

The Extent of Internet Financial Reporting (IFR) in Companies Listed in the Gulf Cooperation Council GCC

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ABSTRACT

The purpose of this research is to examine the current level of Internet financial reporting (IFR) by financial companies listed in member countries of Gulf Cooperation Council (GCC). For this purpose, an index of IFR is created based on attributes obtained from the review of the literature. The index of IFR in this research is divided into two main parts, namely content and presentation format. An un-weighted index comprising 36 items of financial and non-financial items is employed to explore the current status of the websites of 238 accessible companies out of 243 financial companies listed in the GCC. This research attempts to add to the literature on IFR by providing evidence of IFR practices in the GCC. The findings show that the overall level of IFR of the financial companies listed in the GCC is relatively low compared to developed countries. Thus, the observation indicates that there is no difference in the level of IFR disclosure between Islamic and conventional institutions in term of items disclosed.

Keywords: *Internet financial reporting (IFR), content, presentation format, unweighted, GCC*

INTRODUCTION

The demand for Internet corporate information, in general, and financial information in particular has increased due to the growth of the Internet (Alali and Romero, 2012). The Internet is a unique information disclosure tool that encourages flexible forms of presentation and allows immediate, broad, and inexpensive communication to investors (Kelton and Yang, 2008). Company websites have been utilized to disseminate corporate information to investors all over the world (Abdelsalam and Street, 2007) and facilitate the improved availability of financial information and encourage investment (Aly, Simon, and Hussainey, 2010). Using the Internet as the medium for information disclosure has its benefits. Debreceny, Gray, and Rahman (2002) indicate that the Internet disclosure is more cost effective, fast, flexible in format, and accessible to all types of user within and beyond national boundaries. In recent years, the dissemination of corporate information on the Internet is considered a comparatively rapidly growing phenomenon (Moradi, Salehi, and Arianpoor, 2011).

Evidence of IFR practices presented by a number of academic and professional studies in developed countries such as (Abdelsalam,

Bryant, and Street, 2007; Abdelsalam and Street, 2007; Kelton and Yang, 2008) and there is some IFR studies have been conducted on emerging economies including countries in the GCC (e.g. Xiao, Yang, and Chow, 2004; Al-Shammari, 2007; Desoky, 2009; Aly et al., 2010; Mohamed, 2010; Al-Htaybat, 2011; Ali-Khan and Ismail, 2011). The use of standard technology for IFR practice has been found to be different from one country to another (Oyelere, Laswad, and Fisher, 2003).

Despite the growing use of the Internet for corporate communication purposes in most developing countries, empirical evidence of this issue is still currently not well established in the literature in the Middle East region, specifically in GCC (e.g., Khadaroo, 2005; Oyelere and Kuruppu, 2012; Momany, Al-Malkawi, and Mahdy, 2014). The GCC countries comprise six states (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates). These countries share some common economic, cultural, and political similarities, which far outweigh any differences they might have (Al-Muharrami, Matthews, and Khabari, 2006; Alqudsi-Ghabra, Al-Bannai, and Al-Bahrani, 2011). The Internet start was somewhat slow in GCC, but the twenty-first century witnessed its rapid spread across the Middle East especially in

the Arab countries (Alqudsi-Ghabra et al., 2011). The sample has been selected based on the special relevance of the financial sectors for the economy and lives of the inhabitants of the GCC. The financial sector is one of the most economically viable diversification options; it is the second highest contributor to the country's GDP after the oil and gas sector and is dominated by the banking sector which remains the cornerstone of the non-oil GDP growth in the economies of the GCC countries (Al-obaidan, 2008; Al-Hassan, Oulidi, and Khamis, 2010)

Even though there is empirical evidence on the factors influencing the practice of IFR in the GCC (e.g. Al-Shammari, 2007; Alanezi, 2009; Al-Moghaiwli, 2009; Mohamed, 2010), there is little awareness of how companies use the Internet to disseminate financial and non-financial information in this region. Therefore, question still persist as to what extend corporate organisations in the GCC disclose financial and non-financial information on their websites. To do so, this study constructs a disclosure index of IFR based on the attributes gleaned from the review of the literature, in order to provide useful insights into the current situation of IFR practices in the GCC. Therefore, the objective of this study is to present the situation of online reporting in the GCC by carrying out content analysis of the websites of the financial companies listed GCC.

The remainder of the article is structured as follows. Section two provides the literature review; research methods are outlined in section three. Section four discusses the results, and finally, section five concludes the article.

LITERATURE REVIEW

Previous studies examined the level of Internet financial reporting disclosure. There has been an increase in the number of academic investigations relating to this area with the development of the Internet and the expansion of the use of it for financial reporting (Parvan, 2005).

