

An Empirical Investigation of Users' Views on Corporate Annual Reports in Developing Countries: Evidence from Kuwait

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Abstract

The purpose of this study is to investigate how users of corporate annual reports (CARs) in Kuwait perceive the usefulness and relative importance of Kuwaiti CARs. Moreover, this study explores users' perceptions of the proposed items for improving the quality of voluntary disclosure in annual reports. A self-administrated questionnaire was distributed to individuals representing the four groups identified. Descriptive measures, the Kruskal-Wallis (K-W) test, and the Mann-Whitney (M-W) test were used to achieve the study objectives. The study findings show most participants strongly agree that annual reports of Kuwaiti listed companies are an important primary source of information in their decision making; however, the timeliness in publishing annual reports is becoming a matter of great concern. Most respondents did not feel satisfied with the quantity and quality of information provided in CARs and indicated a desire for more information. The findings of this study offer an assessment of the current usefulness of Kuwaiti CARs and provide recommendations that could improve the quality of Kuwaiti CARs.

Keywords: Corporate Annual Reports; Voluntary Disclosure; Emerging Markets; Kuwait

1. Introduction

Corporate report disclosure receives a great deal of attention in empirical studies and this field of study is growing widely (Beattie, 2005). Binh (2012) argues that annual reports are commonly regarded as an important means of acquiring accountability in the corporate sector and often are a means by which sectors can improve stakeholders' perceptions of their accountability.

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Shehata (2014) argues that several financial scandals across the globe were due to lack of proper corporate disclosure in annual reports. Due to assorted financial scandals all over the world, Arif and Tuhin (2013) claim adequate disclosure in annual reports is now requisite in the corporate world to ensure transparency and accountability and aid various interest groups in rational decision making. Disclosure is considered an important indicator of accounting quality (Marston and Robson, 1997). Murray (1976) states that the quality of corporate disclosure affects the ability of capital markets to assess the value of a company. In addition, the quality of disclosure has a great impact on investors' ability to make sound investment decisions (Singhvi and Desai, 1971).

Consequently, researchers are interested in determining the level of disclosure and the types of information that meet users' needs and significantly affect their decisions, as well as the variables that influence corporate disclosure practices. Companies use numerous channels and devices to communicate with stakeholders. Likewise, investors and other interested parties use many sources of information to make their decisions. Different sources are used to disseminate information to the public: corporate annual reports (CARs), newspapers and magazines, Web sites, periodic bulletins, special publications, and direct contact with the company. Thus, several studies have attempted to determine which source/s users depend on to make their decisions, and to what extent.

In developed countries, a wide set of studies have explored the perceptions and views of users toward the relative importance of various sources of information and the usefulness of CARs. Some of these concentrated on a particular group of users, such as individual investors, financial analysts, or investment analysts. Other studies explored the perception of more than one user group and tested possible variations among these groups regarding the usefulness or importance of information disclosed in CARs for making decisions. Turning to developing countries, limited empirical studies have been conducted, especially as pertains to countries in the Arabian Gulf. Consequently, there are three main objectives of this study: First, to examine the perceptions and views of users of corporate annual reports in Kuwait and assess the relative importance of components in these reports. Second, to explore the extent to which information included in annual reports possesses qualitative criteria. Third, to investigate the usefulness of certain voluntary items of information in CARs as perceived by external user groups.

Therefore, the present study is seeking to answer the following main questions: How do user groups perceive the relative importance and usefulness of Kuwaiti CARs? How do user groups evaluate the qualitative characteristics of information in the Kuwaiti CARs? And how do user groups rate the proposed voluntary information items?

Four major groups were invited to participate in this study: financial advisors, external auditors, market regulators, and accounting academics. A self-administered questionnaire was designed to achieve the research objectives. Descriptive measures, the Kruskal-Wallis (K-W) test, and the Mann-Whitney (M-W) test were used to achieve the study objectives. The study findings show most participants strongly agree that annual reports of Kuwaiti listed companies are an important primary source of information in their decision-making process. However, the results also indicate that the timeliness of annual reports is becoming a matter of great concern, which could affect the quality of annual reports as an information source. This opens the door to thinking about the role of regulatory bodies with respect to this problem. The results also suggest that respondents are neutral in their views regarding the reliability of the contents of annual reports in Kuwait; this could potentially undermine the annual report as a communication device between preparers and users.

Concerning the level of voluntary disclosure, most members of stakeholder groups do not feel satisfied with the quantity and/or quality of information provided by companies in their annual reports. User groups also show a desire for more information than companies currently disclose, to improve their decision making and the usefulness of CARs. The desire for more disclosure may suggest an urgent need to fill the disclosure gap between users and preparers.

The findings of this study provide important insights and recommendations on how to increase confidence in capital markets as well as enhance stakeholders' assurance. In addition, the findings of this study could be useful to regulatory authorities, corporate boards, and planners in setting disclosure policies, as well as for market participants. On the international level, the results yield interesting conclusions for other emerging markets, especially countries in the Middle Eastern region that have social, political, and economic environments similar to Kuwait's.

The body of this paper is organized as follows, section 2 reviews studies that empirically examine the perceptions and attitudes of users of CARs as regards sources of disclosure information and the usefulness of accounting information. Section 3 presents the theoretical framework and research hypotheses to be examined. Section 4 presents the methodology and data analysis used in this study. Section 5 describes and discusses the results of testing the hypotheses. Section 6 summarizes the results and draws conclusions and recommendations.

