

Evaluation of Shareholder Protection in Algeria Based on the "Anti-director Rights" Index

تقييم حماية المساهمين في الجزائر بناء على مؤشر "حقوق ضد المديرين"

Bensaifi Amal^{1*}, Guira Amor²

¹ *Entrepreneurship Lab and Innovation Strategies in the Financial and Business Environment*
University of Jijel (Algeria), amal.bensaifi@univ-jijel.dz

² *Research Laboratory in Public Financial and Financial Markets, University of Jijel (Algeria),*
guira_amor@univ-jijel.dz

Received: 27/04/2025;

Accepted : 29/06/2025;

Published: 30/06/2025;

Abstract:

Using both descriptive and comparative approaches, this study paper seeks to evaluate the protection of equity holders' rights in Algeria based on the "Anti-director Rights" index created by La Porta and his colleagues (LLSV) - Rafael La Porta, Florencio López-de Silanes, Andrei Shleifer, and Robert Vishny.

The paper concludes that Algeria has made some progress in shareholder protection according to the "Anti-director Rights" index. However, the quality of enforcing laws that protect shareholder rights in Algeria still faces significant challenges. Improving these laws and their enforcement requires continuous efforts from the government, the private sector, and international institutions to promote transparency and fairness in the financial market.

Keywords: Shareholder Protection; "Anti-Director Rights" Index; Law Enforcement Quality; Financial Market.

Jel Classification Codes: G30 ; G10

*Bensaifi Amal

Introduction:

Especially in light of the predominance of direct financing models and the decline in the function of financial intermediation, financial markets are quite important in funding economies and promoting economic growth and development. But this function calls for, among other things, protecting investors in financial markets generally and equity holders specifically so they believe the money they put into buying stocks and bonds is protected from any kind of seizure by major investors and powerful people in markets and companies.

Improving investor protection in financial markets, therefore, is among the most crucial ways to strengthen financial markets. Many nations across the globe, from all levels of development and economic governance system, use this method to boost the efficiency of their financial markets. Theoretically, the law and finance theory suggests a strong direct link between the degree of investor protection and the evolution of the financial market.

Efforts were made in Algeria to build legislative, regulatory, and institutional systems to form the stock exchange as part of the economic reforms started in the early 1980s. This sought to mobilize public savings and keep up with the changes needed by the move from a planned economy based on public ownership to a free-market economy based on private ownership. In this respect, offering tools for investor protection especially for equity holders' rights has been the foundation of every attempt to create the Algerian Stock Exchange first and then try to restore it following its challenges. Especially lately, when many public institutions are urged to list on the stock exchange, such as the Algerian Popular Bank and the Local Development Bank, significant efforts are still being made to promote the stock exchange.

Though ongoing and difficult, efforts remain despite Algeria's financial system's multidimensional reforms. This leads us to consider the safeguarding of equity holders in Algeria's financial investment climate. We will try to use the "Anti-Director Rights" index created by La Porta and his colleagues to gauge how much equity holders are empowered to defend their interests against managerial exploitation in corporations. From this, the following issue can be brought up:

To what extent does the corporate governance framework in Algeria provide effective protection for Shareholder according to "Anti-Director Rights" Index?

Study Importance:

Evaluating shareholder protection is important since it helps to promote financial markets and build investor confidence, which then provides funding and lowers its cost. It also provides a rich topic for research that has drawn many academics since the early days of the development of law and finance theory in the late 1990s. This theory transformed financial thinking and opened the path for fresh market finance research.

In Algeria, this issue is especially relevant given the possible influence that enhancing investor protection, particularly shareholder protection, may have in helping the work done to improve the financial market. The lack of research addressing this subject in a more general setting, particularly in relation to corporate governance, helps to explain this significance, as well.

Study Objectives:

This study seeks to achieve a range of scientific and practical objectives, including:

- Analyzing the general framework for protecting equity holders in Algeria by comparing it with frameworks in other countries, particularly those in the Middle East and North Africa.
- Highlighting the strengths and weaknesses of the shareholder protection system in Algeria.
- Providing ideas and answers that might help decision-makers in corporate governance, shareholder protection, and strengthening the growth of financial markets in Algeria.

- Given the dearth of Arabic studies addressing this subject under the framework of law and finance theory, especially for students and academics in this field, an academic reference could be helpful.

Study Methodology:

The paper used a descriptive approach to explain the idea of shareholder protection and examine its several facets. A comparative method was also used by contrasting the frameworks for safeguarding shareholder rights in Algeria with those of other nations. This method was taken to solve the problem inside a well-known theoretical framework: the theory of law and finance, which has been the theoretical foundation for handling concerns connected to safeguarding minority shareholder rights and corporate governance over the last four decades.

Study Plan:

Based on the above, this research is divided into the following sections:

- First: An Introduction to Shareholder Rights in Algeria
- Second: The Relationship Between Law and Its Quality of Enforcement in Protecting Investors
- Third: Evaluating Shareholder Protection in Algeria According to the "Anti-Director Rights" Index

I- Introduction to Shareholder Rights in Algeria:

I-1- Shareholder Rights in Algeria:

While some are non-financial and more like political rights given to people in democratic systems (administrative rights), a shareholder in a joint-stock company has various rights, some of which are financial in kind. A shareholder gains these rights by owning a share and joining the company. They act as a supervisory tool to safeguard their savings. The country, its laws, and the founding papers of the corporations which serve as a constitution governing the relationship between the interested parties, mostly the common equity holders determine how these rights are implemented and enforced. Below is a short comparison of the reality of these rights in Algeria against practices in other nations.

