Determinants of the extent of voluntary disclosure in the annual reports of the Moroccan banks

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Abstract

Many studies have been conducted on the voluntary disclosure practices. Researchers still continue to come up with various conclusions with regard to the determinants of voluntary disclosure.

The main objective of this study is to investigate the determinants of the level of voluntary disclosure of banking companies listed on the Casablanca Stock Exchange. In particular, we examine associations between the internal and external mechanisms of governance and the extent of voluntary disclosure. Analysis of annual reports of the Moroccan listed banks during the period 2005-2015, shows that the foreign ownership has the most significant positive impact on the extent of voluntary disclosure. The results also show that larger banks provide greater level of voluntary disclosure. However, contrary to Agency theory predictions, the CEO duality has a significant positive impact on the extent of voluntary disclosure of Moroccan listed banks. Other mechanisms of governance like board size, board independence, block ownership and government ownership are not significantly associated with voluntary disclosure.

Keywords: Voluntary disclosure, banking companies, internal and external mechanisms of governance, annual reports, Agency theory predictions.

1. Introduction

For the last few decades, corporate governance has attracted a particular attention among scholars, regulators and market participants. The lack of corporate governance and transparency has been considered as the main causes of financial scandals (Ho and Wong, 2001).

Many governance guidelines have suggested that implementing corporate governance will improve the internal control procedures of companies and reduce the risk of expropriation of shareholders' wealth. Regarding the important role of banks in any economy, many banking regulators have also published guidelines on good governance practices. All of these recommendations have mentioned the important role of corporate governance in the banking system and the risks and negative effects of its lack. Poor corporate governance can lead the investors to lose confidence in the information disclosed by the banks and their ability to manage the deposits and loans (Matama, 2008). Therefore, it is interesting to examine the impact of the implementation of governance mechanisms in banks, as the lack of these mechanisms can lead to liquidity risks for banks, companies and the country at large (Garcia-Marco and Robles-Fernandez, 2008).

However, several challenges face the implementation of corporate governance in companies, especially in those operating in emerging economies. One of these major challenges is the lack of corporate information voluntary shared among stakeholders. Tian and Chen (2009) consider corporate disclosure as the heart of good governance practices. Corporate disclosure reduces information asymmetry and conflicts of interest between shareholders and managers. In fact, when managers or large shareholders do not diffuse information and hold it for their own benefit, this can lead to opportunistic behaviors (Marleen et al., 2005). The importance of corporate disclosure is mainly related to the fact that investors and creditors will make their decisions based on the information provided by companies (Yuen et al., 2006).

Over the last several years, most of the developing economies have been trying to implement good practices of corporate disclosure in companies by developing their regulatory frameworks. However, most of these emerging economies continue to have a low level of transparency due to the lack of strong policies on voluntary disclosure (Ionesco, 2010).

This paper fills up the gap by investigating the current state of voluntary information diffused by the Moroccan listed banks for the years 2005-2015 and examining the impact of corporate governance on voluntary disclosure in the financial sector in Morocco. In other words, the main research question that will be answered by this

research is, “Whether there is any impact of corporate governance on voluntary information disclosed by the listed banks on Casablanca Stock Exchange”. Taking into consideration the importance of corporate governance in controlling the opportunistic behavior of managers and large shareholders, we can anticipate a positive association between the implementation of internal and external governance mechanisms and the extent of voluntary disclosure. Hence, the aim of this study is to confirm this positive association by examining the impact of certain governance mechanisms on the extent of voluntary information diffused by Moroccan listed banks.
This research is organized as follows. The second section presents a review of the relevant literature. The third section develops the study’s hypotheses. The research design is presented in section 4. Then, section 5 discusses the results and findings. Finally, the last section reports the conclusions and presents limitations and directions for future researches.

2. Literature review

Agency theory highlights the link between the separation of ownership and control and many agency problems, for example, conflicts of interests, information asymmetry, moral hazard and adverse selection. Jensen and Meckling (1976) suggest that managers might maximize their own wealth at the expense of shareholders, since they have the advantage of holding important information. The means used by shareholders to control managers and the strategies employed by managers to give confidence to shareholders lead to agency costs (William et al., 2006). Corporate governance is therefore an important effective mechanism to reduce agency costs by aligning the interests of shareholders and managers (Judge et al., 2003). Voluntary disclosure is one of the tools that allow shareholders to monitor management decision-making through the system of governance (Cheung and Chan, 2004).

