

Electronic Financial Disclosure Level on the Commercial Bank Sector of Bahrain Bourse

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*Received: 22 April 2022 Revised: 28 April 2022 Accepted: 20 May 2022 Published: 1 June 2022
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Abstract

This study assesses electronic financial disclosure (EFD) in the banking sector for all commercial banks listed on the Bahrain bourse. A checklist was created to evaluate the level of electronic financial disclosure in Bahraini commercial banks. The sample included eight commercial banks listed on the financial sector of the Bahrain bourse between 2016 and 2021. The total amount of electronic financial disclosure varies from bank to bank, according to the statistical analysis. According to this survey, 76 percent of financial information is disclosed electronically by Bahrain Bourse-listed commercial banks. This study should be extremely relevant to bank managements in order to improve their electronic financial disclosure level by considering strategic policies, to provide good opportunities for banks in the Kingdom of Bahrain to improve their competitiveness, and to serve as a guide for academics in Bahrain's banking sector.

Keywords: Electronic Financial Disclosure, Commercial Bank

1. INTRODUCTION

This research aims to contribute to the banking industry by identifying the disclosure levels of (EFD) for both conventional and Islamic banking. The most important of these incentives is the need to create an acceptable institutional and regulatory environment for commercial banks, which has been emphasized in a number of prior studies undertaken by specialists from a variety of countries, including the Kingdom of Bahrain. In addition, it would promote timely, accurate, and trustworthy investing information. International capital markets, globalization, and accounting professional organizations are examples of external influences on banks.

Internal influences include sociocultural factors, and also accounting professional organizations (Al-Sartawi, 2018; Kilic, 2016; Musleh Al-Sartawi, 2016). Banks have an important and crucial part in the economy (Al Nawaiseh et al., 2021; Ali & Oudat, 2021b; Alawamleh et al., 2021; Alrabei, Al-Othman, et al., 2022; Harban, et al., 2021; Wang, et al., 2021). Furthermore, research has demonstrated that information technology plays an essential role in financial disclosure (Ali & Oudat, 2021a; Alkhodary, et al., 2022; Alqaraleh, et al., 2022; Jawabreh, et al., 2022; Jawabreh, et al., 2022). This research is important since the banking sector demands extensive data via EFD. Therefore, comprehensive and accurate financial disclosure must be given by banks (Siueia, et al., 2019). This would increase and improve the efficiency with which banks function as a major economic component and a clear source of global development. This study intends to examine the levels of EFD disclosure in order to establish the extent to which commercial banks disclose EFD information. In addition, this research adds to the accounting literature about the impact of EFD adjustments on shareholders, policymakers, inspectors, and the media, as well as other areas, with the purpose of easing the creation of a check list for banking system operations. The purpose of this research is to contribute to a greater understanding and acceptance of (EFD) in the banking sector by bridging a gap in the current literature. Due to the growing expansion of shareholders on the financial markets, the requirement to produce financial statements to satisfy shareholders has risen. Moreover, the disclosure of profit information by major corporations must be fair; it must be made public and concurrently supplied over the internet to investors (Aljawder & Sarea, 2016). Adopting (EFD) improves the productivity of firms and attracts investors from around the globe. In addition, EFD assists clients that demand internet-based corporate data. Users may quickly access the internet from any location, at any time, and obtain low-cost, valuable information.

2. LITERATURE REVIEW

Recent research has examined the extent to which multinational corporations publish financial data online. Numerous variables (including size, financial performance, liquidity, hazards, shareholders, etc.) were examined to determine their impact on EFD enterprises. Recent study (Sarea et al., 2021) examined the extent of web-based banking transparency in Bahrain. The degree of web-based disclosure was assessed using the web-based disclosure approach. 73.3 percent of

all disclosures were made over the Internet, according to the report. The regression analysis demonstrated a correlation between (size of firm, profits) and disclosure.