Several studies examine the determinants of Internet financial reporting in developed countries. For example, (Abdelsalam et al., 2007; Abdelsalam and Street, 2007) in UK and (Kelton and Yang, 2008) in US. Other studies cover emerging countries; (for example, (Xiao et al., 2004) in China, (Mohamed, Oyelere, and Al-Busaidi, 2009) in Oman, (Desoky, 2009) and (Aly et al., 2010) in Egypt, (Al-Htaybat, 2011)

in Jordan, (Ali-Khan and Ismail, 2011) in Malaysia, (Alali and Romero, 2012) in Argentina). Generally, the Internet reporting research can be divided into two main categories; descriptive research and explanatory research (Marston and Polei, 2004; Garg and Verma, 2010). Some studies investigate the extent of IFR as an instrument for firms' stakeholder relations. For example, in the Asian contexts, using a sample of 300 large listed Chinese companies, Xiao et al. (2004) investigate the use of the Internet for disseminating financial information. The results indicate that the mean score for all items (82) in the disclosure index is 25.61 (range: 0-49). The mean score for all items (57) for content in the disclosure index is 21 but the score ranges from 0 to 43. The mean score for all 57 items for presentation in the disclosure index is 4.17 (score ranges from 0 to 13). In London, Abdelsalam et al. (2007) have developed a disclosure checklist index consisting of 143 items to examine the comprehensiveness of corporate Internet reporting (CIR) for London-listed companies. The results indicate that out of the total mean scores for 143 items; there is a minimum of 44% and a maximum of 86% with a mean score of 66%. One year later, Kelton and Yang (2008) developed a disclosure index consisting of 36 items to measure the extent of IFR. Using a sample of 284 companies listed on NASDAQ they found that the highest score is 31 and the lowest is 0, with the mean being 19.65.

In Egypt, Desoky (2009) developed a benchmark index consisting of 39 items to measure the level of IFR disclosure for companies listed on the Egyptian Stock Exchange. The results reveal that 64.7% of the sample has websites and 51% accessible websites disseminate financial information on their websites. In the same country, Aly et al. (2010) conducted a study on the Internet reporting. The results for the sample of 62 companies listed in the Egyptian Stock Exchange show that over 50% of Egyptian companies voluntarily reported financial information on their web-sites.

Similarly, by using a disclosure index consisting of 70 items, Al-Htaybat (2011) examined the status of IFR in a sample of 272 Jordanian companies listed on Amman Stock Exchange (ASE) in March 2010. The results show that 175 of 272 companies have official websites with 70% publishing their financial information on their websites. In the same year, Homayoun,

Rahman, and Bashiri (2011) carried out a study of Internet reporting practices of 100 Malaysian listed companies for the financial year ended 2007. They found that 78 companies in the sample published annual reports on the company's website. The results show that the lowest ranked company obtained an ICR score of 39% and the highest ranked company scored 70%. On average the companies scored 56%. In same vein, Ali-Khan and Ismail (2011) documented that the level of IFR for Bursa Malaysia listed companies started from 48.27% to 78.16% with a mean of 65.10.

More recently Alali and Romero (2012) examined disclosure practices on the websites of 84 companies listed on the Buenos Aires Stock Exchange. They used 53 financial and non-financial information items to calculate the Internet Disclosure Index (IDI). On average, the companies with websites had an IDI of 12.9 (24% of the items).

In the Gulf Region, IFR practices have been surveyed by a number of studies, (Al-Shammari,

2007; Alanezi, 2009; Al-Moghawli, 2009; Mohamed et al., 2009; Mohamed, 2010). These studies focused on the existing company websites and discuss the association between company-specific characteristics with IFR practices. However, contrary of these studies this study develop a disclosure index of IFR based on attributes obtained from the review of the literature, in order to provide useful insights into the current situation of IFR practices of the financial companies listed in the GCC.

Research Methods

THE SAMPLE

The sample of this study consists of all financial companies listed in the GCC. However, five companies are excluded from the sample due to inaccessible website. The final sample consists of 238 out of 243 financial companies listed in the GCC. These companies composed as follows:

Table I. Composition of sample

Sample Attributes	Bahrain	Kuwait	Oman	Qatar	KSA	UAE	Total
Total listed financial companies	23	70	30	17	44	59	243
Website is under construction (inaccessible website)		(2)	(3)				(5)
The final sample selected for testing	23	68	27	17	44	59	238

THE DISCLOSURE INDEX

The disclosure index is developed to evaluate the 238 company Web sites in the sample. This index is according to the attributes identified in the literature (Xiao et al., 2004; Abdelsalam et al., 2007; Kelton and Yang, 2008; Desoky, 2009; Aly et al., 2010; Al-Htaybat, 2011; Ali-Khan and Ismail, 2011; Alali and Romero, 2012). This study focuses more on those studies that are more applicable to the environment of the GCC countries such as (Desoky, 2009; Aly et al., 2010; Al-Htaybat, 2011). These studies conducted in an Arab environment. This study excludes and adds some items to the index to fit the GCC environment. Some items are included in disclosure list of previous studies and not found in any website of the sample companies; they dropped from the list (e.g. hyperlinks inside the annual report). In addition, some items are found in the websites of the GCC companies and not included in previous studies disclosure list; it was added to the list (e.g. Facebook/ Twitter). This step is used by (Abdelsalam et al., 2007).

The developed index is operationalized in three ways. The main measure is the total score (IFR), which consists of 35 items. The remaining two measures are content, which consists of 19 items (IFRC), and presentation format which consists of 16 items (IFRP). Table IV presents the 35 items taken into consideration. This separation of content and presentation dimensions is the most popular, and is widely accepted and used by many studies (Xiao et al., 2004; Kelton and Yang, 2008; Al-Htaybat, 2011; Ali-Khan and Ismail, 2011). Previous studies indicate that both the content and presentation format of Internet disclosure can improve disclosure transparency.

