Does Corporate Governance Influence the Transparency of Banking Groups in the Franc Zone?

Paul D. Zanga O

Department of Economics and management, University of Buea, PO Box 494, Mbalmayo, Cameroon

Abstract

The aim of this research is to analyse the influence of corporate governance on the level of transparency of holding banks operating in the Franc Zone. To conduct this research, a sample of 27 banking groups operating in the Franc Zone between 2007 and 2012 is used, primary and also secondary data are used. Through a panel data regression, this study finds that the size of the bank, the distribution of capital and the Anglo-Saxon cultural values are positively correlated to the level of transparency of multinational banks in the Franc Zone. In contrast, the small size of the board of directors is negatively associated with bank transparency.

Keywords: Corporate Governance, Transparency, Banking Group, Bank Disclosure

1. Introduction

Appreciated for the management perceptivity one can expect from it, transparency is nowadays an essential management standard for enterprises. However, the intense debate on this concept seems to be less fascinating for banks including banking groups. In fact, these organisations are usually considered opaque as they take advantage from bank secrecy and their organisational structures contribute to money laundering, tax invasion and capital flight. Secondly, Morgan's works show that banks are more opaque than non-financial enterprises. Furthermore, as compared to other organisations, those banks most of the time face more information asymmetries (banking risks, bank rushes, inter-bank transactions, cross-sectorial and transnational activities). Finally, the opacity of these holding banks are potential sources of crises and failures.

With the need of transparency for banking groups, corporate governance is generally the dosage. That is why the West Africa Banking Commission issued Circular No. 01-2001 / CB of 03 April 2001 on corporate governance. Also, Central African Banking Commission (COBAC) drafted Regulation No 04/08 / CEMAC / UMAC / COBAC of 06 October 2008 on corporate governance for credit institutions.

So, the objective of this research is therefore to analyse the influence of corporate governance on the level of transparency of bank groups operating in the Franc Zone. More specifically, one will study the influence of the size of these banks, the number of directors, the dispersion of capital and cultural values on the level of bank transparency. In order to achieve this goal, we used a sample of 27 banking groups located in the Franc Zone between 2007 and 2012. Secondary data and information from direct observation of annual reports and websites information content have been used. Through panel data regression, this study concluded that the size of the bank, the distribution of capital and the Anglo-Saxon cultural values are positively correlated to the level of transparency of multinational banks in the Franc Zone. On the contrary, the restricted size of the board of directors is negatively and significantly linked to bank transparency. This work is presented as follows: literature review, methodology, results and conclusions.

2 Corporate Governance: A Controversial Transparency Vector

There are many corporate governance mechanisms but we selected the following because of their relative importance: size of the bank, size of the Board of Directors, capital distribution and cultural values.

2.1 About Controversy in the relationship between the size of the bank and transparency

According to the positive agency theory, large banks generally face intense agency conflicts that transparency can partially solve. Furthermore, this assumption is empirically verified. Indeed, Hossain (2008) examined the influence of bank assets on the extent of information disclosure on annual reports in India. He used a sample of 38 public and private banks listed on Bombay Stock Exchange and National Stock Exchange (NSE) on 30 June 2004. His disclosure index is made of 184 items grouped into 101 compulsory information and 83 voluntary items.

2 Throughout this text, words such multinational banks, banking groups, holding banks will be used to designate the same entity.
information. Using a binary rating system and a regression by ordinary least squares, he concluded that the total assets positively and significantly influence the bank disclosure scope. Similar results were also obtained by Hamrouni and Lakhal (2010) in France, Xiao and al. (2004) in China, Madan and al. (2012) in Kazakhstan, etc.

However, Kim and Boolaky (2009) studied the influence of the total assets of 46 Japanese banks on the information disclosure scope on the "corporate governance" for the years 2005, 2007 and 2009 respectively. Using a disclosure index comprising only three items, they concluded that the bank's size negatively affects this form of disclosure. They attributed this result to the partnership governance system in force in Japan, which discourages stakeholders to control the bank because of their affinities. Nevertheless, based on the positive theory of agency precepts, it is assumed that:

H1: The more the bank is large, the more it is transparent.

