Effectiveness of Corporate Governance in Rationalizing Financial Decisions in Economic Enterprises: A Case Study of Algerian Insurance Companies

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Received: 17/06/2024 **Accepted: 30/12/2024** **Published:20/01/2025**

Abstract:
This paper aims to assess the effectiveness of corporate governance in rationalizing financial decision-making within economic organizations. To explore the research questions and validate the hypotheses, a descriptive-analytical methodology was applied, utilizing SPSS for data analysis. The data were obtained via a questionnaire distributed among 43 participants, comprising members of the Board of Directors, the General Manager, and employees across various directorates. A comprehensive census approach was adopted due to the limited sample size. The findings underscore the Board of Directors' significant authority and influence in activating governance mechanisms. As the primary decision-making entity, the board's commitment to transparency and accountability is crucial for reducing uncertainties and avoiding unsound decisions. An internally reviewed system annually refines the board's roles, enhancing decision-making and ensuring shareholder participation in pivotal management decisions, thereby keeping them well-informed about their investments.

Keywords: Corporate Governance, Financial Decision-Making, Rationalization of Financial Decisions, Insurance Companies, Economic Enterprises

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I- Introduction:

Corporate governance has emerged as a pivotal force within global economies, spearheading optimal administrative, organizational, and supervisory practices. It plays a crucial role in maximizing corporate value and ensuring the continuity of enterprises, while safeguarding stakeholder interests and elevating the transparency and accuracy of financial statements. Effective governance is instrumental in fostering economic development, upholding legal integrity, and enhancing societal welfare by establishing robust frameworks to counteract financial and administrative corruption, thus improving the disclosure and transparency of financial statements.

Effective governance mandates proactive engagement of the Board of Directors with all stakeholders, implementing strategies to ensure transparency and accountability. This engagement is critical in streamlining and regulating decision-making processes within economic enterprises. At the heart of financial operations lies decision-making, a vital driver of these processes. In this context, robust governance is indispensable for economic institutions, enhancing their ability to make informed financial decisions through the strategic use of disclosed information. This information is crucial for forecasting outcomes, be it in maximizing profits or averting financial downturns.

Principles of effective governance promote equity among stakeholders by delivering credible and transparent information, thus presenting an authentic depiction of the institution. This transparency aids stakeholders in making well-informed financial decisions. Moreover, adherence to established governance standards empowers shareholders to actively participate in critical management decisions, ensuring they are comprehensively informed about their investments. Ultimately, sound decision-making fundamentally relies on the quality of information and the innovative thinking of decision-makers.

In light of the above, the following research question arises: Does corporate governance play an effective role in rationalizing financial decisions within economic enterprises?

The significance of this study is rooted in the critical economic role that financial decision-making plays within financial management. This area is essential due to its substantial impact on enabling an enterprise to operate both efficiently and effectively across organizational, administrative, and financial functions. This research concentrates on examining how corporate governance can facilitate the rationalization of financial decisions. It does so by scrutinizing the Board of Directors' efforts to sustain equilibrium, thereby boosting the rationalization of decisions through their expertise and networks. Additionally, the study emphasizes the importance of ensuring that all stakeholders execute their roles with integrity and credibility. This approach helps to prevent conflicts of interest, rationalizing decision-making within the enterprise.

This study aims to:

1. Evaluate the effectiveness of the Board of Directors' responsibilities in rationalizing financial decisions.
2. Assess the effectiveness of shareholder rights in rationalizing financial decisions.
3. Examine the role of disclosure and transparency in rationalizing financial decisions.
4. Evaluate the influence of stakeholders in rationalizing financial decisions.

Based on the research problem, significance, and objectives, the study hypotheses are formulated as follows:

Main Hypothesis: Corporate governance plays an effective role in rationalizing financial decisions in economic enterprises.

Sub-hypothesis 1: The Board of Directors' responsibilities effectively contribute to rationalizing financial decisions in economic enterprises.

