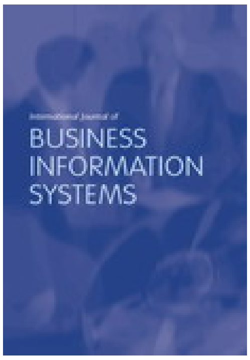

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The relationship between the voluntary disclosure and financial reporting quality of Islamic banks: an empirical evidence from Yemen

Eissa A. Al-Homaidi, Ebrahim Mohammed Al-Matari, Suhaib Anagreh, Mosab I. Tabash, Nabil Ahmed Mareai Senan

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The relationship between the voluntary disclosure and financial reporting quality of Islamic banks: an empirical evidence from Yemen

Eissa A. Al-Homaidi*

Faculty of Businesses,
Al-Rowad University,
Taiz, Yemen
Email: eissa.alhomaidi2020@gmail.com
*Corresponding author

Ebrahim Mohammed Al-Matari

Department of Accounting,
College of Business,
Jouf University, Kingdom of Saudi Arabia
and
Faculty of Commerce and Economics,
Amran University, Yemen
Email: ibrahim_matri7@yahoo.com

Suhaib Anagreh

Abu Dhabi School of Management,
Abu Dhabi, UAE
Email: s.anagreh@adsm.ac.ae

Mosab I. Tabash

College of Business,
Al Ain University, UAE
Email: mosab.tabash@aau.ac.ae

Nabil Ahmed Mareai Senan

Department of Accounting,
College of Business Administration,
Prince Sattam bin Abdul Aziz University, Kingdom of Saudi Arabia
and
Administrative Science College,
Al-Baydha University, Yemen
Email: nabil_senan@yahoo.com

Abstract: This study aims to empirically investigate the influence of voluntary disclosure on financial reporting quality of Islamic banks in Yemen. The study uses an un-weighted disclosure index, comprising 266 items. Financial reporting quality (FRQ) is measured by two models namely, Jones (1991) (FRQJONM) and Dechow and Dichev (2002) (FRQDDMD), while voluntary disclosure level is considered as an independent variable. The results show that FRQJONM has a significant effect on financial ratio (FINRAT), financial statement information (FINSTIN), corporate social disclosure (CORSD), and other information (OTHINF). In regards to FRQDDMD, the outcomes indicated that general knowledge (BAISCG), financial ratio (FINRAT), other information (OTHINF), and bank size (BANSIZE) have a significant impact on FRQDDMD. The study has significant implications in developing economies for both individual and financial institutional investors, regulators, and policymakers. The study adds a new contribution to Islamic finance industry, particularly in Yemen and for all other countries interested in the Islamic way of finance.

Keywords: Islamic banking sector; financial reporting quality; FRQ; voluntary disclosure level; Yemen.

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Biographical notes: Eissa A. Al-Homaidi is currently working at the Faculty of Businesses, Al-Rowad University, Taiz, Yemen. He obtained his BCom degree from the Faculty of Administrative Sciences, Taiz University, Yemen in 2013, and MCOM degree in Finance and Accounting from the Department of Commerce, Aligarh Muslim University (AMU), India in 2016. His areas of interest are in the field of disclosure, financial performance, financial reporting quality, Islamic finance, financial management, and corporate governance. He has published several papers indexed in Scopus and SCI journals in different countries.

Ebrahim Mohammed Al-Matari is currently working as an Associate Professor, College of Business, Jouf University, Kingdom of Saudi Arabia. He obtained his PhD in Corporate Governance and Firm Performance in 2014, and MSc in International Accounting, Excellent (3.67 CGPA) from the Universiti Utara Malaysia (UUM) (AACSB), in 2010 and also my Bachelor's degree in Accounting, First Class with Distinction (97%) in 2004 from Faculty of Commerce and economic, Sana`a University, Yemen. Moreover, he is a Certified Management Accountant (CMA) from Australia in 2014. Additionally, he have participated in various conferences and he have published in the fields of corporate governance, firm performance, leadership style, users seek values, demographic characteristic, organisational culture and so on in several SCOPUS journals and international journals.

Suhaib Anagreh is a PhD holder from Bangor University, UK. Currently, he is working in Abu Dhabi School of Management, Abu Dhabi, UAE. His areas of interest are in the field of banking and finance.

Mosab I. Tabash is currently working as an MBA Director at the College of Business, Al Ain University, UAE. He received his BE in Industrial Engineering, MBA, and PhD in Management/Finance. His research interests include monetary policies, corporate governance, financial performance, investment management, risk management, and other interdisciplinary research as well.

Nabil Ahmed Mareai Senan is currently working as an Associate Professor, College of Business Administration, Prince Sattam Bin Abdulaziz University, Kingdom of Saudi Arabia. He obtained his PhD in Auditing in 2010, and MSc in Advance Accounting and Taxation, from University of Pune India, in 2015 and also his Bachelor's degree in Accounting, in 2000 from Faculty of Commerce and economic, Sanaà University, Yemen. Moreover, he is a Certified Public Accountant (CPA) from Yemen in 2012. Additionally, he participated in various conferences. He has published in the fields of accounting, auditing, and finance, in several SCOPUS, ISI journals, and international journals.

1 Introduction

Islamic banking has seen progress and considerable growth since 1975, as acceptability as a viable method of finance has increased. This trend has been seen in Muslim majorities and minorities (Grassa, 2013). The alignment of Islamic financial products with the cultural identity of customers is one of the main reasons for this growth (Alnasser and Muhammed, 2012; Metawa and Almossawi, 1998; Naser et al., 1999). Many of the financial institutions' main aims are to satisfy Muslim and non-Muslim interests.

Islamic financial institutions are recognised as one of the largest programs and as a result of this increase has gained global acceptance (Abdou et al., 2014). Islamic institutions, especially in the Middle East, have shown their advantages for global economic development and financial stability (Tabash and Anagreh, 2017). Islamic finance companies often depend on Islamic law experts to setup Shari'ah supervisory boards (SSB) and ensure that their operations conform with the regulation of Shari'ah. Islamic finance, however, is not confined to the growing international sense of investors. British proposals to make London a world centre for Islamic banks (Kerr, 2007) and to turn into an emerging market segment financial banks such as 'Citigroup, BNP Paribas, Hong Kong and Shanghai Banking Corporation (HSBC)'. Furthermore, the UK, France, China, and Singapore have developed special laws to promote Islamic financial services 'operations and other countries' (Ali, 2008).