2.2 The Size of the Board of Directors: A Mixed Transparency Factor

Looking at the doctrine, the size of the board of directors is subject to controversy. In fact, according to the dependency to the resources theory, the large size of this body (i.e. the board of directors) is considered beneficial as it can bring more resources or administrators able to increase transparency. On the contrary, the positive agency theory argues for a small size board of directors because a reduced size facilitates decision making, avoids coalitions which can paralyse its optimal operation and it is less expensive for the bank.

In order to put an end to this controversy, Htay and al. (2012) analysed the influence of "Corporate Governance" on disclosure of information related to bank risks in Malaysia. For their study, they used a sample of 12 banks which were observed from 1996 to 2005. Here, the communication scope is calculated with a disclosure index of 33 items and a binary rating system. After a panel data regression, this study concluded that the small size of the board of directors positively and significantly influences the level of disclosure of information related to banking risks.

However, a different result is provided by Stefanescu (2013) within the European Union. The researcher used a sample of 189 banks identified in the Schengen Zone in 2011. The work assesses bank disclosure volume using a diffusion index of 32 items and a binary rating system. After a linear regression, the author concluded that the size of the board of directors negatively affects the banking communication’s scope. Similar results were also obtained by Madan and al. (2012) in Kazakhstan, Dhouibi and Mamoghli (2009, 2013) in Tunisia.

One noticed that this aspect of the board of directors is empirically controversial. These differences can be explained by the various ways of operationalizing this variable and the lack of consensus on the optimal size. Therefore, based on the agency positive theory, one can formulate a hypothesis stated as follows:

H2: The more the board of directors is small, the higher the level of transparency of the multinational bank is high.

2.3 Capital Distribution and Transparency: A Discordant Relationship

According to the agency positive theory, costs and agency conflicts are very important in enterprises with a wide distribution of capital. Therefore, adopting a transparent management is likely to reduce these antagonisms. On the contrary, when the capital is hold by a majority shareholder, public offering of information is insignificant. In the literature, this assumption is verified by Kim and Boolaky (2009) in Japan, who concluded that the wide capital distribution positively influences information disclosure. On the contrary, shareholding concentration has a negative impact on the banking communication.

Following a different perspective, Xiao and al. (2004), Trabelsi (2005), Hamrouni and Lakhal (2010) concluded that there is a passive behaviour of minority shareholders. In fact, investors holding a small proportion of capital cannot bear the costs of information which sometimes exceed their expected incomes. These results are even in perfect match with the vision of market discipline theory which states that bank shareholders have a proven ability to control; however, they are less motivated in monitoring these organisations. Based on the assumptions of the dominant paradigm in finance (agency positive theory), one can assume that:

H3: The more the capital of a bank is diffuse, the more it is transparent.

2.4 The Anglo-Saxon Culture: A Source of Transparency

According to Paturel and al. (2006), cultural values do affect information dissemination practices of enterprises. Using a sample of 106 French enterprises and 76 UK firms, they concluded that English culture more promotes information dissemination than French cultural values. The argument of these authors is that France is characterised by two strong equity values (consistency and conservatism) as well as two medium-sized equity values (transparency and professional control). On the contrary, Great Britain makes the difference with four
strong equity values namely: professional control, flexibility, transparency and optimism. Moreover, Anglo-Saxon models prefer risk investor and small holders who make companies to disclose more relevant information. A similar result was obtained by Jouini (2007) using the same sample and the similar analysis period. Based on the aforementioned works, one can assume that:

H₄: The more Anglo-Saxon culture the bank is, the more transparent it is

As one rate it, most of the research works presented above lead to conflicting results. This can be explained by the subjectivity of the communication observation grids. Also, the reliability of these analytical grids is rarely verified. Finally the quality of the information provided by enterprises is generally ignored, while it is the essence of communication. These remarks will have special consideration in the section about methodology.

3 Presentation of the methodology

Below, one will present the following: sample and space-time delimitation; the main variables; secondary variable; data collection method and analysis model.

