The Governance of Islamic Banks in Morocco: Meaning, Strategic Vision and Purposes Attributed to the Governance System

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***Abstract*—**Due to the setbacks on the international scene and the wave of cacophonic financial scandals affecting large international groups, the new Islamic finance industry is not immune despite its initial resistance. The purpose of this paper is to understand and analyze the meaning of the Corporate Governance (CG) concept in Moroccan Islamic banking systems with specific reference to their institutions. The research objective is to identify also the path taken and adopted by these banks recently set up in Morocco. The foundation is rooted in shari'a, in particular, no stakeholder (the shareholding approach) must be harmed, and the ethical value is reflected into these parties' behavior. We chose a qualitative method, semi-structured interviews where six managers provided answers about their banking systems. Since these respondents held a senior position (directors) within their organizations, it is felt that they are well placed and have the necessary knowledge to provide us with information to answer the questions asked. The results identified the orientation of participating banks and assessing how governance works, while determining which party is fovoured: shareholders, stakeholders or both. This study discusses the favorable condition to the harmonization of the regulations and therefore a better integration between Islamic finance and conventional ones in the economic context of Morocco.

Keywords—Corporate governance, participating banks, stakeholders, shareholders, and interests.

***JEL Classification*—**B19, C12, G21.

I. Introduction

CG is a system that can be used to manage and control the effectiveness of a company. By taking into account and respecting international regulations, CG creates collaboration between the company and its stakeholders, particularly between investors and managers. This way of doing things could inevitably contribute to the company's success. In other side, CG controls the uncertainties that can arise from investments and financing, where it has a major impact on investments and therefore a major impact on both the shareholders and company [1]. Participating banks in Morocco are particular financial institutions generating distinct CG challenges. The governance of IBS should be different from that of conventional banks due to the high number of parties involved in their governance scheme.

In March 2015, the first Islamic bank was introduced in Morocco [2]. Many questions show up along this introduction about these banks' services, its functioning and how different it is from the multiple conventional banks that are taking over the financial world. Several empirical studies [3]-[5] showed an important curiosity towards this emerging new banks' model due to its unexpected and outstanding growth of total assets and importance in the market share. They all aim at having a better insight into the Islamic banking model in order to evaluate the different variables that helped into its development. Islamic Banking in Morocco is quite fresh, that is why this paper tries to examine CG in different Participating banks in Morocco. In particular, we try to identify CG meaning and the purpose of the Moroccan Participating banks (stakeholders appoach or shareholders approach, or both), and finally to investigate if the good governance's principles recommanded by OECD are respected by Participating Banks or not.

Our objective is to provide useful information and a roadmap for rethinking the governance of participating banks in order to identify the privilege orientation of one party in relation to the other and also to know its degree of independence from the central regulator.

The Islamic financial system has its foundation and origin in the Quran and in the Sunna (the sources of sharia, i.e., the Islamic law). Its application is bound by a conventional body of rules and regulations. Considering that an alternative system addressed mainly to unbanked people, it happens to be alongside the traditional system, whereas it is based on ethical and religious values and principles that require responsible actions and the protection of stakeholders' interests.

It is essential to study and investigate the possible similarities and convergences between concepts. It is therefore essential to start from theoretical studies on the religious principles underlying the proper functioning of Islamic financial institutions, and on the definition of the GC formulated by the Accounting and Auditing Organisation of Islamic Financial Institutions (AAOIFI).

During the 2008 global financial crisis, conventional banks were financially penalized, while at the same time when Islamic banks saw an increase which had raised the relevance of these banks especially in the financial side [1]-[4]. Their escape from the said crisis was also due the creation of new products outside securization, in order to comply with the principles of the Shari'ah [1].

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The Islamic Finance prohibits interest, which is one of the major differences from the conventional system [11]. The islamic banking mechanisms differ from those of conventional banks. Thus, within Islamic banks there is a sharia law council in each bank, as in Malaysia, or a single council as in Morocco, where in particular the Higher Council of Ulemas is responsible for monitoring the compliance of banking activity with Sharia law.

The mechanisms of the GC are very essential and judge the quality of the governance system, as was proven during the 2008 crisis. The Central Bank of Morocco has granted accreditation to eight participating banks that started their activities in accordance with the shariah system and financial sector regulation. Our research questions were developed in relation to this context: Our research objective is first to identify the understanding of the concept of "governance" and the purpose behind the implementation of a governance system to better understand the overall perception and awareness of good governance within participating banks that could certainly protect them from risks and ensure their sustainability. Our research questions in this paper are as follows:

- ✓ How do the Moroccan participating banking systems perceive and define the concept of CG?
- ✓ What is its purpose or orientation in the strategic vision of participating banks?
- ✓ Are governance principles respected by top international institutions, implemented and respected by participating banks?

Our work proposes a contribution relating to the Islamic Corporate into participating banks in Morocco. To our knowledge, this paper is the first to compare CG characteristics within the Moroccan Participating Banks in Morocco. The remaining of this paper is organized as follows: after an introduction, Sections II-IV discuss the related literature, Section V investigates our methodological study with empirical results and discussions. Our conclusion is given in Section VI.

II. Overview of CG

Following the significant losses recorded by main companies such as Enron, Worldcom, Parlamat, Vivendi and other companies in the early 2000s, the notion of CG has renewed interest given the impact what could its mechanisms have on the value of the business. According to [12], the concept covers all the mechanisms organizational structures that have the effect of delimiting powers and to influence the decisions of leaders, in other words, who "govern" their conduct and define their discretionary space.

