



Measuring Financial and Disclosure Quality for a Sample of Algerian Banks (2018–2025): An Empirical Study Using the Standard & Poor's Disclosure Index

Bouhrine fatiha^{ID}

University of Constantine 2- Abdelhamid Mehri, Algeria

Received: August 10, 2026 Revised: October 9, 2026 Accepted: October 9, 2026 Online: October 20, 2026

Abstract

This empirical inquiry investigates and measures disclosure quality within the Financial Reporting Quality (FRQ) framework in the Algerian banking sector over an eight-year observation window (2018–2025). The analysis evaluates a cross-sectional sample of four major commercial financial institutions that represent the core structural pillars of the national banking architecture and hold over 80% of national banking assets: two private Islamic commercial banks (Al Baraka Bank Algeria and Al Salam Bank Algeria) and two state-owned public commercial banks (Banque Nationale d'Algérie [BNA] and Crédit Populaire d'Algérie [CPA]). Using the Standard & Poor's (S&P) Disclosure Index—comprising 83 comprehensive items structured across ownership structure, financial and non-financial information transparency, and board of directors governance—the research applies an unweighted binary disclosure scoring methodology rather than treating the index as a direct, comprehensive proxy for all quantitative and qualitative dimensions of financial reporting quality. The findings reveal a pronounced structural bifurcation in reporting transparency: private Islamic commercial banks achieved 'Low Compliance' scores (50.60%–53.01%), whereas state-owned public commercial banks demonstrated a 'Significant Disclosure Gap' with scores below 28% (26.50%–27.71%), underscoring pronounced cross-sectional differences across ownership types. Furthermore, the study identifies a total qualitative disclosure vacuum (0.00% compliance) for critical non-financial performance metrics, specifically employee satisfaction and market competition intensity. The research concludes that, despite the mandatory statutory implementation of the Financial Accounting System (SCF) harmonized with IAS/IFRS under Law 07-11, actual public banking disclosures remain suboptimal. Urgent regulatory modernizations by the Bank of Algeria and the Banking Commission are imperative to establish mandatory baseline disclosure standards, enforce qualitative reporting compliance, and enhance market transparency.

Keywords: *Financial Reporting Quality, Disclosure Quality, Standard & Poor's Index, Algerian Banking Sector, Corporate Governance, Public vs. Private Banks, Sharia Governance, Information Asymmetry*

INTRODUCTION

Financial Reporting Quality (FRQ) and disclosure transparency are vital cornerstones of the structural integrity, investor confidence, operational efficiency, and macroeconomic stability of modern financial systems (Ball & Shivakumar, 2005; Dechow & Dichev, 2002). In contemporary accounting and corporate governance literature, high-quality financial disclosures are the primary institutional mechanism for mitigating information asymmetry between corporate insiders—specifically bank executives and board members—and external capital providers, including depositors, equity investors, credit rating agencies, and central bank regulators (Jensen & Meckling, 1976; Leuz et al., 2003). By providing transparent, complete, timely, and decision-relevant accounting information, robust public financial reporting lowers the cost of capital, curbs managerial opportunism, discourages creative accounting, and facilitates efficient capital allocation across national economies (Abed et al., 2022; Lobo & Zhou, 2001).

Within the commercial banking industry, an inherently information-sensitive, highly leveraged, and opaque domain characterized by complex asset portfolios, maturity transformation, and systemic contagion risk—the imperative for transparent financial statement disclosure is

Copyright Holder:

© Fatiha. (2026)

Corresponding author's email: fatiha.bouhrine@univ-constantine2.dz

This Article is Licensed Under:



greatly heightened (Mouselli et al., 2012; Wijayana & Yuniarti, 2023). Commercial banks perform essential monetary intermediation, mobilizing retail and corporate deposits to finance long-term economic investment. Because bank asset quality, non-performing loan (NPL) exposures, and risk management profiles cannot be directly observed by external counterparties, transparent annual report disclosures enable depositors and market participants to evaluate solvency buffers, liquidity coverage ratios, corporate governance integrity, and strategic risk management, thereby sustaining market discipline and macroeconomic financial stability (El-Bannany, 2018; Farhood, 2019).

Statement of the Research Problem and Empirical Gap

Despite operating under a unified regulatory framework administered by the Bank of Algeria and the Banking Commission, commercial banks in Algeria show striking disparities in their commitment to public financial disclosure. Although extensive international literature has examined financial reporting quality in developed and GCC economies (El-Bannany, 2018; Lobo & Zhou, 2001), a narrow empirical gap remains regarding the systematic application of comprehensive international disclosure benchmarks—specifically the 83-item Standard & Poor's Disclosure Index—to North African banking sectors operating under transitional accounting codes such as Algeria's SCF. Preliminary observations indicate that published annual reports across Algerian banks contain severe omissions of qualitative non-financial performance metrics, including human capital investments, competitive positioning strategies, detailed board governance mechanics, and forward-looking risk exposure notes. This public disclosure opacity deprives depositors, external investors, rating agencies, and academic researchers of essential information needed to evaluate institutional sustainability and corporate governance integrity.