Un-weighted checklists are constructed to measure the level of IFR total of financial companies listed in the GCC. A score of "1" is assigned for present and "0" for absent for each item of content. Due to the criticisms of the weighted approach, this article follows some studies that use and support unweighted scoring approach (e.g. (Abdelsalam et al., 2007; Kelton and Yang, 2008; Aly et al., 2010; Alarussi, 2011; Ali-Khan and Ismail, 2011). For the

purpose of this study, the total un-weighted IFR disclosure index for each company is computed by dividing the actual scores awarded to a particular company by the total items of the current scores appropriate for the company.

RESULTS AND DISCUSSION

Descriptive Statistics of the IFR Disclosure and its Sub-Indices

The dependent variables are constructed of a developed disclosure index of 35 items. The developed index is operationalized in three ways. The main measure is the total score (IFR), which consists of 35 items. The remaining two measures are content (IFRC) consists of 19 items and presentation format (IFRP) consists of 16 items. These two measures content and presentation are important to be used to investigate whether websites of financial companies listed in the GCC are focused on publishing financial and non-financial information to stakeholders as available in a traditional paper-based disclosure (Lybaert, 2002; Xiao et al., 2004) or on providing unique

presentation tools that enhances and increases the frequency of disclosed information, such as the degree of convenience of the website for the user (Ashbaugh et al., 1999; Xiao et al., 2004; Andrikopoulos et al., 2013). Generally, it has been claimed that companies, in order to enhance transparency, need to disclose information in multiple formats to make information useful, understandable, more accessible and valuable for users (Carey and Parker, 2006). In this vein, it has been observed that the usefulness of website information depends on how easy it is to access the data, the amount of data disclosed and /or whether users can download or analyze the data (Ashbaugh et al., 1999; Chatterjee and Hawkes, 2008).

The extent of the IFR total is analyzed for all the accessible websites of the financial companies listed in the GCC. All websites of the sample companies are visited twice to check for the presence of each item. The descriptive results for the total disclosure index (IFRT) and its sub-indices (IFRP and IFRC) are summarized in Table II.

Table II. Descriptive Analysis for IFR Total, IFRP and IFRC

	Range	Minimum	Maximum	Median	Mean	S. D	Skewness	Kurtosis
IFRT	0.820	0.090	0.910	0.570	0.555	0.192	-0.203	-0.802
IFRP	0.810	0.130	0.940	0.500	0.547	0.181	0.108	-0.540
IFRC	0.900	0.050	0.950	0.630	0.564	0.245	-0.513	-0.960

Table II represents the descriptive statistics for the total score of disclosure index (IFRT) and its sub-indices which are IFRP and IFRC. First, the table shows that the highest and lowest scores of IFRT are at 91% and 9% respectively. The wide range of 82% indicates a substantial variation in the disclosure of IFRT across the sample companies. Meanwhile, the standard deviation is 19%. The median disclosure score is 0.57. On average, a company discloses 56% of the 35 items included in the index. However, none of the sample companies' disclosure in this study satisfies 100% of the 35 index items applicable to that company, thereby highlighting the opportunity for further improvement in IFR practices. Descriptive results of previous studies indicate that the average level of IFR disclosure of US companies is 54.91% (Marston and Polei, 2004); 66% for companies in London Stock Exchange (LSE) (Abdelsalam et al., 2007); 51% for Egyptian companies (Desoky, 2009), 56% and 65% for Malaysian companies (Homayoun et al., 2011) and (Ali-Khan and Ismail, 2011) respectively; and 70% for Jordanian companies (Al-Htaybat, 2011). Hence, IFR disclosure in

the GCC listed financial companies is relatively lower than their counterparts in developed and developing countries. This is because IFR among the GCC countries are relatively new and hence the "novelty" factor is perhaps the main factor responsible for the current low uptake (Basuony and Mohamed, 2014). These results indicate that IFR disclosure in GCC is still at an embryonic stage, supporting the findings by Al-Moghawli (2009) in Qatar, Mohamed (2010) in Oman and Bahrain, Alshowaiman (2013) in Saudi Arabia and Oyelere and Kuruppu (2012) and Momany and Pillai (2013) in United Arab Emirates (UAE). Thus, the finding indicates that contend that there are considerable opportunities and challenges for all stakeholder parties in corporate communication and reporting.

In addition, Table II also shows descriptive statistics for the sub-indices of the disclosure index. For the IFRP category, companies disclose 8.8 (54.7%) on average of the total IFRP score of 16. The range of IFRP score is between (13% and 94%) and the standard deviation (18.1%). The total score of IFRC is 19 and the companies disclose 10.6 on average

(56.4%). The range of IFRC score is between (5% and 95%) and the standard deviation is 24.5%. There are two observations. First, there is an apparent variability in IFRP and IFRC across the websites of financial companies listed in the GCC indicates, which is in line with past studies, for example the ones by Abdelsalam et al. (2007), Elsayed et al. (2010), and Al-Htaybat (2011). Second, the same importance is given to financial companies listed in the GCC for using IFRC and IFRP tools. Previous studies found that 64% and 82% of Jordanian companies (Al-Htaybat, 2011), 89% and 79% of UK companies (Abdelsalam et al., 2007), 53% and 55% of US companies (Kelton and Yang, 2008) respectively disclosed the IFR presentation and content on their websites.

