



Corporate Annual Report Versus New Sources of Financial Information – Evidence from Emerging Markets

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Abstract: This research aims to investigate empirically the perceived importance of various sources of financial information in relation to various investment decisions in two of the emerging markets namely Bahrain and Egypt. It explores how some new sources such as “Company website” and “Specialized websites” stand in relation to other traditional sources. Furthermore, it aims to examine empirically the perceived importance of different sections of the corporate annual report (CR). This study examines the issue from the perspective of three user groups namely “Financial analysts”, “Individual investors” and “Institutional investors” as main groups of users of financial information. In order to gather the data needed for testing related hypotheses, a questionnaire was employed and personally delivered to a sample of 120 respondents in Bahrain and delivered through the electronic mail to a sample of 180 respondents in Egypt. Descriptive and statistical analysis revealed that “CR” was ranked as the most important course of financial information in both countries. The two new sources of financial information, “Company website” and “Specialized websites” were highly ranked as the second and third important sources by users in Egypt. However, they received lower ranking by users in Bahrain. Concerning sections of the corporate report, “Income statement” and “Balance sheet” were ranked as the first and second most important sections of “CR” by investors in both countries.

Keywords: Sources of financial information, Emerging stock markets, Bahrain Bourse (BHB), Egyptian Stock Exchange (EGX), Corporate Reports, Company website and Specialized websites.

1. Introduction

In countries of merging stock markets, as in most countries, there are several sources of financial information. Among the available sources are Annual Corporate Reports (CR); specialised newspapers and magazines; direct contact with the company; advisory services; company website and specialized websites which provide financial and non-financial information to a wide range of users. In addition to traditional sources of financial information, company website and specialized website are recent sources that supply financial and non-financial information about the stock market in general and listed companies in particular. Most of the above mentioned sources are frequently investigated in the accounting literature (e.g.

Epstein and Pava, 1993; Anderson and Epstein, 1996; Bartlett and Chandler, 1997; Desoky, 2002; Alattar and Al-Khater, 2007; Al-Ajmi, 2009; Abdelkarim et al., 2009; Desoky, 2010; Zoysa and Rudkin, 2010 and Al Sawalqa, 2012). However, it is critical to re-evaluate the perceived importance of such traditional sources in the light of the existence of some new sources, “company website” and “specialized websites”.

The issue of the current study, the perceived importance of financial information sources and various sections of CR, is at present particularly significant in most emerging stock markets including Bahrain and Egypt with regard to the changes in financial reporting practices implemented in last years and the



issuance of Code of Corporate Governance in both countries, Bahrain and Egypt in 2011 and 2006 respectively. Consequently, accounting disclosure requirements have been changed.

The current survey is achieved in relation to various investment decisions in the market. The above main objective is broken down into the following sub-objectives: to investigate investors' perceptions of the importance attached to CR and each of the other sources of financial information especially the new sources, "company website" and "specialized websites"; and how the CR stand in relation to them in both countries, Bahrain and Egypt; to examine the importance that surveyed groups of investors attach to different sections of CR; to explore whether there are significant differences among the three user groups in their perceptions; and to identify whether there are differences in perceptions of users in developed and developing countries.

This study is important since information is essential for the functioning of a stock market. Financial and non-financial information not only assist in reducing uncertainty in investment decisions, but also improve the market transparency to investors and other users of such information. Despite the extensive use of the two new sources investigated in the current study, "company website" and "specialized websites", there have been only few researches regarding the perceived importance attached to these new sources in both Bahrain and Egypt. Most previous studies investigated the importance attached to CR and other traditional sources (i.e., before the existence of the specialized websites which provide various types of financial and non-financial information about the stock market in general and listed companies in particular).

This research might provide evidence in two areas. First, the area of sources of financial information which might help providers or preparers of financial information in improving the current corporate reporting practice. Second, the evidence related to the perception of financial analysts and different investors concerning "company website" and "specialized websites" investigated in this study may assist both

preparers and regulators of financial reporting in performing their role. Additionally, the result of the current research is expected to add value to those who invest in both countries, Bahrain and Egypt by obtaining needed information about listed companies which may help them in making rational investment decisions. This is especially important since governments in both countries, in the last years, has made a concerted effort to encourage investment by local, regional and foreign investors.

To the best of the researcher's knowledge, there is no empirical evidence about whether the corporate reports and other sources of financial information, especially after the issue of the Code of Corporate Governance in 2006 in Egypt and in 2011 in Bahrain, have met the varied needs of user groups, especially investors. Furthermore, accomplishing the above objectives might help to evaluate the adoption of the IASs in developing countries, which has fully adopt IASs, Bahrain, or use them as a base of its national standards with few changes to suit the local environment (in only one standard), Egypt. Furthermore, the importance of the present study comes from the importance of its empirical part, which is applied in an important field in the economy, the stock market. Research on users' perceptions of the importance attached to the source of financial information including CR presented by listed companies can help investors, particularly potential investors who are interested in investing in Bahrain and Egypt.

This paper is structured as follows. Section (2) is devoted to the profiles of Bahrain and Egypt. Section (3) presents the literature review and hypotheses development. Section (4) presents the methodology. Section (5) contains an analysis of the empirical findings. Finally, section (6) presents the conclusions.

2. The Profiles of Bahrain and Egypt

Bahrain and Egypt are the focus of the current study. Bahrain, formally the Kingdom of Bahrain, is an Arabian, Middle-Eastern and Asian country. Bahrain is one of the most open economies in the Middle East and North Africa



(MENA) region. It is one of the international financial centers in the world. Bahrain has an exclusive geographical location between the Asian and European markets. The government seeks to increase local, regional and foreign investments in order to achieve sustainable development and to form increased employment opportunities. This encourages the Kingdom of Bahrain to establish a high profile regarding corporate governance. Such profile attracts a great deal of attention from practitioners and communities around the world.