Knowledge in the capital markets plays a critical role because it has a direct influence on the decision making of investors. Laws, laws, and accounting principles require obligatory detail in tax reports, while optional disclosure relies on the contractor's discretion to use the financial report details (Islam et al., 2014). Volunteer disclosure should be distinguished from compulsory disclosure by the way the company determines what to release before identifying the material (i.e., ex-ante), as opposed to mandated statements by the company following discovery of the substance (i.e., ex-post) (Islam et al., 2014). Uyar and Kilic (2012) noted that numerous actors, including policymakers, researchers, and investors, called for greater corporate accountability in the sector following increased corporate controversy and financial crises. In this respect, Uyar and Kilic (2012) describe corporate openness to maximise the dissemination of information in various media, such as financial accounts, company blogs, news releases, and leaflets, to reduce knowledge asymmetry between managers and shareholders. The pair argues that investors were able to have access to accurate statistics about the companies they fund, which led to the expansion of their reach by the public statements of the businesses and their financial results. Numerous empirical studies recently examined the relationship between financial reporting quality (FRQ) disclosure in different countries such as (e.g., Almaqtari et al., 2018b, 2020; Lemma et al., 2020; Sarea et al., 2020).

The review is structured as follows: A summary of the problems of the analysis is given in section two. A literature review is provided in section three. The research method of present research is offered in section four. In Section 5, the analytical findings and discussions are shown. Finally, the conclusion of the study is provided in section 6.

2 Statement of the problem

The study of 18 Middle East and North African countries (MENA) has rated Yemen as the least productive state (Ramanathan, 2006). Yemen is the least productive nation. Yemen's financial sector is no exception. The bank sector in Yemen has faced several barriers, such as poor operating efficiency, low-quality financial product and services, a lack of consumer attention, and a lack of entrepreneurial opportunity for banks, Al-Swidi and Mahmood (2011) and Zolait et al. (2008). Those problems demonstrate the lack of efficiency and long-term impact on the survival of the Yemeni banking sector.

Accounting transparency provides creditors with the requisite information to reduce uncertainty. Full disclosure practices are recognised in allowing banks to efficiently avoid misuse of financial reporting and help them take correct financial and economic decisions that are highly appreciated by stakeholders. In the annual reporting by IMB in Yemen, the details and degree of voluntary data disclosure are checked for the effect of volunteer disclosure on Islamic Banks in Yemen's financial reporting system. The analysis outlines four points below in respect of the research question:

- At Yemeni Islamic banks, there is a demand from stakeholders for accounting disclosures.
- Absence of a framework for disclosure of financial reporting among Yemeni Islamic financial institutions.
- In the context of Islamic financial institutions in Yemen, there is a lack of research addressing this issue.
- Bad transparency of accounting and efficiency relative to other countries.

3 Literature review

Numerous studies, including Zubairu et al. (2012), on voluntary transparency, examined social monitoring activities in Saudi Arabia for the period 2008–2009 by four Islamic banks. The study used material analysis in annual reports to assess the evidence. Research has shown that Islamic banks in Saudi Arabia are currently more closely related to their mainstream peers than to their supposed banks. By evaluating the scope of the investigation before the Sharian Supervisory Board and the contents of the board's report in the financial statements of the 23 Islamic Institutes in Malaysia and Indonesia, Eljelly and Elobeed (2013) and Amalina et al. (2013) contribute to Shari'ah governance frameworks research, determining the performance characteristics of the Islamist banks.

The relations between the owners and quality structure of Islamic banks have been studied by Zouari and Taktak (2014). Between 2005 and 2009, a data analysis group was set up in 15 countries of 53 Islamic banks. The results demonstrate that the holding is 49% focused and the shareholder in the entire study is institutional for 41 banks. The second was government owners, followed by the final shareholders of the family. In the same year, the ISR-based Islamic bank reporting disparity was examined by Wardayati and Wulandari (2014). The research contains five Islamic financial companies in Indonesia country and five Islamic firms in Malaysia country. The study has shown that the ISR Islamic Banking disclosure rates in Indonesia country are higher than the ISR Islamic financial institutions disclosure rate in Malaysia. Based on results from the hypothesis tests, the disclosure rate among Islamic financial institutions in 'Indonesia and Malaysia' has been significantly different. In general, analysis and disclosure in the Islamic Fashlowm Bank of Gumhouria's accounts, which was Libya's largest bank from 2010 to 2013, Ahmad and Daw (2015) showed compliance with the rules of the 'Accounting and Auditing Organization of Islamic Financial Institutions (AAOIFI)'. The outcomes of this study reveal that the Fishtown Islamic Division of Gumhouria Bank's membership in AAOIFI requirements is stated to be high, with average compliance of 35.5% for general reporting and filing of financial statements. Harun (2016) reviewed and discussed the declaration of corporate social responsibility by Islamic banks between 2010 and 2014 in the Gulf Countries Council (GCC). This study revealed that the openness to CSR among Islamic banks was very low (39.9%). The basic facets of the Islamic Bank's Ethical Identification Index (EID) were analysed and listed by Rahman et al. (2016). You consider that the social transparency standard is not influenced by independent executives.

Amran et al. (2017) stated that Islamic firms generally have increased their registration of social responsibility of companies in Malaysia and Indonesia. In particular, the workplace and society aspects in both countries are the most often identified areas of the Islamic banking sector. Inten and Devi (2017) have focused on the degrees of 'corporate social responsibility in Indonesia and Malaysia' and the openness of 14 Islamic banks. 43 disclosure items divided into six subjects were included in this study. Othman et al. (2009) said that the ISR level of Islamic companies is higher than that of ISR in Malaysia. In the assessment of accounting efficiency, Nawaz and Haniffa (2017) suggested a strong positive relationship between VAIC and revenue on assets (RROA). There has been a clear positive relationship between the efficiency and human capital result of accountant output with the tool used, but concerning systemic capital ability no substantial connection has been found. Ahmad and Al-Homaidi (2018) examined the voluntary disclosure level of corporate governance in Indian tourism companies.