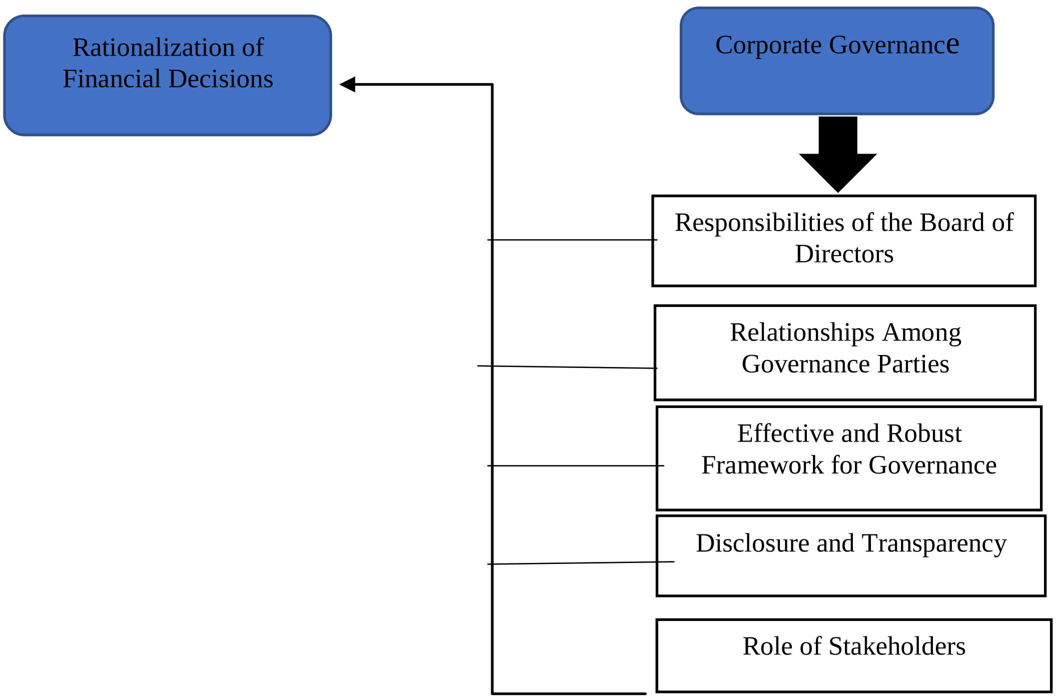
Sub-hypothesis 2: Shareholder rights play an effective role in rationalizing financial decisions in economic enterprises.

Sub-hypothesis 3: Disclosure and transparency effectively contribute to rationalizing financial decisions in economic enterprises.

Sub-hypothesis 4: Stakeholders significantly influence the rationalization of financial decisions in economic enterprises.

Research Variables:

Figure (1): Resarch Variables



Source: This Research

1. Theoretical Framework

1.1. The Effectiveness of the Board of Directors in Rationalizing Financial Decisions in Economic Enterprises

The Board of Directors plays a crucial role in providing strategic leadership, guidance, and oversight for all transactions within an enterprise. The board's substantial authority and influence underpin its capacity to activate corporate governance mechanisms, making it the primary decision-making entity within the organization. The board is tasked with internal oversight of management and all related parties. Moreover, the independence of key board members is critical for the board's success and the realization of effective governance. Hence, it is imperative that the board includes independent members to ensure a balanced perspective and to provide the enterprise with valuable external insights through their expertise and networks. An independent member is defined as someone who has no significant ties to the company, its subsidiaries, or its management that could compromise their judgment and affect the rationalization of their decisions (Mouqaddam & Taaba, 2019, P. 276).

To further bolster the effectiveness of governance, the enterprise ensures the formation of competent and effective advisory committees derived from the Board of Directors. These include Audit and Risk Committees and Compensation Committees (Rashwan & Alhelou, 2021, p.305), which play vital roles in transparent decision-making processes. The Board of Directors forms these committees based on the company's specific needs and conditions, typically appointing a sufficient number of non-executive members to these committees, such as the Audit Committee, which is a governance requirement (Alnaqul, 2021, p. 28). Effective governance is predicated on the Board's engagement with all stakeholders to foster transparency and accountability, thus steering clear of imprudent decisions. The Board formulates an internal system reviewed annually that meticulously outlines its duties, powers, and responsibilities. This framework is designed to enhance the strategic decision-making process within the enterprise by (Jordan Securities Commission, 2006, pp. 11-12):

