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DOCTOR OF PHILOSOPHY

Corporate Internet reporting in Egypt
practices and perceptions

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School of Business

**Corporate Internet Reporting in Egypt:
Practices and Perceptions**

Ahmed Hassan Ahmed Ahmed

**A Thesis Submitted to the University of Dundee in Fulfilment of the
Requirements for the Degree of Doctor of Philosophy.**

**School of Business
University of Dundee
Dundee, Scotland
United Kingdom**

February 2013

Dedication

This Thesis is Dedicated to the Most Important People in my Life:

**To my Mother, Father, my Wife, and my Lovely Daughters Shahd and
Misk for always Making me Happy, my Brothers and Sisters, my Mother-
in-law and my Brothers-in-law**

Thank you all for your Love, Prayer and Support

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List of Abbreviations

AAA	American Accounting Association
AICPA	American Institute of Certified Public Accountants
AIMR	Association for Investment Management and Research
APB	Accounting Principles Board
ASB	Accounting Standards Board
ASC	Accounting Standards Committee
ASSC	Accounting Standards Steering Committee
BAR	Behavioural Accounting Research
CIR	Corporate Internet Reporting
CMA	Capital Market Authority
CML	Capital Market Law
CSRC	China Securities Regulation Commission
EAS	Egyptian Accounting Standards
EDGAR	Electronic Data Gathering, Analysis, and Retrieval system
EFSA	Egyptian Financial Supervisory Authority
EIAA	Egyptian Institute for Accounting and Auditing
EMH	Efficient Market Hypothesis
ESA	Egyptian Standards on Auditing
ESAA	Egyptian Society of Accountants and Auditors
EU	European Union
EGX	Egyptian Exchange
FASB	Financial Accounting Standards Board
FAQ	Frequently Asked Questions
FD	Fair Disclosure
FTSE	Financial Times Stock Exchange
GAAP	Generally Accepted Accounting Principles
GCC	Gulf Co-operation Council
HTML	Hyper Text Mark-up Language
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IASC	International Accounting Standards Committee
ICAEW	Institute of Chartered Accountants of England and Wales
ICAS	Institute of Chartered Accountants of Scotland
IFR	Internet Financial Reporting
IFRS	International Financial Reporting Standards
IR	Investor Relations
IT	Information Technology
MBAR	Market Based Accounting Research
NASDAQ	National Association of Securities Dealers Automated Quotations
PDF	Portable Document Format
ROSC	Report on the Observance of Standards and Codes
SPSS	Statistical Package for Social Science
UAS	Unified Accounting System
URL	Uniform Resource Locator
WB	World Bank
WWW	World Wide Web
XBRL	eXtensible Business Reporting Language
XML	eXtensible Mark-up Language

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Declaration

I hereby declare that I am the author of this thesis; that the work of which this thesis is a record has been done by me, and that it has not previously been accepted for a higher degree.

Signed:.....

Date:.....

Ahmed Hassan Ahmed Ahmed

Certificate

We certify that **Ahmed Hassan Ahmed Ahmed** has worked the equivalent of nine terms on this research, and that the conditions of the relevant ordinance and regulations have been fulfilled.

Signed:.....

Date:.....

Dr. Bruce Burton

Signed:.....

Date:.....

Dr. Theresa Dunne

Corporate Internet Reporting in Egypt:

Practices and Perceptions

Abstract

The purpose of the present thesis is to provide a detailed descriptive account of recent Corporate Internet Reporting (CIR) practices amongst non-financial companies listed on the Egyptian Exchange (EGX), and explore the perceptions of both users and preparers of corporate information concerning this phenomenon in Egypt. The investigation involves: (i) a disclosure index analysis of CIR practices amongst the sampled companies at two points in time – December 2010 and December 2011 – in order to determine the extent of such practices and ascertain whether this has changed across time; (ii) interviews with users (private investors and financial analysts) and preparers (company officials) of corporate information, in order to gather the views of those individuals concerning CIR in Egypt; and (iii) a questionnaire survey of a wider sample of users and preparers of corporate information, in order to explore the perceptions of a relatively large number of users and preparers regarding CIR in Egypt and thereby complement the disclosure index and interview results.

The results suggest that the extent of CIR practices amongst the sampled companies is still limited and there has been little improvement over the investigated period. The results also report great variations amongst the investigated companies concerning the extent to which they embrace the power of the internet for reporting purposes as the full possibilities of the internet in this regard appear not to have yet been realised. However, the practice is found to have a potentially positive impact on the understandability, relevance and comparability of corporate information disseminated online, while its impact on reliability is still questionable. The results from the interview analysis reveal that: (i) the majority of participants were broadly satisfied with Egypt's internet infrastructure; (ii) interviewees

were intensive users of the internet, including accessing online corporate information; and (iii) notwithstanding the previous point, hard copy reports remain the most important source of corporate financial disclosure in Egypt. Views regarding the future of CIR were mixed; participants highlighted some problems associated with CIR and indicated a belief that such practices in Egypt are still very limited compared to those found in developed capital markets. Nonetheless, CIR practices are seen as potentially having a positive impact on the understandability, relevance, and comparability of accounting information, although this was not the case with regard to reliability. The results of the questionnaire survey indicate that the need to offer an image of modernity and to provide financial information are the most important reasons for engaging in CIR practices in Egypt. The participants were reasonably satisfied with most of the investigated issues, although a significant difference was evident amongst the respondent groups concerning the security and privacy of information disseminated via the internet. The results support those from the interviews in suggesting that hard copy annual reports are viewed as the most important source of disclosure in Egypt, with the respondents viewing CIR practices as a supplement to, rather than a substitute for, hard copy reports. Finally, the findings support those from the rest of the empirical work in suggesting that, with the exception of reliability, the respondents saw CIR practices as having a potentially positive impact on the qualitative characteristics of accounting information set out in the IASC Framework (1989); this view was shared by users and preparers alike, in contrast to the interviewees, the questionnaire respondents saw CIR practices as having an impact on the cost of capital and share prices, but this view was not overwhelming.

Chapter 1:
Introduction

Chapter 1 – Introduction

1.1 Preamble

Wallman (1995) asserted that: “the value and worth of financial reporting lies, in an almost exclusive way, in its usefulness to users” (p. 83). Over the past thirty years or so, accounting standard-setters in the US, UK and elsewhere have argued that in order to be useful for decision-making purposes, financial information must possess certain key characteristics. These characteristics include: (i) understandability; (ii) relevance; (iii) reliability; and (iv) comparability (International Accounting Standards Committee (IASC), 1989). However in this regard, the rapidly changing nature of the global business environment has meant that traditional paper-based annual reports have serious limitations and are becoming increasingly less timely, especially with the increase in geographic investor dispersion; they have thus become less useful for decision-making purposes (Ashbaugh et al., 1999; Dechow et al., 2002). In this context, Rowbottom and Lymer (2009b) suggested that:

“In comparison to hard copy reports, online disclosures have the ability to reach a wider proportion of geographically dispersed users with greater volumes of customisable information incorporating dynamic audio and visual communication. Online dissemination is significantly cheaper than hard copy reporting...Finally, online reporting can offer instantaneous, two-way communication and provide direct linkages between different disclosures” (p. 177).

In the same context, Dechow et al. (2002) indicated that: “Internet Financial Reporting (IFR) supports dynamic forms of presentation that are not available in the paper paradigm, such as direct user interaction with corporate databases and multimedia sound and video” (p. 372), a consequence of this is that: “the traditional paper-based reporting paradigm will continue to break down and move towards online reporting”¹ (O’Kelly, 2000, p. 28). Furthermore, corporate scandals in the US and Europe leading to the failures and collapse

¹ Throughout the present thesis, the terms Corporate Internet Reporting (CIR), online reporting, internet financial reporting, web-based reporting, and web-based investor relations information are used interchangeably to refer to the communication of corporate reporting information via companies’ websites.

of large corporations such as Enron, WorldCom and Parmalat, have badly undermined confidence in capital markets and provoked stakeholders to press for changes in disclosure practices (Falgi, 2009; Turrent and Ariza, 2012). In order to restore confidence in financial reporting there has been a global call for more attention to be devoted to corporate governance matters, and international regulators and standard-setters have issued detailed regulations and codes relating to these issues (Falgi, 2009; Turrent and Ariza, 2012). In this regard, it has been argued that: “effective communication with a company’s shareholders and other stakeholders is a vital constituent of good governance” (Institute of Chartered Accountants in England and Wales (ICAEW), 1998, p. 1). Similarly, Mendes-da-Silva and Christensen (2004) indicated that disclosures and transparency are central pillars of good corporate governance practices. In this context, improved accessibility of corporate information disseminated via corporate websites fulfils one of the important requirements of good corporate governance – the equitable dissemination required to reduce the adverse effects of information asymmetry (Berk, 2001; Debreceeny et al., 2002). In this regard, Gowthorpe (2004) indicated that: “internet reporting offers the potential to eliminate at least some elements of asymmetry” (p. 285).

As different stakeholders have different needs for information (ICAEW, 2004), it is argued that the traditional paper-based annual reports cannot satisfy all. However, CIR “will allow multiple stakeholders to access precisely the information they want” (p. 17) and provide companies with the power to provide a menu of information to heterogeneous decision-makers (Ashbaugh et al., 1999). Furthermore, with CIR there is a potential: “to move away from a *one size fits all* model to forms of report customisation to suit a variety of different user needs” (Rowbottom and Lymer, 2009a, p. 31). Debreceeny et al. (2002) argued that the presentation dimension made available via the internet enhances timeliness and promotes greater understandability of information presented via companies’ websites. All in all,

taking into account the potential of the internet as a reporting medium, CIR practices have the ability “to enhance the qualitative characteristics of disclosure” (Debreceeny et al., 2002, p. 376), thereby enhancing the usefulness of that disclosure. Bonsón and Escobar (2006) acknowledged this possibility explicitly by indicating that:

“The application of these new technologies to the corporate reporting systems allows companies to have access to many more potential users, to personalize (sic.) the information provided taking into account different profiles, to facilitate its understanding for those users who may not be trained to interpret accounting information, to increase its quantity and quality (comparability, relevance, completeness, clarity, etc.)” (p. 304).

Bonsón and Escobar also indicated that the limitless and borderless access to information published via corporate websites could provide a multipurpose, regular and instantaneous communication of information, timely enough to support the decision-making process. In terms of the pervasiveness of CIR, Debreceeny et al. (2002) stated that: “internet disclosure is of importance to securities regulators, accounting standards setters and to the broader accounting community” (p. 373).

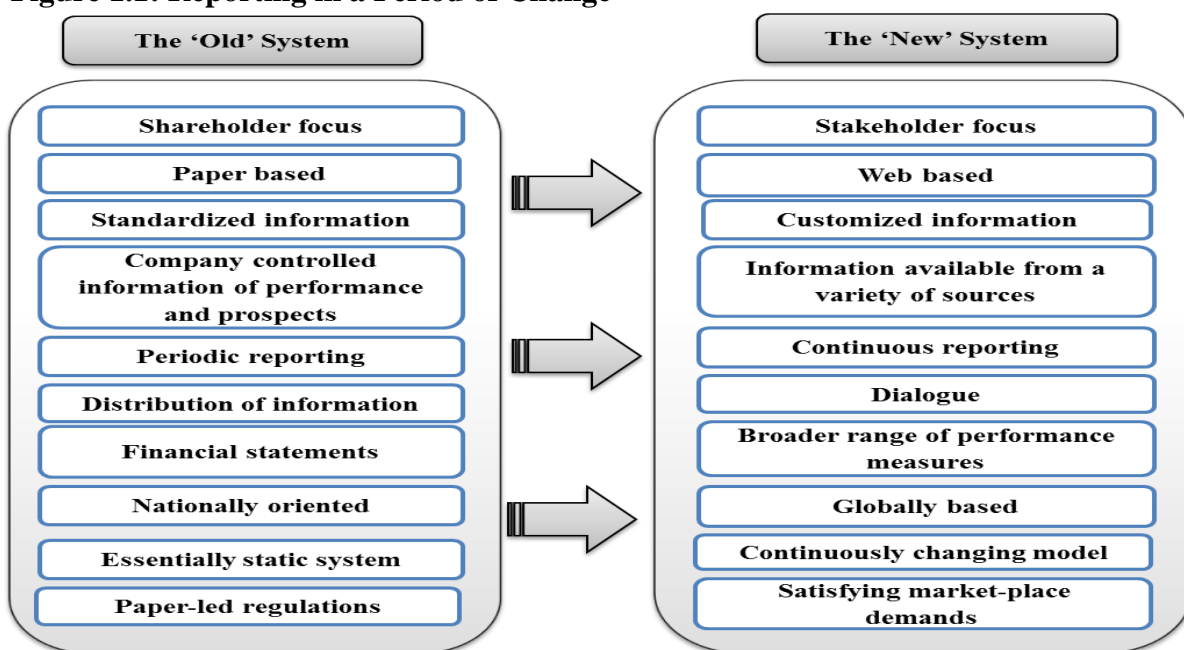
In a response to the critiques of extant financial reporting, there have been proposals for new reporting models for business. For example, the 21st century annual report (ICAEW, 1998) outlined a list of 13 differences between the ‘old’ and the ‘new’ system of reporting, 10 of which are related to the present study and shown in Figure 1.1. The richness, immediacy, limitless access, interactivity and borderless nature of corporate information disseminated via companies’ websites mesh well with the critiques of the current business reporting model (Beattie and Pratt, 2003). The implementation of the proposed changes in financial reporting has become possible – and can be fuelled by – exploiting the possibilities made available by the internet as a communication medium (ICAEW, 1998) as it seems that the internet can play a vital role in achieving the needed development and change in business reporting (Larrán and Giner, 2002). In the same vein, Beattie (1999)

concluded that one solution to the problems inherent in the current reporting model is to publicise corporate information via the internet to enhance the accessibility of that information to all interested parties. Furthermore, the ICAEW (1998) articulated that:

“With technology, a whole new vista of opportunities is, however, opening up and we are in the world of a la carte with potentially infinite alternative menus of information able to be given to users of financial data” (p. 1),

while, more generally, Mohamed and Oyelerere (2008) indicated that: “the internet has the potential power to revolutionise financial reporting” (p. 31). The change towards a web-based reporting paradigm has been made feasible by a pronounced increase in the number of internet users over the past few years; in 1995 there were 44 million internet users across the world, but by the end of June 2012 this number had risen to more than 2.4 billion, representing 34.3% of the world’s population (Internet World Stats, 2012). Consistent with this trend, Hindi and Rich (2010) concluded that the internet has become one of investors’ most frequently used sources of information; however, as the supply of web-based investor relations information has risen, corporate users’ demand for CIR has also increased (Debreceeny et al., 2001).

Figure 1.1: Reporting in a Period of Change



Source: Reproduced from the 21st Century Annual Report (ICAEW, 1998, p.3).

Greater demand for web-based financial reporting, combined with an increase in the number of investors worldwide who are considered to be users or potential users of corporate information, has led to an increase in the number of market participants, which might itself lead to greater market efficiency (Larrán and Giner, 2002). Furthermore, the ability of companies to provide more timely information has been enhanced, as distribution of information via websites can take place as soon as it is produced, further enhancing pricing efficiency (Larrán and Giner, 2002). The borderless nature of CIR practices also has the potential to “help listed companies to attract new shareholders, thus enabling companies to maintain a healthy demand for shares” (Craven and Marston, 1999, p. 324). Similarly, CIR practices might have an impact on the cost of capital, as relevant information about companies seeking international finance will be more accessible to global investors, reducing investment risk (Debreceeny et al., 2002).

Egypt was targeted for the present study as an emerging economy with a major influence on other countries in the Middle East and North Africa region as well as its traditionally strong historical relationships with the world’s richest nations. In addition, Egypt recently confronted many challenges, before, during and following the 2011 uprising which led to former President Mubarak’s resignation in February 2011. Internet technology, together with Egyptians’ demand for democracy and transparency fuelled the protests, as thousands of demonstrators joined together in several cities following an online campaign. Despite difficulties with communications technology at the height of the revolution, internet usage in Egypt has continued to increase dramatically, with 39.2% (32.5 million users)² of the population having access to the internet in January 2013, compared to only 0.60% in 1999 (Ministry of Communications and Information Technology, 2013). This level of growth is directly relevant to the present study as it has been argued that:

² Compared to about 23 million in December 2010.

“...where general internet usage is more prevalent in a country, users will expect more company information to be placed on the internet. Similarly, firms will likely have higher IFR if they believe that there is a large internet audience” (Debreceeny et al., 2002, p. 376).

The Egyptian economy was badly affected by the civil unrest, and so CIR practices might prove important in the economic re-building process by providing the detailed and timely information necessary to attract foreign investment. Finally in terms of the selection of Egypt as the empirical site, the Egyptian Financial Supervisory Authority (EFSA) has now obliged listed companies to set up a web presence and engage actively in CIR practices (EFSA, 2012),³ suggesting that the nation’s authorities take CIR’s potential seriously. This decision could mark an important turning point towards the adoption of the internet as a communication channel by companies listed on the Egyptian Exchange (EGX). This recent decree adds to the timeliness of the present study.

1.2 Research Objectives and Research Methods Utilised

Given the research context outlined above, the present study has two main aims: first to investigate the extent of CIR practices amongst all of the 172 non-financial companies listed on the EGX; and second, to explore the perceptions of users and preparers of corporate information regarding such practices in Egypt. These aims are formalised via the thesis’s two main objectives: (i) to determine and analyse the extent of CIR practices amongst non-financial listed companies in Egypt; and (ii) to investigate the views of Egyptian financial analysts and private investors (users) and company officials (preparers) concerning the phenomenon of CIR in Egypt.

To fulfil these objectives, both quantitative and qualitative methods are utilised. First, the disclosure index method is employed to determine the extent of CIR practices amongst

³ The decision set a deadline (the end of March 2013) for companies to launch their websites and engage actively in CIR.

non-financial companies listed on the EGX, using a sample of all of the 172 firms quoted on the EGX in December 2010. The disclosure index itself consisted of 110 items divided into three main groups: content items (69), user support items (29) and presentation items (12). The analysis of the sampled companies' websites was undertaken at two points in time – December 2010 and December 2011 to allow any recent changes in behaviour – including those driven by the 2011 uprising – to emerge. In addition, the investigation of the results was disaggregated in two ways: (i) horizontally (i.e. analysis-by-company); and (ii) vertically (i.e. analysis-by-item) to permit identification of trends and patterns in the data.

Second, 18 face-to-face interviews were conducted between June and August 2011 with 13 users (9 financial analysts and 4 private investors) and 5 preparers (company officials), to explore in detail their views regarding CIR practices in Egypt. Finally, a questionnaire survey was employed to explore the perceptions of a large sample of users and preparers on the CIR issue. 300 questionnaires were distributed to users and preparers and 149 responses received. The present study therefore provides a detailed up-to-date account of CIR practices in Egypt. It also adds to the extant body of knowledge via the ability of interview evidence to explore in-depth individual views about the phenomenon. The questionnaire survey further adds to the extant literature on CIR via the method's facilitating a study of the perceptions of a larger sample of interested parties than would have been practical or achievable via interview analysis.

From a supply-side perspective, it has been argued that a degree of maturity has been achieved in research exploring the descriptive dimension of CIR practices in countries with developed capital markets (Bonsón and Escobar, 2006). However, little attention has been paid to practices in developing countries in general and in Egypt in particular. On the

demand-side, only a handful of researchers have extended the analysis to go beyond the descriptive dimension of CIR practice. These studies have sought to explore the views of interested parties regarding CIR practices by focusing more on information-users' concerns. In Egypt, all CIR studies undertaken to date have been descriptive in nature, focusing largely on the supply-side; no studies have sought to explore the views of interested parties, despite the adoption of a decision-usefulness framework by accounting regulators in Egypt. Such views are potentially of value to regulators and standard-setters in Egypt charged with implementing any future accounting standards relevant to web-based disclosure. In this regard, Hussey et al. (1998) pointed out that although most accounting standards are relevant to CIR, they are not sufficient, while Rowbottom et al. (2005) indicated that: "there is a need to appraise corporate websites and their usefulness as a means of disseminating information but, to date, there is a lack of available evidence on this issue" (p. 37). The present study aims to bridge this gap by incorporating interview and questionnaire survey evidence to gather the perceptions of users and preparers concerning such practices in Egypt.

As the core objectives of the present study involve determining the extent of CIR practices amongst non-financial listed companies and exploring the perceptions of users and preparers concerning such practices in Egypt, the study is deliberately exploratory in nature with no attempts made to prescribe wholesale change. Thus, the study is located mainly in the interpretive paradigm of Burrell and Morgan (1979) but towards its functionalist end; this means that the study contains both interpretive and functionalist elements which combine to offer a holistic insight into CIR matters in Egypt.

1.3 Structure of the Thesis

The study comprises nine chapters. Following the introduction, the thesis proceeds as follows: Chapter 2 provides an overview of the Egyptian context that informs the reader about the environment in which the sampled companies operate. It supplies some demographic and geographic information about the country and discusses Egypt's political context and history; economic development is also discussed. The chapter also provides information with regard to the cultural context of the country. The chapter goes on to provide some background information about the legal and regulatory framework in Egypt incorporating information about the main legislation governing the business environment, the Egyptian Exchange (EGX) and its history, Egyptian accounting and auditing standards, corporate governance development including the introduction of the Egyptian code and corporate disclosure in Egypt. Internet usage in Egypt is also outlined.

The purpose of Chapter 3 is to provide an overview of the extant academic and professional literature on CIR with respect to the issues investigated in the present study. The chapter is divided into two main parts; the first is focused on studies exploring the use of the internet for reporting financial information. These studies are largely descriptive, typically employing disclosure indices to explore the reporting practices of companies across a range of countries and focusing on the supply of accounting information. This part of the chapter is itself divided into three sections: (i) studies undertaken in developed countries; (ii) studies undertaken in developing countries; and (iii) cross-border studies. The second part of the chapter outlines studies that are grounded in the decision-usefulness approach. These studies are divided into two groups: those that have sought to explore the views of interested parties regarding CIR practices by focusing more on information-users' concerns (i.e. Behavioural Accounting Research (BAR)) and studies that have examined the aggregate economic consequences of CIR practices (i.e. Market Based Accounting

Research (MBAR)). There have been a handful of studies exploring the perceptions of interested parties in developed and developing countries; in Egypt no such studies exist, so the present study should help to fill this gap. The chapter then proceeds to outline the situation in Egypt by outlining the evidence regarding the extent of both traditional and online reporting practices.

Chapter 4 discusses the decision-usefulness framework employed as the theoretical underpinning of the study. The chapter focuses first on the origins of accounting theory by outlining definitions, describing the theory formulation process and discussing the function of accounting theory. The chapter then proceeds to discuss the role of conceptual frameworks in accounting. The accountability framework is outlined together with its associated limitations. The chapter introduces the decision-usefulness framework by outlining its background and history of adoption by standard-setters in the US, UK and elsewhere. In addition, the qualitative characteristics of useful accounting information set out by the IASC Framework (1989) are detailed as are the potential users of accounting information. The two dimensions of the decision-usefulness literature (namely BAR and MBAR) are also outlined. The reasons for choosing the decision-usefulness framework as the theoretical foundation of the current study are also presented.

The methodological assumptions underpinning the current research as well as the research methods used to achieve the study's objectives are presented in Chapter 5. The chapter discusses Burrell and Morgan's (1979) assumptions regarding the nature of social science and society and then proceeds to outline the four research paradigms they proposed as well as the limitations associated with this framework. Based on the research objectives of the present study, it is argued that the current study is located in both the functionalist and interpretive paradigms. More specifically, it is placed mainly in the interpretive paradigm

but towards its functionalist end. As the chapter notes, this positioning reflects the study's adoption of both quantitative and qualitative research methods. The disclosure index method used to determine the extent of CIR practices amongst the sampled companies is outlined as are the interview and questionnaire survey methods employed to investigate the perceptions of users and preparers concerning CIR practices in Egypt.

Chapter 6 comprises the first element of the empirical work undertaken for the present thesis. This chapter determines the extent of CIR practices amongst all of the 172 non-financial companies listed on the EGX at two points in time – December 2010 and December 2011 using the disclosure index method. The chapter starts by outlining the sampled companies and their internet presence as well as the extent of their engagement in CIR practices. The chapter then proceeds to outline the process followed to develop the disclosure index. Items included in the index and the categorisation of these items into three main criteria (accounting information, user support and presentation items) are also presented. The analysis outlines the two approaches that have been utilised to examine the results in detail. Horizontal (i.e. company-by-company) analysis of the sampled companies is presented first. For this approach, the sampled companies were divided into three groups according to the extent of their engagement in CIR practices. The second approach, the vertical (i.e. item-by-item) analysis based on the examination of the presence of each item included in the disclosure index, is then explained and the results presented.

Chapter 7 presents the second strand of the empirical work, namely interview evidence regarding the views of users and preparers on CIR in Egypt. The chapter outlines the key findings from and patterns evident in the 18 interviews undertaken. Three main issues are investigated in the chapter; first views were elicited regarding internet infrastructure and its use in Egypt as a disclosure channel. Second, the chapter goes on to discuss the

interviewees' opinions concerning the impact of CIR practices on the qualitative characteristics of accounting information, thereby providing evidence about the usefulness of that information. Finally, the perceptions of the interviewees with respect to the economic consequences of CIR practices are presented.

Investigation of the views of a larger sample of users and preparers regarding the phenomenon of CIR in Egypt is presented in Chapter 8; this is facilitated by means of a questionnaire survey. The chapter begins by outlining the process used to distribute, collect and analyse the questionnaires before proceeding to analyse the questionnaire survey results. Views were gathered concerning: internet usage in Egypt by individuals; internet presence amongst listed companies; reasons for engaging in CIR practices; internet infrastructure in Egypt; sources of corporate information in Egypt; and the benefits of using the internet as a disclosure medium. Views were also sought about the influence of CIR practices on the qualitative characteristics of accounting information, thereby facilitating an assessment of the usefulness of that information. The chapter also highlights the views of the investigated groups with respect to the economic consequences of CIR practices in Egypt as well as eliciting opinions concerning the problems associated with such practices.

Finally, Chapter 9 of the thesis provides a summary of the main findings that emerge from the study. The chapter outlines the contributions of the study as well as suggesting resultant policy implications. The limitations of the current study and avenues for further developments and future research are also presented.

Chapter 2:
The Egyptian Context

Chapter 2:

The Egyptian Context

2.1 Introduction

This chapter provides an overview of the Egyptian environment as a background to the present study. This chapter is intended to provide the reader with an overview of Egypt and embed the remainder of the study in this context. In this regard, Roberts et al. (2008) argued that: “the accounting system is the outcome of a complex process” (p. 201). Riahi-Belkaoui (2004) acknowledged this impact explicitly when indicating that:

“The accounting objectives, standards, policies, and techniques result from the environmental factors in each country; if these environmental factors differ significantly between countries, it would be expected that the major accounting concepts and practices in use in various countries would also differ” (p. 17).

Similarly, Ojah and Mokoaleli-Mokoteli (2012) suggested that the: “quality of total disclosure (is) a function of the complementary interactions of the country’s legal, economic and political infrastructures (sic.)” (p. 4). Researchers have agreed to varying extents that there are a number of environmental factors influencing accounting development, although the relative importance of the various factors has been subject to debate. Factors identified in the extant literature include: (i) the demographic environment; (ii) the political and legal system; (iii) economic development including taxation and inflation; (iv) the cultural context; (v) the importance of the capital market (Frank, 1979; Ball, 1995; Ball et al., 2000; Jaggi and Low, 2000; HassabElnaby et al., 2003; Riahi-Belkaoui, 2004; Roberts et al., 2008). With respect to the Egyptian context, HassabElnaby et al. (2003) concluded that accounting development in Egypt is linked to the nation’s economic and political environment. The rest of this chapter will discuss these and other related factors and is organised as follows: Section 2.2 provides an overview of Egypt’s geographical location, population and climate, before in Section 2.3, a description of the

political background is provided. Section 2.4 discusses the country's economic environment focusing on development matters, while Section 2.5 is dedicated to providing an overview of Egypt's cultural context. The legal and regulatory framework is reviewed in Section 2.6. Section 2.7 discusses internet usage in Egypt while Section 2.8 concludes the chapter.

2.2 Location, Population and Climate

The Arab Republic of Egypt lies in the north-eastern part of Africa and the south-western section of Asia. It is bounded by the international frontiers of the Mediterranean Sea to the north, the Sudan to the south, the Red Sea and Gaza Strip to the east and Libya to the west. Topographically, Egypt consists of four main areas namely: (i) the Nile Valley and Delta; (ii) the Western Desert; (iii) the Eastern Desert and (iv) the Sinai Peninsula. The total area of the country is about 1,002,000 square meters, of which only 78,890 square metres is populated, representing about 7.8% of the total area. The River Nile is one of the country's most notable features as it is the longest river in the world (at 4,187 miles). The majority of the population are concentrated on the banks of this river and on the fertile land in the Nile Valley and the Delta regions. Egypt is the most populous country in the Arab world and the third most populous country in Africa (after Nigeria and Ethiopia) with a total estimated population of 83,688,164, and an estimated growth rate of 1.9%.⁴ Egypt is located in the dry equatorial region which largely determines its climate, with the exception of the northern area which has a climate similar to that of the Mediterranean region. Accordingly, Egypt has hot and dry summers and moderate (with limited rainfall increasing in the coastal areas) winters. The annual average day and night time temperature in Lower and Upper Egypt is 25 and 20, and 17 and 7 respectively (Egypt Information Portal, 2012).

⁴ Central Intelligence Agency (July 2012).

Figure 2.1: Map of Egypt



Source: Egypt Information Portal website.

2.3 The Political Context

Egypt is a sovereign republic, known formally as *Jumhuriyat Misr Al-Arabiyyah* which is the Arabic equivalent of the Arab Republic of Egypt (ARE).⁵ It is a democratic socialist state (Egyptian Constitution, 2012).⁶ Despite being a democratic country, the Egyptian government is highly centralised and the president has great executive powers (Hanafi,

⁵ There is also a local short form known as *Misr* which is the Arabic equivalent of Egypt.

⁶ The permanent constitution was issued on September 11, 1971 and amended on May 22, 1980, on May 25, 2005 and on March 26, 2007. Egypt's 1971 constitution was suspended after the resignation of President Hosni Mubarak in February 2011. The Constituent Assembly of Egypt, which was tasked with drafting a new constitution, announced the completion of the final draft on November 30, 2012, and on December 1, after receiving a copy of the document, President Mursi called on Egyptians to take part in the referendum (the first round was held on 15 December and the second round took place on 22 December 2012). More than 60% of voters backed the constitution.

2006).⁷ The Egyptian political system is considered one of the oldest in the world, dating back 7,000 years to when Egyptians started to settle along the banks of the River Nile. In spite of being under the occupation of Persian, Greek, Roman, Turkish, Arab, Mameluke, Ottoman, French and British armies, the country has continued as a unified state. Over time, the bases of the Egyptian political system became entrenched and the present review focuses on more recent developments and their influence on Egypt's business development. In 1914, Britain announced an official protectorate over Egypt to secure its interests during World War One. In 1922, the country gained partial independence from Britain due to an increased national resistance. The Egyptian resistance to the British troops continued as foreigners controlled the entire resources of the country; as a result, the country was in an unstable condition with the pro-British King, very unpopular amongst Egyptians. One implication of the many years of British rule that is particularly relevant to the present study is that to this day the accounting profession and financial disclosure practices have closely mirrored those in the UK (Abdelsalam, 1999). On July 26, 1952 a group of army officers, known as *the free officers*, led by Colonel Gamal Abdel Nasser, forced King Faruk to leave the country. In the same year, Egypt gained its independence and Mohamed Naguib became the first president of Egypt; for the first time in more than 2,000 years Egypt was ruled by the Egyptian people (Frag, 2009).

After the resignation of Naguib in 1954, Nasser became the president. Nasser's government adopted a comprehensive programme of domestic transformation and nationalisation. The programme aimed at ensuring more equitable distribution of the country's resources and wealth. As a result the public sector dominated the economy and the private sector became dormant, resulting in an inactive capital market. Consequently, the government established the Central Auditing Organisation (CAO) to audit public sector companies and the Big-8

⁷ It is hoped that this situation will be changed in the new constitution.

accountancy firms left the country in 1965 (Abdelsalam, 1999). In addition, public sector companies were required to prepare their financial statements in accordance with the Uniform Accounting System (UAS) of 1966 which was issued for national planning and control purposes (Hassan, 2006). After the nationalisation of the Suez Canal on July 26 1956, the French, British and Israeli armies invaded Egypt as they thought that Nasser had become a threat to their interests in the Middle East and Africa. Following global condemnation, the British and French troops agreed to withdraw, while the Israeli army left following pressures from the USA and the United Nations Emergency Forces settled on the border between Egypt and Israel. The removal of the United Nations (UN) troops in 1967 provoked the Israeli army to invade Egypt.

After the death of Nasser in 1970, Anwar El-Sadat took over. In order to regain control of the Egyptian land occupied in the 1967 war, the Egyptian army launched an attack on Israel in October 1973. It is argued that disputes between Egypt and Israel came to an end after signing the Camp David peace treaty in 1978.⁸ Although the peace treaty received great praise from western countries especially the US, it alienated Egypt from most of the Arab world and Egypt was expelled from the Arab League until 1989 (Hanafi, 2006). During this period, and as a result of the *Open Door Policy* adopted in 1974 to encourage investments in Egypt, many accountancy firms were established and the Big-8 returned to Egypt (Abdelsalam, 1999). On October 6, 1981, which marked the eighth anniversary of the 1973 war victory, President El-Sadat was assassinated by Muslim extremists.

After the assassination of El-Sadat, Husni Mubarak, who was the vice-president, became the president. Mubarak tried to repair relations with the Arab world and Egypt's isolation began to end in 1983. During his presidency, Egypt maintained diplomatic relations with all

⁸ Consequently, El-Sadat was awarded the Nobel Peace Prize in 1978.

the member states of the United Nations (Hanafi, 2006). In 1989, Egypt regained control of the last part of Sinai (Taba) following a verdict reached by the International Court of Justice. The political environment experienced a gradual – superficial – liberalisation during Mubarak’s era, with the ruling National Democratic Party (NDP) dominating everything in the country. In this regard, Brown et al. (2011) indicated that there was great repression during the last decade of Mubarak’s rule and conditions worsened in every aspect of life, most notably in terms of the political situation. Under Mubarak’s rule Egypt lost its diplomatic heft and the country ended up losing its historical leadership role politically (Brown et al., 2011). Furthermore, parliamentary elections bore witness to numerous violations and interference from the government and the ruling NDP. For example, the last parliamentary elections during Mubarak’s rule took place in November 2010 and although, as usual the NDP officially won the vast majority of votes, the election results were not seen as credible, as there was a lack of transparency combined with irregularities and violations which characterised the voting and counting processes (Dunne, 2010).⁹ Moreover, it has been argued that grievances concerning the economic situation, human rights and Egypt’s emergency law¹⁰ combined with a total lack of transparency during the 2010 parliamentary election soured the attitude of Egyptians towards the government and the president (Dunne, 2010; Dunne, 2011).

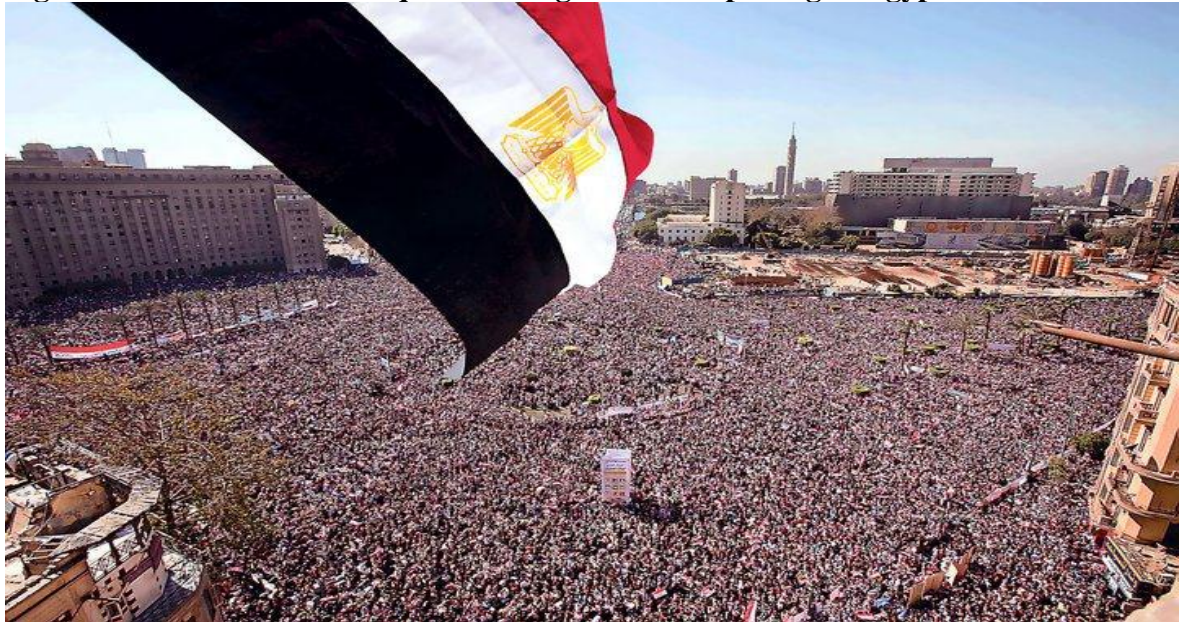
The mass demonstrations in Tunisia which resulted in President Ben Ali fleeing the country spilled over into other countries in the region including Egypt (Muasher et al., 2011). The fact that *people power* could force the President to resign or step aside emboldened and encouraged Egyptians to protest against Mubarak and his regime (Brown et al., 2011; Muasher et al., 2011). The Egyptian revolution started on January 25, 2011 with mass

⁹ During this election, the government imposed extensive restrictions on both local and international media coverage, with live satellite broadcasts being prevented from the country (Dunne, 2010).

¹⁰ This emergency law was in effect since 1967, except for an 18-month break in 1980/81. This law was lifted only in May 2012.

demonstrations which, following an internet campaign, occupied Cairo's Tahrir Square in a day called the *Day of Revolt*. Clashes broke out between riot police and protesters in Cairo, Suez, Alexandria and other Egyptian cities. Eventually, on the 18th day of the revolution Mubarak was forced to resign, following the deaths of hundreds of people and reported injuries to thousands since the commencement of the 2011 uprising. After the resignation of Mubarak, power was handed over to the Supreme Council of the Armed Forces (SCAF) who promised to ensure a quick transition of power to civilians through a democratic election, but in reality the process took more than a year and a half. The first round of presidential elections was eventually held on the 23 and 24 May 2012 with 13 candidates but none of them got more than 50% of the votes. The second round of the elections was held on 16 and 17 June between the Muslim Brotherhood candidate's Mohamed Mursi and Ahmed Shafiq, the last prime minister of former president Mubarak. On June 24, the Higher Presidential Election Commission declared Mohamed Mursi as the president of Egypt. Although Mursi was sworn in on June 30, 2012 as Egypt's first democratically elected president; the real transition of power from the SCAF to the new president took place on August 12, 2012. With respect to Egypt's foreign policy, President Mursi assured the world that he would honour and respect all of Egypt's international treaties and would maintain diplomatic relations with all of the member states of the United Nations. Concerning local policy, Mursi appointed a new cabinet of ministers and a team of advisers and aides. Although it seems that Egypt is moving towards democracy, there is a long and hard road thought to lie ahead. In this context, Techau (2013) argued that Egypt cannot be turned into a democracy overnight, given the many years of autocratic rule it has been subjected to.

Figure 2.2: Cairo's Tahrir Square during the 2011 Uprising in Egypt



Source: Egypt Information Portal website.

Note: This figure shows mass demonstrations in Cairo's Tahrir Square during the 2011 uprising in Egypt which ousted Mubarak.

2.4 Economic Development

Economic development in Egypt can be divided into five distinct phases as follows: (i) pre-1952; (ii) from 1952 to 1973; (iii) from 1974 to 1990; (iv) from 1991 to 2010; and (v) post-2011. The characteristics of the Egyptian economy during these periods are outlined in the following five sub-sections:

2.4.1 Pre-1952

Before the Egyptian Revolution in 1952, Egypt was primarily an agrarian economy. The agriculture sector was dominant, providing food for consumption, commodities for export and employment for about 70% of the population (Frag, 2009). During the British occupation (1882-1952) the country was dependent on manufactured goods imported from Britain and raw cotton was the main export crop (Hassan, 2006). Furthermore, the Egyptian economy was characterised by private ownership, free trade and a limited public sector. The private sector dominated the economy and there was little intervention from the state (Abdelsalam, 1999); the liberal orientation was aimed primarily at attracting foreign

investment. Development policies were mostly driven by export promotion through public investment in agriculture since 1930 and there was limited protection for industrial activities (Hansen, 1991). Most industrial activities were connected to the cotton industry. At that time, foreign investments were heavily directed towards banking and exporting activities related to cotton, but there was little foreign investment involvement in the production of cotton (Davies, 1984). In addition, prior to the 1952 revolution, 60% of all industry and trade activities were undertaken by foreign-owned firms (Frag, 2009).

2.4.2 1952 to 1973: The Socialist Revolution

The Egyptian revolution in 1952 is considered a real turning point in the Egyptian economy. President Nasser launched an ambitious programme of transformation aimed at ensuring a fairer and more equitable distribution of Egypt's wealth. In doing so, the government nationalised most Egyptian and foreign investments, as these were seen to be responsible for the inequalities in the society at that time. This change led to the expansion of the public sector to encompass the largest part of the economy while the private sector became negligible (Hanafi, 2006). Although the nationalisation programme expanded the public sector, which proved difficult to control and manage,¹¹ it improved the living standards of people especially those in the working classes (Frag, 2009). During this period, the Egyptian economy was severely affected by two wars, in 1956 and 1967 respectively; the defeat of Egypt in these wars cost the country heavily with low growth rates in GDP and GDP per capita of 3.1% and 1% respectively resulting (Abu-Bader and Abu-Qarn, 2008).

¹¹ Public companies were assessed according to their ability to accomplish strategic needs (e.g. decreasing imports, providing employment opportunities, encouraging national development), while other goals such as productivity, revenues and competitiveness were of secondary concern (Frag, 2009).

2.4.3 1974 to 1990: The Open Door ('Infitah') Policy

As mentioned previously, after the death of Nasser in 1970 Anwar El-Sadat took over as Egypt's President and in 1974; he launched the *Open Door Policy* aimed at liberalising the domestic economy (Abdelsalam, 1999). This policy focussed on attracting foreign and Arab investments, signalling a return to a private enterprise-dominated economic model (Abu-Bader and Abu-Qarn, 2008). During the period from 1975 to 1985, the Egyptian economy recorded unprecedented growth due to the adoption of the new policy and this was further boosted by a number of factors namely: (i) the reopening of the Suez Canal; (ii) an increase in revenues from tourism; (iii) an increase in the oil price; (iv) increased foreign assistance; and (v) higher remittances from Egyptians working abroad (Attia, 1999). Real per capita GDP growth rates were 12.2%, 10.3% and 7.3% in 1976, 1977 and 1980 respectively (Abu-Bader and Abu-Qarn, 2008). However, it has been argued that the *Open Door Policy* "was abused and distorted to a consumer importing policy due to the absence of core investment priorities" (Hassan, 2006, p. 90). Consequently after 1985, the rapid economic growth came to an end due to the stagnation of exports, a decline in oil prices, an increase in imports, rapid growth in the population and an increase in external debt (Hanafi, 2006). Real per capita GDP growth rates were 0.1 and 0% in 1986 and 1987 respectively (Abu-Bader and Abu-Qarn, 2008) indicating the severity of the downturn in the economy at that time.

2.4.4 1991 to 2010: The Economic Reform and Structural Adjustment Programme

In an attempt to alleviate the aforementioned challenges, the government adopted the Economic Reform and Structural Adjustment Programme (ERSAP) with recommendations and close consultation from the International Monetary Fund (IMF) and the World Bank (Abu-Bader and Abu-Qarn, 2008). The programme aimed at stabilising the economy, restoring growth and returning Egypt to a market-based economy via mechanisms such as

commodity price liberalisation, the restructuring and privatisation of some public sector companies and encouraging and easing the inward flow of foreign capital (Abdelsalam, 1999). In 1991, the government officially started the privatisation programme with the issuance of the *Public Business Sector Law* No. 203 (Hanafi, 2006). The reform policies adopted were successful during the first stage (1992-1998) with economic growth ranging between 5% and 6.1% until 2000 (Hanafi, 2006) with inflation decreasing from 27.1% in 1990 to 2.8% in 2000 (EFG-Hermes, 2000, 2001). In addition, the budget deficit fell from 15% to 1.3% of GDP (Dobronogov and Iqbal, 2005). Moreover, the proportion of private ownership increased and contributed about two-thirds of investment in the country compared with about half of total investment during the previous *Open Door Policy* (Abu-Bader and Abu-Qarn, 2008).

In the second stage of this period, particularly from 1999 to 2003, the economy suffered many shocks including the effect of the Luxor terrorist attack in 1997, the global financial crisis of 1997-99, the September 11 attacks in 2001 and the Iraq war in 2003. The accumulated impact of these incidents led to a sluggish economic performance. During this period the budget deficit increased from 0.9% of GDP in 1997 to an average of 3.9 and 6.1% in 1999-2000 and 2002-2003, respectively (Dobronogov and Iqbal, 2005).

In the third stage of this period, particularly from 2004 to 2010, the new government (appointed in 2004) took responsibility for actively pursuing the reform programme ongoing since 1991. In addition, the government adopted new measures that freed the Egyptian economy from all impediments and obstacles; this included the issuance of *Tax Law* No. 91 in 2005 and the issuance of executive regulations for *Customs Law* in 2006, as

well as the encouragement of bank mergers, thus establishing a strong banking system¹² and the activation of a privatisation policy (Egypt State Information Service, 2007). Consequently, since 2004 Egyptian economic performance has improved significantly with a real growth rate of 7.2% during 2007/2008, rising from 3.2% in 2002/2003 (Abu-Hatab, 2009). Due to the global financial crisis the growth rate decreased sharply to reach 4.7% in 2008/2009 before increasing slightly to reach 5.1% in 2009/2010. Although, as mentioned earlier, the Egyptian economy was reported to have experienced positive growth, in reality the gap between the rich and the poor increased with 22% of the population living below the national poverty line; the opportunities that were created were not shared out equally (World Bank, 2012).¹³ During the period, there were effectively two Egypts; an Egypt of the rich, with luxurious lifestyles and the Egypt of the poor, for those who were living below the poverty line (Brown et al., 2011).

2.4.5 Post-2011: Following the 25th of January Revolution

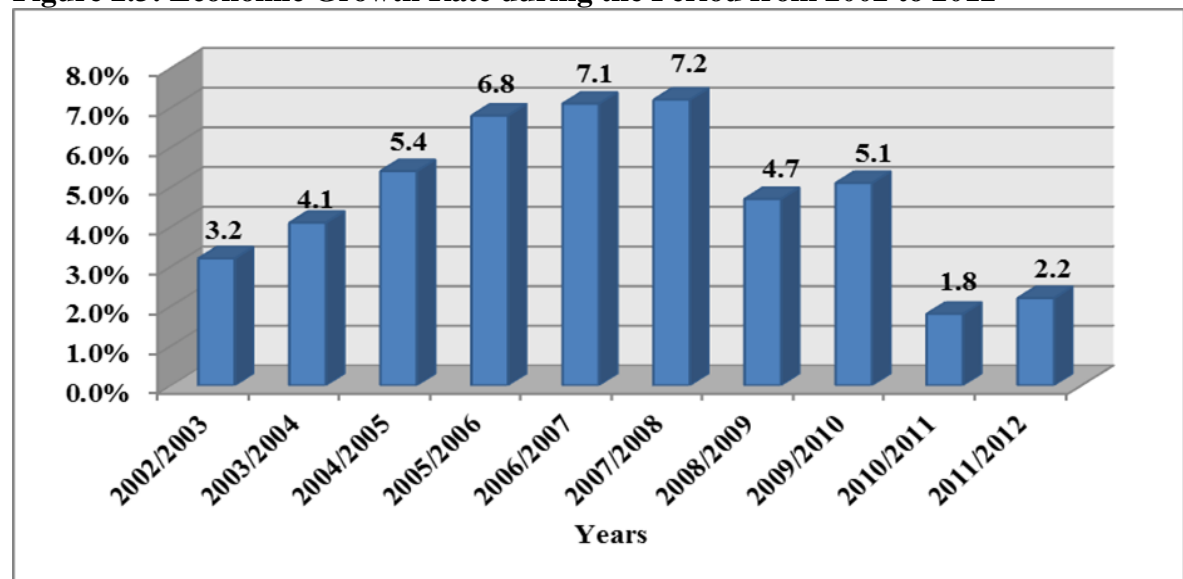
It is worth indicating that President Mursi has inherited a country with a heavy legacy of corruption, poverty, rampant unemployment and security problems (Shukri, 2012). In this regard, it has been argued that the ousted Mubarak left Egypt with an economy in deterioration (Brown et al., 2011); for example, in September 2010, internal debt soared to reach \$167 billion while external debt reached \$34.7 billion (Information and Decision Support Centre, 2011). These poor economic indicators combined with: a deterioration in public security; worker strikes emboldened by the revolution that led to a sharp decrease in factory output; a sharp drop in tourism receipts; an uprising in other countries in the region; the global economic slowdown – which led to a decline in foreign direct investment; and the decline in foreign reserves that reached \$13.4 billion at the end of March 2013 had a

¹² Example of mergers included: the merger of Misr Exterior Bank with state-owned Banque Misr in September 2004 and the merger of Bank of Alexandria with Intresa San Paolo (an Italian banking group) in December 2006 (EGX, 2009).

¹³ This figure is calculated to be 43.7% in rural Upper Egypt (World Bank, 2012).

disastrous impact on the Egyptian economy (World Bank, 2012).¹⁴ The combined effect of these factors was an economic growth rate for 2011 and 2012 of only 1.8% and 2.2% respectively, estimated at 3.5% for 2013. In August 2012, Egypt formally requested \$4.8 billion from the IMF, in an attempt to revive the struggling economy (IMF, 2012). In this context, Saif (2013) noted that little attention has been paid to the need to revive the struggling economy, arguing that both Islamic and liberal political groups should propose realistic solutions and reforms instead of blaming each other for the country's economic problems. Figure 2.3 documents the economic growth rate over the period 2002 to 2012.

Figure 2.3: Economic Growth Rate during the Period from 2002 to 2012



Source: Ministry of Economic Development.

Note: The chart shows the economic growth rate over the past 10 years.

The next section describes another major factor that has influenced the Egyptian context – culture. In particular, the section focuses on language, religion and the broader Egyptian culture.

¹⁴ In December 2010, foreign reserves reached \$36 billion (Central Bank of Egypt, 2011).

2.5 Cultural Context

2.5.1 Language and Religion

According to the Egyptian constitution, Arabic is the official language of the country. For the Egyptian people, specifically Muslims, the Arabic language is not just a symbol of a common heritage but is also considered a holy language, because it is the language of the holy *Quran*. The English and, to a lesser extent, French languages are widely understood and spoken, particularly at international conferences, in tourist areas and by the educated classes (Hanafi, 2006). The majority of governmental education is in Arabic, while the education system in some private schools and universities is in English, especially the international ones (Abdelsalam, 1999). Although Company law No. 159 issued in 1981 requires all companies listed on the EGX to prepare and file their financial statements in Arabic, some companies, particularly those with a foreign listing status, publish their financial reports in two versions – Arabic and English.

With respect to religion, Islam is the official religion of Egypt, where more than 90% of the population identify themselves as Sunni Muslims; most of the remaining 10% identify themselves as Coptic Christians. The Egyptian people are generally religious (Rice, 1999) and, as Muslims, are generally tolerant towards other beliefs (Moore, 1995). The Islamic faith is based around the holy *Quran*, which was revealed by *Allah almighty* to his messenger, Mohamed (peace be upon him) and the *explanations and illustrations furnished by the prophet* (Sunna) constitute the basis of the Shari'a (Islamic Law) which is the main source of all legislation and law in Egypt (Constitution, article No. 2). Although most of the nation's civil laws and family relationships have been influenced by Islamic laws, commercial law, business law as well as listing rules and disclosure requirements, are not. According to Islam, absolute ownership of everything belongs to *Allah almighty*; legal ownership by individuals is recognised but it is subject to the moral obligation to share

wealth. All types of business and organisations which are based on sharing profits and losses are permitted and encouraged, as they adhere to the general framework. The general framework prohibits interest on loans (Reba or usury) and dealing in prohibited kinds of businesses (e.g. gambling (*maisir*) and alcohol). Furthermore, businesses and individuals are required to pay *Zakat* (a kind of wealth tax).

2.5.2 The Egyptian Culture

The impact of culture on accounting has been described by Violet (1983) who suggested that:

“Accounting is a social institution established by most cultures to report and explain certain social phenomena occurring in economic transactions. As a social institution, accounting has integrated certain cultural customs and elements within the constraints of cultural postulates. Accounting cannot be isolated and analysed as an independent component of a culture. It is, like mankind and other social institutions, a product of culture and contributes to the evolution of the culture which employs it. Since accounting is culturally determined, other cultural customs, beliefs, and institutions influence it” (p. 8).

Culture has been defined by Hofstede (1980) as “the collective programming of the mind which distinguishes the members of one human group from another” (p. 25). He identified four cultural dimensions namely: (i) individualism versus collectivism; (ii) large versus small power distance; (iii) strong versus weak uncertainty avoidance; and (iv) masculinity versus femininity. The author concluded that Egypt is a collectivist society, which means that the Egyptian community has low levels of individualism, with a large power distance, meaning that Egyptian society is based on hierarchy, and demonstrates strong uncertainty avoidance. Gray (1988) extended the work of Hofstede and proposed some accounting values namely: (i) professionalism versus statutory control; (ii) uniformity versus flexibility; (iii) conservatism versus optimism; and (iv) secrecy versus transparency. Based on the work of Gray (1988), Dahawy et al. (2002) indicated that Egyptian society is characterised by statutory control, uniformity, secrecy and conservatism, with these

characteristics leading to conflicts between IAS/International Financial Reporting Standards (IFRS) and cultural values in Egypt and selective implementation of the former.

2.6 The Legal and Regulatory Framework

This section provides an overview of the legal and regulatory framework governing reporting practices in Egypt. The discussion focuses on the main legislation (Section 2.6.1), the Egyptian Exchange (Section 2.6.2), Egyptian Accounting and Auditing Standards (Section 2.6.3), corporate governance development in Egypt (Section 2.6.4), and corporate disclosure in Egypt (Section 2.6.5).

2.6.1 Main Legislation

French civil law is the main source for the corporate legal framework in Egypt (Company law No. 159 issued in 1981), while Anglo-American common law concepts provide the basis for Capital Market Law (CML) No. 95 issued in 1992 and Central Depository Law No. 93 issued in 2000 (United Nations Conference on Trade and Development (UNCTAD), 2007). The corporate legal framework consists of the following components: (i) Company Law (CL) 159/1981; (ii) Public Business Sector Law 203/1991; (iii) Capital Market Law 95/1992; and (iv) Central Depository Law 93/2000. These components form the basis for the discussion below.

Company Law (CL) 159/1981 provides the framework for the establishment and operation of companies within Egypt. In addition, it covers the key procedures required for establishing a new business as well as discussing management responsibilities; it also deals with the required accounting and financial control procedures and all other activities related to a company's operations (Azab, 2002). The law regulates joint stock companies, limited liability companies and partnerships limited by shares, and stipulates that all of these

companies should have sound accounting reporting systems and provide annual audited financial statements (Report on the Observance of Standards and Codes (ROSC), 2002).

Public Business Sector Law 203/1991 is the basic legislation issued by the government in its attempts to privatise state-owned companies, as part of the reform programme in operation since 1991, as mentioned earlier. The law regulates public sector companies that are listed as a preliminary step to full privatisation and acts as a regulatory framework in the transitory phase of an organisation's development in order to ensure that public sector companies restructure in order to become attractive for privatisation. The law governs public sector companies where the government possesses 51% or more of the company.¹⁵

Capital Market Law 95/1992 (CML) is the main law governing the Egyptian Exchange (EGX). The law provides the key regulatory framework for the EGX and governs the incorporation and operation of market participants (Wahdan et al., 2005). It is also considered to be the backbone of the legislative framework for the EGX, taking a major role in activating it and setting out the supervisory role of the Capital Market Authority (CMA) (Azab, 2002). Initially, the CML required all listed companies to prepare their financial statements in compliance with International Accounting Standards (IAS) until Ministerial Decree No. 503, issued in 1997, introduced the first Egyptian Accounting Standards (EAS) and required all companies listed on the EGX to comply with these (Wahdan et al., 2005). According to the CML, all listed companies are required to provide the CMA and the EGX with their annual and semi-annual financial statements, prepared in accordance with EAS, which themselves conform to the requirements of IAS/IFRS (ROSC, 2002). The CMA examines these statements to ensure timely compliance with the Egyptian accounting – and auditing – standards and notifies the company of any necessary

¹⁵ When state ownership of the company drops below 51%, it reverts to private company status and is subject to the provisions of Company Law No. 159 issued in 1981.

amendments. The non-compliant company is required to complete the missing information. If the company does not comply with the CMA's notification, the CMA publishes its remarks and required amendments at the expense of that company. In addition, the CMA has the power to suspend or de-list the securities of non-compliant companies (Hassan, 2006).

Furthermore, the CML requires listed companies to publish an adequate summary of their annual and semi-annual financial statements in two national daily and widely circulated newspapers, one of which must be in Arabic. Furthermore, every company must disclose immediately any contingent and fundamental conditions which would affect its business or financial position and publish an adequate summary thereof in two daily and widely circulated newspapers, at least one of which must be in Arabic. It has been argued that these requirements may be counterproductive and unhelpful to users of financial information when only summarised financial statements are presented publicly in newspapers (ROSC, 2002).¹⁶

The final legislation considered here is *Central Depository Law 93/2000* which provides the legal framework for the central depository in the country. It was issued to cover all activities of depository, registration, clearance and settlement procedures associated with trading transactions (Azab, 2002). The law aims to decrease the risks associated with trading physical securities, ensuring central possession and fast circulation of securities; it is argued that these measures enhance market liquidity (UNCTAD, 2007).

Egypt is currently going through a transition process following the 2011 revolution so the legal framework is likely to change over the coming years. Notwithstanding this likelihood,

¹⁶ In June 2008, law No. 123 was issued to amend some articles of the CML with the aim of expanding investments and activating the EGX (EGX, 2009).

the discussion here has set out the details of the extant legal framework at the time of the study. In this vein, the next section focuses on the regulation of the EGX.

2.6.2 The Egyptian Exchange

The Egyptian Exchange (EGX)¹⁷ is one of the oldest in the world and the first to be established in the Middle East. Its history dates back to the 19th century, and the 1883 establishment of Alexandria Stock Exchange, quickly followed by the Cairo Stock Exchange in 1903. The stock exchange has two locations; the main branch is in Cairo while the other is located in Alexandria. Both branches are directed by the same chairman and board of directors and are electronically linked in order to facilitate real-time trading (Abdelsalam, 1999). The EGX has experienced several structural developments since its inauguration and the development of the Egyptian capital market can be linked to the economic policies adopted in the country. Before the Egyptian revolution in 1952, the private sector dominated the economy and as a result the stock exchange was very active, with the Egyptian capital market considered to be the fifth most active in the world during that period (Azab, 2002).

After the 1952 revolution and the nationalisation of most foreign businesses, the public sector dominated the country and the private sector became dormant and negligible. As a result, the stock exchange was badly affected with only 55 companies being listed in 1975 compared to 275 in 1958. As mentioned earlier, the government launched the *Open Door Policy* as a way to revive the economy and encourage private investments, however the results of the new policies were superficial and trading on the floor remained dormant during the period from 1961 to 1991 (Azab, 2002). After about three decades of low market activities, the capital market started growing again in 1992, reflecting the impetus of the

¹⁷ In 2008, the name of the Cairo and Alexandria Stock Exchange (CASE) changed to the Egyptian Exchange (EGX).

economic reforms and privatisation as well as important changes in the regulatory environment adopted in 1990s (UNCTAD, 2008).

One of the major dimensions of the reforms launched in the 1990s was the reactivation of the capital market through the issuance of CML No. 95 in 1992 (Azab, 2002). Consequently, market capitalisation grew exponentially from E£5 billion in 1990 to E£112 billion in 1999 and the number of listed companies increased from 627 in 1991 to 1,033 in 2000 (EGX, 2009).¹⁸ In 2002, the Egyptian Exchange was the second largest in absolute terms in the Middle East and North African region, after Saudi Arabia, with a market capitalisation of E£122 billion and 1,151 listed companies. In the same year, the CMA approved new listing rules which aimed at organising the process of listing and de-listing, and increasing disclosure and corporate governance requirements for listed companies (Hassan, 2006). As a result, the number of listed companies decreased dramatically to 306 in 2009. Despite the decrease in the number of listed companies, market capitalisation grew steadily reaching E£768 billion in 2007, but then decreased dramatically to E£474 billion in 2008 following the global financial crisis and the sharp decline in stock prices (EGX, 2008). Furthermore, the recent revolution had a disastrous impact on the EGX; the interruption to commercial activities and general civil unrest led to a prolonged closure of the EGX (EGX, 2012). By the end of 2011, the market had lost E£194 billion of its market capitalisation, as can be seen from Table 2.1; in January 2011 alone the market lost 21% of its value. With respect to stock market holdings, in 2012 Egyptian investors accounted for 79% of the total market value (50% individuals and 50% institutions), while foreign investors captured 21% of the total market value compared with 29% in 2011, 6% for Arab investors (53% individuals and 47% institutions) and the remaining 15% for non-Arab investors (97% institutions and 3% individuals). Due to the civil unrest following the 2011

¹⁸ At the end of January 2013, the Egyptian Pound (E£) equalled about 0.1486 US dollars and about 0.0948 Pounds Sterling (CBE, 2013).

uprising, in 2012, non-Arab investors generated net outflows of E£3.6 billion, while Arab investors generated net inflows of E£1.6 billion. At the country level, the UK came top and captured 32% of total foreign investments, followed by US and Saudi Arabia (EGX, 2012).

Table 2.1: Key Indicators for the Egyptian Exchange

Year	Number of Listed Companies	Number of Traded Companies	Market Capitalisation (in E£billion)	Market Cap as % of GDP
2001	1110	643	112	31
2002	1151	641	122	32
2003	978	540	172	35
2004	795	503	234	43
2005	744	441	456	74
2006	595	407	534	72
2007	435	337	768	86
2008	373	322	474	46
2009	306	289	500	48
2010	212	211	488	40
2011	213	204	294	21
2012	213	204	376	24

Source: The Egyptian Exchange.

Note: The table shows the number of listed companies and market capitalisation, for the Egyptian Exchange over the time period 2001 to 2012.

The Capital Market Authority (CMA)¹⁹ is a public authority having a judicial status under the supervision of the Ministry of Investment. According to the CML 95/1992, the CMA is responsible for the implementation of this law and its executive regulations. The specific objectives of the CMA include: (i) regulating and developing the capital market; (ii) supervising the provision and the publication of adequate information on the capital market; and (iii) monitoring compliance with disclosure rules and standards in all listed companies. In the case of violations of its standards and rules, the CMA has a wide range of sanctions including: warnings; the capacity to delist; the power to suspend and revoke licences; and provisions to impose monetary penalties and cancel transactions (UNCTAD, 2008).