In addition to the explanation provided by the Agency theory perspective, extensive relevant empirical findings relate to the association between corporate governance and voluntary disclosure. Examples can be found in the studies of Singhvi and Desai (1971), Kahl and Belkaoui (1981), Cooke (1989), Diamond and Verrecchia (1991), Meek et al. (1995), Lang and Lundholm (1996), Chipalkatti (2002), Baumann and Nier (2003), Akhtaruddin (2005), Barako et al. (2006), Hossain and Reaz (2007).For instance, Diamond and Verrecchia (1991) document a negative relation between the extent of voluntary disclosure and the cost of capital. Meek et al. (1995) find that company can improve the marketability of their shares by diffusing voluntary information. Lang and Lundholm (1996) conclude that companies with high levels of voluntary disclosure provide a more accurate results’ forecast.

As is apparent from the above literature review, a good number of researches have been conducted on voluntary disclosure. Typically, most of these studies focused on non-financial companies, considering that financial ones are highly regulated. However, in emerging economies, banks usually play an important role by supplying funds to companies, since the capital market is not very developed. Thus, some researchers have studied voluntary disclosure of banking firms in emerging economies. For example, Kahl and Belkaoui (1981) studied the extent of voluntary disclosure provided by 70 banks located in 18 countries. The results of their study showed that the score of voluntary disclosure was different among those countries and that there was a positive relation between the voluntary disclosure score and the size of the banks. Chipalkatti (2002) investigates the impact of market microstructure variables on the extent of voluntary disclosure by Indian banks. As the results of the study of Kahl and Belkaoui (1981), Chipalkatti (2002) found that larger banks diffuse more voluntary information. The results also showed a positive association between a low level of leverage and the extent of voluntary disclosure. By studying the voluntary disclosure provided by 600 banks of 31 countries, Baumann and Nier (2003) found that voluntary disclosure helps market participants’ in predicting valuations, reduces stock volatility and have a positive impact on market values. In the Indian context, Hossain and Reaz (2007) found that Indian banks diffuse a considerable amount of voluntary information. They also found that bank size and assets in place are significant determinants of their level of voluntary disclosure.

Although there are many empirical findings about voluntary disclosure both in developed and emerging market, none of these studies have been conducted in Morocco. Therefore, the current study intends to contribute to the existing corporate governance and voluntary disclosure literature by studying the case of the Moroccan Listed Banks. More precisely, the study examines the association between the score of voluntary disclosure and the governance mechanisms of the banks.

3. Hypothesis development

Based on the Agency theory perspective and the results of relevant empirical researches presented in the previous section, we have developed seven hypotheses related to the composition of the board, the ownership structure and the size of the bank. The following discussion provides a detailed analysis of these hypotheses.

3.1 Impact of the composition of the board on voluntary disclosure

Fama (1980) and Fama and Jensen (1983) suggest that the board of directors is one of the most important internal control mechanisms. The directors, who are elected by shareholders, should monitor over the long term decisions and discipline the managers to work for the interest of shareholders. Therefore, the board of directors is considered as an important mechanism that can reduce the conflicts of interests between managers and shareholders. The relationship between the extent of voluntary disclosure and the composition of the board of directors has been examined by many researchers, considering the discretion that the administrators have, in preparing the annual reports. The results, of the majority of these studies, have shown that the composition of the board of directors has an impact on the extent of voluntary information diffused in the annual reports. In this study, we investigate the impact of the composition of the board of directors through the following board characteristics: its independence, size and CEO’s duality.

3.1.1 Board independence

In the current study, we define board independence as the proportion of outside non-executive directors to the total number of directors on the board. Although the executive directors have more expertise and knowledge of the bank’s operating systems and activities, banks are in need of independent directors to ensure independence in decision making. Agency theory stresses the importance of the presence of independent non-executive directors in monitoring any self-interested decisions that can be made by managers (William et al., 2006). Based on the Agency theory perspective, Chau and Leung (2006) argue that, when the board of directors is independent and have a high proportion of outside administrators; this will reduce agency costs and lead to a better monitoring over management. Indeed, the directors, who are not affiliated with the company as officers or employees, are supposed to represent better the shareholders’ interests (Pincus et al., 1989). Some researchers, as Felo (2009), argue that the presence of outside directors, who have financial expertise, on the board, is associated with a better information transparency. This association has been confirmed by Beasly (1996), who found that the financial statements, produced by companies with independent boards, contain less percentage of fraud. Williams (2002) linked this finding with the positive association between the proportion of outside directors on the board and the firms’ decision to increase the number of outside administrators on the audit committee. Moreover, independent directors may directly monitor the quality of the information diffused in the annual report (Chen and Jaggi, 2000). Thus, thanks to their control and dominance over the decisions of the company, the outside administrators may encourage more voluntary disclosure. Patelli and Prencipe (2007) found a positive association between the extent of voluntary disclosure and the proportion of outside directors the Italian context. The results of other studies as Chen and Jaggi (2000); Gul and Leung (2004) and Apostolou and Nanopoulos (2009), support the positive association between the independence of the board and the extent of voluntary information disclosed.

