

**INTERNET FINANCIAL REPORTING, CORPORATE GOVERNANCE  
MECHANISMS AND FIRM VALUE: EVIDENCE FROM GULF CO-  
OPERATION COUNCIL COUNTRIES**

**HASAN OMAR AWADH BIN GHANEM**

**Thesis Submitted in Fulfilment of the Requirement for the Degree of Doctor of  
Philosophy of Accounting  
School of Maritime Business and Management  
Universiti Malaysia Terengganu**

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## **DEDICATION**

This work is dedicated to the most important people in my life...

To my respected parents - My Father and My Mother - for their infinite love and prayers that kept me going ahead and find my way in my darkest nights.

To my sincere wife, for her sacrifices and sharing

To my lovely sons, Muhammad and Aalaa for always making me happy

To my brothers and sisters

Thank you for your love and encouragement.

## **ABSTRACT**

### **INTERNET FINANCIAL REPORTING, CORPORATE GOVERNANCE MECHANISMS AND FIRM VALUE: EVIDENCE FROM GULF CO- OPERATION COUNCIL COUNTRIES**

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Internet financial reporting (IFR), which facilitates availability of information instantaneously to a global audience, leads to the increase in the market's overall transparency and encourages investment. However, IFR is likely to be subject to greater managerial discretion as the practice is voluntary. Accordingly, corporate governance mechanisms, which have become one of the most crucial issues due to the accounting scandals and global financial crisis, may be important in explaining the differences in levels of IFR disclosure between companies as well as countries.

There are four objectives of this study. The first objective of this study is to examine the current level of IFR disclosure in listed financial companies in Gulf Cooperation Council (GCC) countries. The second and third objectives of this study are to examine the effect of corporate governance (board of directors' effectiveness, audit committee effectiveness, and ownership structure) and company type on the level of IFR disclosure among these companies. The fourth objective of this study is to examine the economic consequences of IFR disclosure on firm value in order to understand the implications of increased IFR disclosure, especially for companies in emerging countries.

A quantitative method is used to achieve the first objective of this study. An un-weighted index of IFR comprising 35 items of financial and non-financial items is employed to explore information sharing practices of the websites of 238 listed financial companies in the GCC countries. The descriptive results show that the overall level of IFR of the listed financial companies in the GCC countries is slightly low relative to those in the developed countries.

For the second and third objectives of this study, empirical results reveal that board of directors' effectiveness, audit committee effectiveness, governmental ownership, and family ownership influence the level of IFR disclosure. However, institutional ownership and Islamic companies do not show significant influence on the level of IFR disclosure. Contrary to the expectation, the results for the fourth objective of this study indicate that IFR disclosure does not create value for listed financial companies in the GCC. This could be due to the lack of demand for IFR disclosure in the GCC countries.

This study adds to the literature on IFR by providing evidence of IFR practices in the GCC countries. This study considers both the role of board of directors and audit committee effectiveness in determining IFR disclosure as well as examining the relationship between IFR disclosure and firm value in listed financial companies in the GCC countries. The findings benefit companies and stock market participants by emphasizing the quality of corporate governance as an important criterion in making rational investment decisions using information from the Internet.

**Keywords:** Internet financial reporting (IFR) disclosure, board of directors, audit committee, firm value, GCC.

## **ABSTRAK**

### **LAPORAN KEWANGAN MELALUI INTERNET, MEKANISME PENTADBIRAN KORPORAT DAN NILAI FIRMA: KAJIAN DARI NEGARA-NEGARA MAJLIS KERJASAMA TELUK**

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Laporan kewangan melalui Internet (IFR), yang memudahkan ketersediaan maklumat serta-merta kepada pengguna global, meningkatkan keseluruhan ketelusan pasaran dan menggalakkan pelaburan. Namun begitu, amalan ini besar kemungkinan terletak di atas budi bicara pihak pengurusan firma kerana ianya adalah amalan sukarela. Oleh yang demikian, mekanisma pentadbiran korporat sesebuah firma, yang telah menjadi satu isu penting disebabkan skandal dan krisis kewangan sejagat, berkemungkinan memainkan peranan penting bagi menerangkan perbezaan tahap amalan IFR di antara firma-firma dan negara-negara.

Kajian ini mempunyai empat objektif. Objektif pertama kajian ini adalah untuk menyiasat tahap amalan IFR di kalangan firma kewangan yang tersenarai di negara-negara Majlis Kerjasama Teluk (GCC). Objektif kedua dan ketiga kajian ini adalah untuk menyiasat kesan pentadbiran korporat (keberkesanan lembaga pengarah, keberkesanan jawatankuasa audit, dan struktur pemilikan firma) dan jenis firma ke atas amalan IFR di kalangan firma-firma ini. Objektif keempat kajian ini adalah untuk menyiasat kesan daripada amalan IFR ke atas nilai firma dengan tujuan

meningkatkan pemahaman mengenai implikasi peningkatan amalan IFR, terutamanya oleh firma-firma di negara-negara membangun.

Kaedah kuantitatif digunakan untuk mencapai objektif pertama kajian ini. Siasatan amalan perkongsian maklumat di laman web 238 firma-firma kewangan yang tersenarai di negara-negara GCC adalah menggunakan indeks tidak seimbang yang terdiri daripada 35 item kewangan dan bukan kewangan. Keputusan deskriptif menunjukkan tahap keseluruhan amalan IFR oleh firma-firma kewangan di negara-negara GCC ini adalah rendah berbanding firma-firma kewangan di negara maju.

Untuk objektif kedua dan ketiga kajian ini, keputusan empirikal menunjukkan keberkesanan lembaga pengarah, keberkesanan jawatankuasa audit, firma milik kerajaan, dan firma milik keluarga mempunyai pengaruh yang signifikan terhadap amalan IFR. Namun, struktur pemilikan institusi dan firma Islamik tidak menunjukkan pengaruh signifikan ke atas amalan IFR. Keputusan objektif keempat kajian pula bercanggah dengan jangkaan di mana amalan IFR tidak menunjukkan peningkatan nilai firma. Ini berkemungkinan kerana kekurangan permintaan untuk amalan IFR di negara-negara GCC.

Kajian ini menyumbang kepada literatur IFR dengan menunjukkan amalan IFR di negara-negara GCC. Kajian ini mempertimbangkan peranan lembaga pengarah dan jawatankuasa audit dalam menentukan amalan IFR dan menyiasat hubungan diantara amalan IFR dan nilai firma bagi firma-firma kewangan di negara-negara GCC. Keputusan kajian ini memberi manfaat kepada firma dan peserta pasaran saham dengan menekankan kualiti pentadbiran korporat sebagai ciri penting dalam pembuatan keputusan pelaburan dengan menggunakan maklumat dari Internet.

**Kata kunci:** Pelaporan penyata kewangan menggunakan Internet, lembaga pengarah, jawatankuasa audit, nilai firma, GCC.