Other meaning about the CG by the World Bank, [13] "it means all the traditions and institutions by which power is exercised in a country for the common good. In this sense, governance has three essential aspects: the political aspect, the economic aspect and the institutional aspect. First, it has a political aspect in that it covers the procedures according to which state leaders, above all, are chosen, controlled and replaced. The economic aspect is defined in the sense that governance takes into account the government's ability to efficiently manage its resources in a logic of efficiency and to apply sound policies. Finally, it has an institutional aspect because it includes the respect of citizens, public administrations and the State towards national Institutions in a logic of social responsibility".

Another definition that was the result of a consensus is that [8]: "CG refers to all relationships between the management of a company, its board of directors, its shareholders and the various other stakeholders". CG also provides the framework within which corporate objectives are set and defines the means to achieve them and to monitor performance.

Among the definitions of this new word is given in [9]: "CG aims to maintain the balance between economic and social goals and between individual and common goals. Its framework is to encourage the efficient use of resources and requires accountability for these resources. The aim is to align as much such as possible the interests of individuals, businesses and society". That means the shareholders have to appoint the directors, the directors must define the company’s strategic aims and ensure the supervising during the achievement and give reporting to the shareholders. "CG acts as a financial mechanism set by the board which controls its implementations and casts the process of reporting to the shareholders on the activities and the development of the company" [10].

Reference [11] deals governance as "an advertised or effective process of collective decision-making, corresponding to the redesign of the decision-making framework. The implementation of governance makes it possible to move from hierarchical and vertical social relations to horizontal and shared consultation between multiple stakeholders". In the same way, all the provisions that make it possible to ensure that the objectives pursued by the managers are legitimate. The means implemented to achieve these objectives are appropriate. In this sense, the primary role of a governance system would be to promote the alignment of managers' interests with those of stakeholders.

As for [12], they present governance as "a set of mechanisms that guarantee the various backers a return on investment, avoiding excessive appropriation of value by the leader and the dominant shareholders".

In a wider approach, it is noted that "the system of governance influences value creation only through its distribution" and that governance is only "a set of constraints to govern the negotiation a posterior between stakeholders on rent-sharing". The residual creditor status is here extended to all stakeholders, that is to say to the node of contracts that constitutes the firm. It is notably from this definition that the theme of partnership governance has developed [13].

Reference [14] defines governance as: "the set of mechanisms that allow investors to protect themselves against the risks of expropriation on the part of managers and directors who are linked to managers". Finally, we can define CG as «the manner in which the stakeholders in a corporation relate to one another. CG has a positive connotation and a company with "good" CG is said to be a company in which all stakeholders relate to each other in a positive way. Good CG is considered an important quality of sustainable growth for a company; that is, if the shareholders, management, and employees all fulfill their fiduciary responsibilities to one another, the corporation is thought to have a greater likelihood of success. CG is laid out in the corporation's charter and other applicable documents" [15]. Then, we deduce from all these definitions that these authors above are divided into two categories. The first category defends governance as a framework intended to protect only shareholder interests as the only residual creditors. The second category strengthens the governance system within companies given its ability to manage managers while achieving the objectives set in advance of the company and especially to safeguard the interests of all stakeholders. That is why, we have chosen as the first research question:

- How is the concept of CG defined in Islamic banks in Morocco?

This question will be answered through an interview with the heads of agencies of Moroccan participatory banks.

III. The Purpose in the Strategic Vision of Participating Moroccan Banks

The research objective of this second question is to identify the path taken and adopted by these banks recently set up in Morocco, knowing that their basic foundation is rooted in shari'a, in particular, no stakeholder (the shareholding approach) must not be harmed and the ethical value is reflected in the behavior of these parties.

A. The CG and Disciplinary Approach

Several visions of governance have emerged and developed around the world in the last 40 years.

Through our literature review, many authors particularly [7], [18], [19], [21], [22] and others, have made several debates and objected on the question of governance to finally come out of several theories specific to each one and which are then agglomerated in dimensions or approaches distinct. In this sense, two approaches can be adopted within companies or corporations to ensure good governance: the shareholder and partnership model. The adoption of a GC approach depends on the environment and the specificities of each company.

According to [16], the first approach has always favored shareholders as the main contributor of funds, and it is up to them to benefit from the firm's annuity as sole residual creditors. This vision is very widespread in the Anglo-Saxon model, where the firm is a node of contracts between the shareholders as mandators who will delegate the management of their firm to agents (leaders), which resulted in the emergence of the agency theory. The problem that will arise here lies in the opportunistic behavior on the part of these agents and the doubt around as to how to protect the interests of shareholders.

The theories of governance are studied not for understanding how managers govern their firms, but how the managers are governed. According to the construction analysis [17], the problem of governance of leaders is born from the disintegration of property, in two functions: The disciplinary and decision-making functions, where the first function which must be exercised by shareholders, relies on incentive and monitoring systems. However, Berles and Means' vision [11] has changed in terms of maximizing shareholder value. In fact, because shareholders have given up exercising the active dimension of ownership and have been satisfied with the assumption of risk, they lose the legitimacy to be the only "residual" creditors. As a result, profit must also be attributed to actors exercising active entrepreneurial functions (partnership approach).

Many CG theories are moving towards the efficiency perspective. This is why the function of a governance mechanism is attributed to its ability to improve the efficiency of the firm under the condition of guarantee the discipline of leaders to further increase value.

