance instrument (Damodaran, 2010).

Moreover, the governance of SMEs exhibits specific characteristics, notably the central role of the owner-manager and the relative informality of control mechanisms (Fama & Jensen, 1983). Within such a framework, financial management acts as a structuring mechanism, reducing the subjectivity of decision-making and reinforcing the firm's credibility among external stakeholders (Jensen & Meckling, 1976; Shleifer & Vishny, 1997).

In light of these considerations, the present study aims to examine the extent to which financial management can serve as a lever for improving governance within Algerian SMEs. The objective is to demonstrate that financial management transcends its technical function to become a strategic pillar promoting transparency, legitimacy, and organizational performance.

Our contribution aims to highlight the central role of financial management, emphasizing "the importance of effective and structured financial practices in strengthening SME governance through transparency and managerial accountability."

The research problem of this study is guided by the following hypotheses:

The research problem of this study can be formulated as follows: how can financial management serve as a strategic lever to strengthen the governance of Algerian SMEs?

H1: Effective financial management practices contribute to strengthening SME governance by improving the quality of decision-making and enhancing managerial accountability.

H2: Structured financial practices (budget planning, cash flow monitoring, investment and financing decisions) reinforce managerial transparency and responsibility.

To address this research problem, we draw on theoretical concepts related to SME governance and financial management mechanisms. Building on the literature in corporate finance and governance, we explain how financial information and control practices influence the quality of governance and managerial accountability. We aim to demonstrate that governance quality is a function of both the effectiveness of financial practices and the structuring of financial processes.

Methodologically, a quantitative approach appears most appropriate for our study. Initially, an exploratory field study was conducted to validate the elements necessary for the development of the questionnaire, the central instrument of our empirical investigation. For this purpose, our sample consists of 30 SMEs in the agri-food sector in Oran (Algeria), which face increasing competition and regulatory compliance requirements.

- To address our research problem, this study is structured into four sections:
- The first section presents the theoretical framework and conceptual model of financial management and SME governance;
- The second section describes the methodology employed, including population, sample, data collection tools, and variable measurement;
- The third section presents and analyzes the obtained results;
- Finally, the fourth section discusses theoretical and practical implications and provides recommendations for SMEs.

1. Financial Management: Definitions, Dimensions, and Strategic Role

Financial management is commonly defined as the set of practices aimed at planning, organizing, and controlling an organization's financial resources. Its core objective is to ensure the optimal allocation of financial resources while guiding strategic decision-making (Brigham & Ehrhardt, 2017; St-Pierre, 2018). Within this framework, two key and interrelated dimensions can be identified: short-term and long-term financial management.

Short-term financial management primarily focuses on liquidity control and working capital management, enabling firms to maintain operational stability and meet their immediate obligations. In contrast, long-term financial management involves decisions related to investment, financing, and capital structure, with the overarching aim of supporting sustainable growth and ensuring organizational viability over time. The alignment between these two dimensions is essential: shortcomings in short-term

management can undermine the implementation of long-term strategies, while an ill-defined strategic vision can reduce the effectiveness of daily financial operations.

In the context of small and medium-sized enterprises (SMEs), financial management plays a particularly strategic and structural role. SMEs generally operate with limited financial flexibility and exhibit a greater dependence on external funding sources, such as banks and institutional partners, compared to larger corporations. This context renders sound financial practices indispensable for maintaining stability, credibility, and competitiveness.

However, existing literature remains limited regarding how owner-managers establish profitability criteria and assess investment projects. Few studies establish explicit connections between the nature of investment initiatives, evaluation methods, funding constraints, and strategic objectives. In particular, the determination of the required rate of return remains an underexplored area, raising important questions about the extent to which this measure reflects the owner-manager's financial expertise, risk perception, and strategic orientation. Addressing these questions would enhance our understanding of financial decision-making behavior in SMEs and open avenues for future research on long-term financial strategies.

While short-term financial management serves as a critical foundation for ensuring liquidity and operational continuity, it cannot by itself guarantee long-term sustainability. Achieving durable financial performance also depends on the ability of managers to anticipate, prioritize, and guide investment and financing decisions from a long-term perspective. The interaction between short- and long-term dimensions is thus fundamental: effective working capital management ensures daily viability, whereas strategic investment and capital structure planning prepares the organization for future challenges. This integrated approach aligns with St-Pierre (2018), who emphasizes the importance of long-term financial management in enhancing the resilience and competitiveness of SMEs.