¹⁹ According to Law No. 10 of 2009, the CMA was replaced by the Egyptian Financial Supervisory Authority (EFSA).

In July 2002 the CMA approved new listing rules which came into effect from August 1, 2002. These rules covered a number of issues namely: (i) listing requirements; (ii) disclosure requirements; (iii) corporate governance regulations; (iv) the role of the audit committee; and (v) penalties for failure to comply. The regulations aimed at increasing disclosure and corporate governance requirements for listed companies (ROSC, 2004). In terms of corporate governance issues, the rules require listed companies to have an audit committee, with the objective of strengthening corporate governance and enhancing financial reporting practices (ROSC, 2002). The most important development was seen to be the introduction of administrative penalties against non-complaint issuers (ROSC, 2002). According to the rules, securities are to be listed on the stock exchange according to four types of schedules, two official and two unofficial.²⁰ The differences between these four schedules relate to the legal and financial requirements, while all listed companies benefit from tax advantages. The 2002 listing rules have been amended many times to further enhance disclosure and corporate governance practices of listed companies. These amendments have focused on accommodating the listing of several asset class products as well as ensuring that the EGX attracts and retains the strongest issuers with sound business practices (EGX, 2008). As a result of the strict enforcement of the listing and disclosure rules by the EFSA and the EGX, the number of listed companies decreased dramatically to 213 companies in 2012 compared with 1,151 in 2002. The positive effects have been reflected in the proportion of the total number of traded companies to listed companies, reaching 95.7% in 2012, up from 58% in 2002 as shown in Table 2.1. Following the 2011 uprising in Egypt which led to the resignation of Mubarak – and in an attempt to identify the past regime’s shares in listed companies – the Egyptian Financial Supervisory Authority (EFSA) issued Decision No. 31 of 2011 which requires companies listed on the EGX to notify the EFSA and the EGX of a report showing the structure of shareholders and

²⁰ From 22/9/2008 there are only two schedules, the first is for Egyptian securities while the second deals with foreign securities (CMA, decree No. 94 of 2008).

the board of directors as well as any changes that may occur in them. Furthermore, in an attempt by the EFSA and the EGX to encourage listed companies to set up a website and deliver corporate information online, the EFSA issued Decision No. 15 of 2012 which states that companies listed on the EGX should launch a website in order to publish its annual and periodical financial statements with the explanatory notes as well as the auditors' reports and other data and information required by the EGX. According to this decision all listed companies are required to set up a website and engage in CIR practices by the end of March 2013 (EFSA, 2012). Details regarding these requirements are provided in Appendices 2.1 and 2.2.

2.6.3 Egyptian Accounting and Auditing Standards

The process of setting Egyptian accounting and auditing standards started with the establishment of the Permanent Committee for Standards of Accounting and Auditing by Ministerial Decree No. 478 issued in 1997. In practice, the Egyptian Society for Accountants and Auditors assumes the key responsibility for drafting accounting and auditing standards. It has a standard-setting committee that selects international accounting and auditing standards that are suitable for use in the Egyptian business environment. The selected standards are then translated into the Arabic language and form the basis for the issuance of Egyptian standards. These standards are then submitted to the Permanent Committee for discussion, finalisation and adoption. The finalised version is then submitted to the Ministry of Investment²¹ to be issued by a ministerial decree (ROSC, 2002).

The first Egyptian Accounting and Auditing Standards were issued by Ministerial Decree No. 503 in 1997 and by 2002; Egypt had 22 accounting and 6 auditing standards, most of which were comparable with corresponding IAS although some minor exceptions existed

²¹ The Ministry of Investment replaced the Ministry of Foreign Trade in 2004.

concerning lease accounting (Wahdan et al., 2005). In this regard, ROSC (2002) indicated that:

“Except for lease accounting, Egyptian Accounting Standards were developed in conformity with the IAS. The legal requirements concerning leases do not recognize (sic.) finance leases and the application of accounting treatments required under the relevant international standard” (p. 10).

In line with various reforms launched by the Egyptian government in order to reactivate the economy and improve the quality of financial reporting and disclosure, Ministerial Decree No. 243, issued in 2006, introduced new Egyptian Accounting Standards. The 35 new EAS replaced the previous ones and were prepared in accordance with IFRS (the 2005 version). Furthermore, it was stated in the Ministerial Decree that issues that were not addressed by these standards are subject to the relevant IAS/IFRS. These standards and their corresponding IAS/IFRS are shown in Table 2.2.

Following the issuance of the new Egyptian accounting standards, new Egyptian Standards on Auditing (ESA) were issued in 2008 by Ministerial Decree No. 166, in accordance with International Standards on Auditing (ISA) issued in 2007. The 38 new ESAs replaced those issued in 2000 and came into effect from January 1, 2009 (UNCTAD, 2008). The introduction of these standards was considered an important step towards enhancing the financial disclosure and corporate governance practices of listed companies in Egypt (UNCTAD, 2008).

Table 2.2: Egyptian Accounting Standards and Corresponding IAS/IFRS

	Egyptian Accounting Standards	Corresponding IAS/IFRS
EAS 1	Presentation of financial statements	IAS 1
EAS 2	Inventories	IAS 2
EAS 4	Statement of Cash flow	IAS 7
EAS 5	Accounting policies, changes in accounting estimates and errors	IAS 8
EAS 7	Events after the reporting period	IAS 10
EAS 8	Construction contract	IAS 11
EAS 10	Fixed assets and their depreciation	IAS 16
EAS 11	Revenue	IAS 18
EAS 12	Accounting for government grants and disclosure of government assistant	IAS 20
EAS 13	The effects of changes in foreign exchange rate	IAS 21
EAS 14	Borrowing costs	IAS 23
EAS 15	Related party disclosures	IAS 24
EAS 17	consolidated and separate financial statements	IAS 27
EAS 18	Investments in associates	IAS 28
EAS19	Disclosures in financial statements of banks and similar institutions	IAS 30 superseded by IFRS 7
EAS20	Accounting rules and standards for financial leasing operations	IAS 17
EAS 21	Accounting and reporting by retirement benefit plans	IAS 26
EAS 22	Earnings per share	IAS 33
EAS 23	Intangible Assets	IAS 38
EAS 24	Income taxes	IAS 12
EAS 25	Financial instruments: disclosure and presentation	IAS 32 superseded by IFRS 7
EAS 26	Financial instruments: recognition and measurement	IAS 39
EAS 27	Interests in joint ventures	IAS 31
EAS 28	Provisions, contingent assets and liabilities	IAS 37
EAS 29	Business combinations	IFRS 3
EAS 30	Interim financial reporting	IAS 34
EAS 31	Impairment of assets	IAS 36
EAS 32	Non-current assets held for sale and discontinued operations	IFRS 5
EAS 33	Segment reporting	IAS 14
EAS 34	Investment property	IAS 40
EAS 35	Agriculture	IAS 41
EAS 36	Exploration for and evaluation of mineral assets	IFRS 6
EAS 37	Insurance contracts	IFRS 4
EAS 38	Employee benefits	IAS 19
EAS 39	Share based payments	IFRS 2

Source: United Nations Conference on Trade and Development (2008).

Note: This table shows the new version of the EAS and their corresponding IAS/IFRS.

According to law No. 144 issued in 1988, the Central Auditing Organisation (CAO) is responsible for the audit of government departments and agencies, public sector enterprises and private companies in which state ownership exceeds 25%. The role of the CAO includes: (i) the monitoring and control of government and public corporate bodies' funds; and (ii) checking and reviewing the implementation of the country's economic plan. The CAO reports directly to the People's Assembly (the Parliament), which grants remits to specialised committees for discussion and review (Wahdan et al., 2005). Although the CAO has taken several steps towards the harmonisation of accounting and auditing standards with international standards in public companies, it has been suggested that the power and capacity of the body needs to be strengthened (ROSC, 2002).

2.6.4 Corporate Governance Development in Egypt

In this regard, it has been argued that disclosures and transparency are the key pillars of good corporate governance practices (Mendes-da-Silva and Christensen, 2004). In stressing the role of corporate governance on the adoption of CIR, Ojah and Mokoaleli-Mokoteli (2012) indicated that: "corporate governance structure...is found to play a role in the adoption of IFR" (p. 2). In line with the comprehensive reform programme launched in 1991 and governmental awareness that sustaining such a programme relies on the adoption of sound corporate disclosure and good corporate governance practices, the government took several steps towards enhancing the governance mechanisms in place amongst companies listed on the EGX (Dahawy, 2009). The listing rules issued in 2002 introduced additional disclosure requirements aimed at strengthening corporate governance practices. According to these rules all listed companies are required to provide complete information about: (i) their board members; (ii) agreements and contracts with other companies; (iii)

auditors; and (iv) the composition of the audit committee.²² Furthermore, in 2003 the government established the Egyptian Institute of Directors (EIoD) to further enhance corporate governance practices. The EIoD aims to spread awareness and improve corporate governance practices in Egypt; as such, it is one of the first institutes to be established with the explicit aim of dealing with corporate governance issues in Middle Eastern and North African countries (UNCTAD, 2007). In this regard, in 2005 the Ministry of Investment and the General Authority for Investment and Free Zones introduced the first Code of Corporate Governance for listed companies written in the Arabic language; this was followed by the issuance of the Code of Corporate Governance for state-owned companies in 2006. Furthermore, the CMA contributed to corporate governance development by introducing a new registry for auditors in 2006 and requiring companies to be audited by these practitioners only (Dahawy and Conover, 2007). In another effort to enhance corporate governance, in 2007 the CMA issued the auditors' code of ethics. In addition, since 2002, the listing rules have been amended many times so as to improve disclosure and corporate governance practices in Egypt. Furthermore, the aforementioned recent decision by the EFSA to mandate listed companies to launch a website and engage in CIR practices, can be viewed as a further attempt towards enhancing listed companies' disclosure practices, which in turn enhances the corporate governance practices of the organisations concerned.

2.6.5 Corporate Disclosure in Egypt

The users of corporate information in Egypt include: shareholders, financial analysts, stock brokers, academics, standard-setters and regulatory bodies as well as government agencies (Shohaieb, 1990; Desoky, 2002; Dahawy and Samaha, 2010). There are various sources of company information including: the corporate annual report, interim reports, newspapers

²²The Audit Committee must consist of at least three qualified non-executive independent directors, one of whom must be the Chairman.

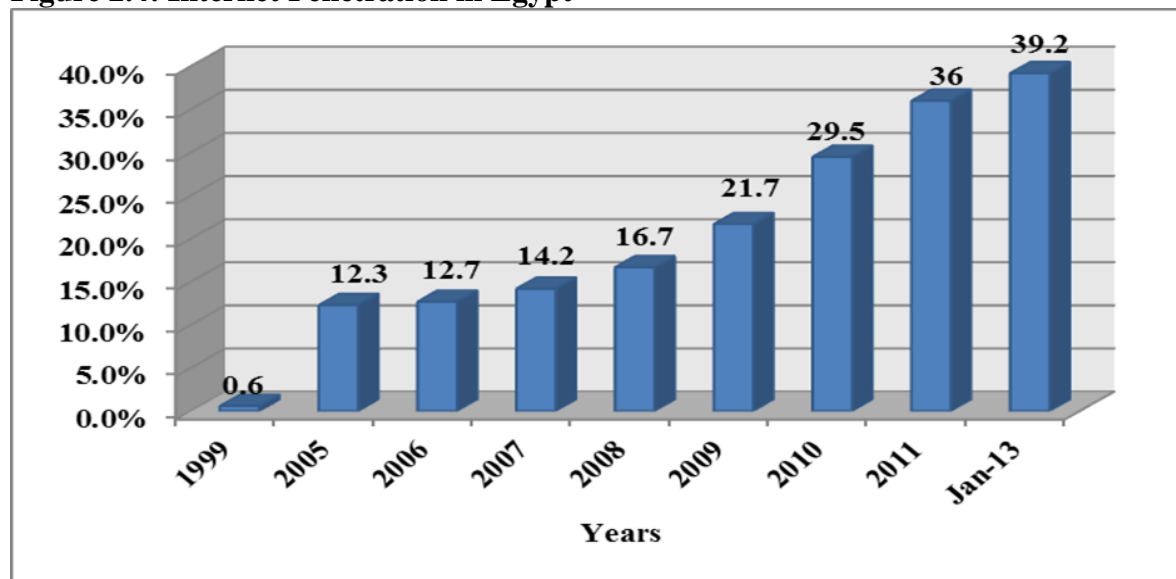
and magazines, direct contact with company management, analysts' reports, EGX reports, advice of friends and rumours (Shohaieb, 1990; Desoky, 2002; Dahawy and Samaha, 2010). In this context, Shohaieb (1990) found that the annual report was viewed as the most important source of information, followed by direct contact with the company. Similarly, Desoky (2002) indicated that Egyptian users saw corporate annual reports as the most important sources of information followed by newspapers and direct contact with the company. In 2010, Dahawy and Samaha found that the majority of Egyptian users made use of the annual report for decision-making purposes. They indicated that despite difficulties associated with getting and accessing the annual report information, users in Egypt depended more on annual report information than on advice from stockbrokers and friends or on tips and rumours. With respect to the importance of different parts of the annual report, both Shohaieb (1990) and Dahawy and Samaha (2010) found that Egyptian users viewed the auditor's report, notes to the accounts and the balance sheet as the most important elements, while Desoky (2002) found that the income statement was perceived as the most important part followed by the balance sheet and cash flow statement. With respect to the information demands of financial analysts, both Shohaieb (1990) and Desoky (2002) reported that financial analysts perceived the annual report to be the most important source of information, while the advice of friends and rumours were considered the least important.

2.7 The Internet in Egypt

The internet was first introduced in Egypt in 1993; it was initially employed in universities and in the Cabinet's Information and Decision Support Centre (IDSC) (Mehanna, 2010). At that time the number of internet users was estimated to be approximately 2,000 (Abdulla, 2005). In recent years, Egyptian internet usage has increased exponentially and reached 32.5 million users in January 2013, representing 39.2% of the Egyptian population

(Ministry of Communication and Information Technology, 2013). The internet was used extensively during the 2011 uprising in the country which overthrew Mubarak, as mass demonstrations erupted across the country following an internet campaign. In this regard, at the end of December 2011 the number of internet users reached more than 29 million compared to about 23 million in December 2010, implying that internet users went up more than 6 million in only one year. Figure 2.4 demonstrates the gradual, but considerable, increase in the percentage of the Egyptian population using the internet over the past few years.

Figure 2.4: Internet Penetration in Egypt



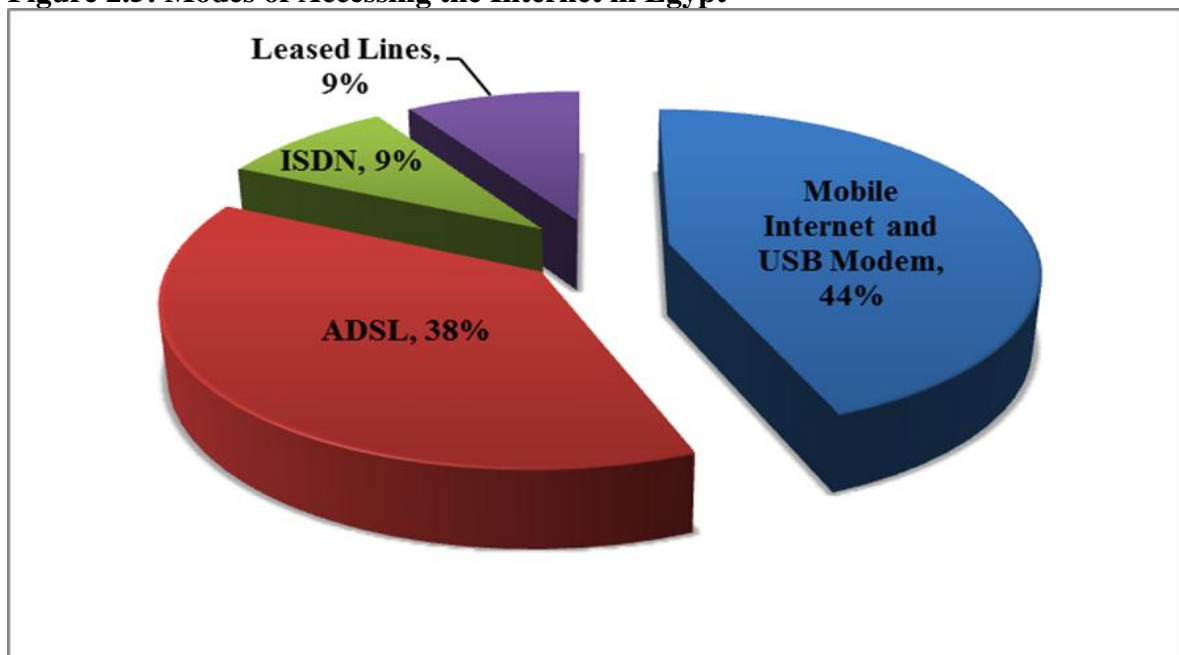
Source: Ministry of Communication and Information Technology (2013).

Note: The figure shows the percentage of Egyptians using the internet over the time period 1999 to early 2013.

Furthermore, in 2012 the proportion of households using computers reached 49.58% of the population compared to 7.48% in 2007. By 2011, 67.36% of Egyptian businesses used computers in their operations with 45.43% of them using the internet (Ministry of Communication and Information Technology, 2012). With respect to internet infrastructure in Egypt, it is worthwhile mentioning that Egyptians now have a range of different ways of connecting with and accessing the internet. A recent report by the Ministry of Communications and Information Technology (February 2013) notes that 44% of internet

users in Egypt gained access via Mobile Internet and USB Modem, 38% via Asymmetric Digital Subscriber Line (ADSL), 9% via Integrated Services Digital Network (ISDN) and dial-up, with the remaining 9% using leased lines, as can be seen in Figure 2.5. In addition, the number of IT clubs connected to the internet reached 1,955 in January 2013, spread all over the country. All these indicators suggest that the adoption of the internet as a communication channel by listed companies in Egypt should not be a major problem. In this regard, Ojah and Mokoaleli-Mokoteli (2012) argued that: “the more available the physical infrastructure for IFR there is in a country, the more likely firms in the country are to adopt IFR” (p. 6) and the more likely users are to acquire corporate information via the web.

Figure 2.5: Modes of Accessing the Internet in Egypt



Source: Ministry of Communication and Information Technology (2013).

Note: This figure shows the percentage of internet users in Egypt gaining access through different modes of access.

2.8 Conclusion

This chapter has provided an overview of the Egyptian context most relevant to the present study. In particular, a number of factors were examined that influence how accounting regulations and practices are shaped in Egypt. The chapter started by providing a brief outline of the location, population and climate in Egypt. Egypt has undergone a dramatic political upheaval in recent times which ended up with the resignation of Mubarak and the installation of a democratically-elected president. With respect to the Egyptian economy, successive governments have adopted reform programmes aimed at *freeing* the economy. These reform programmes resulted in the expansion of the private sector. Although the economy has sustained growth, the opportunities that were created were not distributed fairly. The Egyptian Exchange (EGX) was affected by these political and economic developments. After resuming its activities in 1992, the EGX started growing again and its market capitalisation reached E£768 billion in 2007. In 2008, the EGX was affected badly by the global economic slowdown and, more recently, by the 2011 uprising which led to a prolonged closure of the market. To promote disclosures and transparency of companies listed on the EGX, the government introduced new listing rules in 2002. To further enhance the disclosure practices of listed companies, these rules were amended many times as, most critical of all for the current study, was the EFSA's decision which requires listed companies to launch a web presence and engage in CIR practices. This decision could have a considerable impact on CIR practices in Egypt taking into account the dramatic increase in the number of internet users in recent times and the availability of the internet service throughout the country. The next chapter provides an overview of the extant literature on CIR.

Chapter 3:
Literature Review

Chapter 3:

Literature Review

3.1 Introduction

This chapter reviews the extant academic and professional literature on Corporate Internet Reporting (CIR). It outlines the studies that have emerged over the past few years which either examined the use of the web as a financial reporting communication medium or explored the perceptions of interested parties concerning such practices. A worldwide view is adopted first, before the review is narrowed down to outline the state-of-the art with regard to CIR in Egypt. The remainder of this chapter is organised as follows: Section 3.2 provides an overview of internet technology and its potential for corporate disclosure. Section 3.3 outlines the extant literature on CIR; this is divided into two sub-sections. Sub-section 3.3.1 which reviews CIR studies that focus on companies' practices and aim at determining the extent of such practices either based on a single-nation analysis or using a cross-border analysis. Sub-section 3.3.2 reviews CIR studies which are grounded in the decision-usefulness approach, either from a behavioural accounting research point of view or from a market-based accounting research point of view.²³ Section 3.4 outlines the situation in Egypt with respect to both traditional paper-based disclosure studies and CIR studies, before Section 3.5 summarises and concludes the chapter.

3.2 Internet Technology and its Potential for Corporate Disclosure

Hussey (1999) defined disclosure as:

“The provision of financial and non-financial information, on a regular basis, to those interested in the economic activities of an organisation. The information is normally given in an annual report and accounts, which includes financial statements and other financial and non-financial information” (p. 131).

²³ For more details about these two variants in decision-usefulness research see Chapter 4, sections 4.4.4 and 4.4.5.

On the other hand, Lymer (1997) provided a definition for the internet as:

“A global network of networks of computers that share (sic.) a common transmission language to enable the sharing of data and applications on a wide scale” (p. 3).

Highlighting the potential of the internet for corporate disclosure, Ettredge et al. (2001) indicated that the advent of the internet has provided reporting companies with a new mechanism to communicate information to interested parties. Weetman and Beattie (1999) argued that despite the fact that the annual report is the main vehicle of disclosure, consumers of information rely on other sources wherever they are available and accessible. Serious interest in the use of the internet by businesses can be traced back to the 1990s when the World Wide Web (web) was developed (Lymer, 1999; Rowbottom and Lymer, 2009a). The SEC subsequently introduced the Electronic Data-Gathering, Analysis and Retrieval (EDGAR)²⁴ system which has been used to receive and deliver corporate filings via the internet since its launch in 1995 (Xiao et al., 2005). Similarly, in 1997, Canada developed the System for Electronic Document Analysis and Retrieval (SEDAR) to facilitate electronic filings. Lymer (1995) indicated that SEC’s move to develop the EDGAR system encouraged companies to start utilising the internet for disclosure purposes. Since then “an ever-increasing number of companies have websites on the internet” (Lymer et al., 1999, p. 1). This growth in adopting the internet for reporting purposes has been fuelled by “the development and widespread availability of the internet as a communication channel for information in an electronic format” (Rowbottom et al., 2005, p. 32). Furthermore, Ettredge et al. (2001) indicated that developments in internet technology have created a new paradigm for companies whereby, given the borderless nature and accessibility of information available online, they can interact much more quickly and efficiently with current and potential consumers of corporate information

²⁴ In 2008, this system was replaced by a new one called Interactive Data Electronic Applications (SEC, 2008, as cited in Rowbottom and Lymer, 2009a).

worldwide. Similarly, Mohamed and Oyelere (2008) asserted that the internet provides companies with a useful, timely and cost-effective means of disclosure.

Lymer et al. (1999) defined web-based business reporting as “the public reporting of operating and financial data by a business enterprise via the World Wide Web or related Internet-based communications medium” (p. 2). The FASB (2000) outlined the role of the internet as providing “modes of operation, techniques, and other practices designed to maximize (sic.) use of the web’s capabilities to distribute business information” (p. 11). More generally, Hunter and Smith (2009) defined internet reporting as “the use of a company’s website to distribute information about the financial performance of the corporations” (p. 2). Similarly, Rowbottom and Lymer (2009a) defined online reporting as being “the communication of corporate reporting information via the World Wide Web and the wider Internet” (p. 27).

Although traditional annual reports are the main tools used by companies to deliver externally their financial information, the internet provides companies with new potential to supplement, substitute and improve these traditional ways of communicating with stakeholders (Weetman and Beattie, 1999; Marston and Polei, 2004). Furthermore, the existing and potential possibilities of the internet as a reporting medium mesh well with the critiques of the current reporting model (Beattie and Pratt, 2003). As mentioned earlier, *the 21st Century Annual Report*, the ICAEW (1998) provided a list of 13 differences between the ‘old’ and ‘new’ reporting systems. The implementation of the proposed changes in financial reporting has become possible – and can be fuelled by – exploiting the possibilities made available by the internet as a communication medium (ICAEW, 1998) as it seems that the internet can play a vital role in achieving the needed development and change in business reporting (Larrán and Giner, 2002). In the same vein, the former

chairman of the AICPA, Robert Elliott (as cited in AICPA, 2008) testified before the senate committee on Banking, Housing, and Urban Affairs sub-committee on securities on July 19, 2000 and noted that:

“Real-time disclosure of selected financial information – that is, information that can be useful to investors without creating competitive disadvantages to companies – on the internet is clearly foreseeable. In these circumstances, the annual and quarterly reporting regime is not only on its way to becoming less and less useful, it is on its way to becoming a dinosaur, an organism that has outlived its environment.”

Elliott also asserted that use of the internet as a communication medium facilitates modernising of the accounting model. However, in this context, Debreceny and Gray (1999) argued that traditional printed annual reports will continue to exist as an archival source of information. Nonetheless, Debreceny et al. (2002) noted that:

“Traditional paper-based disclosure has important limitations and associated costs. With the increase in investor geographic dispersion, the paper form has become increasingly expensive and limited in capacity to reach the users of information. In contrast, internet disclosure can be cost effective, fast, flexible in format, and accessible to all types of users within and beyond national boundaries” (p. 376).

Moreover, Lodiha et al. (2004) argued that paper-based annual reports lack timeliness, accessibility and interactivity and are not detailed enough to satisfy the needs of some stakeholders. Xiao et al. (2004) added that, given the increasingly globalised nature of capital markets, the spread of businesses across the world might prevent users of corporate information from utilising the printed annual reports of the company in a cost-effective and timely manner. In contrast, the internet overcomes geographical constraints, with information available to anyone with a computer and a telephone line connected to the network, anywhere and at anytime (Barac, 2004).²⁵ Similarly, Wagenhofer (2003) suggested that:

“By placing financial information on the firm’s website, users can search, filter, retrieve, download, and even reconfigure such information at low cost

²⁵ The advent of smart phones and tablet devices can play a major role in this regard.

in a timely fashion...it (internet financial reporting) allows for hyperlinks, search engines, multimedia and interactivity” (p. 266).

Furthermore, corporate websites have the potential to include a version of the printed annual reports, as well as the provision of additional financial and non-financial information and promotional and sales material (Beattie, 2000; Budisusetyo and Almilta, 2008). In addition, the adoption of the internet to disseminate corporate information facilitates “dynamic forms of presentation that are not available in the paper paradigm” (Debreceeny et al., 2002, p. 372). To sum up, Lybaert (2002) anticipated that: “over time, the web will become the primary means of communication of financial information” (p. 227). Similarly, Olivier (2000) envisaged that: “the competition between the traditional paper financial reports and the web-based reports will inevitably lead to the predominance of the second” (p. 604).

3.2.1 Motivations and Challenges Associated with Using CIR

Davis et al. (2003) argued that neither users nor preparers of corporate information can afford to be ignorant of the internet as a disclosure channel. With respect to reporting companies (preparers), Ojah and Mokoaleli-Mokoteli (2012) indicated that: “the internet has undeniable provisions that add value to disclosure process of firms” (p. 3). More precisely, the FASB (2000) identified five motivations for companies to adopt the internet as a reporting medium namely: (i) reducing the cost of, and time taken to distribute information; (ii) communicating with previously unidentified consumers of information; (iii) supplementing traditional disclosure practices; (iv) increasing the amount and type of data disclosed; and (v) improving access to potential investors for small companies. In addition to these motivations, Khadaroo (2005b) suggested the following: (i) elimination of the substantial cost of printing and posting the annual reports; (ii) accessibility of information by a much wider audience than more conventional means of communication

permit; and (iii) the provision of up-to-date information through the regular maintenance of websites. To sum up, the internet is seen as providing companies with a useful disclosure channel to communicate with their stakeholders (Mohamed and Oyelere, 2008).

With respect to users of corporate information, the borderless nature of the internet can improve the accessibility of information, resulting in more equitable information dissemination amongst stakeholders (Beattie, 1999; Craven and Marston, 1999; Debreceeny et al., 2002; Budisusetyo and Almilia, 2008). In addition, with CIR there is a potential “to move away from a *one size fits all* model to forms of report customisation to suit a variety of different user needs” (Rowbottom and Lymer, 2009a, p. 31). Different forms of presentation made available by the new technology can enhance both the timeliness and understandability of corporate information disseminated via corporate websites (FASB, 2000; Debreceeny et al., 2002). Similarly, Budisusetyo and Almilia (2008) indicated that CIR practices can be characterised by “enhanced timeliness, ease of access and reach, and improved facilities for data extraction, automatic comparisons and analysis” (p. 2), but they argued that the extent to which these possibilities are exploited is likely to determine benefits to users. In the same vein, Rowbottom and Lymer (2009b) suggested that: “online reporting can offer instantaneous, two-way communication and provide direct linkages between different disclosures” (p. 177). Furthermore, with the new reporting paradigm, users can get a vast quantity of information in a timely manner previously only available to selected parties (Ettredge et al., 2001). To sum up, Debreceeny et al. (2002) suggested that online reporting has the potential to “enhance the qualitative characteristics of disclosure” (p. 376), therefore providing useful information for decision-making purposes.

The adoption of CIR is not, however, a problem-free phenomenon. The use of the internet as a communication tool could create some problems for users and preparers (Barac, 2004;

Xiao et al., 2004; Mohamed and Oyelere, 2008); for example, Trites (1999) argued that the use of hyperlinks in online reporting could blur the line between audited and un-audited information and this could mislead users.²⁶ In this regard, Hodge (2001) concluded that hyperlinking a company's information to other (un-audited) information leads users to misinterpret the latter as being audited. Accordingly, Allam and Lymer (2003) suggested that: "more attention has to be paid to the issue of distinguishing audited from un-audited information" (p. 194)²⁷ and companies should be required to clearly distinguish between these two forms of information. In addition, the voluntary nature of online reporting in most countries affects the standardisation of data contained on websites, as there are no regulations governing and organising disclosure on the internet and companies have discretion in terms of the type and amount of information disclosed via their websites (Craven and Marston, 1999; FASB, 2000; Lybaert, 2002; Adams and Frost, 2004; Khadaroo, 2005a). In this regard, Craven and Marston (1999) indicated that: "there are no rules governing disclosure on the internet although companies are constrained by existing regulation" (p. 322), but Hussey et al. (1998) pointed out that although most accounting standards are relevant to CIR, they are not sufficient. With the discretionary nature of CIR practices, there is a potential loophole for companies to manipulate corporate information and mislead users (Allam and Lymer, 2003; Pike and Lanis, 2003). Furthermore, with bandwidth increases, as mentioned previously, companies' websites have the potential to include a scanned copy of the paper-based annual reports together with additional financial and non-financial information in multiple formats (Davis et al., 2003; Budisusetyo and Almilia, 2008). It has been argued that this could lead to information overload (Debreceeny et al., 2002; Lybaert, 2002; Desoky, 2009), although Khan (2006) argued that if the company's web page is organised in a friendly way, the effects of information overload can

²⁶ This problem does not exist in the sampled companies in this thesis, as the vast majority present corporate information via their websites in PDF and these formats are incompatible with the use of hyperlinks.

²⁷ Allam and Lymer (2003) provided a list of techniques that can be used to distinguish between audited and un-audited information. These techniques are outlined in Section 6.5.2 of Chapter 6.

be minimised, with users being guided to the information needed effectively. Xiao et al. (2004) also argued that the cost of establishing and maintaining a web presence can be quite considerable; in addition, not all information users have access to computers or the internet (Adam and Frost 2004; Mohamed et al., 2009). Furthermore, there is potential for competitive disadvantage, as company information will be accessible to all parties including competitors (Ettredge et al., 2001; Xiao et al., 2004); however, in a traditional accounting context, Dye (1986) argued that these competitive disadvantages could be diminished if the companies fully comply with mandatory disclosure requirements. While it has been argued that the extent to which these challenges are dealt with is going to affect the usefulness of CIR practices (Mohamed et al., 2009), however, Khadaroo (2005a) argued that the actual response that has been made so far was seen as being considerably short of the reported problems. Nonetheless, Rowbottom et al. (2005) emphasised that: “this may change in the future” (p. 35).

3.2.2 Levels of Development in the Use of the Internet for Disclosure Purposes

With respect to the extent of utilising the internet for communicating corporate information to interested parties, Hedlin (1999) distinguished between three levels of development, namely: (i) establishing a web presence; (ii) using the internet to communicate financial information; and (iii) taking advantage of the unique features and possibilities of the medium. Similarly, using the FASB framework of 2000 Debrecey et al. (2002) distinguished between four stages of development regarding CIR content, namely: (i) no financial reports on the website; (ii) the provision of summary financial information; (iii) the provision of full disclosure which is equivalent to what is provided in the hard copy; and (iv) extra disclosure that goes beyond what is available in hard copy. With respect to the presentation dimension of CIR practices, they distinguished between three stages: (i) no web presence; (ii) information presented in a form similar to paper (static presentation); and

(iii) information presented in a way that cannot be used in the paper paradigm (dynamic presentation), including forms such as hyperlinked tours, sound, video, database interaction. Figure 3.1 depicts these stages of development.

Figure 3.1: Stages of Development in the Adoption of the Internet for Disclosure Purposes

Stage	CIR-Presentation	CIR-Content
3		Full financials & additional information downloadable and/or HTML
2	Dynamic	Full financials downloadable and/or HTML
1	Static	Summary financials downloadable and/or HTML
0	No Website	No CIR

Adapted from Debreceeny et al. (2002, p. 374).

Note: This figure shows different levels of development regarding the adoption of the internet as a reporting channel.

In addition, the ICAEW (2004) distinguished between two levels of digital reporting. The first generation of digital reporting was defined as:

“A means of publishing and disseminating reports more widely and more efficiently but in essentially the same formats as at present using portable document format (PDF) for example” (ICAEW, 2004, p. 11).

The main elements in this generation are the Portable Document Format (PDF) and Hyper Text Mark-up Language (HTML). The PDF is a “special file format, developed by the Adobe Corporation, for creating documents that can look exactly like the original printed document” (FASB, 2000, p. 21), while HTML is a “programming language used to create the documents viewed by a web browser such as Netscape’s Navigator or Microsoft’s Explorer” (Petravick, 1999, p. 34). Table 3.1 outlines the advantages and disadvantages associated with the use of PDF and HTML formats, as suggested by the FASB (2000).

Table 3.1: Advantages and Disadvantages of HTML and PDF Formats

Format	Advantages	Disadvantages
HTML	Can be viewed directly in the browser – requires no plug-in.	Browsers may split tables and pages.
	Is an open formatting standard.	Document printed from browser will probably not look like original document.
	Can easily hyperlink into and out of HTML pages.	Can require significant work to convert original document to HTML document in terms of layout and design.
PDF	When file is printed, it will look exactly like printed document on which it was based.	Even though it prints well, because of differences in the aspect ratios of the screen versus printed page, it is difficult to read and navigate through PDF files on screen.
	Very easy to create from original document.	Requires Adobe Acrobat Reader plug-in that the user must locate, download and install.
	Document cannot be inadvertently altered by users.	Can hyperlink out of PDF files, but cannot hyperlink into specific points inside a PDF file.
		Consists of very large files that are slow to download
		Information in PDF files is not indexed by search engines (for example, Alta Vista or Lycos).
		Plug-ins can be a security risk, since they execute automatically when user selects PDF file.
		Reader is based on a proprietary format.
Reader is currently free, but may not be free forever.		

Source: FASB (2000, p. 22)

Note: The table details the advantages and disadvantages associated with the use of HTML and PDF formats.

In addition, Rowbottom and Lymer (2009a) emphasised that:

“Adobe PDF represents the least innovative, but the cheapest and easiest form of online communication...HTML formats present greater scope for innovation in how information is presented and consumed by users...(it) offers greater accessibility to those accessing the internet from mobile devices other than personal computers” (p. 31).

The main problem with the PDF and HTML formats is that they do not facilitate easy manipulation of the data for different purposes; this problem has been largely resolved with

the introduction of level 2 digital reporting, specifically XBRL. Level 2 digital reporting was defined as being a:

“Means of making the underlying information available in a more effective form for analysis and interoperability with other systems, through standardisation of the framework within which the information is stored, processed and presented for reporting purposes” (ICAEW, 2004, p. 12).

In this regard, eXtensible Business Reporting Language (XBRL)²⁸ is considered to be an important development in “level 2” digital reporting. Bonsón et al. (2009) indicated that XBRL is a:

“Metalanguage, based on XML, for the electronic communication of business information. Its objective is to improve the disclosure, management and analysis of corporate data, through a unique tagging structure that provides interoperability” (p. 194).²⁹

The potential benefits of XBRL include timeliness, cost effectiveness, enhancing the accuracy and reliability of financial information and supporting the change towards paperless financial reporting (Cohen et al., 2005; XBRL, 2012). These benefits led, Bergeron (2003) to characterise XBRL as:

“An open, platform-independent, international standard for the timely, accurate, efficient and cost effective storage, manipulation, repurposing, and communication of financial and business reporting data” (p. 15),

while, Rowbottom and Lymer (2009a) indicated that:

“XBRL could provide the foundation to facilitate different ways of presenting financial reports including graphical presentations, greater integration capabilities, and other online or offline analysis facilities” (p. 32).

In the last few years the use of the internet for disclosure purposes has created a great deal of debate among academics as well as professional bodies all over the world. Most companies in developed countries – and some in developing nations – have established

²⁸ XBRL was developed by an international non-profit consortium of approximately 450 major companies, organisations and government agencies (XBRL, 2012).

²⁹ XML, which stands for eXtensible Mark-up Language, is the next generation of HTML (Beattie and Pratt, 2003).

websites to be used as a platform for disclosing financial and non-financial information. The remainder of this chapter outlines the extant literature on CIR to provide a background for the current study and identify the issues that need further investigation with respect to the Egyptian context, the site of the study.

A sizeable academic and professional research literature on CIR has started to build up over the past few years (Gowthorpe, 2004). These studies can be divided into two main categories. The first category relates to studies which provide a descriptive account of companies' CIR practices. These studies typically provide an overview of such practices either on a single-country basis or across a range of countries. Some of these studies go a step further and investigate factors that might affect companies' decisions to engage in such practices. These studies investigate CIR practices from the information-provider dimension (the supply-side). The second category goes beyond the descriptive and explanatory dimensions, which represent the supply-side, and includes studies that explore the perceptions of interested parties in relation to CIR. These studies focus on information users' needs and therefore represent the demand-side. This categorisation forms the basis for the discussion in the following subsections.

3.3 CIR Studies Focusing on the Supply-Side Dimension

As mentioned previously, studies exploring the supply of online financial information have been largely descriptive with many typically employing disclosure indices to explore the disclosure practices of companies. Studies belonging in this category are outlined in the following subsections. These studies provide a descriptive account of companies' practices, either on a single-nation basis or by exploring practices across a range of countries. Most of these studies have been undertaken in countries with developed capital markets. A number of these studies were produced during 1996 and 1997, shortly after the commencement of the global interest in the internet by businesses (Lymer, 1999; Allam and Lymer, 2003).

Almost all of the earliest studies, and some of the more recent ones, can be categorised in this group (Gowthorpe, 2004). The next subsections concentrate on detailing the key findings and their contribution to the extant literature on CIR. This discussion focuses on US studies (Section 3.3.1), UK studies (Section 3.3.2), studies in other developed countries (Section 3.3.3), studies in developing countries (Section 3.3.4) and cross-border studies (Section 3.3.5).

3.3.1 US Studies

The US has a long history in utilising the internet in the financial reporting environment. As mentioned previously, the EDGAR system was developed by the SEC as early as 1995 to facilitate corporate filings (Lybaert, 2002). Furthermore, US companies were early adopters of the internet for publishing corporate information (Lymer et al., 1999). There have therefore been a considerable number of studies on CIR in the US context, among them the earliest studies in the area of online reporting, as reflected in Table 3.2 which outlines the main American papers published to date. Key themes from these studies are now discussed.

One of the earliest studies that investigated the potential of the internet for disseminating financial information was carried out by Louwers et al. (1996). The study aimed to examine the online reporting practices of the top 150 companies listed on the Fortune 500. The results showed that 97 of the sampled companies (65%) had accessible websites. Of these 97, 35 companies provided complete annual reports online, 20 included parts or summaries of financial information, while the remaining 42 companies did not disclose any financial information on their web pages.

Table 3.2: Prior Studies of Internet Reporting in the US

Country	Year	Author(s)	Sample	Website (%) [*]	Financial information (%) ^{**}
US	1996	Louwers, Pasewark and Typpo	Top 150 Fortune 500	65	37
	1996	Petravick and Gillett	Top 150 Fortune 500	69	55
	1997	Gray and Debreceeny	Top 50 Fortune 500	98	68
	1999	Ashbaugh, Johnstone and Warfield	290 listed companies	87	61
	1999	Petravick	Top 150 Fortune 500 and 86 companies listed on the NASDAQ	N/A	N/A
	2000	FASB	Top 100 Fortune 500	99	93
	2001	Ettredge, Richardson and Scholz	490 listed companies	82	80
	2002	Ettredge, Richardson and Scholz	220	88	N/A
	2003	Davis, Clements and Keuer	Fortune 100	N/A	54.3 (1999)
					97.9 (2001)
					100 (2003)
	2008	Kelton and Yang	284 listed companies	100	98
2010	Hindi and Rich	Fortune 100	100	N/A	

Note: The table outlines key online reporting studies which have been undertaken in the US. A * indicates the percentage of companies having websites amongst the sampled companies and a ** refers to the percentage of companies engaging in online reporting practices amongst the sampled companies. This list is by no means exhaustive, but attempts to provide an overview of academic and professional research interest on the topic.

Over a similar time frame, Petravick and Gillett (1996) sought to examine CIR practices of the top 150 firms listed on the Fortune 500 in May 1996. The findings revealed that 103 companies (69%) had a web presence, with 83 of them providing some type of financial information via their websites. Of these 83 companies, three did not publish financial information online, but instead used their websites to announce the availability of hard-copy financial information which could be requested by interested parties; 34 companies

provided only summary information (e.g. details relating to total revenues or net income), while the remaining 46 published a comprehensive set of annual reports online.

In the same vein, Ashbaugh et al. (1999)³⁰ investigated the adoption of the internet as a medium for communicating financial information, using a sample of 290 non-financial companies identified by the Association for Investment Management and Research (AIMR)³¹ representing seven different industrial sectors between November 1997 and January 1998. The findings showed that 253 firms (87%) had an accessible web presence, while 37 companies (13%) had no web page at all. 177 companies (70%) engaged in CIR practices, although, the study revealed great variation regarding the quality of CIR practices across the sampled companies. The authors also noted that larger and more profitable companies were more likely to exploit the potential of the internet for reporting purposes. Finally, the study additionally reported that firms engaging in CIR have, according to the AIMR, reputations for excellent corporate reporting practices.

Professional accounting bodies have also responded to the growing use of the internet as a financial reporting mechanism. The Financial Accounting Standards Board (FASB, 2000) undertook a research study that examined the electronic distribution of business reporting information by Fortune 100 companies. The initial results showed that 99 companies had active websites and of these, 93 included some form of financial information. The study employed a list of 325 attributes divided into two categories: (i) attributes related to a company's general website; and (ii) attributes specifically related to investor relations and

³⁰ In a similar time frame, Petravick (1999) examine online reporting practices of the Fortune 150 and 86 companies listed on the National Association of Securities Dealers Automated Quotations (NASDAQ) Stock Market at two points in time. The results indicated that the former group of large firms made extensive use of the internet for disclosure purposes in comparison to the smaller firms listed on the NASDAQ Stock Market.

³¹ AIMR is an association of analysts, comprised of the Institute of Chartered Financial Analysts and the Financial Analysts Foundation. AIMR's Corporate Communication Committee reviews and evaluates the corporate reporting practices of a selected group of publicly-traded companies across 18 industries (Ashbaugh et al., 1999, p. 243).

financial reporting. The results for the first category showed that 100% of the examined websites contained some form of graphical information, although the nature of this output varied considerably across the sample; 88% provided a table of contents while 64% provided search boxes and 21% offered the opportunity to view the information in alternative languages to English. Regarding the second category of attributes, the results indicated that financial information published on corporate websites ranged from the provision of particular sections of financial information to the inclusion of complete annual reports. The results also highlighted that the most commonly-published attribute of the annual report was the chairman's message which appeared on 80% of websites, while 78% of websites provided financial highlights and 73% included board of director details. In addition, about 74% published the full version of their financial statements online, 63% provided the notes while 16% provided hyperlinks from the reports to the EDGAR system. In total, 36% of the financial statements and 38% of the notes contained hyperlinks.

Two US-based studies carried out in the late 1990s, Ettredge et al. (2001, 2002) found that the 2001 data was in line with similar studies of this nature, but the 2002 study split the analysis to investigate the dissemination of both required and voluntary financial information on the web using a sample of 220 companies identified by the AIMR. The study also sought to identify factors that might explain the variation of financial information provided on the web; in particular, the study explored the association between company size, performance, a company's access to the capital market, information asymmetry and the quality of traditional reporting practices. The findings revealed that the disclosure of mandatory items via companies' websites was significantly associated with size of the company and a proxy measure for information asymmetry, while the presence of voluntary items was associated with size, information asymmetry, demand for external capital and a company's traditional disclosure practices.

A number of similar studies also explored CIR practices in America at this time. For example, Davis et al. (2003) sought to determine the state of online reporting using a sample of Fortune 100-listed firms at three points in time – June 1999, January 2001 and June 2003. The study found that the percentage of companies providing their annual reports online increased from 54.3% to 100% over the surveyed period. The authors concluded that the use of the web as a communication medium has the potential to: (i) increase the frequency and amount of information available to interested parties; (ii) provide a partial solution to Regulation Fair Disclosure³² compliance; (iii) decrease paper-based communications costs; and (iv) enhance availability of downloadable information and provide more interactive communications. The study also raised some concerns with respect to the litigation risk of incorporating hyperlinks in corporate websites.

In an attempt to understand the factors that influence CIR, Kelton and Yang (2008) carried out a study to examine the association between specific corporate governance characteristics and internet reporting practices. The study used a sample of 284 US companies traded on the NASDAQ national market. The study also sought to explore the relationship between control variables (e.g. size, profitability, growth opportunities, the need for external capital, information asymmetry, auditor type and industry type) and the extent of internet reporting practices amongst the surveyed companies. In doing so, the authors developed a disclosure index of 36 items (24 content and 12 presentation items). All of the sampled companies were found to have a web presence, with 98% of the examined websites including an investor relations section that provided some form of financial information. The most common presentation tool used was inclusion of a hyperlinked table of contents (98.6%), although 92.6% provided the current year's annual

³² Regulation Fair Disclosure is a rule that was adopted by the SEC on August 10, 2000 in an effort to prevent selective disclosure by public companies to market professionals and certain shareholders (Momany and Al-Shorman, 2006).

report. The results also revealed a positive association between a firm's engagement in internet reporting and a number of factors specifically: (i) weak shareholder rights; (ii) a low percentage of block-holder ownership; (iii) a high percentage of independent directors; and (iv) more diligent audit committee and audit committee financial expertise. In terms of the control variables, the results reported that the correlation between corporate governance and internet reporting varies with firm size.

In summary, CIR studies undertaken in the US have shown that US companies were early adopters of CIR practices and are increasingly utilising the internet for disclosure purposes over time. The typical focus of these US studies was on large (e.g. Fortune 100) firms. The next sub-section will focus on developments in the UK.

3.3.2 UK Studies

UK companies are somewhat ahead of the rest of Europe in terms of the adoption of the internet for corporate reporting purposes (Lybaert, 2002) and a number of studies have already investigated CIR practices amongst UK companies, as detailed in Table 3.3.

In this regard, Lymer (1997) examined the use of the internet for disclosure purposes by the top 50 companies listed on the UK Stock Exchange at two points in time – the end of January and early February and June 1997. The results of the first survey indicated that 46 companies had usable websites. Of these 46, 26 websites provided some accounts or form of financial information reports, with 7 websites disclosing the full accounts, 6 websites including summaries and 13 companies presenting un-audited interim accounts. The findings from the second survey evidenced no increase in the number of companies with a web presence, however 30 websites provided some form of financial information, with 16 companies displaying their full annual accounts online. Thus, the results of the second

survey indicate an increasing awareness of the possibilities of the internet as a reporting medium.

Table 3.3: Prior Studies of Internet Reporting in the UK

Country	Year	Author(s)	Sample	Website (%) [*]	Financial information (%) ^{**}
UK	1997	Lymer	Top 50 companies	92	52
	1999	Craven and Marston	Top 200 listed companies	76.5	54.5
	2004	Gowthorpe	314 smaller listed companies	74 (May)	49
				83 (Oct)	65.6
	2007	Abdelsalam, Bryant and Street	110 listed companies	N/A	N/A
2007	Abdelsalam and Street	115 listed companies	N/A	N/A	

Note: The table outlines key online reporting studies which have been undertaken in the UK. A * indicates the percentage of companies having websites amongst the sampled companies and a ** refers to the percentage of companies engaging in online reporting practices amongst the sampled companies. This list is by no means exhaustive, but attempts to provide an overview of academic and professional research interest on the topic.

In a similar vein, Craven and Marston (1999) carried out a study to explore the proliferation of internet reporting amongst the 200 largest companies on the UK's Financial Times Stock Exchange (FTSE) index in 1998. The study, which also explored possible associations between company size and industry type and the extent of online reporting practices, indicated that 153 companies had accessible websites, with 109 of them disseminating at least some financial information. Of these 109 websites, 67 provided detailed annual reports, while 42 companies contained partial accounts or summaries. The authors acknowledged that companies without a web presence might disclose their financial results on third-party commercial website services, thus underestimating the total volume of online reporting. In terms of cross-sectional variability, the study found that company size was positively associated with the extent of online reporting practices, while no relationship was found with industry type.

The reporting practices of smaller UK-listed firms³³ were examined by Gowthorpe (2004) at two points in time – May 2000 and October 2001. The results for the first period indicated that 233 (74%) out of the 314 sampled companies had active websites. Of the 233 websites, 153 provided some financial information, while the other 80 companies provided no financial results online. The data as of October 2001 showed that 213 (83%) companies out of the 256 sampled had usable websites and of the 213, 168 included some form of financial information. The study also employed a disclosure checklist to explore the content of items included in the second period; the most commonly-included item was an e-mail link from the website (159 websites included this option), while financial press releases were supplied by 136 websites; video content proved to be unpopular amongst the surveyed companies.

Three years later, Abdelsalam et al. (2007)³⁴ examined the comprehensiveness of online reporting practices of 110 companies listed on the London Stock Exchange (LSE). The study developed a checklist of 143 items categorised into two groups: (i) 74 content items (encompassing 19 general content items and 55 credibility items); and (ii) 69 usability items. The study also sought to investigate the relationship between: (i) certain corporate governance measures, namely: director holding, director independence, CEO role duality and analyst following; and (ii) the extent of CIR practices amongst the sampled companies. The impact of some control variables (presence in the manufacturing sector, profitability, size and high growth/intangibles) was also analysed. The results showed that, on average, companies scored 66% in terms of total items, 79% for general content items, 70% for

³³ Companies that lie outside the FTSE 100 (Gowthorpe, 2004).

³⁴ Over a similar time frame, Abdelsalam and Street (2007) studied the relationship between the timeliness of CIR and some corporate governance proxies. The study found that board independence and board experience were significantly associated with the timeliness of CIR. In terms of control variables, the results reported a positive association regarding audit fees, analyst following, US listing and the likelihood of being in the technology industry.

usability items and 58% for credibility items. The findings also reported a significant positive association between director independence and analyst following and CIR, while there was a negative relationship with respect to director ownership, major holding and CEO role duality. In terms of control variables, the results revealed that being in the manufacturing sector and size were the main positive determinants influencing the firm's decision to engage in CIR, whereas negative relationships were reported regarding profitability and high growth/intangibles.

In summary, studies undertaken in the UK suggest that the nation's companies have realised the potential of the internet as a financial reporting channel, with the number of companies engaging in such practices increasing over time. Again, the majority of these UK studies have focused on large companies. The following sub-section reports on studies that explore CIR practices in other developed countries.

3.3.3 CIR in Other Developed Countries

Although US and, to a lesser extent, UK companies can be considered ahead of the rest of the world in the provision of financial information online, the number of firms setting up a website and engaging in CIR is ever increasing and catching up fast in all countries with developed capital markets and advanced communications (Lymer et al., 1999; Lybaert, 2002). Therefore, the state of CIR practices in Europe and other developed countries was also investigated, and these studies are outlined in Table 3.4.

For example, in Finland, Lymer and Tallberg (1997) investigated the level of online reporting using a sample of 72 companies listed on the Helsinki Stock Exchange. The study found that 65 companies (90%) had accessible websites. Of these 65, 20 websites provided summaries of the financial statements, while 16 websites disclosed the full income

statement and balance sheet without any notes or supplements. The findings also revealed that 5 companies provided full scanned financial results online, 3 websites presented full financial information in PDF format, while no companies used the HTML format to publish their financial information.

Table 3.4: Prior Studies of Internet Reporting in other Developed Countries

Country	Year	Author(s)	Sample	Website (%) [*]	Financial information (%) ^{**}
Finland	1997	Lymer and Tallberg	72 listed companies	90	82
Ireland	1998	Brennan and Hourigan	106 listed and semi-state companies	46	30
	2000	Brennan and Kelly	99 listed companies	67	53
Spain	1999	Gowthorpe and Amat	All listed companies	16	9
	2002	Larrán and Giner	144 listed companies	74	N/A
Sweden	1999	Hedlin	60 listed companies	98	83
Netherlands	2002	Lybaert	188 listed companies	86	81
Japan	2003	Marston	99 listed companies	92	69
New Zealand	2003	Oyelere, Laswad and Fisher	229 listed companies	54	40
Australia	2004	Lodhia, Allam and Lymer	50 listed companies	N/A	N/A
Germany	2004	Marston and Polei	Top 100 DAX companies	100	99
France	2012	Boubaker, Lakhali and Nekhili	529 listed companies	100	93

Note: The table outlines key online reporting studies which have been undertaken in other developed countries. A * indicates the percentage of companies having websites amongst the sampled companies and a ** refers to the percentage of companies engaging in online reporting practices amongst the sampled companies. This list is by no means exhaustive, but attempts to provide an overview of academic and professional research interest on the topic.

In Ireland, Brennan and Hourigan (1998)³⁵ carried out a descriptive survey to explore the use of the web by a sample of 93 public companies listed on the Irish Stock Exchange and 15 semi-state companies. The final sample consisted of 106 companies (91 listed and 15 semi-state organisations) after excluding two listed companies due to the lack of a usable response. The results indicated that 49 companies (46%) had a web presence (34 listed and all 15 semi-state companies). In terms of the content of the examined websites, the results showed that the most commonly-reported item related to company background, which appeared on 41 websites, followed closely by service/product information, financial information and press releases. The findings further revealed that some form of financial information was provided by 24 and 8 of the listed and semi-state companies' websites respectively, with the profit and loss account and the balance sheet being the most commonly-disclosed items amongst the surveyed companies. The findings also revealed that none of the 49 websites disclosed any information regarding non-financial performance indicators, five/ten year summary, multiple currency or segmental analysis.

Gowthorpe and Amat (1999) studied the extent of internet usage for reporting purposes using a sample of 379 Spanish listed companies in 1998. The results revealed that 70 companies had a web page. Of these 70, 9 websites were found to be inaccessible, 27 provided no financial information online and the remaining 34 websites published some form of financial information. Of these 34, 12 websites provided up-to-date quarterly information, 11 included annual reports in the PDF format, four presented financial reports using different formats, eight provided both up-to-date quarterly information and annual accounts and one presented the current share price. The findings also revealed 28 websites as providing an English-language version in addition to the Spanish. The study concluded

³⁵ A similar study was undertaken by Brennan and Kelly (2000). The findings were in line with the 1998 findings of Brennan and Hourigan.

that the CIR practices of Spanish companies were still in their infancy compared with counterparts in other advanced capital markets.

Three years later, Larrán and Giner (2002) examined the scope of CIR practices by exploring the reporting practices of a sample of 144 companies listed on the Madrid Stock Exchange. The study also investigated factors that might explain the variation in CIR practices amongst the sampled companies, namely: company size; leverage, return on equity, listing overseas, and industry type. The results showed that 107 companies (74%) had websites. In terms of the content of these websites, 52 provided complete annual accounts, 47 included summary information, 65 contained stock market information, 28 presented real-time quoted share price information online, 12 included analysts' reports and three used processable formats. The results also reported a significant association between the extent of online reporting and company size and listing overseas, while no relationship was found with respect to the remaining factors.

A number of similar studies explored CIR practices in other developed countries. The findings were in line with similar studies of this nature and showed that CIR practices in developed countries are becoming the norm. Examples of these studies include: Sweden (Hedlin, 1999); Netherland (Lybaert, 2002); Japan (Marston, 2003); New Zealand (Oyelere et al., 2003); Australia (Lodhia et al., 2004); Germany (Marston and Polei, 2004); and France (Boubaker et al., 2012).

In summary, CIR studies undertaken in European and other countries with developed capital markets have revealed that the provision of financial information online is increasing. On the whole, these studies have been largely descriptive in nature and typically focus on CIR practices among large listed companies. The next section explores studies

that have focused on online reporting practices in the very different context of developing countries.

3.3.4 CIR in Developing Countries

Although companies in the US, the UK and other developed countries may be leading in terms of the extent of their CIR practices, companies in developing countries are catching up (Gowthorpe, 2004). However, studies examining the adoption of the internet for disclosure purposes are still limited in developing countries. Of those that have been published, most have provided a descriptive account of online reporting practices undertaken by companies across a range of countries, typically examining whether the surveyed companies have a website or not, and if so, whether financial information was provided online. To determine the extent of these practices amongst the examined companies, a disclosure index is often utilised, although other studies have gone a step further by exploring the factors that might affect companies' decisions to set up a web presence and engage in online reporting practices. Table 3.5 provides an overview of these studies and this is followed by a discussion of some of the key studies and their contribution to the extant literature on CIR.

Table 3.5: Prior Studies of Internet Reporting in Developing Countries

Country	Year	Author(s)	Sample	Website (%) [*]	Financial information (%) ^{**}
Brazil	2004	Mendes-da-Silva and Christensen	418 listed companies	70	N/A
China	2004	Xiao, Yang and Chow	300 top listed companies	68	48
South Africa	2004	Barac	87 listed companies	100	N/A
Jordan	2006	Al-Htaybat and Napier	190 listed companies	29	N/A
Cyprus	2007	Andrikopoulos and Diakidis	140 listed companies	66	66
Bahrain	2008	Mohamed and Oyelere	49 listed companies	79	63
Bangladesh	2008	Dutta and Bose	268 listed companies	39	24
Indonesia	2008	Budisusetyo and Almilia	23 banks	83	57
Saudi Arabia	2008	Al-Motrafi	113 listed companies	84	45
		Hussainey and Al-Nodel	77 listed companies	83	N/A
Greece	2009	Anargiridou and Papadopoulos	302 listed companies	100	100
Oman	2009	Mohamed, Oyelere and Al-Busaidi	142 listed companies	59	22
Turkey	2011	Bozcuk, Aslan and Arzova	Top 500 listed companies	83 (2003)	N/A
				88 (2007)	
	2011	Uyar	44 listed companies	98	98
Argentina	2012	Alali and Romero	84 listed companies	86	54
Ghana	2012	Agyei-Mensah	All 35 listed companies	77	77
UAE	2012	Oyelere and Kuruppu	132 listed companies	87	67

Note: The table provides a brief summary of the results of studies carried out in developing countries. This summary is by no means exhaustive. A * indicates the percentage of companies having websites amongst the sampled companies and a ** refers to the percentage of companies engaging in online reporting practices amongst the sampled companies.

The state of CIR practices in Brazil was investigated in a study by Mendes-da-Silva and Christensen (2004) using a sample of 418 non-financial companies quoted on the Sao Paulo Stock Exchange between August and October 2002. The study examined the relationship between the level of online reporting amongst the sampled companies and leverage, performance, size and profitability. The study developed a basic disclosure index containing some mandatory and voluntary items in order to assess the level of online disclosure amongst the surveyed firms. The results showed that 291 companies (70%) had accessible websites, whereas the remaining 127 companies (30%) did not have a web presence. The study evidence also revealed that the most frequently-included item was the annual report (49.5%), while the least commonly-disclosed item related to reinvestment information (1.4%). The findings also illustrated that firm size and lower annual stock returns (lower performance) were linked to higher levels of CIR, while no evidence was found of the remaining factors having an impact.

In China, Xiao et al. (2004) analysed factors affecting firms' decisions to engage in CIR practices using a sample of the 300 largest Chinese listed companies. The study developed an un-weighted disclosure index of 82 items (comprised 57 content items and 25 presentation items). The results showed that 203 companies had accessible websites, whereas the remaining 97 firms either did not have a web presence at all or had inaccessible websites. 144 websites (71%) provided some form of financial information. The results also revealed that the average score for all items was 25.61 and the most frequent content item was the provision of a summary of financial data over a period of at least 3 years (72.4%), followed closely by a summary of key ratios (71.9), whereas none of the examined websites presented information related to market share of key products. With respect to presentation criteria, the results reported that the most popular item was one click to get to press releases (62.6%); however, none of the websites included hyperlinks to items

inside the annual reports. The findings also showed that legal person ownership, foreign listing, use of Big-5³⁶ international auditing firms, the proportion of independent directors and membership of the IT industry were the main positive factors affecting firms' decisions to disclose financial information online, while a negative association was reported regarding government ownership.

The online reporting practices of South African companies were explored by Barac (2004). The sample consisted of the largest 87 listed companies with active websites. The results showed that almost all of the analysed websites used either a drop-down menu or a table of contents; about half of the websites included site maps and 38 included search facilities. The study also reported that 86% of websites disclosed detailed annual reports and 81% provided the auditor report. In addition, the surveyed websites included other information, namely: a corporate governance report (84%); social environmental reports (63%); investor relations section (75%); press releases (94%); share price information (77%); shareholder information (86%); presentations (69%) and interim reports (82%). In terms of timeliness, 75% of the websites presented real-time or 20 minute share price information and 92% provided current press releases. The findings also revealed that 78% of websites used the PDF format, while 16% adopted HTML and 46% used both. Regarding communications with stakeholders, 93% of websites had e-mail facilities, 25% included FAQs and 9% included chat groups. The study noted that a handful of companies distinguished between audited and un-audited information using techniques such as the use of specific headings to indicate whether the financial information is audited or not and the use of special icons and banners.

³⁶ Until 2002, the Big-4 was the Big-5 accounting firms, in 2002, the firm Arthur Andersen was dropped from this list after the Enron scandal.

A number of other studies have explored CIR practices elsewhere in the developing world. The findings are in line with similar studies of this nature and confirm that CIR practices in developing countries are still evolving. Examples of nations where these studies have taken place include: Jordan (Al-Htaybat and Napier, 2006); Cyprus (Andrikopoulos and Diakidis, 2008); Bahrain (Mohamed and Oyelere, 2008); Bangladesh (Dutta and Bose, 2008); Indonesia (Budisusetyo and Almilia, 2008); Greece (Anargiridou and Papadopoulos, 2009); Oman (Mohamed et al., 2009); Turkey (Bouzcuk et al., 2011; Uyar, 2011); Argentina (Alali and Romero, 2012); Ghana (Agyei-Mensah, 2012); and the United Arab Emirates (Oyelere and Kuruppu 2012).