2. Literature Review

In business activities, investors require timely and reliable information to reach effective and efficient investment decisions. This type of financial information can be obtained through many sources, and one of the most important sources is the corporate annual report. There are two types of information commonly disclosed in corporate annual reports (CARs): mandatory disclosure and voluntary disclosure. Mandatory disclosure refers to compliance with compulsory standards. If a disclosure item is mandatory, the assumption is often made that the information item will definitely be disclosed; otherwise, the company will receive a qualified audit report or other regulatory sanctions. Voluntary disclosure can be defined as disclosure in excess of mandatory requirements, representing free choice on the part of company management to provide accounting and other information deemed relevant to the decision needs of users of their annual reports (Meek et al., 1995). Most disclosure research to date has been conducted in Western countries, such as the United States, the United Kingdom, and European countries. Only a few studies have been conducted in the developing and emerging countries, especially the Arabian Gulf countries.

In the developed countries and non-Gulf developing countries, several studies have been undertaken to explore user perceptions of the usefulness of information disclosed in CARs. These studies tested the perceptions of different users groups. Some of them concentrated on one group of users such as individual investors (e.g., Anderson and Epstein, 1995; Epstein and Freedman, 1994; Bartlett and Chandler, 1997); financial analysts (Streuly, 1994); or investment analysts (Bauman, 1989). Other studies, which conducted in developing countries, explore the perception of more than one user group and test possible variations among these groups regarding the usefulness or importance of information disclosed in CARs for making decisions.

Such user groups may include individual investors, institutional investors, financial analysts, investment analysts, creditors, executives/managers, government officials, or academics. Among these studies are Mirshekary and Saudagaran (2005), Naser Abdelkarim et al. (2009), Zoysa and Rubkin (2010), Nassir Zadeh (2011), and Alzarouni et al. (2011).

Most of these studies show that respondents ranked CARs as the main source of information for user groups and the most frequently used source for decision making. Financial statements were ranked as the most important section in CARs. Some of these studies reveal a high level of agreement among user groups regarding the relative importance of information items in CARs, but other studies indicate no such consensus.

In the context of Gulf countries, some studies explore user perceptions of the usefulness of CARs as compared with other sources of information. In the Kingdom of Saudi Arabia, Abdelsalam (1990) conducted a study testing individual investors' use of CARs. This study found that annual reports are the most important source of corporate information for individual investors. The corporate income statement and statement of financial position were ranked by respondents as the most important sections in Saudi CARs. Similar results have been reached by Al-Mahmoud (2000) and Al Razeen and Karbhari (2007), also in Saudi Arabia. In the context of Qatar, Alattar and Al-Khater (2007) empirically examined the importance, understanding, and usefulness of CARs. This study explores the perceptions of individual investors, institutional investors, bank loan officers, financial analysts, and government officials. The four groups considered CARs an important and useful source of information for making investment decisions and rated the corporate statement of financial position, auditor's report, cash flow statement, income statement, and notes to financial statements as the most important and understandable sections in CARs.

In Bahrain, another Gulf country, Al-Ajmi (2009) investigated whether individual investors (large and small) used annual reports and especially company financial statements in deciding whether to hold or sell shares on the Bahrain Stock Market (BSE). The study also examined the type of information investors used to make rational economic decisions. The study found that financial statements are considered the most important source of information the two target groups depend on in making their investment decisions.

In the context of Kuwait, Naser et al. (2003) examined the usefulness of different aspects of corporate annual reports for target users groups. The results show that external users of company information favor obtaining required information directly from three sources: companies, published annual reports, and interim reports. The study also found that users gave little importance to the auditor report since it is only a routine issue. They attached a high degree of importance to the disclosure of voluntary items, however, such as investments in shares and bonds, and company performance. Al-Mutairi (2004) examined the usefulness of CARs for Kuwait Stock Exchange (KSE) investors. This study stated that respondents rank the income statement and financial position statement as the most important sections of CARs. This study further suggested that reliability is considered the most important qualitative characteristic that shapes the quality of CARs in Kuwait. The author argued that there has been an improvement in the quality of these reports issued by companies listed on the KSE.

Two studies conducted in Kuwait explored the perceptions of annual report users. However, more research in this area is needed. This is true for two reasons. First, the KSE is criticized by some international bodies for the following reasons: KSE commercial regulations do not provide enough protection to market participants; a lack of disclosure requirements leads to disclosure problems such as the nondisclosure of the percentage of ownership in listed companies and related parties issues. Hence, the Kuwaiti government has since made extensive and significant changes in its capital market environment.

Second, from the perspective of legitimacy theory, as societies change over time, organizations that participate in these societies should respond to these changes in order to conform with changing social values. Unerman and Bennett (2004) argue that the expectations of stakeholder groups, as a part of society, change over time; hence, organizations must continually adapt their operating and reporting activities to these changing circumstances. In this sense, Deegan et al. (2000) argue that companies tend to change their disclosure policies over time in response to social events. Therefore, because user groups have different information needs that change over time, continuing to explore the usefulness of various information in their decision making remains useful.

Consequently, the findings of this study support recommendations that may help increase confidence in capital markets and enhance the confidence of stakeholders. Also, the findings of the study would be useful to regulatory authorities, corporate boards and planners in setting disclosure policies, and market participants. On the international level, the results yield interesting conclusions for those in other emerging markets, especially those in countries in the Middle East region that share similar social, political, and economic environments.