The factors that contribute to market risk management, improved competitiveness and sustaining stability for Islamic banks were found to be capital sufficiency and bank volume by Trad et al. (2017). Studies have also shown that macroeconomic indicators, except inflation, can improve Islamic banks' resilience. Islamic bank disclosure in various countries is listed in Table 1.

Table 1 Some of empirical reviews related to financial institutions

Author	*'Size/country'*	*'Data'*	*Disclosure items*	*'Time limit'*	*'Analysis techniques used*	*Findings*
Zubairu et al. (2012)	4 Islamic banks/Saudi Arabia	Secondary	78 items	2008–2009	1-Content analysis	"These results show that at the moment, Islamic banks in Saudi Arabia are far more in agreement than banks supposed to be based on Shari'ah with their conventional counterparts".
Darmadi (2013)	'7 Islamic Banks/Indonesian'	'Secondary'	'72 items'	2010	'1-Content analysis'	"It is revealed that Bank Muamalat and Bank Syariah Mandiri, the county's two largest and the oldest Islamic commercial banks, score higher than their peers. Disclosure of the sample banks on some dimensions, such as board members and risk management, is found to be strong".
Abdullah et al. (2013)	'23 Islamic banks/Malaysia and Indonesia'	Secondary	29 items	2009	1-Regression 2-Disclosure index 3-Descriptive	"The results indicated that SSB-related and zakat disclosures are still limited, with only four banks disclosing more than half of the SSB Index".
Ahmad and Daw (2015)	Islamic banks/Libyan Islamic banks	Primary and Secondary	-	2010 to 2013	'1-Content analysis. 2-Questionnaire'	"The results indicated that the level of compliance with AAOIFI guidelines regarding general presentation and disclosure in the financial statements is low".
Srairi (2015)	'27 Islamic banks /five Arab Gulf countries'	Secondary	-	2011–2013	'1-Content analysis 2-Disclosure index'	"The results demonstrate that Islamic banks adhere to 54% of the attributes addressed in the CGDI. The results related only to two countries, the United Arab Emirates and Bahrain, possess a higher level of CGDI".
Amran et al. (2017)	'6 Islamic firms/Indonesia and Malaysia'	Secondary	78 items	2007–2011	'1-Content analysis 2-Disclosure index'	"The results of the study revealed that CSR disclosure of Islamic banks has generally grown both in Malaysia and Indonesia. More specifically, it was found that workplace and community dimensions were the most highly disclosed areas by the Islamic banks in both countries".
Rahman et al. (2016)	'21 Islamic banks/Bahrain and Malaysian'	Secondary	'78 items'	'2007 to 2011'	'1-Ethical identity index 2-Regression'	"The results of EII and MRA indicated that EID of both countries is low and that independent directors do not affect the level of social disclosure".

Table 1 Some of empirical reviews related to financial institutions (continued)

Author	*'Size/country'*	*'Data'*	*Disclosure items*	*'Time limit'*	*'Analysis techniques used*	*Findings*
Inten and Devi (2017)	'14 Islamic banks/Indonesia and Malaysia'	'Secondary'	'43 items'	'2010–2014'	'1-Z test 2-ISR index 3-Content analysis'	"This research found that the level ISR of Islamic banking in Indonesia is better than the level ISR of Islamic banking in Malaysia. There were significant differences between the two groups were observed concerning all theme of reporting".
Almaqtari et al. (2018a)	30 listed companies/India	Secondary	-	2012–2016	1-Content analysis	"The study found that corporate governance mechanisms have no impact on contribution to the quality of financial reporting".
Al-Homaidi et al. (2020c)	3 Islamic banks/Yemen	Secondary	266 items	2005 to 2014	1-Content analysis 2-Regression analysis	The results showed that background about the Islamic bank, corporate governance information, corporate social disclosure, bank size, and bank age have a negative and significant relationship with return on assets.
Al-Homaidi et al. (2020e)	3 Islamic banks/Yemen	Secondary	266 items	2005–2014	1-Content analysis	"The obtained results showed that the amount of voluntary disclosure that Yemeni Islamic banking institutions publish in their annual reports has gradually increased over the ten years examined".
Almaqtari et al. (2020)	450 listed companies/India	Secondary	-	2011 to 2016	1-Content analysis	"The results indicated a significant difference of FRQ between Indian GAAP and Ind. AS. The findings reveal that adoption of Ind. AS has improved FRQ of financial statements".
Sarea et al. (2020)	Islamic banking in/Oman	Secondary	70 items	2012-2013	1-Content analysis	"The findings of the descriptive analysis indicated that the overall level of web-based online financial reporting disclosurewas69%".
Lemma et al. (2020)	100 firms/Johannesburg Stock Exchange (JSE)	Secondary	-	2011 to 2015	1-Content analysis	"The study found a negative association between corporate carbon risk exposure and the firm's financial reporting quality is partly explained by the quality of voluntary carbon disclosure".