In an attempt to explore the link between corporate governance practices and CIR, Hussainey and Al-Nodel (2008) investigated the use of the web to disseminate corporate governance information by 77 listed companies in Saudi Arabia between October 2005 and January 2006. Of the 77 companies, 64 (83%) had accessible websites, 11 did not have a web presence, one company had a web page under construction and one had a restricted website. The study focused only on the 64 companies with accessible websites. Of these, 46 (71%) provided some information about corporate governance practices. The most commonly-disclosed items related to detailed information about the names of the board of directors and information about ownership structure. The results revealed that corporate governance online reporting practices varied across sectors, with banks providing the largest volume of information.

In summary, CIR studies in developing countries have shown that although the practice is not as prevalent as in countries with developed capital markets, the volume of information supplied online is gradually increasing. Like their developed world counterparts, the

majority of these studies focused on large listed firms and they did not distinguish between the online reporting practices of financial and non-financial companies.

3.3.5 Cross Border Studies

A number of studies have explored online reporting practices in more than one country. These studies sought to determine and compare the extent of such practices in the respective countries. Table 3.6 provides an overview of these studies, while the following sections outline these studies and their contribution to the extant literature on CIR.

Table 3.6: Cross Border Studies

Country	Year	Author(s)	Sample	Website (%) [*]	Financial information (%) ^{**}
US, UK and Germany	1999	Deller, Stubenrath, Weber and Wolfgang	The top 100 companies in each country	95 (US)	91
				85 (UK)	77
				76 (Germany)	71
Austria and Germany	1999	Pirchegger and Wagenhofer	32 (Austria)	N/A	N/A
			30 (Germany)		
22 different countries	2002	Debreceeny, Gray and Rahman	660 companies	86	62
Bahrain, Saudi Arabia and Qatar	2002	Ismail	36 (Bahrain)	47	N/A
			68 (Saudi Arabia)	41	
			24 (Qater)	21	
US, UK, Canada, Australia and Hong Kong	2003	Allam and Lymer	250 companies	99.6	99.6
Malaysia and Singapore	2005b	Khadaroo	100 (Malaysia)	75	63
			45 (Singapore)	86.6	82
13 Eastern European countries	2006	Bonsón and Escobar	266 companies	N/A	N/A
Spain and Mexico	2012	Turrent and Ariza	35 companies in each country	N/A	N/A

Note: The table summarises the results of key international studies. Again, this list is by no means exhaustive. A * indicates the percentage of companies having websites amongst the sampled companies and a ** refers to the percentage of companies engaging in online reporting practices amongst the sampled companies.

In a comparative study, Deller et al. (1999) investigated the use of the web for reporting purposes in the US, the UK and Germany in 1998. The study focused on the largest 100 companies in the relevant stock markets. The results indicated that 95% of the US companies had websites, compared with 85% and 76% for their counterparts in the UK and Germany respectively. With respect to the use of the web for disclosure, the results showed that 91% of the US companies engaged in such practice compared with 77% and 71% in the UK and Germany. In terms of the online disclosure of accounting data, US corporations again led by a considerable margin. The results for presentation issues were mixed, with press releases being the most commonly-disclosed item in all of the three countries. The study concluded that the use of the internet by US corporations was more common and offered a lot more features than in the other two countries investigated. At the same time, none of the surveyed countries fully exploited the potential provided by the web as a communication channel.

The extent of CIR practices of 32 companies listed on the Vienna Stock Exchange was investigated by Pirchegger and Wagenhofer (1999). The analysis covered two points in time – December 1997 and December 1998 – and also compared the CIR practices of the Austrian companies with those of 30 German Deutscher Aktien Index (DAX)-listed companies. The study adopted four criteria to examine companies' websites namely: content; timeliness; technology and user support. The results for the year 1997 showed that 20 companies (63%) provided financial information on their web pages compared with 26 (81%) in 1998. The findings regarding the investigated criteria indicated that there was a great deal of variation in the extent of online reporting across the sampled companies and the quality of companies' websites improved significantly over the surveyed period. Comparing the results for the Austrian and German samples revealed that, on average, the two were very similar in terms of adopting the internet for reporting purpose; however

scores for the German sample were more homogeneous than the scores achieved by the Austrian sample. The results also pointed to a significant positive association between the extent of online reporting practices of the Austrian sample and both company size and free float level, while no association was found with regard to the German case.

In an international study, Debreceeny et al. (2002) sought to investigate the potential causes of the differences in online reporting practices in a sample of 660 firms from 22 countries. In particular, the study examined the relationship between firm characteristics (size, foreign listing, US listing, level of technology of the firm, growth prospects, market beta and leverage) and the level of internet reporting. The study also included some environmental characteristics (internet penetration and disclosure environment). The results indicated that 565 companies (86%) had usable websites and of these, 410 (62%) engaged in CIR practices. The results also showed that firm size, level of technology employed, US listing, growth prospects and intangibles and disclosure environment were positively associated with the extent of online reporting, whereas leverage, market risk did not appear to be determinants of using the web as a disclosure medium.

A number of other similar studies have explored CIR practices using cross-border analysis. The results of these studies are not reported in detail here, but their results are in line with the literature reported here. These studies include explorations of reporting practices in the following countries: Qatar, Bahrain and Saudi Arabia (Ismail, 2002); the US, the UK, Canada, Australia and Hong Kong (Allam and Lymer, 2003); Malaysia and Singapore (Khadaroo, 2005b); 13 Eastern European countries (Bonsón and Escobar, 2006); and Spain and Mexico (Turrent and Ariza, 2012).

After reviewing CIR studies in developed, developing countries and cross-border studies, it is obvious that CIR practices have become the norm for companies in developed markets; while such practices are still evolving in developing countries, the volume of online reporting is increasing. All of the studies reported here demonstrated that the examined companies varied significantly in terms of their utilisation of the internet and also in terms of the amount of information they provided online. With respect to factors affecting CIR, almost all the studies have found that company size had a positive impact on the extent of CIR, while the results with regard to other factors were equivocal and inconclusive. In addition, it can be concluded that some degree of maturity has now been achieved in research undertaken to date on online reporting practices in countries with developed capital markets; however, it is equally evident that more attention needs to be paid to practices in developing countries.

The next section sheds light on the studies that have sought to explore the perceptions of interested parties towards various aspects of CIR practices before discussing analyses of the link between CIR practices and economic proxies such as the cost of capital and share price.

3.4 CIR Studies Grounded in the Decision-usefulness Approach³⁷

3.4.1 Behavioural Accounting Research (CIR Studies Focusing on the Demand-Side Dimension)

As mentioned previously, there have been a number of studies that go beyond providing a description of CIR practices by exploring the perceptions of interested parties concerning such practices. These studies have focused on information users' concerns (i.e. the demand-side) and are typically routed in a decision-usefulness theoretical framework. A number of

³⁷ For more details see Chapter 4, sections 4.4.4 and 4.4.5.

key tasks have dominated the behavioural literature to date, including: (i) describing the attributes of CIR information; (ii) exploring the demand for particular types of online information; (iii) ascertaining the decision-making process and its costs and benefits; (iv) surveying the usefulness of CIR information in various countries; and (v) providing early explorations of XBRL. These issues are now discussed in turn.

One of the main themes to emerge in the behavioural literature on CIR relates to research exploring desirable attributes for CIR information. One of the earliest studies in this area was undertaken by Debreceeny et al. (2001) who investigated the perceptions of users regarding some key attributes associated with online reporting. The study developed 61 attributes from the extant literature on CIR, most of which related to information content and presentation. 1275 questionnaires were sent by e-mail to “Double Entries” subscription list.³⁸ 169 questionnaires were returned, giving a response rate of 13.2%. The results showed that respondents gave high ranks to the provision of traditional elements of the financial statements, including: the core financial statements, notes, the auditor’s report and the annual report. In addition, the results revealed that traditional static attributes were rated higher than dynamic attributes. With respect to the presentation elements, respondents had some concerns in terms of the time taken to download files and the requirement to use Adobe Acrobat. The results also showed that respondents attached low importance to attributes such as e-mail links on the website, while they valued hyperlinks and other navigation aids such as the table of contents and the query function.

In a similar vein, Beattie and Pratt (2003) used a questionnaire survey to investigate the views of interested parties, namely: (i) expert users (investment analysts; fund managers; and corporate lenders); (ii) non-expert users (private shareholders); (iii) preparers (finance

³⁸ A weekly e-mail newsletter that covers developments in accounting and auditing (Debreceeny et al., 2001).

directors); and (iv) auditors (audit partner), regarding three specific issues: the desirability of disclosing various kinds of information online; the usefulness of different navigation and search aids; and the portability of information under different formats. 1645 questionnaires were sent to the surveyed groups and 538 individuals responded, giving an overall response rate of 33%. The results indicated that the perceptions of the surveyed groups differed significantly with respect to the scope, structure and frequency of online reporting packages, with users preferring most of the provided proposals, finance directors being neutral or in opposition and auditors somewhere in between these. The results also revealed that 76% of finance directors opposed proposals to provide the minutes of one-to-one meetings online, while 30% of expert users concurred with these proposals. The proposal to replace annual general meetings by online questioning was rejected by all the main groups. Furthermore, the results showed that all online reporting features (i.e. navigation and search aids) were seen as being at least *fairly* useful by all groups. The study concluded that both expert and non-expert users had similar views with respect to many issues, whereas the perceptions of users and preparers varied significantly and auditors' views fall in between users and preparers.

A second strand of the behavioural literature on CIR sought to explore the demand for particular types of online information. For example, Rowbottom et al. (2005) sought to measure the demand for web-based investor relations information using the web server logs method.³⁹ The study was undertaken using data for a UK FTSE 100 companies between July 2001 and June 2002. With respect to page views per month, the results showed some fluctuations during the examined period with August 2001 being the month in which the views reached its peak. The results also revealed that the number of visits fluctuated ranging from 4,500 to 6,500 visits over the surveyed period. The study also found that there

³⁹ The web server logs method provides specific data on each file processed by the server, so it can be used to measure the consumption of online data (Rowbottom et al., 2005).

was a decline in the average page views per visit, but some correlations existed between the number of visits and the release of interim and annual reports online. Furthermore, the results showed that the majority of users favoured the presentation of financial information in PDF format (91.8%) rather than HTML (8.2%). In terms of the financial information requested, the findings showed that the profit and loss account was the most requested financial information (14.4%), followed by the notes to the financial statements and the balance sheet, with 14.2 and 13.2% respectively, while the auditor report was the least requested part with 5.3%. For narrative reporting, the remuneration report was the most requested element.

In a similar vein, Rowbottom and Lymer (2009a) investigated the use of web-based investor relations information for 12 large companies listed on the LSE using the web server logs method. After analysing 4.7 million requests for corporate information, the results revealed that the largest number of requests emanated from the reporting company itself, while there were fewer requests from groups such as professional investors, creditors, consultants and information intermediaries. The findings also indicated that there was a greater demand for annual report content from accounting firms, professional investors and creditors, while requests originating from the company mostly concerned information outside the annual report. Whilst the majority of online users favoured information presented in HTML format, very few companies presented information in spreadsheet formats. The study also found that general information about the company was the most commonly-accessed, followed by annual report, press releases, share price information and sustainability information respectively.

In the same year, Rowbottom and Lymer (2009b) explored the use and users of corporate sustainability information disseminated online by a sample of 10 UK FTSE 350 companies

using the web server logs method. In doing so, the study analysed 4,652,471 successful requests for information. The results revealed that the majority of requests for sustainability information originated from the reporting company itself, followed by private individuals, while lawyers generated the lowest number of requests. The findings also indicated that the reporting company and private individuals requested more sustainability information and made significantly fewer requests for annual report content, while requests emanating from professional investors, creditors and accounting firms contradicted the earlier finding by favouring the opposite. Furthermore, the results showed that the most commonly-requested part of the surveyed websites related to financial reporting information (24% of the total requests), while fewer requests were made for sustainability information (10.6%). The study also indicated that environmental and ethics and values pages were the most commonly-accessed elements of the sustainability information.

Subsequently, Rowbottom and Lymer (2010) examined narrative reporting in the online annual reports of 15 FTSE 350 companies. The study utilised the web server logs method to analyse more than one million requests for narrative reporting information from different stakeholders. The results showed that the majority of requests for narrative information originated from private individuals (30% of total requests) followed by employees, while requests emanating from the government accounted for only 0.40% of the total. The results for the management commentary information again indicated that private individuals were the most frequent users of this information, while professional investors, creditors and accounting firms accounted for fewer requests for both narrative and management commentary information. Moreover, the study found that the main components of the financial statements, notes and segmental analysis comprised the most frequently-requested information. Finally, the investigation revealed that although narrative reporting

information accounted for the majority of requests, traditional financial information within the annual report was the most frequently-used section.

A third strand of the literature has explored the costs and benefits associated with CIR. For example, Ashbaugh et al. (1999) investigated the views of US companies about the costs and benefits of establishing a website. A questionnaire survey was distributed to 253 firms that proved to have an accessible website. With a 27% response rate, the results revealed that the average cost of setting up a website by the investigated firms was \$337,594, with firms engaging in CIR spending more than non-CIR firms. The findings also indicated that more than one department was in charge of maintaining the website. Communicating with customers and shareholders was found to be the most important reasons for establishing a web presence. In addition, the results suggested that firms viewed CIR as a supplement to traditional paper-based reporting.

A fourth theme that has emerged in the behavioural literature relates to studies exploring perceptions of interested parties towards CIR practices in various countries. For example, using interview evidence, Gowthorpe (2004) examined the views of company officials regarding the CIR practices of smaller companies listed on the LSE. Twenty interviews were conducted with senior corporate managers and these suggested that the decision regarding the adoption of CIR is generally taken at a high level, with the disseminator of information taking the dominant role in determining the extent of CIR practices; consultation with the users of corporate information was non-existent. The findings also revealed that the possibilities of enhanced and more symmetrical communication taking place via CIR are not being exploited.

In Saudi Arabia, Al-Motrafi (2008) investigated the perceptions of Saudi users towards the adoption of CIR. The study targeted three user groups: institutional investors; financial analysts and private investors. Views were elicited regarding: (i) internet infrastructure in Saudi Arabia; (ii) information sources; (iii) the pros and cons of online reporting; (iv) the quality of online reporting provided by the Saudi companies; and (v) the informational needs of the investigated groups. On the basis of a 48% response rate, the results showed that half of respondents used Saudi Stock Exchange website to get corporate information, while 18% acquired this information from companies' websites, with financial information being the most significant part of the latter. Saudi users were broadly satisfied with many of the raised issues, although they had some concerns with regard to internet speed. The findings also revealed that different users hold varying views regarding the sources of information. Improved accessibility of financial information disseminated online was identified as the first advantage of online reporting, while difficulties in distinguishing between audited and un-audited information were reported as being the main disadvantage of online reporting. In general, the results suggested that Saudi users were not satisfied with the quality of online reporting provided by the nation's companies. Saudi users were found to favour the possibility of providing online information in multiple currencies, followed by the table of contents. A link to the auditor's home page was also ranked first as a proxy for the credibility of online reporting. In terms of timeliness items, respondents favoured the notion of financial information published via companies' websites being updated weekly. The results concerning the usability items revealed that respondents valued the provision of online corporate information in a word-processing format. The study concluded that institutional investors and financial analysts hold similar views with respect to many issues, whereas the views of private investors differed significantly.

In a similar vein, Al-Htaybat et al. (2011) sought to explore the perceptions of Jordanian users (financial analysts, academics, bank credit officers and auditors) with respect to the usefulness and usability of CIR, using a questionnaire survey method. Based on the Technology Acceptance Model (TAM), the researchers developed a questionnaire comprising 27 questions divided into two parts; 5 background questions and 22 statements related to the respondents' perceptions concerning the usefulness and usability of CIR in Jordan. With a response rate of 57%, the results showed that the surveyed groups agreed that CIR as a source of information was usable, accessible and available any time and from anywhere. The findings also revealed that individual user groups viewed the usefulness of CIR differently. The results reported that the respondents had some concerns regarding the cost of accessing the internet and printing accounting information, and the authors concluded that Jordanian users viewed the traditional annual reports as the most preferable source of accounting information.

More recently, AbuGhazaleh et al. (2012) sought to identify the factors affecting Jordanian companies' decisions to set up a web presence and deliver financial information online. In doing so, 12 interviews were conducted with company officials in Amman between June and August 2008. The findings reveal that the level and type of competition in the market, compatibility with the needs of the company, the desire to reach new markets, clients and investors, together with management support were the most common influences on companies' decision to maintain a website. The results suggest that a company's monopolistic position in the market, the scarce demand for web-based investor relations information, combined with the unwillingness of Jordanian users to access companies' websites and acquire the needed information, were the most common reasons preventing companies maintaining a webpage and publishing corporate information online.

A final, but increasingly important strand of the literature has focused on the introduction of XBRL. Although XBRL is not a key element of this thesis, it is important to reflect this expanding section of the CIR literature as it provides relevant context for the present study.⁴⁰ For example, Dunne et al. (2009) explored the perceptions of stakeholders (business practitioners, auditors, tax practitioners and users of financial information) regarding the adoption of XBRL within UK businesses via a questionnaire survey. The study focused on: (i) knowledge of digital reporting; (ii) pros and cons of the technology; (iii) some auditing issues; and (iv) the role of training and standard-setters. On the basis of a 9% response rate, the results indicated that of the 86 business practitioners who responded, 58% worked for companies that disclosed interim statements; about 33% produced quarterly reports. Half of the firms used PDF format while very few adopted HTML and none of the 86 participants used XBRL. The results also revealed that the majority of respondents indicated that the technology had never been discussed in their organisations. The study concluded that there was little knowledge of XBRL among this group. With respect to auditors, 13 had replied and a few of them had some awareness of XBRL. The auditor participants stated that digital reporting is useful to users, but they were neutral regarding the ability of XBRL to achieve its claimed benefits. The study reported that specialist staff, specialist auditors and general audit practitioners were responsible for auditing XBRL documents. The study noted some discrepancies in the auditors' responses and there was some confusion among this group about the nature of XBRL. The research also revealed that more than half of the auditors thought that they have responsibilities over the conversion process. The results for tax practitioners showed that they were more aware of XBRL than their auditors and business practitioner counterparts. Regarding the user

⁴⁰ There has been a proliferation of XBRL studies over the past few years. The present study does not explicitly investigate this area, as none of the sampled companies utilised this reporting language to disseminate corporate information. A list of the extant literature on XBRL is provided in Appendix 3.1.

groups, the study found that users were not very knowledgeable of XBRL, but they had the intention to educate themselves about it.

In summary, CIR studies that have focused on exploring the perceptions of interested parties have indicated that respondents value the features of CIR practices and describe these reporting practices as being useful; however, in the vast majority of instances participants view the traditional paper-based annual report as the preferred source of information. Key elements of the financial statements (such as balance sheet and income statement) are the most requested part of the information disseminated online. Participants have also indicated that the potential of enhanced and more symmetrical communication, via CIR practices, is not being exploited as typically the supplier of corporate information takes the dominant role in determining the extent of information to be made available online. With respect to XBRL, it was found that most of the respondents were not knowledgeable of XBRL as a reporting language.

3.4.2 Market-Based Accounting Research (MBAR)

Beattie (2005) indicated that:

“MBAR examines the relationship between accounting information and share prices (or returns) (the capital market can be thought of as aggregate investors), and relies on economics and finance as foundation disciplines” (p. 88).⁴¹

In this regard, a number of researchers have investigated the potential link between the adoption of the internet as a disclosure channel and market-based variables such as the cost of capital and share prices. The following section summarises these studies.

⁴¹ Further details of this kind of research are provided in Chapter 4.

Hunter and Smith (2009) sought to investigate the economic consequences of online reporting using data from five emerging stock markets: Brazil, India, Indonesia, Russia, and South Africa. The study formulated two research hypotheses: (i) the market performance of securities listed on emerging stock exchanges is higher in the post-event period⁴² following the commercialisation of the internet; and (ii) the market responds positively when firms announce the launching of a website. The sampling period to test the first hypothesis was from 1991 to 1997 and the second hypothesis was tested between 1998 and 2001. The researchers used monthly returns to measure the market performance in the pre-internet and post-internet periods. The results showed that the two hypotheses were supported with respect to India, Indonesia, and South Africa, while no evidence was found for Brazil and Russia.

The association between the engagement in CIR practices and stock prices was investigated in a study by Lai et al. (2010). The study used data from 522 companies listed on the Taiwan Stock Exchange (as of March 29, 2002) and developed five hypotheses to test that relationship. The results showed that 490 (85.66%) of the sampled companies had websites and 206 (39.5%) of them engaged in online reporting practices. In order to test the formulated hypotheses, the sample was divided into two groups: (i) experimental (firms with online reporting) and (ii) control (firms without online reporting). The results confirmed the first hypothesis that the share prices of companies with online reporting responded more quickly compared to companies without online reporting. In addition, the results suggest that companies that disclose more information online would promote their stock prices to respond faster compared to other companies with a lower level of online disclosure. The findings confirmed the third hypothesis that companies engaging in online

⁴² The event date for the first hypothesis was the internet access day in each country, while the event date in the second hypothesis was the date of announcing the launching of the firm's website (Hunter and Smith, 2009).

reporting have the potential to yield higher cumulative abnormal returns and also supported the last two hypotheses, whereby the degree and scope of online reporting had a significant impact on the stock's abnormal return.

In a similar study, Rahman (2010) examined the impact of online reporting practices on stock prices of the Kompas 100 companies listed on the Indonesia Stock Exchange (IDX).⁴³ The results showed that 75% of the sampled companies had a web presence and 25% of them engaged in online reporting practices. The results indicated that there was a positive association between the extent of CIR practices of the sampled companies and the abnormal returns, but there was no significant difference between the abnormal return of companies with online reporting and companies without.

In summary, CIR practices have been found to have a positive impact on securities listed on emerging capital markets, with the markets responding positively to the announcement of the setting up of a web presence. In addition, share prices of companies engaged in CIR activities respond more quickly and provide the potential to yield higher abnormal returns.

The next section provides a brief overview of the traditional paper-based financial disclosure in Egypt followed by outlining studies that have examined CIR practices in Egypt so far.

3.5 The Egyptian Situation

3.5.1 Traditional Reporting Practices

It is worthwhile providing a brief overview of the paper-based financial disclosure of listed companies on the Egyptian Exchange (EGX) as a contextual base before investigating the

⁴³ Kompas 100 is an index of 100 shares of public companies listed on the IDX and has high liquidity and market capitalisation (Rahman, 2010).

phenomenon of CIR in the country. In this regard, it has been argued that: “the financial reporting disclosure environment at the national level is likely to induce or subdue corporate disclosure” (Debreceeny et al., 2002, p. 376).⁴⁴

The first strand of studies focused on the implementation and impact of IAS. For example, Abdelsalam (1999) examined the disclosure practices of 72 companies listed on the EGX at two points in time – 1991 and 1995. The study aimed to investigate whether there were any improvements in such practice following the issuance of a new capital market law – CML 95/1992 – which mandated the adoption of IAS. The study also investigated the association between firm characteristics and the extent of corporate disclosure. Using a disclosure index of mandatory items based on the requirements of IAS and Egyptian laws (e.g. CL 159/1981 and CML 95/1992), the study reported that, for 1995, the sampled companies satisfied 83% of the IAS requirements, 93% and 79% of CL 159/1981 and CML 95/1992 respectively. Thus, accounting disclosure practices improved considerably in 1995 compared with 1991. The findings also revealed that large and actively-traded public sector companies provided the highest CML disclosure, while companies audited by the Big-6 provided the highest IAS disclosure.

In a similar vein, Dahawy and Conover (2007) sought to answer the question of how cultural variables in Egypt affect the extent of compliance with the requirements of IAS. The study used a sample of actively traded companies on the EGX in 2004. In doing so, the study used an un-weighted disclosure checklist that was developed based on the CMA requirements which in turn were based on the IAS requirements. The results indicated that the average disclosure level was 61% of items included in the CMA checklist, although companies appeared to adopt a selective policy in their choice of what to comply with and

⁴⁴ Environmental dimensions include the national culture (Gray, 1988), the nature of financing (Ball, 1995) and regulatory frameworks (Ball et al., 2000).

what not to. The study argued that most of the non-compliance could be explained by cultural reasons such as the secrecy culture embedded in Egyptian society. In addition, the paper reported that some parts of the IAS are inconsistent with Egyptian culture, as these standards reflect the Anglo-American culture which is quite different from the Egyptian culture. For example, some of the sampled companies did not implement the insider trading standard because it conflicts with the collectivist nature of the Egyptian society and the way business is conducted in Egypt.

A second strand of the literature has focused more generally on disclosure, distinguishing between the inclusion of mandatory and voluntary disclosure. For example, Hassan et al. (2006) examined the level and determinants of corporate disclosure over the period from 1995 to 2002 using a sample of 77 non-financial companies listed on the EGX. The study developed a disclosure index of 75 items (49 mandatory and 26 voluntary items) and found that the overall disclosure level amongst the sampled companies averaged 75%. The results also indicated that the surveyed companies satisfied 90% and 48% of the mandatory and voluntary items respectively. Furthermore, the study found that there was a gradual increase in the extent of disclosure, with high compliance with respect to mandatory disclosures, but limited compliance with voluntary ones. With respect to the examined determinants, the results showed that profitability was the only variable significantly associated with disclosure level, while the results for company size, gearing and stock activity were inconclusive.

In a follow-up study, Hassan et al. (2009) investigated the value relevance of voluntary and mandatory disclosures of companies listed on the EGX over the period 1995 to 2002. The final sample consisted of 80 non-financial listed companies. To determine the extent of corporate disclosure amongst the sampled companies, the study developed a disclosure

index of 75 items (49 mandatory and 26 voluntary items). The results revealed that, on average, 75% of the total items were provided by the surveyed companies, reflecting 90% and 48% figures for mandatory and voluntary disclosures respectively. As regards the value relevance of mandatory and voluntary disclosures, the findings reported a highly significant negative association between mandatory disclosure and firm value; a weaker positive relationship was found with respect to voluntary disclosure.

Recently, a third strand of the accounting literature has focused on corporate governance disclosure. For example, Dahawy (2009) assessed corporate governance practices amongst companies listed on the EGX in 2005. The sample included the CASE 30 (now the EGX 30), which comprised the most active companies on the market. To determine the extent of such practices, the study used a corporate governance checklist which was developed by the United Nations. The checklist comprised 53 items covering five main issues, namely: financial transparency; ownership structure and exercise of control rights; board and management structure and process; corporate responsibility and compliance; and auditing. The results showed that corporate governance scores averaged 12 items (22%), with 4 companies disclosing more than 50% of the surveyed items and 16 companies less than 10%. The study noted that the sampled companies scored more for financial transparency items, and less information for auditing practices. The study concluded that disclosure levels improved considerably for items required by the EAS and assessed by the CMA.

3.5.2 The State-of-the-Art in Egypt

With respect to online reporting in Egypt, companies listed on the EGX have sought to keep themselves abreast of technological advancements by exploiting the possibilities made available by the internet as a disclosure channel. Despite the considerable increase in the number of internet users in Egypt in recent years, noted in the previous chapter, there have

been very few studies aimed at determining the extent of adoption of the internet for disclosure purposes in Egypt. The limited CIR literature in Egypt can be linked to the novelty of CIR practices in that reporting environment. The extant studies that have been conducted are now discussed.

Ezat and El-Masry (2008) studied the main elements affecting the timeliness of online reporting practices using a sample of 37 companies listed on the EGX in December 2006. The study aimed to explore the association between firm characteristics (size, type of business activity, profitability, leverage, liquidity and issuance of shares), corporate governance variables (ownership structure, board composition, role duality and the size of the board of directors) and the timeliness of internet reporting by the evaluated companies. The study, which used a checklist of 11 items to determine the timeliness of online reporting, found that the most commonly-disclosed item was current share price information (67.6%), while the least popular item was the most recent interim financial report. The study reported a significant relationship between the timeliness of online reporting and size, type of industry, liquidity, ownership structure, board composition and board size.

In a similar vein, Desoky (2009) examined the determinants of CIR amongst a sample of the 88 most active companies listed on the EGX. In doing so, the study developed an un-weighted disclosure index of 39 items categorised into two main groups – 26 content items and 13 presentation and user support items. The results revealed that there were 57 companies with accessible websites, 26 had no web presence at all and the remaining five companies had web pages under-construction. 45 websites (51%) contained some form of corporate information. In terms of content, the results showed that financial statements items were the most commonly-disclosed via the surveyed websites, while the most popular

presentation item was an English version of the home page (91%). Company size, profitability, foreign listing and ownership structure were the main variables to account for the engagement in online reporting practices of the examined companies, while a significant negative relationship was reported with respect to legal form and no association was found for industry type.

Aly et al. (2010) investigated variables that might explain firms' decisions to engage in online disclosure practices between October 2005 and January 2006. The initial sample consisted of the top 100 most active-traded companies listed on the EGX. After excluding financial companies and companies which either do not have a web presence or had an unusable website, the final sample comprised 62 non-financial companies with accessible websites. To determine the extent of online reporting amongst the sampled companies, the study developed an un-weighted disclosure index comprising 90 items, made up of 59 content items and 31 presentation items. The results revealed that of the 62 sampled companies with accessible websites, 35 provided some form of financial information. With respect to the investigated variables, the study reported that profitability, foreign listing and industry type were found to be significantly associated with the extent of internet reporting practices, while no evidence was found for the remaining factors.

Samaha et al. (2012) explored the impact of corporate governance characteristics on the propensity and extent of CIR practices amongst the top 100 most-active companies listed on the EGX. The study also investigated the relationship with selected control variables. The study developed an un-weighted disclosure index which comprised 87 items (67 content and 20 presentation). The sample companies were divided into two groups: companies with CIR (61) and companies without CIR (39). The results revealed a positive relationship between free float, managerial ownership and government ownership and the

propensity of CIR, while a negative association was reported with respect to board independence. Furthermore, the results suggested a positive relationship between free float, board size and the extent of CIR, while a negative association was found with regard to government ownership and board independence. With respect to control variables, size and profitability were reported as having an association with the propensity of CIR, while only size was found to have an impact on the comprehensiveness of CIR.

In summary, studies that have examined traditional paper-based disclosure amongst companies listed on the EGX have found limited compliance with standards and disclosure requirements, although, the extent of disclosure amongst companies has to be seen in the context of the secrecy culture embedded in Egyptian society. With respect to CIR practices in Egypt, the small literature in this regard has shown that CIR practices amongst companies listed on EGX are still limited and there are great variations among these companies in terms of their utilisation of the internet and the extent of information available online. CIR studies undertaken in Egypt so far suffer from the use of relatively small samples and the lack of a developed theoretical foundation. In addition, the studies also fail to distinguish between financial and non-financial companies; the two groups are subject to different regulations and standards, leading to potentially inconsistent findings. Moreover, all the investigations have been descriptive in nature, with some seeking to examine the association between individual factors and CIR practices.

3.6 Summary and Concluding Remarks

This chapter has provided a review of the extant literature concerning the use of the internet for reporting corporate information. The chapter began by providing a brief overview of the internet and its potential to disseminate financial and non-financial information. The chapter then proceeded to outline the two levels of digital reporting identified by the

ICAEW. The first of these includes PDF and HTML formats, which allow companies to maintain a web presence. These formats do not facilitate easy manipulation of the data for various analytical purposes and this weakness is one of the main relative advantages of second-level digital reporting, of which XBRL is considered to be the primary language. Most of the extant literature on Corporate Internet Reporting (CIR) has focused on studies exploring the use of the internet for disseminating corporate information. These studies have largely been descriptive in nature and have typically utilised disclosure indices to determine the extent of CIR practices of companies, either via a single-country analysis or across a range of countries. These studies focus on the supply-side dimension, typically describing the incidence of CIR practices amongst the sampled companies. CIR is a common practice for companies in countries with developed capital markets with US companies taking the lead, and attracting studies exploring CIR practices as far back as the mid-1990s. These studies showed that financial information disclosed on company's websites ranged from the provision of particular types of financial information to the inclusion of comprehensive annual reports. However, these studies suffer from the lack of a theoretical framework. A number of studies have examined the practices of UK companies; on the whole most UK companies have realised and embraced the potential of the web as a reporting medium. However, as with the studies conducted in the US, many are descriptive in nature and typically focus on the reporting practices of large firms.

Studies carried out in other developed countries have also focused on large companies and have adopted the same objective, i.e. to explore the extent of online reporting. The results of these studies showed that companies in the countries concerned started using the internet as a reporting channel, but its use was not as pervasive as in the US and the UK. CIR studies exploring developing countries were also reviewed in the chapter. The results of these studies indicated an increasing awareness amongst firms in the surveyed countries of

the possibilities provided by the web as a dissemination medium, although there is clearly much room for further embracing the power of the internet to communicate corporate information to interested parties. The chapter also outlined a number of cross-border studies. The results of these studies indicated some variation amongst the sampled countries regarding the exploitation of the internet for disclosure purposes. In general, despite the widespread adoption of the internet as a disclosure channel, companies do not utilise the internet in a consistent manner resulting in great variation in CIR practices worldwide. This variation can be linked to the lack of formal guidelines concerning the publication of corporate information via the internet.

The chapter then proceeded to provide a review of CIR studies which have focused on exploring the demand-side. These studies have typically investigated the perceptions of interested parties concerning CIR practices. These studies have revealed that the potential provided by the internet as a reporting medium is recognised, but traditional paper-based annual reports are still the preferred source of information. Furthermore, the possibilities of enhanced and more symmetrical communication, via CIR, were not being exploited, as the disseminator of information takes the dominant role in determining the extent of CIR practices, with no consultation taking place regarding users' needs. With respect to developing countries, problems relating to internet infrastructure are more pervasive and again there is considerable room for improvements in CIR practices in these nations.

A number of market-based studies have examined the economic consequences of CIR practices. These papers have explored the association between engagement in online reporting practices and some economic measures such as share prices. The results of these studies have indicated potential economic consequences associated with the adoption of CIR. With respect to the situation in Egypt, the chapter outlined a number of disclosure studies that have provided information about traditional reporting practices of companies

listed on the Egyptian Exchange (EGX). The chapter then reviewed CIR studies undertaken in Egypt. From reviewing these studies, it can be concluded that these studies had very similar aims, namely to determine the extent of online reporting practices amongst the sampled companies. The results of these studies have demonstrated that the online reporting practices of companies listed on the EGX still lag far behind their counterparts in countries that have developed capital markets. Most of these studies were not theoretically grounded and used a relatively small sample which might limit the generalisation of results. In addition, some did not distinguish between financial and non-financial companies which might lead to inconsistent results, as banks and insurance companies are subject to different accounting standards and rules. Moreover, the studies concentrated primarily on *what* and *how* questions, but ignored the *why* question. In other words, these studies have been descriptive in nature and focused only on companies' practices (i.e. the supply-side dimension). To the best of the researcher's knowledge, however, no prior studies have interrogated interested parties about their perceptions of CIR practices in Egypt. Applying decision-usefulness theory as a lens, the present study addresses this void by: (i) examining the most recent CIR practices amongst all non-financial companies listed on the EGX, at two points in time; and (ii) exploring the views of users and preparers of corporate information regarding CIR in Egypt via interviews and a questionnaire survey. Having set out the extant literature in detail, the thesis now turns to the theoretical framework underpinning the present study.

Chapter 4:
The Theoretical Framework: Decision-Usefulness Approach

Chapter 4

The Theoretical Framework: Decision-Usefulness Approach

4.1 Introduction

The previous chapter provided a review of the extant academic and professional literature on online reporting. The present chapter outlines the theory that is employed in this study, since every piece of academic research requires a theoretical foundation (Abdel-Khalik and Ajinkya, 1979). Furthermore, Porwal (2008) indicated that: “no discipline can develop without a strong theoretical base” (p. 7). In this respect, Ijiri (1983) argued that: “a conceptual framework for accounting can be decision based or accountability based” (p. 75), thus this chapter outlines these two frameworks to investigate their suitability as a theoretical foundation for the present study and then draw a conclusion as to the most appropriate. The remainder of this chapter is structured as follows: Section 4.2 provides a brief background on the definition of accounting theory, the formulation of theory (and the role it plays in accounting) as well as the definition of the accounting framework. Section 4.3 outlines the accountability framework together with its limitations, while the decision-usefulness approach, its background and history of adoption by standard-setters, the qualitative characteristics of useful accounting information and their constraints as well as the users of those information and their informational needs, methods which have been used to evaluate useful information and the limitations of the approach are provided in Section 4.4. Section 4.5 then outlines the reasons behind the adoption of the decision-usefulness approach as a theoretical framework for the present study, before the chapter concludes in Section 4.6.

4.2 Accounting Theory

4.2.1 Definitions

It is worthwhile to define the term theory at the outset. The New Webster's Dictionary and Thesaurus of the English Language (1993) defined theory as:

“An organised body of ideas as to the truth of something, usually derived from the study of a number of facts relating to it, but sometimes entirely a result of exercising the speculative imagination; knowledge of a science or art derived from such study and speculation.”

In addition, the Oxford Dictionary (2006) described theory as:

“(i) a reasoned set of ideas that is intended to explain why something happens or exists; (ii) an idea that explains or justifies something; (iii) a set of principles on which an activity is based” (p. 1074).

A number of definitions have been proposed in the extant literature. For example, Kerlinger (1964) defined theory as:

“A set of interrelated constructs (concepts), definitions, and propositions that present a systematic view of phenomena by specifying relations among variables with the purpose of explaining and predicting the phenomena” (p. 11).

In the same context, Chambers (1972) provided a definition of theory as being “a well-ordered set of statements about classes of things and classes of events which are in some way connected in our experience of them” (p. 138). Similarly, Porwal (2008) suggested that a theory is “a systematic statement of the rules or principles which underlie or govern a set of phenomena” (p. 6).

With respect to accounting theory, Riahi-Belkaoui (2004) indicated that: “it must be recognised at the outset that no comprehensive theory of accounting exists at the present time. Instead, different theories have been and continue to be proposed in the literature” (p. 108). This means that there is no agreement among social scientists on a single theory that encompasses all elements of accounting. For example, accounting theory is described by

Sterling (1970) as those substantive propositions that relate accounting measurements to decision models and decision-making. Meanwhile, Hendriksen (1982) defined accounting theory as:

“Logical reasoning in the form of a broad set of principles that (i) provide a general frame of reference by which accounting practices can be evaluated and (ii) guide the development of new practices and procedures” (p. 1).

In addition, Kam (1990) viewed accounting theory as:

“A set of assumptions, definitions, recognition and measurement principles and procedures for the purpose of determining income and capital. Specific methods and procedures of accounting are the roles of correspondence” (p. 490).

The abovementioned definitions of accounting theory provide a basis for understanding the process of formulating accounting theory and the role of theory in accounting, the subjects of the next two sub-sections.

4.2.2 The Formulation of Accounting Theory

It has been argued that the two main approaches in the formulation of theory are the deductive approach and the inductive approach (Vorster, 2007).⁴⁵ These two approaches are therefore outlined here.

4.2.2.1 The Deductive Approach

According to Mathews and Perera (1996) there are a number of key elements involved in the deductive approach to theory formulation in accounting. The establishment of objectives of accounting is considered to be crucial and this is followed by the identification of key definitions and assumptions. A logical form for the fulfilment of the

⁴⁵ Other approaches include the abduction approach which is concerned with “developing (“inventing”) theoretically informed explanations to new, and often surprising, empirical observations” (Lukka and Modell, 2010, p. 467). Lukka and Modell (2010) argued that the abduction approach differs from deduction in terms of the starting point, as the former starts from empirical observations, while the latter starts from theory. On the other hand, they argued that abductive and inductive reasoning have a similar starting point.

stated objectives must then be developed. It has been argued that the deductive approach starts with basic propositions derived from accounting and its environment and ends up with accounting principles and techniques (Mathews and Perera, 1996; Riahi-Belkaoui, 2004). Thus, the reasoning underlying this approach can be described as “going from the general to the specific” (Mathews and Perera, 1996, p. 55). Furthermore, Porwal (2008) indicated that the deductive approach emphasises “what ought to be” (p. 28), while, Vorster (2007) suggested that:

“The structure of deductive theory construction includes: (i) the formulations of objectives of financial reporting; (ii) determining the postulates (acceptable assumptions) of accounting; (iii) setting constraints in order to guide the reasoning process; (iv) the formulation of principles; and (v) the formulation of procedural methods and rules” (p. 31).

4.2.2.2 The Inductive Approach

Mathews and Perera (1996) defined induction as being “a method of reasoning by which general law or principle is inferred from observed particular instances” (p. 56). Thus, the inductive approach follows the opposite pattern of the deductive approach, as it starts with detailed observations and measurements and ends with general conclusions and principles (Mathews and Perera, 1996; Vorster, 2007). In the same vein, Riahi-Belkaoui (2004) indicated that:

“The inductive approach to a theory involves four stages: (i) recording all observations; (ii) analysis and classification of these observations to detect recurring relationships (“likes” and “similarities”); (iii) inductive derivation of generalisation and principles of accounting from observations that depict recurring relationships; and (iv) testing the generalisation” (p. 112).

Porwal (2008) suggested that according to this approach “accounting and financial information, depicting recurring relationships, leads to the formulation of postulates and principles” (p. 29). He indicated that the inductive approach “involves reasoning from the particular to the general” (p. 8).

Although the two approaches appear to follow the opposite pattern in terms of the formulation of accounting theory, it should be noted that the deductive and the inductive approaches are interrelated; as Mathews and Perera (1996) put it “inductive and deductive approaches are not mutually exclusive” (p. 56). In the same context, Hendriksen (1982) suggested that: “all theories must include elements of both deductive and inductive reasoning” (p. 7). Furthermore, Riahi-Belkaoui (2004) argued that as the deductive approach begins with general propositions, these propositions are formulated inductively, while the derivation of the principles and techniques are accomplished through a deductive process. Similarly, Porwal (2008) noted that:

“To develop accounting theory, there has been an application of both approaches. Principles are derived by a deductive process, while the general propositions are formulated through an induction process” (pp. 29-30).

4.2.3 The Function of Theory in Accounting

Although the accounting profession has survived decades without an overall theory that helps to control and guide accounting practices, and could probably continue to do so, there have been problems as a result of the absence of a general theory of accounting (Kam, 1990). Chambers (1955) suggested that the existence of a theory ensures that “our practice will be more confident, our conclusions more informed, our services to management or to our clients more valuable” (p. 18), while, Mathews and Perera (1996) indicated that: “the main function of accounting theory is to provide a framework for the development of new ideas and to help the process of accounting choice” (p. 52). In a similar vein, the FASB (1976) argued that the development of such a theory could lead to consistent standards and prescribe the nature, function and limits of financial accounting and financial statements. The FASB (1976) has argued that a general theory of accounting has the ability to: (i) guide the body responsible for establishing accounting standards; (ii) provide a frame of reference for solving accounting questions in the absence of a specific promulgated standard; (iii) determine bounds for judgment in preparing financial statements; (iv) increase financial

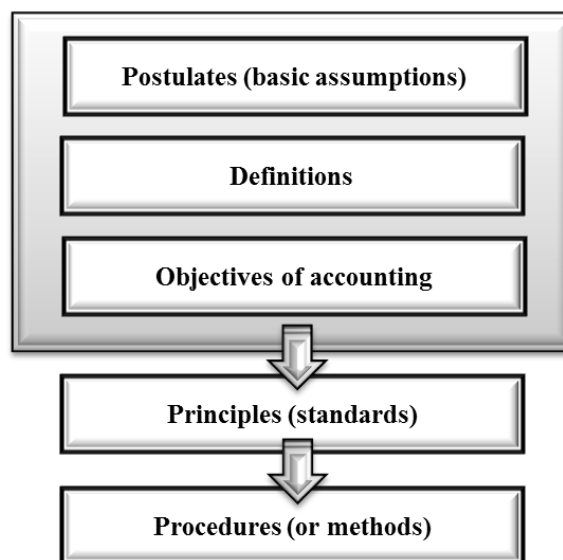
statement users' understanding of and confidence in financial statements; and (v) enhance comparability. In addition, Chambers (1972) argued that:

“The function of theory is to explain how things and events are connected ...Every theory of a method of accounting should be an explanation of the way in which certain symbols, which singly or together correspond with some actual events and results, can be used by managers and others to draw conclusions about the past or make calculations and estimates about the future courses of action they can take” (p. 111).

According to Haward and Sheth (1969) the accounting function can be classified into four categories: (i) description; (ii) delimitation; (iii) generation; and (iv) integration. Riahi-Belkaoui (2004) argues that “each of these functions serve as a criterion for the evaluation of the contribution of a theory in meeting the needs of a given discipline” (p. 81).

From a deductive perspective, Kam (1990) argued that accounting theory consists of three distinct levels of statements. Figure 4.1 depicts these levels.

Figure 4.1: Levels of Accounting Theory



Source: Reproduced from Kam (1990, p. 42).

Kam (1990) indicated that each level is derived from the preceding one as indicated by the direction of the arrows, although he noted that, up to that point, accounting theorists had

argued that such a reasoning derivation was not possible. In this regard, Porwal (2008) indicated explicitly that:

“Though a single universally accepted basic accounting theory may be desirable, none exists at present. Instead, a multiplicity of theories has been – and continues to be – proposed because of different users and environments. Attempts have, of course, been made in the U.S.A and other countries in the past three decades to have a generally acceptable conceptual framework of accounting. This is a study of a subject striving to reach maturity” (p. 7).

Therefore, standard-setters worldwide have adopted the notion of a “conceptual framework” instead of theory, due to the absence of a generally accepted theory of accounting. In this context, Vorster (2007) argues that:

“It should be clear that neither the framework published by the FASB, nor the framework of the IASB or the Statement of Principles of the ASB could be described as the theory of accounting. This will be true of the new converged framework, once it is finalised. The framework is merely the culmination and, as such, a relatively tiny portion of what could be considered as the body of normative accounting theory” (p. 33).

The FASB (2006) defined a conceptual framework as:

“A coherent system of concepts that flow from an objective. The objective identifies the purposes of financial reporting. The other concepts provide guidance on identifying the boundaries of financial reporting, selecting the transactions, other events, and circumstances to be represented, how they should be recognised and measured (or disclosed), and how they should be summarised and reported” (p. ix).

Stressing the importance of such a framework, Macve (1981) indicated that “one cannot make a rational choice of accounting procedures without some framework of principle” (p. 9). Similarly, Vatter (1947) emphasised that:

“Every science, methodology, or other body of knowledge is oriented to some conceptual structure – a pattern of ideas brought together to form a consistent whole or frame of reference to which is related the operational content of the field. Without some integrating structure, procedures are but senseless rituals without reason or substance; progress is but a fortunate combination of circumstances; research is but fumbling in the dark; and the dissemination of knowledge is a cumbersome process, if indeed there is any ‘knowledge’ to convey” (p. 1).

In addition, Higson (2003) suggested that developing a conceptual framework is considered to be “an attempt to operationalize (sic.) the accounting theory” (p. 62). Further highlighting the importance of the conceptual framework, Gore and Zimmerman (2007) suggested that:

“The Conceptual Framework is like a constitution for financial reporting, providing the foundation for standards...(it) provides structure to the process of creating financial reporting standards and ensures that standards are based on fundamental principles...(it) makes standard setting more efficient by providing a common set of terms and premises for analysing accounting issues. Each time a debate on an accounting issue arises, it isn't necessary to reinvent the wheel” (p. 30).

As mentioned previously, Ijiri (1983) argued that the framework for reporting and disclosure practices can be either decision-usefulness or accountability based and this choice substantially influences the resulting framework. In the same context, Collison et al. (1993) indicated that:

“Any deductive analysis of financial reporting ideally starts with specification of the purpose that financial statements serve. Such specification is problematic, because there appear to be two major alternatives which could generate different analyses and conclusions. These are *decision-usefulness* and *accountability*. The latter might be alternatively described as *control* or *stewardship*” (p. 2).

From the abovementioned ideas, it can be inferred that there are two major frameworks underpinning accounting: the decision-usefulness framework and the accountability framework. The next two sections discuss these frameworks.

4.3 The Accountability Framework

Levaggi (1995) suggested that it would be useful to begin the discussion of accountability by providing some definitions of the term, although he indicated that the concept of accountability is seen as being “a slippery, ambiguous term” (p. 286). This implies that accountability is a debatable concept in the literature. Therefore, the term is susceptible to differing interpretations and it is relatively difficult to provide a precise definition of it.

Ebrahim (2003) suggested that the difficulty associated with providing a precise definition of accountability arises mainly from its social nature and the idea that firms are subject to plural accountabilities that change over time. Stressing this point, Beattie and Pratt (2001) argued that: “companies have many accountabilities, because they have many stakeholders: investors; suppliers; employees; customers; the government; and society at large” (p. 12).

A number of definitions of the concept of accountability have been suggested; most of these definitions revolve around the notion of stewardship and the provision of information. In this regard, Gray (1992) suggested that: “accountability is concerned with the right to receive information and the duty to supply it” (p. 413) while, Roberts and Scapens (1985) outlined the traditional view of accountability as being “the giving and demanding of reasons for conduct” (p. 447). Similarly, Burchell et al. (1982) pointed out that accountability revolves around the idea that “those with power over resources explain and justify the use of that power” (p. 15). This means that as a company’s shareholders (accountee) pass control of their resources (assets) to the company directors (accountor), the accountor is held accountable for their activities to the accountee by keeping them informed about the consequences of these activities. In the same vein, Gray et al. (1996) defined accountability as “the duty to provide an account (by no means necessarily a financial account) or reckoning of those actions for which one is held responsible” (p. 38).

Jackson (1982) indicated that accountability incorporates:

“Explaining or justifying what has been done, what is currently being done and what has been planned. Accountability arises from a set of established procedures and relationships of varying formality. Thus, one party is accountable to another in the sense that one of the parties has the right to call upon the other to give an account of his activities. Accountability involves, therefore, the giving of an account” (p. 220).

From the abovementioned definitions, it seems that accountability involves a relationship between the accountor who is the provider of accounting information and the accountee

who is the receiver or the user of that information (Ijiri, 1983). Benston (1982) indicated that shareholders, stakeholders (e.g. employees, customers, creditors and others with direct contractual or transactional relations with the corporation), and the public in general are the three main groups to whom the company should be accountable, although, Gray et al. (1996) argued that the relationships between the agent and the principal are determined by “a contract” (p. 39), which does not need to be written down nor be made explicit. The narrow view of accountability revolves around the idea that the purpose of the firm is to maximise shareholder wealth, while a wider view relates to social responsibility and satisfying the wider needs of society (Collison et al., 2011). Perks (1993) summed up the preceding debate on defining accountability by noting that clarifying accountability revolves around the question “(i) who is accountable (ii) to whom, (iii) how (by what means) and (iv) for what?” (p. 24).

As mentioned previously, company directors have a responsibility to manage the assets on behalf of the shareholders and a duty to keep them informed by providing an account of this stewardship or management. The accountant discharges its accountability by providing annual reports to the accountee (Gray et al., 1996). From the aforementioned, it can be seen that the accountant is accountable to the accountee by providing them with annual reports about what they have done; this provision of information is usually termed the discharge of accountability. Here, Stewart (1984) identifies five forms of accountability: (i) accountability for probity and legality; (ii) process accountability; (iii) performance accountability; (iv) programme accountability; and (v) policy accountability, these forms are referred to as *Stewart's ladder of accountability*.⁴⁶

⁴⁶ According to Stewart (1984) accountability for probity and legality is concerned with whether or not the resources have been used in an appropriate and authorised manner, while process accountability revolves around the appropriateness of the activities performed by the agent. Performance accountability is concerned with the outcomes of the actions taken by the agent for which an account should be provided, while programme accountability relates to the achievement of goals set by the principal. Finally, policy accountability relates to the appropriateness of policies adopted.

Having provided an overview of the accountability framework, the next section attempts to shed light on the limitations associated with this framework.

4.3.1 Limitations of Accountability

Much of the discussion of accountability provided so far has centred around a stewardship-oriented notion of accountability. However, in the words of Gjesdal (1981) “unlike demand for decision-making purposes, there is no satisfactory theory of stewardship demand for information” (p. 209). In the same context, Rosenfield (1974) argued that: “confused terminology and the absence of analysis have deterred accountants from discovering what it (stewardship) leads to” (p. 133), while, Chambers (1966) did not accept the idea that accountability is the main objective of accounting, as argued by Ijiri (1975), for two reasons: (i) accountability is based on the relationship between two parties, whereas accounting goes further to cover the generalised recipient of information; and (ii) communication within accountability is emotive while accounting communication is informative. Furthermore, accountability has problems associated with the notion of *power* (Gray et al., 1996). Indeed, Stewart (1984) pointed out that effective accountability relationships require the accountee (the principal) to be powerful enough to hold the accountant (agent) to account. Tricker (1983) emphasised that if there is no enforcement from the accountee, which is often the case in the area of financial reporting, there will be no accountability. Perks (1993) acknowledged this problem by arguing that:

“Those who are in a position of power are likely to be less keen to be made accountable and they are likely to struggle to retain their freedom of actions. Where others attempt to impose accountability systems upon them, they are likely, if they wish to remain powerful, to subvert, bypass and control any accountability systems that are imposed upon them” (p. 25).

Therefore, in Perks’ view accountability may restrict the freedom of the agents to take actions; consequently, they might try to avoid any accountability-based restrictions imposed upon them. Furthermore, Stewart (1984) mentioned that some accountability

relationships in the public sector might only include a link – rather than a bond – to accountability, in which the accountee (the principal) has no power to hold the agent to account and as a result no accountability will be due.

As mentioned earlier, Benston (1982) argued that a company should be held accountable to three possible groups namely: shareholders; stakeholders and the public in general; however, Hoque (2006) questioned the possibility of the accountant being accountable to all these groups. He argued that in practice the accountant will not be accountable to all stakeholders; instead they will be accountable only to powerful stakeholders who have control over resources and can hold the accountant to account. This idea was supported by Gray et al. (1996) who argued that there is inequality in the power over the information provided by organisations to their stakeholders. This inequality in power implies that accountability relationships can be viewed as potentially exploitative (Roberts and Scapens, 1985).⁴⁷

Furthermore, where accountability is based on *the right to information*, Perks (1993) argued that “accountability that ends with the provision of information or an account, is, however, incomplete and likely to be ineffective” (p. 25). Accountability refers to “the giving and demanding of reasons for conduct” (Roberts and Scapens, 1985, p. 447) but “it does not have a ‘defining class of user’ in mind” (Laughlin, 2008, p. 9). In this regard, the IASB (2006) mentioned that “without a defined group of primary users, the framework would risk becoming unduly abstract or vague” (IASB, 2006, BC1. 15).

⁴⁷ However, Gray (1992) emphasised that with the introduction of corporate social responsibility, which is explicitly concerned with other stakeholders (e.g. employees, customers), there is less room for exploitative actions.

Due to the aforementioned limitations, there has been a gradual shift in emphasis from stewardship towards decision-usefulness as a basis for developing a conceptual framework for accounting. In this context, Hodgson et al. (1992) pointed out that: “since the early 1960s, the stewardship function of accounting data has been replaced by the decision-making function” (p. 34). Higson (2003) acknowledged this change in emphasis by indicating that:

“The use of the financial statements for stewardship purposes may have been central to financial reporting in the first half of the twentieth century, but from the 1960s onwards the focus moved to user needs and the provision of information to enable users take economic decisions” (p. 60).

Storey and Storey (1998) described the shift in emphasis as a “fundamental change in attitude towards the purpose of financial statements” (p. 71).

4.4 The Decision-usefulness Framework

4.4.1 Background and History of Adoption by Standard-setters

In the US, the history of the decision-usefulness notion in accounting can be traced back to “the Basic Postulates of Accounting”; in this study, Moonitz (AICPA, 1961) emphasised the decision-usefulness criterion by stating that: “qualitative data are helpful in making rational economic decisions; i.e. in making choices among alternatives so that actions are correctly related to consequences” (p. 21). In 1966, the American Accounting Association (AAA) in its *Statement on Basic Accounting Theory (ASOBAT)* asserted that “financial reports are intended to provide information that is useful in making business and economic decisions” (para. 9). In a similar vein, the Accounting Principles Board (APB) (1970) Statement No. 4 postulated that:

“The basic purpose of financial accounting and financial statements is to provide quantitative financial information about a business enterprise that is useful to statement users, particularly owners and creditors, in making economic decisions” (p. 32).

Coy et al. (2001) noted that this Statement “was the first *official* document to set forth the decision-usefulness objective” (p. 3). Furthermore, Sterling (1972) endorsed the decision-usefulness approach by stating that: “almost all the literature on accounting states that accounting reports must be *useful* or that accounting is a *utilitarian art*” (p. 198). The decision-usefulness objective was also supported in the *Trueblood Report* (AICPA, 1973).⁴⁸ This report explicitly emphasised the notion of a decision-usefulness view of the financial statements by indicating that:

“Accounting is not an end in itself. As an information system, the justification of accounting can be found only in how well accounting information serves those who use it. Thus, the Study Group agrees with the conclusion drawn by many others that the basic objective of financial statements is to provide information useful for making economic decisions” (p. 13).

Furthermore, in 1978, the FASB, in its attempts to develop a conceptual framework, issued *Statement of Financial Accounting Concepts No. 1* (SFAC No. 1)⁴⁹ and again reinforced the usefulness criterion when they suggested that:

“Financial reporting should provide information that is useful to present and potential investors and creditors, and other users, in making rational investment, credit, and similar decisions. The information should be comprehensible to those who have a reasonable understanding of business and economic activities and are willing to study the information with reasonable diligence” (para. 34).

Therefore, according to SFAC No. 1 the objective of financial statements is to provide useful information for business decisions by mainly present and potential owners and debtholders. The effort by the FASB was described by Perks (1993) as “a major move from stewardship as the main objective of financial accounting to decision-making” (p. 167).

⁴⁸ In April (1971) the AICPA in its response to the criticism of financial reporting and the need for a conceptual framework, announced the establishment of two study groups: *Wheat Committee* which was charged with the task of enhancing the standard-setting process; this report ultimately resulted in the disbanding of the APB and the establishment of the FASB in 1973. *Trueblood Committee* which was charged with the development of a set of objectives for financial statements (Riahi-Belkaoui, 2004).

⁴⁹ SFAC No. 1 was based on the Trueblood Report (Perks, 1993).

In the UK, the *Corporate Report* (Accounting Standards Steering Committee (ASSC), 1975),⁵⁰ which also dealt with the objectives of financial reports, “adopted the decision-usefulness approach” (Higson, 2003, p. 73) and stating that:

“The fundamental objective of corporate reports is to communicate measurement of and information about the resources and performance of the reporting entity useful to those having reasonable rights to such information” (ASSC, 1975, p. 28).

This statement implies that reporting entities have a responsibility to disclose information related to their operations and emphasises that this information should be useful to users who have rights to that information. The Corporate Report is considered to be the first attempt in Europe to develop a conceptual framework for accounting practices (Bonham et al., 2004).

Throughout the 1990s, the Accounting Standards Board (ASB) engaged in a process of reflection aimed at developing a conceptual framework for accounting.⁵¹ In 1991 they emphasised the decision-usefulness notion when stating:

“The objective of financial statements is to provide information about the financial position, performance and financial adaptability of an enterprise to a wide range of users in making economic decisions” (para. 12).

In December 1999, the ASB published its conceptual framework entitled *Statement of Principles for Financial Reporting*. The statement stated that:

“Put simply, the objective of financial statements is to provide information that is useful to those for whom they are prepared. However, the objective needs to be expressed more precisely if it is to be of any use in determining the form and content of financial statements” (p. 16).

The statement further endorsed the decision-usefulness approach when indicating:

⁵⁰ This report was the most controversial publication of the ASSC which was renamed in 1976 as the Accounting Standards Committee (ASC) (Vorster, 2007).

⁵¹ During 1990, the ASC was superseded by the Accounting Standards Board (ASB) (Vorster, 2007).

“In deciding which information to include in financial statements, when to include it and how to present it, the aim is to ensure that financial statements yield information that is useful” (p. 35).

Internationally, in 1989 the IASC (1989)⁵² published its framework for the *Preparation and Presentation of Financial Statements*. The IASC framework is seen as an imitation of the FASB framework (Zeff, 1999). In the same vein, Vorster (2007) argued that the IASC framework was substantially based on the conceptual framework of the US FASB.

According to this framework:

“The objective of financial statements is to provide information about the financial position, performance and changes in financial position of an entity that is useful to a wide range of users in making economic decisions” (IASB, 1989, para. 12).

Furthermore in July 2006, as part of the joint project with the US FASB to develop a conceptual framework,⁵³ the IASB published a Discussion Paper entitled *Preliminary Views on an Improved Conceptual Framework for Financial Reporting*. The paper again, endorsed decision-usefulness when highlighting the objective of financial reporting:

“The objective of general purpose external financial reporting for business enterprises is to provide information that is useful to present and potential investors and creditors and others in making investment, credit and similar resource allocation decisions” (IASB, 2006, para. OB2).

This implies that the IASB has also adopted decision-usefulness as the main objective of financial reporting. In addition, in this framework the stewardship functions are assumed to be fulfilled within the decision-usefulness objective (Whittington, 2008). In this context, Laughlin (2008) suggested that: “there was and is no need to have two objectives of accounting – one would suffice” (p. 5). This means that there is no need to have a separate objective for stewardship as the current IASB Framework sees stewardship as a separate

⁵² In April 2001, the International Accounting Standards Board (IASB) replaced its predecessor the IASC and adopted its pronouncements.

⁵³ In 2002, the IASB together with the FASB initiated a joint project to develop a new conceptual framework with the objectives of removing differences between the two frameworks, fill gaps in them and make improvements where required (Whittington, 2008).

objective, so this represents a change of emphasis in favour of a decision-usefulness objective (Whittington, 2008).

In May 2008, the IASB and the FASB issued their Exposure Draft under the title *An Improved Conceptual Framework for Financial Reporting*, after considering the comments received on the Discussion Paper published in 2006. The Exposure Draft focuses again on the objectives of financial reporting and qualitative characteristics of financial reporting information and re-affirms the board's belief in decision-usefulness when they suggest that the objective of financial reporting is:

“To provide financial information about the reporting entity that is useful to present and potential equity investors, lenders and other creditors in making decisions in their capacity as capital providers” (p. 12).

Recently, the IASB published its framework entitled *Conceptual Framework for Financial Reporting* (IASB, 2010).⁵⁴ Again, the framework emphasised the decision-usefulness criterion:

“The objective of general purpose financial reporting is to provide financial information about the reporting entity that is useful to existing and potential investors, lenders and other creditors in making decisions about providing resources to the entity. Those decisions involve buying, selling or holding equity and debt instruments, and providing or settling loans and other forms of credit” (IASB, 2010, para. OB2).⁵⁵

After outlining the various attempts that have been made since the 1960s to develop a conceptual framework for accounting, it is evident that accounting standard-setters in the US, UK and elsewhere seem to be agreed that the objective of financial statements is to provide useful information for decision-making purposes.

⁵⁴ The same objective was adopted in the FASB's Statement of Financial Accounting Concepts No. 8 issued in September 2010, which is a replacement of FASB Concepts Statements No. 1 and No. 2.

⁵⁵ The 2010 framework is the latest installment of the IASB's/FASB's joint project aimed at increasing convergence. Accounting standards in Egypt are based on the IASC Framework (1989) so this was used as the main focus for this analysis. It is acknowledged that focussing on the refined characteristics outlined in the 2010 document may have altered the nature of the analysis and subsequent findings.