According to the agency theory perspective and the empirical findings, we predict that when the board of directors is independent, this will lead to a higher extent of the voluntary information diffused. We express this prediction in our first hypothesis as follows:
H1: The proportion of independent directors is positively associated with the extent of voluntary disclosure.

3.1.2 Board size

There are conflicting results, in the empirical disclosure literature, concerning the relationship between the size of the board and the extent of voluntary disclosure.

According to the Agency theory perspective, the large-sized board has an important role in controlling the management and in making relevant long term decisions. Furthermore, when the board has a high number of administrators, this will lead to increase the expertise of the board, especially the financial expertise (Yermack, 1996). Prior studies also argue that the large-sized board decisions’ are less influenced by the management since they found a negative association between the size of the board and earnings management (Hussainey and Wang, 2011). Thus, having a high number of administrators on board, make it more probable to have administrators who will encourage voluntary disclosure.

On the contrary, some researchers argue that boards, with high number of administrators, face coordination problems in making appropriate decisions. Florackis and Ozkan (2004) recommend that the size of the board should not exceed seven or eight members in order to enhance coordination and communication between the members of the board. Goodstein et al (1994) found a negative association between the size of the board and its effectiveness, since the administrators of the large-sized board will face a communication problem in making strategic decisions. In this sense, a negative association would be expected between the size of the board and the extent of voluntary disclosure (Byard et al., 2006). However, some researchers, as Felo (2009), argue that companies, with a high number of administrators on board, will disclose more information than companies with a small number of administrators on board. As it appears, from the above discussion, the relation between the size of the board and the extent of voluntary disclosure is complex.

Based on our literature review, the majority of the empirical studies found a positive relation between the size of the board and the extent of voluntary disclosure (Barako and al, 2006; Hussainey and Al-Najjar, 2011). However, other studies did not find results that support the existence of a relation between the size of the board and the extent of voluntary disclosure (Evans, 2004; Lakhal, 2005).

Therefore, we expect in our study, that companies with a high number of administrators on board will disclose more voluntary information. Based on the prior elements, we formulate our second hypothesis as follows:
H2: There is a positive relationship between the size of the board and the extent of voluntary disclosure.

3.1.3 Board leadership structure

According to the Agency theory, CEO duality increases the power of the CEO, who is also the chairman of the board, and decreases the control exercised by the board (Jensen and Meckling, 1976). Most of the corporate governance guidelines also recommend the separation of the functions of the CEO and the chairman of the board, to ensure that the decisions of the CEO are independently controlled by the board of directors and its chairman (Florackis and Ozkan, 2004). The separate board leadership structure plays a significant role in reducing the informational power of the CEO, which is in line with the interests of shareholders. In fact, when the chairman of the board is independent, this will lead to more pressure on the management to offer more information to the public (Gul and Leung, 2004). Thus, it could be assumed from the Agency theory perspective that the CEO duality decreases the extent of voluntary disclosure.

Contrary to the prediction of the Agency theory perspective, Felo (2009) argues that the CEO duality leads to a better extent of the voluntary disclosure. In fact, he considered that, the combining role of the CEO and the chairman of the board helps the same person to deeply know the daily activities of the company and to manage it by taking into account the shareholders' interests. The presence of such person is more likely to have a positive influence on the process of preparing the bank's annual reports (Bozec, 2008).

However, the results of the prior researches, on the association between the CEO duality and the extent of voluntary disclosure, are in line with the agency theory expectations. The studies of Ho and Wong (2001), Haniffa and Cooke (2002), Eng and Mak (2003), Gul and Leung (2004), Lakhal (2005), Byard et al. (2006), Huafang and Jianguo (2007) found a negative association between the CEO duality and the extent of voluntary disclosure. Other studies found that the board leadership structure is not associated with the extent of voluntary disclosure (Arcay and Vazquez, 2005; Ghazali and Weetman, 2006).