Research Questions

To systematically investigate this research problem using a comparative descriptive design, this study addresses five core research questions:

- RQ1: What is the overall level of public disclosure compliance observed across sampled Algerian commercial banks when evaluated against the 83 indicators of the Standard & Poor's Disclosure Index?
- RQ2: To what extent do sampled Algerian financial institutions disclose essential indicators regarding ownership structure and investor rights protection?
- RQ3: What is the degree of disclosure transparency regarding Board of Directors governance, executive oversight, committee activities, and administrative mechanics in published annual reports?
- RQ4: What cross-sectional differences in disclosure compliance emerge between state-owned public commercial banks (BNA, CPA) and private Islamic commercial banks (Al Baraka, Al Salam)?
- RQ5: What specific qualitative non-financial disclosure gaps hinder the overall completeness and decision-usefulness of financial reporting in the Algerian banking environment?

Objectives and Significance of the Study

In direct alignment with the research questions, this inquiry addresses four primary objectives:

1. To measure and quantify the public financial disclosure scores of Algerian commercial banks across the 2018–2025 observation window using the 83-item S&P Index.
2. To evaluate disclosure sub-indices across three major dimensions: Ownership Structure and Investor Rights, Financial and Non-Financial Information Transparency, and Board

Governance Transparency.

3. To document and compare observed disclosure differences across institutional banking types (state-owned public banks vs. private Islamic commercial banks) and highlight structural reporting patterns.
4. To formulate evidence-based regulatory recommendations for the Bank of Algeria and standard-setters to establish mandatory baseline disclosure standards.

The significance of this research lies in establishing an objective, empirical baseline for banking transparency in Algeria. By benchmarking public disclosures against an international 83-item framework, the study offers valuable insights for regulators, bank directors, auditors, and investors seeking to strengthen corporate governance and market discipline in North African transitional financial markets.

LITERATURE REVIEW

Theoretical Foundations and Critical Synthesis

The conceptual framework for Financial Reporting Quality (FRQ) and corporate disclosure is grounded in a synthesis of core economic and organizational theories, including Agency Theory (Jensen & Meckling, 1976), Signaling Theory (Ross, 1977; Spence, 1973), Institutional Theory (DiMaggio & Powell, 1983), Stakeholder Theory (Freeman, 1984), and Political Cost Theory. Agency theory posits that comprehensive disclosure reduces information asymmetry between bank managers and external capital providers, thereby lowering cost of capital and curbing managerial opportunism. Complementarily, signaling theory suggests that high-performing financial institutions utilize voluntary disclosure to signal institutional health and market strength to external stakeholders.

Agency Theory (Jensen & Meckling, 1976): It posits that the separation of ownership and control in modern enterprises creates information asymmetry and moral hazard. In banking, agency conflicts are multifaceted, involving relationships among managers and equity shareholders, managers and depositors, and central bank regulators and bank executives. In Islamic banks, an additional agency dimension exists between investment account holders (IAHs) and management under profit-loss-sharing Mudaraba contracts. Public financial disclosure serves as a monitoring mechanism that aligns managerial actions with stakeholder interests and reduces agency costs (Agyei-Mensah, 2017).

Signaling Theory (Ross, 1977; Spence, 1973): Suggests that superior-performing financial institutions voluntarily increase the depth of their disclosures to signal solvency, governance strength, and operational efficiency to capital markets, thereby differentiating themselves from weaker competitors and lowering their cost of capital (Mouselli et al., 2012).

Institutional Theory (DiMaggio & Powell, 1983): Explains how organizational reporting behaviors are shaped by coercive pressures (central bank mandates), mimetic pressures (adoption of international best practices such as IFRS), and normative pressures (professional accounting standards and Sharia governance frameworks).

Synthesis of Theoretical Mechanisms for Public vs. Private/Islamic Banks: Theoretical mechanisms offer plausible explanations for expected disclosure asymmetries across bank types. Private Islamic banks operate under dual governance structures—incorporating Sharia Supervisory Boards and foreign institutional equity partners (e.g., Al Baraka Banking Group). These banks face strong normative and mimetic pressures to maintain transparency, using voluntary disclosure as a signaling mechanism to reduce cross-border agency costs (Hidayat & Triyuwono, 2022). Conversely, state-owned public banks in transitional economies operate under soft budget constraints, implicit sovereign backing, and captive public enterprise deposits (DiMaggio & Powell,

1983). Facing minimal equity market pressure and operating under political visibility risks ([Watts & Zimmerman, 1986](#)), public bank managers may have reduced incentives for voluntary public disclosure, opting instead to fulfill confidential regulatory reporting requirements sent directly to state authorities. In this study, these theoretical perspectives are used as candidate explanatory frameworks rather than as econometrically verified causal determinants.

Operationalization of FRQ and the Standard & Poor's Disclosure Index

In empirical accounting scholarship, operationalizing FRQ has evolved along two distinct methodological avenues: quantitative accounting quality proxies and qualitative disclosure indices ([Herath & Albarqi, 2017](#)). The Standard & Poor's (S&P) Disclosure Index represents a validated, multidimensional framework evaluated across three main categories: Ownership Structure and Investor Relations, Financial Information and Market Data, and Board and Management Structure. This index provides a objective mechanism to evaluate compliance with both statutory and voluntary disclosure dimensions in banking institutions.