Ultimately, the effectiveness of financial management depends on the availability, accuracy, and relevance of financial information. Reliable and well-interpreted data allow managers to assess past performance, monitor present conditions, and anticipate future needs. Therefore, financial information functions not merely as a reporting instrument, but as a core foundation for governance, accountability, and strategic decision-making.

2. Financial Information: Typology, Quality, and Role

Financial information occupies a central position in the functioning of organizations, particularly in small and medium-sized enterprises (SMEs), where it often serves as the primary channel of communication between the firm and its external environment. It can be defined as the set of quantitative and qualitative data that enables stakeholders to assess the economic, financial, and patrimonial situation of the enterprise, to measure its performance, and to guide managerial decision-making (Bushman & Smith, 2001).

Through its capacity to inform strategic choices and foster trust, financial information emerges as an essential governance instrument, especially in contexts where formal control mechanisms are limited or nonexistent (Uhlaner et al., 2007).

Financial information can generally be categorized into three major types:

- **Accounting information,** which includes formal financial statements such as the balance sheet, income statement, and cash flow statement.

- **Managerial information,** which encompasses budgets, performance indicators, and cost accounting data.
- **Forward-looking information,** which comprises cash flow forecasts, business plans, and investment scenarios.

Within SMEs, financial information acquires value only when it is effectively utilized to support informed decision-making. For instance, an Algerian agri-food enterprise applying for a bank loan must not only provide accurate and reliable financial statements, but also cash flow projections and a forecast budget. Such information enables financial institutions to evaluate the firm's repayment capacity and enhances its credibility in the eyes of external partners.

Hence, financial information should not remain a purely technical or administrative document. Rather, it must be regarded as a strategic governance tool that reduces information asymmetry, enhances transparency, and strengthens mutual trust between managers and stakeholders. In doing so, it contributes directly to better financial discipline, more informed strategic decisions, and sustainable organizational performance.

3. Corporate Governance and the Specificities of SMEs

Corporate governance refers to the set of mechanisms that frame decision-making, ensure the balance of power, and guarantee transparency toward stakeholders (Chareaux, 2002). According to the OECD (2015), four universal principles underpin good governance: transparency, accountability, fairness, and responsibility.

In the context of small and medium-sized enterprises (SMEs), governance is often informal and highly centralized in the hands of the owner-manager (Fama & Jensen, 1983). While this structure promotes agility and responsiveness, it may also generate a lack of transparency and create strong dependence on individual decisions.

These characteristics indicate that SME governance cannot be analyzed through the same lens as that of large corporations. It must instead account for the central role of the owner-manager and the need for flexibility in day-to-day management. In this regard, the concept of entrepreneurial governance has emerged—an approach that seeks to reconcile the decision-making flexibility typical of SMEs with the control and discipline required for long-term sustainability (Huse, 2000; Filatotchev & Wright, 2005).

The specific nature of governance in SMEs reveals a strong dependence on the personality and leadership style of the owner-manager. Although this concentration of power can enhance decision-making speed, it also exposes the firm to reduced transparency and increased subjectivity in managerial decisions. Within this context, financial management functions as a central governance mechanism: it helps to objectify managerial choices, structure the decision-making process, and reinforce the leader's credibility among stakeholders.

By aligning with the OECD's (2015) core principles—transparency, accountability, fairness, and responsibility—financial management becomes both a disciplinary tool and a vector of organizational trust. As emphasized by Chareaux (2002, 2011), governance should not be limited to shareholder control mechanisms but should integrate a partnership-based dimension that ensures the fair creation and distribution of value. From this perspective, financial management transcends its purely technical role of budgetary monitoring to become a strategic pillar of governance and long-term sustainability.

Among the various forms of governance observed in SMEs, the entrepreneurial governance model remains the most prevalent in small-scale organizations. This model is characterized by a strong centralization of decision-making around the entrepreneur, who remains the main actor and ultimate decision-maker. In such configurations, the entrepreneur acts as a "one-man orchestra", independently defining the operational rules of the enterprise and directing both strategic and financial decisions in alignment with personal objectives, such as independence, self-fulfillment, or social recognition (St-Pierre, 2007).

In Algeria, where many family-owned SMEs are managed by their founders or successors, entrepreneurial governance plays a pivotal role. It allows firms to maintain continuity while gradually introducing more structured financial practices.

Thus, the governance of Algerian SMEs is built upon a delicate equilibrium: it must preserve the decision-making flexibility inherent to owner-managed firms while enhancing credibility and trust through greater transparency in financial and organizational practices.

