RESEARCH WITH PLYMOUTH UNIVERSITY

Accountability Practices of Islamic Banks: A Stakeholders' Perspective

Submitted by

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"In the name of Allah, the Most Gracious, the Most Merciful"

"Indeed, we offered the Trust to the heavens and the earth and the mountains, and they declined to bear it and feared it; but man [undertook to] bear it. Indeed, he was unjust and ignorant" (**Quran, 33:72**)

إِنَّا عَرَضْنَا ٱلْأَمَانَةَ عَلَى ٱلسَّمَٰوَٰتِ وَٱلْأَرْضِ وَٱلْجِبَالِ فَأَبَيْنَ أَن
يَحْمِلْنَهَا وَأَشْفَقْنَ مِنْهَا وَحَمَلَهَا ٱلْإِنسَٰنُ ۖ إِنَّهُۥ كَانَ ظَلُومًا جَهُولًا ﴿٧٢﴾

"And fear a Day when you will be returned to Allah. Then every soul will be compensated for what it earned, and they will not be treated unjustly" (**Quran, 2:281**)

وَٱتَّقُوا۟ يَوْمًا تُرْجَعُونَ فِيهِ إِلَى ٱللَّهِ ۖ ثُمَّ تُوَفَّىٰ كُلُّ نَفْسٍ مَّا
كَسَبَتْ وَهُمْ لَا يُظْلَمُونَ ﴿٢٨١﴾

"O you, who have believed, fear Allah and give up what remains [due to you] of interest, if you should be believers" (**Quran, 2:278**)

يَٰٓأَيُّهَا ٱلَّذِينَ ءَامَنُوا۟ ٱتَّقُوا۟ ٱللَّهَ وَذَرُوا۟ مَا بَقِىَ مِنَ ٱلرِّبَوٰٓا۟ إِن كُنتُم
مُّؤْمِنِينَ ﴿٢٧٨﴾

"And O my people, give full measure and weight in justice and do not deprive the people of their due and do not commit abuse on the earth, spreading corruption" (**Quran, 11:85**)

وَيَٰقَوْمِ أَوْفُوا۟ ٱلْمِكْيَالَ وَٱلْمِيزَانَ بِٱلْقِسْطِ ۖ وَلَا تَبْخَسُوا۟
ٱلنَّاسَ أَشْيَآءَهُمْ وَلَا تَعْثَوْا۟ فِى ٱلْأَرْضِ مُفْسِدِينَ ﴿٨٥﴾

"Say, indeed, my prayer, my rites of sacrifice, my living and my dying are for Allah, Lord of the worlds" (**Quran, 6:162**)

قُلْ إِنَّ صَلَاتِى وَنُسُكِى وَمَحْيَاىَ وَمَمَاتِى لِلَّهِ رَبِّ ٱلْعَٰلَمِينَ ﴿١٦٢﴾

DEDICATION

To Allah who guide and help me in my way

To my country, Egypt, hoping for a promising future

To those who showed me the meaning of love and sacrifice:

To the soul of my grandfather, my grandmother, my great mother and my great father

To my Gift from Allah: my wife (Heba Allah)

To my son, Abdul Rahman

To my family; all my friends and my relatives

A special dedication to my supervisor, Professor: Khaled Hussainey

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Glossary of Islamic Terms

Concept	*Meaning from Islamic View*
Allah	*God*
Qard Hassan	*Loan fixed for a definite period of time without interest or Charitable loan with no interest*
Fatwa	*Islamic legal opinion, or legal verdict given on a religious base*
Fiqh	*Islamic jurisprudence (science of Sharia). It is an important source of Islamic economics*
Hadith	*what the prophet Mohammed (peace be upon him) says on a certain matter*
Halal	*Anything permitted by Sharia*
Haram	*Anything forbidden by Sharia*
Ijara	*A contract under which the Islamic banks finance equipment, building or other facilities for the client against an agreed rental*
Islam	*Islam is a monotheistic religion. It is the last message or testament revealed by Allah (God) to all humanity. Mohammed sent to invite all humanity to guide them to believe in God and to perfect ethics and morals (being what previous messengers such as Muses and Jesus had called for).*
Istisna'a	*A contract between a customer and a bank for construction/ manufacturing of a building or project by the Islamic bank. After completion, the Islamic bank hands over the building/ project to the customer who pays back his dues (the cost plus the bank's profit) according to an agreed schedule.*
Mudaraba	*The bank acts as a partner, providing cash to the borrower and sharing in the net profits and the net losses of the business. The loan is for an undetermined period, although the contract may be rescinded by either Party*
Murabaha	*The bank as a partner provides the finance for purchasing goods for a share of the profit once the goods sold. The bank may or may not share any losses incurred. Repayment may be either in a lump sum or in instalments*
Musharaka	*The bank provides part of the equity and part of the working capital for the business, and shares in profits and/or losses.*
Riba	*Usury/ interest, which is strictly prohibited in Islam. Riba technically refers to the premium that must be paid without any consideration.*
Quran	*The Islamic holy book*
Sharia	*Islamic law, which embodies all aspects of Islamic faith including believes and practice.*
Sunna	*After the Qur'an, Sunna is the most important source of the Islamic faith and refers essentially to the prophet Mohammed (PBUH) as the supreme example through his practice of faith.*
Zakat	*An Islamic tax imposed on the rich or having wealth above the prescribed minimum and given back mainly to the poor and needy. It is calculated by 2.5%*
Ummah	*Nation*
PBUH	*Peace be upon him*
Mua'malat	*Matters pertaining to human relation in Islam*
Maslahah	*Benefits on different changed circumstances*
Maqasid al-Sharia	*Objectives of the Sharia. They are five objectives which are faith (din), their human self (nafs), their intellect (`aql), their posterity (nasl) and their wealth (mal)*
Khalifah	*Vicegerent on earth*
Falah	*Success*
Ibadat	*Worship*
Taqwa	*God-consciousness*
Tahsiniyyat	*Embellishments*
Hajiyyat	*Complementary*
Amanah	*Trusteeship*
Hesab	*Account*
Istekhlaf	*Vice-Regency*
Daruriyyat	*Essentials*
Aqidah	*Creed*
Akhlaq	*Morality and ethics*

Waqf	*Means to stop, contain, or preserve. In Islamic terms, Waqf refers to a religious endowment i.e. a voluntary and irrevocable dedication of one's wealth and its disbursement for sharia compliant projects.*

List of Abbreviations

AAOIFI	*Accounting and Auditing Organization for Islamic Financial Institutions*
FASB	*Financial Accounting Standards Board*
IFRS	*International Financial Reporting Standards*
GAAP	*Generally Accepted Accounting Principles*
IFIs	*Islamic Financial Institutes*
IBs	*Islamic Banks*
FV	*Firm Value*
MC	*Market Capitalization*
ROA	*Return On Assets*
SSF	*Sharia ; Social and Financial*
SSFD	*Sharia , Social, and Financial Disclosure*
CSR	*Corporate Social Responsibility*
CSRR	*Corporate Social Responsibility Report*
CSRD	*Corporate Social Responsibility Disclosure*
SSB	*Sharia Supervisory Board*
SSBR	*Sharia Supervisory Board Report*
SSBM	*Sharia Supervisory Board Members*
BOD	*Board Of Directors*
CG	*Corporate Governance*
ICG	*Islamic Corporate Governance*
SAD	*Sharia Auditing Department*
IAD	*Internal Auditing Department*
IAH	*Investment Account Holders*
CEO	*Chief Executive Officer*
OLS	*Ordinary Least Squares*
SEM	*Structural Equation Modelling*
PLS	*Partial Least Squares*
TD	*Total Disclosure*
FAS	*Financial Accounting Standards*
FS	*Financial Statements*
FD	*Financial Disclosure*
AS	*Accounting Standards*
GS	*Governance Standards*
SA	*Social Accountability*
SSB	*Sharia Supervisory Board*
ISAD	*Internal Sharia Auditing Department*
GDP	*Gross Domestic Product*
UK	*United Kingdom*
KSA	*Kingdom of Saudi Arabia*
SSBD	*Sharia Supervisory Board Discolour*
SWT	*Subhanahu Wa Ta'ala or "The most glorified, the most high"*
PBUH	*Peace Be Upon Him*
SAD	*Sharia Accountability Disclosure*

SAD	***S**ocial **A**ccountability **D**isclosure*
FAD	***F**inancial **A**ccountability **D**isclosure*
CIPA	***C**ertified of **I**slamic **P**ublic **A**ccountants*
IAS	***I**nternational **A**ccounting **S**tandards*
UAE	***U**nited **A**rab **E**mirates*
IASB	***I**nternational **A**ccounting **S**tandards **B**oard*
UA	***U**ncertainty **A**voidance*
VIF	***V**ariance **I**nflation **F**actor*
GCC	***G**ulf **C**ooperation **C**ouncil*
AVE	***A**verage **V**ariance **E**xtracted*
APC	***A**verage **P**ath **C**oefficient*
ARS	***A**verage **R** **S**quared*
AARS	***A**verage **A**djusted **R**-**S**quared*
AVIF	***A**verage **V**ariance **I**nflation **F**actor*
ATM	***A**utomated **T**eller **M**achine*

Abstract

This study explores the concept of accountability in Islamic Banks (IB), which may achieve through disclosure. It aims to measuring the bank's disclosure levels which contains *Sharia*, Social and Financial (SSF) as well as determinants and consequences of this disclosure. It moreover aims to identify the gap between Islamic banks' board and stakeholders concerned with the accountabilities priorities of IBs. To achieve these objectives the researcher conducted six empirical studies. The first three empirical studies uses content analysis to measuring compliance level with Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) standards as well as measuring the and sharia, social and financial disclosure (SSFD). It furthermore adopts Ordinary Least Squares (OLS) to identify the determinants of SSF reporting related to firm characteristics and corporate governance of Board of Directors (BOD) and *Sharia* Supervisory Board (SSB). The fourth empirical study uses the same method (manual content analysis) and OLS to measuring the economic consequences of SSFD on the firm value through testing the impacts of disclosure on market capitalization and return on assets. The fifth empirical study adopts questionnaire as well as Structural Equation Modelling (SEM) to measures the non-economic consequences of SSFD though surveying the perceptions of stakeholders who deal with IBs about the increasing SSFD on loyalty; trust and satisfaction. Finally, the sixth empirical study uses questionnaire to explore the consequences of SSF practices on the perceptions 600 stakeholders who deal with IBs and non-customers who do not deal with IBs. Highlighting the distinctions between economic and non-economic consequences of disclosure in the study enables the researcher to obtain greater insights into the implications of SSF reporting. Moreover, exploring accountability practices from different viewpoints (management, stakeholders and non-customers) and based on different methods (content analysis and questionnaire) allows the researcher to obtain greater insights into IBs accountabilities' practices.

This study provides several interesting findings. With regard to the disclosure and compliance levels, the study finds a variation between IBs in the number of SSFs disclosed, with a notably low level of non-financial reporting (*Sharia* and social). It also finds high compliance level with AAOIFI standards related to financial and *Sharia* reporting and low compliance levels with social reporting requirements. Concerning with the determinants of disclosure; the analysis shows positive significant association of disclosure levels with existing *Sharia* auditing department; auditor; size and profitability. It also finds that corporate governance mechanisms play an important role in improving SSF reporting. The analysis indicates that corporate governance mechanism of board of directors (BOD) as well as *Sharia* supervisory board (SSB) are the main

determinants behind the disclosure levels for IBs such as SSB size, SSB reputation; BOD independence, duality in position and ownership structure.

Concerned with the economic consequences of disclosure, the study finds that *Sharia*, social and overall disclosures have a positive impact on Firm Value (FV) based on the accounting-based measure (ROA). It moreover finds that *Sharia* and overall disclosure has a positive significant impact on the FV based on market-based measure (Market Capitalization). It argues that the association between disclosure and FV is sensitive to the category of disclosure and the proxy employed for FV. Consequently, the study provides evidence that the SSF disclosures not derived from the same factors, and both have a different impact on firm value. With regard to the non-economic consequences of disclosure, the results indicate that there is a significant association between disclosure and stakeholders' trust, satisfaction, and loyalty. The results furthermore indicate that there is a partial mediating of trust and satisfaction in the relationship between disclosure and loyalty.

A pyramid of IBs' accountabilities from stakeholders' perspectives shows the importance of *Sharia*, then financial and social accountability for both stakeholders and non-customers. It moreover shows that the main criterion of stakeholder's selection of IBs was *Sharia*, financial then social factors. Stakeholders who deal with IBs are satisfied about the practices of these banks. Both of groups believe that IBs may guide by *Sharia*, financial then social objectives.

The results identifies gap between the orientation of IBs' board based on the disclosure and orientation of stakeholders and non-customers based on their perceptions towards SSF accountability. The main originality for this study is measuring SSFD for most of Islamic banks around the world from different perspectives and methods as well as identifies the main determinants and consequences of this disclosure. These results have several implications for regulators, policy makers, managers, IBs, investors, FASB and AAOIFI. For instance, the present study has revealed that disclosure of SSFs - especially non-financial ones - was limited in many annual reports as well as websites. Therefore, regulatory bodies may identify a minimum level of SSFs to publish by each IB. The study has crucial implications to how IBs may improve its *Sharia* compliance disclosures to create a competitive advantage. The present study is one of the first to investigate the determinants and consequences for SSF disclosure for IBs based on a holistic model. Moreover, the current study is one of the first to investigate the non-economic consequences for corporate disclosure. The current study has some limitations, in either sample or data; disclosure indices; approach; or in its research methodology, which have to consider as potential avenues for future research.

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Allah said *"And we had certainly given Luqman wisdom [and said], "Be grateful to Allah." And whoever is grateful is grateful for [the benefit of] himself. And whoever denies [His favor] - then indeed, Allah is Free of need and Praiseworthy" (Quran, 31:12).* In the name of Allah, the Lord of Mercy, the Giver of Me, and Peace and Blessings of Allah Be upon the Prophet, I would like to thank Allah the most Gracious and the most Merciful, who gave me the strength, good health, endurance and aptitude as well as guide me to complete this thesis which I think it combined between the benefits of this life and the hereafter

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Based on my PhD thesis, several completed study produced and formally presented in several conferences. Based on Chapter three that contain three studies with two studies derived from the first empirical study, I produced my first study; entitled the determinants of the disclosure level of *Sharia* compliance in Islamic banks around the world. This study presented at the fourth Islamic Banking Conference at the Lancaster University in June 2014. I would like to thank Dr Heba Salah (Cairo University) for her comments as well as her corporation with me to finalize this study. Based on the same Chapter three, I produced my second study; entitled Corporate Governance and Multi-Corporate Disclosures: Evidence from Islamic Banks. I would like to thanks Dr Rihab Grassa (University of Tunisia) for her assist particularly concerned with data of corporate governance of BOD which facilities me to finish this study. Based on Chapter Four, I produced my fifth study; entitled the non-economic consequence of disclosure: Evidence from IBs. This study has benefited from participants' useful comments and suggestions. I would like to thank again Dr Heba Salah for her comments as well as her corporation with me to finalize it.

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Declaration

I hereby declare that no portion of the work referred to in the thesis has been submitted in support of an application for another degree or qualification of this or any other university. I further declare that this thesis is solely based on my own research.

Sherif El-Halaby

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Outputs of this thesis

Conference Papers

Conference	Organizer	Study	Date
1. Plymouth Postgraduate Society Conference (Poster)	Plymouth University	The added value and consequences for the holistic Framework of Islamic accountability's adoption "Stockholders' Approach"	21/12/2013
2. Accounting and Auditing in the economics and Islamic banking Conference	Accounting and Auditors Association, Dubai	The Islamic Holistic Model towards Islamic Accountants and their roles towards stockholders	10/3/2014
3. British Accounting and Finance Association (BAFA) 50th Annual Conference	London School of Economics	To what extent the disclosure in Islamic Banks complies with IFRS and AAOIFI	14/4/2014
4. Plymouth Postgraduate Society Conference (Presentation)	Plymouth University	The contributions of early Muslim scholars to the originality of bookkeeping system	14/6/2014
5. The 4th Islamic Banking Conference	Lancaster University; Aston University and Durham University	The determinants of the disclosure levels of Sharia compliance in SSB reports The contributions of early Muslim scholars to the originality of bookkeeping system	24/6/2014
6. Plymouth Business School Post-Graduate Symposium	Plymouth University	The added value and consequences for the holistic Framework of Islamic accountability's adoption "Stockholders' Approach"	2/7/2014
7. Financial Reporting and Business Communication Conference	Bristol University	The added value and consequences for the holistic Framework of Islamic accountability's adoption "Stockholders' Approach"	3/7/2014
8. British Accounting and Finance Association South West Area Group 2014 Annual Regional Conference	Cardiff University	The added value and consequences for the holistic Framework of Islamic accountability's adoption "Stockholders' Approach"	11/9/2014
9. The British Accounting and Finance Association. Accounting and Finance in Emerging Economies (AFEE)	Bournemouth University	Accountability framework for Islamic banks based on Islamic Sharia	18/9/2014
10. 10th International Conference on Islamic Economics and Finance	Qatar Faculty of Islamic Studies Hamad Bin Khalifa University	The determinants of social accountability disclosure: Evidence from Islamic banks around the world The determinants of the disclosure level of Sharia compliance in Islamic banks around the world	24/03/2015
11. British Accounting and Finance Association (BAFA) 51th Annual Conference	Manchester University	The determinants of disclosure level of Sharia compliance in Islamic banks around the world	25/03/2015
12. International Conference on Islamic Perspective of Accounting, Finance, Economic and Management	IPAFEM 2015 and Glasgow University	The determinants of social accountability disclosure: Evidence from Islamic banks around the world	09/04/2015
13. Annual meeting of American Accounting Association in Chicago	American Accounting Association (AAA)	The contributions of early Muslim scholars to the originality of bookkeeping system	03/08/2015
14. International Congress on Islamic Economics and Finance (ICISEF)	Sakarya University Turkey	Economic Consequences of Multi Corporate Disclosure: Evidence from Islamic Banks	21/10/2015
15. First International Conference on Islamic Banking and Finance	Umm Al-Qura	The non-economic consequence of disclosure: Evidence from Islamic banks	06/03/2016

	University, KSA	*Multi-disclosures in the context of national cultures: Evidence from Islamic banks*	

Publications

Study title	*Authors*	*Submission date*	*Journal*	*Status*
1. The determinants of social accountability disclosure: Evidence from Islamic banks around the world	*Sherif El-Halaby Khaled Hussaniey*	*30/Apr/2015*	*International Journal of Business (Special Issue for Islamic banking)*	***Accepted*** *(Volume 20, Issue 3, 2015)*
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3. Contributions of Early Muslim Scholars to Originality of Bookkeeping-system	*Sherif El-Halaby Khaled Hussaniey*	*30/Jun/2015*	*Spanish Accounting Review*	*Under review*
4. The determinants of the disclosure level of Sharia compliance in Islamic banks around the world	*Sherif El-Halaby Khaled Hussaniey Heba Salah*	*25/Nov/2014*	*Journal of Economic Behavior and Organization (JIBO)*	*Under review*
5. The Determinants of holistic disclosure levels for Islamic banks	*Sherif El-Halaby Khaled Hussaniey*	*22/Jun/2015*	*International Journal of Accounting, Auditing and Performance Evaluation*	*Under review*
6. The non-economic consequence of disclosure: Evidence from Islamic banks	*Sherif El-Halaby Khaled Hussaniey Heba Salah*	*23/Jul/2015*	*International Journal of Banking, Accounting and Finance*	*Under review*
7. Corporate Governance and Multi-Corporate Disclosures: Evidence from Islamic Banks	*Sherif El-Halaby Khaled Hussaniey Rihab Grassa*	*23/Jul/2015*	*International Journal of Business Governance and Ethics*	*Under review*
8. Economic Consequences of Multi Corporate Disclosure: Evidence from Islamic Banks	*Sherif El-Halaby Khaled Hussaniey*	*14/Jul/2015*	*International Journal of Central Banking*	*Under review*
9. AAOIFI Mandatory Disclosures in Islamic Banks: Determinants of Compliance Levels	*Sherif El-Halaby Khaled Hussaniey*	*25/Jun/2015*	*International Journal of Islamic and Middle Eastern Finance and Management*	***Accepted***
10. Perceptions of stakeholders and non-customers towards Sharia , social and financial practices of Islamic banks	*Sherif El-Halaby Khaled Hussaniey*	*12/Aug/2015*	*International journal of bank marketing*	*Under review*
Further researches				
Multi-disclosures in the context of national cultures: Evidence from Islamic banks	*Sherif El-Halaby Khaled Hussaniey*	*12/Nov/2015*	*Advances in Accounting Behavioral Research*	*Under review*
Does Corporate Governance Influence Earnings Management in Islamic banks?	*Sherif El-Halaby*			
Investigating the Effects of Ethical Disclosure and Corporate governance on firm value: Evidence from Islamic banks	*Sherif El-Halaby*			

Papers reviewed by author

Title of study	*Journal*	*Date of submitting my reviewing*
Assessing the fair value accounting from Islamic perspective	*International Journal of Accounting, Auditing and Performance Evaluation*	*25/08/2015*
The effects of CSR on tourist loyalty toward rural hospitality enterprises: the moderating effects of religiosity	*Journal of Business Ethics*	*30/08/2015*
Cultural and religiosity drivers and satisfaction outcomes of consumer perceived deception in online shopping	*Internet Research*	*14/08/2015*
Sovereign Sukuk as a Source of Public Funding: Issues, Challenges and Way Forward	*Journal of Islamic Accounting and Business Research*	*10/12/2015*

Chapter one: Introduction

1.1 Overview

Islamic banks as Muslims entities (according to Islamic approach) are accountable towards Allah (God) as he said *"And fear a Day when you will be returned to Allah. Then every soul will be compensated for what it earned, and they will not be treated unjustly" (Quran "The Islamic holy book", 2:281).* IBs are also accountable towards stakeholders and society in general. This accountability as Islamic banks involves compliance with *Sharia*[1] (*Sharia* accountability); servicing society (social accountability) and achieving high financial performance with high quality services (financial accountability). These accountabilities can be proven through disclosure and full transparency as Allah orders us *"And O my people, give full measure and weight in justice and do not deprive the people of their due and do not commit abuse on the earth, spreading corruption" (Quran, 11:85).* Disclosure is a crucial aspect of the accountability function of IBs to its stakeholders. Therefore, it is required that IBs disclose as much information in a succinct, truthful and comprehensible method to its stakeholders.

In recent years, a sizeable body of literature indicates a major increase in interest in disclosure (e.g. Moumen et al., 2015; Wang and Hussainey, 2013; Hussainey and Walker, 2009; Linsley and Shrives, 2006). This interest contains studies focused on disclosure level, as well as the determinants and consequences of increased disclosure levels (Elzahar et al., 2015; Farag et al., 2014; Farook et al., 2011; Hussainey and Mouselli, 2010; Maali et al., 2006). These studies show that disclosure reporting plays an important role in improving communication with stakeholders. It also shows that disclosure have a positive impact on the reputation, image, and financial performance as well as Firm Value (FV) of banks (Uyar and Kilic, 2012; Anam et al., 2011; Wang

[1] *Sharia* is Islamic law, which embodies all aspects of Islamic faith including believes and practice.

et al., 2008; Schwaiger, 2004). These studies explain financial performance while providing a broader analysis of a firm operating activities and strategies.

SSFs aspects are crucial measures of performance that are disclosed by IBs directors in order to help the stakeholders analyse the firm's performance as well as to see to what extent their banks are achieving their accountabilities particularly related to compliance with *Sharia*. SSF factors are the main disclosures that could be useful to the users of annual reports. By analysing SSF information, different users could evaluate the financial performance of the firm and assess the current competitive position. Moreover, it assists all interested parties to approve the fundamental basis of these banks, which is compliance with Sharia through Sharia Supervisory Board Report (SSBR), and prove the role of Islamic banks towards society through Corporate Social Responsibility Report (CSRR). Even the financial aspect supports the previous two aspects through presenting Zakat[2] statement and Qard Hassan[3] statement, which considered *Sharia* and social accountabilities. AAOIFI provides guidance for achieving best practice in terms of SSF disclosure (AAOIFI, 2010). It issues accounting as well as governance standards to support all IFIs as well as IBs in their SSF practices.

In general, most research studies to date have examined the determinants and economic consequences of either overall disclosure or particular types of disclosure. Numerous studies examined the factors that affecting disclosure suggesting that corporate governance (CG) attributes as well as firm characteristics are the key drivers for corporate disclosure, either as a whole (e.g., Samaha et al., 2015; Gisbert and Navallas, 2013; Farook et al., 2011; Elshandidy et al., 2011; Bhatti and Bhatti, 2009) or for different types of disclosure such as risk reporting (e.g. Elshandidy et al., 2013; Abraham and Cox, 2007); online reporting (e.g. Abdelsalam and Street, 2007); and intellectual capital disclosure (Li et al., 2008). The other stream of research has shown the usefulness of corporate disclosure on stock market participants' decisions. For instance,

[2] Zakat is An Islamic tax imposed on the rich or having wealth above the prescribed minimum and given back mainly to the poor and needy and It is calculated by 2.5%

[3] Qard Hassan is Loan fixed for a definite period of time without interest or Charitable loan with no interest

several studies tested the effect of corporate disclosure on the cost of capital (e.g., Beyer et al., 2010; Kothari et al., 2009); firm value (e.g. Hassan et al., 2009; Servaes and Tamayo, 2013); share price anticipation of earnings (e.g. Wang and Hussainey, 2013; Hussainey and Walker, 2009) and analysts' forecast accuracy (e.g. Yu, 2010). Notably, the majority of previous studies have just focused on one category of disclosure (Corporate Social Responsibility Disclosure (CSRD) or risk disclosure) and used data for non-Islamic banks. However, these studies have not provided evidence on the factors determining disclosure regardless of SSF for Islamic banks. The majority of the previous studies that measuring disclosure levels and determinants in context of IBs have not measuring *Sharia* compliance disclosure separately from CSRD and have not adopted AAOIFI as a benchmark particularly after issuing a newer version in 2010 followed by another one in 2014. Similarly, there is a lack of evidence on the influence of each of the SSF factors on FV exclusively for IBs. Finally, none of the previous studies explore the impacts of SSF disclosure on the stakeholders' loyalty as well as trust and satisfaction.

Despite the importance of SSF information, it appears that there are a limited number of studies, which have looked at SSF reporting and for most of IBs around the world (e.g. Khan et al., 2013; Bukhari et al., 2013). Moreover, there are limited studies that measured compliance with AAOIFI (Ahmed and Khatun, 2013) or adopt AAOIFI as a benchmark for SSF reporting (Vinnicombe, 2010; Hafij, 2013). Despite the impacts of SSF information whether economic or non-economic, it appears that there are a rare number of studies which have looked at the economic consequences of SSF disclosure on the firm value generally and on Islamic banks particularly (e.g. Elzahar et al., 2015; Dong et al., 2015; Hassan et al., 2009). It is appears also that there are no previous studies measuring the non-economic consequences of disclosure.

To the best of the author's knowledge, there has been no study to have explored the three category of disclosure (*Sharia*, social and financial reporting), or to have shown variations among Islamic banks in practice around the world. There is limited study that adopts AAOIFI as a best practice for SSF reporting for IBs based on the latest versions (2010 and 2014). Moreover, previous studies have not examined how SSF reporting could influence a firm's value for Islamic banks. Furthermore, previous studies have not measured the non-economic consequences of disclosure through exploring the impacts of increased SSF disclosure on the stakeholders' loyalty. AAOIFI offers an interesting benchmark by which to conduct this study. Overall, this research will contribute to the existing disclosure literature and could have policy implications for IBs.

Thus, this study seeks to explore the accountabilities for most of IBs around the world based on a holistic index that contain three dimensions (SSF). The current study aims to measure these accountabilities from different perspectives to build a holistic image about IBs' accountabilities. First, this study explores this topic through measuring these accountabilities from the viewpoint of IBs, based on disclosure levels in their annual report and websites, to see how IBs' disclosure levels reflect these dimensions. Second, the study measures main factors behind SSF disclosure related to firm characteristics and CG concerned with BOD and SSB. Third, this study explores the market reaction by testing the impacts of increased disclosure about SSF accountabilities on the FV as well as financial performance or profitability. Fourth, the current study explores this issue from the viewpoint of stakeholders who deal with IBs by assessing the impacts of SSF disclosure on the loyalty as well as trust and satisfaction of external stakeholders. Fifth, the study measures this matter from stakeholders' standpoint (investor; customers; non-customers) by surveying their perceptions and expectations of IBs' practices of SSF accountabilities.

The rest of this chapter is organised as follows. Section 1.2 outlines the definition of Islamic Sharia as a basis for this study. Section 1.3 shows the main basis for Islamic banks. Section 1.4 reflects the importance of this study though show the growing in Muslim as well as number of IBs. Section 1.5 outlines the nature of the study. Section 1.6 highlights the main research gaps and the main reasons that motivate the current study to investigate SSF reporting of IBs. Section 1.7 introduces the research objectives, research questions and research hypotheses. Section 1.8 provides details about the research methodology, which includes the sample selection and variables measurements concerned with each question. Originality and contributions of the study presented in Section 1.9. The structure of the current study discussed in Section 1.10

1.2 Islamic sharia

Literally, the word *'Sharia'* is a derivative of the Arabic three-lettered word *'Sha'ra'aa'* which means to make a way, Another derivative *'Sha'rei'* means the way or the road. In Islamic terminology, the word 'Sha'ra'aa' means to make a law and the derivative *'Sharia'* stands for the divine law made by Allah the Almighty. According to Aghnides (1916) *Sharia* is defined by the scholars as "that which would not be known had there not been a divine revelation" (p.23). *Sharia*, Sardar (2003) defined as "a system of ethics and values covering all aspects of life (e.g., personal, social, political, economic, and intellectual) with its unchanging bearings as well as its major means of adjusting to change" (p.17). In other words, it reflects the holistic view of Islam, which is a complete and integrated code of life encompassing all aspects of life, be they individual or social, both in this world and the Hereafter. According to Imam al-Ghazzali, the objective of the *Sharia* is to promote the well-being of all mankind, which lies in safeguarding their faith (din), their human self (nafs), their intellect (`aql), their posterity (nasl) and their wealth (mal). Whatever ensures the safeguard of these five serves public interest and is desirable. Al-Shatibi approves of al-Ghazzali's list and sequence, thereby indicating that they are the most preferable in terms of their harmony with the *Sharia's* essence (Chapra, 2000). Technically and broadly speaking *Sharia* has a wider concept of a divine law which is not confined only to Muslims and their book but all the people of scripture including Jews and Christians and their books like the Torah and Bible also have their shared common values and recognition in this divine law. In other words it is the law of those people of the book who follow a divine faith or any monotheistic religion.

1.3 Islamic Banks

Islamic banking and finance has is a result of Islamic injunctions in relations to everyday dealing with economy, business and finance. The term of Islamic banking means that conduct of banking operations is in line with the guidance of *Sharia* law. Sharia law which governs the operations of IBs comes from four sources, namely the Quran, hadith, Ijma' and Qiyas. While the Quran and hadith are the primary source of Sharia, both ijma' and qiyas are considered secondary and only applied when no solution on the matter in question neither found in the Quran nor hadith. There are many verses in Quran indicating the principles used as guidance for IBs in their operational affairs (Haron and Shanmugam, 1997). The crucial prohibition in Islamic banking is payment and receipt of riba (interest/usury) at a fixed or predetermined rate, maysir (gambling), gharar (speculation), fraud, exploitation and extortion (Damak et al., 2009; Usmani, 2009). Hence, the restriction of certain sources of earnings is particularly a distinctive plank that distinguished the Islamic economic system from the conventional financial system (Asutay, 2009).

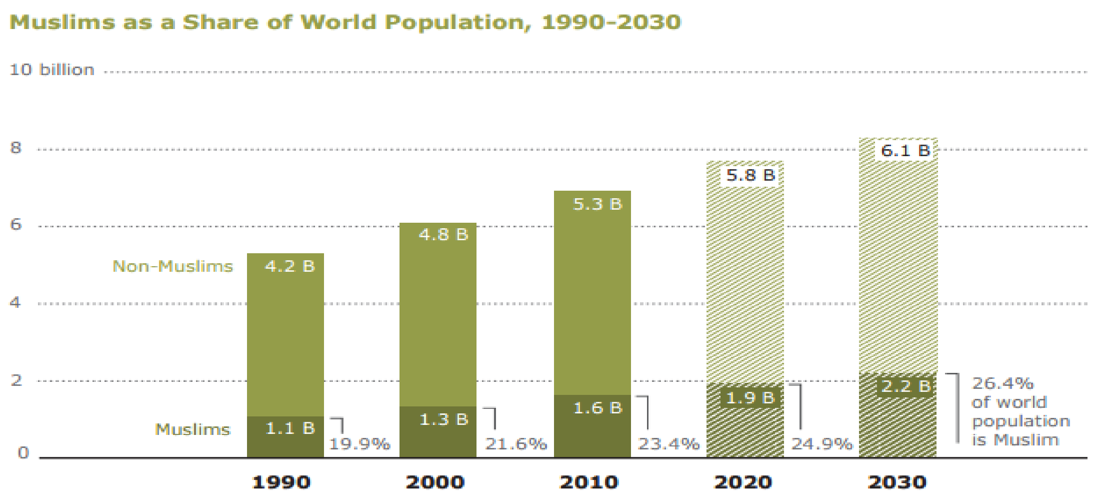
The prohibition of usury in the Islamic banking system is only one part of the Islamic economic principles. As an Islamic business institution, all Islamic banks not only have to run their business to achieve their goal of making profit, but at the same time, they are expected to adhere to the rules and laws of *Sharia*. The Quranic position, hence, is that it is compulsory for Muslims and they are strongly advised not to deal in riba. Islamic moral economy has implications for the nature of business and financial transactions, as certain sectors and economic activities are not considered lawful; such as companies producing tobacco, alcohol, drugs, weapon, or engaged in the business of gambling, casinos, nightclubs and prostitution are also not allowed. These transactions are considered haram (unlawful) because they can affect human health and instigate moral problems. Beside of the prohibition of riba, the Islamic financial system encourages risk sharing, equity based transaction, and stake-taking economic system (Asutay, 2009). Muslim jurists have recommended various principles to be adopted by

IBs in delivering their product and services. These principles are broadly divided into four categories namely, profit-loss sharing, fees or charges based, free service and ancillary principles.

1.4 Growing of Muslims population and Islamic funds

The importance of this research comes from growing the Islamic banking and estimations for its investments around the world as well as growing the number of Muslims around the world. The world's Muslim population[4] is expected to increase by about 35% in the next 20 years as presented in figure 1, rising from 1.6 billion in 2010 to 2.2 billion by 2030, according to new population projections by the Pew Research Centre's Forum on Religion & Public Life. If current trends continue, Muslims will make up 26.4% of the world's total projected population of 8.3 billion in 2030, up from 23.4% of the estimated 2010 world population of 6.9 billion. This growing has a reflection on increasing demand for IBs' services which supporting them to find a way for investing their money that comply with *Sharia*.

Figure 1: *Growing Muslims*

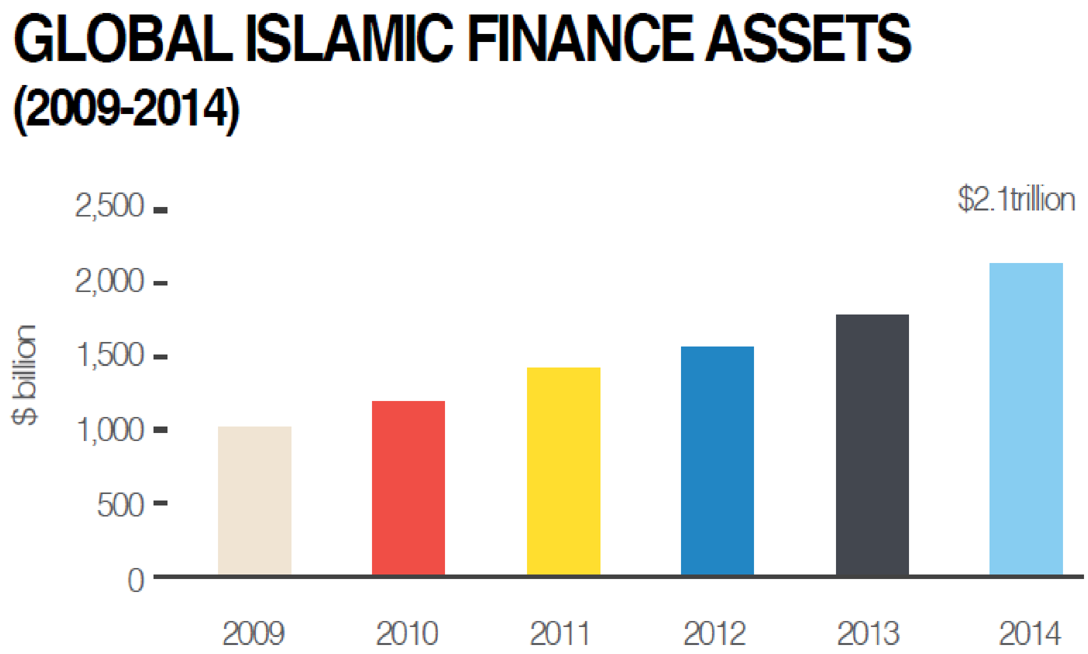


Pew Research centre (2015)

[4] In a religious sense, the Islamic *Ummah* refers to those who adhere to the teachings of Islam, referred to as Muslims. As of 2012, over 1.6 billion or about 23.4% of the world population are Muslims. By the percentage of the total population in a region considering themselves Muslim, 24.8% in Asia-Oceania do, 91.2% in the Middle East-North Africa, 29.6% in Sub-Saharan Africa, around 6.0% in Europe, and 0.6% in the Americas (Pew Research, 2015).

Commonly synonymous with 'interest-free' banking, Islamic Banking has become a growing force in global financial circles over the past three decades, with IBs found in over 70 countries worldwide (Warde, 2000). The Islamic finance industry has expanded rapidly over the past decade, growing at 10-12% annually (World Bank, 2015). Today, Sharia-compliant financial assets are estimated the size of the Islamic Finance market in terms of assets at $2.1 Trillion as of the end of 2014, with growth at a compounded annual growth rate (CAGR) of 17.3% between 2009 and 2014 covering bank and non-bank financial institutions, capital markets, money markets and insurance (Takaful) (Islamic finance, 2015). In many majority Muslim countries, Islamic banking assets have been growing faster than conventional banking assets. There has also been a surge of interest in Islamic finance from non-Muslim countries such as the UK, Luxembourg, South Africa, and Hong Kong (World Bank, 2015). Ernst & Young estimates that Islamic banking assets grew at an annual rate of 17.6% between 2009 and 2014, and will grow by an average of 19.7% a year to 2018 (Economist, 2015).

Figure 2: *Growing Islamic funds around the world*



Islamic finance, 2015

1.5 The nature of the study

Islamic banks requested to disclose all information that reflects its identity on the concept of accountability. Accountability from an Islamic approach is wider than the Western context as it contains accountability to Allah then (similar with Western approach) accountability towards stakeholders. Accountability can be measuring for Islamic banks through reporting which shows to what extent the performance and practices of these banks reflects its accountability towards Allah and its stakeholders. Maali et al., (2006), categorizes three broad objectives that used as the basis for accountability disclosures by IBs; to show compliance with *Sharia*, to show how the operations of the business have affected the wellbeing of the Islamic community, and to help Muslims perform their religious duties. Islamic banks as will other financial institutions guide by achieving high returns for its shareholders and provide high quality services for its customers (financial accountability). IBs, similar to other financial firms, expected to provide good financial and governance performance (Belal et al., 2014).

Secondly, IBs represented part of Islamic society and it may consider its accountability towards this society through charity, Qard Hassan and finance developed and social projects (social accountability). CSR reporting based on Gray et al (1995) in this sense "... extends the accountability of organisations, beyond the traditional role of providing a financial account to owners of capital, in particular shareholders" (p.3). IFIs promote a social and ethical identity and the promotion of social welfare and justice are significant to IBs as part of their CSR (Haniffa and Hudaib, 2007). Finally, in the context of Islam, the key aim of IFIs' reporting is to show that their activities in compliance with *Sharia* principles (Baydoun and Willet, 2000). Hasan and Siti-Nabiha (2010) argue that issues regarding accountability in IBs need further research. Hameed (2001) claims that disclosure about *Sharia* compliance is one of the essential Islamic accounting purposes. IBs may consider the three accountabilities by equal weight and different priorities.

In attempting to distinguish between SSF disclosures, this study will add to the existing disclosure literature. SSF information may be of a high quality if this information is to be useful for the users of annual reports. Therefore, the starting point of this study has been to assess SSF reporting. Researchers have attempted to measure disclosure level for Islamic banks mainly through using self-constructed indices (e.g. Volkov and Smith, 2015; Moumen et al., 2015). However, most of the previous attempts have been criticised due to focusing on one dimension, which is CSRD (Haniffa and Hudaib, 2007; Maali et al., 2006), which lead to increased need for research that accounts for the three accountabilities.

The study uses the resultant SSF reporting scores to explore the variation among IBs' SSF disclosure practices. Then, these scores used to examine the determinants and consequences of SSF reporting. Most published studies on the determinants of disclosure have not distinguished between *Sharia* and social accountabilities (e.g. Abdul Rahman et al., 2013; Aribi and Gao, 2012). Instead, accounting research usually measuring the impacts of disclosure on the cost of capital, analysts' forecasts, financial performance and share price anticipation of earnings (e.g., Wang et al., 2013; Hussainey and Walker, 2009; Kothari et al., 2009). Moreover, most or all previous studies on the consequences of disclosure have just focused on the economic impacts rather than analysing how non-economic factors impact on the stakeholders' behaviour (e.g., Volkov and Smith, 2015; Moumen et al., 2015; Elzahar et al., 2015). Finally, no previous studies exploring SSF accountabilities effects on the perceptions of non-customers regarding IBs.

The distinction between each category of disclosure as well as distinction between economic and non-economic consequences of disclosure allows the present study to participate actively in the development of empirical disclosure studies in general and particularly for Islamic banks. More specifically, it enables the researcher to investigate the factors affecting each dimension. In turn, the study tests the influence of SSF reporting on firm value. The study also measures the impacts of aggregate SSF disclosure on the stakeholders' trust, satisfaction and loyalty.

The limited disclosure about the essential accountabilities (SSF) draws and reflects negative as well as unclear image about the true and core of IBs. It also increases the negative attitudes from stakeholders about these institutions and increasing the negative criticism towards IBs.

Thus; identify disclosure level about these accountabilities and identify the main determinates behind SSFD and consequences from increasing level of this disclosure is a critical issue for IBs which can assist and support them to enhancing their image and construct a competitive advantage and differentiate them comparing with others (conventional banks). Furthermore determining the gap between perspectives of board and external stakeholders towards these accountabilities is the first step to mitigate this gap then support the uniqueness of IBs.

1.6 Gaps and motivations

Islam usually asks for an enhancement in the level of information disclosed by institutions as IBs. From an Islamic perspective, the key purpose of corporate reporting that overrides other objectives is to allow Islamic enterprises to show their compliance with *Sharia* (Baydoun and Willett, 2000). The consequence of this objective is that IBs have a responsibility to disclose all information essential to its stakeholders about their operations (Maali et al., 2006). Full disclosure about all accountabilities of IBs derived from the divine duty of accountability that each Muslim bears. However, this is not to say that Allah needs to know through disclosure the activities of the IBs. Indeed, Allah knows and hears everything and is Omniscient: *'I know what you reveal and I know what you hide'* (Quran, 4:33). *'He knows what is manifest and He knows what is hidden'* (Quran, 96:7). Rather, IBs have a duty to disclose their compliance with the *Sharia* to stakeholders. Maali et al (2006), explains "the requirement for Muslims to uncover the truth is intended to help the community to know the effect of a person or a business on its wellbeing" (p.273).

The existing body of literature on disclosure can divided into three strands. The first strand adopts content analysis to measuring the corporate disclosure level as described in the annual reports (e.g., Moumen et al., 2015). The second strand explores the determinants of disclosure (e.g., Farag et al., 2014; Farook et al., 2011). The third strand explores the economic consequences of disclosure (Elzahar et al., 2015; Hussainey and Mouselli, 2010). In spite of the richness of SSF disclosure content, there is no study that provides a full picture of SSF reporting practices regarding with Islamic banks. The closest studies to this research either look only at the level of one type of SSF disclosure (i.e. Haniffa and Hudaib, 2007; Maali et al., 2006), or focus only on one country or one bank or limited IBs (e.g., Belal et al., 2014; Kamla and Rammal, 2013). Therefore, the first motivation for conducting this study is to address this research gap by looking at the characteristics of SSF reporting in one index for most of IBs around the world.

The second strand that explores the determinants of corporate disclosure is in the early research stage– to the best of my knowledge – there is a paucity of empirical study testing this issue (e.g., Farag et al., 2014; Farook et al., 2011). However, both of these studies focus on one of my disclosure themes (CSRD). In the first strand, the existing body of literature on compliance with AAOIFI focused on using content analysis to explore the compliance level with AAOIFI based only on annual reports (e.g., Ullah, 2013; Ahmed and Khatun, 2013; Vinnicombe, 2010; Al-Baluchi, 2006). However, the determinants of disclosure and compliance with AAOIFI that contain firm characteristics and CG mechanisms for BOD and SSB have not yet been investigated empirically, particularly for IBs that adopt AAOIFI.

The second motivation is related to examine the determinants of corporate SSF reporting. A limited number of studies have examined the determinants of SSF reporting (e.g., Farag et al., 2014; Wang and Hussainey, 2013; Farook et al., 2011; Hussainey and Al-Najjar 2011). The closest studies to this study have either limited their analyses to social disclosure (e.g., Belal et al., 2014; Haniffa and Hudaib, 2007) or have ignored the majority of CG variables, (e.g., Samaha et al., 2015; Elshandidy et al., 2013) particularly related to SSB- or just have used data for one country, (e.g., Bukhari et al., 2013; Gisbert and Navallas, 2013). This study addresses this gap in the literature by testing the effect of numerous CG mechanisms related to BOD and SSB, and other firm characteristics on SSF reporting. These analyses would provide evidence on whether SSF of such reporting are derived from the same factors.

There have been very few empirical studies investigating the association between SSB report and firm as well as national characteristics in the Islamic banking sector. Few studies investigate disclosure of SSB reports to explore CSR of IBs (e.g., Farook et al., 2011), while limited research explores AAOIFI governance standards that focus on compliance with *Sharia*. This study determines the disclosure level for each bank and each country related to SSB report separately not as a dimension in a CSR model as prior studies (Maali et al., 2006). This study provides novel evidence on the effect of cultural, legal and economic variables on the level of disclosure of *Sharia* compliance. Fourth, this study introduces an SSB disclosure index, which focuses on two categories, the first relates to the elements of SSB report and the second focuses on SSB members and their responsibilities.

The existing body of CSR literature in IBs focuses on either the level of CSRD (e.g., Aribi and Gao, 2012; Abdul Rahman et al., 2010) or the determinants of CSRD (e.g., Farook et al., 2011). Most of the previous studies that explore CSRD conducted before the issuance of AAOIFI governance standard No.7 that represents a benchmark of CSRD in IBs. Thus, this study motivated to explore the compliance levels of this standard by IBs and their potential determinants based on best practices of AAOIFI governance standard No.7.

The number of sample banks used in the literature was limited as acknowledged by Haniffa and Hudaib (2007). My sample is relatively large (117) compared to the largest study so far (90 in Mallinb et al., 2014). It also more comprehensive based on exploring all accountabilities for IBs. Although a number of studies referred to AAOIFI standards (Hassan and Harahap, 2010), none of them add AAOIFI standards items in the indices that tested as standard No.7 for CSR; standards No.1 for presentations and disclosure in the annual report and standards No.1, 2 and 5 for SSB report in one study. Moreover, this study intended to bridge a gap between the three components of social, *Sharia* and financial disclosure levels. There has been broad researches measure the corporate disclosure for banks (e.g., Ibrahim et al., 2011) without dividing between the three accountabilities factors. In addition, accountability as an issue for IBs has been unexplored (Hasan and Siti-Nabiha, 2010). This research is motivated by the question about the difference between the required information that may be published in the corporate annual reports based on the Islamic perspective as well as Islamic standards as AAOIFI, and what is presently being practised by these banks around the world (e.g., Haniffa and Hudaib, 2007; Maali et al., 2006; Lewis 2001). Most of literature that tested disclosure for IBs focused mainly on measuring the disclosure levels with few studies exploring the determinants of corporate disclosure (e.g., Sarea and Hanefah, 2013; Ousama and Fatima, 2010).

There has been very few studies that measured the compliance with AAOIFI and determinants of disclosure for banks those adopt these standards. Most of the existing research has focused on exploring the compliance level with International Financial Reporting Standards (IFRS) (e.g., Aljifri, 2008; Akhtaruddin, 2005) and with national financial standards (e.g., Fekete et al., 2008). Little is known about the compliance level with AAOFII standards (Ullah, 2013; Vinnicombe, 2010). Moreover, this study motivated by incentive research, which focuses on corporate governance (CG) with BOD as a main category in the CG structure and ignores SSB, which represents one of the main components in the CG for IBs. Most of the previous studies which explore corporate governance as a factor behind the disclosure level have focused on CG variables related to BOD (e.g., Alhazaimeh et al., 2014; Bokpin, 2013; Samaha et al., 2012; Elzahar and Hussainey, 2012). A limited number of studies explore CG related to SSB as a unique mechanism for IBs (e.g., Abdul Rahman and Bukair, 2013; Farook et al., 2011). Thus, this study aims to fill this gap by exploring the impacts of CG related to BOD and SSB for IBs that adopt AAOIFI and measuring to what extent, these variables affect multi-disclosure levels at the corporate level. The study of AAOFII accounting standards has grown in recent years with substantial contributions from scholars such as Ahmed and Khatun (2013), Hassan and Harahap (2010), Vinnicombe (2010). It is notable, however, that the focus of most of these studies is descriptive or analytical in nature, emphasising in particular the compliance level with AAOIFI without extending their study to explore the main factors behind the disclosure level. The present research adds a large-scale academic study examining compliance with AAOIFI mandatory disclosures after 2010 (based on the updated version of AAOIFI standards).

The third motivation for this study arises from the need to examine to what extent SSF reporting could affect firm value. More specifically, the study investigates whether reporting have different effects on market capitalization (MC) and Return on Assets (ROA). SSF information involves different categories of information that might be attractive to annual report users. It incorporates important information that refers to financial and non-financial information that concerned with *Sharia* and social. Although, previous research has shown the impact of different types of reporting in different contexts (e.g., Hussainey and Walker, 2009; Hassan et al., 2009), these studies have not provided strong evidence on the potential impact on the firm value. One of the main explanations for the mixed results in previous research is the lack of a comprehensive and objective measure of disclosure (Beattie et al., 2004). This would add to the existing literature, as there is no study –as far as I know- that examines the value relevance of SSF reporting in terms of firm value.

One of motivations behind this research is that the impact of disclosure on FV is still seen as an empirical issue (Hassan et al., 2009). As pointed out by Al-Akra et al., (2010), there is little empirical evidence to support that association. Thus, this research is motivated to conduct an empirical study on IBs to show to what extent disclosure about *Sharia*, social and financial can add value for these banks. It also motivated by rare studies that explore the impacts of different kind of disclosure on the FV. Teoh and Thong (1984) focused solely on the social disclosure. Vogel (2005) argues that results related to the link between disclosure and FV are remaining inconclusive. Such inconclusiveness creates ground for further investigation not just for CSRD, but also for other kinds of disclosure. Elzahar (2013) argued that link between FV and disclosure is sensitive to the type of disclosure and the proxy employed for FV. This argument is asking for further research for IBs. Astonishingly, there is a general absence of academic research that investigates the prospective economic consequences and valuation implications *Sharia* and social disclosure for IBs. This study is motivated by a lack of research on financial reporting disclosures and by calls for research on the valuation implications of disclosures (e.g., Hassan et al., 2009; Leuz and Wysocki, 2008).

The fourth motivation for this study arises from the need to examine to what extent SSF reporting could effect on the behaviour of the stakeholders as loyalty and trust. Prior literature has been exploring the link between trust, satisfaction and loyalty in banks from a marketing-theory perspective (Bernhardt et al., 2000) and in particular for Islamic banks (Butt and Aftab, 2012). They found support for this association and their impact on financial performance and profitability. Customer satisfaction and loyalty positively related to profitability and market share (Anderson et al., 1994). There are many studies measure the economic consequences of disclosure on financial performance, cost of equity firm value, analysts' forecasts and share price anticipation of earnings (Elzahar et al., 2015; Volkov and Smith, 2015).

To date, the literature has devoted insufficient attention to establish a theoretical framework and empirical analysis of the effect of disclosure on customer loyalty in Islamic banks. Academic literature provides evidence on the effects of CSR activities on customer loyalty (Perez et al., 2012). Other studies provide confirmation on the effect of satisfaction on loyalty (Amin et al., 2011) and trust on loyalty (Kaur et al., 2012). Furthermore, academic literature provides evidence on the economic consequences for disclosure (Moumen et al., 2015). However, insufficient attention has been given to the non-economic impact of disclosure on loyalty (moderated by trust and satisfaction) in IBs. Limited research investigates the association between disclosure variables and social exchange variables in explaining stakeholders' loyalty (He et al., 2012). Therefore, this study provides an integrated framework to fill the gaps in current literature.

The fifth motivation for this study comes from the need to explore the perceptions of different stakeholders (who deal as well as who do not deal with Islamic banks) about the accountabilities of Islamic banks. This study motivated by several gaps in the previous studies. First, In the case of Islamic banking, the previous studies attempted to study customer satisfaction upon Islamic banking service quality are still scanty (e.g., Abduh, 2011; Golmohammadi and Jahandideh, 2010;

Osman et al., 2009). The previous studies indicated that the role of social accountability in determining customer satisfaction has received little research attention (Fornell et al., 2006). None of the previous studies explore the perceptions of Muslims who deal as well as who do not deal about the *Sharia*, social and financial practices of Islamic banks. This study also motivated by filling the gap in literature that focusing only on the perceptions about CSR Pérez and Bosque, (2015); Martínez et al., (2014) to add supplementary dimensions relate to *Sharia* and financial practices. Furthermore, Taap et al., (2011) adopt a SERVQUAL model, which represents only one dimension (financial).

1.7 Research Objectives, Questions and Hypotheses

1.7.1 Research objectives

The main aim for this study is exploring and measuring the SSF practices for IBs and its impact. To achieve this aim the current study seeks to address five principal objectives. First, it aims to identify the extent to which Islamic banks disclose information about SSF. Thus, this study surveyed the Quran to determine the main accountabilities (SSF) for IBs and to provide a proper measure or index for SSF reporting based on AAOIFI and concerned literature. Based on these steps, this study measured the disclosure level of SSF reporting for most of the IBs around the world as well as measuring the compliance level for IBs that have fully adopted AAOIFI (this aim is achieved in chapter three). Secondly, it aims to identify the extent to which Islamic banks' SSF reporting levels are correlated with firm characteristics and CG for BOD as well as SSB. It aims to explore the main determinants or incentives of SSF disclosure (This aim achieved in Chapter 3). Thirdly, the current study aims to identify the consequences of increased SSF reporting on the firm value based on two different methods MC and ROA using Ordinary Least Squares (OLS) (This aim is achieved in Chapter four). Fourthly, exploring how SSF disclosure level effected on the stakeholders' loyalty directly and indirectly by mediating trust and satisfaction (This aim is achieved in Chapter 4). Fifthly, exploring the SSF issues from two different positions (who deal as well as who do not deal) through surveying the opinions of stakeholders and non-customers towards SSF practices of Islamic banks and constructing a pyramid of Islamic banks' accountabilities.

1.7.2 Research questions

The main research questions that are addressed by the current study are classified according to whether they concern determinants of firm-characteristics, determinants of corporate governance of BOD and SSB analysis, economic consequences for SSF disclosure, non-economic consequences for SSF disclosure, perceptions and expectations of stakeholders and non-customers towards SSF practices. Using the same distinctions, the research hypotheses formulated. The following summarises the research questions addressed by the current study

Q1. What are the SSF disclosure levels for IBs? Sub questions:

Q1.1 What is the Sharia disclosure level for IBs based on SSBR and the whole annual report?

Q1.2 What is the social disclosure level for IBs based on CSRR and the whole annual report?

Q1.3 What is the financial disclosure level for IBs based on FS and the whole annual report?

Q2. What are the main determinants of the multi SSF disclosure level? Sub questions:

Q2.1 what are the main determinants of disclosure with AAOIFI concerned with firm characteristics; CG of BOD and SSB for IBs that full adopted of AAOIFI?

Q2.2 what are the main determinants concerned with firm characteristics that affected SSF disclosure levels of IBs?

Q2.3 what are the main determinants concerned with CG that influenced SSF disclosure levels of IBs?

Q3. What are the economic consequences for SSF disclosure on the firm value?

Q4. What are the non-economic consequences for SSF disclosure?

Q5. What are the perceptions and expectations of stakeholders and non-customers towards the SSF practices of IBs? Sub questions:

Q5.1 what are the criteria for stakeholders' selection of IBs?

Q5.2 what may be the main objectives of IBs from views of stakeholders and non-customers?

Q5.3 what are the actual perceptions of stakeholders about actual SSF practices?

Q5.4 what are the reactions of IBs' stakeholders in case of stopping achieving social and Sharia accountability practices?

Q5.5 what are the main constrains behind un-dealing with IBs?

Q5.6 What are the main factors that motivate customers to deal with IBs?

Q5.7 what are the expectations of non-customers about SSF practices?

1.7.3 Research hypotheses

To formulate the research hypotheses, five main levels introduced. The first level encompasses determinants of compliance with AAOIFI as a mandatory standards based on firm characteristics as well as CG of BOD and SSB. The second level investigates firm characteristics that significantly influence the decision to disclose information about their SSF reporting. The third level involves corporate governance characteristics; this level investigates how BOD characteristics explain variations in SSF reporting. The fourth level explores the impacts of SSF disclosure on the firm value. The fifth level identifies the consequences of SSF disclosure on the stakeholders' loyalty. The following formulates each level's hypotheses.

1.7.3.1 Compliance with AAOIFI (Hypotheses concerned with Empirical study 1)

In this level, the associations between firm-characteristics, CG of BOD and SSB towards its compliance levels with AAOIFI standards formulated based on agency theory and prior SSF compliance literature. Additionally, uncertainty avoidance accounted as a control variable.

H1.1 the degree of disclosure is predicted to be higher in IBs audited by the Big 4 auditors than IBs that audited by non-Big 4 auditors

H1.2 Older IBs expected to disclose more information than younger IBs

H1.3 Large IBs are more likely to disclose more information than small IBs

H1.4 Disclosure level expected to be higher for highly profitable IBs than low profit

H1.5 The level of disclosure is associated with existing ISAD inside IBs

H1.6 IBs with high percentages of block holder ownership have low levels of disclosures

H1.7 There is a negative relationship between disclosure and institutional ownership

H1.8 There is a positive relationship between disclosure levels and foreign ownership

H1.9 IBs with duality in position have a lower level of disclosures

H1.10 IBs with higher proportions of independent non-executive directors on the board have higher levels of disclosures

H1.11 There is a positive relationship between the size of SSB and disclosure levels

H1.12 There is a positive relationship between SSB cross-membership and disclosure level

H1.13 There is a positive relationship between SSB reputation and disclosure levels

H1.14 There is a negative association between uncertainty avoidance and disclosure levels

1.7.3.2 Firm characteristics (Hypotheses concerned with Empirical study 2)

In this level, the associations between firm characteristics and its SSF reporting levels formulated based on signalling and agency theory. Additionally, other firm characteristics (bank age; ownership; riskiness; national culture) and the impact of national characteristics on SSF reporting is essentially considered (legal system; GDP Growth; full adoption of AAOIFI from central banks; role of central bank for Sharia supervision; Islamization system; corruption index and literacy rate) are also accounted as control variables.

H2.1 There is no association between profitability and levels of disclosure

H2.2 There is a positive association between firm size and levels of disclosure

H2.3 Highly Leverage IBs is more likely to disclose more information compared with Low Leverage IBs

H2.4 The extent level of disclosure is larger for IBs that audited by one of the Big4 Audit firms

H2.5 There is an association between levels of disclosure and adopting AAOIFI

H2.6 The extent of levels of disclosure is associate with existing ISAD inside IBs

1.7.3.3 Corporate governance (Hypotheses concerned with Empirical study 3)

In this level, the associations between CG and SSF reporting levels formulated. Additionally, other firm characteristics (age; auditor; SAD and listed firm) accounted as control variables.

H3.1 IBs with higher percentages of foreign ownership have higher levels of disclosure

H3.2 There is a positive relationship between Institutional ownership and disclosure

H3.3 There is a negative association between Family ownership and level of disclosure

H3.4 There is a negative association between percentages of block holder ownership and level of disclosure

H3.5 There is a positive association between the proportion of IAH to shareholder funds and levels of disclosure

H3.6 There is a negative association between duality in position and level of disclosure

H3.7 IBs with large board size have a higher level of disclosure

H3.8 There is a positive association between board independence and level of disclosure

H3.9 There is a positive association between CEO founder and level of disclosure

1.7.3.4 Economic consequences for SSF disclosure (Hypotheses concerned with Empirical study 4)

In the fourth level, the impacts of SSF disclosure on the firm value in terms of MC and ROA formulated based on signalling and economic theory and prior economic consequences literature.

H4.1 The level of SSFD of IBs is positively associated with firm value

1.7.3.5 Non-economic consequences for SSF disclosure (Hypotheses concerned with Empirical study 5)

In the fifth level, the impacts of SSFD on stakeholders' behaviour in terms of loyalty, trust and satisfaction formulated based on information processing theory and social identification theory and prior economic as well as non-economic consequences literature for disclosure.

H5.1 There is a significant direct association between disclosure and stakeholders' loyalty

H5.2 There is a significant direct link between disclosure and stakeholders' satisfaction

H5.3 There is a significant direct link between stakeholders' satisfaction and loyalty

H5.4 Stakeholders' satisfaction mediates the effect between disclosure and loyalty

H5.5 Disclosure has a significant direct effect on stakeholders' trust

H5.6 Stakeholders' trust has a significant direct effect on stakeholders' loyalty

H5.7 Stakeholders' trust mediates effect between disclosure and loyalty

H5.8 Stakeholders' trust and satisfaction mediates effect between disclosure and loyalty

1.8 Research methods

Related to financial data; Bankers; Zawya databases; websites for IBs and central banks are used to obtain a list of IBs as well as variables related to exploring determinants and consequences of SSF reporting. Excluding all Islamic windows and IBs that have not SSB and any bank without a complete data, these criteria yield a final list of 117 banks across 23 countries based on data of 2013. Related to compliance with AAOIFI, 43 IBs chosen based on full adoption of AAOIFI. Examining the economic consequences of disclosure, the sample contains 33 Islamic banks based on availability of MC. The samples are gathering from 15 countries, pertaining to two different segments (600 stakeholders who deal with IBs as well as 600 customers who do not deal with IBs). Survey questionnaire adopted based on convenience through online survey as well as direct survey.

Relying on a growing body of accounting and finance literature, firms' disclosure levels are captured using manual content analysis to measuring SSF disclosure levels (e.g., Abdul Rahman et al., 2010). Three indices, therefore, are used and measure SSF reporting to count the number of SSF-indicator statements in annual reports narratives and websites. Based on a growing body of accounting literature, firms' determinants disclosure levels are captured using OLS regressions (e.g., Farag et al., 2014). To investigate the impact of country-level variables on SSF reporting particularly for study (1), a nation's cultural values measured based on Hofstede's values (1991) and other variables added such as legal system, full adoption of AAOIFI, the role of central bank in SSB, and corruption index which widely used in general disclosure research (e.g., Elshandidy et al., 2013; Dobler et al., 2011)

Relying on extensive accounting literature that mainly examines the associations between accounting and market-based measures and disclosure (e.g., Elzahar et al., 2015; Abdullah et al., 2015; Uyar and Kilic, 2012), OLS regression is adopted. In this context, two main measures comprehensively capturing firm SSF levels are utilised: ROA used as accounting measure and MC used as market measure. Depend on accounting and marketing literature that mainly exploring the non-economic impacts of disclosure and association between trust, satisfaction and loyalty (e.g., Perez et al., 2012; Amin et al., 2011; Lin et al., 2011), structural equation modelling with a partial least squares approach is adopted. Relying on extensive literature that mainly examines the perceptions and expectations of customers about SSF practices of Islamic banks (e.g., Abdullah et al., 2012; Butt and Aftab, 2012; Osman et al., 2009), descriptive statistics is adopted as well as performing Friedman test to rank SSF dimensions according to their importance. Table1 gives a full picture of the research map. The Table shows link between study objectives, methods, sample, the nature of data and finally the orientation of each question (which view: board or stakeholders).

Based on Table1, questions 1 and 2 seek to explore the disclosure levels and compliance with AAOIFI in addition to identifying the main determinants of disclosure. These questions used

OLS regression to see to what extent management of IBs consider SSF practices in their annual report. Question 5 explores SSF practices of IBs from another view, which is stakeholders and non-customers' interpretations through surveying their perceptions and expectations as well as effects of IBs' practices of SSF on their decisions to deal with IBs. Therefore, questions 1, 2 and 5 complete the picture of testing accountability of IBs from management as well as stakeholders' perspective. Questions 3 and 4 are measuring the consequences of SSF disclosure from different viewpoints, as question 3 measures economic consequences from the perspective of IBs' management by testing the impacts of SSF on firm value based on OLS regression. Moreover, question 4 investigates the non-economic consequences of SSF disclosure from stakeholders' perspective through measuring the impacts of SSF disclosure on the loyalty as well as trust and satisfaction based on Structure Equation Modelling (SEM) and Partial Least Squares (PLS). Thus, the answers of these questions construct a holistic picture about accountabilities of IBs related to SSF based on disclosure, determinants, consequences and perceptions from different viewpoint

Table1: Summaries of the research samples; methods and aims

Research Question	***Objectives***	***Tools***	***Sample***	***Nature of Data***	***Sources of Data***	***Study perspective***
Question 1	*It measuring SSF disclosure level (accountability' practices) and for what extent it complies with AAOIFI standards*	*Content Analysis and Disclosure Index*	*117 Islamic banks*	*Secondary Data*	*Annual Reports and Websites for Islamic banks*	*IBs' management perspectives*
Question 2	*It measuring the determinants of SSF disclosure (accountability' practices) concerned with firm characteristics; CG of BOD and CG of SSB*	*Regressions Analysis (SPSS)*	*117 IBs 95 IBs 43 IBs*	*Secondary Data*	*Annual Reports; Banker and Zawya database*	
Question 3	*It testing the impacts of SSF disclosure (accountability' practices) on the firm value*	*Content Analysis; Disclosure Index; Regressions Analysis (SPSS)*	*33 IBs*	*Secondary Data*	*Annual Reports; Banker and Zawya database*	
Question 4	*It measuring the impacts of SSF disclosure (accountability' practices) on the stakeholders' loyalty; trust and satisfaction*	*Questionnaires; SEM; PLS*	*600 Stakeholders with IBs*	*Primary Data*	*Responds of stakeholders*	*Stakeholders' perspectives*
Question 5	*It explores the perceptions; expectations and consequences of Islamic banks' accountabilities practices on the stakeholders and non-customers of IBs*	*Questionnaires and Descriptive analysis*	*600 Stakeholders and 600 non-customers with IBs*	*Primary Data*	*Responds of stakeholders as well as non-customers*	*Stakeholders and Non-customers' perspectives*

Questions 1 and 2 show how BOD and management of Islamic banks consider SSF based on disclosure these accountabilities whereas Question 3 shows the impacts of these SSF disclosure levels on the MC and ROA for these banks. From the other side; Question 4 and 5 completes the holistic image about the consequences of SSF disclosure as well as practices. Question 4 explores and measures the impacts of SSF disclosure on the stakeholders" loyalty; trust and satisfaction. Question 5 explores the impacts of SSF' practices on the perceptions of stakeholders' as well as non-customers.

1.9 Originality and Contribution to knowledge

This study will bridge a gap between the three broad strands related to existing body of literature on disclosure (measures the disclosure; explores the determinants of disclosure and explores the consequences for disclosure). Consequently, the originality of this research explained based on the added value for each strand and how each study differs from previous literature as follows. To the first strand, this study differs from the previous studies that exploring disclosure level that contain more than financial information (social and *Sharia* disclosure). It differs from Abdul Rahman et al., 2010; Haniffa and Hudaib, 2007; Maali et al., 2006 as they are mainly measuring disclosure level for CSR. Moreover, this research differs based on Islamic banks that contained in the sample (Hassan et al., 2012 (13 banks); Sobhani et al., 2009 (29 banks), whereas this research sample is 117 banks. This study covers Islamic banks that located in 23 countries, whereas previous studies just focused on one country (e.g., Belal et al., 2014). The cross-countries level analysis permits me to construct a holistic picture about disclosure reporting for Islamic banks. This research index contains 25 dimensions of SSF area, whereas previous studies covered less dimensions (e.g., Abdul Rahman and Bukair, 2013; Hassan and Harahap, 2010).

Moreover, this study differs from the previous studies that exploring the compliance level with AAOIFI (e.g., Ahmed and Khatun, 2013; Sarea and Hanefah, 2013; Vinnicombe, 2010). Sarea and Hanefah (2013) measured compliance with AAOIFI for banks that located only in Bahrain, whereas this study covers all Islamic banks that adopt AAOIFI across 8 countries. Ullah (2013) measures compliance with one standard of AAOIFI (accounting standard No.1), whereas this study measures compliance with several accounting and governance standards. Vinnicombe

(2010) measures compliance with AAOIFI based on 42 items for 4 dimensions, whereas this study measures compliance with 229 items for 25 dimensions.

Concerned with the second strand, the research differs from the previous studies that explore the determinants of disclosure that contains firm characteristics and CG mechanism variables. It differs from Khan et al., (2013) and Farook et al., (2011) which tested the association between CG and one dimension of disclosure which is CSRD, whereas this research investigates three categories of disclosure. The research model contains 10 CG variables as block holders, ownership as well as board size, whereas previous research such as Hidalgo et al (2011), focused on two CG variables which are Board independence and ownership structure. Gisbert and Navallas (2013); Samaha et al (2012) measured determinants of disclosure for banks that were located in one country (Egypt and Spain respectively), whereas this research explores this relationship for banks located in 23 countries. The current research therefore differs markedly from the previous studies based on sample size. This sample contains 117 IBs compared with Farook et al., (2011), which focused on 47 IBs. Moreover this work is focused on IBs, whereas other previous studies are testing this association for non-Islamic institutions (Liang et al., 2012). Tsamenyi et al (2007) measured impacts of CG on disclosure, whereas this study measures CG as well as firm characteristics. This research differs from other works that focused only on CG that related to BOD (e.g., Alhazaimeh et al., 2014; Elzahar and Hussainey, 2012; Cong and Freedman, 2011), while this study measures variables concerned with BOD and SSB in one model to see for what extent it effected disclosure levels.

To the third strand the previous studies focused on the impacts of increased disclosure on the cost of capital (Elzahar et al., 2015); analysts' forecasts (Wang et al., 2013); financial performance (Wang et al., 2008); and share price anticipation of earnings (Hussainey and Walker, 2009). Secondly, the majority of these studies adopt disclosure index to explore the economic impacts of disclosure (Volkov and Smith, 2015; Moumen et al., 2015). This strand is focused mainly on the international firms and conventional banks in developed countries such as the UK (Elzahar et al., 2015). There have been very few studies that measured the association between disclosure and FV (Uyar and Kilic, 2012). This strand is located in the early research stage for IBs. However, exploring these consequences has not yet been investigated empirically in Islamic banks based on different kinds of disclosure, particularly *Sharia* and social. Moreover, related to the first strand, rare studies measuring *Sharia* disclosure separately and measuring the impacts of this kind on FV.

The study is concerned with, but differs from, the work of Dhaliwal et al., (2011), in its examination of the impact of social disclosure on frim value. This study examines a broader concept of disclosure (SSF). This study differs from Richardson and Welker (2001), who examine the relation between the cost of capital and social as well as financial disclosure. This study added a further form of disclosure which is *Sharia* disclosure. This research also differs from prior research (Haniffa and Hudaib, 2007; Maali et al., 2006) based on a holistic disclosure index. The model is a unique and comprehensive means of measuring SSF categories of disclosure. This study is focused on Islamic banks whereas the previous studies focused on non-Islamic firms (e.g., Elzahar et al., 2015; Dhaliwal et al., 2011). Moreover this research differs from works of Wagner (2010); Dong et al., (2015), which explores the non-financial disclosure. This work contains financial and non-financial disclosure. Prior studies were limited to a single country or institution (Al-Mehmadi, 2004), but, my sample contains Islamic banks in 12 countries. This study differs from the outcomes of Wang et al., (2013); Moumen et al., (2015), who explored the impact of disclosure on the cost of capital, share price and earnings forecasts, whereas this study is focused on FV. Moumen et al (2015); Wang et al (2013) measured one category of disclosure which is risk, whereas this study measures different categories of disclosure. Furthermore, the previous studies in this strand focused on economic consequences, whereas – as far as I know- no study has explored the non-economic consequences for increased disclosure on the stakeholders' loyalty as well as on trust and satisfaction.

Based on the originality of this study the current study contributes to the existing literature in the following seven distinct respects.

First, the present study explores, using firm-level analysis, the determinants of three different disclosure types (*Sharia*, social and financial), with control national-level variables. While prior literature provides mixed empirical evidence for social disclosure, no previous work has examined the other categories of disclosure. Also, previous literature provides mixed empirical evidence for variables related to firm characteristics and other concerned with CG, no previous work has examined the existence of an in-house *Sharia* auditing department and CEO power, and no previous studies have measured the impact of variables related to CG of SSB on the four types of disclosure. Prior disclosure research, therefore, is advanced by considering whether or not the firm-characteristics, CG mechanism for BOD and SSB and national-level variables has diverse impacts on the different categories of disclosure (SSF), rather than investigating associations between one type of disclosure as social and one type of variable generally (e.g., Kamla and Rammal, 2013; Hassan et al., 2012).

Second, three methods are applied to examine the association between the main variables and testing the models; OLS, descriptive statistics, Friedman test, and SEM and PLS. The first two approaches have been used frequently in prior research. The third approach (PLS) is first study to adopt this method for measuring the non-economic consequences of disclosure.

Third, previous work has applied manual content analysis to a one-year period within one country in addition to limited samples (e.g., Belal et al., 2014; Sobhani et al., 2009), while this study contains a larger sample size (117 IBs) spread across more than 20 countries.

Fourth, there have been few empirical studies investigating the association between *Sharia* disclosures and firm as well as national characteristics in the Islamic banking sector; this is the first study that empirically investigates this association. Previous studies which investigated *Sharia* disclosure are always added in the CSR index (e.g., Farook et al., 2011), while limited research explores AAOIFI governance standards on compliance with *Sharia*. Therefore, this study is the first one that distinguishes between SSBD from CSRD and measures the factors behind variances of disclosure level.

Fifth, the study of AAOFII standards has grown in recent years with substantial contributions from scholars such as Ahmed and Khatun (2013); Hassan and Harahap (2010). It is notable that the focus of most of these studies is descriptive in nature, emphasising in particular the compliance level with AAOIFI without extending their study to explore the main factors behind the disclosure level. This study is the first one to explore the determinants of disclosure concerned with firm factors and CG for most of IBs that have fully adopted AAOIFI standards.

Sixth, there have been rare empirical studies investigating the link between disclosure and financial performance in the banking sector (e.g., Servaes and Tamayo, 2013; Dhaliwal et al., 2011), as far as I know, this is the first study to empirically investigate this relationship in IBs.

Finally, there are several previous studies that measure the economic consequences of disclosure (Nekhili et al., 2015; Elzahar et al., 2015), while no previous work has examined the other consequences of disclosure. This research expands upon the work of previous studies exploring the consequences of disclosure through measuring the non-economic consequences of disclosure related to stakeholders' behaviour (loyalty, trust and satisfaction).

1.10 Organisation of the study

This section outlines the structure of the thesis, which contains seven chapters, as shown in Figure 3. Each empirical study contains a review of the relevant literature. Hence, there is no need for an additional chapter for a literature review.

Chapter (2) outlines the theoretical framework of accountability. It explores the concept of accountability from an Islamic approach as well as the theoretical framework for accountability based on agency, stakeholders, signalling and accountability theories.

Chapter (3) outlines the main methods that adopted in this study then followed by the results of pilot studies. It also outlines AAOIFI as a benchmark for IBs

Chapter (4) focuses on the disclosure levels and determinants of SSF reporting. This chapter includes three empirical studies. Study (1) explores the main determinants of compliance with

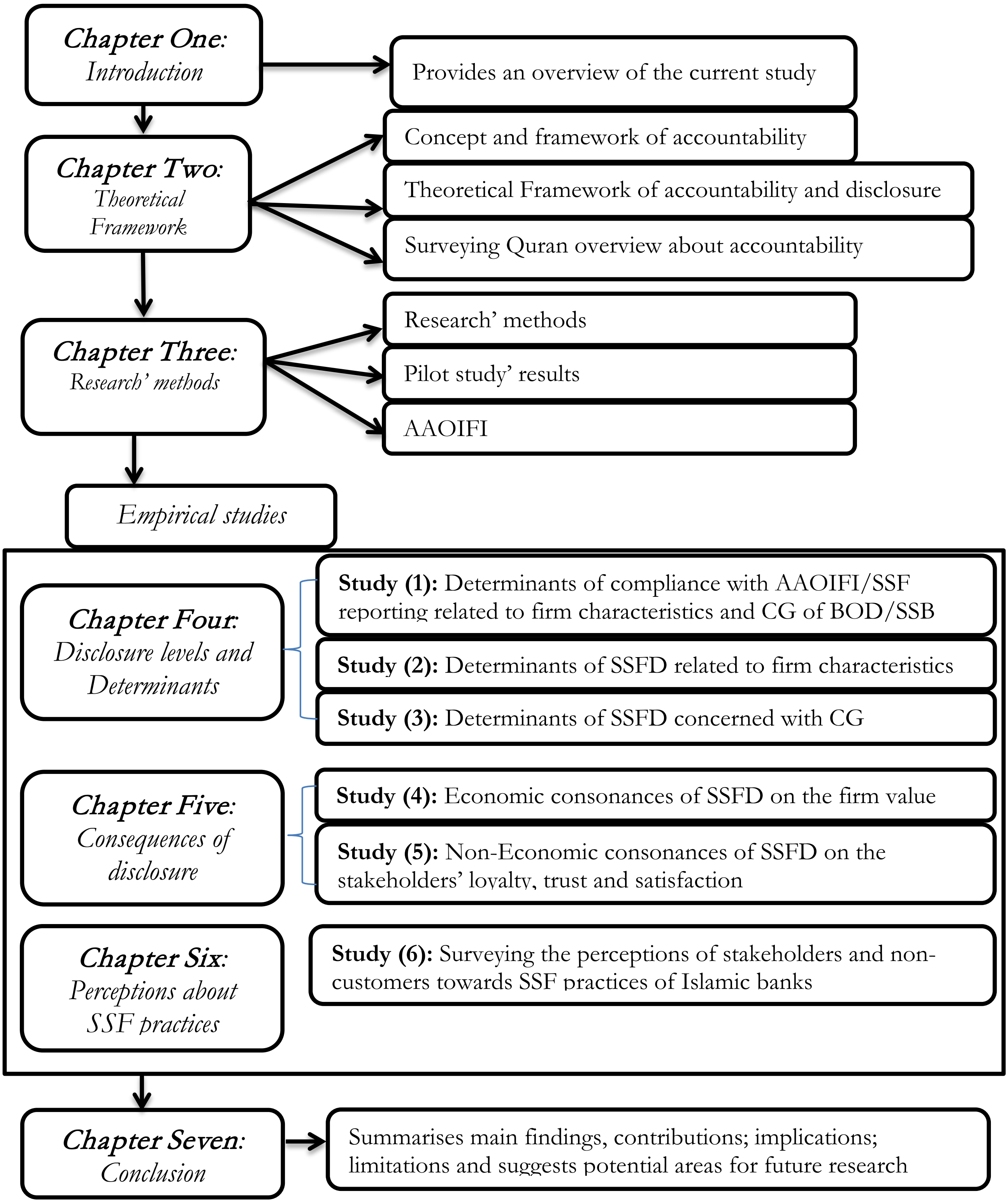
AAOIFI. Study (2) measuring the determinants concerned with firm characteristics that affected on SSFD. Study (3) measuring the main determinants concerned with CG.

Chapter (5) measures the economic and non-economic consequences of disclosure. Firstly, it investigates whether or not SSF reporting has any influence on firm value. Secondly, it explores the impacts of increasing SSFD on the stakeholders' loyalty directly as well as measuring indirect association by mediating trust and satisfaction.

Chapter (6) surveys the perceptions of stakeholders who deal with IBs as well as non-customers who do not deal with IBs about SSF practices through questionnaires.

Chapter (7) provides the concluding remarks of this thesis. It provides a summary of the research questions, and the approach followed. In addition, it presents a summary of the key findings of the research and discusses their implications. It includes a summary of possible limitations of the study and highlights several avenues of potential future research.

Figure 3: Structure of the thesis



Chapter Two: Theoretical Framework of Accountability

2.0 Introduction

This chapter outlines the theoretical framework of accountability as a basis for this thesis. This chapter contains three parts. The first part explores the concept of accountability from an Islamic approach with outlines contributes of this concept comparing with Western approach. Second part outlines the theoretical framework for accountability through reviews agency; stakeholders; signalling and accountability theories with identify the contributions for these theories from an Islamic perspective. The third part outlines the results of surveying Quran about the accountability concept as well as approves about SSF dimensions from Quran

Part One: Accountability concept and framework

2.1.1 Introduction

This part seeks to explore the accountability concept from an Islamic approach. It also explores the link between accountability and disclosure. This part also explores the existing model of accountability. It also modify a holistic framework for accountability from an Islamic approach that could be applicable for IBs based on this study

2.1.2 Accountability concept

To get full understanding of accountability from an Islamic perspective; we have first to explore this concept from the opposite side which is Western approach. The word accountability incorporate a question regarding who may answer to who, for what and under what rules (Lerner and Tetlock, 1999). Numerous definitions of accountability have been offered by Western scholars. For example, Edwards and Hulme (1996b) define it as "the means by which individuals and organizations report to a recognized authority (or authorities) and are held responsible for their actions" (p.967). Gray et al (1995) defines 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). Adams (2004) demonstrates accountability as "corporate acceptance of its ethical, social and environmental responsibility" (p.732). Lozano (2005) states "accountability involves much more than simply providing information; it involves building a corporate license to operate through interaction with other social actors….. Accountability is not a question of metrics but of vision and Accountability is a tool available for firms to show their responsibility through corporate reports" (p.21). This vision concerns how a company sees itself and its role in the world. Therefore, the corporate reports as CSRR; SSBR and financial reports could be used by companies to show accountability and performance in order to build up trust which help them to get a licence to operate.

Accountability has long been considered to refer to the requirement or duty to provide an account or justification for one's actions to whomever one is answerable. Burchell et al (1985) demonstrated that under accountability, those who have power over resources are required to explain and justify the use of that power. In this context, Jackson (1982) asserted that accountability explains and justifies what has been done, what is currently being done and what is to be done. Accountability, therefore, involves disclosing more information (Naser et al., 2006). Gray et al (1987) believe that accountability can be the most useful ideological framework for analysing accounting information transmission.

The two parties in an accountability framework from Western perspective which are usually described in principal and agent terms, where principal refers to one who holds to account, and agent refers to one who is held accountable(Woodward et al., 1996). These definitions under-pining the accountability framework are rooted in agency theory. Sinclair (1995) points out, accountability is a somewhat multi-faceted and, indeed, 'murky' term that does not lend itself to precise definition. The question remains based on Benston (1982) "to whom is the account made? Identifies shareholders, stakeholders and society in general as three possible recipient groups and concludes that the free market alongside monitoring services will serve shareholders and other contractual stakeholders well" (p.88).

In contrast to the Western accountability approach, the Islamic view of accountability takes a rather holistic approach. It offers an intergalactic spiritual view based on the teachings of Quran and Sunna[5], providing a better alternative philosophical framework for man's interaction with Allah, nature, social, economic as well as his fellow men (Ahmad, 2000). Accountability in Islam is a relationship between two parties. Specifically to be accountable to Y for Z, Y in Islam, though, is not another agency or the top of the hierarchy, it goes beyond that and emerges as a moral obligation. Accountability from Islamic perceptive comes from believe that every

[5] Sunna is the most important source after Quran of the Islamic faith and refers essentially to the prophet Mohammed (PBUH) as the supreme example through his practice of faith. Sunna contains each words and actions for Prophet Mohammed.

individual will be held accountable for their actions by Allah (Lewis, 2001). Accountability is the main basis for the Islamic system and all relationships within any Islamic society must consider this concept (Aljirari, 1996).

Based on Islamic approach; *Sharia* may organized all the acts and dealing between humans as well as all accountabilities for Islamic banks may guide and organize by Islamic low. According to A1-Shätibi (as quoted in Nyazee, 2000), the determination of what is beneficial and what is harmful cannot be left to human reasoning alone (as most of Western theorists had advocated, e. g. the social contract theory and the normative stakeholder theory). Therefore, the accountabilities between Allah and Islamic banks as well as between BOD and stakeholders are may guide and organize by *Sharia*.

Lewis (2006) states "Accounting in the broad sense is central to Islam, since accountability to God and the community for all activities is paramount to a Muslim's faith" (p.2). The word "Hesab" which means accountability is repeated more than eight times in different verses in Quran (Askary and Clarke, 1997). They also add that accountability in Islam is as a comprehensive ethic can be formulated based on *Sharia*. The Arabic word *Sharia* has a literal meaning which is the legal guide for behaviour according to Quran and Sunna. It is, in simple words, the way of life. Moreover, Sulaiman (1998) states that how people actually behave or how they believe they may behave, is affected by the Islamic faith. Therefore, as Al-Humaidhi (1999) states the accountability in Islam is addressed on two levels; one level is every individual is accountable for his or her actions. The second level includes "the accountability for individual and objects under their charge" (p.13).

The concept of accountability is derived from Quran and is the powerful of Islamic system of business which means accountability in front of Allah (SWT) not only in this world but also in the hereafter. Accountability to Allah reflects trustworthiness which includes both instruments and goals. Abbasi et al (2012) argue that, the instrument is that what is started with to enhance efficiency and effectiveness then by the time is transferred to be goal itself (p.233). As Quran plainly explains: *"Then shall anyone who has done an atom's weight of good, see it, and anyone who has done an atom's weight of evil, shall see it"* (Quran, 99:7-8). Allah (SWT) said *"Nor can bearers of burdens bear another's burden. If one heavily laden may call another to bear his load, not the least portion of it can be carried by the other, even though he is nearly related"* (Quran, 35:18).

Prophet Mohammad, (PBUH), emphasizes responsibilities and clarifies the intertwined responsibilities of applying real accountability. He said that: *"Beware that every one of you is a shepherd and every one of you is shepherd and everyone is answerable with regard to his folk. The caliph is a shepherd over the people and shall be questioned about them. A woman is a guardian over the house hold of her husband and his children and has to be questioned about them. A slave is a shepherd over the property of his master and shall be questioned about it"*. Then He, (PBUH), adds: *"beware that every one of you is a guardian and every one of you shall be questioned with regard to his trust" (Sahih Bukhari 6719, Sahih Muslim 1829).* Afifuddin and Siti-Nabiha (2010) add that these verses apply to all organizations, not just personal accountability.

2.1.3 Accountability and disclosure

The word that best describes the relationship between a company and its management, on one hand, and the external users of the company's published financial reports, on the other hand, is "accountability". A company reports to outsiders, because it feels it is accountable. Based on the relationship between the two parties, the accountee, "external user" as well as Allah as a primary accountee, has a certain right to know. At the same time, the accountor "management" has a managerial and divine as well as ethical contract to disclose full information for both of accountees (Allah and stakeholders). Accountability is defined according to the motivations of the individual and the interest and concern of the related parties (Mulgan, 2000). For example, auditors view accountability as a financial or numerical matter, legal scholars as a constitutional arrangement, and philosophers as a branch of ethics. Glynn (1985) argues that public sector accountability is "those who are charged with drafting and/or carrying out policy may be obliged to give an explanation of their actions to their electors" (p.143). Consequently, Islamic banks see accountability as "Amanah[6]" towards Allah then owners; society and all other stakeholders. This accountability contains three cornerstones which are *SSF.* These accountabilities can achieved and communicate for interest parties through disclosure. One of the primary objectives of reporting from an Islamic perspective is to ensure that the business discharges the Islamic concept of accountability (Maali et al., 2006).

Information is required to give stakeholders the opportunity to make decisions or take action concerning organisational behaviour, if they so choose. If stakeholders do not object to corporate behaviour, they are often perceived to have consented to that behaviour by virtue of the fact that they have omitted or failed to dissent or censure what could be perceived to be irresponsible or unpopular behaviour. The issue of accountability is about whether stakeholders have sufficient, accurate, understandable and timely information on which to act (Cohen and Eicmike, 1995). A central requirement for corporate accountability is the firm's ability to signal or provide relevant information quickly, accurately and effectively to its shareholders, stakeholders or other

One of the main objectives of accounting from Islamic approach is to enhance accountability through providing a fair information flow between the accountor and the accountee (Lewis, 2006). This means that accounting plays a very significant role in providing information. It is an accountability tool to fulfil the religious duty, as explained by Adnan and Gaffikin (1997) that orientation of accounting towards fulfilling the accountability of human being to God implies that the accounting information enables individual to account for their zakat.