Consequently, qualitative disclosure indices that assess published annual reports are the most robust method for measuring banking transparency in developing economies ([Farhood, 2019](#); [Patel & Dallas, 2002](#)). Among available disclosure measurement instruments, the Standard & Poor's (S&P) 83-item Disclosure Index is widely recognized for its objectivity and comprehensiveness. It systematically evaluates 83 disclosure items across three primary dimensions: Dimension I (Ownership Structure and Investor Rights - 18 items), Dimension II (Financial and Non-Financial Information Transparency - 44 items across 7 operational subcategories), and Dimension III (Board of Directors Governance and Transparency - 21 items). Applying the S&P Index yields an unweighted binary assessment of the breadth and transparency of public disclosure.

Legal, Accounting, and Regulatory Architecture in Algeria (2018–2025)

Over the past two decades, emerging market and transitional economies have pursued structural accounting reforms to align national reporting practices with international financial reporting standards. In Algeria, this institutional transition was formalized by Law 07-11 of November 25, 2007 ([Bank of Algeria, 2007](#)), which introduced the Financial Accounting System (Système Comptable Financier - SCF). Promulgated to replace the outdated 1975 National Accounting Plan (Plan Comptable National - PCN), the SCF was explicitly benchmarked against International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) ([Benamra & Khelil, 2024](#)). The statutory objective of the SCF was to enhance the qualitative characteristics of financial reporting—specifically relevance, faithful representation, comparability, verifiability, and understandability—across commercial enterprises and financial institutions operating within the national economy.

The regulatory foundation for Algerian financial institutions is rooted in Law 90-10 on Money and Credit ([Bank of Algeria, 1990](#)), which has since been modernized and reinforced by the Monetary and Banking Law 23-09 ([Bank of Algeria, 2023](#)). While statutory requirements mandate annual financial reporting and compliance with the Financial Accounting System (SCF), enforcement mechanisms and standardized guidelines for non-financial disclosures remain unevenly developed.

The observation window from 2018 to 2025 marks a transformative era for the Algerian banking sector. Historically dominated by six major state-owned commercial banks—including Banque Nationale d'Algérie [BNA] and Crédit Populaire d'Algérie [CPA]—which collectively command over 80% of total commercial banking assets and operate under sovereign backing ([Bank of Algeria, 2023](#); [Rahmani & Boukhatem, 2023](#)), the financial system has undergone gradual modernization. Key developments include the promulgation of Central Bank Regulation 20-02

(Bank of Algeria, 2020), which established the regulatory framework for Islamic banking operations and permitted public banks to establish dedicated Islamic windows alongside standalone private Islamic institutions such as Al Baraka Bank Algeria and Al Salam Bank Algeria (Hidayat & Triyuwono, 2022). Furthermore, capital market development reached a milestone in early 2024 with CPA's initial public offering (IPO) on the Algiers Stock Exchange, selling a 30% equity stake to public investors (Crédit Populaire d'Algérie [CPA], 2024). However, while Regulation 20-02 (Bank of Algeria, 2020) and Law 23-09 (Bank of Algeria, 2023) enforced prudential compliance, public disclosure requirements remained largely unstandardized, leaving individual banks with substantial discretion over the depth of public disclosures in published annual reports.

Empirical Literature Synthesis

Empirical studies in emerging banking markets offer comparative context for evaluating Algerian reporting practices. El-Bannany (2018) examined determinants of FRQ among commercial banks in Egypt and the UAE, showing that IFRS adoption, accounting conservatism, and intellectual capital significantly improve reporting quality. Farhood (2019) applied the S&P 83-item index to listed Iraqi commercial banks, reporting low overall compliance (<50%) but noting positive trends following central bank directives mandating IFRS adherence. In Vietnam, Cuong & Ly (2017) documented widespread non-disclosure of forward-looking qualitative metrics among listed entities.

Recent literature in specialized banking journals reinforces the role of governance structures in driving disclosure depth. Hidayat & Triyuwono (2022) demonstrated that Islamic banking institutions governed by stringent Sharia Supervisory Boards exhibit superior reporting discipline compared to conventional peers. Rahmani & Boukhatem (2023) evaluated disclosure practices in emerging banking markets, identifying institutional foreign partnerships and ownership structures as key catalysts of voluntary disclosure. Benamra & Khelil (2024) examined accounting conservatism under national accounting codes, showing that transitional frameworks often struggle with narrative disclosures, leaving severe information gaps. Furthermore, Wijayana & Yuniarti (2023), in the International Journal of Financial, Accounting, and Management, demonstrated that independent board oversight and external audit quality are essential prerequisites for eliminating systemic disclosure deficits.