The 2013 Index of Economic Freedom ranks Bahrain as the first in its region and 12 in the world rank (The Heritage Foundation, 2013). Bahrain Bourse (BHB) was established as a shareholding company according to Law No. 60 for the year 2010 to replace Bahrain Stock Exchange (BSE) that was established in 1987 according to Amiri Decree No. 4. This step has been taken to go in line with the bourse's capability to meet the modern administrative requirements of international exchanges, as well as the commercial standards that are deemed necessary to meet the rapid developments witnessed in modern stock exchanges. This is also supporting the bourse's ability to play a greater role in the economic development of the Kingdom of Bahrain and enhance its capability to attract and maintain local and foreign investments. By January 2015, the number of public shareholding companies listed in BHB is 47, of them 2 are non-Bahraini, with market capitalization of the Bahraini companies to around BD 8.33 billion (BD, a Bahraini Dinar, equals US\$ 2.65) (Bahrain Bourse, 2015). The Ministry of Commerce and Agriculture advised Bahraini corporate sector companies to adopt the IAS/IFRS and the Commercial Companies Act - CCA (amended in 2001) made it compulsory to apply IAS/IFRS.

Egypt, which is an Arabian, Middle-Eastern, and African country, is an important and leading country in the Middle East. It has traditionally played an essential role in Middle Eastern politics (Merrill Lynch, 1996). Its economists and academics have great influence on other countries in which Arabic is the mother tongue (Sayigh, 1978). Few years ago, Egypt has been highlighted as the first market in Africa to

market incentives in relation to foreign direct investment – FDI (Ministry of Investment - Egypt, 2008). Net FDI inflows increased from USD 509.4 million in 2000/01, to reach USD 6.1 billion in 2005/06, and USD 13.2 billion in 2007/08. These substantive inflows have elevated Egypt as one of the leading FDI recipient countries of the African continent and the Arab world (Ministry of Investment - Egypt, 2008). The Egyptian stock exchange (EGX) is one of the oldest stock exchanges in the world, and the first one to be established in the Middle East. The Alexandria Stock Exchange was officially established in 1888 followed by Cairo in 1903 (National Bank of Egypt, 1992).

The EGX reached its historic peak in the 1940's when it constituted the fifth largest market in the world. However, due to the Socialist policies adopted by the government, which led to a wave of major nationalisation decrees that started in 1959, a major reduction in activity occurred in the late 1960s and the early 1970s; however the government decided to change towards a free market economy. Consequently the government worked to encourage investments by both Arab and foreign capital in the new projects of the country. In 2014, the EGX issued new listing roles. By the end of 2014, the number of listed companies was 214 with market capitalization of EP 500 billion (EP, the Egyptian Pound, equals about US\$ 0.14) (The Egyptian Exchange, 2015). During the past two decades, Egypt made considerable efforts to align corporate financial reporting requirements with the International Accounting Standards (IAS). Another step of these efforts was the issuance an official Arabic translation of the IAS by the Minister of Economy in 1997. This step led to the full adoption of IAS/IFRS since 1997 for the first time.

The above discussion gives this study a special importance, since the results could be applicable to a wide range of similar countries. It was argued that the experience of a developing country may assist in clarifying the nature of financial reporting problems for other developing countries (Wallace, 1988).



3. Literature review and hypotheses

As the review of the literature helps the researcher in formulating a series of research questions and/or hypotheses and establishing a relevant methodology to accomplish a research, this section presents a review of a number of previous studies, which investigated users' perceptions of sources of financial information. In the accounting literature, there have been many attempts to investigate the usefulness of financial information sources (traditional such as CR) whether in developed or developing countries (e.g. Givoly and Palmon, 1982; Mohamed, 1991; Ibrahim and Kim, 1994; Abu-Nassar and Rutherford, 1996 and Almelegy, 1998).

On the other hand, several studies have reported increases in the number of companies that use the Internet for financial reporting (see: Petravick and Gillett, 1996; and Marston and Polei, 2004, Desoky, 2009). They reported a rapid increase in the use of corporate websites for financial reporting. However, the majority of usage was by listed companies in developed countries (e.g. Craven & Marston, 1999; Bonsón and Escobar, 2006). As Hedlin (1999) noted, this usage varies between countries, and Asian, African, and South American companies lag behind North American and European companies in the use of the Internet in the provision of financial and non-financial information. Several advantages and disadvantages of the use of the Internet in financial reporting either in the company website or the specialized websites which provide financial and nonfinancial information about listed companies were identified in the accounting literature (See for instance: Debreceny et al, 2002; Olivier, 2000; Desoky, 2010).

In the light of the above, there is crucial need to investigate the perceived importance of the two new sources which are under the investigation on the current study, "company website" and "specialized websites". Both were investigated in a number of studies in different countries. Examples include Cribbean countries (Bowrin, 2015), Egypt (Desoky, 2010 and Samaha and Abdallah, 2012), Jordan

(Al Sawalqa, 2012), United Arab Emirates (Alzarouni et al, 2011) and Malaysia (Turmin et al, 2014).

The accounting literature provided conflicting evidence on the traditional and new sources of financial information. For instance, the literature presents extensive evidence that the traditional source of financial information, CR, is an important source of information about the company (Givoly and Palmon, 1982; Epstein and Pava, 1993; Al-Ajmi, 2009; Alzarouni et al., 2011; Al Sawalqa, 2012). In contrast, other studies concluded that other sources are perceived as more useful than CR and criticized them for many reasons. For example, CR was found to be difficult to understand (Abu-Nassar & Rutherford, 1996; Al-Attar & Al-Khater, 2007) and deficient in providing the necessary information due to a lack of adequate detail and a delay in publishing. Therefore, investors have focused on other sources to take a right investment decision such as newspapers; government agencies; friends; stockbrokers; managers; electronic sources of financial information and others (see for example: Al-Razeen & karbhari, 2004; Al-Ajmi, 2009 and Desoky 2010).

