Committe Decision

A Comparative Analysis of the Use of Graph Disclosure in the Firms' Annual Reports in Emerging Markets: The Case of Arabian Banks

"تحليل مقارن لاستخدام الإفصاح البياني في التقارير السنوية للشركات في الأسواق الناشئة: حالة البنوك العربية"

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Abstract


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This study aimed to examine the extent and nature of using graphs, as a form of voluntary disclosure, in the annual reports of Arabian banks. Content analysis is used to collect the required data from the 2012-annual reports of 50 Islamic and traditional Arabian banks belong to 13 countries.

The study revealed that more than half of the Arabian banks use graphs to present and communicate quantitative information to the users of their annual reports. Gulf council banks use graphs in their annual reports less extensively than non-Gulf council banks. Furthermore, banks' performance positively influences the extent of using graphs. However, the existence of non-executive directors has a negative impact on graph usage. The study also provided clear evidence on the use of graphs as a tool of impression management by Arabian banks. Annual reports audited by one of the big-4 firms include more distorted graphs. In addition, banks with low net income or decreasing earnings tend construct graphs in a way that distorts the information presented through them and creates a completely different impression in the minds of the users. Accordingly, the study recommends regulators in Arab countries to set special guidelines for good-graph construction to be followed by firms, and thus prevent graphs from being used as a tool to distort the users of the annual reports.

Key words: Graphical disclosure, impression management, Arabian banks