I-1-1- The Right to Distributed Profits:

One of the most crucial financial rights resulting from holding shares in company capital is the right to distributed profits. Many equity holders want to get distributed profits from their ownership. Exercising the right to profits is related to the total profits equity holders decide to distribute at the annual general meeting under the company's distribution policy, which is then influenced by a number of factors, the most important of which are: financing policy, ownership structure, tax system, etc.. (Hindi, 2005, p. 328). The existence of profits or amounts available for distribution governs this right, as does the need to get the majority of shareholder votes' approval for the distribution of profits (Hafs, 2022, p. 1029). The general assembly in Algeria decides the portion given to equity holders in the shape of profits following account approval and verification of accessible distributable sums. Any profit distributed against these guidelines is deemed illusory, as most laws in several Arab nations, including Egypt, Saudi Arabia, and the UAE, confirm. (OECD, 2009, p. 19)

There are practices that undermine the principle of equitable treatment of equity holders in the distribution of profits, in addition to abusive profit retention strategies that favor corporate insiders at the expense of minority equity holders. For instance, corporate laws in many continental European nations let some equity holders, usually major ones, get an extra bonus of up to 10% for holding their shares for a defined time (Martin Laprade, Portier, Cathiard, Paclot, & Poracchia, 2012, p. 73).

I-1-2- The Right to Sell Shares:

The right to sell shares is the act of a shareholder transferring the ownership of their shares to another person using commercial means (Azizi, 2022, p. 605). A share in Algeria is a negotiable instrument created by a joint-stock company to reflect part of its capital. Most modern comparative laws acknowledge this privilege for equity holders, as shown in the laws of several nations including Egypt and France, among others (Mezouar, 2012, p. 45). The law might, therefore, interfere and impose some limits on the freedom to trade shares, which could be legal limits, such limits on guarantee shares (Yassad & Kantar, 2024, p. 1655). The company's system may also have contractual limitations, such as shareholder agreements (Hafs, 2022, pp. 1031-1032), which are allowed under the laws of most continental European countries, including France and the United States (Leroy, 2010). Particularly in the USA and France, shareholder agreements have become unavoidable for controlling relationships between equity holders and have become essential for the reality of joint-stock companies. They help to lessen the rigidity of the institutional system controlling the organization of commercial companies, especially joint-stock companies. The amended and supplemented Commercial Law of the Algerian legislator, however, ignored these agreements, a situation typical of many other laws (Khalfaoui, 2015, pp. 236-237).

I-3-1-The preferential subscription right:

Among the most crucial political rights given by owning common shares in a company's capital is the right of first refusal to subscribe to new shares. It protects current equity holders from dilution concerns and possible loss of control over the company caused by the issuance of more common shares. Aiming to weaken equity holders and reduce their power to control the company, company managements have sometimes granted new common shares without recognizing this right for current equity holders, so enhancing their influence over its choices.

This right enables its holder to subscribe for the newly issued shares on a priority basis in proportion to their existing capital holdings in the firm. The justification for this right is to safeguard current equity holders from the dangers of losing the positions conferred by their share ownership in the company's capital, particularly given they have shouldered all the risks connected with the company's operations from its beginning until the capital increase approval. They have also occasionally gone without dividends during particular times. Thus, it is only right that new equity holders should not be the ones profiting from the company's reserves they had not earlier helped to create (Ventoruzzo, 2013, p. 518).

Given the significance of this right from both a financial and political perspective inside a corporation, it is traded in financial markets and has intrinsic and market value. Apart from protecting current equity holders from the above-mentioned risks, it lets them get reasonable recompense for giving up their preemptive right to ownership in new issue of shares. Equity holders are allowed to sell the right apart from the shares, therefore producing returns. An important factor known in financial markets increases the relevance of this right: the pricing of newly issued shares below the market value of shares at the time of issuance. This implies that, without such rights, there would be an illegal transfer of wealth from current equity holders to new ones, which is undesirable as the objective of companies is to maximize shareholder wealth (Abdeljawad, 2018, p. 115).

Algeria law, in Article 694 of Algerian companies law, has therefore specified the preemptive subscription right to the capital shares of a joint-stock company. Equity holders in all situations of capital increase do not get this right; it is restricted to increases via cash shares made available for subscription. Applying the concept of equality, all equity holders are given the preemptive right without prejudice. Furthermore, the shareholder has the discretion to exercise the preemptive right. Any company action that compels equity holders to use their preemptive right renders that action null and void. Since the preemptive subscription right has a financial character, Articles 3/694 and 4

of the Algerian companies law say this right is tradable during the subscription period. Article 697 of Algerian companies law allows the Algerian legislator to exempt equity holders from this right by means of a decision made by the extraordinary general meeting upon the board of directors' request and depending on the auditor's stated justifications (Al-Omari, 2021, pp. 309-310).