Disclosure is a crucial aspect of the accountability function of IFIs to its stakeholders. Hence, it is required that IFIs disclose as much information in a succinct, truthful and understandable manner to its stakeholders. From an Islamic perspective, the main objective of corporate reporting that overrides other objectives is to allow Islamic enterprises to show their compliance

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[6] Amanah or Trusteeship is a comprehensive word that applies to all sorts of material or social or spiritual things, committed or entrusted to someone as a task, duty or charge. A Muslims should by no means betray a trust, be it of a Muslim or of a non-Muslim.

with *Sharia* (Baydoun and Willett, 1997). The implication of this objective is that IFIs have a duty to disclose all information necessary to its stakeholders about their operations, even if such information is adverse to the IFIs interest (Maali et al., 2006). This is derived from the divine duty of accountability that each Muslim bears. However, this is not to say that Allah needs to know through disclosure the activities of the IFI. Indeed, Allah knows and hears everything and is Omniscient: *'I know what you reveal and I know what you hide' (Quran, 3:33).* As representative organizations, IFIs have a duty to disclose their compliance with *Sharia* to stakeholders. This is because the stakeholders have a relationship or are represented in some form or manner by IFIs even if the IFI has no direct contractual relationship with the individuals. As Maali et al (2006) explains, "The requirement for Muslims to uncover the truth is intended to help the community to know the effect of a person or a business on its wellbeing" (p.273). Maali et al (2006**)** categorizes three broad objectives that are used as the basis for disclosures by Islamic businesses: To show compliance with Islamic principles; to show how operations of the business have affected the wellbeing of Islamic community and help Muslims to perform their religious duties.

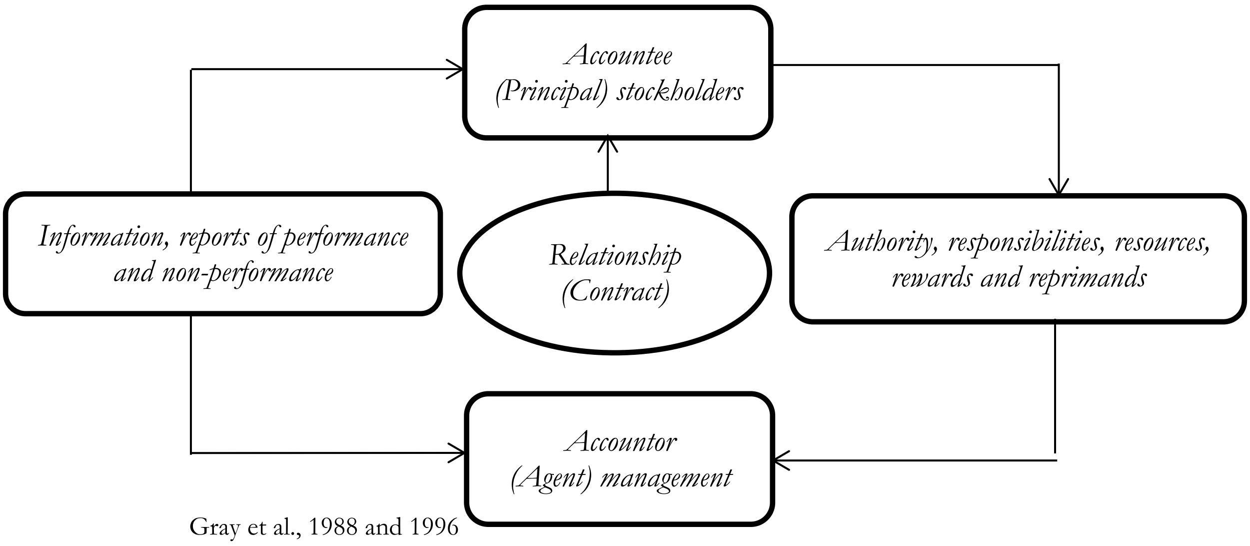
In the context of accountability, one of the major goals of accounting is to provide a fair information flow between the accountor and the accountee (Anuar et al., 2009). Based on this concept, accounting plays an important role in providing information to stakeholder groups and the community at large, and to fill any religious duty. As a result, corporations are responsible for publishing their reports for the benefit of users (Gray et al., 1995). If the purpose of accounting information is to serve the public interest, it follows that in an Islamic context the Umma (Islamic nation) has the right to know about the effects of the operations of the organisation on its well-being and to be advised within the requirements of *Sharia* as to how this has been achieved. Accountability is thus interpreted as being, first and foremost, accountability to God through making information freely available. Truthful and relevant disclosure of information is important, in different aspects of Islamic life. There are responsibilities such as paying zakat, the calculation of which requires disclosure of the worth of assets and liabilities in terms of the religious obligation to succour the poor, for it indicates a Muslim's capacity to do so. Full disclosure is necessary for predicting future obligations and assessing investment risk.

Some researchers argue that financial reporting is the one way for managers of a company to discharge their accountability to society. Based on the above and on the accountability framework, it is argued that full disclosure by IBs is a way of discharging their responsibility to Allah first then to the society; investors and other stakeholders. On the other hand, limited disclosure or linked increased disclosure level with expected benefits is insufficient to reflect the concept of accountability from the perspective of *Sharia* (e.g., Lewis, 2001; Baydoun and Willett, 2000). In the Holy Quran, full disclosure is mentioned in several places by referring to "relevance", one meaning of which is the disclosure of all fact. According to Lewis (2001) and Maali et al (2006), relevant information from the perspective of Islam means that financial reporting may disclose true, fair and accurate information. Regarding truth, it is mentioned in some places, such as: *"And do not mix the truth with falsehood or conceal the truth while you know [it]" (*Quran, 2:42) And in terms of the aspect of justice: *"O you, who have believed, be persistently standing firm in justice, witnesses for Allah, even if it be against yourselves or parents and relatives"* (Quran, 4:135).

2.1.4 Accountability Framework

As discussed in the previous section; comparing between Western and Islamic approach shows the added value for IBs through adopting the holistic framework of accountability from the divine approach. Therefore; clarify model of accountability from Western approach provides a clear difference and contributions for the framework from an Islamic approach.

Figure 4: *Accountability model from Western approach*

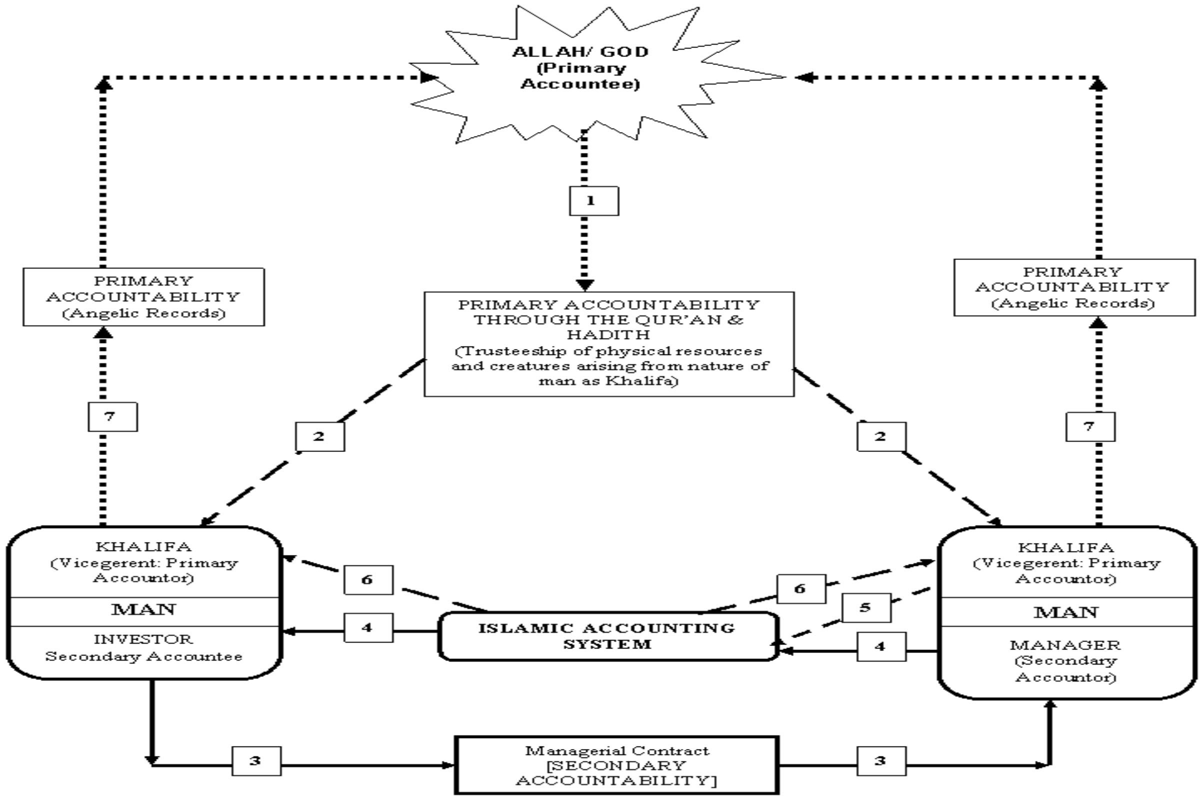


Gray et al., 1988 and 1996

One definition of accountability, using a principal-agent contract model, is that of Gray et al (1995). Based on figure 4, an Accountee (principal) especially owners or stakeholders of the firm enters into a contractual relationship with an agent (Accountor) or management. The Accountee gives the power over resources along with instructions about actions and rewards to the accountor. The accountor is supposed to take certain actions and refrain from others in managing the resources given to him, to meet certain objectives and to account to his principal through giving information, report of financial as well as non-financial performance about his actions to him.

From an Islamic approach; Hameed (2001) proposes Islamic accountability model based on the dual stewardship model of Chen (1975), Gray et al (1995) accountability model and Islamic concept of Khalifa (Vicegerent on earth). Chen (1975) offers a broader view of stewardship as encompassing both financial and social stewardship. He asserts that the concept of stewardship arose from the religious, teachings that man is a steward of God for the resources given to him (a concept akin to the Islamic concept of Khalifa and Amanah (trusteeship). Man as God's steward owes a responsibility to use the property effectively not only for himself (secondary stewardship function) but also has a social responsibility for others around him (primary stewardship function). The Islamic accountability model is premised on Islamic organisations and Muslim owners /investors having dual accountabilities. The prime accountability arises through the concept of khalifa in Islam whereby a man as well as institution as Islamic bank is a trustee (khalifa) of Allah's (God's) resources. Under the khalifa concept, he is also accountable to Allah for the care of other human beings (specifically local community, society and employees, in the case of organisations), animals and environment. However, this transcendent accountability is made visible (through the revelation of the Quran and Hadith) to both investors and managers, in the form of Islamic teachings. The secondary accountability is established by contract between the owner/investor and manager. The secondary accountability contract between the owner/investor and manager implicitly or explicitly embeds the primary accountability stipulations of Islam. As the company performs its activities the Islamic accounting system identifies, records, measures and reports these socioeconomic activities to the investor thus discharging the secondary accountability. However, the Islamic accounting system also identifies measures and reports the socioeconomic activities pertaining to social/economic/environmental and other issues to both the owner/investor and the manager. The information thus disclosed enables both these parties to monitor the activities of the organisation and ensure their primary accountabilities in their capacities as khalifa of Allah, are discharged. The Angels of course record these actions and account this to Allah according to Islamic belief. These information flows complete the primary accountability cycle. The proposed model is illustrated in figure 5.

Figure 5: Accountability model from Islamic approach

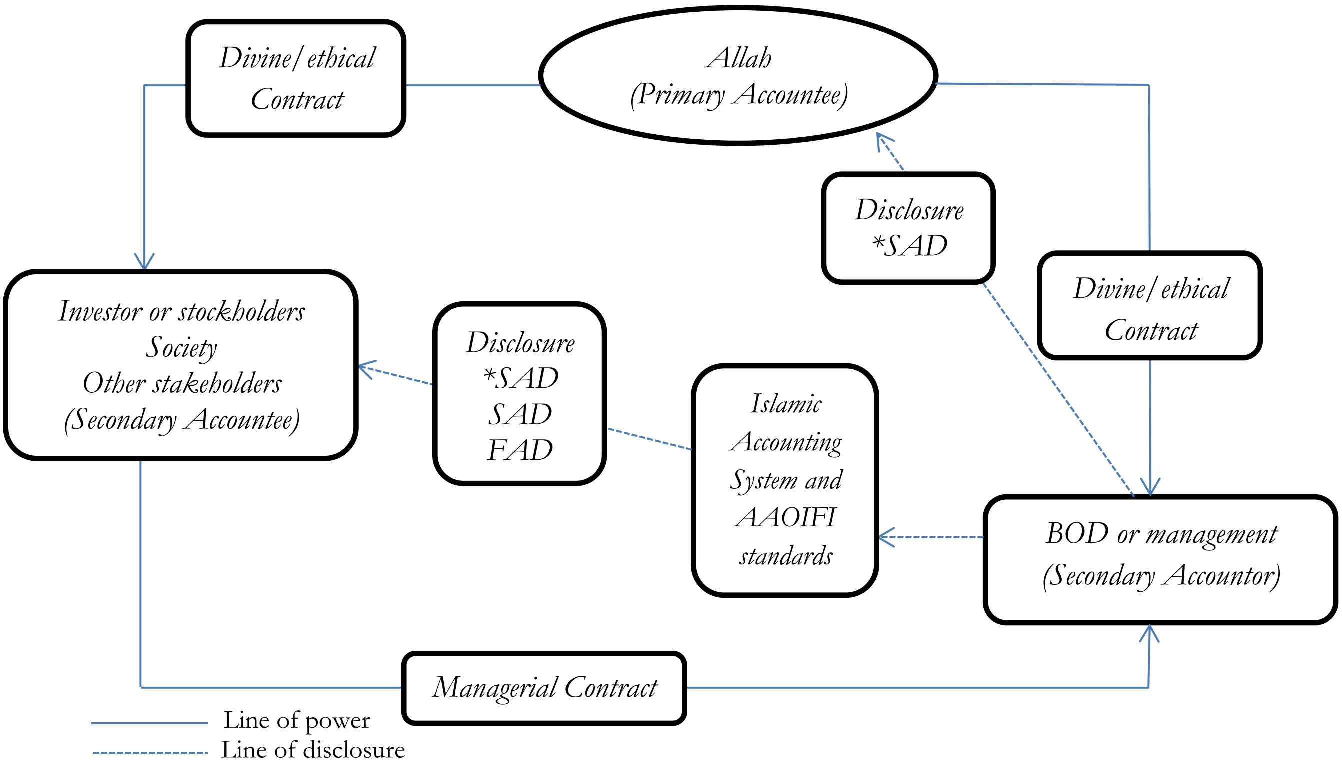


Hameed (2001)

The previous models for accountability have little but important lacks. For Gray model; it just focused on the association between the agent and principal without consider Allah as a main accountee from an Islamic perceptive. For Hameed model, the model is mainly applicable for Muslim as a general more than for institutions as Islamic banks. Hameed (2001) considers investor as an only secondary accountee. The author modifies the previous models. Based on the suggested model (figure 6); there are two accountability cycles, one to God and one to stakeholders. The accountability to God is partly transcendent and represents the primary one for Islamic banks. This accountability comes from the Muslim belief that Allah will account for everything on Judgment Day and every individual will be held accountable for what he or she did and whether their actions were in keeping with *Sharia* or not. Allah has mentioned that everybody will be asked about her/his actions. As Allah has mentioned *that "And stop them; indeed, they are to be questioned" (Quran, 37:24) "So by your Lord, We will surely question them all, about what they* *used to do"* (Quran, 15:92-93). Based on modified model; the secondary accountee not contains just only investor as Hameed' model but it also contains society as well as other interested parties.

The second accountability shows the association between IBs and stakeholders which contains three main groups (stockholders; society and other stakeholders). The model shows that, this accountability whatever to Allah or to stakeholders can achieve through full disclosure. This disclosure can attain through Islamic accounting system as well as adopting Islamic standards as AAOIFI. Based on this mode; IBs are required to disclose full information about *SSF* to satisfy Allah as well as all stakeholder particularly stockholders and society. Therefore, the corporate disclosure level may not link with specific determinants as profitability and size. It also may not link with the consequences whatever economic as FV or non-economic as stakeholders loyalty.

Figure 6: *Modified accountability model from Islamic approach to IBs or any IFIs*



***SAD**: Sharia accountability disclosure; **SAD**: Social Accountability disclosure; **FAD**: Financial Accountability disclosure

Based on this model; Allah is the primary accountee who gives power to management to manage the firms as well as gives investors and all stakeholders power of money to invest. The power is restricted by compliance with *Sharia*. Related to the contract; first, there is a divine and ethical contract between Allah and BOD to manage Islamic banks based on *Sharia* rules and to achieve *Sharia*; social and financial objectives. Second; there is also a divine and ethical contract between Allah and all stakeholders as investors to invest their money based on *Sharia* as well as to benefits all society and giving zakat and Qard Hassan. Thirdly, there is a managerial contract between stakeholders and BOD to manage and invest based on *Sharia* as well as gain high return in additional to invest on society as financing developed and social projects. In the other side; BOD is required to approve their compliance with *Sharia* which contains also serving society for Allah as a primary accountee. BOD also required disclosing full information for investors; society as well as other stakeholders about the three accountabilities (*SSF*). The applicable mechanism that can assist and support BOD to achieve this corporate disclosure is adopting AAOIFI standards through using Islamic accounting system.

Part Two: Conceptual Framework of accountability and disclosure

2.2.1 Introduction

Theory is a conception of the relationship between things. It refers to a mental state or framework and, as a result, determines, inter alia, how we look at things, how we perceive things, what things we see as being joined to other things and what we see as 'good' and…'bad' (Gray et al., 2009). Theory is defined by the Cambridge Dictionary (2009) as 'a formal statement of the rules on which a subject of study is based or of ideas, which are suggested to explain a fact or event or, more generally, an opinion or explanation'. For Krauss (2005) "the researcher is a unique individual and…all research is essentially biased by each researcher's individual perceptions" (p.760). The question might arise here, why may the researcher reflect on the adoption and adaptation of theory? This is because there are different approaches. If someone were to assume they could develop a descriptive theory by simply 'observing', this would overlook perceptual biases and issues of interpreting meaning (Gray et al., 2009). Consequently, it may be inferred that searching for an appropriate theory represents a key part of the research process. Gray et al (2009) argue that "the lens of theory enables us to evaluate practice and policy against criteria that we deem appropriate" (p.3). Moreover, there is a strong and mutual relationship between theory and research, where theory determines the kind of data that may be collected and outlines prior argumentation. In researching the social, researchers use description and interpretation, and thus require a specific approach and theory (Fawcett and Downs, 1986)

The theoretical framework of the current study enables researcher and reader to see how the findings are accurately related to the research questions and hypotheses. In other words, it plays a significant role in the explanation or justification of the link between what the researcher expected, and the findings. Islamic corporate accountability for IBs is considered to be the heart of the current study; thus, this section aims to explain potential theories related to Islamic accountability and role of disclosure to achieve these accountabilities.

On the subject of Islamic accountability as an accounting topic, a number of theories have been used in the literature to explain its role. Certain theories offering a relevant framework to explain the effect of Islamic accountability might be more appropriate and relevant to some environments than others and can vary from country to country (Mallin, 2010). Generally, the prime theories employed by prior studies and dominant theories which have mainly influenced the advancement of Islamic accountability are: agency theory, signalling theory and stakeholder theory (Mallin, 2010) with focus on main sources for any Islamic thoughts which is Quran and Maqasid Al-Sharia (Objectives of *Sharia*) as guide for understanding the objectives of accountability from an Islamic approach. Agency theory concentrates on the relationship between the principal and agents who are given the authority to manage the principal's interests and make beneficial decisions. According to stakeholder theory, society expects corporations to behave in a manner which is beneficial in terms of their social or economic role.

2.2.2 Accountability Theory

According to accountability theory, the term 'accountability' refers to the duty of accountors (agents/directors/managers) to provide an account (information/report) to accountees (stakeholders/users/society). Based on definition of Gray et al (1995) for accountability, to discharge this accountability requires providing information, financial and nonfinancial. Some accountees have a legal right to information. Some stakeholders may have a contractual relationship but not expect an account, e.g. employees (Gray et al., 1995), if it may yet be deemed desirable that the firm is accountable to them. Moreover, part of emancipatory accounting is to render an entity's socio-economic activity visible. Making social problems visible may be seen as an emancipatory potential of accounting, as providing information may bring nearer a resolution

Further, the accountability between accountee (principal) and accountor (agent) differs depending on the accountee. For example; managers may be accountable to workers for their salary and health and safety, as well as all employees' rights, while employees may be responsible for their work performance. From an Islamic approach; Muslims as well as IBs are accountable to Allah to obey him and worship as well as comply with his *Sharia*. From this, one can understand that accountability may be determined by the contractual relationship between the different parties (Gray et al., 1995). On another hand, some have a deeper view regarding the meaning of accountability. Jeremy Bentham has such a view, as reported by Gallhofer and Haslam (1994a) 'Accountability is not so much about holding responsible and judging behaviour; nor does it assume a simple agency-principal relation…Accountability appears equivalent to the ability to render accounts conducive to well-being' (p.326). Nevertheless, doubtless the initial accountability, which organisations may take into account, is laid down in law, where each entity has to provide an account to all interested parties, but the arguable issues are in account details.

Accountability from an Islamic perspective means first responsibility towards Allah as a main accountee then owners as well as society and other stakeholders. Thus; accountability theory is applicable for this study through extending this concept to contain more than investors and owners for IBs. This study modifies the concept of accountability from an Islamic approach which may have an influence on categories of disclosure. IBs based on this concept required to disclose SSF information to satisfy Allah as well as all stakeholders.

2.2.3 Agency Theory

Agency theory has been widely employed by scholars in various academic areas such as accounting, economics, finance, marketing, political science and sociology (Clark, 2004). Primarily, an agency relationship originates from the separation between ownership and management, when one or more principals engage another person as their agent to perform services on their behalf (ICAEW, 2007). Thus, the emergence of the agency theory approach has been utilized to describe the relationship within organizations. The theory concentrates on the relationship between the principal (owners) and agents (management) who are given the authority to manage the principal's interests and make beneficial decisions (Jensen and Meckling, 1976). On the other hand, the principal requires information which is used to evaluate the performance. This can result in problems of information asymmetry, which leads to agency problems such as: moral hazard and adverse selection (Hoque et al., 2007), which stems from the fact that managers may act in their own interests to maximize their personal wealth.

Jensen and Meckling (1976), proponents of the agency theory, define agency relationship as "a contractual relationship between the shareholder as the principal and the managers as the agent who are given some authority to perform services on behalf of the principal" (p.5). One of the primary concerns over this contractual relationship is the conflict of interest between the two parties. The underlying assumption of this agency problem is that, because a management's pay-related benefits are based on the firm's performance, they tend to behave in a manner that would fulfil their self-interests (Kim and Mahoney, 2005; Ryan and Schneider, 2003). Such behaviour amongst the management serves as an opportunity cost to firm as it contradicts long term wealth maximization aim of shareholders (Demirag et al., 1994). From an Islamic approach; agency theory defined relationship between Allah and stakeholders as principal and managers as agent.

This theory suggests that a firm has incentives to disclose information about itself to owners following the agency theory concept. One aim of the agency theory is to provide an explanation of the nature of the demand for financial information and the cost of disclosing such information (Kam, 1990). It is clear that the owners and the managers have different interests in a firm. This leads owners to contract with managers in such a way as to decrease conflicts between the objectives of the two groups. Consequently, in monitoring agency contracts with management, cost will be incurred. One means by which owners can monitor employment contracts with their management is financial disclosure. This traditional type of disclosure is referred as to accountability to the owners of the firm. Various researchers have argued that voluntary disclosure lowers the agency monitoring costs (e.g., Chow and Wong Boren, 1987). Therefore, reporting accounting information reliably to the owners is the best way for managers to minimise the agency monitoring costs (Holthausen and Leftwich, 1983).

Within agency theory, disclosure is viewed as one form of monitoring mechanism used by investors. It has the potential to reduce the gap of information asymmetry between an agent and the managers (Huang and Zhang, 2008). In other words, disclosure is recognised as one of the possible solutions to the agency problem (Eng and Mak, 2003). Well informed investors are expected to scrutinize firms on the basis of the information provided to them and this subsequently reduces the agency cost (Junker, 2005). Given that disclosure is effective in limiting agency cost (Huang and Zhang, 2008), agency theory has been widely used in the prior literature to explain variations in disclosure as well as corporate governance. Solomon (2007) argues that "Theoretical frameworks suggesting that companies may be accountable only to their shareholders are not necessarily inconsistent with theoretical frameworks which champion stakeholder accountability, The reason underlying this argument is that shareholder's interest can only be satisfied by taking account of stakeholder interest" (p.14). This implies that, systems based on agency theory tend to protect the interests of both shareholder and stakeholder at the same time. A disclosure decision not only offers lower information asymmetry to shareholder in particular but also to other market players in general. Agent theory is concerned with two problems: Firstly, the conflict of goals between the principal and the agent, and secondly, the difficulty or cost born by the principal to verify what the agent is actually doing (Eisenhardt, 1989). The applicability of agent theory to problems of accountability is obvious (Iszkowski, 2007). Consequently, the relationship between accountor and accountee is often interpreted as one between agent and principal (Bovens, 2007). Provision of information is a crucial element of the accountability process: The agent is obliged to inform the principal about current or planned behaviour and actions in order to reduce information asymmetries (Auel, 2008).

Eisenhardt (1989) concluded that agency theory can be used within the research studies "…that relate to information asymmetry in cooperative situations" (p.71). Given that the present study is designed to examine disclosure (which is associated with information asymmetry in principal agent relationships), and corporate governance (which mainly deals with how to reduce the conflict of interest in principal-agent relationship), agency theory is found to be one of the most relevant theory for the purposes of the study. Moreover; from an Islamic perspective; managers who run firms are trustworthy (Siebels and Knyphausen-Aufseb, 2012). Managers' interests are aligned with owners' interests (Davis *et al.,* 1997). Agents have access to information about the firm, which makes them highly capable of working towards the firm's welfare. Firms' managers seek to employ the firms' resources in the best possible way to maximise the firms' value (Nicholson and Kiel, 2007). Based on these arguments, board of IBs are trustworthy by comply their accountabilities towards Allah and all stakeholders. Stakeholders expect a full disclosure about SSF from this trustworthy board

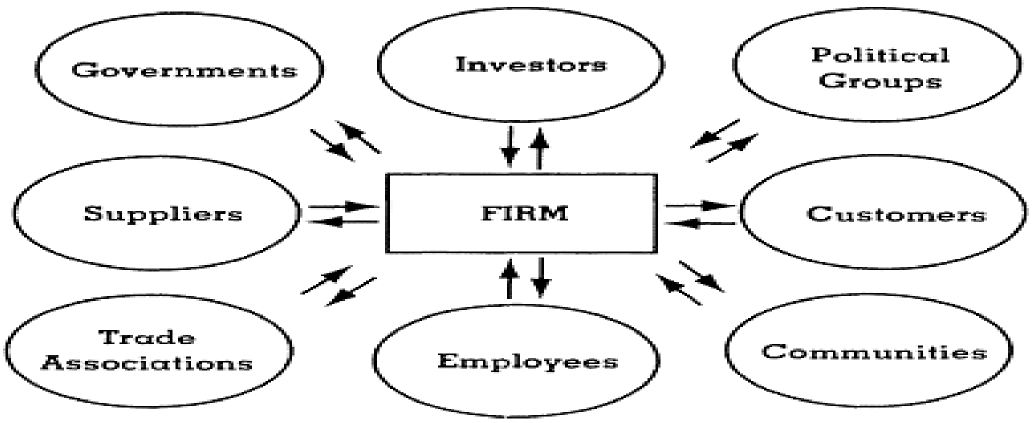
Based on the agency theory, the agent (Management) is responsible towards owners who give them the authority to manage the firm. However, based on Islamic context, the management is responsible first towards Allah who create and give them power then responsibility towards owners and other stakeholders comes second. Thus, this study can explore for what extent the stockholders effected by Islamic banking's adoption for accountability mechanism. This study moreover can test to what extent disclosure of these banks reflects *SSF* accountability. Then, this study can test for what extent this expending concept can effect on the management of Islamic banking; opinion of IBs customers and even effects on the Islam's image. Thus, this study extend the scope for the agency theory through add new dimension for the contract between agent and owners which is accountability towards Allah and importance of disclosure about SSF on achieving this contract accountability. Furthermore; this theory applicable for this study though measuring the main determinants behind SSFD for IBs and for what extent firm characteristics as well as CG have an impacts of disclosure level about the three accountabilities.

2.2.4 Stakeholders theory

Many studies have argued about the narrow governance relationship underlying agency theory between the board of directors, the shareholders and the management in understanding the complexities within an organisation (e.g., Christopher, 2010), and its inability to explain accurately the diversity of CG arrangements in different institutional contexts (Aguilera and Jackson, 2003). Stakeholder theory refutes the claim of the limited impact of corporations' activities on shareholders. The essence of stakeholder theory is the exposition that CG and accountability of management is wider than that offered by agency theory and is extended to incorporate other stakeholders. By broadening the CG spectrum, stakeholder theory examines situations where management, in addition to shareholders, also pursue the interests of other stakeholders (e.g., Solomon, 2010; Collier, 2008; Caldwell and Karri, 2005).

Freeman (1994) offers clarity by defining stakeholders as "any group of individuals who can affect or is affected by the achievement of the organization's objectives" (p.46). Solomon (2010) explains the theoretical basis of stakeholder theory as follows: "Firms are so large, and their impact on society so pervasive, that they may discharge accountability to many more sectors of society than solely their shareholders .... Not only are stakeholders affected by companies, but they in turn affect companies in some way" (p.15). Unlike agency theory, stakeholder theory assumes that managers are accountable to all stakeholders (Chen and Roberts, 2010). Donaldson and Preston (1995) argue that; stakeholders are all parties that have an interest in firm and can exercise power influencing its activities. They summarise the stakeholders as shown in figure 7.

Figure 7: *Stakeholders based on model of Donaldson and Preston (1995)*



Stakeholders' expectations of a company differ. For instance, shareholders expect a rewarding return, while employees expect a good income and job security. However, creditors expect firm to have a strong financial position in order secure the safety of their investments, while policy-makers expect compliance with CG regulations for stakeholders' protection. Furthermore; shareholders expect from IBs a compliance with *Sharia*; serving society as a part from *Sharia* accountability in additional to the previous expectations. The Islamic value of Zakat and Qard Hassan encourages benevolence to society; therefore, it can be reasonably expected that IBs are more likely to be socially responsible. In relation to agency theory, the theoretical exposition of CG in stakeholder theory implicitly rejects the notion that shareholders' wealth maximization is the only aim of a corporation. The management is argued to have the responsibility to select activities and direct resources to obtain benefits for all legitimate stakeholders (Donaldson and Preston, 1995). Carroll and Buchholtz (2009) asserted "task of management is not only to deal with the various stakeholder groups in an ethical fashion but also to reconcile the conflicts of interests that occur between the organisation and the stakeholder groups" (p.23). The fiduciary duty of management has to suit interests of all parties under the ambit of stakeholder theory.

With respect to organisational norms, IBs are viewed as a community embracing a set of norms and values based on *Sharia* principles. Hence, they develop a distinctive corporate culture underpinning their various activities and operation. These corporate cultures certainly influence the norms and values of various stakeholder groups that interact with IBs. In particular, much overlapping can be expected between the norms and values of the organisation and those of the employees, managers, shareholders, depositors and other stakeholder groups respectively, since they share the common norms and beliefs. If there is any conflicting expectation among the various stakeholders of IBs, *Sharia* norms and principles prevail in dictating which of the behaviours are desirable or not. For example, if a conflict exists between shareholders' interests and communities' interests at large, the latter may prevail as Islam puts emphasis on the interest of the public over private interest according to principles of Maslaha (Benefits)[7].

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[7] The legal term *maslaha* means 'the common good,' or, 'in the public interest.' The famed jurist and philosopher al-Ghazali (1970) defined *maslaha* just under a thousand years ago: *"What we mean by maslaha is the preservation of the objective [maqasid] of the Law [shar], which consists of five things: the protection of religion, life, intellect, lineage, and property.*

Based on stakeholders theory; corporations may be operated not only for the financial benefit of their owners, but also for the interests of the relevant broader society (Chen and Roberts, 2010). Furthermore; executive directors are equally accountable to all stakeholders, not only the firm's owners and creditors, but also other corporate stakeholders, as employees, government, local community and customers (Clarke, 1998). It can contribute based on Islamic approach; executive directors of IBs are accountable to Allah as a primary stakeholder. Disclosure could be employed to satisfy stakeholders' expectations about corporate performance with regard to SSF aspects. Ulmann (1985) argued that firms use disclosures in order to manage its relationships with their stakeholders. Stakeholder theory has been criticised from two perspectives (Sternberg, 1997): (I) the assumptions of stakeholder theory conflict with the central objective of the firm as seeking to maximise the wealth of shareholders; (II) it also conflicts with the agent-principal relationship, which suggests that managers are primarily accountable to shareholders. Stakeholder theory is arguably incompatible with the basic principles of holistic accountability of IBs. But, stakeholder theory remains a key CG and accountability theory (Solomon, 2010).

Gray et al (1995) argue that among the theoretical perspectives, stakeholder theory draws a clear understanding to motive behind voluntary disclosure information. Based on stakeholder theory the firm will not be able to continue without stakeholders support. Consequently, firms' CG mechanisms are likely to encourage activities that lead to stakeholders' acceptance to ensure continuity. The effort performed to achieve stakeholders acceptance varies from company to another according to stakeholders' power. Therefore, companies facing powerful stakeholders need to show more concern for their issues to get stakeholders' approval based on disclosure. Gray et al (1995) added that disclosure forms part of firms' communication with stakeholders reflecting firms' appreciation and respect for society.

Disclosure is one of the mechanisms used to communicate a firm's accountability, which is likely to assist in developing their reputation and shaping their image based on this theory. In

*Whatever ensures the protection of these five principles [usul] is maslaha; whatever goes against their protection is mafsada, and to avoid it is maslaha" (p.*1111) doing so, companies strengthen their link with stakeholders and maintain their existence, business growth, and continuity (Branco and Rodrigues, 2006). For example; CSR concept as one IB's accountabilities evolved to be a significant form of firms' competitive strategy (Gugler and Shi, 2009). CSR can be used as a tool to resolve conflict among different stakeholders which is could be explained by stakeholder theory (Jo and Harjoto, 2011). Stakeholder theory highlights that each group of stakeholders has diverse incentives to deal with a firm and is looking for different benefits from their relationship. Therefore, if a firm addresses the concerns of limited stakeholders groups and neglects other stakeholders, their advocacy might be compromised (Kolk and Pinkse, 2010). Communicating information through annual reports is a response to stakeholders' demands for higher transparency and societal involvement as well as meeting the expectations of market actors (Arvidsson, 2010). Stakeholder theory clearly refers to the influence of stakeholders' expectations on a firm's disclosure strategy —corporate disclosure is a management tool for managing the informational needs of the various powerful stakeholder groups (Reverte, 2009).

According to the above discussion, to achieve the trust of significant stakeholders, as well as investors, in additional to satisfy Allah as a main IBs' stakeholders, IBs might show their acknowledgement and response to stakeholders needs as well as a higher level of transparency in illustrating their SSF practices. Disclosing SSF information reflects banks' involvement in the community and efforts performed to safeguard assets as well as reflect IBs' compliance with *Sharia* and financial performance. Indeed, effective and continuous dialogue illustrates the firm's behaviour and assists in obtaining stakeholders' engagement (Hess, 2007) as well as attracting trust and providing competitive edge against peers (Simpson and Koher, 2002). This study modifies model of Donaldson and Preston (1995) through adding other stakeholders which represent based on Islamic approach is the primary one who banks may consider his obligations and provide full disclosure especially related to compliance with *Sharia* as well as social accountability towards society as Zakat and Qard Hassan. This one is Allah who is the primary accountee for management of IBs. This contribution for this model may reflect on the perceptions of IBs' management towards disclosure about SSF.

For the stakeholders theory; the main stakeholders for corporation are divided into two main groups which are primary as customers and secondary as society. However, based on the Islamic context, accountability towards Allah may be the main stakeholders for any IFIs and may be shown in the disclosure and linked with consequences of acts as well as linked with disclosure about these acts. This theory is applicable for this study through measuring the role of IBs towards several stakeholders by testing disclosure about their accountabilities (e.g., compliance with sharia to satisfy Allah as well as Muslim investors; servicing the society to satisfy Allah as well as society and finally achieving high financial performance to satisfy owners).

2.2.5 Signalling Theory

This study primarily makes use of agency theory; it is also worth noting that some prior studies use signalling theory to explain corporate disclosure decisions (e.g. Wang et al., 2008). Signalling theory is considered to be an extension of agency theory (e.g., Buskirk, 2012; Jensen and Meckling, 1976). It was developed to explain the information asymmetry between managers and shareholders (e.g., Black et al., 2006a; Morris, 1987). According to signalling theory, a manager discloses information in order to reduce information asymmetry and to signal to outsiders that a firm is performing better than its peers (Álvarez et al., 2008). Signalling theory posits that, investors rely on the information delivered by firms (Abhayawansa and Abeysekera, 2009), highlighting that the credibility of information is crucial in ensuring lower information asymmetry (Hughes, 1986). In this regard, "A good firm can distinguish itself from a bad firm by sending a credible signal about its quality to capital markets. Bhattacharya and Dittmar (2004) argue that signal will be credible only if the bad firm chooses not to mimic the good firm by sending the same signal" (p.1).

Signalling theory can be applied in the event of information asymmetry, and hence this problem may be reduced when the party who has more information signals it to other interested parties. Signalling is a common phenomenon applicable in any market with information asymmetry (Morris, 1987). Therefore, this theory was used to explain managers' incentives to disclose more information in financial reports (e.g. Haniffa and Cooke, 2002). Managers have to disclose adequate information in the financial statements to convey specific signals to potential users. Morris (1987) claims that in order to ensure that information signalling from firms is effective in reducing the information asymmetry the signalling costs "must be borne by agent so that he has an incentive to signal truthfully" (p.51). Based on this theory; IBs, will wish to distinguish themselves from IBs that are not full comply with the holistic accountability through voluntary disclosures about SSF dimensions. It is hoped that this information could assist the financial statement users in their decision making on the assumption that market discipline exists. From an Islamic approach; IBs will wish to signal their compliance with *Sharia*; high serving of society as well as financial performance to the market even if the performance is not good because disclosure by fair and truth is required in any situation. For this study; Signalling theory used to explain managers' incentives to improve SSF reporting in order to convey particular signals to the stakeholders. One can expect that they will report more information about their SSF practices, in order to signal themselves as high quality managers in the work market. Based on signalling theory; IBs can signal to outsiders that these banks are performing better than its peers as well as it's differentiate from others peers particularly conventional banks. These signals may contain *Sharia* and social disclosure. Moreover;

Signalling theory is the main theoretical framework that used to explain the economic consequences of disclosure through measuring association between SSFD and FV. Based on this theory, inclusive disclosure signals better CG and fewer agency struggles, then leading to higher FV (Sheu et al., 2010).

2.2.6 Economic Theory

Economic theory was developed by Jensen and Meckling in 1976. The underlying assumption of the existing economic theory is that the motivation to invest in acquiring information is based on the expected effect of the investment on the party's share of the contractual pie. A party invests in acquiring information in the pre-contractual phase on the basis of its belief that there is a high enough probability that some positive information will be revealed, and that information may enable it to receive or provide an asset whose value (costs) is higher (lower) than the price paid (received). When a disclosure duty is imposed, the investing party bears the costs of acquiring information before the contract is formed, but cannot extract the benefits, since the price would reflect the actual value of the asset (Jensen and Meckling, 1976).

In particular, this theory has been widely used by accounting researchers to explain and understand voluntary disclosure phenomena (e.g. Hossain et al., 1995; Meek et al., 1995; Haniffa and Cooke, 2002; Hossain and Taylor, 2007; Chen et al., 2008; Akhtaruddin and Hossain, 2008). A major link between economic theory and contemporary accounting thought is the notion that a firm's commitment to greater disclosure should lower costs of capital that arise from information asymmetries and effected positively on the firm value (Leuz and Verrecchia, 2000). A commitment to increased levels of disclosure reduces the possibility of information asymmetries arising either between the firm and its shareholders. This, in turn, should reduce the discount at which firm shares are sold, and hence lower the costs of issuing capital then increasing the firm value (Baiman and Verrecchia, 1996). Economic theory used in this study to measuring the impacts of increasing disclosure on the firm value. It argues that disclosure has positive impacts on FV (Lundholm and Van Winkle, 2006). Economic theory shows that increased level of corporate disclosures reduce information asymmetries between the agent or company and market participants, which have positive effects on the firm's stock liquidity then enhancing FV (Beyer et al., 2010).

2.2.7 Summary

The previous debate has revealed that there is no one specific theory which can elucidate Islamic accountability practices. Each theory looks at the disclosure phenomenon from a different perspective. In this context, Gray et al (1995) stated that different theoretical perspectives need to be seen as sources of explanation of different factors, at different levels of resolution, not as competitors for explanation. In line with this conclusion, Beattie and Smith (2012) documented that adopting more than economic and managerial theories will enable us to explain manager's incentives to disclose information. Importantly, the type of relationship between principals and agents is still ambiguous in Islamic banking system because of the shortage of research in this domain. It can be concluded that agency and stakeholders' theory are the most relevant theories to the research questions of this study related to the disclosure and determinants. The both of them predict that BOD and SSB will enhance the integrity of their financial reporting (Peasnell et al., 2005). In the other side; singling as well as economic theory are the applicable for measuring the economic consequences of disclosure. As result of this conclusion by previous studies, the argument needs to be tested empirically. SSF reporting incorporates financial and non-financial information. Previous research has found that, in such a setting, the incentives behind each type of disclosure and its importance would vary between disclosure topics or within its content (Kothari et al., 2009). Therefore, it will not be appropriate to use a specific theory, on its own, as a logical base for SSF reporting in practice. Moreover; for the previous theories and concerning with disclosure and based on the Islamic approach; disclosure about SSF may not be specify based on specific factors related to firm characteristics or CG as profitability; size firm and board size. For example; when firms gain high profitability levels, we expect a high disclosure level about SSF. However; IBs may provide full disclosure about SSF practices as truth agent; as accountability towards Allah and other stakeholders and as good signals for all interested parties.

Part Three: Accountability Framework from an Islamic context

(Survey of Quran)

2.3.1 Introduction

This section explores the main issues concerned with the Islamic accountability framework based of Quran's survey. Based on this survey, it explores verses that show the perfection of Islam and his book (Quran) as a guide for Muslim as well as Islamic banks in its services and activities. The survey indicates that, the accounting (Allah is recording everything and actions) is main foundation for Muslim's beliefs and it is also basis for accountability framework. Consequently, Allah guide and orders us to record; weight and measure by correct and justice way as he will account us. Based on the survey of Quran, this study concluded that, the accountability from an Islamic approach contains three main pillars which are Sharia /religion accountability; social/ethical accountability and economic and financial accountability. The consequences for adopting *Allah's Sharia* and implement the main three kinds of accountability can divide into earth's rewards and heaven's rewards. Finally, Quran shows that, implement Islamic *Sharia* may be the main priority for Muslim as well as Islamic banks than any other objectives as profitability.

2.3.2 Perfection of Islam (benchmark for Islamic banks)

This section explores the verses that indicate the perfection of Islam as a basic and guide for Muslim in his life as well as Islamic bank in his activities

Indeed, it is we who sent down the Qur'an and indeed, we will be its guardian (Quran, 15:9)

إِنَّا نَحْنُ نَزَّلْنَا ٱلذِّكْرَ وَإِنَّا لَهُۥ لَحَٰفِظُونَ ٩

And we have certainly diversified in this Qur'an for the people from every [kind of] example; but man has ever been, most of anything, [prone to] dispute (Quran, 18:54)

وَلَقَدْ صَرَّفْنَا فِى هَٰذَا ٱلْقُرْءَانِ لِلنَّاسِ مِن كُلِّ مَثَلٍ ۚ وَكَانَ ٱلْإِنسَٰنُ
أَكْثَرَ شَىْءٍ جَدَلًا ٥٤

And we have certainly presented for the people in this Qur'an from every [kind of] example - that they might remember (Quran, 39:27)

وَلَقَدْ ضَرَبْنَا لِلنَّاسِ فِى هَٰذَا ٱلْقُرْءَانِ مِن كُلِّ مَثَلٍ لَّعَلَّهُمْ
يَتَذَكَّرُونَ ٢٧

Falsehood cannot approach it from before it or from behind it; [it is] a revelation from a [Lord who is] Wise and Praiseworthy (Quran, 41:42)

لَّا يَأْتِيهِ ٱلْبَٰطِلُ مِنۢ بَيْنِ يَدَيْهِ وَلَا مِنْ خَلْفِهِۦ ۖ تَنزِيلٌ مِّنْ حَكِيمٍ
حَمِيدٍ ٤٢

And we have certainly presented to the people in this Qur'an from every [kind of] example. But, [O Muhammad], if you should bring them a sign, the disbelievers will surely say, "You [believers] are but falsifiers (Quran, 30:58)

وَلَقَدْ ضَرَبْنَا لِلنَّاسِ فِى هَٰذَا ٱلْقُرْءَانِ مِن كُلِّ مَثَلٍ ۚ وَلَئِن جِئْتَهُم
بِـَٔايَةٍ لَّيَقُولَنَّ ٱلَّذِينَ كَفَرُوٓا۟ إِنْ أَنتُمْ إِلَّا مُبْطِلُونَ ٥٨

And it was not [possible] for this Qur'an to be produced by other than Allah, but [it is] a confirmation of what was before it and a detailed explanation of the [former] Scripture, about which there is no doubt, from the Lord of the worlds (Quran, 10:37)

وَمَا كَانَ هَٰذَا ٱلْقُرْءَانُ أَن يُفْتَرَىٰ مِن دُونِ ٱللَّهِ وَلَٰكِن تَصْدِيقَ ٱلَّذِى
بَيْنَ يَدَيْهِ وَتَفْصِيلَ ٱلْكِتَٰبِ لَا رَيْبَ فِيهِ مِن رَّبِّ ٱلْعَٰلَمِينَ ٣٧

Then do they not reflect upon the Qur'an? If it had been from [any] other than Allah, they would have found within it much contradiction (Quran, 4:82)

أَفَلَا يَتَدَبَّرُونَ ٱلْقُرْءَانَ ۚ وَلَوْ كَانَ مِنْ عِندِ غَيْرِ ٱللَّهِ لَوَجَدُوا۟ فِيهِ ٱخْتِلَٰفًا
كَثِيرًا ٨٢

Other verses; 17:9; 33:21; 41:3; 4:65; 39:41; 32:2; 23:62; 11:1; 3:7; 5:3; 5:15; 5:48; 7:52; 10:37

2.3.3 Accounting

Account (Hesab) is the root of accounting (Kamla, 2007). A central Muslim belief is that Allah will account for everything on Judgment Day and every individual will be held accountable for what he or she did and whether their actions were in keeping with Sharia or not. As Allah has mentioned in the Holy Quran, every person will be asked to account for their actions on the Day of Judgment: *"And stop them; indeed, they are to be questioned" (Quran, 37:24).* Allah created humans on the earth with the Islamic tenet of Istekhlaf (vice-regency)[8], and the form of trust, individuals will then be trustees for everything that have from Allah, such as goods and property. Accountability, then, is the main basis for the Islamic system and all relationships within any Islamic society must consider this concept (Aljirari, 1996). Kamla (2009) indicates that "the basic similarities between hesab in Islam and accounting lie in the fact that, just as every Muslim has a responsibility to carry out the duties described in the Quran, so too are the management and providers of capital in a business enterprise accountable for their actions both inside and outside the enterprise" (p.927). In this context, accountability refers to the accountability to God that necessitates compliance with *Sharia*, the main aim of which is to achieve social justice within the Islamic community. Therefore, one of the principal aims of accounting in an Islamic society is to provide information that satisfies the accountability of those in the Ummah (Lewis, 2001). The verses related to this context contain two facts, first, Allah knows very think and second, that Allah through his angels record everything to account each slave in the day of judgement

[8] Allah had promised to those among you who believe and do good works that He will surely make them Successors in the earth, as He made Successors from among those who were before them; and that He will surely establish for them their religion which He has chosen for them; and that He will surely give them in exchange security and peace after their fear: *They will worship Me, and they will not associate anything with Me. Then who so is ungrateful after that, they will be the rebellious.* (Quran, 24: 56) This is known as the istikhlaf verse.

Indeed, it is we who bring the dead to life and record what they have put forth and what they left behind, and all things we have enumerated in a clear register (Quran, 36:12)

إِنَّا نَحْنُ نُحْيِ الْمَوْتَىٰ وَنَكْتُبُ مَا قَدَّمُوا وَآثَارَهُمْ ۚ وَكُلَّ شَيْءٍ
أَحْصَيْنَاهُ فِي إِمَامٍ مُّبِينٍ ﴿١٢﴾

Man does not utter any word except that with him is an observer prepared [to record] (Quran, 50:18)

مَّا يَلْفِظُ مِن قَوْلٍ إِلَّا لَدَيْهِ رَقِيبٌ عَتِيدٌ ﴿١٨﴾

This, our record, speaks about you in truth. Indeed, we were having transcribed whatever you used to do (Quran, 45:29)

هَٰذَا كِتَابُنَا يَنطِقُ عَلَيْكُم بِالْحَقِّ ۚ إِنَّا كُنَّا نَسْتَنسِخُ مَا كُنتُمْ تَعْمَلُونَ ﴿٢٩﴾

Or do they think that we hear not their secrets and their private conversations? Yes, [We do], and our messengers are with them recording (Quran, 43:80)

أَمْ يَحْسَبُونَ أَنَّا لَا نَسْمَعُ سِرَّهُمْ وَنَجْوَاهُم ۚ بَلَىٰ وَرُسُلُنَا لَدَيْهِمْ
يَكْتُبُونَ ﴿٨٠﴾

Whether you reveal a thing or conceal it, indeed Allah is ever, of all things, knowing (Quran, 33:54)

إِن تُبْدُوا شَيْئًا أَوْ تُخْفُوهُ فَإِنَّ اللَّهَ كَانَ بِكُلِّ شَيْءٍ عَلِيمًا ﴿٥٤﴾

And we place the scales of justice for the Day of Resurrection, so no soul will be treated unjustly at all. And if there is [even] the weight of a mustard seed, we will bring it forth. And sufficient are we as accountant (Quran, 21:47)

وَنَضَعُ الْمَوَازِينَ الْقِسْطَ لِيَوْمِ الْقِيَامَةِ فَلَا تُظْلَمُ نَفْسٌ شَيْئًا ۖ وَإِن
كَانَ مِثْقَالَ حَبَّةٍ مِّنْ خَرْدَلٍ أَتَيْنَا بِهَا ۗ وَكَفَىٰ بِنَا
حَاسِبِينَ ﴿٤٧﴾

And the record [of deeds] will be placed [open], and you will see the criminals fearful of that within it, and they will say, "Oh, woe to us! What is this book that leaves nothing small or great except that it has enumerated it?" And they will find what they did present [before them]. And your Lord does injustice to no one (Quran, 18:49)

وَوُضِعَ الْكِتَابُ فَتَرَى الْمُجْرِمِينَ مُشْفِقِينَ مِمَّا فِيهِ وَيَقُولُونَ
يَا وَيْلَتَنَا مَالِ هَٰذَا الْكِتَابِ لَا يُغَادِرُ صَغِيرَةً وَلَا كَبِيرَةً إِلَّا
أَحْصَاهَا ۚ وَوَجَدُوا مَا عَمِلُوا حَاضِرًا ۗ وَلَا يَظْلِمُ رَبُّكَ أَحَدًا ﴿٤٩﴾

And the weighing [of deeds] that Day will be the truth. So those whose scales are heavy - it is they who will be the successful (Quran, 7:8)

وَالْوَزْنُ يَوْمَئِذٍ الْحَقُّ ۚ فَمَن ثَقُلَتْ مَوَازِينُهُ فَأُولَٰئِكَ هُمُ
الْمُفْلِحُونَ ﴿٨﴾

But all things we have enumerated in writing (Quran, 78:29)

وَكُلَّ شَيْءٍ أَحْصَيْنَاهُ كِتَابًا ﴿٢٩﴾

Other verses; 2:255; 36:54; 39:69; 50:17; 50:21; 45:15; 3:9; 40:17; 39:69; 34:25; 31:16; 3:76; 11:111; 21:23;39:70; 4:40; 17:13; 17:14; 17:71; 16:89; 16:91; 16:111; 15:92; 14:42; 14:51; 13:8; 37:24; 64:9; 7:6; 3:25; 3:29; 64:4; 13:10; 67:13; 69:19; 74:38; 99:7,8; 87:7; 7:6; 7:8,9

2.3.4 Recording; Weight and Measure

This section explores Quran to identify the verses that indicate Allah's orders for all Muslim to weight and measure by justice. This measuring is representing accountability for Muslim as well as corporations as Islamic banks are an obligation not option as follows:

Give full measure and do not be of those who cause loss (Quran, 26:181)
۞ أَوْفُوا الْكَيْلَ وَلَا تَكُونُوا مِنَ الْمُخْسِرِينَ ﴿١٨١﴾
And weigh with an even balance (Quran, 26:182)
وَزِنُوا بِالْقِسْطَاسِ الْمُسْتَقِيمِ ﴿١٨٢﴾
And give full measure when you measure, and weigh with an even balance. That is the best [way] and best in result (Quran, 17:35)
وَأَوْفُوا الْكَيْلَ إِذَا كِلْتُمْ وَزِنُوا بِالْقِسْطَاسِ الْمُسْتَقِيمِ ذَٰلِكَ خَيْرٌ وَأَحْسَنُ تَأْوِيلًا ﴿٣٥﴾
And O my people, give full measure and weight in justice and do not deprive the people of their due and do not commit abuse on the earth, spreading corruption (Quran, 11:85)
وَيَا قَوْمِ أَوْفُوا الْمِكْيَالَ وَالْمِيزَانَ بِالْقِسْطِ وَلَا تَبْخَسُوا النَّاسَ أَشْيَاءَهُمْ وَلَا تَعْثَوْا فِي الْأَرْضِ مُفْسِدِينَ ﴿٨٥﴾
Other verses; 11:84; 7:29; 7:85; 83:1,2,3,4; 6:152; 4:58; 4:135; 2:284; 2:282; 2:283

2.3.5 Accountability

The accountability from an Islamic context is Amanah or Trust/honest for Muslim. The accountability towards Allah is mean worship of Allah and follows his orders. It means piety and fearing him and applying his *Sharia* in your life. The accountability of BOD of IBs can construct based on what prophet Mohamad when He (PBUH) saying, *"Any man whom Allah has given the authority of ruling some people and he does not look after them in an honest manner, will never feel even the smell of Paradise" (Sahih al-Bukhari, Book 89)*

Indeed, we offered the Trust to the heavens and the earth and the mountains, and they declined to bear it and feared it; but man [undertook to] bear it. Indeed, he was unjust and ignorant (Quran, 33:72)

إِنَّا عَرَضْنَا ٱلْأَمَانَةَ عَلَى ٱلسَّمَٰوَٰتِ وَٱلْأَرْضِ وَٱلْجِبَالِ فَأَبَيْنَ أَن
يَحْمِلْنَهَا وَأَشْفَقْنَ مِنْهَا وَحَمَلَهَا ٱلْإِنسَٰنُ إِنَّهُۥ كَانَ ظَلُومًا جَهُولًا ﴿٧٢﴾

And fear a Day when you will be returned to Allah. Then every soul will be compensated for what it earned, and they will not be treated unjustly (Quran, 2:281)

وَٱتَّقُوا۟ يَوْمًا تُرْجَعُونَ فِيهِ إِلَى ٱللَّهِ ثُمَّ تُوَفَّىٰ كُلُّ نَفْسٍ مَّا
كَسَبَتْ وَهُمْ لَا يُظْلَمُونَ ﴿٢٨١﴾

And fear a Day when no soul will suffice for another soul at all, nor will intercession be accepted from it, nor will compensation be taken from it, nor will they be aided (Quran, 2:48)

وَٱتَّقُوا۟ يَوْمًا لَّا تَجْزِى نَفْسٌ عَن نَّفْسٍ شَيْـًٔا وَلَا يُقْبَلُ مِنْهَا شَفَٰعَةٌ وَلَا
يُؤْخَذُ مِنْهَا عَدْلٌ وَلَا هُمْ يُنصَرُونَ ﴿٤٨﴾

And Allah created the heavens and earth in truth and so that every soul may be recompensed for what it has earned, and they will not be wronged (Quran, 45:22)

وَخَلَقَ ٱللَّهُ ٱلسَّمَٰوَٰتِ وَٱلْأَرْضَ بِٱلْحَقِّ وَلِتُجْزَىٰ كُلُّ نَفْسٍۭ بِمَا
كَسَبَتْ وَهُمْ لَا يُظْلَمُونَ ﴿٢٢﴾

O you who have believed, fear Allah as He should be feared and do not die except as Muslims [in submission to Him] (Quran, 3:102)

يَٰٓأَيُّهَا ٱلَّذِينَ ءَامَنُوا۟ ٱتَّقُوا۟ ٱللَّهَ حَقَّ تُقَاتِهِۦ وَلَا تَمُوتُنَّ إِلَّا وَأَنتُم
مُّسْلِمُونَ ﴿١٠٢﴾

Other verses; 2:30; 33:70; 84:6; 34:25; 34:42; 3:30; 51:56; 39:11; 35:18; 34:42; 28:84; 64:16; 10:47; 9:16; 6:164; 5:8; 2:123; 9:105; 41:46; 2:223; 3:76; 6:164; 10:4; 10:30

Based on the survey of Quran, this study concluded that, accountability from an Islamic approach contain three main pillars which are *Sharia*; Social and financial accountability

2.3.5.1 Sharia Accountability

The three major fundamental principles where mankind plays a vicegerent role on earth, their divine accountability to God and the obligation to enjoin good deeds and forbid evils forms (Farook, 2008). *Sharia* is holistic in orientation providing guidance for every aspect of practicing Muslims day-to-day life activities (e.g., Vinnicombe, 2010; Abu-Tapanjeh, 2009). Thus, *Sharia* acknowledges that practicing Muslims will inevitably have to engage in secular/material transactions, but specifies that such dealings must be guided by religious/spiritual/Islamic values of accountability, equity, fairness, morality, responsibility and social justice (Maali and Napier, 2010). In the context of modern large 'Islamic public corporations', a major way of ensuring that business transactions are *Sharia* compliant is to set up SSB. Among the SSB's functions are: (I) advising the board/management regarding the religious acceptability of business transactions; (II) providing independent reports to shareholders as to the compliance of management with Islamic business principles/values; and (III) auditing corporate accounts to verify accurate payments of Zakat (Lewis, 2006). To be effective in monitoring managers, SSB must depict accountability, independence, confidentiality, competence, and disclosure (Grais and Pellegrini, 2006).

One of the principles upon which *Sharia* was founded is to encourage the welfare of the people, protecting and improving their personal rights, property, wealth, etc... (Chapra, 1995), all activities are assembled into two classifications: the permissible (halal) and the forbidden (haram). *Sharia* is congregated into three sub-categories which are daruriyyat (Essentials), hajiyyat (Complementary), and tahsiniyyat (Embellishments). These three categories summarize the main objectives of *Sharia* in order of significance (Al-Raysuni, 2005; Opwis, 2005). Islam incorporates permanent features and mechanisms for adapting to change. While its fundamentals, among them `aqidah (creed), `ibadah (worship), and akhlaq (morality and ethics), never change, their manifestations in such secondary areas as economics, business, and other worldly activities require flexibility and development according to time and space (Kamali, 2007). This is embodied in the *Sharia*, which is central to Islam's worldview. Generally, the *Sharia* is predicated on benefiting the individual and the community, and its laws are designed to protect these benefits and facilitate the improvement and perfection of human life in this world. This perfection corresponds to the purposes of the Hereafter. In other words, each of its five worldly purposes (preserving faith, life, posterity, intellect, and wealth) is meant to serve the single religious purpose of the Hereafter.

That [is so]. And whoever honours the symbols of Allah - indeed, it is from the piety of hearts (Quran, 22:32) ذَٰلِكَ وَمَن يُعَظِّمْ شَعَٰٓئِرَ ٱللَّهِ فَإِنَّهَا مِن تَقْوَى ٱلْقُلُوبِ ٣٢
Who is it that would loan Allah a goodly loan so He may multiply it for him many times over? And it is Allah who withholds and grants abundance, and to Him you will be returned (Quran, 2:245) مَّن ذَا ٱلَّذِى يُقْرِضُ ٱللَّهَ قَرْضًا حَسَنًا فَيُضَٰعِفَهُۥ لَهُۥٓ أَضْعَافًا كَثِيرَةً ۚ وَٱللَّهُ يَقْبِضُ وَيَبْصُۜطُ وَإِلَيْهِ تُرْجَعُونَ ٢٤٥
O you, who have believed, fear Allah and give up what remains [due to you] of interest, if you should be believers (Quran, 2:278) يَٰٓأَيُّهَا ٱلَّذِينَ ءَامَنُوا۟ ٱتَّقُوا۟ ٱللَّهَ وَذَرُوا۟ مَا بَقِىَ مِنَ ٱلرِّبَوٰٓا۟ إِن كُنتُم مُّؤْمِنِينَ ٢٧٨
He has only forbidden to you dead animals, blood, the flesh of swine, and that which has been dedicated to other than Allah. But whoever is forced [by necessity], neither desiring [it] nor transgressing [its limit], there is no sin upon him. Indeed, Allah is Forgiving and Merciful (Quran, 2:173) إِنَّمَا حَرَّمَ عَلَيْكُمُ ٱلْمَيْتَةَ وَٱلدَّمَ وَلَحْمَ ٱلْخِنزِيرِ وَمَآ أُهِلَّ بِهِۦ لِغَيْرِ ٱللَّهِ ۖ فَمَنِ ٱضْطُرَّ غَيْرَ بَاغٍ وَلَا عَادٍ فَلَآ إِثْمَ عَلَيْهِ ۚ إِنَّ ٱللَّهَ غَفُورٌ رَّحِيمٌ ١٧٣
Other verses; 2:275; 2:276; 2:279; 3:130; 4:65; 24:51; 5:49; 5:90; 7:33; 9:71

2.3.5.2 Social Responsibility

IBs are described as having *a* "social face" (Mashhour, 1996). From the Islamic perspective, CSR revolves on the concept of ultimate accountability to God where human beings are stared as *'khalifah'* [9] and are predictable to relate with further humans in order to take care of the natural environment entrusted to them (e.g., Abbasi, et al., 2012). Siwar and Hossain (2009) indicated that Islam is not just a religion but as a holistic way of life. Muwazir et al (2006) highlighted that as a vicegerent, leaders in Islamic business corporations are required to practice CSR

[9] KHALIFAH is an Arabic word literally meaning *"one who replaces someone else who left or died"* (English: caliph). In the context of Islam, the word acquires a narrower meaning. The Muslim Khalifa is the successor (in a line of successors) to Prophet Muhammad's position as the political, military, and administrative leader of the Muslims.

fundamentally from the principle of Tawhid. Kamla et al (2007) identified that as a vicegerent, mankind needs to take care of the earth and the environment.

The concept of CSR in Islam involves a wider meaning embracing taqwa (God consciousness)[10] dimension by which a business as a group of individuals, assuming the roles and responsibility as servants and vicegerents in all situations (Dusuki, 2008). Furthermore, guided by the proper relationship with God, the person's daily interactions and transactions would be inspired by the values of truthfulness, firmness, fairness, and respect for the law, kindness, forbearance, tolerance and uprightness, instead of deceit, haughtiness, class consciousness, ostentation, insubordination, envy, backbiting and self-aggrandisement (Hasan, 2002). Hence, to fence off social responsibility and declare it to be off-limits to Muslim life would be a shocking violation of the principle of taqwa, which is the cardinal Islamic virtue. It would be tantamount to a denial of God himself with all the attending consequences in this world and in the Hereafter. Each Muslim is considered as a social being that cannot isolate his role and responsibility to the society or any of his fellow human beings so far so that he is discouraged from isolating himself even for the purpose of worshipping God (Majallat, 2001).

Therefore, CSR is a moral and religious initiative based on the belief that a company may be 'good' regardless of its financial consequences, be they positive or negative. This is not to suggest that Islam is against profitmaking. Rather, it is seen as a necessary condition, though not the sole purpose, of their existence (Hasan, 2002). The invocation of *Sharia* and the reflection of the taqwa-paradigm in business imply that the entrepreneur is no longer driven only by the principle of profit maximization, but also by the pursuit of the ultimate happiness in this life and the Hereafter, whereby he acknowledges his social and moral responsibility for the wellbeing of his fellow-men (e.g. consumers, employees, shareholders and local communities). Thus, individuals

[10] Taqwa is the most common word used for fear. It comes from the root wiqaayah, which means to protect and is used for a shield. Taqwa is to protect yourself from the consequences of your own actions. It implies self-restraint, guarding oneself from all sin and wrong deeds. It is to protect yourself in two ways: to abandon sinning and to adorn yourself with good deeds because you fear the punishment of Allah. Allah says *"And take a provision (with you) for the journey, but the best provision is At-Taqwa" (Quran, 2:197)*

and corporations are encouraged to sacrifice, give up, and spend their wealth on the poor and the needy of society while expecting reward only from God. In light of the discussion of maqasid al-*Sharia*, CSR assumes a broader and more holistic significance to Muslim managers, corporations, customers, and society as a whole. By doing so, they make themselves ultimately responsible to God, the owner of their very selves and the resources that they utilize and manage. This responsibility is, in fact, a function of the intrinsic quality of each Muslim's life as a trust from God (Al-Attas, 1996).

Who spend [in the cause of Allah during ease and hardship and who restrain anger and who pardon the people - and Allah loves the doers of good (Quran, 3:134)

ٱلَّذِينَ يُنفِقُونَ فِي ٱلسَّرَّآءِ وَٱلضَّرَّآءِ وَٱلْكَـٰظِمِينَ ٱلْغَيْظَ
وَٱلْعَافِينَ عَنِ ٱلنَّاسِ ۗ وَٱللَّهُ يُحِبُّ ٱلْمُحْسِنِينَ ﴿١٣٤﴾

Who is it that would loan Allah a goodly loan so He may multiply it for him many times over? And it is Allah who withholds and grants abundance, and to Him you will be returned (Quran, 2:245)

مَّن ذَا ٱلَّذِى يُقْرِضُ ٱللَّهَ قَرْضًا حَسَنًا فَيُضَـٰعِفَهُۥ لَهُۥٓ أَضْعَافًا
كَثِيرَةً ۚ وَٱللَّهُ يَقْبِضُ وَيَبْصُۜطُ وَإِلَيْهِ تُرْجَعُونَ ﴿٢٤٥﴾

And if someone is in hardship, then [let there be] postponement until [a time of] ease. But if you give [from your right as] charity, then it is better for you, if you only knew (Quran, 2:280)

وَإِن كَانَ ذُو عُسْرَةٍ فَنَظِرَةٌ إِلَىٰ مَيْسَرَةٍ ۚ وَأَن تَصَدَّقُوا۟ خَيْرٌ
لَّكُمْ ۖ إِن كُنتُمْ تَعْلَمُونَ ﴿٢٨٠﴾

Other verses; 2:43; 2:83; 2:110; 2:168; 2:177; 2:195; 2:215; 2:254; 2:261; 2:263; 2:265; 2:267; 2:272; 3:92; 5:12; 9:103; 9:60; 14:31

2.3.5.3 Financial accountability (Full Disclosure/ Transparency)

In the context of Islam, accountability is first and foremost to God (Allah), it nonetheless explicitly requires corporations to make true, fair, and transparent disclosure of financial facts and information not only to shareholders, but also to other stakeholders (Sarker and Sarker, 2012; Abu-Tapanjeh, 2009). Thus, IBs are arguably subject to greater monitoring and scrutiny than their non-Islamic counterparts. Therefore, corporations that voluntarily embrace and incorporate Islamic values into business operations signal their intention to commit to good governance standards. IBs are expected to disclose comprehensive information to the Ummah (Muslim nation) about how their activities meet *Sharia'* goals and improve the security (consistency/unity) of society (Maali et al., 2006; Lewis, 2001). Hopwood (2009) states that "these disclosures can be used to increase the company's legitimacy and, as such, may "even reduce what is known about the company" (p. 437).

In relation to organizations which are governed by the principles of *Sharia*, stakeholders expect certain behavioural practices by these organizations. For example, Hasan (2002) argues that the majority Muslim dominated society expects higher level of disclosure practices in companies' annual reports. Such disclosure is seen as a communication mechanism in promoting Islamic values practiced by companies. Wilson (1995) debated those IBs, as business entities that strive to meet religious obligations, need to compete with other banks to win clients. Consequently, IBs need to meet three purposes: run profitable operations for investors; serving the society and satisfy religious obligations (Wilson, 1997).

Give full measure and do not be of those who cause loss (Quran, 26:181)

﴿أَوۡفُواْ ٱلۡكَيۡلَ وَلَا تَكُونُواْ مِنَ ٱلۡمُخۡسِرِينَ ١٨١

And weigh with an even balance (Quran, 26:182)

وَزِنُواْ بِٱلۡقِسۡطَاسِ ٱلۡمُسۡتَقِيمِ ١٨٢

And give full measure when you measure, and weigh with an even balance. That is the best [way] and best in result (Quran, 17:35)

وَأَوۡفُواْ ٱلۡكَيۡلَ إِذَا كِلۡتُمۡ وَزِنُواْ بِٱلۡقِسۡطَاسِ ٱلۡمُسۡتَقِيمِۚ ذَٰلِكَ خَيۡرٞ وَأَحۡسَنُ
تَأۡوِيلٗا ٣٥

Other verses; 2:42; 11:84; 11:85; 4:58; 4:135; 7:85; 6:152; 5:8; 5:1; 2:282; 2:283

2.3.6 Consequences of implementing accountability concept

This section surveys verses that show the consequences and value added for Muslim as well as corporations as IBs through implement *Sharia* and follows his orders and obey him. These consequences based in Quran, can categorized into two main groups which are: Earth's Rewards and Heaven's Rewards as follows

And whoever obeys Allah and His Messenger and fears Allah and is conscious of Him - it is those who are the attainders (Quran, 24:52)
وَمَن يُطِعِ ٱللَّهَ وَرَسُولَهُۥ وَيَخْشَ ٱللَّهَ وَيَتَّقْهِ فَأُو۟لَـٰٓئِكَ هُمُ ٱلْفَآئِزُونَ ﴿٥٢﴾
Whoever does righteousness, whether male or female, while he is a believer - We will surely cause him to live a good life, and we will surely give them their reward [in the Hereafter] according to the best of what they used to do (Quran, 16:97)
مَنْ عَمِلَ صَـٰلِحًا مِّن ذَكَرٍ أَوْ أُنثَىٰ وَهُوَ مُؤْمِنٌ فَلَنُحْيِيَنَّهُۥ حَيَوٰةً طَيِّبَةً ۖ وَلَنَجْزِيَنَّهُمْ أَجْرَهُم بِأَحْسَنِ مَا كَانُوا۟ يَعْمَلُونَ ﴿٩٧﴾
For them who have done good is the best [reward] and extra. No darkness will cover their faces, nor humiliation. Those are companions of Paradise; they will abide therein eternally (Quran, 10:26)
۞ لِّلَّذِينَ أَحْسَنُوا۟ ٱلْحُسْنَىٰ وَزِيَادَةٌ ۖ وَلَا يَرْهَقُ وُجُوهَهُمْ قَتَرٌ وَلَا ذِلَّةٌ ۚ أُو۟لَـٰٓئِكَ أَصْحَـٰبُ ٱلْجَنَّةِ ۖ هُمْ فِيهَا خَـٰلِدُونَ ﴿٢٦﴾
And if only they upheld [the law of] the Torah, the Gospel, and what has been revealed to them from their Lord, they would have consumed [provision] from above them and from beneath their feet. Among them are a moderate community, but many of them - evil is that which they do (Quran, 5:66)
وَلَوْ أَنَّهُمْ أَقَامُوا۟ ٱلتَّوْرَىٰةَ وَٱلْإِنجِيلَ وَمَآ أُنزِلَ إِلَيْهِم مِّن رَّبِّهِمْ لَأَكَلُوا۟ مِن فَوْقِهِمْ وَمِن تَحْتِ أَرْجُلِهِم ۚ مِّنْهُمْ أُمَّةٌ مُّقْتَصِدَةٌ ۖ وَكَثِيرٌ مِّنْهُمْ سَآءَ مَا يَعْمَلُونَ ﴿٦٦﴾
Indeed, those who have believed and done righteous deeds - indeed, we will not allow to be lost the reward of any who did well in deeds (Quran, 18:30)
إِنَّ ٱلَّذِينَ ءَامَنُوا۟ وَعَمِلُوا۟ ٱلصَّـٰلِحَـٰتِ إِنَّا لَا نُضِيعُ أَجْرَ مَنْ أَحْسَنَ عَمَلًا ﴿٣٠﴾
Other verses; 2:62; 4:14; 33:70,71; 35:29,30; 39:61; 65:2,3; 47:17; 46:13; 46:31; 39:61; 35:7; 35:29,30; 34:4; 32:17; 31:8; 30:15; 20:124,125,126; 19:63; 6:160; 4:124; 3:57; 101:6,7; 4:69; 8:29; 20:75; 27:89; 23:102

2.3.7 Approaches of Islamic banks' objectives

There are generally two dissenting views delineating the Islamic banking objectives. One view, referred to Chapra's model (Lewis and Algaud, 2001), sees IB as having a socio-economic purpose. According to the proponents of this view as Ahmad (2000); Rosly and Bakar (2003); Haron and Hisham (2003) IB must not be solely profit oriented, rather it must aim at promoting

Islamic norms and values as well as protecting the needs of Islamic society as a whole. This model places greater social welfare responsibilities and religious commitments upon IBs in order to achieve the Islamic economic objectives. Chapra's model is believed to be congruent with the spirit of *Sharia* and overall Islamic worldview. Al-Zuhayli (2003) a renowned *Sharia* scholar endorses the socio-economic framework of IFIs in his famous book Al-Fiqh Al-Islami wa-Adillatuh, "The primary goal of IFIs is not profit-making, but the endorsement of social goals of socio-economic development and the alleviation of poverty" (p.350). He asserts that IFIs attempt to link the economic and social development goals in a harmonised overall framework based on Islamic teachings and accomplishing the main goal for Muslim in this world which is applying Sharia as Allay saying *"Say, "Indeed, my prayer, my rites of sacrifice, my living and my dying are for Allah, Lord of the worlds (Quran, 6:162) and also Allah saying "The only statement of the [true] believers when they are called to Allah and His Messenger to judge between them is that they say, "We hear and we obey." And those are the successful" (Quran, 24:51).*

On the other hand, Ismail's model views IBs as a normal commercial entity which has the sole responsibility of carrying out business in a manner consistent with Islamic law (Satkunasegaran, 2003; Lewis and Algaud, 2001). The framework identifies that the bank's main responsibility is towards the shareholders and depositors, while social welfare objectives are to be fulfilled by other bodies such as the government and accountability for Allah is important but as a secondary level after stakeholders' objectives as profitability. This view is somehow similar to the Western neoclassical worldview, particularly Friedman's concept of firm's responsibility, which contends that society is served by individuals pursuing their self-interest (Adam Smith's invisible hand). In this framework, profit maximisation is the only legitimate objective of a commercial institution, provided that it operates within prescribed rules of the game.

This research suggests a holistic model set accountability towards Allah through applying his rules and *Sharia* in the priority as a main objective for IFI. Based on this model, accountability towards Allah comes first then accountability towards stockholders as a main owners for IFIs and finally other stakeholders with gives priority to the society and social activities. The accountability may be seen as a main framework for IBs which can support IFIs to achieving its responsibilities towards Allah and then towards stakeholders' objectives to get success in this life and in the hereafter. Based on this concept, this study state that accountability of IBs towards Allah and all stakeholders that contain compliance with *Sharia* in additional to achieving good financial performance and good social roles may be the main priorities for IBs. Based on survey Quran, compliance with *Sharia* may be the main priority for IBs to satisfy Allah first then profitability and serving society comes to satisfy other stakeholders

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Say, [O Muhammad], "If you're fathers, your sons, your brothers, your wives, your relatives, wealth which you have obtained, commerce wherein you fear decline, and dwellings with which you are pleased are more beloved to you than Allah and His Messenger and jihad in His cause, then wait until Allah executes His command. And Allah does not guide the defiantly disobedient people." (Quran, 9:24)

قُلْ إِن كَانَ آبَاؤُكُمْ وَأَبْنَاؤُكُمْ وَإِخْوَانُكُمْ وَأَزْوَاجُكُمْ وَعَشِيرَتُكُمْ
وَأَمْوَالٌ اقْتَرَفْتُمُوهَا وَتِجَارَةٌ تَخْشَوْنَ كَسَادَهَا وَمَسَاكِنُ
تَرْضَوْنَهَا أَحَبَّ إِلَيْكُم مِّنَ اللَّهِ وَرَسُولِهِ وَجِهَادٍ فِي
سَبِيلِهِ فَتَرَبَّصُوا حَتَّىٰ يَأْتِيَ اللَّهُ بِأَمْرِهِ ۗ وَاللَّهُ لَا يَهْدِي الْقَوْمَ
الْفَاسِقِينَ ﴿٢٤﴾

Say, "Indeed, my prayer, my rites of sacrifice, my living and my dying are for Allah, Lord of the worlds (Quran, 6:162)

قُلْ إِنَّ صَلَاتِي وَنُسُكِي وَمَحْيَايَ وَمَمَاتِي لِلَّهِ رَبِّ الْعَالَمِينَ ﴿١٦٢﴾

Say, "In the bounty of Allah and in His mercy - in that let them rejoice; it is better than what they accumulate"(Quran, 10:58)

قُلْ بِفَضْلِ اللَّهِ وَبِرَحْمَتِهِ فَبِذَٰلِكَ فَلْيَفْرَحُوا هُوَ خَيْرٌ مِّمَّا
يَجْمَعُونَ ﴿٥٨﴾

Indeed, Allah has purchased from the believers their lives and their properties [in exchange] for that they will have Paradise. They fight in the cause of Allah, so they kill and are killed. [It is] a true promise [binding] upon Him in the Torah and the Gospel and the Qur'an. And who is truer to his covenant than Allah? So rejoice in your transaction which you have contracted. And it is that which the great attainment is (Quran, 9:111)

۞ إِنَّ اللَّهَ اشْتَرَىٰ مِنَ الْمُؤْمِنِينَ أَنفُسَهُمْ وَأَمْوَالَهُم بِأَنَّ
لَهُمُ الْجَنَّةَ ۚ يُقَاتِلُونَ فِي سَبِيلِ اللَّهِ فَيَقْتُلُونَ وَيُقْتَلُونَ ۖ
وَعْدًا عَلَيْهِ حَقًّا فِي التَّوْرَاةِ وَالْإِنجِيلِ وَالْقُرْآنِ ۚ وَمَنْ
أَوْفَىٰ بِعَهْدِهِ مِنَ اللَّهِ ۚ فَاسْتَبْشِرُوا بِبَيْعِكُمُ الَّذِي بَايَعْتُم بِهِ ۚ
وَذَٰلِكَ هُوَ الْفَوْزُ الْعَظِيمُ ﴿١١١﴾

This study develops a holistic framework for Islamic accountability contain three categories of responsibilities to exploring for what extent this model applicable for IBs and determines the main consequences and value added for all stakeholders trough adopting this model. The following Table shows the main categories of accountabilities with main objectives and relevant mechanism as well as applicable accounting standards that may support IBs to achieve each category of accountability through disclosure

Table 2: Accountability; objective; mechanism and applicable AAOIFI standards

Accountability	***Objectives***	***Mechanism***	***Standards of AAOIFI***
Sharia / Religion accountability.	*Implement and compliance with Allah's sharia*	*SSB Report and sharia auditing department*	*Goverance standards 1; 2 and 5*
Ethical; Social and Environmental accountability.	*Serving the society and implement the Islamic ethics in the banking system*	*CSR/ Sustainability report*	*Governance standard 7*
Financial and Commercial accountability.	*Achieving stockholders and other stakeholder's aims as profitability and stable bank with full disclosure level*	*Annual report and full transparency*	*Accounting standard 1*

2.3.8 Summary

Chapter 2 outlines issues concerned with accountability concept from an Islamic approach as well as applicable theories for this concept. It shows that accountability from an Islamic approach is more holistic as it contains accountability towards Allah as well as stakeholders. This chapter outlines how this study contributed for Western theories as agency and stakeholders through extend the contract and stakeholders for IBs to added Allah which effects on disclosure about SSF in the reporting. Furthermore; it outlines results of surveying Quran as a basis for the three accountabilities of IBs which are *Sharia*; social and financial in additional to support the importance of accounting and disclosure from an Islamic approach. The following chapter outlines the main methods that adopted to achieve objectives of this study which are content analysis and questionnaires. Next chapter moreover shows the result of the pilot studies which represent indicators to conduct this study.

Chapter Three: Research Methods

3.0 Introduction

This chapter outlines the research' methods as well as results of pilots studies in additional to outlines of AAOIFI. It contains three parts as follows: First part outlines the main methods that adopted in this thesis to collected data which are content analysis through disclosure index and questionnaire survey. The second part in this chapter outlines AAOIFI as an ideal model for IBs and for what extent it is applicable for IBs and how these standards can support IBs to achieve its SSF accountabilities through disclosure. The third part comprises the results of pilot studies that conducted by the researcher. The main aim from these studies is finding indicators about accountability practices for these banks which support the research's gap.

Part One: Methods of the Research

3.1.1 Introduction

This part seeks to outline the main methods that adopted in this thesis which are disclosure index and questionnaire. First; disclosure index based on manual content analysis is adopted for measuring disclosure and compliance levels. Second; questionnaire is used for measuring the impacts of SSF disclosure on the stakeholders' loyalty; trust and satisfaction. It is furthermore adopts for survey the perceptions of stakeholders as well as non-customers about SSF' practices of IBs. This part is organized as follows: section 3.1.2 outline the Quantitative Method as a domain approach for this study then followed by shows the importance of annual reports as main basis for data concerned with disclosure levels for IBs. Section 3.1.4 reviews the Content Analysis as a first method adopted for testing SSF accountability based on disclosure in the annual report as well as websites. Section 3.1.5 shows the disclosure index then final section (3.1.7) illustrates the questionnaire survey as a second method to collect data for investigating the perceptions of stakeholders.

3.1.2 Quantitative Method

Quantitative methodology, based on the positivist philosophy, is concerned with counting and measuring aspects of the social world and its structure and processes; theoretical background establishes the standards of the approach of the social sciences over a long time (Sarantakos, 1994). This approach normally has a logical structure, in which theories identify the issues to enable the researcher to address sets of hypotheses derived from general theories (Bryman, 2004). One type of quantitative method is a survey technique that is usually related to the deductive approach and provides information on what people conceive or report (Neuman, 2000). Second method is content analysis based on the disclosure index which has been extensively used in social accounting research (Gray et al., 1995). The following section provides more details regarding the content analysis method in additional to questionnaire survey.

3.1.3 Annual Reports in Accounting and Accountability Research

Milne and Adler (1999) have stressed that the majority of researchers in the social accounting field have "focused on the disclosures organisations make in their annual reports...The research method that is most commonly used to assess organisations' social and environmental disclosures and accountability are content analysis" (p.237). In order to justify the reason to choose annual reports as the main source for content analysis, it is appropriate to review the importance of annual reports in accountability research. Issuing annual reports represents part of the entity's accountability. It is governed not only by matters of custom and the market place, but also by legislative and quasi-legislative regulation. Given the dominance of conventional accounting, annual reports usually reflect the repressive form of accounting (Gallhofer and Haslam, 2003). Annual reports are one of the preferred ways of communication, dialogue and discharging of accountability to a wide range of stockholders (Guthrie et al., 2004). The annual reports also have a high level of credibility in comparison to other media (Tilt, 1994). The annual report may not be the only way for a corporation to discharge accountability, however, Buhr (1998) argues that "they are the only form that is institutionalised and provided on a regular basis year after year" (p.169). The annual report is easily accessible. For some researchers, annual reports may become the key source available as a result of the limited number of other documents (Unerman, 2000). Annual reports, according to Campbell (2000) "can be accepted as an appropriate source of a company's attitudes towards social and ethical reporting" (p. 84). For many corporations, ethical information which may contains *Sharia* and social has become part of the annual reports. In spite of this, most agree that annual reports remain an important medium for the communication of social; *Sharia* in additional to financial information to all interested parties. Providing ethical as social information in annual reports contributes to enhancing the level of accountability and transparency (e.g., Gray et al. 1995b).

The annual report is a significant document in which corporations may reflect their attitudes, desires and contributions towards society and all stakeholders. The annual report might also establish a social image to be seen by a wide range of stockholders (e.g., Gallhofer and Haslam, 2003). Annual reports might be used as a tool to enhance the corporate image, and as corporate propaganda. Annual reports are important sources of information as they are systematically produced, widely accessible and communicate details about the companies' operations (Silverman, 1993). Annual reports, according to Unerman (2000), provide credible information, which in turn strengthens the findings. For Laine (2009) annual reports are key communication tools to portray firms' strategic choices of rhetoric.

Elshandidy et al (2013) focuses on annual reports in his study and argue that "because they remain a primary source of information for investors, and there is increasing usage of these reports, indicating value relevance to investors" (p.325). The annual report has been transformed into a public-relations document intended to convince stakeholders of the well-being of the firm and to promote the image and reputation of the firm (Karreman et al., 2014). Furthermore; there are several studies used annual reports as a main source for measuring the disclosure level which reflects the importance of annual reports from an academic perspective (e.g., Belal et al., 2015; Elzahar and Hussainey, 2012; Hussainey and Mouselli; 2010)

3.1.4 Content Analysis

The study uses content analysis to explore if Islamic accountability themes related to Compliance with SSF accountabilities are present (or absent) from IBs' annual reports and web sites (e.g., Bauer, 2000 for discussions of using content analysis in social science). For Guthrie and Abeysekera (2006): "Content analysis of annual reports is a technique for gathering data" (p.

14). Kaya and Yayla (2007) submit that: "One of the effective ways to evaluate the development of accounting practices is to consider recent reporting trends of the corporations" (p. 9).

Therefore, content analysis of annual reports represents a significant tool for the analysis of banks' reporting. Content analysis and disclosure index as part of it is used widely in the accountability literature, more so than other methods, as annual reports and related media are significant documents of corporations being seen by a wide range of stockholders and helping to create a company's social image (Branco and Rodrigues, 2006; Gray et al., 1995b).

It is important here to note that firms' disclosures are not always an accurate reflection of their actual events and practices (e.g., Ullman, 1985). Firms, however, identify what they perceive to be their most important accomplishments and objectives through their disclosures (Ingram and Frazier, 1980). Unerman (2000) maintains that a key assumption informing many studies is that the volume of disclosures signifies the importance of these issues to the company. In the same vein, Haniffa and Hudaib (2004) state that disclosure in annual reports and other media as the internet are key venues for IBs to demonstrate that their activities are in line with *Sharia*.

Content analysis has been widely adopted in the literature (e.g., Kamla, 2007; Parker, 2005; Milne and Adler, 1999). These studies analyse the value of the information disclosed in annual reports, and the acknowledgement of certain words and themes within the textual material (Beattie et al., 2004). The use of content analysis is justified because they ensure that the study is comparable with previous studies in the area and from year to year (Ahmad and Sulaiman, 2004). Although content analysis is a popular method in analysing various media including newspaper and political speeches, only a few studies have previously applied this methodology to analysis of web sites (Hwang et al., 2003). However, with the growing emphasis on communication via electronic mediums, there has been an increase in such studies especially in the accounting literature. Fisher et al (2004) quote the International Accounting Standards Committee (IASC) which states that in the future business reporting will move entirely to web as the primary format of distributing information. Such a move has prompted many researchers to move their attention to company web sites for analysis of textual material (Hwang et al., 2003).

3.1.5 Disclosure Index

In this thesis, the first 3 empirical investigations are considered a form of *'disclosure index';* this is consistent with a broad understanding of 'Content Analysis' in the literature review. Beattie et al (2004) reported that "disclosure index studies are based on the general principles of content analysis - a well-established method in the social sciences" (p.214). For Dragomir (2010), disclosure index studies form a part of content analysis, "which involves classifying text units into categories" (p.368). Yekini (2009) also confirmed that by stating: "We use content analysis to identify what companies disclosed in their annual reports and use this to create a disclosure index for each of our sample companies" (p.124). The analysis in this study focused on sections of the text that relate to the selected categories (SSF), that is why the analysis here takes the form of a disclosure index, and is characterised as a 'partial type of content analysis' (Beattie et al., 2004). Yusoff et al (2006) argue that "Using disclosure index as a part of content analysis is considered a most useful technique as a result of its important role, where "(1) it is based on the 'breadth' (number of different topics) and 'depth' (specificity of information provided) and (2) it may avoid elements of subjectivity" (p.10). Many studies have used a disclosure index as a research method (e.g. Cheung et al., 2010; Hossain et al., 2006; Maali et al., 2006). The main differences between content analysis and disclosure index, is that the first analyses the whole text of a media communication, while the second focuses on particular predefined information from a previously selected list to be analysed. However, this does not preclude classifying disclosure index as a partial type of content analysis (Dragomir, 2010)

Guthrie and Abeysekera (2006) state that "A disclosure index is a research instrument comprising a series of pre-selected items which, when scored, provide a measure that indicates a level of disclosure in the specific context for which the index was devised" (p. 11). According to

Marston and shrives (1991) the first use of disclosure index occurred in 1961 by Cerf to publish his research results. Disclosure index based on Marston and Shrives (1991) is "can be used to show compliance with regulations if the items in the index are so chosen or conversely it can be used to show the level of voluntary disclosure" (p.195). It could identify the level of disclosure and particular predefined information in the Islamic banks' annual report; here, in this study, Islamic accountability for Islamic banking, such disclosure could be mandatory or/and voluntary information. Also, the disclosure index can cover more than one source of information (e.g. annual report and website), as well as covering company and non-company sources of information (Hassan and Marston, 2010).