- Developing plans, policies, and procedures aimed at aligning with the company’s objectives, enhancing operational efficiency, and contributing to community welfare.
- Crafting strategies to maximize shareholder returns and ensuring equitable treatment among them.
- Defining precise policies for risk management that safeguard the enterprise's assets and long-term viability.
- Establishing systems to manage the company’s financial, accounting, and administrative functions efficiently.
- Compiling financial reports, including audit findings and financial statements, in compliance with prevailing legislation, to inform sound and rational decision-making.
- Adhering to rigorous disclosure and transparency policies that meet or exceed regulatory expectations, ensuring stakeholders are well-informed.
- Enhancing internal control mechanisms to oversee and verify adherence to laws, regulations, and board-established policies.
- Implementing mechanisms to effectively address and incorporate feedback from shareholders and stakeholders, ensuring their insights contribute to informed decision-making.
- Establishing protocols to maintain stakeholder rights, providing timely and cost-effective access to essential information.

Furthermore, the heightened uncertainty that managers face necessitates the application of stringent standards of accountability in decision-making (Enriques, 2020). Consequently, the Board's ability to delineate clear responsibilities and prevent role overlap is crucial for its effectiveness in governance roles, thereby optimizing its impact on financial decision-making within the enterprise.

1.2. The Effectiveness of Shareholder Rights in Rationalizing Financial Decisions in Economic Enterprises

In joint-stock companies, shareholders wield both financial and non-financial rights, empowering them to actively participate in the governance of the enterprise. This participation extends beyond mere financial stakes to include substantial roles in overseeing the Board of Directors' actions, especially during general assembly deliberations and voting sessions on corporate decisions (Jassim, 2008, p. 167).

The corporate governance framework significantly bolsters the role of shareholder rights in rationalizing financial decision-making through several mechanisms (Al-Hamdi, 2020, pp. 32-35):

- The corporation ensures the protection of shareholders' rights to timely and relevant information, facilitating informed participation and voting in shareholder meetings.
- Shareholders possess the right to vote on essential corporate changes, such as modifications to the company's bylaws.
- Shareholders are entitled to engage in vital decision-making processes, including the election of board members. The governance structure supports both in-person and proxy voting, emphasizing the equitable weight of each vote to reflect true shareholder intent.
- Institutional investors are required to disclose their corporate governance policies publicly, including detailed procedures on how they exercise their voting rights.
- Shareholders are granted consultative rights on issues impacting their fundamental interests, such as participatory decision-making rights, aligning with the company's regulatory framework.

1.3. The Effectiveness of Disclosure and Transparency in Rationalizing Financial Decision-Making in Economic Enterprises

In economic enterprises, rigorous governance is predicated on the unequivocal commitment to the disclosure of organizational policies, operational programs, and transactional details. This commitment is manifest in the provision of clear, accurate, and timely information, adhering strictly to the stipulations set forth by regulatory and legislative bodies. Such transparency is indispensable, enhancing stakeholders' capability to make decisions that are both informed and judicious. The foundational integrity and acumen of these decisions are critical, particularly within the volatile domains of financial markets where disclosure and transparency are imperative.

This framework enables investors to make well-informed decisions by elucidating the factors influencing the market value of securities and optimizing returns vis-à-vis the associated risks. Consequently, the transparency of such information invariably leads to augmented activity in financial markets, thereby improving the efficiency of financial decision-making across multiple echelons (Khounish, 2010, pp. 87-88).

The overarching aim of disclosure and transparency is to equip investors with the tools necessary to accurately assess both the returns and the risks associated with particular securities, thereby facilitating judicious investment decisions (El-Saadani, 2007, p. 77). More broadly, the disclosure of financial information seeks to rationalize decisions across a spectrum of economic activities. Enterprises are thus obligated to uphold the veracity and clarity of this information by generating audit reports. These reports furnish stakeholders with an exact and lucid representation of the financial health of the organization. They affirm that the financial data not only accurately depict the company's fiscal condition and anticipated cash flows but are also compliant with globally recognized accounting standards. Therefore, auditing and periodic review of financial information are critical in bolstering the financial decision-making capabilities of users of financial statements. These processes are instrumental in establishing necessary policies and procedures designed to maximize potential financial returns (Chedri, 2015, p. 103).