4. The Role of Financial Management within Governance Principles

Financial management occupies a transversal and integrative role in the governance of SMEs, as it directly connects the principles established by the OECD (2015) to the daily operational practices of management.

Transparency: Financial management ensures the production and dissemination of reliable information (financial statements, budgets, audits). It makes economic flows visible, reduces the risk of fraud, and strengthens trust between the company and its stakeholders.

Accountability: Rigorous financial management requires executives to justify their budgetary and strategic decisions. It allows for the traceability of resource utilization and ensures that managerial actions align with predetermined objectives.

Equity: By ensuring a clear and equitable distribution of resources (salaries, reinvestments, dividends), financial management contributes to upholding the rights of shareholders, employees, and external partners.

Responsibility: through robust control mechanisms (financial reporting, audits, financial statements), executives can be evaluated based on their performance and held accountable to investors, banks, and public institutions.

Beyond these formal governance principles, financial management also generates practical effects:

Organizational Stability: By reducing risks associated with financial imbalances, it creates an environment of predictability and security for the enterprise.

Continuity: Through multi-year planning, provisions, and planned investments, it enables the company to ensure sustainability and avoid operational disruptions.

Thus, financial management functions as a lever for operationalization, it transforms governance principles into concrete practices while simultaneously generating positive outcomes such as stability and continuity, both of which are crucial for SMEs operating in uncertain environments like Algeria.

5. Theoretical Framework

This research is grounded in four major theoretical frameworks that help explain the role of financial management as a lever of governance in Small and Medium-Sized Enterprises (SMEs).

5.1. Agency Theory

Agency Theory (Jensen & Meckling, 1976) explains the separation between ownership and control. The manager (agent) may act in their own interest, sometimes at the expense of shareholders (principals). To limit such opportunistic behavior, organizations establish control and monitoring mechanisms, which in turn generate agency costs.

In SMEs, often characterized by a high concentration of decision-making power, financial management functions as a tool of transparency that helps reduce information asymmetry between owners and managers.

5.2. Resource-Based View (RBV)

The Resource-Based View (Barney, 1991) posits that sustainable performance stems from rare, valuable, inimitable, and non-substitutable resources (VRIN). Financial management, by structuring financial flows and producing reliable information, constitutes a strategic resource.

In SMEs, it facilitates access to financing, enhances credibility with stakeholders, and becomes a source of competitive advantage (St-Pierre, 2018).

5.3. Institutional Theory

Institutional Theory (Meyer & Rowan, 1977; DiMaggio & Powell, 1983) highlights the influence of legal, political, and social pressures on organizational practices. SMEs must adapt their financial practices to gain legitimacy and access to critical resources.

In the Algerian context, a stringent legal and regulatory framework makes financial management indispensable to ensure compliance, transparency, and credibility in the eyes of banks and public authorities.

5.4. Entrepreneurial Governance

Entrepreneurial Governance (Huse, 2000; Filatotchev & Wright, 2005) seeks to balance managerial flexibility with organizational discipline.

In SMEs, where governance structures are often informal and centered around the owner-manager, financial management introduces structure, discipline, and accountability. It reduces subjectivity, builds investor confidence, and transforms governance into a driver of performance and long-term sustainability.

6. Research Conceptual Framework

This study examines the role of financial management in strengthening SME governance. The literature indicates that the management of financial resources enhances the quality of decision-making, transparency, and managerial accountability. In this context, financial information is considered a strategic lever for control and credibility, beyond its administrative function.

7. Methodology

7.1 Nature and Research Approach

7.1 Nature and Research Approach (reformulated)

This study adopts a quantitative research approach based on a structured questionnaire with closed-ended questions. The main constructs, including effective financial management and governance quality, were measured using multiple items developed from the literature and assessed on a five-point Likert scale ranging from 1 = Strongly disagree to 5 = Strongly agree.

The collected data were analyzed using SPSS to examine the relationships between variables and to test the proposed research hypotheses. The use of a standardized questionnaire ensures consistency in responses and allows for the empirical investigation of causal relationships between financial management practices and governance outcomes in SMEs.

7.2 Population and Sample

Since the early 2000s, the agri-food sector in Algeria has undergone significant changes, characterized by business modernization, product diversification, and gradual adaptation to new market requirements. The creation of the Djazagro trade fair in 2003, which has become a benchmark event for industry professionals, exemplifies this dynamic. Its continued growth reflects the increasing interest in innovation, processing technologies, and improvements in management practices.