Basically, the main approach that has been used in the previous studies was initialised by selecting a group of items that will represent the disclosure index which will then be used to screen the annual report. The disclosure indices consists of the mandatory disclosure (e.g. Arnold and Matthews, 2002) and/or voluntary disclosure (e.g. Botosan, 1997), which depends on the requirements in the country where the firms operate, the types of additional voluntary information, as well as the motives of the study conducted by the researcher. Most of the prior literature used voluntary disclosure index to measure the extent of disclosure quality (e.g. Barako et al., 2006; Chau and Gray, 2002). In assessing the disclosure level, the mandatory disclosure will be taken out of the list of the disclosure index by prior studies as it can be viewed as minimum disclosure requirement imposed by regulators in that particular country (e.g., Raffournier, 1995).

Past research has normally developed the disclosure index using several steps. First, the item in the disclosure index was compiled from extensive past literatures (e.g. Kamla and Rammal, 2013; Hassan and Harahap, 2010; Williams and Zinkin, 2010; Haniffa and Hudaib, 2007; Maali et al., 2006). The selection of items to be included in the index also must be chosen very carefully. Some of them scrutinised the annual reports of large firms in a particular country under study to obtain/ understand the patterns of the additional voluntary information that is supposed to be included in the disclosure index (e.g. Botosan, 1997). Secondly, the disclosure index which consists of mandatory disclosure items will be crosschecked with the AAOIFI. The items that have been found to be disclosed in a mandatory fashion will be removed and the list must comprise of voluntary disclosure elements per se (e.g. Barako et al., 2006; Chau and Gray, 2002; Raffournier, 1995).

Third, the verification of disclosure index takes place. Some research normally employed an independent external examiner to validate the disclosure index. They will choose the practitioners or experts in the accounting areas to verify the list of the voluntary disclosure index like the certified of Islamic public accountants (CIPA), the partner of the audit firms or financial managers at IBs (e.g. Barako et al. 2006; Hossain et al, 1995; ; Singhvi and Desai, 1971). Nevertheless, some other studies rely on personal judgement and favours not to validate their disclosure index before use (e.g. Ghazali and Weetman, 2006; Chau and Gray, 2002; Raffournier, 1995; McNally et al., 1982).

Fourth, the researcher will decide whether they want to assign a weighting to the disclosure index or not. Those who want to employ an un-weighted disclosure index will treat all items in the list as equally important and the dichotomous method will be used to score the item (Gray, et al., 1992). The firm will get a score of 1 if they disclosed the item and 0 if they have not disclosed (e.g. Meek et al., 1995; Firth, 1979). Past studies which intend to assign the weight to each item in the list of disclosure index will take additional step in determining the weight. The disclosure index will be sent to the specific respondent for them to rate the items which are highly important or less important in making economic decisions. The result from the respondent then will be calculated and averaged to determine the weight.

Both weighted and un-weighted disclosure indices possess niche and unique features that are subject to preference and criticism by prior studies. Cooke (1989) argues that “the drawback of weighted disclosure index is the subjectivity involved in assigning the weighting value” (p.182). He claims that un-weighted index is superior as compared to a weighted index especially when the studies conducted are concentrated to all groups of users of the annual report. This is also supported by Chow and Wong-Boren (1987) who declares that "a weighted index involved high subjectivity since the determination of weighting is dependent on the perceptions of the users, and it does not portray the specific information that they really want and desire" (p.536). Furthermore, Speros (1979) seminal work showed that firms are systematic and constant in their disclosure policy because if they disclosed important items excellently, the same condition will apply to the less important items, thus emphasising that the weighting index as something irrelevant and unnecessary. Un-weighted disclosure index must be exposed to bias since it treats all items equally important and must be irrelevant because there must be circumstances whereby one item would outweigh another. In addition, the disclosure index also contains bias from the researchers' discretionary judgements and evaluations. Although bias and subjectivity are something unavoidable, all these must be carefully addressed and controlled. The bias must be in the satisfactory minimum level and overgeneralization may not be manipulated.

Although disclosure indices are subject to controversy especially on the subjectivity involved from researchers' discretionary, one may admit that disclosure index has its own strength. The complete disclosure index that will be used to screen the annual report revealed the extent of the disclosure quality. The disclosure index is very comprehensive and robust in nature because it was created based on many sources including past literature and annual reports, crosschecked against the mandatory disclosure, screened to current announcement by standard setters and validated by experts in the accounting field. Moreover, since the disclosure index has been used for more than 45 years since Cerf (1961) era as to measure the extent of disclosure, it seems that it has survived the test of time.

Content method analysis can be performed either using manual (traditional) techniques or computerised techniques. In manual content method analysis, the disclosure index will be cross-checked with the annual report to detect the specific information that was disclosed by the firms. The annual report will be read line by line and the score will be awarded if the company discloses the information listed in the disclosure index. Numerous prior literature studies have employed this techniques in assessing the quality and quantity of disclosure by the firms in their annual report (e.g., Ghazali and Weetman, 2006; Eng and Mak, 2003; Cooke and Haniffa, 2002). Traditional content method analysis requires researchers to dedicate long hours in labour intensive reading process (Boesso and Kumar, 2007), hence, the number of samples in the study which utilised traditional content method analysis is relatively small (Jo and Kim, 2007).

3.1.6 Validity and Reliability for Disclosure Indices

For Neuendorf (2002), reliability may be applied when using the content analysis /disclosure index method to confer upon it meaning and credibility. Krippendorff (2004) reported that reliability contains three elements: reproducibility, stability and accuracy. For Hassan and Marston (2010), there are three common forms of reliability and another three for validity; those for reliability include "test-retest, inter-coder reliability, and internal consistency… [while validity include]... criterion validity, content validity and construct validity" (p.25). Reliability means that the investigation result will not change even with repeated trials by different researchers (Reproducibility). Marston and Shrives (1991) argue that "Since the scores are extracted from printed annual reports which remain constant over time there is no obstacle to repetition" (p.197)

For Krippendorff, (2004) "research procedure is reliable when it responds to the same phenomena in the same way regardless of the circumstances of its implementation" (p.211). Reliability is related to credibility of measurement, in the sense of impartiality in measuring. While, validity means that the data under analysis is the same data, which a researcher aims to investigate. Thus, for Macnamara (2006), validity of research can be simply achieved by "careful selection of the sample of media content to be analysed" (p.13). In terms of the validity of a disclosure index for Omar and Simon (2011), "the index can be considered to be valid if it expresses what the researcher intended" (p.177).

The researcher endeavoured to ensure the reliability and validity of the research through the following steps, including: (1) conducting a pilot study, as is strongly recommended (Gray et al., 1995b). According to Milne and Adler (1999), the pilot study could be seen as an essential stage before deciding on the actual categories. In this work, the pilot study was conducted to familiarise the researcher with banks' activities and the collected data, in terms of categories and understanding the content context before starting the process of content analysis (Wolfe, 1991). Consequently, the pilot study was conducted for the following purposes: (a) in order to establish the suitability of the checklist selection, and to confirm reliability of the research; (b) to ensure the selected categories are appropriate to the content of annual reports; (c) to remove any ambiguities and translation problems that could exist in the category and (D) to gets indicators about SSF reporting. (2) The initial instrument categories were changed to fit AAOIFI context. As the initial one was mainly focused on literature, and the researcher's perspective. (3) The researcher consulted supervisors, other staff and students in order to make sure he avoided any possible errors. The possible errors that could include: ambiguities, misunderstanding or biases during the translation, where there are some sentences that might have more than one meaning. However, even with consultation and careful selection, the instrument reflects the researcher's reading of IBs annual report

3.1.7 Questionnaire Survey

Questionnaires are generally used for descriptive or explanatory research conducted using attitude and opinion questionnaires regarding organisational practices (Saunders et al., 2007). The questionnaire enables a study to identify and describe the variability in various phenomena. The questionnaire survey is better when used to identify specific attitudes (Jankowicz, 2004). The questionnaire is more appropriate for stakeholder’s respondents at countries as Egypt; Kingdom of Saudi Aribia (KSA); United Kingdom (UK) and Kuwait since they feel freer to express their opinions without fear of being identified (Falgi, 2009). The questionnaire survey mainly answered the research questions related to the perceptions, expectations and value added for accountability to IBs as well as impacts of disclosure on the behaviour of stakeholders as loyalty, trust and satisfaction; however, at the same time it was employed as a support for the secondary data in additional to content analysis since using one method may not be sufficient to accomplish the study's objectives.

According to Saunders et al (2007) there are two categories of surveying: self-administrated and interviewer-administrated. The self-administrated questionnaire is divided into three types: internet-mediated questionnaire, postal questionnaire and delivery collection questionnaire; the interviewer-administrated questionnaire is divided into two types: telephone questionnaire and structured interview. For the purpose of this research, self-administered questionnaires were employed for a number of reasons; it is more appropriate for multi-different respondents at more than 10 countries, cheaper than other methods, easier for distribution, easier for respondents to complete, and the anonymity encourages respondents to complete the questionnaire leading to an increased response rate [11]. Finally, this type of questionnaire is utilized extensively in surveys. Although most questionnaires were delivered through Qualtrics online survey as well as by hand to each respondent and collected later, a number of them were emailed to respondents and returned by email.

3.1.8 Questionnaire Design and Development

One of the challenges associated with the use of a questionnaire survey is the need to be especially careful when designing the questionnaire due to the fact that the respondent is left with absolute reliance on the questions already designed for them to respond (Fowler, 2002). Essential considerations underlying the characteristics and the features of a good questionnaire have been made to ensure that the use of questionnaire survey will achieve its objective in addressing the research questions of this study. Together with this facilitative nature of the questionnaire, the researcher will have to appropriately consider the design and development of

[11] Fowler (2002) recommended that these methods are relatively low in cost, require minimal staff and facilities, and they also give respondents the time required to provide thoughtful answers.

the questionnaire. A useful guide to the construction of questionnaires is given by Evans (1984), who identified four important steps to be considered: firstly, there may be a clear definition of the purpose of the questionnaire; secondly, the researcher has to decide the data that is required from the questionnaire; thirdly, the component parts of questionnaire need to be analysed; and finally, a series of questions may be structured in order to elicit the appropriate responds from the respondents. When structuring questions Fowler (2002) suggest that design of questionnaire to be laid out in a manner that is clear and uncluttered from respondents' point of view

Because this research aims to investigate the level of compliance with the Holistic Islamic model for accountability, then investigate the added value or consequences of SSF dimensions on stockholders. Moreover, because the research targets several stockholders, effected or interested with IBs, the researcher has developed two sets of questionnaire for two targeted respondents; stakeholders who deal with IBs as well as Non-customers who do not deal with IBs.

The two questionnaire surveys were designed and structured to address the research questions for this study based on: the services and products provided by Islamic banks, SSB disclosure, objectives of Islamic banks and its roles in the society, reflecting the true image of Islam and for what extent IBs are full comply with *Sharia*. These themes have been identified as the fundamental components underlying the scope of the present research corresponding to Holistic Islamic accountability Model under investigation. Hence, when developing the questions in two questionnaire surveys attention has been made to address the above themes that were found in the literature. English as well as Arabic copy of the questionnaire survey along with the covering letter to the research participants are attached in Appendix 1. Riley et al (2000) present a list of guidelines to keep in mind when constructing questionnaires. Some of these relevant guidelines are: The length of the question; Running order or sequence; Avoid statements that sound like facts; Questions may be unambiguous to prevent misinterpretation and void statements that encourage a specific response or bias.

Nachmias and Nachmias (1996) advised that when formulating the questions to be included in the questionnaire consideration may be given to its content, structure, format, and the sequence of the questions. In addition, the design of these questions may enable the respondents to respond in a minimum time with a minimum effort. In general, this study has used closed-ended questions where alternative answers on the questions raised are given to the respondents. Fowler (2002) argued that, besides being more convenient to respondents, closed-ended types of questions would be appropriate for use when the research involves asking respondents a large number of item in a similar form.

In addition, the researcher used an ordinal measure of collecting and analysing the data through the use of a Likert scale type of questions to elicit the opinion and attitude of the respondents on the issues under investigation. Amongst the various Likert scale measurements normally used in research projects, and which are implemented in the present study, is the continuous scales, where respondents are asked on questions such as measuring between strongly agree to strongly disagree. The use of Likert scales in the present research are deemed suitable because it allows the researcher to make a relative measurement that is necessary on the relationship between the actual practices of IBs and the ideal model for Holistic Islamic framework of SSF. This use of Likert scale in measuring these attitudinal relationships is supported by Fowler (2002) when He says "Only comparative statements (or statements about relationships) are justifiable when one is using ordinal measures" (p.93). In this regard, both questionnaires consist of questions designed in the form of Likert scales. Generally, the questions require research participants to respond using the scale: (1) strongly disagree; (2) disagree; (3) neutral; (4) agree and (5) strongly agree. Meanwhile, other questions contain questions that measure respondents' attitude using the scales: (1) very unimportant; (2) unimportant; (3) neutral; (4) important and (5) very important. The last section in the questionnaires Survey requires the respondents to provide some of their demographic details, such as their gender, age range, qualification and aspects of training received. These questions have been designed in a manner that requires respondents to tick the alternative answers provided by the researcher.

3.1.9 Piloting questionnaire and assessment of Validity as well as Reliability

Shortcomings in questionnaires may arise for different reasons, for example unstructured formulation, unclear language, illogical, omitted or unsuitable questions, and difficulty in answering them, which may lead to unwillingness to reply, missing data, and low response rates (Pornupatham, 2006). Validity is defined as ability to provide findings that are consistent with theoretical or conceptual values (DeVellis, 2003). Therefore, the questionnaire was validated by applying a pilot study that was not a pre-test, which was undertaken to provide relevant questions and to enhance specific areas that may not be explicit by obtaining astute feedback. For this purpose, 20 questionnaires were distributed which is conceived to be sufficient according to Fink, (1995) who suggests that a minimum number of 10 are acceptable for a pilot study. The revised questionnaires were then sent to 5 academics in Egypt, 5 external auditors, 5 employees in Egypt IBs and 5 colleagues who are studying PhD in accounting in Egypt and in the UK. The aim of this stage is to assess whether the research instrument is valid for the task or not. As Hussy and Hussy (1997) mentioned that validity is the extent to which the research findings accurately represent what is really happening in the situation.

During the pilot study, astute feedback and comments were mostly related to the language, omitting and adding some terms, whereas a number of them viewed the questionnaire as comprehensively and extensively covering the research questions. According to Burgess (2001) a pilot study enables researchers to perform a trial analysis sample that leads to enhanced test for the analysis process, the questionnaires of the pilot study are reviewed and examined and will provide similar findings to the results analysis. The pre-testing of the questionnaire will reveal very serious errors, oversights that would have spelled disaster if they had not been detected and corrected before going into the field or the mail. As well as, Stebbins (2001) claimed that "the rise of quantitative research brought with it the need to pre-test measuring instruments and conduct pilot studies to iron out kink in procedures and sharpen precision so the main study could proceed as flawlessly as possible" (p.29). In the validity assessment, Diamantopoulos and Schlegelmilch (2000) argue that: "the basic question that we try to answer is 'Are we in fact measuring what we think we are measuring?' (p.34). In addition, the other objective of piloting is to detect the validity and reliability of the questionnaire.

Reliability is a crucial issue in psychological measurement that can be defined as a measuring instrument which gives rise to variable errors, that is lead inconsistently between observations either via any one-measurement procedure or each time a given variable is measured by the same instrument (DeVellis, 2003). Numerous methods have been employed to measure reliability comprising the test re-test, split half, and Cronbach Alpha; however, one of the most commonly-employed consistencies is Cronbach Alpha. Black (1999) suggest that Cronbach Alpha is the optimum indicator for internal consistency of instruments which do not have right-wrong marking schemes, and may hence be utilised for both suitable questions and questionnaires adopting scales such as the Likert Scale. This research applies Cronbach Alpha as a measurement of consistency as it seems to be less biased and more appropriate than other methods and gives a more accurate statistical finding (DeVellis, 2003).

Part Two: AAOIFI (Benchmark of Islamic banks)

3.2.1 Summary

This section outlines two issues. First; it outlines the overview about AAOIFI as history; objectives; AAOIFI structure and AAOIFI standards. Secondly; exploring why IBs need Islamic accounting and Islamic standards? This issue answer the question based on reviewing the applicability of AAOIFI for IFIs and why this research adopt AAOIFI as a benchmark for IBs which support them to achieve SSF reporting.

3.2.2 AAOIFI

The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) is an Islamic international autonomous non-for-profit corporate body that prepares accounting, auditing, governance, ethics and *Sharia* standards for Islamic financial institutions and the industry. Professional qualification programs (notably CIPA, the *Sharia* Adviser and Auditor "CSAA", and the corporate compliance program) are presented now by AAOIFI in its efforts to enhance the industry's human resources base and governance structures. As an independent international organization, AAOIFI is supported by institutional members (200 members from 40 countries) including central banks, IFIs, and other participants from the international Islamic banking and finance industry, worldwide. AAOIFI has gained assuring support for the implementation of its standards, which are now adopted in the Kingdom of Bahrain, Dubai International Financial Centre, Jordan, Lebanon, Qatar, Sudan and Syria. The relevant authorities in Australia, Indonesia, Malaysia, Pakistan, KSA, and South Africa have issued guidelines that are based on AAOIFI's standards and pronouncements. AAOIFI standards are followed – as part of regulatory requirement or IFIs' internal guidelines – in jurisdictions that offer Islamic finance across Middle East, Asia Pacific, South Asia, Central Asia, Africa, Europe, and North America; and Islamic Development Bank Group. Consequently, AAOIFI have introduced greater harmonisation of Islamic finance practices across the world (AAOIFI, 2015). The existence of these standards has significantly improved transparency and disclosures, and also resulted in greater harmonisation of *Sharia* practices. In part, the Islamic accounting standards are adaptations of International Accounting Standards (lAS) concentrating on added disclosure due to the uniqueness of the Islamic banks. However, they also fill a number of major gaps in lAS when applied to Islamic banks (Ariffin, 2005).

3.2.2.1 AAOIFI History

AAOIFI was established in accordance with an agreement of association which was signed by Islamic financial institutions on 26 February 1990 in Algiers. AAOIFI was registered on 11th Ramadan 1411 corresponding to 27 March 1991 in the State of Bahrain (AAOIFI, 2015)

3.2.2.2 AAOIFI objectives

The broad objectives of AAOIFI can be summarised as follows

> 1. *To develop accounting and auditing thought relevant to Islamic financial institution.*
> 2. *To disseminate accounting and auditing thoughts relevant to Islamic financial institution and its applications through training, seminars, publication of periodical newsletters, carrying out and commissioning of research and other means;*
> 3. *To prepare, promulgate and interpret accounting and standards for Islamic financial ;and*
> 4. *To review and amend accounting and auditing standards for Islamic financial institutions.*
>
> *AAOIFI carries out these objectives in accordance with precepts of Islamic sharia which represents a comprehensive system for all aspects of life, in conformity with the environment in which Islamic tinancial institutions have developed. This activity is intended. This activity is intended both to enhance the confidence of users of the financial statement of Islamic financial statements of Islamic financial institutions in the information that is produces about these institutions. And to encourage these users to invest or deposit their funds in Islamic financial institutions and to use their services*

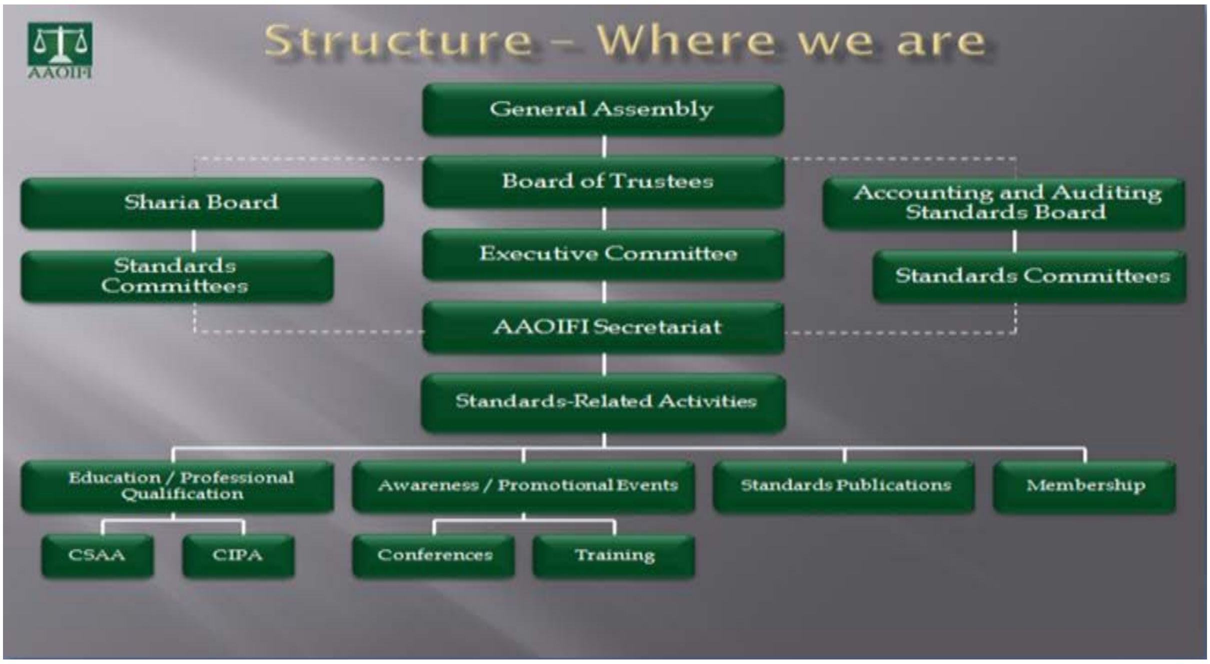
(AAOIFI, 2015)

AAOIFI Vision: To guide IF's markets operation and financial reporting on *Sharia* principle and rules. To provide IF markets with a standard that can support growth of the industry

AAOIFI Mission: Standardization and harmonization of international Islamic finance practices and financial reporting in accordance to Sharia

3.2.2.3 AAOIFI structure

Figure 8: *AAOIFI structure (Where we are?)*



(AAOIFI, 2015)

3.2.2.4 Members of AAOIFI

Table 3: *AAOIFI' members*

Founding members	6 Members	
Associate members	140 Members	
	23 from Bahrain	4 from UK
	18 from Sudan	2 from Australia
	7 from Qatar	1 from Azrbigan
	10 from UAE	1 from Canada
	3 from Egypt	2 from USA
	4 from Jordan	1 from Syria
	2 from Lebnan	1 from Ghambia
	1 from Palstain	2 from Kyinia
	21 from Kuwait	2 from Tunisia
	7 from KSA	2 from Algeria
	2 from Yamain	4 from Serilanka
	1 from Indonisia	1 from Russia
	2 from Turkia	2 from Pakistain
	5 Malaysia	1 from Bangiladish
	1 from Bronai	2 from Iran
	1 from Alkiman Island	4 from South Africa
Members representing regulatory and supervisory authorities	7 Memebers	
Observer members	37 Memebers	
Supportors Memebers for AAOIFI	10 Memebers	
Total Memebers	206 Members	

3.2.2.5 Mechanism of dealing with AAOIFI's standards

Karim (1995) argues that there are two ways in which Islamic accounting concepts could be arrived at:

1. Establish objectives (and concepts) based on the principles of Islam and its teachings and consider these objectives in relation to contemporary accounting thought.

2. Start with the objectives established in contemporary accounting thought, test them against the Islamic *Sharia*, accept those that are consistent with *Sharia* and reject those that are not, and develop those that are unique. AAOIFI has adopted the second, easier approach in the development of their "Statements of Financial Accounting" which they claim is "consistent with the broader view of Islamic principles -a view which does not require that a concept be always be derived from the *Sharia*" (p.24 and p.37). This approach is in line with the Islamic judicial principle of Ibaha or permissibility (which itself is not uncontested); it suggests that anything is permissible unless it is prohibited clearly by the Sharia . Hence, the concepts of decision useful accounting information such as relevance and reliability are immediately embraced into Islamic accounting by the AAOIFI. This approach has its supporters (e. g. Hamat 1994). However, this approach has been objected to earlier by Gambling and Karim (1986) on the grounds that the conceptual framework of accounting currently applied in the West is justified in a dichotomy between business morality and private morality. Thus it cannot be implemented in other societies that have revealed doctrines and morals that govern all social, economic and political aspects of life. Further objections to this method arise because neither Western accounting theory nor Western accounting standards explicitly deal with the morality of the objectives of commercial accounting entities or even of the methods by which they are pursued (Karim, 1995). Hence, the approach of not reinventing the wheel adopted by the AAOIFI may be indefensible. The AAOIFI has adopted this approach not because of its correctness or intellectual apathy, but due to pragmatic considerations of its survival and acceptance of its standards by Islamic Banks. Thus for Karim (1995) "In order to gain the recognition and support of IBs in the implementation of its standards, AAOIFI might find it necessary to demonstrate to IBs that it has not completely discarded the efforts that they have exerted in setting up their own

accounting policies with the help of their SSB" (p.292). According to the AAOIFI the mechanism of this organization is as follows:

1. *The starting basis is that all Islamic financial institutions should apply the standards issued by the Accounting and Auditing organization for Islamic financial institutions, where such standards are available.*
2. *Ehen there are no specific standards, the Islamic financial institution may use standards other than those issued by AAOIFI as deemed appropriate, which do not contravene the Sharia'h Rules and Principles.*
3. *Should the requirements of such standards mentioned in paragraph (b) be in conflict with Sharia'h Rules and Principles, and the institution is compelled to use those standards, a disclosure must be made of the point of conflict while adhering to the requirments of a Sharia'h necessity.*
4. *When ever AAOIFI issue standards that cover the cases in paragraphs (b) and (c), the Islamic financial institution must apply the new standards.*

3.2.2.6 AAOIFI standards

Financial accounting plays an important role in providing the information which users of the financial statements of Islamic banks depend on in assessing the bank's compliance with the precepts of Sharia . However, to perform this role effectively, accounting standards need to be developed and complied with by Islamic banks. The development of such standards must be based on clear objectives of financial accounting and agreed upon definitions of its concepts. AAOIFI, since its establishment in 1990 until 2015 AAOIFI have issued 88 standards as following: (a) 48 on Sharia , (b) 26 accounting, (c) 5 auditing standards, (d) 7 governance, (e) 2 codes of ethics (AAOIFI, 2015).

***Table 4**: AAOIFI standards*

Accounting Guidance Note	
1	Guidance Note on First Time Adoption of AAOIFI Accounting Standards

Auditing Standards	
1	Objectives and Principles of Auditing
2	The Auditor's Report
3	Terms of Audit Engagement
4	Testing for Compliance with Sharia Rules and Principles by an External Auditor
5	The Auditor's Responsibility to Consider Fraud and Error in an Audit of Financial Statement

Ethics Standards	
1	Codes of Ethics for Accountants and Auditors of Islamic Financial Institutions
2	Codes of Ethics for the Employees of Islamic Financial Institutions

Governance Standards	
1	Sharia Supervisory Board: Appointment, Composition and Report
2	Sharia Review
3	Internal Sharia Review
4	Audit and Governance Committee for Islamic Financial Institutions
5	Independence of Sharia Supervisory Board
6	Statement on Governance Principles for Islamic Financial Institutions
7	Corporate Social Responsibility Conduct and Disclosure for Islamic Financial Institutions

Sharia Standards	
1 Trading in Currencies	25 Combination of Contracts
2 Debit Card, Charge Card and Credit Card	26 Islamic Insurance
3 Default in Payment by a Debtor	27 Indices
4 Settlement of Debt by Set-Off	28 Banking Services
5 Guarantees	29 Ethics and Stipulations for Fatwa
6.Conversion of a Conventional Bank to an Islamic Bank	30 Monetization (Tawarruq)
7 Hawala	31 Gharar Stipulations in Financial Transactions
8 Murabaha to the Purchase Orderer	32 Arbitration
9 Ijarah and Ijarah Muntahia Bittamleek	33 Waqf
10 Salam and Parallel Salam	34 Ijarah on Labour (Individuals)
11 Istisna'a and Parallel	35 Zakat
12 Sharika (Musharaka) and Modern Corporations	36 Contingent Obligations
13 Mudaraba	37 Credit Facilities
14 Documentary Credit	38 Online Financial Transactions
15 Jua'la	39 Rahn (Pledge)
16 Commercial Papers	40 Investment Accounts and Profit Distribution
17 Investment Sukuk	41 Reinsurance
18 Possession (Qabd)	42 Disposal of Rights
19 Loan (Qard)	43 Bankruptcy
20 Commodities in Organised Markets	44 Liquidity Management
21 Financial Papers (Shares and Bonds)	45 Capital Protection (in Investment Products)
22 Concession Contracts	46 Investment Agency
23 Agency	47 Stipulations on Income and Profit
24 Syndicated Financing	48 Options in Legal Contracts

Accounting Statements & Standards	
SFA 1	Conceptual Framework for Financial Reporting by Islamic Financial Institutions
FAS 1	General Presentation and Disclosure in the Financial Statements of Islamic Banks and Financial Institutions
FAS 2	Murabaha and Murabaha to the Purchase Orderer
FAS 3	Mudaraba Financing
FAS 4	Musharaka Financing
FAS 5	Disclosure of Bases for Profit Allocation between Owners' Equity and Investment Account Holders
FAS 6	Equity of Investment Account Holders and Their Equivalent
FAS 7	Salam and Parallel Salam
FAS 8	Ijarah and Ijarah Muntahia Bittamleek
FAS 9	Zakat
FAS 10	Istisna'a and Parallel Istisna'a
FAS 11	Provisions and Reserves
FAS 12	General Presentation and Disclosure in the Financial Statements of Islamic Insurance Companies
FAS 13	Disclosure of Bases for Determining and Allocating Surplus or Deficit in Islamic Insurance Companies
FAS 14	Investment Funds
FAS 15	Provisions and Reserves in Islamic Insurance Companies
FAS 16	Foreign Currency Transactions and Foreign Operations S 15 Provisions and Reserves in Islamic Insurance Companies
FAS 17	Investments for Real Estates
FAS 18	Islamic Financial Services Offered by Conventional Financial Institutions
FAS 19	Contributions in Islamic Insurance Companies
FAS 20	Deferred Payment Sale
FAS 21	Disclosure on Transfer of Assets
FAS 22	Segment Reporting
FAS 23	Consolidation
FAS 24	Investments in Associates
FAS 25	Investments in Sukuk, Shares, and Similar Instruments

(AAOIFI, 2015)

3.2.3 Applicability of AAOIFI for IFIs

The study of Islamic accounting has grown in recent years with substantive contributions from scholars such as Lewis and Algaoud (2001); Baydoun and Willet (1997); Gambling and Karim

(1986). Islamic accounting is the accounting process which provides appropriate information (financial and non-financial data) to stakeholders of an entity which will enable them to ensure that the entity is continuously operating within the bounds of the Sharia and delivering on its socio-economic objectives and It is also a tool enables Muslims to evaluate their own accountabilities to God (Hameed, 2001). Moreover, Zaid (2000) defined Islamic accounting as "a systematic process to record the legitimate transactions in the records and measure the financial results based on these transactions in order to be used in decision-making" (p.106). In Islamic society, accounting has an essential role in enabling Muslims to fulfil their religious duties, as paying Zakat and avoiding the use of Riba as well as giving Qard Hassan (e.g., Karim, 1995; Gambling and Karim, 1986). Therefore, accounting may operate in accordance with the principles of the Islamic economy.

The type of information that Islamic accounting is required to provide is different from the information provided by conventional accounting. Furthermore, unlike conventional banks, Islamic banks have to comply with *Sharia*, which has a complete code for running a business; therefore, their accounting standards need to reflect that law (Al-Abdullatif, 2007). The objectives of accounting information of Islamic banks are different from those of conventional banks for two main reasons: (I) IBs deal within a *Sharia* framework. As a result, the nature of their transactions is different from that of conventional banks; (II) the users of the information generated by IBs have different needs from users of the information published by conventional banks (Khan, 1994). Abdel-Magid (1981) found that there is an increasing demand among researchers to ensuring the accounting practice is based on *Sharia* principles.

There have been many studies examining the appropriateness of conventional accounting for an Islamic economy. Scholars as Haniffa (2002); Haniffa and Hudaib (2001); Baydoun and Willett (1995); Hamid et al., (1993); Karim and Tomkins (1987), have suggested that Islam must influence the approach and the manner in which accounting is practised. Hameed (2001) asking a strong support among Muslim Accountants and Accounting Academics for applying an Islamic accounting as well as accountability framework instead of using the decision-usefulness framework of conventional accounting, and the need for developing a specific accounting that helps Muslims to fulfil their objectives and achieve God's consent. Mirza and Baydounl (1999) found that Islamic societies need their accounting and reporting standards that support them to obey Allah and satisfy other stakeholders. Moreover, annual reports of IFIs may include a comprehensive disclosure about the firm's operations, financial; compliance with *Sharia* as well as social information. Al-Mehmadi (2004) concluded that, IBs need special accounting standards. In addition, International Accounting Standards (IASs) based on such techniques would create difficulties for Muslims (Shadia, 2007).

Hameed (2001) explains that; the worldview, principles, objectives and values of Islam are different from secular Western society. As such, the particular obligations and prohibitions in the economic and social arena under *Sharia*, and the establishment of Islamic organisations require a different accounting framework. Therefore, conventional accounting may be an inappropriate tool for the task. He considers that an Islamic economy needs a different accounting system that corresponds to Islamic values and provides appropriate information for the Muslim users to help them in achieving their religious objectives. Obviously, many studies have investigated different issues and aspects that affect the nature of accounting in Islam, as Zakat, riba, Islamic reporting scheme, disclosure, Islamic financial instruments, as Mudarabah and other issues (e.g., Ayub, 2007; Lewis, 2006; Maali et al., 2006; Siddiqi, 2005). Haniffa and Hudaib (2001) criticise conventional accounting as well as international accounting standards like IFRS as being inappropriate for Muslims and for IFIs. They assert that Islamic accounting helps Muslims to achieve the consent of Allah. They criticises conventional accounting as being barred from religion, as well as failing to ensure society's longer-term well-being.

Haniffa and Hudaib (2001), state that disclosure in IBs is a vital factor that helps Muslims to fulfil their religious duties. They add, IBs are supposed to disclose any information concerning the forbidden transactions they make, information related to Zakat obligation, and bank's social responsibility, as charities, and environmental protection. This shows us that financial reports in IFIs are likely to be more detailed than the financial reports in conventional institutions.

Ullah (2013) stated that compared to other general or banking companies, IBs are required complying more legal requirements such as AAOIFI standards. Hossain (2010) moreover stated that the Islamic banks are to abide by more rules and regulations than conventional banks, that is, AAOIFI standards are not complied by conventional banks. As the activities of IBs are different that of their counter parts, therefore, their accounting and reporting is also different. For these IBs need to disclose some information which is not required to disclose by conventional banks. AAOIFI has been recognized and mandated to develop standards that are in line with *Sharia* principles in order to promote comparable, transparent and reliable accounting information for users. Thus, the main objective of AAOIFI is to prepare and develop accounting, auditing, governance and ethical standards relating to the activities of IFIs (Sarea and Hanefah, 2013).

However, Hameed (2001) argues that IFRS is inappropriate for IFIs because the uniqueness transactions of IBs. Also, IFRSs are not compatible to IBs (Maali and Napier, 2010). Therefore, we suppose enhancing disclosure level about bank' accountability in case of adopting Islamic standards as AAOIFI. Ariss and Sarieddine (2007) argued that the adoption of AAOIFI standards by IBs will help to enhance their credibility as well as disclosure levels.

From the previous argument; conventional accounting as well as international accounting standards as IFRS and GAAP are not applicable for IFIs. In the other side; IFIs need Islamic accounting and Islamic standards as AAOIFI that comply with *Sharia* and support these institutions to achieve accountability towards Allah as well as all stakeholders. Consequently, this research looks for AAOIFI as a benchmark; ideal model and best practices for all IFIs that could support them to disclosure full information about SSF issues and assist IBs to fulfils the contract of Islamic banks towards Allah first then towards stockholders; society and other stakeholders.

Part Three: The Pilot Studies' results

3.3.1 Summary

Reliability is the extent to which the instrument produces the same results on repeated trials (Hassan and Marston, 2010). Thus, the disclosure measure has to be subjected to reliability tests in order to obtain useful inferences with regard to using the instrument in a research situation (Beattie et al., 2004). To assess the reliability of the research instrument, a pilot studies was conducted. It also aimed to check the variation between banks in terms of SSF reporting using the research instrument. Piloting has a role of ensuring that the research instrument as a whole functions well it may be crucial in relation to research based on self-completion questionnaires (Bryman, 2004). Thus, the researcher was able to get an initial idea about the variation between IBs with respect to SSF reporting. The researcher conducted three pilot studies to explore the actual practices for IBs in additional to explore the stakeholder's perceptions towards these organizations. The main aim from these studies is finding some indicators about accountability practices from different perspectives for these banks which support the research's gap.

3.3.2 The First pilot study

This study seeks for testing Accountability through measuring disclosure levels by IBs. It measuring the level of disclosure in the annual report for IBs whatever applies AAOIFI or IFRS. The main objective is determining the main differences between the banks in the structure of the annual report and level of disclosure. It also investigates the disclosure for some important elements in annual reports concerned with the nature of IBs as CSR, Zakat and Qard Hassan. The study compromise 40 banks (22 IBs that apply IFRS, 11 Islamic windows and 11 IBs that apply AAOIFI) from 15 different countries, as UK, Egypt, Pakistan, KSA, UAE, Kuwait and Malaysia. It uses annual report for 2011:2013 and website for 2013. It uses suggested constructed disclosure index and adopting content analysis method. The main results for this pilot study shows low disclosure levels about suggested index and non-compliance with Islamic value. It concludes that disclosure about CSR in the annual reports is narrative. The practices for IBs are not complying with the holistic model for Islamic *Sharia* and it's out of my expectations. By other words, the selected banks is far away from the achieving the accountability towards Allah and towards their stakeholders

***Table 5**: Similarities and differences between IBs and conventional banks for disclosure*

Unique Items for Islamic Banks	
1	*Disclosure in the statement of sources and uses of funds, Loan Fund (Qard Hassan Fund)*
2	*Disclosure in the Statement of Sources and Uses of funds of Zakat and Sadakat*
3	*Statement of Changes in Restricted Investments*
4	*Sharia Supervisory Board (Report)*
5	*The bank's Responsibility for Zakat*
Similar with Conventional Bank in items but differences in some details	
6	***Presentation and disclosure in the Balance Sheet*** *6.1 Murabaha receivables* *6.2 Accounts receivable salam* *6.3 Investments in Mushrakah* *6.4 Accounts payable Istisnats* *6.5 Zakat and taxes due on the bank*
7	***Presentation and disclosure in the Income Statement*** *8.1return on unrestricted investment account holders in the income or loss before deducting the share of investment bank as a speculator* *8.2 the bank's share of the income of the absolute investment as a speculator* *8.3 the bank's share of investment income restricted as a speculator* *8.4 the share of the bank for the management of restricted investment as an agent* *8.5 Income or loss before zakat*
8	***Community*** *7.1. Support for organizations that provide benefits to society* *7.2. Participation in government social activities* *7.3. Sponsor community activities* *7.4. Commitment to social role*
9	***Vision and Mission Statement*** *9.1Commitments in operating within Sharia principles*

3.3.3 The Second Pilot Study

This study explores the applicability of AAOIFI for IFIs comparing with IFRS. It investigates the compliance level of IFIs with AAOIFI which support IBs to achieve the accountability concept towards Allah by compliance with *Sharia* and towards stakeholders by full disclosure. It comparing IFRS/IAS No.1 and AAOIFI accounting standards No.1 associated with disclosure and presentation in the annual report to clarify the differences in the disclosure in the annual reports for IBs. It emphases on analysis IBs in across countries to determine to what extent the presentation in annual report, differs from Islamic and Western view. This study examines the annual reports for 20 IB in 10 different countries and covering period from 2008 to 2013. The study uses 2 Disclosure Index (One for IB that applies IFRS and another that applies AAOIFI)

It concludes that level of disclosure for IBs that adopting IFRS is high comparing with other banks that adopting AAOIFI. Through adopting IFRS, IBs ignore several items related to the nature of Islamic banking as Zakat and Qard Hassan. It has impacts on the image of IBs and impressions for stakeholders who deal with these banks as a different bank comparing with conventional bank. The study also concludes that, IBs that apply IFRS is a full adopting because it is a mandatory but IBs that apply AAOIFI is a partial adopting because it is voluntary. Therefore, AAOIFI is more suitable and applicable than IFRS for IBs and it can support IFIs to achieve accountability towards Allah and stakeholders

Table 6: *The similarities and differences between AAOIFI and IFRS related to disclosure*

	Islamic Banks comply with ***AAOIFI***	*Islamic Banks comply with* ***IFRS***
Similarities (Similar Items covered)	*- Background and Basic information about bank - Basic Accounting Policies used in annual report - Basic statements: - Balance sheet - Income statement - Cash Flow - Changes in the Owner's equity - Risk Management - BOD and team Management*	
Differences (Items covered separately)	*- Statement of Changes in Restricted Investments - Statement of Sources and Uses of funds of Zakat and Sadakat - Statement of sources and uses of Loan Fund - Sharia Supervisory Board*	*- Segment Reporting -Financial Performance*

In the previous two pilots studies; we used panel data. The results show insignificant variances of disclosure between selected years. Therefore; the main studies for this thesis used the latest year (2013).

3.3.4 The Third Pilot Study

This study explores individuals' perceptions towards IFI's accountability. It explores the perceptions of 50 individuals about the actual practices of Islamic banks and for what extent it reflects their true accountabilities. It explores the individuals' viewpoints towards IFIs and for what extent it differs from conventional banks. It also tests their perceptions towards the compliance of these banks with *Sharia* and its financial performance as well as social activities. The study covered period from 12/2013 until 3/2014. The sample contains Muslim, non-Muslim, accountants, auditors and interested persons for Islamic banking from different specializations and geographical area as UK, Egypt and KSA. The researcher uses direct and unconstructed interview with open questions. The main conclusion from this study shows variances between the actual practices for Islamic banks and the individuals' expectations for the real Islamic banking system which may reflect the real meaning of Islam. By other words, IFI is not consisting with accountability model of Islam.

Table 7: *Summary of the sample*

Main groups	***Country***	***No***	***%***
Accountants	*Egypt*	*10*	*20%*
Auditors	*Egypt*	*10*	*20%*
Academic staff	*Egypt and UK*	*5*	*10%*
Investors with IB	*Egypt; KSA and UK*	*22*	*44%*
Muslim scholar	*Egypt and UAE*	*3*	*6%*
Total	***4***	***50***	***100%***

Table 8: *Main questions' focus*

Main groups	***Main focus***
Accountants	*The applicability of AAOIFI for Islamic banks and for what extent disclosure in the annual reports contain information about CSR; SSB report and full disclosure about Islamic values*
Auditors	
Academic staff	*The accountability model and its pillars*
Investors with Islamic banks	*Its perspectives and expectations about actual practices for Islamic banks and gap with ideal model and accountability meaning for them*
Muslim scholars	*The meaning of accountability from an Islamic perspective and main dimensions and proofs from Quran and Sunna*

Based on the three pilot studies' results, Islamic banks are not matching with the accountability model and there is a gap between the model and the actual practices for these banks. This conclusion motivates the researcher to measuring for what extent Islamic banks around the world disclosure information that reflect SSF accountabilities. It motivates also the researcher to measuring the main factors behind disclosure about these accountabilities. It also motivates the author to measuring the consequences of disclosure about SSF accountabilities and impacts of these disclosures on the stakeholders' loyalty; trust and satisfaction. This study aims to mitigates the gap between the ideal and actual model accountabilities of Islamic banks

The subsequent chapter focused on the first track for this thesis which contains three empirical studies. These studies measuring the disclosure as well as compliance level related to SSFD. These studies furthermore measure the main determinants behind these disclosures which contain firm characteristics; CG mechanism for BOD as well as SSB.

Chapter Four: Disclosure; Compliance and Determinants of SSF reporting

4.0 Introduction

This chapter focused on the disclosure levels for IBs to see to what extent the annual reports as well as websites reflects the three accountabilities which are *Sharia*; social and financial (SSF) disclosure based on holistic index. This chapter also investigates the main determinants of disclosure levels related to firm characteristics and corporate governance concerned with BOD and SSB. This chapter also measuring the compliance level with AAOIFI and main factors behind the disclosure levels for IBs that are full adopting these standards. Consequently, this chapter contains three studies:

Empirical study (1): AAOIFI Mandatory Disclosures in Islamic Banks: Determinants of Compliance Levels:

This study seeks to determine the level of compliance with Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) governance and accounting standards by Islamic banks (IBs) adopting AAOIFI. The study also aims to contribute to the existing compliance literature by examining the determinants of disclosure with AAOIFI. This study uses manual content analysis based on 2013 data. The sample consists of 43 Islamic Banks (IBs) across 8 countries. It uses 4 ordinary least squares regression analyses to examine the impact of firm-specific characteristics and corporate governance mechanisms concerned with BOD and SSB on multi-disclosure levels. The study shows that the average compliance level based on AAOIFI standards concerning with Sharia Supervisory Board Report (SSBR) is 68%; corporate social responsibility report (CSRR) is 27% and presentation of financial statements (FS) is 73%. The aggregate disclosure based on the 3 indices is 56%. The analysis indicates that size, existing *Sharia* auditing department, age, and corporate governance of SSB are the main determinants behind the disclosure levels. The determinants of holistic corporate disclosure for IBs that adopt AAOIFI have not been explored so clearly in prior research and, therefore, this study is the first of its kind to examine the determinants of IBs that adopted AAOIFI.

Empirical Study (2): The Determinants of holistic disclosure levels for Islamic banks:

This study seeks to examine disclosure levels in the annual report and websites related to Islamic accountabilities pillars which are *Sharia*; social and financial. The study also aims to measuring the association between disclosure levels and firm-specific characteristics. Manual content analysis is employed. The sample consists of 117 IBs based on data of 2013 across 23 countries. This study adopted 3 indices for Corporate Social Responsibility Report (CSRR); *Sharia* Supervisory Board Report (SSBR) and financial statements (FS) based on holistic benchmark. 2 models regression analysis are employed. Descriptive analysis shows relatively high disclosure level for financial and *Sharia* disclosure (62% and 52% respectively) and relatively low for social disclosure (28%). Concerned with holistic disclosure level that measuring accountability' pillars for all sections in the annual report, disclosure levels about Sharia , social and financial are 40%; 28% and 81% respectively. The regression analysis shows partial positive significant association of disclosure levels with existing *Sharia* auditing department; size of auditor; size of bank and probability. The analysis shows partial negative association with ownership of bank and riskiness. This study is the first one that develops and investigates a holistic framework about Islamic accountability for IBs around the world. It is also the first one that measuring the accountability concept in all sections in the annual report for IBs. It is the first study that links all the three accountability' disclosure with bank-specific characteristics

Empirical Study (3): Corporate Governance and Multi-Corporate Disclosures: Evidence from Islamic Banks:

The study assesses the effects of corporate governance variables on the level of CSRD; SSBD and FD disclosure for Islamic banks. The study' sample contains 95 Islamic banks observed during the year 2013. The study's findings suggest that corporate governance mechanisms including number of Block holders; Institutional ownership; Foreign Ownership; Family Ownership; Listed share; CEO power; Board size; Board independence and Investment account holders are effective in influencing SSBD, CSRD and FD practices in Islamic banks. We also find firm age, auditor and *Sharia* auditing department (SAD) to be important determinants of levels of SSBD; CSRD and FD disclosures in Islamic banks. This study encourage regulators to improve corporate governance mechanisms in their Islamic banking systems through the optimization of ownership structure (dispersed ownership) and the board's characteristics, in order to promote transparency and disclosure. Moreover, the findings support theoretical arguments that firms disclose corporate governance information in order to mitigate information asymmetry and agency costs and to improve investor confidence in the reported financial statements. This study's empirical evidence enhances the understanding of the corporate governance disclosure environment in IBs as a promoting new financial system.

Empirical Study (1): AAOIFI Mandatory Disclosures in Islamic Banks: Determinants of Compliance Levels

4.1.1 Introduction

The first study conducted by Abdel-Magid (1981) on the need for unique Islamic accounting standards to adopt by Islamic financial institutions (IFIs) found that there is an increasing demand among researchers to ensure that *Sharia* principles are incorporate into the accounting practice. The study proposed a framework to prepare financial statements based on a unique model of accounting standards for IFIs that makes financial statements more comparable, transparent and reliable for users. According to Hameed (2001), conventional accounting is inappropriate for Muslim users and IFIs. In addition, International Accounting Standards (IASs) based on Western accounting practices would create difficulties for Muslims around the world as many aspects of the Islamic economy differ greatly from Western economies (Rahman, 2007). Therefore, it is crucial to develop accounting standards, which are specially adapted to Islamic needs and for Muslim countries as well as for IFIs and IBs (Rahman, 2007). Hossain (2010) stated that the IBs have to abide by more rules and regulations than conventional banks. The activities of IBs are different to the activities of their conventional counterparts, therefore, their accounting and reporting is different. Hence, IBs need to disclose certain information that conventional banks are not required to disclose and it questioned whether adopting IFRS standards could adequately address the reporting of Islamic financial transactions. Thus, this study measures the compliance level with AAOIFI requirements related to different types of corporate disclosure (*SSF*) based on accounting and governance standards. This study aims to enhance the understanding of the factors explaining the cross-sectional variation in the quantity of the information disclosed by IBs that adopt AAOIFI standards. The study also aims to investigate the extent to which firm-specific characteristics and corporate governance mechanisms concerned with the Board of Directors (BOD) and the Sharia Supervisory Board (SSB) explain variations in Sharia , social, and financial reporting (SSFR) for 43 IBs across Bahrain, Yemen, Qatar, Syria, Palestine, Sudan, Oman, and Jordan.

The existing body of literature that explores the determinants of corporate disclosure (e.g., Farook et al., 2011) is in the early research stage, as – to the best of my knowledge – there is a paucity of empirical study testing this issue (e.g., Farag et al., 2014; Farook et al., 2011). However, both of these studies focus on one of the disclosure themes, which are CSRD. In the first track, the existing body of literature on compliance with AAOIFI focused on using content analysis to explore the compliance level with AAOIFI based only on annual reports (e.g., Ullah, 2013; Ahmed and Khatun, 2013; Vinnicombe, 2010; Al-Baluchi, 2006). However, the determinants of corporate disclosure and compliance with AAOIFI that contain firm characteristics and corporate governance mechanisms for BOD and SSB have not yet been investigated empirically, particularly for IBs that adopt AAOIFI.

This study aims to bridge a perceived gap between the two broad strands on corporate disclosure as well as filling the research gap in determinants of corporate disclosure for IBs which adopt AAOIFI. Much prior research has focused on exploring the compliance level with IFRS (e.g., Aljifri, 2008; Akhtaruddin, 2005; Naser and Nuseibeh, 2003) and with national financial standards (e.g., Hassan et al., 2009; Glaum and Street, 2003; Street and Bryant, 2000). Limited is known about the compliance level with AAOFII standards (Ullah, 2013; Vinnicombe, 2010). In addition, this study motivated by incentive research, which focuses on corporate governance (CG) with BOD as a main category in the CG structure and ignores SSB, which represents one of the main components in the CG for IBs. Most of the previous studies which explore corporate governance as a factor behind the disclosure level have focused on CG variables related to BOD (e.g., Alhazaimeh et al., 2014; Bokpin, 2013; Elzahar and Hussainey, 2012; Cong and Freedman, 2011; Taylor et al., 2010). A limited number of studies explore CG related to SSB as a unique mechanism for IBs (e.g., Abdul Rahman and Bukair, 2013; Farook et al., 2011). Thus, we aim to fill this gap through exploring the impacts of CG related to BOD and SSB for IBs that adopt AAOIFI and measuring to what extent, these variables affect multi-disclosure levels, which include *Sharia*, social and financial disclosure at the corporate level.

Furthermore, considerable attention has recently been paid to compliance with AAOIFI requirements, although the majority of the research focuses on a single country (e.g., Hafij, 2013; Ahmed and Khatun, 2013), or is heavily restricted to one category of AAOIFI reporting standards such as presentation of financial statements in the annual report (Hafij, 2013) or CSR (Hassan and Harahap, 2010). None of these studies includes the majority of IBs that adopt AAOIFI or measure the extent to which they comply with AAOIFI standards. Secondly, none of the previous research explores multi-disclosure categories, which contain *SSFD*. Finally and significantly, based on our knowledge, none of the previous studies has explored the main determinants of disclosure for banks that adopt AAOIFI with reference to bank-specific characteristics and CG mechanisms. This study extends and contributes to the recent literature on compliance with AAOIFI and determinants of disclosure (i.e., Farag et al., 2014; Sarea and Hanefah, 2013) by offering empirical evidence on the impact of a comprehensive set of corporate governance mechanisms on corporate disclosure for large IBs that adopt AAOIFI.

This study adopts AAOIFI standards as benchmark indices related to CSRR, SSBR and FS. The benchmarks include AAOIFI Governance Standard No.7 recommendations for mandatory and voluntary CSR disclosure, AAOIFI Governance Standard No.1 recommendations for SSB members as well as the content of the SSB report, and finally AAOFII accounting Standard No.1 recommendations for general presentation and disclosure in the financial statements and its footnotes for Islamic banks as well as IFIs. The aim of these benchmarks is to produce indices that are more comprehensive that covering three dimensions, which are SSF disclosure for a sample of IBs that adopted AAOIFI standards during 2013. Based on Belal et al (2014), this study splits CSR and FS index into two strands namely Sharia specific reporting practices related to Sharia issues (e.g., Qard Hassan, Waqf management, Zakat and *SSBR*) and universal specific reporting practices which are adopted by IFRS as well as AAOIFI (e.g., balance sheet, a profit and loss account and cash flows statement)

The study of AAOFII accounting standards has grown in recent years with substantial contributions from scholars such as Ahmed and Khatun (2013); Hassan and Harahap (2010); Vinnicombe (2010); Lewis and Algaoud (2001); Baydoun and Willet (1997). It is notable, however, that the focus of most of these studies is descriptive or analytical in nature, emphasising in particular the compliance level with AAOIFI without extending their study to explore the main factors behind the disclosure level. This study further contributes to the literature by examining the interactions of country (based on culture) and company level factors (such as profitability and size) in order to understand more completely how these factors jointly impact compliance. The present research adds a large-scale academic study-examining compliance with AAOIFI mandatory disclosures after 2010 (based on the updated version of AAOIFI financial and governance standards). Second, it provides evidence regarding the implications of the use of an un-weighted method for measuring compliance with best practices disclosures. Third, it provides evidence regarding the explanatory factors of compliance levels with AAOIFI disclosures that contain firm characteristics in addition to CG mechanisms.

The results indicate that the compliance level with AAOIFI Governance Standard No.1 is 68%; the compliance level with AAOIFI Governance Standard No.7 is 27% and compliance level with AAOIFI accounting Standard No.1 is 73%. The empirical analysis shows that size; age; SAD; UA and corporate governance of SSB is significantly associated with levels of disclosure. The remainder of this study is organised as follows: Section 4.1.2 identifies the issues of compliance with accounting standards such as IFRS and national standards. Section 4.1.3 discusses compliance with AAOIFI standards and reviews the selected AAOIFI standards.

Section 4.1.4 develops the hypotheses. Section 4.1.5 explains the research methodology, sample and the OLS regression analysis. Section 4.1.6 outlines the descriptive results of disclosure and compliance Levels. The empirical results and discussion results are discussed in section 4.1.7 and 4.1.8. Section 4.1.9 provides conclusions, limitations and gives suggestions for future research.

4.1.2 Compliance with Accounting Standards

Table 9 provides a summary of the previous studies that reviewed the compliance with national standards and regulations as well as IFRS. Except Street and Bryant (2000); Street et al., (1999); Craig and Diga (1998) which are multi-country studies, the remaining studies focus on one country. Furthermore, with the exception of Naser and Nuseibeh (2003); Tower et al. (1999); Patton, and Zelenka (1997), 17 out of the 20 studies employ only one disclosure index method. All the studies employ self-constructed indices, which may increase the subjectivity of the scoring process. In most studies, compliance levels are very rarely close to 90%, with the majority of studies reporting average compliance levels of 70% to 80%. Great variability in the compliance scores also documented. Compliance with IFRS disclosures look very similar to those regarding disclosures mandated by other national standards. Glaum and Street (2003) found that the average compliance level of companies in 2000 financials is significantly lower for those applying IAS compared to those applying GAAP. Hodgdon et al (2009) report that compliance levels vary considerably, with companies on average providing only 68% of the required disclosures. Therefore, these findings provide solid grounds for the concerns regarding the “quality” of financial statements after the adoption of AAOIFI by Islamic banks. With regard to the present study, they suggest that compliance levels with AAOIFI disclosure requirements may also be low for IBs that adopt these standards.

Table 9: *Prior research on compliance with IFRS/National standards*

Authors	Country	Year	Sample	Research instrument	Findings
Prior research on compliance with disclosure of national standards					
Tai et al., 1990	*Hong Kong*	*1986*	*76*	*1 Disclosure checklist*	*Average compliance: 78%*
Cooke, 1992)	*Japan*	*1988*	*35*	*1 Self-constructed index*	*Average compliance: 95%*
Ahmed and Nicholls, 1994	*Bangladesh*	*1988*	*63*	*1 Self-constructed index*	*Only 4 firms exhibit compliance above 90%. 37 firms are to found in the range of 60–80%.*
Wallace and Naser, 1995	*Hong Kong*	*1991*	*80*	*1 Self-constructed index*	*Average compliance: 73%.*
Owusu-Ansah and Yeoh, 2005	*New Zealand*	*1992:1997*	*50*	*1 Self-constructed index*	*Compliance levels increased from an average of 78% in 1992 to an average of 88% in 1997.*
Patton and Zelenka, 1997	*Czech Republic*	*1993*	*50*	*3 Self-constructed index*	*Large variability in the compliance scores: from 25% to 80%*
Craig and Diga, 1998	*Singapore, Malaysia, Indonesia, Philippines and Thailand*			*1 Self-constructed index*	*Relatively low mean levels of disclosures, ranged from 51%–61%.*
Naser and Nuseibeh, 2003	*Saudi-Arabia*	*1992:1999*	*67*	*2 Self-constructed index*	*Average compliance: 89%*
Ali et al., 2004	*India, Pakistan and Bangladesh*	*1998*	*566*	*1 Self-constructed index*	*Average compliance: 80%*
Akhtaruddin, 2005)	*Bangladesh*	*1999*	*94*	*1 Self-constructed index*	*Average compliance: 44%*
Aljifri, 2008	*United Arab Emirates*	*2003*	*31*	*1 Self-constructed index*	*Average compliance: 67%*
Prior research on compliance with IAS/IFRS disclosures					
Abd-Elsalam and Weetman, 2003	*Egypt*	*1995:1996*	*72*	*1 Self-constructed index*	*Average compliance: 83%*
Al-Shiab, 2003	*Jordan*	*1995:2000*	*50*	*1 Self-constructed index*	*Companies' level of compliance ranged between 45% and 56%.*
Street, Gray, and Bryant, 1999	*12 different countries*	*1996*	*49*	*1 Self-constructed index*	*20 companies complied in full. For the remaining companies, compliance with individual standards was relatively low.*
Al-Shammari et al., 2008	*Bahrain, Oman and Kuwait*	*1996:2002*	*137*	*1 Self-constructed index*	*Compliance increased over time, from 68% in 1996 to 82% in 2002.*
Tower et al., 1999	*Australia, Hong Kong, Malaysia, Philippines, Singapore & Thailand*	*1997*	*60*	*2 Self-constructed index*	*Average compliance: 91%*
Street and Bryant, 2000	*17 different countries*	*1998*	*82*	*1 Self-constructed index*	*Average compliance: 75%*
Glaum and Street, 2003	*Germany*	*2000*	*100 IAS 100 US GAAP*	*1 Ernst and Young disclosure checklist*	*Levels of compliance with IAS ranged from 41.6% to 100%, with an average of 81%. This % significantly lower*

					compared to the compliance with US GAAP (87%).
Hassan et al., 2006	*Egypt*	*1995:2002*	*77*	*1 Self-constructed index*	*Average compliance: 90%.*
Fekete et al., 2008	*Hungary*	*2006*	*17*	*1 Self-constructed index*	*Average compliance: 62%*

4.1.3 Compliance with AAOIFI

The AAOIFI formulates and issues accounting, auditing, governance, ethics and *Sharia* standards for IFIs. AAOIFI as an independent international organisation, is supported by institutional members (200 members from 40 countries) including central banks, IFIs, and other participants from the international Islamic banking and finance industry worldwide (AAOIFI, 2015). Currently, AAOIFI has published 88 standards including 26 accounting standards, 5 auditing standards, 7 governance standards, 2 ethics standards, and 48 *Sharia* standards (AAOIFI, 2015). The area of empirical research pertinent to this study is the literature on compliance indices. Tower et al (1999) define compliance with the IASB's (International Accounting Standards Board) standards as being “the degree to which entities comply with a multitude of issues in the international accounting standards (IASs)/international financial reporting standards (IFRSs) issued by IASB” (p.422). For the purpose of this study, compliance can defined as “the degree to which IBs comply with the multitude of issues in the accounting and governance standards issued by the AAOIFI”. Of relevance to this study is the development of indices that used as benchmarks against which compliance is measured. One of the ground-breaking studies in this area is work of Nobes (1990), which used financial statements to measure compliance of a sample of listed US companies with IASs. Subsequent studies which use a similar methodology (e.g., Tower et al., 1999; Street eta al., 1999).

Researchers in the area of financial reporting for IFIs have conducted a large number of studies on the issues of compliance with accounting standards. For instance, Hameed et al (2006); Abdul Rahman (2007) have examined the level of compliance with accounting standards for IFIs.

The level of compliance issues gets top priority in some of the previous studies (e.g., Nadzri, 2009; Zaini, 2007). Nadzri (2009) concluded that concerning with Zakat, the extent of disclosure by the IFIs is much lower than the AAOIFI requirements. Hameed et al (2006) stated that the compliance rate of the Bank Islam Malaysia Berhad (BIMB) is 15%, while the Bahrain Islamic Bank (BIB) has a higher level of compliance with the AAOIFI accounting standards at 61%.

Finally, these reviews also illustrate that there is no large-scale academic study exploring IBs' compliance with AAOIFI standards after 2010 (the updated version for AAOIFI that includes new accounting and governance standards). The present study addresses this gap in the literature and contributes to the recent calls for this type of research. The adoption of AAOIFI was an important development not only for IBs located in Bahrain but also for all IFIs that aim to disclose information and prepare financial statements based on *Sharia* principles. Table 10 provides a summary of the previous studies that examined compliance with AAOIFI. The most recent studies (e.g., Ullah, 2013; Ahmed and Khatun, 2013) based on 2011 data that has revealed the need for further research. The selected studies only measure the compliance level with AAOIFI without extending their research to explore the main determinants of disclosure and compliance with AAOIFI. In addition, none of these studies explores the three categories that are *SSF*. Thus, this current study will fill all of these gaps in the research. The following section explores the three standards, which adopted for this study and reviews related previous studies.

Table 10: *Prior research on compliance with AAOIFI standards*

Study	Sample	Years	Standards	Method	Compliance level
Hafij Ullah, 2013	*7 banks in Bangladesh*	*2011*	*AAOIFI/FS1*	*Un-weighted content analysis*	*45%*
Al-Baluchi, 2006	*34 banks of which 14 banks from Bahrain, 26 banks from Sudan, 2 banks from Qatar, 2 banks from Jordan*	*2002*	*AAOIFI/FS1 and FS5*	*Un-weighted content analysis*	*44%*
Vinnicombe, 2010	*26 banks listed in Bahrain*	*2004:2007*	*AAOIFI G1; FA3; FA2 and FA9*	*Un-weighted content analysis*	*71%*
Ahmed and Khatun, 2013	*17 banks in Bangladesh*	*2011*	*AAOIFI G1; G2; G3; G4 and G5*	*Content analysis*	*75%*

Hassan and Harahap, 2010	*7 Islamic banks at 7 countries*	*2006*	*AAOIFI governance standard*	*Content analysis*	*38%*

4.1.3.1 AAOIFI and SSBR

According to AAOIFI, *Sharia* Supervisory Board (SSB) defined as an independent body of specialised jurists in fiqh al mu'amalat (Islamic commercial jurisprudence)[12] (AAOIFI, 2010). The purpose is to ensure IFIs that complies with *Sharia* principles. AAOIFI published Governance Standard No.1, which specifies the composition of the board, and the basic elements of its *Sharia* report. Farook et al (2011) asserted that the existence of SSBs in IBs might improve the transparency of financial reporting and monitoring, and lead to the provision of more information about *Sharia*. Farook et al (2011) investigated the extent and determinants of disclosure in the annual reports of 47 IBs from 14 countries. They found that the SSB is the most significant factor explaining the disclosure variations. Haniffa and Hudaib (2007) found that IBs disclose additional information related to SSB.

4.1.3.2 AAOIFI and CSR

Corporate social responsibility (CSR) for IFIs refers to all activities carried out by an IFI to fulfil its religious, economic, legal, ethical and discretionary responsibilities as financial intermediaries for individuals and institutions (AAOIFI, 2010). AAOIFI issued Governance Standard No.7 in 2010 to organise the activities related to CSR. The primary objective for this standard is to ensure that CSR activities and compliance of IFIs communicated in a truthful, transparent and comprehensible manner to relevant stakeholders (AAOIFI, 2010). The accountability for disclosure under this standard divided between mandatory disclosure (such as earnings and expenditure prohibited by *Sharia* and Zakat) and voluntary disclosure (as Qard

[12] Fiqh Al Mu'amalat is a branch of Islamic jurisprudence that deals with commercial and business activities in an economy. Fiqh literally means understanding of rulings and precepts, whilst muamalat, in this particular facet, refers to economic transactions and activities. This branch of fiqh covers the rulings that define and govern the relationship between humans, i.e., their financial rights and obligations towards each other.

Hassan, charitable activities and Waqf management[13]) (AAOIFI, 2010). The CSR literature on IBs has revealed an expectations gap between actual/communicated disclosures and ideal disclosures. Maali et al (2006) found that the level of social disclosure by the sample banks was well as below their benchmark index. Haniffa and Hudaib (2007) found a significant gap between the communicated and ideal ethical disclosure for 7 IBs. Belal et al (2014) found an overall increase in both particular and universal disclosures during the study period. Hassan and Harahap (2010) concluded that some IBs pay scant attention to disclosing their social activities and thus argued for a standard on CSR disclosure relevant to IFIs. Farook et al (2011) found substantial variation in CSR disclosures and this variation best explained by the presence of SSB governance and the preponderance of Muslims in their sample countries. Aribi and Gao (2012) found that the main CSR disclosures were contained in the SSB reports with less disclosure in the annual reports on other Islamic-based information such as Zakat, interest free loans and charitable donations.

4.1.3.3 AAOIFI and Financial statements and presentation of the annual report

In 1993, AAOIFI issued Accounting Standard No.1 related to general presentation and disclosure in the financial statements of IBs. The objectives of financial reports is to provide information about the IFI's compliance with *Sharia*; information about IFI's economic resources and related obligations; information to assist in the determination of Zakat; IFI's discharge of its fiduciary and social accountabilities (AAOIFI, 2010). Based on this standard, annual report contains seven basic statements in addition to basic information about the bank, significant accounting policies and other information. Hossain (2010) found that the average compliance level with AAOIFI is 88% considering all required aspects of financial statements. Ullah (2013) examined the level of compliance with AAOIFI guidelines regarding general presentation and

[13] Waqf, in the Arabic language, means to stop, contain, or preserve. In Islamic terms, Waqf refers to a religious endowment i.e. a voluntary and irrevocable dedication of one's wealth and its disbursement for sharia compliant projects.

disclosure in the financial statements of IBs listed in Bangladesh. The study found that these banks comply with AAOIFI guidelines on average 44%.

However, the previous studies rely on data collected only from annual reports to infer disclosure. The annual report itself will not provide a true picture of corporate disclosure as IBs may disclose some of their social and *Sharia* compliance separately in other reports such as corporate governance reports or on their websites. Therefore, in this study, data collected not only from the annual reports but also from all other available reports and websites. Secondly, the number of sample banks used in the literature was limited as acknowledged by Haniffa, and Hudaib (2007); Maali et al (2006). The sample of IBs is not only relatively large (43) but also the data from 2013 is more recent. In previous studies, the most recent years investigated were 2007 (Farook et al., 2011) and 2011 (Hafij, 2013). Thirdly, although a number of studies referred to AAOIFI standards (Hassan and Harahap, 2010), none of them included AAOIFI Standard No.7 on CSR conduct in which CSR disclosure classification distinguishes mandatory disclosure requirements from voluntary disclosure requirements. In addition, most of the studies included SSB as a dimension in the CSR index; however, because of the importance of this variable, it may measure separately. Finally, none of the studies focuses only on IBs that adopt AAOIFI nor do they explore main determinants for disclosure levels.

4.1.4 Determinants of Disclosure

The determinants of disclosure are well grounded in theories. It includes agency and political costs theories (Watts and Zimmerman, 1990; Jensen and Meckling, 1976); signalling theory (Morris, 1987; Ross, 1977); institutional theory (Oliver, 1997; Meyer and Rowan, 1977); legitimacy theory (Carpenter and Feroz, 2001; Guthrie and Parker, 1989); contingency theory (Doupnik and Salter, 1995; Gray, 1988) and the positive accounting theory (Watts and Zimmerman, 1978). Corporate governance mechanisms can considered as key factors explaining the decisions of corporate disclosure from agency theory perspectives. The SSB is one of the most important governance mechanisms of an IFI to ensure Sharia compliance (Besar et al., 2009). Thus, the mechanisms that contain variables related to BOD and SSB will examine in this study. It will also examine variables related to firm characteristics. It is worth noting that very limited research has been undertaken to examine the association between corporate governance mechanisms for BOD and SSB and SSF disclosure. Agency theory, signalling theory, and economic and political cost theories used in the literature to explain the determinants of corporate disclosure. However; this present study uses both agency and signalling theories to identify the potential drivers of corporate disclosure (SSF) in annual reports and websites. In developing the research hypotheses, this study looks at the potential association between firm characteristics and CG mechanisms of BOD and SSB towards the holistic disclosure as follows:

4.1.4.1 Firm- characteristics

4.1.4.1.1 Auditor

Auditors play an important role in the credibility of firms' financial information (Healy and Palepu, 2001). Chalmers and Godfrey (2004) state that to maintain their reputation and avoid reputation costs, high-profile auditing companies are more likely to demand high levels of disclosure. The signalling theory suggests that the choice of an external auditor can serve as a signal of firm value. Generally, entrepreneurs are likely to choose a large audit firm since such an action signals to investors their acceptance of the auditor's demands for higher quality disclosure (Datar et al., 1991). This expectation is consistent with agency theory, which holds that larger audit firms have a stronger incentive to impose more extensive disclosure standards because they have more to lose from damage to their reputations. The findings of Hodgdon et al., (2009); Guerreiro et al., (2008); Xiao et al (2004) support this proposition with a positive relationship between firms employing one of the Big 4 international auditing firms and their scopes of corporate disclosure. Ahmed and Nicholls (1994) drew attention to the fact that size of audit firm can significantly affect the amount of information disclosed in financial statements. The largest auditing firms motivate their corporations to disclose more and comprehensive information than required to preserve their reputations (Firth, 1979). The first hypothesis is:

H1.1 the degree of disclosure is predicted to be higher in IBs audited by the Big 4 auditors than IBs that audited by non-Big 4 auditors

4.1.4.1.2 Age of bank

Older, well-established companies are likely to disclose much more information in their annual reports than younger companies are because they are less likely to suffer any competitive disadvantage. In addition, the cost and the ease of gathering, processing, and disseminating the required information may be a contributory factor (Owusu-Ansah, 1998). Many studies have shown that the level of voluntary disclosure is positively associated with company age (e.g., Hossain and Hammami, 2009; Cormier et al., 2005) while others (Alsaeed, 2006; Akhtaruddin, 2005; Hossain, 2008; Galani et al., 2011) conclude that the age of the corporation has insignificant association with the level of disclosure. Abdul Hamid (2004) suggested that the age of a bank may influence the level of information disclosure. In the case of banking companies, Hossain (2008) claimed that no relationship exists between banking companies' age and the extent of monetary disclosure. In contrast, a significant positive association between the banks' age and the extent of disclosure have been found by Owusu-Ansah (2005). Therefore, the Islamic bank age is chosen as one of the independent variables for testing. This leads to formulation of the second research hypothesis:

H1.2 Older IBs expected to disclose more information than younger IBs

4.1.4.1.3 Firm size

According to agency theory, larger firms need to disclose more information to different user groups, which leads to a decline in agency costs and reduces information asymmetries (Inchausti, 1997). In prior disclosure studies, the association between firm size and disclosure reporting is mixed. For example, while some studies found a positive association (e.g., Elshandidy et al., 2011;

Hassan et al., 2009; Vandemele et al., 2009; Alsaeed, 2006; Chavent et al., 2006; Mangena and Pike, 2005), others found an insignificant association (Rajab and Schachler, 2009). Firm size is a significant determinant of disclosure and accounting policy choice and a discriminator for accounting quality (Goodwin et al., 2008; Rahman et al., 2002). Furthermore, large firms face higher demand for information from customers, analysts, and public (Cooke, 1989). A few empirical studies on banking disclosure (i.e. Hossain and Taylor, 2007; Hossain and Reaz, 2007) have documented empirical evidence in the positive relationship between bank size and extent of disclosure. Thus, the third hypothesis is formulated as follows:

H1.3 Large IBs are more likely to disclose more information than small IBs

4.1.4.1.4 Profitability

Profitability is central to the discussion of corporate disclosure. Inchausti (1997) suggested that profitability is capable of influencing the extent to which companies disclose information items. Consistent with the signalling theory, management when in possession of good news due to better performance are more likely to disclose more detailed information to the stock market than that provided by companies in possession of bad news to avoid undervaluation of their shares. Chavent et al (2006); Wallace and Naser (1995) propose that companies with higher profitability provide comparatively more information. Ahmed and Courtis (1999) showed that the results of prior studies provide mixed evidence on the association between firm's profitability and the level of corporate disclosure. Elshandidy et al (2011); Othman et al (2009); Chavent et al (2006); Hossain et al (2006); Gray et al (2001) report a positive association between both variables. Agency theory argues that corporate managers of profitable corporations are motivated to disclose more information to increase their compensation (Abd El Salam, 1999). Galani et al (2011) report an insignificant relationship between banks' profitability and level of disclosure. In a similar vein, previous empirical research on banking voluntary disclosure by Hossain and Taylor (2007) shows no significant relationship between the extent of voluntary disclosure in the annual reports of Bangladeshi commercial banks and the profitability variable. In contrast, a study by Hossain (2008) found a significant positive relationship between the aggregate disclosure levels of listed banking companies in India and their profitability.

Signalling theory justify this positive correlation by the fact that corporate boards of highly profitable firms are more likely to disclose more information to increase stockholders' confidence and accordingly to raise their compensation and to raise capital at the lowest cost (Marston and Polei, 2004). However, from an Islamic perspective, where full disclosure represented an accountability towards Allah before stakeholders, Haniffa (2002) argues that a corporation may provide full disclosure in any situation whether it is making a profit or otherwise. The fourth hypothesis is

H1.4 Disclosure level expected to be higher for highly profitable IBs than low profit

4.1.4.1.5 Internal Sharia auditing department (ISAD)

The internal audit function plays a unique and critical role in CG by helping to ensure the reliability of financial reporting (Carcello et al., 2005; Gramling et al., 2004). The literature provides evidence that internal auditing has positive effects on financial reporting oversight and level of disclosure. Schneider and Wilner (1990) found that the presence of internal auditors deters fraudulent financial reporting. Other studies establish links between internal auditing and firm performance (e.g., Gordon and Smith, 1992). Archambeault et al (2008) highlight the need for an internal audit to improve governance transparency. Wilson and Walsh (1996) provide a basis for predicting that an internal auditing department will increase investors' confidence in financial reporting reliability and perceived oversight effectiveness. Mercer (2004) argues that internal *Sharia* auditing department (ISAD) serve as the first line of defence against disclosure errors. Consequently, ISAD is a critical and unique governance mechanism that maintains credibility and enhancing the disclosure level. The fifth hypothesis is

H1.5 The level of disclosure is associated with existing ISAD inside IBs

4.1.4.2 Corporate Governance (CG) of BOD characteristics

Fama (1980) argues that BOD is the central internal control mechanism for monitoring managers. Taylor et al (2010) argued that firms with a strong CG structure are more effective in financial management, which reflected in enhanced levels of corporate disclosure. To develop research hypothesis, this study reviews prior research that suggests an association between disclosure and corporate governance mechanisms (Eng and Mak, 2003; La Porta et al., 2002).

4.1.4.2.1 Number of block holders

Block holder ownership measured based on percentage of stocks held through institutional stockholders; this percentage may equal or exceed 5% of full stocks (Eng and Mak, 2003). Early research indicated a negative relation between block holder ownership and disclosure (e.g., Alhazaimeh et al., 2014; Samaha and Dahawy, 2011; Schadewitz and Blevins, 1998; Mitchell et al., 1995; Hossain et al., 1994), while Haniffa and Cooke (2002) found a positive association. Marston and Polei (2004) argue that investors who own a large proportion of equity shares in a company can obtain information about the company from internal sources. Setiyonoa and Tarazia (2014) find a negative association between the two variables concerned with banking industry. Therefore, more closely held companies are more likely to disclose less information because their large investors can access internal sources of information. Thus, the sixth hypothesis is:

H1.6 IBs with high percentages of block holder ownership have low levels of disclosures

4.1.4.2.2 Institutional ownership

Agency theory predicts that ownership structure affects the level of disclosure (Eng and Mak, 2003). The relationship between institutional ownership and disclosure has been examined in prior studies; however, the empirical evidence is mixed. Barako et al (2006); Mangena and Pike (2005) found a positive association while Schadewitz and Blevins (1998) found a negative whereas Hannifa and Cooke (2002) do not find a significant association between the two variables. Hidalgo et al (2011) supported the previous result by stated that "The results appear to corroborate the view that an increase in institutional investor shareholding has a negative effect on voluntary disclosure, supporting the hypothesis of entrenchment, whereas an excessive ownership by institutional investors may have adverse effects on strategic disclosure decisions" (p.490). IBs with a concentrated ownership structure do not have to disseminate more information, because the main shareholders can easily obtain it, as they usually have access to that information. Akhigbe and Martin (2006) found a positive association between disclosure institutional ownership based on financial services industry. The seventh hypothesis is

H1.7 There is a negative relationship between disclosure and institutional ownership

4.1.4.2.3 Foreign ownership

Foreign stockholders' use of disclosure is underpinned by the fact that they are "informationally" disadvantaged as compared to domestic stockholders (Choe et al., 2005). Based on agency theory, Fama and Jensen (1983) suggest that as the number of shareholders increases and ownership becomes more dispersed, the demands for additional information increase. Several studies have found an association between disclosure and foreign ownership. For instance, according to Xiao et al (2004), higher foreign ownership not only encourages information disclosure, but also motivates firms to create web pages to facilitate dissemination of financial information. The extent of foreign investor ownership is an important determinant of the demand for financial information (Soderstrom and Sun, 2007). The demands for disclosures are usually higher when foreigners, due to the separation between board and owners geographically (Bradbury, 1991). Moreover, foreign stakeholders have diverse values and knowledge because of their foreign market exposure. Haniffa and Cooke (2005) find a positive association between foreign ownership and disclosures. Concerned with banking sector; Sharma (2014) found a significant positive correlation between disclosures and foreign ownership. The eighth hypothesis is

H1.8 There is a positive relationship between disclosure levels and foreign ownership

4.1.4.2.4 Duality in position

Role duality in position exists when the CEO (chief executive officer) is also the chairman of the board. Gul and Leung (2004) add, "Firms with CEO duality are more likely to be associated with lower levels of disclosures since the board is less likely to be effective in monitoring management and ensuring a higher level of transparency" (p.358). Agency theory predicts that role duality creates individual power for the CEO that would affect the effective control exercised by the board. Li et al (2008) argue that separation of the roles of chairman and CEO may improve monitoring quality in critical decisions. Haniffa and Cooke (2005) offer two approaches in this aspect. The first one supports the separation of the two roles to provide effective control and balances for the performance of management, whereas the second opinion argues that the separation is not critical since several corporations well run even with the roles combined and have capable board for monitoring. The results of prior research provide mixed evidence on the association between duality in position and corporate disclosure. Some studies find a negative association between the two variables (e.g., Laksmana, 2008; Lakhal, 2005; Gul and Leung, 2004; Eng and Mak, 2003; Haniffa and Cooke, 2002). Other studies did not find any significant association (e.g., Cheng and Courtenay, 2006; Ghazali and Weetman, 2006; Arcay and Vazquez, 2005). For banking sector; Jizi et al (2014) supported positive link between disclosure and duality in position. Thus; the ninth hypothesis is

H1.9 IBs with duality in position have a lower level of disclosures

4.1.4.2.5 Board independence

Fama (1980) argues that the board of directors, which elected by the shareholders, is the central internal control mechanism for monitoring managers. Chau and Leung (2006) suggest that independent directors may increase the quality of monitoring over management, because "they are not affiliated with the company as officers or employees, and thus are independent representatives of the shareholders' interests" (p.246). The presence of independent directors on boards may improve the quality of financial statements (Xie et al., 2003). Prior research supports the positive association between disclosure and board independence (i.e. Elshandidy et al., 2013; Harjoto and Jo 2011; Donnely and Mulcahy, 2008; Abdelsalam and Street, 2007; Chen and Jaggi, 2000). According to Patelli and Prencipe (2007), independent directors are motivated to build their reputation as expert monitors, and they credibly use disclosure as an indicator to market that they are efficiently achieving their accountabilities. For banking sector literature; Jizi et al (2014) supported positive association between disclosure and board independence based on large US commercial banks. The tenth hypothesis is

H1.10 IBs with higher proportions of independent non-executive directors on the board have higher levels of disclosures

4.1.4.3 Corporate Governance of SSB Characteristics

In the context of Islam, the model of corporate governance for business organisations derived from the *Sharia* rulings. For example, they have to design the system according to *Sharia* principles and provide stakeholders' rights protection (Bhatti and Bhatti, 2009). Therefore, SSB is the most important distinction between IBs and conventional banks (Farook et al., 2011). Previous studies have found that the existence of the SSB and its characteristics have increased the disclosure levels of IBs (Farook et al., 2011).

4.1.4.3.1 SSB size

Empirical evidence suggests that board size can affect the level of disclosure (Akhtaruddin et al., 2009). The common number of SSB members in IBs is between three and five members based on AAOIFI Governance Standard No.1. According to Chen and Jaggi (2000), a larger board size may decrease the possibility of information asymmetry. Agency theory predicts that larger boards incorporate a variety of expertise that results in more effectiveness in the monitoring role of the boards (Singh et al., 2004). Moreover, a higher number of board members may also reduce the uncertainty and the lack of information (Birnbaum, 1984). The board's size is likely to affect its ability to control and review all transactions to ensure their operations. With more members, the collective knowledge and experience of SSB will increase, and lead to greater disclosure. Concerned with banking sector especially IBs; Farag et al (2014) find a positive and highly significant association between the *Sharia* supervisory board (*SSB)* size and disclosure index. Based on these arguments, the eleventh hypothesis is

H1.11 There is a positive relationship between the size of SSB and disclosure levels

4.1.4.3.2 SSB Cross-memberships

Cross-memberships of SSB members may also influence the corporate disclosure of IBs (Farook et al., 2011). There is evidence that cross-directorships increase information transparency through comparing the knowledge that gained from other companies (Dahya et al., 1996); and because decisions taken at one board may become part of the information for decisions at other boards (Haat et al., 2008). The cross-membership of SSB members is preferable because of their ensuing knowledge and credibility (Lorsch and MacIver, 1989). Moreover, SSB members with cross-memberships will be able to adopt their tacit and explicit knowledge into their application of *Sharia* rulings in IBs. Thus, the next hypothesis is

H1.12 There is a positive relationship between SSB cross-membership and disclosure

4.1.4.3.3 SSB Reputation

SSB is composed of *Sharia* scholars who have wide knowledge of Islamic commercial law, but less experience of secular educational institutions. Previous research by Hussain and mallin (2003) shows that determinants are affecting the directors' appointments in Bahraini banks are pertinent skills, business practice and reputation. *Sharia* scholars have an excellent reputation in their community because of their universal knowledge of Islam and their credibility and significant role in that community. For this reason, reputation can used as a measure for business knowledge, and therefore, scholars who have a good reputation will be able to comprehend better the modern applications of the banking industry pertaining to disclosure. Farook et al (2011) indicate that reputation is instrumental in measuring the disclosure level among IBs. The reputation of an SSB is measure based on SSB membership on AAOIFI committees that is similar methodology of Farook et al (2011). Hence, the thirteenth hypothesis of the study is

H1.13 There is a positive relationship between SSB reputation and disclosure levels

This study tested secular educational qualifications[14] and expertise of SSB members[15] but it could not finds a significant result since most SSB members in the selected banks have PhDs as well as knowledge of economics, *Sharia* law and accounting practice.

3.1.4.4 Culture (UA)

When scholars compare the disclosure practice of firms from diverse countries, they may consider country systems. A spacious amount of literature (e.g., Dong and Stettler, 2011; Hope, 2003) has been conducted on determinants that might explain differences in accounting practices. Among the many factors studied, cultural values claimed to be most essential. The national culture is an institutional factor that influences both managers' choices and investors' preferences regarding financial reporting (Hope, 2003). Hofstede (2001) proposes six dimensions that have been used widely in prior accounting research to examine the impact of culture on accounting[16] (e.g., Doupnik and Tsakumis, 2004). Jaggi and Low (2000) argue that the cultural factors of a country have an indirect impact on financial disclosures. Regarding disclosure practices, Zarzeski (1996) hypothesises and finds that all of Hofstede's dimensions have a significant impact on disclosure. Erkens (2012) argues that disclosure consider as a function of cultural. However,

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[14] Farook et al (2011) indicate that the increase in education level of SSB members has a corresponding increase in the level of corporate disclosure by IBs. With regard to the unique role that SSB members expected to fulfil, SSB members may have knowledge of Islamic law, economics, and financial and accounting practice, which enables them to understand not only *Sharia* problems but also problems relating to law and economics. Members of the SSB with a doctorate (PhD) are evidently better versed in the present implications of Islam for the banks

[15] SSB members are scholars in Islamic commercial jurisprudence and have the necessary expertise in the field of IFIs (Al-Mahmoud, 2007; Al-Qattan and Abdul Sattar, 2007), to enable them to fulfil their accountabilities for supervising the internal control and financial reporting.

[16] Hofstede six dimensions are power distance (PD), uncertainty avoidance (UA), individualism (IND), masculinity (MAS), long-term orientation (LTO) and Indulgence (INDU).

Wong (2012) suggests that uncertainty avoidance (UA) is the most influential cultural dimension that may affect disclosure. Therefore, in this research; it just added UA in the model to see for what extent it has impacts on the disclosure level. This consists with several literatures that used only this dimension (e.g., Khlif and hussainey, 2014). Gray (1988) argues that higher a country ranks in terms of uncertainty avoidance are more likely it is to rank highly in terms of secrecy or rank lower in terms of disclosure. Therefore, this study hypothesize that

H1.14 There is a negative association between UA and disclosure levels

4.1.5 Research methodology

4.1.5.1 Sample selection

The potential population for this study includes all fully flagged IBs that adopted AAOIFI. Based on AAOIFI (2015), there are 141 associated members, but not all of these banks adopt AAOIFI. Obviously, exogenous political, economic, social and geographic factors will impact the degree of AAOIFI compliance amongst the member banks of different nations. Due to this lack of similarity, it decided to confine the study to member banks that have adopted AAOIFI. Based on reviewing websites; annual reports and auditor' report for each bank; the selected banks are located in Bahrain, Yemen, Qatar, Syria, Palestine, Sudan, Oman, and Jordan. Compliance with the standards was limited to 2013 because we could find significant differences between the last 3 years (2011-2013) and AAOIFI published updated versions of its accounting and governance standards in 2010 which contain standards for CSR. All 43 banks in the sample are required to comply with the accounting and governance standards issued by AAOIFI. Thus, we excluded all non-banks as Takaful firms. We also excluded subsidiaries banks and all IBs that adopt national or IFRS standards even if they are members of AAOIFI. The independent auditors' reports accompanying the financial statements examined to confirm that the financial statements had been prepared in accordance with AAOIFI. Therefore; the main selection criteria for selecting IBs are (1) it may be full compliance with sharia; (2) it may be adopting AAOIFI (3) it may have SSB.