Comparable study (Aronmwan & Asiriwa, 2018) investigates the strategies of (EFD) used by Nigerian public sector firms. For this purpose, cross-sectional data were gathered from 27 states over the course of one year. In addition, the data suggest that income and political competitiveness have large positive connections with online financial disclosure, whereas state size has a significant negative association. In addition, the correlation between state age and (EFD)

is weak. Another study indicated that firms only release complete information when their performance is positive, however when they have negative news, they strive to prevent the devaluation of their stock. Managers are said to want to demonstrate that they are maximizing disclosure riches and working efficiently (Al-Sartawi, 2018). The findings of the regression indicated that the amount of (EFD) in Nigerian states remains inadequate. According to the research, the level of literacy and a state's ability to create revenue are key determinants of interstate e-financial reporting. Electronic disclosure of information may improve the quality and amount of the information offered, allowing investors to analyze the true performance of organizations. studies by (Sun, Fang, & Hwang, 2019).

As a Gulf Cooperation Council member, the Kingdom of Bahrain is regarded as a commercial banking centre (AlNatiei, 2022). In an effort to transition away from an oil-based economy, the Kingdom of Bahrain is demanding economic diversification in order to attract investors and global firms. Through the support of modern computerized financial disclosure systems, the 2030 economic vision aims to enhance social and legal circumstances in order to attract more investors.

2.1 Electronic Financial Disclosure

Numerous GCC-based studies have tackled numerous EFD-related banking business concerns. The use of EFD to disseminate firm information, for instance, is a relatively new phenomena, and a number of studies examine its potential consequences. (Sarea, Musleh Al-Sartawi, & Khalid, 2018). Al-Motrafi, (2008), investigated the amount of EFD adoption by enterprises (113 firms) and the effect of eight factors on financial disclosure attitudes. According to the report, 95 (84 percent) of businesses have their own websites, but just 51 (45 percent) employ EFD. According to the results of the investigation, none of these businesses possess complete financial data. Furthermore, the research indicates that the firm's size and the stock market have

the greatest impact on the quantity of corporate information disclosed. In addition, a study by (Blouin, Lee, & Erickson, 2018) investigated the disclosure policies of 3,217 organizations and found that voluntary online posting of the IRS Form 990 is substantially connected with donations, regardless of other factors such as age, size, and fundraising expenditures. Fundraising is also closely correlated with the performance metrics shown on Form 990, namely the ratio of program expenditures to total expenditures. Therefore, organizations should carefully consider voluntarily disclosing their Form 990 results on their internet sites when the results are favorable, and they should attempt to improve their financial performance if online publication might be detrimental to their reputation. According to a recent research (Al-fehani, Al-Alkawi, AlDolaimi, & Fajer Bin, 2021), banks in the commercial sector have an average voluntary disclosure rate of 58 percent, which is greater than any other study that has been conducted in the past.

2.2 Voluntary Disclosure

Shareholders have been placed in risk of having their outcomes altered due to a lack of accurate information on the acts of the firm, as seen by the recent proliferation of cases of scandals, scams, suspension, and even delisting of companies (Musyoka, 2017). It has been determined that information asymmetry is one of the most significant factors that plays a role in the principal–agent interaction. It is generally accepted that management has a comprehensive understanding of the organization because of the role they play in managing the business activities of the corporation. The leaders or owners of the company depend on the information that has been disclosed to comprehend how the firm is working, particularly with regard to the main purpose of the company, which is to maximize wealth. The fundamental purpose of the disclosure is to provide the investor/owner as well as the analysts with information on the value and quality of the company.. The organizations feel that interaction with agents is a useful way to monitor actions, and that this contact is best conducted through the sharing of appropriate information. Conflicts of interest exist between two parties, according to agency theory: outsiders and insiders. Larger companies are more prone to have these conflicts (Mohammad & Monirul, 2012). This implies that the benefit of releasing knowledge is proportionately bigger. Managers (insiders) must typically be trustworthy to the shareholders (outsiders) by

lowering agency costs by sharing more information about the firm (Al-fehani, Al-Alkawi, AlDolaimi, & Fajer Bin, 2021; Ali & Oudat, 2021).