3.1 Sample of the study and space-time framework

In order to obtain the sample, one enumerated firstly all banking organisations with representative offices, branches, subsidiaries and/or affiliated banks in the Franc Zone. This was made possible through documentation search and consultation of websites as well as annual reports of regulatory bodies. After this first survey, a list of 34 holding banks was established. As there was no information concerning corporate governance features, 7 banks were eliminated from the said list. Finally, a sample of 27 banking groups was taken.

As far as the framework in which these banks operate is concerned, it is a francophone economic and monetary zone, located in Sub-Saharan Africa and made of fifteen African States. Banking supervision in this area is done by two regulatory bodies, namely the Central African Banking Commission established on 16 October 1990 and the Banking Commission of the West African Economic and Monetary Union established on 24 April 1990³.

This region still has some advantages. Firstly, its link with Banque de France provides a similarity in the bank supervision practices. Then the linguistic unity of the zone makes enterprises communication practices to look almost the same, according to Jouini (2007). Finally, there is a strong cooperation between regulators which is vital for the supervision of banking groups. Concerning the temporal delimitation, it covers the period from 2007 to 2012. The choice of this period is justified by the desire to include the Basel II application period which is the reference standard for this study⁴. Then this period is favourable for data collection through direct observation and time analysis (in panel data) makes our sample more representative.

3.2. The main variable: transparency of banking groups

In order to evaluate transparency, Hamrouni and Lakhal (2010) used the extent of compulsory disclosure (annual report) and voluntary revelation (website content) of enterprises. Even though this method has a better representation of the level of disclosure, it is still limited in the sense that communication is only the reflection of transparency as for the disseminated information to be transparent, it must fulfil some conditions like completeness, relevance, reliability, comparability and importance. This method therefore go along with the thought of the Basel Committee (1998), which considers bank transparency as the public dissemination of reliable and current information (which implies disclosure scope) allowing its users to clearly assess the situation, the financial performance of a bank, its activities and related risks (this refers to characteristics of a transparent information).

Thus, bank transparency is measured here using an index of 360 points. It includes the level of voluntary disclosure of websites (assessed using an observation grid of 120 items), the compulsory communication volume of annual reports (measured using an observation grid of 120 items) and specifications of transparent information which has as most important element the long-term rating (converted on 120 points).

³ Members States of this zone are presented as follows: Benin, Burkina Faso, Côte d’Ivoire, Guinea Bissau, Mali, Niger, Senegal and Togo in West Africa. In Central Africa, we have Cameroon, the Central African Republic, Congo, Gabon, Equatorial Guinea and Chad. Finally, one can cite the Comoros, a single exception (not part of this study).

⁴ In order to respect the comparability of information principle, Basel II requirements on financial communication were chosen as reference standard. It should be noticed that the "New Basel Agreement" has not yet entered into force (to date) within the Franc Zone. Also, this agreement is usually presented as the most comprehensive standard on transparency. In addition, many bank groups decided for a "premature implementation" of this standard (Ecobank, Attijariwafa Bank, BMCE Bank, Standard Bank Group, UBA, Access Bank, etc.). Finally, Lipunga (2014) effected a similar study in Malaysia.
3.2.1 The website as a voluntary bank communication tool

Voluntary disclosure is information that an organisation can publish following its managerial liberty. Given the fact that there is no regulation concerning communication on web sites, literature considers this form of disclosure as voluntary. In order to evaluate it in this case, an observation grid was elaborated based on empirical works of Botosan (1997), Nejjar (2011), Jouini (2007) and Sharma (2013), etc. The rating system adopted is binary. It takes value 1 if the searched information is published online and value 0 if otherwise. The synthesis of searched information is presented as follows:

Table 1: List of searched information on websites of banking groups

<table>
<thead>
<tr>
<th>Type of information</th>
<th>Main information searched (120 items)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Website content (89 items)</td>
<td>Strategic Information (11 items)</td>
</tr>
<tr>
<td></td>
<td>Financial Information (17 items)</td>
</tr>
<tr>
<td></td>
<td>Environmental and social information (13 items)</td>
</tr>
<tr>
<td></td>
<td>Non-Financial Information (33 items)</td>
</tr>
<tr>
<td></td>
<td>Information on banking services (15 items)</td>
</tr>
<tr>
<td>Quality of the website (31 items)</td>
<td>Presentation of information on the website (15 items)</td>
</tr>
<tr>
<td></td>
<td>Interoperability on the website (16 items)</td>
</tr>
</tbody>
</table>

Source: author

The sum of obtained points is then divided by the total number of items (120). Similarly, once elaborated, the observation grid is submitted to Cronbach's alpha test and to inter-items correlations in order to check its reliability. Also, the disclosure score through internet is considered a constant, according to Gibbins and al (1990) works, showing the stability of communication on internet throughout the time.

3.2.2 The Annual Report: A Compulsory Bank Communication Medium

Banking regulations require banks to give annual reports to regulatory authorities. Although it is possible to find some voluntary information, it is still true that this channel is primarily the result of a legal constraint. In order to assess the extent of banks compulsory disclosure, an observation grid was designed. This grid is the result of a synthesis of Basel Committee’s recommendations (1998, 2006, 2006a), Lipunga (2014), of GRI and Eurodar organisations. The rating system adopted is binary. It takes value 1 if searched information is published in the annual report and the value 0 if otherwise. The following table summarises searched information:

Table 2: List of bank information searched in annual reports

<table>
<thead>
<tr>
<th>Type of information</th>
<th>Key information searched (120 items)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial situation (17 items)</td>
<td>Application scope of capital (6 items)</td>
</tr>
<tr>
<td></td>
<td>Capital Structure (5 items)</td>
</tr>
<tr>
<td></td>
<td>Capital adequacy (6 items)</td>
</tr>
<tr>
<td>Strategies, exposure and bank risk management (33 items)</td>
<td>Credit risk (14 items)</td>
</tr>
<tr>
<td></td>
<td>Currency risk (4 items)</td>
</tr>
<tr>
<td></td>
<td>Operational Risk (7 items)</td>
</tr>
<tr>
<td></td>
<td>Portfolio interest rate risk (8 items)</td>
</tr>
<tr>
<td>Accounting policies (7 items)</td>
<td>Accounting methods (3 items)</td>
</tr>
<tr>
<td></td>
<td>Consolidation principles (4 items)</td>
</tr>
<tr>
<td>Financial Results (23 items)</td>
<td>Financial information (23 items)</td>
</tr>
<tr>
<td>Key data on management (40 items)</td>
<td>General and Strategic Information (15 items)</td>
</tr>
<tr>
<td></td>
<td>Environmental and social information (10 items)</td>
</tr>
<tr>
<td></td>
<td>Information on “corporate governance” (15 items)</td>
</tr>
</tbody>
</table>

Source: author

The sum of obtained points is then divided by the total number of items (120). Similarly, this observation grid,
once designed, is submitted to Cronbach's alpha tests and to inter-item correlations in order to verify its reliability.

3.2.3 Integration of "transparent information features" in the compulsory and voluntary communication scope

In this logic, completeness has been integrated to the transparency index by presenting a set number of information categories in websites observation grids and annual reports. Relevance was also taken into consideration by categorisation of information that permits to identify the needs of investors.

Reliability for its part is introduced in the transparency index through Cronbach's Alpha tests and inter-items correlations performed on both observation grids (Nejjar, 2011). Similarly, the bank long-term rating (from Standard and Poor's, Fitch and /or Moody's), is integrated into the calculation of its disclosure score. Thus, the rating of each bank is converted and integrated into the disclosure scope (AAA and Aaa = 120 points; AA + and Aa1 = 114 points; AA and Aa2 = 108 points; ... B- and B3 = 30; CCC and Caa = 24; CC and CA = 18; C = 12, D and C = 6 points; no rating = 0)\(^5\). In order to facilitate information comparability, financial reporting obligations defined by the Basel Committee (2006) were chosen as reference standard. They are supplemented by requirements from the same Committee on corporate governance and other international standards on environmental and social information disclosure (Lipunga, 2014). Finally, the relevance of transparent information has been added to the transparency index by adopting a binary rating system when calculating compulsory and voluntary disclosure scores.