Furthermore, the Skewness and Kurtosis ratios are calculated to test the normality of distribution of the IFR. The sample is considered to be normally distributed if the variable value ranges between -1.96 and +1.96 (Field, Lowry, and Shu, 2005). Based on a rule of thumb, the data are normally distributed when Skewness value is lower than 3 and Kurtosis test is lower than 10 (Kline, 2011). Table II shows that the value of Skewness of

these variables are -0.203 for IFRT, 0.108 for IFRP and -0.513 for IFRC, while the value of Kurtosis of all the variables are 0.802 for IFRT, -0.540 for IFRP, and -0.960 for IFRC. The observation of these figures indicates that the variables are distributed normally as it is less than rule of thumb.

To shed more light for the results of the IFR total and its sub-indices in the GCC context, Table IV shows the frequencies of the IFR total score, IFRP, and IFRC for the financial companies in the GCC context. The breakdown of the sample according to the disclosure score is summarized in Table IV. 150 (62%) of the sample companies obtained an IFR index level of over 50% which is reflected in the negative value of the skewness, while the indices for 48 (20%) companies is in the range of 60-69.9%, which reflects the negative kurtosis. In addition, this table demonstrates that only one company obtained an IFR index of below 9.9% while the largest percentage at 20% has a disclosure score of 60 – 69.9. Generally, the greater distribution of companies is concentrated in the median of the disclosure score, which indicates that the IFR disclosure is moderate in financial companies listed in the GCC.

Table III. Frequency Distribution of IFR Total, IFRP, and IFRC

Scores	N	%	N	%	N	%
less than 9.9	1	0.004	0	0.00	4	0.02
10 – 19.9	3	0.01	7	0.03	21	0.09
20 – 29.9	27	0.11	6	0.03	29	0.12
30 – 39.9	25	0.11	41	0.17	12	0.05
40 – 49.9	32	0.13	34	0.14	13	0.05
50 – 59.9	39	0.16	54	0.23	24	0.10
60 – 69.9	48	0.20	52	0.22	56	0.24
70 – 79.9	38	0.16	18	0.08	46	0.19
80 – 89.9	20	0.08	20	0.08	24	0.10
90 – 99.9	5	0.02	6	0.03	9	0.04
TOTAL	238	100	238	100	238	100

For further understanding on the extent of IFR disclosure, the next point demonstrates the details on how financial companies listed in the GCC deliver information via the Internet. Analyzing the IFR index, item by item provides the complete image of the IFR disclosure situation for financial companies listed in the GCC. As mentioned earlier, there are two major

sub-indices of the IFR - presentation format (IFRP), which contains 16 items of general information about the company's website, and 19 items of content (IFRC). Table III reports the frequency of each item that is disclosed on the company websites of the financial companies listed in the GCC, which are discussed as follows.

Table IV. The Extent of Individual Items of IFR Disclosure

Items included	Number of Companies	Percentage
Presentation Items (IFRP)		
Web site available Arabic	164	69
Web site available English	236	99

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Connect with us on\follow us: F \T*	64	27
Latest News	199	84
Pull-down menu.	168	71
Contact us.	233	98
Link to the stock exchange web site.	80	34
Link to parent or subsidiary.	134	56
Frequently asked question (FAQ)	71	30
Phone No for investor relations	104	44
E-mail address for investor relations	77	32
Postal address	61	26
Search box (Internal search engines)	133	56
Annual report in PDF format	216	91
Annual report in HTML format	3	1
Sitemap	136	57
Content items (IFRC)		
Current year annual report	132	55
Past years annual report	168	71
Half year annual report	150	63
Quarterly reports	124	52
Balance sheet	173	73
Income statement	172	72
Statement of shareholders' equity	168	71
Cash flow	170	71
Current share prices	77	32
Historical share prices	61	26
Financial highlight/ summary	117	49
Notes to financial statements	168	71
Background of the organization	234	98
Description of the nature of the company	223	94
Names of board members	224	94
The board of directors Information	32	13
Auditor's report	166	70
Ownership structure	76	32
Corporate social responsibility	59	25

Note: * F = Facebook and T = Twitter

Extent of Presentation Items (Ifrp)

The first part of the disclosure index of the current study consists of 16 items to measure the IFRP. Based on the results of the extent of IFRP shown in Table IV, the following section provides a discussion of these items to get a closer look at the general attributes of the websites of the financial companies listed in the GCC.

With respect to the languages used, it is interesting to find that 236 (99%) of the financial companies listed in the GCC use English on their websites to disclose their information via the Internet. This percentage is

higher than the 164 (69%) of the companies that disclose the information in Arabic. More specifically, even though the native language of the GCC countries is Arabic, only 2 companies have one version of the website in Arabic, while 70 (29%) companies only have an English website. The use of English websites can be explained by the desire of companies to be global. They are not only addressing local investors in the GCC, but a wide range of foreign investors throughout the world. This result reflects the recognition of the Internet as a channel for attracting new investors. Finally, the findings show that 162 (68%) companies have versions of websites in both Arabic and English.