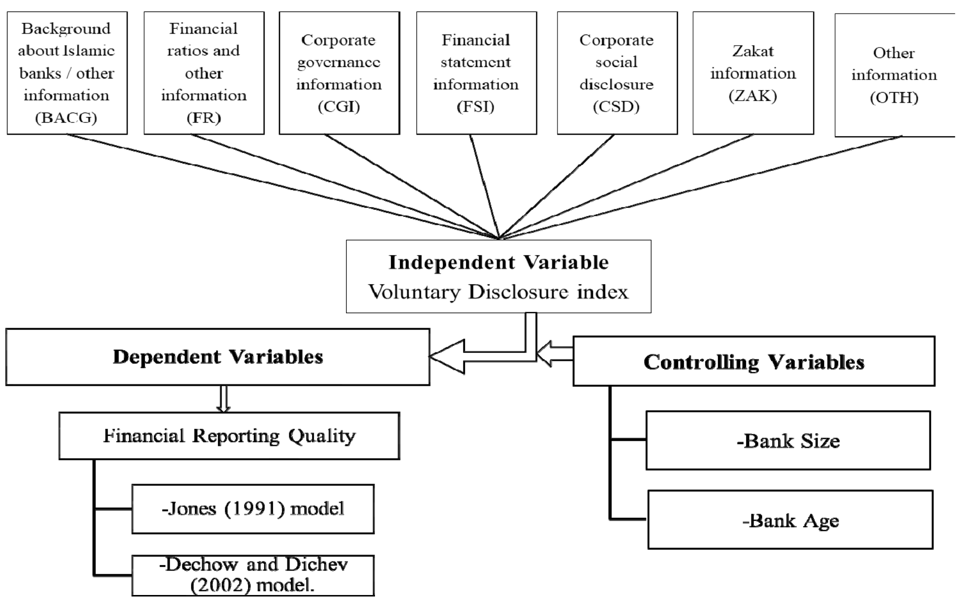
4 Research methodology

This paper addressed the details of the annual reports published between 2005 and 2014 by the Islamic Bank of Yemen. In Yemen from 2005 to 2014, the population of the research was five Islamic firms. Three Islamic banks, based on the following criteria: data access and the availability of banks in the conventional field should not be the sample of this study (‘Tadhamon I Islamic Bank,’ ‘Saba Islamic Bank’, and ‘Shamil Bank of Yemen and Bahrain’). While the study failed to give two banks’ details namely, Alkuraimi Islamic Microfinance Bank and Investment Bank is established in (2010) and Islamic Finance and Development Bank of Yemen is established in (1995).

4.1 Theoretical framework of the study

This investigation aims to identify the influence of voluntary data disclosure level on the FRQ of Yemeni Islamic financial institutions for the period from 2005 to 2014. A structure is proposed by the investigators as shown in Figure 1.

Figure 1 Framework of the current article



4.2 Measurement of indicators

4.2.1 Dependent factor

Consistency of the financial reporting is a contingent variable, evaluated by Jones (1991) and Dechow and Dichev (2002) in two ways. The standard of financial statements is not widely accepted. Previous investigations have used different measurements to evaluate the ‘quality of financial reporting’. For example, Huffman and Lewis-Western (2014) and Shroff (2015) have applied Jones (1991), while Dechow and Dichev (2002), Hassan and Bello (2013), Issertation (2004), Kardan et al. (2016), Lim et al. (2015) and Nam (2016) have used Dechow and Dichev (2002) as a factor for financial reporting efficiency. By using two delegates, this analysis tests the consistency of financial reporting. Table 2 reveals the list of indicators used in the study.

4.2.1.1 Jones (1991) model

A first indicator for earnings value is based on Jones' (1991) model. He utilised the following model of total accruals requirements to guide changes in the business currencies of the client:

$$\frac{TACC_{i,t}}{ASSET_{i,t-1}}\alpha_1\frac{1}{ASSET_{i,t-1}}\alpha_2\frac{\Delta REV_{i,t}}{ASSET_{i,t-1}}\alpha_3\frac{PPE_{i,t}}{ASSET_{i,t-1}}+\varepsilon_{i,t} \tag{1}$$

where

$TACC_{i,t}$ total accruals in year t for firm i

$ASSET_{i,t-1}$ total assets in year $t-1$ for firm i

$\Delta REV_{i,t}$ revenues in year t less revenues in year $t-1$ for firm i

$PPE_{i,t}$ gross property, plant and equipment in year t for firm i

ε_{it} error term in year t for firm i.

4.2.1.2 Dechow and Dichev (2002) model

Dechow and Dichev (2002) is the second model. Dechow et al. (1995) found that discretionary accruals usually produced low-power measures for economically feasible magnitude earnings management. Both parameters are separated by mean total resources in the formula.

$$\Delta WC_t = a_0 + b_0 + b_1CFO_{t-1} + b_2CFO_t + b_3CFO_{t+1} + \varepsilon_t \tag{2}$$

where

ΔWC_t ΔWorking capital in year t, i.e., ΔAccounts receivable +ΔInventory – ΔAccounts payable – ΔTaxes payable + ΔOther assets (net)

CFO_{t-1} cash flows from operations in year $t-1$

CFO_t cash flows from operations in year t

CFO_{t+1} cash flows from operations year in year $t+1$.

4.2.2 Independent variables

Voluntary disclosure index (see Appendix) consisting of 266 index objects is grouped into seven categories according to their type, namely '(A) context details on the Islamic firms/general data (19 objects), (B) financial ratios (24 items), (C) corporate governance information (72 items), (D) financial statements information (110), (E) Corporate institutional discovery (10 items), (F) zakat data (16 statements)'.

4.2.3 Controlling variables

4.2.3.1 Bank age

The age of the bank is the guiding variable applied in the formula, often determined by the number of years after its establishment (Dewaelheyns and Van Hulle, 2010). Dewaelheyns and Van Hulle (2010) also suggested that age has a favorable connection with the competitiveness of the business. However, Almus and Nerlinger (1999) have shown that age has a negative relationship to development. Zeitun (2012) stated that the age of firm did not impact ROA. Dietrich and Wanzenried (2009) also demonstrate that the bank age has a little significant effect on the bank's results. The age of the business has a positive association with the degree of transparency in certain reports, such as (Abeywardana and Panditharathna, 2016; Al-Shammar and Al-Sultan, 2013) and a detrimental interaction (Uchenna et al., 2013). Zelenyuk et al. (2017) investigated the specific corporate attribute that explains the level of voluntary information transparency in Nigeria. Outcomes showed that the age of the company was negatively linked to the disclosure items.

4.2.3.2 Bank size

The scale of the financial business is viewed as a major consistency element. Many empiric studies have shown a positive correlation between the size of the business and the level of voluntary disclosure (Abeywardana and Panditharathna, 2016; Alturki, 2014; Uchenna et al., 2013; Haji and Ghazali, 2013; Karim and Ahmed, 2005; LMgammal, 2017; Nalikka, 2009; Uyar et al., 2013). Several experiments have shown negligible negative results of voluntary disclosure (Aljifri et al., 2014). The size of the company also showed positive and significant levels of disclosure (e.g., Mgammal, 2017, 2011; Nalikka, 2009; Naser et al., 2006; Premuroso, 2008). Zelenyuk et al. (2017) examined the specific corporate attribute that explains the degree of voluntary data transparency in Nigeria. The result indicated that the size of the company had a positive decreasing impact on the disclosure of voluntary data. Alanezi (2009) indicated that the financial report had a significant effect on the size of the firm.