I-1-4- Right to Share in the Company's Assets Upon Liquidation:

Equity holders are seen as the holders of residual rights in the firm; hence, they may only assert liquidation funds after the rights of all other entities, including creditors and preferred equity holders, have been satisfied. The OECD (Organization for Economic Co-operation and Development) principles on shareholder protection confirm their entitlement to the remaining assets of the company following liquidation. The net assets of the business should then be distributed to equity holders in proportion to the number of shares each has in the company's capital, in accordance with the OECD's policy of equitable treatment of equity holders.

These procedures, which are carried out to exercise the company's rights, fulfill its responsibilities, and assess its assets, take place concurrently with the dissolution of the business. Following that, equity holders get the remaining net assets of the business in accordance to their capital stakes. (Bafqih & Al-Sharif, 2019, p. 23). Article 793 of the ACC also states this: "Except for provisions contrary to the bylaws, the net remaining assets, after settling the nominal shares or company quotas, shall be divided among the partners in proportion to their contribution to the company's capital." Arab laws, including Saudi and Egyptian ones, also require this (Bafqih & Al-Sharif, 2019, p. 20).

I-1-5- The Right to Vote:

Among the most crucial rights a shareholder has is the right to vote. Voting is the shareholder's capacity to either approve or reject a particular agenda item at general meetings. Under Article 679 of ACC, this right is guaranteed. Generally, every share has one voting right, therefore the number of votes a shareholder holds matches the number of shares they own. This policy reflects the equality among equity holders; the proportionality of votes guarantees fairness and justice inside the company. But this equality is between shares, not equity holders. A shareholder holding the majority has no equality with a minority shareholder; rather, the Algerian legislator in Articles 603 and 684 of the Commercial Code (Sahraoui, 2019, p. 65) and the principles of the OECD confirm that it is equality between shares of the same class.

Many nations, therefore, acknowledge the potential of giving shares with several voting rights. French law, for example, permits the issuance of shares with double voting rights, which are automatically given to equity holders registered in the company's records for more than two years (Martin Laprade, Portier, Cathiard, Paclot, & Poracchia, 2012, pp. 55-58). Swiss and Egyptian law also allow joint-stock corporations to issue this kind of share (Mezouar, 2012, p. 79). The Algerian legislator, on the other hand, has set particular criteria restricting the issuance of such shares to publicly listed companies that participate in public saving rather than allowing all businesses to issue shares with several votes. The legal text would have read as follows: "Ordinary registered shares can be divided into two classes according to the decision of the founding general assembly or by the articles of association" (Fellah, 2021, p. 100) if the legislator meant to generalize this sort of share across all kinds of joint-stock companies.

Bahraini law has permitted a system of secret cumulative voting, which lets minority equity holders cast all their votes for one candidate. Often, this means they concentrate their votes on less candidates to raise the likelihood of electing their preferred people, therefore opening the door to more varied board compositions, enhancing shareholder involvement, and highlighting a broader spectrum of viewpoints and knowledge during elections, which could improve corporate performance (What is cumulative voting? - The Corporate Governance Institute).

Likewise, comparison laws have added legal clauses permitting technological use in commercial transactions. Voting is the same; French law permitted the use of electronic voting, a practice followed by Egyptian law in 2018. The Algerian legislator has not yet dealt with this contemporary mechanism, though, nor have the legislative texts pertaining to businesses been revised in this respect (Fellah, 2021, p. 104).

Activating the function of general assemblies and enabling equity holders to carry out their basic role in corporate governance, the electronic voting system plays an effective part. This system addresses the problem of shareholder absenteeism at general meetings in joint-stock companies. It lets equity holders who can't go to the general assemblies vote remotely with video conferencing technologies, therefore allowing them to take part in important choices influencing the company without having to be physically there. This helps to raise the degree of active shareholder involvement and promotes shareholder activism. It therefore improves the management and performance of businesses while also lowering the financial expenses companies bear from the regular need to hold meetings without a legal quorum, which could cause delays in significant decisions (Al-Jundi, 2022, p. 1126).

Reflecting the logical right of equity holders to express their will by voting like to elections for citizens, this right is regarded as one of the highest manifestations of shareholder democracy via general shareholder meetings. The shareholder's personal presence or a proxy can both enable this directly. (Martin Laprade, Portier, Cathiard, Paclot, & Poracchia, 2012, pp. 55-58). Article 601, paragraph 1 of the Algerian legislator states that a shareholder has the right to vote personally and to name a proxy. Decree No. 1511-2010, published on December 9, 2010, states "Any shareholder may be represented by a proxy of their choice..." in France. By giving minority equity holders the chance to voice their opinions on significant issues influencing their investments, this function acts as a protective shield for their rights. It also guarantees the involvement of as many equity holders as possible in making decisions concerning the company, including those who cannot physically attend meetings.