Previous studies by Al-Htaybat (2005) found that only 35% of companies in his sample provided both Arabic and English versions of the site.

Furthermore, the findings of this study show that financial companies listed in the GCC present on their websites a number of means, which included all the possible ways that an investor can use to communicate with the company. These items include “contact us”, “connect with us on Facebook or Twitter”, phone numbers, e-mail and postal address as part of the companies’ efforts to furnish investors with information about the organization through which they could communicate. Table IV shows that the highest item of these communication tools is “contact us” (98%). This result is consistent with Desoky (2009) who find that the “contact us” item is the highest in his index with 89%. Abdelsalam et al. (2007) reported that the “contact us” item is one of the most visible items which is 91% of their sample. In addition, only 64 (27%) companies disclosed a “connect with us on Facebook or Twitter” item on their websites. In addition, 44%, 32% and 26% of the sample companies provided a phone number, e-mail address and postal address for the investor relations contact. Results of prior study by Xiao et al. (2004) indicate that Chinese listed companies disseminated e-mail addresses (15.3%), phone numbers (16.3%) and postal addresses (14.8%) of investor relations via their websites. Al-Htaybat (2005) finds that Jordanian companies provide e-mail addresses (56%), phone numbers (62%) and the postal address (54%) of investor relations on the Internet. Elsayed et al. (2010) reports that the highest disclosure contacts tool in the Egyptian listed companies is the e-mail address (17.8%), while (13.3%) of them provide phone numbers of investor relations officers and (8.9%) postal address. Nevertheless, these results are low as compared to Despina and Demetrios (2009), who found that 89.70%, 94.04% and 87.09% of Greece listed companies provide a phone number, e-mail address and postal address for the investor relations contact. Additionally, as seen in Table IV, one of the most common presentation item is “latest news” through which 199 (84%) of sample companies provide their latest news on their websites. In this vein, Despina and Demetrios (2009) found that 93.4% of the Greece listed companies provided this item on their websites.

Many GCC listed financial companies provided general tools that make their website easy for

stakeholders to obtain any type of required information. As shown in Table IV, highest disclosed of these items are pull down menus (71%), site maps (57%), internal search boxes (56%), link to parent or subsidiaries (56%) and link to the stock exchange web sites (34%). It is observed that these tools are also commonly used by the financial companies listed in the GCC in order to facilitate the process of using their websites. Many previous studies provide a different percentage of these tools between countries. For example, Xiao et al. (2004) find that only 31% and 23% of Chinese companies offer site maps and search engines, respectively. In addition, Elsayed et al. (2010) find that 37.2%, 28.9%, and 26.1% of Egyptian companies disclose facilities such as pull-down menus, site map and internal search boxes respectively. However, Khadaroo (2005) finds that 81% and 55% of Malaysian companies did likewise.

Even though frequently asked questions (FAQ) is useful for companies in reducing the number of incoming e-mails (Davey and Homkajohn, 2004), only 71 (30%) financial companies listed in the GCC provided a section for FAQ. Therefore, stakeholders who face difficulties in obtaining their required information can use the FAQs section to help them. Previous studies have found that 51% of Thai listed companies (Davey and Homkajohn, 2004), 45% of German companies (Marston and Polei, 2004), 2% of Chinese companies (Xiao et al., 2004) and 48% of their sample companies (Abdelsalam et al., 2007) offer FAQ section.

Regarding the multi formats of annual reports such as PDF and HTML, the majority of GCC listed financial companies disclose their annual report in a PDF version on the Internet; 216 (91%) of the sample companies use a PDF format as the dominant type of presenting information, while only 3 (1%) of the companies use HTML for presenting their annual report on the Internet. The HTML format is less common than the PDF format. This results support Mohamed and Basuony (2014), who found that most of Qatar, Oman and Bahrain companies use the PDF format to publish financial information. These results are consistent with previous studies; for example, Elhelaly and Mohamed (2014) found that only one company provided annual reports and financial statements in HTML format, while 96% of Egyptian companies provided annual reports using PDF. Ali-Khan and Ismail (2011) found that 91% of Malaysian companies

disclosed their financial information in PDF format while only 8% of the sample companies used the HTML format. Marston and Polei (2004) found that 88% of German companies disclosed their annual reports in the PDF format while only 22% of the companies disclosed them in HTML. In Thailand, 81% of companies provided full annual reports in the PDF format, while only 5% of the companies provided it in the HTML format (Davey and Homkajohn, 2004). However, only 12.8% and 1% of Egyptian companies disclosed their annual reports in the PDF and HTML format respectively (Elsayed et al., 2010). These results indicate that the GCC companies used the PDF formats to disclose their annual reports more than the HTML like any other countries. The use of mainly the PDF format may be due to its advantage of producing a hardcopy of the document that will exactly be reproduced on the Internet (Pervan, 2005), and lack of effective awareness of what IFR entails and its benefits to the companies and their stakeholders (Lipunga, 2014).

