

A SURVEY OF INTERNET FINANCIAL REPORTING IN BAHRAIN

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ABSTRACT

This paper investigates the extent and variety of internet financial reporting (IFR) by companies listed on the Bahrain Stock Exchange (BSE). While IFR is fast becoming the norm in western countries, there is little empirical evidence of the phenomenon in the Middle East. This paper attempts to fill some of the gap in the literature by providing evidence of IFR practices in Bahrain. The 49 companies listed on the BSE were investigated to ascertain whether they maintain websites and/or if these sites are being used for communicating financial information. Only 40 companies were found to operate websites, with only 27 engaging in IFR. The results indicate that IFR is spreading in Bahrain and there are many opportunities and challenges for all stakeholders in corporate reporting. The study highlights the challenges/opportunities for IFR in the Middle East, as well as a number of areas for further study.

I. INTRODUCTION

This paper investigates and reports on the extent and nature of internet financial reporting (IFR) among companies listed on the Bahrain Stock Exchange (BSE) in Bahrain. While IFR is fast becoming the norm in most western countries, there is little empirical evidence of the phenomenon in the Middle East region. Until recently, hard copies (paper) have been the primary means for communicating financial information to shareholders and other interested corporate stakeholders. Technological advancement has made the internet a useful, timely and cost-effective tool for the communication of this information to stakeholders. The internet has the potential power to revolutionise

financial reporting. Companies can include the traditional annual reports together with additional financial and non-financial information in multiple formats (Jones and Xiao, 2004).

Questions persist as to whether corporate organisations in the Middle East are availing themselves of the opportunity provided by the internet to communicate financial information to their stakeholders. While the use of the Internet for the communication of financial information raises a variety of challenging issues, there is little doubt about its benefits. This paper is an important first step in gauging the extent to which such benefits are being captured in the Middle East region. Given the increasing importance

of IFR and the lack of empirical study on IFR practices in the Middle East region, this paper provides an important contribution to filling the gap in our knowledge of this subject. This is of particular importance in a time when there is so much interest in investment opportunities in the region, particularly in the Arabian Gulf region that is witnessing economic growth in the light of booming oil revenues.

Evidence of IFR practices in various countries have been presented by a number of academic and professional studies – see, for example, Deller *et al.* (1999); Gowthorpe and Amat (1999); Lymer *et al.* (1999); Trites (1999); Marston (2003); Oyelere *et al.* (2003); Gowthrope (2004); Fisher *et al.* (2004); Laswad *et al.* (2005); and Chan and Wickramasinghe (2006). They indicate the growing use of the Internet for corporate dissemination including providing annual reports on the Internet and that the extent and sophistication of IFR practices varies across countries. The current paper provides evidence of IFR in the Kingdom of Bahrain.

The 49¹ companies listed on BSE were identified on the BSE website. The companies' website links, where available were, in the first instance, accessed through these websites. Otherwise, a search was made for the company site using search engines. Finally, the companies were contacted by telephone and requested to provide their website address, if any. Forty BSE listed companies were found to maintain websites and only twenty-seven of these engage in IFR. From the results of this study, it is possible to preliminarily conclude that IFR is spreading in Bahrain, providing lots of opportunities and challenges for all

stakeholder parties in corporate reporting. The study highlights some of these, as well as a number of areas for further study.

The rest of this paper is structured as follows. A review of relevant literature is provided in the next section. This is followed by a discussion of the institutional framework of the proposed research. The proposed research methodology is discussed in Section 4. Section five provides analyses and discussions on the extent and nature of IFR by companies listed in Bahrain. Summary and conclusions are presented in the final section.

II . LITERATURE REVIWE

A number of academic and professional studies have examined and presented evidence of IFR practices in various countries. These include Craven and Marston (1999) and Gowthrope (2004) - UK, Deller *et al.* (1999) - US, UK and Germany, Gowthorpe and Amat (1999) - Spain, Hedlin (1999) – Sweden, Lymer *et al.* (1999) - International Comparison, Pirchegger and Wagenhofer (1999) - Austria and Germany, Marston and Polei (2004) – Germany, Trites (1999) - US and Canada, Oyelere *et al.* (2003), Fisher *et al.* (2004) and Laswad *et al.* (2005) - New Zealand, Marston (2004) - Japan, Xiao *et al.* (2004) - Cina, Smith and Peppard (2005) – Ireland, Khadaroo (2005) – Malaysia, and Chan and Wickramasinghe (2006) - Australia. They indicate the growing use of the Internet for corporate dissemination, including providing annual reports on the Internet, and that the extent and sophistication of IFR practices vary across countries.