4.3 Multiple regressions

Regression analysis for testing the interaction of variables is established. The dependent variable defined by Jones (1991) and Deechow and Dichev (2002), is the independent variable; a voluntary level of disclosure measured by seven categories listed in (Appendix) is the 'FRQ'. The study suggested the following models for evaluating the influence of voluntary transparency on the financial reporting standard of Islamic Yemeni banks:

Main regression models

$$\begin{aligned} \textit{Financial reporting quality}_{it} = {} & \alpha_i + \beta_1 BACG_{it} + \beta_2 FINRAT_{it} + \beta_3 CORGIN_{it} \\ & + \beta_4 FINSTIN_{it} + \beta_5 CORSD_{it} + \beta_6 ZAKDIS_{it} \\ & + \beta_7 OTHINF_{it} + \beta_8 BSIZE_{it} + \beta_9 BANAGE_{it} + \varepsilon. \end{aligned} \tag{3}$$

Table 2 Definitions of the research indicators Almaqtar

Variables	*Notation*	*Proxy/measurement*	*Predicted sign*	*Data source*	*Prior studies*
Independent indicators (voluntary disclosure index)					
The degree of voluntary disclosure index	TVDI	Disclosure index item, 1 if the Islamic firms disclosed or 0 not disclosed	NA	Annual reports	Al-Shammar and Al-Sultan (2013), Al-Shammari (2013), Rahman and Bukair (2013), Hawashe (2016), Darmadi (2013), Harahap (2003), Hossain and Taylor (2007), Kribat (2009), Srairi (2015) and Yuen et al. (2009)
Dependent factors (financial reporting quality)					
Financial reporting quality	FRQ	Jones (1991) model, and Dechow and Dichev (2002) model	±	Annual reports	Baxter (2007), Huffman and Lewis-Western (2014), Li and Wang (2010) and Shroff (2015)
			±	Annual reports	Baxter (2007), Chen et al. (2011), Dechow and Dichev (2002), Hassan and Bello (2013), Issertation (2004), Kardan et al. (2016), Li and Wang (2010) Lim et al. (2015), Ramalingegowda and Yu (2016), Samani (2015) and Shroff (2015)
Independent variables (controlling variable)					
Bank age	BANAGE	'Number of years it has been in operation since its inception up until 2014'	±	Annual reports	Agarwal and Gort (2002), Mokni and Rachdi (2014), Dietrich and Wanzenried (2011), Hawashe (2014), Kribat et al. (2013), Raida et al. (2017), Shi and Wu (2017), Al-homaidi et al. (2020d) and Tabash et al. (2020)
Size of bank	BSIZE	Natural log. of total assets	±	Annual reports	Fan et al. (2017), Köster and Pelster (2017), Pasiouras and Kosmidou (2007), Petria et al. (2015), Saona (2016), Trad et al. (2017), Al-homaidi et al. (2018, 2019, 2020a, 2020b), Al-Matari (2019), Al-Matari and Mgammal (2020), Al-Matari et al. (2020) and Allamy et al. (2020)

Sub-regression models

$$\begin{aligned} FRQJOP_{it} = {} & \alpha_i + \beta_1 BACG_{it} + \beta_2 FINRAT_{it} + \beta_3 CORGIN_{it} + \beta_4 FINSTIN_{it} \\ & + \beta_5 CORSD_{it} + \beta_6 ZAKDIS_{it} + \beta_7 OTHINF_{it} + \beta_8 BANSIZE_{it} \\ & + \beta_9 BANAGE_{it} + \varepsilon \end{aligned} \tag{3a}$$

$$\begin{aligned} RQDDP_{it} = {} & \alpha_i + \beta_1 BACG_{it} + \beta_2 FINRAT_{it} + \beta_3 CORGIN_{it} + \beta_4 FINSTIN_{it} \\ & + \beta_5 CORSD_{it} + \beta_6 ZAKDIS_{it} + \beta_7 OTHINF_{it} + \beta_8 BANSIZE_{it} \\ & + \beta_9 BANAGE_{it} + \varepsilon \end{aligned} \tag{3b}$$

where Financial reporting quality (FRQ) = FRQJOP and FRQDDP models; α_i is a 'constant term; $i = 1, \ldots, N$ and $t = 1 \ldots T$'.

FRQ	FRQ defined by two models as Jones (1991) and Dechow and Dichev (2002) models
BAISCG	financial institutions' history/general knowledge
FINRAT	financial ratio and other information
CORGIN	corporate governance information
FINSTIN	financial statements information
CORSD	corporate social disclosure
ZAKDIS	Zakat information
OTHINF	other information
BANSIZE	natural logarithm total assets of a firm
BANAGE	ratio measured by the number of years since establishment.

4.4 Scoring of items relating to voluntary transparency

Cooke (1989) indicated that the index of organisational disclosure is weighted and unweighted by two methods. Based on the weight-score approach employed by Barrett (1977), Courtis (1979), Haji and Ghazali (2013) and Marston (1986) and the weighted score formula used by Cooke (1989), Hassan and Christopher (2005) and Hossain and Reaz (2007) have also been found to be two key approaches widely utilised to assess the amount of public reported disclosure.

4.5 Development of the index on transparency

The first step is to establish a transparency index to assess the rate of disclosure in the Islamic banking sector in Yemen. The disclosure studies explain that a self-constructed transparency index is a commonly used data collection technique to calculate the degree of disclosure of information in bank accounts (e.g., Akhtaruddin, 2005; Al-Shammar and Al-Sultan, 2013; Al-Shammari, 2013; Darmadi, 2013; Hassan et al., 2006; Harahap, 2003; Hawashe, 2014; Hossain, 2008; Hossain and Hammami, 2009). Therefore, the index approach is found to be appropriate for the key purpose of this study.

At the end of the day, a total of 266 knowledge items were listed as relevant to the disclosure of Islamic companies in Yemen and applied to all the banks investigated. Such 266 voluntary data objects were then grouped by default into seven main categories presented in Table 3.