There is a variety of using presentation tools among financial companies listed in the GCC to disclose the information on their websites. Some of these companies appear to be aware of advanced features while others prefer to use traditional presentation tools for disclosure. In addition, comparing these findings to those found in prior studies reveals that financial companies listed in the GCC need to implement a large number of improvements to raise their presentation tool levels. The following point discusses the extent of IFRC content in the GCC context.

Extent of Using Content Items (IFRC)

The second part of the disclosure index consists of 19 items, which is designed to measure the IFRC. This section provides a discussion of the results provided in Table IV, which indicates the content of the websites of financial companies listed in the GCC.

First, the annual reports give more information to investors than the financial statements. According to the agency theory, if managers disclose more financial information in annual reports, this might help them to reduce the agency costs, investor uncertainty, and subsequently, increase the confidence of shareholders (Watson et al., 2002). As shown in Table IV, 132 (55%) of financial companies listed in the GCC offer the current year annual report on their websites, while 168 (71%) of

these companies disclosed past years annual reports. In addition, 150 (63%) of the sample companies provided the half year annual report on their websites. Regarding the quarterly reports, 124 (52%) of the financial companies listed in the GCC offered a quarterly report on the Internet. Previous study by Alarussi et al. (2011) found that 60.8%, 51% and 46.9% of Malaysian companies disclosed their annual reports for the current, past years and quarterly reports respectively, while only 12.4% of sample companies are concerned with half year reports. In Argentina, Alali and Romero (2012) found that 54.17%, 47.22% and 47.22% of the sample companies provide the annual report current year, annual report previous years and quarterly report current year on their websites. Ettredge et al. (2002) found that 57% of the USA companies provide quarterly reports via their website. However, this result is different from Xiao et al. (2004) who found that only 2% of Chinese companies provide quarterly reports for previous years.

Most of the financial companies listed in the GCC appear to focus on their financial statements more than their annual reports. The most common item among the financial statements in the study findings is the balance sheet. As shown in Table IV, 173 (73%) of the financial companies listed in the GCC offered their balance sheet on their websites, while 172 (72%), 170 (71%) and 168 (71%) disclosed other financial statements (income statement, cash flow and statement of shareholders' equity), respectively, via the Internet. Previous studies by Joshi and Al-bastaki, (2000) found that 16%, 46% and 31% of Bahraini companies offered financial statements such as balance sheet, income statement and cash flow, respectively, while Xiao et al. (2004) found that 44%, 44% and 69% of Chinese companies offer balance sheets, income statements and statements of shareholders' equity, respectively. Khadaroo (2005) finds that 65% of Malaysian companies offer balance sheets, 62% provides an income statement and 47% uses the Internet to make statements about changes in shareholders' equity.

With respect to the information about the share prices, only 77 (32%) of financial companies listed in the GCC disclosed current share prices on their website, while 61 (26%) of these companies offered the historical share prices. The latest share price is a less common feature on the homepages in China being just 19% (Xiao et al., 2004), and Bangladesh of 13.46

(Dutta and Bose, 2007). Thus, in Egypt, Elsayed et al. (2010) found that only 18 (10%) of the listed companies disclosed share prices history via their website. However, Abdelsalam et al. (2007) found that 93% of their sample provided the latest share price. In respect of the highlighted financial information, 117 (49%) of the financial companies listed in the GCC offers such an item, and 168 (71%) of these companies disclosed notes to financial statements on their websites.

One of the most frequently disclosed items of content in the current study is the background of the organization, with 234 (98%) of the sample companies disclosing such an item. In addition, 223 (94%) companies offered a description of the nature of the company on their websites. These results are consistent with those found in previous studies; for example, Oyelere et al. (2003) reported that 94% of New Zealand companies disclosed company background information, while in developing countries, Khadaroo (2005) finds that 96% of Malaysian companies offer background information. Malhotra and Makkar (2012) found that most of the companies provided information about the company profile, company history, company products and services.

Table IV provides a closer look at each item. One of the highly disclosed items is the “names of members of the board of the directors” which is disclosed on the websites of 224 (94%) of the financial companies listed in the GCC, while only 32 (13%) of these companies disclose information about the board via the Internet. This result indicates that most of the GCC listed companies’ sites inform their investors about the names of board of the directors but poor about information. Despina and Demetrios (2009) found that most of the listed companies’ sites (86.42%) inform their investors about their Management Board. However, Al-Htaybat (2005) finds that only 51% of the sample companies’ websites provide the names of their board of directors. Desoky (2009) found that 49% of Egyptian companies provided such information.

Regarding of the disclosed financial statements, 166 (70%) of the financial companies listed in the GCC offered the auditor’s report on their websites. Al-Htaybat (2005) found that only 29% of sample companies disclosed their auditor’s report online in 2004, and only 17.8% of Egyptian listed companies disclosed auditor report on their websites (Elsayed et al., 2010). Alali and Romero (2012) found that 47.22% of

Argentina companies disclosed such information on their websites.

Further, the disclosed information of ownership structure of the financial companies listed in the GCC is low, with only 76 (32%) of these companies providing such information on their websites to various stakeholders. Previous studies by Marston and Polei (2004) found that 70% of German listed companies disclosed ownership structure on their websites in 2003; and Xiao et al. (2004) found that 72% of Chinese companies disclosed the names of the top 10 stockholders online. Abdelsalam et al. (2007) found that 93% of their sample offered details regarding major shareholdings online. However, Desoky (2009) finds that 44% of the sample companies disclosed information about the ownership structure.