Based on the majority of the empirical findings and the Agency theory perspective, we express our third hypothesis as follows:
H3: There is a negative relationship between the CEO duality and the extent of voluntary disclosure.

3.2 Impact of the ownership structure on voluntary disclosure

According to the Agency theory, the ownership structure plays an important role in enhancing the corporate governance system. On the other hand, based on our literature review, the ownership structure affects the extent of voluntary disclosure in different contexts. Thus, we focus in the current study on three aspects of ownership structure that are more likely to have an impact on the extent of voluntary disclosure in the Moroccan context. These three aspects are: Block ownership, government ownership and foreign ownership.

3.2.1 Block ownership

We consider a shareholder as a block holder, when he has a substantial percentage of shares (usually more than 5% of the firm's shares). The concentration of ownership is then measured by the percentage of shares held by block holders. The ownership structure of Moroccan firms is characterized by a high level of concentration. Omran et al. (2008) justify the concentration of ownership in developing countries by the poorly developed capital markets and the legal system that generally does not protect the minority shareholders, in those contexts. According to Patelli and Prencipe (2007), when the ownership is concentrated, conflicts of interests are no longer between managers and shareholders, but rather between block holders and small shareholders. Thus, the dominant shareholders should diffuse voluntary information to reduce the asymmetry of information. However, large shareholders are generally an expropriation threat for the minority shareholders. In fact, minority shareholders do not have enough power to have the information they need to control large shareholders. Moreover, the block holders are expected to be more interested in the company's performance comparing to the minority shareholders that have generally less incentives to monitor management (Kim and Lee, 2003). Thus, when the ownership is concentrated, less monitoring is needed, and less extent of voluntary information is diffused, since the block holders can directly obtain information from the company (Bushee et al., 2003). Previous studies indicate a negative association between ownership concentration and disclosure extent (Schadewitz and Belvins, 1998; Haniffa and Cooke, 2002). Therefore, we expect that the extent of voluntary disclosure is likely to be higher in companies with diffused ownership structure. Accordingly, to what proceeds, we formulate the following hypothesis:
H4: There is a negative relationship between the block ownership and the extent of voluntary disclosure.

3.2.2 Government ownership
Government ownership is one of the types of ownership that has also been analyzed as a potential determinant of the extent of voluntary disclosure in different contexts. In fact, state-owned banks are generally characterized by the presence of extensive government controlling, which may weaken the incentives for enhancing voluntary disclosure diffused to public. Moreover, firms that are controlled by the government might have as prior objective the maintaining of national interests instead of the maximization of the shareholder value (Xu and Wang, 1999). Thus, state ownership might be related to less transparency. This explanation is consistent with the result of Ghazali and Weetman (2006) who found that state ownership leads to less transparency in the Malaysian context. They argue that Malaysian government-owned companies have usually strong political links that not allow them to voluntarily diffuse information. However, some researchers suggest that government ownership is related to a greater extent of voluntary disclosure that will help these companies to attract more potential investors. Eng and Mak (2003) considered that state-owned companies are associated with higher agency costs, due to the conflicts between the commercial objectives that the company should have and the social and national interests that a government should realize. Thus, they assume that the need to reduce these conflicts of interests and agency costs is greater in state-owned companies, leading to better voluntary disclosure. Eng and Mak (2003) found that high government ownership in Singapore is associated with increased disclosure. However, Huafang and Jianguo (2007) found that state ownership is not related to voluntary disclosure. In this study, we will base our prediction on the funding of Ghazali and Weetman (2006) who considered that in developing countries, like Malaysia, state-controlled companies tend to disclose less information. We will, consequently, formulate our hypothesis as follows:
H5: There is a negative relationship between the government ownership and the extent of voluntary disclosure.