In this context of sectoral structuring and development, the study conducted on 30 agri-food SMEs located in Oran (Algeria) is highly relevant. These companies, facing growing competition and regulatory compliance requirements, provide a significant field for analyzing the role of financial management in strengthening their governance.

7.3 Data Collection Tool

Data were collected through a structured questionnaire divided into four sections.

The first section gathered general information about the firms (size, age, workforce, and legal status).

The second section focused on financial management practices, including budget planning, cash flow monitoring, and investment and financing decisions. These items were used to measure the variables "Effective Financial Management" and "Structured Financial Practices."

The third section addressed governance-related aspects, including organizational structure, internal control mechanisms, and ethical practices. These elements were used to assess the variable "Quality of Governance."

The fourth section examined managerial transparency and accountability through items related to decision-sharing, communication with stakeholders, and employee involvement.

7.4 Variable Measurement

Each variable was operationalized using multiple questionnaire items, coded on a 1-to-5 Likert scale for consistency. This approach allows the quantification of complex concepts and testing of hypotheses through linear regression.

Table 1. Measurement of Variables

Variable	Questionnaire Items	Role
Effective financial management	Regular financial analysis, cash-flow monitoring, budget planning, internal reporting	Independent
Structured financial practices	Annual budgets, financial forecasts, business plan, profitability analysis	Independent
Governance quality	Formal organizational chart, board of directors, internal control procedures, code of ethics	Dependent
Transparency and managerial accountability	Decision-sharing, regular communication with stakeholders, employee consultation	Dependent

The variables were constructed from the questionnaire items. The internal consistency of the items was assessed using Cronbach's alpha in SPSS. The resulting scores were subsequently used in the regression analysis.

7.5 Data Analysis

The collected data were processed using SPSS, following a rigorous procedure to ensure the reliability of the results The analysis consisted of three main steps:

Descriptive statistics: to characterize the sample and describe observed practices within the SMEs, including size, age, workforce, legal status, and organization of the financial function.

Correlation tests: to assess the strength and direction of the relationships between variables and identify potential associations between financial practices and governance mechanisms.

Linear regression analyses: Linear regression analyses were conducted to test the research hypotheses. Specifically:

- The regression of the independent variable effective financial management on the dependent variable governance quality was performed to test Hypothesis H1.
- The regression of the independent variable structured financial practices on the dependent variable transparency and managerial accountability was performed to test Hypothesis H2.

This analytical approach allows for quantifying the links between financial management and SME governance, while providing statistical evidence regarding the robustness of the observed relationships.

The questionnaire was developed from an extensive review of the international academic literature on financial management and governance (Bushman & Smith, 2001; Berger & Udell, 1998; St-Pierre, 2018), as well as from recognized empirical measurement scales related to budgetary practices, cash flow management, financial reporting, and organizational transparency.

8. Results and Discussion

8.1 Descriptive Analysis of the Sample

Before presenting the results related to the testing of the research hypotheses, it is important to first examine the main descriptive characteristics of the sample, derived from the first section of the questionnaire.

The sample under study belongs to the agri-food sector. The first section of the questionnaire was devoted to gathering a set of descriptive characteristics, as presented below:

Table 2. Legal Status

Legal Status	Frequency	Percentage (%)
Sole Proprietorship	1	3.3
Single-Member LLC (EURL)	4	13.3
Limited Liability Company (SARL)	24	80.0
Joint Stock Company (SPA)	1	3.3
Total	30	100.0

Source: SPSS V27

The analysis of the table shows that the majority of the companies in the sample are Limited Liability Companies (SARL), representing 80% of the total. Sole Proprietorships (EURL) account for 13.3%, while Individual Enterprises and Joint Stock Companies (SPA) each represent only 3.3%. This distribution clearly indicates the predominance of the SARL status in the sector under study.

Table 3. Legal Form of the Company

Number of Employees in the Company	Frequency	Percentage %
Fewer than 10 employees	2	6.7
Between 10 and 49 employees	10	33.3
Between 50 and 249 employees	17	56.7
500 employees or more	1	3.3
Total	30	100.0

Source: SPSS V27

The majority of the companies in the sample employ between 50 and 249 employees (56.7%), followed by those with 10 to 49 employees (33.3%). Very small structures with fewer than 10 employees remain marginal, representing 6.7%, while large enterprises with 500 employees or more account for only 3.3% of the total.