In addition to the above, the literature provided a large body of evidence that the income statement and balance sheet are perceived as the most important sections whether in developed or developing countries (Mohamed, 1991; Epstein and Pava, 1993; Almelegy, 1998 and Abdelkarim et al., 2009). Notes to the accounts were perceived as less important than the above two sections (Bartlett and Chandeler, 1997). Furthermore, the literature provides conflicting evidence about the auditor's report as a section of CR because it was perceived as an important section in some studies, while in other studies it was perceived as a less important section (e.g. Bartlett and Chandler, 1997).

Mohamed (1991) aimed, in a questionnaire survey accomplished in Egypt, to investigate users' perceptions of several sources of financial information, sections of CR. The main finding that Mohamed (1991) obtained was that stockbrokers were considered the most important source of financial information,



followed by the CR, advisory services and specialist magazines as the second, third, fourth sources of financial information in importance. Furthermore, the profit and loss account was perceived as the most important section of the CR, followed by the directors' report, balance sheet, and the auditor's report as the second, the third, and the fourth most important sections. Epstein and Pava (1993) empirically investigated the perceptions of individual investors about the CR in the US. The main finding that they reported was that individual investors relied on the CR.

In Jordan, Abu-Nassar and Rutherford (1996) investigated the importance of eight sources of financial information in taking their investment decision. Of the five user groups, the results showed that four groups ranked CR as their primary source of information. The second most important source of information overall was visits to companies and communication with management. Stockbrokers' advice and newspapers and magazines, were found to be among the least important source of information for investors in Jordan.

In the UK, Bartlett and Chandler (1997) carried out a research survey aiming to re-examine the usage of CR by the individual investors. It was found that the chairman's statement, the chief executive's review and the review of operations were the most widely read sections of the CR. Bartlett and Chandler (1997) reported also that newspapers and magazines were the most important source of information and CR were perceived as the seventh source.

In Egypt, Almelegy (1998) reported that published financial reports have a limited usefulness to their users and the information received from CR is irrelevant to users' needs. Regarding users' perceptions of sections of CR, Almelegy reported that the balance sheet was perceived as the most important section by users of financial reports and staff of the Egyptian regulatory and observatory bodies, and the profit and loss account was perceived as the second source by users and as the first by staff of the Egyptian regulatory and observatory bodies.

In Kuwait, Naser, Nuseibeh and Al-Hussaini (2003) findings revealed that individual investors ranked the direct information from companies as the most important source of information for the purpose of their investment decision. In Saudi Arabia, Al-Razeen and Karbhari (2004) investigated the importance of CR, interim reports, specialists' advice, friends' advice, newspapers and magazines, specialized publications, direct information from companies and market rumours as information sources for investment decision making. The results indicated that users ranked CR as the most important source of information. This followed by interim reports, direct information from company, specialists' advice, specialized publications, newspapers and magazines, friends' advice and market rumours respectively.

In Sweden, Hellman (2005) found that the most important sources were various forms of written and verbal information from the companies. In particular CR, communication with management, direct company contact, company visits, in-company analysts' meetings, interim reports, and prospectuses all received high rankings. In Iran, Mirshekary and Saudagaran (2005) revealed that CR was the most important source of financial information. This followed by oral information, published daily share price, communication with managers, tips and rumours, stockbrokers' advice and advice of friends and acquaintances respectively.

In Qatar, Al-Attar and Al-Khater (2007) indicated that government publications were the most important source of information. The second most important source was the newspapers, magazines and journals. Advice investment services were considered the third most important source of financial information followed by visit to company, stockbrokers' advice, advice of friends and market rumours respectively. In Bahrain, Al-Ajmi (2009) concluded that CR to represent the most important source of information from which investors derive the necessary information for making their investment decisions, as it was ranked first, followed by personal expectations,



advice from consultants, advice from bankers, newspapers, advice from stockbrokers, other sources, advice from friends and rumours from the market respectively. In a related study, Abdelkarim et al. (2009) investigated the perception of users of information disclosed in CR of companies listed on the Palestine Securities Exchange. Five user groups were surveyed: individual and institutional investors, bank credit officers, academics, and stock market brokers. They found that external users attached a higher level of importance to the profit and loss statement, balance sheet, and cash flow statement.

In Egypt, Desoky (2010) reported that individual investors ranked electronic source of financial information as the most important source of financial information followed by specialized newspapers and magazines as second, with CR third in importance.

Zoysa and Rudkin (2010) investigated how users of company annual reports in Sri Lanka view those reports. The data reported in this study were collected through a questionnaire survey, covering seven user groups. They found that the majority of users view CR as the most important source of company information.

Alzarouni et al. (2011) examined the usefulness of CR to users in the United Arab Emirates (UAE). A survey questionnaire was used to explore whether CR of UAE firms were relevant to the needs of their users and to identify the disclosure items they perceived as important. The results indicate that users in the UAE consider CR to be the most important source of information.

Al Sawalqa (2012) investigated the importance of different corporate financial information sources in investment decision-making. To achieve this objective, 94 Jordanian individual investors were surveyed. The result of study indicated that Jordanian individual investors ranked CR as the most important source of information for the purpose of their investment decision-making. This followed by the published daily share prices, corporate web sites, newspapers and magazines, advice of friends, discussion with company staff, stockbrokers' advice and tips and rumours respectively.

More recently, Almujaed et al. (2012) examined the share valuation methods and sources of information employed by Kuwaiti investors, using a questionnaire survey. They found that Kuwaiti investors behave like their counterparts in developed and emerging stock markets; fundamental analysis is the main appraisal technique used by investors; technical analysis and risk analysis are ranked second and third respectively. Furthermore, quarterly annual corporate reports as well as newspapers, the KSE Web site, and charts are commonly studied by investors when valuing Kuwaiti shares.

Several comments about the empirical evidences of the previous studies can be presented. These comments help to differentiate the current study from earlier related research.