Academics have also emphasised the notion of decision-usefulness as the main objective of financial statements, for example, Staubus (1977) indicated that: “decision-usefulness is now widely accepted as the appropriate objective of accounting” (p. 33). In the same vein, Staubus (2000) suggested that:

“With or without the appellation, the decision-usefulness theory of accounting is now generally accepted among those few people interested in accounting theory. There is no recognisable alternative. It has been the most important development in accounting thought in the second half of the twentieth century” (p. iii).

Furthermore, Laughlin and Puxty (1983) emphasised that:

“All extant accounting theory is based upon the usefulness of information to decision-makers, and that this basis has become so fundamentally ingrained that it is no longer considered problematic” (p. 543).

It can be seen from the aforementioned that there is some consensus amongst standard-setters and academics that the main objective of financial reporting is to provide useful information for decision-making purposes. Useful information itself possesses certain characteristics and these are the subject of the next section.

4.4.2 Qualitative Characteristics of Accounting Information and Their Associated Constraints

Over the past thirty years or so, accounting standard-setters in the US, UK and elsewhere have argued that in order to be considered useful for decision-making purposes, financial information should possess certain key characteristics. They have argued that these characteristics are the attributes that make the information provided in the financial statements useful to users (IASB, 1989). The IASB Framework (1989)⁵⁶ identified understandability, relevance, reliability and comparability as the main qualitative

⁵⁶ Similar characteristics were suggested by the FASB and the ASB.

characteristics of useful financial information. These four characteristics and their constraints are summarised in Table 4.1.

Table 4.1: The Qualitative Characteristics of Accounting Information and Their Associated Constraints

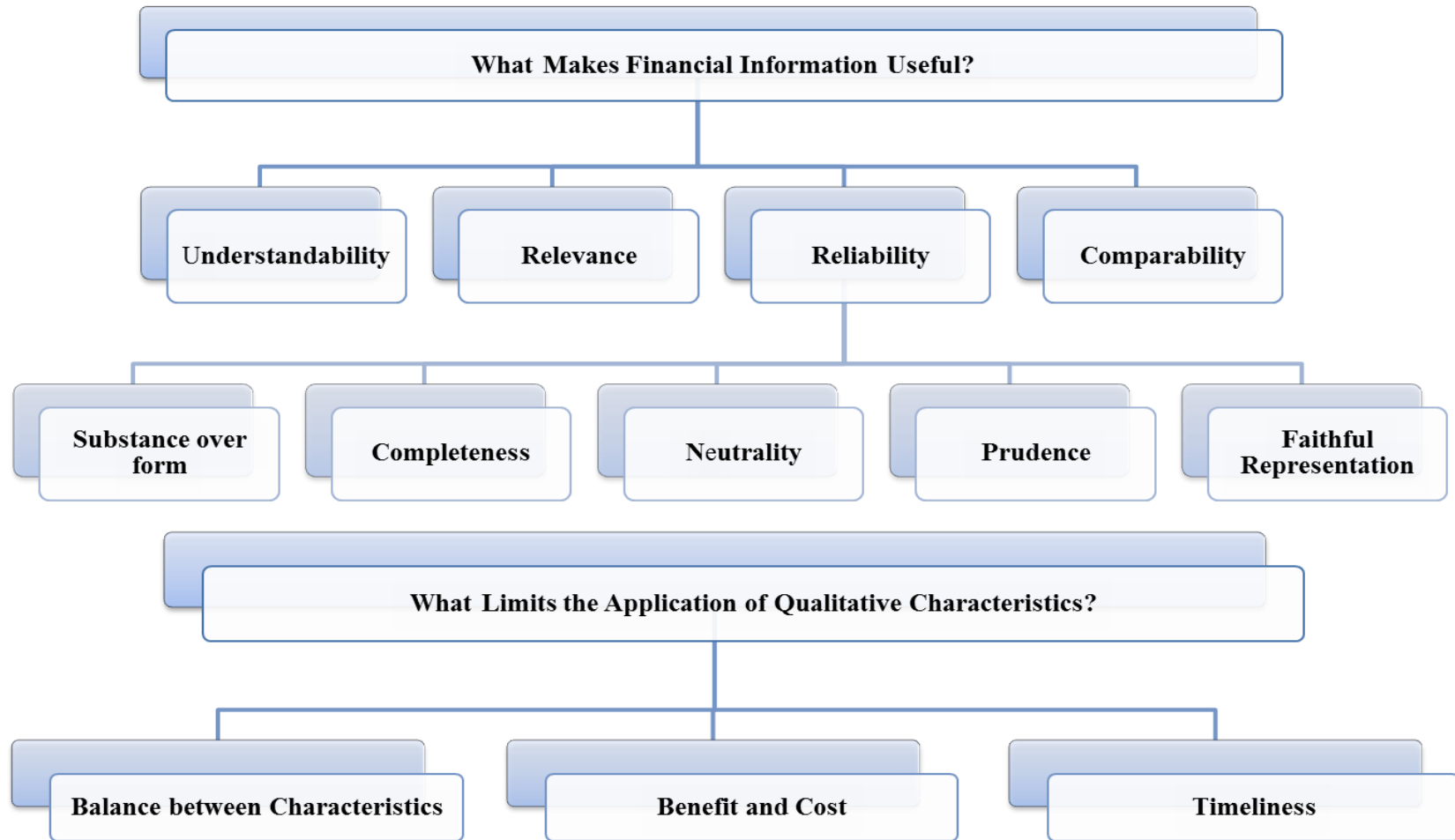
Characteristic	Definition
Understandability	Information provided in the financial statements must be readily understandable by users of that information. The users are assumed to have a reasonable knowledge of business and economic activities in general and accounting in particular and are presumed to be willing to study the information with reasonable diligence. However, complex information should be included due to its relevance to the decision-making requirements.
Relevance	Information is deemed relevant where it affects the economic decisions of users by helping them to evaluate past, present or future events or confirming, or correcting, their past evaluations. Relevant information has two values, predictive value and confirmatory value. In addition, relevant information should be material. Information is considered material if its omission or misstatement could influence the economic decision of users.
Reliability	<p>For accounting information to be considered useful it must be reliable. Reliable information is free from material error or bias, and can be depended upon by users to represent what it purports to represent, or could reasonably be expected to represent. Unreliable information is considered misleading even if it is relevant. In addition, reliable information should possess the following characteristics:</p> <p>First, information must represent faithfully the transactions and other events it either purports to represent or could be expected to represent.</p> <p>Second, to be considered reliable, information must be accounted for and represented in accordance with its substance and economic reality irrespective of its legal form.</p> <p>Third, information should be neutral in its orientation. Neutrality refers to the absence of bias in the information contained in the financial statements.</p> <p>Fourth, due to the uncertainties surrounding many events and circumstances, the preparation of financial statements should be done with prudence. Prudence refers to the inclusion of a degree of caution in the exercise of judgment needed in making estimates under conditions of uncertainty (e.g. assets or income are not overstated and liabilities and expenses are not understated).</p>

	Finally, information contained in financial statements must be complete taking into account the bounds of materiality.
Comparability	The financial statements of an entity must be comparable through time so that users can identify trends in an organisation's position and performance. In addition, users must be able to compare the financial statements of different entities. This criterion requires the measurements and presentation of the financial effects of similar transactions and other events to be carried out in a consistent manner throughout an entity and over time for that entity and in a consistent way for different entities.
Constraint	Definition
Timeliness	The IASB recognised that there is a potential conflict between the relevance/reliability of information and the timeliness criterion. Thus management need to strike a balance between the merits of timely reporting and the provision of reliable information taking into account the needs of users.
Balance between Benefit and Cost	The benefit derived from information should exceed the cost of providing it. In practice, it is difficult to apply a cost-benefit test, as the evaluation of benefits and costs is substantially influenced by subjective judgments and the costs do not necessarily fall on those users who enjoy the benefits.
Balance between Qualitative Characteristics	On occasions there is a need for a trade-off between the qualitative characteristics to achieve an appropriate balance among these characteristics in order to meet the objectives of financial statements.

Source: Adapted from the IASC Framework (1989).

Note: This table summarises the definitions of the qualitative characteristics of useful accounting information and the constraints imposed upon these characteristics as outlined by the IASC Framework (1989).

Figure 4.2: Qualitative Characteristics of Accounting Information



Source: Adapted from the IASC Framework (1989).

After outlining the qualitative characteristics of financial statements and its constraints contained in the IASC Framework (1989), it is worth mentioning the needs of users of financial statements, as different users utilise financial information for different needs; this topic is the subject of the next section.

4.4.3 Users and their Information Needs

Moonitz (AICPA, 1961) indicated that the determination of financial information to be included in the financial statements, and the extent of disclosure of this information, relies greatly on the identification of users of financial statement information and their needs, as different users may vary in this regard. Indeed, the topic of users and their needs has been addressed by all of the major US, UK and other standard-setting bodies; for example, the IASC Framework (1989) identified seven users of financial statements, namely: (i) present and potential investors; (ii) employees; (iii) lenders; (iv) suppliers and other trade creditors; (v) customers; (vi) government and their agencies; and (vii) the public. Table 4.2 outlines these users and their information needs as described in the IASC Framework.

From the aforementioned it can be seen that there are various users of accounting information who may have different information needs. The decision-usefulness approach emphasises the satisfaction of those needs by providing useful information for decision-making purposes. The need to evaluate the usefulness of accounting information led to the development of two areas in accounting research (Beattie, 2002; Kribat, 2009), namely: Behavioural Accounting Research (BAR) and Market-Based Accounting Research (MBAR). BAR primarily emphasises the relationship between accounting information and the individual response in the context of decision-making, while MBAR focuses on the reaction of the aggregate market to accounting information. The following two subsections

discuss these two methods for evaluating the usefulness of accounting information in more detail.

Table 4.2: Users and their Information Needs

User	Information Needs
Investors	Information that helps them to determine whether they should buy, hold or sell their investments and information which enables them to assess the ability of the entity to pay dividends.
Employees	Information about the stability and profitability of their employers in addition to information that helps them to evaluate the ability of the entity to provide remuneration, retirement benefits and employment benefits.
Lenders	Information about the ability of the entity to repay their loans and the interest attached to them when they fall due.
Suppliers and other trade creditors	Information that helps them to determine whether amounts owing to them will be paid when they fall due.
Customers	Information about the continuity of the entity.
Government and their agencies	Information about the activities of the entity. They also require information to regulate the activities of entities, determine taxation policies and as the basis for national income and similar statistics.
Public	Information that enables them to determine the trends and recent developments in the prosperity of the entity and the range of its activities.

Source: Adapted from the IASC Framework (1989, para. 9).

Note: This table lists users of accounting information and their needs as outlined by the IASC Framework (1989).

4.4.4 Behavioural Accounting Research (BAR)

Hofstede and Kinard (1970) defined BAR as “the study of the behaviour of accountants or the behaviour of non-accountants as they are influenced by accounting functions and reports” (p. 43). Riahi-Belkaoui (2004) gave a similar definition when stating that: “behavioural accounting research is the study of how accounting functions and reports

influence the behaviour of accountants and nonaccountants” (p. 345). Similarly, Beattie (2005) indicated that BAR:

“Examines the decision process of individual users and draws on the discipline of psychology for its concepts, methods and models. It includes surveys (conducted via questionnaire and/or interviews), experiments and case studies” (p. 88).

This research method derives its importance from the idea that: “accounting is viewed as a behavioural process” (Riahi-Belkaoui, 2004, p. 345). Thus, according to the BAR approach, the usefulness of financial information can be measured by asking users about how they make decisions and what their informational needs are (Wolk et al., 1992). In a similar vein, Riahi-Belkaoui (2004) argued that the understanding, explanation and prediction of individual behaviour is the main objective of BAR within an accounting context.

When it comes to empirical methods that can be used to fulfil the objectives of BAR, Gibbins and Brennan (1982) emphasised that:

“Behavioural research, as it applies to financial accounting, uses empirical methods (such as field studies, protocol analyses, interviews, and questionnaires) arising from psychology and similar disciplines to seek general explanations of how accounting information is used” (p. 99).

To date in the literature, there have been many attempts by academic researchers to adopt such approaches to explore the perceptions of different users groups about the use of the web as a communication medium (e.g. Ashbaugh et al., 1999; Debreceeny et al., 2001; Beattie and Pratt, 2003; Gowthorpe, 2004; Jones and Xiao, 2004; Rowbottom et al., 2005; Al-Motrafi, 2008; Dunne et al., 2009; Rowbottom and Lymer, 2009a and b; Rowbottom and Lymer, 2010; Al-Htaybat et al., 2011; AbuGhazaleh et al., 2012).⁵⁷

⁵⁷ Further details of these studies are provided in Chapter 3.

The BAR approach can be linked to the decision-maker variant of decision-usefulness which maintains that the decision-makers know best what information they want and that the financial accounting function should fulfil their needs (Gray et al., 1996). This type of research therefore requires researchers to investigate decision-makers' information needs, as it assumes that those decision-makers are knowledgeable enough to identify the information that best satisfy their needs (Mathews and Perera, 1996). Sterling (1970) criticised this emphasis by arguing that if there are a large number of different decision-makers with a large number of different decision theories, then it would be unfeasible to supply all of them with their information needs. He also disagreed with the free market approach to information delivery.

4.4.5 Market Based Accounting Research (MBAR)

Market-based accounting research (MBAR) focuses on the behaviour of decision-makers in the aggregate market by measuring the reaction of the market to accounting numbers (Al-Bogami, 1996). In this regard, Beattie (2002) indicated that:

“Market-based accounting research arose from a group of studies that examined the predictive ability of accounting information. The purpose of these predictive ability studies was to examine the usefulness of financial reports in predicting the variables of interest to decision-makers” (p. 104).

The same author also noted, (Beattie, 2005) that:

“MBAR examines the relationship between accounting information and share prices (or returns) [the capital market can be thought of as aggregate investors], and relies on economics and finance as foundation disciplines” (p. 88).

Gonedes (1972) argued that the market's reaction to accounting numbers provides reliable indicators of accounting numbers information content, while Gibbins and Brennan (1982) developed this point in stating:

“An analysis of the market response to accounting information may provide more objective indicators of investors' activities than other means (e.g.

questionnaires or interviews), since the results of actual transactions are analysed rather than the views of respondents which may or may not be true” (p. 175).

Epstein and Pava (1993) emphasised that MBAR’s rationale stems from the Efficient Market Hypothesis (EMH). According to Fama (1970) the EMH argues that “a market in which prices always *fully reflect* available information is called *efficient*” (p. 383). In this regard, Carsberg and Day (1984) identified the underlying idea behind the EMH to evaluate the usefulness of accounting numbers by arguing that:

“Statistical studies of stock market prices reactions are based on the assumptions that useful information, unlike irrelevant information, is likely to cause investors to revise their opinions about the worth of company’s shares. Consequently, a researcher can identify useful information by undertaking studies to discover whether or not the publication of information is followed by a stock market price reaction” (p. 150).

With MBAR, the decision-models emphasis is based on the assumption that the preparers of accounting information know the information needs of the decision-makers, so the contents of the financial accounting information should be guided by these needs (Mathews and Perera, 1996). This perspective overcomes the criticism of the emphasis on decision-makers by assuming that stakeholders have the same information desires (Finningham, 2010). Sterling (1970) outlined some advantages in this regard, as he argued that a well-defined decision model will have a theory that specifies what observations are necessary or what properties are to be measured, thus all collated observations are relevant and those not specified are deemed not relevant to the theory. He also argued that accountants must become involved in the construction, refinement and elaboration of the decision theories. As noted in the previous chapter, the online reporting literature now contains a number of studies that have investigated the association between engagement in online reporting practices and economic proxies such as share prices and cost of capital (e.g. Hunter and Smith, 2009; Lai et al., 2010; Rahman, 2010).

Having provided an overview of the decision-usefulness framework and its role in accounting research, the next section of the chapter highlights its reported limitations.

4.4.6 Limitations of the Decision-usefulness Framework

As with all theoretical frameworks, there are a number of limitations associated with decision-usefulness. In this respect, Gray et al. (1996) pointed out that:

“Let us say, from the outset, that while some theories have greater or lesser claims to *truthfulness*, virtually all have some truth claims and none can claim complete truth. Any theory, mental framework or way of visualising the world is therefore temporary, conditional and debatable” (p. 32).

This reasoning implies that there is no such thing as a limitation-free comprehensive theory. In this context, while the decision-usefulness criterion has been widely adopted as a basis for developing a conceptual framework for financial reporting, there have been some limitations associated with it. Page (1992) argued that decision-usefulness fails to address the issue of rights to information, which might be considered as one of the most important requirements of good reporting practice (Ijiri, 1983; Gray et al., 1991). Indeed, Hines (1991) argued that none of the attempts to develop a conceptual framework have succeeded as a result of the failure to address this problem. The conceptual frameworks developed for financial reporting (e.g. FASB, 1978; IASC, 1989; ASB, 1991 and 1999; IASB, 2006, 2008 and 2010) are based around the notion of decision-usefulness and contain lists of users of financial information, but the emphasis is mainly on the investors (and occasionally creditors) (Burchell et al., 1982; Page, 1992). Furthermore, the IASB framework (2010) explicitly indicated that:

“General purpose financial reports do not and cannot provide all of the information that existing and potential investors, lenders and other creditors need. Those users need to consider pertinent information from other sources” (para. OB6).

Abu-Baker (1995) pointed out that the decision-usefulness approach focuses on satisfying the needs of specific user groups (e.g. investors and debtholders) while almost ignoring the needs of other users.⁵⁸ Moreover, according to the decision-usefulness approach the needs of users and the rights to information are considered interchangeable (Gray et al., 1991), but this idea has been challenged as unsound and unacceptable, since the need for information does not automatically generate a right (Likierman and Creasy, 1985).

A further limitation to the decision-usefulness approach is associated with its assumption that users of accounting information have rational decision-making models. However, Page (1992) rejects this criticism by stating that:

“In the real world decisions are made by individuals who satisfice and who have decidedly un-rational (but not necessarily irrational) decision models. Since these models are individualistic, decision-usefulness cannot hope to address the myriad of models which users possess” (pp. 79-80).

In addition to the abovementioned limitations associated with decision-usefulness as a basis for developing a conceptual framework, the approach fails to address the notion of fairness. In this context, Ijiri (1983) pointed out that the objective of accounting in a decision-based framework is to provide useful information for decision-making, while one based on accountability emphasises the flow of information between the agent and the principal in a fair system. In the same vein, Coy et al. (2001) assert that: “fairness is a concept missing from the FASB’s conceptual framework, but key for a stewardship-based accounting framework” (p. 5).

⁵⁸ The IASB (2006) refuted this criticism when arguing that “by focusing primarily on the needs of present and potential investors and creditors, the objective of financial reporting encompasses the needs of a wide range of users” (p. 5). In addition, in the IASB framework which was issued in September 2010, a new user group was considered – *lenders*.

4.5 Reasons for Choosing the Decision-usefulness Framework

Although there are some limitations associated with the adoption of the decision-usefulness approach as the basis of a conceptual framework for financial reporting, this approach “has become a central principle for organising accounting research and practice” (Williams, 1987, p. 169). In addition, Staubus (2000) pointed out that: “decision-usefulness theory has played a major role in the evolution of accounting thought” (p. iv). After careful consideration, the decision-usefulness approach was chosen as the theoretical underpinning for the present study, for the following reasons:

First, as mentioned in Chapter 2, Egyptian Accounting Standards (EAS) are prepared in compliance with International Accounting Standards (IAS) in a process known as: “the Egyptionisation/translation of the IAS” (Dahawy, 2009, p. 194). IAS/IFRS are based on the decision-usefulness criterion, thus the EAS are also based on the same criterion. As a result, the decision-usefulness approach, rather than the accountability approach, is seen to provide a meaningful basis for the present study.

Second, as mentioned earlier, accountability involves the giving of an account which could be equated with transparency; this implies that transparency is considered to be an essential aspect for discharging accountability (Wenar, 2006). It is also argued that transparency automatically generates accountability (Fox, 2007). When applying this idea to the Egyptian context, and following Gray (1988), it is argued that Egyptian society is characterised by statutory control, uniformity, secrecy (rather than transparency) and conservatism (Dahawy and Conover, 2007). This implies that Egyptian society lacks one of the essential foundations of accountability namely transparency. Thus the decision-usefulness approach is again considered to be more suitable for the present study.

Third, the main concern of the present study is to investigate the perceptions of users and preparers regarding the phenomenon of CIR in Egypt; thus the focus is on the disclosure medium rather than the relationship between two parties (i.e. the supplier and the receiver of accounting information). Thus, the decision-usefulness approach seems to be more appropriate to undertake this study and accomplish its objectives. In support of this reasoning, Debreceeny et al. (2002) indicated that CIR practices have the potential to: “enhance the qualitative characteristics of disclosure” (p. 376), thereby enhancing the usefulness of that disclosure. Furthermore, the ICAEW (2004) argued that: “a major potential benefit from digital reporting is in adding value to the decision-making process of businesses and investors” (p. 19).

Fourth, the decision-usefulness approach has been adopted as the theoretical foundation for many studies undertaken in developing countries (e.g. Al-Bogami, 1996; Abu-Nasser and Rutherford, 1996; Al-Mubarak, 1997; Al-Razeen, 1999; Al-Mahamoud, 2000; Nasser et al., 2003; Naser and Nuseibeh, 2003; Kribat, 2009; Mardini, 2012). In addition, as mentioned earlier, there have been some online reporting studies that adopt the BAR approach (e.g. Ashbaugh et al., 1999; Debreceeny et al., 2001; Beattie and Pratt, 2003; Gowthorpe, 2004; Jones and Xiao, 2004; Rowbottom et al., 2005; Al-Motrafi, 2008; Dunne et al., 2009; Rowbottom and Lymer, 2009a and b; Rowbottom and Lymer, 2010; Al-Htaybat et al., 2011; AbuGhazaleh et al., 2012) and there also have been some that utilise MBAR procedures to investigate the link between CIR practices and economic proxies such as share prices and cost of capital (e.g. Hunter and Smith, 2009; Lai et al., 2010; Rahman, 2010). Some of these studies have been undertaken in developing countries, implying that the decision-usefulness approach is the most suitable in the Egyptian context.

Finally, given the fact that the main objective of the present study is to investigate and explore the perceptions of users and preparers concerning online reporting practices in Egypt,⁵⁹ decision-usefulness theory reflected in BAR is ideally suited to the research objectives.

4.6 Summary and Conclusion

This chapter has outlined the theoretical underpinnings of the present study. It started with a brief discussion of accounting theory, setting out its definition as well as its role in accounting. The chapter then proceeded to outline a suitable accounting framework which could be, according to the thinkings of Ijiri (1983), either accountability or decision-usefulness based. The accountability framework was outlined briefly and the limitations associated with this framework were reviewed. The decision-usefulness approach, which was chosen as the theoretical foundation of the current study, was discussed and the use of this approach by standard-setters worldwide was outlined. The chapter also outlined the characteristics of useful accounting information as well as the users of that information and their information needs. Limitations related to the adoption of the decision-usefulness approach as a basis for developing a conceptual framework were highlighted. As the chapter outlined both the accountability and the decision-usefulness frameworks, the reasons behind the adoption of the decision-usefulness as the theoretical underpinning of the present study were provided. Having set out the study's theoretical positioning, Chapter 5 goes on to outline the methodology and methods utilised in the thesis.

⁵⁹ As mentioned earlier in the thesis, the present study has two main aims: first, to investigate the extent of CIR practices amongst non-financial companies listed on the EGX at two points in time; and second, to explore the perceptions of users and preparers of corporate information regarding such practices in Egypt.

Chapter 5:
Research Methodology and Methods

Chapter 5:

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5.1 Introduction

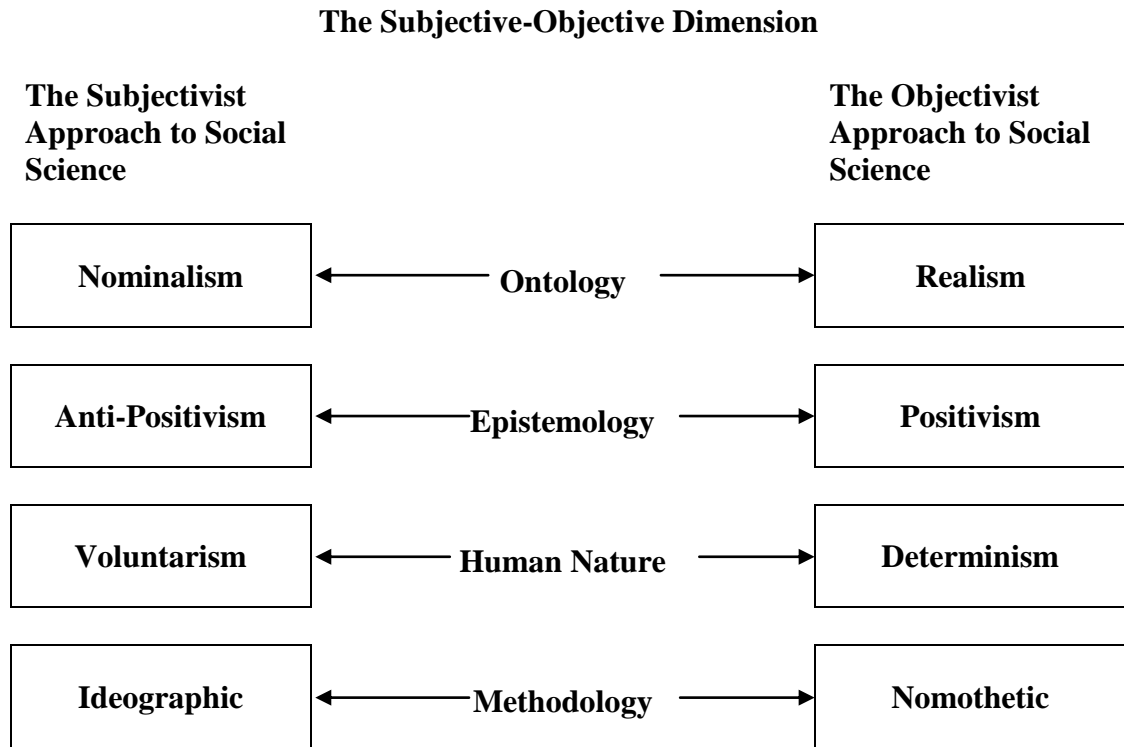
The previous three chapters provided an overview of the Egyptian context, the extant professional and academic literature concerning online reporting, and the theoretical framework (decision-usefulness) underpinning the present study. These three chapters provide the basis for the methodological assumptions underpinning the current study and the research methods that are utilised in the process of data collection and analysis. Following this introduction, the chapter is organised as follows: Section 5.2 outlines assumptions about the nature of social science and the nature of society. Section 5.3 outlines the four research paradigms suggested by Burrell and Morgan (1979) for the study of social science research. Limitations of the Burrell and Morgan (1979) framework are provided in Section 5.4. Section 5.5 discusses appropriate research paradigms for the present study, while Section 5.6 outlines the research methods employed for collecting and analysing data. Section 5.7 concludes the chapter.

5.2 Assumptions about the Nature of Social Science and Society

It is important to distinguish from the outset between research methodology and research methods, as they are sometimes mistakenly used interchangeably. In this context, Ryan et al. (2002) defined methodology as “the process of doing research,” while research methods are “the particular techniques used in the research” (p. 36). In terms of the methodological assumptions about the nature of social science, Burrell and Morgan (1979) identified four distinct but related assumptions concerning this nature, namely: ontology, epistemology, human nature, and methodology. As suggested by Burrell and Morgan (1979), the assumptions related to the nature of social science can be delineated in terms of a subjective-objective dimension. Thus, each of the four elements represents two

philosophical positions in terms of that dimension. Figure 5.1 depicts these elements from the subjective-objective dimension as identified by Burrell and Morgan (1979).

Figure 5.1: Assumptions about the Nature of Social Science



Source: Burrell and Morgan (1979, p. 3).

Ontology is defined by Ryan et al. (2002) as “the study of existence” (p. 13). In this context, ontological assumptions are concerned with the nature of reality. Thus, the notion revolves around questioning: “the form and nature of reality” and assessing what “can be known about it?” (Guba and Lincoln, 1994, p. 108). Regarding the subjective-objective dimension, Burrell and Morgan (1979) argue that ontology revolves around whether reality subsists within individual minds (nominalism) or if instead it is the product of an objective nature (realism). Thus, ontology can be divided into two distinct positions, nominalism and realism. In this context, Burrell and Morgan (1979) asserted that:

“The nominalist position revolves around the assumption that the social world external to individual cognition is made up of nothing more than names, concepts and labels which are used to structure reality” (p. 4).

On the other hand, the realist position subsists within the assumption that the social world external to human consciousness is real and made up of hard, tangible and relatively immutable structures (Burrell and Morgan, 1979). In the same context, Morgan and Smircich (1980) suggested a list of six ontological assumptions. These assumptions provide six different alternative approaches to viewing the world (Ryan et al., 2002). These ontological assumptions range from the notion that reality is a “concrete structure” which represents the most objective view, to the assumption that reality is a “projection of human imagination” which represents the most subjective view of the world. Between these two extremes, there are four intermediate assumptions which can be viewed as points on the objective-subjective continuum (Ryan et al., 2002). Table 5.1 depicts these ontological assumptions.

Table 5.1: Morgan and Smircich’s Six Ontological Assumptions

Category	Assumptions
1	Reality as a concrete structure (naïve realism)
2	Reality as a concrete process (transcendental realism)
3	Reality as a contextual field of information (contextual relativism)
4	Reality as a symbolic discourse (transcendental idealism [Kant])
5	Reality as social construction (social constructionism [socially mediated idealism])
6	Reality as a projection of human imagination (idealism [Berkeley])

Source: Morgan and Smircich (1980, p. 492).

These ontological assumptions are related to epistemological assumptions that relate to the grounds (or ‘sources’) of our knowledge and beliefs. Burrell and Morgan (1979) indicated that epistemology focuses on the question of “how one might begin to understand the world and communicate this as knowledge to fellow human beings” (p. 1). They also distinguished between two extreme positions regarding epistemological assumptions that

focus on “whether knowledge is something which can be acquired on the one hand (positivism), or is something which has to be experienced on the other (anti-positivism)” (p. 2). Thus, from the standpoint of the objective-subjective dimension, epistemological assumptions can be categorised into two positions: positivism and anti-positivism. A positivist position concentrates on explaining and predicting what is occurring in the social world by investigating the causal relationships between the components of that world; it has been argued that the positivist position is “based upon the traditional approaches which dominate the natural sciences” (Burrell and Morgan, 1979, p. 5) as positivists assume that knowledge is hard, real and tangible (Guba and Lincoln, 1994). In contrast, an anti-positivist position views the social world as being “essentially relativistic and can only be understood from the point of view of the individuals who are directly involved in the activities which are to be studied” (Burrell and Morgan, 1979, p. 5). Furthermore, unlike positivists, anti-positivists argue that knowledge is soft, spiritual and mainly based on human experience (Guba and Lincoln, 1994).

The aforementioned ontological and epistemological assumptions are associated with a third group that relate to human nature. Human nature assumptions are concerned with the relationship between human beings and their surroundings (Burrell and Morgan, 1979). Burrell and Morgan (1979) identified two extreme positions to explain the relationship, namely determinism and voluntarism. Determinists argue that humans and their activities are conditioned and determined by the situation and environment surrounding them, while voluntarists assume that humans and their actions are completely autonomous and free-willed (Burrell and Morgan, 1979). In addition to these two extreme positions concerning human nature, Burrell and Morgan (1979) mentioned the possibility of mixing these two extremes by arguing that it is possible to “adopt an intermediate standpoint which allows

for the influence of both situational and voluntary factors in accounting for activities of human beings” (p. 6).

The three sets of assumptions concerning ontology, epistemology and human nature outlined above are linked to a fourth set of assumptions regarding methodology. Ryan et al. (2002) indicated that: “the selection of an appropriate research methodology cannot be done in isolation of a consideration of the ontological and epistemological assumptions which underpin the research in the question” (p. 35). Furthermore, Burrell and Morgan (1979) asserted that social scientists with different assumptions concerning ontology, epistemology and human nature are likely to adopt different methodologies to suit these assumptions. In this context, they distinguished between two types of methodologies, ideographic and nomothetic. From the standpoint of ideographic methodology, the social world can only be understood by getting: “first-hand knowledge of the subject under investigation” (p. 6), while the nomothetic approach to social science focuses on the significance of “basing research upon systematic protocol and technique...it is preoccupied with the construction of scientific tests and the use of quantitative techniques for the analysis of data” (Burrell and Morgan, 1979, pp. 6-7). The ideas behind nomothetic social science methodology are similar to methods adopted in the natural sciences (Burrell and Morgan, 1979).

Dahrendorf (1959, as cited in Burrell and Morgan, 1979) argued that approaches to the nature of society can be viewed from the standpoint of the order-conflict debate. On one extreme, an order view of society stresses stability, integration, functional co-ordination and consensus. On the other extreme, a conflict view of society emphasises change, conflict, disintegration and coercion (Burrell and Morgan, 1979). In this regard, Cohen (1968) criticised the distinction between the order and conflict models and raised the

possibility of mixing the two. Alternatively, Cohen (1968) suggested that the order and conflict models can be viewed as two sides of the same coin. In light of this criticism, Burrell and Morgan (1979) developed the regulation-radical change dimension and indicated that the sociology of regulation is concerned with providing:

“Explanations of society in terms which emphasise its underlying unity and cohesiveness. It is a sociology which is essentially concerned with the need for regulation in human affairs” (p. 17).

In contrast, the sociology of radical change is concerned with providing explanations for radical change, deep-seated structural conflict, modes of domination and structural contradiction (Burrell and Morgan, 1979). The regulation and radical change dimensions are shown in Table 5.2.

Table 5.2: The Regulation-Radical Change Dimension

The Sociology of Regulation is Concerned with:	The Sociology of Radical Change is Concerned with:
a The status quo	a Radical change
b Social order	b Structural conflict
c Consensus	c Modes of domination
d Social integration and cohesion	d Contradiction
e Solidarity	e Emancipation
f Need satisfaction	f Deprivation
g Actuality	g Potentiality

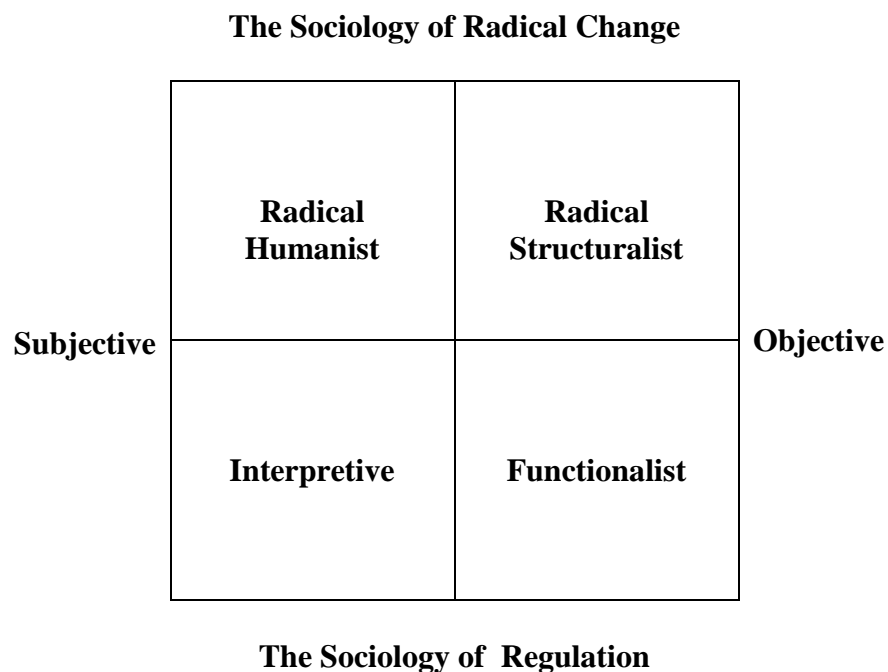
Source: Burrell and Morgan (1979, p. 18).

5.3 Burrell and Morgan’s Research Paradigms

As mentioned previously, Burrell and Morgan (1979) argue that assumptions about the nature of social science can be viewed from the standpoint of the subjective-objective dimension, while assumptions concerning the nature of society can be thought of in terms of the regulation-radical change dimension. Burrell and Morgan (1979) linked these two dimensions and created a two-by-two matrix for the analysis of the social world. Figure 5.2 depicts the resultant four research paradigms, with the vertical axis representing the regulation-radical change dimension and the horizontal axis representing the subjective-

objective dimension. Collis and Hussey (2003) indicated that paradigms refer to “the process of scientific practice based on peoples’ philosophies and assumptions about the world and the nature of knowledge” (p. 46) and note that these paradigms “offer a framework comprising an accepted set of theories, methods and ways of defining data” (p. 47). The four research paradigms outlined in Burrell and Morgan’s framework are termed: functionalist; interpretive; radical humanist; and radical structuralist. Burrell and Morgan (1979) argued that each of the four paradigms represents different views about the social world and these paradigms can therefore be utilised for the analysis of a wide range of social theories. These four research paradigms are outlined in the next four subsections.

Figure 5.2: Four Paradigms for the Analysis of Social Theory



Source: Burrell and Morgan (1979, p. 22).

5.3.1 The Functionalist Paradigm

The functionalist paradigm is located in the bottom-right quadrant of Figure 5.2 and combines an objectivist view of the social world with the sociology of regulation (Ryan et al., 2002). Thus, theorists and researchers located in this paradigm will have a realist

ontology, a positivist epistemology, a deterministic model of human nature, and adopt a nomothetic methodology. From the standpoint of the sociology of regulation, the functionalist paradigm is characterised with a “concern for providing explanations of status quo, social order, consensus, social integration, solidarity, need satisfaction, and actuality” (Burrell and Morgan, 1979, p. 26). According to this paradigm, the social world can be seen as a concrete structure within which relationships between its constituents can be identified, investigated and gauged by applying models and methods of analysis typically associated with the natural sciences (Burrell and Morgan, 1979). The construction of theory within this paradigm usually follows a deductive approach (Gioia and Pitre, 1990).⁶⁰

5.3.2 The Interpretive Paradigm

The interpretive paradigm, located in the bottom-left quadrant of Figure 5.2, represents a view rooted in the sociology of regulation with the social world being seen from a subjective point of view (Burrell and Morgan, 1979). As a result, from the sociology of regulation point of view, the interpretive paradigm is concerned with providing explanations of the status quo, social order, consensus, social integration, solidarity, need satisfaction and actuality. Unlike in the case of functionalism, this paradigm adopts a subjectivist point of view with, a nominalist ontology, an anti-positivist epistemology, a voluntarist model of human nature and an ideographic methodology. Burrell and Morgan (1979) argued that the interpretive paradigm:

“Is informed by a concern to understand the world as it is...it seeks explanation within the realm of individual consciousness and subjectivity, within the frame of reference of the participant as opposed to the observer of the action” (p. 28).

Thus, this paradigm is concerned with understanding the social world without necessarily changing it. In this context, Gioia and Pitre (1990) indicated that the interpretive paradigm

⁶⁰ For more details see Section 4.2.2 of Chapter 4.

aims to describe and provide explanations of the investigated subject as a way of understanding and developing a theory. In the same context, Ryan et al. (2002) argue that the interpretive paradigm is concerned with understanding the social nature of accounting practices.

5.3.3 The Radical Humanist Paradigm

The radical humanist paradigm, located in the top-left quadrant of Figure 5.2, is based around the subjective dimension and the sociology of radical change. Thus, this approach is underpinned by a nominalist ontology, an anti-positivist epistemology, a voluntarist model of human nature and an ideographic methodology. In addition, as radical humanism is located within the sociology of radical change, it stresses radical change, modes of domination, emancipation, deprivation and potentiality (Burrell and Morgan, 1979). On the one hand, this paradigm shares some of the characteristics of interpretivism, being located in the subjective dimension, but it stands in total opposition to the functionalist paradigm, as researchers in this quadrant have different assumptions concerning the nature of social science and society.

5.3.4 The Radical Structuralist Paradigm

The radical structuralist paradigm is located in the top-right quadrant of Figure 5.2. This paradigm is characterised by its concern with developing a society of radical change from an objectivist point of view. Therefore, the radical structuralist paradigm “is committed to radical change, emancipation, potentiality, structural conflict, modes of domination, contradiction and deprivation” (Burrell and Morgan, 1979, p. 34). In addition, as this paradigm follows the objective dimension, it tends to be underpinned by a realist ontology, a positivist epistemology, a deterministic view of human nature and a nomothetic methodology. Both the radical structuralist and functionalist paradigms view the social

world from an objectivist standpoint. Furthermore, this paradigm shares its assumptions about the nature of society with the radical humanist paradigm while, on the other hand, the radical structuralist paradigm is located in total opposition to the interpretive paradigm in terms of its assumptions concerning the nature of social science and society.

5.4 The Chua Framework and Limitations of the Burrell and Morgan Framework

Although Burrell and Morgan's framework is argued to provide an important guidance in terms of setting the methodological assumptions underpinning much accounting and finance research (Hopper and Powell, 1985; Chua, 1986; Laughlin, 1995; Ryan et al., 2002; Saunders et al., 2009), the mutually exclusive nature of Burrell and Morgan's four research paradigms has been criticised. In this regard, Burrell and Morgan (1979) argued that the four paradigms:

“Are alternatives, in the sense that one can operate in different paradigms sequentially over time, but mutually exclusive, in the sense that one cannot operate in more than one paradigm at any given point in time, since in accepting the assumptions of one, we defy the assumptions of all the others” (p. 25).

In this context, Chua (1986) described the mutually exclusive nature of Burrell and Morgan paradigms as “unsatisfactory dichotomies” (p. 626). She argued that the assumptions underpinning the Burrell and Morgan framework lie on a continuum and do not form mutually exclusive dichotomous paradigms. In addition, she criticised their misreading of Kuhn (1970, as cited in Chua, 1986) as advocating irrational paradigm choice, pointing out that: “to read Kuhn as advocating irrationalism is to miss his main point” (p. 627). Furthermore, Chua (1986) attacked the latent relativism and the separation between the radical humanist and radical structuralist paradigms of Burrell and Morgan's framework. Similarly, Boland (1989) criticised the separation of subjective and objective dimensions when setting out the assumptions about the nature of social science; he argued that there is a possibility of adopting an intermediate standpoint.

In another attempt to develop a framework for the categorisation of accounting research, Chua (1986) identified the main assumptions of mainstream accounting research, interpretive research and critical research. In her framework, she merged the radical humanist and radical structuralist paradigms into one (i.e. critical research). Chua used three sets of beliefs to develop the framework, namely: (i) beliefs about knowledge; (ii) beliefs about physical and social reality; and (iii) the relationship between accounting theory and practice (Chua, 1986). As can be seen from Table 5.3, the first set of beliefs revolves around epistemological and methodological assumptions. The second set of beliefs is concerned with assumptions regarding ontology, human nature and societal relations, while the final set of assumptions deals with the interaction between theory and practice. After setting out these assumptions, Chua (1986) applies them to each of the three branches of accounting research mentioned previously. It has been argued that the main difference between the Burrell and Morgan and Chua frameworks relates to the purpose of developing the framework; Chua's framework tends to be evaluative in nature, as it was intended to be used to assess the strengths and weaknesses of different accounting domains, while Burrell and Morgan's (1979) framework was non-evaluatory in nature.

Table 5.3: Chua's Classification of Philosophical Assumptions

<i>A. Beliefs about Knowledge</i>
Epistemological
Methodological
<i>B. Beliefs about Physical and Social Reality</i>
Ontological
Human Intention and Rationality
Social Order/conflict
<i>C. Relationship between Theory and Practice</i>

Source: Chua (1986, p. 605).

Similarly, Laughlin (1995) also suggested a framework for the analysis of social science research. Laughlin's framework has three main aspects: (i) theory; (ii) methodology; and (iii) change. Laughlin (1995) argued that each of the three proposed aspects involve a continuum ranging from low to high. Unlike Burrell and Morgan's framework, Laughlin's allows a researcher to adopt an intermediate standpoint on the continuum, which he described as "*middle-range thinking*" (p. 78).

5.5 Methodological Assumptions Underpinning the Present Study

As the main objectives of the present study include providing a detailed descriptive account of CIR practices amongst non-financial companies listed on the Egyptian Exchange (EGX) and exploring the perceptions of users and preparers concerning such practices in Egypt, and given the lack of prior knowledge with regard to this research area in Egypt (and the developing world as a whole), the study is deliberately exploratory in nature with no attempts made to institute wholesale change. Thus, the assumptions underpinning the radical humanist and radical structuralist paradigms are rejected as they are located within the sociology of radical change. By rejecting the underlying assumptions of these two paradigms, the researcher accepts the assumptions of the functionalist and the interpretive paradigms. In this context, Johnson and Duberley (2000) asserted that: "by accepting the assumptions that underpin the sociology of regulation, that assumption that constitutes the sociology of radical change is denied and vice versa" (p. 79). Furthermore, and again in light of this study's aims, the researcher believes that the business environment in general – and CIR practices in particular – in Egypt cannot be described either as a concrete structure (realism) or as a projection of human imagination (nominalism). In addition, CIR practice in Egypt is still in its embryonic stage; with corporate information published via companies' websites is mostly a scanned copy of the audited corporate information which is subject to relevant laws, however companies have discretion in terms of the amount and

type of data to be published online with no standards and regulations controlling such practices. Consequently, the present study tends to adopt an intermediate position between the extremes of realism and nominalism.

With respect to epistemological assumptions, the present study adopts both anti-positivist and positivist dimensions. In this context, knowledge is gained through a descriptive analysis of CIR practices and an exploration of the perceptions of users and preparers concerning such practices. These dimensions accept both the view of the observer as a means for understanding human activities (via an analysis of online reporting practices) and make use of the perceptions of participants in action for gaining insider understanding (through interviews and questionnaires) (Burrell and Morgan, 1979). With respect to human nature assumptions, this study is concerned with exploring the perceptions of users and preparers of corporate information concerning CIR practices in Egypt. These individuals are part of the Egyptian reporting environment, both influencing it and undoubtedly being influenced by it. Thus, they are not completely deterministic and are not completely free-willed and autonomous. Therefore, the study adopts an intermediate position between determinism and voluntarism; this is consistent with Burrell and Morgan (1979) themselves referring to the possibility of using an “intermediate standpoint which allows for the influence of situational and voluntary factors in accounting for the activities of human beings” (p. 6). Furthermore, as can be seen from the extant literature on CIR, the extent of CIR practices can best be determined, analysed and evaluated in a relatively quantitative, objective manner by using methods such as the disclosure index. On the other hand, there are some aspects of such practices (e.g. nature, advantages, usefulness, and problems associated with these practices...etc.) that can best be investigated and explored in a relatively qualitative, subjective way, using methods such as interviews. Thus, with regard to the methodological assumptions, the study incorporates both nomothetic and

ideographic methodologies as the study uses both quantitative (disclosure index and questionnaire) and qualitative (interviews) research methods. Consequently, the present study adopts: an intermediate position on ontology; both anti-positivist and positivist epistemologies; and an intermediate standpoint on human nature while employing both ideographic and nomothetic methodologies. These four assumptions locate the researcher within the functionalist and the interpretive paradigms. More specifically, the study is located mainly in the interpretive paradigm, but towards its functionalist end as outlined by Burrell and Morgan. As a result, it can be argued that both the functionalist and interpretive paradigms are suitable for undertaking the present study.⁶¹ In line with this reasoning, Saunders et al. (2007) indicated that:

“The practical reality is that research rarely falls neatly into only one philosophical domain...business and management research is often a mixture of positivist and interpretivist” (p. 116).

5.6 Research Methods

In order to achieve the study’s objectives, both quantitative and qualitative methods have been utilised for data collection; such an approach is often referred to as a “mixed-methods” approach (Bryman, 2008; Saunders et al., 2009). For the quantitative analysis, both a disclosure index and a questionnaire survey are used, while for the qualitative investigation interviews are adopted in order to explore the perceptions of users and preparers concerning online reporting practices in Egypt. In the context of exploring CIR practices, Lodhia et al. (2004) acknowledged this need for multiple research tools by pointing out that:

“Internet corporate reporting research could also use other methods such as surveys, interviews and case studies in conjunction with descriptive analysis... This would enable a researcher to gather *richer data*” (p. 70).

⁶¹ Such a position is common in accounting and finance research; examples of recent PhD theses that have adopted these methodological assumptions include: Al-Qarni, 2004; Finningham, 2010; Almujaed, 2011; Mardini, 2012.

The following sections provide an overview of the three research methods employed in the present thesis, i.e. (i) the disclosure index; (ii) interviews; and (iii) questionnaire survey.

5.6.1 The Disclosure Index Method

This section provides an outline of the disclosure index method adopted here. Further details relating to the procedures associated with constructing the CIR index and analysis of the results are reported in Chapter 6. In this regard, it has been argued that measuring the extent of corporate disclosure is not an easy task. For example, Wallace (1987) pointed out that:

“Financial disclosure is an abstract concept that cannot be measured directly. It does not possess inherent characteristics by which one can determine its *intensity* or *quality* like the capacity of a car” (p. 431).

Therefore, Cooke and Wallace (1989) suggest that an appropriate proxy such as a disclosure index method can be adopted to determine the extent of corporate disclosure. Marston and Shrivies (1991) defined disclosure indices as “extensive lists of selected items which may be disclosed in company reports” (p. 195). This characterisation implies that the method can be used to measure the extent of both mandatory and voluntary disclosures. Similarly, Hassan and Marston (2010) defined a disclosure index as:

“A research instrument to measure the extent of information reported in a particular disclosure vehicle(s) by a particular entity(s) according to a list of selected items of information” (p. 18).

This means that the disclosure index can determine the extent of information disseminated in one or more dissemination channels such as annual reports, interim reports, companies’ websites and other sources. In the present study, the disclosure index method is employed to determine the extent of CIR practices amongst non-financial companies listed on the EGX.

The use of disclosure indices in measuring the extent of corporate disclosure can be traced back to the work of Cerf in 1961 (Marston and Shrides, 1991). Since that time, the approach has been used extensively in measuring the level of financial disclosure across a range of topics (e.g. Choi, 1973; Firth, 1979; Wallace, 1987; Cooke, 1992; Botosan, 1997; Abdelsalam and Weetman, 2003; Hassan et al., 2009). In particular, many online reporting studies have used disclosure indices, including: Deller et al., 1999; Pirchegger and Wagenhofer, 1999; FASB, 2000; Debreceny et al., 2001; Marston and Polei, 2004; Xiao et al., 2004; Al-Htaybat, 2005; Abdelsalam et al., 2007; Aly, 2008; Al-Motrafi, 2008; Alshowaiman, 2008; Desoky, 2009; Aly et al., 2010; Ezat, 2010; Samaha et al., 2012.

From reviewing the aforementioned studies, it appears that two methods for constructing disclosure indices can be identified. The first method revolves around reviewing the extant literature to develop a new index. This means that there is full involvement from the researcher in the entire process of constructing the disclosure index (Hassan and Marston, 2010). At the other extreme, researchers use existing indices without making any changes; in this respect, Marston and Shrides (1991) indicated that this approach allows the researcher to benefit from making comparisons with other related studies that used the same indices. Between these two extremes, full involvement and no involvement, different degrees of involvement can be identified⁶² (Hassan and Marston, 2010). The present study was guided by disclosure indices from the extant online reporting literature,⁶³ however, the resulting checklist has been modified to suit the Egyptian reporting environment and to reflect items found on the sampled companies' websites.

⁶² Examples include Riahi-Belkaoui and Kahl (1978) who adapted the work of Cerf (1961); Aly et al. (2010) developed a disclosure index based on the work of Xiao et al. (2004), which itself is based on Deller et al., 1999; Debreceny et al., 2001 and Marston and Polei, 2004.

⁶³ Example of these studies include: Xiao et al. (2004); Bollen et al. (2006); Spanos and Mylonakis (2007); Pervan (2006); Andrikopoulos and Diakidis (2007); Al-Motrafi (2008); Kelton and Yang (2008); Desoky (2009); Aly et al. (2010); Ezat (2010).

With respect to the importance of items included in the index, the literature distinguishes between two types of indices, weighted and un-weighted indices. Weighted indices take into consideration the importance of each item included in the index. Weighting can be done by asking user groups about the importance of each item included in the index (Beattie et al., 2004). Based on these views, the researcher can assign varying weights to different items. On the other hand, un-weighted indices score each item equally; this method does not focus on the interest of one single group, instead it is directed at all users of annual reports (Aly, 2008). The present study uses an un-weighted disclosure index to determine CIR practices amongst the surveyed companies, as Beattie et al. (2004) suggest that: “weighted and un-weighted scores tend to give the same results where there are a large number of items” (p. 210). In addition, with the weighted indices, the same item can be scored differently by different users and this will lead to misleading results, as the relative importance of each item varies from country to country, industry to industry, from one person to another and from time to time (Abdelsalam, 1999).

The use of un-weighted indices reduces the subjectivity problem (Ahmed and Courtis, 1999); in contrast, assigning weights involves a great deal of subjective judgement that comes either from the researcher or the user group or both. Similarly, Marston and Polei (2004) contend that “weights contain an element of subjectivity which cannot be completely avoided in the composition of such a score” (p. 297). Therefore, Cooke (1989) suggests that an un-weighted index is an appropriate research tool in disclosure studies when the concern of the research is directed at all users of corporate reports rather than the information needs of any specific user group. Since the present study is not directed at a single user group, the use of an un-weighted disclosure index seems to be appropriate. Accordingly, the study uses a simple binary coding scheme, whereby a score of 1 is assigned for the presence of the item and 0 for a non-disclosed item. In support of the

disclosure index method, Marston and Shrives (1991) pointed out that although the construction of the disclosure index inevitably involves some degree of subjective judgement, this method proved to be a valuable research technique that will continue to be adopted as long as disclosure practices are a topic of interest.

As with any research method, it is of great importance to ensure the reliability and validity of the constructed index employed. Marston and Shrives (1991) suggest that “it is necessary to consider two criteria that are typically employed in the social sciences when evaluating measurements. These criteria are reliability and validity” (p. 197). Similarly, Neuman (2003) indicated that: “reliability and validity are central issues in all measurement. Both concern how concrete measures are connected to constructs” (p. 178). In this regard, Carmines and Zeller (1991) indicated that “reliability concerns the extent to which an experiment, test, or any measuring procedure yields the same results on repeated trials” (p. 11), while, Oppenheim (1992) defined reliability as being “the purity and consistency of a measure, to repeatability, to the probability of obtaining the same results again if the measure were to be duplicated” (p. 144). This means that the measure is reliable if the same results can be obtained on repeated occasions (Marston and Shrives, 1991). There are some issues that affect the reliability of the disclosure index method; among these is the use of weighted indices. As mentioned previously, the process of weighting items is a subjective process with the possibility that different users assign different weights to the same set of items (Abdelsalam, 1999). The present study avoids this problem as it uses the un-weighted disclosure index with items being weighted equally. Sekaran (2003) identified two main tests for reliability: (i) the stability of measures and (ii) the internal consistency of measures. Stability pertains to the ability of a measure to remain unchanged over time and it has two forms: test-retest reliability and parallel-form reliability (Litwin, 1995; Sekaran, 2003). In this regard, Sekaran (2003) indicated that: “the reliability

coefficient obtained with a repetition of the same measure on a second occasion is called test-retest reliability” (p. 204), while parallel-form reliability is achieved “when responses on two comparable sets of measures tapping the same construct are highly correlated” (p. 204). On the other hand, internal consistency ensures “the homogeneity of the items in the measure that tap the construct” (Sekaran, 2003, p. 205) and refers to “the degree to which all items hang together and measure the same underlying attribute” (Pallant, 2001, p. 6). Sekaran (2003) indicated that Cronbach’s coefficient alpha is the most common test for measuring internal consistency.⁶⁴ Therefore, Cronbach’s alpha was employed as a proxy to test the reliability of the disclosure index results. The results from the Cronbach’s alpha test concerning the disclosure index findings are outlined in Chapter 6.

With regard to validity, Oppenheim (1992) indicated that “validity...tells us whether the question, item or score measures what it is supposed to measure” (pp. 144-145).

Oppenheim provided an example to simplify the validity and reliability issues thus:

“A clock is supposed to measure *true* time and to do so continuously. If it were to show the wrong time we would call it invalid. If it were sometimes slow and sometimes fast, we would call it unreliable” (p. 145).

Sekaran (2003) identified three types of validity: content validity; criterion validity and construct validity. Content validity “ensures that the measure includes an adequate and representative set of items that tap the concept” (p. 206). Criterion validity measures how well the items predict future observations (Litwin, 1995). Construct validity “testifies how well the results obtained from the use of the measure fit the theories around which the test is designed” (p. 207). The validity of the disclosure index can be affected by applying the same checklist to both financial and non-financial companies, which may lead to the inapplicability of some items and bring inconsistent results. The present study overcomes

⁶⁴ Cronbach’s alpha calculates the average of all possible split-half reliability coefficients. Its value ranges from 1, indicating complete internal reliability to 0, denoting no internal reliability (Bryman, 2008).

this problem by focusing only on non-financial listed companies, as financial companies are subject to different rules and regulations. The validity of the disclosure index employed here was also fulfilled through the pilot study. More details concerning the development and use of this technique are outlined in Chapter 6.

5.6.2 The Interview Survey

The purpose of the present study is twofold; the first pertains to determining the extent of CIR practices amongst non-financial companies listed on the EGX using the disclosure index method outlined earlier. This dimension focuses on the companies' practices, in other words it represents the supply-side dimension. The other dimension relates to investigating the perceptions of users and preparers of corporate information with respect to CIR practices of the sampled companies, focusing on the users' needs or the demand-side. In this context, Allam and Lymer (2003) indicated that:

“Some assessment of the use of, and demand for, online reporting is also called for. This review is largely absent in our understanding of reporting practices leaving us largely with a supply side understanding of the reporting activity undertaken by large companies” (p. 196).

Investigating the perceptions of users and preparers of corporate information concerning CIR practices in Egypt is facilitated by the use of both interviews and a questionnaire survey. In the present study, the interviews and the questionnaire survey were undertaken concurrently in Egypt. This choice was largely practical; the time scale available and cost consideration did not permit these methods to be undertaken sequentially. In this context, Creswell (2003) suggested that a mixed-methods approach can be applied sequentially or concurrently with no restriction in this regard. Furthermore, Palinkas and Soydan (2012) indicated that the complementary nature of the mixed-methods approach will not be affected whether undertaken in order or in parallel. These methods have been employed to explore the perceptions of users and preparers of financial information with respect to CIR

practices in Egypt. In support of this, Saunders et al. (2009) emphasised that: “the use of interviews can help you to gather valid and reliable data that are relevant to your research question(s) and objectives” (p. 318). This section provides an outline of the interview method. Further details relating to the procedures associated with conducting these interviews and analysing the responses are reported in Chapter 7.

Generally, an interview is a conversation with a purpose between two or more people (Kahn and Cannell, 1957, as cited in Saunders et al., 2009). Stressing the value of interview surveys, May (2011) indicated that: “interviews yield rich insights into people’s biographies, experiences, opinions, values, aspirations, attitudes and feelings” (p. 131). Patton (2002) pointed out that as no-one has the ability to observe everything, to explore issues under investigation the interviewer frequently has to ask questions of others. Therefore, interviews are meant to enable the researcher to find out peoples’ perspectives. In addition, the interviewer should have the ability to bring the interviewee into his or her world in order to obtain and understand their stories (Patton, 2002); this means that the quality of data gathered from conducting an interview is largely dependent on the interviewer’s skills and experience (Patton, 2002; Saunders et al., 2009).

Depending on the level of formality and structure, interviews may be classified into three categories: (i) structured; (ii) semi-structured; and (iii) unstructured or in-depth interviews (Walliman, 2001; Saunders et al., 2009; May, 2011). Structured interviews are formulated in a manner that is similar to questionnaires, as they typically employ standardised questions (May, 2011). This type of interview is often used to gather quantifiable data (Saunders et al., 2009). The standardised nature of this type of interview survey allows comparability between responses (May, 2011). At the other end of the spectrum, unstructured interviews typically involve informal and non-standardised conversations,

where the interviewee is given the chance to speak openly about the surveyed topic with the interviewer simply responding to issues that need to be followed up as he or she does not have a planned sequence of questions to be asked to the participant (Sekaran, 2003; Bryman, 2008). The semi-structured interview has an intermediate position between the above two extremes. In semi-structured interviews, the interviewer will have a list of questions or themes that need to be covered, often referred to as an interview guide, however he or she has the flexibility to add, omit and change the order of these themes or questions in order to steer the conversation to a conclusion (Saunders et al., 2009). May (2011) indicated that in this type of interview:

“Questions are specified, but the interviewer is freer to probe beyond the answers in a manner which would appear prejudicial to the aims of standardisation and comparability” (p. 134).

The present study used semi-structured interviews to permit both the relative flexibility of questions and the standardised responses. It has been argued that recoding the interviews is beneficial. In this regard, Patton (2002) suggested that:

“The raw data of interviews are the actual quotations spoken by the interviewees. Nothing can substitute for these data: the actual things said by real people. That’s the prize sought by the qualitative inquirer” (p. 380).

Table 5.4 depicts the advantages and disadvantages of using audio-recording in conducting research interviews as suggested by Saunders et al. (2009). However, recording the interview does not eliminate the need for taking notes (Patton, 2002). Most obviously, these notes provide a backup in case the recorder does not work. In addition, notes provide useful early insights that will facilitate transcriptions and provide useful input later in the analysis phase (Patton, 2002). It is also helpful to note non-verbal cues not obtainable from a recording. These recordings need to be transcribed, but full transcriptions are not always necessary (Dunne, 2003), as “transcribing interviews is very time consuming” (Bryman, 2008, p. 453).

Table 5.4: Advantages and Disadvantages of Audio-recording the Interview

Advantages	Disadvantages
•Allows interviewer to concentrate on questioning and listening.	•May adversely affect the relationship between interviewee and interviewer.
•Allows questions formulated at an interview to be accurately recorded for use in later interviews where appropriate.	•May inhibit some interviewee responses and reduce reliability.
•Can re-listen to the interview.	•Possibility of a technical problem
•Accurate and unbiased record provided.	•Time required to transcribe the audio-recording.
•Allows direct quotes to be used.	
•Permanent record for others to use.	

Source: Reproduced from Saunders et al. (2009, p. 341).

The use of interviews as a data collection method has several advantages. First, “it permits the researcher to ask more complex questions and ask follow-up questions (Hussey and Hussey, 1997, p. 158). This means that the researcher can get rich and deeper insights about the issues under investigation. Second, the interviewer has the ability to clarify issues and ensure that the questions are properly understood (Sekaran, 2003), thereby increasing reliability. Third, “it (interview method) permits a higher degree of confidence in the replies...and can take account of non-verbal communication” (Hussey and Hussey, 1997, p. 158). Fourth, the interview method is considered “a flexible tool with a wide range of application” (Walliman, 2001, p. 238), with the researcher having the ability to adjust the questions to steer the conversation for standardisation and comparability purposes (Saunders et al., 2009; May 2011). Fifth, the findings of the interviews may be used to supplement findings from questionnaire surveys (Bryman, 2008). Finally, the use of the interview method is in line with the underlying philosophical assumptions underpinning the

present study,⁶⁵ and enables the researcher to collect and explore the perceptions of users and preparers of corporate information regarding CIR practices in Egypt.