Ultimately, the implementation of disclosure and transparency protocols ensures the efficacy of the financial decision-making process. Such measures are pivotal in forecasting activities linked to either the maximization of profits or the mitigation of financial failures. By presenting a transparent and factual overview of the enterprise, disclosure practices markedly enhance the prudence of financial decisions among shareholders and all users of information, within and beyond the corporate entity.

1.4. The Effectiveness of Stakeholders in Rationalizing Financial Decisions in Economic Enterprises

Effective corporate governance requires economic enterprises to uphold their responsibilities towards all stakeholders, including employees, customers, investors, and suppliers. This involvement is critical for proposing and selecting optimal solutions for various issues, thereby enhancing the decision-making process. Given the complexity and interconnectedness of financial management tasks, resources, actors, and conflicting interests, the Board of Directors must ensure effective communication and coordination among all parties. This approach aims to prevent conflicts of interest and promote transparency and accountability, thus avoiding imprudent decisions.

The increasing complexity and expansion of modern economic institutions have amplified the responsibilities of managers, necessitating the delegation of certain decision-making powers to stakeholders. This delegation fosters enhanced decision-making capabilities, particularly under conditions of complexity and uncertainty, where a director alone may not be able to provide all suitable solutions and alternatives for the issues at hand.

To prevent conflicts of interest and ensure stakeholders maintain a professional and ethical approach during their duties, institutions must adhere to the following guidelines (Center for International Private Enterprise, 2005, p. 18):

- Establish a written and clear policy regarding conflicts of interest for the Board of Directors and managers, detailing the provisions included in this section.
- Prohibit Board members and all stakeholders from trading the institution's shares during a specified period preceding financial result announcements and following any unexpected events impacting the financial position until public disclosure.
- Clearly define all professional conduct rules, including:
  - Guidelines for transactions involving the institution, whether buying, selling, or otherwise.
  - Delegated authorities.
  - Procedures for announcing new policies.
  - Adhered safety and health standards.
- Implement an internal system to monitor adherence to professional conduct rules.
- Ensure that the institution engages with suppliers who adhere to similar professional and ethical standards, respecting their legal rights and providing compensation when these rights are violated.

Stakeholders with conflicting interests and political incentives play a significant role in financial decision-making. Stakeholder analysis serves as a methodological tool for policymakers to identify, classify, and analyze actors potentially affected by proposed actions. This analysis helps in understanding their influence and stances on new policies, assessing the potential impacts of these policies, and crafting effective responses. Furthermore, it aids managers and policymakers in identifying potential misunderstandings and adopting necessary strategies to manage them effectively (mohamadian et.al, 2022).

2. Experimental Framework

This section of the field study aims to integrate theoretical and practical frameworks to fulfill the objectives of the research. It outlines the research methodology employed, the study population, and the research instrument, as detailed below:

2.1. Research Methodology

To examine and test the relationship between corporate governance and the rationalization of financial decisions, a descriptive-analytical methodology was adopted. This approach involved collecting data about the phenomenon, followed by analysis to derive conclusions and recommendations.

2.2. Data Collection Sources

- **Primary Sources:** Analytical aspects of the study were addressed using a structured questionnaire. The researchers administered, analyzed, and tested the study's hypotheses with the help of SPSS.
- **Secondary Sources:** The theoretical framework was enriched by reviewing a wide array of secondary sources, including academic books, journal articles, industry reports, and relevant digital content, providing a multidimensional perspective on the subject.

2.3. Study Population and Sample

The target population is Algerian insurance companies. The sample comprised employees from both the technical and administrative directorates from SAA (Société Algérienne d'Assurance). The initial sample size consisted of 57 participants, with 43 valid responses recovered for analysis after excluding incomplete submissions. This sample size was deemed adequate for the statistical analysis required for the study.