3.2.3 Foreign ownership
Several researchers examined the impact of foreign ownership on both corporate governance and corporate reporting practices (Singhvi and Desi, 1971, Haat et al., 2008). The results of the majority of these studies showed that foreign ownership has a positive impact on the implementation of good corporate governance practices in firms and consequently enhance companies' voluntary disclosure (Leuz et al., 2007). In fact, compared to the locally owned companies, the asymmetry of information is generally higher in the companies owned by foreign investors, due to the geographical separation that exist between the local managers and the foreign investors. In order to reduce this asymmetry of information, the foreign investors are more attracted by the firms with a higher level of voluntary disclosure that will allow them to monitor the decisions of the management (Bokpin and Isshaq, 2009). Thus, firms, in which foreigners are the majority shareholders, are inclined to disclose more information to satisfy their foreign investors needs' (Mangena and Tauringana, 2007).
Moreover, the proportion of the foreign administrators on the board of these firms may have a positive influence on the corporate disclosure approach (Singhvi and Desi, 1971). In fact, these foreign administrators might use their voting rights in order to enhance the extent of voluntary disclosure (Adam, Almeida and Ferreira, 2005). A positive association between the proportion of foreign ownership and voluntary disclosure have been found by

many researchers (Haniffa and Cooke, 2002; Dhouibi and Mamoghili 2013). Consistent with the previous empirical findings, the Moroccan banks whose are controlled by foreigners are expected to have a high level of voluntary disclosure. Thus, we would formulate the following hypothesis:
H6: There is a positive relationship between the foreign ownership and the extent of voluntary disclosure.

3.3 Control variable
Based on our literature review and taking into consideration the small size of our sample, we have decided to include one control variable in the regression model used to test the six previous hypotheses. This variable is the size of the bank.

Most of the previous studies found that the size of the company is an important explanatory variable of the disclosure levels (Kahl and Belkaoui, 1981; Chow and Wong-Boren, 1987; Botosan, 1997; Barako et al., 2006). The majority, of these studies has based their predictions on the Agency theory perspective. According to this theory, larger firms have higher levels of asymmetry of information, which leads to higher agency costs. Consequently, larger companies will diffuse more information than smaller firms in order to reduce these agency costs (Jensen and Meckling, 1976).

Based on the empirical studies, many reasons have also been provided to justify this positive relation on theoretical ground. First, Singhvi and Desai (1971) justify the positive impact of the firm size on voluntary disclosure by the economies of scales that will help larger firms to disclose more information than the smaller companies. In fact, diffusing and reporting information is generally more expensive for smaller firms. Thus, only larger firms are able to afford such expenses related to voluntary disclosure. In addition, larger firms have a greater need to diffuse information so as to maintain the demand for their securities (Singhvi and Desai, 1971; Hossain and al., 1994). The third reason provided by Singhvi and Desai (1971) to justify the positive relationship between the size of the company and the extent of voluntary disclosure is that small firms are more likely to believe that high level of disclosure might have an impact on their competitive position in contrary to the large firms whose are more likely to consider the benefits of better disclosure.

Finally, it can be also assumed from the political costs hypothesis that larger companies will disclose more information in order to enhance their image, reduce public criticism and government intervention (Chow and Wong-Boren, 1987). From all the above theoretical arguments and empirical findings, the size of the company is expected to be positively associated with the extent of voluntary disclosure. Therefore the following hypothesis will be tested regarding the impact of the size of the company:
H7: There is a positive relationship between the size of the bank and the extent of voluntary disclosure.

4. Methodology
4.1 Study sample and Data collection
4.1.1 Population and sample:
The sample is banks listed on the Casablanca Stock Exchange. The population includes both private and public banking sector. The total number of these banks is 6 as of 31st December 2015. To be included in the sample, the bank must have been listed for the entire period of the study which is 2005-2015. All of the listed banks have been listed before 2005. Therefore, the total number of observations cover under the current study is 66.
4.1.2 Data collection method
Botosan (1997) consider the annual report as the most important method used by companies to voluntary diffuse information to stakeholders. Thus, we used annual report for measuring the extent of voluntary disclosure in the current study. The annual reports for 2005-2015 have been collected from the banks' websites. The bank's specific information was collected from the website of the Moroccan bank regulator Bank al-Maghreb and the site of the Moroccan authority for capital markets (AMMC).
4.2 Variable measurement
4.2.1 Dependent Variable
The study uses a disclosure score comprising 90 items to measure the extent of voluntary information diffused by listed Moroccan banks (TABLE 1). As the selection of items is often subjective, we took into consideration the specific natures of the banking sector and the Moroccan context during the construction of the disclosure score. We also referred to the studies focusing on disclosure of financial companies as the researches of Baumann and Nier (2003), Hossain and Reaz's (2007), Lal Bhasin et al. (2012) and Dhouibi and Mamoghli (2013) to select the items to be included in the disclosure checklist. Selected 90 items were categorized into six