¹ There are 51 securities listed on BSE, however two of these are preferred stock for companies already listed.

Table I: Summary of Key Studies on Internet Financial Reporting

Author(s)	Country	Key Issues/Findings
Craven and Marston (1999)	UK	Examined the extent of IFR practices by UK companies. Found size to be a major determinant of the use and extent of IFR, but did not find the same relationship for industry type.
Debreceeny, <i>et al</i> (2002)	International	Study of IFR practices of 660 large companies in 22 Countries and found disclosure environment to be an important environmental driver for IFR presentation and content. Also found presentation of IFR to be more associated with certain identified determinants than the content of IFR.
Deller <i>et al.</i> (1999)	US, UK and Germany	Compared the IFR activities of US, UK and German companies and found IFR to be more common in the USA. Also found that although Internet technology offers a variety of possibilities for communication with investors, only a fraction of the possibilities is used in all three countries.
Ettredge <i>et al</i> (2001)	US	Evaluation and comparison of IFR practices of US companies found several practices of potential concern for the accounting profession.
Ettredge <i>et al</i> (2002)		Investigated whether IFR can be explained by mandatory and voluntary disclosure theories, and found size and information asymmetry to be significantly associated with IFR, while voluntary information item disclosure is associated with variables size, information asymmetry, demand for external capital, and companies' traditional disclosure reputations.

Table I: Summary of Key Studies on Internet Financial Reporting Contd....

Author(s)	Country	Key Issues/Findings
Fisher <i>et al.</i> (2004)	New Zealand	The exploratory study identified the key audit implications of IFR and analysed the contents of all listed company Websites in New Zealand. The results of their content analysis of auditor Web-related practices revealed several significant concerns for the auditing profession with respect to the presentation, context, and content of the audit report in a Web-based environment.
Gowthorpe and Amat (1999)	Spain	Reported of IFR practices of Spanish companies quoted on the Madrid Stock Exchange, placing IFR in context by reporting extent of Internet access and the actual and potential development of the Internet as a means of establishing corporate dialogue with stakeholders.
Hedlin (1999)	Sweden	Reported the results of a survey of 60 companies listed on the Stockholm Stock Exchange and found larger companies to be more advanced in their use of IFR as a tool for communication with corporate investors.
Jones and Xiao (2004)	UK	The future of IFR: Delphi study of corporate financial reporting by 2010 found that financial reporting would evolve into a core of general purpose, standardised information in both the hard copy and Internet versions, together with a non-core of general purpose and customized information, and that radical changes such as real-time reporting and disclosure of raw data will not occur. IFR will need to be either standardised or customized.
Khadaroo (2005)	Malaysia	Examined IFR practices of Malaysian companies, with emphasis on auditing implications. Found increase in quantity, but little improvement in quality of internet reporting information to users. Highlighted the issue of auditors having little control over web contents and changes that could be made to audited information.

Table I: Summary of Key Studies on Internet Financial Reporting Contd....

Author(s)	Country	Key Issues/Findings
Laswad et al. (2000)		Examined the opportunities and challenges of IFR practices, and provided recommendations for increasing the effectiveness of the use of the Internet for the reporting of corporate financial information.
Laswad <i>et al.</i> (2005)	New Zealand	Examined the voluntary Internet financial reporting practices of local authorities and found leverage, municipal wealth, press visibility, and type of council to be associated with the Internet financial reporting practices of local authorities in New Zealand.
Lymer and Debreceeny (2003)	International	Reviewed the state of guidance provided on IFR by regulators and standard-setters, and found that, despite a clear recognition of the challenges posed by IFR, actual enactments fall far short of requirements.
Marston (2003)	Japan	Surveyed the Internet reporting practices of top Japanese companies in 1998 and 2001, and found that the majority of these companies (about 79%) had a website in English, with about 69% reporting some financial information on their website in 1998. She also found size to be the main determinant of the existence of a corporate website.
Marston and Polei (2004)	Germany	Examined the IFR practices of German companies between 2000 and 2003 and found significant improvements in the quantity and presentation of financial information at corporate Websites. They also found firm size to be the the only explanatory factor for the quantity of information disclosed for both periods. Foreign listing status was found to be a significant explanatory in 2003, while free float was significant for 2000.