2.4. Research Instruments

To assess the effectiveness of corporate governance in rationalizing financial decisions within economic enterprises, the questionnaire was divided into two main sections:

1. **First Section:** This section collected demographic information from the study sample, including academic qualifications, specialization, job position, and years of tenure.
2. **Second Section:** This section was divided into four axes:

- **Board Responsibilities:** Examining the effectiveness of the Board of Directors in rationalizing financial decisions, consisting of six items.
- **Shareholder Rights:** Assessing the effectiveness of shareholder rights in financial decision-making, with five items.
- **Disclosure and Transparency:** Evaluating the effectiveness of transparency and disclosure on financial decision-making, consisting of five items.
- **Stakeholder Roles:** Investigating the effectiveness of stakeholders in rationalizing financial decisions, comprising six items.

A five-point Likert scale was used to measure responses to the items in each axis, as shown in Table 1:

Table 1: Five-Point Likert Scale Ratings

Rating	Very High	High	Medium	Low	Very Low
Agreement	5	4	3	2	1

Source: This research

3. Questionnaire Validity

3.1. Internal Consistency Validity

The internal consistency validity of the questionnaire was verified by calculating Pearson's correlation coefficient between the scores of each item in the four axes and the overall score of the corresponding axis. Table 2 illustrates the correlation coefficients for the first axis:

Table 2: Pearson Correlation Coefficients for Axis One

Item	Pearson Correlation Coefficient	Significance (Sig)
1	0.598**	0.000
2	0.815**	0.000
3	0.769**	0.000
4	0.667**	0.000
5	0.704**	0.000
6	0.572**	0.000

** Significance level: $\alpha \leq 0.01$

Source: Prepared by the researchers using SPSS

The table indicates that all Pearson correlation coefficients between the items of the first axis and the overall score of the first axis are statistically significant at the 0.01 level. The correlation coefficients range from 0.578 to 0.815. This demonstrates that all items within the first axis exhibit strong internal consistency, confirming the reliability and validity of the internal consistency of the items in the first axis.

Table 3: Pearson Correlation Coefficients for Axis Two

Item	Pearson Correlation Coefficient	Significance (Sig)
1	0.480**	0.001
2	0.589**	0.000
3	0.605**	0.000
4	0.712**	0.000
5	0.772**	0.000

**Significance level: $\alpha \leq 0.01$

Source: Prepared by the researchers using SPSS

The table illustrates that all Pearson correlation coefficients between the items of the second axis and the overall score for this axis are statistically significant at the 0.01 level. The coefficients range from 0.480 to 0.772. These findings indicate a strong internal consistency among the items within the second axis, thereby confirming the validity of the internal consistency for the items in this axis.

Table 4: Pearson Correlation Coefficients for Axis Three

Item	Pearson Correlation Coefficient	Significance (Sig)
1	0.591**	0.000
2	0.602**	0.000
3	0.815**	0.000
4	0.572**	0.000
5	0.499**	0.001

**Significance level: $\alpha \leq 0.01$

Source: Prepared by the researchers using SPSS

The table demonstrates that all Pearson correlation coefficients between the items of the third axis and the overall score of this axis are statistically significant at the 0.01 level. The correlation coefficients range from 0.499 to 0.815. These results indicate a high degree of internal consistency among the items within the third axis, thus confirming the validity of the internal consistency for the items in this axis.

Table 5: Pearson Correlation Coefficients for Axis Four

Item	Pearson Correlation Coefficient	Significance (Sig)
1	0.518**	0.000
2	0.607**	0.000
3	0.617**	0.000
4	0.715**	0.000
5	0.637**	0.000
6	0.557**	0.000

**Significance level: $\alpha \leq 0.01$

Source: Prepared by the researchers using SPSS

Table 5 illustrates that all Pearson correlation coefficients for the fourth axis are statistically significant at the 0.01 level ($\alpha \leq 0.01$). The correlation coefficients range from 0.518 to 0.715. These results affirm the internal consistency validity of the items within the fourth axis, indicating that they are reliably consistent with their respective axis.