Table 4. Organization of the Accounting and Financial Function within the Company

The Accounting and Financial Function	Frequency	Percentage %
We have an internal financial department	1	3.3
We have an internal accounting department	7	23.3
We combine internal and external accounting services	21	70.0
External accounting only	1	3.3
Total	30	100.0

Source: SPSS V27

These descriptive results indicate that the majority of SMEs in the sample combine both internal and external accounting services. In fact, 70% of the enterprises operate under a hybrid financial management structure, integrating both internal and external accounting systems. Conversely, only 23.3% of SMEs have a fully autonomous internal accounting department, while firms relying solely on internal financial services or exclusive external accounting remain marginal, representing 3.3% each.

8.2 Measurement of Scale Reliability Using Cronbach's Alpha

Table 5. Reliability Analysis (Cronbach's Alpha)

Variable	Cronbach's Alpha	Level of Reliability
Effective Financial Management	**0.788**	**Acceptable**
Quality of Governance in SMEs	**0.717**	**Acceptable**
Structured financial practices	**0.762**	**Acceptable**
Managers' transparency and accountability	**0.708**	**Acceptable**

Source: SPSS V27

The table presents the results of the reliability analysis using Cronbach's alpha coefficient, where all values range between 0.708 and 0.778, exceeding the generally accepted threshold of 0.70. This indicates that the measurement instrument possesses a satisfactory level of internal consistency.

8.2 Statistical Analysis of Research Hypotheses

Based on these descriptive findings, we proceed to the empirical testing of the first hypothesis (H1), which examines the relationship between financial management and the quality of governance in SMEs.

H1: Effective financial management practices contribute to strengthening SME governance by improving the quality of decision-making and enhancing managerial accountability.

Table 6. Simple Linear Regression of Financial Management on the Quality of Governance in SMEs.

independant Variable	dependant Variable	R	R^2	F	Sig
Effective Financial Management	Quality of Governance in SMEs	0.881	0.777	97.361	0.00
		Coefficients			
		B		**t**	**Sig**
		0.908		12.835	0.00
		0.564		9.867	0.00

Source: SPSS V27

The results of the simple linear regression analysis reveal a strong correlation between the independent variable "effective financial management" and the dependent variable "quality of governance in SMEs."

The correlation coefficient (R = 0.881) indicates a positive and strong relationship between the two variables.

The coefficient of determination (R^2 = 0.777) shows that the explanatory variable "effective financial management" accounts for 77.7% of the variance observed in the dependent variable "quality of governance."

The regression coefficient (B = 0.564) implies that each one-unit increase in the independent variable leads to a 0.564 improvement in the quality of governance.

The significance value (Sig = 0.000) associated with the t-statistic (t = 9.867), which exceeds the critical value of 1.96, demonstrates that the regression coefficients are statistically significant.

Moreover, the overall regression is significant according to the F-test result (F = 97.361) from the ANOVA analysis, with a significance level of 0.000, which is below the 0.05 threshold adopted in this study.

The high value of the coefficient of determination (R^2 = 0.777) deserves particular attention, as it indicates that effective financial management alone accounts for nearly 78% of the variation in governance quality. This level of fit, rarely observed in the social sciences, can nevertheless be interpreted in light of the characteristics of the studied sector and the empirical data. Indeed, descriptive analysis shows that the majority of SMEs in the sample operate a hybrid accounting system (70% combine internal and external services) and belong to the agri-food sector, where profit margins are closely linked to cost control, financial flow management, and budget planning. In such a context, financial tools often constitute the primary formal instruments for corporate control.

Thus, when companies adopt rigorous financial practices (cash flow monitoring, budgeting, reporting), these tools exert a direct and decisive impact on managerial decisions, which statistically explains the significant weight of the independent variable in the model. The high level of fit therefore reflects a strong structural link between financial management and governance quality in this type of SME, where the financial function effectively plays the central role of a governance mechanism.

It can therefore be concluded that the first hypothesis (H1) is confirmed:

Effective financial management has a positive impact on the quality of governance in SMEs.

Empirical results obtained through SPSS analysis indicate that companies adopting structured financial management practices (such as cash flow monitoring, budgetary control, cost analysis, and investment planning) demonstrate stronger governance systems. This financial efficiency translates into greater communication transparency, enhanced managerial accountability, and reduced information asymmetry with external stakeholders (banks, investors, suppliers).

The regression equation can be formulated as follows:

$Y = b + aX$

Y: Dependent variable

X: Independent variable

a: Regression coefficient

b: Constant

Governance quality in SMEs = 0.908 + 0.564 × Effective financial management

These findings are consistent with those of Bushman & Smith (2001) and Fama & Jensen (1983), who view financial information and its management as central governance mechanisms. They also align with the observations made in the SME context by St-Pierre (2018), who argues that rigorous financial resource management functions not only as an internal control tool but also as a signal of external credibility.