However, using interviews as a data collection method involves some disadvantages and weaknesses. First, conducting interviews is a costly and time consuming task, especially if the interviewees are spread across a wide geographical area (Sekaran, 2003; Falgi, 2009; May, 2011). Second, the flexibility provided to interviewees and the interviewer is a possible cause of research bias that might affect the reliability of the data collected (Ibrahim, 2000). Third, a lack of anonymity may force the participants not to speak honestly or deeply about the investigated topic, especially if the issue is of a sensitive nature (Ibrahim, 2000; Sekaran, 2003). However, assuring the interviewees of anonymity can help to alleviate this. Fourth, qualitative interviews typically do not permit any systematic generalisation, as this type of research method is context-dependent and typically results in non-standardised responses (Denscombe, 1998). Fifth, as argued by Saunders et al. (2009), “using the interview to collect research data requires considerable skills” (p. 319). Finally, interviewees’ perceptions may be influenced by events which have taken place prior to the interview (Collis and Hussey, 2003).

5.6.3 The Questionnaire Survey

This section outlines the questionnaire survey method. As mentioned previously, both interviews and a questionnaire survey are utilised in the present study, as these two methods, together with the disclosure index technique, enable the researcher to access richer and more in-depth data about the phenomenon being examined (Lodhia et al., 2004) as well as providing the ability to capture issues regarding both the supply and demand-sides of CIR practices. The questionnaire method is employed in the present thesis to

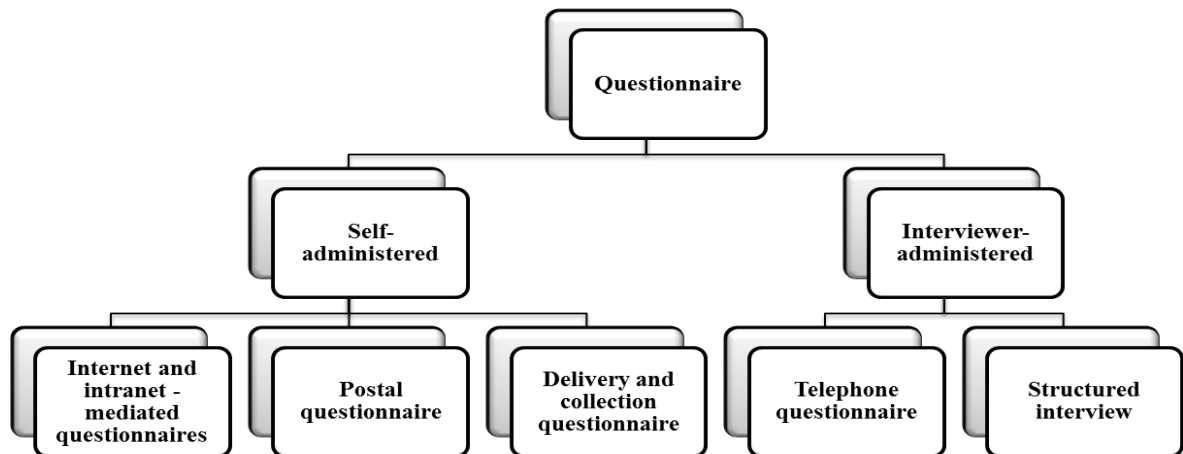
⁶⁵ For more details see Section 5.5.

collect a larger sample of data regarding the perceptions of users and preparers of CIR practices amongst non-financial companies listed on the EGX than is practical or achievable via interview analysis. More details of the procedures employed here in distributing, collecting and analysing the questionnaires are provided in Chapter 8. However, this section provides a broad overview of the method in general.

Sekaran (2003) defined a questionnaire survey as being “a performed written set of questions to which respondents record their answers, usually within rather closely defined alternatives” (p. 236). She proceeded to mention that this is an efficient data collection method especially when the scholar is knowledgeable about his/her research topic. Furthermore, May (2011) indicates that the use of questionnaire surveys are common practice in social science research, as they can be utilised to explore the characteristics and attitudes of a large number of respondents in a quick and inexpensive manner. With respect to the types of questionnaires that can be employed to gather data, Saunders et al. (2009) distinguished between two types depending on the amount of contact the researcher is likely to have with the respondent; these are self-administered and interviewer-administered questionnaires. As shown in Figure 5.3, self-administered questionnaires refer to those which are completed and administered mainly by the participant. According to Saunders et al. (2009) this type of questionnaire is divided into three groups: (i) internet and intranet-mediated questionnaires which are administered and collected using either the internet or the intranet; (ii) postal questionnaires which are mailed to participants who are asked to return them following completion; and (iii) delivery and collection questionnaires, which require the researcher to hand deliver and collect his/her questionnaire. With respect to interviewer-administered questionnaires, Saunders et al. (2009) distinguished between two types: (i) telephone questionnaires, which are administered via telephone; and (ii)

structured interviews, where the researcher meets the participant face-to-face and asks the questions.

Figure 5.3: Types of Questionnaire



Source: Adopted from Saunders et al. (2009, p. 363).

Note: This figure depicts different types of questionnaire survey.

With respect to the type of questions posed in questionnaires, Sekaran (2003) distinguished between two types: open-ended and closed-ended questions. Open-ended questions are not followed by any alternative choices; participants are given a full opportunity to state their answers freely in a way that reflects their interpretation (May, 2011). Although these types of questions are useful, especially when the researcher is unsure of the answers, analysing the responses of these questions can be time consuming (Saunders et al., 2009). Furthermore, Oppenheim (1992) indicated that although this type of question is usually easy to ask, they can be relatively difficult to answer, more difficult to analyse and more time-consuming. In this respect, Gorard (2003) contends that open-ended questions are more suitable where the researcher is confident about how to analyse the responses, and where the responses will be used to explain a statistical pattern.

With respect to closed-ended questions, the participants are given a set of alternative responses by the researcher (Sekaran, 2003). This type of question “limits the number of possible answers to be given and makes the analysis quicker and cheaper...they also permit comparability between people’s answers” (May, 2011, p. 111). Furthermore, these types of questions help the respondents to make their choice quickly and also help the researcher in the analysis process as it will be easy to code the information. However, special care should be taken to make sure that: (i) the questions provided are mutually exclusive; (ii) all possible answers are given; (iii) no overlap is possible between responses; and (iv) the list of responses is delineated clearly to the participants (Sekaran, 2003; Saunders et al., 2009). One obvious disadvantage of closed-ended questions pertains to “the loss of spontaneity and expressiveness” (Oppenheim, 1992, p. 114), as respondents are forced to choose from given alternatives. The inclusion of an *Other (please specify) category* may help with this problem (Oppenheim, 1992).

There are several advantages to using questionnaires. First, the most obvious advantage relates to the fact that questionnaires are a particularly efficient data collection method, especially when the study needs to cover a wide geographical area (Neuman, 2003; May, 2011); in this regard electronic questionnaires can have global reach (Sekaran, 2003). Second, questionnaires are cheaper than other data collection methods (Neuman, 2003; Falgi, 2009; May, 2011). Third, anonymity of the respondents is high, which encourages them to respond and increases the response rate (Sekaran, 2003) in turn helping in garnering information on sensitive issues (May, 2011). Fourth, questionnaires can reduce the bias problem, as there is no face-to-face contact between the researcher and the participants, especially with mail questionnaires (Oppenheim, 1992; Neuman, 2003). In this regard, May (2011) argues that “survey research aims to remove as much bias from the research process as possible” (p. 97). Fifth, questionnaires are more suitable for

respondents who require time to think about the answers (Neuman, 2003; Sekaran, 2003; May 2011). Finally, questionnaires are typically designed in a standardised manner which should lead to standardised responses that can be easily analysed.

However, using questionnaires as a data collection method involves some disadvantages. First, the most obvious disadvantage of questionnaire surveys pertains to low return rates, especially for mail questionnaires (Neuman, 2003; Sekaran, 2003; May, 2011). In this regard, Saunders et al. (2009) suggested some effective techniques that can be used to improve response rates, namely:

“(i) careful design of individual questions; (ii) clear and pleasing layout of the questionnaire; (iii) lucid explanation of the purpose of the questionnaire; (iv) pilot testing, and (v) carefully planned and executed administration” (p. 362).

Sekaran (2003) also suggested some tips to increase the response rate, noting that “sending follow-up letters, providing the respondent with self-addressed, stamped return envelopes, and keeping the questionnaire brief do indeed help” (p. 237). Second, the possibility of misunderstanding the questions given the absence of the researcher to clarify issues can be problematic (May, 2011). However, pilot testing can help to reduce this problem. Third, it is difficult for respondents to elaborate on specific issues, especially with closed-ended questions, as the researcher cannot probe or use follow-up questions. Fourth, sometimes the respondent might not be the person who the researcher thinks it is, and questionnaires may be passed from one person to another, reducing the reliability of the responses (Neuman, 2003; Saunders et al., 2009; May, 2011). Fifth, there is no control over the order respondents read and answer the questions, as respondents have the ability to go through all questions and answer them as they see fit (Oppenheim, 1992; Gorard, 2003). Sixth, open-ended questions can result in large volumes of data which can take time to analyse. One possible solution to this would be to limit the use of these types of questions. In this

respect, almost all questions included in the questionnaires employed in the present study are semi-structured or closed-ended questions. Finally, questionnaires often suffer from a low response rate. This makes it difficult to generalise the results because respondents might not represent the population (Sekaran, 2003). This problem can, however be tackled by using the aforementioned techniques to improve the response rate.

5.7 Conclusion

This chapter has discussed the different philosophical standpoints relating to assumptions about the nature of social science research and assumptions about the nature of society as suggested by Burrell and Morgan (1979). The four research paradigms of Burrell and Morgan's framework were also outlined. The chapter then proceeded to provide some critiques of this framework. The philosophical assumptions underpinning the present study were also identified and the research methods utilised in the present thesis to fulfil the study objectives were also outlined; in particular, the disclosure index, the interview and the questionnaire methods were discussed. Having outlined the Egyptian context, literature, theoretical and methodological context for the present study, the rest of the thesis presents the empirical evidence, beginning in the next chapter with the disclosure index results.

Chapter 6:
Corporate Internet Reporting Index Analysis

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Corporate Internet Reporting Index Analysis

6.1 Introduction

In the previous chapter, the methodological assumptions underpinning the present study, together with the research methods that were utilised to achieve the objectives of the present study were outlined. In this chapter, the Corporate Internet Reporting (CIR) index method is used to determine the extent of CIR practices amongst all of the 172 non-financial companies listed on the Egyptian Exchange (EGX). The purpose of the present chapter is to provide a detailed descriptive account of the most recent CIR practices amongst companies listed on the EGX to improve our understanding of how this area of reporting activity is moving forward in developing nations such as Egypt. Thus, this chapter aims to answer the first research question in this thesis; i.e. “what is the extent of CIR practices amongst non-financial companies listed on the EGX?”. The rest of the chapter is structured as follows: Section 6.2 provides some statistics regarding the sample companies, their presence on the internet and engagement in CIR. Section 6.3 outlines the process followed to construct the index, while Section 6.4 provides a horizontal (i.e. firm-by-firm analysis). Section 6.5 outlines the vertical analysis (i.e. item-by-item results). Section 6.6 concludes.

6.2 The Sample Companies and the Internet

All of the 172 non-financial companies listed on the EGX in December 2010 were targeted for the present study. Financial companies were excluded as they are subject to different regulations and standards.⁶⁶ After the identification of the 172 (171 in 2011) non-financial companies listed on the EGX, the next step was to identify the web pages of the sample

⁶⁶ For example, banks are controlled and supervised by the Central Bank of Egypt, while insurance companies' financial statements are prepared in accordance with EAS related to insurance and reinsurance and law No. 10 of 1981 (Aly, 2008).

companies. Multiple approaches were used to identify whether the sample companies have maintained a website or not, to reduce the possibility of missing any disclosures. These included Mubasher and El Moaasher, i.e. third-party websites which provide detailed company and stock indices information, plus the EGX websites. Further enquiries were made using popular search engines (e.g. google.com and yahoo.com) and companies were contacted by phone and e-mail to provide their website address where one existed. For the remaining companies, an assumption was made that they did not maintain a website;⁶⁷ however, Lymer et al. (1999) argue that despite the care taken in the identification of companies' websites, it is difficult in practice to definitively state that particular companies do not maintain a web presence. Due to the dynamic development of internet technology,⁶⁸ the study sought to determine the extent of CIR practices amongst non-financial companies listed on the EGX at two points in time – December 2010 and December 2011 – to highlight the changes that took place during this period. In December 2010, 137 of the sampled companies reported having a website, 17 of which proved to be inaccessible or under-construction. This meant that 120 (or 69.8%) of the sampled companies had usable websites; 70 companies (40.7%) provided some kind of financial information via their websites. By December 2011, 141 of the sampled companies had a website, of which 22 proved to be inaccessible or under-construction. This data implies that 119 (69.6%) of the surveyed companies had an active web presence. 73 websites (42.7%) contained some form of financial information.⁶⁹ These figures are in line with other studies undertaken in the Middle East including: Saudi Arabia (Al-Motrafi, 2008); Bahrain (Mohamed and Oyelere, 2008); Egypt (Desoky, 2009 and Aly et al., 2010); Oman (Mohamed et al., 2009) and UAE

⁶⁷ Corporate financial reporting pages on a third-party website (other than that of the designated company) were excluded, unless there was a hyperlink from the company website to the third-party website.

⁶⁸ FASB (2000) argued that "Internet-months are like years in the sense that things change so quickly. It has been said that 18 Internet weeks = 1 normal year" (p. 17).

⁶⁹ An important decision from the EFSA on 21st of February 2012 mandated companies listed on the EGX to set up a website to publish their annual and interim financial statements in addition to notes to the accounts, the auditor's report and other information required by the EGX. The investor relations department will be responsible for these websites, which must be operational by the end of March 2013. Thus, this decision could lead to a considerable increase in the number of companies practicing CIR. This issue is returned to in the concluding chapter, when suggestions for further work are made.

(Oyelere and Kuruppu, 2012) who found that 45%, 63%, 51%, 56%, 22% and 67% of corporate websites contained some form of financial information respectively.

Table 6.1 breakdowns the sample across 15 industrial sectors.⁷⁰ Although the sub-samples are small, it is evident from the table that there is variation across the classes concerning the utilisation of the web. For example, more than 48% of companies from the construction and materials sector had websites and engaged in CIR practices in 2010 (although this decreased to 40.7% in 2011). At the other end of the spectrum, only 25% of the companies from the travel and leisure sector provided financial information on their websites in 2010, although this increased slightly to 31.3% in 2011. This result is in line with Al-Motrafi (2008) for Saudi companies and Desoky (2009) regarding companies listed on the EGX. This evidence suggests that industrial sector might be a potential factor affecting company's decision to develop a website and engage in CIR practices. In this regard, Desoky (2009) and Aly et al. (2010) reported a significant association between CIR and industry type regarding companies listed on the EGX.

⁷⁰ The classifications used are based on the system employed by the EGX.

Table 6.1: Classification of Companies According to Industrial Sector

Sector	Number of Companies																	
	Total		Having Accessible Website								Having Inaccessible or Under-construction Website				Without Website			
			With Financial Information				Without Financial Information				2010		2011		2010		2011	
			2010		2011		2010		2011									
	2010	2011	No	%	No	%	No	%	No	%	No	%	No	%	No	%	No	%
Basic Resources	9	9	5	55.6	5	55.6	2	22.2	2	22.2	1	11.1	1	11.1	1	11.1	1	11.1
Chemicals	7	7	5	71.4	5	71.4	2	28.6	2	28.6	0	0.0	0	0.0	0	0.0	0	0.0
Construction and Materials	27	27	13	48.1	11	40.7	7	25.9	9	33.3	1	3.7	1	3.7	6	22.2	6	22.2
Food and Beverages	28	27	8	28.6	11	40.7	12	42.9	11	40.7	2	7.1	2	7.4	6	21.4	3	11.1
Healthcare and Pharmaceuticals	13	13	3	23.1	3	23.1	4	30.8	4	30.8	5	38.5	6	46.2	1	7.7	0	0.0
Industrial Goods and Services and Automobiles	18	18	9	50	8	44.4	5	27.8	4	22.2	0	0.0	2	11.1	4	22.2	4	22.2
Oil and Gas	3	3	1	33.3	1	33.3	2	66.7	2	66.7	0	0.0	0	0.0	0	0.0	0	0.0
Personal and Household Products	11	11	6	54.5	6	54.5	1	9.1	1	9.1	1	9.1	1	9.1	3	27.3	3	27.3
Real Estate	27	27	9	33.3	10	37	6	22.2	3	11.1	5	18.5	7	25.9	7	25.9	7	25.9
Retail	5	5	2	40	3	60	1	20	0	0.0	0	0.0	0	0.0	2	40	2	40
Media	1	1	0	0.0	0	0.0	1	100	1	100	0	0.0	0	0.0	0	0.0	0	0.0
Technology	3	3	2	66.7	2	66.7	0	0.0	0	0.0	0	0.0	0	0.0	1	33.3	1	33.3
Telecommunications	3	3	3	100	3	100	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Travel & Leisure	16	16	4	25	5	31.3	6	37.5	6	37.5	2	12.5	2	12.5	4	25	3	18.8
Utilities	1	1	0	0.0	0	0.0	1	100	1	100	0	0.0	0	0.0	0	0.0	0	0.0
Total	172	171	70	40.7	73	42.7	50	29.1	46	26.9	17	9.9	22	12.9	35	20.3	30	17.5

Note: This table provides industrial sector-based classification of the sample companies according to extent of exploiting the internet.

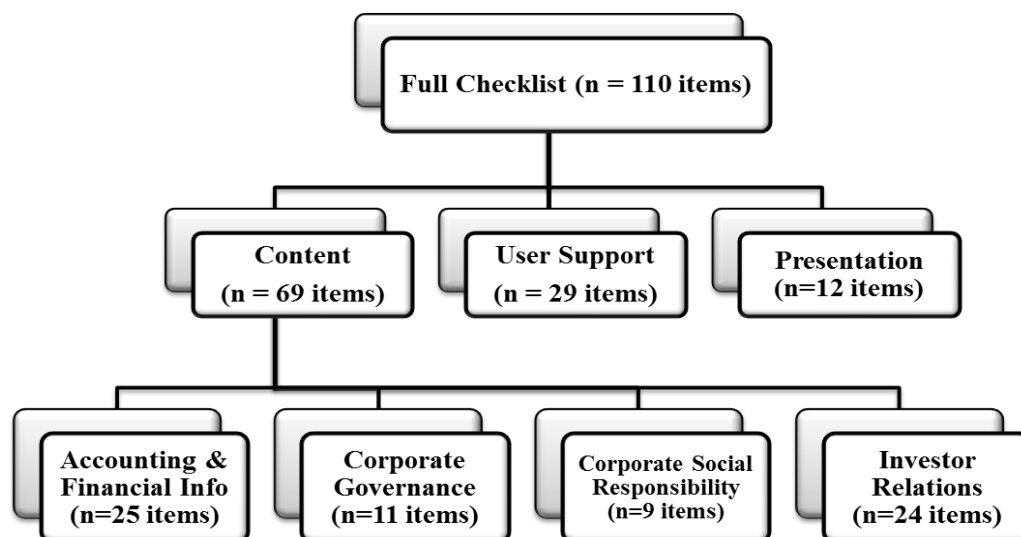
6.3 The Construction of the Disclosure Index for the Present Study

Marston and Shrikes (1991) note that: “the first step in the construction of a disclosure index is the selection of items” (p. 201), although Coy et al. (2001) caution that there is a lack of a common framework to guide the process. Similarly, with respect to the number of items to be included in the index, Wallace and Naser (1995) pointed out that there is no agreed-upon theory regarding the number of items to be included in the index. Consistent with this view, inspection of the disclosure literature indicates that the number ranges in practice from 11 items (Tai et al., 1990) to 289 items (Spero, 1979); in terms of the online reporting literature, the number ranges from 11 items (Ezat and El-Masry, 2008) to 325 items (FASB, 2000).

The first step in choosing the items to be included in the CIR index involved reviewing the disclosure literature, including those studies devoted to online reporting (e.g. Deller et al., 1999; Pirchegger and Wagenhofer, 1999; FASB, 2000; Debreceeny et al., 2001; Marston and Polei, 2004; Xiao et al., 2004; Al-Htaybat, 2005; Bollen et al., 2006; Pervan, 2006; Abdelsalam et al., 2007; Spanos and Mylonakis, 2007; Al-Motrafi, 2008; Desoky, 2009; Aly et al., 2010; Ezat, 2010). The second step took the form of a review of the country’s disclosure regulations and requirements to avoid including items that are not applicable to the Egyptian reporting environment, while the third step involved visiting the sample companies’ websites to review their current status and to get a closer picture of CIR practices amongst companies listed on the EGX. Finally, the index was reviewed by academics and post-graduate researchers with prior experience of using disclosure indices who confirmed its appropriateness. As shown in Figure 6.1, the complete CIR index included 110 items divided across three main sections: content items (69); user support items (29) and presentation items (12). The 69 content items were disaggregated further into: accounting and financial information items (25), which measure the extent of financial

information disseminated via companies' websites; corporate governance items (11), which focus on the practices of the analysed companies in this area; corporate social responsibility (CSR) items (9), to gauge the extent of CSR practices amongst the sample companies; and investor relations items (24) directed towards disclosures concerning investors' needs for information about their investments. The 29 user support items focused on the potential of the internet to enhance the usability of companies' websites, while the 12 presentation items were concerned with how the financial information is presented. The CIR index employed here is therefore considered to represent a comprehensive measure of CIR practices amongst non-financial companies listed on the EGX.

Figure 6.1: Various Groups Included in the CIR Index



Note: This figure depicts the three main groups included in the CIR index and the number of items in each group.

The study then proceeded to apply the CIR index to the sample of companies with accessible websites. The study used an un-weighted index for reasons outlined in the previous chapter. Each company was therefore given a score of 1 if the item was present and a score of zero if not. In this regard, Allam and Lymer (2003) asserted that:

“The logic behind assigning points to the attributes does not depend on the importance of the attribute nor on the quality of the information provided by the company. Rather, it provides a measure of the quantity of information

made available on the internet and the facilities available to help users in browsing this information” (p. 188).

For each company the total score is measured as the actual score awarded to the maximum possible score according to the following equation:

$$CIRS = \sum_{i=1}^{110} r_i$$

Where CIRS = Corporate Internet Reporting Score,

$r_i = 1$ if the item is reported and 0 otherwise; and

$i = 1, 2, 3, \dots, 110$.

The information compiled from the companies’ websites was then summarised and analysed. Table 6.2 outlines the number of sample companies categorised according to their extent of using the internet. For the purpose of the analysis, the 120 sampled companies with accessible websites (119 in 2011) were divided into the three distinct groups outlined in Table 6.2. This distinction was based on the extent of corporate information published on the companies’ web pages. The first group comprises the 36 companies (38 in 2011) that disclosed a complete set of corporate information via their web pages. In this context, IAS 1 (1997, section 8) indicated that a full set of financial statements includes:

“(i) balance sheet; (ii) income statement; (iii) a statement showing either: all changes in equity or changes in equity other than those arising from capital transactions with owners and distributions to owners; (iv) cash flow statement; and (v) accounting policies and explanatory notes.”

The second group consists of companies that disclosed summary or simple corporate information on their web pages, typically excerpts from their financial statements or some financial highlights such as capital employed and net profit. This group includes 34 companies (35 in 2011). The third group encompasses companies that did not disclose any financial information at all via their websites. This group comprises 50 companies (46 in 2011).

Table 6.2: Classification of Sample Companies According to Website Status

Website Status	2010		2011	
	No	%	No	%
Complete set of financial information	36	20.9	38	22.2
Simple financial information	34	19.8	35	20.5
Accessible website only (no financial information)	50	29.1	46	26.9
Total number of companies with accessible websites	120	69.8	119	69.6
Inaccessible or under-construction website	17	9.9	22	12.9
No website at all	35	20.3	30	17.5
Total	172	100	171	100

Note: This table summarises the sample companies according to the status of their web presence and whether they engaged in CIR practices or not.

The table shows that the number of firms which disclosed a complete set of financial information online rose slightly from 36 in 2010 to 38 in 2011. The number of companies which disclose only simple financial information also increased marginally, from 34 in 2010 to 35 in 2011. Encouragingly, the number of companies which had accessible websites but did not engage in CIR practices decreased from 50 in 2010 to 46 in 2011; however, the table also indicates that the number of companies with unusable websites rose from 17 to 22. This latter result may be linked to the fact that the internet service was disrupted after the 2011 uprising in Egypt; even in the early days of the uprising, governmental authorities ordered communications companies to cut off internet services. Thus, web access in Egypt was affected and it took some time before it returned to normal. The table also shows a decrease in the number of the sampled companies without any web presence, from 35 to 30. This result suggests that companies are realising the potential of the web in the business environment, with even severe political upheaval failing to stop growth in the spread of its popularity. Overall, however, the results shown in Table 6.2 might be seen as a little disappointing, given the remarkable increase in the number of internet users over the past few years, reaching 32.5 million users in January 2013

representing 39.2% of the Egyptian population (Ministry of Communication and Information Technology, 2013).⁷¹

In the following sections of the chapter, CIR practices amongst the sample companies are investigated by applying the CIR index to all companies with accessible web pages. Following Lybaert (2002) the investigation is carried out in two ways: (i) horizontal analysis (i.e. company-by-company) and (ii) vertical analysis (i.e. item-by-item).

6.4 Horizontal Analysis – Results-by-Company

For the purpose of the analysis, the 120 sampled companies with accessible web pages (119 in 2011) were divided into the three distinct groups outlined in Table 6.2. The following sub-sections outline the results of analysing the CIR index for each of the groups. The reliability of the utilised index was tested using Cronbach’s Coefficient Alpha, as outlined in Chapter 5. An acceptable level of internal consistency reliability is often cited as 0.6 or above (Sekaran, 2003), although Bryman (2008) argues that this figure should be 0.8 or more; however, Bryman also asserts that there is room for judgement in the matter. As shown in Table 6.3, the Cronbach’s Alpha test for 2010 and 2011 generated a score of 0.97 in each year, implying an acceptable level of internal consistency in the disclosure index results.

Table 6.3: Cronbach’s Coefficient Alpha for the Disclosure Index

Year	Number of Items	Cronbach’s Alpha
2010	110	0.97
2011	110	0.97

Note: This table depicts the reliability results for the employed index.

⁷¹ For more details see Chapter 2.

6.4.1 The Results for Companies with Accessible Web Pages

This section provides a horizontal analysis for all companies with usable websites. Table 6.4 shows the list of companies with accessible websites and their CIR scores ranked in a descending order based on the 2010 data. The significance of the changes in scores between the two years was tested using Pearson's Chi-Square statistical test. As can be seen from the table, none of the investigated companies achieved 100% scores, thereby highlighting the opportunity for further improvement in CIR practices amongst the sampled companies; the highest score in 2010 was 78 items (equivalent to 71%) for Orascom Telecom Holding Co., increasing slightly to 81 items (74%) in 2011 for Raya Holding For Technology and Communications Co. Despite the pronounced recent increase in internet user numbers in Egypt documented earlier in the chapter, the evidence in Table 6.4 suggests that companies have been slow to respond in terms of website development and engagement in CIR practices. When comparing the scores for the two years for each company, it is clear that only small changes were generated by the majority of companies.

There were, however, significant movements in some cases. Most dramatically, the CIR score for Palm Hills Development Company was 64 items in 2010, but dropped to 28 items in 2011. By 2011 the investor relations section did not contain any financial information and there was a message on this section of the web page indicating that it was "coming soon." The change may be linked to the fact that the year 2011 was characterised by civil unrest in Egypt following the 2011 uprising and the prolonged closure of the EGX; thus companies may have encountered problems in updating their websites, given the disruption of the internet service in the early days of the eruption. There was also a significant decrease in the CIR score for Paint & Chemicals Industries (Pachin); this company's website contained some simple financial information in 2010 but this was not the case in 2011 – the website no longer presented any financial information and the annual report

section was empty. The results also showed significant decreases for six other companies, namely: Wadi Kom Ombo Land Reclamation; Direct Transport Co.; Namaa for Development and Real Estate Investment Co.; Cairo Pharmaceuticals; Universal for Paper and Packaging Materials (Unipack); and Juhayna Food Industries. In most of these cases, the websites were unusable in 2011, leading to a score of zero as shown in Table 6.4.

Table 6.4: CIR Scores for Companies with Accessible Websites

Company Name	2010		2011		Chi-Square test (p-value)
	No	%	No	%	
Orascom Telecom Holding (OT)	78	71	77	70	0.883
Glaxo Smith Kline	76	69	77	70	0.884
Raya Holding for Technology and Communications	76	69	81	74	0.456
Egyptian Company for Mobile Services (Mobinil)	74	67	70	64	0.571
Telecom Egypt	72	65	73	66	0.887
Orascom Construction Industries (OCI)	71	65	77	70	0.389
T M G Holding	66	60	60	55	0.414
Suez Cement	64	58	69	63	0.491
Egyptian Transport (EGYTRANS)	65	59	63	57	0.785
Lecico Egypt	64	58	58	53	0.416
Palm Hills Development Company	64	58	28	25	0.000*
Elswedy Cables	61	55	61	55	1.000
GB Auto	60	55	68	62	0.274
Orascom Development Holding (AG)	59	54	64	58	0.497
B-Tech	55	50	48	44	0.344
Six of October Development & Investment (SODIC)	50	45	48	44	0.786
Egyptian for Tourism Resorts	48	44	56	51	0.280
Ezz Steel	44	40	47	43	0.681
Oriental Weavers	44	40	62	56	0.015*
Delta Construction & Rebuilding	43	39	43	39	1.000
Mena Touristic & Real Estate Investment	42	38	42	38	1.000
Cairo Poultry	41	37	43	39	0.781
Arab Cotton Ginning	37	34	38	35	0.887
Sidi Kerir Petrochemicals	37	34	39	35	0.777
Remco for Touristic Villages Construction	36	33	36	33	1.000
Misr Chemical Industries	34	31	35	32	0.884
Maridive & Oil services	34	31	34	31	1.000
Egyptian Financial & Industrial	33	30	32	29	0.883
Cairo Oils & Soap	33	30	34	31	0.884
Eastern Tobacco	33	30	38	35	0.471
Egyptian Iron & Steel	32	29	33	30	0.883
Olympic Group Financial Investments	31	28	30	27	0.880
Alexandria Containers and goods	30	27	36	33	0.377

El Nasr Clothes & Textiles (Kabo)	30	27	32	29	0.764
South Valley Cement	30	27	30	27	1.000
Wadi Kom Ombo Land Reclamation	28	25	0**	0	0.000*
Egyptian Contracting (Mokhtar Ibrahim)	27	25	26	24	0.875
Canal Shipping Agencies	27	25	23	21	0.520
Egyptian Chemical Industries (Kima)	27	25	27	25	1.000
Paint & Chemicals Industries (Pachin)	26	24	12	11	0.013*
National Cement	25	23	24	22	0.871
South Cairo & Giza Mills & Bakeries	23	21	25	23	0.744
Egyptians Housing Development & Reconstruction	22	20	24	22	0.740
Medical Union Pharmaceuticals	22	20	25	23	0.622
International Agricultural Products	22	20	27	25	0.418
Upper Egypt Contracting	21	19	23	21	0.736
Rakta Paper Manufacturing	21	19	22	20	0.865
Middle Egypt Flour Mills	21	19	21	19	1.000
Misr Hotels	20	18	12	11	0.126
Arab Ceramics (Aracemco)	20	18	19	17	0.860
Egypt Aluminum	19	17	19	17	1.000
Misr Conditioning (Miraco)	19	17	19	17	1.000
Egyptian Satellites (NileSat)	18	16	13	12	0.333
United Housing & Development	18	16	18	16	1.000
Alexandria Flour Mills	18	16	17	15	0.854
Tourism Urbanization	17	15	16	15	0.850
Bisco Misr	17	15	15	14	0.702
United Arab Shipping	17	15	20	18	0.589
General Silos & Storage	16	15	24	22	0.162
Direct Transport Co.	16	15	0**	0	0.000*
National Housing for Professional Syndicates	15	14	15	14	1.000
Ceramic & Porcelain	15	14	17	15	0.702
AJWA for Food Industries Company Egypt	15	14	14	13	0.842
Acrow Misr	15	14	15	14	1.000
Samcrete Misr	14	13	15	14	0.842
General Company for Land Reclamation, Development & Reconstruction	14	13	12	11	0.676
Asek company for Mining – Askom	14	13	15	14	0.842
Paper Middle East (Simo)	13	12	13	12	1.000
Misr Cement (Qena)	13	12	13	12	1.000
National Drilling	13	12	14	13	0.837
Abou Kir Fertilizers	13	12	13	12	1.000
Egyptian Electrical Cables	13	12	12	11	0.832
Alexandria Mineral Oils Company	12	11	23	21	0.043*
Memphis Pharmaceuticals	12	11	12	11	1.000
Extracted Oils	12	11	13	12	0.832
North Cairo Mills	12	11	13	12	0.832
Samad Misr – EGYFERT	11	10	11	10	1.000
Misr Beni Suef Cement	11	10	11	10	1.000
Pyramisa Hotels	10	9	11	10	0.819
Minapharm Pharmaceuticals	10	9	11	10	0.819
Ismailia National Food Industries	10	9	12	11	0.653
Arab Valves Company	10	9	11	10	0.819

Alexandria Pharmaceuticals	9	8	10	9	0.810
Natural Gas & Mining Project (Egypt Gas)	9	8	10	9	0.810
Guezira Hotels & Tourism	9	8	11	10	0.639
El Ezz Porcelain (Gemma)	9	8	15	14	0.194
Egyptian International Pharmaceuticals (EIPICO)	9	8	11	10	0.639
El Shams Housing & Urbanization	9	8	10	9	0.810
Heliopolis Housing	8	7	21	19	0.010*
Misr Oils & Soap	8	7	8	7	1.000
Egyptian for Developing Building Materials	8	7	9	7	0.801
Semiramis Hotels	8	7	9	8	0.801
National Real Estate Bank for Development	7	6	8	7	0.789
Namaa for Development and Real Estate Investment	7	6	0**	0	0.007*
Middle East Glass Manufacturing	7	6	9	8	0.604
Kafr El Zayat Pesticides	7	6	8	7	0.789
El Wadi for Exporting Agricultural Products	7	6	N/A (delisted in 2011)		
Egyptian Starch & Glucose	7	6	8	7	0.789
Cairo Pharmaceuticals	7	6	0**	0	0.007*
Alexandria Spinning & Weaving (SPINALEX)	7	6	8	7	0.789
Northern Upper Egypt Development & Agricultural Production	7	6	8	7	0.789
Sharkia National Food	6	5	6	5	1.000
Arab Aluminum	6	5	6	5	1.000
Universal for Paper and Packaging Materials (Unipack)	6	5	0**	0	0.013*
Rubex Plastics	6	5	7	6	0.775
GMC Group for Industrial Commercial & Financial Investments	6	5	7	6	0.775
El Shams Pyramids for Hotels& Touristic Projects	6	5	8	7	0.581
El Nasr Transformers (El Maco)	6	5	6	5	1.000
Egyptian Media Production City	6	5	10	9	0.299
Delta Sugar	6	5	6	5	1.000
The Arab Dairy Products Co. Arab Dairy	5	5	8	7	0.391
Sharm Dreams Co. for Tourism Investment	5	5	5	5	1.000
Modern Company for Water Proofing (Bitumode)	5	5	2	2	0.249
Juhayna Food Industries	5	5	0**	0	0.024*
Gulf Canadian Real Estate Investment Co	5	5	5	5	1.000
Delta for Printing & Packaging	5	5	6	5	0.757
Cairo Investment & Real Estate Development	5	5	44	40	0.000*
National Company for Maize Products	4	4	4	4	1.000
Misr Duty Free Shops	4	4	9	8	0.153
Engineering Industries (ICON)	4	4	4	4	1.000
Orascom Hotel and Development	0	0	3	3	0.081
Egypt for Poultry	0	0	2	2	0.155
Mansourah Poultry	0	0	16	15	0.000*
East Delta Flour Mills	0	0	15	14	0.000*
Upper Egypt Flour Mills	0	0	12	11	0.000*
Nile Pharma	0	0	10	9	0.001*

Note: This table lists all the sample companies with accessible websites and their CIR scores in 2010 and 2011. A * indicates a significant difference at the 1% level between the 2010 and 2011 figures based on a chi-square test. A ** refers to companies with inaccessible websites in 2011.

On the other hand, Table 6.4 shows a significant increase in CIR for some companies, namely: Mansourah Poultry; East Delta Flour Mills; Upper Egypt Flour Mills; and Nile Pharma. These cases involve companies that did not have websites in 2010, but set up a web page in 2011. There was also a significant increase in the CIR score for four other companies namely: Oriental Weavers; Alexandria Mineral Oils Company; Heliopolis Housing and Cairo Investment & Real Estate Development.

Overall, 67 companies saw increases in their CIR scores between 2010 and 2011, 8 of which were significant. On the other hand, 31 companies experienced falls, 8 of which were significant. Between these two extremes, the CIR scores remained unchanged for 28 companies.

Table 6.5 provides summary statistics regarding the CIR scores for companies with accessible websites. The table presents the total score and a breakdown by components in the two sample years, 2010 and 2011. The table reveals that there was a slight increase in the mean total score from 23.36 in 2010 to 24.31 in 2011, although the difference was not statistically significant. The table also shows great variation among the sample companies concerning the utilisation of their websites. In 2010, the maximum total score was 78 items and the minimum only 4, while in 2011 the maximum total score increased to 81 items and the minimum total score decreased to only 2; this evidence suggests that the gap is widening, and that practice may continue to vary significantly for some time to come. The table also shows a slight, but again insignificant, increase in the content score mean, from 13.74 in 2010 to 14.13 in 2011. Again there was extensive variability among the companies, with the maximum score being 55 in 2010 (56 in 2011) and the minimum zero (zero in 2011). For the user support items, the results again indicate a small increase between 2010 and 2011, in this case from 8 to 8.16, with a max-min range of 20 items in

2010 and 19 items in 2011. Finally, the presentation items mean rose from 1.62 to 2.02, the highest proportionate change, and the only case where statistical significance resulted. A possible explanation for the variations amongst the sample companies in total and across the three classes, may lie in the fact that CIR practices are still voluntary in nature in Egypt with no formal guidelines governing such practices; firms therefore have discretion in terms of the amount of information made available via their websites. Whilst the average figures suggest a small increase between 2010 and 2011, the data indicates room for significant improvements in the years to come.

Table 6.5: Statistical Summary of CIR Scores for Companies with Accessible Websites

TOTAL SAMPLE	CONTENTSC		USERSUPPORTSC		PRESENTSC		TOTALSC	
	2010	2011	2010	2011	2010	2011	2010	2011
Number	120	119	120	119	120	119	120	119
Mean	13.74	14.13	8	8.16	1.62	2.02	23.36	24.31
Median	7.5	8	7	7	1	2	15.5	15
StDv	14.94	14.97	4.31	4.29	1.44	1.37	20.05	20.04
Min	0	0	2	2	0	0	4	2
Max	55	56	22	21	6	6	78	81
MaxP	69	69	29	29	12	12	110	110
Range	55	56	20	19	6	6	74	79

Note: This table provides summary statistical information regarding CIR scores for companies with accessible websites. "CONTENTSC" = Content score; "USERSUPPORTSC" = User support score; "PRESENTSC" = Presentation score; "TOTALSC" = Total score; StDv = Standard deviation and MaxP = Maximum possible. The p-values for the CONTENTSC, USERSUPPORTSC, PRESENTSC, and TOTALSC are 0.840, 0.774, 0.029* and 0.714 respectively.

6.4.2 The Results for Companies with a Complete Set of Financial Information

This section aims to shed light upon CIR practices amongst the non-financial companies listed on the EGX which made relatively extensive use of the internet as a disclosure channel by disclosing a complete set of financial statements via their websites. Figure 6.2 provides an example of the layout of the website of a company from this group (Orascom Telecom Holding).

Figure 6.2: The Layout of the Website of One Company with a Complete Set of Financial Information



Note: This figure shows the homepage of the website of a company which engaged extensively in CIR practices.

As mentioned earlier, the number of companies in this group rose slightly from 36 in 2010 to 38 in 2011. Table 6.6 lists the names of these companies along with their CIR disclosure index results. Inspection of the table shows that there have been significant changes for some of the companies, as can be seen from the p-values. The results indicate a significant increase in the CIR score for three companies, namely: Oriental Weavers; Alexandria Minerals Oils Company; and Cairo Investment & Real Estate Development, with Chi-square p-values of 0.015, 0.043 and 0.000 respectively. This result suggests that these companies are seeing benefits in CIR practices. On the other hand, the findings show a significant decrease in the CIR scores for two companies: Palm Hills Development Company and Wadi Kom Ombo Land Reclamation. However, as with the result for the 'larger accessible' website-based sample the comparison over time reveals mainly small changes in the CIR scores.⁷²

⁷² Four companies were added to the original list of companies in 2011; three of these were found to have had only simple financial information on their websites in 2010, namely: Alexandria Containers and Goods; Alexandria Mineral Oils Company; and National Housing for Professional Syndicates, while the fourth had no financial information on its website in 2010.

Table 6.6: CIR Scores for Companies with a Complete Set of Financial Information

Company Name	2010		2011		Chi-Square test (p-value)
	No	%	No	%	
Orascom Telecom Holding (OT)	78	71	77	70	0.883
Glaxo Smith Kline	76	69	77	70	0.884
Raya Holding for Technology and Communications	76	69	81	74	0.456
Egyptian Company for Mobile Services (Mobinil)	74	67	70	64	0.571
Telecom Egypt	72	65	73	66	0.887
Orascom Construction Industries (OCI)	71	65	77	70	0.389
T M G Holding	66	60	60	55	0.414
Suez Cement	64	58	69	63	0.491
Egyptian Transport (EGYTRANS)	65	59	63	57	0.785
Lecico Egypt	64	58	58	53	0.416
Palm Hills Development Company	64	58	28	25	0.000*
Elswedy Cables	61	55	61	55	1.000
GB Auto	60	55	68	62	0.274
Orascom Development Holding (AG)	59	54	64	58	0.497
B-Tech	55	50	48	44	0.344
Six of October Development & Investment (SODIC)	50	45	48	44	0.786
Egyptian for Tourism Resorts	48	44	56	51	0.280
Ezz Steel	44	40	47	43	0.681
Oriental Weavers	44	40	62	56	0.015*
Delta Construction & Rebuilding	43	39	43	39	1.000
Mena Touristic & Real Estate Investment	42	38	42	38	1.000
Cairo Poultry	41	37	43	39	0.781
Arab Cotton Ginning	37	34	38	35	0.887
Sidi Kerir Petrochemicals	37	34	39	35	0.777
Remco for Touristic Villages Construction	36	33	36	33	1.000
Maridive & Oil Services	34	31	34	31	1.000
Egyptian Financial & Industrial	33	30	32	29	0.883
Cairo Oils & Soap	33	30	34	31	0.884
Eastern Tobacco	33	30	38	35	0.471
El Nasr Clothes & Textiles (Kabo)	30	27	32	29	0.764
Wadi Kom Ombo Land Reclamation	28	25	0	0	0.000*
Egyptian Housing Development & Reconstruction	22	20	24	22	0.740
International Agricultural Products	22	20	27	25	0.418
Upper Egypt Contracting	21	19	23	21	0.736
United Housing & Development	18	16	18	16	1.000
Samad Misr – EGYFERT	11	10	11	10	1.000
Alexandria Containers and Goods	30	27	36	33	0.377
Alexandria Minerals Oils Company	12	11	23	21	0.043*
National Housing for Professional Syndicates	15	14	15	14	1.000
Cairo Investment & Real Estate Development	5	5	44	40	0.000*

Note: This table lists the companies that provided a complete set of their information online. A * indicates a significant difference at the 1% level between the 2010 and 2011 figures based on a chi-square test.

Table 6.7 provides summary statistics for this group of companies. Whilst the figures are all, by definition, higher than the equivalents in Table 6.5, the results show a slight decrease in the mean total score from 47.61 in 2010 to 47.11 in 2011, although the maximum total number of items increased from 78 to 81. With respect to the presentation items, the results indicate a small increase in the mean score from 3.08 to 3.42. Although not statistically significant, the fact that increases in presentation attributes are reported here and in the equivalent tables for all the other sub-samples (Tables 6.5, 6.9 and 6.11) suggests that companies are taking advantages of the presentational possibilities provided by the internet. The table also documents a small, although insignificant, fall in mean score for the user support items over the two years. This finding suggests that even companies listed on the EGX who provide a full set of online financial information could pay more attention to their websites user-friendliness. Similarly, the table shows a slight decrease in the mean score for the content items from 31.97 in 2010 to 31.21 in 2011.

Table 6.7: Statistical Summary of CIR Scores for Companies with a Complete Set of Financial Information

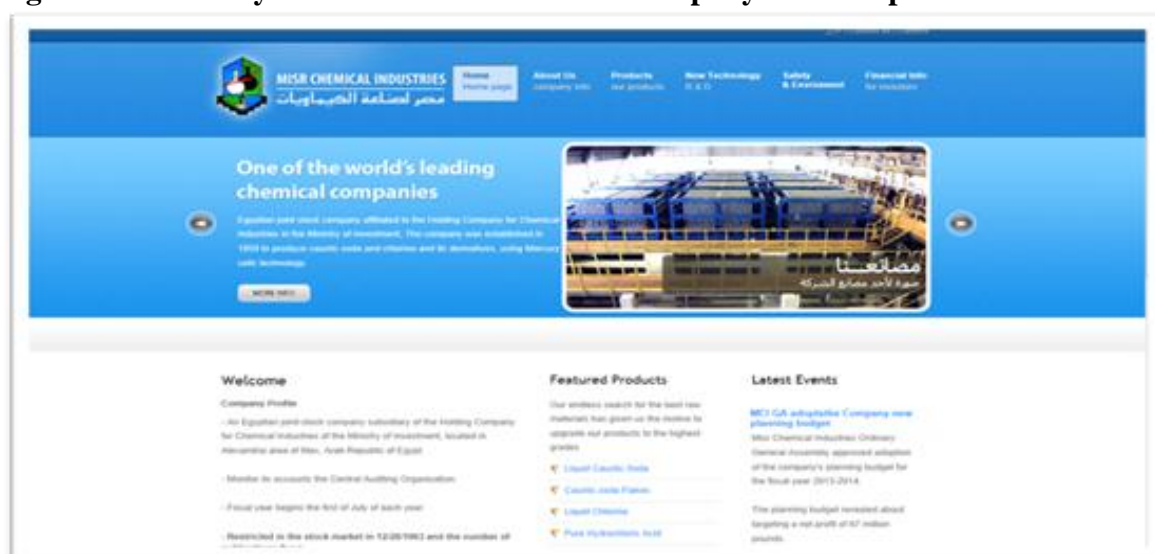
TOTAL SAMPLE	CONTENTSC		USERSUPPORTSC		PRESENTSC		TOTALSC	
	2010	2011	2010	2011	2010	2011	2010	2011
Number	36	38	36	38	36	38	36	38
Mean	31.97	31.21	12.56	12.47	3.08	3.42	47.61	47.11
Median	30	29.5	12	12.5	3	3	44	43.5
StDv	14.49	14.87	4.29	4.25	1.11	1.08	19.02	19.34
Min	6	6	4	4	1	1	11	11
Max	55	56	22	21	6	6	78	81
MaxP	69	69	29	29	12	12	110	110
Range	49	50	18	17	5	5	67	70

Note: This table provides summary statistical information regarding CIR scores for companies with full financial information on their websites. "CONTENTSC" = Content score; "USERSUPPORTSC" = User support score; "PRESENTSC" = Presentation score; "TOTALSC" = Total score; StDv = Standard deviation and MaxP = Maximum possible. The p-values for the CONTENTSC, USERSUPPORTSC, PRESENTSC, and TOTALSC are 0.824, 0.928, 0.186 and 0.911 respectively.

6.4.3 The Results for Companies with Simple Financial Information

This section of the chapter outlines CIR practices for the group of companies which made use of the internet as a disclosure channel, but only to disclose excerpts from, or summaries of, their financial information. Figure 6.3 provides an example of the layout of one company from this group (Misr Chemical Industries).

Figure 6.3: The Layout of the Website of One Company with Simple Information



Note: This figure shows the homepage of the website of a company which provided simple financial information via its website.

Table 6.8 provides a list of these companies and their CIR scores in 2010 and 2011. The results show a significant increase in CIR scores for five companies, namely: Alexandria Mineral Oils Company; Heliopolis Housing; Mansourah Poultry; East Delta Flour Mills; and Upper Egypt Flour Mills. Notwithstanding the relatively low figures involved, the data suggest that these companies are realising the possibilities made available by the internet as a communication medium. At the other end of the spectrum, the findings indicate a significant decrease in the CIR score for three companies: Direct Transport Co and Palm Hills Development Company.⁷³ The results for the remaining companies are not significant.

The table shows that three companies were transferred in 2011 to the group of companies

⁷³ Paint & Chemicals Industries (Pachin) is also shown as significant in Table 6.8 but, as noted below, it was not formally part of the same group of companies by 2011.

with a complete set of financial information, namely: Alexandria Containers and Goods; National Housing for Professional Syndicates; and Alexandria Mineral Oils Company, and so these also appear in Table 6.6. Furthermore, Direct Transport Co. was transferred to the list of companies with unusable websites in 2011, while Paint & Chemicals Industries (Pachin) and Misr Conditioning (Miraco) did not provide any financial information via their websites in 2011, so they also appear in Table 6.10 below, where other such companies are listed. Finally, seven companies appeared in the 2011 list but not 2010, namely: Palm Hills Development Company (from Table 6.6); Tourism Urbanisation; El Shams Housing & Urbanization; Misr Duty Free Shops; Mansourah Poultry; East Delta Flour Mills; and Upper Egypt Flour Mills all from Table 6.10.

Table 6.9 provides summary statistics for this group of companies with respect to total CIR score and its three components. The results show that the mean total score was 19.74 in 2010, decreasing to 19.17 in 2011, less than half the equivalent figures shown in Table 6.7 for firms with full CIR-based financial information. The figures for the user support and content items fell slightly while, as in Tables 6.5, 6.7 and 6.11, the mean score for the presentation items increased, in this case from 1.85 in 2010 to 2 in 2011.

Table 6.8: CIR Scores for Companies with Simple Financial Information

Company Name	2010		2011		Chi-Square test (p-value)
	No	%	No	%	
Misr Chemical Industries	34	31	35	32	0.884
Egyptian Iron & Steel	32	29	33	30	0.883
Olympic Group Financial Investments	31	28	30	27	0.880
Alexandria Containers and goods	30	27	36	33	0.377
South Valley Cement	30	27	30	27	1.000
Egyptian Contracting (Mokhtar Ibrahim)	27	25	26	24	0.875
Canal Shipping Agencies	27	25	23	21	0.520
Egyptian Chemical Industries (Kima)	27	25	27	25	1.000
Paint & Chemicals Industries (Pachin)	26	24	12	11	0.013*
National Cement	25	23	24	22	0.871
South Cairo & Giza Mills & Bakeries	23	21	25	23	0.744
Medical Union Pharmaceuticals	22	20	25	23	0.622
Rakta Paper Manufacturing	21	19	22	20	0.865
Middle Egypt Flour Mills	21	19	21	19	1.000
Misr Hotels	20	18	12	11	0.126
Arab Ceramics (Aracemco)	20	18	19	17	0.860
Egypt Aluminum	19	17	19	17	1.000
Egyptian Satellites (NileSat)	18	16	13	12	0.333
Misr Conditioning (Miraco)	19	17	19	17	1.000
Alexandria Flour Mills	18	16	17	15	0.854
United Arab Shipping	17	15	20	18	0.589
General Silos & Storage	16	15	24	22	0.162
Direct Transport Co	16	15	0	0	0.000*
National Housing for Professional Syndicates	15	14	15	14	1.000
Ceramic & Porcelain	15	14	17	15	0.702
Acrow Misr	15	14	15	14	1.000
Paper Middle East (Simo)	13	12	13	12	1.000
Misr Cement (Qena)	13	12	13	12	1.000
Egyptian Electrical Cables	13	12	12	11	0.832
Alexandria Mineral Oils Company	12	11	23	21	0.043*
North Cairo Mills	12	11	13	12	0.832
Alexandria Pharmaceuticals	9	8	12	11	0.810
Heliopolis Housing	8	7	21	19	0.010*
Sharkia National Food	6	5	6	5	1.000
Palm Hills Development Company	64	58	28	25	0.000*
Tourism Urbanisation	17	15	16	15	0.850
El Shams Housing & Urbanization	9	8	10	9	0.810
Misr Duty Free Shops	4	4	9	8	0.153
Mansourah Poultry	0	0	16	15	0.000*
East Delta Flour Mills	0	0	15	14	0.000*
Upper Egypt Flour Mills	0	0	12	11	0.000*

Note: This table lists the companies that provided simple financial information online. A * indicates a significant difference at the 1% level between the 2010 and 2011 figures based on a chi-square test.

Table 6.9: Statistical Summary of CIR Scores for Companies with Simple Financial Information

TOTAL SAMPLE	CONTENTSC		USERSUPPORTSC		PRESENTSC		TOTALSC	
	2010	2011	2010	2011	2010	2011	2010	2011
Number	34	35	34	35	34	35	34	35
Mean	10.41	10.03	7.44	7.14	1.85	2	19.71	19.17
Median	10	9	7	6	2	2	19	19
StDv	4.95	4.91	2.35	2.21	0.99	0.80	7.26	7.32
Min	3	3	3	3	0	0	6	6
Max	21	22	12	11	3	3	34	35
MaxP	69	69	29	29	12	12	110	110
Range	18	19	9	8	3	3	28	29

Note: This table provides summary statistical information regarding CIR scores for companies with simple financial information on their websites. “CONTENTSC” = Content score; “USERSUPPORTSC” = User support score; “PRESENTSC” = Presentation score; “TOTALSC” = Total score; StDv = Standard deviation and MaxP = Maximum possible. The p-values for the CONTENTSC, USERSUPPORTSC, PRESENTSC, and TOTALSC are 0.750, 0.587, 0.492 and 0.759 respectively.

6.4.4 The Results for Companies without Financial Information

This section details the results for the group of companies which did not disclose any financial information via their websites but presented some limited information regarding their business activities and some advertising information about their products and services.

Figure 6.4 shows what the website of a company from this group (Samcrete Misr) looks like.

Figure 6.4: The Layout of the Website of One Company without Financial Information



Note: This figure shows the homepage of the website of a company which did not provide any financial information on its website.

Table 6.10 provides a list of this group of companies and their CIR scores in 2010 and 2011. As expected, the scores are lower than reported in the previous sections of the chapter, although as with Tables 6.6 and 6.8 there were some significant changes across the years as indicated by the reported p-values. Two companies saw a significant increase in their scores: Cairo Investment & Real Estate Development and Nile Pharma, although the increases reflect the former company providing a complete set of financial information in 2011 (and so also appearing in Table 6.6), and the latter company not establishing a website until 2011. Four companies saw significant decreases in their scores – Namaa for Development and Real Estate Investment Co.; Cairo Pharmaceuticals; Universal for Paper and Packaging Materials; and Juhayna Food Industries. Table 6.10 shows that three companies were transferred to the group of companies with simple financial information in 2011 (and so also appear in Table 6.8), namely: Tourism Urbanisation; El Shams Housing & Urbanization; and Misr Duty Free Shops, suggesting that even amongst companies with very limited use of the internet, some are beginning to realise its potential when a website is already in place, and additional costs are likely to be relatively low. Five companies were added to the 2011 list, two of them from the group of companies listed in Table 6.8, i.e. those with simple financial information in 2010 – Misr Conditioning (Miraco) and Paint & Chemicals Industries (Pachin), and three (Nile Pharma; Orascom Hotel and Development; and Egypt for Poultry) that did not have a web page in 2010 but set one up in 2011.

Table 6.11 presents summary statistics for this group of companies concerning their total score and its components in 2010 and 2011. The table shows that the mean total score increased from 8.38 items in 2010 to 9.39 items in 2011, although again the change was not significant. Even amongst firms without online financial information there was substantial variation, with a range of 13 (17) in 2010 (2011). The findings show small insignificant increases in the mean content and user support scores, but a significant rise in the

presentation figures from 0.40 to 0.87. These results again imply that although this group of companies are in the very early stages of using internet technology to communicate with their stakeholders, in so far as there is movement in the data it is in a positive direction.

Table 6.10: Scores for Companies without Financial Information

Company Name	2010		2011		Chi-Square test (p-value)
	No	%	No	%	
Tourism Urbanization	17	15	16	15	0.850
Bisco Misr	17	15	15	14	0.702
AJWA for Food Industries Company Egypt	15	14	14	13	0.842
Samcrete Misr	14	13	15	14	0.842
General Company for Land Reclamation, Development & Reconstruction	14	13	12	11	0.676
Asek Company for Mining – Askom	14	13	15	14	0.842
National Drilling	13	12	14	13	0.837
Abou Kir Fertilizers	13	12	13	12	1.000
Memphis Pharmaceuticals	12	11	12	11	1.000
Extracted Oils	12	11	13	12	0.832
Misr Beni Suef Cement	11	10	11	10	1.000
Pyramisa Hotels	10	9	11	10	0.819
Minapharm Pharmaceuticals	10	9	11	10	0.819
Ismailia National Food Industries	10	9	12	11	0.653
Arab Valves Company	10	9	12	11	0.819
Natural Gas & Mining Project (Egypt Gas)	9	8	10	9	0.810
Guezira Hotels & Tourism	9	8	11	10	0.639
El Ezz Porcelain (Gemma)	9	8	15	14	0.194
Egyptian International Pharmaceuticals (EIPICO)	9	8	11	10	0.639
El Shams Housing & Urbanization	9	8	10	9	0.810
Misr Oils & Soap	8	7	8	7	1.000
Egyptian for Developing Building Materials	8	7	9	8	0.801
Semiramis Hotels	8	7	9	8	0.801
National Real Estate Bank for Development	7	6	8	7	0.789
Namaa for Development and Real Estate Investment	7	6	0	0	0.007*
Middle East Glass Manufacturing	7	6	9	8	0.604
Kafr El Zayat Pesticides	7	6	8	7	0.789
El Wadi for Exporting Agricultural Products	7	6	N/A (delisted)		
Egyptian Starch & Glucose	7	6	8	7	0.789
Cairo Pharmaceuticals	7	6	0	0	0.007*
Alexandria Spinning & Weaving (SPINALEX)	7	6	8	7	0.789
Northern Upper Egypt Development & Agricultural Production	7	6	8	7	0.789
Arab Aluminum	6	5	6	5	1.000
Universal for Paper and Packaging Materials	6	5	0	0	0.013*
Rubex Plastics	6	5	7	6	0.775

GMC Group for Industrial Commercial & Financial Investments	6	5	7	6	0.775
El Shams Pyramids for Hotels& Touristic Projects	6	5	8	7	0.581
El Nasr Transformers (El Maco)	6	5	6	5	1.000
Egyptian Media Production City	6	5	10	9	0.299
Delta Sugar	6	5	6	5	1.000
The Arab Dairy Products Co. ARAB DAIRY	5	5	8	7	0.391
Sharm Dreams Co. for Tourism Investment	5	5	5	5	1.000
Modern Company for Water Proofing (Bitumode)	5	5	2	2	0.249
Juhayna Food Industries	5	5	0	0	0.024*
Gulf Canadian Real Estate Investment Co	5	5	5	5	1.000
Delta For Printing & Packaging	5	5	6	5	0.757
Cairo Investment & Real Estate Development	5	5	44	40	0.000*
National Company for Maize Products	4	4	4	4	1.000
Misr Duty Free Shops	4	4	9	8	0.153
Engineering Industries (ICON)	4	4	4	4	1.000
Misr Conditioning (Miraco)	19	17	19	17	1.000
Paint & Chemicals Industries (Pachin)	26	24	12	11	0.013*
Nile Pharma	0	0	10	9	0.001*
Orascom Hotel and Development	0	0	3	3	0.081
Egypt for Poultry	0	0	2	2	0.155

Note: This table lists the group of companies that did not present any financial information online in 2010 and 2011. A * indicates a significant difference at the 1% level between the 2010 and 2011 figures based on a chi-square test.

Table 6.11: Descriptive Statistics for Companies without Financial Information

TOTAL SAMPLE	CONTENTSC		USERSUPPORTSC		PRESENTSC		TOTALSC	
	2010	2011	2010	2011	2010	2011	2010	2011
Number	50	46	50	46	50	46	50	46
Mean	2.88	3.13	5.10	5.39	0.40	0.87	8.38	9.39
Median	3	3	4	5	0	1	7	9
StDv	1.90	2.08	2.05	2.28	0.61	0.69	3.43	3.82
Min	0	0	2	2	0	0	4	2
Max	9	8	12	12	3	2	17	19
MaxP	69	69	29	29	12	12	110	110
Range	9	8	10	10	3	2	13	17

Note: This table provides summary statistical information regarding CIR scores for companies without financial information on their websites. "CONTENTSC" = Content score; "USERSUPPORTSC" = User support score; "PRESENTSC" = Presentation score; "TOTALSC" = Total score; StDv = Standard deviation and MaxP = Maximum possible. The p-values for the CONTENTSC, USERSUPPORTSC, PRESENTSC, and TOTALSC are 0.541, 0.515, 0.001* and 0.178 respectively.

6.5 Vertical Analysis, Results-by-Items

Having analysed the CIR data horizontally according to company, the study proceeded to examine the data vertically across the 110 data items included in the CIR index. As

mentioned in Section 6.3, the CIR index included 110 items divided into three main groups: content (69 items); user support (29 items); and presentation (12 items). This disaggregation means that the study facilitated examination not only of the kind of information disseminated on the surveyed websites (the content criterion), but also regarding which technological options have been used to make the website more user-friendly (the user support criterion) and how the information is presented via companies' websites (the presentation criterion). The following sections outline the results for each of these criteria.

6.5.1 The Results for the Content Criterion

The content criterion examines and determines what the surveyed companies disclose via their websites (Xiao et al., 2004). For the purpose of this study, this criterion was divided into four subcategories to enable accurate capturing of as much information as possible from the examined websites. The subcategories are: (i) accounting and financial information items (25); (ii) corporate governance information items (11); (iii) corporate social responsibility information items (9); and (iv) investor relations items (24). The results for these subcategories are discussed in the following sections.

6.5.1.1 The Results for Accounting and Financial Information Items

This group of items includes the components of the financial statements and figures derived from these statements. Panel A of Table 6.12 lists the 25 attributes related to this group, alongside the number of companies disclosing each of them in 2010 and 2011 and the p-values derived from a Pearson's Chi-square test. As in Xiao et al. (2004) the items selected include components of the financial statement of the current and previous years, "the purpose was not just to recognise the importance of information currency, but also to gauge a company's continued commitment to CIR practices" (Xiao et al., 2004, p. 204). In this

vein, as the majority of the sampled companies use the calendar year as their accounting year. Thus, for the year 2010, the term “current financial statements” refers to the information presented via the website in 2010 for the year ended December 2009.⁷⁴ Similarly, for the year 2011, the term “current financial statements” refers to the information published in 2011 for the year ended December 2010.