3. Research Hypotheses

To achieve the research objectives, a number of hypotheses are tested in the following four areas: importance of information sources, relative importance of components in CARs, qualitative characteristics of corporate information, and voluntary disclosure practices.

3.1 Information Sources

A number of studies have been conducted that explore essential sources of information used by different groups in decision making (e.g., Streuly, 1994; Abu-Nassar and Rutherford, 1996; Nasser et al., 2003; Mirshekary and Saudagaran, 2005; Zoysa and Rudkin, 2010). The results of these studies reveal diverse perceptions toward sources of information. For this reason, the present study proposed a similar research question to explore the most important source of corporate information in Kuwait according to the users of various sources of information. Given this, the following null hypothesis is tested:

H1: There are no significant differences among user groups in the perceived importance of different sources of information.

3.2 Annual Report Sections

According to Rees (1995), the accounting information in a CAR can be categorized into two main types: the first type is related to financial information and includes statement of financial position, income statement, statement of cash flow, accounting policies, and notes to the financial statements.

The second type contains information related to nonfinancial data including the auditor's report, chairman's letter, management report, and news announcements. Previous research indicates that all financial information, especially financial statements, are the most frequently used information sources in CARs by user groups in the process of decision making (Mirshekary and Saudagaran, 2005; Al-Ajami, 2009; Zoysa and Rudkin, 2010). Regarding nonfinancial information, several studies have indicated different perceptions of this type of information (e.g., Smith and Taffler, 1992; Bartlett and Chandler, 1997). It is crucial to ask various user groups about their perceptions of the importance of the different sections in a corporate annual report. Therefore, the following hypothesis is tested:

H2: There are no significant differences among user groups in the importance they attach to various sections in a corporate annual report.

3.3 The Qualitative Characteristics of Corporate Information

The main objective of corporate annual reports is to provide useful information which should meet the needs and perspectives of key users, such as creditors and shareholders, for decision making. Also accounting information provided in annual reports could be useful for other parties who are interested in business and economic events. In order to reach this primary objective, information should have a number of characteristics, called qualitative characteristics of accounting information. In terms of completeness, Lewis and Pendrill (2003) stated that the benefits of information should exceed its production costs. In addition, the International Accounting Standards Committee (IASC, 1989) indicated that information releases by companies should be useful for users in the decision process. It must possess qualitative characteristics including being understandable, relevant, reliable, comparable, and timely.

Overall, empirical studies allocated a number of characteristics to gauge the quality of CARs. These studies recognized relevance, reliability, understandability and comparability, and consistency as the main characteristics that information should contain to be judged useful. In addition, accounting information can be considered reliable when it has the following characteristics: representational faithfulness, verifiability, and neutrality (Wolk et al., 1992).

It is, therefore, important to question the various stakeholder groups regarding their perception about whether the corporate information has the qualitative characteristics that could affect the quality of the annual report. Given that, the following hypothesis will be tested:

H3: There are no significant differences among user groups on agreement level of qualitative characteristics that might affect the quality of corporate annual reports.

3.4 Existing Level of Voluntary Disclosure

Emerging markets such as Kuwait have been criticized for their lower overall level of voluntary disclosure and categories of voluntary information as compared with levels documented by studies of markets in other countries (Al-Shammari, 2010). Therefore, it can be concluded that major user groups are not fully satisfied with the information provided in CARs. Empirical evidence shows that there is variation of level of voluntary disclosure. This variation could be interpreted as differences in disclosure practices among companies; thus, a great deal of attention has been paid to exploring the perceptions of user groups regarding current levels of voluntary disclosures in the annual reports of companies listed on the KSE. This could help elucidate whether the results of empirical studies conducted in Kuwait are consistent with the perceptions of well-experienced and well-known users. This would also help in gauging the level of satisfaction among user groups regarding the levels of voluntary information that companies disclose. Consequently, participants were asked to evaluate the current levels of voluntary corporate disclosures. This leads to the following hypothesis:

H4: There are no significant differences among user groups' views of the current levels of voluntary disclosure released in the corporate annual reports.

3.5 Proposed Voluntary Items to Be Disclosed in the Annual Report

There is no consensus regarding the list of types of voluntary information disclosures tested in previous studies conducted in the context of developed and developing countries. Firth (1978) used 75 information items, some of which are mandatory; McNally et al.

(1982) used 41 items, some of which are also mandatory; Chau and Gray (2002) used 113 items, and Agca and Onder (2007) used 87 items of information. More recently, Al-Shammari and Al Sultan (2010) used 76 items and Alanezi (2011) used 51 information items. In this study, 29 proposed information items were used to explore the views and perceptions of respondents on the importance and usefulness of each item, if they were to be regularly published in CARs. This may help improve the quality of voluntary disclosure in Kuwait. Given this, the following hypothesis is examined:

H5: There are no significant differences among user groups regarding the perceived usefulness of voluntarily disclosed items, listed on the study questionnaire, in improving the quality of voluntary disclosure.

4. Data and Research Methods

4.1 Participant Groups

The groups participating in this survey are categorized in four groups: financial advisory (FA), external auditors (EA), market regulators (MR), and accounting academics (AA). The selection of these groups is based on a revision of previous studies related to the perceptions of annual report users and the Kuwaiti business environment. Further, it is assumed these groups are familiar with CARs and their contents as well as with problems and obstacles that face the business community in Kuwait.