different groups of information as General Corporate Information Category, Specific Corporate strategic Information Category, Corporate Governance Information Category, Financial Information Category, Social Disclosure Information Category and Specific Banking Sector Information Category, that might be diffused in the annual reports of Moroccan banks. Following researches of Meek et al. (1995) and Haniffa and Cooke (2002), we used dichotomous approach, where the value of each item is set to one if the bank appears to have disclosed the concerned information, and zero otherwise. A non-weighted voluntary disclosure score is then computed for each bank using the following formula:

$$\textbf{VD SCORE} = \frac{1}{90}\sum_{i=0}^{90} Ii$$

TABLE 1: Items of the Voluntary disclosure Score

A. General Corporate Information Category (11 items):	12. Banks objectives and strategies
1. Brief narrative history of the bank	13. Specific statement of strategy (financial, Marketing, social)
2. Presentation of organizational Structure	14. Impact of strategy on current results
3. Date of establishment of the bank	15. Impact of strategy on future results
4. General description of the bank's activities	16. New products (services)
5. Information about products (services)	17. Forecast of sales
6. Information about the majority shareholder	18. Forecast of profits
7. Chairman’s message	19. Discussion of the competitive position of the bank
8. Information on ISO certification	20. Comparison between the total sales’ n and the total sales’ n-1
9. Year of listing on the Casablanca Stock Exchange	21. Comparison between net profit n and net profit n-1
10. Official address	22. Presentation of the industry trends and factors that may impact future results
11. The Web site of the bank/email address	23. Impacts of sector trends and risks on future results
B. Specific Corporate strategic Information Category (12 items):	
C. Corporate Governance Information Category (15 items):	
24. Number of the directors on board	56. Information about the constitution of the reserves
25. Number of BOD meetings held	57. Information about provisions for risks
26. List of senior managers	58. Evolution of dividend per share
27. Picture of the CEO or the Chairman of the board	59. Discussion about accounting standards used
28. Picture of all directors on the board	60. Share price at the year-end
29. Detail about the independence of the directors on the board	61. Volume of shares traded trend
30. Detail about the educational qualifications and the experience of the chairman	62. Graphical presentation of performance indicators
31. Detail about the educational qualifications and the experience of the directors on the board	**E. Social Disclosure Information Category (8 items):**
32. Detail about the educational qualifications and the experience of the senior managers	63. Total number of employees
33. CEOs’ remuneration	64. Distribution of employees (gender, age, geography)
34. List of the specific committees (audit committee, remuneration committee, etc.)	65. Policy of training
35. Composition and functioning of the specific committees	66. Remuneration Policy
36. Boards’ report	67. Recruitment Policy
37. External Auditors’ report	68. Information on environmental protection
38. Shareholders owned <5% and >5% of shares	69. Information about sponsoring of educational conferences, art exhibitions, public health, leisure activities
39. Type of shareholders (Individuals, Institutional investors, etc.)	70. Perception of the company by its environment
40. Presentation of the internal control function	**F. Specific Banking Sector Information Category (20 items):**
D. Financial Information Category (19 items):	71. The net interest margin
41. Brief discussion and analysis of bank’s	72. The cost of risk

financial position 42. Financial ratios 43. Distribution of sales by geographical area and activity 44. Distribution of profit by geographical area and activity 45. Treatment of tangible assets (Depreciation, method of components) 46. Treatment of intangible assets (Depreciation of research and development costs) 47. Evolution of the total equity between n and n-1 48. Dividend distribution policy 49. Return on Equity (ROE) 50. Earnings per share 51. Self financing and cash flow 52. Solvency Ratio 53. Consolidated balance sheet 54. Statement of cash flows 55. Statement of change in equity	73. Risk weighted assets 74. Volatility ratio 75. Liquidity ratio 76. Loan to deposit ratio 77. Information on Risk Management Committees 78. Information on credit risk management structure 79. Amount and details of loans and other assets classified by internal risk ratings 80. Information about the credit rating system 81. Information about doubtful receivables 82. Details about the localization of branches 83. Number of branch 84. Number of branch expansion during the current year 85. Information of branch computerizations 86. Information on ATM 87. Information on international banking facilities 88. Information on on-line banking facilities 89. Loans by maturity and by type of customer 90. Deposits by maturity and by type of customer