The last item of the IFR content is corporate social responsibility information, for which only 59 (25%) of the financial companies listed in the GCC disclose such an item via the Internet to their stakeholders. Previous international studies by Oyelere et al. (2003) found that 22% of New Zealand companies offered social reports online. In Germany, Marston and Polei (2004) found that only 20% of their sample offered social responsibility information on their websites. More recently, Alali and Romero (2012) found that 25% of their sample disclosed such information.

The financial companies listed in the GCC disclose many content items on their websites, which is consistent with their counter parts companies listed in other emerging countries and relatively low than those listed in the developed countries. More importantly, it is observed that some information contents such as ownership structure, board of directors’ information, corporate social responsibility, and current share prices are disclosed on a little number of financial companies listed in the GCC. As a result, investors’ decisions could be affected by the lack of such information.

Descriptive Statistics of the IFR Total Based on Country of Origin

This section examines the extent of financial information disclosed on the Internet among the GCC countries depends on the companies’ country of origin. Table V shows the highest and lowest scores of IFR for each of the GCC countries. The first of these among the GCC countries are the Qatari companies, which score the highest for disclosing information via the Internet, for which the highest score is 91% and

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the lowest is 43%. The median disclosure score is 0.740. On average, a company discloses 73.8% of the 35 items included in the index. This is followed by Bahrain for which the median disclosure score is 0.690. UAE and Oman comes third with the same median disclosure scores of 0.570, and Saudi Arabian is the fourth with a median disclosure score of

0.540. Finally, Kuwait is last with the lowest score for disclosing information via the Internet among the GCC countries. The median disclosure score of the Kuwaiti companies is 0.490. On average, a company discloses 48.9% - less than half - of the 35 items included in the index.

Table V. Descriptive Statistics of the IFR Total Based on Country of Origin

Country	N	Range	Minim	Maxim	Mean	Median	Std.D	Variance
Bahrain	23	.600	.310	.910	.677	.690	.138	.019
Kuwait	68	.780	.110	.890	.489	.490	.176	.031
Oman	27	.630	.230	.860	.532	.570	.179	.032
Qatar	17	.480	.430	.910	.738	.740	.129	.017
KSA	44	.770	.140	.910	.541	.540	.205	.042
UAE	59	.820	.090	.910	.555	.570	.193	.037
All	238	.820	.090	.910	.556	.570	.192	.035

This observation indicates that the IFR disclosure varies among the six countries of the GCC. Consequently, country classification is a potential factor affecting the companies' decision to disseminate information on a website.

The one way-ANOVA is a parametric test that is used to examine differences between several

independent groups (more than two groups). Following the study conducted by Bonsón and Escobar (2002), ANOVA is applied to test whether the country classification is a potential factor affecting companies' decision to disseminate information on the Internet. Result of this test is presented in Table VI.

Table VI. One Way-ANOVA Results for Difference between Countries

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	1.232	5	.246	7.588	.000
Within Groups	7.536	232	.032		
Total	8.769	237			

Table VI shows that there is a significant relationship between country of origin and IFR total score ($p < 0.001$), indicating that the company's country of origin influences the level of information provided.

This result is in line with Bonsón and Escobar (2002) and Bartulović and Pervan (2012), who found that IFR disclosure is influenced by country of origin. Based on this result, it is asserted that despite their sociocultural and institutional similarities, GCC countries vary in

the sophistication of the environments in which their firms operate. This finding may be a function of the differences in the institutional environments specific to each of the GCC countries in the sample, such as the significant disparity in the level of Internet penetration among these countries (Alqudsi-Ghabra et al., 2011).

In addition, descriptive statistics of the IFR disclosure based on industry type is presented in Table VII.

Table VII. Descriptive Statistics of the IFR Total Based on Industry Type

Company	N	Range	Minim	Maxim	Mean	Median	Std.D	Variance
Bank	67	.570	.340	.910	.703	.710	.128	.016
Investment	90	.780	.110	.890	.508	.510	.180	.032
Insurance	81	.820	.090	.910	.487	.490	.185	.034

The full sample of this study is classified into three industries under the financial sector. These include bank, investment, and insurance. Examining the level of IFR disclosure at the industry level, as shown in Table VII, reveals

that 28.3% (67) of the sample companies operating in the bank sector attained the highest level of IFR disclosure, at 71%, followed by investment companies, which scored 51%. However, there are 81 insurance companies that

scored the lowest in their online disclosure, at 49%. This observation indicates that there is a difference in terms of the level of compliance

with IFR disclosure among the sample companies.

Table VIII. One Way-ANOVA Results for Difference between Industries

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	2.042	2	1.021	35.660	.000
Within Groups	6.727	235	.029		
Total	8.769	237			

Using ANOVA test, Table VIII shows that there is a significant relationship between industry type and IFR total score ($p < 0.001$), indicating different IFR practices regarding total items among companies in different sectors. This result is in line with Oyelere et al. (2003) and Dolinšek et al. (2014), who indicate that the probability of publishing financial information on the Internet is affected by the industry to which the firm belongs.