4.2 Data Collection

The data reported in this study were collected through a questionnaire survey in 2010. The first section of the questionnaire dealt with the demographics of study participants. The second section consisted of three parts constructed to investigate the views of user groups regarding the importance of different sources of information for making economic decisions. This section also sought to rate the relative importance of different sections in annual reports. The third question in section two aims to identify and evaluate the extent of significant difference or agreement existing among user groups about a set of qualitative characteristics of information that could affect the usefulness and quality of the CAR as a source of information.

The third section consisted of two questions that assessed current levels of voluntary information disclosure in the annual reports of listed companies. Furthermore, participants were asked to rate their preferences regarding frequently released additional, selected voluntary information disclosures to improve the quality of CARs.

The respondents have been asked to rate, in terms of importance each source of information and each section of CARs by employing a five point Likert scale, ranging from "extremely important" to "not at all important". In addition, the respondents have been requested to indicate their degree of agreement or disagreement on whether accounting information included in CARs possesses qualitative characteristics and whether releasing proposed items may improve the quality of voluntary disclosure in Kuwaiti CARs where Likert scale extending from "strongly agree" to "strongly disagree". To explore the perception of user groups regarding the level of voluntary information in annual reports of listed companies, the participants have been asked to rate the extent of the current level of voluntary disclosure by using Likert scale ranging from "very high" to "very low". The Cronbach's alpha measurement of internal consistency was used. The scores of Cronbach's alpha are above 0.80, reflecting good internal consistency reliability of the answers.

Originally, the total number of questionnaires distributed to the four groups of respondents was as follows: 60 (FA), 50 (EA), 60 (MR), and 50 (AA). The questionnaire was submitted in person and discussed with respondents. At the end of the survey, 143 out of 220 questionnaires were collected. Consequently, the analysis of data in this study is based on 143 usable questionnaires that were fully completed. Table 1 shows the distribution of respondents among the four groups. Clearly, the response rate from the market regulators group was lower than that of the other three target groups. This finding was expected and consistent with the fact that market regulators in the Middle East tend to be more secretive and reluctant to participate in such surveys since they believe their personal opinions represent the official view of their respective governments and this could create a conflict of interest.

Table 1. Distribution of Respondents for Participant Groups

Type of Respondents	Total Questionnaires Distributed	Number of Actual Responses	Response Rate (%)	Percentage of Total Sample
Financial Advisory (FA)	60	46	76.7%	32%
External Auditors (EA)	50	33	66 %	23%
Market Regulators (MR)	60	30	50 %	21%
Accounting Academics (AA)	50	34	68 %	24%
Total	220	143	65 %	100%

4.3 Statistical Techniques

Several statistical techniques were used in this study. Descriptive measures were used, which consist of frequencies, percentages of responses, overall mean values, standard deviation scores, and the ranking for each item in terms of level of importance or agreement according to the overall mean values. Nonparametric methods were also used: The Kruskal-Wallis (K-W) test was used to test the null hypotheses that there are no significant differences among user groups' perceptions. This test helps explore levels of consensus among the target user groups. If the K-W test found significant differences among user groups' responses, then the Mann-Whitney (M-W) test was used to examine the nature of the differences between each pair of groups.

5. Results and Analysis

5.1 Respondents' Demographic Aspects

The respondents were asked to provide background information regarding their place of work, employment record, and academic and professional qualifications. Table 2 presents the distribution of respondents according to their place of work, length of their work experience in the field, academic qualifications, and professional qualifications. The results shown in Table 2 indicate that most participants worked in the private sector (62%) and had more than 10 years of experience in their field (65%). Half (50%) of the respondents held bachelor's degrees; this finding was expected because in most cases working as FA and EA requires a bachelor's degree. 27% held PhD degrees, and 22% held a master's degrees. The distribution of respondents according to their professional qualifications indicated that about 39% of the participants held a professional certificate.

The high percentage of certificate holders could be traced back to the fact that individuals in high-level positions are usually required to possess such qualifications.

Table 2. Distribution of Respondents

Place of Work	%
Government	38
Private	62
Total	100
Years of Experience	%
Less than 5 years	13
6–10 years	22
More than 10 years	65
Total	100
Academic Qualification	%
Diploma	1
Bachelor's	50
Master's	22
PhD	27
Total	100
Professional Certificate	%
No	61
Yes	39
Total	100

5.2 Sources of Information

Table 3 presents the overall mean scores for importance, standard deviation (SD), and Kruskal-Wallis (K-W) tests. As indicated in Table 3, user groups rated *Corporate Annual Report*, *Interim Report*, *Advice from Specialists*, *Personal Expectations*, and *KSE's Web Site* as the five most important sources of information. Conversely, Table 3 shows that *Market Rumours* and *Company's Web Site* do not appear to be considered important sources of information and were rated the least preferred sources of information by participants. This is reflected by the respondents a neutral attitude regarding these two sources of information, with overall means of 2.76 and 2.71 respectively.