From a practical perspective, this means that Algerian SME managers should not perceive financial management as a mere administrative requirement but rather as a strategic lever of governance, one capable of strengthening stakeholder trust, facilitating access to financing, and supporting the company's sustainable performance.

Having confirmed the positive impact of effective financial management on governance quality (H1), it is now appropriate to examine the second hypothesis (H2), which focuses on the role of structured financial practices in enhancing managerial transparency and accountability.

H2: Structured financial practices (including budget planning, cash flow monitoring, and investment and financing decisions) strengthen managers' transparency and accountability.

Table 7. Simple Linear Regression of Structured Financial Practices on Managerial Transparency and Accountability.

Independent Variable	**Dependent Variable**	**R**	**R^2**	**F**	**Sig**
Structured financial practices	Managers' transparency and accountability	0.832	0.692	62.895	0.00
		Coefficients			
		B	**Beta**	**t**	**Sig**
		1.098	0.832	13.447	0.00
		0.613		7.931	0.00

Source: SPSS V27

The results of the simple linear regression analysis indicate a strong positive correlation between the independent variable — structured financial practices — and the dependent variable — managerial transparency and accountability. The correlation coefficient is R = 0.832, which reflects a robust and direct relationship between the two variables.

The coefficient of determination (R^2 = 0.692) reveals that the explanatory variable (structured financial practices) accounts for 69.2% of the variance observed in the dependent variable (managerial transparency and accountability).

The regression coefficient (B = 0.613) suggests that for every one-unit increase in the independent variable, there is an expected improvement of 0.613 in managerial transparency and accountability.

The significance value (Sig = 0.000) associated with the t-statistic (t = 7.931), which exceeds the critical value of 1.96, demonstrates that the regression coefficients are statistically significant.

Moreover, the overall regression model is statistically significant, as indicated by the ANOVA F-value (F = 62.895) with a significance threshold of 0.000, which is well below the 0.05 significance level adopted in this study.

The findings confirm the second hypothesis (H2): Structured financial practices — including budget planning, cash-flow monitoring, and investment and financing decisions — strengthen managerial transparency and accountability within SMEs. The SPSS analysis further revealed that companies adopting such financial management tools exhibit higher levels of organizational discipline, financial reporting quality, and internal control.

These results are consistent with OECD guidelines (2015, 2019), which identify transparency and accountability as universal pillars of sound governance, as well as with the findings of Charreaux (2002) and Bushman, Piotroski & Smith (2004), who demonstrate that the quality and structured use of financial information constitute a cross-cutting governance mechanism.

This result can first be explained by the structural characteristics of Algerian SMEs in the studied sector, where formalized governance systems remain underdeveloped and internal control mechanisms rely largely on the financial tools used on a daily basis. In such organizations, budget planning, cash flow monitoring, and investment decisions constitute central instruments that often substitute for the absence of more institutionalized governance procedures.

Consequently, when these financial practices are rigorously implemented, their impact on managerial transparency and accountability becomes particularly strong and directly observable, which explains the high explanatory power of the model ($R^2 = 0.692$).

Moreover, the sample exhibits a high degree of homogeneity in financial practices: the studied companies use similar tools and operate in comparable environments, which mechanically reinforces statistical consistency.

In practical terms, the implementation of structured financial practices enables firms to transform raw accounting data into a strategic decision-making tool, thereby reducing opacity and fostering trust with stakeholders (banks, investors, and partners). It also mitigates the risk of opportunistic managerial behavior by reinforcing financial responsibility and decision traceability.

Thus, Hypothesis H2 deepens the interpretation of the results, showing that it is not merely the presence of financial management that matters, but rather its degree of formalization and structuring, which acts as a catalyst for transparency, accountability, and high-quality governance.

The regression equation can be formulated as follows:

$Y = b + aX$

Y: Dependent variable

X: Independent variable

a: Regression coefficient

b: Constant

Transparency and managerial accountability = 1.098 + 0.613 × Structured financial practices

9.3 Discussion

The results clearly indicate that effective and structured financial management has a significant impact on governance and transparency in Algerian SMEs. However, these findings should be interpreted with caution, particularly due to the small sample size (N = 30). This limitation highlights that, although the observed relationships are robust within the studied context, the generalizability of these results to all SMEs is limited. Extending the study with a larger and more diverse sample would enhance the external validity of the findings and verify whether these trends persist across different economic sectors.