I-1-6- Right to Attend General Meetings:

The general assembly, the highest social body in joint-stock firms, has the authority to discuss a wide range of business issues, particularly those pertaining to equity holders, who are the primary stakeholders and other corporate rights holders. In practice, there are two types of general shareholder meetings: regular and special. Ordinary general meetings, which need a simple majority (50% + 1 vote), address standard matters such as approving accounts, paying dividends, and selecting and removing members of the board of directors. Unusual decisions that alter the company's bylaws are made by absolute majority at extraordinary general meetings (e.g., decreasing or increasing the company's capital, mergers, acquisitions, issuing hybrid securities, joining or leaving the stock market, etc.). (Nicole ferry, jan kheimleister, lenghart, medjad, & stollowy, 2006, pp. 122-126).

The general assembly in Algeria is called at least once a year during the first six months following the end of the financial year (Hafs, 2022, p. 1030). Depending on the situation, the board of directors or the board of managers has the power to summon the general assembly as specified by the Algerian legislator in Articles 617, paragraph 2, 676, and 816 of the amended and supplemented Commercial Law.

With respect to equity holders' right to summon an extraordinary general assembly, an important sign of the protection of their rights, countries vary on the minimum percentage needed to summon this assembly. The protection enjoyed by minority equity holders decreases with a set percentage. Minority equity holders are better protected the smaller this proportion. Some nations, including the United Kingdom, the United States, and France, permit a minimum of five percent. (Martin Laprade, Portier, Cathiard, Paclot, & Poracchia, 2012, p. 54). Marrakech is one of several

nations that have set a higher minimum of 10%. Countries like Syria and the UAE have set even higher standards, such 25% or 30%, for convening an exceptional general assembly. There is no defined percentage in Algeria for summoning the exceptional general assembly; the board of directors or board of managers decides this. This leads to less protection for minority equity holders than in the above-mentioned nations (OECD, 2009, p. 12).

I-1-7- Right to Access Information:

One of the most significant theories used to grasp the interaction between business owners (equity holders) and management, and how this separation influences management decision-making, corporate performance, governance, and the protection of equity holders, especially minority ones, is the theory of the separation of ownership from management first proposed by Berle and Means in 1932 (Weinstein, 2021, p. 08). Consequently, the agency issue results from the conflict of interest between insiders such as managers and controlling equity holders and external investors, including minority equity holders (La Porta, López-de Silanes, Shleifer, & Vishny, 1997, p. 04). This results in information asymmetry, whereby management uses the information at hand for its own gain, usually at the cost of the minority equity holders' interests (Birjandi, Hakemi, & Sadeghi, 2015, pp. 177-178).

This calls for giving minority equity holders enough knowledge to guarantee the safeguarding of their interests inside the business. Therefore, the need of the right to access information, which enables them to operate efficiently as partners during meetings. Practically speaking, equity holders are notified of the agenda established by the management of the company or its supervising body for the next general meeting to which they are called. They are given all the required information to act knowledgeably during the general assembly, therefore enabling them to decide and use the powers given to them as key stakeholders in the company and holders of remaining rights in it (Martin Laprade, Portier, Cathiard, Paclot, & Poracchia, 2012). In this respect, Algerian law assures every shareholder this right, therefore enabling them to examine the financial report and other legally mandated information connected to shareholder protection and corporate governance, including a list of governance bodies including the board of directors and managers. At least fifteen days before the general assembly, this has to be made accessible to equity holders so they may evaluate the performance of the business and speak with advisory and financial analysis companies. Apart from the disclosure obligations stated above, law (Article L 242-6 of the Commercial Code) in France calls for more shareholder protection by penalizing the offense of creating false accounts. Some nations, like Greece, have gone farther in exercising this right, demanding corporate boards to give any information sought by equity holders on issues brought before the general assembly (Martin Laprade, Portier, Cathiard, Paclot, & Poracchia, 2012, p. 42).

I-2-Protecting Shareholder Rights in Algeria:

Like many other nations, Algeria wants to improve the safeguarding of shareholder rights by means of particular laws and rules. The real application of these laws, meanwhile, runs into many obstacles and the system for corporate governance and shareholder protection in this country shows clear shortcomings in law enforcement resources. With respect to the right to vote, Article 685 of the ACC specifies that the company's articles of association specify the number of votes each shareholder has in general assemblies; Article 603 of the Commercial Code confirms that each subscriber has a particular number of votes related to the number of shares they own, without exceeding 5% of the total number of shares. This clause seeks to safeguard shareholder rights by helping to balance the interests of majority and minority equity holders and so stops a small group from controlling decisions. A cap on voting rights helps to protect minority equity holders' rights even more and stops any one shareholder from forcing their will on the others.

Furthermore, the legal system in Algeria mandates that both board members and executive directors in joint-stock companies seek prior general assembly approval (following submission of

an auditor's report) before entering into any agreement between the company and any of its managers, whether direct or indirect, so safeguarding equity holders from conflicts of interest and company management misconduct. Equity holders must closely examine any contract between the company and one of its directors, and an independent expert (auditor) should assess it to ensure fairness and reasonableness. Agreements between the business and another institution follow the same logic if one of the company's managers is a shareholder or partner. One of the most crucial guarantees for safeguarding shareholder interests in joint-stock companies, Article 628 of the Commercial Code, as modified, specifies this. It seeks to stop directors from using their positions for personal benefit at the company's cost and to avoid conflicts of interest between management and equity holders. This increases openness and lowers the chances of corruption by means of.