4.2.2 Independent Variables

We used seven independent variables in this study. Three of them are linked to the composition of the board of directors and three others are linked to the ownership structure and the last independent variable measure the size of each bank. Table 2 presents the measurement used for the independent variables and the predicted directions of their relations with the score of voluntary disclosure:

TABLE 2: Definition and proxies of independent variables

Variable	Definition	Proxies	Predicted directions
INDD	Independent directors	The total number of non executive directors divided by the total number of directors on the board.	+
SIZEB	Board size	The total number of directors on the board.	+
DUALB	CEO duality	A dichotomous variable that take 1 if the CEO is also the chairman, 0 otherwise.	-
CONCOW	Concentration of Ownership	The proportion of ordinary shares owned by the shareholders with five percent or more of equity.	-
STATOW	State Ownership	The proportion of ordinary shares owned by the state.	-
FOREIOW	Foreign Ownership	The proportion of ordinary shares owned by the foreign shareholders.	+
SIZE	Size of the Bank	Natural Log of the bank's total assets.	+

4.3 Applied model

We used a multiple regression to test the relation between the score of voluntary disclosure and the independent variables. The following model is to be fitted to the data in order to identify the effect of each variable on the voluntary disclosure score:

$$Y = \beta 0 + \beta 1 \ \mathbf{SIZEB} + \beta 2 \ \mathbf{INDD} + \beta 3 \ \mathbf{DUALB} + \beta 4 \ \mathbf{CONCOW} + \beta 4 \ \mathbf{STATOW} + \beta 5 \ \mathbf{FOREIOW} + \beta 6 \ \mathbf{SIZE} + \varepsilon$$

Where:

Y= The voluntary disclosure score for each bank,

$\beta 0$ **= The intercept,**

ε **= The error term.**

5. Results and analysis

5.1 *Descriptive statistics*

Table 3 presents the results of descriptive statistics of the overall disclosure score and independent variables. The average voluntary disclosure score is 0.66 with a range of 0.33 to 0.90, revealing large variations in voluntary disclosure practices. The mean percentage of outside directors on board is 0.72, which indicates that Moroccan banks have a significant number of non-executive directors. The highest and lowest board size are respectively 15 and 7, and the average is 11.02, suggesting that Moroccan banks have large sized boards. Also, from table 3, it can be concluded that most of the Moroccan banks combine the functions of the CEO and the chairman of the board. Regarding the ownership structure, the average block ownership is 0.76. Thus, we can assert that the ownership structure of Moroccan banks is highly concentrated. The average of state ownership and foreign ownership are 0.18 and 0.29 respectively.

TABLE 3: Descriptive statistics

Variables	Mean	Maximum	Minimum	Std. Dev.	Observations
SCORE	**0.66**	**0.90**	**0.33**	0.15	66
INDD	**0.72**	1.00	0.17	0.31	66
SIZEB	**11.02**	**15.00**	**7.00**	1.74	66
DUALB	**0.62**	1.00	0.00	0.49	66
CONCOW	**0.76**	0.89	0.63	0.07	66
STATOW	**0.18**	0.71	0.00	0.27	66
FOREIOW	**0.29**	0.79	0.00	0.30	66
SIZE	7.96	8.61	7.29	0.38	66

5.2 *Multiple regression*

Forward stepwise regression has been used to test the relation between the overall disclosure score and the independent variables as explained in H1 to H7. This approach starts with no variables in the model, and allows adding one variable at a time starting with the variable whose inclusion gives the most statistically significant improvement of the fit. This process continues until none variable improves the model to a statistically significant extent (Sig>0.05). As is apparent from Table 4, size of the bank is the independent variable that explains the most of the variation of the disclosure score, while the board duality has the lowest explanatory power. However, other independent variables (SIZEB, INDPB, CONCTOW, and ST-OW) have been filtered out by forward stepwise regression since they are insignificant. The adjusted R square in the third model indicates that 82.9 % of the variation in the voluntary disclosure score is explained by the independent variables. Compared to other studies on the voluntary disclosure of the banking sector, the R square is higher than those reported by Lal Bhasin et al. (2012) at 54.5% and Dhouibi and Mamoghili (2013) at 69.5%.