Table 3. Importance of Different Sources of Information

Source of Information	Whole Sample			K-W
	Mean	SD	Rank	P-Value
Corporate Annual Report	4.818	0.3870	1	0.639
Interim Report	4.273	0.6630	2	0.125
Company's Web Site	2.713	1.059	9	0.032**
KSE's Web Site	3.497	1.113	5	0.000***
Newspapers and Magazines	3.231	1.019	6	0.040**
Market Rumors	2.761	1.128	8	0.580
Personal Expectations	3.619	0.838	4	0.816
Recommendations from a Friend	2.832	1.017	7	0.164
Advice from Specialists	4.007	0.764	3	0.679

** , *** significant at the 0.05, and 0.01 levels respectively

The last column of Table 3 presents the results of K-W tests at 0.05 and 0.01 levels of significance. The results indicated no statistically significant difference among user groups regarding the *Corporate Annual Reports*, *Interim Reports*, *Market Rumors*, *Personal Expectations*, *Recommendations from a Friend*, and *Advice from Specialists*. However, there are statistically significant differences among users regarding *Company's Web Site*, *KSE's Web Site*, and *Newspapers and Magazines*. Hence, the results of this study (with the exception of other sources of information) do not support the hypothesis that there is no significant difference among user groups in the perceived importance of different sources of information. To highlight these significant differences among the user groups, a further nonparametric test called the Mann-Whitney U test (M-W) was conducted on all possible pairs of groups to determine the nature of the significant differences found with the K-W tests. Consequently, these tests were carried out for six possible pairs of user groups and for nine sources of information.

Table 4 presents mean scores for each user group and illustrates the consensus among each pair of user groups. The results of the M-W tests show the FA and the MR and AA groups, as well as MR and AA pairing, are similar in their agreement regarding the importance of *Company's Web Site* as a source of information. However, there is a statistically significant difference between the EA group and MR and AA groups regarding the perception of importance of the *Company's Web Site* information. Furthermore, the FA and EA have a similar view concerning the importance of *KSE's Web Site* as a source of information.

However, *KSE's Web Site* is a significantly more important source of information about a company for the MR group than for the FA, EA, and AA groups. The FA group differs significantly from the AA group regarding the importance of the *KSE's Web Site*. On the other side, the results indicate significant differences between the EA and AA groups regarding the perceived importance of the *KSE's Web Site* information. The results also show no significant difference between the MR group and three other groups as well as the FA and EA groups regarding the relative importance attached to *Newspapers and Magazines*. However, the highest level of significant differences belonged to the FA and AA pairing and the EA and AA pairing concerning the agreement level on the last item.

Table 4. Results of M-W Tests

Sources of Information	Mean by Subject Groups				M-W Test					
	FA	EA	MR	AA	FA (sig) with EA	FA (sig) with MR	FA (sig) with AA	EA (sig) with MR	EA (sig) with AA	MR (sig) with AA
Company's Web Site	2.74	3.12	2.50	2.47	0.088*	0.248	0.254	0.018**	0.009***	0.876
KSE's Web Site	3.46	3.76	4.17	2.71	0.373	0.017**	0.005***	0.055*	0.000***	0.000***
Newspapers and Magazines	3.43	3.33	3.23	2.85	0.648	0.306	0.008***	0.521	0.025**	0.121

*, **, *** significant at the 0.1, 0.05, and 0.01 levels respectively

5.3 Importance of Corporate Annual Report Sections

Table 5 reveals that all sections of a CAR are perceived as important to user groups, with the exception of the *Chairman's Letter* and the *Management Discussion and Analysis*, which users rated as least important. The latter results are reflected in the fact that respondents have a neutral attitude regarding these two sections of a CAR, with an overall means of 3.18 and 2.68 respectively. From Table 5, for the whole sample, it can be seen that the three sections of annual report perceived as most important are the *Statement of Financial Position*, the *Income Statement*, and the *Statement of Cash Flow*, respectively.

Table 5. Perceived Importance of Different Sections of Corporate Annual Report

Section of Corporate Annual Report	Whole Sample		Rank	K-W
	Mean	SD		P-Value
Chairman's Letter	2.67	1.08	9	0.01***
Management Discussion and Analysis	3.17	1.14	8	0.01***
Auditor's Reports	4.45	0.80	6	0.01***
Statement of Financial Position	4.81	0.39	1	0.21
Income Statement	4.79	0.45	2	0.59
Statement of Cash Flow	4.75	0.53	3	0.55
Statement of Changes in Owners' Equity	4.57	0.66	5	0.19
Accounting Policies	4.42	0.76	7	0.01***
Notes to the Financial Statements	4.72	0.52	4	0.39

*** significant at the 0.01 level

Table 5 also presents the results of the K-W tests conducted to determine any significant differences among the four groups regarding the importance of these sections (Hypothesis 2). The results indicate only four sections of CAR showed a significant difference, at the 1% significance level, among the user groups regarding the importance of the *Chairman's Letter*, *Management Discussion and Analysis*, *Independent Auditor's Reports*, and *Accounting Policies* sections. However, no statistically significant differences are found between users' perceptions of the importance of the remaining five sections of a CAR. Consequently, the results (with the exception of *Statement of Financial Position*, *Income Statement*, *Statement of Cash Flow*, *Statement of Changes in Owners' Equity*, and *Notes to the Financial Statements*) do not support the hypothesis that there is no significant difference among user groups regarding the perceived importance of various sections of a CAR. The results imply user groups differ in the importance they attach to different sections of a CAR.