Table I: Summary of Key Studies on Internet Financial Reporting Contd....

Author(s)	Country	Key Issues/Findings
Oyelere <i>et al.</i> (2003)	New Zealand	Examined the determinants of voluntary IFR practices by New Zealand companies and found that some determinants of traditional financial reporting such as size, liquidity, industrial sector and spread of shareholding are also determinants of voluntary adoption of IFR. However, other firm characteristics, such as leverage, profitability and internationalization, do not explain IFR practices.
Pirchegger and Wagenhofer (1999)	Austria and Germany	Analysed the IFR practices of Austrian companies and compared them to those of German listed companies. Found that larger Austrian companies and those with higher free float percentage scored higher on measures of IFR disclosure.
Xiao <i>et al.</i> (2004)	China	Analysed the determinants of Chinese listed companies' voluntary IFR practices and found that the companies IFR disclosure choices are responsive to specific attributes of their environment.

The Internet provides a useful communication tool for corporate organizations. IFR refers to the use of the firms' web sites to disseminate information about the financial performance of the corporations. One of the main benefits of IFR is the potential large savings in the cost of production and distribution of financial information. The Internet allows companies to reach a much wider category and variety of stakeholders at relatively lower costs, with reduction in incidental requests from non-shareholder financial statement users (Allam and Lymer, 2002; SEC, 2002, 2003a,b; Khadaroo, 2005). The literature also documents a number of other benefits that may accrue from IFR (Baker and Wallage, 2000;

Ettredge *et al.*, 2001; Debreceeny, *et al.*, 2002; Wagenhofer, 2003; Jones and Xiao, 2004; Boritz and No, 2005). These include more equitable information dissemination among stakeholders as a result of improved accessibility to information. With IFR, users can choose to access information that meets their specific needs as the Internet allows non-sequential access to information through the use of hyperlinks, interactive and search facilities. IFR also presents companies with the opportunity to provide more information than those available in annual reports. Potentially, the internet provides an opportunity for going beyond what is available in hard copy corporate financial statements to communicate

additional financial information to users, possibly on real-time and interactive bases (McCafferty, 1995; Louwers *et al.*, 1996; Green and Spaul, 1997; Trites and Sheehy, 1997; Trites, 1999; FASB, 2000; Ettredge *et al.*, 2002; Wickramasinghe, 2006). IFR provides corporate organisations with a real opportunity to extend financial disclosure beyond the reproduction of a hard copy annual report and improve on the timeliness, scope, and interactivity of financial reporting, with multimedia, such as sound, animation and video, being used to potentially increase the understanding of information (Louwers *et al.*, 1996; Ravlic, 2000; Wickramasinghe and Lichenstein, 2006). These developments have a great potential impact on users (Wallman, 1997; Green and Spaul, 1997; Gowthrope and Flynn, 2001).

A number of IFR-related issues and challenges have, however, been noted in the literature. There is a potential that the dividing line between current financial information used by management and historical audited financial information made available to public users of financial information could be erased by online, real-time reporting (Green and Spaul, 1997; Hodge, 2001; Oyelere *et al.*, 2003), with auditors being possibly required to provide opinion on such hitherto internal financial information (Trites and Sheehy, 1997; Lymer and Debreceeny, 2003; Khadaroo, 2005). Also, if IFR is installed as the only mode for communicating financial information, there is the likelihood that access to such information will be restricted to only those who possess costly computer equipment and skills. Hence, to ensure equity in financial information dissemination, it will be necessary to ensure that the information being reported through corporate websites are already provided

previously or simultaneously through other media of financial information disclosure (McCafferty, 1995). This could however be viewed as unnecessary duplication and may result in even greater costs in Bahrain and other countries in the Middle East region, where financial information are commonly disseminated in both English and Arabic languages. It is to be noted that companies find it necessary to disseminate information in both Arabic and English to ensure disclosure equity. While Arabic is the Official language, with the spread of globalization there are many stakeholders who would be disadvantaged if dissemination is only in Arabic.