Many businesses opt to voluntarily provide substantial financial and non-financial information to investors and other stakeholders via yearly financial reports. These disclosures are meant to give helpful information about the company's performance and to convey management decisions. However, various factors have been found that might alter the level of voluntary disclosures, which has piqued the researchers' interest. Several factors have been discovered that may have an impact on the level of voluntary disclosures (Benton, Cobb, & Werner, 2022).

3. Research Methodology

The data for the empirical portion of this study comes from all of the banks that were listed on the Bahrain stock market in 2021.. Seven of the eight commercial banks that were listed on the Bahrain market throughout the relevant time period provided the necessary data (2012- 2021). Due to the inaccessibility of the bank's website during our investigation, we were unable to incorporate it non our results. In addition, the researchers accessed the websites of many banks and the Bahrain Bourse in order to collect data for their study. In order to carry out the current experiment, the researchers used a prepared check list (Al-fehani, et al., 2021; Musleh Al-Sartawi, 2016; Sarea, et al., 2018). The EFD index is binary, therefore if a bank reported an item on the checklist, it got a score of 1, and if it did not report an item, it received a score of 0. The EFD index consists of 70 different elements that are used to calculate the EFD, and the index is binary. As a direct result of this, the EFD index is binary. As a consequence of this, the Index for each financial institution was determined by dividing the total number of points gained by the institution by the maximum possible score for that institution.

4. Data Anaysis and Findings

As was previously said, the EFD is calculated by dividing the total score of each bank by the highest score that is achievable. FASB established the content and presentation of the information that may be accessible on the websites of companies as the two components of financial reporting in 2000.As a result of the chosen index, the highest score possible on the EFD was 70 items, which encompassed reporting and presentation content dimensions.Table 1 shows that 76% of B ahraini commercial banks have EFD. This can be owing to the variations in features and regulation between commercial banks and other financial institutions listed on the Bahrain Bourse. We found that commercial banks' (EFD) overall reporting level is

satisfactory, and this will improve as banks work to improve their (EFD) level by considering strategic policies. This will help Bahraini banks compete better and serve as a guide for academics and banking sector, who can use the findings to further their own research.

Table (1)

Level of (EFD)

Type:	N:	FED		Independent Samples Test:	
Commercial	70	Mean	S. D	t-value	Sig.
		.7577	.18734	1.445	0.076*
			1		

* Difference is significant at 0.01 level.

5 Discussion and Conclusion

This study aimed to analyze and report on the prevalence of EFD practices across banks in Bahrain, as well as the corporate factors that influence such activities. There are just a few other studies that examine EFD from this perspective; consequently, our research fills a significant gap in the existing body of literature. This study aids decision makers by expanding their understanding of EFD, which may prove advantageous. Between 2012 and 2021, Data was taken from 7 Bahraini banks' websites. A checklist drawn from (Al-fehani et al., 2021; Musleh Al-Sartawi, 2016; Sarea et al., 2018) was used to determine the overall degree of EFD.

It is interesting to investigate this connection from this angle since there hasn't been a lot of previous study done on the link between EFD and the success of commercial banks in the Kingdom of Bahrain. As a result of this, the topic is rich with potential. As a direct consequence of this, the aims of the study might be rephrased as research questions. What percentage of their total projected funds distribution do publicly listed banks in the Kingdom of Bahrain have? The index took into account both the size of the websites and the amount of financial transparency that is accessible online. According to this research, the overall level of EFD in Bahrain's commercial banks is 76 percent, while the average voluntary disclosure rate for banks in the commercial banking sector on the Bahrain Bourse is 58 percent, which is higher than the

rate found in any other GCC study that was evaluated. The total amount of EFD in Bahrain's commercial banks now sits at a level of 76%.

The findings of this research suggest that commercial banks make use of the Internet in order to raise their level of visibility and the quantity of financial information that is readily available. In order to foster uniformity in commercial bank disclosure, regulatory and professional bodies should work together to develop a model for EFD. These bodies should also work to improve their level of EFD by incorporating planning, providing banks with competitive opportunities, and acting as a guide for academics working in the banking sector in Bahrain.

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