The various theories in governance date back to the research work on the separation of management and control functions) [17] and the emergence of agency theory [18] and of transaction cost theory [19]. The essence of this contractual model is how to resolve interest conflicts between shareholders and managers and also how to minimize the costs generated by their agency relationship. In this way, a good governance system is thus a system that limits the risks of appropriation of value by leaders and non-maximization shareholder value, hence the need to establish an institutional model of governance capable of securing the profitability of financial investments [12].

The first approach to the disciplinary stream of CG is the work of property rights theory. The thinking behind this theory lies in the influence of the various ownership systems on the behavior of agents and also on the functioning and efficiency of the economic system and of the company in particular [19]. It is precisely within this framework that contractual approaches are undertaken firm and CG.

B. Property Rights Theory

By including in the exchanges, property rights that are transferable, a residual control right emanates without any doubt from the uncertainty about the behavior of the employees and the incompleteness of the contracts [20]. From this perspective, the company appears to be the most efficient form of organization in which the employer, within the limit of the contract, recruits and dismisses the control and directs the members of his team in return for a residual income after deducting the remuneration from the owners' funds. As for the assignment of the name of "residual creditor, it is reserved" to the employer or manager. Thus, the property rights system is considered effective in that it allows flexible resolution of problems of imperfect information and moral hazard better than a decentralized contractual system [21].

Within managerial companies, there is a separation between the decision function and the property function. Theoretically, the system of governance allows the owners of property rights to control and incite those exercising the decision-making function to act in their favor, under pain of sanction or eviction of the company or to be replaced by the forces of the market [22], [23]. For this reason, theorists favor the "stock company" form as being the most efficient to take advantage of the potential gains from the separation of these two functions and the control of the teams.

C. Theory of the Agency § Shareholder Value

Inspired by the theory of property rights, agency theory is the dominant conception of CG [18], [24], [25]. In this vision, the company is conceived as a "contract node" within an agency relationship between shareholders and other agents, in order to show the problems of information asymmetry and incompleteness of contracts. These problems generate monetary costs that the parties bear, including supervisory and incentive expenses incurred by the principal to rectify the agent's way or costs of obligation not to damage the principal or the residual loss suffered by the latter in the event of minimal shareholder value. Thus, the contractual model focuses only on the rules of the game of the company, on the rights of the contractors and on the evaluation systems of the agents' remuneration [25], [26]. In this framework, the governance system (SG) takes the form of a sequence of four stages: initiative, ratification, implementation, and monitoring [25]. From this sequence follows two major functions: the decision function and the control function. The first function must be responsible for initiating and implementing decisions using agents.

As for the second function, it will take care of the ratification and the surveillance of the agents by the shareholders.

The SG is essentially designed as a selection tool [27] to discipline the managers [7], [28] and thereby secures the financial investment [12] by guaranteeing shareholders maximum shareholder value.

D. Partnership Approaches to Governance

In addition to shareholder approaches, the financial and contractual analysis is inspired by its so-called "partnership" counterparts, where the role of the residual creditor is not primary and the performance of the company is more simply measured by the only shareholder value. On the other hand, it is necessary to agree on the mechanisms of governance able to measure the rights to share the organizational rent between all the contributors to factors of production.

According to [13], the SG appears as a set of constraints governing the negotiation on rent-sharing between the various partners. The main objective of this SG is to perpetuate "the contract node" in the company and to optimize the managerial latitude[15].

Three theories belonging to partnership approaches are mentioned as follows: the incomplete contract theory of [29], the stakeholder agency theory of [30] and Williamson's [19] transaction cost theory.

1. The Incomplete Contract Theory

This theory postulates that totally contracting the future behaviors of the agents is impossible when no third party is able to verify the real state of certain variables [31]. This incompleteness in contracts is caused by institutional failures and imperfect information. In [34], it is proposed as a solution to make the stakeholders sign a binding commitment to the negotiating framework in order to encourage them to invest at the optimum level [32], [33]. Thus, property here is defined by residual decision rights only by the appropriation of the organizational rent [34], [35]. Indeed, the one who has any power of decision becomes one of the owners as all the stakeholders. Hence, the perception of rent is the result of a very important effort. In this sense, the SG is a set of mechanisms for making decisions about situations not specified in the initial contract [36]. These mechanisms should allow optimal allocation of rent, minimizing losses due to conflicts related to sharing arrangements and optimizing the partnership value to ensure the sustainability of the company.

2. Stakeholder Agency Theory

In the same perspective of broadening the traditional theories of governance, there is the stakeholder-agency theory [31]. It stipulates that economic agents that have a legitimate claim on the company are stakeholders and therefore they are entitled to a portion of the organizational rent [7]. According to the vision of this theory, for the mechanisms of governance to be effective, they are able to reduce the asymmetries and the differentials of power between the principal and the agents to reduce then the contractual costs that they generate. Therefore, an effective system of governance is supposed to "viabilise" the coalition of stakeholders by the satisfaction of all partners in order to sustain the company [7].

3. Costs of Transactions Theory

The third partnership approach is Williamson’s [19], called transaction cost theory. Contrary to the previous theories according to this theory, the system of governance must be interested in all the stakeholders. In a vision of reduction of transaction costs and maximization of wealth, it is the specificity of the assets, the frequency of the transaction and the level of uncertainty that will clarify the nature of the governance system.