Data on explanatory variables found in the annual reports, banker database and websites. This study focuses on annual reports since these remain a primary source of information for investors as well as all stakeholders (e.g., Elshandidy et al., 2013). The sample included the hard copy annual reports for 2013 as well as current disclosures on the IBs' websites. The independent variables include 3 categories. First, the characteristics' data for the IBs collected from the IBs' annual reports and websites. Second, CG characteristics of BOD collected from the banker database and Zawya database. Finally, CG characteristics related to SSB collected from annual reports.

4.1.5.2 Construction of disclosure indices for assessing the validity and reliability

Cooke and Wallace (1990) consider corporate disclosure to be an abstract concept that cannot measured directly. Nevertheless, they concede that a suitable proxy such as an index of disclosure can used to gain insight into the level of information disclosed by companies. Accordingly, three indices of disclosure employed in this study to gauge the extent of multi-corporate disclosure by IBs that adopted AAOIFI. The disclosure index is un-weighted and assumes that each item of disclosure is equally important (Gray et al., 1995). Cooke (1989) suggests that un-weighted indices are an appropriate research instrument in disclosure studies when the focus of the research is "directed at all users of corporate annual reports rather than the information needs of any specific user group" (p.182).[17]

This study took precautionary measures to enhance the validity and the reliability of our analysis. The entire annual report read to assess the relevance of a particular item of information

[17] Dhaliwal (1980) compared the results of un-weighted and weighted indices and found similar results, suggesting, therefore, that weighting adds little value to the outcomes. The un-weighted disclosure index where compliance is calculated as the ratio of the total items disclosed to the maximum possible score applicable for that company is the most common approach for determining compliance with disclosure requirements (e.g., Hodgdon et al., 2009; Glaum and Street, 2003; Ahmed and Nicholls, 1994).

to the firm. This study checked that the index items generated from the classification procedures represented what we intended to represent. The authors examined the items of the indices and decided what each specific item was intended to measure (Beattie et al., 2004). It used the dimensions of *Sharia*, social and financial indices based on standards disclosure for IFIs issued by AAOIFI. The reliability and the validity of content analysis approaches need to review carefully. Following disclosure studies (Hassan and Marston, 2012; Tsalavoutas et al., 2011), validity ensured through the assessment of content validity. Hence, it achieved by relying on the literature while constructing the instrument to make sure that the instrument contains relevant and adequate items to measure the disclosures for the three accountabilities' pillars. For testing reliability, the following steps were undertaken to form the basis for the development of the disclosure indices for this study. First, we adopted the disclosure requirements of AAOIFI Governance Standard No.1; 2 and 5 related to SSB Accounting Standard No.1 related to financial statements, and Governance Standard No.7 related to CSR. The researcher reviewed the last available editions for AAOIFI (2010 and 2014). Second, we reviewed the literature that explores CSR, SSB and FS to approve our indices (e.g., Farag et al., 2014; Belal et al., 2014; Ahmed and Khatun, 2013; Rashid et al., 2013; Kamla and Rammal, 2013; Aribi and Gao, 2012; Hassan and Harahap, 2010; Ullah and Jamali, 2010; Haniffa and Hudaib, 2007; Maali et al., 2006; Al-Baluchi, 2006). Third, we reviewed our indices with three independent researchers to enhance the validity for the study. This method adopted by Tsalavoutas, 2011.

Initially, a scoring sheet, which included 218 items required to disclose by AAOIFI, was constructed. Then, to ensure the content validity of the initial research instrument, three other researchers reviewed it independently. After receiving their comments and suggestions, any remaining ambiguities discussed with a fourth experienced academic. The final disclosure checklist included 180 items. To ensure the reliability of the research instrument, the author and the two independent researchers scored five randomly selected banks. Then, the findings of the three researchers compared. Given that all investigators had agreed the final research instrument, differences in the compliance scores across the investigators were not significant. The ultimate disclosure checklist presented in the following Table (11)

***Table 11**: Ensuring validity of research instrument*

Standards	*Items suggested by the author*	*Items suggested by independent researcher*	*Items suggested by second independent researcher*	*Final index (after 4th person's advice)*	*Weight*[18]
Accounting standard No.1	*110*	*105*	*100*	*90*	*50%*
Governance standard No.1; 2 and 5	*18*	*20*	*15*	*15*	*8%*
Governance standard No.7	*90*	*100*	*94*	*75*	*42%*
Total	*218*	*225*	*209*	*180*	*100%*

4.1.5.3 Model specification and variable measurement

To measure corporate disclosure for IBs, this study used content analysis as a method of coding, which has been widely employed in previous studies of corporate disclosure (Abdul Rahman et al., 2010; Maali et al., 2006). To test for an association between corporate disclosures levels with firm characteristics and CG, one overall index and three sub-indices (*Sharia*, social and financial) calculated. The scores for the overall index and sub-indices calculated by assigning equal weightings to each item of disclosure, and the indices were derived by computing the ratio of actual scores awarded to the maximum possible score attainable for items that were applicable to each Islamic bank. Each item of disclosure was scored without a weighting on a dichotomous basis taking the commonly used approach of giving the item a score of one, zero (e.g., Ghazali and Weetman, 2006; Haniffa and Cooke, 2002). Hence, the corporate disclosure index (CDI) for each bank would be the total number of recommended items through AAOIFI disclosed by the bank divided by the total number of relevant items of the corporate disclosure index. Ordinary Least Squares (OLS) is the most commonly used technique in disclosure studies (Leventis, 2001) where the dependent variable is the compliance/disclosure score and the independent variables

[18] The weight calculated based on final items for each standard dividend into total items (180). For example: weight of FSIFI.1 = 90/180*100= 50%

include the factors discussed. Therefore, this study uses the following OLS transformed multiple regression models:

Disc i= *β0+ β1 AUD+ β2 AGE+ β3 SIZE+ β4 PROF+ β5 SAD+ β6 BLOCK+ β7 INST+ β8 FORGN+ β9 DUAL+ β10 B.INDEP+ β11 SSBSIZ+ β12 SSBREPU+ β13 SSBCROSS+ β14 UNCER+ ε* ***(1)***

Where Disc is the total disclosure provided by the disclosure indices, which measures the level of disclosure of SSBR, CSRR, SF and aggregate disclosure for Islamic bank i; β0 is the intercept; β1…..β14 are regression coefficients; ε is error term. Our variables with supported literature and prediction signs are present in Table 12. It shows that the literatures hypotheses a positive association between disclosure and auditor; age; size; profitability; SAD; foreign ownership; board independence and SSB' size, reputation and cross membership whereas the previous studies supposed negative association with other variables. The Table also shows that annual reports is the main source for firm characterises as well as CG of SSB whereas Banker and Zawya is the key source for CG of BOD. The disclosure score for each index is calculated as a ratio of the total items disclosed to 15 (maximum score for *Sharia*) for model 1; 90 (maximum score for financial) for model 2; 75 (maximum score for social) for model 3 and 180 (maximum score for aggregate disclosure) for model 4.

Table 12*: Summary of variable names, description and sources*

Abbreviated name	***Full name***	***Variable description***	***Data source***	***Supporting from literature***
Dependent variables				
SSB Disc	*Sharia Supervisory Board disclosure*	*Sharia disclosure level based on SSB report*	*Annual reports*	
CSR Disc	*Corporate Social Responsibility disclosure*	*Social disclosure level based on CSR report*	*Annual reports*	
FIN Disc	*Financial disclosure*	*Financial disclosure level based on FS and footnotes*	*Annual reports*	
OVER Disc	*Overall disclosure*	*SSBR Disclosure+ CSRR Disclosure+*	*Annual reports*	

		FIN Disclosure		
Independent variables ***1. Firm-specific characteristics***				
Auditor	*Auditor*	*1=Bank's financial statements were audited by Big 4 auditor[19]; otherwise: 0*	*Annual report*	*Datar et al., 1991, Xiao et al., 2004*
AGE	*Age of bank*	*Age of Islamic bank based on establish date*	*Annual report*	*Cormier et al., 2005; Roberts, 1992; Hossain and Hammami, 2009*
SIZE	*Size of the bank*	*Log for total assets*	*Banker database*	*Hossain et al., 1995, Watson et al., 2002; Beretta and Bozzolan, 2004, Elshandidy et al., 2011, Vandemele et al., 2009*
PROF	*Profitability of the bank*	*ROA (Return On Assets) [20]*	*Banker database*	*Wallace et al., 1994, Hussainey and Al-Najjar, 2011*
SAD	*Sharia Auditing department*	*1=Bank that has Sharia auditing department; otherwise: 0*	*Annual report*	*Besar et al., 2009; Herdman, 2002; Bailey et al., 2003; Gramling et al., 2004; Carcello et al., 2005; Gadziala, 2005; Schneider and Wilner, 1990; Gordon and Smith, 1992; Archambeault et al. 2008*
2. Corporate Governance (CG) characteristics for BOD				
BLOCK	*Number of Block holders*	*Number of block holders– shareholders whose ownership ≥5 % of total number of shares issued.*	*Banker and Zawya database*	*McKinnon and Dalimunthe, 1993; Mitchell et al., 1995; Schadewitz and Blevins, 1998; Hossain et al., 1994*
INST	*Institutional ownership*	*Percent of shares owned by Institutional shareholders*	*Banker and Zawya database*	*Eng and Mak, 2003; Schadewitz and Blevins, 1998; Mangena and Pike, 2005*
FORGN	*Foreign Ownership*	*Percent of shares owned by Foreign shareholders*	*Banker and Zawya database*	*Hossain et al., 1994; Xiao et al., 2004*
DUAL	*Duality in position*	*1 if company's CEO serves as a board chairman, otherwise: 0*	*Banker and Zawya database*	*Haniffa and Cooke, 2002, Ho and Wong, 2001; Lakhal, 2005; Laksmana, 2008; Forker, 1992, Eng and Mak, 2003; Gul and Leung, 2004*
BINDEP	*Board independence*	*Ratio of the number of non-executive directors to the total number of the directors*	*Banker and Zawya database*	*Ho and Wong, 2001, Haniffa and Cooke, 2002, Hussainey and Al-Najjar, 2011; Abdelsalam and Street, 2007; Adams et al., 1998, Chen and Jaggi, 2000*
3. Corporate Governance (CG) characteristics for SSB				
SSBSIZE	*The number of the SSB*	*1 for banks with 5 or more members and 0 less than 5*	*Annual reports and Website*	*Singh et al., 2004, Lakhal, 2005, Abdel-Fattah et al., 2008, Akhatruddin et al., 2009; Chaganti et*

[19] Following the collapse of Arthur Andersen in 2002, the Big 5 became Big 4, namely: PricewaterhouseCoopers, Deloitte Touche Tohmatsu, Ernst and Young and KPMG (Bokpin, 2013).
[20] Firm profitability measured by return on assets, which is a more powerful measure of performance as compared to return on equity. ROA is used here as a measure of overall earnings power of the company (Bokpin, 2013).

				al., 1985, Birnbaum, 1984; Rahman and Bukair, 2013
SSBREPU	*The SSB having at least one of them sit on the board of AAOIFI*	*Reputable SSB member: 1, otherwise: 0*	*Annual reports and Website and AAOIFI members*	*Hussain and Mallin, 2003, Farook et al., 2011; Rahman and Bukair, 2013*
SSBCROSS	*Cross membership of SSB*	*Dichotomous[21]: SSB member with a cross membership in more than one Islamic bank: 1, otherwise: 0*	*Annual reports and website*	*Farook et al., 2011, Dahya et al., 1996, Haat et al., 2008; Haniffa and Cooke, 2002; Rahman and Bukair, 2013*
Control variable				
UNCER	*Uncertainty avoidance[22]*	*Score for each country*	*Green Hofstede center*	

4.1.6 Results of Disclosure and Compliance Levels

4.1.6.1 Level of compliance by banks and countries

Table 13 shows the compliance levels for each bank over 2013. It shows that Bahrain Islamic bank; Qatar first investment bank and Cham bank are the highest bank that complies with *Sharia* disclosure. Jordan Islamic bank is the highest one that discloses information about CSR whereas a Qatar Islamic bank is highest bank related to financial disclosure. In terms of the comparison between disclosures types in each country, Table14 shows the disclosure levels for each country by number of banks and percentage based on average disclosure. Table 13 indicates that Jordan disclosed 65%, which is more than Bahrain (56%) the Host nation for the AAOIFI. This is perhaps surprising, since compliance with AAOIFI is mandatory for IBs in Bahrain. Sudan is the lowest country for compliance with AAOIFI (46%). Bahrain has the highest number of banks that have adopted AAOIFI (15 IBs) not only because Bahrain is the host nation for the AAOIFI, but, it is a requirement of the Central Bank of Bahrain that all IFIs licensed must comply with AAOIFI (Vinnicombe, 2010).

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21 Dichotomous is a concept used to describe a variable that consists of only two categories (0 &1) (Field, 2006)
22 Uncertainty avoidance, which is the degree to which individuals in a country prefer structured over unstructured situations, from relatively flexible to extremely rigid, to cope with risk and innovation; a low uncertainty culture emphasises a higher level of standardisation (Hofstede, 1991, 2001).

***Table 13**: Disclosure and compliance level by bank*

Bank	*Average Compliance %*			*Total disclosure %*	*Bank*	*Average Compliance %*			*Total disclosure %*
	Sharia	*Social*	*Financial*			*Sharia*	*Social*	*Financial*	
Tadhamon International Islamic Bank	*40%*	*13%*	*85%*	***46%***	*Qatar Islamic Bank*	*60%*	*36%*	***88%***	***61%***
Saba Islamic Bank, Sana	*86%*	*16%*	*87%*	***63%***	*Q invest bank*	*46%*	*17%*	*80%*	***48%***
Shamil Bank of Yemen and Bahrain	*60%*	*21%*	*72%*	***51%***	*Faisal Islamic Bank Sudan*	*73%*	*20%*	*67%*	***53%***
Al Baraka Islamic Bank	*86%*	*49%*	*73%*	***69%***	*Al Shamal Islamic Bank*	*60%*	*18%*	*63%*	***47%***
Khaleeji Commercial Bank	*27%*	*24%*	*87%*	***46%***	*Animal Resources Bank*	*6%*	*16%*	*75%*	***32%***
First Energy Bank	*80%*	*25%*	*74%*	***60%***	*Saving and Social Development Bank*	*53%*	*47%*	*68%*	***56%***
Arab Banking Corporation (ABC)	*73%*	*25%*	*77%*	***58%***	*Farmer`s Commercial Bank*	*66%*	*20%*	*61%*	***49%***
Bahrain Islamic Bank	***93%***	*46%*	*77%*	***72%***	*Al Salam Bank*	*53%*	*18%*	*65%*	***45%***
Venture Capital Bank	*73%*	*21%*	*62%*	***52%***	*Blue Nile Mahsreg Bank*	*6%*	*17%*	*61%*	***28%***
Ithmaar Bank	*73%*	*12%*	*83%*	***56%***	*Al Jazeera Sudanese Jordanian Bank*	*66%*	*19%*	*57%*	***47%***
Gulf Finance House	*80%*	*21%*	*86%*	***62%***	*AlNile bank*	*73%*	*18%*	*72%*	***54%***
Al Salam Bank of Bahrain	*80%*	*18%*	*72%*	***57%***	*Tadamon Islamic Bank*	*53%*	*16%*	*61%*	***43%***
Bank Alkhair	*80%*	*19%*	*77%*	***59%***	*United Capital Bank*	*73%*	*17%*	*64%*	***51%***
Global Banking Corporation	*73%*	*22%*	*78%*	***58%***	*Jordan Islamic Bank*	*80%*	***60%***	*72%*	***71%***
Seera Investment Bank BSC	*60%*	*12%*	*63%*	***45%***	*Islamic International Arab Bank*	*60%*	*46%*	*83%*	***63%***
International Investment Bank.	*80%*	*13%*	*62%*	***52%***	*Jordan Dubai Islamic bank*	*80%*	*39%*	*67%*	***62%***
Citi Islamic Investment Bank	*60%*	*9%*	*74%*	***48%***	*Syria International Islamic Bank*	*80%*	*21%*	*63%*	***55%***
Investors Bank	*60%*	*7%*	*62%*	***43%***	*Cham Bank*	***93%***	*23%*	*81%*	***66%***
Qatar International Islamic Bank	*46%*	*17%*	*66%*	***43%***	*Arab Islamic Bank*	*60%*	*41%*	*84%*	***62%***
Qatar First Investment Bank	***93%***	*19%*	*63%*	***58%***	*The Palestine Islamic Bank*	*80%*	*42%*	*79%*	***67%***
Barw Bank	*66%*	*15%*	*66%*	***49%***	*Bank Nizwa*	*66%*	*21%*	*66%*	***51%***
Masraf Al Rayan	*60%*	*16%*	*66%*	***47%***					

***Table 14**: Level of compliance by country*

Country	*No. of banks*	*% banks from sample*	*Average Compliance %*			*Total Average Compliance %*	*Ranking of country*
			sharia	*Social*	*Financial*		
Yemen	*3*	*7%*	*62%*	*17%*	*81%*	***53%***	***5***
Bahrain	*15*	*35%*	*72%*	*22%*	*74%*	***56%***	***4***
Qatar	*6*	*14%*	*62%*	*20%*	*72%*	***51%***	***6***

Sudan	*11*	*25%*	*53%*	*21%*	*65%*	**46%**	*7*
Jordan	*3*	*7%*	*73%*	*48%*	*74%*	**65%**	**1**
Syria	*2*	*5%*	*87%*	*22%*	*72%*	**60%**	**3**
Palestine	*2*	*5%*	*70%*	*42%*	*82%*	**64%**	**2**
Oman	*1*	*2%*	*66%*	*21%*	*66%*	**51%**	*6*
Average disclosure	**43**	**100%**	**68%**	**27%**	**73%**	**56%**	

4.1.6.2 Compliance levels with AAOIFI standards

Table 15 shows the compliance levels with AAOIFI Governance Standards No.1, 2 and 5. The Table shows that the average compliance level for our selected banks is 68%. The disclosure level concerning with SSB members is 70% whereas the disclosure level concerned with SSB reports is 66%. Names of SSB are the highest items (95%) whereas 22% only from our sample disclose that they are comply with AAOIFI.

***Table 15**: Compliance level with AAOIFI governance standards No.1, 2 and 5 (SSBR)*

Items and corresponding AAOIFI standards ***(Sharia oriented disclosure)***	***Disclosure %***
Items related to SSB members	***70%***
1. Names of Sharia board members	*95%*
2. Brief about each members in the Sharia board (Background and qualifications)	*40%*
3. The role and responsibilities of the board	*70%*
4. The authorities of the board	*88%*
5. The Sharia auditing department in the bank	*65%*
6. Is the website or annual report disclose the Fatwas for the Sharia board related to Islamic services	*63%*
Items related to SSB report	***66%***
7. SSB report assigned from the board members	*85%*
8. Information about the bank's responsibilities of Zakat	*65%*
9. Information about the bank's responsibilities of activities not comply with Sharia and how bank deal with it	*65%*
10. Information about how profit distribution process in the bank comply with Islamic Sharia	*70%*
11. Information about the independency of the Sharia board with charter shows the objectivity of the board	*37%*
12. Information about opinion for the board about completely compliance of the bank with the Islamic Sharia	*90%*
13. The board discloses its opinion after reviewing all documents and all financial statements for the bank	*74%*
14. Is the report shows that the bank comply with the AAOIFI's standards	*22%*
15. Information about the date of report and name of bank	*85%*
Average disclosure and compliance level	***68%***

Table 16 shows the compliance level with AAOIFI Governance Standard No.7. The Table shows that the average compliance level for our selected banks is 27%, which is beyond our expectations. The disclosure level related to universal-oriented CSR items is 30% while the disclosure level related to Islamic-oriented CSR items is 23%. It also shows that screening and informing clients for compliance with Islamic principles has the highest score (42%) and disclosure about Waqf management has the lowest score (2%).

Table 16: *Compliance level with AAOIFI governance standard No.7 (CSRR)*

Items and corresponding AAOIFI standard	Total Items	Disclosure %
A. Universal oriented CSR disclosure		**30%**
1. Employee welfare	5	30%
2. Internal environment preservation policy	8	17%
3. Par Excellence customers services	5	35%
4. Micro and small business and social saving and investments and Development	8	33%
5. Charitable activates	6	37%
6. Social responsibility	8	28%
B. Sharia oriented CSR disclosure		**23%**
7. Late repayments and insolvent clients and avoiding onerous terms	8	12%
8. Qard Hassan	7	15%
9. Zakat	7	35%
10. Waqf management	5	2%
11. Earning and expenditure prohibited by sharia	4	32%
12. Screening and informing clients for compliance with Islamic principles	4	42%
Average disclosure and compliance level	**75**	**27%**

Table 17 shows the compliance level with AAOIFI Financial Standard No.1. The Table shows that the average compliance level is 73%. The disclosure level for universal-oriented financial disclosure is 86%. However, the disclosure level related to Sharia -oriented financial disclosure is 36%. The Table shows that average disclosure level, which recommended by AAOIFI; IFRS and GAAP for universal financial statements (Financial Position Statement, profit and loss account, Cash Flow Statement, Statement of Changes in the Owner's Equity) is 88%. However, the disclosure level related to Sharia -oriented financial statements (Statement of Changes in Restricted Investments, Statement of Zakat, and Statement of Qard Hassan) is 33%.

Table 17: *Compliance level with AAOIFI financial standard No.1 (Financial)*

Items and corresponding AAOIFI standard	Total Items	Disclosure %
A. Universal oriented financial disclosure		**86%**
1. Comparative financial statements	1	100%
2. Basic information about the bank	8	83%
3. Disclosure of the currency used for accounting measurement	2	88%
4. Disclosure of significant accounting policies	6	82%
5. Disclosure of contingences	2	83%

6. Disclosure of accounting policy changes	*8*	*75%*
7. Disclosure about assets and liabilities' risk	*3*	*82%*
8. Presentation and disclosure in the Financial Position	*16*	*88%*
9. Presentation and disclosure in the Income Statement	*9*	*89%*
10. Disclosure in the statement of Cash Flows	*8*	*88%*
11. Statement of Changes in the Owner's Equity	*6*	*85%*
B. Sharia oriented financial disclosure		***36%***
12. Disclosure of earning or expenditure prohibited by sharia	*2*	*45%*
13. Statement of Changes in Restricted Investments	*12*	*42%*
14. Disclosure in the Statement of Sources and Uses of funds of Zakat and Sadakat	*4*	*23%*
15. Disclosure in the statement of sources and uses of funds, Loan Fund (Qard Hassan Fund)	*3*	*35%*
Average disclosure and compliance level	***90***	***73%***

Table 18 summarises the information provided by the annual reports for our 43 selected banks and discloses information about the main Islamic services as Murabaha and Musharakah. The Table shows that Murabaha is the most popular service provided by IBs in the sample (91%) then Mudaraba 79%. Salam is the lowest service presented (12%).

Table 18*: Disclosure about eight main Islamic services presented*

Main services provided	***No***	***Disclosure %***
Murabaha	*39*	***91%***
Mudaraba	*34*	***79%***
Ijara	*30*	***70%***
Zakat	*26*	***60%***
Musharakah	*23*	***53%***
Sukuk	*21*	***49%***
Istisna'a	*11*	***26%***
Salam	*5*	***12%***

Table 19 shows the overall compliance levels for the 4 models based on disclosure related to universal and *Sharia* orientation. The Table shows that the levels of compliance related to *Sharia* accountability for SSBM and SSBR are close similar (70% and 66%). The compliance for universal CSR is 30% and for *Sharia* CSR items is 23%. In addition, the compliance related to financial information common to international standards like IFRS is 86% whereas financial disclosure related to *Sharia* items is 36%. Finally, compliance levels for items related to universal orientation are higher than information related to *Sharia* requirements. This result shows low compliance and disclosure level for social reporting of IBs. This result is matching with Maali et al. (2006); Hassan and Harahap (2010) and Farook et al. (2011) that recommend the extent of CSRD by IBs falls far short of their expectation (13.3%; 38% and 16.8% respectively). Maali et al (2006) indicate that IBs are not completely fulfilling their social role in accordance with the prescriptions of Islam. Based on our result; we conclude that IBs are mainly shaped and focused on economic incentives more than social norms which consistent with Aggarwal and Yousef, (2000). Kuran (2006) maintains that IBs appear to seek profit as aggressively as conventional banks. He argues that it is even unrealistic to suppose IBs' activities and CSRD to differ or be more socially accountable than conventional as they run in the equal global capitalistic situations.

Table 19: *Overall disclosure levels*

	SSBR	*CSR*	*Financial*	*Overall*
Average % of compliance	***68%***	***27%***	***73%***	***56%***
Universal oriented compliance %	*Related to SSBM* ***70%***	***30%***	***86%***	***58%***
Sharia oriented compliance %	*Related to SSBR* ***66%***	***23%***	***36%***	***42%***
SSBM: Sharia Supervisory Board Members *SSBR: Sharia Supervisory Board Report*				

4.1.7 Empirical results

4.1.7.1 Descriptive analysis

Table 20 reports descriptive statistics for the main variables. It shows that the average compliance level based on the AAOIFI standard for SSBR requirements is 68%, the compliance level for CSR is 27%, and the compliance level for financial accountability is 73%. Finally, the overall disclosure for the selected banks is 56%. The Big 4 firms audit 65% of the selected banks namely: Ernst and Young, KPMG, PricewaterhouseCoopers, Deloitte Touche Tohmatsu, and 67% of the banks have a *Sharia* Auditing Department (SAD). The average overall age of IBs is 19 years. The average SSB size is four members. 57% from SSB members have cross-membership with SSBs in other Islamic Banks (for example, Sheikh Abdul Sattar Abu Ghuddah is a member of the *Sharia* Supervisory Boards of more than 10 Islamic Banks). 50% of SSB members are also members of AAOIFI committees. The average number of block holders is three, the average institutional ownership is 58% and the average foreign ownership is 63%. The average percentage of independent directors on the board is 49%. The average profitability based on ROA is 1.68. The average size for the selected banks based on log total assets is 2.87. The duality in position is 0.033.

***Table 20**: Descriptive statistics*

	Variables	N	Minimum	Maximum	Mean	Std. Deviation	Skewness	Kurtosis
Disclosure Levels	SSB	43	0.06	0.93	**0.678**	0.19585	-0.351	2.472
	CSR	43	0.08	0.60	**0.273**	0.12083	0.391	3.148
	FIN	43	0.31	0.85	**0.731**	0.12888	0.118	-2.161
	OVER	43	.21	.74	**0.560**	.09600	-0.147	2.555
Firm Specific characteristics	AUDIT	43	0.00	1.00	**0.6512**	.48224	-0.657	-2.647
	AGE	43	3.00	49.00	**19.255**	12.16766	0.608	-2.796
	SIZE	43	1.23	4.33	**2.8706**	.67019	0.222	2.526
	PROFIT	43	-13.39	21.57	**1.6814**	4.66238	0.170	3.903
	SAD	43	0.00	1.00	**0.6744**	.47414	-0.772	-2.476
BOD Corporate Governance	BLOOK	25	0.00	7.00	**2.7200**	1.88237	0.726	-3.300
	FORIGEN	24	0.00	1.00	**0.6328**	.35791	-0.683	-2.927
	INSTITU	24	0.00	1.00	**0.5750**	.29427	-0.145	-2.704
	DUALITY	30	0.00	1.00	**0.0333**	.18257	0.477	3.000
	B.INDIP	24	0.00	1.00	**0.4925**	.31958	0.012	-2.962
SSB Corporate Governance	SSBSIZE	43	0.00	1.00	**0.1163**	.32435	0.481	2.359
	SSBREPU	42	0.00	1.00	**0.5000**	.50606	0.000	-2.103
	SSBCROSS	42	0.00	1.00	**0.5714**	.50087	-0.299	-2.008
Culture	UNCER	43	60.00	80.00	**71.2558**	5.61076	-0.005	-2.995

SSBR: Sharia Supervisory Board Report; CSRR: Corporate Social Responsibility Report; FIN: Financial disclosure that located at financial statements; OVER: Overall disclosure that contain SSBR; CSRR and FIN; AUD: size of Auditor; AGE: Age of bank; SIZE: Size of the bank based on total assets; PROF: Profitability of the bank based on ROA; SAD: Sharia Auditing department inside the bank; BLOCK: Number of Block holders; INST: Institutional ownership; FORGN: Foreign Ownership; DUAL: Duality in position; B.INDEP: Board independence; SSBSIZ: The number of Sharia supervisory board members; SSBREPU: The SSB having at least one of them sit on the board of AAOIFI; SSBCROSS: The SSB having at least one of them sit on the other Islamic bank' SSB (Cross membership of SSB); UNCER: Uncertainty avoidance

4.1.7.2 Correlation analysis

Table 21 illustrates the correlation analysis between the overall compliance level disclosure and independent variables concerned with firm characteristics and CG. It shows that older IBs, with large assets, with *Sharia* Auditing Departments, and with more than 3 SSB members are likely to provide higher levels of disclosures. It shows that the overall compliance level positively correlated with AGE (r 0.385), SSBSIZE (r 0.305), SIZE (r 0.570) and SAD (r 0.462) and these correlations are statistically significant at the 5% level for the second and third variables and at the 10% level for the first and fourth variables.

Table 21: *Pearson correlation Matrix (N=43)*

	OVERALL	AUDIT	AGE	SIZE	PROFIT	SAD	UNCER	BLOOK	FORIGEN	INSTITU	DUALITY	B.INDIP	SSBSIZE	SSBREPU	SSBCROSS
OVERALL	1														
AUDIT	.300	1													
AGE	**.385***	-.175	1												
SIZE	**.570****	.264	.245	1											
PROFIT	.027	.105	-.058	-.171	1										
SAD	**.462****	.325*	-.035	.303*	.250	1									
UNCER	-.099	.509**	-.209	.190	.067	.023	1								
BLOOK	.085	-.285	-.022	-.091	-.200	-.185	-.245	1							
FORIGEN	-.096	.208	.186	-.220	.266	-.173	.161	-.042	1						
INSTITU	.054	.303	.286	-.246	.284	.209	-.015	-.144	.229	1					
DUALITY	-.079	.062	-.099	.325	.030	.093	.224	-.080	-.374	-.335	1				
B.INDIP	-.352	-.255	-.125	-.218	-.087	-.211	.310	-.291	.128	.259	-.328	1			
SSBSIZE	**.305***	-.039	.065	.152	-.028	.097	.036	.303	.208	-.290	-.073	.095	1		
SSBREPU	.203	.547**	.024	.274	.115	.202	.499**	-.110	.439*	.086	.137	.119	.074	1	
SSBCROSS	.205	.660**	-.090	.268	.093	.204	.690**	-.345	.315	.083	.107	.289	.021	.866**	1

This Table shows the correlation analysis between the overall disclosure reporting variables and firm characteristics and corporate governance for BOD and SSB; AUD: size of Auditor; AGE: Age of bank; SIZE: Size of the bank based on total assets; PROF: Profitability of the bank based on ROA; SAD: Sharia Auditing department inside the bank; BLOCK: Number of Block holders; INST: Institutional ownership; FORGN: Foreign Ownership; DUAL: Duality in position; B.INDEP: Board independence; SSBSIZ: The number of Sharia supervisory board members; SSBREPU: The SSB having at least one of them sit on the board of AAOIFI; SSBCROSS: The SSB having at least one of them sit on the other Islamic bank' SSB (Cross membership of SSB); UNCER: Uncertainty avoidance (culture) *** Correlation is significant at the 1% level; ** Correlation is significant at the 5% level; * Correlation is significant at the 10% level

Table 22 shows the Pearson correlation results for the three models of disclosure levels. For *Sharia* disclosure, the SAD is more likely to provide higher levels of voluntary disclosures about *Sharia* accountability. It shows that *Sharia* disclosure positively correlated with SAD (r 0.551) at the 5% level. It also shows that banks with Big 4 auditors and with more than four SSB members are more likely to provide higher levels of disclosures related to *Sharia* accountability (r 0.323 for auditor and r 0.317 for SSB size at the 10% level). Concerning social disclosure, IBs with high value of total assets, as well as old established banks are more likely to provide higher levels of disclosures about social accountability. Thus, CSRR positively correlated with SIZE (r 0.423) and with AGE (r 0.595) at the 5% level. For financial disclosure, size and age of bank are the main variables that correlated with financial disclosure. There is a positive correlation at the 10% level for age and at the 5% level for size.

Table 22: *Person correlation for Sharia; social and financial models*

	Sharia disclosure SSBR	*Social disclosure CSRR*	*Financial disclosure*
AUDIT	***0.323****	*0.156*	*0.037*
AGE	*-0.045*	***0.595*****	***0.354****
SIZE	*0.181*	***0.423*****	***0.607*****
PROFIT	*0.107*	*-0.046*	*-0.058*
SAD	***0.551*****	*0.218*	*0.000*
UNCER	*0.000*	*-0.226*	*-0.021*
BLOOK	*0.045*	*0.107*	*-0.023*
FORIGEN	*-0.019*	*-0.119*	*-0.070*
INSTITU	*-0.001*	*0.178*	*-0.056*
DUALITY	*-0.126*	*-0.129*	*0.117*
B.INDIP	*-0.102*	*-0.337*	*-0.267*
SSBSIZE	***0.317****	*0.016*	*0.175*
SSBREPU	*0.158*	*0.066*	*0.141*
SSBCROSS	*0.263*	*0.004*	*0.045*

size of Auditor; AGE: Age of bank; SIZE: Size of the bank based on total assets; PROF: Profitability of the bank based on ROA; SAD: Sharia Auditing department inside the bank; BLOCK: Number of Block holders; INST: Institutional ownership; FORGN: Foreign Ownership; DUAL: Duality in position; B.INDEP: Board independence; SSBSIZ: The number of Sharia supervisory board members; SSBREPU: The SSB having at least one of them sit on the board of AAOIFI; SSBCROSS: The SSB having at least one of them sit on the other Islamic bank' SSB (Cross membership of SSB); UNCER: Uncertainty avoidance (culture) *** Correlation is significant at the 1% level; ** Correlation is significant at the 5% level; * Correlation is significant at the 10% level

4.1.7.3 Regression results

Regression results are show in Table 23. It shows the cross-sectional OLS regressions for the aggregated score of disclosures and three subcategories (SSBR, CSRR and FS). For the SSBR score (model 1), it finds that the coefficient estimate on *Sharia* disclosure is positive and significant with all variables related to corporate governance of SSB at the 10% level. This result supports hypotheses H1.11, H1.12 and H1.13 that IBs which have SSBs with more than 4 members, as well as SSB members who have cross-membership with SSBs in other IBs and IBs with SSB members who are also members of AAOIFI committees disclose more *Sharia* information in their annual reports and websites. Furthermore, the coefficient estimates that IBs, which have Sharia auditing departments (SADs), disclose more information about *Sharia* compliance. This supports hypothesis H5. Concerning model 2, the Table shows that CSRR is positive and significant with SIZE of bank at the 10% level. This result supports hypothesis H1.3. Furthermore, the coefficient estimates that older IBs disclose more information about social activities at the 1% level, which supports hypothesis H1.2. For model 3, it finds that the coefficient estimates on financial compliance are positive for SIZE and SAD at the 1% level and the 10% level. Therefore, we partially accept hypotheses H1.3 and H1.5. Regarding aggregate compliance (model 4), we find significant positive association between disclosure and SIZE, AGE and SSBSIZE at the 10%; 5% and 10% level respectively. Therefore, hypotheses H1.2, H1.3 and H1.11 are partially accepted. For culture, we find that UA has a negative association with *Sharia* as well as aggregate disclosure level at the 10% level. This result is matching with Elshandidy et al., 2013; Dong and Stettler, 2011 who argue that cultural values of a country has a significant impact on its mandatory practices as well as corporate disclosure. They found a negative association between UA and disclosure. These results support the acceptance of H1.14.

Table 23: *Regression results*

Categories	*Variables*	**Model 1** *Sharia disclosure*			**Model 2** *Social disclosure*			**Model 3** *Financial disclosure*			**Model 4** *Aggregate disclosure*			*VIF*[23]
		Beta	*t*	*Sig*	*Beta*	*t*	*Sig*	*Beta*	*T*	*Sig*	*Beta*	*t*	*Sig*	
	Constant		*2.605*	*.015*		*1.140*	*.264*		*.993*	*.329*		*3.301*	*.003*	
Firm-specific characteristics	*AUDIT*	*.156*	*.772*	*.447*	*.252*	*1.437*	*.162*	*-.054*	*-.270*	*.789*	*.185*	*1.162*	*.255*	*2.354*
	AGE	*.000*	*.001*	*.999*	***.522***	***3.770***	***.001****	*.098*	*.619*	*.541*	***.275***	***2.197***	***.036**	*1.466*
	SIZE	*-.026*	*-.152*	*.881*	***.277***	***1.824***	***.079**	***.670***	***3.841***	***.001****	***.393***	***2.856***	***.008***	*1.767*
	PROFIT	*.016*	*.105*	*.917*	*.054*	*.399*	*.693*	*.106*	*.679*	*.503*	*.083*	*.677*	*.504*	*1.417*
	SAD	***.443***	***2.757***	***.010***	*.028*	*.203*	*.841*	***.283***	***1.762***	***.089**	*.187*	*1.472*	*.152*	*1.498*
Culture	*UNCER*	***-.365***	***-1.710***	***.098**	*-.185*	*-.997*	*.328*	*.004*	*.018*	*.986*	***-.317***	***-1.880***	***.071**	*2.648*
	BLOOK	*.093*	*.586*	*.563*	*.081*	*.584*	*.564*	*-.061*	*-.386*	*.702*	*.068*	*.538*	*.595*	*1.473*

[23] Multicollinearity occurs when two or more predictors in the model are correlated and provide redundant information about the response. The Variance Inflation Factor (VIF) is one of the most methods that can help to identify multicollinearity (Norusis, 2009; Allison, 1999). Values of VIF that exceed 10 are often regarded as indicating multicollinearity (Stevens, 2009). The result shows that all values of VIF are lower than 10 which reflect that there is no multicollinearity problem.

Corporate governance of BOD	*FORIGEN*	*.010*	*.056*	*.956*	*-.225*	*-1.484*	*.149*	*-.130*	*-.749*	*.460*	*-.145*	*-1.053*	*.301*	*1.766*
	INSTITU	*-.024*	*-.140*	*.889*	*.062*	*.417*	*.680*	*.138*	*.807*	*.427*	*.060*	*.447*	*.658*	*1.696*
	DUALITY	*-.020*	*-.114*	*.910*	*-.249*	*-1.597*	*.121*	*-.145*	*-.812*	*.424*	*-.189*	*-1.344*	*.190*	*1.854*
	B.INDIP	*-.008*	*-.048*	*.962*	*-.174*	*-1.136*	*.265*	*-.197*	*-1.125*	*.270*	*-.162*	*-1.174*	*.250*	*1.786*
Corporate governance of SSB	*SSBSIZE*	***.288***	***1.841***	***.076****	*-.016*	*-.114*	*.910*	*.159*	*1.021*	*.316*	***.261***	***2.122***	***.043****	*1.417*
	SSBREPU	***.560***	***1.788***	***.085****	*.027*	*.097*	*.923*	*.276*	*.883*	*.385*	*.248*	*1.003*	*.324*	*5.693*
	SSBCROSS	***.831***	***2.209***	***.035****	*.005*	*.015*	*.988*	*-.240*	*-.641*	*.527*	*.463*	*1.562*	*.130*	*8.194*
Model Summary: R Square		*0.517*			*0.634*			*0.518*			*0.700*			
F-value		*2.142*			*3.464*			*2.153*			*4.663*			
P-value		*0.042*			*0.002*			*0.041*			*0.000*			

This study formulated 3 models and aggregate model. Model 1 focus on compliance with sharia AAOIFI disclosure requirements. Model 2 emphasis on compliance with social AAOIFI disclosure requirements. Model 3 emphasis on compliance with financial AAOIFI disclosure requirements, Model 4 gathering the three models (Sharia; social and financial); AUD: size of Auditor; AGE: Age of bank; SIZE: Size of the bank based on total assets; PROF: Profitability of the bank based on ROA; SAD: Sharia Auditing department inside the bank; BLOCK: Number of Block holders; INST: Institutional ownership; FORGN: Foreign Ownership; DUAL: Duality in position; B.INDEP: Board independence; SSBSIZ: The number of Sharia supervisory board members; SSBREPU: The SSB having at least one of them sit on the board of AAOIFI; SSBCROSS: The SSB having at least one of them sit on the other Islamic bank' SSB (Cross membership of SSB); UNCER: Uncertainty avoidance (culture) *** Correlation is significant at the 1% level; ** Correlation is significant at the 5% level; * Correlation is significant at the 10% level, The R Square indicates that the corporate characteristics as well as CG selected for the purposes of this study explain at 52% (sharia model); 63% (social model); 52% (financial model) and 70% (aggregate model) the variation in banks' levels of compliance with AAOIFI disclosures requirements

The following Tables summarized the conclusion of research hypotheses. This study accepted H1.2; H1.3; H1.5; H1.11; H1.12; H1.13 as well as H1.14 and it rejected others.

Table 24: *Summary of the hypotheses' results* [24]

Variables	***Model 1***	***Model 2***	***Model 3***	***Model 4***	***Expected sign***	***The study result***
Auditor	*0*	*0*	*0*	*0*	+	R
Age	*0*	+	*0*	+	+	*PA*
Size	*0*	+	+	+	+	*PA*
Profitability	*0*	*0*	*0*	*0*	+	R
SAD	+	*0*	+	*0*	+	*PA*
UA	-	*0*	*0*	-	-	*PA*
Block holders	*0*	*0*	*0*	*0*	-	R
Foreign ownership	*0*	*0*	*0*	*0*	+	R
Institutional ownership	*0*	*0*	*0*	*0*	+	R
Duality in the position	*0*	*0*	*0*	*0*	-	R
Board independence	*0*	*0*	*0*	*0*	+	R
SSB size	+	*0*	*0*	+	+	*PA*
SSB reputation	+	*0*	*0*	*0*	+	*PA*
SSB cross membership	+	*0*	*0*	*0*	+	*PA*

[24] (+) is a positive association; (-) is a negative association; (0) is insignificant association; (A) is accepted hypothesis; (R) is a rejected hypothesis; (PA) is a partial accepted hypothesis; (PR) is a rejected hypothesis

4.1.8 Discussion

The analysis shows interesting results concerned with the determinants of disclosure. The insignificant associations between corporate disclosure and auditors are consistent with prior research (Barako et al., 2006). The analysis identifies a significant association between disclosure level and existing SAD. This finding is consistent with previous literature, which presents SAD as one of the main determinants of disclosure and compliance with AAOIFI and shows that the internal audit function can enhance the disclosure quality (Carcello et al., 2005; Bailey et al., 2003). Bank age positively correlated with corporate disclosure. Empirically, it confirms the findings of Cormier et al (2005); Hossain, and Hammami (2009) who reported a positive and statistically significant relationship between company age and corporate disclosure. As bank ages, it establishes itself as a continuing business and a measure of the stage of development and therefore it would be in a better position to disclose more information about their accountbilites.

The significant associations between corporate disclosure and bank size are consistent with prior empirical studies, which identified company size as a determinant of disclosure level (e.g., Barako et al., 2006; Street and Gray, 2001; Ahmed and Courtis, 1999; Cooke, 1991). Furthermore, large companies face higher demand for information from investors, analysts, and the general public (Cooke, 1989) that causes an increased pressure to disclose information. This study found that profitability is not associated with disclosure level. This result supports the argument that providing full disclosure in any situation is important whether it is achieving a profit or not (Haniffa, 2002). In addition, this result is consistent with the findings of other researchers who failed to find any association between profitability and disclosure (Aras et al., 2010). This result may explained based on main basics of these institutions that are are guided by Sharia and aim to achiving their accountbiliuty towards Allah who asking Muslim as well as IBs to be full honest and full disclosure about all information.

The results do not support that CG attributes concerned with BOD have a significant effect on corporate disclosure. Based on our analysis, it found an insignificant link between duality in position and corporate disclosure. This result supported by Vandemele et al (2009); Cheng and Courtenay (2006) and Arcay and Vazquez (2005). Related to institutional ownership, the outcome is consistent with Eng and Mak (2003) who found an insignificant relationship between the two variables. This study concludes an insignificant association between corporate disclosure and board independence which is consistent with Ghazali and Weetman (2006), Haniffa and Cooke (2002). This study finds that the coefficient estimates on block holders and foreign ownership have an insignificant association with corporate disclosure. The insignificant sign on the number of block holders is consistent with the research of Samaha and Dahawy (2010 and 2011) who did not find any evidence for association. The insignificant link between foreign ownership and disclosure is consistent with Mangena and Tauringana (2007).

The significant associations between disclosure and CG variables concerned with SSB are consistent with prior empirical disclosure reporting research (e.g., Rahman and Bukair, 2013; Farook et al., 2011; Akhtaruddin et al., 2009). Gray (1988); Salter and Niswander (1995) show that measures of national culture can help explain cross-country differences in accounting practices particularly with regard to disclosure level. The Table shows that culture based on UA has a negative association with disclosure level (*Sharia* and aggregate) at the 10% level. This result supported by Ding et al (2007); Hope (2003) who shows that cultural values are a determinant of differences between disclosure levels. Consequently, the purpose to achieve international convergence for IFIs, a main goal of AAOIFI, may expanded from merely adopting a single set of high-quality accounting standards to considering the cultural values of Islamic countries as well as other that have IBs or even Islamic windows around the world.

4.1.9 Concluding remarks

This study measured to what extent IBs that adopt AAOIFI standards are consistent with AAOIFI requirements. It also associated variations in SSBR, CSRR and financial statements disclosure levels with variations in both firm characteristics and corporate governance mechanisms related to BOD and SSB. The findings of this study illustrate a relatively low average level of compliance with AAOIFI disclosures related to social requirements (27%). It also indicates a relatively high average level of compliance with AAOIFI disclosures related to *Sharia* and financial requirements. This approximates to 68% for SSBR and 73% for financial disclosure level. It finds that the corporate governance mechanisms related to SSB have significantly high explanatory power over *Sharia* disclosure variations compared with corporate governance mechanisms related to BOD. This can explained because AAOIFI standards for selected banks are mandatory, and BOD does not have a direct role in ensuring compliance with standards, whereas SSB has a significant role in preparing reports about the compliance level with *Sharia*. This study finds moreover that firm characteristics (age, size and SAD) have a significant impact on disclosure variations.

These results have theoretical and practical implications. They suggest that more attention considering to variables that may explain the variations in *SSFD* particularly those concerned with SSB. This suggestion is consistent with a recent trend in the accounting literature (e.g., Abdul Rahman and Bukair, 2013) for research to look more deeply at the SSB characteristics of CG. The practical implication of these results lies in empirical evidence relevant to the importance and benefits of compliance with AAOIFI standards, which has a significant impact on the image of IBs as well as approving *Sharia* compliance and serving society, which represent the main competitive advantages for these banks. The results suggest that more attention to the adoption of AAOIFI particularly for IBs who are members without adopting. Looking more closely at the variations in compliance with AAOIFI and the disclosure levels between the IBs in each country is useful for either clearly identifying the extent to which the regulatory approach relies on regulations or mandatory and voluntary disclosure. In addition, AAOIFI may take measures to make their standards mandatory for all their members as a first step to making it compulsory for all IFIs. When measured the disclosure levels for each country, it found that Bahrain is located in the fourth place after Jordan, Syria and Palestine. Consequently, this study recommend that the Central Bank of Bahrain further investigate this issue and explore the reasons and the scope for enhancing compliance with AAOIFI.

The results related to disclosure levels of banks with AAOIFI adds significantly to the disclosure literature by emphasising the importance of widening this research scope to pay more attention to variations above the mandated requirements (AAOIFI adoption), which provide a minimum amount of information to all stakeholders. The results indicate that organising reporting by IBs that formally implement an accounting standard (AAOIFI) significantly improves the disclosure level for *Sharia* compliance by encouraging them to care about their SSB report. This study support and assist IBs as well as IFIs that aim to enhancing level of SSFD and aims to reflect the three accountabilities for all stakeholders. This study shows the importance of CG as well as firm characteristics for develop SSFD. The results support the current trend in the regulations in Bahrain, Sudan and Jordan, which encourage the mandatory adoption of AAOIFI by IBs. The un-weighted disclosure index is adapted to measure the compliance level with AAOIFI. However, this kind of disclosure index has an important limitation as the number of disclosure items required by different standards varies considerably. As in this research, some standards require a large number of items (90 items) to be disclosed (Accounting Standard No.1) whereas others require only a few items (15 items) to be disclosed (Governance Standard No.1and5). This may become a significant problem when studies examine compliance with AAOIFI disclosures. An alternative method recommended for future research to avoid this problem is the partial compliance un-weighted approach which was employed by Tsalavoutas et al (2011); Al-Shiab (2003); Street and Gray (2001). Furthermore, this study only focused on three

AAOIFI standards and further research is required to explore the compliance level with other standards and to identify the main determinants behind the variances in compliance and disclosure levels.

Further research could usefully include some other explanatory variables in the model, which might decrease the unsystematic unexplained variations in corporate disclosure for IBs. Thus; the further model may contain variables as GDP, corruption index, audit committee and leverage. In this study, the sample is restricted to IBs in 8 countries that adopted AAOIFI standards during 2013. Future studies could extend the sample to other countries that have IBs and extend the covered period. Previous research has examined the quality of aggregated disclosure reporting (e.g., Miihkinen, 2012). Future research might also investigate the quality of corporate disclosure for IBs more than quantity disclosure. Moreover, in this research, we used manual content analysis as a basic method for analysis of compliance and disclosure levels. However, future research can use computer software packages to measure disclosures for a large number of IBs with minimal time and effort. Moreover, future research could also include other IFIs as Takaful firms to investigate to what extent they comply with AAOIFI and to what extent the determinants of disclosure differ from Islamic banks. In this research, we just adopted UA therefore supplementary research could explore the impacts of the whole six dimensions of Hofstede on the disclosure level. Auxiliary investigation may consider the role of AAOIFI to enhancing adoption level of IBs particularly their members and for what extent the linking between full adoption and membership may effect on the compliance and disclosure level. Finally, additional research could be undertaken to examine the economic consequences of *Sharia*, social and financial reporting

Empirical Study (2): The Determinants of holistic disclosure levels for Islamic banks

4.2.1 Introduction

Contrasting with conventional banks, IBs have to adhere to Islamic law in their contacts. Among the rules that *Sharia* prescribes are the prohibition of paying and charging of interest and prohibition of speculation (Hidayat, 2010). As a result, there are differences in the method of presentation; disclosure between Islamic and conventional banks and differences about the accountability for each bank. In the context of accountability, one of the main objectives of accounting is to provide a fair information flow between the accountor and the accountee (Anuar et al., 2009). Concerned with this concept, accounting plays a significant role in providing information to all stakeholders as well as the society, to fill any religious duty. Therefore, firms are accountable for publishing their reports (Gray et al., 1995) for the benefit of users as well as satisfy their needs of stakeholders about bank' accountabilities compliance.

The main objectives for this study are explore for what extent the disclosure level for IBs reflects the main three pillars of Islamic accountabilities which contain Sharia ; social and financial. It critically evaluates the degree of disclosure practices of IBs about its accountabilities through the annual reports and websites for all stakeholders. Furthermore, the study seeks to explore the association between disclosure levels about accountabilities pillars and bank-specific characteristics as accounting standards; profitability; leverage and size. The analysis contains also control variables to investigate the differences between the selected banks at different countries. Despite these concerns, there are very few academic studies that investigate the disclosure levels for all accountability' pillars reporting and for a large sample of IBs. Further -as I know- there is no study examines the association between disclosure levels of IBs' accountability pillars and firm -specific characteristics for most of IBs around the world. Based on my knowledge; there is no any previous studies explore the comprehensive pillars of accountabilities (SSF) for IBs in one study. Considering these gaps in the literature, it first develops and apply three indices to measure the disclosures about accountability of IBs related to CSR; SSBR and financial statements. In addition, it explores the disclosure levels about *SSF* in whole segments in the annual report as vision; mission; strategy report and CEO statement. Haniffa and Hudaib (2007) examined disclosure of information deemed crucial to Islamic ethics in business. They found a major gap between communicated and ideal ethical disclosure in the annual reports of a sample of seven IBs. Consequently, this study aims to exploring all accountabilities for IBs in different culture to see to what extent it can effect on the disclosure levels about accountability. The number of sample banks used in the literature was limited as acknowledged by Haniffa and Hudaib (2007); Maali et al (2006). The sample is relatively large (117) compared to the largest study so far (90 for Mallinb et al., 2014). It also more comprehensive based on exploring all accountabilities for IBs. Although, number of studies referred to AAOIFI standards (Hassan and Harahap, 2010), none of them add AAOIFI Standards items in indices that tested as standard No.7 for CSR; standards No.1 for presentations in the annual report and standards No.1; 2 and 5 for SSBR in one study.

This study is motivated to bridge a perceived gap between the three broad components of social; *Sharia* and financial disclosure levels. Secondly, calls for greater accountability from corporations regularly voiced these days, both in the academic literature and in public discussions more generally (Messner, 2009). In accounting research; concern for more accountability has been shared by those who have criticized extant financial and management accounting practices for contributing to what they see as a very limited understanding of accountability (e.g. Young, 2006; McKernan and MacLullich, 2004; Gray et al., 2001). There has been extensive researches measure the corporate disclosure for banks (e.g., Al Baluchi, 2006) without segregate between the three accountabilities disclosure. In addition, accountability issue for IBs have been unexplored (Hasan and Siti-Nabiha, 2010). However, there are very limited studies that focus on disclosure analysis related to SSFD levels. During recent years, there has been a growing interest in CSR across a range of disciplines as one of accountabilities for IBs. Researchers strongly believe that corporations may not judge just on their economic success (Jamali et al., 2008, Shahin and Zairi, 2007). Even though CSR is becoming increasingly significant, research still shows that CSR performance and CSR reporting by companies all over the world is limited. Moreover, this research motivated by answer the question about the difference between the required information that may be published in the corporate annual reports based on the Islamic perspective as well as Islamic standards as AAOIFI and what is presently being practised by these banks around the world (e.g., Haniffa and Hudaib, 2007; Maali et al., 2006). Most of literature that testing disclosure for IBs focused mainly on measuring the disclosure levels with a little studies that exploring the determents of corporate disclosure (Sarea and Hanefah, 2013; Ousama and Fatima, 2010). Another motivating factor is the lack of literature on disclosure in IFIs context, particularly on IBs, as prior studies have not considered different categories of disclosure for this sector. This gap needs to explored and filled.

The findings show high variations in disclosure reporting practices about Islamic accountabilities' pillars across the sample and countries with a clear tendency to focus on financial disclosure accountability more than other accountabilities. The average disclosure scores are relatively low (28%) for social throughout the whole banks examined and relatively high (more than 50%) for *Sharia* and financial disclosure. These scores indicate that the banks disclose less information about social and fail to follow the Islamic standards as AAOIFI guidelines as a best practices particularly for social disclosure. Furthermore, the high scores indicate that although the banks disclose information about financial accountability related to financial statements, they fail to disclose the financial statements that concerned with Islamic identification as Zakat and Qard Hassan statement. The empirical results show that the disclosure levels are significantly affected by standards; size of firm; SAD. The empirical results moreover shows different correlation based on different model or different disclosure kind

Based on these findings, this study makes several incremental contributions to the literature on Islamic accountability and IBs. First, this study applies an objective; holistic and context-specific measure of the accountabilities reporting for any IFIs based on Islamic approaches (AAOIFI and related literature). As highlighted by Leuz and Wysocki (2008), there is a lack of a measure, which combines all of the desirable properties for disclosure. The approach we follow which focus on survey all sections in the annual report for IBs could be beneficial for future studies dealing with disclosures. Second, it adds empirical evidence about the significant impact of the firm characteristics (accounting standards; SAD; size) on the quality of the disclosures about IBs' accountability pillars. These results may be of interest to IBs and regulators as they indicate that the requirement for banks to disclose annual reports contains value relevant information for IBs' stakeholders in additional to satisfy Allah by sufficient disclosure. There have been a few empirical studies that investigating Islamic accountability pillars in the banking sector. To the best of my knowledge, this is the first empirical study that investigate this relationship in IBs using a more comprehensive accountability disclosure indices which distinguishes between *Sharia*; social and financial disclosures and applied on the most of IBs around the world. The study's themes developed as follows: Section 4.2.2 elaborates accountability framework from an Islamic approach. Section 4.2.3 has a review the three accountabilities of IBs. The relevant literature and developed hypotheses presented in section 4.2.4. Section 4.2.5 discusses the research design. Section 4.2.6 presents the empirical analysis and discusses the results. Section 4.2.7 outlines the conclusion and limitations with suggestion for further research.

4.2.2 Accountabilities of Islamic banks

Hasan and Siti-Nabiha (2010) argue that, issues regarding with accountability in IBs needs further research. Consequently, there is a need for good accountability practices in IBs as they are viewed as public trusts, existing for the benefit of society. A central Muslim belief is that

Allah will account for everything on Judgment Day and every individual will be held accountable for what he did and whether their actions were in keeping with Sharia or not. Allah has mentioned in Quran, every person will ask to account for their actions on the Day of Judgment: *"And stop them; indeed, they are to be questioned."(Quran, 37:24)* and said *"So by your Lord, We will surely question them all, about what they used to do" (Quran, 15:92-93).* Accountability is the core basis for the Muslims as well as for Islamic system and all relationships within any Islamic society must consider this concept (Aljirari, 1996).

Emdadul (2010) confirms the concept of accountability in Islam in the following statement: "Accountability to Allah for all activities is vital to a Muslim's faith. Sharia specifies how business may conduct, organized and governed. Under Islam, the paramount rule in business is honesty, just measurement and fair dealing with the customers; such obligations impose a responsibility on the business community to adhere to moral accountability under Islam" (p.26). Samuel and Stewart (2009) point to the consequence of forming sustainable accountability. They add that most of thinkers consider that there is no sustainable accountability; they are far from the reality because they were looking for enforced accountability and they ignore accountability that comes from deep belief as moral and ethics. Lewis (2006) argues, "Accountability to God and the community for all activities is paramount to a Muslim's faith" (p.2). Al-Humaidhi (1999) states the mainstream of accountability in Islam addressed on two levels. First level is where every person is accountable for his actions. The second level comprises the accountability for individual and objects under their charge. Therefore, accountability of IBs is located under the second level through accountability towards all stakeholders. This accountability can achieve and deliver by disclosure in annual reports and website. The concept of disclosure therefore connected with the concept of accountability: In an Islamic context, the Ummah (nation) has the right to know how corporations that are part of the Ummah affect its well-being (Maali et al., 2006). The accountability to disclose the truth is a very significant issue in the Islamic context, and this accountability applies to businesses (IBs) as much as to individuals. Importance of disclosure highlighted in the Quran as Askary and Clarke (1997) argue that six verses of the Quran refer to relevance; one meaning of the relevance referred to is disclosure of all facts.

Disclosure is a crucial aspect of the accountability function of IBs to its stakeholders. Therefore, it is required that IBs disclose as much information in a succinct, truthful and comprehensible method to its stakeholders. From an Islamic perspective, the key purpose of corporate reporting that overrides other objectives is to allow Islamic enterprises to show their compliance with *Sharia* and serving the society (Baydoun and Willett, 2000). The consequence of this objective is that IBs have a responsibility to disclose all information essential to its stakeholders about their operations (Maali et al., 2006). Full disclosure about all accountabilities for IBs derived from the divine duty of accountability that each Muslim bears. However, this is not to say that Allah needs to know through disclosure the activities of the IBs. Indeed, Allah knows and hears everything and is Omniscient: *'I know what you reveal and I know what you hide'* (Quran, 4:33). *'He knows what is manifest and He knows what is hidden'* (Quran, 96:7). IBs have a duty to disclose their compliance with *Sharia* to stakeholders.

Based on the Islamic values, profit maximization may not be the only target of IFIs (Ali et al., 2012). According to Hameed and Yahya (2003), IBs as an Islamic business institution is required not only to report its economic performance but also its *Sharia* compliance, social concern and environment concern to its stakeholders. Stakeholders expected to have wider objectives covering *Sharia*; social value; ethical conduct as well as financial, which are a necessary part of their value proposition (Warde, 2013). The perception of disclosure from an Islamic approach is based on two general requirements: the concept of social accountability that contains *Sharia* and social disclosure and the full disclosure concept that focus on financial disclosure as well as *Sharia* and social (Baydoun and Willett, 2000). Haniffa and Hudaib (2002) claimed that the full disclosure of applicable and reliable information may support external users in making both economic and religious decisions, in addition to assisting management in achieving their accountability to God; society and all other stakeholders. Based on Maali debating and based on our survey Quran and Sunna, IBs has three accountabilities (*SSF*) which can be achieved through disclosure. Disclose these accountabilities is guided to satisfy Allah first and all stakeholders. In the following section, we explore the 3 kind of accountabilities as follows:

Sharia Accountability: In the context of Islam, the originally and the key aim of IFIs' reporting is to show that their activities complies with *Sharia* principles (Baydoun and Willet, 2000). Hameed (2001) claimed that the disclosure of *Sharia* compliance is one of the essential Islamic accounting purposes. Therefore, this information may disclose, even though it may not require mandatory. The information about *Sharia* compliance is similar to that in the SSB report. The need of *Sharia* compliance becomes progressively significant to bridge the gap between models and practice (Sarea and Hanefah, 2013). To make sure that the religious prospects of those who deal with IBs have been met, IBs appoint *Sharia* Supervisory Boards (SSB) (Daoud, 1996). They issue a report to the users confirming that the bank has adhered to *Sharia* (Karim, 1995). The accountabilities of SSB comprise ex ante and ex post auditing of transactions, the calculation and payment of Zakat and counselling the bank on its accounting polices (Karim, 1995). This board provides the essential assurance for those who deal with IBs that their religious expectations have been met. SSB report is the main source for all stakeholders about achieving *Sharia* accountability for IBs. Disclosure by the SSB may be seen as a crucial aspect of accountability by the IBs to its stakeholders (Mallinb et al., 2014).

Social Accountability: Corporations expected to communicate their actions towards CSR to their broad range of stakeholders (Golob and Bartlett, 2007). CSR Reporting mainly considered as one of the main approaches firms use to make the public aware of their CSR activities (Said et al., 2009). Several studies have used CSR disclosure as a proxy for corporate social performance (Haniffa and Cooke, 2002; Gray et al., 2001). CSR reporting in this sense based on Gray et al (1995) is "... extends the accountability of organisations, beyond the traditional role of providing a financial account to owners of capital, in particular shareholders" (p.3). IFIs promote a social and ethical identity and the promotion of social welfare and justice are significant to IBs as part of their CSR (Haniffa and Hudaib, 2007). As trustees, man is accountable for God other creations, and will be accountable for his actions in the hereafter (Maali et al., 2006). Therefore, in Islam, man's accountability comprises accountability to the community and the environment. Thus, the companies are accountable to the society (Baydoun and Willett, 2000) hence; they may disclose information, which can help discharge this accountability. From the Islamic perspective, CSR revolves on the concept of ultimate accountability to God where human beings are regarded as 'khalifah' (vicegerent) and are predictable to relate with other humans in order to take care of the natural environment entrusted to them (e.g., Abbasi et al., 2012; Farook et al., 2011). The philosophy of Islamic CSR is diverse from conventional CSR where CSR in Islam motivated not only on the economic perception but also incorporates the spiritual values as derived from Quran and Sunna. Therefore, it expects that IBs may disclose information about their roles towards society. CSR report is the ideal segment in the annual report to assist firms to satisfy their social accountability.

Financial Accountability: Assessing the decision makers in stakeholders making of economic decisions is a secondary goal from the Islamic viewpoint, whereas in the Western model, achieving the financial accountability and maximizing the profit considered the primary objective (Muwazir et al., 2006). IBs, similar to other financial firm, expected to respond to their crucial stakeholders through good financial and governance performance (Belal et al., 2014). The main objective of financial reporting is to provide information about the financial strength, performance and fluctuations in financial position of an enterprise that is valuable to a wide range of users in making economic decisions. Therefore, corporations are responsible for publishing their financial reports for the benefit of stakeholders (Gray et al., 1992). Financial disclosure is very significant to whole stakeholders; it provides them with the essential information to diminish uncertainty and support them to make appropriate economic and financial decisions. The annual reports published by corporations considered one of the most significant sources of information to outsiders (Betosan, 1997). However, as the uniqueness of

IBs that required more financial disclosure about their operations, we expected that the financial statements for these banks would contain additional statements of Zakat and Qard Hassan. Therefore, in this research the accountability concept is means the responsibilities towards Allah, society, stockholders and other stakeholders. In this research, it explores these accountabilities for IBs through measuring how IBs discloses information that concerned with these accountabilities by annual reports and websites. The disclosure about IBs' accountabilities contains *Sharia*; social and financial accountability. *Sharia* disclosure accountability is means that the level of disclosure about compliance with *Sharia* through SSBR as well as *Sharia* compliance indicators in the completely annual report' sections. The social disclosure is reflects for what extent the banks serving society as well as paying Zakat and Qard Hassan based on CSR and social statements in the whole annual report' sections. Finally; financial disclosure accountability is means for what extent the financial statements and financial performance reflect all financial information for stakeholders

4.2.3 Hypotheses Development

4.2.3.1 Profitability

For further debating about the association between disclosure and profitability, reviews section 4.1.4.1.4. This study formulates the first hypothesis as follows:

H2.1 There is no association between profitability and levels of disclosure

4.2.3.2 Size

For further debating about the association between disclosure and firm size; reviews section 4.1.4.1.3. This study formulates the second hypothesis as follows:

H2.2 There is a positive association between firm size and levels of disclosure

4.2.3.3 Leverage

Based on the agency theory, Xiao et al (2004) argue that increased disclosure can reduce debt holders' inclinations to price-protect against transfers from themselves to stockholders. Debreceny and Rahman (2005) find that increases in the debt-equity ratio create agency costs. Therefore, corporate managers are report more voluntary information to assist creditors to monitor continually the affairs of the corporation and help them evaluate the ability of the firm to pay its obligations on time. Managers tend to provide more information in order to send a good signal to debt holders regarding the corporate ability to meet its obligations. Empirical evidence on the association between leverage and disclosure is mixed. While, Elshandidy (2011); Taylor et al (2010); Marshall and Weetman (2007); Barako et al (2006) found a positive relationship, Rajab and Schachler (2009); Abraham and Cox (2007) found insignificant association. Related to banking industry; Sharma (2014) found a significant positive correlation existed between disclosures and leverage. The third hypothesis is

H2.3 Highly Leverage IBs is more likely to disclose more information compared with Low Leverage IBs

4.2.3.4 Auditor Size

For further debating about the association between disclosure and auditor size; reviews section 4.1.4.1.1. This study formulates the fourth hypothesis as follows:

H2.4 The extent level of disclosure is larger for IBs that audited by one of the Big4 Audit firms

4.2.3.5 Accounting standards (AAOIFI)

Accounting standards used to produce comparable and reliable accounting information to support investors, creditors and all stakeholders to make investment decisions. The adoption of IFRS improves transparency, disclosure and comparability (Biddle and Saudagaran, 1989). The higher disclosure requirements and financial reporting quality that stem from IFRS implies that the adoption of IFRS gives a positive indicator to investors as information asymmetry and agency costs tend to diminish (Tarca, 2004). Besar et al (2009) claim that one of the main tools to enhance the Islamic banking industry is adopting Islamic standards which can effect on the disclosure and transparency levels for IFI. Therefore, the fifth hypothesis of the study

H2.5 There is an association between levels of disclosure and adopting AAOIFI

4.2.3.6 Internal Sharia auditing department (ISAD)

For further debating about the association between disclosure and ISAD; reviews section 4.1.4.1.5. This study formulates the sixths hypothesis as follows:

H2.6 The extent of disclosure levels is associated with existing ISAD inside IBs

4.2.3.7 Control Variables

To address the issues related to the omitted correlated variables, our models have a comprehensive list of control variables. First, this study control age of the bank. Majority of studies found association between firm age and disclosure (e.g., Rahman et al., 2011; Haniffa and Cooke, 2002). Second, this study control ownership. Eng and Mak, 2003 argue that, private companies' disclosure is less transparent, because they face less market demand for it. Third, this study controls the riskiness. Managers may publish more information in order to diminish information asymmetry between insiders and outsiders (Elshandidy et al., 2013). Company with high-risk levels will try to increase disclosure to reduce uncertainties among stockholders implying a better evaluation of risk by market (Hassan, 2009). Fourth, our models have a list of variables to control differences between countries as our research explores accountabilities of IBs across 23 countries. The national culture is an institutional factor that influences on companies choices regarding financial reporting and disclosure level (Hope, 2003). Hofstede (2001) recommends four dimensions that have been used widely in prior accounting research to examine the impact of culture on accounting practices and disclosure (e.g., Doupnik and Tsakumis, 2004). These dimensions, defined in Table 25. Regarding disclosure practices, Zarzeski (1996) hypothesises and finds that all of Hofstede' dimensions have a significant impact on disclosure. Gray (1988) hypothesized financial disclosures in different countries would be influenced negatively through cultural. Wong (2012) argues that one of the most influential cultural dimensions that may affect disclosure is uncertainty avoidance. Ahmed and Courtis (1999) argue that differences in disclosure levels could be due to differences in socio economic and political environments between countries. Hence, this study uses legal system as one of the control variable. Dobler et al (2011) suggest that legal system may affect disclosure quality and its determinants in common and civil law systems or other law (*Sharia* law). Dong and Stettler (2011) find significant impacts of both legal system and cultural values on aggregated disclosure. It also controls GDP Growth (Andres and Vallelado, 2009). It also added for our model other variables, which are full adoption of AAOIFI from central banks as Sudan, and Bahrain that make AAOIFI is mandatory for all Islamic banks; Role of central Bank for *Sharia* supervision as Malaysia which has central SSB that control *Sharia* compliance for all IBs; Islamization system; Corruption Index and Literacy rate.

Table 25: *Hofstede Model dimensions and scores for our selected countries*

Country	Culture Hofstede dimensions			
	Power distance	Individualism	Masculinity	Uncertainty Avoidance
1. UK	35	89	66	35
2. UAE	90	25	50	80
3. Pakistan	55	14	50	70
4. Yemen	85	35	65	66
5. Egypt	70	25	45	80
6. Bahrain	87	30	55	75
7. Qatar	85	45	60	80
8. Sudan	80	38	53	68
9. Kuwait	90	25	40	80
10. Srilanka	80	35	10	45
11. Jordan	70	30	45	65
12. Malaysia	100	26	50	36
13. KSA	95	25	60	80
14. Thailand	64	20	34	64
15. Bangladesh	80	20	55	60
16. Syria	80	35	52	60
17. Brunei	80	39	52	64
18. Lebanon	75	40	65	50

19. Palestine	*85*	*35*	*65*	*66*
20. Kenya	*70*	*25*	*60*	*50*
21. Oman	*85*	*35*	*56*	*66*
22. Iraq	*95*	*30*	*45*	*85*
23. Philippine	*94*	*32*	*64*	*44*

Power distance, which is the extent to which power is distributed equally within a society and the degree to which society accepts this distribution, from relatively equal to extremely unequal
Individualism, which is the degree to which individuals base their actions on self-interest versus the interests of group
Masculinity, which is a measure of a society's goal orientation: a masculine culture emphasises status derived from wages and position; a feminine culture emphasises human relations and quality of life
Uncertainty avoidance, which is the degree to which individuals in a country prefer structured over unstructured situations, from relatively flexible to extremely rigid, to cope with risk and innovation; a low uncertainty culture emphasises a higher level of standardisation (Hofstede, 2005) http://geert-hofstede.com/countries.html

4.2.4 Research Design

This study examines reporting by 117 IBs across 23 countries. It explores for what extent disclosure of IBs is reflect the holistic accountabilities based on *Sharia* and AAOIFI standard as a benchmark for any IFIs. It explores *SSF* accountabilities in all sections that reported in the annual reports as well as websites. Thus, our research divided into two stages. The first stage measuring the accountability disclosure related to *SSF* in a specific section that reflect these accountabilities which are SSBR; CSR and financial statement. The second stage is measuring the three disclosure accountabilities in all sections in the annual report. In this stage, it explores SSF disclosure vision and mission; CEO statement and strategy report. Consequently, the study testing 8 models which related to disclosure about SSBR; CSR; financial; aggregate; total *Sharia*; total social; total financial and holistic disclosure. For this purpose, the study uses content analysis [25] to explore if certain themes related to *Sharia*; social and financial accountability are present or absent from annual reports and websites. Haniffa and Hudaib (2004) state that disclosure in annual reports and other media such as the websites are key venues for banks to demonstrate that their activities are in line with *Sharia*. This study conducts a pilot study on a sample of 30 IBs for 2011-2013. Based on t-test; the finding shows insignificant differences

[25] The use of content analysis techniques in research into corporate disclosure used based on manual scoring (e.g. Cheng and Courtenay, 2006; Santema et al., 2005). The disclosure index is unweight and assumes that each item of disclosure is equally important (Gray et al., 1995). The preference for using the un-weighted approach is to avoid the subjectivity involved in assigning the weights of importance to items by different user groups (Raffournier, 1995; Cooke, 1991).

between the three years (sig 0.392 which is > 0.05 for *Sharia*); (sig 0.367 which is > 0.05 for social) and (sig 0.263 which is > 0.05 for financial).

4.2.4.1 Sample selection and Data collection

This study uses Bankers databases for the sample selection in additional to central banks for most of countries that provide Islamic banking services at 23 countries. The chosen banks selected based on banks with 100% compliance with *Sharia*. The selected banks chosen also based on availability of the least three annual reports and it may be publishing by Arabic or English. Thus, this study excluded IBs in Iran (17) and in Turkey (4) as they do not have the SSB, which represent one of our main pillars for our accountability framework. It excluded subsidiaries from our sample (19) and we exclude 13 banks that different languages publish their annual reports not available or it. Therefore, this study collect data for 117 IBs from 23 countries namely Bahrain, Bangladesh, Indonesia, Jordan, Kuwait, Malaysia, Pakistan, Qatar, Saudi Arabia, Sudan, Syria, UAE, Egypt; Yemen; Brunei; Lebanon; Iraq; Philippines; Kenya; Palestine; Thailand; Srilanka and UK. The variables concerned with countries as GDP and legal system collected from World Bank database and United Nations database. The dimensions related to culture collected from Hofstede Green centre and variables of firm-characteristics collected from annual report and banker database

4.2.4.2 Construction disclosure indices with assessing the validity and reliability

The benchmark for accountability is pragmatic and takes into account the different secular effects facing IBs. However, this does not prevent them from disclosing our suggested items on a voluntary basis, even if they not required by regulation. The benchmark is contracted based on manly AAOIFI standards that is related to accounting; governance issues and previous studies that explore *Sharia*; social and financial accountability for IBs. As AAOIFI is construct based on *Sharia*. Therefore, compliance level reflects compliance with *Sharia* basics more than compliance with AAOIFI requirements. Related to validity and reliability issues, it examined the items of the indices and decided what that specific item was intended to measure (Beattie et al., 2004). This study developed the dimensions of our SSBR; CSR and financial indices based on standards for IFIs issued by AAOIFI (mainly) and the previous literature (secondary). For testing reliability; the preceding studies argues that content analysis is not considered reliable if it is conducted only once or only by one specific person (Neuendorf, 2002). Hence the following procedures were undertaken to construct our three indices as well as sure about validity and reliability issues as follows: First: it adopting the disclosure requirements of AAOIFI governance standards No. 1; 2 and5 that reflect the Sharia accountability based on SSB report and SSB members. It also adopts the disclosure requirements of AAOIFI financial standards No.1 that focusing on the presentation and disclosure of financial statements that reflect the financial accountability of IBs. Finally, we adopt AAOIFI governance standard No.7 that guide IFI for social accountability based on CSR report. The researcher reviews the least available edition for AAOIFI, which is 2010 and 2014. This study modifying disclosure indices based on literature review that measuring *Sharia*; social and financial for IBs (e.g., Farag et al., 2014; Rashid et al., 2013; Kamla and Rammal, 2013; Aribi and Gao, 2012; Hassan and Harahap, 2010; Ullah and Jamali, 2010; Williams and Zinkin, 2010; Besar et al., 2009; Haniffa and Hudaib, 2007; Mohammed, 2007; Maali et al., 2006). This study also surveys Quran and Sunna to observe the main themes for compliance with *Sharia* accountability towards Allah and for social activities. Based on this survey, we get some items that the annual report for IFIs may contains and disclose as Zakat and Qard Hassan. Third: this study reviews our three indices with three academics and three professional to enhance the validity for the study' results.

Initially, a scoring sheet, which included 229 items required to disclose by AAOIFI in additional to discussions with four independent researchers as well as reviews the previous studies was constructed. Then, to ensure the content validity of the initial research instrument, two other researchers reviewed it independently[26]. After receiving their comments and suggestions, any remaining ambiguities discussed with a fourth experienced academic. To ensure the reliability of the research instrument, the author and the two independent researchers scored five randomly selected banks. Then, the findings of the three researchers compared. Given that all investigators had agreed the final research instrument, differences in the compliance scores across the investigators were not significant as shown in Table 26. The final disclosure checklist shown in Table 27

Table 26: *Ensuring validity of research instrument*

Standards	*Items suggested by the author*	*Items suggested by independent researcher*	*Items suggested by second independent researcher*	*Final index (after 4th person's advice)*	*Weight*[27]
FSIFI.1	*120*	*105*	*100*	*114*	*49%*
GSIFI.1; 2 and 5	*25*	*20*	*15*	*20*	*9%*
GSIFI.7	*100*	*100*	*94*	*95*	*42%*
Total	*245*	*225*	*209*	*229*	*100%*

Table 27: *Holistic Disclosure Checklist*

	Main Dimensions		**Sources**
Sharia disclosure index	*Names of Sharia board members*	***Total Items 20***	*Haniffa and Hudaib, 2007; Hassan and Harahap, 2010; Rashid et al., 2013; AAOIFI, 2014; Vinnicombe, 2010*
	Brief about each members in the Sharia board (Background and qualifications)		*Haniffa and Hudaib, 2007; Ghayad, 2008; Hassan and Harahap, 2010; Aribi and Gao, 2012; AAOIFI, 2014; Vinnicombe, 2010*
	Numbers of board members		*Maali et al., 2006*
	Pictures of the board members		*Haniffa and Hudaib, 2007; Rashid et al., 2013*
	The administration position for the Sharia board in the organization structure		*Haniffa and Hudaib, 2007*
	The role and responsibilities of the board		*IFSB, 2006, Ghayad, 2008; AAOIFI, 2014; Vinnicombe, 2010*
	The authorities of the board		*AAOIFI, 2014; Ghayad, 2008; Vinnicombe, 2010*
	The Sharia auditing department in the bank		*AAOIFI, 2014; IFSB, 2006; Shafiia et al., 2014; Besar et al., 2009*
	The account of board's meeting		*Haniffa and Hudaib, 2007; Hassan and Harahap, 2010; Rashid et al., 2013*
	Is the website or annual report disclose the Fatwas for the Sharia board related to Islamic services		*Aribi and Gao, 2012; AAOIFI, 2014*

[26] Content validity indicates whether the instrument 'adequately measures the concept of interest' (Vlachos, 2001) (compliance with disclosure requirements). It is usually established when the items which are supposed to measure the concept are evaluated by a group of expert judges to ensure that they in fact do so (Kidder and Judd, 1986). This is a common approach supported by Camfferman and Cooke (2002).

[27] The weight calculated based on final items for each standard dividend into total items (229). For example: weight of FSIFI.1 = 114/229*100= 49%

	Is the website disclose the board's role for spreading the awareness about the Islamic banking thoughts		*Haniffa and Hudaib, 2007; Hassan and Harahap, 2010*
	SSB report assigned from the board members		*Maali et al., 2006; Haniffa and Hudaib, 2007; AAOIFI, 2014; Rashid et al., 2013; Vinnicombe, 2010; Kasim et al., 2013*
	Information about the bank's responsibilities of Zakat		*Maali et al., 2006; AAOIFI, 2014; Hassan and Harahap, 2010; Farook et al., 2011; Vinnicombe, 2010; Kasim et al., 2013*
	Information about the bank's responsibilities of activities not comply with Sharia and how the bank deal with it		*Haniffa and Hudaib, 2007; Maali et al., 2006; AAOIFI, 2014; Maali et al., 2003; Sofyan, 2003; Hassan and Harahap, 2010; Vinnicombe, 2010; Kasim et al., 2013*
	Information about how profit distribution process in the bank comply with Islamic Sharia		*Haniffa and Hudaib, 2007; AAOIFI, 2014; Sofyan, 2003; Hassan and Harahap, 2010; Vinnicombe, 2010; Kasim et al., 2013*
	Information about the independency of the Sharia board with charter shows the objectivity of the board		*AAOIFI, 2014; Haniffa and Hudaib, 2007; Vinnicombe, 2010*
	Information about opinion for the board about completely compliance of the bank with the rules of Islamic Sharia		*Maali et al., 2006; AAOIFI, 2014; Haniffa and Hudaib, 2007; Maali et al., 2003; Aribi and Gao, 2012; Vinnicombe, 2010; Kasim et al., 2013*
	The board discloses its opinion after reviewing all documents and all financial statements for the bank		*AAOIFI, 2014; Rashid et al., 2013; Haniffa and Hudaib, 2007; Aribi and Gao, 2012*
	Is the report shows that the bank comply with the AAOIFI's standards		*AAOIFI, 2014*
	Information about the date of report and name of bank		*AAOIFI, 2014; Vinnicombe, 2010; Kasim et al., 2013*
Social disclosure index	*Employee welfare*	***Total Items 95***	*Haniffa and Hudaib, 2007; AAOIFI, 2014; Maali et al., 2003; Hassan and Harahap, 2010; Farook et al., 2011; Farook, 2007; Rashid et al., 2013; Aribi and Gao, 2012*
	Internal environment preservation policy		*Haniffa and Hudaib, 2007) Maali et al., 2006; AAOIFI, 2014; Kamla and Rammal, 2013; Maali et al., 2003; Hassan and Harahap, 2010; Farook et al., 2011; Farook, 2007*
	Earning and expenditure prohibited by sharia		*AAOIFI, 2014; Farook, 2007; Rashid et al., 2013*
	Par Excellence customers services		*AAOIFI, 2014; Farook, 2007; Aribi and Gao, 2012*
	Late repayments and insolvent clients and avoiding onerous terms		*Maali et al., 2006; AAOIFI, 2014; Haniffa and Hudaib, 2007; Maali et al., 2003; Farook et al., 2011; Rashid et al., 2013*
	Qard Hassan		*Haniffa and Hudaib, 2007; AAOIFI, 2014; Kamla and Rammal, 2013; Hassan and Harahap, 2010; Farook, 2007; Aribi and Gao, 2012*
	Micro and small business and social saving and investments and Development		*AAOIFI, 2014; Kamla and Rammal, 2013; Farook, 2007*
	Screening and informing clients for compliance with Islamic principles		*AAOIFI, 2014; Kamla and Rammal, 2013; Farook, 2007; Aribi and Gao, 2012*
	Zakat		*Haniffa and Hudaib, 2007; Maali et al., 2006; AAOIFI, 2014; Kamla and Rammal, 2013; Maali et al., 2003; Farook et al., 2011; Farook, 2007; Rashid et al., 2013; Aribi and Gao, 2012; Vinnicombe, 2010*
	Charitable activates		*Belal, 2001; Maali, et al., 2006; Haniffa and Hudaib, 2007; AAOIFI, 2014; Kamla and Rammal, 2013; Hassan and Harahap, 2010; Farook et al., 2011; Aribi and Gao, 2012*
	Waqf management		*AAOIFI, 2014; Farook, 2007*
	Social responsibility		*OECD, 2011; AAOIFI, 2014; Kamla and Rammal, 2013; Maali et al., 2003; Hassan and Harahap, 2010; Farook, 2007; Aribi and Gao, 2012*

Financial disclosure index	*Comparative financial statements*	*Total Items 114*	*IFRS, 2014; AAOIFI, 2014*
	Basic information about the bank		*IFRS, 2014; AAOIFI, 2014; Sofyan, 2003*
	Disclosure of the currency used for accounting measurement		*IFRS, 2014; AAOIFI, 2014*
	Disclosure of significant accounting policies		*IFRS, 2014; AAOIFI, 2014*
	Disclosure of earning or expenditure prohibited by sharia		*AAOIFI, 2014; Maali et al., 2003; Sofyan, 2003; Farook et al., 2011*
	Disclosure about assets and liabilities' risk		*IFRS, 2014; AAOIFI, 2014*
	Disclosure of contingences		*IFRS, 2014; AAOIFI, 2014*
	Disclosure of accounting policy changes		*IFRS, 2014; AAOIFI, 2014*
	Presentation and disclosure in the Financial Position		*IFRS, 2014; AAOIFI, 2014*
	Presentation and disclosure in the Income Statement		*IFRS, 2014; AAOIFI, 2014*
	Disclosure in the statement of Cash Flows		*IFRS, 2014; AAOIFI, 2014*
	Statement of Changes in the Owner's Equity		*IFRS, 2014; AAOIFI, 2014*
	Statement of Changes in Restricted Investments		*AAOIFI, 2014; Sofyan, 2003*
	Disclosure in the Statement of Sources and Uses of funds of Zakat and Sadakat		*Maali et al., 2006; AAOIFI, 2014; Maali et al., 2003; Sofyan, 2003; Aribi and Gao, 2012; Vinnicombe, 2010*
	Disclosure in the statement of sources and uses of funds, Loan Fund (Qard Hassan Fund)		*Haniffa and Hudaib, 2007; AAOIFI, 2014; Maali et al., 2003; Sofyan, 2003; Aribi and Gao, 2012*

4.2.4.3 Research models

To investigate the relationship between accountability pillars (*Sharia*; social; financial and aggregate) and firm-specific characteristics, we use the following OLS regressions:

Panel A: The dependent variable in the following model is focus on the specific indices that are SSB; CSR; Financial statements and aggregate disclosure as follows:

$$\boldsymbol{DISLCOSURE}_{\,i} = \alpha + \beta_1 STA_i + \beta_2 AUD_i + \beta_3 SIZE_i + \beta_4 ROA_i + \beta_5 LEV_i + \beta_6 SDEP_i + \beta_7 RISK_i + \beta_8 AGE_i + \beta_9 OWN_i + \beta_{10} POW_i + \beta_{11} IND_i + \beta_{12} MAS_i + \beta_{13} UNC_i + \beta_{14} GDP_i + \beta_{15} CORR_i + \beta_{16} LEG_i + \beta_{17} CENT_i + \beta_{18} ADOPT_i + \beta_{19} SYS_i + \beta_{20} LIT_i + e \qquad (2)$$

Panel B: The dependent variable is focus on the all sections in the annual report. Consequently, it contains Sharia ; social; financial and holistic in all sections which are vision; mission; CEO statement; Management report; strategy report and governance report in additional to CSR; SSBR and financial statements.

$$\textbf{Total DISLCOSURE}_{i} = \alpha + \beta_1 STA_i + \beta_2 AUD_i + \beta_3 SIZE_i + \beta_4 ROA_i + \beta_5 LEV_i + \beta_6 SDEP_i + \beta_7 RISK_i + \beta_8 AGE_i + \beta_9 OWN_i + \beta_{10} POW_i + \beta_{11} IND_i + \beta_{12} MAS_i + \beta_{13} UNC_i + \beta_{14} GDP_i + \beta_{15} CORR_i + \beta_{16} LEG_i + \beta_{17} CENT_i + \beta_{18} ADOPT_i + \beta_{19} SYS_i + \beta_{20} LIT_i + e \quad (3)$$

Where DISCLOSE $_{it}$ is the disclosure provided by Disclosure Indices, which measures the level of disclosure of SSBR (1); CSR (2); financial statements (3); aggregate (4). Where Total DISCLOSE $_{i}$ is the disclosure provided by Disclosure Indices, which measures total *Sharia* disclosure (5); Total social disclosure (6); Total financial disclosure (7) and Holistic aggregate (8) in Islamic bank (i). All variables described in Table 28. The disclosure score for each model calculated as a ratio of the total items disclosed to 20 (maximum score for Sharia) for model 1; 114 (maximum score for financial) for model 2; 95 (maximum score for social) for model 3 and 229 (maximum score for aggregate disclosure) for model 4. It also calculated for 20 items in additional to any words or sentences related to *Sharia* for model 5; 95 items plus any words or sentences related to social for model 6; 114 items plus any words or sentences related to financial for model 7 and 229 items plus any words or sentences related to SSF for model 8.