- 1- The literature, whether studies focused on developed or developing countries, presents extensive evidence that the CRs have been important sources of financial information (i.e. Lee and Tweedie, 1981; Anderson, 1981; Epstein and Pava, 1993; Al-Razeen and Karbhari, 2004; Hellman, 2005; Al-Ajmi, 2009; Zoysa and Rudkin, 2010; Alzarouni et al, 2011 and Al Sawalqa, 2012).
- 2- Most studies, whether in developed or developing countries, provide a large body of evidence that income statement and balance sheet are perceived as the most important sections of CR (i.e. Mohamed, 1991; Epstein and Pava, 1993; Almelegy, 1998; and Abdelkarim et al, 2009).
- 3- Although previous studies have been conducted in both developed and developing countries, little empirical research has been focused on developing countries in general and on Bahrain and Egypt in particular, in comparison with developed countries.
- 4- The review showed that although the accounting literature (including previous studies in Bahrain and Egypt) provides extensive evidence regarding CR and other traditional sources of financial information, no sufficient evidence is given in the light of the existence of the two new sources of financial information, "company website" and "specialized websites", in both countries.

As we have seen above, the literature contains different findings, which have been drawn from the previous studies. Further, the literature provides evidence that some previous studies found that there are significant differences among different user groups in their perceptions, while others reported that there are no significant differences among user groups. The findings of previous studies suggest, in some respect, that there is conflicting evidence among some studies focused on developed countries, on the one hand, and similar ones focused on developing countries on the other. Therefore a comparison will be made between the empirical findings of this study and the findings of previous studies conducted in both developed and developing countries.

A series of research questions and hypotheses are formulated. Various findings drawn from previous studies, together with what has been discussed in the above, are used in generating questions and formulating hypotheses for the present study. The following two groups of research questions were generated:

3.1 Sources of Financial Information:

- 1- How does the CR stand in relation to other sources of financial information in both Bahrain and Egypt?
- 2- Are there significant differences in respondents' choice of answers on perceptions of the importance of various sources of financial information?
- 3- Are there significant differences among respondent groups regarding their perceptions of the importance of sources of financial information?
- 4- Are there differences between findings of the current study and those of other similar previous studies in both developed and developing countries?

Descriptive statistics can be used to answer Question 1; question 4 can be answered through comparing the results of this study with relevant parts of other similar studies, while the other two questions (questions 2 and 3) can be answered by testing the following null research hypotheses:

H1₀ There are no significant differences in respondents' choice of answers on the perceptions of the importance of various sources of financial information.

H2₀ There are no significant differences among respondent groups regarding the importance attached to each of the sources of financial information.

3.2 Sections of CR:

- 5- Are there significant differences in respondents' choice of answers on perceptions of the importance of sections of CR?
- 6- Are there differences between findings of the current study and those of other similar previous studies in both developed and developing countries?

Comparing the results of the current study with relevant parts of similar studies can help in answering question 6. Questions 5 can be answered through testing the following null research hypothesis:

H3₀ There are no significant differences in respondents' choice of answers on the perceptions of the importance of sections of CR.

4. The Methodology:

A questionnaire was designed and pre-tested for gathering the data needed for the current survey. Generally speaking, the main problem often met by researchers using the questionnaire, especially mailed questionnaire either through the traditional mail or the electronic mail, as a data collection method is the poor response rates. In the current survey, every possible effort was made to make the response rate as high as possible. In Bahrain, the questionnaire was personally distributed to a sample of 120 respondents including three groups of users of financial information (namely: financial analysts, individual investors and institutional investors). 87 usable questionnaires were received representing 72.5%. In Egypt, the questionnaire was distributed through the electronic mail to a sample of 180 respondents of the same three groups. 102 usable questionnaires were received representing 56.7%. de Vaus (2001) stated that funds, time, access to potential



participants, planned methods of analysis, the degree of precision and accuracy required are determinants of sample size. Regarding the estimation of the actual sample size, Saunders et al. (2000) suggested a formula to be used for this purpose. The suggested formula requires two main factors to be estimated namely: the likely response rate and the minimum or the adjusted minimum sample size. This formula is as follows:

$$n^a = (n \times 100) / re\%$$

where n^a is the actual sample size required, n is the minimum (or the adjusted minimum) sample size, and $re\%$ is the estimated response rate expressed as a percentage (Saunders et al., 2000, pp. 157-158). In the light of previous surveys conducted in the same topic and environment, a total of 200 respondents were considered to be enough minimum size of the sample from both countries with subgroups of sufficient size to enable the researcher to compare them. A response rate of between 55% and 75% was expected. Consequently, the sample size could be calculated as follows: $n^a = (200 \times 100) / 65 = 307$ respondents (rounded). Accordingly, it was decided to distribute 300 questionnaires.

For answering the research questions and testing the research hypotheses, data analysis was carried out on two different levels for the overall sample and the various sub-groups in each country. Statistical Package of Social Sciences - SPSS was used to analyse data collected in the current survey. In addition to the descriptive statistics, a statistical analysis will be presented using some non-parametric tests such as the Chi-square Test and the Kruskal-Wallis Test. The above statistical tests were

utilised to test for significant differences for the overall sample and between various sub-groups in both countries, Bahrain and Egypt.

5. The Empirical Findings:

5.1 The Importance of Sources of Financial Information:

In this survey, a five-point response scale was used, with "1" meaning completely unimportant and "5" meaning very important, to gather the data needed for answering questions and testing hypotheses stated earlier.

5.1.1 The Overall Sample: (Descriptive Statistics)

Table 1 below shows the mean score of each source. Clearly, respondents in both countries ranked the CR, as the most important source of financial information (in Bahrain, a mean score of 4.73 with the lowest standard deviation of 0.56, which indicates the level of agreement as to the importance of this source; in Egypt, a mean score of 4.67 with a low standard deviation of 0.49). In Bahrain, the first most important sources were "CR", "Contact with the company", "Specialized websites" and "Advisory services" with mean scores of 4.73, 4.55, 3.99 and 3.85 respectively. Further, the table shows slight difference between the two countries as the most important four sources of accounting information in Egypt which are "CR", "Specialized websites", "Company website" and "Contact with the company" with mean scores of 4.67, 4.61, 4.50 and 3.77 respectively. Other sources received lower ranking in both countries (e.g.: "Advice of friends and/or relatives", "Advisory services" and "Prospectuses").