Furthermore, Article 670 of the same legislation specifies the need of getting prior consent from the supervisory board before signing any contract between the company and a member of the board of directors or the supervisory board. This guarantees that choices about contracts the company enters into are made collectively and in its best interest, so avoiding corruption and favoritism. Every contract the business signs with its responsible members is open to review. As stated in Article 715 bis 6, the Algerian legislator also forbids the appointment of an auditor in joint-stock companies who has personal or financial ties with members of the board of directors, the supervisory board, or major equity holders. This policy helps to safeguard shareholder rights by guaranteeing that an independent and fair person examines the company's records, therefore lowering the chances of corporate fraud and corruption. This then increases investor confidence in businesses(Othmane & Mohamedi, 2021, p. 306).

I-3- The Principle of Fair Treatment of Shareholder in Corporate Governance:

Corporate governance ideas stress the need of equitable treatment of equity holders, therefore guaranteeing their equality in voting rights on basic decisions in the company's general meetings and safeguarding them from the effects of insider trading. Insider trading is the use of non-public information that can greatly influence the stock price of the company, therefore compromising the equality among investors and eroding their confidence in the market. It also includes engaging in unusual transactions with related parties. Defined by ISA 24, a related party transaction is one that transfers resources, services, and obligations between the reporting company and the related party without regard to whether a consideration is involved in the exchange. A related party under the standard is one or entity connected with the company preparing its financial statements the reporting company in this standard. These transactions take place between the corporation and entities with a particular relationship with it, including subsidiaries, affiliated companies, board members, and major equity holders(Ali, 2015, p. 13).

Prohibiting insider trading to prevent conflicts of interest was essential to protect equity holders from transactions violating the principle of equal treatment, therefore creating one of the most crucial mechanisms in corporate governance. Article 628 of the amended Commercial Law acknowledged this concept; it states that board members may not profit from any direct or indirect interests in contracts or transactions completed with the company without general assembly approval and disclosure of the nature and extent of such interests. Moreover, board members are forbidden from voting or taking part in agreements in which they have a direct or indirect interest without first informing other non-benefiting members and declaring the nature and extent of the interest to them for majority approval.

Article 715 bis 42 of the Commercial Law confirms that all shares in the company have the same rights and responsibilities, therefore the Algerian legislator underlined also the need of fair treatment of equity holders. Articles 691 (amended), 709 (new), and 712 (amended) also confirm that only the extraordinary general assembly may decide capital increases, decreases, or consumption under their authority governing capital changes in joint-stock companies. Though the

assembly may assign all authority to the board of directors or the board of managers to carry out these decisions, under no conditions may this compromise the equality between equity holders. This guarantees the seamless functioning of the business in line with the values of transparency and equality and the protection of equity holders' rights. This implies that on these important issues directly influencing the worth of their shares. These clauses guarantee that capital-related choices are made democratically and with all equity holders' involvement, therefore safeguarding their rights and guaranteeing their equitable representation.

Regarding fair treatment, Article 713 (amended) of the Commercial Law further specifies those representatives of equity holders or creditors whose debts predate the date of the minutes of the deliberation (regarding capital reduction without justification for losses) at the National Center for Commercial Registry. They may oppose the capital reduction within thirty days. Reducing capital could compromise the company's capacity to pay its obligations, therefore this is to safeguard the interests of creditors who might suffer as a result. Given that capital is the general guarantee for creditors and that borrowing is only an equity tradeoff (Zayed, 2010, p. 126).

Likewise, as changed, Article 715 bis 4 of the Commercial Code calls for auditors in joint-stock companies to guarantee shareholder equality compliance. The goal is to avoid any discrimination among equity holders in activities connected to raising or lowering capital.

From the above, it is evident that especially with respect to transactions with related parties and the trading of insider information, joint-stock companies under Algerian law have notable signs in place to guarantee fair treatment of minority equity holders. These policies seek to prevent conflicts of interest and guarantee equality in rights and responsibilities for every shareholder. This is in line with OECD values. But, notwithstanding this, there are certain deficiencies with regard to this idea. For example, the regulations governing joint-stock companies' share listing on the Algiers Stock Exchange lack clauses regarding insider knowledge or private company information as well as procedures minority equity holders can follow to pursue damages for infringement of their rights. The listing processes also exclude board of directors or auditor reports from disclosure; they only call for financial statement disclosure (Othmane & Mohamedi, 2021, p. 307).

I-4- The Role of Regulatory Guidelines of the Algiers Stock Exchange in Protecting Shareholder Rights:

Being the authority regulating and supervising the Algiers Stock Exchange (COSOB), it is absolutely vital in guaranteeing equality and fair treatment for equity holders in companies registered on the Algiers Stock Exchange. Its attempts to: safeguard minority shareholder rights, ban insider trading and the use of private information for exceptional profits, support the right to trade shares, guarantee the right to access the company's financial reports and papers, and monitor board of directors activities all show this. By means of sufficient and fair information disclosure, COSOB guarantees that all shareholder rights are fully exercised. Legislation has given this committee great power in enforcing laws pertaining to shareholder protection, especially by means of approvals, penalties, and fine decisions, so enabling it to properly fulfill its function. Moreover, it has direct power to sue those who infringe upon shareholder rights (Aissa & Beqdar, 2023, pp. 176-177).