Table 28: *Models specification and variables measurements*

Abbreviated name	*Full name*	*Variable description*	*Predicted sign*	*Data source*
Dependent variable				
$DISCLOSE_{it}$	*Disclosure level*	*Sharia disclosure accountability level based on SSB report*		*Annual reports and Website based on indices related to AAOIFI standards requirements*
		Social disclosure accountability level based on CSR report		
		Financial disclosure accountability level based on FS and footnotes		
		Total disclosure accountability level based on SSB; CSR and FS		
		Sharia disclosure accountability based on all annual report's sections		
		Social disclosure accountability based on all annual report's sections		
		Financial disclosure accountability based on all annual report's sections		
		Total disclosure accountability based on all annual report's sections		
The annual report sections contain 5 sections which are: Vision; Mission; Values and Objectives; Chairman' Statement and CEO' Statement; Directors' Report; Strategy Report and Corporate Governance Report				
Firm-Level Independent variables				
STA_{it}	*Standards*	*1=Bank that use AAOIFI; 0=Bank that use IFRS or Local standards*	+	*Annual report*
AUD_{it}	*Auditor*	*1=Bank's financial statements were audited by Big 4 auditor; 0=Bank's financial statements were not audited by Big 4 auditor*	+	*Annual report*

$SIZE_{it}$	*Size*	*The natural log of total assets*	+	*Annual report*
ROA_{it}	*Profitability*	*Return on assets (ROA)*[28]	+	*Banker data base-bank annual report*
LEV_{it}	*Leverage*	*Total liabilities (Debts)/Total assets*	+	*Banker data base-bank annual report*
SAD_{it}	*Sharia Auditing department*	*1=Bank that has Sharia auditing department; 0=Bank that has not Sharia auditing department*	+	*Annual report*
OWN_{it}	*Ownership*	*1= Publicly-held Islamic bank; 0= Privately-owned Islamic bank*	+	*Annual report*
Control variables related to country				
$RISK_{it}$	*Risk Adequacy*	*Tier 1 capital*		*Banker data base-bank annual report*
OWN_{it}	*Ownership*	*1= public Islamic banks; otherwise=0*		*Annual report*
AGE_{it}	*Age*	*Age of bank from the foundation date*		*Annual report*
POW_{it} IND_{it} MAS_{it} UNC_{it}	*Hofstede Culture dimensions*	*Power distance* *Individualism* *Masculinity* *Uncertainty avoidance*		*Hofstede green centre database*
LEG_{it}	*Country legal System*	*1 = Sharia Law; 0 = Other non-Sharia Law (e.g. Civil Law, Common Law, or Hybrid Law)*		*World Bank Database*
$ADOPT_{it}$	*Full adoption for AAOIFI*	*1 = Full adoption of AAOIFI; 0 = Not full adoption of AAOIFI*		*Central banks*
$CENT_{it}$	*Role of central Bank for SSB*	*1 = Countries where the central bank has Central SSB; 0 = Countries where the central bank doesn't have Central SSB*		*Central banks*
SYS_{it}	*Islamization system*	*1 = Complete Islamic banking system; 0 = Non-complete Islamic banking system*		*World Bank Database*
GDP_{it}	*GDP*	*GDP growth rate*		*World Bank Database*
$CORR_{it}$	*Corruption Index*	*% of Corruption level for each county*		*World Bank Database*

4.2.5 Disclosure levels with accountability' pillars Indices

The following Table (29) shows the average disclosure level for SSBR. It shows that, average disclosure level is 53% which not consisting with our expectation that assumes that IBs may be disclose information about compliance with *Sharia*. The Table indicates that the disclosure about names of SSBM is higher than any other item (74%). It shows the lowest item is the information about the independency of SSB (10%). The report also states that 58% of selected banks published signed SSBR. The Table also shows that only 25% from selected banks disclose information about fatwas (*Sharia* opinions) which issued by SSB as a signal for all stakeholders

[28] Consistent with prior studies, this study uses return on asset (ROA) to proxy for the profitability of IFIs as it better reflects performance (Debreceny and Rahman, 2005).

that the whole bank activities are consist with *Sharia*. The Table shows that only 39% have internal *SAD*. Our result (53%) is consistent with Hassan and Harahap (2010) who found that the average disclosure for banks related to SSB was 53%. However, 53% is not consisting with other studies that conclude high disclosure about *Sharia* as Vinnicombe (2010) who finds a high level of disclosure (90 %) with SSB requirements. Aribi and Gao (2012) concluded that disclosure about SSB is more than 90% for 21 IFIs. The average index scores indicate that Syria has the highest score of 78% followed by Palestine and Jordan 70% and 68% respectively.

Table 30 shows that the average disclosure level of CSR index is 28%. It finds that the social responsibility in screening its investments dimension generally scores highly across all banks whilst the social responsibility in its relationship with customers and clients is generally scores the lowest. The highest disclosure score related to whole CSR index is Charitable activates which is 44%. The lowest disclosure scores are Waqf management and late repayments in additional to Qard Hassan (1%; 1% and 8% respectively). Overall, Table 30 shows low disclosure level related to CSR (28%). This finding is consistent with studies that found low disclosure level about CSR (e.g., Hasan, 2008 (23%); Farook et al (2011) (17%); Abdul Rahman et al (2010) (8%); Maali et al (2006) (13%). In addition, our result (28%) is low comparing with other studies that find disclosure about CSR is high in IBs (e.g., Abdul Rahman and Bukair (2013) (83%); Hassan et al (2012) (49%); Farag et al., 2014 (44%)). The average index score indicates that Jordan has the highest score of 47% then followed by Bangladesh and Kuwait 43% and 38% respectively. Iraq and Philippine (15% and 16% respectively) are the lowest countries

Table 29: *Compliance level based on SSBR index*

Items related to SSB members		*% **
1	*Names of Sharia board members*	*74%*
2	*Brief about each members in the board*	*35%*
3	*Numbers of board members*	*47%*
4	*Pictures of the board members*	*25%*
5	*The administration position for the board in the organization structure*	*37%*
6	*The role and responsibilities of the board*	*53%*
7	*The authorities of the board*	*63%*
8	*The Sharia auditing department in the bank*	*39%*

9	*The account of board's meeting*	*17%*
10	*Is the website for the bank contain the Fatwas for the Sharia board related to Islamic services*	*25%*
11	*Is the website disclose the board's role for spreading the awareness about the Islamic banking thoughts*	*40%*
Items related to SSB report		*%**
1	*The SSB report assigned from the board members*	*58%*
2	*Information about the bank's responsibilities of Zakat*	*49%*
3	*Information about the bank's responsibilities of activities not comply with Sharia and how the bank deal with it*	*42%*
4	*Information about how profit distribution process in the bank comply with Islamic Sharia*	*48%*
5	*Information about the independency of the Sharia board with charter shows the objectivity of the board*	*10%*
6	*Information about opinion for the board about completely compliance of the bank with the rules of Islamic Sharia*	*62%*
7	*The board discloses its opinion after reviewing all documents and all financial statements for the bank*	*60%*
8	*Is the report shows that the bank comply with the AAOIFI's Sharia standards*	*13%*
9	*Information about the date of report (Period covered) and name of bank*	*58%*
Average disclosure for SSBR		***53%***
* The un-weighted approach attaches equal weights to all disclosed items within the checklist. Therefore, if the item disclosed in the annual report it takes "1" otherwise it takes "0". The disclosure score for each accountability level calculated as a ratio of the total items disclosed to 20. The level of disclosure (%) is measured for each bank as the ratio of the score obtained to the maximum possible score (20) relevant for that company (this methodology was first proposed by Cooke (1989)		

Table 30: *Compliance level based on CSR index*

Dimensions of Holistic Islamic CSR	*Disclosure %*
A. Social responsibility within the organization	***28%***
A1. Employee welfare	*33%*
A2. Internal environment preservation policy	*26%*
A3. Earning and expenditure prohibited by sharia	*26%*
B. Social responsibility in its relationship with customers and clients	***16%***
B4.Par Excellence customers services	*40%*
B5.Late repayments and insolvent clients and avoiding onerous terms	*1%*
B6. Qard Hassan	*8%*
C. Social responsibility in screening its investments	***43%***
C7. Micro and small business and social saving and investments and Development	*40%*
C8. Screening and informing clients for compliance with Islamic principles	*34%*
D. Social responsibility in its relationship with greater society	***27%***
D9. Zakat	*26%*
D10. Charitable activates	*44%*
D11. Waqf management	*1%*
D12. Social responsibility	*35%*
Average over all disclosure level	***28%***

Table 31 shows full disclosure about financial position statement and statement of comprehensive income (100%) and very high disclose about Statement of Cash Flows (98%) and 88% related to Statement of Changes in the Owner's Equity. However, the Table shows low disclosure level about other statements, which related to Islamic identification that include statement of Zakat; Qard Hassan and changes in Restricted Investments (11%; 8% and 4% respectively). We notice that Yemen has the highest score of 83% followed by Syria and UAE 70%

and 69% respectively. The average score indicate that Lebanon and Philippine (49% for both) are the lowest countries

Table 31: *Compliance level based on financial index*

Footnotes	*%*
Comparative financial statements	*100%*
Basic information about the bank	*100%*
Disclosure of the currency used for accounting measurement	*100%*
Disclosure of significant accounting policies	*80%*
Disclosure of earning or expenditure prohibited by sharia	*14%*
Disclosure about assets and liabilities' risk	*65%*
Disclosure of contingences	*30%*
Disclosure of accounting policy changes	*50%*
Financial statements	*%*
Presentation and disclosure in the Financial Position	*100%*
Presentation and disclosure in the profit and loss account	*100%*
Disclosure in the statement of Cash Flows	*98%*
Statement of Changes in the Owner's Equity	*88%*
Statement of Changes in Restricted Investments	*11%*
Disclosure in the Statement of Sources and Uses of funds of Zakat and Sadakat	*8%*
Disclosure in the statement of sources and uses of funds, Loan Fund (Qard Hassan Fund)	*4%*
Average over all disclosure level	***62%***

Table 32 illustrates the descriptive statistics of accountabilities indices scores across 23 counties in additional to the aggregate disclosure that contain all sections in the annual report. Figure **9** shows the highest 10 country based on the disclosure levels. Table 33 summarize the disclosure level for the main five sections in the annual report that measuring for what extent reflecting the three Islamic accountability pillars. These sections comprise vision, mission and objectives CEO' statement; directs' report; strategy report and finally, CG report. Regarding to vision, mission and objectives, 75% of selected banks disclose information about *Sharia* accountability in their vision and mission; 45% about social accountability. Finally, it shows 100% missions and objectives related to financial issues as high return and enhancing services. The other sections in the annual report as CEO statement and CG report indicate high disclosure levels about financial accountability and low levels related to *Sharia* and social accountabilities. Table 33 shows that, vision and mission is the highest section in the disclosure level (73%) then CG report and followed by CEO statement (62% and 56% respectively).

Figure 9: *Islamic Accountability' disclosure pillars across highest 10 countries*

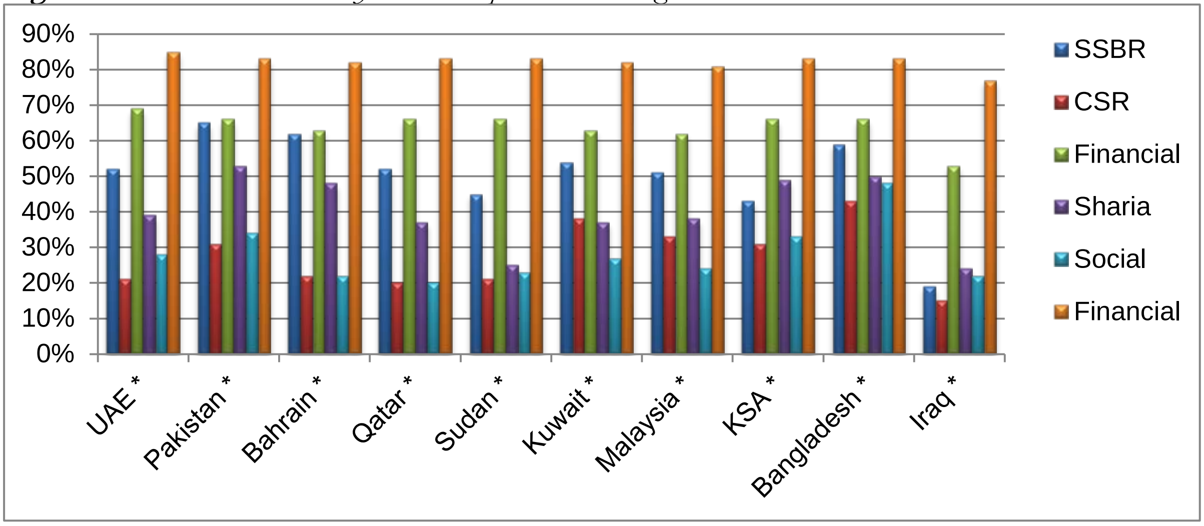

Table 32: *Final disclosure levels for countries related to accountability' pillars*

Country	*No of banks*	***Group A: Disclosure for SSB; CSR and Financial***				***Group B: Holistic Disclosure (Aggregate)***			
		SSBR Index	***CSR Index***	***Financial Index***	***Average***	***Sharia***	***Social***	***Financial***	***Holistic Average***
UK	*4*	*47%*	*19%*	*57%*	*41%*	*39%*	*20%*	*79%*	*46%*
UAE	*8*	*52%*	*21%*	*69%*	*47%*	*39%*	*28%*	*85%*	*50%*
Pakistan	*9*	*65%*	*31%*	*66%*	*54%*	*53%*	*34%*	*83%*	*56%*
Yemen	*3*	*55%*	*20%*	*83%*	*53%*	*35%*	*17%*	*92%*	*48%*
Egypt	*2*	*45%*	*29%*	*60%*	*45%*	*38%*	*24%*	*80%*	*48%*
Bahrain	*15*	*62%*	*22%*	*63%*	*49%*	*48%*	*22%*	*82%*	*51%*
Qatar	*6*	*52%*	*20%*	*66%*	*46%*	*37%*	*20%*	*83%*	*47%*
Sudan	*11*	*45%*	*21%*	*66%*	*44%*	*25%*	*23%*	*83%*	*44%*
Kuwait	*5*	*54%*	*38%*	*63%*	*52%*	*37%*	*27%*	*82%*	*49%*
Srilanka	*1*	*65%*	*43%*	*49%*	*52%*	*53%*	*52%*	*75%*	*60%*
Jordan	*4*	*68%*	*47%*	*68%*	*61%*	*54%*	*39%*	*84%*	*59%*
Malaysia	*16*	*51 %*	*33%*	*62%*	*49%*	*38 %*	*24 %*	*81%*	*47 %*
KSA	*5*	*43%*	*31%*	*66%*	*47%*	*49%*	*33%*	*83%*	*55%*
Thailand	*1*	*40%*	*45%*	*52%*	*46%*	*60%*	*53%*	*76%*	*63%*
Bangladesh	*9*	*59%*	*43%*	*66%*	*56%*	*50%*	*48%*	*83%*	*60%*
Syria	*2*	*78%*	*22%*	*70%*	*57%*	*59%*	*16%*	*85%*	*54%*
Brunei	*1*	*60%*	*38%*	*63%*	*54%*	*30%*	*19%*	*82%*	*44%*
Lebanon	*2*	*38%*	*21%*	*49%*	*36%*	*29%*	*10%*	*75%*	*38%*
Palestine	*2*	*70%*	*42%*	*69%*	*59%*	*55%*	*46%*	*85%*	*62%*
Kenya	*2*	*43%*	*20%*	*54%*	*39%*	*32%*	*15%*	*78%*	*42%*
Oman	*3*	*60%*	*20%*	*57%*	*46%*	*43%*	*33%*	*79%*	*52%*
Iraq	*5*	*19%*	*15%*	*53%*	*29%*	*24%*	*22%*	*77%*	*41%*
Philippine	*1*	*10%*	*16%*	*49%*	*25%*	*15%*	*28%*	*75%*	*39%*
Average	***117***	***53%***	***28%***	***62%***	***48%***	***41%***	***28%***	***81%***	***50%***

Table 33: Disclosure levels for all sections in the annual report

	Sharia Accountability	*Social Accountability*	*Financial Accountability*	*Average*
Vision; Mission; Values and Objectives	*75%*	*45%*	*100%*	*73%*
Chairman' Statement and CEO' Statement	*30%*	*38%*	*100%*	*56%*
Directors' Report	*25 %*	*22%*	*100%*	*49%*
Strategy Report	*20 %*	*35%*	*100%*	*52%*
Corporate Governance Report	*45%*	*40%*	*100%*	*62%*
Average	***31%***	***28%***	***100%***	***53%***

Hence, this study presents two groups from selected IBs to shows for what extent Vision and mission reflect *Sharia*; social and financial accountability. First group shows highly reflectance it is *Sharia*; social and financial accountabilities in their vision and mission. First National bank Modaraba at Pakistan stated in his mission "The fundamental Mission is to seek the pleasure of Allah" and mentioned, "Our main aim is attaining the rights of Allah". Al-Arafah Islamic bank at Bangladesh stated "Achieving the satisfaction of Almighty Allah both here and hereafter is one of the main objectives". Social Islamic bank at Bangladesh stated two objectives, which are, ensure best CSR practices and ensure Green Banking. Second group indicates sample from IBs' vision and mission that not reflect *Sharia* and social accountabilities. All banks reflect financial accountability as Alliance Islamic Bank at Malaysia, which focus on customer services as a main vision and build sustainable financial performance as a main mission. Islamic bank of Britain mentioned that "Our Vision is to be the UK' first choice Islamic bank". Abu Dhabi Islamic bank state that "To become a top tier regional bank". This Vision does not contain any guide for bank' *Sharia* and social accountability. Bahrain Islamic Bank shows for what extent Islamic bank ignore state it's accountability in their Vision and Mission as follows "To leverage our core competencies of customer intimacy, service, leadership and product innovation, in order to exceed the expectations of our stakeholders". Table 34 shows examples for IBs that reflects low orientation towards the three accountabilities in their vision and mission. Table35 presents examples for banks that have highly refection about *Sharia*; social and financial accountability in vision and mission

Table 34: Examples for IBs that reflect low disclosure about Islamic accountability

Bank	Vision	Mission
Alliance Islamic Bank, Malaysia[29]	*The best customer services bank*	*To Build: Sustainable and Consistent Financial Performance; To Deliver: Superior Customer Experience and To deliver: Engaged Employees With The Right Values*
Islamic Bank of Britain, UK[30]	*To be the UK's first choice Islamic bank*	--------------------
Abu Dhabi Islamic Bank, UAE[31]	*To become a top tier regional bank*	*Islamic financial solutions for everyone*
Bahrain Islamic Bank, Bahrain[32]	*To be the best Sharia-compliant financial solutions provider*	*To leverage our core competencies of customer intimacy, service, leadership and product innovation, in order to exceed the expectations of our stakeholders*
Bank Alkhair, Bahrain[33]	*To be a leading global provider of Sharia-compliant financial services*	--------------------

Table 35: Examples for IBs that reflect high disclosure about Islamic accountability

Bank	Vision	Mission
First National Bank Modaraba, Pakistan[34]	*Preserve to replace* **Riba** *driven instruments with Islamic modes of financing in a manner to achieve optimum* **customer satisfaction** *by developing relationship.* *To be an institution of* **excellence**, *which will create and maintain an* **environment** *of state-of-art management system and a high standard of integrity efficiency professionalism and innovation* *Attain the status of most professionally and* **profitability**. *Run Modaraba among its competitors. It shall place a special emphasis on* **human resources** *development, dignity, and security, welfare of people who operate and work for the Modaraba.*	*The fundamental Mission is to* **seek the pleasure of Allah through** *making humble contribution in the transformation of our mercantile and financial system and business in accordance with the principles enshrined in the* **sharia commitments** *to provide Riba free investment and financing opportunities to the investors, the business community and industry in all business dealings of Modaraba, the* **rights of Allah**, *the rights of all certificate holders and all other rights shall be sincerely safeguarded*
Al-Arafah Islamic bank, Bangladesh[35]	*To be a pioneer in Islamic Banking in Bangladesh and contribute significantly to the growth of the national economy*	*- Achieving the* **satisfaction of Almighty Allah both here and hereafter** - **Proliferation of Sharia** *Based Banking Practices.* *- Fast and efficient customer service; Maintaining high standard of business ethics.* *- Steady and competitive return on shareholders' equity; Innovative banking at a competitive price* *- Firm commitment to the growth of national economy; Involving more in Micro and SME*
Social Islamic	*Working together for a caring society*	*- Fast, accurate and* **satisfactory customer**

[29] http://www.allianceislamicbank.com.my/VisionMissionValues
[30] http://www.alrayanbank.co.uk/useful-info-tools/about-us/vision-and-values/
[31] http://www.adib.ae/mission-objectives
[32] http://bisb.com/en/who-we-are/corporate-profile.html
[33] http://www.bankalkhair.com/
[34] http://www.nbmodaraba.com/pg/?pid=2
[35] http://www.al-arafahbank.com/profile.php

bank limited, Bangladesh[36]		*service; Optimum* ***return on shareholders' equity*** *- Introducing* ***innovative*** *Islamic Banking Products; Attract and retain high quality* ***human resources*** *- Empowering* ***real poor families*** *and creating local income opportunities* *- Providing* ***support for social benefits*** *organizations by way of social services*
CIHAN Bank for Islamic Investment and Finance, Iraq[37]	*To be a leading financial institution that provides* ***fully-fledged banking services compliant with Sharia*** *to contribute in the* ***development of the society****.*	*To* ***translate*** *Islamic financial* ***principles*** *into* ***practical solutions*** *that* ***serve*** *the human* ***community***
Arab Islamic Bank, Palestine[38]	*The Bank works to establish the* ***principle of dealing with the Islamic banking*** *system as a first option for dealing bank. It takes an active role in the* ***advancement*** *of the Islamic economic system to achieve the* ***principle of solidarity and Social objectives****. The Islamic Bank is committed to providing solutions and modern Islamic banking services with High quality and continuing to market and deepen the principles of Islamic economics locally and internationally.*	----------------------------
Qatar Islamic Bank, Qatar[39]	*A leading, innovative and global Islamic bank* ***adhering to the highest Sharia and ethical principles****; meeting international banking standards; partnering the* ***development*** *of the global* ***economy*** *and participating in the advancement of the* ***society****.*	*- To provide innovative* ***Sharia-compliant financial solutions*** *and quality services to our customers; To maximize* ***returns*** *for our shareholders and partners.* *- To nurture an internal* ***environment*** *of qualified professionals and cutting-edge technology*

4.2.6 Results and discussion

4.2.6.1 Descriptive Statistics of continuous variables

Table 36 presents the descriptive statistics of 8 models scores. It shows that the average of disclosure level for SSBR are 53% and 42% related to *Sharia* disclosure level in all sections in the annual report. This result is out of our expectations regarding with corporations raise flag of Islam and compliance with *Sharia* as the main basis for its activities (e.g., Visser, 2009; El-Gamal, 2006; Kuran, 2004). Related to CSRD, the disclosure level is 28% and for social disclosure in the annual report is 28% which relatively low. Concerned with financial disclosure, the compliance

[36] http://www.siblbd.com/home/vision
[37] http://www.cihanbank.com/lang/en/Vision_and_mission.aspx
[38] http://www.aibnk.com/post/en/238/overview/22
[39] http://www.qib.com.qa/en/footer/about-us/mission-vision-values.aspx

level about financial accountability in the financial statements is 63% and disclosure for financial in all sections in the annual report is 82% which is relativity high. 37% from our selected banks adopted AAOIFI and 61% audited by the big4 auditors. Average age for our banks is 19 years. Table36 also reports that the average Leverage ratio is 72% whereas the Risk adequacy is 29%. The percentage of public banks is 78.6%.

Table 36: *Descriptive statistics of continuous variables*

	N	*Minimum*	*Maximum*	*Mean*	*Std. Deviation*	*Skewness*	*Kurtosis*
SSBR	*117*	*0.00*	*0.90*	***0.5316***	*0.215*	*-0.601*	*-3.001*
CSRD	*117*	*0.08*	*0.60*	***0.2761***	*0.128*	*0.615*	*-2.844*
FIN	*117*	*0.46*	*0.86*	***0.6256***	*0.078*	*0.038*	*-2.044*
TOTAL	*117*	*0.22*	*0.70*	***0.4775***	*0.108*	*-0.145*	*-2.276*
SHARIA .T	*117*	*0.00*	*0.93*	***0.4168***	*0.184*	*0.303*	*2.392*
SOCAIL.T	*117*	*0.04*	*0.68*	***0.2762***	*0.159*	*0.794*	*-2.236*
FIN.T	*117*	*0.73*	*0.93*	***0.8162***	*0.039*	*0.023*	*-2.152*
TOTAL.T	*117*	*0.30*	*0.81*	***0.5021***	*0.100*	*0.719*	*2.845*
Standards	*117*	*0.00*	*1*	***0.37***	*0.484*	*0.557*	*-3.720*
Auditor	*117*	*0.00*	*1*	***0.61***	*0.491*	*-0.443*	*-3.835*
Age	*117*	*2*	*54*	***18.80***	*12.056*	*0.712*	*-2.441*
Size	*117*	*1.18*	*4.87*	***3.0886***	*0.807*	*-0.130*	*-2.439*
Profitability	*117*	*-13.39*	*21.57*	***1.0553***	*3.467*	*0.915*	*2.166*
Risk Adequacy	*117*	*-0.38*	*1.73*	***0.2940***	*0.278*	*0.348*	*3.467*
Leverage	*117*	*0.02*	*0.98*	***0.7279***	*0.259*	*-0.394*	*2.723*
SAD	*117*	*0.00*	*1*	***0.60***	*0.492*	*-0.406*	*-2.867*
Ownership	*117*	*0.00*	*1*	***0.79***	*0.412*	*-1.415*	*2.003*
Power distance	*117*	*35*	*100*	***82.42***	*14.84*	*-0.383*	*2.073*
Individualism	*117*	*14*	*89*	***30.71***	*13.320*	*0.810*	*2.577*
Masculinity	*117*	*34*	*66*	***52.91***	*6.567*	*0.013*	*2.157*
Uncertainty avoidance	*117*	*35*	*85*	***64.49***	*15.904*	*-0.804*	*-2.632*
GDP per capita	*117*	*0.00*	*1.00*	***0.0342***	*0.182*	*0.194*	*3.409*
Corruption	*117*	*-6.00*	*7.30*	***3.6128***	*3.463*	*-0.000*	*3.028*
Country legal System	*117*	*1*	*8*	***4.01***	*1.808*	*0.012*	*-2.251*
Role of Central Bank	*117*	*0*	*1*	***0.68***	*0.467*	*-0.801*	*-2.383*
Full adopting AAOIFI	*117*	*0*	*1*	***0.30***	*0.460*	*0.889*	*-2.231*
Literacy Rate	*117*	*0.00*	*1.00*	***0.3248***	*0.470*	*0.758*	*-2.450*
Islamization system	*117*	*0*	*1*	***0.77***	*0.166*	*-0.864*	*-2.640*

Sharia Supervisor Board Report index; CSR Index: Corporate Social Responsibility Index; Financial Index: Financial Statements Index; Total Index: Total disclosure (SSBR; CSR and Financial) Index; Total Sharia Index: Total Sharia disclosure for annual report Index; Total Social Index: Total social disclosure for annual report Index; Total Financial Index: Total financial disclosure for annual report Index;

Holistic Index: Holistic disclosure (Sharia ; social and financial) Index; Standard: Financial standard (AAOIFI or IFRS) (1 if the bank is adopted AAOIFI and 0 otherwise); Size Auditor: Size of auditor (Big-4 firms) (1 if the bank is audited by one of the big-4 firms and 0 otherwise); Age: bank age since foundation; B. Size: Bank size (natural logarithm of bank's total assets in US$ as a proxy for bank size); ROA: Return of Asset (Profitability); Riskiness: Risk adequacy (Tier 1 Capital); Leverage: Gearing (TD/TA); Sharia Department: Existing Sharia department ((1 if the bank has Sharia auditing department inside the bank and 0 otherwise)); Ownership: Public or Private Ownership (1 if the bank is Public and 0 otherwise); Hofstede Model for culture (Power distance; Individualism; Masculinity and Uncertainty avoidance); GDP: GDP growth (natural logarithm of the gross domestic product of country i as a proxy for country macroeconomic factors); Corruption: Corruption perception index; Legal: Country legal system (1 if the bank in country that adopted Sharia law and 0 otherwise as common and code); Central Bank: Role of central bank for SSB and Social (1 if the bank on country that central bank has SSB and 0 otherwise); Full adoption: Full adoption of country for AAOIFI (1 if the bank in country adopt AAOIFI for all banks and 0 otherwise); Literacy: Literacy rate for country; System: Complete Islamization banking country system (1 if the bank in a full Islamization banking system country and 0 otherwise)

4.2.6.2 Pearson Correlations Matrix

Tables 37 and 38 report the outputs of the correlation matrix. Table 37 shows that the accounting standard is positive significant with financial models (3 and 7), whereas size is significant association with all models except model one. The Table also shows that SAD is positive significant for seven models except model 6 related to total social. Related to culture, Table 38 shows that Individualism is the most associated demission from Hofstede model by negative association and legal system has a positive association related to models 1; 2; 3; 4 and 7.

Table 37: *Correlation matrix for firm-specific characteristics*

Model	STA_i	AUD_i	AGE_i	$SIZE_i$	ROA_i	$RISK_i$	LEV_i	$SDEP_i$	OWN_i
Model 1	*0.169*	***0.187****	*0.028*	*0.131*	*0.037*	*0.068*	*-0.027*	***0.558*****	***0.193****
Model 2	***-0.220****	*0.100*	***0.219****	***0.418*****	*-0.121*	*-0.175*	***0.394*****	***0.199****	***0.185****
Model 3	***0.306*****	*0.095*	***0.221****	***0.363*****	*0.003*	***-0.200****	***0.189****	***0.330*****	*0.045*
Model 4	*0.094*	***0.185****	*0.161*	***0.346*****	*-0.011*	*-0.069*	***0.189****	***0.532*****	***0.212****
Model 5	*0.029*	*0.164*	*0.045*	***0.215****	*-0.023*	*0.062*	*0.044*	***0.497*****	*0.127*
Model 6	*-0.162*	*-0.085*	***0.220****	***0.186****	*-0.090*	***-0.184****	***0.259*****	*0.093*	*0.145*
Model 7	***0.280*****	*0.070*	***0.245*****	***0.323*****	*0.035*	***-0.198****	*0.145*	***0.356*****	*-0.018*
Model 8	*-0.034*	*0.070*	*0.177*	***0.276*****	*-0.062*	*-0.088*	***0.192****	***0.402*****	*.161*

Table 38: *Correlation matrix for country-specific characteristics*

Model	POW_i	IND_i	MAS_i	UNC_i	GDP_i	$CORR_i$	LEG_i	$CENT_i$	$ADOPT_i$	LIT_i	SYS_i
Model 1	*-0.127*	*-0.110*	*-0.001*	*-0.001*	*0.132*	*0.082*	***0.278*****	*0.152*	*0.134*	*-0.048*	*0.030*
Model 2	*0.007*	***-0.310*****	***-0.286*****	*-0.174*	***0.187****	*-0.102*	***0.216****	*0.024*	***-0.190****	*-0.089*	*-0.086*
Model 3	*0.053*	*-0.114*	*0.090*	*0.160*	*-0.110*	*-0.074*	***0.288*****	***0.214****	*0.174*	***-0.248*****	*0.136*
Model 4	*-0.069*	***-0.223****	*-0.097*	*-0.038*	*0.131*	*-0.007*	***0.341*****	*0.161*	*0.053*	*-0.127*	*0.020*
Model 5	*-0.126*	*-0.167*	*-0.059*	*0.067*	***0.294*****	*0.100*	*0.145*	*0.009*	*0.007*	*-0.002*	*-0.096*
Model 6	*-0.068*	***-0.245*****	*-0.167*	*0.054*	*0.163*	*-0.122*	*0.097*	*-0.051*	*-0.166*	***-0.222****	*0.002*
Model 7	*0.007*	*-0.142*	*0.083*	*0.165*	*-0.088*	*-0.091*	***0.299*****	***0.223****	*0.150*	***-0.280*****	***0.188****
Model 8	*-0.123*	***-0.235****	*-0.110*	*0.078*	***0.249*****	*-0.010*	*0.180*	*0.005*	*-0.068*	*-0.150*	*-0.032*

Model 1: Sharia Supervisor Board Report index; Model 2: Corporate Social Responsibility Index; Model 3: Financial Statements Index; Model 4:

Total disclosure (SSBR; CSR and Financial) Index; Model5: Total Sharia disclosure for annual report Index; Model6: Total social disclosure for annual report Index; Model: Total financial disclosure for annual report Index; Model8: Holistic disclosure (Sharia; social and financial) Index; $\mathrm{STA_i}$: Financial standard (AAOIFI or IFRS); $\mathrm{AUD_i}$: Size of auditor (Big-4 firms); $\mathrm{AGE_i}$:bank age since foundation; $\mathrm{SIZE_i}$: Bank size (natural logarithm of bank's total assets in US$ as a proxy for bank size); $\mathrm{ROA_i}$: Return of Asset (Profitability); $\mathrm{RISK_i}$: Risk adequacy (Tier 1 Capital); $\mathrm{LEV_i}$: Gearing (TD/TA); $\mathrm{SDEP_i}$: Existing Sharia department; $\mathrm{OWN_i}$: Public or Private Ownership; Hofstede Model for culture (Power distance: $\mathrm{POW_i}$; Individualism: $\mathrm{IND_i}$; Masculinity: $\mathrm{MAS_i}$ and Uncertainty avoidance: $\mathrm{UNC_i}$); $\mathrm{GDP_i}$: GDP growth (natural logarithm of the gross domestic product of country i as a proxy for country macroeconomic factors); $\mathrm{CORR_i}$: Corruption perception index; $\mathrm{LEG_i}$: Country legal system (Sharia law and other as common and code); $\mathrm{CENT_i}$: Role of central bank for SSB and Social; $\mathrm{ADOPT_i}$: Full adoption of country for AAOIFI; $\mathrm{LIT_i}$: Literacy rate for country; $\mathrm{SYS_i}$: Complete Islamization banking country system ; *p<0.01; **p<0.05; ***p<0.001

4.2.6.3 Regression Analysis

Table 39 presents the outputs of regression analysis. Related to model 1 (SSBR); the Table shows - as expected - a significant and positive coefficients of SAD with disclosure about *Sharia* (β = 0.581 at the 1% level). Model 2 (CSRR) reports significantly and positively effects of size of bank (β = 0.347, at the 1% level); SAD (β 0.169, at the 10% level). Table also shows significantly and negatively affects culture based on uncertainty avoidance (β = -0.372, at the 5% level). Table also shows significantly and negatively affects for Corruption Index (β = -0.455, at the 5% level). According to model 3 (FS); the Table shows significantly and positively affects accounting standards (β = 0.811, at the 1% level); size and profitability (β = 0.390, at the 1% level and β = 0.024, at the 5% level respectively). Table also shows significantly and negatively effects of ownership (β = -0.192, at the 5% level) and significantly and negatively affects for literacy rate (β = -0.500, at the 1% level). According to model 4 (aggregate disclosure); there is a significantly and positively effects of accounting standards (β = 0.458, at the 5% level); size of bank (β 0.246, at the 5% level) and SAD (β = 0.486, at the 1% level). Table also shows significantly and negatively effects of power distance (β = -0.251, at the 10% level); Masculinity (β = -0.218, at the 10% level) and uncertainty avoidance (β = -0.291, at the 5% level).

Model 5 (Holistic *Sharia* disclosure) reports significantly and positively effects of SAD (β = 0.226, at the 1%) and GDP growth (β = 0.432, at the 5% level). Table also shows negatively effects of power distance (β = -0.301, at the 10% level). Model six (Holistic social disclosure) shows positively affects GDP growth (β = 0.469, at the 10% level) and negative association with role of central bank (β = 0.381, at the 10% level). Model seven (Holistic financial disclosure);

shows significantly and positively affects standards adopted by banks (β = 0.778, at the 1% level); size of bank (β = 0.387, at the 1% level); SAD (β 0.159, at the 10% level); corruption level (β = 0.335, at the 5% level) and legal system (β = 0.227, at the 10% level). Table also shows negatively affects riskiness (β = -0.220, at the 5% level); ownership (β = -0.266, at the 1% level); full adoption of AAOIFI and literacy rate (β = -0.361, at the 10% level and β = -0.420, at the 5% level respectively). Model 8 (Holistic aggregate disclosure) reports significantly and positively affects SAD (β = 0.331, at the 1% level); GDP growth (β 0.518, at the 5% level) and legal system (β = 0.261, at the 10% level). Table40 summarizes the status of the whole hypotheses based on our eight regression models.

Table 39: *Determinants of Islamic accountability' pillars disclosure (Regression analysis)*

Variables/Models	**Model 1** Standardized β	**Model 2** Standardized β	**Model 3** Standardized β	**Model 4** Standardized β	**Model 5** Standardized β	**Model 6** Standardized B	**Model 7** Standardized β	**Model 8** Standardized β	*VIF*
Constant									
STA_{it}	0.353	0.063	**0.811*****	**0.458****	0.253	0.115	**0.778*****	0.323	7.151
AUD_{it}	0.049	0.110	0.107	0.100	-0.132	-0.157	0.055	-0.154	2.664
AGE_{it}	-0.006	0.073	0.028	0.032	0.007	0.140	0.082	0.092	1.339
$SIZE_{it}$	0.009	**0.347*****	**0.395*****	**0.246****	0.136	0.112	**0.387*****	0.188	2.599
ROA_{it}	-0.049	-0.072	**0.024****	-0.042	-0.056	0.006	0.047	-0.026	1.369
$RISK_{it}$	-0.025	0.009	-0.184	-0.052	-0.006	-0.122	**-0.220****	-0.106	1.623
LEV_{it}	0.043	0.097	0.196	0.116	0.113	0.176	0.129	0.189	2.580
SAD_{it}	**0.581*****	**0.169***	0.122	**0.486*****	**0.465*****	0.028	**0.159***	**0.331*****	1.701
OWN_{it}	0.099	0.080	**-0.192****	0.052	0.038	0.066	**-0.266*****	0.029	1.464
POW_{it}	-0.222	-0.218	-0.054	**-0.251***	**-0.301***	-0.039	-0.102	-0.224	4.267
IND_{it}	-0.026	-0.072	0.040	-0.040	0.001	0.236	0.039	0.161	7.522
MAS_{it}	-0.184	-0.191	-0.070	**-0.218***	-0.126	-0.191	-0.077	-0.200	2.727
UNC_{it}	-0.195	**-0.372****	-0.009	**-0.291****	-0.013	-0.030	0.007	-0.026	4.705
GDP_{it}	0.198	0.281	-0.048	0.224	**0.432****	**0.469***	0.003	**0.518****	7.819
$CORR_{it}$	-0.171	**-0.445****	0.310	-0.220	-0.213	0.026	**0.335****	-0.077	6.291
LEG_{it}	0.069	0.097	0.181	0.124	0.157	0.243	**0.227***	**0.261***	3.349
$CENT_{it}$	0.048	-0.157	-0.181	-0.073	-0.011	**-0.381***	-0.174	-0.229	5.740
$ADOPT_{it}$	-0.074	0.223	-0.320	-0.043	-0.037	0.122	**-0.361***	-0.014	8.332
LIT_{it}	0.125	-0.076	**-0.500*****	-0.067	0.303	-0.325	**-0.420****	-0.038	7.574
SYS_{it}	0.046	-0.143	0.052	-0.016	0.043	0.057	0.149	0.077	5.988
Model Summary:									
R2 value	0.464	0.484	0.569	0.573	0.424	0.270	0.571	0.420	
F value	4.154	4.503	6.337	6.440	3.536	1.775	6.384	3.481	
P value	0.000	0.000	0.000	0.000	0.000	0.035	0.000	0.000	

This table presents the regression matrix for the 8 models in 2013. STA_i: Financial standard (AAOIFI or IFRS); AUD_i: Size of auditor (Big-4 firms); AGE_i:bank age since foundation; $SIZE_i$: Bank size (natural logarithm of bank's total assets in US$ as a proxy for bank size); ROA_i: Return of Asset (Profitability); $RISK_i$: Risk adequacy (Tier 1 Capital); LEV_i: Gearing (TD/TA); $SDEP_i$: Existing Sharia department; OWN_i: Public or Private Ownership; Hofstede Model for culture (Power distance: POW_i ; Individualism: IND_i ; Masculinity: MAS_i and Uncertainty avoidance: UNC_i); GDP_i: GDP growth (natural logarithm of the gross domestic product of country i as a proxy for country macro-economic factors); $CORR_i$: Corruption perception index; LEG_i: Country legal system (Sharia law and other as common and code); $CENT_i$: Role of central bank for SSB and Social; $ADOPT_i$: Full adoption of country for AAOIFI; LIT_i: Literacy rate for country; SYS_i: Complete Islamization banking

country system; ***, **, * indicates significance at the 1%, 5%and 10% levels

***Table 40**: Summary of hypotheses' research* [40]

	H2.1 Standards	*H2.2 Auditor*	*H2.3 Age*	*H2.4 Size*	*H2.5 Profitability*	*H2.6 Risk*	*H2.7 Leverage*	*H2.8 SAD*	*H2.9 Ownership*
Model 1 (SSBR)	R	R	R	R	R	R	R	*A+*	R
Model 2 (CSRR)	R	R	R	*A+*	R	R	R	*A+*	R
Model 3 (Financial)	*A+*	R	R	*A+*	*A+*	R	R	R	*A-*
Model 4 (Aggregate)	*A+*	R	R	*A+*	R	R	R	*A+*	R
Model 5 (Holistic sharia)	R	R	R	R	R	R	R	*A+*	R
Model 6 (Holistic social)	R	R	R	R	R	R	R	R	R
Model 7 (Holistic financial)	*A+*	R	R	*A+*	R	*A-*	R	*A+*	*A-*
Model 8 (Holistic)	R	R	R	R	R	R	R	*A+*	R
Final results	*Partially accepted*	*Totally rejected*	*Totally rejected*	*Partially accepted*	*Partially accepted*	*Partially accepted*	*Totally rejected*	*Partially accepted*	*Partially accepted*

4.2.7 Discussion and Conclusion

The analysis reports – as expected- that STA_{it} (proxy for accounting standards) is positive and marginally significant with Models 3; 4 and 7. This result shows the impact of AAOIFI adoption on enhance disclosure level related to financial accountability disclosure. This result is consistent with Ariss and Sarieddine, (2007) who argued that the adoption of accounting standards has a positive impact on corporate disclosure levels. This result is consistent with Besar et al (2009) that argue adopting Islamic standards is one of the main mechanisms to enhance Islamic banking industry. Therefore, H2.1 accepted partially for model 3, 4 and 7. This result can justifies based on applicability of AAOIFI as these standards consider nature of IBs especially sharia and social issues. Thus, adopting Islamic standards as AAOIFI is support IBs through enhancing SSFD. AAOIFI issues standards that support IBs and IFIs to disclose information related to SSF accountability. Related to the size of auditor; the coefficient estimates on β2AUD is insignificant related to all accountabilities disclosure models. The results suggest that the disclosure levels about accountability pillars not affected by the size of larger auditor. Therefore, H2.2 rejected. This result is matching with several studies that found no association between disclosure level

[40] (A) is accepted hypothesis; (R) is rejected hypothesis

and audit firm size (e.g., Ali et al., 2012; Alsaeed, 2006). This may justify based on orientation of auditing firm to focus on mainly on financial issues more than sharia and social. Also; the majority of selected IBs are audited by one of the big4 firms which effected on the link between SSFD and size of auditor.

Table 40 regarding to size of bank reports – as expected- that $SIZE_{it}$ is positive significant in 2; 3; 4 and 7 models which more related to social and aggregate disclosure. This suggests that there is a positive relationship between bank size and their CSR disclosure. This result is consistent with Mallin and Michelon (2011); McWilliams and Siegel (2001) where they argue that big banks are highly likely to monitor their activities towards wider society. However, the result is not matching with other studies that found a positive association between firm size and levels of disclosures (e.g., Hassan et al., 2009; Chavent et al., 2006). Therefore, H2.3 is partially accepted. According to agency theory, larger firms need to disclose more information to different user groups which lead to reduce information asymmetries (Watts and Zimmerman, 1983). Larger firms may tend to disclose more information than smaller firms in their annual reports due to their competitive advantage

Table 40 also shows that ROA_{it} (proxy for profitability) is insignificant with all models except model 3 related to FS disclosure. The results shows an impact of profitability on enhance disclosure level related to financial disclosure. This result is not consistent with Othman et al (2009); Gray et al (2001) who found a significant association between profitability and corporate disclosure. However, our result is matching Haniffa (2002) who argues that firm from an Islamic approach may provide full disclosure regardless the financial position or profitability. Therefore, it accepted H2.4, which debated, is no link between profitability and disclosure for IBs. This result differentiates IBs comparing with conventional banks that linked their disclosure level with their profitability performance. Agency theory expects that managers of firms with high profitability would tend to provide more SSF information in the annual reports, in order to justify their present performance to the shareholders as well as all stakeholders.

Table 40 illustrates – as unexpected- that Leverage is insignificant with all models of disclosure. This result is consistent with Abraham and Cox (2007); Linsley and Shrives (2006) who found insignificant association between the disclosure and Leverage ratio. The result is not matching with other studies that found a positive association between Leverage and disclosure (e.g., Elshandidy, 2011; Taylor et al., 2010; Marshall and Weetman, 2007). Therefore, H2.5 is rejected. According to signaling theory, firms' managers will disclose more information if their liquidity ratios are high, to distinguish their skills in managing liquidity risks comparing with other managers in companies with lower liquidity ratios.

Regarding to the association between SAD and disclosure levels; the results indicate that the coefficient estimates on SDEP_{it} is significant for all models except models (3 and 6) related to financial disclosure as well as aggregate social disclosure. Therefore, H2.6 is accepted. This result is consisting with Archambeault et al (2008) that show significant association between disclosure and SAD. In addition, the literature provides evidence that internal auditing has positive effects on financial reporting oversight and reliability (Schneider and Wilner, 1990). The result also shows mixed association between disclosure and culture based on Hofstede model, which reflect that Islamic banks does affected, by culture.[41] This study seeks to explore different kinds of disclosure related to IBs, which contain *SSF* as well as aims to measuring the association between these different categories of disclosure and firm-specific characteristics. The disclosure levels measured through three indices for CSR; SSB and Financial statements based on AAOIFI standards and several previous studies. Furthermore, the disclosure levels contain all sections in the annual report. Based on this analysis; the descriptive analysis shows relatively high disclosure

[41] In robustness test, I replace Hofstede dimensions with Gray Model through testing *Sharia* disclosure. Gray (1988) developed four accounting value dimensions of statutory control versus professional regulation of accounting, uniformity versus flexibility of accounting rules, conservatism versus optimism in accounting measurement, and transparency versus secrecy in accounting disclosures. The last of these dimensions – transparency versus secrecy - is of relevance to our disclosure study. Gray (1988) argued: "the higher a country ranks in terms of uncertainty avoidance and power distance and the lower it ranks in terms of individualism and masculinity, then the more likely it is to rank highly in terms of secrecy" (p. 11). The result are consistent with the main tests with the variable "existence of *Sharia* auditing department" being significant ($\beta = 0.546$, t-value = 5.927). Untabulated results are significant with R^2 of 0.443. This finding shows that *Sharia* disclosure affected by cultural differences based on Hofstede or Gray models.

level for financial level and SSBR (62% and 52% respectively) and relatively low for CSR disclosure (28%). Concerned with holistic disclosure level that measuring accountability' pillars for all sections in the annual report, disclosure levels about Sharia , social and financial are 40%; 28% and 81% respectively.

The results show that adopting AAOIFI standards is positive and marginally significant with financial disclosure rather than other kinds of disclosure which matching with Besar et al (2009) and reflects the importance of adopting AAOIFI for all IBs. The analysis shows that whatever the age of IBs, it does not influence the disclosure level which consists with Alsaeed, 2006. Furthermore, the analysis displays the importance of size as one of the determinants related to disclosure. This finding is matching with Brammer et al (2006). Haniffa (2002) argues that from an Islamic perception, IBs may provide full disclosure whether it is making a profit or otherwise. The result approves her argument through shows insignificant association between disclosure and profitability. The same result for profitability is repeated with risk level as well as leverage which show insignificant correlation with disclosure levels as Dobler et al (2011) concluded for the risk and Rajab and Schachler (2009) argue for the leverage. One of the main important results for this study is shows for what SAD effect on disclosure level. Chik (2011) described the existing of Internal Sharia auditing as the true accountability, where IBs is not only accountable to their stakeholders or authorities but most significantly to Allah as part of religious responsibility to be the best solution to achieve good corporate governance. This study shows the role of size; accounting standards; SAD; profitability; risk and ownership to enhancing SSFD for IBs as well as IFIs.

As such, the consequences of this study may be of implication to policy makers, Islamic windows, regulators and stakeholders, particularly investors. However, this study is limited through focusing on one year, which motivates further research that can consider time series, which can shows for what extent disclosure levels changes and for what extent it effects on the financial performance. Based on the significant impacts of the culture on the disclosure levels for corporations' particularly related to Islamic values, it recommends to exploring the impact of Islamic culture on the disclosure levels by more core analysis. Moreover, related to financial accountability disclosure we limited our study by does not measuring the earning management issues in the annual report for IBs. Therefore, it recommends explore for what extent disclosure in the annual report contain any level of earning management. This study focused only on IBs, which suggest further research to contain other IFIs.

Empirical Study (3): Corporate Governance and Multi-Corporate Disclosures: Evidence from an Islamic Banks

4.3.1 Introduction

Studies in Corporate disclosure have primarily focused on the effect of firm characteristics on the extent of corporate disclosure (Ahmed and Courtis, 1999). In contemporary years, one of the most extensively discussed topics in this field has been how to design corporate governance mechanisms that lead to more disclosure level (Cormier et al., 2005; Gul and Leung, 2004). Agency theory provides a framework for connecting the disclosure behaviour to corporate governance through considering both as mechanisms used to protect stakeholders and assist them reduce agency conflicts (Jensen and Meckling, 1976). Aksu and Kosedag (2006) propose that disclosure practices followed by corporations are a significant element and a leading indicator of corporate governance quality. Beeks and Brown (2005) argue that businesses with high CG quality make more disclosures that are informative. With concern to the research on accountability model, which comprises pillars as CSR and SSB, three categories of empirical studies characterize the research in this field. The first one is concerned with 'descriptive studies,' which focused on the extent of disclosure. The second stream related to 'explicative studies,' which emphasis on the determinants of disclosure reporting. The third one is interested in the 'impact of disclosure reporting' on several users or on the FV. This study adopts the second orientation, as it focused on analysing whether CG characteristics are possible determinants of disclosure practices by IBs.

Considering that efficient governance is an important incentive for the IBs to take the decision to disclose information related to *SSF*, it propose to establish which factors of its internal mechanism influence the decision-making process. Thus, the interest rests on the board of directors, with regard to its size, the extent of the independence of its directors, CEO founder and if there is CEO duality. Likewise, this study focuses on the ownership structure whether they are foreign ownership, institutes ownership and family ownership. This study also explores other CG variables as Block holder, listed firm and IAH. With these parameters, it aims to cover important aspects of corporate governance, which we believe make *SSFD* in IBs possible. For the purpose of this study, it investigates the effect of corporate governance mechanisms on CSRD; SSBD and FD in 95 IBs based on data in annual reports at 2013.

The results indicate that in the context of IBs, although block holders; CEO founder and Institutional ownership generally has a positive relationship with the level of overall and financial disclosures and such relationship is significant and positive for foreign ownership related to overall, SSBD and FD. It also finds greater listed share and Board size to have positive impacts on the four kinds of disclosures. In the context of Islamic banks, we find a positive association between Investment account holders and overall, SSBD and FD. It also finds a negative association between Family Ownership and overall, SSBD and FD; we found also a negative association between Duality in position and SSBD. Finally, it finds a negative association between Board independence and overall, SSBD and CSRD. However, it does not find any significant impact of all CG mechanism on the extent of CSR disclosures except listed bank (+); board size (+) and board independence (-). Overall, the results suggest that despite corporate governance mechanisms involving Block holders; Institutional; ownership; Foreign Ownership; Family Ownership; Listed share; Duality in position; CEO Founder; Board size; Board independence and Investment account holders are effective in influencing SSBD; CSRD and FD practices in IBs. It furthermore finds firm age, auditor and *Sharia* auditing department (SAD) to be important determinants of levels of SSBD; CSRD and FD disclosures in IBs.

The study differs from the previous studies that exploring the association between disclosure and CG in many themes. The study differs from Khan et al (2013) and Farook et al (2011) that tested the association between CG and one dimension of disclosure, which is corporate social responsibility disclosure, whereas this research investigates the link between CG and multi kind of disclosure. The model contains 10 CG variables as block holders; listed share; different kind of ownership as well as variables related to board as size, whereas previous research as Hidalgo et al (2010) just focused on two CG variables, which are Board Independence and ownership structure. Bukhari et al (2013); Gisbert and Navallas (2013) examining the association between CG and disclosure for IBs that located in one country (Pakistan and Spain respectively), whereas; this study is explore this relationship through using data for banks that located in 20 countries as GCC (Gulf Cooperation Council); UK; Pakistan; Egypt; Malaysia and other. This study differs from the previous studies based on sample size. The sample is 95 IBs comparing with Farook et al (2011) that focused on 47 IBs. Finally; this study focused on IBs, whereas, other previous studies are testing the association between CG and disclosure for non IFIs as Liang et al (2012).

The study contributes to the existing literature. First, it measures the annual report *Sharia*; social and financial disclosure levels of IBs based on a benchmark derived from AAOIFI as well as related literature, which reflect Islamic principles and represent an ideal model for Islamic banks' disclosure. For El-Gamal (2006), the standardization of Islamic accounting through the AAOIFI has helped legitimize these standards as Islamic and reduce suspicion by Muslims as to their Islamic nature. Secondly, we ascertain the determinants of Islamic banks' SSF disclosures, which will subsequently tested utilising the disclosure measures obtained. Departing from previous research, this study also tests the relationship between corporate governance mechanisms and *Sharia*; social and financial disclosure. The results also imply that banks with high foreign ownership report more disclosures that are corporate as a proactive legitimacy strategy to satisfy ethical foreign investors and to get more foreign capital (Haniffa and Cooke, 2005). It also extends the corporate disclosure literature by providing empirical evidence of determinants of SSBD; CSRD and FD in Islamic banking system context. The analysis presented in this study provides strong support for the agency theory arguments that suggest that firms with strong CG mechanism are more likely to disclose more information to users about their compliance with *Sharia*; their activities towards the society and their financial performance. This contributes to the current debate by regulators on the role of CG mechanisms by testing how effective the governance recommendations are improving firm disclosure strategy. This study provides evidence that factors related to CG may explain the variability of results found in this research field. In this sense, our results show that variables related to the IBs' board has a positively associated with multi disclosure which has important implications for the regulatory definition of board independence, and leads to the recommendation of the use of more stringent and specific criteria to define this CG mechanism.

The study is connected with that which examines the association between corporate governance characteristics and corporate disclosure, which has received growing attention in the disclosure literature in the last years (e.g., Patelli and Prencipe, 2007; Cheng and Courtenay, 2006). This study adds to the growing literature on global disclosure practices and their determinants. The study also benefits stakeholders with IFIs generally and IBs particularly because knowing disclosure characteristics will help stakeholders find desired information about IBs. The rest of the study structured as follows. The next section elaborates the CG and disclosure from an Islamic perspective. This followed by a section, which reviews related literature and develops hypotheses. Subsequent sections then discuss the research design and empirical results. The final section concludes the study.

4.3.2 Corporate governance and disclosure from an Islamic perspective

The core characteristic of the Islamic economy is its aim to create a just, honest, fair and balanced society. *Sharia* states that Islamic businesses must found on ethical norms and social obligations, and must grounded on the moral framework of the *Sharia* (Ahmad, 2000). The holy Quran and Hadith have comprehensively stated and supported all the fundamentals behind corporate governance, through focusing on the accountability concept when the prophet said (PBUH) *"each one of you is a guardian, and each guardian is accountable to everything under his care" (Bukhari, 7: 200).* The beliefs of Muslims concerning with accountability of their actions in this world and beyond have resilient implications on how the application corporate governance is perceived particularly in financial services. There has been a need to adapt CG values to *Sharia* requirements. The Islamic Financial Services Board (IFSB) and the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) have stepped in and issued well-known CG guiding principles for IFIs.

In the context of Islam, the model of corporate governance for business derived from the *Sharia* rulings regarding property rights and contracts. According to Grais and Pellegrini (2006), the unique characteristics of IBs must explain in order to develop corporate governance mechanisms. The model of Islamic Corporate Governance (ICG) not studied in detail (Bhatti and Bhatti, 2009). It can get the definition of ICG by adding *Sharia* rules to the suggested stakeholder model of corporate governance. ICG means that a firm governed by *Sharia* and companies need to consider the effects of *Sharia* policies and practices on corporate policies and practices. Governance of an Islamic corporate structure done in such an approach that each person linked with bank is actually the shareholder to bank, which implies that success of bank means success of the shareholder (El-Gamal, 2006).

Hamid et al (1993) argue that Islam has the potential for influencing accounting policy and practices (including disclosure) and also that religion can influence business leaders' behaviour and attitudes (including CG) (Baydoun et al., 1999). Leadership in Islam is a trust. Beekun and Badawi (1999) argue that there are two primary roles of a leader. First, leader is the servant of his followers who aims to seek their welfare and guide them toward good. This concept of 'servant leader' is consistent with Carver and Carver's (2004) view that the members of board are servant-leaders rather than authoritative ones. The second role of a leader is to protect the community against tyranny and oppression, to encourage God-consciousness and *Taqwa*, and to promote justice. This role is termed 'guardian-leader'. In the context of firms, the ultimate leadership rests collectively with the BOD. Consequently, it can conclude that the accountability of BOD guided into Allah, stockholders, society and other stakeholders. Also accountability of IBs which transferred through disclosure can dividend into *Sharia* disclosure which focus on comply with Allah *Sharia*; social disclosure which focus on serving society and finally financial disclosure which focus on disclose financial information for stockholders and all decision makers.

There is an expectation by both Allah (God) and Muslim society that, due to the notions of unity of purpose of life in Islam, universal brotherhood and trust and accountability of Muslims who hold leadership positions in every facet of life, there may be greater transparency and highly disclosure about all accountabilities of banks (Sulaiman and Willett, 2003). In the context of the current study, we expect that the annual reports as well as websites of an Islamic bank may be a medium for promoting Islamic values as well as Islamic accountabilities towards Allah then other stakeholders- for example *Sharia* compliance, zakat, social responsibility and full disclosure about financial position-vis-a-vis sound CG practices and disclosures. Consisting with Islamic values, profit maximization may not be the only aim of IFIs (Ali et al., 2012). This study expected wider objectives covering social value and ethical conduct as well as compliance with *Sharia* (Belal et al., 2014). Chapra and Ahmad (2002) consider the corporate governance of IFIs as a mechanism, which tolerates ensuring fairness to all stakeholders by fully transparency and accountability with *Sharia*. Corporate governance for these institutions stems from two principle elements: faith based approach that mandates conduct of the business in harmony with *Sharia* and profit-motive that identifies business and investment transactions and maximization of shareholder’s wealth. Moreover, this study can add social based approach that aiming to serving society.

Islam has laid stress on the disclosure of information. The word of account used numerous times in Quran and means that a human being is accountable to Allah Almighty. Allah has provided man with countless blessings so he may conduct economic and financial activities with justice and honesty. All required information may be transparent to the associated persons so that truth will retained all across the corporation (Bhatti and Bhatti, 2009). Disclosure is most significant in order to exemplify an ethical business and honest dealings (Abu-Tapanjeh, 2009). In Islam, the practice of transparency and adequate disclosure is being stressed and suggested in business dealings. This is to ensure that the corporations' transaction is free from any form of misuse. In the Quran, numerous verses have highlighted the demand for fair, transparent and ethical behaviour in all business transactions as Allah mention (Quran, 2:282).

Transparency is utmost importance as Quran definitely forbids concealing of evidence. Allah saying "*And if you are traveling and cannot find a scribe, then there be mortgage taken……and do not conceal not evidence for whoever hides it, surely his heart is tainted with sin and Allah is knower of what you do*" (Quran, 2: 283). The Prophet (PBUH) said, *"Truthfulness leads to righteousness, and righteousness leads to Paradise. And a man keeps on telling the truth until he becomes a truthful person. Falsehood leads to Al–Fojur (i.e. wickedness, evil–doing), and Al–Fojur leads to the (Hell) Fire, and a man may keep on telling lies till he is written before Allah, a liar"* (Bukhari, 8:116). Disclosure is a central aspect of the accountability function of Islamic banks to its stakeholders. Therefore, it is required that Islamic banks disclose as much information in a succinct, truthful and comprehensible way to its stakeholders. From an Islamic perception, the key aim of corporate reporting that overrides other objectives is to permit Islamic enterprises to show their compliance with *Sharia* as well as serving their society (Baydoun and Willett, 1997). The implication of this objective is that IBs have a responsibility to disclose all necessary information to its stakeholders about their activities. Maali et al (2006) categorize three extensive purposes that adopted as the basis for accountability disclosures by IFIs, which are display compliance with *Sharia*; showing how the operations of the business have affected the wellbeing of the Islamic community and helping Muslims to achieve their religious obligations. Board in IBs is not only supposed to maximize the profits and welfares of stockholders but they are also obligated to work under *Sharia* rules and regulations as well as achieving their social accountability towards the society (Archer et al., 1998).

4.3.3 Literature review and research hypotheses

Governance used as a weapon towards agency issues (Beasley, 1996). Gompers et al (2003) defined the improvements were a consequence of applying a governance structure. The development of the agency theory has resulted in the implementation of governance structures whereby the control of decisions is separate from the management (Fama and Jensen, 1983a). A number of preceding studies have used the theoretical framework of the agency theory to test hypotheses concerning with the extent of disclosure to corporate governance characteristics (Xiao and Yuan, 2007). The governance of banking industry has caught the attention of scholars and regulators. Hagendorff et al (2007) concentrate their research on the banking sector backed by the argument that it requires a separate agency analysis. The uniqueness of the agency relationships at banks stems from the managers' duty to safeguard the funds of all capital providers. Islamic banks must follow both the regulations set by the supervisors and principles of *Sharia* (Archer et al., 1998). Therefore, while agency problems in conventional banks arise when board deviate from their accountability to maximize shareholders' wealth, any divergence by board of IBs from placing all supplied funds in *Sharia*-compliant investments creates an added source of agency problems. Corporate disclosure presents a brilliant opportunity to apply agency theory as managers with better access to a company's private information can transmit credible and reliable communication to market to optimize the corporation's value.

Corporate disclosure influenced by values of those who are involved in formulating and taking decisions in the banks, consideration of corporate governance mechanisms (Haniffa and Cooke, 2005). The limited research in this area (e.g., Harjoto and Jo, 2011) have mainly found corporate disclosure and performance to be positively associated with corporate governance mechanisms as board independence, Duality in position and Board size. In addition, existing empirical evidence recommends that corporate governance mechanisms and corporate disclosure are positively associated with the market value of the firm (Beltratti, 2005). There have been a number of studies that hypothesized a link between firm-specific characteristics and disclosure with rare that measuring the corporate governance and corporate disclosure for IFIs. However, most of the prior studies focused primarily on CSRD as well as focused on non-IFIs. Corporate governance mechanisms can consider as main factors illumination the decisions of corporate disclosure from agency theory perspectives (Samaha et al., 2012). It is also value noting that rare research has been undertaken to study the association between corporate governance mechanisms and Islamic accountabilities model disclosure that contains Sharia ; social and financial. Some studies have examined corporate governance mechanisms that may be associated with disclosure practice. CG attributes examined in these studies primarily comprise board independence and ownership (e.g., Hossain and Reaz, 2007; Hanifa and Cooke, 2005).

Corporate governance mechanisms can be considered as essential factors illustrative the decisions of corporate disclosure related to *SSF* from agency theory perspectives. Consequently, these mechanisms will be measuring in this study. It is also worth noting that very limited research has been undertaken to examine the link between corporate governance mechanisms and the holistic corporate disclosure for IBs that covers all accountabilities of these banks. To the best of my knowledge, there are no previous studies that explore the holistic accountabilities pillars (*SSF*) concerned with the corporate governance variables for most of IBs around the world. The current study develops hypotheses on the association between Islamic accountability' pillars disclosure levels and governance mechanism. Gul and Leung (2004) argue that the role of corporate governance on the agency relationship between managers and stakeholders best examined by looking at several CG mechanisms. The literature review focuses on prior empirical studies that are concerned with the link between corporate disclosure and governance mechanism variables.

4.3.3.1 Foreign Ownership

For further debating about the association between disclosure and foreign ownership, reviews section 4.1.4.2.3. Thus, the first hypothesis is

H3.1 IBs with higher percentages of foreign ownership have higher levels of disclosure

4.3.3.2 Institutional Ownership

For further debating about the association between disclosure and institutional ownership, reviews section 4.1.4.2.2. Therefore, the second hypothesis will be:

H3.2 There is a positive relationship between Institutional ownership and disclosure

4.3.3.3 Family Ownership

Family companies' boards tend to be less independent, with considerable representation by family members (Anderson and Reeb, 2004). Continuing lack of transparency of corporate governance practices may enable getting family members on board without much interference from non-family stockholders. The resulting concern that the non-controlling stockholders may have lack of transparency in corporate governance practices of family companies would reduce to the extent that these companies deliver superior performance (Anderson and Reeb, 2003a). Agency theory claims that in a dispersed ownership environment, conflicts of interest between boards, stockholders are high, and corporations will increase the disclosure level to decrease agency costs. Furthermore, recent literatures have recognized family ownership as one of the main factors for the miserable level of disclosures (Belal and Owen, 2007). Ashiq et al (2007) found that the level of disclosure of family corporations was lower than that of non-family corporations. Thus, the following hypothesis is:

H3.3 There is a negative association between Family ownership and level of disclosure

4.3.3.4 Number of Block holders

For further debating about the association between disclosure and number of block holders, reviews section 4.1.4.2.1. Therefore, the fourth hypothesis as follows:

H3.4 There is a negative association between percentages of block holder ownership and level of disclosure

4.3.3.5 Investment account holders (IAH)

The combined investment portfolio of IBs financed by IAH funds and stockholder's equity and further sources of funds available to the bank (Archer et al., 1998). The bank' management acts as an agent not only for the stockholders, but furthermore for IAHs as a mudarib. IB invests these funds in *Sharia* allowable activities. The key problematic is that the IAH and shareholders have inferior information to that possessed by management, mainly about the application of Islamic laws in relative to the banks' operations. Further, investment accounts with IBs are commonly more accessible than shares of IBs. Whereas IAH do not have any formal voting rights, they nevertheless affect the level of monitoring of management "vicariously" through stockholders (Archer et al., 1998). This is because the incomes of stockholders determined by the profits earned by the utilization of IAH funds. If IAHs are more concerned than stockholders in the bank's compliance with *Sharia*, then the relative effect of IAH will determine the extent to which the bank complies with *Sharia* and accordingly the level of disclosure obtainable by the bank. This suggests that accountability disclosures for IBs that contain SSF positively related to the relative size of IAH funds as a proportion of shareholder funds:

H3.5 There is a positive association between the proportion of IAH to shareholder funds and levels of disclosure

4.3.3.6 Duality in position

For further debating about the association between disclosure and duality in position, reviews section 4.1.4.2.4. Based on these arguments, the sixth hypothesis as follows:

H3.6 There is a negative association between duality in position and level of disclosure

4.3.3.7 Board size

The size of board directors is another component that clarifies disclosure, as is proved by the studies showed by Lim et al (2007); Mangena and Tauringana (2007). Agency theory proposes that large boards can play a critical role in controlling the board and in making strategic decisions and forecasts that larger boards incorporate a diversity of expertise that outcomes in more efficiency in boards' monitoring role (Singh et al., 2004). Hussainey and Wang (2010) suggest that large boards are less likely to dominant by the management. Majority of the previous studies are finding a positive association between board size and disclosure (e.g., Samaha et al., 2015; Elshandidy et al., 2013). For measuring association between the two variables in banking sector literature; Jizi et al (2014) found a positive association between disclosure and board size according to the large US banks. This study expects larger boards will increase board-monitoring capabilities that have positive influences of disclosure level. Based on these arguments, this study sets the following hypothesis:

H3.7 IBs with large board size have a higher level of disclosure

4.3.3.8 Board independence

For further debating about the association between disclosure and Board independence; reviews section 4.1.4.2.5. Based on the debate; the eighth hypotheses is

H3.8 There is a positive association between board independence and level of disclosure

4.3.3.9 CEO Founder

The CEO power in the board has received considerable attention in the corporate finance literature. To capture CEO power, previous studies have used different variables: CEO founder, CEO tenure, the CEO is the only insider on board and CEO is the only person who signs the letter to shareholders in the annual report… (e.g., Liu and Jiraporn 2010; Skaife et al., 2006; Fiegener et al. 2000). The presence of a firm's founder could give the CEO more Leverage to take managerial decisions, including disclosure of information, it could influence positively on the companies' performance, it could add value (Amit, 2006) and it could lower debt levels compared to those without the duality arrangement (Mishra and McConaughy, 1999). Collett and Hrasky (2005) provide evidence that the presence of CEO helps improve the level of voluntary disclosure of corporate governance information. This study therefore hypothesis:

H3.9 There is an association between CEO founder and level of disclosure

4.3.3.10 Control variables

The study control four different variables, which are Auditor; *SAD*; bank age and listed share. Support for investigative audit firm size as a determinant of disclosure level has come from numerous studies (Wallace et al., 1994). Most studies have found that large audit firms show a significant relationship with higher disclosure levels (e.g., Han et al., 2012). Majority of studies found an indirect association between company age and disclosure (e.g., Akhtaruddin, 2005). Moreover, previous research has argued that the age of corporation effects on CSR involvement of the firm and that long-established firms are likely to make greater voluntary social disclosures. Cormier et al (2005) reported a positive relationship between disclosure and age of firms, while others (Rahman et al., 2011) denied any relationship between the two variables. The Sharia scholars hired by the banks (Safieddine, 2009) verify the compliance with Sharia in Islamic banks. Besar et al (2009) revealed that the *Sharia* committee is only satisfying a minimum requirement of the report with recommend for SAD inside the bank to enhance compliance with *Sharia* and support social accountability for IBs. Hodge (2001) indicate that investors generally find audited information to be more reliable than unaudited information. According to Cooke (1989), when firm listed on stock market, it expected to disclose more holistic information since it might need to identify the disclosure instructions of two or more stock exchanges. Therefore, disclosure limits the monitoring and agency costs resulting from the existence of superior number of shareholders. Supporting the previous arguments, Robb et al (2001) find that; corporation that listed is important determinant of disclosure level.

4.3.4 Research methodology

4.3.4.1 Sample and data

The study examines annual reports and websites of the most active IBs over the world. The disclosure data measured using a content analysis technique. Data on explanatory variables found either on the annual reports, Zawya database or on the companies' websites. This study limits analysis to 95 IBs due to limited data access and to the fact that measuring corporate disclosure levels by the traditional content analysis requires a considerable time and effort. The sample included the hard copy annual reports for 2013, as well as current disclosures on the IBs' websites. As a starting point, this study examined official IBs websites in order to get information concerning the annual reports for 2013, internet reporting and any other reports for 2013. IBs characteristics data as age, auditors… collected from IBs' annual reports or websites.

4.3.4.2 Construction disclosure indices with assessing the validity and reliability

This study tested that the index items are created from the classification procedures represented what we intended to represent. The author surveyed the items of the index and decided what that exact item was planned to measure (Beattie et al., 2004). In addition, it made sure that each item and the overall index closely related to SSB; CSR and Financial statements with footnotes in IBs as we carefully chose. This study developed the dimensions of our SSBR;

CSR and financial indices based on standards disclosure for IFIs issued by AAOIFI (mainly) and the previous literature (secondary). Furthermore, there are more than 200 IFIs located at more than 30 countries as members in AAOIFI, which reflect trust in these standards as a benchmark framework for Islamic banking system. To develop the reliability, the indices items checked twice and we discussed any possible discrepancies. This study made sure that the matching coder is constant overtime when coding the same item of the indices (stability), the coders produce the same consequences when coding the same item and accuracy as well as (Beattie et al., 2004)

For a valid implication, Weber (1990) argues that the classification procedure may be reliable and valid. The reliability and the validity of content analysis approaches need to review carefully. In human-scored schemes, reliability – that is, the reproducibility of the measurement – is a major concern (Healy and Palepu, 2001). Validity defined as 'the extent to which any instrument measures what it is intended to measure' (Marston and Shrives, 1991). Following many disclosure studies (Tsalavoutas et al., 2011; Hassan and Marston, 2010), validity ensured through the assessment of content validity. Hence, it achieved by relying on the literature while constructing the instrument to make sure that, the instrument contains relevant and adequate items to measure the three accountabilities' pillars disclosures. Reliability is the extent to which the instrument produces the same results on repeated trials. For testing reliability, the following steps undertaken to form the basis for the development of the disclosure indices for this study: Stage 1: Adopting the disclosure requirements of AAOIFI governance standards No. 1; 2 and 5 that reflect the *Sharia* accountability. It also adopts the disclosure requirements of AAOIFI financial standards No.1 that focusing on the presentation and disclosure of financial statements that reflect the financial accountability of IBs. Finally, this study adopts AAOIFI governance standard No.7 that guide IFI for social accountability. The researcher reviews the least available edition for AAOIFI, which is 2010 and 2014. Stage 2: Some modifications were made to the disclosure indices developed based on literature review (e.g., Farag et al., 2014; Rashid et al., 2013;

Kamla and Rammal, 2013; Aribi and Gao, 2012; Vinnicombe, 2010; Hassan and Harahap, 2010; Besar et al., 2009; Haniffa and Hudaib, 2007; Maali et al., 2006). Stage 3: Reviewing the index with four academics and five accountants and auditors who deal with banking's reports and they are specialize in the area of disclosure and financial reporting to enhance the validity for the study; indices and results. Marston and Shrives (1991) argue that the index scores awarded to firms could be considered reliable if other researchers could replicate the same results.

4.3.4.3 Model specification and variable measurement

To test for an association between disclosure levels and CG attributes in IBs, one overall index (OV Disc) and three sub-indices, corresponding to the three Categories have been calculated. The dependent variables listed and defined in Table 41 presents the definition of our dependent variables and the definitions and the source of information for each independent and dependent variables. The scores for the overall and sub-indices are calculated by assigning equal weightings to each item of disclosure, and the indices were derived by computing the ratio of actual scores awarded to the maximum possible score attainable for items that were applicable to each Islamic bank. Each item of disclosure was scored without a weighting on a dichotomous basis taking the commonly used approach of giving the item a score of 1, 0, or not applicable N/A (e.g., Ghazali and Weetman, 2006). To ensure that companies were not penalized for non-disclosure of irrelevant items each annual report (hard copy or on the companies' websites) was read in its entirety, following Cooke (1991). Furthermore, all annual reports (hard copy or on the companies' websites) were read twice to ensure consistency in scoring. The second examination was done after analysing all annual reports in the first round to ensure consistency in scoring. In the few cases where differences existed between the first and second scoring, the annual reports (hard copy or on the companies' websites) were subjected to a third final assessment. This study uses the following OLS transformed multiple regression models:

$$OVD= \beta 0 + \beta 1\ BLOCK + \beta 2\ INST+ \beta 3\ FORGN+ \beta 4\ FAM+ \beta 5\ LISTED+ \beta 6 DUAL+ \beta 7\ CEO\ Founder+ \beta 8\ BDSIZE+ \beta 9\ BDIND+ \beta 10\ IAH+ \beta 11\ AUDITOR+ \beta 12\ BKAGE+ \beta 13\ SAD+ \varepsilon \quad (4)$$

This study uses the following regression models to examine the association between corporate governance voluntary disclosure subcategories and corporate governance mechanisms. It used the transformed OLS multiple regression for the following sub categories of corporate governance disclosure (SSB Disc; CSR Disc and FIN Disc):

$$SSBD= \beta 0+ \beta 1\ BLOCK+ \beta 2\ INST+ \beta 3\ FORGN+ \beta 4\ FAM+ \beta 5\ LISTED+ \beta 6\ DUAL+ \beta 7\ CEO\ Founder+ \beta 8\ BDSIZE+ \beta 9\ BDIND+ \beta 10\ IAH+ \beta 11\ AUDITOR+ \beta 12\ BKAGE+ \beta 13\ SAD+ \varepsilon \quad (5)$$

$$CSRD= \beta 0+ \beta 1\ BLOCK+ \beta 2\ INST+ \beta 3\ FORGN+ \beta 4\ FAM+ \beta 5\ LISTED+ \beta 6\ DUAL+ \beta 7\ CEO\ Founder+ \beta 8\ BDSIZE+ \beta 9\ BDIND+ \beta 10\ IAH+ \beta 11\ AUDITOR+ \beta 12\ BKAGE+ \beta 13\ SAD+ \varepsilon \quad (6)$$

$$FIND= \beta 0 + \beta 1\ BLOCK+ \beta 2\ INST+ \beta 3\ FORGN+ \beta 4\ FAM+ \beta 5\ LISTED+ \beta 6\ DUAL+ \beta 7\ CEO\ Founder+ \beta 8\ BDSIZE+ \beta 9\ BDIND+ \beta 10\ IAH+ \beta 11\ AUDITOR+ \beta 12\ BKAGE+ \beta 13\ SAD+ \varepsilon \quad (7)$$

The disclosure score for each disclosure level is calculated as a ratio of the total items disclosed to 229 for model 4 (overall disclosure level); 20 for model 5 (SSB disclosure level); 95 for model 6 (CSR disclosure level) and 114 for model 7 (financial disclosure level).

Table 41: *Model specification and variable measurement*

Abbreviated name	Full name	Variable description	Predicted sign	Data source
Dependent variables				
OV Disc	*Overall disclosure index*	*Total disclosure accountability level based on SSB; CSR and FS*		*Annual reports and Website*
SSB Disc	*Sharia Supervisory Board disclosure index*	*Sharia disclosure accountability level based on SSB report*		*Annual reports and Website*

CSR Disc	*Corporate Social Responsibility disclosure index*	*Social disclosure accountability level based on CSR report*		*Annual reports and Website*
FIN Disc	*Financial disclosure index*	*Financial disclosure accountability level based on FS and footnotes*		*Annual reports*
Independent variables				
BLOCK	*Number of Block holders*	*Number of block holders– shareholders whose ownership ≥5 % of total number of shares issued.*	-	*Zawya data base- bank website-annual report*
INST	*Institutional ownership*	*% of shares owned by Institutional shareholders*	+	*Zawya data base- bank website-annual report*
FORGN	*Foreign Ownership*	*% of shares owned by Foreign shareholders*	+	*Zawya data base- bank website-annual report*
FAM	*Family Ownership*	*% of shares owned by family*	-	*Zawya data base- bank website-annual report*
DUAL	*Duality in position*	*1 if company's CEO serves as a board chairman, 0 otherwise*	-	*Annual reports*
CEO Founder	*CEO Founder*	*1 if company's CEO is the founder of the Islamic bank, 0 otherwise*		*Annual reports*
BDSIZE	*Board size*	*The number of board members*	+	*Annual reports*
BDIND	*Board independence*	*Ratio of the number of non-executive directors to the total number of the directors*	+	*Annual reports*
IAH	*Investment account holders*	*Total Profit-Sharing Investment account divided by total assets*	+	*Annual reports*
Control variables				
Auditor	*Auditor*	*1=Bank's financial statements were audited by Big 4 auditor; otherwise= 0*	+	*Annual report*
SAD	*Sharia Auditing department*	*1=Bank that has Sharia auditing department; otherwise= 0*	+	*Annual report*
AGE	*Bank age*	*Bank age*	+	*Bank website*
LISTED	*Listed share*	*% of shares listed in the stock exchange*	+	*Zawya data base- bank website-annual report*

4.3.5 Analysis

4.3.5.1 Descriptive analysis

Table 42 shows the descriptive statistics for the independent variables. For disclosure level, the analysis shows that average *Sharia* disclosure is 40%; social disclosure is 28%; financial disclosure is 81% and finally aggregate disclosure is 50%. The average bank age is 21 years. The mean percentage of independent directors on the board is 40.5%. Average board size is 8 members. The average number of block holders is 2; mean institutional ownership is 65.8%; mean foreign ownership is 43.2%, mean family ownership is 2.3% and mean listed shares is12.4%. Only 10.4%

of Islamic bank's CEOs serve as a board chairman and 30.9% of CEOs are the founder of the Islamic bank. On average, the ration of investment account holders to total assets represents 41%. 58% from selected Islamic banks audited through one of the 4big auditing firms and 52% from our selected banks has *Sharia* auditing department inside the bank.

Table 42: *Descriptive statistics*

	N	Mean	Std. Deviation	Min	Max
OV Disc	95	**0.496**	0.142	0.26	0.82
SSB Disc	95	**0.398**	0.256	0.00	0.93
CSR Disc	95	**0.281**	0.183	0.04	0.68
FIN Disc	95	**0.811**	0.044	0.69	0.93
BLOCK	95	**2.00**	1.769	0	9
FORGN	95	**0.432**	0.425	0	1
INST	95	**0.658**	0.348	0	1
FAM	95	**0.023**	0.112	0	1
DUAL	95	**0.104**	0.306	0	1
CEO founder	95	**0.309**	0.464	0	1
BD SIZE	95	**8.504**	3.05	3	21
BD IND	95	**0.405**	0.295	0	1
IAH	95	**0.410**	0.305	0	0.884
Auditor	95	**0.576**	0.496	0	1
Age	95	**20.65**	13.34	2	86
SAD	95	**0.523**	0.501	0	1
LISTED	95	**0.124**	0.253	0	1

OV Disc (overall disclosure): is the aggregate disclosure level based on SSBR; CSRD and FSD; SSB Disc: is the Sharia disclosure level based on SSB report; FIN Disclosure: is the financial disclosure level based on financial statements and footnotes; BLOCK: Number of block holders– shareholders whose ownership ≥5 % of total number of shares issued; FORGN: is the % of shares owned by Foreign shareholders; INST: is the % of shares owned by Institutional shareholders; FAM: is the % of shares owned by family; DUAL: is the Duality in position when company's CEO serves as a board chairman; CEO founder: is the company's CEO is the founder of the Islamic bank; BD SIZE: is the number of board members; BD IND: is the ratio of the number of non-executive directors to the total number of the directors; IAH: is the Total Profit-Sharing Investment account divided by total assets; Auditor: is the Bank's financial statements were audited by Big 4 auditor; Age: is the Bank age; SAD: is the Bank that has Sharia auditing department; LISTED: is the % of shares listed in the stock exchange.

4.3.5.2 Correlation analysis

Before, performing the multivariate analyses, we perform a correlation analysis. Table 43 presents the correlation analysis between the overall voluntary disclosure (OV Disc) and independent variables. It shows that IBs with concentrated foreign ownership structured; with large board size, Auditor and SAD are more likely to provide higher levels of voluntary disclosures. It shows that OV Disc positively correlated with FORGN (r 0.20), BDSIZE (r 0.37), Auditor (r 0.33) and SAD (r 0.44) and these correlations are statistically significant at the 5% and 1% level. The Table also shows that Islamic bank with role duality is more likely to provide less voluntary disclosures. It shows that OV Disc negatively correlated with role duality (DUALT) (r −0.35) and this correlation is statistically significant at the 1% level.

Table 43: *Pearson correlation Matrix (N=95)*

		(A)	*(B)*	*(C)*	*(D)*	*(E)*	*(F)*	*(G)*	*(H)*	*(I)*	*(J)*	*(K)*	*(L)*	*(M)*	*(N)*
OV Disc	*(A)*	*1*													
BLOCK	*(B)*	*-0.03*	*1*												
FORGN	*(C)*	***0.20*****	*-0.11*	*1*											
INST	*(D)*	*-0.05*	*-0.13*	*0.30***	*1*										
FAM	*(E)*	*0.04*	*0.24**	*-0.16*	*-0.05*	*1*									
LISTED	*(F)*	*0.09*	*0.03*	*-0.17**	*-0.31****	*0.29****	*1*								
DUAL	*(G)*	***-0.35******	*-0.11*	*-0.22***	*0.13*	*0.07*	*-0.13*	*1*							
CEO founder	*(H)*	*-0.01*	*0.02*	*-0.05*	*-0.12*	*0.17**	*-0.06*	*0.11*	*1*						
BD SIZE	*(I)*	***0.37******	*-0.08*	*0.01*	*-0.20***	*0.11*	*0.04*	*-0.32****	*-0.03*	*1*					
Board IND	*(J)*	*-0.15*	*-0.15*	*0.05*	*0.07*	*-0.07*	*0.23****	*-0.18***	*0.06*	*-0.04*	*1*				
IAH	*(K)*	*0.07*	*-0.07*	*-0.13*	*-0.04*	*-0.14*	*0.08*	*-0.12*	*-0.36****	*0.24****	*-0.014*	*1*			
Auditor	*(L)*	***0.33******	*0.03*	*0.28****	*0.14*	*0.03*	*0.09*	*-0.29****	*-0.06*	*0.06*	*0.31****	*-0.06*	*1*		
Age	*(M)*	*-0.05*	*-0.05*	*-0.11*	*0.25****	*0.01*	*-0.02*	*0.25***	*-0.37****	*-0.03*	*0.02*	*0.21***	*-0.09*	*1*	
SAD	*(N)*	***0.44******	*0.01*	*0.04*	*-0.19***	*0.1*	*0.08*	*-0.16**	*0.18***	*0.21***	*-0.01*	*-0.03*	*0.31****	*-0.15**	*1*

OV Disc (overall disclosure): is the aggregate disclosure level based on SSBR; CSRD and FSD; BLOCK: Number of block holders–shareholders whose ownership ≥5 % of total number of shares issued; FORGN: is the % of shares owned by Foreign shareholders; INST: is the % of shares owned by Institutional shareholders; FAM: is the % of shares owned by family; DUAL: is the Duality in position when company's CEO serves as a board chairman; CEO founder: is the company's CEO is the founder of the Islamic bank; BD SIZE: is the number of board members; BD IND: is the ratio of the number of non-executive directors to the total number of the directors; IAH: is the Total Profit-Sharing Investment account divided by total assets; Auditor: is the Bank's financial statements were audited by Big 4 auditor; Age: is the Bank age; SAD: is the Bank that has Sharia auditing department; LISTED: is the % of shares listed in the stock exchange. ***, **, * indicates significance at the 1%, 5%and 10% levels

4.3.5.3 Discussion of Regressions results

Table 44 reports the regression results. This Table reports the cross-sectional OLS regressions for the aggregated Voluntary disclosure score (OV Disc) and the three subcategories (SSB Disc, CSR Disc and FIN Disc). The Table presents the R2, F-ratio, ß-coefficients and t-statistics for the four models. The regression results are unaffected by robustness testing. The Fisher test is significant in the four OLS models.

***Table 44**: Regression results*

	OV Disc	*SSB Disc*	*CSR Disc*	*FIN Disc*
BLOCK	0.02*** (2.59)	0.018 (1.56)	0.004 (0.42)	0.039*** (4.94)
FORGN	0.072** (1.96)	0.117** (2.13)	0.012 (0.25)	0.081** (2.14)
INST	0.105** (2.25)	0.076 (1.08)	0.059 (0.98)	0.191*** (3.98)
FAM	-0.271** (1.96)	-0.36* (1.73)	-0.198 (1.10)	-0.275** (1.94)
DUAL	-0.075 (1.28)	-0.156* (1.75)	-0.115 (1.52)	0.044 (0.72)
CEO founder	0.07** (1.94)	0.041 (0.75)	0.050 (1.06)	0.113*** (3.05)
BD SIZE	0.024*** (6.06)	0.025*** (4.10)	0.018*** (3.45)	0.032*** (7.67)
Board IND	-0.109* (1.94)	-0.203*** (2.41)	-0.207*** (2.86)	0.078 (1.36)
IAH	0.009** (2.15)	0.153** (1.94)	0.073 (1.08)	0.093* (1.73)
Auditor	0.078** (2.15)	0.112** (2.05)	0.039 (1.48)	0.049 (1.33)
Age	0.002* (1.86)	0.001 (0.75)	0.003 (1.58)	0.003** (2.28)
SAD	0.087*** (2.71)	0.162*** (3.36)	0.030 (0.73)	0.07** (2.15)
LISTED	0.159*** (2.70)	0.182** (2.05)	0.128* (1.69)	0.179*** (2.97)
Adjusted R2	0.9364	0.8321	0.7470	0.9722
F-value	104.02	36.68	21.67	245.90
P-value	0.000***	0.000***	0.000***	0.000***

OV Disc (overall disclosure): is the aggregate disclosure level based on SSBR; CSRD and FSD; SSB Disc: is the Sharia disclosure level based on SSB report; FIN Disclosure: is the financial disclosure level based on financial statements and footnotes; BLOCK: Number of block holders– shareholders whose ownership ≥5 % of total number of shares issued; FORGN: is the % of shares owned by Foreign shareholders; INST: is the % of shares owned by Institutional shareholders; FAM: is the % of shares owned by family; DUAL: is the Duality in position when company's CEO serves as a board chairman; CEO founder: is the company's CEO is the founder of the Islamic bank; BD SIZE: is the number of board members; BD IND: is the ratio of the number of non-executive directors to the total number of the directors; IAH: is the Total Profit-Sharing Investment account divided by total assets; Auditor: is the Bank's financial statements were audited by Big 4 auditor; Age: is the Bank age; SAD: is the Bank that has Sharia auditing department; LISTED: is the % of shares listed in the stock exchange. ***, **, * indicates significance at the 1%, 5%and 10% levels

As reported in Table 44, for the overall (OV Disc) score, the OLS model reported an adjusted coefficient of determination (R2) of 93.63%. However, between the three models with sub scores as dependent variables, there are apparent differences in the adjusted coefficients of determination (R2). The highest explanatory power (97.22%) observed for the regression with FIN Disc as the dependent variable. With SSB DISC as the dependent variable, the regression presents a high (R2) equal to (83.21%) and the lowest (R2), equal to 74.70%, is observed for the regression with CSRD as a dependent variable.