Table 1. Systematic Synthesis of Empirical Literature Contributions

Author(s) & Year	Study Context	Methodology / Framework	Core Findings & Contributions
Magdi El-Bannany (2018)	Egypt & UAE Commercial Banks	Multiple Regression evaluating IFRS, conservatism, and crisis impact	Proved that IFRS adoption, accounting conservatism, and intellectual capital significantly enhance FRQ.
Sabeha B. Farhood (2019)	Iraqi Commercial Banks	Standard & Poor's Disclosure Index (83 items)	Found overall compliance below 50%; noted positive shifts following central bank IFRS mandates.
Ibtihal A. Abed et al. (2022)	Iraqi Banking Sector	Empirical structural modeling on creative accounting	Established that corporate transparency significantly moderates creative accounting practices.
Nguyen T. Cuong & Do T. Ly (2017)	Vietnam Listed Companies	Qualitative disclosure scoring evaluating completeness	High disclosure quality reduces cost of debt; highlighted severe gaps in

			qualitative disclosures.
R. Hidayat & I. Triuwono (2022)	Islamic Banking & Sharia Governance	Comparative compliance framework analyzing Sharia oversight	Proved that stringent Sharia supervisory board oversight directly elevates financial statement transparency.
A. Rahmani & J. Boukhatem (2023)	Emerging Banking Markets	Panel data evaluation of governance indicators & S&P index	Identified ownership concentration and foreign partner participation as key drivers of voluntary disclosure.
M. Benamra & S. Khelil (2024)	Developing Financial Sectors	Accounting conservatism under national codes	Showed that transitional accounting systems struggle with qualitative disclosures, leaving significant information gaps.
S. Wijayana & R. Yuniarti (2023)	Banking Oversight & Auditing	Empirical study on board oversight & audit quality	Highlighted that independent board committees and external audit quality are indispensable for transparency.

RESEARCH METHOD

Research Design and Sample Selection

To empirically measure and evaluate financial reporting disclosure quality in the Algerian banking sector, this study adopts a quantitative, descriptive, comparative research design. The empirical sample comprises four major commercial banks evaluated over an eight-year period from 2018 to 2025. The four sampled institutions represent the core structural pillars of Algeria's commercial banking sector: two private Islamic commercial banks (Al Baraka Bank Algeria and Al Salam Bank Algeria) and two state-owned public commercial banks (Banque Nationale d'Algérie [BNA] and Crédit Populaire d'Algérie [CPA]). Collectively, these four institutions control over 82% of total commercial banking assets, total credit allocations, and customer deposit liabilities in Algeria (Bank of Algeria, 2023; Rahmani & Boukhatem, 2023), providing a highly representative sample of the national banking system.

1. Al Baraka Bank Algeria: Founded in 1991 as the pioneer of Islamic banking in Algeria, it operates as a joint venture between the private Al Baraka Banking Group (Bahrain, 50% equity) and the state-owned BADR Bank (50% equity), under dual oversight by the central bank and Sharia governance.
2. Al Salam Bank Algeria: Established in 2008 as a full-fledged private Islamic commercial bank with regional institutional equity participation, adhering to AAOIFI standards.
3. Banque Nationale d'Algérie (BNA): Established in 1966, BNA is the largest state-owned public commercial bank in Algeria, managing extensive industrial credit portfolios under sovereign backing.
4. Crédit Populaire d'Algérie (CPA): Founded in 1966, CPA is a premier state-owned commercial bank specializing in retail banking, corporate finance, and SME support, and completed a partial IPO in 2024.

Standard & Poor's Disclosure Index Framework and Primary Source

The primary research instrument for evaluating public disclosure quality is the Standard & Poor's (S&P) 83-item Disclosure Index (Patel & Dallas, 2002; Standard & Poor's, 2002). The S&P Index has been extensively evaluated in the global accounting literature and provides an objective, comprehensive measurement framework structured across three major dimensions and seven operational subcategories:

1. Dimension I: Ownership Structure and Investor Rights (18 items total)
 - a. Ownership Concentration Sub-Category (11 items): Evaluates disclosure regarding top 1, 3, 5, and 10 shareholder identities, beneficial ownership, share capital classes, voting rights distribution, cross-shareholdings, institutional ownership, and foreign equity ratios.
 - b. Investor Rights Protection Sub-Category (7 items): Assesses disclosures on general meeting notices, voting mechanics, extraordinary transaction rules, dividend policies, and minority shareholder protections.
2. Dimension II: Financial and Non-Financial Information Transparency (44 items total)
 - a. Corporate Strategy Index (12 items): Assesses narrative disclosures regarding strategic goals, target financial ratios, capital expenditure plans, and digital transformation milestones.
 - b. Accounting Policies Index (9 items): Evaluates compliance notes on Financial Accounting System (SCF) principles, IAS/IFRS convergence status, asset valuation rules, and provisioning methodologies.
 - c. Related Party Transactions (3 items): Evaluates full disclosure of credit facilities, deposits, and guarantees involving board members, executive directors, and major shareholders.
 - d. Auditor Information & Fees (4 items): Examines disclosure of external auditor identities, audit opinion types, audit fees, and partner-rotation policies.
 - e. Opportunities & Risk Exposure Management (9 items): Assesses quantitative and narrative risk notes covering credit risk, NPL ratios, liquidity coverage, and interest and profit rate sensitivity.
 - f. Competition Intensity Index (4 items): Assesses qualitative commentary on market share, competitive positioning, and regulatory barriers.
 - g. Employee Satisfaction & Human Capital Index (3 items): Evaluates disclosures on employee turnover rates, training investment per staff member, and employee satisfaction surveys.
3. Dimension III: Board of Directors Governance Transparency (21 items total)

Evaluates public transparency of director background profiles, executive vs. non-executive status, board independence criteria, specialized committee structures (audit, risk, compensation, Sharia), committee reports, director remuneration, and meeting attendance records.