Consequently, the internal consistency reliability of the measurement scale has been substantiated, confirming that all sections of the questionnaire are valid for measuring their intended constructs. Thus, the measurement scale is validated and remains in its final form.

3.2. Reliability of the Questionnaire

The reliability of the questionnaire refers to its ability to yield consistent results when administered repeatedly under similar conditions to the same sample. To assess this reliability, Cronbach's Alpha coefficient was employed, with the results detailed in Table 6:

Table 6: Cronbach's Alpha Coefficient for Questionnaire Reliability

Study Axes	Number of Items	Cronbach's Alpha	Composite Reliability
Board Responsibilities	6	0.683	0.826
Shareholder Rights	5	0.758	0.871
Disclosure and Transparency	5	0.636	0.797
Stakeholder Roles	6	0.709	0.842
Total	22	0.697	0.834

Source: Prepared by the researchers using SPSS

As illustrated in Table 6, the Cronbach's Alpha coefficients for the individual axes range from 0.636 to 0.758, with an overall coefficient of 0.697 for the entire questionnaire. These values suggest a satisfactory level of internal consistency. Furthermore, the composite reliability coefficients for the axes range from 0.797 to 0.871, with an overall coefficient of 0.834, confirming the high reliability of the measurement scale.

The high reliability and statistical significance validate the questionnaire, affirming its robustness and suitability for analyzing results and verifying the study's hypotheses.

4. Data Analysis and Testing

4.1. Normality Test

To determine whether the data followed a normal distribution, the Shapiro-Wilk (SW) test was employed. The results are detailed in Table 7:

Table 7: Shapiro-Wilk Test Results for Normality

Study Axis	SW Value	Significance (Sig)
Board Responsibilities	0.986	0.878
Shareholder Rights	0.976	0.482
Disclosure and Transparency	0.984	0.812
Stakeholder Roles	0.975	0.459

Source: Prepared by the researchers using SPSS

The results, as displayed in Table 7, indicate that the significance values (Sig) for all axes exceed the conventional threshold of 0.05. This suggests that the distribution of the data across these domains adheres to a normal distribution. Accordingly, parametric statistical tests were applied to test the hypotheses of the study, given the normal distribution of the data.

4.2. Descriptive Statistics of the Study Sample Based on Personal Data

The following section delineates the key characteristics of the study sample based on personal data:

Table 8: Distribution of Study Sample

Personal Data	Category	Frequency	Percentage
Educational Qualification	**Baccalaureate**	4	9.30%
	License (Bachelor's)	21	48.84%
	Master's	16	37.21%
	Magister	0	0%
	Ph. D	2	4.65%
Total		43	100%
Years of Experience	Less than 5 years	4	9.30%
	5 to 10 years	20	46.51%
	More than 10 years	19	44.19%
Total		43	100%
Job Title	General Administration	23	53.49%
	Finance, Accounting, and IT Directorate	12	27.91%
	Technical Directorate	8	18.60%
Total		43	100%

Source: Prepared by the researchers using SPSS

Analysis of Table 8 reveals the following:

- A notable 9.30% of the sample holds a baccalaureate degree, while 48.84% possess a bachelor's degree. Individuals with a master's degree comprise 37.21%, and 4.65% have attained a Ph.D., with no magister degree holders. This distribution is reflective of the requisite qualifications for roles within administrative and financial departments.
- The sample demonstrates a distribution of experience, with 9.30% having less than five years, 46.51% possessing between five and ten years, and 44.19% exceeding ten years. This diversity in experience underscores the reliability and depth of the responses.
- Employment is predominantly in General Administration (53.49%), followed by Finance, Accounting, and IT (27.91%), and the Technical Directorate (18.60%), ensuring broad representation across various organizational sectors, thereby enhancing the responses's objectivity and accuracy.

5. Hypothesis Testing

5.1. Testing the First Hypothesis: The Board of Directors' responsibilities effectively contribute to rationalizing financial decisions in economic enterprises.