I-5- The Role of the Judicial System in Protecting Investors in Algeria:

In Algeria, the judicial system is fundamental to safeguarding investors' rights as it underpins the foundation for guaranteeing a safe and appealing investment environment. This function is intimately related to the court's capacity to offer legal protection for investors and fairly and quickly settle conflicts connected to investments. Among the main guarantees offered by the judicial system in Algeria is the decision of the Algerian legislator to review the commercial judicial system by creating specialized commercial courts via an amendment to the Civil and Administrative Procedure Law No. 08-09 under Law No. 13/22, dated 12/07/2022. This reform's goal is to activate the function

of commercial courts and include them as a major player in promoting investment by means of the settlement of conflicts, therefore supporting the creation of judicial security for investors and hastening the settlement of commercial disputes under their control (Farroukh, 2024, p. 687).

The new laws are still far from satisfactory given past work in Algeria on the function of the judiciary in safeguarding shareholder rights. Not just among foreign business owners but also (especially) among local entrepreneurs, the judicial system remains a source of controversy for the business community. The slow speed of court processes, judges' lack of technical knowledge in business matters, the challenges in carrying out judgments, the inadequate application of alternative dispute resolution techniques (including arbitration, mediation, and reconciliation), and the lack of competence and integrity are the main criticisms of the judiciary. Although the legal system has been changed generally, the execution still falls short (Financial sector assessment Algeria, 2004).

I-6- The Relationship Between Law and Its Enforcement in Protecting Investors:

Research by Johnson et al. (2000), La Porta et al. (2008), La Porta et al. (1998), La Porta et al. (1997, 2000), which emphasizes the quality and enforcement of law as a means of improving the protection of minority equity holders, reveals that nations with an English common law system and strong law enforcement provide better protection for minority equity holders than those with a civil law system and weak law enforcement. Based on general principles of law, judges in common law nations are regarded as lawmakers with the power to make decisions that have the force of legal rules. By contrast, The legal system of civil law countries is based on comprehensive legal codes, and judges are not allowed to deviate from these rules while making judgments. Therefore, using legal gaps in common law countries to harm minority equity holders is more difficult than in civil law countries.

Moreover, the application of the law is another element influencing minority equity holders' protection. High-quality laws and a good legal system are not enough; the application of the law is also very important. According to empirical evidence cited in legal literature, countries with higher levels of law enforcement provide minority stock holders with superior protection (La Porta, Lopez-de-Silanes, Shleifer, & Vishny, 2000).

Berman (1983), Damaska (1986), Merryman (1985), Schlesinger et al. (1988), and Djankov et al. (2003) contend that civil law nations emphasize the formal criteria of judicial decisions in shareholder litigation in this regard. They say these nations have long legal processes, more corruption, inconsistency, less integrity, poor justice, and trouble accessing justice compared to common law nations (Mohammad, Bellamy, & Clive, 2011, pp. 63-64).

Algeria, a former French colony operating under the French legal system, experiences all the aforementioned flaws. It is also a developing nation in every area relating to shareholder protection and has major problems with its court system, including sluggish court processes and a lack of expert knowledge among judges in commercial concerns.

I-7- Evaluating Shareholder Protection in Algeria According to the "Anti-director Rights"

I-7-1- Definition of the "Anti-Director Rights" Index:

Academics started creating indicators in the mid-1990s, when corporate governance became a globally acknowledged topic, to gauge the degree of protection given by corporate laws in various nations for investors. These initiatives have lasted until now. Financial economists Rafael La Porta., et al. created the Anti-Director Rights Index (ADRI) in this respect; it has six components (Cheffins, Bank, & Wells, 2017, p. 700).

The components are: one share/one vote, compulsory dividends, cumulative voting or proportional representation, pre-emption rights (priority subscription to new shares), voting by email, and the percentage needed to summon an extraordinary general assembly. These indicators get a value of one if the company law or the commercial law of the country allows them; otherwise, they get a value of zero (Porta, Lopez-de-Silanes, Shleifer, & W. Vishny, 1998, p. 41).

Table n°1: Assessment of Shareholder Protection in Algeria Compared to Some Countries Worldwide According to the ADRI Index

Country	One Share/One Vote	Mandatory Dividends	Voting by Email	Voting System Type	Preemption Right	Percentage for Calling Extraordinary General Assembly	Total
Algeria	1	0	0	0	1	-	2
Egypt	1	0	1	1	1	%5	5
Qatar	0	0	1	1	1	%25	3
Saudi Arabia	1	0	1	1	1	5%	5
UAE	1	0	0	1	1	%30	3
Tunisia	0	0	0	0	1	%3	2
Morocco	0	0	1	0	1	%10	3
Bahrain	1	0	1	0	1	%10	4
Oman	1	0	0	1	1	%25	3
Lebanon	0	(%4) 1	0	0	1	-	2
Jordan	1	0	0	0	0	%25	1
England	0	0	1	0	1	%5	3
USA	0	0	1	1	0	%5	3
France	0	0	1	0	1	%5	3
Germany	0	0	0	0	0	%5	1
Mexico	0	0	0	0	1	%33	1
Italy	0	0	0	0	1	%20	1

Source: Prepared by researchers based on national laws of countries.