From the above, holding banks transparency is therefore the results of the sum of voluntary, mandatory reporting scores and long-term rating which is then divided by the total number of points (360 points).

3.3 Definitions and measurements of secondary variables

This study has four independent variables defined and measured as follows:

The size of the bank (X\(_1\)): This variable is measured using the napierian logarithm of the total assets of holding bank. Given the fact that there are many currency units, all amounts have been converted into Euro according to the parity in force. The size of the board of directors (X\(_2\)): it is measured following Jensen (1993) who believes that the number of directors in a board of directors should not exceed ten people. Thus, this variable is equals to value 1 if the size of the board is less than or equal to 10 administrators and equals to value 0 if not.

The distribution of capital (X\(_3\)): it is calculated using formula 1 minus Herfindahl index (sum of shares squares hold by the first and the second shareholder).

Cultural values (X\(_4\)): The measurement of this variable was done using a dichotomous variable which is equals to value 1 if the parent company has Anglo-Saxon origins and 0 if not.

The following table summarizes variables.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Definitions</th>
<th>Measurements</th>
<th>Sources</th>
<th>Expected Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Y</td>
<td>Transparency of banking groups</td>
<td>Disclosure score through the annual report, the website and the long-term rating</td>
<td>Author</td>
<td></td>
</tr>
<tr>
<td>X(_1)</td>
<td>Bank's Size (Board of directors)</td>
<td>Neperian logarithm of total assets (directors)</td>
<td>Sharma (2013), etc.</td>
<td>+</td>
</tr>
<tr>
<td>X(_2)</td>
<td>Size of the Board of directors</td>
<td>1 if the number of directors is less than 11 and 0 if otherwise</td>
<td>Jensen (1993)</td>
<td>+</td>
</tr>
<tr>
<td>X(_3)</td>
<td>Capital diffusion</td>
<td>1 minus Herfindahl index</td>
<td>Xiao and al. (2004)</td>
<td>+</td>
</tr>
<tr>
<td>X(_4)</td>
<td>Cultural values</td>
<td>1 if the bank has Anglophone cultural values and 0 if not</td>
<td>Paturel and al. (2006)</td>
<td>+</td>
</tr>
</tbody>
</table>

Source: author

3.4 Data Collection

\(^5\) It should be noticed that if the same bank if the same bank is rated by many agencies, the score which is to be considered is the arithmetic average of all scores. Furthermore, the pitch (6-6) taken into consideration when converting is justified by the fact that the rating should represent one-third of the transparency index.
Data collection for this study started with the elaboration of the observation grids for the communication scope using websites and annual reports based on previous works as described earlier. Once those analysis grids were designed, data collection through direct observation began in January 2014. Thus, the observation grid for websites was used to measure instantly the voluntary communication scope of banking groups. On the other hand, the observation grid for annual reports permitted to measure mandatory communication level of bank holdings for the period 2007-2012.

This information collection also permitted to assess observation grids reliability through Cronbach alpha tests and inter-item correlations. In this way, annual reports analysis grid shows there is a good reliability with Cronbach alpha equals to 0.984 and an inter-items correlation of 0.527. Websites observation grid also shows a good reliability with a Cronbach alpha of 0.971 and an inter-items correlation of 0.62. In order to obtain information on corporate governance mechanisms, secondary data from annual reports and bank websites contents were used.