Data Collection, Coding Procedure, and Inter-Rater Reliability

Empirical data were collected through an exhaustive audit of statutory annual reports, audited financial statements, notes to the accounts, auditor reports, and corporate governance publications accessed from official bank websites during the 2018–2025 observation period. To ensure rigorous operationalization and minimize subjective coding bias, two accounting researchers independently conducted coding. Each indicator was coded using an unweighted binary scoring methodology (1 if explicitly disclosed in published reports, 0 if omitted). Inter-rater agreement was evaluated on a randomly selected 25% subsample of annual reports, yielding a

Cohen's Kappa coefficient of 0.91 ($\kappa = 0.91$), indicating strong inter-rater reliability. Minor coding discrepancies were resolved through joint re-examination of statutory notes and consensus auditing.

Scoring Mechanics and Benchmark Framework

Calculated disclosure scores express the percentage of total required items that are actually disclosed:

$$DIND = (ACD / APD) \times 100\%$$

Where DIND is the Disclosure Index percentage score (%), ACD is the actual count of disclosed indicators, and APD is the total applicable indicators (83 for the overall index).

Calculated index scores are benchmarked against the institutional compliance classification framework established by [Lainez et al. \(2002\)](#), which classifies reporting transparency into four tiers:

Table 2. Four-Tier Disclosure Compliance Benchmark Framework ([Lainez et al., 2002](#))

Compliance Level Tier	Disclosure Index Range	Qualitative Benchmark Status
High Compliance	$\geq 81.0\%$	Full or near-full adherence to international disclosure standards and best practices.
Moderate Compliance	61.0% – 80.0%	Satisfactory reporting transparency with minor non-critical disclosure omissions.
Low Compliance	40.0% – 60.0%	Insufficient disclosure quality, weak voluntary reporting, and notable information gaps.
Significant Disclosure Gap	$< 40.0\%$	Severe non-disclosure, critical opacity, and substantial divergence from international norms.

Methodological Qualification: In accordance with reviewer recommendations, this research is explicitly framed as a comparative descriptive study. Because the sample evaluates four major banking institutions without using formal inferential econometric models, the analysis documents cross-sectional disclosure differences rather than claiming to econometrically 'control for' environmental factors or 'isolate' causal ownership effects.

FINDINGS AND DISCUSSION

Overall Disclosure Compliance Assessment

The aggregated empirical results for the overall Standard & Poor's 83-item Disclosure Index across the sampled Algerian commercial banks from 2018 to 2025 are presented in Table 3:

Table 3. Overall Standard & Poor's Disclosure Index Scores across Sampled Banks (2018–2025)

Bank Name	Category	Items	Disclosed	Index (%)	Status (Lainez et al.)
Al Baraka Bank Algeria	Private / Islamic	83	44	53.01%	Low Compliance
Al Salam Bank Algeria	Private / Islamic	83	42	50.60%	Low Compliance
Crédit Populaire d'Algérie (CPA)	State-Owned Public	83	23	27.71%	Significant Gap
Banque Nationale	State-Owned	83	22	26.50%	Significant Gap

d'Algérie (BNA)	Public
-----------------	--------

As shown in Table 3, none of the sampled Algerian commercial banks achieved 'High Compliance' ($\geq 81\%$) or 'Moderate Compliance' ($61\%–80\%$) under the [Lainez et al. \(2002\)](#) benchmark framework. The empirical results document pronounced cross-sectional differences across bank categories:

1. Low Compliance Group: Private Islamic institutions—Al Baraka Bank Algeria (53.01%) and Al Salam Bank Algeria (50.60%)—achieved overall scores in the 50%–53% range. Despite being the most transparent entities in the sample, approximately 47% of standard S&P disclosure items remain undisclosed in their public reports.
2. Significant Disclosure Gap Group: State-owned public banks—CPA (27.71%) and BNA (26.50%)—exhibit severe disclosure deficiencies, scoring well below the 40% threshold and omitting nearly three-quarters of standard disclosure indicators.

Dimension I: Ownership Structure and Investor Rights Sub-Index

The empirical findings for Dimension I (18 items) assess ownership concentration and shareholder rights disclosure across the sampled banks, as detailed in Table 4:

Table 4. Dimension I Disclosure Sub-Index Breakdown across Sampled Banks

Dimension / Sub-Category	Items	Al Baraka	Al Salam	CPA (Public)	BNA (Public)
Ownership Structure Index	11	06 (54.54%)	07 (63.64%)	06 (54.54%)	06 (54.54%)
Investor Rights Index	07	04 (57.14%)	03 (42.85%)	01 (14.29%)	01 (14.29%)
Total Dimension I Score	18	10 (55.55%)	09 (50.00%)	07 (38.89%)	07 (38.89%)
Compliance Status	—	Low Compliance	Low Compliance	Significant Gap	Significant Gap

Table 4 shows that basic equity capital structure and shareholder identity are moderately disclosed across all banks (54.54%–63.64%), whereas state-owned public institutions show near-total disclosure failure in the Investor Rights category (14.29%, disclosing only 1 of 7 items). CPA and BNA omit voting procedures, minority shareholder protection clauses, and general assembly voting mechanics, lowering their overall dimension score to 38.89%.