The table above shows that Algeria's "Anti-director Rights" index is rated at 2, which is better than many countries including Germany, Italy, Jordan, and Mexico, where the index is rated at 1, according to La Porta et al. estimates. Algeria's excellence over nations like Italy, Germany, and Jordan in this index, however, does not imply that the protection of minority equity holders in Algeria is in better shape than in those nations, nor does it suggest that the financial market in Algeria is more advanced than the financial markets in these nations. The problem of law enforcement helps to explain this paradox: it is obvious that these three nations are more effective in terms of enforcement than Algeria, which is known for issuing laws but struggles with their application.

With a score of 2, Algeria ranks on par with Tunisia and Lebanon. In our view, this equality results from the fact that the legal systems in these three nations are founded on the written French law (French Civil Code). This is consistent with the theory of law and finance, which holds that colonial expansion caused laws to spread from original nations to their former colonies (La Porta, López-de Silanes, Shleifer, & Vishny, 1997, p. 02).

Furthermore, Algeria falls short of nations like Saudi Arabia, Egypt, and Bahrain on this ranking, where the index is greater but shareholder protection in these nations is poor and their financial markets are limited. In our opinion, this paradox reveals the inadequacy of law enforcement in these nations. Algeria, therefore, performs better on this measure than nations with robust minority shareholder protections like the United States and the United Kingdom. This is in line with the essence of the law and finance theory, which holds that law enforcement is just as important, if not more so, than the simple issuance of laws. This theory holds that weaknesses in the laws themselves can be addressed by strong law enforcement.

Conclusion:

Especially in developing countries like Algeria, improving shareholder protection is essential for corporate governance and economic stability. Examining the legal framework for shareholder protection in Algeria in line with the "Anti-director Rights" index created by La Porta and others reveals that the Algerian legal system offers certain assurances for shareholder protection. However, it still struggles with law enforcement, inadequate litigation tools, and corporate management and governance opacity.

The research indicated that Algeria has advanced somewhat in shareholder protection, especially via legislation giving equity holders voting rights in general assemblies and internal monitoring systems. Still, legal and procedural holes exist that hinder equity holders' ability to oppose managerial arbitrariness or wrongdoing.

The study has reached the following conclusions:

- Though ACC and related rules include clauses safeguarding equity holders' rights, they do not always meet the degree of real application needed.
- Weak Enforcement Mechanisms: Although legal provisions safeguarding equity holders exist, poor law enforcement and lack of specialized corporate courts hinder their ability to activate this protection.
- Insufficient Transparency and Disclosure: Weak financial and accounting disclosure rules cause more shareholder risk and less capacity to make informed investment decisions.
- Lack of Legal Awareness Among Investors: This calls for more knowledge among investors, particularly minority equity holders, about their rights and accessible protective tools.

Study Recommendations:

Based on the findings, a set of suggestions can be made to improve shareholder protection and strengthen corporate governance in Algeria, as follows:

- Strengthen the Legal Framework for Shareholder Protection: This can be accomplished by changing commercial laws to give equity holders more authority to hold directors responsible and pursue legal action in instances of power abuse.
- Strengthening the independence of the judiciary to ensure the swift resolution of cases and the protection of shareholder rights.
- Enhancing disclosure and transparency requirements by obligating companies to provide detailed financial reports and applying international accounting standards to ensure the clarity of financial information for equity holders.
- Providing legal tools that enable equity holders to question choices made by boards of directors and to actively engage in strategic decision-making inside businesses helps them to empower their rights.
- Enhancing the function of regulatory agencies like the Securities and Exchange Commission will help to guarantee more efficient monitoring of compliance with laws and the application of severe penalties on corporations infringing on shareholder rights.
- Increasing legal awareness among investors can be accomplished by means of awareness campaigns, specialized training courses on shareholder protection, and fostering a legal culture inside the financial market.

Finally, it should be emphasized that this paper tried to evaluate investor protection in Algeria using the "Anti-director Rights" Index. The study found that Algeria has advanced somewhat in safeguarding shareholder rights. Still, the implementation of these laws raises major questions, which therefore invites more study on the subject of shareholder protection in Algeria from other angles and with various tools.