Beyond their advantages in terms of measuring the relative effectiveness of governance systems, traditional approaches do not escape certain limits. Charreaux [16] cited five important ones, including performance and how it relates to how stakeholders are disciplined, controlled and incentivized, rather than how performance is focused on how to create value. The second limitation is that these approaches are based on a static conception of performance, and on a relatively limited normative power of governance systems outside Anglo-Saxon companies. Finally, we judge leaders to undertake passive behavior resulting from disciplinary mechanisms.

After having explained the different theories of governance that seemed to us to be closely linked to our problem, we now turn to the second research question related to the objective that these participating banks are aiming for behind the implementation of a governance system: *What objective and purpose are targeted behind the establishment of a governance system in the strategic vision of the participating banks?*

IV. The Principles of CG Defined by OECD

The bankruptcy of major international companies including Enron has clearly highlighted the guilt of boards of directors.

For this reason, some codes of governance have emerged including that of Cad Burry, Button, Viénot I, II and III and the Organization of Trade and Economic Development which has defined governance by emphasizing its missions and the objectives it has to fulfill:

- ✓ Contribute to market transparency and efficiency, be compatible with the rule of law and clearly define the division of competences between the bodies responsible for monitoring, regulation and application of the texts.
- ✓ Protect shareholders' rights and facilitate their exercise.
- ✓ Ensure fair treatment of all shareholders, including minority shareholders.
- ✓ Recognize the rights of different stakeholders to create wealth and jobs, and ensure the sustainability of financially sound businesses.
- ✓ Guarantee the timely dissemination of accurate information on all significant matters concerning the company, including the financial situation, results, shareholding and governance of this company
- ✓ Ensure strategic management of the company and effective management oversight by the board of directors, as well as the responsibility and loyalty of the board vis-à-vis the company and its shareholders.

These international governance standards are applicable to classic and Islamic financial institutions, but there are governance issues that are unique to Islamic financial institutions. This is why the third research question focuses on whether the applicability and respect of OECD principles are implemented within Islamic financial institutions or not:

- Are the principles of governance recognized by the major international bodies, implemented and respected by the participating banks?

V. Methodological Study

A. Research Strategy and Data Collection

In this study, we have chosen to focus first on governance as practiced in participating banks, secondly on the purpose that the governance must play depending on how it is plotted by senior officials, and finally on the CG principles put in place within these banks.

Our first research question was to know what the term "governance" means in Moroccan participating banks. Having conducted an exploratory qualitative investigation in the participating banking sector, we managed to conduct 8 semi-structured interviews divided as follows: 4 in Casablanca, 2 in Rabat, 1 in Marrakech and 1 in Agadir, in the following participating banks: Dar Al Amane Bank, Najmah Bank, Assafa Bank, Bank Attamwil, Arreda Bank, Al Youssr Bank, Al Akhdar Bank

The interviewees were all the agency managers. The data presented here were collected between February and December 2018. The interview guide was organized around three themes: definition of CG, the role assigned to it in each bank or group of banks and the established principles of governance and their application. In the absence of any confusion with Shari'a governance, we have proposed some choices of definitions related to CG and obviously stemming from the literature on governance.

B. Results and Discussions

Referring to Table I, there is a total concentration of responses around the G15 definition, which is the conformity of the governance system to the requirements of the Central Bank. Admittedly, Bank al Maghreb has granted licenses to these banks and remains the main regulator of the financial banking system, both traditional and participating banks.

Second, we note the alignment of the G14 responses with the bank-stakeholder relationship profit-sharing by boldly emphasizing the importance of taking into account stakeholders' interests within the governance system as pronounced by the interviewees.

Thirdly, we received three answers regarding the G16 definition from the three banks Bp1, Bp3 and Bp8 respectively. 3/8 only declare governance as proof of transparency and a return of confidence by investors towards the bank. In the penultimate order, there are only two banks that see governance as a system that is in the interests of the sole shareholders, also referred to as the sole residual creditors. And, only one Bp1 bank considers governance as a system designed to align the interests of executives with those of shareholders.

A single exception or new definition formed by the director of Bp2 is as follows: "Corporate governance is the set of management resources and costs that guarantee the company's sustainability and its compliance with the regulatory arsenal". It is also according to this director: "Governance is the control of all risks (reduction of operational costs, control of overhead costs)".

Another definition announced by Director Bp5, for him: "Governance we do not even have it in the traditional financial system. There is a whole diaspora, there is:

- Multinational groups that are branches of French groups (policy of the parent company in France which is implemented in Morocco: Crédit du Maroc, BMCI and Société Générale which are subsidiaries of French banks). To talk about governance, it is necessary to combine the parent company's policy with the Moroccan context. Of course, they are old but dependent on decisions are taken elsewhere, they do not have total decision-making autonomy on all levels: conformity, international policy they have a double hat.
- "100% private Moroccan groups such as BMCE, with 100% private capital, multinational with Africa that embodies another vision of things. So, to talk about governance in a national, continental or international dimension, models are changing..."