Table 3 shows voluntary disclosure items for all categories. Appendix includes the list of the 266 reporting products.

Table 3 Categories of voluntary data disclosure

Groups		*No. of items*	*%*	*Previous studies*
a	Financial institutions' history/general knowledge	19 items	7.14%	Hossain (2008), Hossain and Hammami (2009), Kribat (2009), Al-Shammari (2013), Barros et al. (2013), Hawashe (2014)
b	Profitability measures and other disclosures	24 items	9.03%	Harahap (2003), Hossain and Taylor (2007), Hossain (2008), Hossain and Hammami (2009), Kribat (2009), Al-Shammari (2013), Barros et al. (2013), Hawashe (2016)
c	Information on corporate governance	72 items	27.06%	Harahap (2003), Hossain (2008), Hossain and Hammami (2009), Kribat (2009), Al-Shammari (2013), Darmadi (2013), Rahman and Bukair (2013), Yuen et al. (2009), Barros et al. (2013), Srairi (2015), Hawashe (2014, 2016)
d	Information on financial statements	110 items	41.34%	Harahap (2003), Hossain (2008), Kribat (2009), Hawashe (2014))
e	Social transparency of companies	10 items	3.76%	Hossain (2008), Hossain and Hammami (2009), Al-Shammari (2013), Barros et al. (2013), Hawashe (2014)
f	Zakat data	16 items	6.02%	Harahap (2003), Al-Shammari (2013), Rahman and Bukair (2013).
g	Other data	15 items	5.65%	Hossain and Taylor (2007), Hossain (2008), Hossain and Hammami (2009)
Total		266 items	100%	

5 Results and discussion

5.1 Descriptive analysis

Table 4 reveals the outcomes of descriptive analysis of the indicators of Islamic financial firms in Yemen for a period of ten years from 2005 to 2014. FRQJONM model is the first indicator for measuring FRQ that shows the max value is 2.090% and the min value is –3.166, whereas the average and std. dev. values are 0.00% and 0.947, respectively. FRQDDMD model is a second indicator for measuring FRQ, which presents the max, min, mean and std. dev. values as follows: 1.133, –3.399, –0.040, and 0.944, respectively.

Table 4 results reveal that the average BAISCGs for Islamic banks is 0.419% with an overall asset of 0.740% and min assets of 0.160% respectively. The average FINRAT value is 0.206% at 0.250%, and less 0.170% at 0.019, standard deviation. The spectrum of corporate governance Intelligence (CORGIN, with its Spanish initials) is about 0.257 points with an std. dev. of 0.052%, while the min value is 0.140 and the highest values are 0.350%, the combined FINSTIN, CORSD, ZAKDIS, and OTHINF are 0.74, 0.15, 0.31, and 0.52%. The number of CGIS is about 0.25%. The findings also showed that the average Islamic Bank size (as shown in the total assets register), with a standard variation of 1.575, ranged from a min of 16.660 to a max of 24.670. The mean age of the Islamic banks is about 12 years and they will be at least 3 years to at least 19 years from the start of 2005.

Table 4 Descriptive analysis

Variables	*Ob. no.*	*Maximum*	*Minimum*	*Mean*	*Std. dev.*
JONES	30	2.0900	–3.1660	0.000	0.9470
FRQDDP	30	1.1330	–3.3990	–0.040	0.9440
BAISCG	30	0.7400	0.1600	0.4190	0.1270
FINRAT	30	0.2500	0.1700	0.2060	0.0190
CORGIN	30	0.3500	0.1400	0.2570	0.0520
FINSTIN	30	0.8000	0.6500	0.7350	0.0470
CORSD	30	0.4000	0.0000	0.1500	0.1380
ZAKDIS	30	0.4000	0.2700	0.3130	0.0570
OTHINF	30	0.7300	0.3300	0.5180	0.1200
BANSIZE	30	23.6700	16.6600	18.9520	1.5760
BANAGE	30	19	3	11.5000	4.1830

Note: FRQJONM is Jones (1991) model, FRQDDMD is Dechow and Dichev (2002) model.

5.2 Correlation analysis

Table 5 indicates that there is a favourable and negative link between the degree of financial statements and the degree of voluntary data transparency in the released annual reports of Islamic companies in Yemen. FRQ is calculated using two measures (FRQJONM and FRQDDMD). The first proxy is FRQJONM, the findings show that FINRAT, CORGIN, FINSTIN, and ZAKDIS have a positive association with FRQJONM, while BAISCG, CORSD, OTHINF, BANSIZE, and BANAGE have a negative association with FRQJONM. The second proxy is FRQDDMD, the results show that BAISCG, FINRAT, CORGIN, FINSTIN, ZAKDIS, OTHINF, BANSIZE, and BANAGE have a negative relationship with FRQDDMD, and except that CORSD has a constructive relationship with FRQDDMD. Generally, "an association of greater than 0.8 or less than-0.8 between two independent variables is a measure of multicollinearity" (Waters, 2011; Garson, 2012). The correlation between all objective variables is less than 0.8 and greater than –0.8 for the highest interaction. Both zakat details (ZAKDIS) and business governance details (CORGIN) of 0.76 and the lowest association of financial reporting information (FINSTIN) and other information (OTHINF) of –0.455.

Table 5 Correlation matrix

Variables	*BAISCG*	*FINRAT*	*CORGIN*	*FINSTIN*	*CORSD*	*ZAKDIS*	*OTHINF*	*BANSIZE*	*BANAGE*	*FRQJOP*	*FRQDD*
BAISCG	1										
FINRAT	0.22	1									
CORGIN	0.52	0.31	1								
FINSTIN	0.43	0.05	0.73	1							
CORSD	0.26	0.33	0.16	–0.10	1						
ZAKDIS	0.37	–0.00	0.76	0.70	–0.03	1					
OTHINF	–0.10	0.33	–0.39	–0.45	0.17	–0.30	1				
BANSIZE	0.04	–0.41	–0.05	0.29	–0.19	0.29	–0.10	1			
BANAGE	0.72	0.30	0.75	0.68	0.40	0.61	–0.26	0.06	1		
FRQJOP	–0.23	0.20	0.08	0.08	–0.27	0.02	–0.16	–0.00	–0.16	1	
FRQDDP	–0.32	–0.21	–0.23	–0.26	0.14	–0.21	–0.04	–0.35	–0.25	0.11	1

Notes: FRQJOP is Jones model (1991), FRQDDP is the Dechow and Dichev model (2002), BAISCG has background in Islamic banks, FINRAT is the financial ratios, CORGIN is the information on corporate governance, the FINSTIN is the information on financial statements, the CORSD is the social disclosure of corporations, ZAKDIS is the zakat information, OTHINF other information on Islamic banks, BANSIZE is the ratio defined by the overall asset (percentage) and BANAGE is the ratio defined by the number of years since the establishment.