3.5 Presentation of the Econometric Analysis: Panel Data Regression

Panel data analysis was used to process data collected. Thus, Fisher, Hausman and Breusch-Pagan tests were used to identify possible fixed, common or random effects respectively. The model we used is presented as follows:

\[ Y_{it} = \alpha_0 + \alpha_1 X_{1it} + \alpha_2 X_{2it} + \alpha_3 X_{3it} + \alpha_4 X_{4it} + \varepsilon_{it} \]

Where \( \alpha_0, \alpha_1, \alpha_2, \alpha_3 \) and \( \alpha_4 \) represent the correlation coefficients

\( \varepsilon \) represents the residue

\( i = \) holding bank \( \{1; \ldots ; 27\} \) and \( t = \) period \( \{1; \ldots ; 6\} \)

\( Y_{it} = \) measure the transparency of the multinational bank \( i \) at the period \( t \)

\( X_{1it} = \) measures the bank's size \( i \) at time \( t \)

\( X_{2it} = \) designates the size of the board of directors of the bank \( i \) at time \( t \)

\( X_{3it} = \) means the distribution of the bank's capital \( i \) at time \( t \)

\( X_{4it} = \) represents the bank's cultural values \( i \) at time \( t \)

4 Presentation of Results: Corporate Governance as a Controversial Transparency Source

There is a descriptive analysis and presentation of results in this section.

4.1 Descriptive Analysis

The table below presents descriptive statistics of corporate governance mechanisms and transparency of multinational banks.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Mean</th>
<th>Standard deviation</th>
<th>Minimum</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>( Y )</td>
<td>0.491</td>
<td>0.253</td>
<td>0</td>
<td>0.867</td>
</tr>
<tr>
<td>( X_1 )</td>
<td>23.316</td>
<td>3.261</td>
<td>16</td>
<td>28.353</td>
</tr>
<tr>
<td>( X_2 )</td>
<td>0.370</td>
<td>0.484</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>( X_3 )</td>
<td>0.698</td>
<td>0.276</td>
<td>0</td>
<td>0.996</td>
</tr>
<tr>
<td>( X_4 )</td>
<td>0.259</td>
<td>0.439</td>
<td>0</td>
<td>1</td>
</tr>
</tbody>
</table>

Source: author

This table shows that holding banks are moderately transparent (0.491). This suggests, according to Gibbins and al. (1990) works that such organisations communicate when there is an opportunity. In other words, they broadcast only some of the information or those that are profitable for them.

Meanwhile, banking groups boards of directors studied are of large size (more than 10 directors). Indeed, according to the above table, 37% of banks on average have a number of directors less than 11. It is also noticed that such practices are disparate and this is the proof of a kind of divergence in sizes of boards of directors.

One can also notice that banks capital studied is dispersed. Indeed, the above table shows a capital average circulation of 0.638. This result is quite normal because multinational banks are of large sizes and they usually require financial contributions from various investors in order to build up their capital.
Finally, there is a limited presence of banking groups with non-Anglo-Saxon cultural values ($X_4$). This better illustrate the context of our study which is essentially a French region.

4.2 Analysis of Main Results

Table 5 shows the regression results obtained using Stata 9 software.

Table 5: Synthesis of econometric analysis

<table>
<thead>
<tr>
<th>Result of the Model</th>
<th>R$^2$: overall Wald chi-2</th>
</tr>
</thead>
<tbody>
<tr>
<td>R$^2$ within</td>
<td>0.0656</td>
</tr>
<tr>
<td>R$^2$ between</td>
<td>0.8822</td>
</tr>
<tr>
<td>Constant</td>
<td>-1.2332 (-0.82)</td>
</tr>
<tr>
<td>$X_1$: Size of the bank (neperian logarithm total assets)</td>
<td>0.0534 (8.18)***</td>
</tr>
<tr>
<td>$X_2$: Size of the board of directors (1 if the number of directors is less than or equal to 10 and 0 if not)</td>
<td>-0.1390 (-3.74)***</td>
</tr>
<tr>
<td>$X_3$: Capital diffusion (1 minus herfindhal index)</td>
<td>0.0457 (0.73)</td>
</tr>
<tr>
<td>$X_4$: Cultural values (1 if Anglo-Saxon bank, 0 if not)</td>
<td>0.0947 (2.32)***</td>
</tr>
<tr>
<td>Fisher Test (22, 109)</td>
<td>(10.19) ***</td>
</tr>
<tr>
<td>Chi-2 Test (Hausman test)</td>
<td>(4.31)</td>
</tr>
<tr>
<td>Wald Chi-2 (Breusch-Pagan test)</td>
<td>(107.92) ***</td>
</tr>
</tbody>
</table>

*, **, *** Significant difference at the threshold of 10%, 5% and 1%

Source: author

The above table shows the existence of random effects because the Breusch-Pagan test is significant at the threshold of 1%. As far as the model is concerned, econometric analysis show that it is significant at the threshold of 1% with an explanatory power of about 83.82%. This permitted to conclude that corporate governance has an impact on of banking groups located in the Franc Zone.