TABLE I
Results about the Meaning of Governance as Perceived by Each Participating Bank

	G1 the scope of the concept " Governance " in your institution					
Bank code	System aligning executive interests-shareholder **G11**	System consistent with the interests of shareholders **G12**	Branding attracting institutional investors **G13**	System reflecting the institution-stakeholder relationship **G14**	System compliant with the requirements of the Central Regulator "BAM" **G15**	Proof of the existence of transparency and a return of trust in the establishment by the investors **G16**
Bp1	**X**			**X**	**X**	**X**
Bp2	**The CG the set of management resources and costs that guarantee the sustainability of the company and its compliance with the regulatory arsenal. The GG is the control of all risks (reduction of operational costs, control of overhead costs).**			**X**	**X**	
Bp3				**X**	**X**	**X**
Bp4		**X**			**X**	
Bp5					**X**	
Bp6				**X**	**X**	
Bp7		**X**		**X**	**X**	
Bp8					**X**	**X**

Based on these diverse opinions of the interviewees, we note that the concept of "Corporate Governance" is a rich and overused concept. The variety of the above definitions reflects the difference and dissociation of managerial visions for governance. Even if this collection of definitions belongs to and comes from the reflections of the same sector, in this case the participating banks, we note that the vision of each entity changes from one to the other. All of them have significant previous experience in the conventional financial sector before entering the Islamic sector, and they argue that governance is first and foremost a set of laws and rules to be respected since it derives from the requirements of the central regulator, rather than a system reflecting transparency which in turn will generate a return on investment as a result of trust in these banks.

Table II presents the results for the second research question, including the purpose behind the establishment of a governance system. First, there is an intense ideological grouping around two major goals: the first goal named G25 behind the establishment of a governance system is to guarantee the sustainability and prosperity of the bank, 7/8 banks affirm therefore the sustainability of Islamic banking activity as we integrate a good governance system. The second G27 objective raised by 87.5% of the banks interviewed is to inspire confidence in the company.

By bringing together G25 and G27, we see too close a connection and alignment between sustainability, prosperity and trust in participatory banking in Morocco. If we give feedback to the theory, there will be no sustainability and value creation if there is no good governance, and there will be no good governance if there is no trust. In addition, 5/8 banks communicate that the role assigned to the governance system within them is to protect all stakeholders (G22) without exception, whether customers, suppliers, employees, shareholders...

Fourth, 4/8 banks reveal that the importance of governance implementation lies in the security of investment and shareholder funds (G26).

In the last place, only 3 out of 8 banks attribute to governance, the role of maintaining the balance between individual and common objectives (G24), and finally, 3 banks each separately see the purpose of governance as follows:

- Preserving the interests of minority shareholders (G23)
- Move from hierarchical and vertical social relationships to horizontal consultation (G28).
- Develop cognitive resources (G29).

In addition, another definition was given by an interviewee concerning the role of governance: "governance in the financial system is far from being designed in the interest of the business (in other sectors, yes), because it is there where there are many stakeholders (banks, insurance...)) so conflicts of interest that we can't imagine, we're going to brush them... it's essential to secure deposits, but in the logic of wanting to preserve the activity, we can kill all the activities we're financing because governance and (rational) risk-taking don't happen too often... "

By superposing the definitions declared by the various interviewees, we have configuration in Fig. 1. Fig. 1 illustrates the order of importance and ranking of the definitions as reported by the interviewees. At the root is the superiority of sustainability and trust in participatory banking. This vision is part of the partnership approach, which requires the participation of all stakeholders and the preservation of their interests in order to achieve the sustainability of the activity.

Going down, we find a detour towards the shareholder approach which insists on the protection of shareholders' interests as residual creditors and in the same logic the maintenance of the balance between the interests of managers and those of shareholders is strongly necessary. Such alignment must be implemented if there are no conflicts of interest between management and shareholders.

At the end of Fig. 1, there is little interest in protecting the interests of minority shareholders, little horizontal consultation since the decision always comes from senior management and finally very little interest in improving cognitive resources and knowledge of skills, which is due to the lack of a training plan until now given that participatory activity in Morocco began in mid-2018.

TABLE II
RESULTS ON THE WEIGHT OF THE PURPOSE OF GOVERNANCE AS PRACTICED BY EACH PARTICIPATING BANK

The purpose behind the implementation of governance G2	**Bp1**	**Bp2**	**Bp3**	**Bp4**	**Bp5**	**Bp6**	**Bp7**	**Bp8**
Protecting the interests of majority shareholders **G21**								
Protect the interests of all stakeholders **G22**	X	X	X			X		X
Protecting the interests of minority shareholders **G23**							X	
Maintain a balance between individual and common objectives **G24**	X	X					X	
Ensure the sustainability and prosperity of the institution **G25**	X	X	X	X	X	X	X	
Securing shareholder investment **G26**	X	X		X				X
Inspiring trust in the company **G27**	X	X	X	X	X		X	X
Move from hierarchical and vertical social relationships to horizontal consultation **G28**		X						
Enhance cognitive resources (knowledge) **G29**		X						