5.3 Regression analysis

Table 6 reveals the outcomes between variables in this investigation. It presents the outcomes of multivariate regression analysis that calculated the FRQ. The adjusted R square value is 0.68 and 0.59, respectively, which meanings that all voluntary data transparency level groups contribute about 68% and 59% of the variability of FRQ measured by (FRQJONM and FRQDDMD) models of some selected Islamic banks throughout this study.

Table 6 Multiples regression analysis

Variables	*FRQJONM*		*FRQDDMD*	
	Coefficient	*Prob.*	*Coefficient*	*Prob.*
C	–4.992	0.184	16.291	0.001***
BAISCG	0.897	0.636	–7.452	0.001***
FINRAT	58.434	0.000***	–34.847	0.004***
CORGIN	7.734	0.066*	–0.531	0.560
FINSTIN	–11.851	0.045**	–10.813	0.145
CORSD	–4.167	0.003***	1.298	0.301
ZAKDIS	5.243	0.230	2.000	0.676
OTHINF	–3.803	0.043**	3.497	0.018***
BANSIZE	0.224	0.069*	–0.233	0.080*
BANAGE	–0.016	0.796	2.304	0.021**
R-squared		0.793		0.735
Adjusted R-squared		0.683		0.594
Observation		30		30
F-statistic		7.246		5.241
Prob(F-statistic)		0.000		0.001

Notes: ***Significant at 0.01% (p-0.01), **important in 0.05% (p-0.05) and *appropriate in 0.10% (p-0.10).

5.3.1 Financial institutions' history / general knowledge (BAISCG)

The findings of the multivariate regression described in Table 6 revealed that the history of Islamic companies in Yemen (BAISCG) has a positive and negligible influence on the standard of financial reporting as established by the FRQJONM model. The consequence of the coefficient of regression is 0.897418 and the p-value is 0.6365 between BAISCG and FRQJOP, whereas the Islamic Banking History (BAISCG) has a negative and important effect on the financial reporting standard identified by FRQDDMD. The result coefficient is –7.452658 and the p-value is 0.0018 ($p \leq 0.01$). As a result, (H02.a): "There is no substantial effect of the Islamic Bank 's history on the financial reporting standard of Yemeni Islamic banks" is agreed by FRQJONM and denied by FRQDDMD. This indicates that there is a favourable and negligible effect of the Islamic Banks in Yemen (BAISCG) history on the financial reporting standard assessed by FRQJONM and that there is a negative and important effect on FRQDDMD in Islamic banks in Yemen.

5.3.2 Profitability measures and other disclosures (FINRAT)

Regression analysis findings indicate the financial factors and other details (FINRAT) have a positive and highly significant impact on the FRQ as measured by the FRQJONM model. The result of the regression coefficient is 58.434 and the p-value is 0.000 level ($p \leq 0.01$) between FRO and FRQJOP. Therefore, (H02.b): "There is no substantial effect of financial ratios and other information (FRQJOP) on the financial reporting efficiency of Yemeni Islamic banks" is dismissed in both FRQJONM and FRQDDMD models. In short, according to linear regression tests, financial factors and other data (FR) in Yemen have a favourable and very important influence on FRQ.

5.3.3 Information on corporate governance (CORGIN)

The conclusions of the study of regression indicate that corporate governance information (CORGIN) has a positive and meaningful influence on the standard of reporting on financial matters as measured by the FRQJOP model. The effect of the coefficient of regression is 7.7342 and the p-value is 0.0666 ($p \leq 0.1$) between CORGIN and FRQJONM, while corporate governance knowledge (CORGIN) has a detrimental and negligible influence on the consistency of financial reporting as calculated by FRQDDMD. The estimation of the correlation coefficient for the component is –0.53123 and the p-value is 0.5605. Thus, (H02.c): "There is no major effect of corporate governance knowledge (CORGIN) on the financial reporting standard of Yemeni Islamic banks" is denied by FRQJONM and agreed by FRQDDMD. In one word, the regression results (OLS) show that corporate governance information (CORGIN) has a positive and significant influence on the quality of financial reporting measured by FRQJONM and has a negatively insignificant impact on FRQDDMD in annual reports.

5.3.4 Information on financial statements (FINSTIN)

Multivariate regression findings indicate that financial statement knowledge (FINSTIN) has a negative and important effect on the consistency of financial statements as described by the FRQJONM model. The result of the regression coefficient is –11.85146 and the p-value is 0.0450 between the FINSTIN and the FRQJOP. However, details on the financial statements (FINSTIN) have a detrimental and negligible effect on the consistency of financial reporting as calculated by the FRQDDP. The result of the regression coefficient is –10.81367 and the p-value is 0.1451. Accordingly, (H02.d): "There is no substantial effect of financial statements details (FINSTIN) on the financial reporting standard of Yemeni Islamic banks" is denied by FRQJONM and approved by FRQDDMD. Substantially, regression findings may be observed to have a negative and substantial effect on the standard of financial reporting assessed by FRQJONM and to have a negative yet negligible influence on FRQDDMD in Islamic annual reports.

5.3.5 Social transparency of companies (CORSD)

Regression analysis findings show that CORSD has a detrimental and important effect on the consistency of financial reporting as assessed by the FRQJONM test. The outcome of the correlation equation is –4.6175 and the p-value is 0.0034 between CORSD and FRQJOP, whereas corporate social disclosure (CORSD) has a favourable and negligible influence on the standard of financial reporting assessed by FRQDDMD. The product of the regression coefficient is 1.2987 and the p-value is 0.3016. Thus, (H02.e): "There is no major effect of corporate social disclosure (CORSD) on the financial reporting standard of Yemeni Islamic banks" is denied by FRQJONM and acknowledged by FRQDDMD. Linear analysis has demonstrated that CORSD has a negative and substantial effect on the consistency of financial statements assessed by FRQJONM and has a favourable and negligible influence on FRQDDMD in released annual reports.