Descriptive Statistics of IFR Total Based on Company Type

The financial system in the GCC region comprises of two different operating systems; Islamic and Conventional (Al-Hassan et al., 2010). On this basis, Table VIII shows that the majority of these companies are conventional (174 companies or 74%), with only 64 (26%) of them Islamic.

As shown in this Table, the mean (median) of items of IFR disclosure for Islamic companies is

0.560 (0.555) compared to 0.554 (0.570) items for the IFR disclosure of conventional companies. This observation indicates that there is no difference in the level of IFR disclosure between Islamic and conventional institutions in term of items disclosed.

Moreover, independent-samples t-test (or independent t-test, for short) compares the means between two groups on the same continuous, dependent variable. Independent sample t-test values are used in order to examine whether the means of the level of IFR disclosure and its sub-indices are significantly different between Islamic and conventional companies. As shown in the last column of Table IX, there is no significant difference in the mean IFR disclosure and its sub-indices between Islamic and conventional companies. This result indicates that IFR disclosure is not higher in Islamic companies than conventional companies.

Table IX. Descriptive Statistics of IFR Disclosure Based on Company Type

Company	Islamic	Conventional	t-test
Panel A: IFRT			
Number of Companies	64	174	
Range	.800	.820	
Minim	.110	.090	
Maxim	.910	.910	
Mean	.560	.554	.851
Median	.555	.570	
Std.	.204	.188	
Panel B: IFRP			
Range	.810	.810	
Minim	.130	.130	
Maxim	.940	.940	
Mean	.561	.542	.516
Median	.560	.500	
Std.	.203	.173	
Panel C: IFRC			
Range	.900	.900	
Minim	.050	.050	
Maxim	.950	.950	
Mean	.561	.565	.898
Median	.530	.630	
Std.	.250	.245	

Descriptive Statistics of the IFR Total Based on Audit Firm Size

Audit firm is found to be relevant to the fact that the disclosure should be greater for those companies in which the auditor is one of the

four large audit firms (BIG4) namely; PricewaterhouseCoopers, Deloitte Touche Tohmatsu, Ernst and Young, and KPMG (Xiao et al., 2004; Bonsón and Escobar, 2006; Kelton and Yang, 2008).

Table X. Descriptive Statistics of the IFR Based on Audit Firm Size

Company	N	Range	Minim	Maxim	Mean	Median	Std.D	Variance
BIG4	198	.820	.090	.910	.575	.600	.190	.036
Non BIG4	40	.750	.110	.860	.462	.430	.178	.032
t-test					.546			

On this basis, Table X show that about 83% (198) of the sampled companies is audited by a local audit firm affiliated with one of the BIG4, while only 17% (40) of them are not audited by the BIG4 accounting firms. The mean (median) level of IFR disclosure of financial companies listed in the GCC audited by the BIG4 is 0.575 (0.600), compared with 0.462 (0.430) mean (median) for companies audited by non BIG4 firms. This indicates that the level of IFR disclosure of financial companies audited by the BIG4 is higher than that for non BIG4, which is in line with Alanezi (2009), who found that the majority of Kuwaiti companies using the Internet for reporting their information are audited by local audit firms affiliated with the BIG4. However, the results indicate that the mean difference for companies audited by BIG4 and non BIG4 audit firms are not significant, which is consistent with Alali and Romero (2012).

CONCLUSION

This article aims to provide a general overview of the IFR disclosure of 238 out of 243 financial companies listed in the GCC. Reliability and validity which are two main issues related to the research instrument credibility, are tested in order to ensure to what extent the measurement of IFR total and its sub-indices are reliable and valid. The results reveal that this study used a reliable and valid instrument. This chapter also presents descriptive analyses of the level of IFR by financial companies listed in the GCC. The findings indicate that the level of IFR ranges between minimum and maximum values of 0.9% and 91% with a median value of 57%. Thus, the median disclosure score is 0.57. On average, a company discloses 56% of the 35 items included in the index. In addition, the descriptive statistics for the sub-indices of disclosure index indicates that companies disclose 8.8 (54.7%) on average of the 16 total score of IFRP and 10.6 (56.4%) on average of the 19 total score of IFRC. The results indicate

that the level of IFR disclosure of the financial companies listed in the GCC is consistent with the level of IFR in other emerging countries. However, the disclosure is relatively low compared to developed countries. Thus, it indicates that the same importance is given by financial companies listed in the GCC for using these tools (IFRP and IFRC). By describing the frequencies of IFR total and its sub-indices - IFRP and IFRC, financial companies listed in the GCC obtain a better understanding for the disclosure level, which may demonstrate the greatest number of disclosed items via the company’s website and those that are less disclosed. In addition, the results indicate that there is a disparity in the level of IFR disclosure among the GCC countries and the industries. However, the analysis finds that there is no significant difference between the mean values among Islamic and conventional companies.

Therefore, the results of this study are important because it seeks to contribute empirical evidence to the literature concerning the level of IFR in developing countries, in general, and, especially, in the GCC. This article is also important as it helps in informing the regulators and the industry about the level of IFR that satisfies national and international investor’s and interested parties’ demands for online information.

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