According to our first hypothesis, the size of the bank is a real transparency catalyst for bank. Indeed, econometric analysis show that the size of the bank significantly and positively influence at a 1% threshold the transparency level of multinational banks established in the Franc Zone. This result is in perfect match with results of the works of Hamrouni and Lakhal (2010) in France, Xiao and al. (2004) in China, Madan and al. (2012) in Kazakhstan and Hossain (2008) in India. Furthermore, it reinforces the premise of the agency positive theory according to which the large size of organisations usually have the relatively higher agency costs because of the multiplication of stakeholders and dispersion of stakeholders bodies. Therefore, transparency is a balancing tool for these organisations which are facing conflicts.

As far as the capital distribution or dispersion, results demonstrate that corporate governance mechanism has a
positive, but not significant impact on the level of transparency of multinational banks operating in the Franc Zone. This result is opposed to our third hypothesis and illustrates the passive behaviour of minority shareholders. A similar result has already been obtained by Xiao et al. (2004), Trabelsi (2005) and Hamrouni and Lakhal (2010). These authors believe that investors holding a small portion of the capital cannot bear information costs that sometimes exceed their expected revenues.

The market discipline theory provides a better explanation of shareholders passivity in general. According to this paradigm, investors are able to control banks as their individual titles confer to them a right to vote, heritage, information and above all, the control. However, they are less motivated to exercise control. Indeed, shareholders are more concerned with profits than bank bankruptcy. In addition, their liability to banks is limited to the amount of their contributions and they have the possibility of selling their shares in case of bankruptcy. Moreover, they behave as free riders when capital is dispersed and if one assumes they have a diversified portfolio, losses linked to bank failure are therefore with little effects. Finally, within the framework of controlling major banks, they are victims of the "too big to fail" effect as they are aware of the fact that regulators will not allow the failure of these entities because of negative externalities that may arise.

Finally, this research work confirms our fourth hypothesis. In fact, analysis show that Anglo-Saxon culture of banking finance positively and significantly influences at a 5% threshold the level of transparency of multinational banks operating within the Franc Zone. This result corroborates Patureau and al. (2006) and Jouini (2007) works. According to them, Anglo-Saxon culture organisations are characterised by four important book values, namely: professional control, flexibility, transparency and optimism. Moreover, these enterprises prefer risk investor and small carrier who encourage enterprises to disclose more relevant information.

5. Conclusion

In a context where managerial foresight need is acknowledged, this research work aims at analysing corporate governance influence on transparency of banking groups established in the Franc Zone. Thus, a sample of 27 holding banks located in this region was obtained. Data collection was done using direct observation of banking communication scope through annual reports and websites contents, as well as secondary data. The information collected was processed using a panel data regressions on which were applied Fisher, Hausman and Breusch-Pagan tests.

After analysis, it is clear that the size of the bank and the Anglo-Saxon culture of finance affect positively and significantly the transparency level of banking groups established in the Franc Zone. Furthermore, capital distribution is positively but not significantly correlated to multinational banks transparency. This result reflected the minority shareholders passive behaviour under banking information control. Finally, the small size of the board of directors rather provides banking opacity in accordance with the theory of dependence on resources assumptions.

However, results from this study should not be fully taken into consideration as transparency measure is rather atypical. Similarly, the transparency index will be beneficial if integrated to other communication media (social networks, letter to shareholders, etc.) in order to be more reliable and more relevant. Finally, the reference standard used (Basel II) is more and more contested.

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