The T-test was utilized to determine whether the mean response for this hypothesis equaled the average score of 3. The results are presented in Table 9:

Table 9: Statistical Analysis of the First Hypothesis

Items	Mean	Standard Deviation	T-value	Significance (Sig)	Rrank
The Board has extensive influence in making prudent financial decisions.	4.21	0.742	10.689	0.000	2
The Board includes independent members who influence financial decisions through their expertise and connections.	4.12	1.005	7.248	0.000	5
The institution has competent and effective advisory committees from the Board for making prudent financial decisions.	4.21	0.861	9.213	0.000	3
The Board commits to effective communication with all stakeholders to avoid ambiguities and imprudent decisions.	4.23	0.812	9.957	0.000	1
The Board has access to accurate and relevant information in a timely manner to make rational	4.14	0.861	8.675	0.000	4

decisions.					
The Board can exercise independent and objective judgment in rationalizing financial decisions.	3.98	0.672	9.529	0.000	6
Total	4.148	0.826	9.219	0.000	-

Source: Prepared by the researchers using SPSS

The mean score across all items in the first domain is 4.148, with a T-value of 9.219 and a significance level (Sig) of 0.000, surpassing the 0.05 threshold ($\alpha \leq 0.05$), indicating statistical significance. This suggests that the mean response for this domain exceeds the average agreement score of 3, thereby signifying a robust agreement among respondents on the hypothesis items. Consequently, the null hypothesis is rejected, and the alternative hypothesis is accepted: "The Board of Directors effectively rationalizes financial decisions in the economic enterprise."

5.2. Testing the Second Hypothesis: Shareholder rights play an effective role in rationalizing financial decisions in economic enterprises.

Table 10: Statistical Analysis of the Second Hypothesis

Items	Mean	Standard Deviation	T-value	Significance (Sig)	Rank
Shareholders have the right to participate in decisions on fundamental changes in the company.	3.98	0.886	7.228	0.000	3
Shareholders have timely and regular access to information necessary for effective decision-making.	3.98	0.707	9.063	0.000	2
Shareholders have the right to participate in the company's key decisions.	3.98	0.672	9.529	0.000	1
Shareholders are granted the authority to participate and vote in the institution's general meetings for transparent decision-making.	3.86	0.861	6.550	0.000	5
Shareholders can question the Board and propose alternatives for rational decisions,	3.72	0.908	5.205	0.000	4

considering reasonable constraints.					
Total	3.904	0.807	7.515	0.000	-

Source: Prepared by the researchers using SPSS

The mean score across all items in the second axis is 3.904, with a T-value of 7.515 and a significance level (Sig) of 0.000, indicating statistical significance at the $\alpha \leq 0.05$ level. This outcome suggests that the mean response for this domain exceeds the average agreement score of 3, reflecting strong agreement among respondents on the hypothesis items. Therefore, the null hypothesis is rejected, and the alternative hypothesis is accepted: "Shareholder rights effectively rationalize financial decisions in the economic enterprise."

5.3. **Testing the Third Hypothesis:** Disclosure and transparency effectively contribute to rationalizing financial decisions in economic enterprises.

Table 11: Statistical Analysis of the Third Hypothesis

Item	**Mean**	**Standard Deviation**	**T-value**	**Significance (Sig)**	**Rank**
The institution commits to accurate and timely disclosure of all information impacting decision-makers.	3.56	0.881	4.154	0.000	5
The institution prepares and reviews data in line with accounting and financial quality standards for transparent decision-making.	4.21	0.804	9.869	0.000	2
Information distribution channels ensure users access information timely and cost-effectively, avoiding imprudent decisions.	4.12	0.905	8.086	0.000	4
The institution prepares an audit report that provides a clear and accurate picture of financial information, aiding rational financial	4.23	0.873	7.512	0.000	1

decisions.					
Transparency in the company's practices enhances its credibility and investor confidence in rational investment decisions.	4.14	0.457	13.333	0.000	3
Total	4.052	0.784	8.591	0.000	-

Source: Prepared by the researchers using SPSS

The mean score for all items in the third axis is 4.052, with a T-value of 8.591 and a significance level (Sig) of 0.000, indicating statistical significance at the $\alpha \leq 0.05$ level. This suggests that the mean response for this domain exceeds the average agreement score of 3, indicating strong agreement among the sample members on the items of this hypothesis. Therefore, the null hypothesis is rejected, and the alternative hypothesis is accepted: "Disclosure and transparency effectively rationalize financial decisions within the economic enterprise."