Beyond the statistical confirmation of the hypotheses, these observations emphasize a central point: in Algerian SMEs, where formal governance and reporting mechanisms are often weak, the structuring of financial practices becomes a particularly powerful lever. Budget planning, cash flow monitoring, and the organization of investment decisions are not merely control tools; they structure decision-making, reduce information asymmetries, and enhance credibility with both internal and external stakeholders.

Theoretically, these results confirm that the quality of financial management is a key governance mechanism, consistent with the literature on SMEs and family businesses. They also underscore the importance of formalizing practices as a catalyst for transparency and accountability, an aspect that could be integrated into existing governance models in emerging economies.

From a practical perspective, this study provides concrete guidance for SME managers: investing in structured financial tools is not solely a matter of compliance or administrative routine, but represents a genuine strategic lever to enhance investor confidence, organizational discipline, and business sustainability. Moreover, these practices can serve a preventative and anticipatory role against opportunistic behavior, thereby helping to stabilize governance in structures still heavily centralized around the owner-manager.

In the Algerian context, these results acquire particular relevance. SMEs—often characterized by informal governance structures and decision-making centralized around the owner-manager—frequently suffer from limited transparency and underdeveloped financial practices. The study confirms that when firms adopt structured financial tools (such as budgeting, financial reporting, and cash flow monitoring), they significantly strengthen their governance, particularly in terms of transparency, accountability, and continuity.

Finally, these results open several avenues for future research: observing the dynamics of financial formalization in other sectors, studying the long-term evolution of governance, and examining the interactions between financial practices and other organizational control mechanisms. The integration of qualitative and longitudinal methods could further enhance the understanding of decision-making processes and the actual effects of financial practices on SME performance and sustainability.

This research therefore highlights that financial management should not be viewed merely as a technical function, but rather as a strategic lever of entrepreneurial governance, contributing directly to the sustainability and credibility of small and medium-sized enterprises

10. Conclusion

The governance of Algerian SMEs, and more specifically the role of financial management as a strategic lever, constitutes a rapidly expanding field of study. This contribution has explored how the mobilization and structuring of financial practices influence transparency, managerial accountability, and overall governance quality, based on a sample of 30 companies in the agri-food sector in Oran.

From the outset, the hypothesis that effective and structured financial management enhances governance and strengthens managerial accountability guided our approach. The results confirm this assumption and highlight the importance of viewing financial management not merely as an administrative tool, but as a strategic lever capable of consolidating organizational credibility and sustainable performance.

This research represents a first step in understanding governance mechanisms within Algerian SMEs. However, the small sample size constitutes a notable limitation, restricting the generalizability of the findings. To deepen this work, it would be relevant to expand the study to other sectors and regions, and to adopt longitudinal approaches to track the evolution of financial practices and their impact on governance over time.

The findings of this study align with international literature and provide empirical validation in the Algerian context. They emphasize the importance for managers to invest in modern financial management tools (budgets, dashboards, internal audits) to strengthen the credibility of their governance with financial and institutional partners. Practically, the research encourages SMEs to consider financial management as a driver of trust, organizational discipline, and sustainable performance.

Among the concrete recommendations derived from this study:

- SME managers should formalize and structure their financial practices, particularly through budget planning, cash flow monitoring, and the implementation of regular financial reporting.
- Financial institutions and support organizations could offer training programs and tailored tools to assist SMEs in strengthening their financial management and governance.
- Researchers are encouraged to develop comparative studies across different sectors and regions to identify contextual factors influencing the effectiveness of financial practices on governance.

Academically, this research contributes to enriching the literature on SME governance by highlighting the central role of structured information and financial management. In sum, it illustrates the strategic role of financial management in strengthening SME governance and opens promising avenues for future research on strategic business management in emerging economies such as Algeria.

Bibliography List

Anthony, R. N., & Govindarajan, V. (2007). Management control systems (12th ed.). McGraw-Hill, United States.

Barney, J. (1991). Firm resources and sustained competitive advantage. Journal of Management, 17(1), 99–120. https://doi.org/10.1177/014920639101700108

Berger, A. N., & Udell, G. F. (1998). The economics of small business finance: The roles of private equity and debt markets in the financial growth cycle. Journal of Banking & Finance, 22(6–8), 613–673. https://doi.org/10.1016/S0378-4266(98)00038-7

Brealey, R. A., Myers, S. C., & Allen, F. (2017). Principles of corporate finance (12th ed.). McGraw-Hill Education, United States.