Table 1: Importance of Sources of Accounting Information (the Overall Sample):

Sources	Bahrain	Egypt				
	Mean	S. deviation	Ranking	Mean	S.deviation	Ranking
1- CR	4.73	0.56	1	4.67	0.49	1
2- Newspapers & specialized magazines	3.12	1.03	7	3.62	1.12	5



Sources	Bahrain	Egypt				
	Mean	S. deviation	Ranking	Mean	S.deviation	Ranking
3- Contact with the company	4.55	0.68	2	3.77	1.07	4
4- Prospectuses	3.66	0.95	6	2.75	1.55	8
5- Advisory services	3.85	0.87	4	3.31	1.28	7
6- Advice of friends and/or relatives	2.61	1.12	8	3.32	1.17	6
7- Company website	3.80	1.10	5	4.50	0.89	3
8- Specialized websites	3.99	0.79	3	4.61	0.73	2

The above findings are illustrated using mean score of each source of financial information in

the following two figures, Figure 1 for Bahrain and Figure 2 for Egypt.

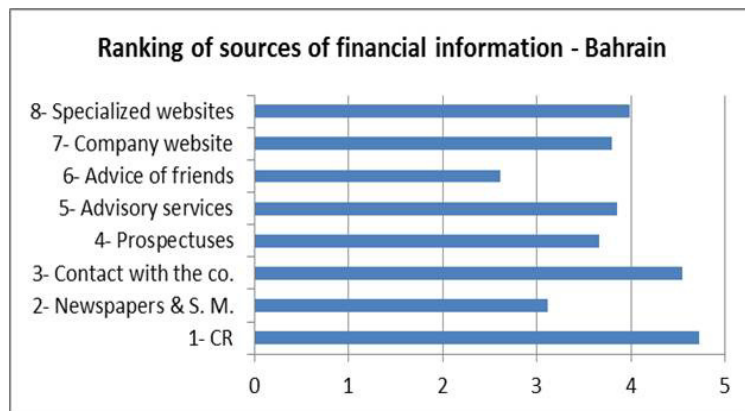


Figure 1 Ranking of Sources of Financial Information - Bahrain

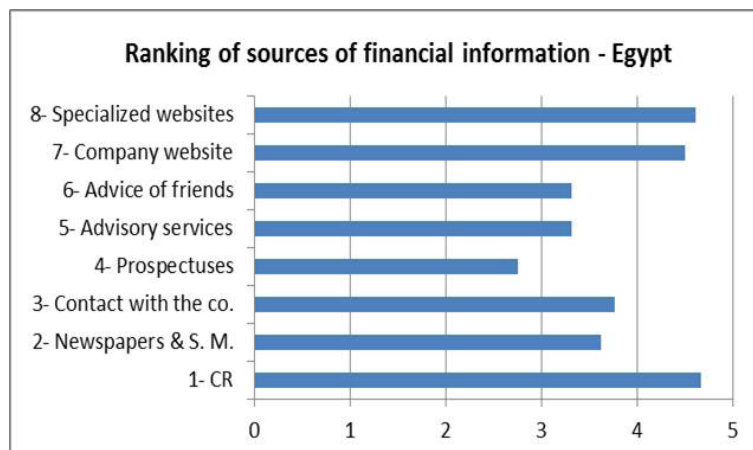


Figure 2 Ranking of Sources of Financial Information - Egypt



The above results may reflect the high level of importance and confidence given to CR by their different user groups in both countries. This may be justified because, in both countries, CR have to be audited and certified by external auditor who must make sure and refer in his/her report that CR were prepared according to applied accounting standards (e.g.: IFRSs in Bahrain and Egyptian Accounting Standards – EASs which are entirely based on IFRSs). In addition, they are considered an easy and low cost source of information, as the companies offer them to users on demand and publish them in daily newspapers. The table shows that the two new sources of financial information, “Specialized websites” and “Company website” were perceived high ranking in Egypt as second and third respectively. However, only “Specialized website” was perceived high ranking, as third, while “Company website” was perceived lower rank as fifth in importance. In the light of the above results, the answer to question no. 1 is that the CR was ranked as the most important source among the various sources of financial information in both Bahrain and Egypt.

5.1.1.2 The Overall Sample:

(Statistical Analysis)

The Chi-square for one sample test was adopted to test significant differences in respondents’ choice of answers on this question in both countries. In other words, it was used to know if any one choice of answer was favored significantly more than the others. Table 2 below shows the results of the Chi-square test in both countries. In Bahrain, as all values of Chi-square were significant ($p < 0.05$), with the exception of “Contact with the company” (0.326), it is possible to say that respondents’ answers were not equally distributed among the different levels of perceptions of the importance of each of the sources of financial information, except for “Contact with the company”. In Egypt, as all values of Chi-square were significant ($p < 0.05$), with the exception of “CR” (0.243) and “Specialized websites” (0.157), it is possible to conclude that respondents’ answers were not equally distributed among the different levels of perceptions of the importance of each of the sources of financial information, except for “CR” and “Specialized websites”.

Table 2: Chi-Square Results for Importance of Sources of Accounting Information (the Overall Sample):

Sources	Bahrain	Egypt				
	Chi-square	Df	Asymp. Sig.	Chi-square	Df	Asymp. Sig.
1- CR	197.452	3	.000	266.192	2	.243
2- Newspapers & specialized magazines	111.325	4	.000	163.871	4	.002
3- Contact with the company	46.439	3	.326	63.602	4	.000
4- Prospectuses	65.486	4	.000	121.673	4	.000
5- Advisory services	17.337	4	.001	7.287	4	.000
6- Advice of friends and/or relatives	76.551	4	.000	131.040	4	.034
7- Company website	45.112	4	.000	49.511	3	.000
8- Specialized websites	26.301	4	.045	11.236	3	.157



Accordingly, the answer to the question no 2 is that there are significant differences for all sources of financial information except “Contact with the company” in Bahrain and “CR” and “Specialized websites” in Egypt. Hence, we can reject the null hypothesis H_{1_0} : There is no significant difference in respondents’ choice of answers on the perceptions of the importance of various sources of financial information; for all sources except “Contact with the company” and except the alternative hypothesis (H_{1_1}) in Bahrain and “CR” and “Specialized websites” in Egypt.