Dimension II: Financial and Non-Financial Information Transparency

Table 5. Dimension II Disclosure Sub-Index Breakdown across Sampled Banks

Sub-Category	Items	Al Baraka	Al Salam	CPA (Public)	BNA (Public)
Corporate Strategy Index	12	07 (58.33%)	08 (66.67%)	07 (58.33%)	07 (58.33%)
Accounting Policies Index	09	07 (77.78%)	07 (77.78%)	05 (71.43%)	04 (44.44%)
Related Party Transactions	03	03 (100.0%)	03 (100.0%)	01 (33.33%)	01 (33.33%)
Auditor Information Index	04	03 (75.00%)	03 (75.00%)	02 (50.00%)	02 (50.00%)
Opportunities & Risk	09	04	04	03	03

Exposure		(44.44%)	(44.44%)	(33.33%)	(33.33%)
Competition Intensity Index	04	00 (0.00%)	00 (0.00%)	00 (0.00%)	00 (0.00%)
Employee Satisfaction Index	03	00 (0.00%)	00 (0.00%)	00 (0.00%)	00 (0.00%)
Total Dimension II Score	44	24 (54.54%)	25 (56.81%)	12 (27.28%)	11 (25.00%)
Compliance Status	—	Low Compliance	Low Compliance	Significant Gap	Significant Gap

Granular Qualitative Disclosure Vacuum (0.00% Omissions Analysis)

As shown in Table 5, a striking empirical finding is the complete omission of indicators in two subcategories: Competition Intensity (4 items) and Employee Satisfaction & Human Capital (3 items), with a 0.00% disclosure score across all four banks. None of the sampled banks published any quantitative or qualitative data on market share targets, competitive positioning strategies, industry rivalry assessments, employee turnover rates, training expenditures per employee, or human resource satisfaction surveys.

This qualitative vacuum indicates a traditional reporting culture that treats annual publications as static compliance balance sheets rather than strategic stakeholder communication documents. Furthermore, risk exposure disclosures were modest (33%–44% compliance), as banks provided standard statutory credit risk tables while omitting forward-looking liquidity stress scenarios and operational risk matrices.

Dimension III: Board of Directors Governance Transparency

Board of Directors governance transparency (21 items) is the weakest dimension across the Algerian banking sector, as detailed in Table 6:

Table 6. Dimension III Governance Disclosure Sub-Index Breakdown across Sampled Banks

Governance Metric	Items	Al Baraka	Al Salam	CPA (Public)	BNA (Public)
Disclosed Board Items	21	10	06	06	06
Sub-Index Score (%)	100%	47.62%	28.57%	28.57%	28.57%
Compliance Status	—	Low Compliance	Significant Gap	Significant Gap	Significant Gap

Scholarly Discussion and Comparative Analysis

The discussion below distinguishes observed empirical scores from theoretical explanations that are inferred rather than directly tested econometrically. The empirical pattern, with private Islamic commercial banks (50.60%–53.01%) outperforming state-owned public commercial banks (26.50%–27.71%), aligns with theoretical arguments in Agency Theory and Institutional Theory (Jensen & Meckling, 1976; DiMaggio & Powell, 1983). A plausible interpretation suggested by the literature is that private Islamic banks, operating with foreign institutional equity partners (e.g., Al Baraka Banking Group) and subject to dual oversight by Sharia Supervisory Boards, experience stronger normative and signaling incentives to maintain transparent public disclosure (Hidayat & Triuwono, 2022; Rahmani & Boukhatem, 2023). Conversely, state-owned public financial institutions (BNA and CPA) historically operate under soft budget constraints, sovereign backing, and captive public enterprise deposits (DiMaggio & Powell, 1983). Operating without equity capital market discipline, public bank executives may face reduced market incentives for voluntary public disclosure, focusing instead on confidential statutory reporting to central bank authorities. These factors represent candidate theoretical explanations that warrant future econometric verification.

Systematic Comparison with Literature: A comparison of these findings with prior empirical

studies reveals consistent patterns across transitional financial markets. Overall compliance scores for Algerian banks (<53%) closely mirror those reported by [Farhood \(2019\)](#) in Iraq (<50%) and by [Cuong & Ly \(2017\)](#) in Vietnam, confirming that commercial banks in developing economies frequently exhibit disclosure deficits. However, Algerian public banks (26.5%–27.7%) fall significantly below levels reported in the GCC banking sectors ([El-Bannany, 2018](#)), where stricter stock exchange listing rules mandate comprehensive governance disclosures. Furthermore, the complete omission of qualitative non-financial indicators (0.00%) aligns with observations by [Benamra & Khelil \(2024\)](#), who demonstrated that national accounting codes benchmarked against IFRS often struggle with narrative reporting compliance.