Additional issues and challenges for IFR include possible errors in the extraction or re-keying process; Generally Accepted Accounting Principles (GAAP) implications of IFR; the use of the corporate websites for many diverse purposes; and the acceptability of Internet financial reports as alternatives to hard copy annual reports among users of corporate financial information (Laswad *et al.*, 2000).

Perhaps by far the greatest challenge faced in the IFR environment is that of ensuring the security and integrity of the financial information published on corporate websites. Apart from possible errors in the publishing process, materials published on the web are susceptible to all manners of security risks. Financial information could, post-publication, be knowingly or unknowingly altered by parties both external and internal to the organisation. There is a real risk that critical decisions could be made by users of financial information based on inaccurate financial information gleaned from corporate websites. The extent to which these issues

are dealt with is likely to determine the long-term usefulness of the Internet as a medium of corporate financial information dissemination.

One way to overcome the difficulty of finding pages and specific data within the enormity of the public Web (over 1 billion pages) is to automate the Web search mechanics by developing and using intelligent software agents. The eXtensible Markup Language (XML) greatly improves the automation of information location and retrieval by providing a method of tagging financial information and finding technical solutions to the resource discovery and attribute recognition problems. The widespread adoption of XBRL would mean that both humans and intelligent software agents could operate on financial information disseminated on the Web with a high degree of accuracy and reliability (Debreceeny and Gray, 2001).

More recently, some studies have provided evidence on the factors motivating the IFR behaviour of companies around the world. Given the voluntary nature of IFR, these studies sought to establish the reason why companies engage in IFR and the extent of such engagement. Majority of these studies have found corporate size to be a major factor, with IFR likely to provide greater economies of scale cost savings for larger firms (Ashbaugh *et al.*, 1999; Craven and Marston, 1999; Pirchegger and Wagenhofer, 1999; Debreceeny *et al.*, 2002; Ettredge *et al.*, 2002; Oyelere *et al.*, 2003). Evidence on other variables examined is largely inconclusive.

Very little, if any, evidence however exists on the extent and nature of this important

² Gulf Cooperation Council countries

practice in the Middle East region. It is predicted that IFR is likely to overtake hard-copy print form of financial information disclosure in the near future. It is therefore surprising that evidence on the variety of issues associated with this form of financial disclosure is currently not being deposited in the public domain. Such evidence will depend on the outcome of in-depth and thorough investigation and analysis, such as is being preliminarily undertaken in the current study.

III . INSTITUTIONAL FRAMWORK

This paper presents a proposed methodology for the investigation of the extent to which companies in the Middle East use the Internet to communicate financial information to their stakeholders. One of the fastest growing economy in the region, namely Bahrain, is chosen for the proposed investigation. The study will examine the extent of financial reporting on the websites of companies listed on the Bahrain Stock Exchange. The environment and institutional framework of the location of the proposed study are discussed in this section.

Over the years, the Bahrain Stock Exchange (BSE) has grown to become one of the leading emerging stock markets in the Middle East region. The Exchange started off with 29 listed companies in 1989 and increased to 41 companies in 2000, including the first non-GCC² company to list in the region. The equity market capitalization rose from BD1.04 billion (US\$2.7 billion) in 1989 to BD2.5 billion (US\$6.6 billion) in 2000, an increase of approximately 20 percent per annum.

In 1997, the BSE's board of directors adopted a strategy to develop and expand operations at the Exchange in order to increase its competitiveness. The strategy focused on the strengthening of the legal infrastructure, adoption of automated technical systems, staff training and marketing and promotion. The market was opened up to foreign investors in 1999. Foreign investors were allowed to own up to 49 percent of investments (previously 24%).

In 1999, an automated trading system was installed. This was followed by installation of an automated Clearing, Settlement, Depository and Registration System. The Exchange implemented International Organisation of Securities Commissions (IOSCO) international disclosure standards, as well as other standards used in international stock markets, resulting in one of the most far-reaching disclosure standards adopted in the region.