5.1.2 Effect of Background Variables:

The purpose of this analysis is to examine whether the differences in background characteristics of respondents affect their perceptions of the importance of each of the financial information sources including

the traditional sources “CR” and the new sources, “Company website” and “Specialized websites”. Here, the aim is to answer question no. 3.

5.1.2.1 Descriptive Statistics:

According to the mean score of each source, Table 3 below clearly reveals that two out of three groups in both countries ranked the “CR” as the most important source of financial information. The table shows that “CR” received the highest mean score with the lowest standard deviation by “Financial analysts” and “Institutional investors” in both countries with mean score of 4.83 and 4.71 with a standard deviation of 0.43 and 0.51 (in Bahrain) and 4.69 and 4.77 with a standard deviation of 0.38 and 0.63 (in Egypt) respectively.

Table 3: Importance of Sources of Financial Information Respondent Groups:

Groups	Sources	Bahrain	Egypt				
		Mean	S. Deviation	Ranking	Mean	S. Deviation	Ranking
Financial Analysts	1- CR	4.83	.43	1	4.69	.38	1
	2- Newspapers & specialized magazines	3.45	1.26	6	4.12	.81	4
	3- Contact with the company	4.48	.56	2	3.52	1.04	6
	4- Prospectuses	3.01	1.33	7	3.61	.99	5
	5- Advisory services	4.09	.64	3	2.27	1.34	8
	6- Advice of friends and/or relatives	2.63	1.43	8	2.43	1.09	7
	7- Company website	4.04	.87	4	4.51	.59	3
	8- Specialized websites	3.75	1.05	5	4.66	.51	2
Individual Investors	1- CR	4.60	.55	2	4.53	.81	3
	2- Newspapers & specialized magazines	3.31	1.32	8	4.00	.94	4
	3- Contact with the company	4.77	.49	1	3.67	1.22	6
	4- Prospectuses	3.57	.93	6	2.24	1.51	8
	5- Advisory services	4.14	.78	4	3.45	1.45	7
	6- Advice of friends and/or relatives	3.59	.89	5	3.69	.99	5



Groups	Sources	Bahrain	Egypt				
		Mean	S. Deviation	Ranking	Mean	S. Deviation	Ranking
	7- Company website	3.50	1.13	7	4.72	.55	2
	8- Specialized websites	4.43	.67	3	4.81	.49	1
Institutional investors	1- CR	4.71	.51	1	4.77	.63	1
	2- Newspapers & specialized magazines	3.02	1.44	7	3.32	1.22	5
	3- Contact with the company	4.44	.55	2	4.66	.79	2
	4- Prospectuses	3.59	1.21	6	2.31	1.87	8
	5- Advisory services	3.63	.81	4	3.00	1.44	7
	6- Advice of friends and/or relatives	2.14	1.51	8	3.12	1.31	6
	7- Company website	3.61	.89	5	4.40	.99	4
	8- Specialized websites	4.12	.72	3	4.61	.98	3

The above finding was expected, especially as financial analysts and staff working in most investment institutions “Institutional investors” rely heavily in their work on the “CR” presented by the listed companies, whether they get them from the companies themselves, from the newspapers or from any other source such as BHB in Bahrain and EGX in Egypt. The reasons for that might be the same as those reasons mentioned above, in commenting on the ranking of the CR by the overall sample.

Concerning the two next sources, “Company website” and “Specialized websites”, Table 3 shows that these two sources were ranked contrarily in both countries. For instance, “Company website” and “Specialized websites” were ranked as fourth and fifth with mean scores of 4.04 and 3.75 respectively by financial analysts in Bahrain. However, they were highly ranked as third and second with mean scores of 4.51 and 4.66 by financial analysts in Egypt. Similarly, individual investors in Egypt gave higher rank for “Specialized websites” and “Company website” as first and second with mean scores of 4.81 and 4.72 respectively; while their counterpart in Bahrain ranked the two sources as third and seventh with mean scores of 4.43 and 3.50 respectively.

Institutional investors in both countries ranked “Specialized websites” and “Company website” nearly similarly. This result shows a high level of agreement between two groups namely financial analysts and institutional investors in both countries. Conversely, there was no agreement between individual investors in both countries regarding the two new sources of financial information.

Other sources were ranked differently by user groups in both countries. For instance, financial analysts in Bahrain ranked “Contact with the company” as second in importance with a mean score 4.48 while it was ranked as sixth with a lower mean score of 3.52 in Egypt. Almost similar ranking were given to the same source, “Contact with the company”, by individual investors in both countries as it was ranked first in importance with a mean score of 4.77 in Bahrain; while it was ranked as sixth with a mean score of 3.67 in Egypt. It is clear from Table 3 that all groups in both countries gave low ranking for other sources such as “Prospectuses” and “Advice of friends and/or relatives”. This result indicates that these two sources were regarded as of the lowest importance by different groups in both countries.



5.1.2.2 Statistical Analysis:

To test for significant differences among user groups, the Kruskal - Wallis Test, the non-parametric alternative to a parametric one way analysis of variance was used. Table 4 below shows the results of this test. In Bahrain, the table indicates that there are statistically significant differences in perceptions of all sources, except two, across the three user groups as most probability values were significant ($p < 0.05$)

with the exception of “Newspapers & specialized magazines” and “Prospectuses”, which had a probability value of .133 and .076 (> 0.05) respectively. Also the test presents the values of the mean rank of each variable. Concerning Egypt, Table 4 indicates that there are statistically significant differences in perceptions of all sources, except one, across the three user groups as most probability values were significant ($p < 0.05$) with the exception of “CR”, which had a probability value of .065 (> 0.05).