The results of the regression show that; there is a statistically significant interaction between corporate disclosures and CG variables among the sample firm. Concerned with the effect of firm characteristics on the extent of corporate disclosure; our four models show mixed results. Model (1) related to overall disclosure shows positive significant association for all CG variables except Family Ownership and Board independence with negative association and Duality, which has insignificant association with disclosure. Concerned with model (2) that measuring Sharia disclosure; it found positive association for Foreign Ownership; listed share; Board size and Investment account holders, whereas, Family Ownership; Duality in position and Board independence has a negative association with *Sharia* disclosure. Other variables that contain Block holders; Institutional ownership and CEO founder has no significant association with disclosure. Related to model (3) that focus on CSR disclosure; it shows positive association with listed share and board size. In contrast, this study finds negative association with board independence whereas other variables show no association with social disclosure. Finally; for model (4) that testing the association between financial disclosure and CG; this study found positive association between disclosure and Block holders; Foreign Ownership; Institutional ownership; Listed share; CEO founder; Board size and IAH. Furthermore, it found negative association between disclosure and Family Ownership and with no significant association with other variables.

Concerned with Foreign Ownership; the analysis show positive relationship between this variable and overall; *Sharia* and financial disclosure at 5% level. Mangena and Tauringana (2007) offer the evidence of the association between disclosure and foreign ownership relationship. They found a positive association between the two variables. This is consistent with the findings of Nekhili et al (2012) that document foreign investors are more likely to influence positively the level of disclosure. This suggests that companies with high foreign ownership report more disclosures as a proactive legitimacy strategy to satisfy foreign investors so that they get more foreign capital. This suggests that foreign share ownership enhance disclosure in the annual report for IBs. Thus, this study accepted H3.1 for all categories of disclosure expect social disclosure. The result concerned with Institutional ownership illustrates a positive association with overall and financial disclosure at 5% level for overall model and at 1% level for financial model. Similar results have been reported in Barako et al (2006) who found positive relationship between institutional ownership with disclosure. On the other hand, Naser et al (2002) could not document any significant relationship between Institutional ownership and firms' disclosure. Thus, partially it accepted H3.2. Agency theory predicts that ownership structure affects the level of monitoring in the firm; therefore, it has an impact on the level of corporate voluntary disclosure (Eng and Mak, 2003). Firms with a concentrated ownership structure do not have to disseminate more SSFD information, because the key shareholders can easily obtain it, as they usually have access to that information. For family ownership, it finds a negative significant coefficient of the interaction with overall disclosure; *Sharia* disclosure and financial disclosure at 5%; 10% and 5% respectively. This outcomes is supported the results of the previous studies (Belal and Owen, 2007) that find a negative association between the disclosure and family ownership. Based on this result; this study accepted H3.3. In a more concentrated ownership situation as a family onwership, the impact on disclosure is more complicated. When ownership control is high enough to ensure its position, management has the incentive to behave against the interests of smaller shareholders because of its strong voting power to appoint someone it trusts to be CEO, directors or board chairman. Firms may be more likely to disclose less information because less demand for information exists (Jensen and Meckling, 1976).

Disclosure is indicator of CG framework quality (Aksu and Kosedag, 2006) and evidence provided by Beeks and Brown (2005) show that strong CG mechanism has positive consequences on enhancing corporate disclosures. Therefore, firms with an institutionalized CG structure would be more transparent than firms that have weaker corporate governance frameworks. To block holders; the result shows significant association with overall and financial disclosure at the 1% level. The result is matching with Tsamenyi et al (2007); Marston and Polei (2004) who found that the level of disclosure is significantly related with block holder ownership. Their results suggest that firms with block shareholders disclosed more. Thus, this study partially rejected H3.4. Marston and Polei (2004) argue that shareholders who own only a small percentage of stocks in a firm have limited access to information about the company. Therefore, it is likely that firms with a more dispersed ownership of shares may disclose more information to satisfy investors' needs. In contrast, investors with large equity shares in a company can obtain information about the company from internal sources. Thus, more closely held firms are more likely to disclose less information because their large investors can access internal sources of information.

Furthermore, Investment account holders are positively associated with three category of CG disclosure, which are overall; *Sharia* and financial disclosure at 5%; 5% and 10% respectively. Hypothesis H5 shows that disclosure increases with increase of IAH. Consequently, we accepted this hypothesis. This study tests the relationship between CEO duality and the extent of *Sharia*; social and financial disclosures. It documents a negative association with *Sharia* disclosure at 10% level. It also shows insignificant coefficient for other kinds of disclosure. In other words, it implies that CEO duality does not influence overall; social and financial disclosures for the sample banks. The finding seems to suggest that the custom of selecting the CEO and chair from the same family has turned the CG mechanism of CEO/chair duality into a mere ritual and has not an impact on the level of disclosure. The result is consistent with prior empirical evidence that support the conclusion about a negative association between CEO duality and disclosure (e.g., Elshandidy et al., 2013; Khan et al., 2013; Hussainey and AlNajar, 2011).

Therefore, this study partially accepts H3.6. Concentration of decision-making power resulting from role duality may impair the board's governance role regarding SSF disclosure policies (Li et al., 2008). This study finds that the coefficient estimates on board size are statistically positive significant in the 4 OLS disclosure models at the 1% level. These findings are in line with prior research (Samaha et al., 2015; Elshandidy et al., 2013). Thus, this study fully accepted H3.7 that reflects a positive association between board size and disclosure. This result supported the argument about positive association between board size and SSFD, as larger boards' members would have more incentives to signal their SSF performance to the firm shareholders. Moreover, large board may help in increasing number of members who have Sharia, financial and accounting background, which could affect mangers voluntary disclosure decisions and extend SSFD level. In addition, it suggests that large boards are less likely to dominant by themanagement (Hussainey &Wang, 2010). Furthermore, large boards lead to increase the expertise diversity in the board.

For the listed share, result shows positive association with overall disclosure at 1% level; with *Sharia* disclosure at 5% level; with social disclosure at 10% level and with financial disclosure at 1% level. This result is consisting with (Robb et al., 2001). Therefore, this study fully accepted H3.8. Furthermore, this study examines the relationship between board independence and the level of disclosures. It finds a negative significant coefficient at 10% for overall disclosure and 1% for both of *Sharia* and social disclosure. This result is contrast with work of (Donnely and Mulcahy, 2008; Lim et al., 2007) that find a positive association between the two variables. Consequently, this study rejected H3.9. Eng and Mak (2003) suggest that the presence of outside directors may limit management opportunism. Further, non-executive directors are perceived as being respected advisors who should increase the quality of a firm's disclosure (Haniffa & Cooke, 2002). As it finds significant positive association between CEO founder and overall disclosure as well as, financial disclosure at the 5% and 1% level respectively, hypothesis H3.10 is partially accepted. This finding for IBs is line with prior research of Collett and Hrasky (2005).

In relation to control variables, it finds that Auditor is statistically positive significant in overall and *Sharia* disclosure models at the 5% level. It also finds a positive association between age of bank and overall disclosure at the 10% level and at the 5% level for financial disclosure. It usually expected that old firms arrange for voluntary disclosure more often than new ones. Finally, the coefficient estimates found that SAD is statistically positive significant for overall; *Sharia* and financial disclosure at the 1%; 1% and 5% level respectively.

4.3.6 Conclusion Remark

The association between corporate governance mechanisms and corporate disclosure has been examined in the previous studies. However, limited studies examine the extent to which corporate governance mechanisms affect Islamic banks' decisions to voluntarily report corporate information in their annual reports as well as websites concerned with SSFD. This study extends and contributes to recent governance and disclosure literature (e.g., Gisbert and Navallas, 2013; Samaha et al., 2012) by offering empirical evidence on the impact of a comprehensive set of corporate governance variables on a holistic corporate disclosure that contain SSF for a large sample of IBs. In this study, the relations between CG and multi disclosure examined.

For the purpose of this study, it investigates the effect of corporate governance mechanisms on CSRD; SSBD and FD in 95 IBs based on data at 2013. In terms of overall disclosure practice, we find that there are generally low levels of disclosure about *Sharia* and social whereas financial disclosure is high. To sum up, the reasons for the variances in the category of disclosure level may attributed to the lack of legal CG disclosure requirements and adopting IFRS or partial compliance with Islamic standards as AAOIFI. Regarding the determinants of *SSFD* concerned with CG and after controlling auditor; age and SAD; it finds interesting result with respect to the interaction between CG and multi disclosures dimensions. This study found a positive association between disclosures and block holders; foreign ownership; institutional ownership; listed share; CEO founder; board size and Investment account holders

Moreover, it observed a negative association with family ownership; duality in position and board independence. The insignificant association between ownership structures (foreign ownership; institutional ownership and family ownership) and financial disclosure are consistent with Ghazali and Weetman (2006) who found ownership structure is not statistically significant in explaining disclosure. The results show that; association between disclosure and CG variables differ based on nature of the disclosure. Moreover, the study' outcomes shows that CG mechanism has an equal consequences on the financial as well as non-financial disclosure. The findings in the study may interpret with a number of caveats. Firstly, the sample size and nature may be a source of criticism. Whilst this sample is contains only IBs as a category for IFIs. Nevertheless, future studies may endeavour to use larger sample size that contains other kinds of IFIs as Takaful (insurances firms). CG mechanism contains only variables related to board of disclosure. Supplementary research may consider CG variables that concerned with *Sharia* supervisory board particularly when we exploring Islamic banks that guided by *Sharia*. It would be interesting to examine the impacts of CG mechanism on the firm value of IBs.

The succeeding chapter (5) contains two empirical studies that aim to measuring the consequences of SSFD. It aims to identify the impacts of disclosure on the firm value or what we called economic consequences. It furthermore aims to investigate the influence of disclosure on stakeholders" behaviour or what we called non-economic consequences.

Chapter Five: Consequences of Disclosure

5.0 Introduction

This chapter outlines the result of empirical studies related to consequences of SSF disclosure. It is dividends into two studies. First, one related to economic consequences of disclosure. The second study is concerned with non-economic consequences of disclosure. The overview about the two studies (aim; methodology and results) presented as follows:

Empirical study (4): Economic Consequences of Multi-Corporate Disclosure: Evidence from IBs:

This study examines the impact of multi-corporate disclosure, which contain *Sharia*; social and financial level on the firm value (FV) for 33 IBs across 12 countries based on data of 2013. It finds, after controlling firms' characteristics and corporate governance' variables that the *Sharia*; social and overall disclosure have a positive impact on the FV based on the accounting-based measure (ROA). It also finds that *Sharia* as well as overall disclosure has a positive significant impact on the FV based on market-based measure Market Capitalization (MC). It argues that the association between disclosure and FV is sensitive to the type of disclosure, and the proxy employed for FV. The evidence contributes to the literature suggesting that IBs can differentiate themselves and enhancing their value through enhancing their overall disclosure and their *Sharia* as well as social information. These results inform regulatory bodies as AAOIFI; investors; stakeholders and the academic literature about the potential economic consequences of these categories of disclosure for IBs and other Islamic Financial Institutions (IFIs).

Empirical study (5): The non-economic consequence of disclosure: Evidence from IBs:

This study aims to examining the effect of *Sharia*; social and financial disclosure on stakeholders' loyalty towards Islamic banks. It aims also to examining to what extent trust and satisfaction mediate this effect. The study uses data collected from 600 respondents to survey questionnaires disseminated to stakeholders from 15 countries dealing with Islamic banks. Structural equation modelling (SEM) is adopting with a partial least squares (PLS) approach. The results indicate that, there is a significant association of disclosure on stakeholders' trust, satisfaction, and loyalty. The results also indicate that, there is a partial mediating of trust and satisfaction in the relationship between disclosure and loyalty. This study is one of the first studies examining the effect of disclosure on stakeholders' loyalty. This study provides novel findings having theoretical and practical implications for disclosure in Islamic banks and their relationship with stakeholders.

Empirical study (4): Economic Consequences of Multi-Corporate Disclosure: Evidence from Islamic Banks

5.4.1 Introduction

Demand for financial reporting and disclosure ascends from information asymmetry and agency conflicts between managers and stockholders (Kothari et al., 2009). The corporate disclosures can help diminution the information gap, enhance the credibility of financial reporting, and add to empathetic the role of accounting information in valuation firm. Klein et al (2005) have documented the consequences of disclosure on FV. Moreover, the greater availability of corporate information can improve capital market efficiency and attract investors (Wang et al., 2008). Hassan et al (2009) state that disclosure is a mechanism to mitigate agency costs arising from the possibility that managers may not act in the best interest of shareholders. Disclosure is a mechanisms that allowing investors to increase their ability in firm' monitoring as well as enhancing FV (Pagano et al., 2002).

IBs are institutions that guided by *Sharia* and differentiate themselves by compliance with Islamic law and serving the society as well as achieve high financial performance. According to Al-Gazzali as reported in Kamla (2007) the purpose of *Sharia* is "to promote the welfare of the people, which lies in safeguarding their faith, their life, their intellect, their prosperity and their wealth" (p.112). Iqbal and Mirakhor (2007) argue that IBs is very comparable to conventional banking, except that contracts must comply with *Sharia*. Fuad et al (2011) explain the need and importance of *Sharia* compliance for IBs. IBs play a significant role in economic regeneration and social justice (Siddiqi, 1995). This acknowledged by El-Ashker (1987) "Social activities are emphasized in IBs' articles of association among their objectives and functions" (p. 45). IBs' system needs to reconstruct pre-modern contracts by strictly embedding *Sharia* and social responsibility into the banks' business practices (El-Gamal, 2006). IBs practice of moral economy philosophy illustrated for religious and support the inclusion of social aims in their investment policies (Belal et al., 2014). IBs may comply with Sharia to obey Allah then satisfy all stakeholders (Sharia accountability), endeavour to achieve a balance between providing sufficient returns to their shareholders (financial accountability) while at the same time not neglecting their social activities (social accountability). However, there is a little direct empirical evidence with regard to the relationship between disclosure and FV in general and for IBs in particular. Thus, the main purpose of this study is to determine the impact of multi different categories of disclosure that contain *SSF* dimensions on FV. Prior literature has investigated disclosure levels of firms and determinants of disclosure; whereas there is not a sizable body of research that examine the impact of disclosure on FV (Uyar and Kılıc, 2012). Thus, there is a need for elaboration on the value that corporate information has in IBs.

One of motivations behind this research is that the impact of disclosure on FV is still an empirical issue (Hassan et al., 2009). As pointed out by Al-Akra et al (2010), there is little empirical evidence to support that association. Hassan et al (2009) touched upon this issue and stated, "There is little direct empirical evidence with regard to the relationship between disclosure and FV" (p.80). Thus, we motivated to conducting an empirical study in IBs to shows for what extent disclosure about *SSF* can add value for these banks. It also motivated by rare studies that explore the impacts of different kind of disclosure on the FV. Teoh and Thong (1984) just focused on the social disclosure. Vogel (2005) argues that results related to the link between disclosure and FV remaining inconclusive. Such inconclusiveness creates ground for further investigation not just for CSRD, but also for other kinds of disclosure. Evidence proposes proactive social accountability enhance firm value (Alvarez et al., 2001) which asking further research about the impacts of *Sharia* disclosure on the FV. Elzahar (2013) argued that link between FV and disclosure is sensitive to the type of disclosure, and the proxy employed for FV. This argument is asking further research for IBs. Astonishingly, there is absence of academic research that investigates the prospective economic consequences and valuation implications

Sharia and social disclosure for IBs. Focusing on the IBs, AAOIFI has issued accounting and governance standards to organize these kinds of disclosure for all IFIs. But, none of the previous studies are measuring the economic consequences for disclosure of IBs based on this benchmark. Finally, this study is motivated by a lack of research on financial reporting disclosures and by calls for research on the valuation implications of such disclosures (Hassan et al., 2009; Leuz and Wysocki, 2008).

This study makes several incremental contributions to the literature of disclosure and economic consequences. Although, there have been a rare empirical studies investigating the link between disclosure and financial performance in the banking sector, as far as I know, this is the first study to empirically investigate this relationship in IBs using a more holistic disclosure. Thus, we classify the holistic disclosure index into three main categories. The first includes items related to *Sharia* disclosure; the second category includes those expected to be disclosed concerned with social activities. The third category contains items related to financial dimension. The study offers a unique contribution to existing literature by looking at the economic consequences of disclosure in IBs around the world. This study contributes to the literature by extending the traditional research on corporate disclosure beyond the narrow focus of financial disclosure to contain disclosure that is more comprehensive for IBs. This study also contributes to the extant literature by indicating the positive firm value arising from voluntary disclosure of comprehensive information. However, despite several studies having gone on to investigate this relationship, the exploring impacts of multi categories of disclosure on the FV for IBs have seldom been explored

Prior studies have generally suggested that the level of disclosure positively related to FV; it remains unclear whether an increase for information can guarantee a better MC as well as profitability. Thus, the potential effect of disclosure on FV efficiency is still an open empirical question particularly for IBs. This study fills this gap in the literature by providing a direct analysis of the relationship between disclosure and FV through adopting different measures of

FV (ROA and MC). This study focus on IBs that provides a unique empirical setting allowing us to differentiate clearly between impacts of *Sharia*; social and financial disclosure on FV. Our study contributes to the literature by showing that corporate disclosure is a prerequisite for efficient FV. This suggests that policymakers as well as accounting bodies as AAOIFI may seriously consider the quality and comprehensive of *SSF* information when attempting to facilitate capital market efficiency for IBs by introducing a new form of disclosure' standards. Prior economic consequences studies tend to focus on the cost of equity and remain relatively silent over the FV (Dhaliwal et al., 2011). The findings generate incremental insights to managers who seek to enhance the FV of IBs. Moreover, we add to the disclosure literature by examining the impacts of financial and nonfinancial disclosure on the FV. Prior studies mostly focus on the different categories of financial disclosures and found mixed results (Francis et al., 2008). Our evidence on the impacts of financial as well as non-financial disclosure on the FV contribute to prior disclosure literature by proposing an extended boundary which the different forms of disclosures can have different effects on FV.

The dominant build of literature on disclosure may congregate into three tracks. The first track uses content analysis for determining the disclosure level as described in the annual reports (e.g., Haniffa and Hudaib, 2007). The second track identifies the main factors behind disclosure (e.g., Farook et al., 2011). The third track investigates the consequences for disclosure (Elzahar et al., 2015). This study is motivated to bridge a perceived gap between the first and third broad strands. This study observed from the previous studies in the third track that; the previous studies focused on the impacts of increased disclosure on the cost of capital (Kothari et al., 2009); analysts' forecasts (Wang et al., 2013); financial performance (Wang et al., 2008) and share price anticipation of earnings (Schleicher et al., 2007). Secondly, the majority of studies adopt disclosure index to explore the economic impacts of disclosure (Volkov and Smith, 2015; Moumen et al., 2015). This track is focused mainly on the international firms and conventional banks in developed countries as UK (Elzahar et al., 2015). Rare studies that measuring the association between disclosure and FV (Uyar and Kilic, 2012). This strand is located in the early research stage– to the best of our knowledge –for IBs. However, exploring these consequences have not yet been investigated empirically in IBs based on different kinds of disclosure particularly *Sharia* and social. Moreover, related to first strand, rare studies measuring *Sharia* disclosure separately and measuring the impacts of this kind on FV.

This study is concerned with, but differs from, the work of Richardson and Welker (2001); Dhaliwal et al (2011); that examine the impact of social disclosure on FV. This study examines a broader concept of disclosure which includes *SSF* dimensions[42]. This study also differs from Richardson and Welker (2001), who examine the relation between the cost of capital and social as well as financial disclosure. This study added further dimension of disclosure which is *Sharia* disclosure in additional to using ROA and MC as a proxies for FV. This research also differs from prior research (Haniffa and Hudaib, 2007; Maali et al., 2006) based on a holistic disclosure index. This study constructs comprehensive model to measuring the three main categories of disclosure for IBs. This study focused on IBs whereas the previous studies focused on non-Islamic firm (Elzahar et al., 2015; Dhaliwal et al., 2011). This study differs from works of Dong et al., 2015 that explore the non-financial disclosure. This study contains financial and non-financial disclosure. Prior studies were limited to a single country or institution (Al-Mehmadi, 2004), but, sample contains IBs in 12 countries. This study differs from outcomes of Wang et al (2013); Moumen et al (2015) that explore the economic consequences for disclosure on the cost of capital; share price and earnings forecasts, whereas this study is focus on the FV. Moumen et al (2015) measure one kind of disclosure, which is risk, whereas this study measure different categories of disclosure. To my best knowledge, this study is among the first to examine the impacts of multi different categories of disclosure on the FV for IBs.

The study' findings show significant positive association between disclosure level and FV based on accounting and market measures. In the two panels, we find a positive association

[42] Most prior research on the relation between disclosure and FV focuses on financial disclosure (Leuz and Wysocki 2008).

between *Sharia* and overall disclosure with FV. Related to accounting-based measure; it finds a positive impact of social disclosure on ROA. In both of panels, we find no association between financial disclosure and FV. Related to control variables; it finds significant impacts of size, accounting standards, SAD, Leverage and risk on the corporate disclosure, whereas; we find no significant association between FV and CG mechanism. The remainder of this study structured as follows; section 5.4.2 provides a discussion of the consequences of disclosure from an Islamic approach. Section 5.4.3 reviews the previous studies; theoretical framework and hypothesis development. Research design present in section 5.4.4. Section 5.4.5 provides a discussion of the results. The research conclusion; implications; limitations and suggestions for future work presented in section 5.4.6.

5.4.2 Consequences of disclosure from an Islamic approach

Allah said, *"Whoever does a good deed - it is for himself; and whoever does evil - it is against the self"* (Quran, 45:15). This verse shows that from an Islamic approach; Muslims' as well as IBs' acts have consequence whatever good or bad. The good consequences for Muslim and IBs' deeds can summarize in El-falah or success. This success or rewards based on *Sharia* can dividends into two groups which are earth' rewards and heaven' rewards or success as Allah said, *"Those who believed and feared Allah, for them are good tidings in the worldly life and in the Hereafter"* (Quran, 10:63, 64). Quran containing more than 200 verses about the Heaven' consequences and earth' rewards for Muslims as well as corporations' acts. The heaven' consequences can reflect in one word 'Paradise'. Allah saying, *"For them who have done good is the best [reward] and extra, No darkness will cover their faces, nor humiliation. Those are companions of Paradise; they will abide therein eternally"* (Quran, 11:26). The earth' consequences for Muslim as well as IBs' acts can dividend into satisfaction of Allah and economic success. Allah said, *"O my servants, who have believed, fear your Lord. For those who do good in this world is good"* (Quran, 39:10). Concerned with economic consequences for IBs' acts approved by several verses as Allah said *"Indeed, those who recite the Book of Allah and establish prayer* *and spend [in His cause] out of what we have provided them, secretly and publicly, [can] expect a profit that will never perish. That He may give them in full their rewards and increase for them of His bounty"* (Quran, 35:29, 30). Qard Hassan in Islam provides great opportunities for IBs to assume a special social role in society as well as obey Allah (Farook, 2008)[43]. Qard Hassan and its rewards is one of the main examples for economic consequences for IBs' acts as Allah said, *"Who is it that would loan Allah a goodly loan so He may multiply it for him many times over?"* (Quran, 2:244). Thus, we can argue that acts of IBs as a Muslim has economic impacts. In this research; we focused on the Earth' Rewards for IBs, which can express in 'Baraka' or blessed and translated into high FV.

IBs need to meet several accountabilities as gain profit; serving society and satisfy religious obligations. These accountabilities as main acts for IBs may conduct as well as disclose information about it. Disclosure from an Islamic approach is an essential requirement from Allah *"Give full measure and do not be of those who cause loss, and weigh with an even balance"* (Quran, 26:181). Quran is containing more than 25 verses about the importance of disclosure. From an Islamic perspective; disclosure is addressed to Allah first then into all stakeholders. Allah said *"O my people, give full measure and weight in justice and do not deprive the people of their due and do not commit abuse on the earth, spreading corruption"* (Quran, 11:85).

Jackson (1982) declared that; "accountability explains and rationalizes what has been done, what is currently being done and what is to be done" (p.144). Accountability, therefore, contains disclosing more information (Naser et al., 2006). One of the primary objectives of reporting from an Islamic perspective is to ensure that the business discharges the Islamic concept of accountability (Maali et al., 2006). In the context of Islam, accountability is first and foremost to God (Allah), it nonetheless explicitly requires companies to make accurate, fair, timely and transparent disclosure of financial and non-financial information for the whole stakeholders (Abu-Tapanjeh, 2009). IBs are expected to disclose comprehensive information to the Muslims nation about how their activities meet *Sharia'* goals and improve the security of society (Lewis,

[43] Farook (2008) explains that by implementing Qard Hassan in their institutions, IBs can channel funds from depositors and customers and allocate them to those who need them most

2001). Hassan (2005) argues that the majority Muslims dominated society expects higher level of disclosure practices for IBs. Such disclosure is a communication mechanism in promoting Islamic values practiced by these banks. Disclosure has an impact through getting satisfaction of Allah. Allah said, *"Whoever does righteousness, whether male or female, while he is a believer - We will surely cause him to live a good life, and we will surely give them their reward in the Hereafter according to the best of what they used to do"* (Quran, 16:97). Allah asked his servants to disclose everything by accurate and trustful way. Thus, this study expects full disclosure about SSF activities for IBs and it expects economic consequences for these disclosures on FV

5.4.3 Theoretical framework; Literature and hypothesis development

The influence of disclosure on FV can be understood based on 2 theories; signalling and economic theory. Signalling theory is the main theoretical framework that used to explain the association between disclosure and FV. Based on this theory, comprehensive disclosure signals better CG mechanisms and fewer agency conflicts, therefore leading to higher FV (Sheu et al., 2010). Curado et al (2011) point out that corporate disclosure influences FV as perceived by markets. Gordon et al (2010) illustrate that disclosures send signals to the marketplace, which expected to increase a firm's net present value and its stock market value. Cormier et al. (2011) claim that, disclosure delivers value-relevant information to stock markets. Gallego-Alvarez et al (2010) provided evidence that disclosure have a positive consequence on shareholder value creation. Economic theory argues that increased corporate disclosure has an influence on FV (Lundholm and Van Winkle, 2006). First, better quality information permits investors to make accurate appraisals of the parameters underlying the future stock returns, lessening non-diversifiable estimation risk and uncertainty about future cash flows as well as future profitability (Clarkson et al., 1996). Second, through enhanced disclosure, the willingness for investors to trade is increase in additional to increases the shares' liquidity and improving FV (Easley and O'Hara, 2004). Economic theory advocates that increased voluntary disclosures level reduce information asymmetries between the firm and market participants, which increase the firm's stock liquidity as well as enhancing FV (Beyer et al., 2010).

The importance of corporate disclosure arises from being a means of communication between management and outside investors and market participants. Enhanced corporate disclosure believed to mitigate asymmetry problem and agency conflicts (Lambert et al., 2007). The consequences of increasing disclosure level often discussed in terms of reduced mispricing; cumulative profitability and growing FV (Botosan and Plumlee, 2002). Consequent empirical studies provide supporting evidence about the association between disclosure and FV. For instance, Healy et al (1999) find that firms with expanded disclosure level experience substantial corresponding increases in FV. The direct effects of the corporate disclosures have possible to change the FV by affecting managers' decisions and hence varying the distribution of future cash flows (Lambert et al., 2007). Thus, improved corporate disclosure may increase the market value for firms (Elzahar et al., 2015). Concerned with the economic consequences for social disclosure; Legitimacy theory argues that corporation may be enthusiastic to disclose social information to legitimize its position within society (Deegan et al., 2002). McDonald and Rundle-Thiele (2008) find influence of CSR on the corporate profitability through creation of intangible assets as good reputation, trust and commitment, which drive the long-term success of the business. This improves the firm's ability to attract resources, enhance performance, and build competitive advantages and enhancing FV (Fombrun et al., 2000). Widespread preceding research proposes that disclosure reporting can influence positively on stakeholders' perceptions of firm performance and thereby on firms' profitability and share price (Lourenco et al., 2012).

Extensive literatures explore the impacts of disclosure generally, but the number of studies that investigated the influence of disclosure on FV is limited. Several empirical studies concluded that voluntary disclosure enhancing investors' ability to predict future earnings, which have consequences on FV (e.g., Hussainey et al., 2003). Stakeholders view non-disclosure of information as unfavourable, which can mark the FV down (Verrecchia, 1983). Rhodes and

Soobaroyen (2010) argue that disclosure can curtail agency problems by decreasing information asymmetry, thus enhance FV. Al-Akra et al (2010) specified the existence association between disclosure and FV using panel data for Jordanian listed companies. Sheu et al (2010) specifies that the market provide a higher valuation only to those corporations that elect to disclose inclusive information. Gordon et al (2010) conducted a study in Untied States (US) about value relevance of information security disclosures and provided strong evidence that voluntarily disclosed information are associated positively with the FV. Anam et al (2011) proved that the extent of disclosure has a significant positive effect on the FV based on MC. Previous studies reveal that increasing disclosure level results in decreasing misevaluation of share price, hence increasing firm's MC (Anam et al., 2011). Garay et al (2013) find that an increase of 1% in the corporate disclosure causes an upsurge of 0.15% in the Tobin's Q and an increase of 0.0119% in the firm's ROA. Dhaliwal et al (2011) find a positive association between FV and disclosure based on investigate the link between the cost of equity and CSRD. Thus, the largest portion of studies shows a positive relationship. This study hypothesis that

H4.1 The level of Sharia; social and financial disclosure of IBs is positively associated with the firm value

5.4.4 Research design

This study analyses the content of corporate annual reports and web sites on the presence of *Sharia*; social and financial information[44]. The sample consists of 33 IBs across 12 countries. The fiscal year of 2013 chosen to ensure a reasonable access to bank, reports' and gives a reasonable picture of full disclosure practice. The sample selection considers only those IBs fully *Sharia* approved as well as availability of information concerned with MC[45]. It collects our variables

[44] Kothari et al (2009) indicate that annual report is a widely favoured information source as well as Internet sites which provide information that facilitates external users to better understand the true economic picture of the business

[45] The sample in the first stage was 117 IBs from 20 countries. But based on the availability of MC for these banks in many database (banker; bank scope; data stream); It contains only 33 IBs that located in 12 countries in our

related to firm characteristics and CG mechanism from bank scope; DataStream and banker database. The disclosure index consists of 229 items classified into: *Sharia* accountability (20 items); social accountability (95 items) and financial accountability (114 items) as shown empirical study (1). *Sharia* disclosure index reflects two categories; items related to SSB report and items related to SSB members. Social disclosure index reflects 12 categories of social information as employees' welfare; environmental policy; earnings prohibited by *Sharia*; customers' services; late repayments; micro business; Zakat; charitable activities and Waqf. The index also reflects 15 categories of financial information as general information; footnotes and information related to seven financial statements.

In line with previous research, this study focuses on self-reported information that provided by the firms in their annual reports (Gray et al., 1995) as well as websites. To assess the level of multi corporate disclosure, the study uses content analysis to explore if certain themes related to SSF are present (or absent) from IBs. The process of constructing the disclosure index involved several steps. The first step was to select an initial list of items of information that IBs might disclose related to *SSF* items. The list is constructed based on AAOIFI accounting and governance standards as ideal Islamic standards for all IFIs and previous studies that explore the three accountabilities for IBs. It adopts the disclosure requirements of AAOIFI governance standard No. 1 related to SSBR. It also adopts AAOIFI governance standard No.7 that concerned with social accountability. Finally, it adopts AAOIFI accounting standard No.1 related to presentations of financial statements. Secondly; it made some modifications to the disclosure indices based on literature review that measuring the three accountabilities of IBs (e.g., Rashid et al., 2013; Kamla and Rammal, 2013; Aribi and Gao, 2012; Hassan and Harahap, 2010; Besar et al., 2009; Haniffa and Hudaib, 2007; Maali et al., 2006; Haniffa and Cooke, 2005).

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sample. IBs in this sample is high comparing with samples in other previous studies that measuring disclosure for IBs (e.g., Belal et al., 2014 (1 bank); Kamla and Rahman, 2013 (19 IBs); Hassan et al., 2012 (16 IBs); Aribi et al., 2012 (21 IBs)).

The list further revised by using a sample of banks' annual reports to find out what IBs did actually disclose. The amended list of items of information was applied to the entire sample of banks and filtered for items of information that were rarely or never disclosed by the sample banks over the research period. Thirdly; once these disclosure indices were created, it was necessary to assess whether they were relatively reliable proxies for the extent of disclosure. Thus, we review the indices with 3 academics and 3 professionals to enhance the validity of indices and results. Consequently, the checklist contains totally 229 items. Furthermore, the reliability of the multi disclosure scores checked based on the Cronbach alpha score, which commonly used to assess the level of agreement between two or more coders. Previous studies tend to suggest that alpha values of 75 % or above considered generally acceptable (Holder-Webb et al., 2009). This study obtains the value of 0.86 for this metric, which support the reliability of our indices. It also tests reliability by follow additional method of Marston and Shrives (1991). Consequently, the index is tested by 2 researchers and shows the same results without significant variances

Dependent variables: Empirical studies used different proxies in order to measuring FV. Among 95 studies that Margolis and Walsh (2001) reviewed, 49 adopted accounting measures, 12 adopted market measures and the rest used a mixed set. It uses two alternative dependent variables associated with FV to test our hypothesis which is consisting with several literatures (Sheu et al., 2010; Barontini and Caprio, 2006). The two measures have diverse theoretical implications (Hillman and Keim, 2001). First, this study uses MC, which used in the corporate disclosure literature (Servaes and Tamayo, 2013). Second, it uses ROA which is used extensively in the disclosure literature (e.g., Garay et al., 2013; Aras et al., 2010; Holmstrom and Kaplan, 2003; Klapper and Love, 2002). It follows approach of Matsumoto et al (2011) who adopt accounting and market-based measures to me assuring FV to capture impacts of disclosure on FV. Selection two proxies may support researcher to construct the holistic view about the impacts of disclosure on FV through different proxies. Furthermore; adopting the two proxies are based on availability of data from different databases.

Independent variables: The main independent variable is DISCL which denotes the multi disclosure level of IBs that contain *Sharia*; social; financial and aggregate scores. The disclosure level of a bank was calculated by dichotomous procedure which assigns a score of 1 if a bank discloses an item and a score of 0 if it does not (Hossain and Hammami, 2009). The disclosure index is un-weighted and assumes that each item of disclosure is equally important (Gray et al., 1995). Cooke (1989) suggests that un-weighted indices are an appropriate research instrument in disclosure studies. Accordingly, the disclosure index for each bank calculated as follows

$$\mathrm{DISCL} = \sum_{j=1}^{.} \frac{dj}{n} \qquad \textbf{(8)}$$

Where DISCL is disclosure level; dj =1 if the item j is disclosed; 0 if the item j is not disclosed; n is number of items. In additional to the above dependents and independents variables as well as to avoid model misspecification, this study controls additional variables, which might also influence FV. Therefore, this study added variables concerned with firm-characteristics (size; risk; profitability; leverage; SAD; accounting standard) and CG (board size; board independence and block holders). Almilia (2009) found that firm size is the main determining of financial reporting. A positive association reported between firm size and FV (Ezat, 2010). With regard to profitability, firms that report higher profits would signal their capabilities to the investors. It might perceive that these firms have competitive advantages that enable them to achieve higher profits, which positively affect shareholder value. Hence, in line with Hassan et al (2009), a positive relationship expected between profitability and FV. Leverage is associated negatively with financial performance, which is consistent with the pecking order theory (Myers and Majluf, 1984). Hodgson and Stevenson-Clarke (2000) stated that high Leverage lead to positive change in FV. Risk used in previous studies that consider firm performance as the dependent variable (González et al., 2012; Anderson and Reeb, 2003). This study added accounting standard and SAD with high expectation for impacts on the FV based on their impacts on their activities; image and reputation. Daske et al (2013) show that accounting standards' adoption as IFRS is associated with improvement in FV based on the analyst forecast accuracy as well as enhances transparency, disclosure and reinforces stock market liquidity. It is evident that the adoption of IFRS leads to higher MV (Leuz and Verrecchia, 2000). Related to SAD; Al-Matari et al (2014) provides evidence that internal auditing has positive effects on financial reporting; reliability and financial performance

Drawing upon agency theory, the broad objective of CG mechanisms is to align managers' interests with shareholders' interests. It predicted that CG mechanisms motivate managers to enhancing shareholder's value (Bruce et al., 2007). Ntim et al (2012) found that good CG practices enhance FV. Thus, this study considers several CG mechanisms on FV which is board size; ownership structure and board independence. It claimed that the collective experience and knowledge of board members is crucial in today's complex business environment (Conger et al., 1998). However, previous studies have shown positive association between board size and FV (Ujunwa, 2012). La Porta et al (2002) specified that controlling shareholders are willing to pay more for financial securities when they feel that their rights are better protected which improve their valuation of a firm. The extant literature generally articulates the effect of ownership concentration on disclosure (e.g. Jaggi et al., 2009) and FV (e.g. Jensen and Meckling, 1976). A positive association between block holders ownership and FV document by Aggarwal et al (2008). Bhagat and Black (1999) found a negative correlation between FV and the proportion of independent directors of board. Rosenstein and Wyatt (1990) find a very slight increase in stock prices when a firm appointed an additional outside director. Based on the model of Callan and Thomas (2009); Hope (2003); the theoretical model for this study is:

$$FV = \alpha + DISCL + \textit{(control variables)} + \varepsilon \qquad (9)$$

Moreover, this study using a one year data to measuring association between dependent and independent variables, which supported by previous studies (Lu and Abeysekera, 2014; Oliveira et al., 2013; Nelling and Webb, 2009). To test this hypothesis, this study applies two OLS regressions and we employ the following regression model. The dependent variable is MC for model 1. As an alternative proxy for market value, we also use the ROA as dependent variable for model 2. Independent variables include the *Sharia*; social; financial and aggregate disclosure levels and other variables identified in the prior empirical research cited below as being related to market value. This leads to the following:

FV based on market measure (MC)

$$FV\ (MC)\ n = a + \beta 1\ DISCL\ n\ (SHAR, SOCAI, FIN) + \beta 2\ ROA\ n + \beta 3\ STAND\ n + \beta 4\ SIZE\ n + \beta 5\ LEV\ n + \beta 6\ SAD\ n + \beta 7\ BLOCK\ n + \beta 8\ B.SIZE\ n + \beta 9\ B.INDEP\ n + \beta 10\ RISK\ n + \varepsilon \qquad (10)$$

FV based on accounting measure (ROA)

$$FV\ (ROA)\ n = a + \beta 1\ DISCL\ n\ (SHAR, SOCAI, FIN) + \beta 2\ STAND\ n + \beta 3\ SIZE\ n + \beta 4\ LEV\ n + \beta 5\ SAD\ n + \beta 6\ BLOCK\ n + \beta 7\ BD.SIZE\ n + \beta 8\ BD.IND\ n + \beta 9\ RISK\ n + \varepsilon \qquad (11)$$

Where (FV) is the firm value based on MC, which is the multiplying, a bank's shares outstanding by the current market price of one share as well as based on ROA. DISCL is the disclosure level; (α) the intercept; (β) the regression coefficients; (n) IB; (ε) the error term. Table 45 shows the models specifications and variables measruments

Table 45: *Model specification and variable measurement*

Abbreviated name	*Full name*	*Variable description*	*Data source*
Dependent variables			
FV (MC)	*Firm value based on market capitalization*	*By multiplying a company's shares outstanding by the current market price of one share*	*Bank scope database*
FV (ROA)	*Firm value based on Profitability*	*Return on assets*	*Banker data base-bank annual report*
Independent variables			
OVER Disc	*Overall disclosure index*	*Total disclosure accountability level based on SSBR; CSRR and FS*	*Annual reports and Website*
SHARI Disc	*Sharia Supervisory Board disclosure index*	*Sharia disclosure accountability level based on SSB report*	*Annual reports and Website*
SOCIA Disc	*Corporate Social Responsibility disclosure index*	*Social disclosure accountability level based on CSR report*	*Annual reports and Website*
FININ Disc	*Financial disclosure index*	*Financial disclosure accountability level*	*Annual reports*

		based on FS and footnotes	
Control variables			
SAD	*Standards*	*1=Bank that use AAOIFI; 0=Bank that use IFRS or Local standards*	*Annual report*
$SIZE$	*Size*	*The natural log of total assets*	*Banker data base*
LEV	*Leverage*	*Total liabilities (Debts)/Total assets*	*Banker data base*
SAD	*Sharia Auditing department*	*1=Bank that has Sharia auditing department; otherwise= 0*	*Annual report*
$BLOCK$	*Number of Block holders*	*Number of block holders– shareholders whose ownership ≥5 % of total number of shares issued.*	*Zawya data base- bank website-annual report*
$BD.SIZE$	*Board size*	*The number of board members*	*Annual reports*
$BD.IND$	*Board independence*	*Ratio of the number of non-executive directors to the total number of the directors*	*Banker data base*
$RISK$	*Risk Adequacy*	*Tier 1 capital*	*Banker data base- bank annual report*

5.4.5 Empirical results

5.4.5.1 Descriptive Statistics

Descriptive statistics presented in Table 46. It shows mean values of the multi corporate disclosure for our 33 IBs. It shows that, on average, IBs publish 54% of Sharia list of items of disclosure; 27% of the list of social information items and 64% of the list of financial information items whereas, IBs publish overall 49% of total list of items. This result exhibits that IBs obviously present a larger amount of financial information compared to non-financial information. It illustrates variances in disclosure level between banks as well as between different kinds of disclosure. These variances in disclosure levels are matching with Ball et al., 2000. Different theories advanced in the literature to explain variations in the extent of corporate disclosure. Agency theory explains such variations (Wallace et al., 1994). Lindblom (1984) used legitimacy theory; Ullmann (1985) used stakeholders' theory, while Gray et al (1987) employed an accountability approach to explain the differences in disclosure levels. Moreover, the average MC is 14680251 $. ROA for our selected banks is positive with average 1.58. 30% from our IBs are adopted AAOIFI standards. The average Leverage is 80% and 79% from sample have SAD. The average board size is nine members and board independence is 42%.

Table 46: Descriptive statistics for all variables

	N	*Minimum*	*Maximum*	*Mean*	*Std. Deviation*	*Skewness*	*Kurtosis*
MC	*33*	*22500*	*109557497*	***14680251***	*24730799*	*2.722*	*7.816*
ROA	*33*	*-1.85*	*6.68*	***1.5761***	*1.78333*	*.887*	*2.288*
SSBD	*33*	*.00*	*.85*	***0.5424***	*.21906*	*-.767*	*.046*
CSRD	*33*	*.11*	*.57*	***0.2712***	*.12767*	*.861*	*-.388*
FD	*33*	*.52*	*.80*	***0.6445***	*.05995*	*-.004*	*.455*
OV.D	*33*	*.22*	*.68*	***0.4858***	*.10843*	*-.279*	*-.026*
STAND	*33*	*.00*	*1.00*	***0.3030***	*.46669*	*.899*	*-1.274*
SIZE	*33*	*1.30*	*4.87*	***3.3380***	*.83627*	*-.477*	*.097*
LEV	*33*	*.35*	*.96*	***0.8052***	*.14944*	*-1.761*	*2.715*
SAD	*33*	*.00*	*1.00*	***0.7879***	*.41515*	*-1.476*	*.187*
BLOCK	*33*	*.00*	*5.00*	***2.0385***	*1.45549*	*.350*	*-.532*
BD.SIZE	*33*	*3.00*	*20.00*	***9.3667***	*3.85499*	*1.070*	*1.324*
INDEP	*33*	*.00*	*1.00*	***0.4214***	*.32117*	*.239*	*-1.168*
RISK	*33*	*.08*	*1.19*	***0.2597***	*.22186*	*2.759*	*9.435*

MC: is firm value based on market capitalization; **ROA**: probability for banks based on return on assets; **SSBD**: is the sharia disclosure based on sharia supervisory board report to reflect sharia accountability; **CSRD**: is the social disclosure based on corporate social responsibility report to reflect social accountability; **FD**: is the financial disclosure based on financial statements to reflect financial accountability; **OVERD**: is overall disclosure that contain three accountabilities which are sharia, social and financial; **STAND**: is the accounting standard adopted by banks (AAOIFI or IFRS); **SIZE**: size of the bank based on the logarithm of total assets; **LEV**: leverage of bank based on total debts on total assets; **SAD**: is the sharia auditing department inside the bank; **BLOCK**: block holders as one of the ownership structure kind for bank; **BD.SIZE**: board size for bank; **INDEP**: is represent the board independence; **RISK**: risk ratio based on tier 1 capital

Data analysis: Panel 1: Market-based measure result

5.4.5.2 Univariate analysis

A non-parametric correlation test used to determine the association between FV and disclosure levels. The results (based on Table 47) show that; different categories of disclosure have insignificant correlations with FV. However, to draw a firm conclusion about the relationship between FV and disclosure level, it is advisable to analyse the results from a multiple regression that controls for the influence of other variables affecting FV. There is a significant correlation between FV and the asset size with no correlation with other variables. The overall disclosure level has insignificant correlation with FV. Moreover, the results indicate that firm size have significant positive association with FV. Later on, in Multivariate analysis, calculated VIF values support the absence of multi-collinearity problem as they do not exceed 10 (Acock, 2008)

***Table 47**: Correlation coefficient (N=33)*

	MC	*OV.D*	*ROA*	*STAND*	*SIZE*	*LEV*	*SAD*	*BLOCK*	*BD.SIZE*	*INDEP*	*RISK*
MC	1	0.234	0.343	0.173	**0.572****	0.227	0.125	0.020	0.318	-0.160	-0.273
OV.D		1	-0.135	0.104	0.145	0.337	0.620**	-0.322	0.162	-0.175	-0.296
ROA			1	-0.017	0.120	-0.357*	-0.226	-0.091	0.083	-0.085	0.030
STAND				1	0.090	-0.284	0.020	-0.122	0.116	0.204	0.187
SIZE					1	0.329	0.117	0.306	0.495**	-0.013	-0.269
LEV						1	0.140	0.097	0.314	-0.155	-0.431*
SAD							1	-0.248	-0.073	-0.153	-0.164
BLOCK								1	-0.157	0.143	0.346
BD.SIZE									1	-0.038	-0.605**
INDEP										1	0.171
RISK											1

This table shows the Correlation matrix for model 4 related to overall disclosure; **MC**: is firm value based on market capitalization; **ROA**: probability for banks based on return on assets; **SSBD**: is the sharia disclosure based on sharia supervisory board report to reflect sharia accountability; **CSRD**: is the social disclosure based on corporate social responsibility report to reflect social accountability; **FD**: is the financial disclosure based on financial statements to reflect financial accountability; **OVERALLD**: is the overall disclosure that contain three accountabilities which are sharia, social and financial; **STANDARD**: is the accounting standard adopted by banks (AAOIFI or IFRS); **SIZE**: size of the bank based on the logarithm of total assets; **LEV**: leverage of bank based on total debts on total assets; **SAD**: is the sharia auditing department inside the bank; **BLOCK**: block holders as one of the ownership structure kind for bank; **BOARDSIZE**: board size for bank; **INDEP**: is represent the board independence; **RISK**: risk ratio based on tier 1 capital; *** Significant at 1% level; **Significant at 5% level ; *Significant at 10% level

5.4.5.3 Multivariate analysis

To provide a more comprehensive analysis of the relationship between disclosure and FV, a multivariate analysis is conducted that controls for other variables expected to affect FV: namely, asset size; profitability based on ROA; leverage, risk; accounting standards; SAD; block holders; board size and board independence as outlines in Table 48. It performed 4 ordinary least square (OLS) regression to examine the association between the multi disclosure level and FV based on MC. Model (1) that focused on the Sharia disclosure shows significant positive association with FV (0.073 with β 0.431). Model (2) reveals insignificant association between social disclosure and FV. Financial disclosure has no significant association with FV based on model (3). Model (4) displays a significant positive association between the two variables (0.060 with β 0.428). This result expected within the context of IBs as well as economic consequences for disclosure literature that shows core benefits for disclosure generally and for *Sharia* disclosure particularly.

To summarize, the results indicate that *Sharia* disclosure appears to have a positive association with FV because compliance with *Sharia* is representing competitive advantage as well as main criteria to invest in IBs. It is reflects importance and benefit through disclosure about *Sharia* on

FV. Our results also show that social and financial disclosure has a positive, but insignificant association with FV. When we jointly the 3 kind of disclosure; we find a positive association between disclosure and FV. These results emphasize that association is complex, mixed and depends on the interplay of a category of disclosure (Hassan et al., 2009). The associations between FV and control variables in model 2 are similar to those in model 3, which shows positive association with size. The result shows positive correlation with accounting standard; size and SAD in model 1 and model 4.

***Table 48**: Regression analysis*

	Model 1 (SSBD)			*Model 2 (CSRD)*			*Model 3 (FD)*			*Model 4 (OVERALLD)*		
	Standardized Coefficients	*Sig*	*VIF*	*Standardized Coefficients*	*Sig*	*VIF*	*Standardized Coefficients*	*Sig*	*VIF*	*Standardized Coefficients*	*Sig*	*VIF*
(Constant)		0.461			0.733			0.559			0.260	
SSBD	**0.431**	**0.073**	**2.417**									
CSRD				0.280	0.161	1.619						
FD							0.070	0.754	1.956			
OV.D										**0.428**	**0.060**	**2.174**
ROA	-0.010	0.956	1.527	-0.004	0.982	1.533	0.047	0.815	1.540	-0.009	0.960	1.523
STAND	**0.382**	**0.038**	1.378	-0.259	0.153	1.329	-0.343	0.139	1.991	**0.378**	**0.038**	1.362
SIZE	**0.858**	**0.000**	1.925	**0.741**	**0.002**	1.849	**0.759**	**0.002**	1.896	**0.803**	**0.001**	1.841
LEV	-0.240	0.277	2.136	-0.206	0.359	2.103	-0.123	0.585	1.955	-0.263	0.238	2.190
SAD	**0.468**	**0.059**	2.536	-0.219	0.227	1.356	-0.161	0.379	1.284	**0.412**	**0.062**	2.052
BLOCK	-0.147	0.427	1.529	-0.133	0.486	1.537	-0.148	0.460	1.543	-0.131	0.478	1.535
BD.SIZE	-0.147	0.427	1.514	-0.219	0.274	1.659	-0.137	0.489	1.514	-0.201	0.284	1.564
INDEP	-0.025	0.876	1.162	-0.030	0.855	1.162	-0.036	0.837	1.232	-0.011	0.944	1.172
RISK	0.026	0.882	1.400	-0.032	0.861	1.453	0.022	0.908	1.403	-0.008	0.962	1.408
R Square	0.723			0.703			0.669			0.728		
F value	2.403			2.145			1.783			2.474		
P value	0.042			0.065			0.012			0.037		

This table shows the regression analysis for 4 models; **Model 1:** It explore the sharia accountability disclosure; **Model 2:** It explore the social accountability disclosure; **Model 3:** It explore the financial accountability disclosure; **Model 4:** It explore the overall accountability disclosure; **MC**: is firm value based on market capitalization; **ROA**: probability for banks based on return on assets; **SSBD**: is the sharia disclosure based on sharia supervisory board report to reflect sharia accountability; **CSRD**: is the social disclosure based on corporate social responsibility report to reflect social accountability; **FD**: is the financial disclosure based on financial statements to reflect financial accountability; **OVERALLD**: is the overall disclosure that contain three accountabilities which are sharia, social and financial; **STANDARD**: is the accounting standard adopted by banks (AAOIFI or IFRS); **SIZE**: size of the bank based on the logarithm of total assets; **LEV**: leverage of bank based on total debts on total assets; **SAD**: is the sharia auditing department inside the bank; **BLOCK**: block holders as one of the ownership structure kind for bank; **BOARDSIZE**: board size for bank; **INDEP**: is represent the board independence; **RISK**: risk ratio based on tier 1 capital; * 0.01; ** 0.05; *** 0.001

Panel 2: Accounting-based measure result

Table 49 shows the correlation matrix for the dependent and continuous independent variables. Consistent with our expectation, the overall disclosure is significantly positive correlated with the FV based on ROA (0.439) with level 10%. It shows that overall corporate disclosure level of our selected banks has a strong effect on profitability. The correlation between ROA and the other variables is not statistically significant.

Table 49: Correlation matrix (N=33)

	ROA	OV.D	STAND	SIZE	LEV	SAD	BLOCK	BD.SIZE	INDEP	RISK
ROA	1									
OV.D	0.439*	1								
STAND	0.133	0.119	1							
SIZE	0.158	0.206	0.128	1						
LEV	-0.103	0.336	-0.158	0.455**	1					
SAD	0.084	0.632**	0.020	0.122	0.114	1				
BLOCK	0.235	-0.268	-0.133	0.282	0.237	-0.260	1			
BD.SIZE	0.063	0.258	-0.050	0.396*	0.333	0.004	-0.216	1		
INDEP	-0.104	-0.220	0.224	0.099	0.034	-0.181	0.110	-0.167	1	
RISK	0.297	-0.006	0.197	-0.111	-0.071	-0.001	0.342	-0.378*	0.147	1

MC: is firm value based **ROA** (return on assets); **SSBD**: is the sharia disclosure based on sharia supervisory board report to reflect sharia accountability; **CSRD**: is the social disclosure based on corporate social responsibility report to reflect social accountability; **FD**: is the financial disclosure based on financial statements to reflect financial accountability; **OVERD**: is the overall disclosure that contain three accountabilities which are sharia, social and financial; **STAND**: is the accounting standard adopted by banks (AAOIFI or IFRS); **SIZE**: size of the bank based on the logarithm of total assets; **LEV**: leverage of bank based on total debts on total assets; **SAD**: is the sharia auditing department inside the bank; **BLOCK**: block holders as one of the ownership structure kind for bank; **BD.SIZE**: board size for bank; **INDEP**: is represent the board independence; **RISK**: risk ratio based on tier 1 capital; *** 0.01; ** 0.05; *** 0.001**

5.4.5.4 Multivariate analysis

This study presents evidence those IBs with more comprehensive corporate disclosure exhibit better ROA related to our main hypothesis as show in Table 50. For panel 2 that measuring FV based on ROA; it performed four OLS models. Model (1) shows significant positive association between *Sharia* disclosure and FV (0.003 with β 0.759). Model (2) reveals positive significant association between social disclosure and FV. This result expected within the context of the IBs as a social face. In contrast, Table shows insignificant association with financial disclosure in model (3). Model (4) displays a significant positive between FV and aggregate disclosure (0.001 with β 0.810). Therefore, the results indicate that *Sharia* and social disclosure appears to have positive impacts on the FV. The association between FV and control variables in panel 2 shows negative sign with Leverage in models 1, 2 and 4. It shows positive association between FV and SAD related to *Sharia* and overall disclosure. The regression analysis shows positive link between FV and risk concerned with *Sharia* disclosure.

Table 50: Regression analysis

	Model 1 (SSBD)			Model 2 (CSRD)			Model 3 (FD)			Model 4 (OVERALLD)		
	Standardized Coefficients	Sig	VIF	Standardized Coefficients	Sig	VIF	Standardized Coefficients	Sig	VIF	Standardized Coefficients	Sig	VIF
(Constant)		0.828			0.535			0.269			0.242	
SSBD	**0.759**	**0.003**	**2.372**									
CSRD				**0.557**	**0.010**	**1.583**						
FD							0.331	0.184	1.904			
OVERALLD										**0.810**	**0.001**	**2.139**
STANDARD	-0.061	0.728	1.330	0.165	0.367	1.306	-0.135	0.589	1.989	-0.063	0.700	1.317
SIZE	0.301	0.143	1.744	0.088	0.671	1.718	0.129	0.578	1.717	0.207	0.268	1.683
LEV	**-0.431**	**0.030**	1.542	**-0.392**	**0.054**	1.511	-0.323	0.145	1.491	**-0.487**	**0.011**	1.590
SAD	**0.412**	**0.085**	2.321	0.010	0.954	1.232	0.079	0.682	1.198	**0.348**	**0.084**	1.872
BLOCK	0.225	0.235	1.511	0.255	0.201	1.522	0.228	0.302	1.519	0.258	0.150	1.519
BOARDSIZE	0.189	0.316	1.512	0.042	0.836	1.659	0.206	0.348	1.510	0.085	0.633	1.563
INDEP	-0.085	0.605	1.158	-0.089	0.601	1.158	-0.072	0.712	1.217	-0.055	0.721	1.169
RISK	**0.323**	**0.081**	1.388	0.208	0.281	1.448	0.336	0.118	1.394	0.258	0.135	1.399
R Square	0.639			0.659			0.544			0.738		
F value	2.368			1.960			1.074			3.063		
Sig	0.046			0.093			0.041			0.015		

This table shows the regression analysis for 4 models; **Model 1:** It explore the sharia accountability disclosure; **Model 2:** It explore the social accountability disclosure; **Model 3:** It explore the financial accountability disclosure; **Model 4:** It explore the overall accountability disclosure; **MC**: is market value based **ROA** (return on assets); **SSBD**: is the sharia disclosure based on sharia supervisory board report to reflect sharia accountability; **CSRD**: is the social disclosure based on corporate social responsibility report to reflect social accountability; **FD**: is the financial disclosure based on financial statements to reflect financial accountability; **OVERALLD**: is the overall disclosure that contain three accountabilities which are sharia, social and financial; **STANDARD**: is the accounting standard adopted by banks (AAOIFI or IFRS); **SIZE**: size of the bank based on the logarithm of total assets; **LEV**: leverage of bank based on total debts on total assets; **SAD**: is the sharia auditing department inside the bank; **BLOCK**: block holders as one of the ownership structure kind for bank; **BOARDSIZE**: board size for bank; **INDEP**: is represent the board independence; **RISK**: risk ratio based on tier 1 capital; *** 0.01; ** 0.05; *** 0.001**

5.4.6 Discussion

Thus, in Panel 1; the *Sharia* and overall disclosure models support the significant association between corporate disclosure and FV. This result corroborates the results of previous studies (Anam et al., 2011; Sheu et al., 2010). The social and financial disclosure models indicate insignificant association between disclosure and FV, which supported by work of Murray et al (2006). While, concerned with Panel 2; the *Sharia*; social and overall disclosure models support the significant correlation between disclosure and FV. This finding validates the consequences of preceding studies (Margolis and Walsh, 2003). The financial disclosure model indicates insignificant association, which supports finding of Murray et al (2006). Whereas, Behn et al (2008) suggest that the availability of financial disclosures are positively associated with FV

Concerned with the association between social disclosure and FV, the result is supported outcomes of Dhaliwal et al (2011), that suggests proactive social accountability activities enhance firm's market value and financial performance. However, results of Plumlee et al (2009) contrast this result, which reports a negative relationship between FV and social disclosure. Moreover, Hassan et al (2009) find insignificant association between FV and disclosure. The research indicates that FV based on accounting-based measure statistically significantly related to CSR disclosure. This is in line with findings by Scholtens (2008). The empirical findings of Simpson and Kohers (2002) support the notion of a positive social - financial performance link. Orlitzky et al (2003) perform a meta-analysis of 52 quantitative studies and confirm a positive relationship between social disclosure and FV, while Margolis and Walsh (2003); Roman et al (1999) summarize 127 and 52 studies, respectively, and find a generally positive association between these two variables. The result is consistent with findings of studies that adopting signalling theory (Curado et al., 2011). Signalling theory used to explain managers' incentives to disclose more information in financial reports (e.g. Haniffa and Cooke, 2002). The result particularly related to the impacts of *Sharia* and social disclosure on the FV supported views of managers that have to disclose adequate information in the financial statements to convey specific signals to potential users, which gain value for the firms. Furthermore, the result is matching with the previous studies that adopted economic theory (Easley and O'Hara, 2004) which suggest a positive impact of disclosure on FV. Moreover; the study' results are consist with theoretical bases for economic theory that argue that improved disclosure has positive consequences on investor through increases the shares' liquidity and improving FV. Overall, the outcomes for the two panels based on the aggregate disclosure are matching with Tsalavoutas and Dionysiou (2014); Abdullah et al (2015) that recently posited a significant relationship between firm value and disclosure levels

From an Islamic approach, IBs may not link between disclosure and its consequences. IBs may disclose information about SSF not just to gain the earth' rewards which is high profitability but also to get a heaven' rewards which is heaven and get satisfaction of Allah in this life and in the hereafter. Allah said, *"That He may give them in full their rewards and increase for them of His bounty"* (Quran, 35:30). Allah also states verse shows that reward of Allah is higher than earth reward

"Say, In the bounty of Allah and in His mercy - in that let them rejoice; it is better than what they accumulate" (Quran, 10:58). Furthermore, the results are matching with the Islamic approach about the economic consequences for good acts as well as disclosure about these acts. This consequence can express by Baraka as Allah said *"If you loan Allah a goodly loan, He will multiply it for you and forgive you. And Allah is Most Appreciative and Forbearing*" (Quran, 64:17).

The mixed results are consisting with Vafaei et al (2011) who reports significant and insignificant association between disclosure and FV in one study. The results also approved outcomes of Botosan and Plumlee (2002) who find that the impacts of disclosure are sensitive to the category of disclosure being made. Furthermore, the insignificant association between FV and financial disclosure is matching with Murray et al (2006) who found no direct association between FV based on share returns and corporate disclosure for the UK's firms. Therefore, this study accepted the main hypotheses related to the impacts of disclosure on the FV that concerned with *Sharia*; social and overall disclosure. However, it rejected the hypothesis related to the impact of financial disclosure. Thus, financial disclosure has insignificant consequence on the FV whereas non-financial disclosure has a significant economic impact on the FV.

The results support the importance of compliance with *Sharia* and serving the society for IBs, which reflect the role of these accountabilities and disclosure about it on enhancing the performance of IBs. A rich information could lead to desirable economic consequences as a reduction in the firm's cost of capital (Beyer et al., 2010) and an increase in the firm's value (Leuz and Wysocki, 2008). The variances in the result between the two panels particularly concerned with social disclosure is can justify based on adopting different measures of FV (ROA and MC). This result support work of Uyar and Kiliç (2012); Hassan et al (2009) that find the association between disclosure and FV varies depending on the proxy used for FV and based on the category of disclosure. The result of financial disclosure is matching with Wang et al (2008) that find no evidence about the benefit from extensive financial disclosure on FV. This insignificant association can justify based on the ethical identification for IBs and ethical behaviour and attitude for investors who deal with these banks, which gives high weight for *Sharia* and social disclosure more than financial.

The benefits behind *Sharia* disclosure is can justify because compliance with *Sharia* is the main motivation for dealing with IBs (Haque et al., 2009). Echchabi and Olaniyi (2012) found that the religious factor is the main influence for the stakeholders to patronize IBs. Therefore, it can conclude that; disclosure about *Sharia* compliance has an impact on profitability through increasing the number of customers and investing in these banks as well as enhancing the image and reputation, which generally have consequences on FV. The economic consequences for social disclosure can justify based on intangible benefits for this category of disclosure as firm' reputation (Schwaiger, 2004), increased employee motivation and improved brand image (Epstein and Roy, 2001) which influence on financial performance. Disclosure about CSR activities is a signal for organizational attractiveness (Turban and Greening, 1997) which has impact on the FV. These results supported signalling theory (Boulding and Kirmani, 1993) which suggests the impact of social disclosure on FV.

5.4.7 Concluding remarks

This study contributes to the disclosure literature by being the first study to measure the economic consequences for multi categories of disclosure (SSF) for 33 IBs. In particular, it analyses the impact of the three brands of disclosure on FV based on accounting and market methods. After controlling firm characteristics and CG variables; the research' finding confirms the significant positive association between disclosure and FV based on accounting and market measures which consisting with Cheung et al (2010); Jiao (2011).

This study provides a number of theoretical arguments and a range of empirical evidence as to why such an association might arise. The positive link between disclosure and FV confirms the traditional view that more information adds value to firms. The relationship is statistically significant on an individual basis disclosure (*Sharia* and social) as well as is jointly significant with aggregate disclosure. This result is consisting with Gelb and Zarowin (2002) who find that firms with high disclosure are more likely to show a stronger FV. In addition, our result related to social disclosure is supported the debating about socially responsible firms appeal to consumers who care about the corresponding social issues, which lead to superior FV (Lev et al., 2010). The current study provides evidence that IBs tend to benefit from greater *Sharia*; social and aggregate disclosure. This results support the idea that IBs can use corporate disclosure differentiate them self and enhancing their competitive advantage through increasing FV for IBs.

This finding provides important implications for investors, managers, regulatory bodies, policy makers and IBs. This result tells investors that *Sharia* and social disclosures have a positive effect on market value of their banks. Managers who engage in good practices of information disclosure recommended continuing doing so. For those who refrain themselves from providing information to the stakeholders, our results call for more transparency if they want their bank' value to be more attractive. Regulatory bodies as AAOIFI expected to guide IBs toward the best practices of disclosures since banks look for such guidance. They play a motivating role in this area of information disclosure. This results has shown that disclosure of non-financial was absent in many annual reports and websites for our selected IBs. Therefore, regulatory bodies may identify a minimum level for *Sharia* and social disclosure that publish by each bank. Moreover, this result has an implication on IFRS that may consider *Sharia* and social information for IBs to enhancing their value through issuing a comprehensive accounting standard related to IBs. This study' result has an implication on the policy makers through provide evidence that non-financial disclosure have an economic consequence on FV by mandatory of IBs to disclose this kind of information. Furthermore, this finding is important for IBs, which may be aware that more *Sharia* and social disclosure might have a significant impact on their value. This study moreover provides a valuable contribution to researchers as it extends the understanding of how the holistic disclosures affected on the FV of IBs.

This study adopts disclosure indices to investigate disclosure levels. Therefore, the results are only valid to the extent that the disclosure indices used is applicable. The selection of the items included in the index involves some degree of judgment and subjectivity. However, the reliability test is satisfactorily. It also acknowledged that the single-year data used for testing the relationships hypothesized might restrict the generalization of findings. Thus, the study may replicated by using panel data to observe the trend in investigations. This sample is relatively small, which may limit the application of the findings to other IFIs (The limited sample explained based on limited data about MC for IBs). It asking further research to contain other kinds of IFIs to see for what extent the association between disclosure and FV are variance. Future research could also explore the association between *Sharia* and social disclosure with cost of capital for IBs. Forthcoming research also could study whether or not the quantity and quality of *Sharia*; social and financial information have different effects on FV. Using other research tools in measuring non-financial disclosure quality represents another direction as undertaking questionnaires and interviews with investors' which might reveal great insights into their perceptions about the economic consequences for disclosure

Empirical study (5): The non-economic consequence of disclosure: Evidence from Islamic banks

5.5.1 Introduction

Enhancing stakeholders' value is an essential purpose for business entities and financial institutions are no exception. The stability of financial institutions, their financial performance and the ability to intermediate resources depends on stakeholders' confidence in individual institutions and the industry. A unique feature of the confidence in Islamic banks (IBs) is their ability of conveying to stakeholders that financial transactions are conducted in conformity with Islamic principles and rulings, i.e. *Sharia* (Grais and Pellegrini, 2006). IBs faced with strong competition not only from IBs but also from non-Islamic rivals. When competition intensifies and banks start to offer similar products and services, the stakeholders' satisfaction, trust and loyalty can influence the performance of IBs and determines its competitiveness and success. Hence, it is of paramount importance to assess the degree of stakeholders' satisfaction, trust and loyalty towards Islamic banking operations. Furthermore; bank disclosure in annual reports and bank website along with other media are the main tools to deliver necessary information about Islamic banking activities to stakeholders.

Prior literature has been exploring the link between trust, satisfaction and loyalty in banks from a marketing-theory perspective (Bernhardt et al., 2000) and in particular for IBs (Butt and Aftab, 2012). They found support to the association among trust, satisfaction, and loyalty and their impact on financial performance and profitability. Customer satisfaction and loyalty positively related to profitability and market share (Anderson et al., 1994). Moreover, many studies measure the economic consequences of disclosure on financial performance; cost of equity; firm value; analysts' forecasts and share price anticipation of earnings (Elzahar et al., 2015; Wang et al., 2015; Volkov and Smith, 2015).

To date, the literature has devoted insufficient attention to establish a theoretical framework and empirical analysis of the effect of disclosure on customer loyalty in IBs. Recent studies propose that CSR could be useful to explore the relationship between companies and their stakeholders (Bhattacharya and Sen, 2003). Academic literature provides evidence on the effects of CSR activities on customer loyalty (Perez et al., 2012). Other studies provide confirmation on the effect of satisfaction on loyalty (Amin et al., 2011) and trust on loyalty (Kaur et al., 2012; Castaneda, 2011). Furthermore, academic literature provides evidence on the economic consequences for disclosure (Wang et al., 2015; Volkov and Smith, 2015; Moumen et al., 2015). However, insufficient attention has been given to the non-economic impact of disclosure on loyalty (moderated by trust and satisfaction) in IBs. Limited research investigates the association between disclosure variables (SSF disclosure) and social exchange variables (trust and satisfaction) in explaining stakeholders' loyalty (He et al., 2012). Therefore, this study provides an integrated framework to fill the gap in prior literature.

Most of the prior studies focused on the link between CSR and loyalty (Perez et al., 2012) and did not investigate the impact of compliance with *Sharia* on stakeholders' loyalty. Furthermore, fairly recently the CSR notion has been used in studies incorporating the customer loyalty model. In this sense, He and Li (2011), demonstrate a positive association between CSR and customer loyalty. According to these studies, CSR is a significant attribute of corporate image in the sense that it is able to attract consumers and investors. This study considers the impact of disclosure about CSR on customer loyalty by seeking a better explanation through social exchange variables (trust and satisfaction). Little research has provided a conceptual model to understand how CSR influences firms' stakeholders loyalty formation process (Mason et al., 2006) and how disclosure about CSR, *Sharia* compliance, and financial performance can influence stakeholders' loyalty of IBs.[46]

[46] Hameed (2001) argued that the disclosure of *Sharia* compliance is one of the fundamental Islamic accounting objectives. Thus, this information should disclose voluntarily, even though it may not be required mandatorily.

Therefore, the main aim for this study is investigate the direct effects of disclosure that contain SSF aspects on the stakeholders' loyalty. It also aims to investigate to what extent trust and satisfaction mediate this effect. This study motivated by several aspects. First, the role of services in business markets has not been thoroughly conceptualised or researched (Barr and McNeilly, 2003). The financial service industry is an interesting field for studying the service provider-consumer relationship (Ryals, 2005). Second, this study motivated by the on-going debate on whether dealing with IBs based on trust and whether abstaining from dealing with IBs is mainly a matter of distrust. Therefore, it investigates the role of disclosure in enhancing trust and loyalty of stakeholders. Third, most prior research focuses on the economic consequences of financial disclosure (Healy and Palepu, 2001). Hence, it investigates the non-economic consequences of disclosure as a multi-faceted phenomenon including *SSFD*. Finally, retaining existing customers and strengthening customer loyalty is very crucial for banking services to gain competitive advantage (Deng et al., 2010). This study investigates the extent to which the disclosure of IBs has an impact on customer loyalty.

The findings show a significant association of disclosure on trust, satisfaction, and stakeholders' loyalty. Therefore, it provides novel empirical evidence on the non-economic impact of the disclosure. In this regard, we find that the more IBs disclose about *Sharia* compliance, social, and financial performance, the more they benefit from stakeholders' trust, satisfaction, and loyalty. These results suggest that disclosure about SSF accountability in annual reports and bank websites affects stakeholders' behaviour, the bank's image and its market share. This may be of interest to IBs as well as conventional banks with Islamic windows.

The reminder of the study is organised as follows: section 5.5.2 explores the theoretical framework of disclosure from accounting and marketing perspectives. Section 5.5.3 surveys the literature on the economic consequences of disclosure and provides the development of research hypotheses. Section 5.5.4 introduces the research design. Section 5.5.5 presents the empirical analysis. Section 5.5.6 discusses the results. Finally, section 5.5.7 concludes.

5.5.2 Conceptual framework

5.5.2.1 Theoretical Accounting perspectives for disclosure

Voluntary disclosure theories conclude that one of the main benefits of voluntary disclosure is a reduction in information asymmetry and a lower cost of capital (Lambert et al., 2007). Prior research argued that a joint consideration of disclosure theories may be of great help in explaining a particular phenomenon by providing richer insights into the understanding of corporate disclosure practices, thus disclosure theories may considered as complementary rather than competing (Carpenter and Feroz, 2001). Current theories typically focus on direct outcomes of firm disclosure activities. These outcomes include liquidity, cost of capital and firm valuation (Leuz and Wysocki, 2008). The theoretical literature has suggested various channels through which disclosures can affect firm value and performance. Grossman (1981) argue for the importance of high quality and expanded disclosures in attracting investors.

Based on agency theory, Akhtaruddin and Hossian (2008) affirm that information disclosure motivated by the wish of the managers to treat the potential conflicts between companies' managers and stakeholders. In a similar vein, corporate financial reporting and disclosures play the role of a control mechanism for managers' performance recognitions to which managers are likely to disclose more voluntary information (Khlifi and Bouri, 2010). Signalling theory suggests that voluntary information disclosure in corporate annual reports can used as a signal in order to improve the corporate image/reputation, attract new investors, and help to improve its relationships with the relevant stakeholders (Hawashe, 2014). As has been asserted by Álvarez et al (2008) voluntary information disclosures can considered a signal to capital markets, directed to reduce the asymmetry of information that often exists between insiders and outsiders of a company, and to enhance corporate value. Legitimacy theory has its roots in the idea of a social contract between the corporation and society. A company's survival and growth depend on its ability to deliver desirable ends, to distribute economic, social, or political benefits to the groups from which it derives its power (Shocker and Sethi, 1974). This theory employed extensively as an explanatory theory to explain the motivations behind voluntary corporate social and environmental disclosures (Cowana and Deegan, 2011). All the previous disclosure theories focused on the economic consequences of enhanced disclosure with no reference to non-economic impacts of disclosure. Therefore, this study tends to add value to prior research by exploring the non-economic consequences of disclosure through measuring its impact on the stakeholders' trust; satisfaction and loyalty.

Islamic banks must adhere to the regulations set by bank regulators and the Islamic principles of *Sharia*. Capital providers (shareholders and investors) to IBs are extremely concerned that their funds invested in a Sharia -compliant manner (Chapra and Ahmed, 2002). Thus, while agency problems in conventional companies arise when managers deviate from their duty to maximize shareholders' wealth, any divergence by managers of IBs from placing all supplied funds in Sharia -compliant investments creates an additional source of agency problems. Corporate disclosure identified as one of the most fundamental elements contributing to good Corporate Governance (Healy and Palepu, 2001). Availability of information is essential to minimize the information asymmetry between insiders and outsiders and to allow general investors to assess company performance (Cheung et al., 2010).

Table 50 presents prior studies measuring the consequences of disclosure. Accordingly; all the studies focused on the impacts of increased disclosure -mandatory or voluntary- on firm value (Elzahar et al., 2015); cost of capital (Kothari et al., 2009); analysts' forecasts (Wang et al., 2015); financial performance (Wang et al., 2008) and share price anticipation of earnings (Hussainey and Walker, 2009). Moreover, most studies adopt disclosure indices to investigate the economic impacts of disclosure (Volkov and Smith, 2015). Additionally, the majority of prior studies rely on the annual reports for measuring the consequences of disclosure (Moumen et al., 2015). Consequently, to our knowledge, none of these studies investigates the non-economic consequences of disclosure on stakeholders' behaviour. Furthermore, none of the prior literature collects data from primary sources using questionnaire design, focuses on non-financial disclosure like *Sharia* compliance and social disclosure, or investigates the consequences of disclosure in Islamic-banking setting. Finally, no prior study focuses on multiple stakeholders as customers and investors. Based on the previous studies; we expect a significant impacts on investors and all stakeholders by enhancing their loyalty; trust by enhancing firm value and reducing the cost of capital.

Table 51: *The economic consequences for increased disclosure*

Studies	Research Issue	Country	Findings
Elzahar et al., 2015	*Economic consequences of Key Performance Indicators' disclosure quality*	*UK*	*We find a significantly negative (weakly positive) relationship between disclosure quality of financial KPIs and the implied cost of capital (firm value).*
Moumen et al., 2015	*The Value Relevance of Disclosure in Annual Reports*	*MENA countries*	*Found a positive relationship between voluntary disclosure information and the market's ability to anticipate two-year ahead future earnings change. It approves the usefulness of disclosure in annual reports.*
Wang et al., 2015	*Management earnings forecasts and analyst forecasts*	*China*	*Showed that such selective disclosure negatively influences analysts' forecasts and reduces analyst following and forecast accuracy.*
Miihkinen, 2013	*The usefulness of firm risk disclosures under different firm riskiness, investor-interest, and market conditions*	*Finland*	*It found that momentum in stock markets affects the relevance of firms' risk reports*
Uyar and Kilic, 2012	*Value relevance of voluntary disclosure*	*Turkey*	*Voluntary disclosure is value-relevant; i.e. influences firm value. Therefore, this finding might accepted as a signal to corporations to disclose more information to the stakeholders.*
Jiao, 2011	*Corporate Disclosure, Market Valuation, and Firm Performance*	*USA*	*A positive and significant relationships between the AIMR rankings on firms' mandatory and voluntary disclosures and stock returns, market valuation, future operating performance, and future* Randd *intensity.*
Hussainey and Mouselli, 2010	*The link between accounting information and disclosure quality*	*UK*	*Showed that future-oriented earnings statements in the annual report narratives increase the stock market's ability to anticipate future earnings change three years ahead.*
Cheung et al., 2010	*Transparency matters among Chinese listed companies*	*China*	*There is a positive and significant relation between company transparency and market valuation*
Kothari et al., 2009	*The effect of disclosures by business press, management on cost of capital, return volatility, and analyst forecasts*	*USA*	*Found that when content analysis indicates favourable disclosures, the firm's risk, as proxies by the cost of capital, stock return volatility, and analyst forecast dispersion, declines significantly. Unfavourable disclosures accompanied by significant increases in risk measures*
Hussainey and Walker, 2009	*The effects of voluntary disclosure and dividend*	*UK*	*Found that share price anticipation of earnings improves with increasing levels of annual report*

	propensity on prices leading earnings		*narrative disclosure, and that firms that pay dividends exhibit higher levels of share price anticipation of earnings than non-dividend-paying firms*
Hassan et al., 2009	*The association between mandatory and voluntary disclosures and firm vale*	*Egypt*	*It shows highly significant negative association between mandatory disclosure and firm value. Also showed a weaker positive relationship between voluntary disclosure and firm value*
Wang et al., 2008	*Determinants and consequences of voluntary disclosure in an emerging market*	*China*	*Found a significant positive relationship between voluntary disclosure and a company's financial performance measured by return on equity*
Haggard et al., 2008	*Does voluntary disclosure improve stock price informativeness*	*USA*	*The disclosure improves investors access to firm-specific information and makes stock prices more informative, which may in turn improve the efficiency of corporate governance and firm investment*
Da Silva and Alves, 2004	*The existence of associations between voluntary disclosure of financial information on the Internet and Firm value*	*Argentina, Brazil and Mexico*	*The disclosure of financial information on the Internet obtained greater market values. The disclosure of financial information on the Web can maximize the firm value as the investors have easy access to the source of information in order to make decisions of investment.*

5.5.2.2 Theoretical Marketing perspectives for loyalty, trust and satisfaction

5.5.2.2.1 Stakeholders Trust

Trust defined as a belief that the service provider can be relied on to behave in such a manner that the long-term interests of the consumers will be served (Crosby et al., 1990). In this sense, Reichheld and Schefter (2000) observe "to gain the loyalty of customers, you must first gain their trust" (p.107). The importance of trust concerned with explaining customer loyalty supported by Ball et al (2004). Moreover, trust considered key to building relationships within the Banking industry as well as Islamic banking system. Trust is a dynamic and multi-faceted concept (Dimitriadis et al., 2011). In an Islamic banking context, trust defined as a moral obligation of every individual in the performance of his or her duties in society. Islam places the highest emphasis on trust and considers being trustworthy as an obligatory personality trait (Iqbal and Mirakhor, 2007). Thus, the foundation of the philosophy of the dimension of trust in the Islamic banking system can see as a symbol of trustworthiness, honesty, equity, equality among human beings, and moral values that established to enhance the business relationship between banks and customers (Sauer, 2002). Similarly, ethics and compliance with *Sharia* highly regarded and sustained as pillars in running Islamic banking activities based on trust (Kayed and Hassan, 2011). The trust from a several perspective further recommended because trust is a source of competitive advantage as well as it increases satisfaction with interaction and it is a fundamental asset in every business and non-business relationship (Pivato et al., 2008).

5.5.2.2.2 Stakeholders Satisfaction

Customer satisfaction described by Kotler (2003) as a person's feeling of pleasure as a result of comparing a services' perceived performance with his or her prior expectations of its performance. Under this concept, consumers form expectations of product performance prior to purchase. These expectations derived from experience with the product itself or with similar products, other marketing stimuli, and existing attitudes and confidence felt by the consumer (Moon et al., 2011). Stakeholders' satisfaction is a key issue for all organisations that wish to create and keep a competitive advantage in this highly competitive world (Fonseca, 2009). Regardless the nature of business, the success of the banks depends on their ability to understand and satisfy their customers' needs (Selamat and Abdul-Kadir, 2012).

The importance of customer satisfaction in financial services as banks has been studied extensively in the existing literature (Abdullah et al., 2014; Arbore and Busacca, 2009). Fonseca (2009) defines customer satisfaction as "an overall assessment of the performance of various attributes that constitute a service" (p.353). It is essential for organisation to know how satisfied their customers are in order to device successful marketing strategy and organisational development as well as discloses information related to their activities. Customer satisfaction plays a vital role in marketing because it encourages repeat sales; re-invest; stimulates positive word-of-mouth recommendations, and builds brand loyalty (Goode et al., 1996).

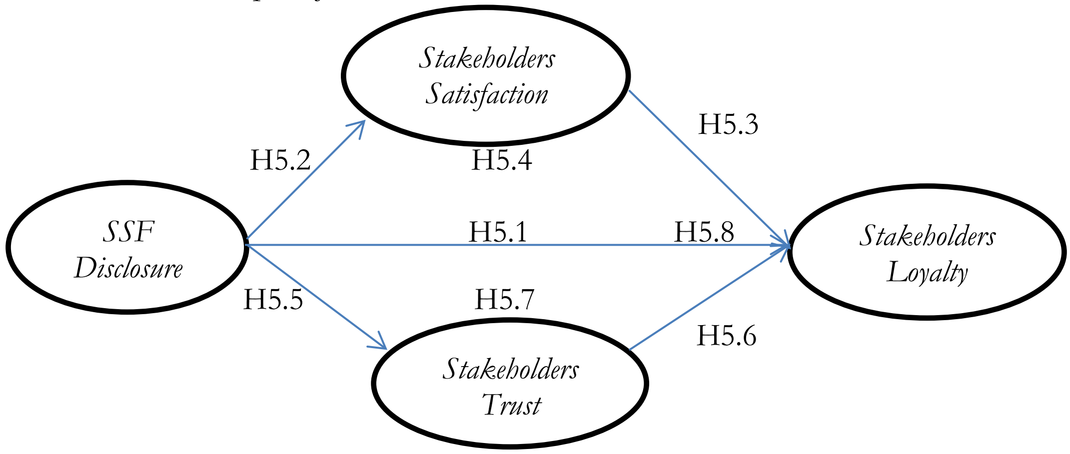
5.5.2.2.3 Stakeholders Loyalty

Building a loyal stakeholders base is an important foundation for developing a sustainable competitive advantage. Stakeholders loyalty has been recognized over several decades for its role in the creation of many successful businesses (e.g. Kotler and Armstrong, 2008; Lewis and Soureli, 2006). Loyalty refers to a consumer's commitment to reinvest a preferred service consistently in the future. Stakeholders' loyalty has become a top priority in service industries as banks, since it proven to affect profitability (Verhoef, 2003). In the banking industry, customers often develop an attitude toward purchasing behaviour based on experience, which either leads to loyalty (Anthanassopoulos et al., 2001). According to Sivadass and Baker-Prewitt (2000), customer loyalty is the ultimate objective of customer satisfaction measurement and found to be a key determinant of a brand's long-term viability. Loyalty considered an energetic aim for a firm's survival and growth. Building a loyal investor base has not only become a foremost marketing goal (Kotler and Armstrong, 2008), but it is also a significant basis for developing a sustainable competitive advantage (Dick and Basu, 1994). Compared with loyal customers, non-loyal customers influenced by negative information about services (Donio et al., 2006)

5.5.3 Development of hypotheses

This study proposes that *Sharia*, Social, and Financial Disclosure (SSFD) to be a higher-order construct composed of three dimensions. In particular, this study conceives a second-order factor structure in which the three distinct components are the manifestation of a broader, more general and more abstract higher-order latent variable (SSFD). In such a second-order factorial structure, each factor can consider a manifestation of SSFD, and each item is a manifestation of its respective factor (see Figure 10). Based on this reasoning, this study proposes that SSFD is a second-order construct composed of three dimensions (SSF)

Figure 10: Research Conceptual framework



Information Processing Theory points out that human information processing includes at least the following stages that are personal focus of attention, encoding, and judging in short-term memory; recoding and reasoning through retrieving long-term memory; and finally making a behavioural response (Miller, 1956). Accordingly, it believed that stakeholders process CSR information; *Sharia* compliance and financial performance. Stakeholders' trust of CSR; *Sharia* compliance and financial performance is generally defined as stakeholders' expectation that the bank is willing to keep promise and to fulfil obligations with honesty, goodwill, and non-opportunistic motives as well as comply with *Sharia* and achieving the expected financial target (Blomqvist, 1997). Drumwright (1996) found that even though managers described firm's motives as mixed (serving economic or financial as well as social objectives) these same managers believed that stakeholders are simplistic in their judgments about CSR initiatives and view them as either serving economic ends or reflecting sincere social concerns. This study added compliance with *Sharia* as one of the main objectives for IBs.

5.5.3.1 Pillars of Islamic accountability framework

In order to gain stakeholders' satisfaction, trust and loyalty towards IBs performance, it is important for the banks to know the stakeholders' concerns related to disclosure particularly SSF issues. IBs governed by the principles of *Sharia*. Ahmad and Haron (2002) reveal that the economic and religious factors are the most important factors for customers selecting IBs.

Consequently, disclosure about compliance with *Sharia* might influence stakeholders' satisfaction and trust towards the *Sharia* compliance; subsequently affecting their loyalty. Naser et al (1999) assessed customer satisfaction towards IBs in Jordan. Their findings indicated that the majority of customers dealt with IBs because of religious factors.

Achieving the social accountability towards the society is one of the main factors behind dealing with IBs. Haque et al (2009) confirms the significant positive relationship of the social perspective and confidence in bank with customers' perception about IBs. The same results found by Dusuki and Abdullah (2007). CSR plays a crucial role in achieving customer loyalty and sustainable competitive advantages (Nemec, 2010). A firm's CSR practices positively affect consumer's attitude toward the corporation (Bhattacharya and Sen, 2003). A growing body of academic research attests that CSR has positive influence on stakeholders' evaluations and purchase intentions of services (Ellen et al., 2006). The positive link between CSR and consumer patronage makes managers realize that CSR is not only an ethical/ideological imperative, but also an economic one in today's marketplace (Smith, 2000). Schwartz and Carroll, 2003 state that, the bottom and largest part of the firms' accountability is maximizing the profit and creates economic value for their stakeholders. Elkington (1977) suggested that, reporting may contain information about the firm economic, financial and social impacts.

5.5.3.2 Disclosure and loyalty

Compliance with *Sharia*; social activities and good financial performance has been used in studies incorporating the loyalty. In this sense, recent studies empirically demonstrate a positive relationship between performance and customer loyalty (Perez et al., 2012). Most of studies propose that performance directly generates more customer loyalty, without requiring the intervention of mediating variables. According to these studies, performance as CSR is such a significant attribute of corporate image that it is able to attract the consumer. Recently, social identification theory is receiving increasing attention for customer loyalty (He et al., 2012).

Mandhachitara and Poolthong (2011) demonstrate that firm' performance has a significantly strong and positive relationship with attitudinal loyalty.

Eakuru and Nik Mat (2008) studied the antecedents of customer loyalty in banks in Thailand. They viewed customer loyalty as crucial to long-term profitability, which is, can approve by disclosure. Garland (2002) identify direct and strong relationship between customer loyalty and firm financial performance based on the profitability, while Wisskirchen et al (2006) found that long-term growth and profitability of banks rely on banks' ability to attract and retain loyal customers. Several studies have reported that CSR can positively affect consumer loyalty towards the firm (Luo and Bhattacharya, 2006). Performance as CSR and financial practices can increase loyalty (Berens et al., 2007). This results support our hypotheses that disclosure about financial results; *Sharia* compliance and social performance will effect on the loyalty of stakeholders.