TABLE 4: Stepwise regression: R square and ANOVA table

Model	R	R-square
1	,735[a]	,540
2	,863[b]	,744
3	**,910[c]**	**,829**

a. Predictors: (constant), SIZE

b. Predictors: (constant), SIZE , FR- OW

c. Predictors: (constant), SIZE , FR- OW , DUAL

Model		Sum of square	ddl	Mean of square	F	Sig.
1	Regression	,795	1	,795	75,057	,000[b]
	Residual	,678	64	,011		
	Total	1,473	65			
2	Regression	1,097	2	,548	91,738	,000[c]
	Résidu	,377	63	,006		
	Total	1,473	65			
3	Regression	1,221	3	,407	**100,115**	**,000[d]**
	Résidual	,252	62	,004		
	Total	1,473	65			

a. Dependent variable : SCORE
b. Predictors : (constant), SIZE
c. Predictors: (constant), SIZE , FR- OW
d. Predictors: (constant), SIZE , FR- OW , DUALB

5.3 Interpretations

As presented in Table 5, stepwise regression approach allows keeping three significant independent variables, namely SIZE, FOR-OW and DUALB. Moreover, the VIFs of these independent variables are remarkably lower than 10, which is the critical value indicating the presence of multicollinearity. Thus, we can conclude that the other variables filtered out by the model have no impact on the voluntary disclosure score. The stepwise regression model indicates that the foreign ownership has a positive association and the most significant impact on the voluntary disclosure score. This finding supports Hypothesis 6, and suggests that Moroccan banks owned by foreign investors disclose more voluntary information. Our result can be interpreted as follows: due to the language and geographical barriers, Moroccan banks owned by foreign shareholders disclose more voluntary information in order to reduce the high level of information asymmetry that they face. This finding corroborates the result found by Haniffa and Cooke (2002) and Dhouibi and Mamoghili (2013).

As it was expected, the control variable “size of the bank” has a positive and significant impact on the disclosure score, the result that confirms Hypothesis 7. It could be explained by the fact that larger banks are more able to afford expenses related to voluntary disclosure than smaller banks. This result is also in line with the previous empirical findings (Lal Bhasin et al., 2012; Dhouibi and Mamoghili, 2013).

The positive and significant coefficient of the DUALB allows us to reject the Hypothesis 3. This finding does not corroborate with the results of previous studies. However, it is consistent with the result of the study of Felo (2009). The positive association found could be explained by the fact that the presence of the CEO, who is also chairman of the bank, helps same person to know deeply the daily activities of the bank, which improves the level of voluntary disclosure.

TABLE 5: Stepwise regression coefficients

Model		Non standard Coefficients		Standard coefficients	t	Sig.	Multicollinearity test
		A	Standard error	Beta			VIF
1	(Constant)	-1,630	,264		-6,168	,000	
	SIZE	,287	,033	,735	8,664	,000	1,000
2	(Constant)	-2,212	,215		-10,301	,000	
	SIZE	,352	,027	,899	13,267	,000	1,132
	FR- OW	,245	,034	,481	7,102	,000	1,132
3	**(Constant)**	**-1,666**	,203		-8,221	**,000**	
	SIZE	**,260**	,027	,665	9,477	**,000**	**1,783**
	FR- OW	**,465**	,049	,916	9,502	**,000**	**3,365**
	DUALB	**,194**	,035	,631	5,533	**,000**	**4,706**

a. Dependent variable: SCORE

6. Conclusion and limitations

The development of corporate disclosure practices in Morocco is considered as an important advantage that will certainly enable Moroccan companies to attract more investors. In fact, the improvement of voluntary disclosure will have a positive impact on transparency, and therefore on the attractiveness of the Moroccan companies in the world market. This study examines the extent and determinants of voluntary disclosure provided by banks listed on the Casablanca Stock Exchange. The uniqueness of this research comes from the absence of studies that examine voluntary disclosure practices of banks in the Moroccan context. Moreover; unlike the majority of the researchers, who examined the disclosure practices of non financial companies, we have focused on the banking sector, taking into consideration the important role that this sector plays in emergent economies.

The result suggests that internal and external corporate governance mechanisms have an impact on bank's voluntary disclosure practices. More precisely, foreign ownership, size of the bank and CEO duality are positively associated with the extent of voluntary disclosure. In the light of these results, policy makers and accounting regulators should encourage foreign ownership and optimize board composition in order to enhance the level of voluntary disclosure of Moroccan banks. The principal limitation of this study is that it covers a single country. Hence, further research should be extended to other emergent economies to ensure external validity of the results.

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