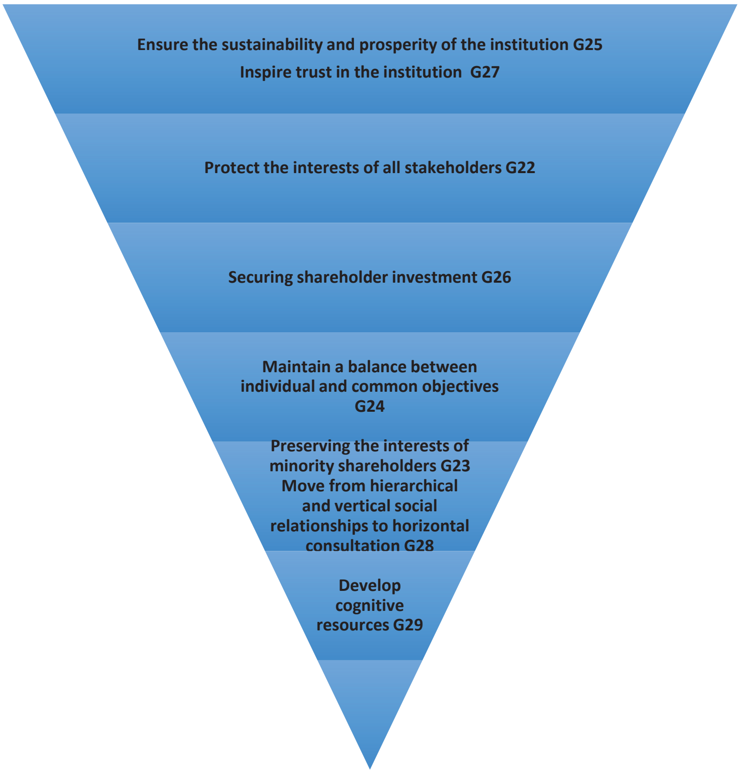

Fig. 1 The importance's degree of governance's definitions reported by directors' participation banking

Table III (see Appendix) gives us an idea of the respect of the principles of good governance set by the trade and economic development organisation. In order to better understand Table III and view the data, we have chosen to present it in a histogram as in Fig. 2. In Fig. 2, we illustrate the distribution of the proportions of compliance with the principles and sub-principles of good governance. We have five packages of bars that concern the different principles with the distribution of staff of the participating banks using these principles. In order to better understand them, we will break down each package separately.

There is ultimate and total respect for shareholders' voting rights at General Meetings (100%).

Followed by 87,50 % respect for the right to:

- Obtain information for shareholders
- vote on the remuneration and incentives of executives.
- inform them of the composition of the capital structure whenever there is a change or introduction of a new entrant.

Secondly, only 62% of the interviewees believe that shareholders have the right to vote in elections and can dismiss members of the board of directors, 62% also acknowledge as a right the debate on the audit report at the annual meeting. As for the flexibility of the transfer of ownership, it occupies the last rank of incentive for shareholders. Thus, the trend in Fig. 3 indicates that a large proportion of banks favor information symmetry, shareholder participation in voting, and especially control of executive compensation as an incentive mechanism against any possible opportunistic behavior on the part of executives, resulting in a floating shareholder approach.

As it is seen in Fig 4, the priority of shareholder information regarding voting rights, as well as fairness in their treatment during the organization of general meetings. Secondly, 62% think that the protection of minority shareholders' interests against any crime or expropriation emanating from within the bank should be applied. Similarly, 62% confirm the freedom of minority shareholders to sell their shares if there is a change in management. However, only 37.50% think they would allow this category of shareholders to appoint members of the Board of Directors. Therefore, the rights of majority shareholders are respected twice as much as those of minority shareholders, who are less privileged than the former.

As shown in Fig. 5, 62% of participating banks reported respect for stakeholders' rights in the absence of an undeclared framework protecting their rights. As for the right to information, 62% confirm the timely availability of information to stakeholders.

It should be noted in Fig. 6, that the banks' ¾ disclose their financial and operating statements in order to better align their transparency and brand image with potential investors. As for risk factors, there is a clear reluctance to disclose risks by pulling risk management internally through a specialized committee.

As a catalyst for governance, the Board of Directors is the cornerstone of the governance system and its success depends on this oversight body. It is in charge of important missions carried out on a different scale of importance. Thus, Fig. 7 shows that the Board is supposed to act effectively for the interests of the shareholders who appoint it: 75% confirm this according to the study, at a time when its attention towards stakeholders, particularly employees, suppliers... only records 25%. Similarly, the Board's preoccupation with the information dissemination process is not really significant (25%), however it focuses on the protection of majority shareholders,

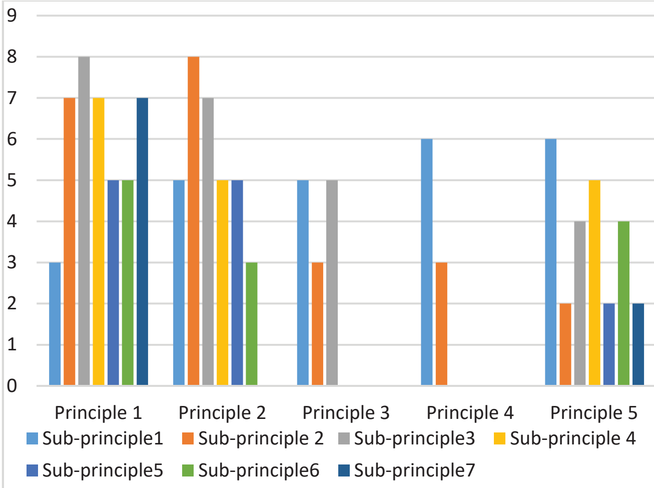

Fig. 2 Compliance with the principles of good governance by the Participating Banks in Morocco