H5.1 There is a significant direct association between disclosure and loyalty

5.5.3.3 Satisfactions (direct and mediating association)

Some researchers find a significant association between disclosure and customers' satisfaction (Bigné et al., 2011)[47]. Similarly, it suggests that disclosure of SSF activities can influence customer satisfaction. Dusuki and Abdullah (2007) concluded that Muslim customers' satisfaction level is affected by good social responsibility practices as well as compliance with *Sharia*. As suggested by Heskett et al (1997), the service-profit firm as bank establishes relationships between financial performance, customer loyalty and satisfaction. Bernhardt et al (2000) suggest that a positive and significant relationship exists between changes in customer satisfaction and changes in financial performance of a firm. Therefore, it argues that; disclose information about this performance for stakeholders may enhance their satisfaction level. In the banking industry, as competition increases its level, banks may be more focusing on increasing customer satisfaction through

[47] Maignan et al (2005) suggest company's customers can be potential stakeholders who care about not only the economic performance of organizations but also to social performance of the company. A strong record of CSR creates a favourable image that positively enhances consumers' evaluations of the firm (Bhattacharya and Sen, 2003).

increasing the level of disclosure about the bank' performance (Goode and Moutinho, 1996). Luo and Bhattacharya (2006) found a positive link between CSR and customer satisfaction. Financial performance may contribute directly to shape the influence of satisfaction (Lam et al., 2004). However, the effect of disclosure on other non-economic factors on satisfaction is still unexplored particularly in IBs' context

Prior literature extensively tested the association between satisfaction and loyalty. For example, Othman and Owen (2001) linked satisfaction and loyalty, reporting that a satisfied customer will be loyal to the organisation, which is a measure for organisational performance. Customer satisfaction has a positive impact on customer loyalty (Amin et al., 2011). In banking context, although it recognized that customer satisfaction plays an important role in enhancing the long-term relationship between customers and the banks, customer satisfaction shown to be the better predictor of customer loyalty (Bontis et al., 2007). Ehigie (2006) concluded that satisfaction is significant determinants of customer loyalty. It stated that customer satisfaction is the most influential factor on customer loyalty (Hoq and Amin, 2010). Regarding the banking sector, Ladhari et al (2011) defined customer satisfaction as the total evaluation of the overall level of services provided with add compliance with *Sharia* for IBs. Chang and Chen (2008) have stated the positive linkage between satisfaction and loyalty. It viewed that, consumer satisfaction and consumer loyalty as a tool to develop sustainable competitive advantage. According to Cooil et al (2007), customer satisfaction is a key determinant of long-term consumer retention. It expects that disclosure of *Sharia* compliance, social, and financial performance have an effect on the satisfaction of stakeholders. Moreover, previous studies supported the association between the satisfaction and loyalty. Combining the preceding arguments, we hypothesise a mediating of satisfaction for the relationship between disclosure and loyalty. Hence, this study proposes the following hypotheses:

H5.2 There is a significant direct link between disclosure and stakeholders' satisfaction

H5.3 There is a significant direct link between stakeholders' satisfaction and loyalty

H5.4 Stakeholders' satisfaction mediates the effect between disclosure and loyalty

5.5.3.4 Trust (direct and mediating association)

Similar to satisfaction, trust positively affected by level of disclosure (Ball et al., 2004). Trust affected by the existence of values that the company and its consumer share (Morgan and Hunt, 1994). Stakeholders trust in a firm's performance and disclosure level considered to significance for firms in order for them to create value (Borglund et al., 2009). Deegan and Underman (2006) argue that, the increase reporting level is part form the firms' strategy to build value then creating trust among their stakeholders groups. For IBs; disclosure about *SSF* could construct and enhancing stakeholders' trust. In support of this view on CSR disclosure, Pivato et al (2008) proposed, "The creation of trust is one of the most immediate consequences of a company's social performance or the most proximate outcome of CSR activities" (p.5). As Hosmer (1994), states that firms can enhance the trust of all stakeholders by injecting ethical and responsible principles into companies' strategic decision-making processes. High levels of disclosure are more likely to attract investors, who are more trusted that stock transactions occur at "fair" prices, and thereby increase the liquidity in the firm's stock (Kim and Verrecchia, 1994). It shown repeatedly that a company's CSR policy is an antecedent of consumers trust in the company (Herault, 2012).

Stakeholders trust in an IBs context refers to stakeholders' belief that the bank will not only act in a competent and reliable manner and achieving high financial performance indicators, but will also fully comply with *Sharia* principles. This study refers to stakeholders' trust in terms of trust in the whole IBs' accountabilities. Trust considered as a determinant of loyalty particularly when a consumer perceives a relatively high degree of risk (Anderson and Srinivasan, 2003). Consumers trust in organization or its brands, not only help building loyalty, but also generate positive word of mouth (Kassim and Abdullah, 2010). Prior studies, exploring the causal linkage between trust and loyalty, considered it as the most critical factor in establishing, building and maintaining customer relationships (Chopra and Wallace, 2003). In service entities as IBs, it appears that when a customer trusts a brand (Islamic services), customers are likely to build a positive behavioural attitude towards that brand (Nguyen and Leclerc, 2011). In this respect, trust acknowledged as an important indicator in developing customer loyalty (Shainesh, 2012). A high level of trust may turn a satisfied customer into a loyal customer (Dimitriadis et al., 2011). Based on agency theory; a rich disclosure environment and low information asymmetry have many desirable consequences. These comprise the effectual allocation of resources, capital market development, liquidity in the market, reduced cost of capital, lower return volatility, and high analyst forecast accuracy (Leuz and Wysocki, 2008; Lambert et al., 2007). These consequences have a positive effect on construct the stakeholders' trust.

In linking this evidence with our direct-effects hypotheses joining disclosure attributions to trust, this study expects a link between disclosure and trust. With as incentive literature about the relationship between trust and loyalty; we expect that, disclosure have a significant association with loyalty through mediating trust. As increased disclosure, level may enhance level of stakeholders' trust about IBs' compliance with *Sharia* as well as serving society well as Islam said in additional to achieving high financial performance. Enhancing stakeholders' trust then may increase degree of loyalty. Combining the preceding arguments, we also hypothesise a mediating role of trust and satisfaction together on the link between disclosure and loyalty:

H5.5 Disclosure has a significant direct effect on stakeholders' trust

H5.6 Stakeholders' trust has a significant direct effect on stakeholders' loyalty

H5.7 Stakeholders' trust mediates effect between disclosure and loyalty

H5.8 Stakeholders' trust and satisfaction mediates effect between disclosure and loyalty

5.5.4 Methodology

5.5.4.1 Measurement of Constructs

Using a multi-stage approach, this study collected data on IBs external stakeholders' perception of disclosure using a questionnaire survey design. This study initially started to measure the constructs in this study based on the analysis of prior studies in order to ensure content validity. Then, it enhanced the design by the insight gained from discussions with experts, academics and professionals, who are working in IBs. For the measurement of variables, we adopted a multiple-item 5-point Likert scale ranging from strongly disagree (1) to strongly agree (5). The scales used to measure the constructs came from the extant literature. Stakeholders' loyalty indicators were adapted from Lin and Wang (2006); Reichheld and Detrick (2003); Sirdeshmukh et al (2002); Zeithaml et al (1996); Reichheld (1993); while trust indicators were adapted from Flavian et al., (2005); Othman and Owen (2002); Morgan and Hunt (1994). Meanwhile, stakeholders' satisfaction indicators measured by adapting scales developed by Croinet et al (2000); Fornell et al (1996); Levesque and McDougall (1996). However, it modifies the questions related to satisfaction; loyalty and trust variables based on the accountability pillars for Islamic banks. Regarding the multi-faceted disclosure variable, it contains three dimensions of disclosure based on the nature of IBs; namely *Sharia* compliance; social and financial disclosure. The main source for measuring disclosure is the conceptual framework that issued by IASB and contains section about the qualitative characteristics of useful financial information. For each category of disclosure, this study adopts Beest and Braam (2012)[48] and Chakroun and Hussainey (2014) approach. They measure disclosure quality based on qualitative characteristics of reporting information. This study adopts four qualitative characteristics of reporting information; which

[48] Beest and Braam (2012) examined whether there were differences between IFRS and US GAAP based financial reports in meeting the fundamental and enhancing qualitative characteristics for decision usefulness as defined in the Conceptual Framework of the IASB (2015). Fundamental and enhancing qualitative characteristics are the underlying attributes which contribute to the decision usefulness of information for financial information to be useful, it must be relevant and faithfully represent what it purports to represent. The enhancing qualitative characteristics of understandability, comparability, verifiability and timeliness are complementary to the fundamental characteristics and distinguish more useful information from less useful information (IASB, 2015).

are reliability; relevance; faithful representation and understand ability. The questions are adapted from Dusuki (2008); Al-Abdullatif (2007); Brown and Dacin (1997). The final measures provided in the Table 51.

5.5.4.2 Data Collection and Sample Description

This study sent out 1000 questionnaires to stakeholders who deal with IBs with 600 valid questionnaires returned (60% response rate). The data collected based on two sources. First, it contacted several official offices with databases about IBs and their customers. Second, it contacted managers in 20 IBs located in different countries. Accordingly, it developed a cross-country dataset of stakeholders of IBs aged 21 and above in 15 countries.[49]Face validity checked in this study in line with Hair et al (2009) to see if questionnaire looks valid to the respondents.

For this purpose, several drafts made and reviewed with the consultation of five academics and three professionals in IBs prior to the finalization of the questionnaire. The questionnaire included a set of general questions in order to determine the perception towards the IBs accountability, identify the factors that foster or discourage dealing with IBs, and the level of trust, loyalty, and satisfaction towards the accountability of IBs. A section of the questionnaire focused on importance of disclosure about *Sharia* compliance, social, and financial performance to stakeholders. This study conducted a pilot test on 10 of the respondents for their comments before sending out the questionnaire to the total sample through asking them for feedback on our survey and revised questions based on their suggestions. To ensure consistency and reliability, a standard definition of relevant terminologies provided on the cover page of the questionnaire.

[49] The countries included in the cross-country dataset are UK; Egypt; KSA; Jordan; Kuwait; Qatar; Bahrain; Sudan; Yemen; Libya; Algeria; Tunisia; Syria; Malaysia and Iraq.

Table 52: Measurement of Construct

Factors	Items	Sources
Stakeholders Satisfaction	1. I am satisfied with my bank's financial performance 2. I am satisfied with services provided by my bank 3. I am satisfied with compliance of my bank with Islamic sharia 4. I am satisfied with my bank's accountability towards the society	Fornell et al., 1996; Levesque and McDougall, 1996
Stakeholders Trust	1. I have a trust that my Islamic bank is truly concerned with Islamic principles 2. I have a confidence and trust in Bank's Sharia advisors 3. I believe that my Islamic bank serving society well 4. I have a confidence and trust in Bank's staff and Bank's management	Flavian et al., 2005; Othman and Owen, 2002; Morgan and Hunt, 1994; Sirdeshmukh et al., 2002; Ellen et al., 2006; Osterhus, 1997
Stakeholders loyalty	1. I will say positive things about Islamic banks to other people 2. I will recommend family and relatives to do business with Islamic bank 3. I recommend Islamic banks to someone who seeks advice 4. I continue to do more business with Islamic banks	Zeithaml et al., 1996; Sirdeshmukh et al., 2002
Disclosure	**Sharia Disclosure** 1. I rely on SSBR to be sure about compliance with sharia for my bank 2. The annual report as well as website provide sufficient and complete information about compliance with Islamic sharia 3. To what extent are the SSBR sufficiently clear? 4. For what extent Zakat and Sadakat statement is important for you (added value for you) and making differences in your decisions through dealing with Islamic banks 5. For what extent SSBR is important for you (added value for you) and making differences in your decisions through dealing with Islamic banks 6. For what extent Internal auditing sharia department report is important for you (added value for you) and making differences in your decisions through dealing with Islamic banks **Social Disclosure** 1. I rely on CSR to be sure about serving my bank the society 2. The annual report as well as website provide sufficient and complete information about serving society (charity and donations) 3. To what extent are the CSRR sufficiently clear? 4. For what extent Qard Hassan statement is important for you (added value for you) and making differences in your decisions through dealing with Islamic banks 5. For what extent CSR report is important for you (added value for you) and making differences in your decisions through dealing with Islamic banks **Financial Disclosure** 1. I rely on financial statements to be sure about financial performance for my bank 2. The annual report as well as website provide sufficient and complete information about the financial performance and profitability 3. To what extent are the FS sufficiently clear? 4. For what extent Financial statements as profit and loss account and balance sheet are important for you (added value for you) and making differences in your decisions through dealing with Islamic banks	Beest and Braam, 2012; Chakroun and Hussainey, 2014 approach and questions adopted from Brown and Dacin, 1997

The questionnaires distributed to bank stakeholders. Moreover, bank managers and brokerage firm managers asked to distribute the questionnaires to their clients; investors (individual or institutional) and account holders. Furthermore, interviewers visited selected branches and distributed the questionnaires to customers outside the bank and used online and e-mail surveys to collect data[50]. The total sample of stakeholders who deal with IBs includes 250 customers; 200 individual investors; 50 institutional investors and 100 accounts holders.

Table 53: *Descriptive statistics of respondent characteristics*

Variable	Categories	Frequency	Percept	Variable	Categories	Frequency	Percept
Gender	*Male*	*420*	*70%*	*Age*	*21>30*	*252*	*42%*
	Female	*180*	*30%*		*31>40*	*270*	*45 %*
					41>50	*60*	*10 %*
					>50	*18*	*3%*
Education	*Bachelor degree*	*240*	*40 %*	*Key knowledge and background*	*Sharia*	*90*	*15%*
	Diploma	*90*	*15 %*		*Business*	*300*	*50%*
	Master	*180*	*30%*		*Other*	*210*	*35%*
	Doctorate	*60*	*10 %*				
	Other	*30*	*5%*				
Main sources of information about IBs	*Annual reports*	*210*	*35%*	*Years of Experience in Dealing with IBs*	*< 1*	*90*	*15 %*
	Websites	*180*	*30%*		*1<3*	*150*	*25 %*
	Friends	*60*	*10%*		*3<5*	*150*	*25 %*
	TV	*30*	*5%*		*>5*	*210*	*35%*
	Others	*120*	*20%*				
Kind of services used by respondents	*Current account*	*360*	*60%*	*Countries*	*UK*	*120*	*20%*
	Murabaha	*90*	*15%*		*Egypt*	*240*	*40%*
	Musharaka	*30*	*5%*		*KSA*	*60*	*10%*
	Mudaraba	*30*	*5%*		*Jordan*	*18*	*3%*
	Other	*90*	*15%*		*Kuwait*	*30*	*5%*
Kind of stakeholders	*Customers*	*240*	*42%*		*Qatar*	*12*	*2%*
	Accounts Holders	*100*	*17%*		*Bahrain*	*12*	*2%*
	Individual shareholders	*200*	*33%*		*Sudan*	*6*	*1%*
					Yemen	*18*	*3%*
	Institutional shareholders	*50*	*8%*		*Libya*	*6*	*1%*
					Algeria	*24*	*4%*
					Tunisia	*12*	*2%*
					Syria	*6*	*1%*
					Malaysia	*12*	*2%*
					Iraq	*24*	*4%*

5.5.5 Data analysis and results

5.5.5.1 Descriptive statistics

Table 53 displays the respondents' profile. 600 respondents surveyed. Of these 600 participants, male respondents accounted for 70% of the sample, while female respondents

[50] Online and e-mail surveys offer a more efficient and convenient form of data collection (Best and Krueger, 2002).

represented 30%. The majority of respondents were aged between 31 and 40 (45%) and 21 and 30 (42 %). In terms of educational level, 40% of the respondents had bachelor degree and 30% of the respondents had a postgraduate degree (Master level). The majority of respondents have business knowledge in accounting and finance (50%); the main source of information on Islamic banks' performance is the annual reports 35% then websites 30%. 35% of the respondents have experience of dealing with Islamic banks for more than 5 years. The main services used by the respondents are current accounts (60%). Finally, the majority of respondent stakeholders are customers representing 42% of the sample followed by individuals' shareholders, representing 33% of the total sample. The majority of respondents come from Egypt, UK, and KSA representing 40%, 20%, and 10%, respectively.

5.5.5.2 Measurement model

To examine the validity and reliability of our measurement model, this study uses Structural Equation Modelling (SEM) for confirmatory factor analysis along with the partial least squares (PLS) technique. This study assesses the measurement model through tests of convergent validity, discriminant validity, and reliability using commonly accepted guidelines. These results presented in tables 54 and 55. It also performs tests of multi-collinearity due to the relatively high correlations among some of the constructs. All constructs had variance inflation factors (VIF) values less than 4.75, which is within the cut off level of 5.0. As evidence of internal reliability and consistency of the construct, and following Sekaran and Bougie (2010), we use the Cronbach alpha coefficient and the Average Variance Extracted (AVE) (Hair et al., 2009). As shown in Table 54, the recommended threshold of 0.70 was met. Table 55 shows the discriminant validity of the construct, since the square root of the AVE between each pair of factors was higher than the correlation estimated between factors, thus ratifying its discriminant validity (Hair et al., 2009; Bagozzi and Yi, 1998). Finally, in order to confirm the discriminant validity we followed the procedure described by Fornell and Larcker (1981) who compare the correlations of the factors with the square root of the average variance extracted for each of the factors. As Table 54 shows, the square root of the average variance extracted for each factor is greater than its correlations with other factors, providing evidence for discriminant validity

Table 54: *Loadings and cross-loadings of measurement items*

	SATIS	*TRUS*	*LOYA*	*DISC*	*P value*
SATIS1	***0.699***	*-0.009*	*0.274*	*-0.913*	*<0.001*
SATIS2	***0.727***	*-0.018*	*0.198*	*-1.162*	*<0.001*
SATIS3	***0.819***	*-0.003*	*-0.145*	*0.548*	*<0.001*
SATIS4	***0.842***	*0.019*	*-0.187*	*0.514*	*<0.001*
TRUS1	*0.062*	***0.798***	*0.027*	*-0.077*	*<0.001*
TRUS2	*0.079*	***0.841***	*0.041*	*-0.073*	*<0.001*
TRUS3	*-0.182*	***0.778***	*-0.065*	*0.180*	*<0.001*
TRUS4	*0.029*	***0.874***	*-0.006*	*-0.019*	*<0.001*
LOYA1	*0.041*	*0.086*	***0.847***	*-0.072*	*<0.001*
LOYA2	*0.161*	*-0.014*	***0.859***	*-0.196*	*<0.001*
LOYA3	*0.121*	*-0.033*	***0.867***	*-0.229*	*<0.001*
LOYA4	*-0.389*	*-0.045*	***0.731***	*0.601*	*<0.001*
DISC1 (6)	*-0.541*	*-0.155*	*0.553*	***0.733***	*<0.001*
DISC2 (5)	*0.180*	*0.064*	*-0.227*	***0.951***	*<0.001*
DISC3 (4)	*0.176*	*0.038*	*-0.138*	***0.974***	*<0.001*

Table 55: *Results of composite reliability and convergent/discriminant validity testing*

Construct	*Reliability*	*Cronbach's a*	*AVE*	*Collinearity VIFs*	*Correlations and square roots of AVEs*			
					SATIS	*TRU*	*LOYA*	*DISC*
SATIS	*0.799*	*0.763*	*0.513*	*4.058*	***0.716***			
TRU	*0.894*	*0.841*	*0.678*	*1.055*	*0.156*	***0.824***		
LOYA	*0.894*	*0.840*	*0.679*	*1.419*	*0.282*	*0.187*	***0.824***	
DISC	*0.898*	*0.820*	*0.751*	*4.751*	*0.655*	*0.134*	*0.470*	***0.867***

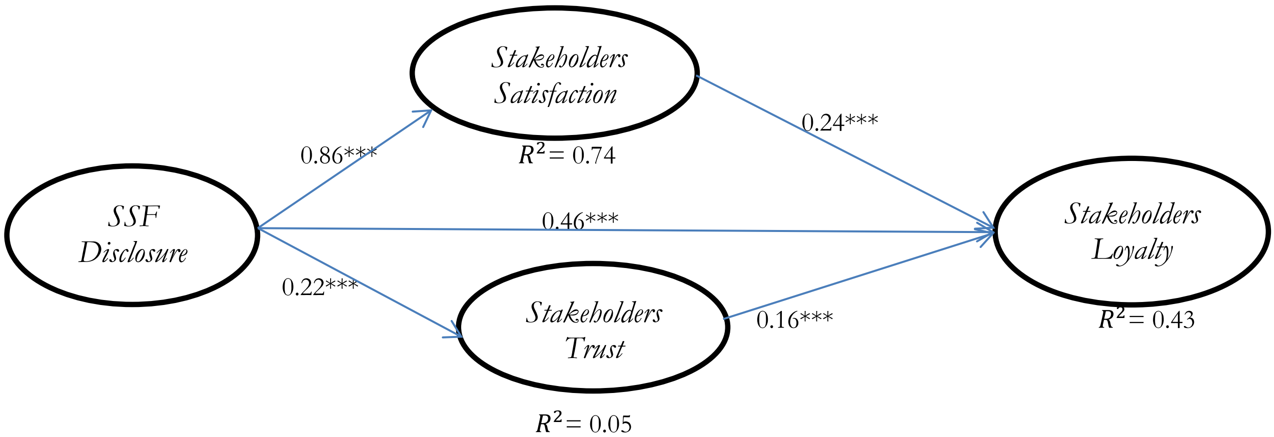
DISC: disclosure (sharia; social and financial); SATIS: satisfaction; TRU: trust and LOYA: loyalty. The bold diagonal elements are the square root of the variance shared between the constructs and their measures. Off diagonal elements are the correlations among constructs. Results suggesting that our measurement model provides a good fit to the data based on a number of fit statistics. As evidence of internal reliability or consistency of the construct, and following Anderson and Gerbing (1988), this study uses Cronbach's alpha coefficient and the Average Variance Extracted (AVE) (Hair et al., 2010). The values of these statistics exceed the minimum recommended values of 0.7 and 0.5, respectively (Hair et al., 2010).

5.5.5.3 Structural model assessment

The model explains 74% of variance for stakeholders' satisfaction, 5% of variance for trust, and 43 % of variance for the loyalty towards Islamic banks. The overall fit measures suggest that the model is a plausible representation of the structures underlying the empirical data. APC= (0.428, p<0.001), ARS= (0.405, p<0.001), AARS= (0.403, p<0.001), AVIF= (2.821), and GOF= (0.515). As long as the Average Path Coefficient (APC), the Average R squared (ARS), and the Average adjusted R-squared (AARS) are significant under 1% level, and the average variance

Inflation Factor (AVIF) is lower than five. As well as the geometric mean of the average communality (GOF) suggests a large effect size, the overall fit indices indicate a good fit of the model (Kock, 2011). Disclosure has a positive and significant influence on loyalty (β=0.46, p<0.001) as suggested in H5.8. The results are in line with H5.2 that examines the effects of disclosure on stakeholders' satisfaction. They show a significant association between disclosure and satisfaction (β=0.86, p<0.001). Results show that stakeholders' satisfaction is significantly associated with loyalty (β=0.24, p<0.001. This outcome is support H5.3. Disclosure is significantly related to trust (β=0.22, p<0.001), giving support to H5.5. The result is in line with H5.6 that investigates the impacts of trust on the loyalty. It shows that, trust is significantly associated with loyalty (β=0.16, p<0.001. It seems that disclosure associations have greater influence on satisfaction than on trust. In summary, the significant direct effects in the model confirm that the influence of disclosure associations on loyalty mediated not only by stakeholders' satisfaction, but also by trust. The structural model indicated that disclosure, through the mediating effect of trust and satisfaction, collectively explains 43% of the variation of the variable stakeholders' loyalty for IBs. Figure 11 shows estimations for our model

Figure 11: *Structural model estimation*



SSF Discolour: Sharia; Social and Financial disclosure
Note: The asterisks represent the significant level of the coefficient. *0.01; ** 0.05; ***0.001
Figure (3) PLS results of research model of main test (n=600)
APC= (0.428, p<0.001), ARS= (0.405, p<0.001), AARS= (0.403, p<0.001), AVIF= (2.821), and GOF= (0.515)

5.5.5.4 Testing for mediation

This study investigates the partial mediating effect of trust and satisfaction in the association between the disclosure and stakeholders' loyalty. This investigation tests H5.4; H5.7; H5.8. To do so, three alternative structural models in additional to the main model are estimated following the test procedures proposed by Baron and Kenney (1986). One includes disclosure only (base model), the second includes disclosure and satisfaction (Model 1), and the third includes disclosure and trust (Model 2) as well as the main model that contains disclosure; trust; satisfaction and loyalty (Full Model). Table 56 indicates that the path from disclosure to loyalty in the base model is significant (β=0.18, p<0.001) which is line with H5.1. However, the indirect effect of disclosure on loyalty via satisfaction is greater than its direct effect on it (β=0.36, p<0.001) and the indirect effect of disclosure on loyalty via trust is greater than its direct effect on it (β=0.27, p<0.001). This result supports H5.4 that, satisfaction mediates the effect between disclosure and loyalty. Moreover, this outcome supports H5.7 that, trust mediates the relationship between disclosure and loyalty. These results are in line with H5.8 that supports the mediating of trust and satisfaction of the relationship between disclosure and loyalty.

For further test the mediating effects, this study conducts a Sobel test. The results support the mediating effects of trust (p<0.001) and satisfaction (p<0.001). The fit indices values are as follows: APC= (0.428, p<0.001), ARS= (0.405, p<0.001), AARS= (0.403, p<0.001), AVIF= (2.821), and GOF= (0.515). The results suggest good model fit with the data (statistically significant APC, ARS, and AARS), and low overall collinearity (AVIF<5). The geometric mean of the average communality (GOF) suggests a large effect size. Furthermore, Cohen's (1988) affect size f^2.[51] The model suggests that satisfaction (f^2= 0.739) has a large effect size whereas loyalty (f^2 =0.321) has a medium effect size and trust (f^2 = 0.049) has a small effect size. In the

[51] F^2 defined as the degree to which the phenomenon is present in the population used to examine the substantive effect of the research model. Cohen (1988) suggested 0.02, 0.15, and 0.35 as operational definitions of small, medium, and large effect sizes, respectively.

main PLS model, Stone-Geisser Q^2 is 0.740 for SATIS, 0.048 for LOYA and 0.278 for TRU that is positive and hence satisfies the predictive validity of the structural model[52]

***Table 56**: Testing of mediating models*

Path	Based Model	Model 1	Model 2	Full Model
Disclosure → Loyalty	**0.18**	**0.36**	**0.27**	**0.46**
Disclosure → Satisfaction		0.86		0.86
Satisfaction → Loyalty		0.22		0.24
Disclosure → Trust			0.22	0.22
Trust → Loyalty			0.15	0.16

5.5.6 Discussion

This study is the first one that provides novel empirical evidence on the non-economic impact of the disclosure generally and for IBs particularly. The aim of this study is investigating the direct effects of disclosure on trust; satisfaction and loyalty for IBs. In order to gain a better understanding of how disclosure about compliance with SSF performance can enhance the loyalty of stakeholders who deal with IBs, this study examined the critical mediating role trust and satisfaction on the association between disclosure and loyalty. Thus, this study develops a comprehensive model of stakeholders' perception of disclosure based on accountability pillars of IBs. Disclosure is a multi-dimensional construct composed of three dimensions, which are *Sharia*, social, and financial. With a sample of 600 stakeholders who deal with Islamic banks cross 15 counties, the structural equation modelling results, show a direct effect of disclosure on stakeholders' loyalty. The results show that there are partial mediating effects of trust and satisfaction for the association between disclosure and loyalty. Furthermore, there is a strong positive linkage between trust, satisfaction, and loyalty. The result supports the previous studies that measuring the association between trust; satisfaction and loyalty (e.g., Shainesh, 2012; Nguyen and Leclerc, 2011; Hoq and Amin, 2010; Kassim and Abdullah, 2010). Furthermore; the result supports as well as expends scope the previous studies that measuring the impacts of

[52] The study tests the predictive validity of the structural model following the Stone–Geisser Q^2. According to Roldán and Sánchez- Franco (2012), in order to examine the predictive validity of the research model, the cross-validated construct redundancy Q^2 is necessary. A Q^2 is greater than 0 implies that the model has predictive validity.

disclosure or the performance on the trust; satisfaction and loyalty (Perez et al., 2012; Bigné et al., 2011). The result support the debating about the benefits of disclosure (Wang et al., 2015; Moumen et al., 2015), but with expending to non-economic consequences rather than economic (impacts on cost of capital; firm value; analysts' forecasts and financial performance).

The findings indicate that increasing SSF disclosure level through annual reports, websites, and other methods, has a significantly positive impact on external stakeholders' trust; satisfaction and loyalty. The result of this study provides evidence about the impcts of increasing level of disclosure on the behaviour of stackholders. Also; it shows that non-financial or ethical information that contain sharia as well as social disclosure have a postiuve impccts on the loyalty of stacholders more than financial. This result differentiates IBs from other financial insituiotons and convetional banks and supported the main basics for these banks which construct on compliance with sharia and servicing the socity. Based on these findings, this study contributes to the disclosure literature and the Islamic finance literature. First, it demonstrates that SSFD play a significant role in the development of IBs stakeholders' loyalty. Second, it stresses the mediating effects of stakeholders' trust and satisfaction on association between disclosure and stakeholders' loyalty. Therefore, from a conceptual perspective, this research is the first that confirms the presence of significant direct effects of disclosure on stakeholders' loyalty in IBs. Third, this study expands prior studies exploring the economic consequences of disclosure through measuring the non-economic consequences of disclosure related to stakeholders' behaviour. To the best of my knowledge, prior empirical studies in the banking sector in general and in IBs in particular did not incorporate different facets of disclosure nor did they stress the mediating roles of trust and satisfaction towards loyalty. Additionally, while literature has shown that CSR associations are linked to consumer loyalty (Perez et al., 2012; Marin et al., 2009), this study contributes to this literature by examining the impact of CSR disclosure on stakeholders' loyalty. The study extends the disclosure literature by adopting Best and Braam (2012) and Chakroun and Hussainey (2014)'s approach, which measures disclosure based on qualitative characteristics of reporting information and applying it to IBs. Finally, this study contributes to theories on disclosure by linking accounting theories to those of marketing. As the literature have recently agreed to integrate the role of different constructs such as trust and satisfaction (He et al., 2012) to customer loyalty, this study seeks to introduce a model on the effect of disclosure on IBs stakeholders' loyalty while including trust and satisfaction as mediators.

The key managerial implication of finding for this study is that Islamic financial institutions (IFIs) may need to rethink increasing the level of disclosure to attract more customers based on their trust in the bank *Sharia* compliance. In the long run, however, IBs may focus on disclosing information in *Sharia* Supervisory Board report and CSR report to reflect the differences between these banks and conventional banks in additional to financial information. The results are applicable to all IFIs that seek to enhance their image and increase customers' loyalty as well as attract potential customers by providing better disclosure of performance. Despite the novel contributions of this study, study contains some limitations that offer avenues for further research. First, the use of convenience sampling is one of the important shortcomings of this research. This study encourages future studies to use random sampling. Second, it limited data collection to Muslim respondents because one of the main disclosure dimensions in this study is *Sharia* compliance. As an interesting extension, future research may test this conceptual model for non-Muslim respondents who deal with IBs. Third, further research may provide separate results for different categories of stakeholders. Furthermore; the further research may add additional variable in this model as commitment and perceived value to see to what extent-increased disclosure has an impacts on these variables. Mediating the effect of culture on the association between disclosure and loyalty could investigate in the future. Moreover, it is worth gaining insight on the perception of internal stakeholders, including managers and employees, towards the disclosure in IBs and its effect on the investors as well as all stakeholders' behaviour as trust and loyalty. Finally; this study adopted quantitative method through using questionnaire which asking further research through using qualitative approach by using interviews with internal as well as external stakeholders to see the consequences of disclosure on enhancing image and construct competitive advantage for IBs towards conventional banks.

Next chapter (6) aims to complete the holistic image about this study through measuring the consequences of SSF practices from different perception through surveying the stakeholders' perceptions towards Islamic banks' activities (who deal with IBs as well as non-customers who do not deal with IBs). Result of the following study may support this study to identify the gap between perspective of board (based on disclosure) and stakeholders.

Chapter Six: Perceptions towards Accountability practices

6.0 Introduction

This chapter seeks to explore the perceptions and expectations of two different groups (stakeholders who deal with IBs and non-customers who do not deal with IBs) about the actual practices of accountabilities of IBs. The second aim for this chapter also is constructing a pyramid of IBs' accountabilities based on perceptions of these groups. This study completes the picture of accountability practices and its consequences. Chapter 2 (parts 1, 2 and 3) explores the accountability from the perspective of *Sharia*. Chapter 4 (empirical studies 1, 2 and 3) explores the accountability concept from the view of disclosure conducted by BOD. The disclosure levels for Islamic banks reflected in the perceptions of managements about *Sharia*, social and financial accountabilities. Therefore, it explores this concept from the view of agent or management. Chapter five shows to what extent disclosure about these accountabilities have significant impacts on the agent or bank (empirical study 4) through measuring the consequences on the firm value as well as the impacts on the principle or stakeholders (empirical study 5) through investigate the consequences on the stakeholders' loyalty. Then, chapter six explores accountability concept from perspective of stakeholders. Through the result of this chapter and comparing the same with the result of chapter, three related to disclosure level, the study constructs a comprehensive image about different viewpoint about these accountabilities from Islamic banks as an agent and from viewpoint of stakeholders as a principle that assists researcher to identify the gap between the two viewpoints. This chapter contains empirical study No. 6, which summarized as follows:

Empirical study (6): Perceptions of stakeholders and non-customers towards accountability practices of Islamic banks: This study seeks to identify the perceptions and expectations of stakeholders and non-customers towards *Sharia*, social and financial practices of

Islamic banks (IBs). It aims to construct pyramid of Islamic banks' accountabilities based on surveying opinions of two groups (stakeholders and non-customers), using survey questionnaire from large stakeholders samples from 15 cross countries, pertaining to two different segments (600 stakeholders who deal with IBs as well as 600 customers who do not deal with IBs). The pyramid of IBs' accountabilities shows priorities of *Sharia* and then financial followed by social accountability for both of the two groups. It also shows that the main criterion of stakeholders' selection of IBs was the *Sharia*, financial, and then social factors. Stakeholders who deal with IBs are satisfied with the practices of these banks. Both of the two groups believe that IBs may guide by *Sharia*, financial, and then social objectives. This research is one of the first empirical studies that test the IBs' accountabilities practices for stakeholders as well as non-customers. The outcomes provide important theoretical and practical implications for IBs related to *Sharia*, social and financial practices.

Empirical study (6): Perceptions of stakeholders and non-customers towards accountability practices of Islamic banks

6.6.1 Introduction

Researchers have proposed that the long-term survival of a firm improved when it responds to stakeholder interests. Therefore, less attention that given to the effects of SSF accountabilities actions has impacts on consumers and their perceptions of the firm. Fukukawa et al (2007) emphasize the importance of stakeholder perceptions to a firm's pursuit of these accountabilities. In order to gain customers' satisfaction and loyalty, it is important for the banks to know their customers' needs, interests, concerns, styles … etc. It is important for the firm to know those major factors that attract the customers to choose a given bank (Echchabi and Olaniyi, 2012). In the banking context, it recognized that customer satisfaction plays an important role in enhancing the long-term relationship between customers and the banks (Bontis et al., 2007). It is justified to argue that for IBs to remain competitive in additional to comply with Sharia their expertise in Sharia compliance services must be complemented by their ability to adopt modern technologies and practices into their business processes. This will allow IBs to create a differential advantage by simultaneously ensuring the religious, social activities and material wellbeing of their customers (Butt and Aftab, 2012).

This study is exploring the perceptions of stakeholders with IBs more than shareholders are. Stakeholder theory suggests that management decisions may not tailored just to the interest of shareholders, but also to stakeholders who similarly affected by the company's actions (Clarkson, 1995). This research aims to explore the accountabilities of IBs based on the perceptions of stakeholders who deal with IBs and non-customers who do not deal with IBs. For stakeholders who deal with IBs, this study aims to explore their opinions about the significant factors that affected their judgment through dealing with IBs. This study designed also to investigate customer's criteria for selecting IBs. This study seeks to explore also their viewpoints about the actual practices of their banks related to SSF performance and how these accountabilities develop and IBs objectives. It finally aims to identify the reactions of this category in case of their IBs stopping compliance with *Sharia* or stopping serving the society. For second group, we seek to measure the perceptions and expectations of non-customers towards the impacts of IBs' practices related to their three accountabilities on their decision to not deal with these banks. This study aims also to exploring their opinions about the ideal objectives for IBs based on the framework of accountabilities for IBs and what may be practices of IBs to changes their background about these banks and switching to deal with IBs. This study finally seeks to test the expectations of this group about the ideal level of practices concerned with SSF performs.

This study motivated by several gaps in the previous studies. First, in the case of Islamic banking, the previous studies that attempted to study customer satisfaction with Islamic banking service quality are still scanty (e.g., Abduh, 2011; Golmohammadi and Jahandideh, 2010). The previous studies indicated that the role of social accountability in determining customer satisfaction has received little research attention (Fornell et al., 2006). Discussion concerning the relationship of these accountabilities initiatives and positive outcomes has increased in recent years (Argenti et al., 2005). This study furthermore motivated by debating about service quality that remains a topic of focal interest for both academicians and practitioners. In the service industry as banks, its definitions tend to focus on how well a service provider meets or exceed its customer expectations (Lewis and Booms, 1983). This study also motivated by outcomes of Dusuki and Abdullah (2007) who suggested that customer perception regarding a bank's conformance with Islamic financial principles serves as one of the most important factors in patronizing IBs. Previous studies investigating the factors that could possibly contribute towards customer patronization of IBs found that relative price, efficient services, convenience, confidentiality, cost/benefit, bank's reputation and image also contribute towards customer patronizing behaviour (Gait and Worthington, 2008). Thus, it appears quite clear that both the religious and functional beliefs shape consumer global attitude towards IBs. However, the priorities of these factors from different issues as well as different groups not yet investigated. In contrast with the large number of works in bank selection criteria within the conventional framework (Hinson et al., 2009; Ardic and Yuzereroglu, 2009; Haron and Wan Azmi, 2008) relatively small numbers of studies have been done for IBs.

This study differs from other previous studies in many considerations. First, this study differs from Amin et al (2013), who just focused on sample from one country (Malaysia), whereas our sample is located in 15 countries. Secondly, Abdullah et al (2012) measure the perception of non-Muslims customers, whereas our research investigates the perceptions of customers and non-customers. Thirdly, this framework contains three accountabilities, whereas other works, such as Pérez and Bosque (2015); Martínez et al (2014), measure only one dimension (social accountability). Fourth, Awan and Bukhari (2011) investigate only the customer’s criteria for selecting IBs, while this study is exploring several themes such as factors behind dealing or not dealing with IBs, motivations behind switching to deal with IBs and objectives of IBs. Moreover, it differs from outcomes of Taap et al (2011) that adopt SERVQUAL model which represents just only one dimension of our model that contains the previous model as well as social and *Sharia* dimension. This work used data related to financial industry (banks), while other literatures focused on different sectors such as hospitality companies (Martínez et al., 2014). Finally, this study focused on stakeholders of IBs, whereas other works as Keisidou et al (2013) focused on conventional banks. The rest of this study organized as follows. First, a discussion of the relevant literature is presented, followed by exploring the accountabilities of IBs and how we measure, followed by the details of the methodology used and sample profile. Fourth, the findings presented and discussed, followed by the conclusion that explores our implications, limitations and venues for future research.

6.6.2 Literature Reviews

This study reviews the previous studies measuring the banking stakeholders' selection criteria, perceptions of stakeholders about practices of IBs, and factors switching to deal with IBs and expectations of stakeholders towards practices of IBs. The assessment of customers' awareness and usage of service has become more important as today IBs do not rely solely on religious factors as a strategy to secure customers' allegiances but they may emphasize providing quality and efficient product and services (Dusuki and Abdullah, 2007). In the context of banking industry, the determinant factors of a customer's bank selection have received significant attention in recent years. Kaufman (1967) found that the most influential factors in customer's selection of a bank were convenient location and quality of services offered by the bank. Findings of various studies reveal that consumer choice of bank depends on a multiple set of criterions including bank location, availability of loans (Martenson, 1985). Hegazy (1995) found that the higher percentage of clients using Islamic modes of financing were Muslims. Metawa and Almossawi (1998) noted, "The bank-selection decisions by bank customers are predominantly religious-based decisions and 'Adherence to Islamic principles' was found to be the most important selection criterion" (p.305). Khan and Khanna (2010); Rashid and Hassan (2009) suggested that religious belief is the major motivation for selecting IBs. Contradictory to these findings, there is a point of view that religious beliefs are not the sole reason for selecting IBs (Zaher and Hassan, 2001)

The banking customers' selection criteria largely studied in the previous literature. Ta and Har (2000) indicated that customers place high emphasis on the pricing and product dimensions of bank services. Their findings are similar to Abdjalil et al (2010); Erol et al. (2007). The other selection criteria include the bank's reputation and image, convenience, interest rates, competence, size of bank, efficiency of personnel, location, and transaction fees and bank's network (Khattak and Rehman, 2010; Hassan et al., 2009). In addition, the religious factor found in the literature to be one of the criteria of IBs' selection (Ahmad et al., 2010; Osman et al., 2009;

Al-Ajmi et al., 2009). Ahmad and Haron (2002) reveal that the economic and religious factors were the most important factors for IBs' selection. Social orientation is also important determinants of bank selection (Devlin and Ennew, 2005).

Related to the actual perceptions of stakeholders about actual IBs practices or customers satisfaction, Oliver (1997) defined customer satisfaction as the difference between an individual's expectations before the consumption of service and the actual experience that results in the consumption. Service quality has been viewed as a factor that has a strong link to satisfaction (Culiberg and Rojsek, 2010; Arbore and Busacca, 2009). Akhtar et al (2011) tested the effect of service quality of IBs on customer satisfaction and concluded that their relationship is positive. Several studies explore customers satisfaction related to IBs' services (e.g., Ijaz and Ali, 2013; Ebrahimi and Moghadam, 2012). Tahir and Bakar (2007) found that service quality provided by IBs was below customers' expectations. According to Haque et al (2009), customer perception about IBs influenced significantly by quality of services, confidence in bank, social and religious perspective and availability of services. Chakrabarty (2006) identified 4 factors that determined overall customer satisfaction amongst banking customers which are in-branch satisfaction, economic satisfaction, remote satisfaction and Automated Teller Machine (ATM) satisfaction

Expectation disconfirmation theory of customer satisfaction proposes that customers are more likely to be satisfied when the actual company performance exceeds or confirms prior expectations (Oliver, 1997). When company performance' expectations are confirmed (or exceed), the customers will be more satisfied (Aquino and Reed, 2002). The importance of identifying perceptions and expectations of customers mentioned frequently in the service quality literature (Avkiran, 1999). Paying attention to the customers' perspective is an important approach that the banks must recognize in the face of stiffer competition. Measures of overall customer satisfaction typically capture consumer expectations towards the service provided, as well as how far the provided service is from their ideal (Soderlund, 2006).

Customers have many opportunities to switch service providers and many events within the established relationship are likely to cause service relationship deterioration and dissolution (Gustafsson et al., 2005). For Keaveney (1995), service switching may be due to critical incidents, such as attraction by competitors, pricing problems, core service failures, service encounter failures, lack of convenience and ethical problems. Varki and Colgate (2001) show that customer value impacts customer satisfaction and there is an inter-linkage between perceived service value, customer satisfaction evaluation and intention to switch to other service providers. In the case of Islamic banking services, Hashim and Latifah (2010) study the relationship between customer perceived value, relationship quality and switching intention among Islamic banking customers. Hashim and Latifah (2010) find evidence that customer perceived value significantly influences the level of customer satisfaction which then affects the intention to switch. Suryani and Chaniago (2011) indicate that there are five factors underlying customer-switching behaviour in Islamic banking services, namely, bank-customer relationship, *Sharia* compliance issues, service quality, switching cost and risk perceived by customers. Trust may also have a direct effect on consumer resistance to switch to another service provider when a critical incident occurs (Harris and Goode, 2004).

Previous researchers have identified various factors that determine customer satisfaction and criteria to deal with IBs. Othman and Owen (2002) find that between 65 and 78 % of Islamic banking customers are satisfied. It found that fast and efficient service, confidentiality and transaction speed are the key criteria that Malaysian customers have identified concerning their satisfaction with the services of their IBs (Amin and Isa, 2008). Therefore, in order to maintain and expand their customer base, it is important for IBs to understand the criteria consumers use to evaluate banking services and to have a system by which consumer satisfaction continuously measured and improved.

As it can inferred from the above studies, the Islamic aspect of IBs with the Sharia is the main factor that motivates customers to adopt the Islamic banking services, and it may be the main reason for them to choose their banks. Hence, in order to provide a comprehensive framework of the attributes that are most important for the customers when selecting a given bank, all of the above-mentioned attributes will be included in the study. Having gone through the previous studies, it is noteworthy that none of them has explored the perceptions of external stakeholders who deal with IBs and non-customers who do not deal with IBs. This study is an attempt to explore the perceptions of two groups based on holistic framework for SSF accountabilities of IBs. To the best of my knowledge, issues related to exploring the actual perceptions, expectations, opinions about how may be IBs' objectives, reactions in case of non-compliance with Sharia as well as social role, constrains of dealing with IBs based on framework of accountabilities of IBs from different viewpoints have not been investigated before.

6.6.3 Islamic banks' accountabilities

6.6.3.1 Sharia Accountability

The concept of religion covers a wide range of items. Ali and Al Kazemi (2007) argue that Islamic work ethics and indicate that when Muslims are more religious, they are more likely to stick with the organization through good years and bad years and making sacrifices when necessary to keep the organization strong. Muslim customers tend to be more trusting that the operations of IBs are truly in accordance with *Sharia*. It has shown that religious approach proven to very effective among the Muslim community in their decision to deal with IBs (Tameme and Asutay, 2012). The principle difference between Islamic and conventional banks is that IBs follows *Sharia* in carrying out their business (Dusuki and Abdullah, 2007). Haque et al (2009); Al-Ajmi et al (2009) concluded that, the religious is the main factor for stakeholders to patronize IBs. Lateh (2009) states that IBs systems are based on the *Sharia* in the sense that the IBs have to operate within the ethical and moral frameworks of the *Sharia*. Under this framework, IBs prohibited from dealing with activities that considered unlawful in Islam as investing in alcoholic factories and casinos. Haron and Wan Azmi (2008) confirm the existence of *Sharia*/religious factor in decision process of bank selection. This study measures *Sharia* accountability for IBs based on several factors as compliance with *Sharia*, existing SSB, Islamic appearance for staff, Islamic image and others.

6.6.3.2 Social Accountability (SA)

IBs predicted to embed ethics and social responsibility in their business model. From an Islamic approach, everyone is accountable in front of Allah for his responsibility towards society (Haniffa and Cooke, 2002). From an Islamic perspective, SA circles on the concept of ultimate accountability to Allah where human beings are stared as 'khalifah' (vicegerent on earth) and are expectable to relate with additional humans to take care of the natural environment entrusted to them (e.g., Farook et al., 2011; Aribi and Gao, 2010). CSR from an Islamic approach is a way to worship Allah through serving his society and satisfying him as Quran explains to us that all our activities as CSR towards the society may be for Allah as He says *"Indeed, my prayer, my rites of sacrifice, my living and my dying are for Allah, Lord of the worlds" (Quran, 6:162).*

Social accountability has received increasing attention from scholars (Berens et al., 2007; Pirch et al., 2007). Actually, several literatures have identified a positive influence of SA practices on consumer identification with the company (He and Li, 2011). The literature has suggested that SA can influence customer satisfaction (Bigné et al., 2011). Luo and Bhattacharya (2006) articulate three reasons for what they name Social accountability activities-customer satisfaction effect. Firstly, as Maignan et al (2005) suggest company's customers can be potential stakeholders who care about not only the economic performance of organizations but also the social performance of the company. Thus, customers are likely to be more satisfied if services providers develop CSR initiatives and present a socially responsible behaviour toward society (He and Li, 2011). Secondly, a strong record of SA creates a favourable image that positively enhances stakeholders' evaluations of the firm and their attitude towards it (Bhattacharya and

Sen, 2003). Moreover, SA initiatives are a key element of corporate identity that can lead customers to identify the company and these customers are more likely to be satisfied with firm's offerings (Bhattacharya and Sen, 2003). Third, Mithas et al (2005) empirically demonstrate that perceived value is a key antecedent to promote customer satisfaction. Customers are more likely to derive better-perceived value and, consequently, higher satisfaction from a service that is made by a socially responsible company (Luo and Bhattacharya, 2006). Moreover, Gundlach and Murphy (1993) argue that ethical and social principles help a firm to build long-term relationships with stakeholders. Roman (2003) demonstrates that stakeholders become more loyal to a company when behaviour perceived as ethical. The benefits of SA for firms include increased customer loyalty, trust, and positive brand attitude (Sen et al., 2006). This study measures SA based on several factors such as charity, donations, financing developed projects and Qard Hassan

6.6.3.3 Commercial and Financial Accountability

Al-Ajmi et al (2009) argue that the satisfaction of religious responsibilities may or may not be an important element in bank selection, other motives are reported to have significant an effect of the consumers' decisions in IBs. This accountability contains two dimensions, which are the financial accountability that comprises profitability and return and commercial accountability that comprises dimensions as services quality, convenience, tangibles, image and other variables. One of these significant bank selection criterions is the potential profits from investing in IBs. Erol and El-Bdour (1989) suggested, in considering motives responsible for selecting IBs as depository institutions, religious motives did not stand out as being the only significant ones, bank customers are profit motivated. Haron et al (1994) found that Muslim customers believe that investing in IBs can give higher returns.

Service quality remains a critical measure of organizational performance for banking institutions and continues to be at the forefront of services literature and practice (Yavas and

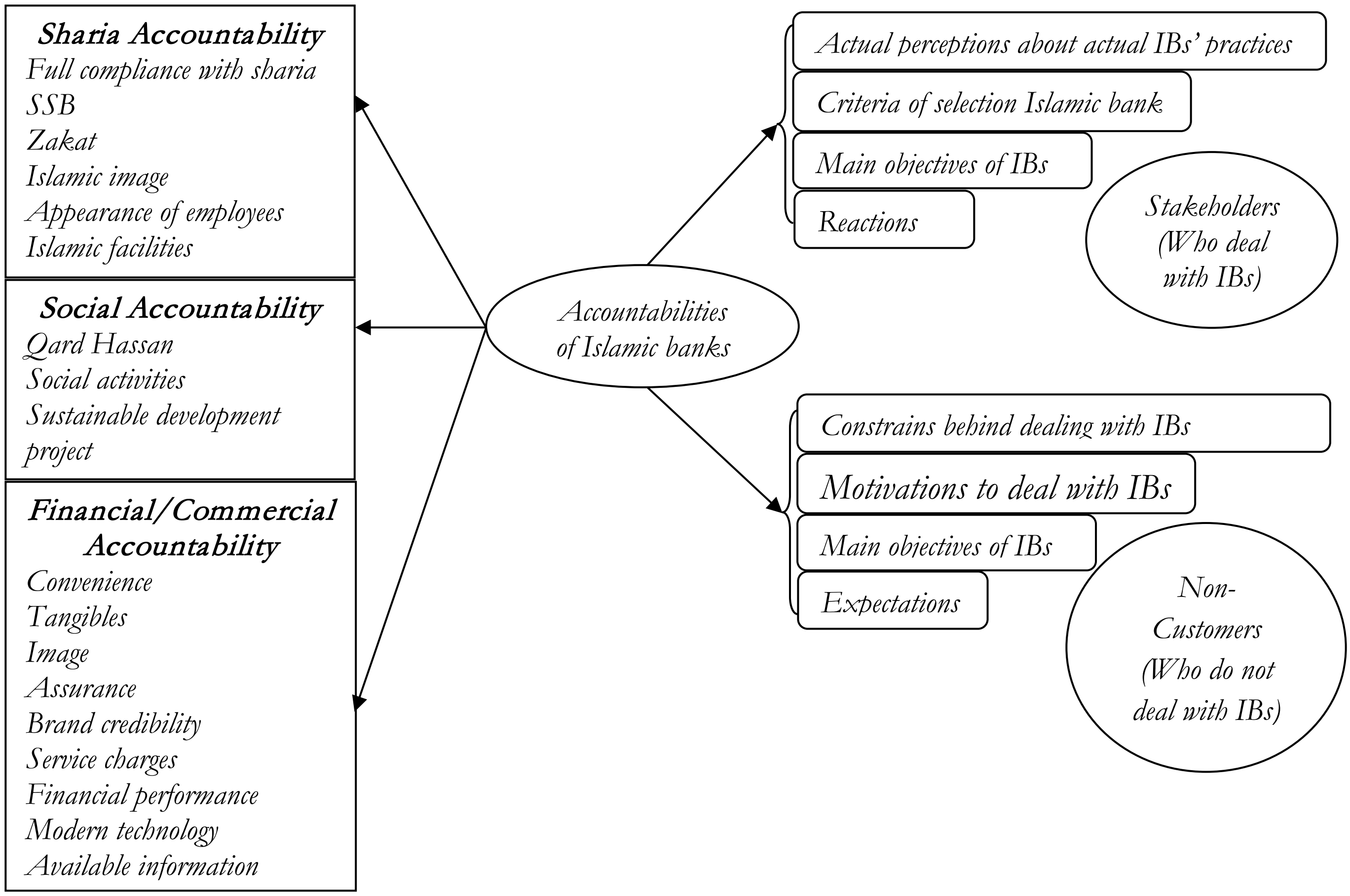
Yasin, 2001). The enthusiasm mostly kept high by the fact that a high service quality offered often leads to customer satisfaction, loyalty, and other positive behavioural outcomes (Razak et al., 2007). Service quality considered a key factor for a successful business, especially banks, and considered to contribute to increasing the competitive advantage (Akhtar et al., 2011). There is an agreement among several studies that service quality will remain a critical factor in determining customer satisfaction with financial services offered by banks and major determinants of customer's choice of a bank (Al-Hawari and Ward, 2006). Convenience issues such as the location of a bank, the opening hours and ATM availability are the main factors behind dealing with banks (Manrai and Manrai, 2007). Kaynak and Whiteley (1999) observed that the convenience of a bank was a primary motivation for customers in selecting a specific institution. Tangibles factor includes physical layout, physical facilities, atmosphere, and environment inside the bank (Hossain and Leo, 2009). Jamal and Ananstasiadou (2009) support the fact that tangibles have an impact on customer satisfaction.

The image considered a valuable asset for companies (Pina et al., 2006). They suggest that the image of a company defined by the perceptions of all the external stakeholders and it represents their beliefs and attitudes towards it. Image used extensively to describe how customers perceive a company, regarding the products and services it offers and its reputation, and it considered able to generate value (Fathollahzadeh et al., 2011). This study measures the image of IBs based on their perceptions about Islamic image as Hijab for females, praying room and social face. Islamic branding means giving an Islamic name of the product or complying with the objectives of Sharia while offering any services (Jalil and Rahman, 2014). Brand credibility defined as the level to which the service position information considered believable. It entails the consistent delivery of what promised to the customers (Erdem et al., 2002). Haque et al (2009) state that bank's name and reputation strongly affect customer selecting a bank and demonstrated as one of the important criteria in the banking selection decision.

Financial performance as a factor not commonly measured in literature; however, the researchers that have included in their studies have measured it in a variety of ways. Anderson et al (1997) chose to measure the financial performance in terms of return on investment. In this research, we measure financial accountability by several measures as high return and profitability ratios. Moreover, it contains cost or price of services as one of the financial factors that may affect the perceptions of stakeholders. Levesque and McDougall (1996) considered competitive interest rates part of the service features that affect customer satisfaction. Kaynak and Harcar (2004) found that low service charges are vital for customer's selection of a particular bank. When it comes to integrating modern technology in the business process, inarguably, information technology in general and internet in particular have greater dominance in the banking sector than any other service industry (Rod et al., 2008). Banks have provided innovative methods of satisfying customers as internet banking and online system.

According to the literature, the attributes of reliability are account accuracy (keeping records correctly, accuracy in billing), keeping promises, providing a timely service and accurate information to customers (Abdullrahim, 2010). Othman (2002) used assurance to politeness and friendly staff providing financial advice, interior comfort of the bank, eases of access to account information and knowledgeable and experienced management team. Kaynak and Harcar (2004) found that the managing service quality is very important because most depends on how well the bank's staffs responds to the needs and expectations of the customers. Caring and responsible staff influences the consumer in making decision of selecting IBs. The staff may be able to communicate the public in proper and effective way about the operation of IBs, which would help develop banking customer relationship in future. Based on the previous debating about SSF accountabilities, figure 12 shows the framework of IBs' accountabilities and expected impacts on stakeholders and non-customers as follows.

Figure 12: Framework of Islamic bank' accountabilities



6.6.4 Research questions

This study aims to provide answers for the following questions.

Panel 1: Stakeholders who deal with IBs

RQ1. What are the determinants and criteria for stakeholders' selection of IBs?

RQ2. What are the main objectives of IBs based on IBs' accountabilities model?

RQ3. What are the perceptions of stakeholders about actual practices for IBs' accountabilities?

RQ4. What are the reactions of IBs' stakeholders in case of stopping achieving social and *Sharia* practices?

Panel 2: Customers who do not deal with IBs

RQ5. What are the key constrains behind un-dealing with IBs based on IBs' accountabilities?

RQ6. What are the main objectives of Islamic banks based on IBs' accountabilities?

RQ7. Which factors based on IBs' accountabilities would motivate customers dealing with IBs?

RQ8. What are the expectations of customers who do not deal with IBs' about SSF performance?

6.6.5 Research Design

6.6.5.1 Methodology

There are several studies about bank selection criteria and perceptions about banks performance. The tools of analysis are varying from simple descriptive statistics up to advanced econometrics techniques. Gerrard and Cunningham (2001) used analysis of variance (ANOVA), whereas Al-Ajmi et al (2009); Mokhlis (2009) adopted factor analysis. Blankson et al (2007) adopted Structural Equation Modelling. In this current research, I follow the method of (e.g., Al-Ajmi et al, 2009; Okumus, 2005; Naser et al, 1999; Metawa and Almossawi, 1998) that used simple descriptive statistics and Friedman test.

6.6.5.2 Measurement of Constructs

A questionnaire survey used to collect data of IBs external stakeholders' perceptions as well as non-customers towards IBs' SSF accountabilities. Most of the instruments used to measure the constructs in this study are adapted from previous studies in order to ensure content validity. Existing well-established multiple-item 5-point Likert scales, ranging from strongly disagree (1) to strongly agree (5), adopted to measure the variables. Most of the factors and questions that used in questionnaire adapted from previous studies (e.g., Amin et al., 2013; Echchabi and Hassanuddeen, 2012; Awan and Bukhari, 2011; Abdullrahim, 2010; Poolthong and Mandhachitara, 2009; Dusuki and Abdullah, 2007; Saduman, 2005; Arasly et al, 2005a; Flavian et al, 2005; Shafie et al., 2004; Ahmad and Haroon, 2002; Othman and Owen, 2002; Naser et al., 1999; Gerard and Cunningham, 1997) with modifications to wording to be appropriate for our study. In this research, I added some new questions based on discussions with academics and professionals who are working in IBs' industry.

6.6.5.3 Data Collection and Sample Description

Based on the general guidelines by prior researchers on the sample size required from a given population (Tabachnik and Fidell, 1996; Hair et al., 1995), and in view of the number of items used in this study (50 statements) for each group, a minimum of 500 respondents for each category are required for this study. However, we set 600 as the targeted sample size. Of the 2000 questionnaires sent for two kinds of categories (1200 questionnaires sent for 10 different kinds of stakeholders who deal with IBs) and (800 questionnaires sent for any customers who do not deal with IBs). 600 usable questionnaires were returned from group (A) (50% response rate) and 600 questionnaires were returned from group B (75% response rate) and were found as valid and complete, thus yielding an average response rate of 63% which was sufficient response rate to ensure statistical reliability and generalizability (Stevens, 2002).

The study took place in 15 cross-countries, namely, UK, Egypt, KSA, Jordan, Kuwait, Qatar, Bahrain, Sudan, Yemen, Libya, Algeria, Tunisia, Syria, Malaysia and Iraq. UAE selected because it was the originator of the world's full-fledged IBs (Mostaque and Hussein, 2014). The selection of a Middle Eastern was important for this study considering the fact that the religion Islam mainly originated from the Middle East and then extended to the rest of the world (Mostaque and Hussein, 2014). Malaysia chosen as it has become a key Islamic financial hub in the region (Echchabi and Olaniyi, 2012). Jordan, Sudan, Syria and Bahrain chosen as they adopt AAOIFI for all IBs, which support this research objective, related to survey of the accountabilities of these banks. Egypt chosen as the home country for the authors and it was the home for IBs originality, supporting us to access most of IBs' customers and easy access for many stakeholders and non-customers. UK selected as a host country for the author who supports me to access for several researches and customers and easy access for multi-nationalities.

The questions for the questionnaire were designed and developed in such a way that the respondents could properly examine in order to provide a clear insight into importance of SSF accountability practices. Face validity checked in this study in line with Hair et al (2009); Anastasi (1988) in order to see if the questionnaire looks valid for the respondents. For this purpose, several drafts were made and reviewed with the consultation of 5 academics in the same area prior to the finalization of the questionnaire as well as 4 professionals in the IBs industry. The questionnaire carefully validated by a pre-test on 30 respondents to ensure that the questionnaire items properly adopted to meet the research objectives. The pre-test results indicated that respondents have no difficulty understanding the questionnaire. The responses from the pilot study were not included in the main study. To ensure consistency and reliability, a standard definition of the three accountabilities of IBs and relevant terminologies provided on the cover page of the questionnaire. Any insignificant indicators removed and some modifications made to increase the clarity of the questionnaire in the final study.

This study has two different questionnaires. First, one targets the stakeholders who deal with IBs. This questionnaire contains questions related to impacts of banks SSF practices on their judgment, questions about what may be IBs' objectives, questions related to reactions of stakeholders in case of stopping comply with Sharia and serving the society and questions to testing the stakeholders' perceptions about actual practices of IBs. The second questionnaire directed to customers who do not deal with IBs. This questionnaire contains questions related to key reasons that constrain them to deal with IBs, main objectives of IBs, factors that can motivate them to switch for IBs and their expectations about IBs practices of SSF accountability. The last section of the questionnaire explored information about respondent's profile, i.e., gender, age and education … etc.

The questionnaires distributed by different ways. First, for stakeholders (Customers, Accounts holders, Individual Shareholders and Public shareholders), the questionnaires were given to bank managers who were asked to distribute the questionnaires to our target. Moreover, interviewers visited selected branches and distributed the questionnaires to customers outside the bank. For non-customers as well as some customers' in-group (1), this study used online survey and email to collect data. Online surveys offer a more efficient and convenient form of data collection (Best and Krueger, 2002). Data collected from all available external stakeholders in our selected countries, which contain 250 customers, 200 Accounts holders, 100 Individual Shareholders, and 50 institutional shareholders. To ensure greater representation of the data, it is a necessary for subjects to participate in the study for group (1), respondents were stakeholders visiting the counters of banks and they must have an account with one of the full-fledged IBs and have conducted transaction with bank recently or they used one of the IBs' services or investing in any IBs transactions. It obtained a usable sample of 600 respondents who already deal with IBs. For group (2), it was a necessary requirement for subjects to participate to have an account with any banks as well as having knowledge about IBs system. Consequently, it obtained a usable sample of 1200 interested parties. This study adopts a convenient sampling approach (Peterson and Merunka, 2014) to design the research sample. Convenience samples considered valid under two conditions: if the study is exploratory in nature and if the items on the questionnaire are pertinent to the respondents who answer them (Ferber, 1977). A convenience sampling technique was selected due to its cost and time efficiency. Moreover, we adopt this sampling as our sample frame is not limited (in-group A, we aim at most of stakeholders and in-group B we aim at any Muslim who do not deal with IBs). Demographic details of the sample profile provided in Table 56.

6.6.6 Analysis

6.6.6.1 Descriptive statistics

Table 57 displays the respondents' profile. A total of 1200 respondents were surveyed online as well as direct interviews. Of these 1200 participants, 600 deals with IBs (Panel 1) and other

600 do not deal with IBs (Panel 2). For Panel 1, male respondents accounted for 70% of the sample, while Female respondents were 30%. The majority of respondents are aged between 31 and 40 (45%) and between 21 and 30 (42%). 30% of sample had Bachelor degree and 25% of respondents had a postgraduate degree. 25% from our sample is Academician and Professional for each.

***Table 57**: Sample profile*

Variable	**Categories**	**N**	**%**	**Variable**	**Categories**	**N**	**%**
Panel 1: Stakeholders who deal with IBs				**Panel 2: Non-customers who do not deal with IBs**			
Gender	*Male*	*420*	*70%*	*Gender*	*Male*	*480*	*80%*
	Female	*180*	*30%*		*Female*	*120*	*20%*
Age	*21>30*	*252*	*42%*	*Age*	*21>30*	*210*	*35%*
	31>40	*270*	*45 %*		*31>40*	*240*	*40 %*
	41>50	*60*	*10 %*		*41>50*	*60*	*10 %*
	>50	*18*	*3%*		*>50*	*90*	*15%*
Education	*No education*	*120*	*20%*	*Education*	*No education*	*180*	*30%*
	Basic/elementary/secondary	*150*	*25 %*		*Basic/elementary/secondary*	*120*	*20 %*
	Bachelor degree	*180*	*30%*		*Bachelor degree*	*200*	*33%*
	Postgraduate	*150*	*25 %*		*Postgraduate*	*100*	*17 %*
Key knowledge and background	*Sharia*	*90*	*15%*	*Key knowledge and background*	*Sharia*	*60*	*10%*
	Business	*300*	*50%*		*Business*	*300*	*50%*
	Other	*210*	*35%*		*Other*	*240*	*40%*
Sources about IBs	*Annual reports*	*160*	*27%*	*Sources about IBs*	*Annual reports*	*60*	*10%*
	Websites	*140*	*23%*		*Websites*	*90*	*15%*
	Direct Interaction	*170*	*28%*		*Friends*	*300*	*50%*
	Friends	*60*	*10%*		*Internet and Newspaper*	*30*	*5%*
	Internet and Newspaper	*30*	*5%*		*Others*	*120*	*20%*
	Others	*40*	*7%*				
Countries	*UK*	*120*	*20%*	*Countries*	*UK*	*60*	*10%*
	Egypt	*240*	*40%*		*Egypt*	*270*	*45%*
	KSA	*60*	*10%*		*KSA*	*72*	*12%*
	Jordan	*18*	*3%*		*Jordan*	*12*	*2%*
	Kuwait	*30*	*5%*		*Kuwait*	*66*	*11%*
	Qatar	*12*	*2%*		*Qatar*	*12*	*2%*
	Bahrain	*12*	*2%*		*Bahrain*	*12*	*2%*
	Sudan	*6*	*1%*		*Sudan*	*12*	*2%*
	Yemen	*18*	*3%*		*Yemen*	*24*	*4%*
	Libya	*6*	*1%*		*Libya*	*12*	*2%*
	Algeria	*24*	*4%*		*Algeria*	*6*	*1%*
	Tunisia	*12*	*2%*		*Tunisia*	*12*	*2%*
	Syria	*6*	*1%*		*Syria*	*12*	*2%*
	Malaysia	*12*	*2%*		*Malaysia*	*12*	*2%*
	Iraq	*24*	*4%*		*Iraq*	*6*	*1%*

Occupation	*Student* *Unemployed* *Self-employed* *Housework* *Academician* *Retired* *Professional*	*100* *50* *50* *60* *150* *40* *150*	*17%* *8%* *8%* *10%* *25%* *7%* *25%*	*Occupation*	*Student* *Unemployed* *Self-employed* *Housework* *Academician* *Retired* *Professional*	*60* *100* *60* *30* *200* *50* *100*	*10%* *17%* *10%* *5%* *33%* *8%* *17%*
Experience with IBs	*< 1* *1<3* *3<5* *>5*	*90* *150* *150* *210*	*15 %* *25 %* *25 %* *35%*				
Main services	*Current account* *Murabaha* *Musharaka* *Mudaraba* *Other*	*360* *90* *30* *30* *90*	*60%* *15%* *5%* *5%* *15%*				
Categories of stakeholders	*Customers* *Accounts holders* *Individual Shareholders* *Public shareholders*	*250* *200* *100* *50*	*42%* *33%* *17%* *8%*				

The majority of respondents have business knowledge in accounting and finance (50%), the main sources used to construct perception about IBs are direct Interaction (28%), annual report (27%) and then websites (23%). The majority of our respondents mainly are from Egypt (40%), UK (20%) and KSA (10%). 35% of the respondents have experience to deal with IBs more than 5 years. The main services used from our respondents are current account (60%). Finally, the main kind of stakeholders that our survey conducted with is customers (42%) and then Accounts holders (33%). For Panel 2, 480 were males (80 %) and 120 were females (20 %). The majority of respondents were aged between 31 and 40 (40%) and 21 and 30 (35%); Bachelor degree (33%) is the majority of respondents. The majority of respondents have business knowledge (50%), the main source used to construct perception about IBs is conversations with friends (50%). 33% from the panel 2 are academicians. The majority of our respondents primarily are from Egypt (45%), KSA (12%) and UK (10%).

6.6.6.2 Panel 1: Stakeholders who are dealing with Islamic banks

Table58: *Priorities of factors that influencing the judgement about dealing with IBs*

	Not important at all	*Not important*	*Neutral*	*Important*	*Most important*	*Total important*

Sharia accountability	2%	4%	4%	50%	41%	***91%***
Avoiding the Interest (Riba)	2%	2%	8%	47%	41%	88%
Islamic branding and image	1%	4%	2%	51%	42%	93%
Confidence in the bank's Sharia Supervisory Board	3%	3%	3%	52%	39%	91%
Its name contains an Islamic word	4%	4%	5%	49%	38%	87%
Dealing with Zakat	1%	6%	5%	49%	39%	88%
Bank Islamic reputation	2%	4%	3%	50%	41%	91%
Employees' appearance reflects Islamic values	2%	2%	4%	48%	44%	92%
Closing for prayer time and has a prayer room	2%	3%	2%	51%	42%	93%
Social accountability	5%	10%	15%	55%	15%	***70%***
Involvement in the Community (e. g. giving donations)	4%	11%	15%	55%	15%	70%
Environmental practice and impact	5%	10%	17%	54%	14%	68%
Provides Qard Hassan	6%	9%	13%	56%	16%	72%
Commercial/Financial accountability	4%	6%	10%	44%	36%	***80%***
Price of the financial products (Low service charges)	4%	6%	10%	44%	36%	80%
Competitive rate of return (Profitability)	2%	5%	9%	46%	38%	84%
Number of branches available	3%	8%	12%	43%	34%	77%
Customer service quality	5%	7%	10%	45%	33%	78%
Location being near work or home	6%	5%	11%	41%	37%	78%
Diversity of Islamic services	6%	6%	8%	45%	35%	80%
Internet banking facilities	4%	5%	9%	45%	37%	82%

	Not important at all	*Not important*	*Neutral*	*Important*	*Most important*	*Total important*	*Important rank*
Sharia accountability	2%	4%	4%	50%	41%	**91%**	**1**
Social accountability	5%	10%	15%	55%	15%	**70%**	**2**
Financial accountability	4%	6%	10%	44%	36%	**80%**	**3**

Table 58 shows the importance of factors influencing stakeholders' judgement through dealing with IBs. It shows that all the three accountabilities have a weight and importance for stakeholders. The stakeholders consider *Sharia* accountability to be a main factor, which affected their judgement and motivated them to deal with IBs (91%). This accountability contains, for example, avoiding the interest, confidence in the bank's SSB, bank reputation and employees' appearance as Hijab for women. Secondly, stakeholders give financial accountability priority as a second factor that has impacts on their evaluation (80%). Financial accountability contains variables as price of the services, competitive rate of return and Internet banking facilities. Finally, stakeholders give importance for social accountability as the last factors that have impacts on judgments (70%). This factor contains items as giving donations and providing Qard Hassan.

Table 59: The main objectives of IBs

	Not important at all	Not important	Neutral	Important	Most important	Total important
Sharia Objectives	3%	8%	5%	36%	48%	**84%**
Implement Islamic sharia	4%	7%	5%	36%	48%	84%
Avoiding Riba in all services	2%	9%	7%	35%	47%	82%
Helping Muslim to obey Allah	2%	8%	4%	36%	50%	86%
Social Objectives	7%	5%	16%	51%	22%	**73%**
Promoting sustainable development project	6%	5%	16%	50%	23%	73%
Contributing to social welfare of the community	8%	4%	15%	52%	21%	73%
Helping to solve social problems as poverty	7%	3%	17%	51%	22%	73%
Giving Qard Hassan	6%	6%	16%	52%	20%	72%
Commercial/ Financial Objectives	5%	11%	6%	38%	40%	**78%**
Enhancing product and service quality	5%	10%	8%	35%	42%	77%
Maximising profits	6%	12%	7%	39%	36%	75%

	Not important at all	Not important	Neutral	Important	Most important	Total important	Important rank
Sharia accountability	3%	8%	5%	36%	48%	**84%**	**1**
Social accountability	7%	5%	16%	51%	22%	**73%**	**3**
Financial accountability	5%	11%	6%	38%	40%	**78%**	**2**

Table 59 displays the views of stakeholders about what IBs' objectives may be. The respondents show that the main objectives for IBs from stakeholders' attitudes may be *Sharia* accountability (84%) such as implementing Islamic *Sharia* and helping Muslim to obey Allah. The objective of financial accountability is located in the second level for stakeholders (78%) as enhancing service quality and maximizing profits. The social accountability (73%) that contains promoting sustainable development project and helping to solve social problems is located in the third level of objectives for IBs. Based on this result, IBs may guide by *Sharia*, financial and social objectives.

Table 60: Actual Perceptions of stakeholders about actual IBs' practices

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total agree
Sharia accountability	5%	9%	7%	53%	25%	**78%**
Provide banking services according to Islamic Sharia	3%	8%	6%	54%	29%	83%
Have well known and trustworthy Sharia Advisory Board	5%	10%	8%	53%	24%	77%
Neither pays nor takes interest on savings and loan accounts	1%	9%	8%	56%	26%	82%
Provide profit-sharing investment account	5%	10%	7%	55%	23%	78%
Activate the Zakat system	7%	8%	8%	53%	24%	77%
Islamic bank' appearance reflect Islam	6%	11%	7%	51%	25%	76%

Employees' appearance reflect Islam	8%	8%	9%	49%	26%	75%
Separate department for ladies	6%	8%	7%	57%	22%	79%
Bank has a prayer room	3%	10%	6%	53%	28%	81%
Social accountability	11%	27%	11%	30%	22%	**52%**
Socially responsible	9%	28%	11%	29%	23%	52%
Finance small projects and social projects	10%	27%	11%	31%	21%	52%
Charity for the Muslim and Non-Muslim society	11%	25%	10%	30%	24%	54%
Provide Qard Hassan	12%	27%	12%	28%	21%	49%
Financial accountability	10%	18%	5%	39%	29%	**68%**
Modern-looking equipment (such as cash machines)	9%	21%	2%	38%	30%	68%
Visually appealing interior design and facilities	11%	19%	3%	42%	25%	67%
Applications are processed on time	10%	20%	4%	38%	28%	66%
Brochures and forms are clear and easy to understand	8%	17%	5%	40%	30%	70%
Business transactions are accurate	12%	17%	2%	38%	31%	69%
Employees give customers prompt service	9%	18%	10%	36%	27%	63%
Employees are never too busy to respond to customers' requests	11%	21%	8%	35%	25%	60%
Employees give customers personal attention	10%	17%	5%	39%	29%	68%
Employees' behaviour instils confidence in customers	9%	15%	3%	42%	31%	73%
Have operating hours convenient to all its customer	8%	14%	7%	41%	30%	71%

	Strongly Disagree	*Disagree*	*Uncertain*	*Agree*	*Strongly Agree*	*Total Agree*	*Important rank*
Sharia accountability	5%	9%	7%	53%	25%	**77%**	**1**
Social accountability	11%	27%	11%	30%	22%	**52%**	**3**
Financial accountability	10%	18%	5%	39%	29%	**68%**	**2**

Table 60 indicates the perceptions of stakeholders about actual IBs' practices related to SSF accountabilities. The result indicates that stakeholders are satisfied with *Sharia* accountability performance (77%). The result also shows that stakeholders are satisfied with actual practices of IBs related to financial practices (68%). In the last level, stakeholders are less satisfied with social accountability (52%).

***Table 61**: Reactions of stakeholders in case of stopping achieving social and Sharia accountability of IBs*

	Sharia accountability	*Social accountability*
Withdraw all deposits from IBs	80%	40%
Send a letter of protest	10%	10%
Agree with the decision	5%	20%
Do not care	5%	30%
Average strong reaction (withdraw and protest)	**90%**	**50%**
Important rank	**1**	**2**

Table 61 shows the reactions of stakeholders towards IBs in case of shortage in compliance with *Sharia* and social activities. In case of stooping compliance with *Sharia* commitments or compliance partially with concentrating on making profits, 80% will withdraw all deposits from the bank and 10% will send a letter of protest to the management. Therefore, 90% will take a strong reaction towards their IBs in case of incompliance with *Sharia*. Concerned with reactions of stakeholders towards the social accountability, 40% will withdraw all deposits from the bank and 10% will send a letter of protest for the management. Thus, 50% will take a strong reaction in case IBs stopped serving society in order to concentrate on making profits. This result reflects the importance of *Sharia* as well as social accountability for stakeholders who deal with IBs.

Table 62: *Summary of IBs accountabilities for stakeholders*

	Importance of factors		*Objectives of IBs*		*Actual Perceptions*		*Reactions of stakeholders*		*Average*	
	Total important	*Important rank*	*Total important*	*Important rank*	*Total agree*	*Important rank*	*Total agree*	*Important rank*	*Total important*	*Important rank*
Sharia accountability	*91%*	*1*	*84%*	*1*	*87%*	*1*	*90%*	*1*	***88%***	***1***
Social accountability	*70%*	*2*	*73%*	*3*	*66%*	*3*	*50%*	*2*	***65%***	***3***
Financial accountability	*80%*	*3*	*78%*	*2*	*80%*	*2*	----	----	***79%***	***2***

Table 62 summarized the IBs' accountabilities for stakeholders related to main factors that affected on their stakeholders, objectives of IBs, actual perceptions of stakeholders towards actual practices of IBs and reactions of stakeholders in case of stooping IBs' social and *Sharia* practices. *Sharia* accountability has a priority for stakeholders (88%) and then financial accountability (79%) and social accountability (65%).

6.6.6.3 Panel 2: Customers who do not deal with IBs

Table 63: *The main reasons behind not dealing with IBs*

The Table identifies the main factors that have a negative impact on customers to not deal with IBs. *Sharia* accountability (81%) is located as a first priority, then financial (76%), and social accountability (50%). Issues as Zakat and trusted SSB are the main items that affected on customers by negative consequences. Moreover, luck information, return and services quality represented as the main factors concerned with financial accountability. Issues concerned with Qard Hassan and serving society are the main social accountability affected by negative way.

These results reflect the shortage of IBs related to SSF issues and calling further enhancing in these factors.

	Strongly Disagree	*Disagree*	*Uncertain*	*Agree*	*Strongly Agree*	*Total agree*
Sharia accountability	*10%*	*6%*	*3%*	*50%*	*31%*	***81%***
I belief that interest is not Riba	*9%*	*6%*	*3%*	*48%*	*34%*	*82%*
Islamic banks do not fully comply with sharia	*8%*	*8%*	*2%*	*52%*	*30%*	*82%*
Islamic banks do not reflect the actual image of Islam	*11%*	*5%*	*4%*	*49%*	*31%*	*80%*
Islamic banks has not a trusted SSB members	*12%*	*6%*	*3%*	*48%*	*31%*	*79%*
Islamic banks do not deal with Zakat	*10%*	*7%*	*3%*	*52%*	*28%*	*80%*
Social accountability	*15%*	*20%*	*15%*	*35%*	*15%*	***50%***
Islamic banks do not provide Qard Hassan	*16%*	*22%*	*13%*	*35%*	*14%*	*49%*
Islamic banks do not serving society	*14%*	*18%*	*17%*	*35%*	*16%*	*51%*
Financial accountability	*5%*	*15%*	*5%*	*40%*	*36%*	***76%***
Luck information about Islamic banking in the market	*4%*	*16%*	*4%*	*39%*	*37%*	*76%*
Its services quality not like the other conventional banks	*3%*	*15%*	*6%*	*38%*	*38%*	*76%*
Islamic bans does not provides diversity in services	*4%*	*14%*	*5%*	*41%*	*36%*	*77%*
Insufficient branch network	*7%*	*17%*	*7%*	*42%*	*27%*	*69%*
Islamic bank is similar with conventional bank	*6%*	*13%*	*3%*	*40%*	*38%*	*78%*
Its return does not high like conventional bank	*3%*	*15%*	*5%*	*40%*	*37%*	*77%*

	Strongly Disagree	*Disagree*	*Uncertain*	*Agree*	*Strongly Agree*	*Total Agree*	*Important rank*
Sharia accountability	*10%*	*6%*	*3%*	*50%*	*31%*	***81%***	***1***
Social accountability	*15%*	*20%*	*15%*	*35%*	*15%*	***50%***	***3***
Financial accountability	*5%*	*15%*	*5%*	*40%*	*36%*	***76%***	***2***

***Table 64**: The main objectives of IBs*

Table 64 shows the perceptions of non-customers about the objectives of IBs. Issues related to *Sharia* accountability (85%) may be the main objectives for IBs from non-customers' opinions. An objective related to the financial accountability is located in the second level (77%). This objective contains enhancing service quality and maximizing profits. The social accountability (64%) that contains promoting sustainable development project and contributing to social welfare of the community is located in the third level of objectives for IBs may be. Thus, IBs may guide by *Sharia*, financial and social objectives.

	Not important at all	*Not important*	*Neutral*	*Important*	*Most important*	*Total important*
Sharia Objectives	*2%*	*4%*	*9%*	*59%*	*26%*	***85%***
Implement Islamic sharia	*1%*	*4%*	*10%*	*61%*	*24%*	*85%*

Avoiding Riba in all services	3%	3%	8%	58%	28%	86%
Helping Muslim to obey Allah	2%	5%	9%	59%	25%	84%
Social Objectives	16%	10%	10%	43%	21%	***64%***
Promoting sustainable development project	15%	11%	12%	43%	19%	62%
Contributing to social welfare of the community	17%	9%	8%	43%	23%	66%
Helping to solve social problems like poverty	16%	10%	9%	44%	21%	65%
Commercial/ Financial Objectives	6%	14%	3%	40%	37%	***77%***
Enhancing service quality	6%	14%	3%	40%	37%	77%
Maximising profits	4%	16%	1%	46%	33%	79%

	Not important at all	*Not important*	*Neutral*	*Important*	*Most important*	*Total important*	*Important rank*
Sharia accountability	2%	4%	9%	59%	26%	***85%***	**1**
Social accountability	16%	10%	10%	43%	21%	***64%***	**3**
Financial accountability	6%	14%	3%	40%	37%	***77%***	**2**

Table 65: *The main factors would motivate non-customers to deal with IBs*

	Strongly Disagree	*Disagree*	*Uncertain*	*Agree*	*Strongly Agree*	*Total Agree*
Sharia Accountability	2%	4%	3%	55%	36%	***91%***
Full implementation for sharia	3%	5%	6%	54%	32%	86%
Activate Zakat	1%	3%	2%	55%	39%	94%
Hiring trusted and famous SSB	2%	4%	1%	56%	37%	93%
Social Accountability	5%	15%	9%	49%	22%	***71%***
Full serving society	4%	15%	10%	51%	20%	71%
Giving Qard Hassan	6%	16%	8%	48%	22%	70%
Financing developed projects	5%	14%	9%	49%	23%	72%
Commercial/Financial Accountability	5%	10%	5%	45%	35%	***80%***
High return and profitability ratios	6%	11%	4%	44%	35%	79%
Branches at different places	4%	10%	5%	43%	38%	81%
High quality services	5%	9%	6%	47%	33%	80%

	Strongly Disagree	*Disagree*	*Uncertain*	*Agree*	*Strongly Agree*	*Total Agree*	*Important rank*
Sharia accountability	2%	4%	3%	55%	36%	***91%***	**1**
Social accountability	5%	15%	9%	49%	22%	***71%***	**3**
Financial accountability	5%	10%	5%	45%	35%	***80%***	**2**

Table 65 identifies the key factors that can motivate non-customers to switch for IBs. *Sharia* accountability is the main determinants that can effected on non-customers to switch for IBs (91%). The financial accountability is the second factors that motivated non-customers to deal with IBs (80%). The social accountability is located in the third level (71%). Therefore, to develop competitive advantage for IBs and attract new customers, they may guide by *Sharia*, financial and social factors.

Table 66: *The expectations about IBs' practices*

	Strongly Disagree	*Disagree*	*Neutral*	*Agree*	*Strongly Agree*	*Total agree*
Sharia accountability	*2%*	*5%*	*1%*	*60%*	*32%*	***92%***
Provide banking services according to Islamic Sharia	*2%*	*4%*	*1%*	*60%*	*33%*	*93%*
Have well known and trustworthy SSB	*3%*	*6%*	*1%*	*62%*	*28%*	*90%*
Neither pays nor takes interest on savings and loan accounts	*4%*	*5%*	*1%*	*58%*	*32%*	*90%*
Provide profit-sharing investment account	*1%*	*3%*	*1%*	*59%*	*36%*	*95%*
Activate Zakat system	*2%*	*7%*	*1%*	*61%*	*29%*	*90%*
Islamic bank' appearance reflect Islam	*1%*	*5%*	*1%*	*60%*	*33%*	*93%*
Employees' appearance reflect Islam	*3%*	*4%*	*1%*	*57%*	*35%*	*92%*
Separate department for ladies	*1%*	*6%*	*1%*	*63%*	*29%*	*92%*
Bank has a prayer room	*2%*	*5%*	*1%*	*60%*	*32%*	*92%*
Social accountability	*10%*	*5%*	*7%*	*45%*	*34%*	***79%***
Socially responsible	*9%*	*4%*	*6%*	*44%*	*37%*	*81%*
Finance small projects and social projects	*11%*	*5%*	*5%*	*46%*	*33%*	*79%*
Charity for the Muslim and Non-Muslim society	*12%*	*6%*	*7%*	*45%*	*30%*	*75%*
Provide Qard Hassan	*8%*	*5%*	*10%*	*43%*	*34%*	*77%*
Financial accountability	*1%*	*4%*	*10%*	*64%*	*21%*	***85%***
Modern-looking equipment. (such as cash machines)	*1%*	*5%*	*9%*	*63%*	*22%*	*85%*
Visually appealing interior design and facilities	*1%*	*3%*	*10%*	*65%*	*21%*	*86%*
Applications are processed on time	*1%*	*4%*	*11%*	*62%*	*22%*	*84%*
Brochures and forms are clear and easy to understand	*1%*	*2%*	*8%*	*64%*	*25%*	*89%*
Business transactions are accurate	*1%*	*3%*	*7%*	*70%*	*19%*	*89%*
Employees give customers prompt service	*1%*	*4%*	*12%*	*64%*	*20%*	*84%*
Employees are never too busy to respond to customers' requests	*1%*	*6%*	*9%*	*65%*	*19%*	*84%*
Employees give customers personal attention	*1%*	*5%*	*10%*	*67%*	*17%*	*84%*
Employees' behaviour instils confidence in customers	*1%*	*4%*	*10%*	*62%*	*23%*	*85%*
Have operating hours convenient to all its customer	*1%*	*3%*	*12%*	*61%*	*23%*	*84%*

	Strongly Disagree	*Disagree*	*Uncertain*	*Agree*	*Strongly Agree*	*Total Agree*	*Important rank*
Sharia accountability	*2%*	*5%*	*1%*	*60%*	*32%*	***92%***	***1***
Social accountability	*10%*	*5%*	*7%*	*45%*	*34%*	***79%***	***3***
Financial accountability	*1%*	*4%*	*10%*	*64%*	*21%*	***85%***	***2***

Table 66 indicates the perceptions of non-customers concerned with IBs' practices of SSF accountabilities. The non-customers' perceptions about *Sharia* practices of IBs are over-estimated (92%), then financial (85%) and finally social accountability (79%). They have high expectations about *Sharia* accountability for IBs that contain items as compliance with *Sharia*, trustworthy SSB and activating Zakat system. They moreover have an over-estimation of financial performance, which contains factors as modern-looking equipment, accuracy of transactions and culture of employees. Furthermore, non-customers have high expectations about social practices for IBs. It contains finance small projects and social projects, charity, and donations as providing Qard Hassan.

***Table 67**: Summary of IBs' accountabilities for customers who do not deal with IBs*

	Reasons of does not deal IBs		*Objectives of IBs*		*Motivations behind dealing with IBs*		*Expectation about practices of IBs*		*Average*	
	Total agree	*Important rank*	*Total important*	*Important rank*	*Total agree*	*Important rank*	*Total agree*	*Important rank*	*Total agree*	*Important rank*
Sharia accountability	*81%*	*1*	*85%*	*1*	*91%*	*1*	*92%*	*1*	***87%***	***1***
Social accountability	*50%*	*3*	*64%*	*3*	*71%*	*3*	*79%*	*3*	***66%***	***3***
Financial accountability	*76%*	*2*	*77%*	*2*	*80%*	*2*	*85%*	*2*	***80%***	***2***

Table 67 summarized the IBs' accountabilities for non-customers related to main factors that affected on their customers, objectives of IBs, constrains and their expectations about IBs practices. It shows that *Sharia* accountability has a priority for non-customers by average 87%, then financial accountability (80%) and finally social accountability (66%). This result reflects the importance and priorities of accountabilities particularly *Sharia* then financial and social practices based on perceptions of non-customers.

6.6.7 Empirical analysis

The data collected for the study was analysed by using SPSS in order to ascertain which of the banking choice criteria were preferred by the stakeholders of IBs, which objectives of IBs may be, what are the perceptions of stakeholders about actual IBs' practices and what are the reactions of the stakeholders concerned with non-compliance with *Sharia* and social accountabilities. All factors ranked according to their importance by performing Friedman test, which is an alternative non-parametric to one-way analysis of variance (ANOVA). Friedman test used ANOVA when data scaled on ordinal scale and provided by the same respondent (Norrusis, 2008). The results of the Friedman test are matching with the descriptive analysis that supports the priorities of *Sharia*, then financial and finally social accountability for both groups. Thus, this study presents the result (tables 68:71) related to panel one as an example as follows.