5.3.6 Zakat data (ZAKDIS)

Regression results show that ZAKDIS data has a favourable and negligible effect on the consistency of financial statements as assessed by FRQJONM and FRQDDMD models. The coefficient results are 5.243939 and 2.000863, and the p-values are 0.2303 and 0.6766 between ZAKDIS and both (FRQJONM and FRQDDMD) respectively. As a result, (H02.f): "There is no substantial effect of zakat details (ZAKDIS) on the financial reporting standard of Yemeni Islamic banks" is agreed by FRQJONM and FRQDDMD. Evidence can be seen that ZAKDIS has a favourable and negligible effect on the standard of financial reporting as assessed by FRQJONM and FRQDDMD in Islamic Banks in Yemen Annual Reports.

5.3.7 Other data (OTHINF)

The findings of the regression study (OLS) showed that other knowledge (OTHINF) had a detrimental and important effect on the efficiency of financial statements as calculated by FRQJONM. The outcome of the coefficient value is –3.803771 and the p-value is 0.0430 between OTHINF and FRQJONM, but other information (OTHINF) has a favourable and very important effect on the consistency of financial statements calculated by FRQDDP. The estimate of a correlation is 3.497601 and the p-value is 0.0188 ($p \leq 0.01$). (H02.g): "There is no major effect of additional details on the financial reporting standard of Yemeni Islamic banks" is denied by FRQJONM and FRQDDMD. With regard to regression tests, it may be argued that other information (OTHINF) has a detrimental and important effect on FRQJOP. It also had a strong and important effect on FRQDDMD in the annual accounts of Yemeni Islamic financial companies during the research.

5.3.8 Bank size (BANSIZE)

Several regression results indicate that the bank's (BANSIZE), as calculated in the FRQJONM model, has a beneficial and significant influence on the coherence of financial accounts. The regression coffee rate is 0.2248 and p-value of 0.0692 between BANSIZE and FRQJOP (p 0.10) and the 'FRQ' measured in the FRQDDMD is adversely and significantly influenced by the banking size of the BANSIZE. The result is 0.0805 (p or 0.10) with a return equation and a p-value. (H02.h): 'The financial reporting standard of Yemeni Islamic firms is not subject to a significant effect by bank scale' is denied by FRQJONM and FRQDDMD. Regression tests (OLS) show a positive and meaningful effect on the consistency of financial statements evaluated by the FRQJONM on the bank scale (BANSIZE). Even in annual reports, BANSIZE has a significant and essential impact on FRQDDMD.

5.3.9 Bank age (BANAGE)

Multivariate regression studies suggest that the bank age (BANAGE), calculated by the FRQJONM model, has a negative and limited effect on the standard of financial reporting. The results are-0,0159 with a coefficient of 0.7969 from BANAGE to FRQJONM. During bank age (BANAGE), the consistency of the financial results measured by FRQDDMD has a favourable and important impact. The result is 2.304895 and the p-value is 0.0213 (p as well as 0.05). (H02.i): "The financial reporting standard of Yemeni Islamic banks is not greatly impaired at the bank era (BANAGE)," the FRQJONM acknowledges and is refuted by FRQDDMD. With respect to (OLS) regression studies, the effect on the consistency of the financial statements measured by FRQJONM can be seen as unfavourable and negligible, and BANAGE affects FRQDDMD positive and substantially in annual data.

The findings of this research, which revealed that corporate governance transparency and corporate social accountability have a negative and negligible effect on the standard of financial reporting, are incompatible with Nyabuti (2016). He has observed that quality of annual reports is affected by firm age. At the same time, the results of the study were compatible with Ahmed and Courtis (1999) who showed that the level of transparency and the consequent use of the sample in the provision of high financial information was significant. Mahboub (2017) has demonstrated that low leverage levels, higher equity interest rates, and larger board sizes will contribute to improved financial performance in the Islamic firms' sector. Al-Dmour et al. (2018) have demonstrated that the FRQ elements have a clear effect on business results and that variations in FRQ between these organisations have been shown to be substantially linked to their scale and skills rather than to their form of organisation.

6 Conclusions

The study investigated the influence of voluntary disclosure information on FRQ is also analysed by a multivariate OLS regression. The FRQ was calculated in models (FRQJONM and FRQDDMD). The tests for the FRQJONM, FRQJOP, CORGIN and BANSIZE have strong and meaningful ties to the FRQJONM while the relation between FRQJONM and BAISCG and ZAKDIS is weak and negligible. OTHINF information has a detrimental and substantial impact on FRQJONM, rather than that on FRQJONM, except for BANAGE. FRQJONM is negative and negligible. With respect to FRQDDMD, the findings suggest that the impact of BAISCG, FINRAT and BANSIZE on FRQDDMD is negative and important. The positive yet meaningful impact of OTHINF and BANAGE on FRQDDMD while the negative and negative effect of CORGIN and FINSTIN is the FRQDDMD. CORSD and ZAKDIS affect FRQDDMD in a constructive yet marginal way. The research has significant consequences for individual as well as financial institutional investors, regulators and policymakers in emerging economies. The analysis adds a new contribution to the Islamic finance field, particularly in Yemen and all other countries interested in Islamic finance.

The regulation and supervision of banking should enable Islamic banks to concentrate on enhancing their disclosure by improving the efficiency of existing operations, improving management and staff upgrades. This could assist Islamic banks in the long run to boost their quality and performance. In addition, the authorities should rethink their reforms and initiatives and try to further stimulate the achievement of the desired quality and efficiency in the financial sector of Yemen by addressing the objective of competitiveness in the marketplace. There is an assumption that a lack of efficient competition creates space for the inefficiency of banks to continue and stay in operation. A significant consequence is that more policies that encourage competition are considered very important for improving the quality of banks in Yemen. This can be understood, for example, if the number of international banks operating in the economy is expanded.

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