The BSE aims to operate in a completely transparent environment, with timely dissemination of information. Companies listed on the Exchange are required to publish their financial statements within three months of the end of their annual financial year to improve the timeliness of information disclosure. The Exchange has, as one of its stated aims, the harnessing of the capabilities of the Internet to bring investors in closer touch with its business. It views the Internet as a veritable tool for communication and business operations. By extension, one would expect companies listed on the Exchange to embrace the technology and use it for a variety of purposes, including the communication of corporate governance information to their stakeholder groups.

IV. METHODOLOGY

The aim of this study is to investigate and document the extent and nature of IFR practices among companies listed on BSE. The research methodology employed to accomplish this aim is presented in this section. The list of companies listed on BSE was obtained from the BSE website. Data regarding whether these companies have website or not were obtained via links at the BSE websites. Where these do not exist, a search was made for the company website using google.com and yahoo.com search engines. Finally, the companies were contacted by telephone and requested to provide their website address, if any.

Where corporate sites were available, we moved to the next stage of the data collection process by investigating the type of information provided at these sites. Four categories of information – company history/background, products/services, financial and other information – were of interest to us at this stage. The next stage of the data collection process involved querying the extent and nature of financial information provided on the corporate websites. Of interest were the type of financial information, i.e. whether full financial statements and/or financial highlights; the format of presentation, i.e. whether PDF, HTML, other formats or a combination of these; and the volume of financial information presented.

The data collected were then analysed and summarised. The results of the analysis are presented and discussed in the next section.

V. RESULTS AND DISCUSSION

There are 49 companies listed on the BSE as at the end of August 2006. These companies are from three main industrial sectors as shown in table II. Thirty-nine of these companies were found to have corporate websites. A classification of “websiters” and “non-websites” by industry is provided in Table III.³

Generally, the proportion of website ownership appears low among BSE-listed companies when compared with developed western countries such as the US, the UK, Australia and New Zealand (Lymer et al, 1999; Oyelere et al, 2003). However, it is expected to compare favourably with those of similar countries in the Gulf/Middle East region.

Thirty-nine of the 49 (79%) companies listed on the BSE have websites; this compares

Table II: BSE Distribution by Industrial classification

Sector	Number of Companies	%
Banking & Investment	20	40.80%
Insurance & Services	19	38.80%
Industrial	3	6.10%
Non Bahraini Co.	7	14.30%
Total	49	100%

Table III: BSE Listed Companies With or Without Websites by Industrial Classification

Sector	With Website		Without Website		Total	
	Count	%	Count	%	Count	%
Banking & Investment	17	44%	3	30%	20	41%
Insurance & Service	15	38%	4	40%	19	39%
Industrial	0	00%	3	30%	3	6%
Non Bahraini Co.	7	18%	0	00%	7	14%
Total	39	100.00%	10	100.00%	49	100%

Twenty (41%) of the BSE-listed companies operate in the Banking & Investment sector; with 17 of the 20 companies (85%) in this sector have websites. This compares favourably with companies in the Industrial sector sector, where none of the three companies have websites. While, in the Insurance & Services sector 78 per cent (15 out of 19) are “websiters”. Most impressive was the non Bahraini companies listed on BSE, all seven companies have websites.

with a rate of 53.7% for companies listed on the New Zealand Stock Exchange (Oyelere et al, 2003), 99% of the top 100 of the Fortune 500 companies (FASB, 2000), 92% of the top 50 UK companies by market capitalisation (Lymer, 1997), 74.2% of the Spanish IBEX-35 listed companies and 90% of all 72 listed Finnish companies (Lymer and Tallberg, 1997).

All of thirty-nine provide a variety of information on their sites. These include

³ A comprehensive list of “websiters” and “non-websites” is provided in Appendix A of this study.

company history, product, financial and other information. A summary of the various types of information provided is presented in Table IV.

information on their website compares with 73.2% of NZSE-listed companies (Oyelere et al, 2003) with websites, 93% of the top 100 of the Fortune 500 companies (FASB,

Table IV: Types of Information on Companies Website

	<i>Company History</i>			<i>Product & Services</i>			<i>Financial Information</i>		
	<i>Yes</i>	<i>No</i>	<i>Total</i>	<i>Yes</i>	<i>No</i>	<i>Total</i>	<i>Yes</i>	<i>No</i>	<i>Total</i>
Banking & Investment	16	1	17	16	1	17	16	1	17
Insurance & Service	12	3	15	12	3	15	9	6	15
Industrial	0	0	0	0	0	0	0	0	0
Non Bahraini Co.	6	1	7	6	1	7	6	1	7
Total	34	5	39	34	5	39	31	8	39