Inspection of Panel A in Table 6.12 reveals that the most frequently disclosed item in both years was the company profile; 110 (112 in 2011) companies’ websites contained some information about the reporting company, its activities, history, vision and mission. A similar result was reported in Al-Motrafi (2008) for Saudi listed companies and Mohamed et al. (2009) concerning Omani companies. The least commonly-provided item, again in both years, was the provision of financial information in more than one currency; this item was only available on one company website, that of the Orascom Construction Industries company, where the company provided a five-year (2006 to 2010) summary of financial data in US Dollars. This evidence is in line with Al-Motrafi (2008) regarding Saudi companies. In between these two extremes, the current year’s balance sheet was the most commonly-reported element of the financial statements in 2010, with 47 websites containing the information. In 2011, the previous year’s balance sheet generated the highest figure of 46, as the current year figure fell to 38. Not surprisingly, the income statement followed closely, with 45 websites (37 in 2011) providing this item on a current year basis. This result is consistent with Samaha et al. (2012) regarding the top 100 companies listed on the EGX. In this regard, Mendes-da-Silva and Christensen (2004) assert that these two statements have a considerable role to play in understanding a company’s financial and economic position, and yet these results indicate a considerable decrease in the number of companies providing the current year’s information. These falls may, however, be linked to

⁷⁴ In Egypt, the majority of accounting years end on 31st of December.

the fact that the EGX was closed from 30/1/2011 to 23/3/2011 due to the 2011 uprising in Egypt, and companies may have encountered problems in updating their financial information.

Table 6.12: Attributes Related to the Content Criterion

Attributes	Number of Companies Disclosing the Item		Chi-Square test (p-value)
	2010	2011	
Panel A: Accounting and Financial Information Items:			
Corporate Profile	110	112	0.624
Chairman Statement	40	43	0.684
Financial Highlights	31	23	0.216
Summary of Key Financial Ratios	4	5	0.734
Summary of Financial Data over a period of at least 3 years	16	20	0.470
Balance Sheet of Current Year	47	38	0.224
Balance Sheet of Previous Years	46	46	1.000
Income Statement of Current Year	45	37	0.276
Income Statement of Previous Years	44	43	0.893
Statement of Cash Flow of Current Year	38	33	0.479
Statement of Cash Flow of Previous Years	38	39	0.890
Statement of Changes in Equity of Current Year	35	31	0.563
Statement of Changes in Equity of Previous Years	34	38	0.573
Notes to the Accounts of Current Year	35	31	0.563
Notes to the accounts of Previous Years	31	36	0.472
Audit Report of Current Year	31	28	0.653
Audit Report of Previous Years	31	33	0.770
Annual Report of Current Year	17	13	0.435
Annual Reports of Previous Years	17	17	1.000
Financial Information in Alternative GAAP (e.g. IFRS)	3	3	1.000
Financial Information in Alternative Language	25	21	0.512
Financial Information in Alternative Currency	1	1	1.000
Interim Reports	36	34	0.776
Segment Information	15	11	0.406
Financial Information of Subsidiaries	5	6	0.758
Panel B: Corporate Governance Information Items:			
Corporate Governance Guidelines and Principles	23	20	0.614
Code of Business Conduct & Ethics	7	6	0.776
Corporate Structure	46	46	1.000
Internal Control Information	5	5	1.000
Financial Instrument and Risk Management Information	34	35	0.887
Board of Directors	59	60	0.897
Executive Management	29	32	0.656
Audit Committee	15	16	0.847
Nomination Committee	12	7	0.232

Remuneration Committee	12	12	1.000
Remuneration of the Members of Management and the Board	6	5	0.758
Panel C: Corporate Social Responsibility Information Items:			
CSR Policies	22	23	0.869
CSR Reports	7	8	0.790
Environment Policy Statement	38	40	0.783
Employee Training & Development	36	42	0.408
Employee Negotiations and Communications	2	9	0.031*
Health and Safety Information	23	24	0.871
Donations/Sponsorships Programmes	30	28	0.763
Policies on Product Quality and Safety	65	76	0.149
Quality Certificates (e.g. ISO 9001, ISO 14001)	60	68	0.301
Panel D: Investor Relations Items:			
Basic Information (Listing Details)	15	20	0.360
Latest Share Price (link to EGX providing live update)	19	22	0.607
Historical Share Price	17	19	0.718
Interactive Share Price Charts	14	17	0.564
Latest Dividend	4	8	0.236
Dividend of Past Years	11	14	0.526
Press Releases	54	41	0.086
Latest News	27	47	0.005*
Earning Releases	13	13	1.000
Newsletter Archive	14	13	0.838
Some Video Documentaries	10	10	1.000
Corporate Magazine	4	4	1.000
Analyst Coverage	13	13	1.000
Investor Frequent Asked Questions	8	9	0.801
Financial Glossary	6	4	0.518
Corporate Conferences	3	3	1.000
Financial Calendar of the Current Year	12	9	0.493
Financial Calendar of Previous Years	4	4	1.000
Investor Presentations	14	13	0.838
Name of Investor Relations Officer	14	20	0.267
E-mail to Investor Relations	23	25	0.747
Phone Number	17	15	0.704
Postal Address	9	13	0.371
Subscription to E-mail Alerts	18	21	0.600

Note: This table lists different attributes related to the content criterion, the number of companies providing these attributes in 2010 and 2011 and the p-values from a chi-square test. A * indicates significance at the 1% level.

The findings indicate that the current year's audit report was only provided by 31 websites (28 in 2011), which may obviously affect the reliability and integrity of corporate information presented via corporate websites, thus the usefulness of that information; as Allam and Lymer (2003) point out "the auditor's report is an important source of credibility

and reliability for annual reports” (p. 183). A similar result was reported concerning Jordanian companies in a study by Al-Htaybat and Napier (2006). With respect to the availability of annual reports, Clackworthy (2000) emphasised that:

“Annual reports are seen as more than statutory reports; they represent a special communications opportunity, reaching beyond simple reporting of financial information. An annual report is an opportunity to show leadership and vision, to reflect corporate values and to position a company” (p. 38).

Despite the purported importance of the annual report as the core vehicle for corporate reporting, the results here show that only 17 (13 in 2011) of the sampled companies surveyed made their current and previous year annual reports available via their websites; this result compares with 13 out of 55 Jordanian companies (Al-Htaybat and Napier, 2006). This result suggests that companies in Egypt have not yet engaged extensively in CIR practices and are still slow in exploiting the potential provided by the internet to communicate with their stakeholders. Moreover, the findings showed that in each year only three companies presented their financial information according to an alternative set of GAAP, mainly IFRS. The three companies are: Telecom Egypt; Orascom Telecom Holding and Mena Touristic & Real Estate Investment; the first two of these have their shares traded on the LSE, requiring them not only to comply with the rules of the EGX, but also those of the other exchange where they are listed.⁷⁵ Although this practice is still limited, it has implications for the understandability and comparability of corporate information, thereby the usefulness of that information. However, Ezat (2010) found that 11 companies listed on the EGX presented financial information according to IFRS.⁷⁶ The results also show that 25 (21 in 2011) companies made their financial information available in an alternative language. This is considered to be an advantage from CIR practices especially for foreign investors and relatively small figures may be of concern to Egyptian regulators, given the

⁷⁵ Mena Touristic & Real Estate Investment does not have shares listed abroad and so it may be reasonable to speculate that they intend doing so at some point in the future.

⁷⁶ This evidence may be linked to the fact that Ezat (2010) studied all (financial and non-financial) companies listed on the EGX as of 2007 (343 companies), compared to the focus on non-financial companies in the present study (172).

global reach of the internet. More widespread online provision of non-Arabic information could have a positive impact on understandability, and thereby increase the usefulness of this information.

The findings demonstrate that 36 (34 in 2011) companies provided their current interim reports online, indicating that timely financial information is published via the surveyed websites in a large number of cases; however segmental information and financial information of subsidiaries were presented in only 15 and 5 (11 and 6 in 2011) websites respectively. The former result implies that companies listed on the EGX are supplying timely information, potentially affecting the relevance of corporate information in a positive way. The results also show that financial highlights,⁷⁷ summary of key financial ratios and summary of financial data over a period of at least 3 years were provided by 31, 4, and 16 (23, 5, 20 in 2011) companies respectively. The availability of this information can be useful as it allows comparisons across companies and over time (Allam and Lymer, 2003). Therefore the mixed picture, particularly with regards to the ratios, is potentially concerning. With respect to the inclusion of the chairman's statement, the results demonstrate that 40 (43 in 2011) provided such a statement; in this regard any upward trend might be beneficial, given the assertion that it is an "important piece of information" (Allam and Lymer, 2003, p. 185) and is ranked as one of the most commonly-used items by investors in making their investment decisions (Bartlett and Chandler, 1997).

Overall, nine accounting and financial information items saw increases between 2010 and 2011, but twelve experienced falls, none of which were significant, suggesting that any moves to improve online reporting in Egypt in this area may have to overcome some initial inertia.

⁷⁷ Similarly, Mohamed et al. (2009) found that 22% of Omani listed companies provided financial highlights on their websites.

6.5.1.2 The Results for the Corporate Governance Items

The second set of attributes deals with corporate governance information. These attributes are presented in Panel B of Table 6.12 along with the number of companies disclosing them and the p-values. Disclosures of this type reflect companies going beyond the basic disclosure of the financial statements and providing information regarding their management practices that might lead to greater transparency. The results show that the most commonly-included item was the board of directors, as 59 (60 in 2011) of the sample companies provided information regarding their boards via their websites. This result is in line with Desoky (2009) who found that 28 out of 55 companies listed on the EGX provided general information about their boards. In contrast, internal control information was not extensive, being disclosed by only five companies in both years. Given the importance attached to internal control disclosures in global corporate governance codes over the past 20 years, these low figures are not encouraging.

Information about ownership structure was provided by 46 companies in both years, but this still means that less than half of the surveyed companies disclosed this item; this compares to a study by Desoky (2009) who found that 44% of companies listed on the EGX provided information regarding their ownership structure. However, it is reasonable to assume that the number of companies disclosing ownership structure data will increase considerably in 2011, following the aforementioned issuance of Decision No. 31 of 2011 by the EFSA which amended the listing and de-listing rules to require all listed companies to publish their ownership structure and notify the EGX of any changes that occur. The evidence as a whole suggests that room for significant improvements exists across the broad issue of online governance disclosure in Egypt. Only 34 (35 in 2011) companies provided financial instrument and risk management information; 23 (21) websites contained corporate governance guidelines and principles, while just 7 (6) companies

provided some information with respect to their code of business conduct and ethics. The findings also show limited engagement regarding the board sub-committees considered critical in most governance codes; the audit committee; nomination committee; remuneration committee were only included on 15, 12, 12 (16, 7, 12 in 2011) companies' websites respectively. Similarly, Ezat (2010) reported that only 15 of companies listed on the EGX provided information about their audit committee. As with Panel A, however, these results generally indicate little change between 2010 and 2011, with none of the differences proving to be statistically significant. However, it should be reiterated that although the results suggest that online corporate governance reporting is still limited in Egypt, the results could be viewed as acceptable taking into account the fact that the Egyptian corporate governance code was issued only in 2005.⁷⁸

6.5.1.3 The Results for the Corporate Social Responsibility Items

Panel C of Table 6.12 presents the results for the third set of attributes, Corporate Social Responsibility (CSR) practices, together with the number of companies disclosing these attributes and the p-values. Given the lack of any regulatory requirements for such information in Egypt, it can be argued that evidence of such activity suggests awareness of CSR helping to “mitigate risk and build a reputation for integrity and corporate citizenship” (Berk, 2001, p. 55) and encouraging voluntary disclosure. The results indicate that the most commonly-disclosed item was policies on product quality and safety, followed closely by the inclusion of information about quality certificates (e.g. ISO 9001); 56 and 60 (76 and 68 in 2011) companies' websites respectively included this information. Similar figures were reported in Ezat (2010) for companies listed on the EGX. On the other hand, information about employee negotiations and communications was found on only two websites in 2010, (although, the number increased to nine in 2011). The findings also demonstrate that only

⁷⁸ For more details see Chapter 2 Section 2.6.4.

seven (eight in 2011) companies provided their formal CSR reports online.⁷⁹ In general, however, CSR disclosures on the sampled companies' websites, whilst limited, rose slowly over the two years, with seven out of the nine items seeing an increase. This growth could be linked to the launch of the S&P/EGX ESG Index by the EGX in March 2010, which aims at enhancing the transparency and disclosure practices of listed companies with regard to corporate governance and CSR practices, and is the first of its kind to be launched in the Middle East (EGX, 2010). This index includes 30 companies listed on the EGX and is subject to annual review; the sampled companies accounted for more than two-thirds of this index in 2011.

6.5.1.4 The Results for the Investor Relations Items

The final set of attributes examined relate to investor relations information. It has been argued that: "it is a common practice for companies to provide investor relations information" (Khadaroo, 2005a, p. 585) and the data involved typically relate to share prices, dividends, and press releases regarding corporate affairs. Panel D of Table 6.12 provides a list of these attributes together with the number of companies disclosing them and the p-values. The findings indicate that press releases were the most commonly-disclosed item, as 54 (41 in 2011) companies provided this item via their websites,⁸⁰ while at the other end of the scale information regarding corporate conferences was provided by only three firms in each year. Whilst conferences may not be the most critical item for investors, the figures for latest share price, historical share price and interactive share price charts were not provided by many firms either; only 19, 17 and 14 companies respectively disclosed them in 2010 and 22, 19, 17 in 2011.⁸¹ Although these practices are limited, the increases are consistent with "the advancements in investor relations' services provided

⁷⁹ This result is in line with Samaha et al. (2012) regarding the top 100 companies listed on the EGX.

⁸⁰ This result is consistent with Al-Motrafi (2008) concerning Saudi companies.

⁸¹ Similarly, Ezat (2010) found that only 18 companies listed on the EGX provided historical share price information via their websites.

through the internet” outlined in Allam and Lymer (2003, p. 187), and could have a positive impact on the relevance of corporate information disseminated via companies’ websites. One possible explanation for the limited extent of disclosure concerning share prices could be: “the dynamic nature of share price information, which needs constant updating” (Khadaroo, 2005a, p. 585). This reasoning implies that the practicalities of providing this information mitigate against it. Ironically, it has been argued that the quality of corporate disclosure pertains to the very timeliness of information and, therefore, its usefulness (Barac, 2004). Further evidence of a paucity of disclosure in this area relates to the fact that only a handful of companies provided information regarding their latest and historical dividends: 4 and 11 in 2010 (8 and 14 in 2011), however, this finding compares with the result reported in Al-Htaybat and Napier (2006) regarding the disclosure practices of Jordanian companies.

Although the provision of information about the name of the investor relations officer, and the e-mail, phone and postal address for investor relations increased slightly between 2010 and 2011, the figures are small, as can be seen from Panel D of Table 6.12: 14, 23, 17 and 9 respectively in 2010 and 20, 25, 15, and 13 in 2011. The practice therefore still appears to be in its infancy in Egypt, but it could be useful to investors who should feel more secure when the contact details of the investor relations department are available (Anargiridou and Papadopoulos, 2009); improvements in this area might therefore be beneficial, as such practice could have some implications for the reliability of corporate disclosure, thereby the usefulness of that disclosure. More encouragingly, the findings show a significant increase in the number of companies providing their latest news online, from 27 in 2010 to 47 in 2011. A possible explanation for this finding could be that 2011 was the year of the Egyptian uprising, and companies tried to reduce the uncertainties surrounding their future by providing up-to-date news, again this practice has some implications for the relevance of

corporate information. Whilst 12 of the items in Panel D saw higher numbers of disclosures in 2011 than in 2010, and only 6 saw falls, all but one of the changes were insignificant, and the low numbers suggest that the surveyed companies do not yet fully embrace the power of the internet to provide current and potential investors with updated information regarding, for example, share prices and press releases.

6.5.2 The Results for the User Support Items

In the context of user support disclosure, Petravick (1999) indicated that “the availability of financial information should be clearly indicated on a company’ homepage and interested parties should be able to quickly locate the desired information” (p. 36). Similarly, Craven and Marston (1999) asserted that “the internet has the potential to ease access to information for all user groups and increase the timeliness of information provision” (p. 322).⁸² Accordingly, this section investigates the user support issue by evaluating the ease of access to surveyed websites and their user-friendliness. Table 6.13 provides a list of the 29 attributes investigated in this context, along with the number of companies providing each of them and the p-values. The results show that it is a common practice for non-financial companies listed on the EGX to provide their contact details: in 2010 all companies’ websites contained these details. This result is consistent with that reported in Desoky (2009) who found that 89% of companies listed on the EGX provided their contact details. However, there was a significant decrease in this practice in 2011 (p-value = 0.024), with only 115 out of 119 providing the information. At the other end of the spectrum, none of the sampled companies provided clear boundaries between audited and un-audited information or the option to download financial information into an Excel spreadsheet. With respect to the former, companies that fail to distinguish between audited

⁸² In the same vein, Ashbaugh et al. (1999) emphasised that the usefulness of CIR practices depends on the easiness to access, the amount of data disclosed and/or whether users can download the required information for further analysis.

and un-audited information might induce inaccurate investment decisions by users of the information (Allam and Lymer, 2003) and so its complete absence is noteworthy.⁸³ Furthermore, this practice could undermine confidence in CIR and has obvious implications for the reliability of corporate information disseminated online, which in turn impacts on the usefulness of that information.

Furthermore, only 21 companies' audit reports contained the auditor signature and audit firm stamp in both 2010 and 2011; in addition, none of these companies provided any form of a digitally signed report, and so the reliability (and therefore the usefulness) of current CIR practices in Egypt is open to question. With respect to the availability of a site map and internal search engine, despite the fact that these tools can help users to easily locate required information (Barac, 2004), these options were only available in a minority of cases (34 and 37 in 2010; and 38 and 39 in 2011 respectively). In this context, Petravick (1999) emphasised that: "interested parties should be able to quickly locate the desired information" (p. 36),⁸⁴ and so companies should make more use of techniques that enable online users to locate the information they require easily. More encouragingly in this context, the findings indicate that only one click is required to reach the investor relations, financial information and press release sections of 35, 61 and 66 in 2010 (40, 60 and 70 in 2011) companies' website respectively, indicating that this information is widely available.

⁸³ Allam and Lymer (2003) identified a list of the most commonly-used options to let the users know whether they are inside or outside the annual report area namely:

"(i) the annual report section opens in a new window; (ii) appearance of a message to notify the users upon leaving the annual report area; (iii) use of unique design and different colours from the rest of the website section; (iv) appearance of the title "Annual Report" on every page of the annual report section; and (v) the existence of a navigation sub-window containing only links to the annual report section that a surfer can use to browse throughout the annual report" (p. 170).

⁸⁴ Similarly, it has been argued that: "the deeper information is in the site, the harder it is to find" (Lybaert, 2002, p. 217).

Table 6.13: Attributes Related to the User Support Criterion

Attributes	Number of Companies Disclosing the Item		Chi Square test (p-value)
	2010	2011	
Site Map	34	38	0.573
Internal Search Engine	37	39	0.781
Link to the EGX	15	16	0.847
Links to other Related Sites	74	84	0.174
Contact Details	120	115	0.024*
Help Desk	4	5	0.734
Legal Statement	15	16	0.847
Privacy Statement	14	15	0.843
Disclaimer	19	11	0.118
Next/Previous/Top buttons to navigate subsequently	28	29	0.879
Pull-down Menu	117	118	0.651
Search facility is available on every page on the site	18	15	0.574
Search Facility inside the annual report	47	45	0.791
Date When the Site Last Updated	7	4	0.354
Direct e-mail to investor relations	23	25	0.747
Online investor information order service	1	0	0.316
Mailing list/email news alerts	18	21	0.600
One click to get to investor relations section	35	40	0.486
One click to get to financial information	61	60	0.897
One click to get to press releases	66	70	0.602
Link to homepage	109	113	0.327
Acrobat Reader Download	7	7	1.000
Auditor Signature and Stamp on Audit Report	21	21	1.000
Clear Boundaries between audited and unaudited data	0	0	1.000
Job Application	21	18	0.600
E-mail the web page	7	12	0.232
Add to Favourites	3	5	0.472
Option to change language provided on every page of the site	39	30	0.199
Option to download financial information to Excel	0	0	1.000

Note: This table provides a list of user support items, the number of companies disclosing each of them and p-values from a chi-square test. A * indicates significance at the 1% level.

Table 6.13 also reveals that 19 (11 in 2011) websites provided the disclaimer statement. Khan (2002) claimed that the use of disclaimers is linked to the fact that the reliability and verifiability of corporate information disseminated via companies' websites cannot be assured, and so this statement is important for the purpose of reducing legal risk from CIR practices (FASB, 2000); the low figures in this case might therefore be seen as concerning. In this context, company officials taking part in the interview survey reported in Chapter 7

indicated that this statement is used for “cautionary purposes only.” With respect to the availability of e-mail news alerts, the findings demonstrate that only 18 (21 in 2011) companies provided this service via their websites, while the information ordering service was not common at all, with only one company in 2010 (zero in 2011) providing this. In general, although practices concerning the user support criterion are limited, the results provide some indications that the surveyed companies are taking steps to make their websites more searchable, accessible and user-friendly to users with 16 of the items seeing higher figures in 2011 than 2010 and only 9 falling.

6.5.3 The Results for the Presentation Items

The final results presented in this chapter examine attributes related to the presentation criterion. The FASB (2000) asserted that different presentation formats have the potential for enhancing transparency by improving the readability, accessibility and understandability of corporate information presented via companies’ websites. Table 6.14 outlines the attributes related to this criterion, the number of companies displaying each of them on their websites, and the p-values based on a chi-square test. The results show that the most commonly-presented item in 2010 was the use of “graphics and diagrams,” as 62 companies used these options to present their data. However, despite on-going increases in internet bandwidth in Egypt, the number of companies using graphics and diagrams decreased to 53 in 2011. In contrast, none of the surveyed websites used XBRL, hyperlinks, chat room or frames in either 2010 or 2011. One possible explanation for this failure to adopt these user-oriented facilities could lie in the fact that CIR practices in general are still limited in Egypt and companies did not fully exploit the potential provided by the internet to present their information. With respect to the formats used to present corporate information, the results demonstrate that the PDF format was the most used; 47 (46 in 2011) companies’ websites presented their information in this way; this result compares

with 27 out of 31 companies listed on Bahrain Stock Exchange (BSE) (Mohamed and Oyelere, 2008) and 18 out of 31 Omani listed companies (Mohamed et al., 2009). This result may be linked to the fact that: “the use of PDF formats might be a consequence of cost consideration and their use enables full control of the way data are presented to investors” (Deller et al., 1999, p. 358) – the Adobe Acrobat Reader is available free of cost (Khadaroo, 2005a) and it is also difficult to alter PDF files (Barac, 2004). Similarly, Rowbottom and Lymer (2009a) suggested that: “Adobe PDF represents the least innovative, but the cheapest and easiest form of online communication” (p. 31). In contrast, in 2010 only 15 (16 in 2011) firms presented online corporate information in the HTML format,⁸⁵ while only three (two in 2011) presented their information in processible formats such as MSWord. This limited practice was reported in Mohamed and Oyelere (2008) concerning companies listed on BSE and Mohamed et al. (2009) for Omani companies.

Table 6.14: Attributes Related to the Presentation Criterion

Attributes	Number of Companies Disclosing the Item		Chi-Square test (p-value)
	2010	2011	
Financial Information in PDF Format	47	46	0.895
Financial Information in HTML Format	15	16	0.847
Financial Information in Easily Processable Formats	3	2	0.651
Financial Information in XBRL format	0	0	1.000
Financial Information Hyperlinked	0	0	1.000
Conference Call Transcripts	5	5	1.000
Video or Audio Files	26	35	0.182
Graphics or Diagrams	62	53	0.245
News Flashes (moving pictures)	33	79	0.000*
Webcast Events	1	4	0.175
Chat Room	0	0	1.000
Use of Frames	0	0	1.000

Note: This table lists the items belonged to the presentation criterion along with the number of companies disclosing each of them and the p-values from a chi-square test. A * indicates significance at the 1% level.

⁸⁵ Consistent with this result, Ezat (2010) found that 16 companies listed on the EGX presented financial information in HTML format.

The findings demonstrate that the number of companies providing news flashes increased significantly ($p\text{-value} = 0.000$) from 33 in 2010 to 79 in 2011. This change, one of the most dramatic reported in this chapter, is certainly linked to the fact that the companies tried to communicate regularly with their shareholders during the period of civil unrest; notwithstanding other evidence presented here, this finding suggests awareness of online disclosures' potential to get information to interested parties quickly. The use of video or audio files was not very common, as the number of companies employing these items was just 26 in 2010 (35 in 2011); this finding compares with 10 out of 55 in a study of companies listed on the EGX (Desoky, 2009). This result may reflect these files requiring a considerable amount of costly web-hosting space and the time it takes to upload them (Khadaroo, 2005a). The results also show that the number of companies webcasting their events increased from only one in 2010 to four in 2011. This attribute "allows investor and analysts to get access to live events, such as conference calls regardless of their location" (Allam and Lymer, 2003, p. 174) and so future growth in its use in Egypt might be beneficial. In general, inspection of Table 6.14 suggests that non-financial firms listed on the EGX are still fairly unsophisticated concerning the presentation criterion, with little evidence of improvements, other than in the case of newsflashes as detailed above.

6.6 Conclusion

This chapter has reported the results of a comprehensive disclosure index-based investigation into CIR practices amongst non-financial companies listed on the Egyptian Exchange (EGX) in December 2010 and December 2011. The aim of examining the extent of these practices at two points in time was to find out whether there were any discernible changes in CIR practices over time; taking into consideration the remarkable increase in the number of internet users in Egypt over the past few years upward movements might have been expected, although the revolution of early 2011 appears to have had some impact. With respect to the number of companies engaging in CIR practices, the results showed a small increase over the investigated period, with figures of 70 (40.7%) and 73 (42.7%) emerging for 2010 and 2011 respectively. These findings suggest that the number of companies listed on the EGX engaging in CIR practices is still low when compared to their counterparts in developed countries; however, these figures are comparable to earlier studies in Egypt suggesting a lack of growth over the longer term. Further investigation revealed that companies varied considerably in terms of the extent of their CIR practices and the average figures mask substantial differences.

The findings from the horizontal analysis reveal that company practice varies considerably not only in terms of embracing the power of the internet, but also regarding the depth and amount of data published via their websites. These variations in CIR practices, found for all the investigated groups, may be linked to the lack of formal guidelines for these practices in Egypt, with companies having discretion in terms of what to disclose and what not to disclose via their websites. Whilst the descriptive statistics as a whole indicate that CIR practices amongst the non-financial companies listed on the EGX are still limited, with little progress over the two years, the presentation items score went up for all three groups

of firms. This change was significant in two of these cases, giving some grounds for optimism in terms of future CIR development in Egypt.

With respect to the vertical analysis, the results for the content criterion show that the most commonly-disclosed items were the components of the financial statements, while the provision of financial information in an alternative currency or GAAP was not a common practice. The results also demonstrate that the disclosure of corporate governance and CSR practices via companies' websites is still limited, despite steps that have been taken by the EFSA and EGX to encourage these practices. Worryingly, the findings reveal that the surveyed companies did not fully exploit the possibilities provided by the internet to provide more timely investor-related information. The results for the user support criterion also reveal that the surveyed companies need to take further steps to make their websites more accessible and user-friendly. The findings for the presentation criterion suggest that the sampled companies are still fairly unsophisticated in presenting their information online.

In summary, despite the fact that the results reveal the limited extent of CIR practices in Egypt, the data highlight attempts to adopt modern information technology by non-trivial numbers of firms. These early-adopters could play a role in persuading others of the benefits in terms of improving the understandability, relevance and comparability of corporate information (and therefore its usefulness), especially after the decision of the EFSA to mandate the presentation of listed companies' financial information via corporate websites. With respect to the reliability of information disseminated via companies' websites, the evidence presented here is concerning and this issue needs an immediate response from both reporting companies and regulatory bodies, but again the imposition of the EFSA regulation might have a positive impact in this regard.

As the present chapter has focused on the supply-side of CIR practices, the next two chapters focus on the demand-side by investigating the perceptions of interested parties concerning the phenomenon of CIR practices in Egypt. In stressing the importance of exploring the impact of CIR on the qualitative characteristics of useful accounting information, Larrán and Giner (2002) emphasised that:

“An interesting line of research is that aimed at understanding how new technologies are changing the habits of corporate managers in the field of investor relations generally. Equally, it would be useful to investigate how these new channels of communication might improve the comparability and relevance of the information disclosed” (p. 79).

Similarly, as mentioned previously, Allam and Lymer (2003) indicated the need for both types of analysis thus:

“Some assessment of the use of, and demand for, online reporting is also called for. This review is largely absent in our understanding of reporting practices leaving us largely with a supply side understanding of the reporting activity undertaken by large companies” (p. 196).

Finally, in support of this approach, Rowbottom and Lymer (2009a) indicated that:

“Although prior research details the increasing supply of online corporate reporting disclosures, there is a lack of empirical research investigating the use and users of this information” (p. 27).

It is issues such as these that the following chapter focusses on directly.

Chapter 7:
Interview Analysis

Chapter 7:

Interview Analysis

7.1 Introduction

Chapter 6 provided a descriptive analysis of the websites of non-financial companies listed on the EGX in order to determine the extent of online reporting practices. As described in Chapter 5, the second research method used in the current study is semi-structured interviews. The main purpose of conducting these interviews is to explore the perceptions of users and preparers of financial information concerning online reporting practices in Egypt. Insights from these interviews complement the findings of the disclosure index method outlined in Chapter 6 and the results of the questionnaire survey discussed in Chapter 8. Hussey and Hussey (1997) point out the importance of employing a wide range of empirical research methods thus:

“It is not unusual in business research to take a mixture of approaches; particularly in the methods of collecting and analysing data...this allows you to take a broader, and often complementary, view of the research problem or issue” (p. 72).

This chapter therefore provides the results of 18 face-to-face interviews that were conducted in Egypt between June and August 2011 with two groups of individuals: (i) users (financial analysts and private investors); and (ii) preparers (officials from firms listed on the EGX). As outlined in the literature review in Chapter 3, the majority of online reporting studies around the world in general – and in Egypt in particular – have been descriptive in nature, focusing on companies’ practices (the supply-side). To the best of the researcher’s knowledge, no studies have explored the views of interested parties concerning these practices (the demand-side) using interview evidence in the Egyptian context. Therefore, the present study adds to the extant body of knowledge via the ability of interview evidence to explore individual views about the phenomenon. Following the introduction, the remainder of this chapter is organised as follows: Section 7.2 outlines the

process used to conduct and analyse the interviews, while internet infrastructure and its use for disclosure purposes in Egypt are discussed in Section 7.3. Section 7.4 elaborates the views of the participants regarding the impact of CIR on the qualitative characteristics of useful accounting information, before opinions regarding the potential economic consequences of CIR practices are outlined in Section 7.5. Issues raised by particular interviewees are then reported in Section 7.6 with Section 7.7 providing a summary of the evidence and a conclusion.

7.2 The Process of Conducting and Analysing the Interviews

This section of the chapter outlines the process used to conduct and analyse the interviews. In order to attain the views of interested parties regarding online reporting practices in Egypt, semi-structured interviews were conducted with two stakeholder groups: (i) 13 with users (comprising 9 financial analysts and 4 private investors); and (ii) 5 with preparers (officials from firms listed on the EGX) between June and August 2011. The conduct and analysis of the interviews involved three stages: (i) arranging and performing the interviews; (ii) transcribing the interviews; and (iii) analysis of the responses. Participants were selected based on their availability, experience and knowledge. To arrange the interviews, the researcher browsed the internet to get the contact details for listed companies and brokerage firms in Egypt. Regarding interviews with private investors, the researcher met two of these individuals in brokerage companies, while the remaining two interviews arose via pre-established personal contacts.⁸⁶ All but one of the interviews were conducted in the capital Cairo, where government, business institutions, regulatory bodies, head offices of most listed companies and brokerage firms are situated.

⁸⁶ In most cases initial contact was made via the phone.

There were many practical difficulties involved with conducting the interviews. Since the researcher is from the southern part of Egypt, he had to travel and stay in Cairo; this was time consuming and expensive. In addition, the interviews took place during a time of civil unrest with widespread clashes occurring between police and demonstrators in Tahrir Square; the latter is within walking distance of the venues where the interviews took place. Interviews with financial analysts and company officials took place at the participants' organisations, while with regard to the private investors, two were interviewed in brokerage companies, one asked to be interviewed in his organisation and one requested to be interviewed in a public coffee shop; this latter interview was less formal than the others and lasted longer.

The interviews, which generally lasted around an hour, employed a semi-structured instrument guide to provide a consistent framework for each of the conversations and help maintain a focus on the research aims. There were two versions of this document; one for users and one for preparers but, as is detailed below, they only differed in a handful of questions. The questions were generated from careful analysis of the disclosure literature in general and the CIR literature in particular to identify the most pertinent issues that reflected the decision-usefulness theory underpinning the study. The selected questions were then piloted with academics and post-graduate researchers to develop and refine them. The final version of the interview guide was disaggregated into three sections: (i) internet infrastructure and the use of the internet for disclosure purposes in Egypt; (ii) the qualitative characteristics of useful accounting information and CIR practices; and (iii) the potential economic consequences of CIR. Before the commencement of each interview, the researcher asked for permission to tape the conversation and all participants agreed.⁸⁷ The

⁸⁷ Appendix 7.1 presents the authorising letter from the School of Business, University of Dundee.

researcher also provided a quick overview of the nature of the research study and took notes during the discussions.⁸⁸

The second stage in the process is the transcription of the interviews. This was undertaken immediately after finishing the interviews; as Silverman (2001) points out, the transcription process should be undertaken as soon as possible after conducting the interviews, so that the points and issues raised are still fresh in the researcher's mind. All of the interviews were conducted in the Arabic language,⁸⁹ so the initial transcriptions had to be translated from Arabic to English. For the purpose of analysing these interviews, the researcher created a grid using Microsoft Excel. The semi-structured questions were listed in columns while the interviewees' codes were organised by rows; this technique allows the researcher to explore and compare aggregate responses to a particular question. In addition, key points and relevant quotes were identified.

Table 7.1 provides background demographic information about the 18 interviewees. As the anonymity of the participants and their organisations was guaranteed, each group was represented by a unique code: (FA) for financial analysts, (I) for private investors and (C) for company officials; the interviewees were given then a serial number within each group. Inspection of the table shows that 16 of the 18 interviewees were male but there was a wide age range (from less than 30 to more than 60), suggesting that the responses reflect a wide range of knowledge and experience. With regard to the level of education, nine of the interviewees held bachelor degrees, five had a post-graduate diploma, three had masters degrees and one had a PhD.⁹⁰ Most of the interviewees had majored in accounting and finance, but one interviewee had majored in engineering and one in veterinary medicine.

⁸⁸ Appendices 7.2 and 7.3 provide a list of the questions asked to users and preparers. These questions are by no means exhaustive, but provided a basis for discussion.

⁸⁹ Arabic is the official language in Egypt.

⁹⁰ Two financial analysts were studying for their masters and one financial analyst was studying for his PhD.

With regard to the role of the company officials within the organisations, four were financial managers, while the fifth was the investor relations director in a large company.

Table 7.1: Demographic Characteristics of the Interviewees

Interviewee Code	Gender	Age	Level of Education	Job Title
Panel A: Financial Analysts (Users)				
FA1	M	30-40	Post-graduate Diploma	Financial Analyst
FA2	M	30-40	Master	Financial Analyst
FA3	M	30-40	Post-graduate Diploma	Financial Analyst
FA4	M	30-40	Bachelor	Financial Analyst
FA5	M	30-40	Post-graduate Diploma	Financial Analyst
FA6	F	30-40	PhD	Financial Analyst
FA7	M	30-40	Post-graduate Diploma	Financial Analyst
FA8	M	41-50	Master	Financial Analyst
FA9	F	Less than 30	Bachelor	Financial Analyst
Panel B: Private Investors (Users)				
I1	M	30-40	Bachelor	Investor
I2	M	30-40	Bachelor	Investor
I3	M	More than 60	Bachelor	Investor
I4	M	More than 60	Bachelor	Investor
Panel C: Company Officials (Preparers)				
C1	M	30-40	Master	Investor Relations Director
C2	M	51-60	Bachelor	Financial Manager
C3	M	30-40	Post-graduate Diploma	Financial Manager
C4	M	41-50	Bachelor	Financial Manager
C5	M	41-50	Bachelor	Financial Manager

Note: This table provides summary details regarding the 18 interviewees, including the codes used and demographic information. Panel A reports background information concerning the financial analysts; Panels B and C provide the same for private investors and company officials respectively.

Regarding the analysis of interviews, Saunders et al. (2009) point out that: “there is no standardised procedure for analysing such data” (p. 490). However, they suggest a practical three-step method of investigation: (i) summarising; (ii) categorisation; and (iii) structuring of meanings, whilst pointing out that the process is “demanding and should not be seen as

an easy option” (p. 484). A number of broad themes were therefore developed and these are reflected in the structure of the discussion of the findings that now follows.

7.3 Internet Infrastructure and its Use as a Disclosure Channel in Egypt

7.3.1 Internet Infrastructure in Egypt

Ojah and Mokoaleli-Mokoteli (2012) argued that: “the more available the physical infrastructure for IFR there is in a country, the more likely firms in the country are to adopt IFR” (p. 6) and the more likely users are to acquire corporate information via the web. Egyptians now have a range of different ways of connecting with and accessing the internet. A recent report by the Ministry of Communications and Information Technology (February 2013) notes that 44% of internet users in Egypt gained access via Mobile Internet & USB Modem, 38% via Asymmetric Digital Subscriber Line (ADSL), 9% via Integrated Services Digital Network (ISDN) and dial-up, with the remaining 9% using leased lines. In addition, the number of IT clubs connected to the internet reached 1,955 in January 2013, spread all over the country. Views were mixed among the interviewees in the present study regarding satisfaction with the internet infrastructure in Egypt. Half of those taking part indicated satisfaction with the infrastructure in general although two interviewees, whilst broadly satisfied, had some concerns regarding issues of cost, speed and security. For instance, Interviewee FA9 explained that: “generally, the service is reasonable but there may be some concerns related to security.” In this context, Khan (2002) indicated that: “a major issue in the use of the internet has been lack of security” (p. 74). On the other hand, several interviewees indicated a broad dissatisfaction with the service; these individuals highlighted major concerns relating to cost, speed, maintenance and technical support. For example, Interviewee FA4 pointed out that:

“There is not enough maintenance and upgrading of the service and it is still costly compared to other countries. The high cost of the service prevents a lot of people from subscribing.”

Regarding the views of company officials, 80% of the participants were satisfied with the internet infrastructure in Egypt; these included Interviewee C1, who indicated that: “the service in the company is good as we have our own server.” However, Interviewee C2 put forward a different view, noting that “the current service needs to be improved; speed is not high, even if you subscribe for high speed.”

7.3.2 Use of the Internet

As mentioned earlier, internet use in Egypt has increased significantly over the past few years and the perceptions of the interviewees in the present study were consistent with this trend. In this context, it has been argued that:

“...where general internet usage is more prevalent in a country, users will expect more company information to be placed on the internet. Similarly, firms will likely have higher IFR if they believe that there is a large internet audience” (Debreceeny et al., 2002, p. 376).

When questioned about the frequency of accessing the internet it was evident that almost all the interviewees were extensive users; for example, Interviewee I3 suggested that: “it (the internet) is like water and electricity and it would be a big problem if the service went off,” while Interviewee FA5 indicated that: “you could better ask me how many times you do not use the internet.” Regarding the purpose of internet use, accessing information about listed companies, getting reports on the Egyptian economy, undertaking research, communication and social networking were the most common of internet usage purposes amongst the users.

Opinions were again mixed among the interviewees regarding the use of companies’ websites to access corporate information; while half of the sample viewed firms’ websites as the main source of online corporate information, a number of interviewees indicated that they do not use the websites of listed companies, relying instead on the EGX and third

party companies' websites. In this context, Interviewee FA8 pointed out that: "I rely on third party websites (e.g. Mubasher),⁹¹ as I do not know the company's web page." Raising the importance of this issue, Petravick and Gillett (1996) indicated that: "it is important for companies to advertise the existence of their sites because the information is of no value unless users know it is there" (p. 29). Some interviewees reported reliance on both corporate and third party websites; these included Interviewee FA3, who indicated that:

"Personally, I get corporate information from third party companies, particularly Mubasher, but if the required information is not available on these sites, I may access the company's."

In terms of the views of company officials (preparers), 80% of the participants indicated that their companies had maintained a website for between three and ten years. Presenting corporate information, communicating with existing and potential investors and undertaking e-commerce were the most commonly-stated purposes of maintaining a web presence. Of particular note here given the global nature of the modern capital market are the views of Interviewee C1 who explained that:

"Our company is very active with disclosure in general and with foreign investors in particular. Foreign investors rely extensively on this medium, and it's a good communication channel with that type of investor. Other companies do not give the same concern to that matter as we do, because they do not have foreign investors; they deal with this as if it is some sort of prestige."

Two company officials indicated that they only disclose online information about their share capital, along with some financial ratios; this limited use of the internet reflected several factors, including: the absence of qualified staff; the availability of company reports on the EGX website; and the fact that firms listed on the EGX are not required by law to engage in such practices. Here, Interviewee C2 argued that:

⁹¹ Mubasher is a specialised website that provides corporate information about listed companies in Egypt and Arab countries.

“Unfortunately, the person who was responsible for the website left the company, and we are trying to hire another one, but it’s difficult because that person needs to be experienced and trusted. The company knows that its information is disclosed through the EGX website and we publish our reports regularly; also the company is not required by law to engage in such practices. So we are not in a hurry in this regard, but we will upload our financial information to the company’s website in the near future.”

When asked why they did not publish full annual reports online, one company official (C3) suggested that their investors do not ask for much in the way of detail and so the (limited) financial information available on the company’s website satisfies their needs. While he stressed that: “as a state-owned company, we are obliged to have a website and to publish some financial information; we are following the national company⁹² and it is the country’s policy,” he also argued that disclosure levels amongst state-owned companies are inevitably going to be limited compared to private companies, as the latter are required to satisfy the information needs of a large number of stakeholders.

One participant, C5, indicated that his firm does not have a website at the moment. When asked about the reason for this, he explained that:

“The current management believes in the old means of disclosure, for example the use of fax and mail (not e-mail). They are not familiar with new technologies. They say ‘something you know is much better than something you do not’.”

He did point out, however, that the company was planning to launch a website in the near future to exploit the potential provided by the internet as a disclosure channel; this change reflected a plan for the current management to be replaced by an “open-minded one.”

⁹² This state-owned company is a subsidiary of the National Company for Construction & Development (NCCD). The NCCD requires all its subsidiaries to maintain a web page and publish some basic financial information online.

7.3.3 The Benefits, Importance and Future of CIR Practices in Egypt

As mentioned in Chapter 3, the extant literature has reported many advantages of using the internet for disclosure purposes and the interviewees did indeed acknowledge a wide range of practical benefits; for example, Interviewee FA3 argued that:

“It is considered to be a cost-effective means of disclosure, as information is available free of cost. It also provides the possibility of interacting with the investor relations department of the company, where there is coverage from financial analysts, I can find answers to my questions in FAQ in a much timelier and cost-effective way.”

Talking in more general terms, Interviewee FA9 pointed out that: “CIR enhances communication between the company and its stakeholders inside and outside the country.”

With regard to the importance of CIR practices as a source of corporate information for users and as a means of disclosure for preparers, nearly all the participants indicated that the hard copy annual reports remain the main source of corporate information. While listed companies in Egypt are required by law to publish these reports in hard copy in two daily national newspapers, CIR practices in Egypt are still in their infancy,⁹³ as Interviewee I1 pointed out:

“In the age of information technology the internet is the most important source, but companies' disclosure on their websites is still limited, so for Egypt the hard copy annual report is still the main source.”

In terms of the relative importance of hard and electronic copies of annual reports and accounts, a shift in favour of the latter might be expected. For example, as noted earlier by March 2013 companies listed on the EGX will be required by regulation to provide online financial statements, while Lybaert (2002) argued that: “over time, the web will become the primary means of communication of financial information” (p. 227). Similarly, O'Kelly (2000) indicated that: “the traditional paper-based reporting paradigm will continue to

⁹³ For more details see Chapter 6.

break down and move towards online reporting” (p. 28). Indeed, the CIR literature as a whole argues that hard copy annual reports will soon exist only as an archival source of information (FASB, 2000; Lybaert, 2002; Beattie and Pratt, 2003). Nevertheless, many of the interviewees appeared to be equivocal with respect to the future of such documents in Egypt. On the one extreme, some interviewees believed that hard copy annual reports will continue to exist for many years as they provide documentary evidence regarding the company’s performance; for example, Interviewee I3 stated passionately that: “no, no, we cannot leave the hard copy reports, it is the reference of the company and it is discussed in AGMs.” Similarly, Interviewee C3 claimed that: “I cannot see a point in time where we will adopt CIR,” while Interviewee FA2 envisaged that:

“CIR will not overtake hard copy reports in the near future, as the users’ knowledge is still limited in this regard and governmental authorities still depend on these reports as the main source. It is also a cultural thing, so we need to change people’s culture first and this is difficult.”

On the other hand, some interviewees predicted that CIR will overtake hard copy reports in the near future; for example, Interviewee FA9 asserted that: “the natural development of what is happening at the moment is the adoption of CIR and the disappearance of hard copy reports.” As listed companies in Egypt are required by law to issue hard copy reports, she stressed that: “these laws were issued depending on the circumstances at the time, so these laws have to be updated to reflect the changes that have taken place.” Between these two extremes, some interviewees articulated the idea of both hard copy reports and CIR complementing each other. For example, Interviewee FA4 indicated simply that: “the hard copy will be used along with other means of disclosure.” Consistent with this prediction, Jones and Xiao (2004) claimed that traditional hard copy annual reports are unlikely to be replaced entirely by CIR. Furthermore, Marston and Polei (2004) asserted that: “the internet offers companies new opportunities to supplement, replace and enhance traditional ways of investor and stakeholder communication” (p. 286).

7.3.4 Problems Associated with CIR in Egypt

As discussed earlier in the thesis, the literature on CIR highlights some problems related to observed practices, including: (i) the tendency of financial information presented online to be out-dated; (ii) the voluntary nature of CIR practices as there are no regulations governing and organising disclosure on the internet, and so companies have discretion in terms of the type and amount of information disclosed via their websites; (iii) the possibilities of information overload; (iv) the lack of clear boundaries between audited and un-audited information;⁹⁴ (v) the presence of the disclaimer statement;⁹⁵ and (vi) the possibilities of the financial information being incomplete (e.g. Ashbaugh et al., 1999; Craven and Marston, 1999; Trites, 1999; FASB, 2000; O'Kelly, 2000; Hodge, 2001; Debreceny et al., 2002; Khan, 2002; Xiao et al., 2004; Khadaroo, 2005a; Mohamed and Oyelere, 2008). Fourteen out of the eighteen interviewees acknowledged the significance of these problems and raised other issues such as: companies' failure to maintain websites and engage in CIR practices; the limited nature of the disclosures on some websites; a general lack of access to the internet amongst Egyptians; and the secrecy culture rooted in Egyptian society. Interviewee FA4 argued in this context that: "the main problem in Egypt is the lack of disclosure and transparency in general." Another problem, raised by Interviewee I3, is that some websites provide their corporate information in the English language only.⁹⁶ Khan (2002) argued that the existence of disclaimer statements could undermine the quality of CIR; however the inclusion of this statement on companies' websites was seen as insignificant by the vast majority of interviewees.⁹⁷ Indeed, Interviewee FA9 pointed out that: "the disclaimer statement is used for cautionary purposes only," while Interviewee C1, from one of the reporting companies, admitted that: "we copied this statement from

⁹⁴ All the investigated companies failed to differentiate between audited and un-audited information as reported in Chapter 6.

⁹⁵ Some companies' websites contain a statement which indicates that information on the website is for informational purposes only and the company will not be held responsible for any decisions based thereon.

⁹⁶ The Arabic language is the mother tongue for Egyptian people.

⁹⁷ In 2010, 19 out of the 120 companies (11 in 2011) presented this statement via their websites, as reported in Chapter 6.

Western companies.” Regarding the information overload problem, the participants suggested that the issue does not arise in Egypt as there are only a handful of companies which publish a full set of financial information online. Other companies either: disclose summary information; disclose certain items from their financial statements; do not disclose any financial information; or do not maintain a website at all.⁹⁸ Interestingly, all the company officials interviewed asserted that the cost of engaging in CIR is not a big concern, as most of the firms already had a webpage in place and so practicing CIR did not incur additional costs.

7.3.5 The Extent of CIR in Egypt Compared to Developed Countries

As highlighted in Chapter 3, CIR is a well-established practice amongst companies in countries with developed capital markets. For example, in the US, Kelton and Yang (2008) found that 98% of their sample companies engaged in CIR practices. In contrast, practices in developing countries including Egypt are still in their infancy.⁹⁹ Consistent with this pattern, all the interviewees suggested that the CIR practices amongst companies listed on the EGX are still far behind their counterparts in developed countries. For example, Interviewee FA2 explained that:

“CIR practices are still in their beginning as there are only a few companies which engage in such practices; other companies either disclose very limited information or do not have a web page at all.”

The interviewees also highlighted the relationship between traditional disclosure practices and CIR; Interviewee C1 explained that: “if the company or the country has a good reputation in traditional disclosure, it will have the same in CIR but in Egypt with the deeply-rooted secrecy culture, we do not have that reputation.” Perhaps surprisingly,

⁹⁸ For more details see Chapter 6.

⁹⁹ For example, Aly et al. (2010) found that 56% of the sampled companies practiced any kind of CIR, while the current study found that 40.7% and 42.7% of non-financial companies listed on the EGX provided some form of financial information via their websites in 2010 and 2011 respectively, as detailed in Chapter 6.

Interviewee I3 indicated that the extent of disclosure had been significantly enhanced following the revolution of the 25th of January 2011. He stressed that:

“The extent of disclosure before the 25th of January revolution was very low. After the revolution we have seen a great improvement in disclosure and transparency; the EGX has a new chairman.”¹⁰⁰

Whilst Egyptian CIR activity appears, at best, to be sporadic relative to developed countries, the recent decision of the EFSA to mandate all companies listed on the EGX to set up a website and publicise all their corporate information online by March 2013 is likely to have an impact. This issue is returned to in the concluding chapter of the thesis (when possible further work in the area is discussed).

7.4 CIR and the Qualitative Characteristics of Useful Accounting Information

Over the past thirty years or so, accounting standard-setters in the US, UK and elsewhere have argued that in order to be useful for decision-making purposes, financial information must possess certain key characteristics. These characteristics are the attributes that make the information provided in the financial statements valuable to users (IASB, 1989). As noted earlier in the thesis, according to the IASB Framework (1989) there are four main qualitative characteristics of useful accounting information: (i) understandability; (ii) relevance; (iii) reliability; and (iv) comparability. In this context, Debreceny et al. (2002) indicated that CIR practices have the potential to “enhance the qualitative characteristics of disclosure” (p. 376), thereby enhancing the usefulness of that disclosure. Similarly, the ICAEW (2004) asserted that: “a major potential benefit from digital reporting is in adding value to the decision-making process of businesses and investors” (p. 19). The next part of the interviews therefore explored the perceptions of the participants regarding the impact of

¹⁰⁰ Although comparing the extent of CIR practices amongst the sampled companies in 2010 and 2011 revealed little improvement, as discussed in Chapter 6.

CIR practices on these characteristics. The following subsections elicit the thoughts of the 18 interviewees concerning each of the characteristics in turn.

7.4.1 Understandability

The extant literature on CIR identified many ways in which the understandability of accounting information could be enhanced. Furthermore, CIR practices amongst the sampled companies which were detailed in Chapter 6, although still limited, showed that such practices provided companies with the power to enhance the understandability of corporate information in various ways. These include: (i) the disclosure of corporate information in more than one language and in accordance with more than one set of GAAP; (ii) the existence of analyst coverage and a financial glossary; and (iii) the availability of contact details and investors' "frequently asked questions." At the same time, it has been argued that the flexibility in presentation format made available by the new technology enhances the readability, accessibility, and understandability of corporate information (FASB, 2000), while O'Kelly (2000) suggested that: "the internet has allowed users greater access to financial information. Users are becoming better educated and more demanding of providers of financial information" (p. 30). More explicitly, Bonsón and Escobar (2006) indicated that:

"The application of these new technologies to the corporate reporting systems allows companies...to personalize (sic.) the information provided taking into account different profiles, to facilitate its understanding for those users who may not be trained to interpret accounting information" (p. 304).

When asked about the impact of CIR on the understandability of accounting information, two-thirds of the interviewees indicated that exploiting possibilities provided by the web as a communication channel could have a positive impact. In this context, the participants highlighted the impact of corporate information being made available in more than one language and in accordance with more than one set of standards. Interviewee FA5 stressed

the difficulties associated with getting and accessing hard copy annual reports; he suggested that CIR: “could enhance that (understandability) characteristic, taking into account difficulties associated with getting the hard copy reports, as not all people can get them.”

Six of the interviewees suggested that the information on companies’ websites is simply a scanned copy of traditional printed reports and, as a result, the new communication channel has no implications for overall understandability. In any case, the participants believed that not many companies listed on the EGX yet engaged in extensive CIR practices.

7.4.2 Relevance

Taking into account the rapid increase in the number of internet users, developing a web presence for disclosure purposes can be viewed as an effective strategy that companies adopt to deliver more relevant information to decision-makers (Ashbaugh et al., 1999). Similarly, Smith and Pierce (2005) asserted that: “internet technology is regularly claimed to facilitate greater relevance and timeliness of business information” (p. 47). As companies’ websites have the ability to accommodate traditional paper-based annual reports; along with additional financial and non-financial information in multiple formats (O’Kelly, 2000; Budisusetyo and Almilialia, 2008), these websites can include up-to-date share price information and financial analysts’ reports which may contain forward-looking information. From a decision-usefulness point of view, companies’ websites might therefore provide a fuller and more relevant set of inputs for the economic decisions of users by enabling them to consider past, present and future events. Furthermore, the internet has the potential of providing companies with “the ability to disseminate new information nearly instantaneously to a worldwide audience” (Barac, 2004, p. 9); therefore, CIR can facilitate more timely information releases, thereby affecting the relevance of this

information in a positive way. In this regard, the evidence reported in Chapter 6 indicated that some companies have started embracing the power of the internet to disclose more relevant information.

Fifteen out of the eighteen interviewees replied ‘Yes’ to the question “Do you think CIR enhances the relevance of accounting information?” suggesting that there is widespread perceptions of a positive impact of CIR practices in this regard. For example, Interviewee FA4 indicated that:

“CIR enhances the relevance of accounting information, as all the components of making a decision are readily available (past, present and future looking information) on companies’ websites.”

One private investor interviewee (I1) claimed that CIR could enhance the relevance of accounting information “if the information is reliable, faithfully represented via corporate websites and includes accurate forecasts,” while a financial analyst (FA9) stressed that: “the relevance could be enhanced through an increase in the accessibility and timeliness of corporate information.” The remaining three participants claimed that the relevance of accounting information is not affected by CIR practices as these are still limited; in particular, Interviewee FA6 asserted that: “at the moment, information available on companies’ websites is just a scanned copy of the hard copy annual report, so the relevance of information is still the same.” This notion of CIR merely representing a change in the communication medium, as opposed to a substantive development in reporting practices, has been a prominent theme in previous studies (Cobb, 2008).

7.4.3 Reliability

According to the IASC’s 1989 framework, reliable information is free from material error or bias and can be depended upon by users to represent what it purports to (or could reasonably be expected to) represent. Regarding the impact of CIR practices on the

reliability of accounting information, the extant literature highlights specific benefits of CIR that may have a positive effect on reliability; for example, websites could include details of the company's investor relations team,¹⁰¹ analyst coverage and external auditors, as well as full contact details for each. However, it has been argued that companies practicing CIR cannot exercise absolute control over online content (Xiao et al., 2004; Mohamed et al., 2009) as information is potentially open to manipulation. Moreover, the inclusion of the disclaimer statement on companies' websites may affect users' perceptions about the reliability of information published on it. More generally, Xiao et al. (2002) argued that the reliability of CIR practices is likely to be a big concern for users; in Egypt, where no rules exist governing such practices and companies have discretion in terms of the amount of information made available via their websites, the problem is unlikely to be trivial. The evidence reported in Chapter 6 indicated that only 31 out of the 70 companies provided their audit report (28 in 2011) and none of the sampled companies distinguished between audited and un-audited information, which in turn could undermine confidence in the supplied information and affect the reliability of that information in a negative way. Similarly, Khan (2002) argued that: "a problem of concern is the level of reliability that can be placed on and the verifiability of the internet-based financial information" (p. 74).

When asked about the impact of CIR practices on the reliability of accounting information, the views of participants in the present study were again mixed. Five out of the eighteen interviewees indicated that CIR practices could have a positive impact, but half of the interviewees believed that information made available on companies' websites is less reliable, as it could be subject to manipulation. For example, Interviewee FA6 argued that: "it is less reliable, as I'm concerned about the possibility of manipulating information available online," while Interviewee I2 indicated doubts: "that it is 100% correct." Four

¹⁰¹ Investors should feel more secure when the contact details of the investor relations team are available (Anargiridou and Papadopoulos, 2009).

interviewees held an intermediate standpoint, perceiving there to be no impact of CIR practices on the reliability of accounting information. They pointed out the limited nature of Egyptian CIR practices, where a scanned copy of hard copy annual reports was often the norm.

7.4.4 Comparability

In a decision-usefulness context, financial statements must be comparable across time and between entities (IASB, 1989). It has been suggested that the potential provided by the web as a communication medium could enhance the comparability of accounting information (Aly, 2008); with CIR, companies have the ability to provide an archive of annual reports in more than one language and in accordance with more than one set of GAAP, while the different presentational formats available electronically can be used to present financial information in a more user-friendly fashion (Budisusetyo and Almilia, 2008). As detailed in Chapter 6, some companies already provide a five-year summary of their financial information via their websites. In addition, some of the investigated companies presented their information in accordance with IFRS; although this practice is still limited, it can be seen as a move in the right direction in terms of providing more comparable information. Similarly, Rowbottom and Lymer (2009b) suggested that CIR has the potential to “provide direct linkages between different disclosures” (p. 177), thereby enhancing the comparability of those disclosures. Furthermore, Bonsón and Escobar (2006) indicated that CIR:

“Allows companies...to personalize (sic.) the information provided taking into account different profiles...to increase its quantity and quality (comparability, relevance, completeness, clarity, etc.)” (p. 304).

In line with these arguments, the majority of the interviewees agreed that CIR could indeed enhance the comparability of accounting information. For example, Interviewee FA1 stressed that:

“CIR is very useful in this regard, as companies have the ability to summarise and present information which enhances the comparability of that information. It is quite difficult to do comparisons through hard copy annual reports.”

Similarly, Interviewee FA3 indicated that: “it is extremely difficult to get the annual reports of the company for ten years to do comparisons, while with online reporting it is very easy, using an Excel spreadsheet.” Interviewee FA9 stressed the global angle, noting: “it is really helpful especially for foreign investors, as they will have the opportunity to get the financial information in accordance with more than one set of GAAP.” Only two interviewees indicated that the comparability of accounting information is not affected by CIR practices, arguing that most investors in companies listed on the EGX are only concerned with the current situation.

7.5 The Economic Consequences of CIR

A number of studies have investigated the economic consequences of CIR practices (e.g. Gabriëls and Kerckhoven, 2007; Hunter and Smith, 2009; Lai et al., 2010; Rahman, 2010). However, all of these studies employ large sample statistical analysis and detailed evidence on perceptions about the link between CIR and market outcomes is lacking from the prior literature. The investigation here focussed on two key variables, cost of capital and share price.

7.5.1 The Impact of CIR on the Cost of Capital

Past theorising suggests that a negative association is likely to exist between the level of corporate disclosure and the cost of capital (Diamond and Verrechia, 1991); empirical research has supported this prediction (Botosan, 1997). However, in the case of CIR practices, Gabriëls and Kerckhoven (2007) reported a surprising positive relationship between the cost of capital and the existence of CIR. This latter result is generally

considered to be at odds with expectations because the addition of information with the qualities discussed earlier should reduce risk and allow firms to obtain funds at a relatively low cost (Larrán and Giner, 2002). Referring to the potential of CIR in this context, Debreceny et al. (2002) indicated that “the reduction in the cost of capital through foreign listing might only be achieved if further initiatives are taken to improve the understandability and timeliness of disclosures” (p. 375).

When questioned about the impact of CIR on the cost of capital, views were inconclusive. Ten out of the eighteen respondents argued that there might be a negative relationship between CIR practices and the cost of capital. For example, a private investor, Interviewee I1, indicated that: “CIR practices could be used as a supplement along with other factors (e.g. traditional disclosure, financial position, and reputation...etc.)” Interviewee FA1 claimed that although there are many factors that might affect the cost of capital, CIR could have a negative impact in this regard. Interviewee I3 mentioned the impact of the January 2011 revolution on disclosure in general – and CIR in particular – as he claimed that:

“Generally we all ask for transparency. When there is no disclosure, risk will increase. Before the revolution there was no disclosure and a high level of risk. After the revolution, disclosure is much better. There should be a link.”

On the other hand, four out of the eighteen respondents asserted that there is no such relationship and pointed to other factors that affect the cost of capital more directly. For example, Interviewee C4, one of the firm-based participants, claimed that: “no no, we do not have this (impact on cost of capital) here, this relationship is correct theoretically, but in reality it is not,” Interviewee FA2 suggested that:

“Currently, online reporting does not affect the cost of capital, as companies adopt online reporting voluntarily; these practices are not standardised, and people’s awareness of such practices is still limited.”

In line with the aforementioned findings, a recent study by AbuGhazala et al. (2012) reported that the use of the internet for disclosure purposes in Jordan was not seen as an effective way of reducing the cost of capital, as it is influenced by other factors not related to disclosure.

The remaining four interviewees indicated that the association between CIR and the cost of capital depends on the content of information disclosed, in particular whether it contains good or bad news. One interviewee emphasised that there could be a relationship, but with traditional disclosure, not CIR as these practices are still evolving in Egypt.

7.5.2 The Impact of CIR on Share Prices

It has been argued that the global accessibility of CIR can help companies attract new investors, therefore ensuring a healthy demand for, and growing price of, the shares concerned (Craven and Marston, 1999). This sub-section of the chapter reports the thoughts of the interviewees regarding such a relationship. Eleven out of the eighteen interviewees replied 'No' to the question "Do you think there is a positive relationship between the existence of CIR and share prices?," justifying their views by arguing that emerging markets in general, and the EGX in particular, are not efficient. In this context, interviewee C4 suggested that: "in Egypt, as an emerging market, financial information is the last thing to affect share prices, it is driven by rumours." Interviewee FA9 indicated more generally that:

"We have very active (markets in) shares for companies with low disclosure reputations and no CIR practices. Disclosure's effect on share prices is not an active factor, as is the case in developed markets, but it will be in the near future."

These remarks are similar to those reported in Jordan by AbuGhazala et al. (2012) where the participants viewed CIR practices as having only a negligible effect on share prices.

However, seven interviewees in the present study put forward a different view, claiming that share prices would be influenced by CIR practices if the potential provided by the internet as a reporting channel was fully exploited. In particular, one of the financial analysts, interviewee FA3, believed that: “sufficient disclosure through CIR practices could diminish the effects of rumours, and this reduces the fluctuations in share prices.”