Item Applicability across Bank Types: It is also important to consider whether observed score differences reflect differences in bank institutional structure or in index item applicability rather than pure reporting quality. Certain S&P index items—such as share trading mechanics or stock option disclosures—are directly applicable to listed private entities but less relevant to 100% state-owned public banks prior to partial listing (such as CPA's 2024 IPO). Nevertheless, core disclosure items regarding board independence, committee activities, and risk exposures remain fully applicable across all banking forms.

CONCLUSIONS

Conclusion

This empirical study evaluated public disclosure quality across four major commercial banks in Algeria from 2018 to 2025 using the 83-item Standard & Poor's Disclosure Index. The findings show that despite two decades of accounting modernization following the enactment of the Financial Accounting System (SCF), harmonized with IAS/IFRS under Law 07-11, actual public disclosure practices remain suboptimal across the national banking sector. None of the evaluated banks achieved High or Moderate compliance status under the [Lainez et al. \(2002\)](#) framework. A pronounced cross-sectional difference separates private Islamic banks (Low Compliance, 50.6%–53.0%) from state-owned public banks (Significant Disclosure Gap, 26.5%–27.7%). Furthermore, qualitative disclosure on employee satisfaction and market competition is entirely absent (0.00%).

Strategic Regulatory Recommendations

To address these disclosure deficits, four strategic regulatory interventions are recommended, framed by their applicability and materiality to the Algerian banking environment:

1. **Mandatory Minimum Disclosure Baselines:** The Bank of Algeria and the Banking Commission should establish a mandatory minimum public disclosure baseline based on the S&P 83-item index structure, with explicit disclosure guidelines for both state-owned and private financial institutions.
2. **Standardization of Non-Financial Reporting:** National standard-setters should issue standardized reporting guidelines that require commercial banks to publish narrative qualitative indicators, such as human resource investments, market positioning strategy, and forward-looking risk management frameworks.
3. **Governance Disclosure Mandates:** Regulatory authorities should enforce transparent public reporting on Board of Directors composition, independent director criteria, specialized committee activity reports, and executive compensation structures.
4. **Public Transparency Ratings:** Implementing an annual public transparency rating system for commercial banks would create reputational incentives, encouraging public institutions to deepen voluntary disclosure.

LIMITATION & FURTHER RESEARCH

While this empirical investigation offers grounded, novel insights into financial disclosure quality in Algeria, several inherent methodological limitations must be acknowledged transparently:

1. **Sample Size Constraints:** The sample evaluates four major commercial banks representing ~82% of sector assets. While highly representative, excluding smaller foreign commercial subsidiaries limits full generalizability across the entire financial system.
2. **Absence of Inferential Statistical Testing:** The research design is comparative and descriptive. Without formal econometric hypothesis testing, observed differences cannot be interpreted as statistically significant causal relationships.
3. **Unweighted Binary Scoring Subjectivity:** The S&P Index treats all 83 disclosure items equally (1 or 0). Binary scoring involves potential researcher subjectivity in determining whether narrative disclosures are sufficiently explicit to earn a score of one.
4. **Index Item Applicability:** The relevance of individual index items may vary across Islamic and state-owned banking structures, particularly with respect to shareholder rights in unlisted public entities.

Directions for Future Research: To build upon these baseline findings, future scholarly inquiries should explore several vital directions:

1. **Panel Econometric Modeling:** Future studies should apply panel econometric techniques (Fixed Effects, System GMM) to a larger bank-year dataset to empirically assess the impact of disclosure quality on bank profitability (ROA, ROE), liquidity coverage, and the cost of capital across North Africa.
2. **Independent Coding Verification & Robustness Checks:** Studies should incorporate multi-coder reliability checks and test alternative weighted disclosure indices.
3. **Digital Banking and ESG Integration:** Upcoming research should examine how digital banking adoption and ESG (Environmental, Social, and Governance) reporting mandates affect banking disclosure transparency in transitional economies.

REFERENCES

- Abed, I. A., Hussin, N., Haddad, H., Almubaydeen, T. H., & Ali, M. A. (2022). Creative accounting determination and financial reporting quality: The integration of transparency and disclosure. *Journal of Open Innovation: Technology, Market, and Complexity*, 8(1), Article 38. <https://doi.org/10.3390/joitmc8010038>
- Agyei-Mensah, B. K. (2017). The relationship between corporate governance, corruption and forward-looking information disclosure: A comparative study. *Corporate Governance: The International Journal of Business in Society*, 17(2), 284–302. <https://doi.org/10.1108/CG-11-2015-0150>
- Ball, R., & Shivakumar, L. (2005). Earnings accruals quality and conservatism in financial reporting. *Journal of Accounting and Economics*, 39(1), 83–113. <https://doi.org/10.1016/j.jacceco.2004.04.001>
- Bank of Algeria. (1990). *Law No. 90-10 of April 14, 1990, relating to money and credit*. Official Journal of the Algerian Republic, (16).
- Bank of Algeria. (2007). *Law No. 07-11 of November 25, 2007, relating to the financial accounting system (SCF)*. Official Journal of the Algerian Republic, No. 74.
- Bank of Algeria. (2020). *Regulation No. 20-02 of March 15, 2020, defining the operations pertaining to Islamic banking and rules governing their exercise by banks and financial institutions*. Official Journal of the Algerian Republic, No. 16.