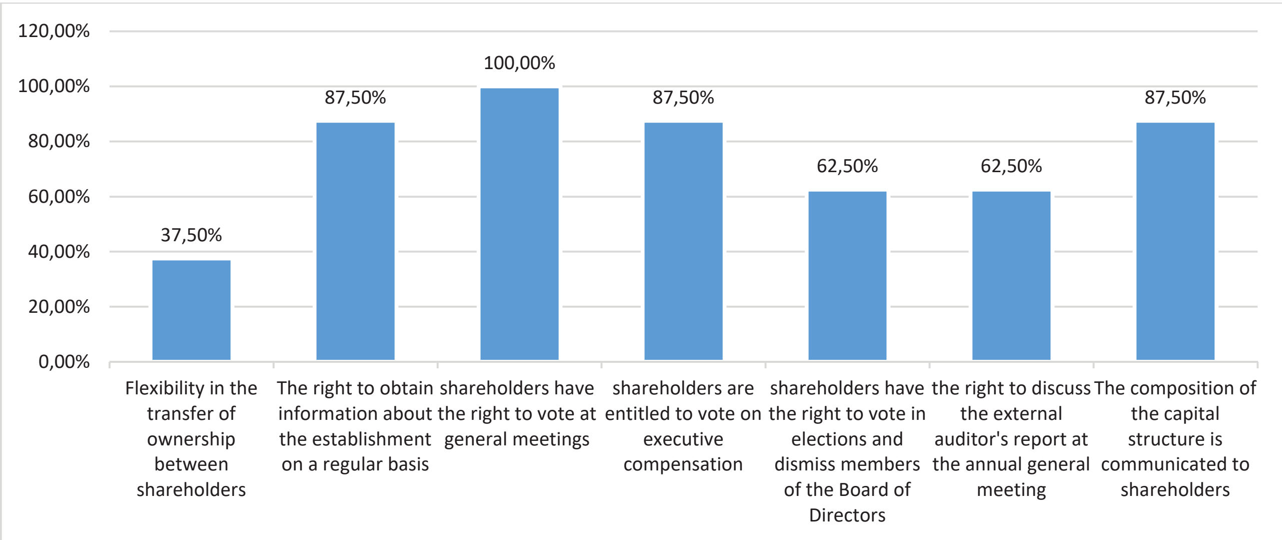

Fig. 3 Percentage of Participating banks reporting use of principal 1 (P1)

On the proper implementation of the 62% strategy and on monitoring the behaviour of managers and their sanction by transfer of position in the event of an underperformance problem. Therefore, it is a body that aims to protect funds and property rights, plans the proliferation of value to ensure the sustainability of the activity and remains on standby in the event of the emergence of inappropriate behaviour on the part of a manager.

VI. Conclusion

In this work, we came closely to the design and orientation of the "participatory" governance system through interviews with branch managers of 8 Morrocan banks.

The CG vision in participating banks basically reflects that of the central bank, whereas these banks are normally subject to the opinions and standards of the Superior Council of Ulema. It can be deduced that there is dual governance practiced by these two main bodies with a stronger influence of Bank Al Maghrib on participating banks.

As for the parties involved, there is a logical conception on the part of the interviewees not to give up taking their interests into account because they constitute an inseparable link in the chain. Nevertheless, when asked about the GC principles recommended by the OECD, less attention is paid by the Board to the interests of stakeholders.