7.6 Other Issues

A number of other issues were raised by the interviewees regarding CIR practices in Egypt. Traditional reporting practices have been affected by the culture of secrecy pervasive in Egyptian society (Dahawy and Conover, 2007); the interviewees in the present study extended this observation to CIR practices. For example, one of the participants, interviewee FA7, believed that: “the major problem in this regard is related to disclosure culture in general.” The interviewees also perceived a link between the extent of traditional disclosure and CIR practices – companies with a high level of traditional disclosure would be expected to exhibit mature CIR practices and vice versa. As the extent of CIR is still limited in Egypt, the interviewees emphasised the need to spread awareness of its possibilities to interested parties and the role of business organisations; it was suggested that the latter should help listed companies to set up websites and use them for disclosure purposes. Egyptian businesses were also seen as playing a key role in increasing investors’ awareness of CIR and its benefits. Furthermore, participants pointed out reporting companies which maintain a web presence should publicise the address of this webpage, with most indicating that they had experienced difficulties in trying to locate the websites of companies. In support of this view, Petravick and Gillett (1996) suggested that: “it is important for companies to advertise the existence of their sites because the information is of no value unless users know it is there” (p. 29).

Another finding of note is that the interviewees believed that CIR practices need to be carefully organised, supervised and controlled, as the voluntary nature of these disclosures means that companies have discretion in terms of the information made available on their websites and practices are not standardised. Clearly, regulatory bodies in Egypt should consider issuing and/or implementing standards that effectively, govern and organise these practices if their popularity is to grow meaningfully in the future.

7.7 Summary and Conclusion

This chapter has provided detailed evidence on the views of users and preparers of financial information regarding CIR practices in Egypt; the questions posed in the interviews were chosen in the context of the decision-usefulness framework underpinning Egyptian financial reporting. In general terms the responses were encouraging in terms of the perceived potentiality of CIR in Egypt, although views were far from unequivocal in certain cases. With respect to the robustness of Egypt's internet infrastructure and the use of the internet for financial reporting purposes, views were generally mixed with half of the sample appearing to be satisfied with the current infrastructure. In terms of the frequency of using the internet service, the majority of interviewees were extensive users, with accessing corporate information, undertaking research, engaging in communication and social networking representing the most common uses of the internet, while corporate use focused on external engagement with investors and customers, as well as internal communication. The company officials who took part in the study indicated that the lack of experienced staff, the disclosure of company information via the EGX website and the voluntary nature of CIR practices were the main reasons preventing companies listed on the EGX from engaging in more sustained use of such practices. While the interviewees agreed upon and recognised the key purported benefits of CIR, they indicated that the hard copy annual report remains the main source of corporate information. With respect to the future of CIR,

participants had a range of opinions, perhaps reflecting the on-going practical problems with CIR in developing countries including Egypt. The majority of interviewees believed that CIR practices in Egypt still lag far behind those in developed countries with a long and hard road thought to lie ahead.

In terms of the impact of CIR practices on the qualitative characteristics of useful accounting information, two-thirds of the interviewees agreed that CIR practices could enhance the understandability of accounting information, while the remaining participants argued that such practices have no impact on this characteristic. With respect to relevance, the majority highlighted the positive impact of CIR whereas views about its impact on the reliability of accounting information were mixed, with half of the interviewees indicating that CIR is less reliable, nonetheless, the majority of interviewees expressed very positive thoughts concerning the influence of CIR on the comparability of accounting information.

As regards the economic consequences of CIR practices, the participants had a range of views regarding the impact on cost of capital; some perceived there to be a negative relationship, while others argued that in a market such as Egypt, where rumours play a key role in determining asset prices, there is no relationship at all.

In order to explore these and other issues with a larger sample of users and preparers, the next chapter outlines the findings of the large sample questionnaire survey undertaken in Egypt concurrently with the interviews.

Chapter 8:
Questionnaire Survey Analysis

Chapter 8:

Questionnaire Survey Analysis

8.1 Introduction

Chapters 6 and 7 of this thesis provided a detailed descriptive account and analysis of recent CIR practices amongst non-financial companies listed on the EGX and the views of users and preparers thereon. As mentioned in Chapter 5, the third research method employed in the current study is a questionnaire survey. The main purpose of using this method is to explore the perceptions of a wider range of users and preparers regarding the phenomenon of CIR in Egypt than would have been practical via interview analysis and thereby complement the earlier results.

The chapter reports the findings of a questionnaire survey distributed in Egypt between June and August 2011. Questionnaires were distributed to two main groups: (i) users (private investors and professional users);¹⁰² and (ii) preparers (company officials). As mentioned in the literature review, all studies undertaken in Egypt to date have focused on determining the extent of CIR practices amongst listed companies, with none asking interested parties about their views and preferences in this regard. Therefore, the analysis presented here adds to the extant literature via the ability of the chosen survey to explore the perceptions of interested parties concerning CIR practices in Egypt, but to a larger sample than was practical or achievable via the interview analysis. The remainder of this chapter proceeds as follows: Section 8.2 outlines the process used to distribute, collect and analyse the questionnaires, before Section 8.3 presents the results and Section 8.4 concludes.

¹⁰² This group comprised financial analysts, technical analysts, accountants and stockbrokers working in brokerage companies and the EGX.

8.2 The Process of Distributing, Collecting and Analysing the Questionnaires

This section details the procedures used to distribute, collect and analyse the questionnaires. Questionnaires were distributed to two stakeholder groups, namely: (i) users (private investors and professional users); and (ii) preparers (company officials) between June and August 2011. The survey was undertaken in three stages: distribution, collection and analysis. For self-administered questionnaires,¹⁰³ there are three methods that can be used to distribute the document, namely: (i) internet and intranet-mediation; (ii) postal delivery; and (iii) personal delivery and collection (Saunders et al., 2009).¹⁰⁴ In this case, it was decided to use a mixture of the three approaches in order to increase the response rate. To distribute the questionnaires, the contact details of listed companies and brokerage companies in Egypt were identified. The sample was then chosen using various sources of information including the EGX website, listed companies' websites and personal contacts. Questionnaires were distributed in 6 cities: Cairo, Giza, Hurghada, Luxor, Qena and Sohag. In most cases, the researcher visited the targeted companies and delivered the questionnaire to respondents, either waiting for their immediate completion and collection or returning later.

In general terms, the distribution of questionnaires to users of corporate information was easier than to the preparers, as the researcher was able to identify brokerage companies and distribute questionnaires directly to professional users and brokers working there. For private investors, exchange halls at brokerage companies where investors come to buy and sell their shares was considered to be the best location, so the researcher made several visits in an attempt to gain access. However, only a few responses were elicited in this way, as most individuals were watching trading screens and were too busy. There were more

¹⁰³ May (2011) suggests that self-administered questionnaires offer a cheap method of data collection compared to interviewer-administered ones.

¹⁰⁴ For more details see Chapter 5 Section 5.6.3.

difficulties with the preparers, as many companies were unwilling to participate. On more than one occasion, the researcher spent more than half an hour explaining the research study before being told that the company would not participate. Some asked the researcher to fill in a form outlining the research study before deciding whether they agreed to distribute the questionnaire or not. In one large company, the researcher was allowed to meet the investor relations director who, despite being very polite and friendly, ultimately stated “I do not have the authority to do this”, even though the authorising letter was provided.¹⁰⁵ The researcher therefore had to find another way to deliver the questionnaires. Contact details of reporting companies were therefore identified and the nature of the study was explained over the phone. Questionnaires were then sent to all reporting companies with a valid e-mail address. To increase the response rate, companies who did not respond were contacted again both by phone and e-mail to ask them to complete the questionnaires.

For all but one of the cities – Qena,¹⁰⁶ the researcher had to travel, although in Cairo and Giza it was necessary to stay for some time. These journeys were exhausting, time consuming and expensive.¹⁰⁷ In addition, the questionnaires were distributed during a time of civil unrest following the 2011 uprising in Egypt which led to President Mubarak’s resignation in February 2011; this led to further logistical issues, as the location of the respondents meant travelling via Tahrir Square in Cairo, the focal point of the demonstrations that led to the 25th of January 2011 revolution.

Two versions of the questionnaires were developed, one for the users and one for the preparers. The questions were designed to address the thesis’s research questions, in the context of decision-usefulness theorising and the relevant literature. The questionnaire was

¹⁰⁵ Appendix 8.1 depicts the authorising letter from the School of Business, University of Dundee.

¹⁰⁶ Qena governorate is the researcher’s home town.

¹⁰⁷ On one of these journeys, the researcher had a motor vehicle accident, but was not badly injured.

originally developed in the English language, before being translated into Arabic to avoid misunderstanding and ambiguities. The questionnaires were initially piloted using a number of academic and post-graduate researchers in the UK, including delegates at a research development event in Edinburgh between 28th and 29th of March 2011 organised by the Institute of Chartered Accountants of Scotland (ICAS). Piloting of questionnaires is considered to be useful in refining the questions themselves in terms of clarity, consistency and relevance (Hussey and Hussey, 1997).

Although the two versions of the questionnaire survey were similar, the preparer's version was somewhat longer as these individuals were asked about the CIR practices of their companies, i.e. the potential reasons for maintaining a website. The user's version consisted of seven sections, namely: (i) general information, i.e. demographical information about the respondents (e.g. gender, age, education level...etc.); (ii) internet background and infrastructure, i.e. information about the participant's background knowledge of the internet and their satisfaction regarding certain issues related to its use; (iii) sources of corporate information, covering the most commonly-used channels for getting corporate information and their associated importance; (iv) the potential benefits of CIR practices, exploring the extent of agreement among the participants regarding the potential benefits of CIR; (v) the impact of CIR practices on the usefulness of accounting information, investigating the influence of internet-based reporting channels on this particular characteristic of accounting information; (vi) the potential economic consequences of CIR practices, exploring if there are any such impacts when using the internet for disclosure purposes; and (vii) problems associated with using the web as a disclosure channel; this final section aimed to garner opinions about the difficulties inherent in the use of the internet for disclosure purposes.

The Arabic and English versions of both questionnaires are provided in Appendices 8.2-8.5.¹⁰⁸

The questionnaire employed closed-ended questions for reasons outlined in Chapter 5, although some included an “Other (please specify)” category; in addition, at the end of the questionnaire, respondents are given the opportunity to add comments related to CIR practices in Egypt that they had not already made. Where appropriate, questions used a five-point Likert scale¹⁰⁹ to reflect the strength of respondents’ opinions. At the end of the questionnaire the researcher’s appreciation and contact details were noted.¹¹⁰

The second stage of the process involved the collection of the completed questionnaires from the respondents. Table 8.1 shows the number of questionnaires distributed to each group, the number of returned questionnaires and response rates. In total, 300 questionnaires were distributed, 153 of which were returned. Four of these proved to be unusable due to incompleteness (three from private investors and one from professional users), leaving an overall response rate of 49.6%; professional users provided the highest figure of 64% followed by private investors (52.5%) and preparers (30%).

¹⁰⁸ A covering letter was also included introducing the researcher and his school and outlining the research aims, insuring the confidentiality of the information provided and indicating the way in which the completed questionnaires will be returned.

¹⁰⁹ Likert scaling is a method designed to measure people’s attitude in an objective way (Nachmias and Nachmias, 1992).

¹¹⁰ The questionnaires were printed in booklets, as suggested by Dillman (2007).

Table 8.1: Questionnaire Response Rates

Respondent Groups		Distributed Questionnaires	Returned Questionnaires	Response Rate
Users (U)	Professional Users (P)	120	77	64%
	Private Investors (I)	80	42	52.5%
Preparers (RC)		100	30	30%
<i>Total</i>		<i>300</i>	<i>149</i>	<i>49.6%</i>

Note: This table reports the number of distributed and collected questionnaires, plus the response rates across respondent groups.

The final stage of the questionnaire process involved the analysis of the survey data. For this purpose, the data was entered into a grid using Microsoft Excel. Questions were listed in columns while respondents were presented in different rows. The data was then transferred to the Statistical Package for Social Science (SPSS). Anderson et al. (2009) assert that:

“One consideration in determining whether a parametric or a non-parametric method is appropriate is the scale of measurements used to generate the data...In cases where the data are nominal or ordinal or in cases where the assumptions required by parametric methods are inappropriate, only non-parametric methods are available” (pp. 720-722).

Since almost all the questions were based on a five-point Likert scale, the responses represented ordinal rather than interval or ratio data and so, non-parametric (Mann-Whitney (M-W) and Kruskal-Wallis (K-W)) tests were employed. The Mann-Whitney test is used to determine whether a difference existed between the location parameter of two populations, while the Kruskal-Wallis test is used to determine whether a difference existed between three or more populations (Anderson et al., 2009). Before running the statistical analysis, reliability and validity tests were performed. In this regard, Oppenheim (1992) argues that these two criteria are essential prerequisites for high quality analysis of survey instrument results.

Reliability is “the consistency of a measure of a concept” (Bryman, 2008, p. 149). Bryman identifies three aspects that should be considered when testing for reliability, namely: (i) stability; (ii) internal reliability; and (iii) inter-observer consistency. Stability refers to the consistency of a measure over time. An internal reliability test examines “whether respondents’ scores on any one indicator tend to be related to their scores on the other indicators” (Bryman, 2008, p. 150). The most common test for internal consistency is Cronbach’s alpha. An acceptable level of internal reliability is often cited as 0.6 or above (Sekaran, 2003).¹¹¹ The present study uses Cronbach’s alpha as a proxy to test the reliability of the questionnaire survey results.¹¹² The Cronbach’s Alpha test for private investors, professional users, and preparers generated scores of 0.83, 0.86, and 0.72 respectively, implying an acceptable level of internal consistency in the survey results.

The concept of validity relates to “whether an indicator (or set of indicators) that is devised to gauge a concept really measures that concept” (Bryman, 2008, p. 151). The validity of the questionnaire survey employed here was fulfilled through the pilot study set out earlier in this chapter. The results of the pilot study indicated that the research instrument covered important issues raised in the disclosure literature in general and the CIR literature in particular. Participants in the pilot work suggested minor changes relating to clarity and these were applied before distributing the questionnaires. It was therefore considered reasonable to assume a sufficient degree of validity as regards the survey document.

¹¹¹ Although Bryman (2008) argues that this figure should be 0.8 or more, however, he also asserts that there is room for judgement in the matter.

¹¹² The inter-observer consistency aspect of reliability can be an issue when there is a great deal of subjective judgement involved (Bryman, 2008), but that is not the case in the present study.

8.3 Results

8.3.1 Respondents' Backgrounds

The first section of the questionnaire survey aimed to elicit information regarding the respondents' backgrounds; the answers are summarised in Table 8.2. Inspection of Table 8.2 reveals that 128 (86%) of the respondents were male and 21 (14%) were female. The table also indicates the mix of respondent ages (from less than 30 to more than 60 years), suggesting a wide range of experience and knowledge. The respondents were well-educated, as 116 held bachelor degrees, six had a post-graduate diploma, twenty had masters degrees and two had a PhD. Of the company officials, eight were investor relations directors, eight were financial managers, six were financial accountants, five were management accountants, one was an accounting manager, one was an IT manager and one was a financial analyst.¹¹³ Finally, the table indicates that respondents' firms have market values ranging from E£10 million to E£one billion ranges, suggesting that a pervasive mix of organisational scales was represented in the sample.

¹¹³ However, the table also shows a lack of professional qualifications amongst the company officials.

Table 8.2: Demographic Characteristics of the Respondents

Variables	Categories	Respondent Numbers			Total
		Users (U)		Preparers (RC)	
		(P)	(I)		
Gender	Male	63	39	26	128
	Female	14	3	4	21
Age	Less than 30 years	33	11	5	49
	From 30 to 40 years	38	21	12	71
	From 41 to 50 years	5	4	10	19
	From 51 to 60 years	1	3	2	6
	More than 60 years	0	3	1	4
Level of Education	Less than Bachelor	0	5	0	5
	Bachelor Degree	57	35	24	116
	Post-graduate Diploma	5	0	1	6
	Master Degree	13	2	5	20
	PhD Degree	2	0	0	2
Job Title	Accounting Manager	N/A	N/A	1	N/A
	Financial Accountant			6	
	Financial Manager			8	
	IT Manager			1	
	Management Accountant			5	
	Other			9	
Professional Qualifications	ACCA	N/A	N/A	1	N/A
	CPA			1	
	ESAA			2	
	No			27	
	Other			2	
Market Cap (E£)	10-100 million	N/A	N/A	11	N/A
	101-1 billion			6	
	More than 1 billion			13	

Note: This table depicts the demographic information of the respondent groups. U = All Users (private investors and professional users). I = Investors. P = Professional Users. RC = Reporting Companies.

8.3.2 Internet Usage and Presence

This section of the questionnaire aimed at gathering information on users' views about a series of broad issues, namely: (i) places to access the internet; (ii) the frequency of using the internet; (iii) the purposes of accessing the internet; (iv) sources of online corporate information; and (v) the most useful part of the company's website. The preparers' version of this part of the questionnaire enquired as to: (i) whether the company had a webpage or not; (ii) the age of the company's website; (iii) whether the company uses its website to engage in CIR practices; and (iv) who is responsible for the production of online reporting

output. Tables 8.3 and 8.4 provide the results for the user and preparer groups respectively. With respect to the place of access, the results reveal that most respondents (97) accessed the internet from their work, although the disaggregated figures show that this pattern was only evident for professional users. Private investors were split evenly between home and work as the primary access point. Concerning the frequency of internet access, the vast majority of users went online more than five times a week, as can be seen from Table 8.3. With respect to the purposes of using the internet, work was the most frequent followed by obtaining news, accessing corporate information and e-commerce respectively. The EGX website was the most popular source of online corporate information amongst both private investors and professionals, with the company's website in last position in both cases. This result may reflect the well-organised nature of the EGX's website – which was first launched in December 1998 – on which regularly updated information appears; in contrast, as indicated in Chapter 6 of this thesis, the CIR practices of many companies listed on the EGX are still limited, with a large number of listed companies not yet having a web presence. In terms of the websites themselves, the responses to Question 11 shown in Table 8.3 indicate that the annual reports were viewed as the most useful part by both user groups, while product and services information was the least. The first of these results was expected, as the annual report is the core source of disclosure (Weetman and Beattie, 1999).

The results for the preparers group, shown in Table 8.4, indicate that all but one of the reporting companies had a website. This suggests that the respondents from this group are likely to have a reasonable degree of knowledge regarding internet technology in general and CIR practices in particular; this impression is enhanced by the additional evidence in the table that around half of the participant companies had maintained a website for more than five years, with nearly 90% having had one for at least two years. In terms of detail regarding CIR practices, 24 out of the 30 respondents replied 'Yes' when asked "Does your

company publish corporate information on its website” suggesting that the overwhelming majority of respondent companies are taking advantage of the internet’s benefits as a disclosure medium. With respect to the responsibility for producing online reporting information, the results show a large degree of variability across firms, although the IT department was the most common, followed by financial reporting and investor relation teams respectively.

Table 8.3: Internet Usage amongst the User Groups

Questions	Variables	Number of Users		Total
		I	P	
Q5. Where do you usually access the internet?	Home	26	34	60
	Work	26	71	97
	Public Place (e.g. internet café)	4	12	16
Q6. Average frequency of using the internet:	Rarely	1	0	1
	Once a week	1	0	1
	From 2 to 3 times a week	5	5	10
	From 4 to 5 times a week	4	9	13
	More than 5 times a week	31	62	93
Q7. Main purpose of accessing the internet:	Work	27	62	89
	E-commerce	8	7	15
	Social networking	17	44	61
	News	21	61	82
	Corporate information	21	48	69
Q10. What are the main sources for getting online corporate information?	The Egyptian Exchange (EGX) website	27	60	87
	Third party website	18	36	54
	Company’s website	13	35	48
Q11. What is the most useful part of the company’s website?	Company profile	14	23	37
	Product and services information	5	19	24
	Annual reports (balance sheet, income statement, etc)	21	58	79
	Investor relations section	8	19	27
	Management reports	11	25	36

Note. This table summarises answers to questions regarding internet usage by the user groups. I = Private Investors and P = Professional users.

Table 8.4: Internet Usage and Presence amongst the Reporting Companies

Questions	Variables	Number of Reporting Companies	Total
Q8. Does your company have a website?	Yes	29	30
	No	1	
Q9. When did your company establish its website?	One year ago	3	29
	2-3 years ago	8	
	4-5 years ago	4	
	More than 5 years ago	14	
Q12. Does your company publish financial information on its website?	Yes	24	30
	No	6	
Q13. Who is involved in the production of your online reporting output?	External Web designer	5	N/A
	IT department	12	
	Financial reporting team	10	
	Investor relations team	10	

Note. This table summarises the answers to questions by the preparers group.

8.3.3 Reasons for Engaging in CIR Practices

Having explored the broad context in which the internet is employed by users and preparers of financial information in Egypt, the survey proceeded to examine the latter's motivations for maintaining a website. A list of potential reasons was identified from the extant literature on CIR, as shown in Table 8.5. As inspection of the table reveals, "the need to offer an image of modernity" attracted the strongest level of agreement among the preparers, followed by the need to provide corporate financial information. The former result may reflect the desire of companies listed on the EGX to keep abreast of technological developments and take maximum advantage of the internet as a communication medium. This evidence also reflected the limited nature of CIR practices amongst companies listed on the EGX, and the fact that only a handful of companies engaged extensively in such practices. Other companies either disclose: summary information; a limited number of items from their financial statements; no financial information; or do not maintain a website at all. Furthermore, similar views were reported in the previous chapter, as one company official (C1) suggested that some companies view

the setting up of a web presence as providing “some sort of prestige.” In addition, of the reporting companies taking part in the present survey, only one company provided a full set of disclosure via its website; the remaining companies either provided summary information or did not disclose any corporate information online.¹¹⁴ The evidence may also be linked to the fact that some companies listed on the EGX are still unaware of the possibilities of the internet for communicating with interested parties, and/or the fact that respondents’ desire to reflect a ‘modern’ image was paramount in their decision to set up a website and engage in CIR. This desire is reflective of institutional processes aimed at promoting the organisation in a particular manner and “may be driven by a desire to conform to social or capital markets expectation” of a modern company (Rowbottom et al., 2005, p. 36). Such motivations are the antithesis of decision-usefulness where the aim is to provide information for users to aid in their decision-making and hints at political motivations that are outwith the specific scope of this thesis. However, the results also indicate that the need to imitate competitor companies achieved the lowest level of agreement among the participants suggesting that any efforts to achieve technological leadership were not motivated by rival behaviour. The results also indicate some variation between the participants’ responses as can be seen from the standard deviation values in Table 8.5, two of which exceed 1.3.

Table 8.5: Reasons for Engaging in CIR Practices

Questions	Number of Reporting Companies	Mean	StDv
10a. For e-commerce	28	3.96	0.838
10b. The need to offer an image of modernity	30	4.50	0.630
10c. The need to imitate competitor companies	29	3.24	0.988
10d. For providing corporate financial information	30	4.13	0.973
10e. For providing internet facilities to employees	30	3.87	1.332
10f. For facilitating internal communications	30	3.83	1.315

Note: This table reports the potential reasons for maintaining a website. It also provides the mean and standard deviation (StDv) for the preparer group.

¹¹⁴ As highlighted earlier in the chapter, there were difficulties associated with getting access to reporting companies in general and the larger ones (with extensive CIR practices) in particular.

8.3.4 Internet Infrastructure in Egypt

In this context, Ojah and Mokoaleli-Mokoteli (2012) argued that: “the more available the physical infrastructure for IFR there is in a country, the more likely firms in the country are to adopt IFR” (p. 6) – and the more likely users are to acquire corporate information via the web. Clearly, this issue might have relevance in a corporate context and so this section of the questionnaire explored the perceptions of interested parties in this area; Table 8.6 summarises the responses of the surveyed groups. With the exception of government control over internet activities all mean responses were above the mid-point of 3, suggesting a broad degree of satisfaction with the internet in Egypt, although it is also notable that none of the means exceeded 4 (i.e. “satisfied” on the Likert scale employed). The “Breadth of information available” attained the highest mean of 3.82 followed by “Ease of subscription” and “Reliability of the service.” However, the group means shown in the table indicate that the investors’ group (I) generated means of less than the mid-point in several cases. In contrast, the professional user group generated means of above 3 in all cases, while the reporting companies responded with means of less than 3 twice (security/privacy and government control).

Table 8.6: Satisfaction with the Internet in Egypt

Questions	No	Mean	StDv	Group Means				K-W P-value	M-W P-values			
				U	I	P	RC		U-RC	I-P	I-RC	P-RC
Q8a. Internet infrastructure in general in Egypt	148	3.60	0.855	3.63	3.48	3.71	3.50	0.349	0.529	0.196	0.887	0.304
Q8b. The cost of the service	149	3.24	1.1	3.24	2.93	3.40	3.27	0.118	0.892	0.041*	0.237	0.601
Q8c. Ease of subscription.	146	3.68	0.932	3.70	3.79	3.65	3.59	0.523	0.473	0.386	0.276	0.693
Q8d. Speed of the internet	149	3.03	1.05	2.99	2.79	3.10	3.17	0.211	0.454	0.125	0.119	0.871
Q8e. Reliability of service	146	3.67	0.771	3.68	3.62	3.72	3.63	0.849	0.941	0.584	0.819	0.809
Q8f. Availability of technical support	149	3.17	1.04	3.17	3.19	3.16	3.17	0.899	0.844	0.702	0.663	0.981
Q8g. Breadth of information available	149	3.82	0.822	3.82	3.86	3.79	3.83	0.979	0.850	0.95	0.851	0.879
Q8h. Security and privacy	148	3.26	1.09	3.40	3.32	3.44	2.73	0.007*	0.002*	0.867	0.017*	0.001*
Q8i. Government control over internet activities	149	2.87	1.06	2.91	2.71	3.01	2.73	0.330	0.457	0.204	0.957	0.250

Note: This table shows the mean and standard deviation (StDv) for all respondents regarding questions about satisfaction with the internet in Egypt. It also provides the mean for each group and the p-value for the Kruskal-Wallis (K-W) and Mann-Whitney (M-W) tests. A * indicates significance at the 5% level, U = All Users (private investors and professional users). I = Investors. P = Professional Users. RC = Reporting Companies. Responses are based on a five-point Likert Scale where 1 = strongly dissatisfied, 2 = dissatisfied, 3 = neutral, 4 = satisfied and 5 = strongly satisfied.

Table 8.6 also reports the results of tests examining the significance of differences in participants' views concerning satisfaction with the statements concerned. Most notably, the p-value for the Kruskal-Wallis test is highly significant for Q8h relating to internet security and privacy. The additional analysis in the table of differences in pairs of averages suggests strongly that it is the relatively low figure for the reporting companies that is driving the Kruskal-Wallis result. The Mann-Whitney test results reveal that the users as a whole (U), and private investors (I) and professional (P) groups separately, generated higher averages than the reporting companies (RC). This result is potentially concerning, suggesting that if, as is entirely possible, firms know more about the robustness of their internet service than do users, the latter have a higher level of confidence than is warranted in the information they access being free of external tampering and that their own visits to the relevant websites will have no implications for their own privacy. The results also indicate a significant difference between groups (I) and (P) concerning the cost of the internet service; the professional users expressed a greater degree of satisfaction with the cost of the service. This finding is not unexpected, as the cost of the service will not be borne personally by professional users (P).

8.3.5 Sources of Corporate Information in Egypt

The next section of the questionnaire sought to shed light on the importance attached to alternative sources of corporate information by various groups of users and preparers. Table 8.7 summarises the responses regarding each of the ten possible sources of disclosure suggested in the extant literature. The overall mean values shown in the table suggest that participants view the hard copy annual report as the most important source of corporate disclosure, with an overall mean of 4.38. This evidence is as expected, as listed companies in Egypt are required by law to publish hard copy annual reports on a timely basis. Weetman and Beattie (1999) asserted that the annual report was the core source of

corporate information for UK firms in an earlier time period; the evidence here suggests that this is also the case today in Egypt.¹¹⁵ The second most important source of disclosure was EGX reports; again this is in line with expectations, as companies are required by law to provide the EGX with any corporate information before it is made available to the public. Newspapers, TV and radio were in third position, as listed companies in Egypt are required to publish their reports in two daily national newspapers, while financial analysts' reports had the fourth highest mean. Despite being required by law, Table 8.7 shows that hard copy interim reports were only in fifth position, possibly because the EGX is an emerging market and the awareness of the importance of this kind of report is still limited. Companies' websites only came in sixth position, however, the mean score was still above 4, indicating that, despite the limited use of the internet amongst companies listed on the EGX highlighted in Chapter 6, they might be able to exploit its possibilities to communicate with their stakeholders in a more pervasive manner. Whilst CIR practices in Egypt are still voluntary in nature, with companies having discretion in terms of what to disclose and what not to disclose via their websites, it is already seen as being of importance. Although considered to be a useful source of disclosure in some of the interviews as detailed in the previous chapter, the questionnaire respondents ranked direct contact with the company in only seventh position. This result may reflect reporting companies not allowing or encouraging such interaction in Egypt, where deep-rooted secrecy is part of the culture (Dahawy and Conover, 2007). Corporate information available on third party companies' websites was in eighth position, suggesting a lack of awareness of these channels of disclosure; again, however, the mean score of 3.87 was well above the mid-point of 3, suggesting that this information source is still seen as having a role to play. Perhaps surprisingly, given evidence about their role in emerging markets (e.g. Ming-Ling

¹¹⁵ In line with this finding, Al-Htaybat et al. (2011) found that Jordanian users viewed traditional annual reports as the preferred source of accounting information, suggesting that their dominance is widespread across the Middle East/North Africa region.

et al., 2001) “market rumours” and “tips and advice from friends” were the least important source of corporate information.

The results for each group of respondents shown in Table 8.7 reveal some differences in opinions regarding sources of corporate information in Egypt. Private investors viewed newspapers and EGX reports as the first and second most important respectively, with market rumours being of least importance. However, professional users viewed the hard copy annual reports as being the primary medium of disclosure, followed by newspapers and EGX reports, with advice from friends being of least importance. The results for the reporting companies themselves indicate that the hard copy annual reports are perceived to be the most important, followed by hard copy interim reports and newspapers; this ordering clearly reflects the legal requirements for companies listed on the EGX.

The differences apparent in the ordering are also manifested in the formal statistical analysis reported in Table 8.7. The p-value for the Kruskal-Wallis test is significant in 5 of the 8 cases where it could be calculated: hard copy annual reports; hard copy interim reports; newspapers; direct contact with company; and companies’ websites. The results of the Mann-Whitney test reveal significant differences between users (U) and reporting companies (RC) in the same five cases, with the (RC) group attaching more importance in the first three cases listed above. The disaggregation across the two user classes in fact reveals that the largest differences were between the private investors (I) and the reporting companies (RC). More generally, the results shown in Table 8.7 indicate that the professional users placed more importance on all but one of the sources (the advice of friends) than did the private investors. This pattern in the findings may reflect the fact that private investors in emerging markets are prone to naivety, not fully understanding the importance of seeking out extensive, widely-sourced information regarding investee firms.

Finally of note in Table 8.7 – and of major importance given the aims of this thesis – are the inter-group differences in responses to Q9g concerning companies’ websites. This is one of only two cases where the mean response from reporting companies (3.67) is significantly lower than for the users (3.93), and by a much larger margin (0.26 versus 0.04) than in the other case (Q9f, for newspapers/TV/radio). This evidence suggests that the gap between user and firm perceptions of the importance of the internet as a reporting channel is substantial, with firms in Egypt potentially failing to appreciate how important online resources have become for users; the gap is especially pronounced in the case of the professional users (P) where a mean of 4.03 was generated. The fact that in virtually all other cases, the (RC) group generated the highest means, only adds to the potential concern this finding should raise. This evidence suggest that users in general and professional users in particular are more aware of the possibilities of the internet as a disclosure channel; thus, they hold a positive view towards CIR practices and seem to be more supportive of on-going initiatives to deepen such practices in Egypt. By contrast, reporting companies are still constrained to the traditional models of disclosure and fail to appreciate how important internet disclosure has become for interested parties. Therefore, companies listed on the EGX need to be made aware of the potential of the internet for corporate disclosure. It is argued that companies’ perceptions with respect to the importance of online reporting may improve in the near future especially after the imposition of EFSA regulation which manadates companies listed on the EGX to set up a web presence and engage in CIR practices.

Table 8.7: Sources of Corporate Information in Egypt

Questions	No	Mean	StDv	Group Means				K-W P-value	M-W P-values			
				U	I	P	RC		U-RC	I-P	I-RC	P-RC
Q9a. The hard copy annual reports	149	4.38	0.911	4.29	3.98	4.45	4.73	0.001*	0.021*	0.005*	0.001*	0.197
Q9b. The hard copy interim reports	146	4.12	0.946	4.03	3.79	4.16	4.50	0.004*	0.006*	0.057	0.001*	0.045*
Q9c. Analysts' reports.	147	4.17	1.01	4.15	3.81	4.33	4.27	0.90	0.476	0.037*	0.110	0.949
Q9d. Direct contact with company	146	3.88	1.16	3.78	3.50	3.95	4.27	0.025*	0.041*	0.069	0.008*	0.168
Q9e. The EGX reports	148	4.28	0.919	4.28	4.10	4.38	3.83	0.415	0.919	0.185	0.566	0.628
Q9f. Newspapers/TV/Radio	149	4.26	0.888	4.37	4.29	4.42	4.33	0.004*	0.001*	0.254	0.027*	0.001*
Q9g. Companies websites	147	4.01	1.034	3.93	3.71	4.05	3.67	0.046*	0.040*	0.156	0.017*	0.113
Q9h. Third party company websites	149	3.87	1.067	3.92	3.74	4.03	4.30	0.226	0.134	0.416	0.438	0.082
Q9i. Tips and Advice of friends	119	3.21	1.185	3.21	3.26	3.18	N/A	N/A	N/A	0.650	N/A	N/A
Q9j. Market rumours	119	3.45	1.401	3.45	3.31	3.53	N/A	N/A	N/A	0.410	N/A	N/A

Note: This table shows the mean and standard deviation (StDv) for all respondents regarding questions about sources of corporate information in Egypt. Responses are based on a five-point Likert Scale where 1 = of little importance, 2 = not important at all, 3 = neutral, 4 = important and 5 = very important. It also provides the mean for each group and the p-value for the Kruskal-Wallis (K-W) and Mann-Whitney (M-W) tests. A * indicates significance at the 5% level, U = All Users. I = Investors. P = Professional Users. RC = Reporting Companies.

8.3.6 The Existing and Potential Benefits of CIR Practices

The next section of the questionnaire was intended to cast light on perceptions concerning the benefits of CIR practices in Egypt. A list of possible benefits, identified from the extant literature on CIR, formed the basis for the questions in this regard and these are provided in Table 8.8. Inspection of the table reveals that the mean responses ranged from 4.53 to 4.07, indicating participants' agreement that each of the suggested items representing a benefit of CIR. In line with this result, Beattie and Pratt (2003) indicated that: "clearly, both companies and users see advantages in the use of the internet to disseminate financial information" (p. 156). The accessibility of corporate information achieved the highest level of acknowledgment among the participants, followed by timeliness. A possible explanation for this evidence may lie in the fact that advancement in information technology overcomes geographical constraints, with information being available to anyone with a computer and a telephone line connected to a network, anywhere and at any time (Barac, 2004). Furthermore, Petravick and Gillett (1996) indicated that: "publishing on the internet offers an inexpensive, timely platform that wraps around the world" (p. 26). In contrast, the purported benefit of "getting corporate information in more than one set of GAAP" generated the lowest average level of agreement among the surveyed groups,¹¹⁶ although this might reflect GAAP diversity being of most interest to foreign investors, who are not involved in the present survey. Although the differences were not statistically significant, the group mean values shown in Table 8.8 indicate that the user groups (I) and (P) attached the highest level of agreement to the accessibility issue.

¹¹⁶ In this context, only three companies presented their financial information according to an alternative set of GAAP, mainly IFRS, as reported in Chapter 6.

Table 8.8: The Existing and Potential Benefits of CIR Practices

Questions	Mean	StDv	Group Means				K-W P- value	M-W P-values			
			U	I	P	RC		U-RC	I-P	I-RC	P-RC
Q12a. Corporate information will be more accessible.	4.53	0.776	4.60	4.48	4.66	4.27	0.084	0.072	0.163	0.410	0.034*
Q12b. The possibility of getting more timely corporate information.	4.50	0.785	4.52	4.45	4.56	4.40	0.404	0.269	0.440	0.593	0.204
Q12c. The possibility of accessing corporate information in multiple languages.	4.16	0.901	4.15	4.07	4.19	4.20	0.749	0.785	0.486	0.523	1.00
Q12d. The possibility of getting corporate information using more than one set of GAAP.	4.07	0.974	4.13	4.17	4.11	3.83	0.279	0.160	0.449	0.127	0.259
Q12e. The possibility of accessing corporate information in different presentation formats (e.g. PDF, HTML) to satisfy the needs of more users.	4.21	0.859	4.19	3.98	4.32	4.27	0.144	0.975	0.056	0.262	0.522
Q12f. Corporate websites have the capacity to include traditional financial reports together with additional financial and non-financial information.	4.19	0.828	4.19	4.12	4.23	4.20	0.681	0.768	0.411	0.500	0.975
Q12g. A cost-effective means of getting corporate information.	4.36	0.739	4.38	4.33	4.41	4.30	0.733	0.445	0.896	0.505	0.471
Q12h. The possibility of downloading corporate information for further analysis.	N/A	N/A	4.39	4.38	4.39	N/A	N/A	N/A	0.721	N/A	N/A
Q12i. Corporate websites have the capacity to include an archive of corporate information to make comparisons.	N/A	N/A	4.26	4.24	4.27	N/A	N/A	N/A	0.836	N/A	N/A
Q12j. The ability to offer an image of modernity.	N/A	N/A	N/A	N/A	N/A	4.33	N/A	N/A	N/A	N/A	N/A
Q12k. Improvement in access for potential investors.	N/A	N/A	N/A	N/A	N/A	4.53	N/A	N/A	N/A	N/A	N/A

Note: This table shows the mean and standard deviation (StDv) for all respondents regarding questions about the existing and potential benefits of CIR practices. It also provides the mean for each group and the p-value for the Kruskal-Wallis (K-W) and Mann-Whitney (M-W) tests. A * indicates significance at the 5% level, U = All Users. I = Investors. P = Professional Users. RC = Reporting Companies. The responses are based on a five-point Likert Scale where 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree and 5 = strongly agree.

Access to corporate information in different presentational formats attracted private investors' lowest level of agreement; a possible explanation for this might simply be that individual investors in developing countries, including Egypt, lack the knowledge required to fully understand the potential of CIR in this regard. Company officials attached their lowest level of agreement to the possibility of providing corporate information in more than one set of GAAP, generating the lowest mean (3.83) anywhere within Table 8.8. This result may reflect the fact that only a handful of listed companies in Egypt are traded in foreign markets, with limited foreign investors' interaction (EGX, 2012).

The statistical tests represented in Table 8.8 show that there were no overall differences in the respondents' views in relation to the reported benefits of CIR practices, with the p-values from the Kruskal-Wallis tests all greater than 0.05. Furthermore, the results of the Mann-Whitney test reveal only one significant difference, with group (P) generating a significantly higher level of agreement than group (RC) in the case of accessibility of corporate information made available via companies' websites. The mean for group (P) in this case of 4.66 is the highest in Table 8.8, consistent with professional users prioritising accessibility to the information required for their decision-making.

8.3.7 The Impact of CIR Practices on the Qualitative Characteristics

The next set of questions was designed to explore the views of the participants concerning the potential influence that CIR practices in Egypt might have on particular qualitative characteristics of accounting information. Panel A in Table 8.9 provides a list of statements, four of which relate to the main characteristics outlined in the IASC Framework of 1989 along with two related questions regarding CIR's role relative to hard copy reports. With regard to the latter, all respondent groups viewed CIR as a supplement to hard copy annual reports rather than as a substitute for the traditional documents, as can be seen from

the higher mean for Q13a compared to Q13b. This evidence is consistent with the argument of Jones and Xiao (2004) who predicted that hard copy annual reports are unlikely to be replaced entirely by CIR practices, with the latter likely to act as a supplement to paper versions for some time to come. Larrán and Giner (2002) also suggested that the main role of CIR is as a complement to traditional reporting practices, but they acknowledge that they are likely to act as a substitute in the future. In the same vein, Marston and Polei (2004) assert that: “the internet offers companies new opportunities to supplement, replace and enhance traditional ways of investor and stakeholder communication” (p. 286).

In terms of the four qualitative characteristics, in support of the evidence reported in the previous chapter, the results show that respondents most strongly recognised the positive impact of the comparability benefit of CIR, where a mean response of 4.10 was generated by the sample as a whole. This finding is consistent with the notion that one of the main benefits of CIR is that it facilitates companies publishing an archive of their financial and non-financial information in multiple formats (Budisusetyo and Almilia, 2008), thereby enhancing interested parties’ ability to compare performance inter-temporarily and cross-sectionally before taking investment decisions. In support of this evidence, Budisusetyo and Almilia (2008) indicated that CIR has the power of “improved facilities for data extraction, automatic comparisons and analysis” (p. 2). The evidence detailed in Chapter 6 showed that some of the sampled companies started embracing the power of the internet in a fashion that could have a potentially positive impact on the comparability of information disseminated online. The lowest level of agreement (mean 3.88) arose in relation to the notion of CIR enhancing the reliability of corporate information, while half of the interviewees viewed such practices as having a negative impact on that characteristic, as reported in the previous chapter. This is arguably an expected finding as online disclosure in Egypt is still voluntary in nature with companies having discretion in terms of what, if

anything, to disclose via their websites. Ashbaugh et al. (1999); Hodge (2001); Xiao et al. (2004); Momany and Al-Shorman (2006); and Budisusetyo and Almilia (2008) have all argued that there are no clear boundaries between audited and un-audited information on corporate websites and, given inadequate internet security, the reliability of information is questionable. Similar practice was reported in Chapter 6, as all the sampled companies failed to differentiate between the audited and un-audited information. Similarly, Mohamed et al. (2009) suggested that companies engaging in CIR practices cannot exercise absolute control over the information published via their websites; unsecured information can therefore be “downloaded, altered and disseminated via any number of third party websites, internet chatrooms, weblogs and discussion groups” (Smith and Pierce, 2005, p. 63). Finally, Ashbaugh et al. (1999) contended that: “as IFR expands the domain of corporate reporting (i.e. what, when and how information is disclosed), the risks associated with unreliable information entering the market increase” (p. 256). Given these arguments, the relative lack of belief in CIR’s potential to enhance reliability in Egypt can again be argued to represent an unsurprising result.

With regard to the impact of CIR practices on the understandability and relevance of accounting information, the results (means of 3.96 and 3.95 respectively) suggest that the respondents perceive CIR as having a positive impact on both of these characteristics. This result supports the evidence reported in the previous chapter, where the interviewees saw CIR as having a potentially positive impact on the understandability and relevance of corporate information. The result is also supported by the fact that some of the sampled companies have started using the internet in a way that could enhance the understandability and relevance of financial information, as reported in Chapter 6. In line with this result, an earlier study by Louwers et al. (1996) foresaw that the possibilities provided by the web as a communication channel could be exploited to increase the understandability of corporate

information. Similarly, the FASB (2000) indicated that the different presentational formats made available via the internet should provide more transparency in disclosures by enhancing the readability, accessibility and understandability of financial information. In the same vein, Debreceeny et al. (2002) indicated that CIR practices have the potential to: “enhance the qualitative characteristics of disclosure” (p. 376), thereby the usefulness of that disclosure. Furthermore, Smith and Pierce (2005) noted that: “internet technology is regularly claimed to facilitate greater relevance and timeliness of business information” (p. 47), while Bonsón and Escobar (2006) asserted that:

“The application of these new technologies to the corporate reporting systems allows companies to...personalize (sic.) the information provided taking into account different profiles, to facilitate its understanding for those users who may not be trained to interpret accounting information, to increase its quantity and quality (comparability, relevance, completeness, clarity, etc.)” (p. 304).

Inspection of the Kruskal-Wallis statistics in Panel A of Table 8.9 reveals that the only significant differences in the participants’ views related to the statement that CIR is a substitute for hard copy reports. Additional analysis of this issue suggests strongly that it is the relatively low figure (mean 2.80) for the reporting companies (RC) that is driving the Kruskal-Wallis result. The Mann-Whitney test findings show a significant difference between groups (U) and (RC), with the former generating a greater level of support. Disaggregation of the user reveals that in fact the significant inconsistency with companies’ views was restricted to the professional user case. The evidence therefore suggests that those in the latter group may be more supportive of on-going moves to deepen online reporting in Egypt,¹¹⁷ while companies (which had generated the only mean below 3 anywhere in Table 8.9) might need more persuading.

¹¹⁷ E.g. the mandate of online reporting by March 2013.

Table 8.9: The Impact of CIR practices on the Qualitative Characteristics and its Economic Consequences

Questions	No	Mean	StDv	Group Means				K-W P- value	M-W P-values			
				U	I	P	RC		U-RC	I-P	I-RC	P-RC
Panel A: The Impact of CIR Practices on Qualitative Characteristics of Accounting Information:												
Q13a. CIR is a supplement to hard copy annual reports.	149	4.07	0.883	4.05	4.07	4.04	4.13	0.730	0.423	0.960	0.435	0.496
Q13b. CIR is a substitute for hard copy annual reports.	149	3.17	1.161	3.27	3.05	3.39	2.80	0.039*	0.043*	0.128	0.353	0.015*
Q13c. CIR enhances the understandability of corporate financial information.	149	3.96	0.796	3.96	3.98	3.95	3.97	0.937	0.938	0.746	0.816	0.988
Q13d. CIR enhances the relevance of corporate financial information.	149	3.95	0.808	3.96	4.05	3.91	3.93	0.579	0.644	0.374	0.368	0.914
Q13e. CIR enhances the reliability of corporate financial information	149	3.88	0.885	3.87	3.79	3.92	3.90	0.688	0.924	0.408	0.677	0.724
Q13f. CIR enhances the comparability of corporate financial information.	149	4.10	0.778	4.04	3.95	4.09	4.33	0.189	0.089	0.548	0.083	0.151
Panel B: Economic Consequences of CIR:												
Q14a. CIR decreases the cost of capital.	148	3.35	1.029	3.39	3.55	3.30	3.20	0.303	0.479	0.165	0.204	0.795
Q14b. Firms with CIR have higher share prices, other things being equal, than firms who do not.	148	3.48	1.109	3.47	3.50	3.46	3.50	0.852	0.796	0.671	0.530	1.00

Note: This table shows the mean and standard deviation (StDv) for all respondents regarding questions about the impact of CIR practices on the qualitative characteristics of accounting information and the economic consequences of such practices. It also provides the mean for each group and the p-value for the Kruskal-Wallis (K-W) and Mann-Whitney (M-W) tests. A * indicates significance at the 5% level, U = All Users. I = Investors. P = Professional Users. RC = Reporting Companies. Responses are based on a five-point Likert Scale where 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree and 5 = strongly agree.

8.3.8 The Economic Consequences of CIR Practices

Engagement in CIR practices provides firms with the ability to provide more timely information (FASB, 2000) potentially enhancing market efficiency (Larrán and Giner, 2002). In addition, CIR practices could have an impact on the cost of capital, as companies seeking finance will become more attractive in risk terms to both domestic and international investors and should therefore obtain funds at a relatively low cost (Larrán and Giner, 2002). In this context, Craven and Marston (1999) argue that:

“Additional disclosures may help the listed companies to attract new shareholders, thus enabling companies to maintain a healthy demand for shares...use of the internet to disseminate financial information might be beneficial in this context” (p. 324).

Thus, the next section of the questionnaire tried to shed light on the views of the participants concerning the potential impact of CIR practices in Egypt on the key market outcomes of cost of capital and share price. Whilst some studies have examined these relationships (e.g. Gabriëls and Kerckhoven, 2007; Hunter and Smith, 2009; Lai et al., 2010; Rahman, 2010), the results are inconclusive and the investigations restricted to large-sample aggregate analysis, where individual views were not examined.

Panel B of Table 8.9 details the two related statements that were included in the questionnaire survey. The results indicate that respondents agree with both, although the means (3.35 and 3.48 for cost of capital and price impacts respectively) do not suggest overwhelming support. The p-values from the Kruskal-Wallis and the Mann-Whitney tests suggest no significant difference in the views of groups of participants concerning the two statements. These findings are consistent with the EGX's emerging market status, where the influence of traditional disclosure practices in general and CIR practices in particular is not as high as in the world's most developed and liquid markets. In addition, the results may reflect the fact that, as noted in Chapter 6, CIR is still limited in Egypt with only a

handful of companies engaging in extensive online activity. Other companies either: disclose summary information; disclose certain items from their financial statements; do not disclose any financial information; or do not maintain a website at all. In Jordan, AbuGhazala et al. (2012) found that CIR practices have no impact on cost of capital and share price, again suggesting that the evidence reported here is a feature of other Middle Eastern and North African nations.

8.3.9 Problems Associated with CIR Practices

Although the internet offers many advantages as a reporting medium, its use is argued to have some disadvantages and weaknesses, particularly in a decision-usefulness context. For example, CIR practices are still voluntary in nature and are not standardised worldwide, while the lack of clear boundaries between audited and un-audited information (e.g. Ashbaugh et al., 1999; Craven and Marston, 1999; Trites, 1999; FASB, 2000; O'Kelly, 2000; Hodge, 2001; Debreceny et al., 2002; Khan, 2002; Xiao et al., 2004; Khadaroo, 2005a; Mohamed and Oyelere, 2008; Oyelere and Kuruppu, 2012) remains an important issue. Furthermore, corporate information published on companies' websites is subject to manipulation (Pike and Lanis, 2003), as companies cannot exercise absolute control over such disclosures (Mohamed et al., 2009). Thus, the last section of the questionnaire sought to explore views concerning the problems most likely to be associated with CIR practices in Egypt. Table 8.10 lists the issues suggested by the extant literature on CIR and covered in the questionnaire; Panel A lists the potential problems applicable to the users of accounting information, while Panel B lists those applicable to the reporting companies. The four issues relevant to both groups are stripped out and shown again in Table 8.11 to aid direct comparison.

Panel A of Table 8.10 reveals that the user groups generated means of between 3 and 4 in all but one case, suggesting that a wide range of non-trivial problems are perceived to exist. The statement “the internet itself is unreliable” achieved the lowest overall mean score of 2.87 suggesting that reliability is not a major problem with CIR in Egypt and supporting the views reported in Table 8.6 regarding the internet as a whole. The statement “there are difficulties in understanding corporate information presented in the English language” achieved the highest level of agreement among users (mean 3.99) followed by the statement “the presence of a disclaimer in some corporate websites reduces the reliability of information presented on these sites” (mean 3.44). The first of these findings is arguably surprising; although the Arabic language is the mother tongue for Egyptians, English and, to a lesser extent, French are widely understood and spoken, particularly at international conferences, in tourist areas and by educated classes (Hanafi, 2006). Therefore, although some companies listed on the EGX, especially those with a foreign listing status, publish their annual reports – and even the whole content of their websites – in the English language as reported in Chapter 6 (e.g. Orascom Telecom Co.) it might have been expected that, for professional users in particular, this issue would not be significant. More generally, none of the p-values from the Mann-Whitney test results indicated significant differences between the (I) and (P) groups.

Table 8.10: Problems Associated with CIR Practices in Egypt

Questions	No	Mean	StDv	Group Means		M-W P-value
				I	P	
Panel A: Issues Relevant to the User Groups:						
Q15a. The internet itself is unreliable.	119	2.87	1.255	3.00	2.79	0.415
Q15b. There are difficulties in finding the company's website.	119	3.39	1.082	3.38	3.39	0.950
Q15c. There are difficulties in locating financial information on the company's website.	119	3.32	1.089	3.21	3.38	0.527
Q15d. The information is outdated.	118	3.69	1.025	3.83	3.62	0.263
Q15e. There is a possibility of information overload.	118	3.38	1.1	3.45	3.34	0.633
Q15f. There are no clear boundaries between audited and un-audited financial information.	118	3.53	0.985	3.71	3.42	0.097
Q15g. It is possible to manipulate financial information.	118	3.42	1.208	3.32	3.48	0.561
Q15h. The corporate information is incomplete.	119	3.78	0.967	3.74	3.81	0.946
Q15i. The corporate information is subject to error and bias.	119	3.55	1.163	3.60	3.52	0.533
Q15j. There are difficulties in understanding corporate information presented in English.	119	3.99	0.961	3.95	4.01	0.947
Q15k. There are difficulties in accessing and downloading the required information.	119	3.61	1.026	3.69	3.57	0.395
Q15l. The presence of a disclaimer in some corporate web sites reduces the reliability of the information presented on these sites.	119	3.94	1.174	3.88	3.97	0.755
Panel B: Issues Relevant to the Preparers Group:						
a. The internet itself is unreliable	30	2.77	1.223	N/A	N/A	N/A
b. The company's lack of interest in adopting online reporting.	30	3.23	1.006	N/A	N/A	N/A
c. Online reporting is a waste of money as the company already produces hard copy annual reports in addition to reports produced by the EGX and professional users.	30	3.03	1.098	N/A	N/A	N/A
d. The possibility of manipulating financial information.	30	3.13	1.279	N/A	N/A	N/A
e. Online reporting is not standardised.	30	2.87	1.167	N/A	N/A	N/A
f. There are no clear boundaries between audited and un-audited financial information.	30	2.97	0.999	N/A	N/A	N/A
g. Not everyone has internet access.	30	2.67	0.922	N/A	N/A	N/A
h. The possibility of information overload.	30	2.97	0.928	N/A	N/A	N/A

Note: Panel A shows the mean and standard deviation (StDv) for all Users regarding question about problems associated with CIR practices. It also provides the mean for each user group and the p-value for the Mann-Whitney (M-W) test. Panel B provides the mean and standard deviation (StDv) for the preparer group. Responses are based on a five-point Likert Scale where 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree and 5 = strongly agree.

Inspection of Panel B of Table 8.10 reveals that the means are generally lower than those generated by the users, with most close to the mid-point of 3. The statement “not everyone has internet access” had the lowest figure (2.67) suggesting a relatively positive view amongst those engaging in CIR practices of the extent to which online disclosures permeate to interested parties. Inspection of Table 8.11 reveals a significant difference in the views of the different groups of participants concerning the statement “there are no clear boundaries between audited and un-audited financial information.” The statement generates significantly stronger acknowledgement as an issue by both groups of users (and users as a whole) than by the reporting companies. The observed result may be linked to the fact that CIR practices are still limited in Egypt and the content of companies’ websites is typically a scanned copy of the audited hard copy annual reports so, from the preparer’s perspective, this problem does not exist. Perhaps the most notable finding to emerge from Table 8.11 is that in every case, the users expressed greater concern about the issues suggested than did the preparers. This evidence suggests a divergence between companies’ views regarding the clarity and integrity of the online information they provide and the perceptions of users. Those charged with regulating such disclosures in Egypt might see this as a matter requiring further investigation in the future.

Table 8.11: Problems Associated with CIR Practices in Egypt (Users and Preparers)

Questions	No	Mean	StDv	Group Means				K-W P-value	M-W P-values			
				U	I	P	RC		U-RC	I-P	I-RC	P-RC
a. The internet itself is unreliable.	149	2.85	1.24	2.87	3.00	2.79	2.77	0.678	0.747	0.415	0.497	0.953
b. There is a possibility of information overload.	148	3.30	1.08	3.38	3.45	3.34	2.97	0.134	0.051	0.633	0.062	0.083
c. There are no clear boundaries between audited and un-audited financial information.	148	3.41	1.01	3.53	3.71	3.42	2.97	0.007*	0.006*	0.097	0.003*	0.024*
d. It possible to manipulate financial information.	148	3.36	1.22	3.42	3.32	3.48	3.13	0.440	0.261	0.561	0.547	0.201

Note: This table shows the mean and standard deviation (StDv) for all respondents regarding similar issues between users and preparers. It also provides the mean for each group and the p-value for the Kruskal-Wallis (K-W) and Mann-Whitney (M-W) tests. A * indicates significance at the 5% level, U = All Users. I = Investors. P = Professional Users. RC = Reporting Companies. Responses are based on a five-point Likert Scale where 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree and 5 = strongly agree.

8.4 Summary and Conclusion

This chapter has reported the results of a detailed questionnaire survey examining the views of users and preparers concerning the CIR practices of companies listed on the Egyptian Exchange (EGX). With respect to the reasons for having a web presence, the results indicate that the need to offer an image of modernity and to provide corporate information are rated the most important by firms, with the need to imitate competitor companies the least relevant. In terms of participants' views about Egypt's internet service, the results suggest a reasonable level of satisfaction with most of the issues investigated. The findings did, however, reveal a significant difference among the respondent groups with respect to the security and privacy of the service, with firms proving to have more concerns in this area than users. Amongst the users, the main difference in perceptions relate to internet cost, with private investors significantly less satisfied in this regard than their professional counterparts. With respect to sources of disclosure, the results show that the hard copy annual reports are still viewed as the most important source of disclosure in Egypt, with companies' websites holding only the sixth position. These overall results mask a number of significant differences amongst particular groups of respondents. In most of these cases the companies attached more importance to the source concerned, but in the case of the internet it was the users who generated the higher mean. This evidence suggests that companies listed on the EGX may not have fully appreciated the importance that professional users in particular already attach to online disclosure. In terms of the existing and potential benefits of CIR practices, respondents acknowledged a wide range of positive impacts. However, a difference in professional users and corporate views was again evident, with the former significantly more concerned about the potential accessibility benefits.

With regard to the impact of CIR practices on the qualitative characteristics of useful accounting information, the results indicate that participants see CIR as a supplement to rather than a substitute for hard copy annual report. On a positive note, the findings suggested that, with the exception of reliability, the respondents saw CIR as having a potentially positive impact on the qualitative characteristics of accounting information set out in the IASC Framework (1989); this view was shared by users and reporting companies alike. With respect to the impact of CIR practices on the cost of capital and share prices, the respondents saw these as having some impact, but not overwhelmingly so.

Finally, in terms of problems and concerns associated with CIR in Egypt, the most striking finding was the greater level of concern regarding a wide range of issues expressed by users than by reporting companies, a result that has potential ramifications for the future development of online reporting in the nation; in particular preparers may have unrealistic views of the extent to which users see the spread of CIR as a problem-free phenomenon. Also of note in this context was that the one concern that all respondent groups shared related to internet reliability, evidence which again suggests that future deepening of CIR in Egypt is unlikely to be (perceived as) seamless.

Having completed the presentation of the empirical results, the final chapter of the thesis attempts to synthesise the evidence, highlighting the main themes in and implications of the findings as well as setting out the limitations of the study and making suggestions for future work in the area.

Chapter 9:
**Conclusions, Contributions, Implications, Limitations and Future
Research**

Chapter 9:

Conclusions, Contributions, Implications, Limitations and Future Research

9.1 Introduction

The main objectives of the present thesis were to provide a detailed descriptive account and analysis of CIR practices in Egypt and to explore the perceptions of users and preparers of corporate information concerning this issue, in both cases using decision-usefulness as the theoretical lens. Provision of a descriptive account of CIR practices amongst the sampled companies was facilitated by examining the investigated companies' websites to determine the extent of these practices using a disclosure index. The perceptions of users and preparers concerning CIR practices in Egypt were also explored in order to attain a better understanding of the CIR phenomenon in Egypt.

To fulfil these objectives three principal research methods were employed: (i) a disclosure index; (ii) face-to-face interviews and (iii) a questionnaire survey. The disclosure index method was used to examine and determine the extent of CIR practices amongst all of the 172 non-financial listed companies in Egypt at two points in time – December 2010 and December 2011. Horizontal (i.e. company-by-company) and vertical (i.e. item-by-item) analyses were applied to get a detailed picture of the nature and extent of such practices. The study then went on to explore the perceptions of users and preparers concerning the phenomenon of CIR in Egypt by utilising interviews and a questionnaire survey. Given the lack of prior knowledge of CIR behaviour in Egypt (and the developing world as a whole), the study was deliberately exploratory in nature with no attempts made to institute wholesale change.

Following the introduction, this chapter proceeds as follows: Section 9.2 summarises the results of the three empirical chapters, while the contributions and implications of the findings are highlighted in Section 9.3. Section 9.4 then outlines the main limitations of the current study, before Section 9.5 suggests some avenues for future research in the area.

9.2 A Summary of the Empirical Chapters

On the supply-side, Chapter 6 reports the results of the investigation of the extent of CIR practices amongst all of the 172 non-financial companies listed on the EGX in December 2010 utilising the disclosure index method. The investigation was undertaken at two points in time – December 2010 and December 2011. The findings of this investigation suggest that listed companies in Egypt have started embracing the power of the internet as a disclosure channel, but the extent of these practices is still limited, with great variations evident amongst the sampled companies in this regard. The results show that non-financial companies listed on the EGX vary not only in the extent to which they use the internet in general, but also as regards the depth or amount of information disseminated via their websites. Despite the remarkable increase in the number of internet users in Egypt over the last two years, comparing the results of 2010 with the results of 2011 revealed little evidence of improvement with respect to the number of companies setting up a web presence and engaging in CIR practices, however, the reported practice was seen as having a potentially positive impact on the understandability, relevance and comparability of corporate information, while its impact on the reliability is questionable. Overall, the findings indicate that the sampled companies did not fully exploit the possibilities of the internet to provide more timely investor-related information, but the results provide some indications that the surveyed companies are taking steps to make their websites more searchable, accessible and user-friendly; in fact non-financial companies listed on the EGX still appear to be fairly unsophisticated in presenting corporate information via their

websites. The limited nature of CIR practices and the variation of such practices amongst the surveyed companies, along with the little improvements in such practices throughout the investigated period, may be linked to the fact that these practices are still voluntary in nature and the absence of any guidelines or regulations in this regard. Furthermore, the year 2011 was characterised by civil unrest in Egypt following the 2011 uprising and the prolonged closure of the Egyptian Exchange (30/1/2011 to 23/3/2011); thus companies may have encountered problems in updating their websites, given the disruption of the internet service in the early days of the eruption.

On the demand-side, interviews were conducted with 18 users and preparers of corporate information to explore their perceptions about CIR practices and to gain more understanding of the phenomenon in Egypt. The results of the analysis, presented in Chapter 7, indicate that the majority of participants were broadly satisfied with Egypt's internet infrastructure; interviewees were intensive users of the internet, including accessing online corporate information. However, and notwithstanding the previous point, hard copy reports remained the most important source of disclosure. Views regarding the future of CIR were mixed; participants highlighted some problems associated with CIR and indicated a belief that such practices in Egypt are still very limited compared to those in developed capital markets. Nonetheless, CIR practices are seen as potentially having a positive impact on the understandability, relevance, and comparability of accounting information, although this was not the case with regard to reliability. Views regarding the impact of CIR practices on the cost of capital and share prices were inconclusive.

To further explore the perceptions of users and preparers of corporate information concerning the phenomenon of CIR practices in Egypt, the study utilised a questionnaire survey to gather the views of a larger sample of interested parties than would have been

practical via interview analysis. The results indicated that the need to offer an image of modernity and to provide financial information were the most important reasons for engaging in CIR practices. The participants were reasonably satisfied with most of the investigated issues concerning internet infrastructure in Egypt, although a significant difference was evident among the respondent groups concerning the security and privacy of internet dissemination, with private and professional users expressing a greater degree of confidence in the technology than did the reporting companies. The results support those from the interviews in suggesting that hard copy annual reports are still viewed as the most important source of corporate financial disclosure in Egypt; the respondents viewed CIR practices as a supplement to, rather than a substitute for, hard copy reports. Finally, the results support those from the rest of the empirical work in suggesting that, with the exception of reliability, both the user and preparer respondents saw a potentially positive impact of CIR on the qualitative characteristics of accounting information set out in the IASC Framework (1989); in contrast to the interviewees, the questionnaire respondents saw CIR practices as having an impact on the cost of capital and share prices, but this view was not unequivocal.