Referrals and references:

1. Abdeljawad, M. A. (2018). Priority Subscription Rights in Capital Increase and Their Disposition Under the Egyptian Capital Market Law and Its Amendments. *Arab Journal of Sciences and Research Publishing – Journal of Economic Administrative and Legal Sciences*, 2(15), 101–119.
2. Aissa, S. B., & Beqdar, K. (2023). Corporate Governance as a Mechanism to Enhance the Efficiency of the Algiers Stock Exchange. *Journal of Legal and Political Thought*, 7(2), 166–179.
3. Ali, M. A. (2015). The Relationship Between Disclosure of Related Party Transactions and Financial Reporting Quality: An Applied Study on Listed Companies in the Egyptian Stock Exchange. *Dar Al-Manzoma*, 19(2), 3–75.
4. Al-Jundi, H. M. (2022). Legal Aspects of Electronic Voting in General Meetings of Joint Stock Companies. *Damietta Journal of Legal and Economic Studies*, 6(6), 1090–1206.
5. Al-Omari, K. (2021). The Legal Framework for Capital Increase in Joint Stock Companies. *Eliza Journal for Research and Studies*, 6(2), 301–320.
6. Azizi, Z. (2022). Share Trading and Its Relation to Financial and Personal Considerations in Joint Stock Companies. *Journal of Legal Studies*, 9(2), 605.
7. Bafqih, A. A., & Al-Sharif, N. S. (2019). The Legal Status of the Liquidator in the Liquidation of a Joint Stock Company: A Comparative Study. *Arab Journal of Sciences and Research Publishing – Journal of Economic Administrative and Legal Sciences*, 3(9), 23.
8. Birjandi, H., Hakemi, B., & Sadeghi, M. (2015). The Study effect agency theory and signaling theory on the level of voluntary disclosure of listed companies in Tehran stock exchange. *Research Journal of Tehran Finance and Accounting*, 6(1), 174-183.
9. Cheffins, B. R., Bank, S. A., & Wells, h. (2017). Shareholder Protection Across Time. *Florida Law Review*, 68(3), 691-763.
10. Farroukh, S. (2024). Specialized Commercial Courts: Updates on Mediation in Commercial Matters in Light of Law No 13/22 Amending the Civil and Administrative Procedure Code. *Journal of Legal and Social Sciences*, 9(2), 684–695.
11. Fellah, Z. (2021). The Legal Framework of Equity holders' Voting Rights: A Comparative Study. *Journal of Legal Studies*, 8(2), 88–112.
12. Financial sector assessment Algeria. (2004). public disclosure authorized.
13. Hafs, M. (2022). Equity holders' Rights in the Joint Stock Company. *Journal of Comparative Legal Studies*, 08(01), 1029.
14. Hindi, M. I. (2005). *Modern Thought in Corporate Financing Structure Volume 2*.
15. Khalfaoui, A. (2015). Equity holders' Agreements in Joint Stock Companies. *Journal of Human Sciences*, 43, 235–254.
16. La Porta, R., López-de Silanes, F., Shleifer, A., & Vishny, R. (1997, april). *which countries give investors the best protection ?*, 1-4. Public policy for the Private sector.
17. La Porta, R., Lopez-de-Silanes, F., Shleifer, A., & Vishny, R. W. (2000). Agency Problems and Dividend Policies Around the World. *The Journal of Finance*, 55(1), 1-33.
18. Lahmari, K. (2021). The Role of Corporate Governance Principles in Protecting Equity holders. *Doctoral Thesis Submitted for the Third Cycle Degree in Law Specialization Private Basic Law*. Sidi Bel Abbes.
19. Leroy, C. (2010). The Equity holders' Agreement in the Corporate Environment. Paris, France.
20. Martin Laprade, F., Portier, P., Cathiard, C., Paclot, Y., & Poracchia, D. (2012). *Rights and Obligations of Equity holders: National Frameworks and Proposed Instruments at the European Level to Improve Legal Efficiency*. European Parliament.
21. Mezouar, F. (2012). Shareholder Protection in Joint Stock Companies: A Comparative Law Study. *University of Abou Bekr Belkaid Tlemcen*. Tlemcen, Algeria.
22. Mohammad, T., Bellamy, S., & Clive, M. (2011). Reform of Minority Shareholder Rights: An International Perspective. *Corporate Ownership & Control*, 9(1), 60-71.
23. Nicole ferry, m., jan kheimleister, k., lenghart, f., medjad, k., & stolowy, N. (2006). *Legal Management of the Enterprise*. paris: Pearson Education.
24. OECD. (2009). *Survey on Corporate Governance Frameworks in the Middle East and North Africa MENA*.
25. Othmane, M. B., & Mohamedi, N. (2021). Corporate Governance in the Algerian Business Environment Between Practice and Theory. *Al-Bahith Journal*, 21(1), 303–315.
26. Porta, R. L., Lopez-de-Silanes, F., Shleifer, A., & W.Vishny, R. (1998). Law and Finance. *Journal of Political Economy*, 5.
27. Sahraoui, N. (2019). The Legal Framework of the Right to Vote in General Meetings in Joint Stock Companies. 6.

28. Ventruruzzo, M. (2013). Issuing New Shares and Preemptive Rights: A Comparative Analysis. *Penn State Law Legal Studies Research Paper Series*, 12(4), 517-542.
29. Weinstein, O. (2021). Firm, Property and Governance: From Berle and Means to the Agency Theory, and Beyond. *Accounting, Economics, and Law*, 2(2), 1-55.
30. Yassad, F., & Kantar, K. (2024). Characteristics of Shares in Algerian Commercial Law. *Russian Law Journal*, XII (1), 1655.
31. Zayed, H. (2010). Long-Term Financing Decision. *Journal of Economics and Applied Statistics*, 7(2), 125–136.