Table 4: Kruskal-Wallis Test Results for Difference among Groups Importance of Sources of Financial Information

Sources	Bahrain	Egypt				
	Chi-square	Df	Asymp. Sig.	Chi-square	Df	Asymp. Sig.
1- CR	8.656	3	.041	9.322	3	.065
2- Newspapers & specialized magazines	7.901	4	.133	13.989	4	.049
3- Contact with the company	35.155	4	.011	37.667	4	.000
4- Prospectuses	9.111	4	.076	19.030	4	.032
5- Advisory services	41.089	4	.000	34.898	4	.001
6- Advice of friends and/or relatives	34.005	4	.004	29.559	4	.000
7- Company website	38.537	4	.000	13.508	4	.014
8- Specialized websites	11.633	4	.045	10.801	3	.007

The above results suggest that there are significant differences in perceptions of most sources, across the three groups. Correspondingly, the answer to the related question is that in Bahrain there are significant differences for six out of eight sources. So, it is possible to reject the null hypothesis H_{2_0} “There are no significant differences among groups regarding the importance attached to each of the sources of financial information”; for all sources except “Newspapers & specialized magazines” and “Prospectuses” and accept the alternative hypothesis (H_{2_1}). Regarding Egypt, the answer to the related question is that in Egypt there are significant differences for seven out of eight sources. So, it is possible to reject the null hypothesis H_{2_0} “There are no significant differences among groups regarding

the importance attached to each of the sources of financial information”; for all sources except “CR” and accept the alternative hypothesis (H_{2_1})

5.1.3 Comparing the Results with the Results of Other Studies:

The current section provides a comparison between the results of the present survey and those of other related studies. Previous studies might differ from the current one in the time when or the place where they were accomplished, the population from which the sample was drawn, the methodology used to carry out the study, and the response rates.

The results of the current survey show that “CR” was perceived the most important



source in importance in both countries, Bahrain and Egypt. This finding is consistent with other results provided by most previous studies in both developed and developing countries including Lee and Tweedie, 1981; Anderson, 1981; Mohamed, 1991 (in Egypt); Epstein and Pava, 1993; Al-Razeen and Karbhari, 2004 (in KSA); Mirshekary and Saudagara, 2005 (in Iran); Hellman, 2005; Al-Ajmi, 2009 (in Bahrain); Zoysa and Rudkin, 2010; Alzarouni et al., 2011 (in UAE) and Al Sawalqa, 2012 (in Jorda). In other words, it can be concluded that the ranking of "CR" as the most important source of financial information about listed companies in Bahrain and Egypt, in this study, is consistent with earlier findings reported by several previous studies.

In the light of the above findings, it is possible to conclude that despite the noticeable improvement in other available sources of financial information such as "Company website", "Specialized websites" and "Newspapers and specialized magazines", "CR" is still perceived as the most important source of financial information in Bahrain and Egypt. The above conclusion suggests that the answer to the related question "Are there differences between findings of the current study and those of other similar previous studies in both developed and developing countries?" is that there is no essential difference between this study and those studies carried out in other countries. However, "CR" was criticized for

many reasons leading investors to focus on other sources to take a right investment decision such as "Company website", "Specialized websites" and "Newspapers and specialized magazines" which were highly ranked in the current survey.

5.2 Users' Perceptions of Sections of CR:

5.2.1 Descriptive Statistics:

Table 5, below, shows that according to the mean score of each section of CR the "Income statement" was ranked as the most important section among the various sections of CR in Bahrain and Egypt (mean scores of 4.80 and 4.76 with the lowest standard deviation of 0.50 and 0.53 respectively which shows the high level of agreement as to the importance of this section). Additionally, the table shows that the "Balance sheet" was ranked as the second most important section in both countries. The third section in Egypt was "Owners equity statement" with a mean score of 4.59; while the third section in Bahrain was "Auditor report" with a mean score of 4.41. Respondents ranked "Cash flow statement" as the fifth section with mean scores of 3.89 and 4.11 in Bahrain and Egypt respectively. It is clear from the table that "Auditor's report" and "Directors report" which were highly ranked as the third and fourth sources in Bahrain, were ranked as the sixth and the eighth sources in Egypt.

Table 5: Importance of Sections of CR

Sections	Bahrain	Egypt				
	Mean	S. deviation	Ranking	Mean	S. deviation	Rankig
1- Income statement	4.80	0.50	1	4.76	0.53	1
2- Balance sheet	4.69	0.82	2	4.71	0.87	2
3- Owners equity statement	3.77	0.58	6	4.59	0.61	3
4- Cash flow statement	3.89	0.75	5	4.11	0.76	5
5- Notes to the accounts	2.99	0.89	7	4.40	0.87	4
6- Review of operations	2.81	0.88	8	3.34	0.85	7
7- Auditor's report	4.41	0.90	3	3.91	0.89	6
8- Directors' report	4.17	0.90	4	2.98	0.95	8

5.2.2 Statistical Analysis:

Table 6, below, shows results of the statistical analysis of sections of CR. It shows that all probability values are significant (<0.05) in both countries, Bahrain and Egypt. Therefore, it is possible to say that respondents' perceptions were not 'equally distributed' among the choices of answers of perceptions of the importance of each section of the CR in the two countries. Consequently, the answer

to question (5) posed earlier is that there are significant differences in respondents' choice of answers on the perceptions of the importance of various sections of CR. With regard to the above results, the null hypothesis H_{3_0} : There are no significant differences in respondents' choice of answer on the perceptions the importance of sections of CR; would be rejected and the alternative hypothesis (H_{3_1}) accepted in both countries, Bahrain and Egypt.