5.4. Testing the Fourth Hypothesis: Stakeholders significantly influence the rationalization of financial decisions in economic enterprises.

Table 12: Statistical Analysis of the Fourth Hypothesis

Items	Mean	Standard Deviation	T-value	Significance (Sig)	Rank
Communication and coordination with stakeholders contribute to rational financial decisions.	3.72	0.734	33.225	0.000	3
Stakeholders participate in proposing solutions and alternatives for rational decision-making.	4.07	0.737	36.228	0.000	1
The institution adopts a policy of delegating financial decision-making authority to stakeholders.	3.93	0.856	30.100	0.000	6
Management shares essential financial and administrative information with stakeholders.	3.88	0.762	33.400	0.000	2
Stakeholders avoid conflicts of interest in their professional relationships to ensure rational decisions.	3.72	0.797	30.630	0.000	4
The institution's governance system is flexible and innovative, mobilizing stakeholder efforts for rational financial decisions.	3.86	0.833	30.380	0.000	5

Overall	3.863	0.788	32.327	0.000	-

Source: Prepared by the researchers using SPSS

The mean score for all items in the fourth axis is 3.863, with a T-value of 32.327 and a significance level (Sig) of 0.000, indicating statistical significance at the $\alpha \leq 0.05$ level. This indicates that the mean response for this domain exceeds the average agreement score of 3, suggesting strong agreement among the sample members on the items of this hypothesis. Thus, the null hypothesis is rejected, and the alternative hypothesis is accepted: "Stakeholder roles effectively rationalize financial decisions in the economic enterprise."

6. Conclusion

The process of making financial decisions is one of the most prominent topics in financial management, given that decision-making is a fundamental pillar for improving the performance of institutions and raising the level of their efficiency. Therefore, the economic institution seeks to rationalize its decisions through the effective application of corporate governance, as a mechanism that guarantees the best administrative, organizational and supervisory practices on the one hand and maximizes the value of companies. And working on its continuity within the market on the other hand.

Therefore, the good and proper application of corporate governance principles directly affects financial decisions, that is, the effectiveness of the board of directors, shareholders' rights, the role of stakeholders, disclosure, and transparency, all of which are linked and sequential, leading to the rationalization of the organization's financial decisions, whether these decisions are investment, financing, or distribution.

7. Results and Recommendations

7.1. Results

- Corporate governance (Board Responsibilities) effectively rationalizes financial decisions in the economic enterprise, with a mean score of 4.148.
- Corporate governance (Shareholder Rights) effectively rationalizes financial decisions in the economic enterprise, with a mean score of 3.904.
- Corporate governance (Disclosure and Transparency) effectively rationalizes financial decisions in the economic enterprise, with a mean score of 4.052.
- Corporate governance (Stakeholder Roles) effectively rationalizes financial decisions in the economic enterprise, with a mean score of 3.863.
- The Board of Directors has the authority to access accurate and relevant information timely for rational and prudent decision-making.
- The Board comprises independent members who influence financial decisions through their expertise and networks.
- Shareholders are provided timely and regular access to the institution's information for effective decision-making.
- Shareholders have the right to participate in the company's key decisions.
- The institution prepares and reviews data in line with accounting and financial quality standards for transparent decision-making.
- Communication and coordination with stakeholders contribute to rational financial decisions.

7.2. Recommendations

Based on the study's findings, the following recommendations are proposed:

- Economic institutions must maintain good conduct in the evaluation and decision-making process, which will contribute to rationalizing and activating various financial decisions.

-All problems related to employees must be addressed and resolved, conflicts of interests must be avoided, and shareholders' rights must be preserved, which leads to effective decision-making.

- The need for institutions to commit to adopting disclosure and transparency as a tool to improve their image and enhance their credibility and the confidence of shareholders and investors in making their financing and investment decisions.

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