Thirty-four companies provide historical/background and product/service information. This is compared with thirty-one companies (63.3%) that provide financial information at their website, indicating that IFR is reasonably common practice among Bahraini companies with websites. Moreover, there are five-year summary of financial statements for all BSE-listed companies at the BSE website (www.bahrainstock.com). The 63.3% of BSE-listed companies providing financial

2000), 55.7% of quoted Spanish companies (Gowthorpe and Amat, 1999) and 50% of the top 50 UK corporations (Lymer, 1997).

An analysis of the nature and extent of financial information provided by the 31 companies that provided financial information is presented in Tables V, VI and VII.

A relatively high 26 out of the 31 (84%) companies providing financial information

Table V: Ratio of Companies with Financial Information by Industrial Classification

	<i>Yes</i>		<i>No</i>		<i>Total</i>	
	<i>No.</i>	<i>%</i>	<i>No.</i>	<i>%</i>	<i>No.</i>	<i>%</i>
Banking & Investment	16	75%	4	25%	20	41%
Insurance & Service	9	47%	10	53%	19	39%
Industrial	0	00%	3	100%	3	6%
Non Bahrain	6	87%	1	13%	7	14%
Total	31	63%	18	37%	49	100%

Table VI: Format of Publication and Nature of Published Financial Information

	<i>Annual Reports</i>			<i>Financial Highlights</i>			<i>Both: A.R & F.H</i>		
	PDF	HTML	MS Word	PDF	HTML	MS Word	PDF	HTML	MS Word
Banking & Investment	14	0	0	15	1	0	14	0	0
Insurance & Service	6	1	0	7	2	0	6	1	0
Industrial	0	0	0	0	0	0	0	0	0
Non Bahrain	5	1	0	5	1	0	5	1	0
Total	25	2	0	27	4	0	25	2	0

Table VII: Number of Years and Nature of Published Financial Information

	<i>Financial Highlight</i>		<i>Annual Reports</i>		<i>Both: A.R & F.H</i>	
	1 Year	2 Years	1 Year	2 Years	1 Year	2Years
Banking & Investment	1	15	0	14	0	14
Insurance & Service	3	6	1	6	1	6
Industrial	0	0	0	0	0	0
Non Bahrain	1	5	1	5	1	5
Total	5	26	2	25	2	25

do so for two-year periods or more, the other five companies (15%) provide financial information only for one year. Of the 31 companies providing financial information, only 27 (88%) provide both annual reports and additional financial highlights, while the remaining four provide only financial highlights. These means all 31 companies are providing financial highlights. Most (27 out of 31) of these companies (87%) provided their financial information in PDF format; this compares with 55 out of 90 (61.1%) in a study of New Zealand listed companies (Oyelere et al, 2003). Of these

27 companies, 25 provided both annual reports and financial highlights, while the remaining two provided financial highlights only. Two companies provided both annual reports and financial highlights in HTML format, while another two companies used HTML in providing only financial highlights. None of the companies has used MSWord in providing financial information. One example each of companies providing financial information in PDF format (Bahrain Ship Repairing and Engineering Company) and HTML format (United Gulf Bank) are presented in appendix B of this study.

VI. SUMMERY AND CONCLUSION

This paper has investigated and reported on the extent and nature of IFR practices among companies listed on the BSE. Given that there is hardly any piece of empirical study on IFR practices in the Middle East region, this paper is an important contribution to filling the gap in our knowledge of this subject. The paper provides a valuable insight into IFR in the Middle East that will benefit all stakeholder parties in corporate reporting. We collected and analysed data on the 49 companies listed on the stock market in Bahrain. Only 39 of these companies maintain websites, of which 31 provide financial information on the sites. Majority of these companies use the PDF format to publish the financial information. Some companies also choose to use the Internet to provide additional financial information, in the form of financial highlights.