The M-W Test was used to gauge the extent of differences in how user-groups perceived the importance of four previous sections. The results presented in Table 6 indicate that EA group is significantly different from all other groups in that the EA group appeared to place a greater weighting on *Chairman's Letter* section than all other respondents groups. However, the results also indicate no statistically significant differences among FA and MR pairing and FA and AA pairing and MR and AA pairing regarding the importance of *Chairman's Letter* section. Moreover, EA group placed greater emphasis on the importance of *Management Discussion and Analysis* and *Auditor's Reports* sections than all other groups.

Conversely, the results reveal that no statistically significant differences among FA and AA pairing and MR and AA pairing regarding the importance of *Management Discussion and Analysis* and *Auditor's Reports* sections. On the other hand, *Accounting Policies* section was significantly more important for EA and MR groups for making economic decisions and/or recommendations than for FA group. In this sense, Gietzmann and Trombetta (2003) claimed that company management can send signals to stakeholders through adopting a specific accounting policy. In addition, company management may employ accounting systems as a communication channel or signaling mechanism to affect the view of stakeholders such as investors (Nelissen, 2007). On a different point, it may help investors as market participants to make informed decisions (Watts & Zimmerman, 1990 and Holthausen, 1990). Fung (2003) provides evidence that accounting policy and voluntary disclosure, as communication channels, are considered to be complements each other. However, the results show no statistically significant differences among FA and AA pairing. The results also indicate that a remarkable similarity exists between EA and MR pairing. Furthermore, EA and AA pairing and MR and AA pairing have dissimilar views about the importance of *Accounting Policies*.

Table 6. Usefulness of Different Sections of Corporate Annual Reports by User Group

Different sections of corporate annual reports	Means by Subject Groups				M-W Test					
	FA	EA	MR	AA	FA (sig) with EA	FA (sig) with MR	FA (sig) with AA	EA (sig) with MR	EA (sig) with AA	MR (sig) with AA
Chairman's letter	2.24	3.67	2.53	2.44	.01***	.25	.34	.01***	.01***	.83
Management discussion and analysis	3.09	4.00	2.90	2.74	.01***	.43	.18	.01***	.01***	.68
Independent auditors' reports	4.26	4.85	4.57	4.24	.001***	.09*	.77	.03**	.01***	.22
Accounting policies	4.13	4.70	4.73	4.29	.01***	.01***	.22	.75	.08*	.05**

*, **, *** significant at the 0.1, 0.05, and 0.01 levels respectively

5.4 Qualitative Characteristics of Corporate Information

The results in Table 7 indicate that most respondents (85%) either agree or strongly agree that accounting information included in CARs has the characteristic of being “consistency of accounting practices and methods over time”. In addition, a high proportion of respondents (76% and 71%, respectively) believed that accounting information found in CARs is “capable of making a difference in a decision” and possesses “comparability of information”. It is not surprising that information released in annual reports possesses ‘comparability’ as a useful criterion, since CARs are prepared based on uniform standards (IFRS), giving users, such as investors, the chance to make a comparison among investment opportunities. These results may reveal that user groups feel satisfied with current accounting information included in Kuwaiti corporate annual reports in terms of these previous characteristics. In contrast, respondents were generally neutral in their views concerning the reliability criterion expressed in terms of “representational faithfulness and neutrality of information”, with an overall mean of 3.27. It has been argued that unreliable information could play an important role when reliable information is not available to users.

On the other side, the analysis results showed a low level of agreement (20%) among user groups regarding the “timeliness of corporate annual reports”. This was reflected by the low reported mean for all groups and supported by a high standard deviation. On the basis of this result, it appears that user groups assess the qualitative characteristics based on their perspectives of current accounting practices in the business environment. This corresponds with the reality that some companies listed on the KSE are not able to submit their audited annual financial statements at the end of March for the financial year to a monitoring body (e.g. the KSE). For this reason, some listed companies’ shares are temporarily suspended from trading at the KSE. The KSE’s website declared that 36 and 26 listed companies did not submit their audited annual financial statements to the KSE at the end of March for the financial years, 2009 and 2010, respectively.

Table 7. Users' Opinions of the Qualitative Characteristics of Accounting Information

Characteristics	Level of agreement					Whole Sample		Rank	K-W
	1 %	2 %	3 %	4 %	5 %	Mean	SD		P-Value
Capable of making a difference to your decision	0.0	6.3	17.5	67.8	8.4	3.78	.683	2	.20
Available on a timely basis	5.6	66.4	7.7	17.5	2.8	2.45	.940	6	.22
Faithfully represents what really happened or existed	2.8	16.1	36.4	40.6	4.2	3.27	.882	5	.001***
Unbiased (neutral: cannot favor one user group over another)	3.5	17.5	29.4	47.6	2.1	3.27	.897	4	.59
Comparable	0.7	7.7	20.3	62.9	8.4	3.71	.758	3	.25
Consistency of accounting practices and methods over time	0.7	2.8	11.2	77.6	7.7	3.89	.595	1	.001***

*** significant at the 0.01 level

To examine whether the different user groups, statistically, have similar or different perceptions on whether accounting information provided in CARs possesses qualitative criteria that may affect the quality of these reports (Hypothesis 3), K-W tests were conducted for each of six qualitative characteristics separately to test this hypothesis. Table 7 reveals that the significant differences between the respondents' opinions concentrated on two criteria of information, namely: "representational faithfulness of information" and "consistency of accounting practices and methods over time" only. Thus, the null hypothesis was not supported for the two previous criteria only.