Brigham, E. F., & Ehrhardt, M. C. (2017). Financial management: Theory & practice (15th ed.). Cengage Learning, United States.

Bushman, R. M., & Smith, A. J. (2001). Financial accounting information and corporate governance. Journal of Accounting and Economics, 32(1–3), 237–333. https://doi.org/10.1016/S0165-4101(01)00027-1

Bushman, R., Chen, Q., Engel, E., & Smith, A. (2004). Financial accounting information, organizational complexity and corporate governance systems. Journal of Accounting and Economics, 37(2), 167–201. https://doi.org/10.1016/j.jacceco.2003.09.005

Cabane, P. (2019). Manuel de gouvernance d'entreprise : Les meilleures pratiques pour créer de la valeur (2e éd.). Eyrolles, France.

CARE, CNES, ABEF, & APAB. (2009). Code algérien de gouvernance d'entreprise (Édition 2009). Ministère de l'Industrie et de la Promotion des Investissements, Algérie.
Charreaux, G. (2002). Gouvernance d'entreprise : Théories et faits. Economica, France.

Daily, C. M., McDougall, P. P., Covin, J. G., & Dalton, D. R. (2002). Governance and strategic leadership in entrepreneurial firms. Journal of Management, 28(3), 387–412. https://doi.org/10.1177/014920630202800307

Damodaran, A. (2010). Applied corporate finance (3rd ed.). Wiley, United States.

Dechow, P. M., Ge, W., & Schrand, C. M. (2010). Understanding earnings quality: A review of the proxies, their determinants and their consequences. Journal of Accounting and Economics, 50(2–3), 344–401. https://doi.org/10.1016/j.jacceco.2010.09.001

Fama, E. F., & Jensen, M. C. (1983). Separation of ownership and control. Journal of Law and Economics, 26(2), 301–325. https://doi.org/10.1086/467037

Filatotchev, I., & Wright, M. (2005). The life cycle of corporate governance. Corporate Governance: An International Review, 13(3), 289–300. https://doi.org/10.1111/j.1467-8683.2005.00423.x

Healy, P. M., & Palepu, K. G. (2001). Information asymmetry, corporate disclosure, and the capital markets: A review of the empirical disclosure literature. Journal of Accounting and Economics, 31(1–3), 405–440. https://doi.org/10.1016/S0165-4101(01)00018-0

Horngren, C. T., Sundem, G. L., & Elliott, J. A. (2013). Introduction to financial accounting (11th ed.). Pearson, United States.

Huse, M. (2000). Boards of directors in SMEs: A review and research agenda. Entrepreneurship & Regional Development, 12(4), 271–290. https://doi.org/10.1080/08985620050177912

IFC – Société Financière Internationale. (2018). Manuel de gouvernance des PME. Groupe de la Banque mondiale, Washington D.C., United States.

International Accounting Standards Board (IASB). (2010). The conceptual framework for financial reporting. IASB, London, United Kingdom.

Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. Journal of Financial Economics, 3(4), 305–360. https://doi.org/10.1016/0304-405X(76)90026-X

Jindřichovská, I. (2013). Financial management in SMEs. European Research Studies Journal, 16(4), 79–96.

Meyer, J. W., & Rowan, B. (1977). Institutionalized organizations: Formal structure as myth and ceremony. American Journal of Sociology, 83(2), 340–363. https://doi.org/10.1086/226550

OCDE. (2015). New approaches to SME and entrepreneurship financing: Broadening the range of instruments. OECD Publishing, Paris, France. https://doi.org/10.1787/9789264240957-en
Québec (Gouvernement du). (2015). La gouvernance des PME – Manuel de formation. Programme Les Meilleures Pratiques d'Affaires (MPA), Québec, Canada.

Shleifer, A., & Vishny, R. W. (1997). A survey of corporate governance. The Journal of Finance, 52(2), 737–783. https://doi.org/10.1111/j.1540-6261.1997.tb04820.x

St-Pierre, J. (2018). Gestion financière des PME : Théories et pratiques (2e éd.). Presses de l'Université du Québec, Canada.

Tarillon, C. (2017). Une vision élargie de la gouvernance au service de la croissance des entreprises innovantes. Revue internationale PME, 30(2).

Tricker, B. (2007). Boards, governance and value creation: The human side of corporate governance. Cambridge University Press, United Kingdom.

Uhlaner, L. M., Wright, M., & Huse, M. (2007). Private firms and corporate governance: An integrated economic and management perspective. Small Business Economics, 29(3), 225–241. https://doi.org/10.1007/s11187-006-9032-z