9.3 Contributions and Implications

9.3.1 Contributions to Knowledge

The present thesis makes three main contributions to the literature on corporate use of the internet as a disclosure medium. The first of these relates to the literature review which provides the foundation on which the current study is built. The review provided a comprehensive discussion of the literature on CIR from its first meaningful appearance in the 1990s through to the most recent studies in the area. The studies examined included both descriptive and explanatory analyses as well as work exploring the perceptions of

interested parties concerning CIR. The studies were shown to have taken place in both developed and developing context, on single-country and cross-border bases.

The second contribution pertains to the theoretical framework underpinning the thesis. The study utilised the decision-usefulness framework as a lens to conduct the empirical work and to explain users' and preparers' perceptions concerning CIR practices in the Egyptian context. It is the first study to employ the decision-usefulness framework to explain CIR practices, despite the adoption of a decision-usefulness framework by accounting regulators in most countries, including Egypt. Studies undertaken to date in this area have either: (i) adapted theories from other disciplines (e.g. the technology acceptance model, of innovation diffusion theory); (ii) adopted agency theory – which does not suit Egypt as a developing country; or (iii) chosen not to have a theoretical foundation at all. The adoption here of a well-specified theoretical framework with a focus on the qualitative characteristics of accounting information represents a substantial contribution to the extant literature by assessing CIR practices against the characteristics against which financial reporting is traditionally judged.

The third contribution relates to the empirical work and has several aspects. First, the current thesis contributes to the extant body of knowledge as this is the first study in either the developed or developing world to investigate the phenomenon of CIR practices by utilising both quantitative (disclosure index and questionnaire survey) and qualitative methods (interviews). The use of both types of methods fosters a holistic understanding of CIR practices in Egypt by adopting a methodology that recognises the relative strengths and weaknesses of alternative research instruments. Second, this is the first study to investigate CIR practices using only all non-financial companies listed on the EGX. Other studies have failed to distinguish between financial and non-financial listed companies,

which results in findings weakened in terms of their robustness by the fact that accounting standards differ across these two groups. Third, the present CIR index represents one of the most comprehensive set of criteria used to measure CIR practices in developed and developing nations, including Egypt; therefore, it is considered to provide a richer assessment of such practices in these companies. The checklist's grounding in the empirical literature and the qualitative characteristics of information central to the decision-usefulness theoretical framework ensures that the disclosure index is well-specified and that the conclusions reached represent genuine contributions. Fourth, this is the first study to determine the extent of CIR practices amongst companies at two points in time. This is an important contribution taking into account the dynamic development of internet technology and the increasing demand for web-based investor relations information. Fifth, most CIR studies undertaken to date have been descriptive in nature, focusing only on the supply of accounting information and providing a descriptive account of companies' practices. A handful of these studies have asked the interested parties, especially users and preparers, about their perceptions concerning CIR practices. The present study is the first to bridge this gap in the extant literature by incorporating interview and questionnaire survey evidence to explore the perceptions of users and preparers in the area. These investigations provide a useful and informative accompaniment to the disclosure index results.

9.3.2 Implications of the Findings

In addition to providing literature-based, theoretical and practical contributions, the present research also has a number of potential policy implications. In terms of these, the descriptive analysis of companies' websites showed that there is great variation amongst non-financial companies listed on the EGX concerning the utilisation of the internet for disclosure purposes. This evidence might reflect the voluntary nature of CIR practices and the absence of a regulatory framework for organising and monitoring such practices, with

companies having discretion in terms of the amount and type of information disclosed via their websites. Therefore, regulatory bodies could usefully define codes of conduct to standardise the contents of corporate websites and issue rules and recommendations that will help in improving the reliability and comparability of corporate information disseminated online. In this regard, the Egyptian Financial Supervisory Authority (EFSA) has recently mandated that listed companies set up a web presence and engage actively in CIR practices (EFSA, 2012). It thus appears that Egyptian authorities are now taking an active interest in promoting CIR practices and the results of the present study should provide useful information for those charged with future developments by indicating the state of perceptions about extant CIR in Egypt and its potential for improving the corporate reporting environment in the future.

The views of individuals taking part in the present study are potentially of particular value to those regulators and standard-setters in Egypt charged with developing accounting standards relevant to web-based disclosure. The evidence in the present study suggests the need to spread awareness of the possibilities of CIR practices to interested parties such as private and institutional investors, academics, standard-setters and regulators as well as business organisations. In this regard, it would be helpful if the latter try and help listed companies to set up websites and use them for disclosure purposes, although the results also suggest that Egyptian businesses might play a key role in increasing investors' awareness of CIR and its benefits.

The findings highlight some concerns associated with CIR practices. First, some companies present financial information in the English language only, preventing certain users from understanding this information. This problem has obvious implications for the usefulness of online information in Egypt where working knowledge of English is not widespread.

Second, almost all of the sampled companies failed to distinguish between audited and un-audited information, which can affect the reliability and integrity of this information. These issues require an immediate response from both reporting companies and regulatory bodies, as the extent to which these issues are dealt with is likely to affect the usefulness of CIR practices.

The findings of the present study should be of interest to preparers, users, regulators and standard-setters that monitor and govern CIR practices. For preparers, disseminating knowledge of these findings should help them to develop effective websites and engage extensively in such practices. For users, the evidence should increase awareness that, although still at an early stage, CIR does exist in Egypt and this raised familiarity may in turn increase demand for detailed and widespread disclosures in the future. Finally, these results should provide useful guidelines for regulators and standard-setters in identifying best practices, which in turn should allow CIR practices to become more standardised, making them easier to monitor and govern.

9.4 Limitations of the Study

Every piece of academic research is subject to some limitations and the present study is no different. The first aim of the work was to determine the extent of CIR practices amongst non-financial companies listed on the EGX at two points in time, facilitated by means of a disclosure index. Therefore, the current thesis provides only a snapshot of such practices at two investigated periods and, taking into consideration the dynamic nature of the internet in general – and companies' websites in particular – this represents an obvious limitation of the study. Nonetheless, given the pace of change of communications technology and the fact that CIR practice in Egypt was very limited prior to 2010, the study has employed the most meaningful data available.

The disclosure index method has its own inherent limitations, including the subjectivity involved with attaching varying scores to different items. Similarly, the analysis of the sampled companies' websites is a lengthy, time-consuming process, and may be subject to human error in assigning categories and calculating the extent of disclosure in each website. However, the effect of these limitations was minimised here by using an un-weighted disclosure index and a simple binary coding scheme, with decision rules that provide a clear description of each item in the index guiding the researcher through the process of analysing the investigated websites. Another limitation of this type of analysis pertains to the generalisability of the results; as the study focused on non-financial companies listed on the EGX, it is difficult to generalise these results to either financial companies listed on the EGX or non-listed companies. However, the decision to exclude financial listed companies from the list of those to be examined was taken to produce consistent results by focusing on a group of firms subject to a common set of rules and regulations with regard to the nature and content of disclosures required.

The second main aim of this thesis was to investigate the perceptions of users and preparers concerning CIR practices in Egypt. The reported findings were based on the analysis of a number of interviews and questionnaires with financial analysts, private investors and company officials. It is obvious that views gathered from 18 interviewees and around 150 questionnaires may not be entirely typical of all users and preparers (or stakeholders) as a whole. Therefore, the results gained from these methods do not allow any systematic generalisations. However, the decision to investigate the views of these individuals rather than other stakeholder groups was based on the researcher's perception that these individuals are knowledgeable about – and directly impacted by – the issue to be investigated.

Other limitations relate to the disadvantages associated with using the interview method. These include: the perceived lack of anonymity, which may lead participants not to speak honestly or deeply about the investigated topic; the non-standardisation of responses, which can result in the inability to make systematic generalisations; and interviewees' perceptions being influenced by events which have taken place prior to the discussion. Furthermore, as the interviews were undertaken in the Arabic language the researcher had to first transcribe the content and then translate this into the English language; this process itself might have added an element of subjectivity and bias, as sometimes it proved difficult to reproduce the exact meanings. However, in an effort to minimise this problem, the researcher consulted with a number of post-graduate researchers in the UK to ensure the validity and effectiveness of the translations adopted. The use of interviews was therefore considered justified given the ability of interview evidence to generate rich data and explore individual views and act as a useful and informative accompaniment to the analysis of the results that emerged from the rest of the empirical work.

The use of the questionnaire survey is also subject to limitations. These pertain to the disadvantages associated with surveys as a research method which can range from a low response rate, to the possibility of misunderstanding the questions and difficulties associated with producing systematic generalisations. However, these limitations were reduced through the use of the various methods described in Chapter 8 to deliver the questionnaires and conduct pilot work. The use of the questionnaire survey in the present study facilitated the interrogation of a relatively wide range of user and preparer perspectives concerning the phenomenon of CIR practices in Egypt, which would not have been practical or achievable via interview analysis. Furthermore, the findings obtained from analysing the questionnaire provide a meaningful complement to the disclosure index and interview results.

9.5 Avenues for Future Research

Despite the aforementioned limitations of the present study, it represents one of the most comprehensive studies undertaken in the area of CIR to date. It is the first study to utilise both quantitative and qualitative methods to investigate CIR practices in either developed or developing countries. Therefore, this research study should provide a springboard for future research in this area.

As outlined in Chapter 6, the disclosure index method was used to determine the extent of CIR practices amongst non-financial listed companies in Egypt at two points in time, but factors that might explain companies' decisions to engage in such practices were not investigated. As the results displayed great variation amongst the sampled companies concerning the extent of their CIR practices it was not possible for the researcher to get the data required for this type of investigation in the time scale available. Therefore, a possible expansion of this study could examine the factors that influence companies' decisions to set up a web presence and engage in CIR practices. As outlined earlier in this thesis, the EFSA has recently mandated companies listed on the EGX to set up a website and engage in CIR practices by March 2013, thus a second useful expansion could focus on examining the effects of this decision on the extent of such practices by comparing the level of CIR amongst the sampled companies before and after the imposition of this regulation in 2013. More generally, with the passage of time the extent to which companies listed on the EGX embrace the constantly developing possibilities of CIR – and the need for any regulatory encouragement in that direction – will become evident.

Furthermore, and acknowledging the potential economic consequences of CIR practices outlined earlier in the thesis, a third expansion could investigate such consequences using an event study, especially after the mandating of CIR practices, with March 2013 as the

event date. A fourth expansion might involve a cross-country comparative analysis of CIR practices in the Middle East and North Africa region; whilst analyses of prior literature across the broad field of accounting has tended to group developing nations together, there are many differences in economic, culture and political contexts and international replication of the work could yield important insights. A fifth possible expansion involves study of the extent of CIR practices amongst financial companies listed on the EGX, as the present research focuses only on non-financial listed companies, while a sixth development could see the scope of the analysis enlarged to include other types of users and thereby increase the sample of investigated groups. The present study only focuses on financial analysts and private investors as employers of corporate information; future research could usefully explore the views of other users of corporate information, such as institutional investors, regulatory bodies, and standard-setters after the decision to mandate CIR practices in Egypt by March 2013. Further interviews and/or questionnaire surveys targeting these interested parties might give broad insights and provide more understanding on the topic. In terms of widening the scope of the work in the area, and taking into account the important role of corporate governance practices in enhancing disclosure and transparency, future research might also examine the relationship between corporate governance and CIR practices, while on a related note the role of auditors in assuring the integrity of CIR requires a detailed study at some point. Moreover, acknowledging the proliferation of XBRL-based studies over recent years, it is clear that future research could usefully investigate the views of interested parties concerning the potential of XBRL as a new reporting language. Finally, and taking into consideration the potential offered by using the web server logs research method for measuring the consumption of corporate information disseminated via companies' websites, future work might utilise the potential of this method to explore the use and users of web-based investor relations information.

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Appendices

Appendix 2.1

EFSA's BOD Decision No. 31 of 2011 dated 11/5/2011

EFSA's Chairman

After reviewing Capital Market Law promulgated by Law no. 95 of 1992 and its Executive Regulation and EFSA's decisions issued in accordance to it, Central Depository Law no. 93 of 2000 and its Executive Regulation, Law no. 10 of 2009 for Regulating Non-Banking Financial Markets and Instruments Presidential Decree no. 191 of 2009 regarding the provisions regulating the Egyptian Exchange and its financial affairs, EFSA's statute promulgated by Presidential Decree no. 192 of 2009, Listing and De-listing Rules at Cairo and Alexandria Stock Exchange issued by EFSA's BOD decision no. 62 of 2007 dated 11/7/2007 and its amendments, EFSA's BOD approval issued in its fourth session dated 11/5/2011,

Decided,

Article 1

A new paragraph shall be added to article 18 of listing and de-listing rules:

“Any company that has listed shares or Egyptian Global Depository Receipt (GDRs) shall notify EFSA and the Egyptian Exchange periodically of a disclosure report that clarify the structure of shareholders and BOD as well as any change that may occur in them. This disclosure report shall be submitted quarterly (every three months) according to the form attached to these rules within ten days from the end of each period. The Egyptian Exchange shall publish the mentioned disclosure reports on trading screens as soon as delivered. Also, it shall be published on the Egyptian Exchange's website serially as per date.”

Article 2

This decision shall be published in the Egyptian Gazette. It shall be applicable from the day following its publication.

Dr. Ashraf El-Sharkawy
Board Chairman

Appendix 2.2

EFSA's BOD

Decision No. 15 of 2012 dated 21/2/2012 Regarding Amending Listing and De-listing Rules

EFSA's Chairman

After reviewing Law no. 159/1981 on joint stock companies, partnerships limited by shares, limited liability companies and its Executive Regulations and decisions issued in accordance to it,

Capital Market Law promulgated by Law no. 95 of 1992 and its Executive Regulation and EFSA's decisions issued in accordance to it,

Central Depository Law no. 93 of 2000 and its Executive Regulation,

Law no. 10 of 2009 for Regulating Non-Banking Financial Markets and Instruments,

EFSA's statute promulgated by Presidential Decree no. 192 of 2009,

EFSA's BOD decision no. 30 of 2002 dated 18/6/2002 regarding Listing and De-listing Rules and its amendments,

Listing and De-listing Rules at Cairo and Alexandria Stock Exchange issued by EFSA's BOD decision no. 62 of 2007 dated 11/7/2007 and its amendments,

EFSA's BOD approval issued in its session no. 4 of 2012 dated 21/2/2012

Decided,

Article 1

A new item (e) shall be added to Article 3 of the said rules, it is as follows:

“Listed companies shall launch a website in order to publish its annual and periodical financial statements with the explanatory statement as well as the auditors' reports and other data and information defined by the Egyptian Exchange and the companies have to inform the Exchange of pursuant to listing rules, without prejudice to disclosure requirements stated in the said rules.”

A new paragraph shall be added to Article 15 of the said rules, it is as follows:

“The investors' relation officer shall use the company's website to improve their work.”

Article 2

“By end of March 2013, Listed companies shall adjust its positions and launch its websites in order to publish its annual and periodical financial statements with the explanatory statement as well as the auditors' reports and other data and information defined by the

Egyptian Exchange and the companies have to inform the Exchange of pursuant to listing rules, without prejudice to disclosure requirements stated in listing and de-listing rules.”

Article 3

The said decision shall be applicable starting from the day following its publication in the Egyptian Gazette. The Egyptian Exchange and competent departments at EFSA shall apply this decision each within its competence.

Dr / Ashraf Elsharkway
Board Chairman

Appendix 3.1: Studies on XBRL

No	Year	Author(s)	Country
1	2001	Debreceeny and Gray	US
2	2004	Hodge, Kennedy and Maines	US
3	2004	Cohen	US
4	2005	Boritz and No	Canada
5	2006	Williams, Scifleet and Hardy	Australia
6	2007	Locke and Lowe	N/A
7	2008	Cobb	UK
8	2008	Premuroso and Bhattacharya	US
9	2008	Plumlee and Plumlee	US
10	2009	Bonsón, Cortijo and Escobar	EU
11	2009	Gray and Miller	US
12	2009	Apostolou and Nanopoulos	International
13	2009	Debreceeny, Piechocki, Felden and Gräning	EU
14	2009	Pinsker and Wheeler	US
15	2009	Callaghan and Nehmer.	US
16	2010	Debreceeny, Farewell, Piechocki, Felden and Gräning	US
17	2010	Trites	Canada
18	2010	Srivastava and Kogan	US
19	2010	Marshall, Mortenson, Bourne and Price	US
20	2011	Yoon, Zo and Ciganek,	South Korea
21	2011	Baldwin and Trinkle	US
22	2011	Bartley, Chen and Taylor	US
23	2011	Peng, Shon and Tan	China
24	2011	Valentinetti and Rea	Italy
25	2011	Debreceeny, Farewell, Piechocki, Felden, Gräning and D'Eri	US
26	2011	Felden	Germany
27	2012	Arnold, Bedard, Phillips and Sutton	US
28	2012	Valentinetti and Rea	Italy
29	2012	Ragothaman	US
30	2012	Gonzalbez and Rodriguez	Spain

Note: This table provides a list of studies undertaken on XBRL. This list is by no means exhaustive.

Appendix 7.1: Interview's' Authorising Letter



School of Accounting & Finance

21st May 2011

To Whom It May Concern:

Re: Mr Ahmed Hassan

We are writing on behalf of Mr Ahmed Hassan, a PhD student in the School of Business at the University of Dundee, Scotland, UK. As part of the research for his thesis on On-line Financial Reporting in Egypt, Mr Hassan is hoping to conduct interviews with various individuals to examine their views about the topic. We would therefore be extremely grateful if you would allow Mr Hassan to interview you for his work and help facilitate what we believe to be an important study in the area.

We can personally attest to Mr Hassan's professionalism and trustworthiness; if you require any further information please do not hesitate to contact us.

Handwritten signature of Dr. Bruce Burton.

Dr. Bruce Burton,
Reader in Finance,
School of Business,
University of Dundee,
Dundee,
Scotland, UK.
E-mail: b.m.burton@dundee.ac.uk

Handwritten signature of Dr. Theresa Dunne.

Dr. Theresa Dunne,
Lecturer in Accounting,
School of Business,
University of Dundee,
Dundee,
Scotland, UK
E-mail: t.m.dunne@dundee.ac.uk

Appendix 7.2:

**Corporate Internet Reporting in Egypt:
Practices and Perceptions**

Semi-structured interviews questions for users of corporate information

Ahmed Hassan Ahmed Ahmed

PhD Student, the School of Business, University of Dundee, United Kingdom

Date of the interview.....
Interviewee Code.....
Recorded.....

Part One: Background Details

1- Gender: Male Female

2- Age:
 < 30 years 30-40 years 41-50 years
 51-60 years > 60 years

3- Level of Education
 Less than Bachelor
 Bachelor Degree
 Master Degree
 PhD Degree

**Part Two: Internet Background and the Use of the internet for
Disclosure**

4- Are you satisfied with internet infrastructure in Egypt?

If Yes, Why?
If No, Why?

5- How many times do you usually use the internet?

6- What are the main purposes of accessing the internet?

7- Do you use the internet to access or download financial information about companies you are investing in? if yes, why, what are the potential benefits from your point of view?
If no, why?
Cost,

Availability
Internet infrastructure problems
Reliability

8- Do you think that online reporting will overtake hard copy financial reports in the future?

If yes, why?
If no, why?

9- Do you think that disclosing financial information is useful?

If yes, why?
If no, why?

10- Are there any problems or concerns associated with the use of the internet as a reporting medium? If yes, please specify.

11- How developed do you think online reporting in Egypt compared with other countries in the region and in the world?

Part Three: Online Reporting and the Qualitative characteristics of useful financial information

This section tries to explore your perception regarding the impact of online reporting on the qualitative characteristics of useful accounting information:

- **Understandability:**

11- Do you think that accounting information disclosed online will be more or less readily understandable by users? if yes, why?

- **Relevance:**

12- Do you think that accounting information disclosed online will be more or less relevant to users; do you believe this will help users more to evaluate past, present and future events? If yes, why?

- **Reliability**

13- Do you think that financial information disclosed online is more or less reliable; do you agree that it is free from material errors, bias and it is neutral, why?

- **Comparability**

14- Do you think that accounting information disclosed online more or less comparable; do you agree that it helps users to identify company's financial performance through time?

Part Four: The Potential Economic consequences of Corporate Internet Reporting

15- Do you think, engaging in online reporting practices reduces the cost of capital?

16- Do you think, there a relationship between share prices and corporate online reporting practices?

17- Is there anything else you would like to mention?

**Corporate Internet Reporting in Egypt:
Practices and Perceptions**

Semi-structured interviews questions for preparers of corporate information
Ahmed Hassan Ahmed Ahmed
PhD Student, the School of Business, University of Dundee, United Kingdom

Name of Company:.....
Name of Participant (Optional):.....
Current Position:.....
Years of Experience:.....
Date of the interview.....
Interviewee Code.....
Recorded.....

The First Part: Background Details

- 1- Gender: Male Female
- 2- Age: < 30 years 30-40 years 41-50 years
 51-60 years > 60 years
- 3- Level of Education
 Less than Bachelor
 Bachelor Degree
 Master Degree
 PhD Degree

**The Second Part: Internet Background and the Use of the internet
for Disclosure**

- 4- Are you satisfied with internet infrastructure in Egypt?

If Yes, Why?
If No, Why?
- 5- Since when has your company maintained a web page?
- 6- Since when has your company used its web page to publish corporate information?
If yes, why
If no, what are the reasons for not maintaining a web page?
- Does your company have any plans to develop a web page and use it for disclosure purposes?

7- From your point of view, what are the potential benefits of using the web as a reporting channel?

8- What are the means that your company use to publish its corporate information and the importance of online reporting among these means?

9- Do you think that online reporting will overtake hard copy financial reports in the future? If yes, why
- if no, why

10- Do you think that disclosing corporate information using companies' web sites is useful? If yes, why

11- Are there any problems or concerns associated with the use of the internet as a reporting medium? If yes, please specify.

The Third Part: Corporate Internet Reporting and the Qualitative characteristics of useful financial information

This section tries to explore your perception regarding the impact of online reporting on the qualitative characteristics of useful accounting information:

- **Understandability:**

12- Do you think that accounting information disclosed online will be more or less readily understandable by users than hard copy reports?

If yes, why?

If no, why?

- **Relevance:**

13- Do you think that accounting information disclosed online will be more or less relevant to users than hard copy reports; do you believe this will help users more to evaluate past, present and future events?

If yes, why?

If no, why?

- **Reliability**

14- Do you think that financial information disclosed online is more or less reliable than hard copy reports; do you agree that it is free from material errors, bias and it is neutral, why?

- **Comparability**

15- Do you think that accounting information disclosed online more or less comparable than hard copy reports; do you agree that it helps users to identify company's financial performance through time?

Part Four: The Potential Economic consequences of Corporate Internet Reporting

15- Do you think, engaging in online reporting practices reduces the cost of capital?

16- Do you think, there is a relationship between share prices and corporate internet reporting practices?

17- Is there anything else you would like to mention?

Appendix 8.1: Questionnaire Survey's Authorising Letter



School of Accounting & Finance

21st May 2011

To Whom It May Concern:

Re: Mr Ahmed Hassan

We are writing on behalf of Mr Ahmed Hassan, a PhD student in the School of Business at the University of Dundee, Scotland, UK. As part of the research for his thesis investigating On-line Financial Reporting in Egypt, Mr Hassan has prepared a questionnaire survey that examines views about the topic. We would therefore be extremely grateful if you would complete the questionnaire and help facilitate what we believe to be an important study in the area. The study is being conducted on an anonymous basis and none of the respondents will be identified.

We can personally attest to Mr Hassan's professionalism and trustworthiness; if you require any further information please do not hesitate to contact us.

Dr. Bruce Burton,
Reader in Finance,
School of Business,
University of Dundee,
Dundee,
Scotland, UK.
E-mail: b.m.burton@dundee.ac.uk

Dr. Theresa Dunne,
Lecturer in Accounting,
School of Business,
University of Dundee,
Dundee,
Scotland, UK
E-mail: t.m.dunne@dundee.ac.uk

Appendix 8.2 Questionnaire Survey for Users (Professional Users and Private Investors)



Corporate Internet Reporting in Egypt:

Practices and Perceptions

Users Questionnaire

**Ahmed Hassan Ahmed Ahmed
University of Dundee, UK**

School of Business, University of Dundee, Dundee, DD1 4HN, UK
Tel: +44 (0) 1382 384193 Fax: +44 (0) 1382 388421

Dear Sir/Madam

I am currently a PhD student in the School of Business at the University of Dundee under the supervision of Dr. Bruce Burton and Dr. Theresa Dunne. This Questionnaire is an essential part of a research project exploring the perceptions of users and preparers regarding the online reporting practices of non-financial companies listed on the Egyptian Exchange. Your responses are important in enabling me to explore these issues. Please answer the questions in the spaces provided. If you wish to add further comments, please feel free to do so. The questionnaire should only take about ten minutes to complete. The information you provide will be treated in the strictest confidence. Anonymity of respondents is also guaranteed unless you want a copy of the research results, in which case you need to provide your contact details. I hope you will find completing the questionnaire enjoyable. If you have any questions or you would like further information, please do not hesitate to contact me on 0020109895214 or email me at ahmhas2005@yahoo.com.

Thank you for your help.

Ahmed Hassan Ahmed

A: General Information

1- Gender:

- Male
- Female

2- Age:

- Less than 20 years
- 20-30
- 31-40 years
- 41-50 years
- 51-60 years
- Over 60 years

3- Level of education:

- Less than Bachelor
- Bachelor Degree
- Master Degree
- PhD Degree
- Other (please specify).....

B: Internet Background and Infrastructure

This section tries to gather information about the use of the internet in general and the level of satisfaction with the internet services in Egypt:

4- Where do you usually access the internet? (please tick the appropriate box)

- At home
- At work
- At a public place (e.g. internet café)
- Other (please specify).....

5- Average frequency of using the internet:

- Rarely
- Once a week
- From 2 to 3 times a week
- From 4 to 5 times a week
- More than 5 times a week

6- Main purpose of accessing the internet (please tick all that apply):

- Work
- E-commerce
- Social networking
- Research
- News (e.g. BBC, CNN, El Jazeraa)
- Corporate news

Other (please specify).....

7-Please indicate the extent to which you are satisfied or dissatisfied with the following issues related to the internet:	Strongly Satisfied	Satisfied	Neutral	Dissatisfied	Strongly Dissatisfied
a. Internet infrastructure in Egypt.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. Cost to get the internet services.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. Easiness of subscription.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e. Speed of the internet.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
f. Reliability of service.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
i. Availability of technical support.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
j. Breadth of information available.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
k. Security and privacy.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
l. Government control over internet activities.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

C: Sources of Corporate Information

8- This section tries to explore the sources of corporate information and the importance of using the internet as a reporting medium among these sources:

Given below is a list of possible sources of corporate information. Please state the importance you attach to each of these sources:	Very important	Important	Neutral	Of little importance	Not important at all
a. Hard copy annual reports.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. Hard copy interim reports.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. Financial analysts' reports.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d. Direct contact with the company.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e. Egyptian Exchange's reports.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
f. Newspapers/TV/Radio.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
g. Company website.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
h. Websites of third party companies.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
i. Advice of friends and tips.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
j. Markets rumours.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
k. Other (Please specify)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

9- Which of the following sources of online corporate information do you make use of (please tick all that apply):

- The Egyptian Exchange (EGX) website
- Third party website
- Company's website
- Others (please specify).....

10- What is the most useful part of the company's website?

- Company profile
- Product and services information
- Annual reports (balance sheet, income statement, etc.)
- Investor relations section
- Management reports
- Others (please specify).....

D: Potential Benefits of Corporate Internet Reporting

11- This part aims to shed light on the potential benefits of using the internet for disclosure purposes:

Please indicate to what extent do you agree or disagree with the following statements:	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
a. Corporate information will be more accessible to more users.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. The possibility of getting more timely corporate information.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. The possibility of accessing corporate information in multiple languages.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d. The possibility of getting corporate information using more than one set of GAAP.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e. The possibility of accessing corporate information in different presentation formats (e.g. PDF, HTML) to satisfy the needs of more users.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
f. Corporate websites have the capacity to include traditional financial reports together with additional financial and non-financial information.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
g. A cost-effective means of getting corporate information.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
h. The possibility of downloading corporate information for further analysis.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
i. Corporate websites have the capacity to include an archive of corporate information to make comparisons.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
j. Other (please specify).....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

E: Corporate Internet Reporting and the Qualitative Characteristics of Usefulness Accounting Information

12- This section aims to explore the usefulness of online reporting to users by examining issues related to the qualitative characteristics of accounting information (e.g. Relevance, comparability.... etc.):

Please indicate the extent to which you agree or disagree with the following statements:	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
a. Online reporting is a supplement to hard copy annual reports.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. Online reporting is a substitute for hard copy annual reports.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. Online reporting enhances the understandability of corporate financial information.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d. Online reporting enhances the relevance of corporate financial information.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e. Online reporting enhances the reliability of corporate financial information	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
f. Online reporting enhances the comparability of corporate financial information.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

F: Potential Economic Consequences of Corporate Internet Reporting

13- This part aims to investigate the potential economic consequences of online reporting:

Please indicate to what extent do you agree or disagree with the following statements:	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
a. Online reporting decreases the cost of capital.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. Firms with online reporting have higher share prices, other things being equal, than firms who do not.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

G: Problems and Obstacles Associated with Corporate Internet Reporting

14-This section tries to explore your perceptions regarding problems and concerns associated with the dissemination of financial information on companies' websites:

Please indicate the extent to which you agree or disagree with the following statements:	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
a. The internet itself is unreliable.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. There are difficulties in finding the company's website.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. There are difficulties in locating financial information on the company's website.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d. The corporate information is outdated.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e. There is a possibility of information overload.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
f. There are no clear boundaries between audited and un-audited financial information.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
g. It is possible to manipulate financial information.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
h. The corporate information is incomplete.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
i. The corporate information is subject to error and bias.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
j. There are difficulties in understanding corporate information presented in English.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
k. There are difficulties in accessing and downloading the required information.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
l. The presence of a disclaimer in some corporate web sites reduces the reliability of the information presented on these sites.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
m. Other (please specify).....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

End of Questions

The researcher appreciates your cooperation. Thank you.
Please return your questionnaire in the freepost envelop provided to:
Ahmed Hassan Ahmed
Faculty of Commerce
South Valley University
Qena, Egypt.

Would you like a summary of the results of this study? Y / N.

If Yes, please include your email address for this to be sent to you.....

If you have other comments please provide them here:

.....
.....
.....
.....
.....

Would you be willing to be interviewed to further assist with this study? Y / N.

If Yes, please include your contact details to arrange a meeting.

Appendix 8.3



Corporate Internet Reporting in Egypt:

Practices and Perceptions

Users Questionnaire

التقرير المالي الإلكتروني للشركات:

من منظور مستخدمي ومعدّي المعلومات الماليه بالتطبيق علي الشركات المسجله في البورسه
المصريه

قائمة استقصاء

أحمد حسن أحمد أحمد

بسم الله الرحمن الرحيم

السيد المحترم / السيده المحترمه.....

السلام عليكم ورحمة الله وبركاته

الاستبيان المرفق عباره عن جزء من دراسته يتم إعدادها حاليا للحصول علي درجه الدكتوراه في المحاسبه من مدرسه إدارة الاعمال بجامعة دندي بالمملكة المتحدة تحت اشراف كل من الدكتور (Bruce Burton) والدكتور (Theresa Dunne). عنوان الدراسة "التقرير المالي الالكتروني للشركات في مصر من منظور مستخدم ومعدى المعلومات الماليه". تهدف الدراسة الي تحديد مدى استخدام الشركات المصريه المسجله في البورصه للانترنت كوسيله للافصاح عن المعلومات الماليه الخاصه بها والتعرف علي منظور مستخدمى و معدى المعلومات الماليه. ويعتبر هذا الاستبيان جزء جوهرى لإستكشاف ذلك. لذا تعتبر ردودكم علي هذا الاستبيان من الاهميه بمكان للتعرف علي هذه الممارسات. الرجاء الإجابة علي الأسئلة في المساحه المخصصه لذلك وفي حالة الرغبه في إضافه المزيد برجاء تدوين ذلك في نهاية الاستبيان. أود ان اخبر سيادتكم ان الاجابه علي هذه القائمه سوف تستغرق عشرة دقائق. إضافة الي أن جميع المعلومات المستقاه من هذا الاستبيان سوف تعامل بسريه تامه وسوف تستخدم فقط لأغراض البحث العلمى. في حالة الرغبه في الحصول علي نسخه من النتائج النهائيه للبحث برجاء كتابة العنوان الذي يمكننا مراسلتكم عليه في نهاية الاستبيان.

في حالة وجود اي استفسار الرجاء عدم التردد في الاتصال بي:

الاسم: أحمد حسن أحمد أحمد

معيد بكلية التجاره بقنا-جامعة جنوب الوادي

عضو بعثه خارجيه للحصول علي الدكتوراه-جامعة دندي

اسكتلندا-المملكة المتحده

تليفون: 0109895214

إيميل: ahmhas2005@yahoo.com

الجزء الاول: معلومات عامه

1- النوع:

- ذكر
- أنثي

2- الفئه العمريه:

- أقل من ٣٠
- من ٣٠ الي ٤٠
- من ٤١ الي ٥٠
- من ٥١ الي ٦٠
- أكبر من ٦٠

3- المستوي التعليمي:

- أقل من الدرجه الجامعيه الاولى (بكالوريوس او ليسانس)
- حاصل علي البكالوريوس او اليسانس
- حاصل علي الماجستير
- حاصل علي الدكتوراه
- أخرى (من فضلك حدد).....

الجزء الثاني: معلومات عن استخدام الانترنت والبنيه التحتيه

4- ما هو المكان الذي تستخدم فيه الانترنت غالبا؟

- البيت
- العمل
- مكان عام (نادي معلومات او انترنت كافيه)
- أخرى (من فضلك حدد).....

5- ما هي عدد المرات التي تستخدم فيها الانترنت في الاسبوع غالبا؟

- نادرا
- مره في الاسبوع
- مرتين الي ثلاث مرات اسبوعيا
- أربع الي خمس مرات اسبوعيا
- أكثر من خمس مرات اسبوعيا

6- من فضلك حدد الاغراض الاساسيه لاستخدامك لخدمات الانترنت (من الممكن اختيار اكثر من غرض):

- للعمل
- تجاره الكترونيه
- تصفح شبكات التواصل الاجتماعي (فيس بوك و تويتر)
- تصفح الاخبار
- تصفح اخبار الشركات
- أغرض أخرى (من فضلك حدد).....

غير راضٍ علي الاطلاق	غير راضٍ	محايد	راضٍ	راضٍ جداً	7- الرجاء تحديد مستوي رضائك او عدم رضائك فيما يتعلق بخدمات الانترنت في مصر:
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	- البنية التحتية لخدمات الانترنت بصفه عامه في مصر.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	- تكلفة الحصول علي الخدمه.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	- سهوله الاشتراك في الخدمه.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	- سرعة الانترنت.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	- إمكانية الإعتماد علي الخدمه.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	- توافر الدعم الفني علي مدار الساعه.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	- حجم المعلومات المتاحه.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	- الأمان والسريه.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	- الرقابه والتنظيم الحكومي للخدمه.

الجزء الثالث: مصادر المعلومات المحاسبية

8- الغرض من هذا الجزء هو التعرف علي مصادر المعلومات المحاسبية المتاحة ومدى أهمية الانترنت كأداة يمكن استخدامها في الإفصاح المحاسبي:

غير مهم علي الاطلاق	قليل الاهميه	محايد	مهم	مهم جداً	- فيما يلي مجموعه من المصادر المحتمله للحصول علي المعلومات المحاسبية للشركات. الرجاء تحديد درجه اهمية كل مصدر من هذه المصادر:
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	- التقارير السنويه المطبوعه.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	- التقارير الفترية المطبوعه.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	- تقارير المحللين الماليين.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	- الاتصال المباشر بالشركه.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	- تقارير البورصه المصريه.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	- اخبار الشركات.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	- المواقع الالكترونيه للشركات.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	- المواقع الالكترونيه لشركات الوساطه الماليه.

- نصائح الاصدقاء.
- إشاعات السوق
- أخري (من فضلك حدد):.....

9- مصادر الحصول علي التقرير المالي الالكتروني للشركات (من الممكن اختيار اكثر من مصدر)

- موقع البورصة المصريه
- مواقع شركات الوساطه الماليه والمحليلين الماليين
- مواقع الشركات
- أخري (من فضلك حدد).....

10- ما هو الجزء الاكثر اهميه وافاده في موقع الشركه؟

- معلومات عامه عن الشركه
- معلومات عن منتجات الشركه وخدماتها
- التقرير السنوي (الميزانيه وقائمة الدخل.....الخ)
- الجزء الخاص بعلاقات المستثمرين
- تقارير ادارة الشركه
- أخري (من فضلك حدد).....

الجزء الرابع: المنافع المحتمله من استخدام الانترنت كأداة للتقرير المالي

11- الغرض من هذا الجزء هو القاء الضوء علي المنافع والمزايا المحتمله من استخدام الانترنت كأداة إفصاح:

الرجاء تحديد الي أي مدي تتفق او لا تتفق فيما يتعلق بالمنافع المحتمله من استخدام الانترنت في التقرير المالي للشركات:	أوافق بشده	أوافق	محايد	لا أوافق	لا أوافق علي الاطلاق
- معلومات الشركات سوف تصبح متاحه لعدد أكبر من المستخدمين	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- إمكانية الحصول علي معلومات وقيته.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- إمكانية الحصول علي معلومات الشركات بأكثر من لغه.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- إمكانية الحصول علي المعلومات المحاسبيه معده وفقا لمعايير محاسبيه مختلفه.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- إمكانية الحصول علي معلومات الشركات بلغات عرض مختلفه لتلبيه احتياجات المستخدمين (PDF and HTML).	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- مواقع الشركات لديها القدره علي عرض التقارير المحاسبيه التقليديه جنبا الي جنب مع معلومات ماليه وغير ماليه إضافيه.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	- وسيله أقل تكلفه للحصول علي معلومات الشركات.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	- امكانيه تنزيل المعلومات المطلوبه لإجراء تحليلات إضافيه.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	- مواقع الشركات لديها القدره علي إستيعاب ارشيف من التقارير السنويه لإجراء المقارنات.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	- أخرى (من فضلك حدد):.....

الجزء الخامس: التقرير المالي الالكتروني للشركات والخصائص النوعيه للمعلومات المحاسبية المفيده

12- يهدف هذا الجزء الي إستكشاف تأثير التقرير المالي الالكتروني علي الخصائص النوعيه للمعلومات المحاسبية المفيده (مثل القابليه للفهم والملائمه.....الخ):

لا أوافق علي الاطلاق	لا أوافق	محايد	أوافق	أوافق بشده	- الرجاء تحديد الي اي مدي تتفق او لا تتفق فيما يتعلق بالقضايا الآتية:
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	- يعتبر التقرير المالي الالكتروني مكملًا للتقارير المحاسبية المطبوعه.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	- يعتبر التقرير المالي الالكتروني بديلا عن التقارير المحاسبية المطبوعه.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	- التقرير المالي الالكتروني يحسن من قابلية المعلومات المحاسبية للفهم.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	- التقرير المالي الالكتروني يحسن من ملائمة المعلومات المحاسبية.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	التقرير المالي الالكتروني يحسن من امكانية الاعتماد علي المعلومات المحاسبية
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	- التقرير المالي الالكتروني يحسن من قابلية المعلومات المحاسبية للمقارنه.

الجزء السادس: الأثار الإقتصادية المحتمله للتقرير المالي الالكتروني للشركات

13- الهدف من هذا الجزء هو التعرف عما اذا كان استخدام الانترنت كوسيله للتقرير المالي له اثار اقتصاديه ام لا (مثل التأثير علي تكلفة رأس المال او أسعار الاسهم):

لا أوافق علي الاطلاق	لا أوافق	محايد	أوافق	أوافق بشده	- الرجاء تحديد الي اي مدي تتفق او لا تتفق فيما يتعلق بالقضايا الاتيه:
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	- التقرير المالي الالكتروني يساهم في خفض تكلفة رأس المال.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	- أسعار الاسهم الخاصه بالشركات التي تفصح عن معلوماتها المحاسبية علي مواقعها الالكترونيه اعلي من الشركات التي لا تتبع هذه الوسيله في الافصاح (مع بقاء العوامل الآخري بدون تغيير).

الجزء السابع: المشكلات والمعوقات المرتبطه بالتقرير المالي الالكتروني للشركات

١٥ - يهدف هذا الجزء الي التعرف علي المشكلات والمعوقات المرتبطه بنشر المعلومات الماليه للشركات علي مواقعها الالكتروني:

لا أوافق علي الاطلاق	لا أوافق	محايد	أوافق	أوافق بشده	الرجاء تحديد الي اي مدي تتفق او لا تتفق فيما يتعلق بالقضايا الاتيه:
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	- الانترنت في حد ذاته لا يمكن الاعتماد عليه كوسيله للافصاح.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	- هناك صعوبات محتمله لتحديد المواقع الالكترونيه للشركات.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	- هناك صعوبات محتمله لتحديد مكان المعلومات المحاسبية علي مواقع الشركات.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	- المعلومات المفصح عنها قد تكون غير وقتيه.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	- إحتمال وجود حمل زائد للمعلومات المعروضه بالمواقع.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	- قد لا يكون هناك حدود واضحه بين المعلومات التي تمت مراجعتها وغيرها من المعلومات الآخري التي لم تراجع بالموقع.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	- إمكانية تعرض المعلومات الماليه المفصح عنها علي مواقع الشركات للتعديل.

- قد تكون المعلومات المعروضة بالمواقع غير مكتملة.
- المعلومات المعروضة قد تكون عرضة للخطأ والتحيز.
- الصعوبات المحتملة لبعض المستخدمين في فهم المعلومات الحاسبية المعروضة باللغه الانجليزية.
- المشاكل المرتبطه بتحميل المعلومات الحاسبية المطلوبه والوصول اليها.
- وجود عبارة إخلاء المسئوليه في بعض مواقع الشركات يقلل من إمكانية الاعتماد علي المعلومات المتاحه.
- أخرى (من فضلك حدد).....

وفي النهايه اتقدم الي حضراتكم بجزيل الشكر والتقدير علي تعاونكم.

- هل ترغب في الحصول علي ملخص بنتائج هذه الدراسه؟
في حاله الرغبه في الحصول علي ملخص بنتائج الدراسه الرجاء كتابة العنوان الذي يمكننا مراسلتكم عليه:

العنوان:.....
.....

الايمل:.....

في حالة وجود اي تعليق او ملاحظات او اي معلومات تري انها هامه ومتعلقه بموضوع البحث ولم ترد في الاسئله السابقه الرجاء كتابتها في الجزء التالي:

.....
.....
.....
.....
.....

- هل ترغب في ان يتم إجراء مقابله معكم لتقديم مزيد من المساعده لهذه الدراسه؟
في حاله الرغبه في إجراء المقابله الرجاء كتابة رقم التليفون او الايميل لتحديد ميعاد هذه المقابله:

تليفون:.....
ايمل:.....

Appendix 8.4: Questionnaire Survey for Preparers (Companies)



Corporate Internet Reporting in Egypt:

Practices and Perceptions

Preparers Questionnaire

**Ahmed Hassan Ahmed Ahmed
University of Dundee, UK**

Dear Sir/Madam

I am currently a PhD student in the School of Business at the University of Dundee under the supervision of Dr. Bruce Burton and Dr. Theresa Dunne. This Questionnaire is an essential part of a research project exploring the perceptions of users and preparers regarding the online reporting practices of non-financial companies listed on the Egyptian Exchange. Your responses are important in enabling me to explore these issues. Please answer the questions in the spaces provided. If you wish to add further comments, please feel free to do so. The questionnaire should only take about ten minutes to complete. The information you provide will be treated in the strictest confidence. Anonymity of respondents is also guaranteed unless you want a copy of the research results, in which case you need to provide your contact details. I hope you will find completing the questionnaire enjoyable. If you have any questions or you would like further information, please do not hesitate to contact me on 0020109895214 or email me at:

ahmhas2005@yahoo.com.

Thank you for your help.

Ahmed Hassan Ahmed

A: General Information

1- Gender

- Male
- Female

2- Age:

- Less than 20 years
- 20-30 years
- 31-40 years
- 41-50 years
- 51-60 years
- More than 60 years

3- Level of education:

- Less than Bachelor
- Bachelor Degree
- Master Degree
- PhD Degree
- Other (please specify).....

4- Please indicate your job title:

- Accounting Manager
- Financial Accountant
- Finance director
- IT/Systems Manager
- Management Accountant
- Treasurer
- Other (please specify).....

5- What professional accounting qualification do you have? (please tick all that apply)

- Association of Chartered Certified Accountants (ACCA)
- Certified Public Accountant (CPA)
- Egyptian Society of Accountants and Auditors (ESAA)
- No professional qualifications
- Other (please specify).....

6- Company size by market capitalisation (Egyptian Pound)

- Less than 10 million
- 10 to 100 million
- 101 million to 1 billion
- More than 1 billion

B: General Information about Internet Infrastructure and use of Corporate Internet Reporting

This section tries to investigate the perceptions of listed companies regarding internet infrastructure and the potential reasons behind the adoption of the internet as a communication medium:

7- Does your company have a website?

- Yes
- No, proceed to Q. 9

8- When did your company establish its website?

- One year ago
- 2-3 years ago
- 4-5 years ago
- More than 5 years ago

9-Please indicate your extent of agreement or disagreement with the following potential reasons for maintaining a corporate website:

	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
a. For e-commerce	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. The need to offer an image of modernity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. The need to imitate competitor companies	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d. For providing corporate financial information	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e. For providing internet facilities to employees (e.g.email, chatting, profiles)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
f. For facilitating internal communications	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
g. Other (please specify).....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

10-Please indicate the extent to which you are satisfied or dissatisfied with the following aspects of the internet:	Strongly Satisfied	Satisfied	Neutral	Dissatisfied	Strongly Dissatisfied
a. Internet infrastructure in Egypt	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. Internet subscription price	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. Easiness of subscription	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d. Speed of the internet	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e. Reliability of service	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
f. Availability of technical support	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
h. Breadth of information available	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
i. Security and privacy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
j. Government control over internet activities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

11- Does your company publish its corporate financial information on its website?

- Yes
- No, proceed to Q. 14

12- Who is involved in the production of your online reporting output? (please tick all that apply)

- External Web designer
- IT department
- Financial Reporting Team
- Investor Relations Team
- Others (please specify.....)

C: The Potential Benefits of Corporate Internet Reporting

13- This section aims to shed light on the potential benefits of using the internet for disclosure purposes:

Please indicate the extent to which you agree or disagree with the following issues as potential benefits of using the internet as a reporting medium:	Strongly Satisfied	Satisfied	Neutral	Dissatisfied	Strongly Dissatisfied
a. A cost-effective means of disclosure.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. The possibility of providing different presentation formats (e.g. PDF, HTML) to satisfy the needs of more users.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. Company information will be accessible to all types of users within and beyond the national borders.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d. The company website has the capacity to include traditional financial reports together with additional financial and non-financial information.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e. The ability to offer an image of modernity.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
f. The provision of more timely information.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
i. Improvement in access for potential investors.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
j. The possibilities of providing corporate financial information in multiple languages.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
k. The possibilities of providing corporate financial information using more than one set of GAAP.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
l. Other (please specify).....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

D: Means of Corporate Disclosure in Your Company

14- This section aims to explore the importance of Online Reporting compared to other means of corporate disclosure:

Please state the importance you attach to each of the following means to communicate with your stakeholder.	Very important	Important	Neutral	Of little importance	Not important at all
a. Hard copy annual reports.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. Hard copy interim reports.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. Financial analysts' reports.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d. Direct contact with the company.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e. Newspapers/TV/Radio.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
f. Company website.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
g. Websites of third party companies	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
h. Website of the Egyptian Stock Exchange (EGX).	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
i. Other (please specify).....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

E: Corporate Internet Reporting and the Qualitative Characteristics of Usefulness Accounting Information

15- This section aims to explore the perceptions of your company regarding the usefulness of online reporting as a disclosure means by examining issues related to the qualitative characteristics of useful accounting information (e.g. relevance, comparability...etc.):

Please indicate the extent to which you agree or disagree with the following statements:	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
a. Online reporting is a supplement to hard copy annual reports.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. Online reporting is a substitute for hard copy annual reports.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. Online reporting enhances the understandability of corporate financial information.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d. Online reporting enhances the relevance of corporate financial information.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e. Online reporting enhances the reliability of corporate information	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
f. Online reporting enhances the comparability of corporate financial information.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

F: Potential Economic Consequences of Corporate Internet Reporting

16- This part aims to investigate the potential economic consequences of online reporting:

Please indicate to what extent you agree or disagree with the following statements:	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
a. Online reporting decreases the cost of capital.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. Firms with online reporting have higher share prices, other things being equal, than firms who do not.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

G: Problems and Obstacles Associated with Corporate Internet Reporting

18- This section aims to shed light on potential problems associated with the use of the internet as a communication medium:

Please indicate the extent of your agreement of the following statements:	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
a. The internet itself is unreliable.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. The company's lack of interest in adopting online reporting.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. Online reporting is a waste of money as the company already produces hard copy annual reports in addition to reports produced by the EGX and financial analysts.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d. The possibility of manipulating financial information.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please indicate the extent of your agreement of the following statements:	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
e. Online reporting is not standardised.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
f. There are no clear boundaries between audited and un-audited financial information.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
g. Not everyone has internet access.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
h. The possibility of information overload.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
i. Other, please state.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

End of Questions

The researcher appreciates your cooperation. Thank you.
Please return your questionnaire in the freepost envelop provided to:
Ahmed Hassan Ahmed
Faculty of Commerce
South Valley University
Qena, Egypt

Would you like a summary of the results of this study? Y / N

If Yes, please include your email address for this to be sent to you.....

If you have other comments please provide them here:

.....
.....
.....
.....
.....
.....

Would you be willing to be interviewed to further assist with this study? Y / N.

If Yes, Please include your contact details to arrange a meeting.

Appendix 8.5



Corporate Internet Reporting in Egypt:

Practices and Perceptions

Preparers Questionnaire

التقرير المالي الإلكتروني للشركات:

من منظور مستخدم ومعدّي المعلومات الماليه بالتطبيق علي الشركات المسجله في البورصه
المصريه

قائمة إستقصاء للشركات

أحمد حسن أحمد أحمد

بسم الله الرحمن الرحيم

السيد المحترم / السيده المحترمه.....
السلام عليكم ورحمة الله وبركاته

الاستبيان المرفق عباره عن جزء من دراسته يتم إعدادها حاليا للحصول علي درجه الدكتوراه في المحاسبه من مدرسه إدارة الاعمال بجامعة دندي بالمملكة المتحدة تحت اشراف كل من الدكتور (Bruce Burton) والدكتور (Theresa Dunne). عنوان الدراسة "التقرير المالي الالكتروني للشركات في مصر من منظور مستخدم ومعدى المعلومات الماليه". تهدف الدراسة الي تحديد مدي استخدام الشركات المصريه المسجله في البورصه للانترنت كوسيله للافصاح عن المعلومات الماليه الخاصه بها والتعرف علي منظور مستخدمى و معدى المعلومات الماليه. ويعتبر هذا الاستبيان جزء جوهرى لإستكشاف ذلك. لذا تعتبر ردودكم علي هذا الاستبيان من الاهميه بمكان للتعرف علي هذه الممارسات. الرجاء الإجابة علي الأسئلة في المساحه المخصصه لذلك وفي حالة الرغبه في إضافه المزيد برجاء تدوين ذلك في نهاية الاستبيان. أود ان اخبر سيادتكم ان الاجابه علي هذه القائمه سوف تستغرق عشرة دقائق. إضافة الي أن جميع المعلومات المستقاه من هذا الاستبيان سوف تعامل بسريه تامه وسوف تستخدم فقط لأغراض البحث العلمي. في حالة الرغبه في الحصول علي نسخه من النتائج النهائيه للبحث برجاء كتابة العنوان الذي يمكننا مراسلتكم عليه في نهاية الاستبيان.

في حالة وجود اي استفسار الرجاء عدم التردد في الاتصال بي:
الاسم: أحمد حسن أحمد أحمد
معيد بكلية التجاره بقنا-جامعة جنوب الوادي
عضو بعثه خارجيه للحصول علي الدكتوراه-جامعة دندي
اسكتلندا-المملكة المتحده
تليفون:0109895214
إيميل: ahmhas2005@yahoo.com

الجزء الاول: معلومات عامه

1- النوع:

- ذكر
- أنثي

2- الفئه العمريه:

- أقل من ٢٠
- من ٢٠ الي ٣٠
- من ٣١ الي ٤٠
- من ٤١ الي ٥٠
- من ٥١ الي ٦٠
- أكبر من ٦٠

3- المستوي التعليمي:

- أقل من الدرجه الجامعيه الاولي (بكالوريوس او ليسانس)
- حاصل علي البكالوريوس او اليسانس
- حاصل علي الماجستير
- حاصل علي الدكتوراه
- أخرى (من فضلك حدد).....

4- المسمي الوظيفي:

- مدير حسابات
- محاسب مالي
- مدير مالي
- مدير نظم معلومات
- محاسب إداري
- أمين خزينه
- أخرى (من فضلك حدد).....

5- ما هي الشهادات المهنيه المحاسبية التي حصلت عليها؟

- جمعية المحاسبين القانونيين المعتمدين (ACCA)
- شهاده محاسب قانوني (CPA)
- الجمعية المصرية للمحاسبين والمراجعين (ESAA)
- لا توجد شهادات مهنيه
- أخرى (من فضلك حدد).....

6- رأس المال السوقي للشركه (بالجنيه المصري):

- أقل من عشرة ملايين جنيهه
- عشرة الي مائة مليون جنيهه
- ١٠١ مليون الي مليار جنيهه
- أكثر من مليار جنيهه

الجزء الثاني: معلومات عن استخدام الانترنت والبنية التحتية وإستخدام الانترنت كأداة للتقرير المالي

يهدف هذا الجزء الي استكشاف منظور الشركات المصريه المسجله في البورصه فيما يتعلق بالبنية التحتية لخدمات الانترنت والاسباب المحتمله لاستخدام الانترنت كوسيله للتقرير المالي:

7- هل للشركه موقع علي الانترنت؟

- نعم

- لا. انتقل الي السؤال رقم 9

8- متي تم انشاء الموقع الخاص بالشركه؟

من سنه

من سنتين الي ثلاث سنوات

من أربع الي خمس سنوات

من أكثر من خمس سنوات

لا أوافق علي الاطلاق	لا أوافق	محايد	أوافق	أوافق بشده	9- الرجاء تحديد الي اي مدي تتفق او لا تتفق فيما يتعلق بالدوافع المحتمله للشركات في انشاء موقع الكتروني لها:
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	- تجاره الكترونيه.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	- الرغبه في عرض صوره عن حدائه الشركه (استخدام تكنولوجيا الانترنت).
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	- الرغبه في تقليد الشركات المنافسه.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	- من أجل الافصاح عن المعلومات المحاسبيه للشركات.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	- توفير خدمات الانترنت لموظفي الشركه.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	- تسهيل الاتصالات الداخليه للشركات.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	- أخرى (من فضلك حدد).....

غير راض تماما	غير راض	محايد	راض	راض جدا	10- الرجاء تحديد مستوي رضائك او عدم رضائك فيما يتعلق بالقضايا الاتيه:
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	- البنية التحتية لخدمات الانترنت بصفه عامه في مصر.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	- تكلفة الاشتراك في الخدمه.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	- سهولة الاشتراك في الخدمه.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	- سرعة الانترنت.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	- إمكانية الإعتماد علي الخدمه.

- توافر الدعم الفني علي مدار الساعة.
- حجم المعلومات التي يمكن عرضها.
- الأمان والسريه.
- الرقابه والتنظيم الحكومي للخدمه.

11- هل تستخدم الشركه موقعها الالكتروني كوسيله للافصاح عن معلوماتها المحاسبية؟

- نعم
- لا. انتقل الي سؤال رقم 13

12- من هو المسئول عن التقرير المالي الالكتروني للشركه (من الممكن اختيار اكثر من اجابه)

- مصمم ويب من خارج الشركه
- قسم نظم المعلومات بالشركه
- الفريق الخاص بالتقرير المالي
- قسم علاقات المستثمرين
- أخرى (من فضلك حدد).....

الجزء الثالث: المنافع المحتمله من استخدام الانترنت كأداة للتقرير المالي

13- الغرض من هذا الجزء هو القاء الضوء علي المنافع والمزايا المحتمله من استخدام الانترنت كأداة إفصاح:

الرجاء تحديد الي أي مدي تتفق او لا تتفق فيما يتعلق بالمنافع المحتمله لاستخدام الانترنت كوسيله للتقرير المالي:	أوافق بشده	أوافق	محايد	لا أوافق	لا أوافق علي الاطلاق
- وسيله أقل تكلفه للإفصاح عن معلومات الشركات.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- إمكانية عرض معلومات الشركه بلغات عرض مختلفه لتلبية احتياجات المستخدمين (PDF and HTML).	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- المعلومات المحاسبية الخاصه بالشركه سوف تصبح متاحه لكل المستخدمين داخل وخارج حدود الدوله.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- مواقع الشركات لديها القدره علي عرض التقارير المحاسبية التقليديه جنباً الي جنب مع معلومات ماليه وغير ماليه إضافيه.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- القدره علي تقديم صورته عن حدائته الشركه (استخدام الشركه للانترنت).	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- القدره علي تقديم معلومات وقتيه.
- تزويد المستثمرين المحتملين بمعلومات عن الشركه.
- امكانية عرض المعلومات المحاسبية بأكثر من لغه.
- إمكانية عرض المعلومات المحاسبية وفقا لمعايير محاسبية مختلفه.
- أخرى (من فضلك حدد):.....

الجزء الرابع: وسائل الافصاح عن المعلومات المحاسبية للشركات

14- الغرض من هذا الجزء هو التعرف علي الوسائل المتاحة للافصاح عن المعلومات المحاسبية للشركه ومدى اهمية الانترنت كأداة يمكن استخدامها في الافصاح المحاسبي:

غير مهم علي الاطلاق	غير مهم	محايد	مهم	مهم جدا	فيما يلي مجموعه من الوسائل المحتمله للافصاح عن المعلومات المحاسبية للشركات. الرجاء تحديد درجه اهمية كل مصدر من هذه المصادر:
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	- التقرير السنوي المطبوع.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	- التقارير الفترية المطبوعه.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	- تقارير المحللين الماليين.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	- الاتصال المباشر بالشركه.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	- التقارير المنشوره بالجرائد.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	- المواقع الالكترونيه للشركات.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	- المواقع الالكترونيه لشركات الوساطه الماليه.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	- الموقع الالكتروني للبورسه المصريه.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	- أخرى (من فضلك حدد):.....

الجزء الخامس: التقرير المالي الالكتروني للشركات والخصائص النوعيه للمعلومات المحاسبية المفيده

15- يهدف هذا الجزء الي إستكشاف تأثير التقرير المالي الالكتروني للشركات علي الخصائص النوعيه للمعلومات المحاسبية المفيده (مثل القابليه للفهم والملائمه.....الخ):

الرجاء تحديد الي اي مدي تتفق او لا تتفق فيما يتعلق بالقضايا الاتيه:	أوافق بشده	أوافق	محايد	لا أوافق	لا أوافق علي الاطلاق
- يعتبر التقرير المالي الالكتروني مكملًا للتقارير المحاسبية المطبوعه.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- يعتبر التقرير المالي الالكتروني بديلا عن التقارير المحاسبية المطبوعه.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- التقرير المالي الالكتروني يحسن من قابلية المعلومات المحاسبية للفهم.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- التقرير المالي الالكتروني يحسن من ملائمة المعلومات المحاسبية.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- التقرير المالي الالكتروني سيحسن من امكانية الاعتماد علي المعلومات المحاسبية.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- التقرير المالي الالكتروني يحسن من قابلية المعلومات المحاسبية للمقارنه.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

الجزء السادس: الأثار الإقتصادية المحتمله للتقرير المالي الالكتروني للشركات

16- الهدف من هذا الجزء هو التعرف عما اذا كان استخدام الانترنت في التقرير المالي له اثار اقتصادية ام لا (مثل التأثير علي تكلفة رأس المال او أسعار الاسهم):

الرجاء تحديد الي اي مدي تتفق او لا تتفق فيما يتعلق بالقضايا الاتيه:	أوافق بشده	أوافق	محايد	لا أوافق	لا أوافق علي الاطلاق
- التقرير المالي الالكتروني يساهم في خفض تكلفة رأس المال.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- أسعار الاسهم الخاصه بشركات التي تفصح عن معلوماتها المحاسبية علي مواقعها الالكترونيه اعلي من الشركات التي لا تتبع هذه الوسيله في الافصاح (مع بقاء العوامل الاخرى بدون تغيير).	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

الجزء السابع: المشكلات والمعوقات المرتبطة بالتقرير المالي الالكتروني للشركات

17- يهدف هذا الجزء الي التعرف علي المشكلات المرتبطة باستخدام الانترنت كأداة للإفصاح:

الرجاء تحديد الي اي مدي تتفق او لا تتفق فيما يتعلق بالقضايا الآتية:	أوافق بشده	أوافق	محايد	لا أوافق	لا اوافق علي الاطلاق
- الانترنت في حد ذاته لا يمكن الاعتماد عليه كوسيله للإفصاح.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- الشركات ليس لديها الرغبه الكافيه في استخدام التقرير المالي الالكتروني.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- التقرير المالي الالكتروني يحمل الشركه تكاليف اضافيه حيث ان الشركه لازالت تعتمد علي التقارير المطبوعه اضافه الي ان معلومات الشركه تكون متاحه لدي البورصه وشركات الوساطه الماليه.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- إمكانية تعرض معلومات الشركه المعروضه الكترونيا للتعديل.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- التقرير المالي الالكتروني لا يخضع لمعايير منظمه.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- - قد لا يكون هناك حدود واضحه بين المعلومات التي تمت مراجعتها وغيرها من المعلومات الاخرى التي لم تراجع بالموقع.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- الانترنت غير متاح لبعض الافراد.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- احتمال وجود حمل زائد للمعلومات المعروضه بالموقع.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- أخرى (من فضلك حدد).....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

وفي النهايه اتقدم الي حضراتكم بجزيل الشكر والتقدير علي تعاونكم.

- هل ترغب في الحصول علي ملخص بنتائج هذه الدراسه؟
في حاله الرغبه في الحصول علي ملخص بنتائج الدراسه الرجاء كتابة العنوان الذي يمكننا مراسلتكم عليه:

العنوان:.....

.....

الايمل:.....

في حالة وجود اي تعليق او ملاحظات او اي معلومات تري انها هامه ومتعلقه بموضوع البحث ولم ترد في الاسئله السابقه الرجاء كتابتها في الجزء التالي:

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- هل ترغب في ان يتم إجراء مقابله معكم لتقديم مزيد من المساعدة لهذه الدر اسه؟
في حاله الرغبه في اجراء المقابله الرجاء كتابة رقم التليفون او الايميل لتحديد ميعاد هذه المقابله:

تليفون:.....
ايميل:.....