The findings of this study reveal a seemingly limited use of the Internet for financial reporting purpose in Bahrain. It appears that despite the growing use of the Internet as a medium for the dissemination of corporate information in other regions and countries of the world, many companies in Bahrain either do not have a corporate website, or are not using their website to disseminate such information. It is however possible that listed companies in Bahrain do not see an incremental benefit in engaging in IFR, given that the financial information of most of them is already published through the websites of the BSE (www.bahrainstock.com). This should, however, not be the case, as companies should endeavour to take control and responsibility for the information

communicated to their stakeholders. Despite such links to regulator and stock exchange websites in other countries (UK, USA, Malaysia and Singapore, for example), IFR is already the norm, rather than the exception, among companies.

Perception about cost and technological expertise may be other issues limiting the widespread implementation of IFR among companies in the Middle East. However, apart from initial set-up costs, which are relatively minor, the ongoing long-term costs of operating and maintaining corporate websites for IFR purposes are minimal. The benefits to be derived from IFR in the current age of globalisation and endemic market inter-linkages are likely to far outweigh the pecuniary costs. The current level of technological expertise and development in the Middle East is more than adequate for the creation, operation and maintenance of corporate websites for IFR purposes. Perhaps the “novelty” factor is the main factor responsible for the current low uptake of IFR among companies in Bahrain. This is likely to be generalisable to other countries in the Middle East region. If that is the case, the region is likely to witness an upsurge in IFR over the next five years and regulators and other governmental agencies, as well as other stakeholder groups will need to be prepared for this near-future development.

Currently, to the best of our knowledge, there is little by way of regulatory guidance or pronouncement on IFR in Bahrain and perhaps in most countries of the Middle East region. This situation needs to be remedied in advance. Regulatory guidance needs to cover issues such as the general responsibility of companies to shareholders; whether IFR



is a direct substitute or complement for hard copy financial statements that companies are required by law to provide to shareholders; rules regarding the publication of audited and non-audited financial information on the Internet; the responsibility of external auditors for audited and non-audited financial information published on the Internet (Fisher *et al.*, 2003); corporate governance issues related to IFR (Oyelere *et al.*, 2006); etc. Such regulation may also aim to streamline web-reporting practices to avoid the problem of excessive variety of non-standardised practices currently available in many countries.

This is a limited and preliminary survey of IFR practices of companies listed in Bahrain. It may not provide an in-depth view of the variety and specifics of practices currently available. This is the subject of

an ongoing larger study. Future studies may further investigate the motivation of companies that engage in IFR in region. Such investigations may focus on both internal and environmental determinants of such practices. Studies may also survey various corporate stakeholder groups, including shareholders, management, relevant governmental agencies, auditors, etc., to ascertain their perceptions of the nature and extent of IFR practices in the Middle East. The generalisability of the current study to other Middle Eastern countries may be contingent upon the results of future studies on companies in those countries. Future studies may also consider the extent of IFR uptake in governmental organisations in Bahrain as a critical aspect of the e-governance initiative currently being promoted by the government in Bahrain.

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APPENDIX 1 – A List of Companies With/Without Website and IFR