- Bank of Algeria. (2023). *Monetary and Banking Law No. 23-09 of June 21, 2023*. Official Journal of the Algerian Republic, No. 43.
- Benamra, M., & Khelil, S. (2024). Accounting conservatism and information asymmetry in developing financial sectors. *Studies in Multidisciplinary and Business Educational Research*, 5(1), 89–102. <https://doi.org/10.31098/smber.v5i1.782>
- Crédit Populaire d'Algérie. (2024). *Annual report and initial public offering prospectus*.
- Cuong, N. T., & Ly, D. T. (2017). Measuring and assessing the quality of information on the annual reports: The case of seafood companies listed on the Vietnam stock market. *International Research Journal of Finance and Economics*, 160, 26–40. https://www.researchgate.net/publication/315486582_Measuring_and_Assessing_the_Quality_of_Information_on_the_Annual_Reports_The_Case_of_Seafood%27s_Companies_Listed_on_the_Vietnam_Stock_Market
- Dechow, P. M., & Dichev, I. D. (2002). The quality of accruals and earnings: The role of accrual estimation errors. *The Accounting Review*, 77(s-1), 35–59. <https://doi.org/10.2308/accr.2002.77.s-1.35>
- DiMaggio, P. J., & Powell, W. W. (1983). The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields. *American Sociological Review*, 48(2), 147–160. <https://doi.org/10.2307/2095101>
- El-Bannany, M. (2018). Financial reporting quality for banks in Egypt and the UAE. *Corporate Ownership & Control*, 15(2), 111–120. <https://doi.org/10.22495/cocv15i2p10>
- Farhood, S. B. (2019). Reflection on the level of disclosure of accounting information relevant using Standards and Poor's indicators. *Academy of Accounting and Financial Studies Journal*, 23(2), 1–12. <https://www.abacademies.org/articles/reflection-the-level-of-disclosure-on-the-accounting-information-relevant-using-standards-and-poores-indicators-8018.html>
- Freeman, R. E. (1984). *Strategic management: A stakeholder approach*. Pitman Publishing.
- Herath, S. K., & Albarqi, N. (2017). Financial reporting quality: A literature review. *International Journal of Business Management and Commerce*, 2(2), 1–14. <https://www.ijbmcnet.com/images/Vol2No2/1.pdf>
- Hidayat, R., & Triyuwono, I. (2022). Financial reporting quality and Sharia governance: A comparative perspective. *Studies in Multidisciplinary and Business Educational Research*, 3(1), 45–58. <https://doi.org/10.31098/smber.v3i1.512>
- Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics*, 3(4), 305–360. [https://doi.org/10.1016/0304-405X\(76\)90026-X](https://doi.org/10.1016/0304-405X(76)90026-X)
- Lainez, J. A., Callao, S., & Jarne, J. I. (2002). International accounting harmonization and financial reporting disclosures: Empirical evidence from European capital markets. *International Journal of Accounting*, 37(1), 81–102.
- Leuz, C., Nanda, D., & Wysocki, P. D. (2003). Earnings management and investor protection: An international comparison. *Journal of Financial Economics*, 69(3), 505–527. [https://doi.org/10.1016/S0304-405X\(03\)00121-1](https://doi.org/10.1016/S0304-405X(03)00121-1)
- Lobo, G. J., & Zhou, J. (2001). Disclosure quality and earnings management. *Asia-Pacific Journal of Accounting & Economics*, 8(1), 1–20. <https://doi.org/10.1080/16081625.2001.9729662>
- Mouselli, S., Jaafar, A., & Hussainey, K. (2012). Accruals quality vis-à-vis disclosure quality: Substitutes or complements? *The British Accounting Review*, 44(1), 36–46. <https://doi.org/10.1016/j.bar.2011.12.002>
- Patel, S. A., & Dallas, G. (2002). *Transparency and disclosure: Overview of methodology and study results—United States*. SSRN. <https://doi.org/10.2139/ssrn.422800>
- Rahmani, A., & Boukhatem, J. (2023). Evaluating disclosure practices and corporate governance in

- emerging banking markets. *Studies in Multidisciplinary and Business Educational Research*, 4(2), 115–128. <https://doi.org/10.31098/smbser.v4i2.645>
- Ross, S. A. (1977). The determination of financial structure: The incentive-signalling approach. *The Bell Journal of Economics*, 8(1), 23–40. <https://doi.org/10.2307/3003160>
- Spence, A. M. (1973). Job market signaling. *The Quarterly Journal of Economics*, 87(3), 355–374. <https://doi.org/10.2307/1882010>
- Standard & Poor's. (2002). *Corporate governance scores: Criteria, methodology and definitions*. Standard & Poor's Rating Services.
- Watts, R. L., & Zimmerman, J. L. (1986). *Positive accounting theory*. Prentice-Hall.
- Wijayana, S., & Yuniarti, R. (2023). The role of audit quality and board oversight in enhancing financial transparency. *International Journal of Financial, Accounting, and Management*, 5(3), 210–224. <https://doi.org/10.35912/ijfam.v5i3.1420>