Table 6: Chi-Square Results for Importance of Sections of CR

sections	Bahrain	Egypt				
	Chi-Square	df	Asymp. Sig.	Chi-Square	df	Asymp. Sig.
1- Income statement	401.112	3	.001	399.656	3	.000
2- Balance sheet	309.166	3	.000	367.187	3	.003
3- Owners equity statement	233.212	4	.000	330.133	3	.000
4- Cash flow statement	289.010	4	.023	287.899	4	.000
5- Notes to the accounts	155.981	4	.000	139.456	4	.000
6- Review of operations	181.709	4	.000	122.292	4	.000
7- Auditor's report	112.840	3	.032	199.677	4	.016
8- Directors' report	168.191	4	.002	174.143	4	.000

5.2.3 Comparing the Results with the Results of Other Studies:

The above results revealed that "Income statement" and "Balance sheet, which were ranked as the first and the second most important section respectively in both countries. They were ranked as the most important sections by users in a number of previous studies. For example, "Income statement" and "Balance sheet" were perceived as the most importance sections whether in developed or developing countries. In studies carried out in developing countries (e.g.: Mohamed, 1991; Abu-Nassar and Rutherford 1996; Almelegy, 1998 and Abdelkarim et al., 2009) "Income statement" were also ranked similarly to the current study, as the most important section, while in studies carried out in developed countries "Income statement" received almost the same ranking.

For instance, in Epstein and Pava (1993) and Bartlett and Chandler (1997) "Income statement" was perceived as the third section while investors in Anderson and Epstein's study (1996) considered it as the second (in the USA and Australia) and the third (in New Zealand).

The second section, "Balance sheet", which received a high ranking in most previous studies, was ranked as the second most important section in both countries in the current survey. Furthermore, perceptions of other sections such as "Directors' report", "Review of operations" and "Notes to the accounts", in general, are not very different in the current study from most of previous studies as they were received diverse ranks. For instance, "Notes to the accounts" which was ranked as the fourth section in importance in Egypt and the seventh in Bahrain, was perceived different ranking by users in the



previous studies (e.g. as important sources by Bartlett and Chandeler, 1997).

Moreover, the above results could suggest that users' perceptions of the importance of "Income statement" and "Balance sheet" in both Jordan and Saudi Arabia are similar to those in Bahrain and Egypt which are all in the same area and have emerging stock markets. Also, the findings suggest that the answer to the related question "these findings also reveal that users' perceptions of the importance of other sections in Egypt have not changed radically over the last years, as they were ranked almost the same by users in the present study (in Egypt) as by one or more of the other previous studies carried out in Egypt.

Based on the above discussion, the answer to the related question "Are there differences between findings of the current study and those of other similar previous studies in both developed and developing countries?" is that at least for the first two sections of CR, "Income statement" and "Balance sheet", there are no differences between findings of the current study and those of other similar previous studies in both developed and developing countries.

6. Conclusions:

This survey aimed to investigate empirically the perceived importance of various sources of financial information in relation to various investment decisions in two of the emerging countries namely Bahrain and Egypt. It extends prior research done in the area of sources of financial information. The current study explored how some new sources such as "Specialized websites" and "Company website" stand in relation to other traditional sources. Furthermore, it aimed to examine empirically the perceived importance of different sections of the CR.

In spite of the wide use of these two new sources in most stock markets by investors, there has been no research regarding the importance attached to these new sources in both countries, Bahrain and Egypt. It has been observed that most previous studies focused predominantly on CR and other traditional sources.

Further, "CR" was ranked as the most important course of financial information in both countries. The Finding reveal that slight difference between the two countries as the most important four sources of accounting information in Egypt were "CR", "Specialized websites", "Company website" and "Contact with the company". The two new sources of financial information, "Company website" and "Specialized websites" were highly ranked as the second and third important sources in Egypt. However, they were received lower ranking by users in Bahrain. The finding showed that respondents' answers were not equally distributed among the different levels of perceptions of the importance of each of the sources of financial information, except for "Contact with the company". In Egypt, based on the statistical results, it is possible to conclude that respondents' answers were not equally distributed among the different levels of perceptions of the importance of each of the sources of financial information, except for "CR" and "Specialized websites".

It should be noted that "Company website" and "Specialized websites" were ranked contrarily in both countries. For instance, "Company website" and "Specialized websites" were ranked as fourth and fifth scores respectively by financial analysts in Bahrain. However, they were highly ranked as third and second by their counterparts in Egypt. Similarly, individual investors in Egypt gave higher rank for "Specialized websites" and "Company website" as first and second scores respectively; while their counterparts in Bahrain ranked the two sources as third and seventh scores respectively. Institutional investors in both countries ranked "Specialized websites" and "Company website" nearly similarly. This result shows a high level of agreement between two groups namely financial analysts and institutional investors in both countries. Conversely, there was no agreement between individual investors in both countries regarding the two new sources of financial information. As a general finding, it is possible to conclude that despite the noticeable improvement in other available sources of financial information such as "Company website", "Specialized websites" and "Newspapers and specialized magazines",

“CR” is still perceived as the most important sources of financial information in Bahrain and Egypt. Concerning sections of CR, “Income statement” and “Balance sheet” were ranked as the first and second most important sections of CR by investors in both countries.

The empirical part of the current survey may provide benefits to investors and regulators, particularly potential investors, who are interested in investing in both countries and other surrounding countries. This is especially important since governments in the two countries, in the last decades, have made a concerted effort to encourage investment by both local and foreign investors. The current survey may assist in studying other capital markets in the area, which may contribute to the accounting literature on emerging markets (EM).

This research has a number of limitations. First, the scope of this study is limited to a relatively small sample of 120 Bahraini users and 180 Egyptian users of financial information. They may not represent all of the possible user groups in both countries. Thus, it might have been better to look at a sample from a wider range. Second, the findings of such survey may not be generalizable to different countries at different stages of development, or with different business environments and cultures. The current survey only three user groups, those that are most involved in securities investment decisions; other user groups are excluded. Each research hypothesis was rejected or accepted on the standard level of significance.

In the light of what has been presented earlier, it is possible to suggest the following recommendations regarding ideas for further studies, for which the current study provides a basis. The following are some suggestions for future research: Because the Bahraini and Egyptian environments were the focus of this study, it would be interesting to duplicate it in other Arab countries or to do a wider comparative study in the MENA area, so that comparisons could be drawn, especially as, at least, MENA countries nearly have many similarities to the Bahraini and Egyptian environments, such as the emerging stock markets and privatisation programmes.

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