<i>Sr.</i>	<i>Company</i>	<i>Website</i>	<i>IFR</i>	<i>Web Address</i>
1.	Ahli United Bank	Yes	Yes	www.ahliunited.com
2.	Al Salam Bank	No	No	
3.	Al-Ahlia Insurance Co.	Yes	Yes	www.alahlia.com
4.	Al-Khaleej Development Co. (B.S.C)	Yes	Yes	www.tameer.com
5.	Arab Banking Corporation	Yes	Yes	www.arabbanking.com
6.	Arab Insurance Group	Yes	Yes	www.arig.net
7.	Arab International Insurance Co.	No	No	
8.	Bahrain and Kuwait Insurance Co.	Yes	Yes	www.bkic.com
9.	Bahrain Car Park Co.	No	No	
10.	Bahrain Cinema Co.	Yes	No	www.bahraincinema.com
11.	Bahrain Commercial Facilities	Yes	Yes	www.bahraincredit.com.bh
12.	Bahrain Duty Free Complex	Yes	No	www.bdutyfree.com
13.	Bahrain Family Leisure Co.	No	No	
14.	Bahrain Flour Mills Co.	No	No	
15.	Bahrain Hotels Co.	Yes	No	www.gulfhotelbahrain.com
16.	Bahrain Islamic Bank	Yes	Yes	www.bisbonline.com
17.	Bahrain Mari. and Mer. Inter Co.	Yes	Yes	www.bmmigroup.com
18.	Bahrain Middle East Bank	Yes	Yes	www.bmb.com.bh
19.	Bahrain National Holding Co.	Yes	Yes	www.bnhgroup.com
20.	Bahrain Shamel Bank	Yes	Yes	www.shamilbank.net
21.	Bahrain Ship Repairing and Engineering Co.	Yes	Yes	www.basrec.com
22.	Bahrain Telecommunications Co.	Yes	No	www.batelco.com
23.	Bahrain Toursim Co.	Yes	Yes	www.alseyaha.com
24.	Banader Hotels Company BSC	No	No	
25.	Bank Muscat	Yes	Yes	www.bankmuscat.com
26.	Bank of Bahrain and Kuwait	Yes	Yes	www.bbkonline.com
27.	Delmon Poultry Co.	No	No	
28.	Esterad Investment Company B.S.C.	Yes	Yes	www.esterad.net
29.	General Trading and Food Proc. Co.	Yes	Yes	www.trafco.com
30.	Global Investment House	Yes	Yes	www.globalinv.net
31.	Gulf Finance House	Yes	Yes	www.gfhouse.com
32.	Gulf Monetary Group	No	No	
33.	International Investment Group	Yes	No	www.iigkw.com
34.	Investcorp Bank	Yes	No	www.invescorp.com
35.	Ithmaar Bank	Yes	Yes	www.ithmaarbank.com
36.	Nass Corporation BSC	Yes	No	www.nassthegroup.com.bh
37.	National Bank of Bahrain	Yes	Yes	www.nbbonline.com
38.	National Hotels Co.	Yes	No	www.nhcbahrain.com
39.	Qatar Telecom	Yes	Yes	www.qtel.com.qa
40.	Securities and Investment Co	Yes	Yes	www.sico-bahrain.com
41.	Sudan Telecommunications	Yes	Yes	www.sudatel.net
42.	Taib Bank	Yes	Yes	www.taibdirect.com
43.	Takaful International Company	Yes	Yes	www.takafulweb.com
44.	The Bahraini Saudi Bank	Yes	Yes	www.bsb.com.bh
45.	The International Investor	Yes	Yes	www.tii.com
46.	United Finance Company	Yes	Yes	www.ufcoman.com
47.	United Gulf Bank	Yes	Yes	www.ugbbh.com
48.	United Gulf Industries Corp.	No	No	
49.	United Paper Industries B.S.C	No	No	

APPENDIX B – Examples of Companies' Internet Financial Reporting

Bahrain Ship Repairing and Engineering Company Annual Report – PDF Format

BALANCE SHEET
as at 31 December 2005

	Notes	Bahraini Dinars 2005	Bahraini Dinars 2004
Assets			
Available-for-sale investments	6	6,294,625	5,499,855
Property, plant and equipment	7	1,779,650	1,377,857
Investment property	7	1,552,204	341,914
Total non-current assets		9,626,479	7,172,626
Available-for-sale investments	5	96,259	-
Trade and other receivables		4,186,123	1,596,486
Trade and other receivables - impairment allowances (2004: 125,927)		(128,952)	(114,694)
Other		241,152	262,106
Inventories and work-in-progress	4	2,604,654	3,750,787
Cash and cash equivalents	3	6,351,195	6,172,693
Total current assets		13,371,284	13,284,119
Total assets		23,037,763	20,456,745
Equity and liabilities			
Issued capital	8	309,690	309,690
Reserves	11	3,932,218	4,705,264
Retained earnings		7,542,777	6,808,817
Total equity (page 14)		11,784,685	11,823,771
Liabilities			
Provision for employees' benefits	9	228,225	294,524

United Gulf Bank Annual Report – HTML Format

Short Bio of Ehab K. A. Mohamed and Peter B. Oyelere

Ehab K. A. Mohamed is the Assistant Dean for Undergraduate Studies at the College of Commerce & Economics, Sultan Qaboos University, Muscat - Oman. He is also the Head of the Department of Accounting at the college. He received his Ph D. from Cairo University.

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