The results of M-W tests shown on Table 8 revealed that the EA group believes that information provided in the annual reports possesses the "representational faithfulness of information" criterion more than other groups. On the other hand, the MR group is more in agreement that information provided in annual reports has "representational faithfulness of information" than the AA group. These results are expected since the EA group plays an important role in preparing the annual reports and the quality of information contained in these reports.

In addition, the MR group believes that companies comply with the IFRS and other local regulations when they prepare financial reports and also they deem these requirements concentrate on improving the transparency of information disclosed in annual reports. However, a high similarity was found between the FA and MR pairing and the FA and AA pairing in their views regarding this criterion. Conversely, the EA and MR groups attached a high degree of consensus to the “consistency of accounting practices and methods over time” criterion than the FA group. In addition, the EA group is in more agreement on the existence of companies’ consistent use of accounting principles from one accounting period to another than the AA group. However, results indicated that consensus between the pairings of FA and AA, EA and MR, and MR and AA is relatively high in this matter.

Table 8. Comparison of Agreement Level of Qualitative Characteristics of Corporate Information by User Group

Characteristics	Means by Subject Groups				M-W Test					
	FA	EA	MR	AA	FA (sig) with EA	FA (sig) with MR	FA (sig) with AA	EA (sig) with MR	EA (sig) with AA	MR (sig) with AA
Representational faithfulness of information	3.09	3.73	3.40	2.97	.01***	.26	.282	.02**	.01***	.01*
Consistency of accounting practices and methods over time	3.70	4.15	4.00	3.79	.001***	.020**	.32	.27	.01**	.36

* , ** , *** significant at the 0.1, 0.05, and 0.01 levels respectively

5.5 Voluntary Disclosure Practices

5.5.1 Level of Voluntary Disclosure

Table 7 presents the results of data collected. These results indicate that most respondents (87%) agree the level of voluntary disclosure is very low (27%) or low (60%). The results of K-W tests reveal no significant differences among user groups’ views on the current levels of voluntary disclosure released in corporate annual reports. Accordingly, the null hypothesis 4 is supported by survey results.

Table 9. The Perceived Level of Voluntary Disclosure

Statement	Percentage					Whole Sample		K-W
	1%	2%	3%	4%	5 %	Mean	SD	P-Value
Voluntary Disclosure of Annual Reports	27	60	13	0.0	0.0	1.86	0.62	0.28

5.5.2 List of Proposed Voluntary Items

It is expected that different user groups of annual reports are varied in their information needs. Research evidence suggests a difference between developed and developing economies in how users rate the importance of information items and their disclosure (Ngangan et al., 2005). Therefore, in this questionnaire, question 5 presented a list of 29 proposed items categorized in five groups: *information related to the board*, *information related to key management*, *information related to employees*, *social and environmental information* and *information related to products/services*. Table 10 presents the descriptive statistics related to respondents' rating of their level of agreement with items that might improve the quality of voluntary disclosure in the annual reports of listed companies. The results indicate that all proposed information items are perceived as useful in CARs by the vast majority of respondents. This was reflected by the mean scores, which were 3.61 or above.

Table 10. Level of Agreement of Proposed Voluntary Items

Items of information	Mean	Rank
Description of major products/services produced	4.40	1
Names of board members who have a directorship in other Kuwaiti/overseas listed companies	4.34	2
Names of senior executive management	4.29	3
Names of nonexecutive board members	4.27	4
Biographies of senior executive management (education and practical experience qualifications)	4.26	5
Biography of board members (education and practical experience qualifications)	4.25	6
Types of board committees	4.22	7
Developments regarding products/services	4.20	8
Awards received as a result of increasing the quality of a company's products/services	4.15	9
Conservation of energy and material resources in company operations	4.13	10
Conservation of natural resources (e.g., recycling) and waste management	4.11	11
Sponsoring public health and social projects	4.10	12
Complying with national standards and national regulations concerning health and safety at work	4.06	13
Description of marketing network for finished goods/services	4.06	13
Board committees' responsibilities	4.04	15
Contributions by companies of products/services to support the national economy	4.02	16
Name of board committee members	4.00	17
Remuneration and benefits per member	3.95	18
International Organization for Standardization (ISO) regarding environmental audit/ISO 14000	3.95	18
Sponsoring educational seminars and conferences	3.92	20
Process for appointing board committee members	3.92	20
Giving financial assistance to employees to obtain/build upon academic/professional qualifications	3.92	20
Responsibilities assigned to executive members	3.86	23
Number of employees trained yearly	3.83	24
Budget assigned to training and development programmers	3.75	25
Key managers' salaries and benefits	3.73	26
Part-time employment of students	3.73	26
Number of training hours covered by each employee	3.71	28
Providing low-cost health insurance for employees	3.61	29

The results of this study may indicate that user groups strongly believe listed companies should release much more information related to their corporate governance practices in their annual reports, and it is expected that listed companies currently not reporting these practices on their CARs. On the other hand, it could be concluded that respondents believe this type of information is vital to include in CARs in order to build up confidence of users of annual reports in their corporate information and to show corporate success. Within the context of a company's products/services, the responses of the user groups indicate that releasing information about "the summary of products/services produced" is useful information to users of annual reports; for example, it can indicate the ability of companies to generate income and profits from their operations. With regards to the disclosure of information about corporate environmental responsibility, the results suggest respondents would prefer companies to release information about their environmental besides information about their profits and performance. In addition, the results indicate listed companies should take a significant role in the "conservation of energy and natural resources" to justify their existence in society and to confirm compliance with local conservation laws. This can be interpreted using the perspectives of legitimacy and stakeholder theories. In contrast, four items were considered of little useful. These items are top managements' salaries, the part-time employment of students, the number of training hours covered by each employee, and providing low-cost health insurance for employees.