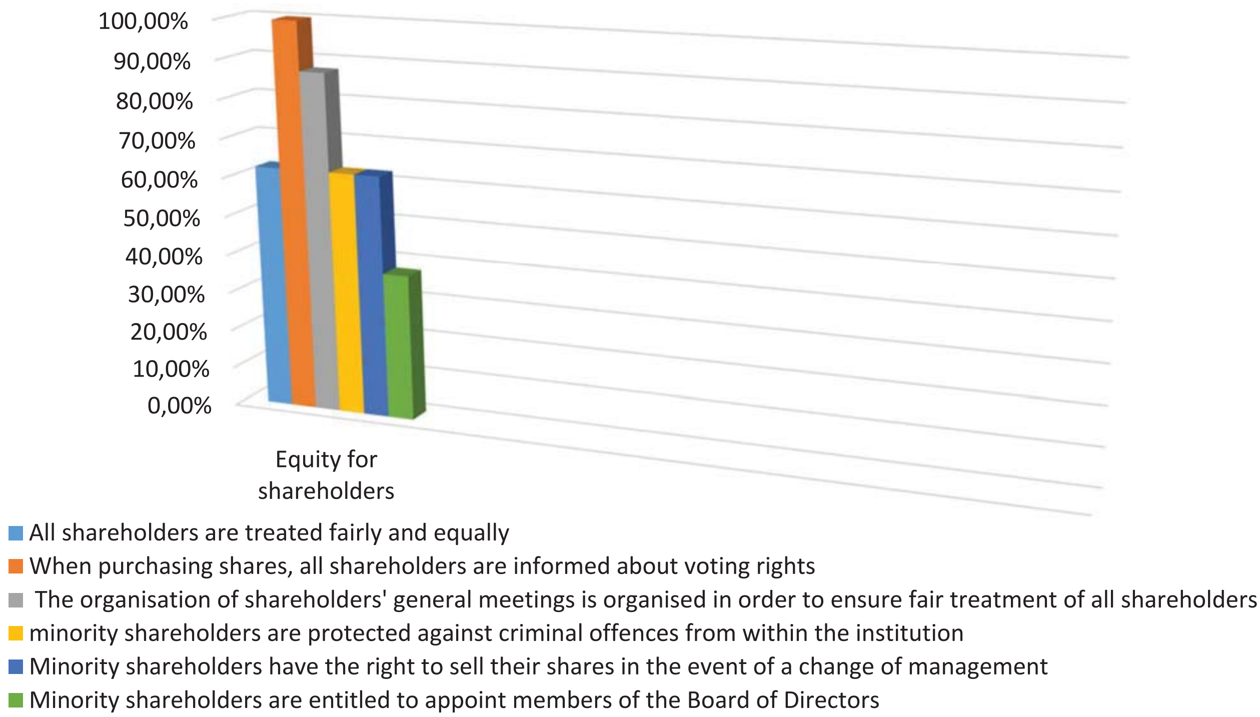

Fig. 4 Equity for shareholders

Fig. 5 The stakeholders' rights

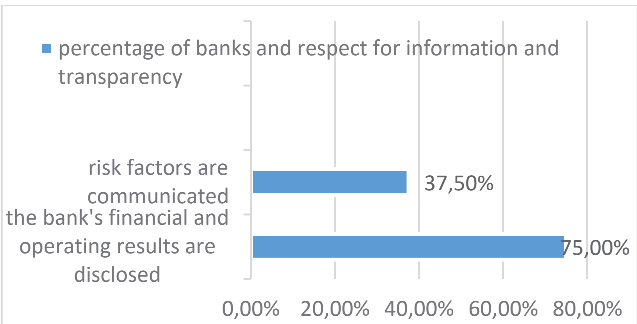

Fig. 6 Percentage of banks and respect for information and transparency

So, the CG as defined by a senior manager of a participating bank subsidiary of a large French group: the CG is the set of management resources and costs that guarantee the company's sustainability and its compliance with the regulatory arsenal.

The second theme dealt with was the purpose behind the establishment of the GC. A good governance system should first guarantee the sustainability of banking activity through the achievement of good productivity and inspire confidence in order to attract more investors. Secondly, it is the protection of stakeholders' interests that appears important to the interviewees and the security of shareholders' funds. Finally, there is a poor interest in either coordination between individual and common objectives, or in protecting minority shareholders from spoliation, or in developing cognitive resource learning. The third and final theme in this research was to identify the extent to which participatory banks practice the principles of good governance issued by the OECD. Empirical data revealed a high level of respect for voting rights and information for shareholders.

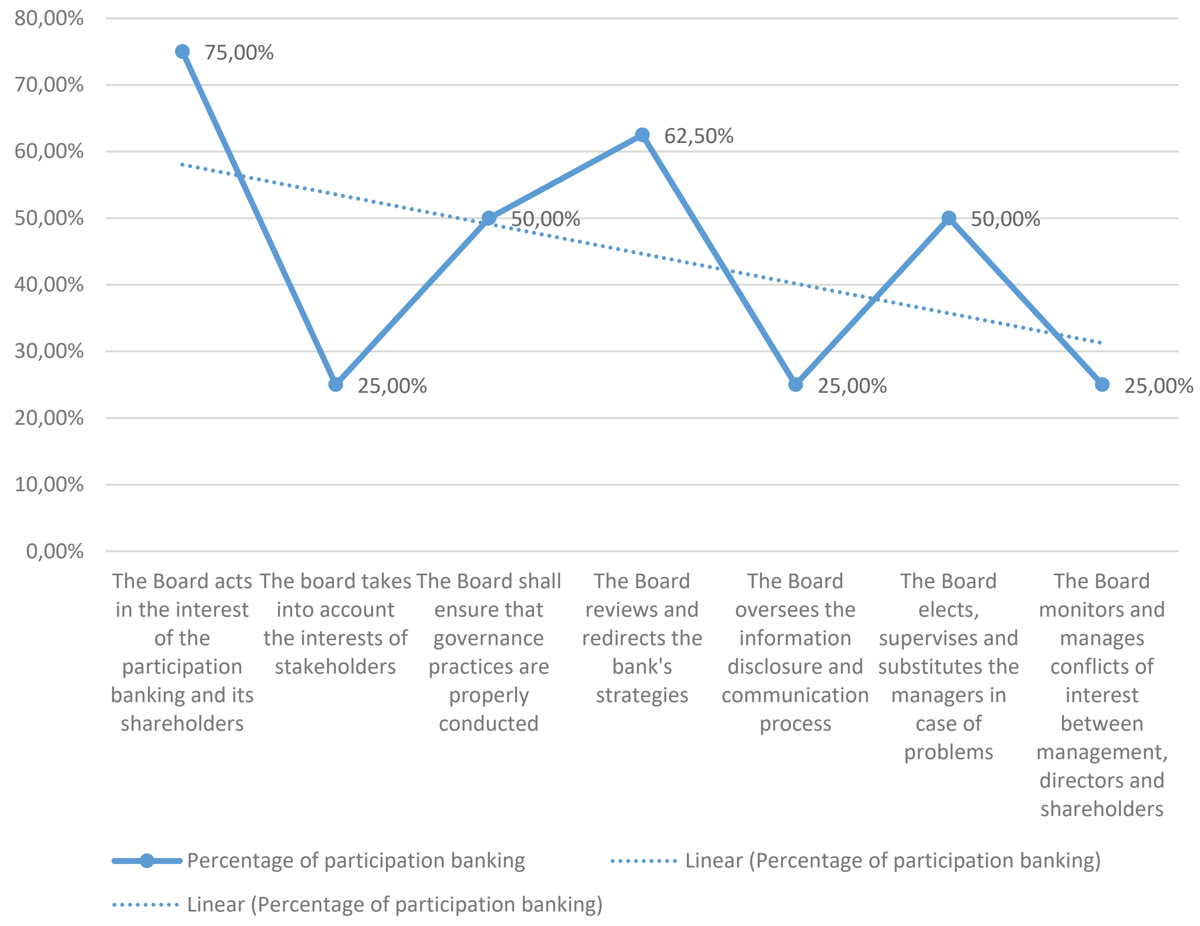

Fig. 7 Responsibilities of the Board Directors

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