Friedman test results for Panel 1

Table 68: *Objectives of IBs based on Friedman test*

	Mean rank	Important rank
Sharia Objectives		
Implement Islamic sharia	4.69	1
Avoiding Riba in all services	4.52	3
Helping Muslim to obey Allah	3.41	7
Social Objectives		
Promoting sustainable development project	2.51	9
Contributing to social welfare of the community	3.54	6
Helping to solve social problems as poverty	4.33	5
Giving Qard Hassan	2.77	8
Commercial/ Financial Objectives		
Enhancing product and service quality	4.43	4
Maximising profits	4.57	2
N		600
Degrees of freedom		9
Asym. Sig.		0.000

Table 69: *Selection criteria based on Friedman test*

	Mean rank	Important rank
Sharia accountability		
Avoiding the Interest (Riba)	4.89	1
Islamic branding and image	4.12	5
Confidence in the bank's Sharia Supervisory Board	4.55	4
Its name contains an Islamic word	3.31	12
Dealing with Zakat	3.65	9
Employees' appearance reflects Islamic values as Female staff wear Hijab	3.88	7
Closing for prayer time and has a prayer room	2.60	17
Social accountability		
Involvement in the Community (e. g. giving donations)	3.55	10
Environmental practice and impact	2.87	15
Provides Qard Hassan	3.70	8
Commercial/Financial accountability		
Low service charges	4.76	2
Competitive rate of return (Profitability)	4.66	3
Number of branches available	3.47	11
Customer service quality	4.03	6
Location being near work or home	3.09	14
Bank offers a variety of financing options	3.14	13
Internet banking facilities	2.75	16

N		*600*
Degrees of freedom		*9*
Asym. Sig.		*0.000*

Table 70: *Actual Perceptions based on Friedman test*

	Mean rank	*Important rank*
Sharia accountability		
Provide banking services according to Islamic Sharia	*4.32*	*1*
Have well known and trustworthy Sharia Advisory Board	*4.21*	*2*
Neither pays nor takes interest on savings and loan accounts	*3.95*	*5*
Provide profit-sharing investment account	*3.77*	*6*
Activate the Zakat system	*3.05*	*13*
Islamic bank' appearance reflect Islam	*3.50*	*7*
Employees' appearance reflect Islam	*3.45*	*8*
Separate department for ladies	*2.67*	*14*
Bank has a prayer room	*2.55*	*15*
Social accountability		
Finance small projects and social projects	*3.11*	*12*
Charity for the Muslim and Non-Muslim society	*3.20*	*11*
Provide Qard Hassan	*1.91*	*22*
Financial accountability		
Modern-looking equipment (such as cash machines)	*3.41*	*9*
Visually appealing interior design and facilities	*2.34*	*16*
Applications are processed on time	*2.31*	*17*
Brochures and forms are clear and easy to understand	*2.15*	*18*
Business transactions are accurate	*3.33*	*10*
Employees give customers prompt service	*2.10*	*19*
Employees are never too busy to respond to customers' requests	*2.02*	*20*
Employees give customers personal attention	*1.98*	*21*
Employees' behaviour instils confidence in customers	*4.02*	*4*
Have operating hours convenient to all its customer	*4.10*	*3*
N		*600*
Degrees of freedom		*7*
Asym. Sig.		*0.000*

Table 71: *Reactions based on Friedman test*

	Mean rank	*Important rank*
Sharia accountability		
Withdraw all deposits from IBs	*4.78*	*1*
Send a letter of protest	*4.21*	*2*
Agree with the decision	*2.55*	*4*
Do not care	*3.33*	*3*
Social accountability		
Withdraw all deposits from IBs	*1.50*	*4*
Send a letter of protest	*2.55*	*3*
Agree with the decision	*4.10*	*1*

Do not care	*3.50*	*2*
N		*600*
Degrees of freedom		*8*
Asym. Sig.		*0.000*

6.6.8 The Pyramid of Islamic banks' accountabilities

Figure **13** shows the pyramid of IBs' accountabilities that contains SSF dimensions. It shows priorities of IBs' accountabilities based on the perceptions of our two groups (stakeholders and non-customers). In the basic level, we have *Sharia* accountability. This accountability can summarize in the following statement "Be obedient to Allah and comply with His Sharia". This accountability can achieve for IBs through several practices such as compliance with *Sharia*, avoiding riba, hiring trusted SSB and activating Zakat. These items can gather in one statement "IBs may reflect the actual Sharia image fundamentally and outwardly". In the second level and as any financial institution that aims to gain high financial performance and aims to provide high quality services, we find financial accountability in the intermediate level. This accountability can summarize in the following statement "IBs may be profitable and good services provider". This accountability can accomplish for IBs through numerous practices such as providing modern-looking equipment, visually appealing interior design and facilities, enhancing service quality and maximizing profits. These items can gather in one statement "IBs may reflect an actual financial and commercial face of IFIs". In the third and last level, we find the social accountability. This accountability can summarize in the following statement "Be a social and ethical firm". IBs can achieve this accountability through several activities as Qard Hassan, giving charity and finance social projects. These items can gather in one statement "IBs may reflect the actual social, ethical and environmental' face of IFIs". The social accountability is totally part of Sharia accountability through several verses in Quran asking all Muslim as well as IFIs to care about other people as well as society. Allah says, *"They ask you, [O Muhammad], what they may spend, Say, "Whatever you spend of good is [to be] for parents and relatives and orphans and the needy and the traveller. And whatever you do of good - indeed, Allah knows of it" (Quran, 2:215).* Moreover, Qard Hassan is represented one of the main dimension for social accountability, Allah saying, *"Who is it that would loan Allah a goodly loan so He may multiply it for him many times over? And it is Allah who withholds and grants abundance, and to Him you will be returned" (Quran, 2:245).* Allah says in relation to customers who can pay their debts, *"And if someone is in hardship, then [let there be] postponement until [a time of] ease. But if you give [from your right as] charity, then it is better for you, if you only knew" (Quran, 2:280).*

Through comparing the two groups, we find that both groups set *Sharia* accountability in the first level, then financial and social accountability. Both groups consider *Sharia* accountability the main objective for IBs, then financial and social objectives. In addition, the *Sharia* accountability is located in the first priorities for both groups concerned with the important factors that have positive impacts to deal with IBs as well as it represented the main constrains behind not dealing with IBs. Both of the two groups have overestimated IBs' actual practices, then financial and social practices. Based on our results, we find that both of two groups have the same perceptions related to objectives of IBs as well as important factors and motivations to deal with IBs. Each of the two groups considers *Sharia*, then financial and social accountability the ideal sequences for IBs priorities. Furthermore, stakeholders who deal with IBs are satisfied with *Sharia* and financial practices and then social activities based on their actual practices with IBs. However, the main constraints, which affected non-customers, are *Sharia* factors, then financial and social factors. This result shows gap between the perceptions of stakeholders and non-customers. This gap can be justified based on luck of information about IBs' in the market, luck of disclosure level in the annual report and websites particularly information concerned with Sharia compliance and social activities. This justification can approve based on the main sources that each group build their perceptions on. The sample profile shows that 78% are formal channels, which can reflect the actual image and practices of IBs. However, for other group, information from friends is the main source (50%) which is informal channels for information. This result shows that IBs' management may give more attention towards disclosure and marketing their true image for all stakeholders by several ways. Consequently, one of the main ways to reducing gap is enhancing disclosure level about SSF practices

Figure 13: *The Pyramid of Islamic banks' accountabilities*

6.6.9 Discussion

Regarding *Sharia* accountability, this study finds that factors related to religion are located in the first level for IBs' accountabilities pyramid for stakeholders and non-customers. This result supported by several literatures. For example, Othman and Owen (2001) concluded that religious factors identified as the most influential factors that affect IBs adoption in Kuwait. Wakhid and Efrita (2007) stated that religious factor is the key factor that would influence IBs adoption. Furthermore, these results complement findings of previous studies suggesting that stakeholders patronize and priorities dealing with IBs generally motivated by their religious beliefs (Gait and Worthington, 2008). Religious consideration or *Sharia* accountability can play a significant role in influencing the decision-making behaviour of Muslim customers' as well as Muslim non-customers and their established relationships with IBs because both of them believe that IBs are *Sharia* compliant (Hassan and Lewis, 2007).

The result shows the importance of social accountability towards the perceptions of stakeholders and attracts them to deal with IBs as well as motivate non-customers to switch to these banks. Studies suggest that in markets where the number of services available makes it difficult to differentiate one brand from another, with all other things being relatively equal, a company's level of social responsibility can actually attract customers (McWilliams and Siegel, 2001). Regarding the economics variable as price of the services, it found that it has a positive effect on stakeholders and non-customers. Levesque and McDougall (1996) have considered the economics factor to be part of satisfaction, which supports our result. The tangible factor proven to affect customer satisfaction that is in line with the studies carried out by several researchers (Jamal and Ananstasiadou, 2009, Hossain and Leo, 2009).

Brand credibility proven to have a substantial effect on customer satisfaction. This is possibly because people relate to a brand name, leading them to feel satisfied with their banks. As stated by Kotler (2003), brand is one of the most significant drivers to the selection of bank. The Islamic banking selection criteria appears to be a combination of quality of services offered and the convenience associated with it. These findings are similar to Dusuki and Abdullah (2007). These studies found quality of services, including competence of the personnel as well as the convenience, is from the main factors determining the selection of IBs. Customers are willing to deal with IBs with good image and reputation to achieve the prestige need. This is similar to the findings of Erol et al (2007). Furthermore, this study finds that Islamic reputation and image of IBs are important factors for stakeholders and have impacts on non-customers. This result is matching with Tyler and Stanley (1999) who found that reputation and reliability were the crucial factors to gain customers' confidence. A favourable image will reinforce customer confidence in their bank and encourage customers to resist competitive offerings (Burmann et al., 2009). When this happens, IBs will be able to curb customer desire to switch to other banks. Erol and El-Bdour (1989) got that religion is not the main factor for the selection of financial institution, but there are other factors too which are influencing the decision criteria of the customers and in this regard the main factor is the level of profitability, that is, returns on their investment. Metawa and Almossawi (1998) point that; there were two main factors involved: "Adherence to the Islamic principle and return rate" (p.305). This result shows that most of the respondents are satisfied with the practices of IBs. These outcomes are complying with Othman and Owen (2002); Metawa and Almossawi (1998)

6.6.10 Implications

These findings have important managerial implications for IBs in building strong and lasting relationships with stakeholders and non-customers. These findings suggest that BOD of IBs may invest more in socially responsible initiatives since stakeholders tend to support and reward those banks that perceived as socially responsible by developing a greatest loyalty towards them. IBs may invest more on social accountability initiates since it demonstrated that one of the reasons making the consumer feel satisfied with the bank is the knowledge and perception of its CSR. Management needs to be aware of perceived *Sharia* and social accountability as a key variable in restoring stakeholders' loyalty and satisfaction. Management of IBs may pay attention to financial performance and social commitment as well as *Sharia* compliance as essential antecedents of their accountabilities. Historically, managers have paid the most attention to financial impact of the firm. Managers may also closely monitor the firm's reputation because it plays such a critical role in the overall assessment of any enterprise. Positive reputations are hard to build and easy to lose (Pérez and Bosque, 2015). The results show that based on non-compliance with *Sharia* and non-fully serving the society for some; IBs builds a negative image and reputation for Muslims and non-customers as well as motivated them to deal with conventional banks. Furthermore, actual practices of IBs particularly concerned with *Sharia* and social accountability had a negative effect on Islam as a religion. Consequently, IFIs generally and IBs particularly may consider that they raise flag of Islam and they may be kept and considered the ideal model recommended by *Sharia* governed by Allah. Therefore, it is essential that managers may consider reputation and image of bank to be substantive and long-standing than a short-term public relations issue. It is not only company financial performance factors that influence stakeholders' and non-customers' perceptions, but also *Sharia* and social accountability have more significant impacts. The managers of IBs must acknowledge that competition with conventional banking demonstrates a need to consider product features, service quality, and social activities as equally important to *Sharia* compliance in designing the positioning strategy of IBs services. Thus, IBs' board needs to design their accountabilities' pyramids in such a way that it reinforces religious, social, financial and commercial driven constructs for their corporate brand. Moreover, SSF accountabilities may reflect in vision and mission of IBs as well as their strategy. This study has implications on the regulators as well as accounting bodies as AAOIFI through determents minimum of disclosure level about *Sharia* and social information for IBs. They may be mandatory Islamic accounting standards as AAOIFI' governance, accounting and *Sharia* standards which may affect the enhancing disclosure level for IBs, which may effected the satisfaction, trust, loyalty and perceptions of stakeholders as well as non-customers.

6.6.11 Conclusion

The key objective of this study was to survey the selection criteria of IBs, as well as the priority and importance of SSF criteria for the stakeholders and non-customers. It aims also to explore the consequences of SSF practices on the perceptions and attitudes of stakeholders and non-customers. Therefore, this study uses survey questionnaire from large stakeholders' samples, pertaining to two different segments (600 stakeholders who deal with IBs as well as 600 customers who do not deal with IBs). The pyramid of IBs' accountabilities shows priorities of *Sharia*, then financial and followed by social accountability for both of the two groups. It found that the main criterion of stakeholders' selection of IBs was *Sharia*, financial, and then social factors. This study found that stakeholders who deal with IBs are satisfied with the practices of IBs. Both of the two groups believe that IBs may be guide by *Sharia*, financial, and then social objectives. Overall, religion is the main factor behind dealing with IBs. The findings confirm the findings of Al-Ajmi et al (2009) stating that the *Sharia* accountability is the main factor for the stakeholders as well as non-customers to patronize IBs. The findings propose that IBs may depend on the religiosity of the customers to market their IBs' services, as the religious motivation is not the main factor of selection and patronization of these banks. Moreover, IBs may enhance the quality of their services. This passes through training and updating the personnel on the latest innovations in terms of IBs service. The findings of this study show that SSF issues influence corporate reputation, stakeholders' motivations and switching of non-customers to deal with IBs.

Future research might investigate several areas that not covered in this study. A broader range of stakeholders may examine using a similar methodology undertaken in this study. Muslims external stakeholders and non-customers surveyed during the current project and other important stakeholders such as employees, managers and non-Muslims may be included to see for what extent they consider the multi accountabilities of IBs. Secondly, our research adopted quantitative approach through questionnaire asking further research that may use qualitative method through using interviews particularly with board of directors and SSB to explore their perceptions about IBs' accountabilities. Future research can also look into the issue by comparing pure IBs with Islamic windows customers' perceptions. This study adopts descriptive analysis, whereas future research may adopt Structural Equation Modelling as Blankson et al (2007) to explore the association between the several variables as satisfaction, loyalty, and switching based on SSF accountabilities. Finally, this study shows gap and limited information disclosed by IBs, and supplementary research may measure the impacts of increased disclosure concerned with SSF on enhancing the satisfaction, trust, loyalty and switching to IBs.

Chapter Seven: Conclusion

7.1 Overview

The main objective of this study was to identify the main determinants as well as consequences (both economic and non-economic) of SSF reporting across Islamic banks around the world. The first factor for stakeholders regarding compliance with Sharia is the accountability of Islamic banks towards Allah. Haque et al (2009) declare that Sharia accountability is the main factor for stakeholders who patronize Islamic banks. The second, from an Islamic perspective, is that social accountability centres on the concept of ultimate accountability to Allah where human beings as well as Islamic banks are stared as vicegerent on earth and are expected to take care of the natural environment entrusted to them (e.g., Hassan and Harahap, 2010; Aribi and Gao, 2010). Islamic banks as any financial institution guide by maximising the profit for shareholders. Erol and El-Bdour (1989) suggested, "In considering motives responsible for selecting IBs as depository institutions, religious motives did not stand out as being the only significant ones; bank customers are profit motivated" (p.33). By investigating the determinants and consequences for SSF reporting within Islamic banks we may answer the calls of some prior researchers (e.g., Elzahar et al., 2015; Volkov and Smith, 2015) to deepen understanding of what motivates banks to disclose information about SSF.

Islamic *Sharia* sets comprehensive rules for institutions such as IBs to be held accountable. Moreover, AAOIFI issued accounting and governance standards to organize and support IBs to disclose information concerned with SSF accountability. These regulations assist IBs by setting a benchmark that can follow to ensure accountability. Therefore, the present research has explored the practices of IBs with regard to SSF reporting. In addition, it has investigated the potential drivers of SSF reporting. Finally, the research extended to examine whether or not SSF reporting could have an impact on firm value as well as stakeholder's loyalty. This chapter provides the concluding remarks of this thesis. The remainder of this chapter is organised as follows: section 7.2 provides a summary of the research questions and approach. Section 7.3 presents a summary of the key findings of the research and discusses their implications. Section 7.4 shows the contributions and main theoretical and practical implications. Section 7.5 examines the limitations of the current study and provides suggestions for future research.

7.2 Summary of research approach

7.2.1 Research question 1

To provide an answer to Q1, first, this study surveyed the Quran to find approvals for SSF accountabilities for IBs as well as existing research literature. Secondly; three indices has been developed to measure SSF reporting in the annual reports as well as through websites. Then, the research instrument constructed based upon the AAOIFI (2010) guidance for best practice as well as indices suggested by existing research. Manual content analysis used to code the text and to classify the indices disclosed into financial disclosure and non-financial disclosure that contain *Sharia* and social factors. After reviewing the different databases, central banks, websites and updated reports, as well as the criteria for the selected research sample, I applied the holistic index on 117 IBs across 23 countries. Concerned with compliance with AAOIFI; the sample returned 43 Islamic banks that had full adopted AAOIFI. The study sample of IBs based on the annual reports published at 2013 in addition to the websites of these banks. Descriptive statistics used to outline the disclosure levels for IBs, including its SSF categories and compliance with AAOIFI governance and accounting standards.

7.2.2 Research question 2

To provide an answer to Q2, the study has reviewed the relevant theories that explain directors' motivations to allow increased corporate disclosure. Consequently, the determinants of SSF reporting proposed, drawing on agency theory and signalling theory. Concerned with the firm characteristics, the main variables tested were accounting standards; type of external audit firm; profitability; leverage; bank size; bank age; ownership; risk; and the existence of an in-house Sharia auditing department. To CG mechanism variables that related to BOD, the main variables tested were the number of block holders; institutional ownership; foreign ownership; family ownership; listed share; duality in position; CEO founder; board size; board independence and investment account holders. To corporate governance mechanism variables that related to SSB, the main variables tested were SSB size; SSB reputation and SSB cross membership. In addition to these main variables, we accounted for variables that related to differences between countries, which are culture; legal system; full adoption of AAOIFI; the role of central bank in SSB; nature of the banking system; GDP; corruption index and literacy rate. Some variables exist in the sample based on the objective and availability of data. Concerned with the firm characteristics, the research instrument employed to obtain SSF reporting for a sample of 117 IBs across 23 countries. Concerned with corporate governance mechanism; the research instrument was employed for a sample of 95 IBs across 20 countries. Concerned with the level of compliance with AAOIFI; the research instrument was employed to obtain the compliance level with mandatory standards for a sample of 43 IBs across eight countries. In addition to the Pearson correlation matrix, OLS regressions models conducted to assess the significance of the association between determinants variables and SSF reporting scores.

7.2.3 Research question 3

To provide an answer to Q3, the relevant literature reviewed. Signalling theory as well as economic theory used to explain how SSF reporting could affect firm value based on accounting and market-based measures, which are consistent with Sheu et al., 2010. Following the example of previous studies, this study has controlled for firm characteristics as well as corporate governance. Additionally, the following variables have been included in the analysis: size; risk; profitability; Leverage; existence of an in-house *Sharia* auditing department; accounting standard and board size; board independence and block holders. Following previous studies (e.g. Garay et al., 2013; Karagiorgos, 2010), ROA ratio as an accounting-based measure has been used as a measure of firm value. Moreover, tests re-estimated using MC as a proxy for firm value based on market-based measure as Servaes and Tamayo (2013), in order to check the robustness of the results. OLS regressions models conducted to test the hypotheses of the study.

7.2.4 Research question 4

To provide an answer to Q4, the relevant literature reviewed to shows limited studies that measure the non-economic consequences for disclosure, illustrated in terms of loyalty; satisfactions and trust of stakeholders. This study explains how SSF disclosure could directly influence the stakeholders' loyalty and whether there a mediating affects that result from satisfaction and trust. To do so, three alternative structural models estimated. The base model includes disclosure only, the second model includes disclosure and satisfaction, and the third model includes disclosure and trust. This study uses data collected from 600 respondents to survey questionnaires disseminated to stakeholders from 15 countries dealing with IBs. This study adopted structural equation modelling with a partial least squares approach to test the hypotheses of the study.

7.2.5 Research question 5

To provide an answer to the Q5, a questionnaire survey used to collect data on Islamic banks external stakeholders' as well as non-customers attitudes towards SSF practices. Convenience sample considered valid for this research. The samples gathered from 15 countries, pertaining to two different segments (600 stakeholders who deal with IBs as well as 600 customers who do not deal with IBs). Descriptive statistics adopted to answer the research questions as well as using SPSS by performing the Friedman test to rank SSF dimensions according to their importance. Based on the descriptive statistics results, this study constructed a pyramid of Islamic banks' accountabilities. To complete the picture, this study compared the results of question 5 with results of question one related disclosure level to check the variances. This study also considered how the results of questions 3 and 4 related to economic and non-economic consequences of disclosure. The results of the first study measured SSF disclosure levels. Based on these results the pyramid illustrating the effects of disclosure on IBs' accountabilities was constructed. It shows that Islamic banks consider financial issues, then *Sharia* issues and lastly social accountability. Regression results in the fourth study indicate the importance and effects of SSF disclosure on the firm value. Results of the fifth study show the significant impacts of disclosure on the stakeholders' loyalty. Finally, the sixth study have been used to survey perceptions of stakeholders as well as non-customers about the practices of SSF and the consequences of this performance on their decisions. The result for this study shows that the two groups consider *Sharia* then financial and social issues may be the priorities of IBs.

7.3 Research findings

This section includes a summary of the findings of the studies that conducted to achieve the research objectives. These findings will link with the key questions.

7.3.1 The disclosure levels about IBs' accountabilities (Q1)

Related to *Sharia* accountability; as descriptive statistics have documented the average disclosure level is 53%. It indicates that the disclosure about names of SSBM is higher than any other item (74%) and the lowest item is the information about the independency of SSB (10%). The results also state that 58% of selected banks disclose information about SSBR and only 31% have SAD. These results are consistent with the findings of Hassan and Harahap (2010). Analysis shows that Syria has the highest score of 78% followed by Palestine and Jordan (70% and 68% respectively).

Concerned with social accountability; descriptive statistics have documented the average disclosure level of CSR index is 28%. The highest disclosure score is Charitable activates (44%).

The lowest disclosure scores are Waqf management, late repayments and Qard Hassan (1%; 1% and 8% respectively). These results are consistent with studies that found low disclosure level concerned with CSR (e.g., Farook et al., 2011; Maali et al., 2006). The average index scores indicate that Jordan has the highest score of 47% followed by Bangladesh and Kuwait (43% and 38% respectively). Iraq and Philippine (15% and 16% respectively) are the countries least concerned with social accountability.

Related to financial accountability; the descriptive statistics have documented full disclosure about Financial Position statement and profit and loss account (100%) and high disclosure about Statement of Cash Flows 98% and 88% related to Statement of Changes in the Owner's Equity. However, result shows low disclosure level about other statements which related to Islamic identification that include statement of Zakat; Qard Hassan and changes in Restricted Investments (11%; 8% and 4% respectively). Disclosure levels about the SSF accountabilities focused on 5 sections (vision, mission and objectives; CEO' statement; directs' report; strategy report and corporate governance report); 75% of the selected banks disclose information about Sharia accountability in their vision and mission; 45% about social accountability and 100% related to financial issues. The other sections such as CEO statement and CG report indicate high disclosure levels about financial accountability and low levels related to *Sharia* and social accountabilities. The result also shows that, vision and mission is the highest section in the disclosure level (73%) then CG report followed by CEO statement (62% and 56% respectively).

Related to compliance with AAOIFI; the result indicates that Jordan disclosed 65%, which is more than Bahrain (56%). Sudan is the lowest country for compliance with AAOIFI (46%). Bahrain has the highest number of banks that have adopted AAOIFI (15 banks). Related to compliance with AAOIFI Governance Standards No 1, 2 and 5; the result shows compliance by 68%. The disclosure level concerning SSB members is 70% whereas the disclosure level concerned with SSB reports is 66%. Concerned with compliance with AAOIFI Governance Standard No 7; the average compliance level is 27%. The disclosure level related to universal-oriented CSR items is 30% while the disclosure level related to Islamic-oriented CSR items is 23%. To compliance with AAOIFI accounting Standard No 1, the average compliance level is 73%. The disclosure level for universal-oriented financial disclosure is 86% whereas, the disclosure level related to Sharia -oriented financial disclosure is 36%. The result shows high compliance with universal financial statements that recommended by AAOIFI as well as IFRS (e.g., Financial Position Statement). However, it shows low compliance with Sharia -oriented financial statements (e.g., Statement of Zakat, Statement of Qard Hassan).

7.3.2 Determinants behind SSF disclosure levels (Q2)

The determinants of holistic disclosure levels related to firm characteristics have revealed that adopting AAOIFI standards is marginally significant with financial disclosure rather than other kinds of disclosure. Furthermore, the analysis displays the importance of size as one of the determinants related to disclosure. The analysis shows that IBs that have SAD have higher disclosure levels about *Sharia* compliance as well as social than other banks that set only SSB. This result is consistent with Farook et al (2011), who asserted that the existence of SSB in an Islamic bank leads to enhanced levels of disclosure for stakeholders. The analysis shows insignificant association between disclosure and auditor, or profitability and age. These outcomes are matching with Barako et al (2006).

Concerned with CG mechanism; the analysis have revealed that block holders; foreign ownership; institutional ownership; listed share; CEO founder; board size and IAH have significant and positive relationships with SSF reporting. In contrast, family ownership, duality in position and board independence has a negative influence. However, it has been observed that CG variables have different effects on the four models in terms of disclosure (i.e. *Sharia*; social; financial and aggregate). Whereas, board size and listed share have a positive influence on the four models for disclosures. The results show that association between disclosure and CG variables differ based on the nature of disclosure. Moreover, the outcomes show that CG mechanism has equal consequences on the financial as well as non-financial disclosure.

These findings are important for many reasons. There are limited previous studies that examined CG variables effect on multi corporate disclosures for Islamic banks (e.g. Samaha et al., 2012; Farook et al., 2011). The findings of this study add to the literature by providing strong evidence that highly CG frameworks tend to publish more information. Accordingly, it can argue that CG frameworks are keen to improve SSF reporting. These results can interpret in terms of the propositions of agency theory. The results illustrate that an effective board-monitoring role as well as ownership structure leads to the disclosure of more SSF and improved reporting level. These findings are in line with the previous literature that examines the relationship between disclosure and board size (e.g., Elshandidy et al., 2013), listed share (e.g. Robb et al., 2001), foreign ownership (e.g. Nekhili et al., 2012); institutional ownership (e.g. Barako et al., 2006); block holders (e.g. Tsamenyi et al., 2007).

To determinants of compliance with AAOIFI, the analysis identifies a significant association between compliance level and existing SAD, age and size. This finding is consistent with Carcello et al (2005); Hossain and Hammami (2009). The analyses have revealed a positive association between compliance level and CG mechanism concerned with SSB (SSB size; SSB reputation and cross membership) particularly for *Sharia* compliance level. This association is consistent with Rahman and Bukair (2013); Farook et al (2011). Results do not support argument about the impacts of CG of BOD on the compliance level. Analysis shows insignificant link between corporate compliance level and CG that contain duality in position; institutional ownership; board independence; block holders and foreign ownership. This result is consist with Samaha and Dahawy (2011); Vandemele et al (2009); Ghazali and Weetman (2006). Thus, mechanism of CG of BOD has not effects on compliance levels for Islamic banks that are full adopting of AAOIFI because these standards are mandatory

7.3.3 Impacts of SSF reporting on VF (Q3)

To market based measure; the *Sharia* and overall disclosure models support the significant association between corporate disclosure and firm value. This result corroborates the results of Anam et al (2011). The social and financial disclosure models indicate insignificant association between disclosure and firm value, which supported by work of Murray et al (2006). While, concerned with accounting-based measure; the *Sharia*, social and overall disclosure models support the significant correlation between disclosure and firm value. This finding validates the consequences of Margolis and Walsh (2003). On the other hand, it concluded that financial disclosure model indicates insignificant link with FV. These findings provide evidence that, economic consequences for disclosure are sensitive to the category of disclosure being made in terms of financial and non-financial information (Hassan et al., 2009).

Concerned with the association between social disclosure and FV, the result is supported outcomes of Dhaliwal et al (2011), that suggests proactive social accountability activities enhance firm value. This result is consistent with findings of studies that adopt signalling theory (Curado et al., 2011). The result particularly related to the impacts of *Sharia* and social disclosure on FV supported views of managers that have to disclose adequate information to convey specific signals to potential users that gain value for the firms. Furthermore, the result concurs with previous studies that adopted economic theory (Easley and O'Hara, 2004) which suggest a positive impact on FV based on disclosure.

The results support the importance of compliance with *Sharia* and serving the society for Islamic banks, which reflect the role of disclosure on enhancing the performance. The result of financial disclosure is matching with Wang et al (2008) that find no evidence about the benefit from extensive financial disclosure on firm value. This finding might be explained based on the ethical identification for Islamic banks and ethical behaviour and attitude of investors who gives greater weight to Sharia and social disclosure as well as or more than financial factors. Disclosure about *Sharia* compliance has an impact on profitability through increasing the number of customers and investing in these banks as well as enhancing the image and reputation, which generally have positive consequences for firm value. The economic consequences for social disclosure is based on intangible benefits such as improving a firm's reputation (Schwaiger, 2004) and improved brand image (Epstein and Roy, 2001) which influence on financial performance.

7.3.4 Impacts of SSF disclosure on stakeholders' loyalty (Q4)

The empirical analysis has revealed that SSF disclosure has a direct effect on stakeholders' loyalty. The results indicate the path from disclosure to loyalty in the base model is significant but the indirect effect of disclosure on loyalty via satisfaction is equal to its direct effect on it and the indirect effect of disclosure on loyalty via trust is greater than its direct effect on it. Furthermore, there is a strong positive linkage between trust, satisfaction, and loyalty. Regarding the disclosure about financial performance of banks as one of the disclosure dimensions, it has been found that neither customer satisfaction nor customer loyalty have an effect on the profitability of the bank contrary to the findings of many studies (e.g., Fathollahzadeh et al., 2011; Chi and Gursoy, 2009).

7.3.5 Perceptions of stakeholders and non-customers towards accountabilities of IBs (Q5)

The results related to stakeholders who are dealing with Islamic banks indicate that SSF accountabilities have equal weight and importance for stakeholders. The stakeholders consider *Sharia* accountability as a main factor that affected their decision and motivated them to deal with Islamic banks (91%). Secondly, stakeholders give financial accountability priority (80%) and social accountability as the last factors that impact judgments (70%). The respondents' result shows that the main objectives for IBs from stakeholders' attitudes may be *Sharia* accountability (84%) followed by financial accountability (78%) then social accountability (73%). Based on the results IBs may guide by *Sharia* as well as financial and social objectives.

The result related to actual perceptions of stakeholders about Islamic banks' practices indicates that stakeholders are satisfied about *Sharia* accountability performance (77%). They are satisfied that they provided banking services according to *Sharia* and from a trustworthy SSB. The result also shows that stakeholders are satisfied about actual practices financial practices (68%). Stakeholders are less satisfied about social accountability (52%). Finally, the analysis has revealed that when IBs stopped complying with *Sharia* commitments or only comply partially, 80% will withdraw all deposits from the bank. In comparison, 40% will withdraw all deposits from the bank because of issues of social accountability. The study has shown that *Sharia* accountability has a priority for stakeholders by an average 88% then financial accountability by 79% and social accountability by 65%.

The findings concerned with non-customers; the results identify the main factors that have a negative impact on customers who are not dealing with Islamic banks. *Sharia* accountability (81%) is located as a first priority then financial (76%) and social accountability (50%). Issues related to Zakat; trusted SSB; lack of information about services; diversity in services, return and services quality; lack of Qard Hassan and serving society reflect the shortage of Islamic banks and calling further enhancing in these factors. The analysis shows the perceptions of non-customers about the objectives of Islamic banks. *Sharia* accountability (85%) may be the main objectives whereas financial accountability is located in the second level (77%) and social accountability (64%) is located in the third level of objectives IBs may meet.

The analysis identifies the key factors that may motivate non-customers to switch for Islamic banks. *Sharia* accountability is the main determinants (91%) then financial accountability (80%) and followed by social accountability (71%). Therefore, to develop competitive advantage for Islamic banks and attract new customers, they may guide by *Sharia* as well as financial and social factors. The result indicates that; the non-customers' perceptions about *Sharia* practices of Islamic banks is over estimated (92%) then financial (85%) and finally social accountability (79%). Based on the previous result; Sharia accountability has a priority for non-customers by average 87% then financial accountability by 80% and finally social accountability by 66%.

The following tables (72; 73 and 74) and based on the previous section summarized the results of the whole thesis. Table72 summarized results based on the link between questions; studies and Priority of accountabilities from IBs' board as well as stakeholders. Table73 shows the comparison between the expected sign for the research' hypotheses with what this research find. Table74 presented the answers for the main questions related to disclosure levels about SSF; Compliance levels with AAOIFI and perceptions of who deal as well as who do not deal about IBs' practices concerned with SSF.

Table 72: *Summary of results for Priority of accountabilities*

Research' questions	***Empirical study***	***Orientation***	***View of***	***Results (Priority of accountabilities)***
Question 1 and2	*Study 1; 2 and3*	*For what extent IBs consider SSF accountabilities through disclosure level and main determinants*	*IBs' board*	*1. Financial 2. Sharia 3. Social*
Question 3 and4	*Study 4 and 5*	*Economic and non-economic consequences of SSF disclosure*	*IBs' board IBs' stakeholders (who deal)*	*SSF has a positive impacts on firm value and stakeholders' loyalty*
Question 5	*Study 6*	*Perceptions of who deal and who do not deal about SSF practices*	*IBs' stakeholders Non-customers*	*1. Sharia 2. Financial 3. Social*

Table73: *Results of the research' hypotheses*[53]

Hypotheses	***Expected sign***	***Research' result***
Empirical study 1		
H1.1. The degree of disclosure is predicted to be higher in IBs audited by the big 4 auditors than in banks which are audited by non-Big 4 auditors	+	*0*
H1.2. Older IBs are expected to disclose more information than younger IBs.	+	+
H1.3. Large IBs are more likely to disclose more information than small IBs.	+	+
H1.4. Disclosure practices are expected are expected to be higher for highly profitable IBs than low profit.	+	*0*
H1.5. The level of disclosure is positively associated with SAD inside the IBs	+	+
H1.6. IBs with high percentages of block holder ownership have low levels of disclosures	-	*0*
H1.7. There is a negative relationship between disclosure for IBs and institutional ownership.	-	*0*
H1.8. There is appositive relationship between disclosure levels and foreign ownership	+	*0*
H1.9. IBs with duality in position have a lower level of disclosures	-	*0*
H1.10. IBs with higher proportions of independent non-executive directive directors on the board have higher levels of disclosures	+	*0*
H1.11. There is a positive relationship between the size of SSB and disclosure level.	+	+
H1.12. There is a positive relationship between SSB cross-membership and disclosure levels	+	+

[53] Where (+) is a positive association; (-) is a negative association and (0) is an insignificant association

H1.13. There is a positive relationship between SSB reputation and disclosure level.	+	+
H1.14 There is a negative association between uncertainty avoidance and disclosure levels	-	-
Empirical study 2		
H2.1. There is no association between profitability and levels of disclosure.	*0*	+
H2.2. There is a positive association between frim size and levels of disclosure	+	+
H2.3. Highly gearing IBs are more likely to disclose more information compared with low leverage IBs	+	*0*
H2.4. The extent of levels of disclosure in IBs is large for Banks that audited by one of the Big 4 Audit firms	+	*0*
H2.5. There is a positive association between levels of disclosure and adopting AAOIFI	+	+
H2.6. The extent of levels of disclosure is positive associate with existing IASD inside IBs	+	+
Empirical study 3		
H3.1. IBS with higher percentages of foreign ownership have higher levels of disclosure	+	+
H3.2. There is a positive association between institutional ownership and level of disclosure	+	+
H3.3. There is a negative association between family ownership and level of disclosure	-	-
H3.4. IBs with higher percentages of block holder ownership have lower levels of disclosure	-	+
H3.5. There is a positive association between the proportion of IAH to shareholder funds and levels of disclosure	+	+
H3.6. Islamic banks with duality in position have a lower level of disclosure	-	-
H3.7. Islamic banks with large board size have a higher level of disclosure	+	+
H3.8. There is a positive association between board independence and level of disclosure	+	-
H3.9. There a positive association between CEO founder and of disclosure	+	+
Empirical study 4		
H4.1. The level of sharia; social and financial disclosure of IBs is positively associated with firm value based on ROA and MC	+	+
Empirical study 5		
H5.1 There is a significant direct association between disclosure and stakeholders' loyalty	+	+
H5.2 There is a significant direct link between disclosure and stakeholders' satisfaction	+	+
H5.3 There is a significant direct link between stakeholders' satisfaction and loyalty	+	+
H5.4 Stakeholders' satisfaction mediates the effect between disclosure and loyalty	+	+
H5.5 Disclosure has a significant direct effect on stakeholders' trust	+	+
H5.6 Stakeholders' trust has a significant direct effect on stakeholders' loyalty	+	+
H5.7 Stakeholders' trust mediates effect between disclosure and loyalty	+	+
H5.8 Stakeholders' trust and satisfaction mediates effect between disclosure and loyalty	+	+

Table74: *Answers of the research' questions*

Question	*Highlight of the answers*
What are the SSF disclosure levels for IBs?	*Results shows relatively high disclosure level for financial and sharia disclosure (62% & 52% respectively) and relatively low for social disclosure (28%) concerned with holistic disclosure level that measuring accountability' pillars for all sections in the annual report, disclosure level about sharia, social and financial are 40% ; 28% and 81% respectively*
What are the compliance levels for IBs with AAOIFI standards?	*The study shows that the average compliance level with AADIFI standards related to sharia supervisory Board Report is 68%; corporate social responsibility report is 27% and presentation of financial statements (FS) is 73% the aggregate disclosure based on the 3 indices is 56%.*
What are the main determinants of SSF disclosure level?	*The main variables are Size, SAD, age, corporate governance of SSB; size of auditor; profitability; riskiness; number of Block holders; institutional ownership; foreign Ownership; family ownership; Listed share; CEO power; Board size; Board independence and IAH.*
What is the economic	*Results shows after controlling firms' characteristics and corporate governance' variables that*

consequences foe SSF disclosure?	*sharia; social and overall disclosure have a positive impact on FV based on ROA. It also finds that sharia and overall disclosure has a positive significant impact on the FV based on market capitalization*
What are the Non-economic consequences for SSF disclosure?	*The results indicate that there is a significant association of disclosure on stakeholders' trust, satisfaction and loyalty. It also indicates that is a partial mediating of trust and satisfaction in relationship between disclosure and loyalty*
What are the determinants and criteria for stakeholders' selection of IBs'?	*The stakeholders consider sharia accountability is the main factor which affected their judgement and motivated to deal with IBs (91%) then financial accountability (80%) and finally, stakeholders give importance (78%) and finally social accountability (70%)*
What are the main objectives of IBs?	*The main objectives for IBs from stakeholder's attitudes should be sharia accountability (84%) then financial performance (78%) and finally social accountability*
What are the actual perceptions of stakeholders about actual IBs' practices for IBs' practices?	*The result indicates that stakeholders are satisfied with sharia accountability performance (77%); financial performances (68%) then stakeholders are less satisfied with social accountability (52%)*
What are the reactions of IBs' stakeholders in case of stopping achieving social and sharia practices?	*In case stooping compliance with sharia commitments or compliance partially, 80% will withdraw all deposits from bank and 10% will send a letter of protest to management. Concerned with towards social accountability, 40% will withdraw deposits from bank and 10% will send a letter of protest*
Overall results for stakeholders who deal with IBs: Sharia accountability has a priority for stakeholders (88%) and then financial accountability (79%) and social accountability (65%)	
What are the key constrains behind un-dealing with IBs?	*Sharia accountability (81%) is located as a first constrains then financial (76%) and finally social accountability (50%)*
What are the main objectives of Islamic banks?	*Issues elated to sharia accountability (85%) should be the main objective for IBs then financial accountability (77%) and finally social accountability (64%) is located in the third level of objectives for IBs should be.*
Which factors would motivate customers dealing with IBs?	*Sharia accountability is the main determinants that can effected on non-customers to switch for IBs (91%). The financial accountability is the second factors (80%). The social accountability is located in the third level (71%)*
What are the expectations of non-customers w about SSF performance?	*The non-customers' perceptions about sharia practices of IBs are over-estimated (92%), then financial accountability (85%) and finally social accountability (79%)*

7.4 Contributions and implications

This section indicates how this thesis contributes to the extant literature. Then, the implications of the present study provided.

7.4.1 Contributions

This thesis contributes to the literature by answering the five research questions. Furthermore, the thesis could add to the methodologies applied in the literature.

7.4.1.1 Contributions to the literature

The answer to Q1 extends the limited literature that explores SSF reporting in practice: Moumen et al (2015); Aribi and Gao (2012); Haniffa and Hudaib (2007); Maali et al (2006). However, the present study distinguished by investigating the level and quantity of SSF reporting for a relatively large sample of Islamic banks around the world and from the multifaceted scope of disclosure. The answer to Q2 contributes to the academic studies testing the role of CG mechanisms concerned with BOD and SSB as well as firm characteristics as determinants of multi corporate disclosure (e.g. Farag et al., 2014; Gisbert and Navallas, 2013; Samaha et al., 2012; Farook et al., 2011;). The outcomes contribute to the literature suggesting that the quantity of SSF disclosure not derived from the same factors. The findings provide strong support for the proposition of agency and signalling theory, when testing the effect of different factors on SSF reporting. The answer to Q3 contributes to the previous literature examining the impact of disclosure on FV (e.g., Elzahar et al., 2015; Dhaliwal et al., 2011). The outcomes show that non-financial disclosure (*Sharia* and social) has more positive impacts than financial disclosure. The answer to Q4 contributes to the previous literature examining the consequences of disclosure on stakeholders through exploring non-economic consequences (e.g., He et al., 2012; Bigné et al., 2011). Finally, the answer to Q5 contributes to the previous literature examining the perceptions of different groups about Islamic accountabilities of IBs (e.g., Hashim and Latifah, 2010; Haque et al., 2009; Dusuki and Abdullah, 2007). However, the present study distinguished by investigating the beliefs of two different groups about several issues such as motivations for dealing with IBs, the constraints and ideal objectives of IBs.

Based on the findings of the holistic disclosure for SSF accountabilities, it applies an objective, holistic and context-specific measure of the accountabilities reporting for any IFI based on Islamic approaches (AAOIFI and related literature). The approach that this study follow focused on surveying all sections in the annual report for IBs, which could be beneficial for future studies dealing with disclosures. Second, this study added empirical evidence about the significant impact of the firm characteristics (accounting standards; SAD; size) on disclosures. To the best of my knowledge, this is the first empirical study that investigates the determinants of disclosure in IBs using more comprehensive disclosure indices that distinguishes between *Sharia*, social and financial disclosures and applied on most of the IBs around the world.

Concerned with exploring *Sharia* accountability, it makes several incremental contributions to the literature on *Sharia* compliance in IBs. First, although there have been few empirical studies investigating the association between *Sharia* disclosures and firm as well as national characteristics in the Islamic banking sector, as far as I know, this is the first study that empirically investigates this association using a comprehensive *Sharia* disclosure index. Few prior studies investigate disclosure of SSB reports to explore corporate social responsibility of Islamic banks (e.g., Farook et al., 2011), while limited research explores AAOIFI governance standards that focus on compliance with *Sharia*. Second, this study determine the disclosure level for each bank and each country related to SSB report separately not as a dimension in a corporate social responsibility model as prior studies (e.g., Haniffa and Hudaib, 2007; Maali et al., 2006). Third, the study provides novel evidence of the effects of cultural, legal and economic variables on the level of disclosure of *Sharia* compliance. Fourth, this study introduces an SSB disclosure index, which focuses on two categories. The first relates to elements of SSBR and the second focuses on the SSB members and their responsibilities. In relation to exploring social accountability, it was the first to study CSRD in IBs around the world. It is also the first to consider a comprehensive number of bank-specific and country-specific characteristics in the analysis.

Concerned with investigating the determinants of disclosure concerned with CG of BOD, this study first ascertained the determinants of Islamic banks' SSF disclosures, which will subsequently be, tested utilising the disclosure measures obtained. Departing from previous research, this study also tests the relationship between corporate governance mechanisms and SSF disclosure. The results imply that banks with high foreign ownership report disclosures that are more corporate as a proactive legitimacy strategy to satisfy ethical foreign investors and to attract more foreign capital. This study moreover extended the corporate disclosure literature by providing empirical evidence of determinants of SSBD, CSRD and FD in Islamic banking system context. This contributes to the current debate by regulators on the role of corporate governance mechanisms by testing how effective the governance recommendations are at improving firm disclosure strategy. This study provides evidence that factors related to CG may explain the variability of results found in this research field. In this sense, the results show that variables related to the IBs' board has been positively associated with multi disclosure, which has important implications for the regulatory definition of board independence, and leads to the recommendation of the use of more stringent and specific criteria to define this CG mechanism. The study adds to the growing literature on global disclosure practices and their determinants. The study also benefits stakeholders with IFIs generally and IBs particularly because knowing disclosure characteristics will help stakeholders find desired information about IBs.

Concerned with compliance with AAOIFI; the study of AAOFII standards has grown in recent years with substantial contributions from scholars such as Ahmed and Khatun (2013); Hassan and Harahap (2010). It is notable that the focus of most of these studies is descriptive or analytical in nature, emphasising in particular the compliance level with AAOIFI without extending their study to explore the main factors behind the disclosure level. This study further contribute to the literature by examining the interactions of national culture with company level factors such as profitability and size in addition to CG for BOD and SSB, in order to understand more completely how these factors jointly impact compliance. The present research adds a large-scale academic study-examining compliance with AAOIFI mandatory disclosures after 2010 (based on the updated version of AAOIFI financial and governance standards). It provides evidence regarding the explanatory factors of compliance levels with AAOIFI that contain firm characteristics and CG mechanisms.

The study makes several incremental contributions to the literature of economic consequences. There have been few empirical studies investigating the link between disclosure and financial performance in the banking sector, and as far as I know, this is the first study to investigate this relationship in IBs using a more holistic definition of disclosure. The study offers a unique contribution to existing literature by looking at the economic consequences of disclosure in IBs. This study contribute to the literature by extending the traditional research on corporate disclosure beyond the narrow focus on financial disclosure towards a more comprehensive, multi-layered form of disclosure (Sharia and social). The study also contributes to the extant literature by indicating the positive FV arising from voluntary disclosure of comprehensive information. However, despite several studies having gone on to investigate this relationship, the positive impacts of multi-categories of disclosure on the FV of IBs seldom explored. The evidence that financial as well as non-financial disclosure affects FV contributes to prior disclosure literature by proposing an extended boundary where the different forms of disclosures can have different effects on FV.

Concerned with non-economic consequences for disclosure; this research is the first that confirms the presence of significant direct effects of disclosure on stakeholders' loyalty in IBs. This research expands prior studies exploring the economic consequences of disclosure through measuring the non-economic consequences of disclosure related to stakeholders' behaviour. To the best of our knowledge, prior empirical studies in the banking sector in general and in IBs in particular did not incorporate different facets of disclosure nor did they stress the mediating roles of trust and satisfaction towards loyalty. This study extends the disclosure literature by adopting the approach of Beest and Braam (2012), which measures disclosure based on qualitative characteristics of reporting information and applying it to IBs.

Overall, this thesis constructed the pyramid of accountabilities to illustrate how factors such as disclosure levels, determinants, and perceptions about SSF practices of IBs, make incremental contributions for Islamic banks from different and integrated perspectives. First, this study constructed the pyramid of Islamic banks based on the survey of Quran as well as literature reviews. Secondly, this study constructs the pyramid of IBs' accountabilities based on disclosure levels outlined in corporate reporting. Thirdly, this study constructs two pyramids from the perceptions of stakeholders who deal with these banks, and non-customers who do not deal with IBs. Based on the previous investigations; this study measures the gap between the different views which added value and contribute to IBs.

7.4.1.2 Methodological contributions

The study introduces a valid and reliable measure of multi disclosure as well as a model for measuring the non-economic consequences of disclosure. This thesis has provided evidence that non-economic consequences for multi disclosure by IBs can be assessed based upon the qualitative characteristics that are provided conceptual framework of IFRS as well as used by Beest and Braam (2012), with modification to comply with SSF Islamic banks' accountabilities. The previous studies that measured the consequences of disclosure always adopted content analysis for annual report based on OLS (e.g., Elzahar et al., 2015; Kothari et al., 2009; Hussainey and Walker, 2009). However, the current study adopt PLS warp as a new methodology to measuring the impacts of multi disclosure.

7.4.2 Implications

7.4.2.1 Theoretical implications

The results summarised in the previous section have some distinctive theoretical implications either in support of existing theories; or in extending the scope of previous works and creating additional linkages within the existing literature. First, the analysis provides strong support for the agency theory arguments, which suggests that corporations with reliable CG mechanism are more likely to disclose supplementary information to stakeholders (Taylor et al., 2010). However, the result shows that CG of SSB has equal consequences on the disclosure comparing with CG of BOD (Farook et al., 2011). In addition, this research agrees with the theoretical basis for Signalling and Economic theories, which argues that increased discourse has a positive impact on a firm's value (Gordon et al., 2010; Easley and O'Hara, 2004). It also illustrates that non-financial disclosure has superior impact when compared with only financial disclosure, particularly for ethical institutions such as Islamic banks. The result supported the theoretical argument about sensitivity of economic consequences' analysis in the category of disclosure (Hassan et al., 2009). Fourthly, the outcomes support the theoretical root of accountability for Islamic banks; that accountability to Allah may come before stakeholders. This study constructs a comprehensive model for accountability that is applicable for Islamic banks, and shows the link between primary accountee (Allah) as well as secondary accountee (stakeholders) with the primary accountor (BOD) and role of disclosure (SSF) to satisfy this accountability. Moreover, this research adopted marketing theories such as information processing, as well as social identification theory and linked with accounting theories, including Signalling theory, to construct an integrated model that interpreted the impacts of disclosure on the stakeholders' behaviour (loyalty; trust and satisfaction) (He et al., 2012). This integration expands the theoretical arguments about the benefits of increased disclosure to contain economic as well as non-economic consequences.

7.4.2.2 Practical implications

These previous results have some distinctive implications for regulators, policy makers, managers, IBs, investors, FASB and AAOIFI. The present study has revealed that disclosure of SSFs - especially non-financial ones - was limited in many annual reports as well as websites. Therefore, regulatory bodies such as central banks particularly in countries that have IBs or even Islamic windows may identify a minimum level of SSFs to issue by each IB. The definition and the assumptions used to drive each of these SSFs may unify and generalised for each IBs to enhance comparability. It also confirms the concerns regarding the role of enforcement mechanisms. This suggests that IBs might need clear guidance that indicates best practice for SSF framework as AAOIFI. More specifically, this guidance may show IBs how to indicate the link between firms' SSF and their strategies, quantify their SSF targets.

This thesis provides strong evidence that particular firm characteristics and CG mechanisms affect the quantity of SSF reporting. More specifically, it informs regulatory bodies and information users, when IBs have adopted AAOIFI standards, as well as auditor, SAD, size, profitability, age, and corporate governance of SSB and BOD as SSB size, block holders, foreign ownership, institutional ownership, listed share, CEO founder, board size, investment account holders are more likely to report larger levels of SSF. Moreover, investors and stakeholders who intend to deal with IBs may consider SSF attributes (disclosure levels) before taking any decisions. This may be of interest to regulators as they may encourage IBs to improve these dominant mechanisms, in order to enhance SSF reporting as well as its image. Moreover, the findings have potential managerial implications with regard to the positive effects of the quantity of SSF reported upon FV. In particular, the results suggest that market participants may pay more attention to non-financial disclosure levels (*Sharia* and social) rather than financial ones.

The study has crucial implications to how Islamic banks may improve its *Sharia* compliance disclosures to create a competitive advantage and capitalize on a niche clientele that is growing rapidly. The results show that adopting AAOIFI standards and hiring SAD is positive and marginally significant with financial as well as non-financial disclosure. Islamic banks may consider *Sharia* and social issues where they promote and market their services. Furthermore, AAOIFI may take measures to make their standards mandatory for all their members as a first step to making it compulsory for all IFIs around the world. Thus, the AAOIFI may consider even partial adoption as a one of the main requirements for getting membership of AAOIFI.

This study may help investors with their decision-making processes when looking at Islamic banks. The study suggests that investors may concentrate on firms' *Sharia* and social disclosure, which has a significant impact on the firm value. This study shows that high SSF disclosure is associated with economic as well as non-economic consequences. In the light of these findings, regulators may focus more on how to improve firms' disclosure. More explicit rules on disclosure may enhance the MC and ROA, and may impact positively on the behaviour of stakeholders who deal with Islamic banks and changes the perceptions of non-customers. Regulators may encourage Islamic banks to provide higher disclosure, related to compliance with *Sharia* as well as social information. This study also indicates that corporate governance practices concerned with BOD and SSB are able to solve corporate disclosure and accountability practices problems in IBs; hence, it suggests that regulators need to review their reliance on CG codes and AAOIFI standards in the light of their costs and benefits.

Researchers may benefit from this study since there is very little research in this area. The study provides empirical evidence on the potential of SSF disclosure to enhance the firm value and effect on the perception of non-customers. The study provides opportunities for further research about SSF disclosure and its economic as well as non-economic impacts. The findings from this research may use to educate accounting students about the importance of disclosure and its benefits, and promote accountability towards Allah as a primary accountee as well as highlighting the importance of ethical reporting and full transparency to satisfy Allah and then seeking to satisfy all stakeholders as the main objectives for accounting.

The results of economic and non-economic consequences of disclosure tell investors that *Sharia* and social disclosures have a positive effect on market value of their banks. Managers who engage in good practices such as information disclosure recommended continuing doing so. For those who refrain from providing information to the stakeholders, the results call for more transparency if they want their bank's value to become more attractive. Furthermore, the result has an implication on international standard setters such as the FASB. It needs to take into account *Sharia* and social information for IBs that adopt IFRS to enhance their value through issuing a comprehensive accounting standard for IBs to covers these categories of disclosure

The findings indicate that increasing SSF disclosure level has a significantly positive impact on external stakeholders' loyalty. The key implication of this finding is that IFIs may need to rethink increasing the level of disclosure to support the trust of stakeholders who deal with IBs as well as attract more customers in addition to effects on non-customers to switch for IBs. In the long run, IBs may focus on disclosing *Sharia* and social information to reflect the variances between these banks and conventional banks and support its position in the market. The results are applicable to IFIs that seek to enhance their image, increase customers' loyalty and attract potential customers by providing better SSF disclosure.

The outcomes concerned with surveying the perceptions of stakeholders suggest that boards at Islamic bank's may invest more in socially responsible initiatives since stakeholders tend to support and reward those banks that are perceived as socially responsible by developing a greater loyalty toward them. The Board may need to be aware of perceived *Sharia* accountability as a key variable in restoring stakeholders' loyalty and trust. IFIs generally and IBs particularly may consider that they carry the flag of Islam and they may be consider the ideal model recommended by *Sharia* which is governed by Allah. Therefore, it is essential that managers may consider the reputation and image of the bank as more substantive and long-standing than a short-term public relations issue. Hence, IBs' board needs to design their accountability pyramids in such a way that it reinforces religious, social, financial, and commercial driven constructs for their corporate brand.

7.5 Limitations and suggestions for future research

The present study is one of the first to investigate the determinants and consequences for SSF disclosure for IBs based on a holistic model. Moreover, the current study is one of the first to investigate the non-economic consequences for corporate disclosure. The current study, therefore, extends the empirical knowledge and contributes to SSF disclosure literature. The current study has some limitations, in either sample or data; disclosure indices; approach; or in its research methodology, which have to consider as potential avenues for future research.

In terms of sample and data, the study is limited through focusing on one year (2013). The number of observations has restricted the opportunity to obtain reliable results that could be generalised. Thus, further research can uses panel data. A second potential limitation is the relatively small sample size concerning with IFIs that contain both Islamic and non-Islamic institutions. Future research could explore the above issues in other settings, which comprise other kinds of IFIs such as insurance firms (Takaful) and Islamic investing firms. In terms of methodology, the current study relied on annual reports, websites and manual content analysis as research material. Annual reports and websites are two ways for banks to convey information. However, there are other sources, such as financial releases, interim reports and financial news reports (e.g., Kothari et al., 2009), which could be utilised to measure a bank's SSF reporting levels. Automated content analysis could be utilised to capture SSF reporting levels. Further research could usefully implement this technique (e.g., Elshandidy et al., 2013).

Research could also explore other consequences of disclosure levels, such as the effect on cost of debt and equity capital, or analysts' forecast errors and forecast dispersion. Qualitative behavioural research exploring preparers' incentives for (non-) disclosure or regulators' perceptions would add depth to analysis regarding management's decision-making. In terms of disclosure indices, the results are only valid to the extent that the disclosure indices used are applicable. Despite following all usual procedures to ensure the validity and reliability of the research instrument, the use of a disclosure index constantly involves a degree of subjectivity. This may hinder consistent replication of the research. However, the reliability test is satisfactory. The further research related to non-economic consequences for disclosure asking use random sampling. Regarding the questionnaire, it must note that it limited data collection to Muslim respondents. As an interesting extension, future research may test this conceptual model for non-Muslim respondents. This study just measuring quantity disclosure. Further research may use quality disclosure. The current study emphasised quantitative approach, whereas adopting qualitative approach represents another direction for research. For example, undertaking interviews with investors and BOD might reveal great insights into their perceptions. Finally, by measuring the quantity of SSF reporting this research also raises the possibility of also measuring the quality of SSF reporting.

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Appendix

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A Survey

Of

Stakeholders and Non-Customers'

Expectations; Motivations; Consequences and Perceptions about

Accountabilities of Islamic banks

By

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This research survey seeks to measure the expectations and opinion of customers' on the issue of service quality of Islamic banks and its accountability towards Allah; society and stockholders. Therefore, being a customer of a bank, we would like to seek your cooperation to give your valuable opinion which is contributing towards the success of this research.

Most of the questions merely require you to tick the appropriate box. All the information given will be treated in the strictest confidence.

Your participation in this research is greatly appreciated.

General Instructions and Information

1. All individual responses to this questionnaire will be kept STRICTLY CONFIDENTIAL and for academic research purpose only.

2. Please do not worry about questions that seemingly look alike. If you do not have the exact answer to a question, please provide your best judgement by ticking the appropriate boxes in the questions. Your answers are very important to the accuracy of the study.

3. If you wish to make any comment, please feel free to use the space at the end of the questionnaire.

Islamic accountability's pillars are:

1. Sharia /Religion accountability: It reflects Islamic banks' responsibility towards Allah through implement his Sharia and complies with his rules in all bank's activities

2. Social/Ethical accountability: It reflects Islamic banks' responsibility towards the Muslim and Non-Muslim communities by social; ethical and environmental roles as charity and finance developed and non-profitable projects and giving Qard Hassan

3. Commercial/Financial accountability: It reflects Islamic banks' responsibility towards their stockholders as maximizing the profitability; enhancing services quality and present annual report that include all information about bank's activities

Part One
For stakeholders who deal with Islamic banks

Q1. How important are the following factors influencing your judgement when opening an account with Islamic bank? (Priorities of factors that influencing the judgement about dealing with IBs)

	Not important at all **(1)**	Not important **(2)**	Neutral **(3)**	Important **(4)**	Most important **(5)**
Sharia accountability					
Avoiding the Interest (Riba)					
Islamic branding and image					
Confidence in the bank's Sharia Supervisory Board					
Its name contains an Islamic word					
Dealing with Zakat					
Bank Islamic reputation					
Employees' appearance reflects the Islamic values as Female staff wear Hijab					
Closing for prayer time and Bank has a prayer room					
Social accountability					
Involvement in the Community (e. g. giving donations)					
Environmental practice and impact					
Providing Qard Hassan					
Commercial/Financial accountability					
Price of the financial products (Low service charges)					
Competitive rate of return (Profitability)					
Number of branches available					
Customer service quality					
Location being near work or home					
Diversity of Islamic services (variety of financing options)					
Internet banking facilities					

Q2. *What may be the objectives of Islamic banking operation? (The main objectives for IBs)*

	Not important at all **(1)**	Not important **(2)**	Neutral **(3)**	Important **(4)**	Most important **(5)**
Sharia Objectives					
Implement Islamic Sharia					
Avoiding Riba in all services					
Helping Muslim to obey Allah					
Social Objectives					
Promoting sustainable development project					
Contributing to social welfare of the community					
Helping to solve social problems like poverty and social exclusion					
Giving Qard Hassan					
Commercial/Financial Accountability					
Enhancing product and service quality					
Maximising profits					

Q3. Actual perceptions of stakeholders about actual IBs' practices

	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
Sharia accountability					
Provide banking services according to Islamic Sharia					
Have well known, confidence and trustworthy Sharia Advisory Board					
Neither pays nor takes interest on savings and loan accounts					
Provide profit-sharing investment account					
Activate Zakat system					
Islamic bank' appearance reflect Islam					
Employees' appearance reflect Islam (as Female staffs wear hijab)					
Separate department for ladies (Separate window for ladies)					
Bank has a prayer room					
Social accountability					
Finance small projects and social projects					
Charity for the Muslim and Non-Muslim society					
Providing Qard Hassan					
Commercial/Financial Accountability					
Modern-looking equipment (such as cash machines)					
Visually appealing interior design and facilities					
Applications are processed on time					
Brochures and forms are clear and easy to understand					
Business transactions are accurate					
Employees give customers prompt service					
Have good websites and good online services					
Employees give customers personal attention					
Employees' behaviour instils confidence in customers					
Have operating hours convenient to all its customer					

Q4.1 *If an Islamic bank stopped giving charity, donations and other social responsibility commitments in order to concentrate on making profits and maintaining its competitiveness in the market, would you:*

- Withdraw all deposits from the Islamic bank and switch to another bank that was highly regarded as socially responsible.
- Send a letter of protest
- Agree with the decision since the Islamic bank must be able to compete with other banks and remain sustainable and viable.
- Do not care since it does not directly affect you

Q4.2 *If an Islamic bank stopped compliance with Sharia commitments or comply partially in order to concentrate on making profits and maintaining its competitiveness in the market would you:*

- Withdraw all deposits from the Islamic bank and switch to another bank that was highly regarded as religion responsible and more compliance with Islamic *Sharia.*
- Send a letter of protest
- Agree with the decision since the Islamic bank must be able to compete with other banks and remain sustainable and viable.
- Do not care since it does not directly affect you

Q5. Stakeholders' satisfaction; Trust; Loyalty and Disclosure of about Sharia ; social and financial practices

	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
Stakeholders' Satisfaction					
I am satisfied with my bank's financial performance					
I am satisfied with services provided by my bank					
I am satisfied with the bank' compliance with Islamic Sharia					
I am satisfied with the bank's accountability towards society					
Stakeholders' Trust					
I trust that the Islamic bank is truly concerned with Islamic principles					
I am confidence and trust in Bank's Sharia advisors					
I believe that Islamic bank serving society well					
I have a confidence and trust in Bank's staff and Bank's management					
Stakeholders' loyalty					
I will say positive things about Islamic banks to other people					
I will recommend family and relatives to do business with Islamic bank					
I recommend Islamic banks to someone who seeks advice					
I continue to do more business with Islamic banks					
Disclosure					
Sharia Disclosure					
I rely on SSBR to be sure about compliance with Sharia for my bank					
The annual report as well as website provide sufficient and complete information about compliance with Islamic Sharia					
To what extent are the SSBR sufficiently clear?					
For what extent Zakat and Sadakat statement is important for you (added value for you) and making differences in your decisions through dealing with Islamic banks					
For what extent SSB report is important for you (added value for you) and making differences in your decisions through dealing with Islamic banks					
For what extent Internal auditing Sharia department report is important for you (added value for you) and making differences in your decisions through dealing with Islamic banks					
Social Disclosure					
I rely on CSR to be sure about serving my bank the society					
The annual report as well as website provide sufficient and complete information about serving society (charity and donations)					
To what extent are the CSRR sufficiently clear?					
For what extent Qard Hassan statement is important for you (added value for you) and making differences in your decisions through dealing with Islamic banks					
For what extent CSR report is important for you (added value for you) and making differences in your decisions through dealing with Islamic banks					
Financial Disclosure					
I rely on financial statements to be sure about financial performance for my bank					
The annual report as well as website provide sufficient and complete information about the financial performance and profitability					
To what extent are the FS sufficiently clear?					
For what extent the Financial statements as a statement of profit or loss and balance sheet are important for you (added value for you) and making differences in your decisions through dealing with Islamic banks					

Part Two
For Non-Customers who do not deal with Islamic banks

Q1. I do not deal with Islamic banks because the following reasons (The main reasons behind does not dealing with IBs)

	Strongly Disagree**(1)**	Disagree **(2)**	Neutral **(3)**	Agree **(4)**	Strongly Agree **(5)**
Sharia Accountability					
I belief that interest is not Riba					
Islamic banks do not fully comply with Islamic Sharia					
Islamic banks do not reflect the actual image of Islam					
Islamic banks have not s trusted SSB members					
Islamic banks do not deal with Zakat					
Social accountability					
Islamic banks do not provide Qard Hassan					
Islamic banks do not serving society					
Commercial/Financial Accountability					
Luck information about Islamic banking in the market					
Services quality is not like the conventional banks					
Islamic banks does not provides diversity in services					
Insufficient branch network					
Islamic banks is similar with conventional bank					
Return is not like the conventional bank					

Q2. What may be the objectives of Islamic banking operation? (The main objectives for IBs)

	Not important at all **(1)**	Not important **(2)**	Neutral **(3)**	Important **(4)**	Most important **(5)**
Sharia Objectives					
Implement Islamic Sharia					
Avoiding Riba in all services					
Helping Muslim to obey Allah					
Social Objectives					
Promoting sustainable development project					
Contributing to social welfare of the community					
Helping to solve social problems like poverty and social exclusion					
Commercial/Financial Accountability					
Enhancing product and service quality					
Maximising profits					

Q3. Which factors would motivate you to deal with an Islamic bank? (The main factors would motivate non-customers to deal with IBs)

	Strongly Disagree **(1)**	Disagree **(2)**	Neutral **(3)**	Agree **(4)**	Strongly Agree **(5)**
Sharia Accountability					
Full implementation for Sharia					
Activate Zakat					
Hiring trusted and famous SSB					
Social Accountability					
Full serving society					
Giving Qard Hassan					
Financing developed projects					

Commercial/Financial Accountability					
High return and profitability ratios					
Branches at different places					
High services quality					

Q4. *What are your expectations/Attitudes about practices of Islamic banks?*

	Strongly Disagree **(1)**	Disagree **(2)**	Neutral **(3)**	Agree **(4)**	Strongly Agree **(5)**
Sharia accountability					
Provide banking services according to Islamic Sharia					
Have well known, confidence and trustworthy Sharia Advisory Board					
Neither pays nor takes interest on savings and loan accounts					
Provide profit-sharing investment account					
Activate Zakat system					
Islamic bank' appearance reflect Islam					
Employees' appearance reflect Islam (as Female staffs wear hijab)					
Separate department for ladies (Separate window for ladies)					
Bank has a prayer room					
Social accountability					
Finance small projects and social projects					
Charity for the Muslim and Non-Muslim society					
Providing Qard Hassan					
Commercial/Financial Accountability					
Modern-looking equipment (such as cash machines)					
Visually appealing interior design and facilities					
Applications are processed on time					
Brochures and forms are clear and easy to understand					
Business transactions are accurate					
Employees give customers prompt service					
Have good websites and good online services					
Employees give customers personal attention					
Employees' behaviour instils confidence in customers					
Have operating hours convenient to all its customer					

Personal Information

For two groups:

(Please tick (√) in an appropriate box)

1. Gender: •Male •Female

2. Age: •21 – 30 •31 – 40 •41 – 50 •Above 50

3. Country Residence……………………………………………………………………

4. Highest Education Level: •No education •Basic/Elementary/Secondary •Bachelor degree •Postgraduate

5. Occupation: •Self-employed •Professional (lawyer, engineer, Accountant, doctor) •Unemployed •Academician / Education •Retired •Housewife •Student •others – (Please specify)………………

6. Which aspect of training or knowledge have you attained?

• Sharia •Business •others please specify.........................

7. What is your main source of information about Islamic Banks?

•Annual Reports •Islamic banks' Website •Direct interaction •Friend •Internet and Websites • others (Please specify)………

For only stakeholders who deal with an Islamic banks:

8. How long have you been a customer of this Islamic bank?

•Less than 1 year •1 - 3 years •3 - 5 years •More than 5 years

9. What kind of banking facilities have you used with Islamic bank? (You may select more than one)

•Current account •Murabaha •Musharaka •Mudaraba •others (Please specify)…..

10. From which category you belong?

•Customers •Account holder •Individual shareholders •Institutional shareholders

Thank you for taking the time to complete this questionnaire. Your assistance in providing this information is very much appreciated. If there is anything else you would like to tell us about this survey or other comments you wish to make that you think may help us to understand the Service Quality of Islamic Banks and issues arising thereof, please do so in the space (box) provided below

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Cover letter

السلام عليكم ورحمة الله

Assalam Alaikcum Wa Rahmat Allah,

Dear Sir/Madam,

I am a postgraduate researcher at the School of Business, University of Plymouth at the United Kingdom, currently undertaking a PhD research project on the topic **"Accountability Practices of Islamic Banks: A Stakeholders' Perspective"** under the supervision of Professor Khaled Hussainey

As part of the research, I have prepared the enclosed questionnaire. It seeks your opinions about some issues associated with "Islamic accountability framework" that contain three main pillars: *Sharia* accountability; social accountability and commercial/financial accountability within the context of Islamic Banks. The questionnaire has been designed so that you can complete it easily. In most cases, you need to tick the appropriate box which describes your opinion. It takes about 15 minutes.

It would be highly appreciated if the questionnaire were completed as soon as possible and returned or deliver it to the same person who gave you or just through by email. You can absolutely sure that all information you provide is strictly confidential and is used for research purposes only.

Thank you in advance for your help.

Sincerely yours,

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RESEARCH WITH PLYMOUTH UNIVERSITY

استقصاء
عن
توقعات ودوافع واراء واثار مسؤليات البنك الاسلامى على الاطراف المهتمه المتعامله والغير المتعامله مع البنوك الاسلاميه

بواسطة
شريف الحلبى
كليه الاداره
جامعه بلايموث - المملكه المتحده- بريطانيا
E-mail: Sherif.Ismail@Plymouth.ac.uk

هذه الدراسة البحثية تهدف لقياس اراء وتوقعات العملاء بشأن جودة الخدمات المقدمه من المصارف الإسلامية والمسؤليه تجاه الله والمجتمع وكافه الاطراف المهتمه لذا، لكونك احد عملاء البنوك الاسلاميه، نرجوا تعاونك لإبداء رايك والذى سيكون له اكبر الاثر والمساهمه في نجاح هذا البحث.
مشاركتك . معظم الأسئلة تتطلب منك وضع علامة في المربع المناسب. سيتم التعامل مع كافة المعلومات الواردة في سرية تامة فى هذا البحث لها كل التقدير.

تعليمات عامة

1. كل الاجابات الفرديه فى هذا البحث سوف يحتفظ بها بصوره سريه وامنه وتستخدم فقط لاغراض البحث العلمى والاكاديمى
2. من فضلك لا تقلق بشأن الأسئلة التي تبدو متشابهه. إذا لم يكن لديك الجواب بالضبط على سؤال، يرجى تقديم أفضل راى وذلك بوضع علامة في المربعات المناسبة في الأسئلة. إجاباتك مهمة جدا لدقة الدراسة.
3. إذا كنت ترغب فى كتابه أى تعليق، لا تتردد فى استخدام الجزء الخالى المتروك فى نهاية الاستبيان

ركائز نموذج المساءله المسؤليه الاسلاميه

1. المسؤليه الشرعيه: يعكس مسؤولية البنوك الإسلامية نحو الله من خلال تطبيق الشريعة والتوافق مع قواعد الاسلام في جميع أنشطة البنك
2. المسؤليه الأخلاقية: يعكس مسؤولية البنوك الإسلامية تجاه المجتمعات المسلمة و غير المسلمة من خلال الأدوار الأخلاقية والبيئية والخيرية و تمويل مشاريع غير مربحة وإعطاء القرض الحسن
3. المسؤليه التجارية و المالية: يعكس مسؤولية البنوك الإسلامية نحو اصحاب الاسهم وتعظيم الربحية. تعزيز جودة الخدمات والتقرير السنوى والتى تشمل جميع المعلومات عن أنشطة البنك

موافق بشده	موافق	محايد	غير موافق	غير موافق تماما
مهم جدا	مهم	لا أعرف	غير مهم	غير مهم إطلاقآ
راضي جدا	راضي	لا أعرف	غير راضي	غير راضي تماما
5	4	3	2	1

الجزء الاول
للمهتمين الذين يتعاملوا مع البنوك الاسلاميه
السؤال1 :ماهي أهمية العوامل التاليه والتي تؤثر علي حكمك في التعامل مع البنك الإسلامي؟

	1	2	3	4	5
المساءله / المسئوليه الشرعيه					
تجنب الفائده / الربا					
علامة تجارية إسلامية					
الثقه في هيئة الرقابة الشرعية للبنك الإسلامي					
أن يحمل البنك إسم إسلامي					
يتعامل بالزكاة					
سمعة البنك الإسلامي					
مظهر الموظفين يعكس القيم مثل ارتداء للموظفات للحجاب					
يغلق وقت الصلاة و البنك لديه غرفة للصلاة					
المساءله / المسئوليه الإجتماعيه					
خدمة المجتمع مثل (إعطاء التبرعات)					
التأثيرات والممارسات البيئيه (خدمة البيئه)					
يقدم القروض الحسنه					
المساءله / المسؤليه التجاريه والماليه					
سعر المنتجات الماليه (تكلفة الخدمات رخيصه)					
معدل عائد تنافسي					
عدد الفروع المتاحه					
جودة خدمة العملاء					
موقع البنك قريب من العمل والسكن					
تنوع في الخدمات الإسلاميه					
تسهيلات خدمات بنكيه علي الأنترنت					

السؤال2 :ماذا يجب أن تكون أهداف البنك الإسلامي ؟

	1	2	3	4	5
أهداف شرعيه					
تطبيق الشريعه الإسلاميه					
تجنب الربا في كافه الخدمات المقدمه					
مساعدة المسلمين في تقوي الله					
أهداف إجتماعيه					
نشر وتمويل مشروعات التنميه المستدامه					
المساهمه في رفع مستوي معيشة المجتمع					
المساعده في حل المشكلات الإجتماعيه مثل الفقر					
منح القروض الحسنه					
أهداف تجاريه و ماليه					
تحسين جودة الخدمات الماليه					
تعظيم الربحيه					

السؤال3 : آراء عملاء البنوك الإسلاميه عن الاداء الفعلى لتلك البنوك

	1	2	3	4	5
المسؤليه / المساءله الشرعيه					
تقديم خدمات بنكيه تتفق مع الشريعه الإسلاميه					

لديه رقابه شرعيه موثوق فيها معروفه وجديره بالثقه					
لا يدفع ولا يأخذ الفائده علي حسابات التوفير					
يوفر/ يقدم حسابات استثمار مشاركه في الربحيه					
يفعل نظام الزكاه					
المظهر العام للبنك يعكس الإسلام					
المظهر العام للعاملين يعكس الإسلام					
إدارة مستقلة للسيدات شباك وطابور خاص بالسيدات					
البنك لديه غرفة للصلاة					
المسؤليه / المساءله الإجتماعيه					
تمويل مشروعات صغيره ومشروعات إجتماعيه تنمويه					
التبرعات للمجتمعات الإسلاميه وغير الإسلاميه					
منح القروض الحسنه					
المسؤليه / المساءله التجاريه والماليه					
معدات حديثه مثل الات لايداع الشيكات والنقديه					
الديكور (التصميم الداخلي جذاب)					
الانتهاء من الطلبات المقدمه تتم فى الوقت المحدد					
الكتيبات والاستمارات واضحة وسهلة الفهم					
المعاملات التجارية دقيقة					
يقوم الموظفين باعطاء العملاء خدمات سريعه					
البنك لديه موقع اليكترونى متميز وخدمات الكترونيه متميزه					
العاملين يعطوا العملاء اهتمام شخصى كافى					
سلوك العاملين يرسخ الثقه فى نفوس العملاء					
البنك لديه ساعات عمل مناسبه لكل العملاء					

<u>السؤال 4 (1)</u>:اذا توقف بنكك الاسلامي عن منح الصدقات والتبرعات والقيام بدوره ومسئوليته الاجتماعية نحو المجتمع من أجل التركيز على تحقيق الأرباح والحفاظ على قدرته التنافسية في السوق، هل:

1) سوف تقوم بسحب جميع ودائعك من البنك الإسلامي والتحول إلى بنك آخر له دور ومسئوليه اجتماعيه
2) سوف تقوم بارسال رسالة احتجاج واعتراض
3) سوف اتفق مع قرار البنك حيث يجب أن يكون البنك قادرة على المنافسة مع البنوك الأخرى
4) لا اهتم لأنه لا يؤثر مباشرة فى

<u>السؤال 4 (2)</u>: اذا توقف بنكك الاسلامي عن التطبيق الكامل للالتزامات االشرعيه أويتوافق جزئيا مع الشريعه من أجل التركيز على تحقيق الأرباح والحفاظ على القدره التنافسية في السوق ، هل:

1) سوف تقوم بسحب جميع ودائعك من البنك الإسلامي والتحول إلى بنك آخر له دور ومسئوليه اجتماعيه
2) سوف تقوم بارسال رسالة احتجاج واعتراض
3) سوف اتفق مع قرار البنك حيث يجب أن يكون البنك قادرة على المنافسة مع البنوك الأخرى
4) لا اهتم لأنه لا يؤثر مباشرة فى

السؤال 5:إرضاء العملاء – الثقه – صورة البنك – ولاء العملاء والافصاح عن المعاملات الشرعيه والاجتماعيه والماليه

	1	2	3	4	5
إرضاء العملاء (كافه الاطراف المهتمه)					
انا راضي بالاداء المالى للبنك					
أنا راضي بالمنتجات / الخدمات المقدمه من البنك					
أنا راضي بتوافق البنك مع شريعة الاسلام					
أنا راضي بدور ومسؤلية البنك تجاه المجتمع					
ثقه الاطراف المهتمه					

اثق ان بنكى الإسلامي يتفق مع مبادئ الشريعه					
لدى الثقه فى هيئه الرقابه الشرعيه للبنك					
اؤمن ان البنك الاسلامى يخدم المجتمع بصوره جيده					
لدي الثقة في موظفي البنك وإدارته					
ولاء الاطراف المهتمه					
سوف أقول أشياء إيجابيه عن البنوك الإسلاميه للأفراد الأخرين					
سوف أوصي أسرتي وأقاربي بالتعامل مع البنوك الإسلاميه					
أوصيت شخص ما بالتعامل مع البنوك الإسلاميه عندما سألني النصيحه					
سوف أستمر في التعامل مع تلك البنوك الإسلاميه					
الافصاح					
الافصاح الشرعى					
انا اعتمد على تقرير هيئه الرقابه الشريعه للتأكد من توافق بنكى الاسلامى مع الشريعه					
التقرير المالى وموقع البنك الالكترونى يوفروا بيانات كافيه عن توافق البنك مع الشريعه					
تقرير هيئه الرقابه الشرعيه كافى وواضح					
قائمه الزكاه والصدقات مهمه وذات قيمه بحيث تؤثر فى اتخاذ قرارى بالتعامل مع البنك الاسلامى					
تقرير هيئه الرقابه الشرعيه مهم وذات قيمه بحيث تؤثر فى اتخاذ قرارى بالتعامل مع البنك الاسلامى					
تقرير هيئه قسم المرجعه الشرعيه الداخليه مهم وذات قيمه بحيث تؤثر فى اتخاذ قرارى بالتعامل مع البنك الاسلامى					
الافصاح المجتمعى					
اعتمد على تقرير الاداء المجتمعى للتأكد من اداء البنك الاسلامى تجاه المجتمع					
التقرير المالى وموقع البنك الالكترونى يوفروا بيانات كافيه عن اداء البنك الاسلامى تجاه المجتمع					
تقرير الاداء المجتمعى كافى وواضح					
قائمه القرض الحسن مهمه وذات قيمه بحيث تؤثر فى اتخاذ قرارى بالتعامل مع البنك الاسلامى					
تقرير الاداء المجتمعى مهم وذات قيمه بحيث تؤثر فى اتخاذ قرارى بالتعامل مع البنك الاسلامى					
الافصاح المالى					
اعتمد على القوائم الماليه للتأكد من الوضع المالى لبنك الاسلامى					
التقرير المالى وموقع البنك الالكترونى يوفروا بيانات كافيه عن اداء البنك الاسلامى المالى والربحيه					
القوائم الماليه كافيه وواضحه					
القوائم الماليه مثل الميزانيه وقائمه الدخل مهمه وذات قيمه بحيث تؤثر فى اتخاذ قرارى بالتعامل مع البنك الاسلامى					

الجزء الثانى

للمهتمين لكن لا يتعاملوا مع البنوك الاسلاميه

السؤال1 :أنا لا اتعامل مع البنوك الإسلامية للاسباب التالية

	1	2	3	4	5
المساءله / المسئوليه الشرعيه					
اعتقد واؤمن بان الفائده البنكيه ليست ربا					
البنك الاسلامى لا يطبق الشريعه الاسلاميه كامله					
للإسلام البنوك الإسلامية لا تعكس الصورة الحقيقيه					
ليس لدى البنوك الاسلاميه اعضاء هيئه للرقابه الشرعيه على قدر من الثقه					
البنك الاسلامى لا يتعامل مع الزكاه					
المساءله / المسئوليه الاجتماعيه					
البنك الاسلامى لا يقدم القروض الحسنه					
البنوك الإسلامية لا تخدم المجتمع					
المساءله / المسؤليه التجاريه والماليه					
المعلومات عن المنتجات المصرفية الإسلامية أو الخدمات غيرمتاحة في السوق					
جودة خدمات البنوك الاسلاميه ليست مثل البنوك التقليدية					
لا يقدم البنك الاسلامى تنوع فى الخدمات المقدمه					
شبكه فروع البنك الاسلامى غير كافيه					
البنك إسلامي مماثل للبنك التقليدى					

العائد الذى يوفره البنك الاسلامى غير مماثل للبنك للتقليدى					

السؤال 2: ماذا ينبغي أن تكون أهداف البنوك الإسلامية؟

	1	2	3	4	5
أهداف شرعيه					
تطبيق الشريعه الإسلاميه					
تجنب الربا في كافه الخدمات المقدمه					
مساعدة المسلمين في تقوي الله					
أهداف إجتماعيه					
نشر وتمويل مشروعات التنميه المستدامه					
المساهمه في رفع مستوي معيشة المجتمع					
المساهمه في حل المشكلات الإجتماعيه مثل الفقر					
أهداف تجاريه					
تحسين جودة الخدمات الماليه					
تعظيم الربحيه					

السؤال3 :اى من العوامل التاليه تدفعك للتعامل مع البنوك الاسلاميه؟

	1	2	3	4	5
المسؤليه / المساءله الشرعيه					
التنفيذ الكامل لأحكام الشريعة					
تفعيل نظام الزكاه					
تعيين اعضاء هيئه الرقابه الشرعيه على قدر من الثقه والشهره					
المسؤليه / المساءله الإجتماعيه					
الخدمه الكامله للمجتمع					
منح القروض الحسنه					
تمويل مشروعات تنمويه					
المسؤليه / المساءله التجاريه والماليه					
ارتفاع العائد والربحية على الودائع					
فروع في أماكن مختلفة					
جودة خدمات عالية					

السؤال4 : ما هى توقعاتك / انطباعاتك حول المصارف الإسلامية؟

	1	2	3	4	5
المسؤليه / المساءله الشرعيه					
تقديم خدمات بنكيه تتفق مع الشريعه الإسلاميه					
لديه رقابه شرعيه موثوق فيها معروفه وجديره بالثقه					
لا يدفع ولا يأخذ الفائده علي حسابات التوفير					
يوفر/ يقدم حسابات استثمار مشاركه في الربحيه					
يفعل نظام الزكاه					
المظهر العام للبنك يعكس الإسلام					
المظهر العام للعاملين يعكس الإسلام					
شباك وطابور خاص بالسيدات (إدارة مستقلة للسيدات)					
البنك لديه غرفة للصلاة					
المسؤليه / المساءله الإجتماعيه					
تمويل مشروعات صغيره ومشروعات إجتماعيه تنمويه					

التبرعات للمجتمعات الإسلاميه وغير الإسلاميه					
منح القروض الحسنه					
المسؤليه / المساءله التجاريه والماليه					
معدات حديثه مثل الات لايداع الشيكات والنقديه					
جذاب)الديكور (التصميم الداخلي					
الانتهاء من الطلبات المقدمه تتم فى الوقت المحدد					
الكتيبات والاستمارات واضحة وسهلة الفهم					
المعاملات التجارية دقيقة					
يقوم الموظفين باعطاء العملاء خدمات سريعه					
البنك لديه موقع اليكترونى متميز وخدمات الكترونيه متميزه					
العاملين يعطوا العملاء اهتمام شخصى كافى					
سلوك العاملين يرسخ الثقه فى نفوس العملاء					
البنك لديه ساعات عمل مناسبه لكل العملاء					

معلومات شخصيه

المتعاملين وغير المتعاملين مع البنوك الاسلاميه

1. **النوع** ----- ذكر ----- أنثي
2. **العمر** ------ من 21 : 30 سنه ------ من 31 : 40 سنه ---- من 41: 50 سنه ------- أكبر من 50 سنه
3. **بلد الإقامه** ....
4. **أعلي مستوي تعليمي تم الوصول إليه :** ------ غير متعلم ----- ثانويه / دبلوم ----- بكالوريوس
   ----دراسات عليا (ماجستير او دكتوراه)
5. **المهنه** ------ تاجر / رجل أعمال -------- مهني (محامي / محاسب / طبيب / مهندس
   ------------ لا يعمل -------------- متقاعد ------مدرس / دكتور أكا -------- ربةمنزل
   ------- طالب أخري ----------
6. **أي نوع من الخلفيه / التدريب حصلت عليها ؟** ------- شريعه اداره اعمال --------
   أخري ....
7. **ما هو مصدر معلوماتك عن البنوك الاسلاميه؟** ------التقارير الماليه ------الموقع الالكترونى للبنك
   -------التعامل المباشر مع البنك ------الاصدقاء ------الانترنت ومواقع التواصل الاجتماعى
   ------ اخرى (حدد من فضلك)

للمتعاملين فقط مع البنوك الاسلاميه

1. **ماهي مدة تعاملك مع البنك الإسلامي ؟**
   ------ أقل من سنه ------- 1: 3 سنوات ------ 3: 5 سنوات ---- أكثر من 5 سنوات
2. **أي نوع من الخدمات البنكيه استخدمتها في البنك الإسلامي ؟ (يمكنك إختيار أكثر من خدمه)**
   مضاربه------------- مشاركه ---------مرابحه ------- حساب جاري -----
   ------ اخرى (حدد من فضلك)
3. **من اى فئه تنتمى؟** ----- عميل -----لديك حساب بالبنك ------مستثمر فردى ------ مستثمر مؤسسى

- أشكرك على وقتك لاستكمال هذا الاستبيان. مساعدتك محل تقدير كبير جدا في توفير هذه المعلومات. إذا كان هناك أي شيء آخر كنت تود أن تخبرنا به عن هذا الاستبيان أو تعليقات أخرى تعتقد أنها قد تساعدنا على فهم جودة الخدمات المقدمه من البنوك الاسلاميه والقضايا الناشئة منها ، الرجاء القيام بذلك في الجزء المقدم أدناه

RESEARCH
WITH
PLYMOUTH
UNIVERSITY

السلام عليكم ورحمة الله

عزيزى / عزيزتى المشارك فى الاستبيان
تحيه طيبه وبعد.................

أنا باحث للدراسات العليا في كلية إدارة الأعمال، جامعة بليموث في المملكة المتحدة، اقوم حاليا بمشروع بحث الدكتوراه حول موضوع "ممارسات المسؤليه بالبنك الاسلامى: منظور شامل" تحت إشراف البروفيسور خالد الحسينى

كجزء من البحث، لقد أعددت الاستمارة. تسعى للبحث عن آرائكم حول بعض القضايا المرتبطة بإطار المساءلة الإسلاميه التي تحتوي على ثلاث ركائز أساسية: المساءلة الشريعة, المساءلة الاجتماعية والمساءلة المالية / التجارية الخاصه بالبنوك الإسلامية. وقد تم تصميم الاستبيان بحيث يمكنك إنجازه بسهولة. في معظم الحالات والاسئله، تحتاج إلى وضع علامة في الخانة المناسبة التي تصف رأيك. الاستبيان سوف يستغرق حوالي 15 دقيقة

وسيكون موضع تقدير كبير إذا تم الانتهاء من الاستبيان فى اقرب وقت ممكن وتسليمه لنفس الشخص الذى اعطاه لك كما يمكنك التاكد تماما من أن جميع المعلومات التي تقدمها سوف تكون سرية للغاية، وتستخدم لأغراض بحثية فقط

شكرا لكم مقدما على مساعدتكم.

تفضلوا بقبول فائق الاحترام

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