The results of K-W tests presented in Table 11 reveal that statistically significant differences at the 0.05 and 0.01 levels exist among the four user groups regarding 9 out of the 29 (31%) voluntary items, and there were no significant differences for the 15 remaining items (52% of items), which were sorted into five types of voluntary disclosure. Hence, the results for 9 out of 29 items do not support the hypothesis that there is no significant difference among user groups in terms of the usefulness of the proposed voluntary items. Moreover, it can be concluded that there was a general degree of consensus among user groups regarding 15 of the 29 items. This suggests respondents rated these items as useful for inclusion in the CARs of Kuwaiti listed companies.

Table 11. Level of Agreement Regarding Proposed Voluntary Items

Items of Information	Whole Sample		Rank	K-W P-Value
	Mean	SD		
Panel A: Information Related to the Board				
Names of nonexecutive board members	4.27	0.57	2	0.70
Biographies of board members	4.25	0.70	3	0.00***
Names of board members who have a directorship in other Kuwaiti/ overseas listed companies	4.34	0.65	1	0.12
Remuneration and benefits per member	3.95	0.98	7	0.48
Types of board committees	4.22	0.68	4	0.03**
Board committees' responsibilities	4.04	0.93	5	0.13
Name of board committee members	4.00	0.84	6	0.05*
Process for appointing board committee members	3.92	0.93	8	0.02**
Panel B: Information Related to Key Management				
Names of senior executive management	4.29	0.70	1	0.06*
Biographies of senior executive management	4.26	0.76	2	0.02**
Responsibilities assigned to executive members	3.86	1.02	3	0.86
Key managers' salaries and benefits	3.73	1.14	4	0.39
Panel C: Information Related to Employees				
Compliance with national regulations concerning health and safety	4.06	.67	1	0.08*
Providing low-cost health insurance for employees	3.61	1.00	6	0.22
Giving financial assistance to employees to obtain/build upon academic/ professional qualifications	3.92	0.79	2	0.05**
Number of training hours covered by each employee	3.71	1.01	5	0.31
Budget assigned to training and development programmers	3.75	0.93	4	0.29
Number of employees trained yearly	3.83	0.83	3	0.01**
Panel D: Social and Environmental Information				
Conservation of natural resources (e.g., recycling) and waste management	4.11	0.58	2	0.73
Conservation of energy and material resources in operations	4.13	0.56	1	0.99
International Standardization regarding environmental audit/ISO 14000	3.95	0.80	4	0.14
Sponsoring public health and social projects	4.10	0.65	3	0.56
Part-time employment of students	3.73	0.84	6	0.49
Sponsoring educational seminars and conferences	3.92	0.77	5	0.05**
Panel E: Information Related to Products/Services				
Description of major products/services produced	4.40	0.59	1	0.00***
Description of marketing network for finished goods/services	4.06	0.74	4	0.00***
Contribution of products/services to support the national economy	4.02	0.79	5	0.06*
Developments regarding products/services	4.20	0.66	2	0.14
Awards received for the quality of the company's products or services	4.15	0.69	3	0.07*

*, **, *** significant at the 0.01, 0.05, and 0.01 levels respectively

A. Information Related to the Board

Panel A of Table 11 illustrates that three voluntary items showed significant differences among user groups at the 0.05 and 0.01 significance levels—namely, “biographies of board members, types of board committees, and the process for appointing board committee members”. Consequently, M-W tests were conducted to explore the nature of these differences. The M-W tests showed that FA and MR groups have a higher level of agreement than the EA group that the “biographies of board members” should be included in CARs as useful voluntary information and that this may enhance the quality of corporate voluntary disclosure. However, the results revealed no significant differences for the FA and MR pairing and FA and AA pairing as well as for the EA and AA pairing on the level of agreement they attached to this item; in other words, the FA and MR pairing, the FA and AA pairing, and the EA and AA pairing showed similar levels of agreement attached to this item. Moreover, the M-W tests reported in Panel A of Table 12 reveal significant statistical differences in the views of the MR and AA user groups regarding the usefulness attached to this item. The MR group shows a significantly higher level of agreement than do the FA or EA groups to the view that “types of board committees” should be included as useful voluntary information. Conversely, the FA and EA pairing, the FA and AA pairing, the EA and AA pairing, and the MR and AA pairing show similar levels of agreement regarding the usefulness of “types of board committees” as a voluntarily disclosed item in annual reports. With regards to “the process for appointing board committee members” item, the MR and AA groups assigned a higher level of agreement than did the EA group that is useful information to include in CARs and it is considered one of most important mechanisms of corporate governance as well. However, there are no statistically significant differences between the FA group and EA and AA user groups as well as MR and AA groups.

The above results and responses clearly show that the listed companies of Kuwait do not provide much information about their corporate governance practices. It could be concluded that companies have little incentive to voluntarily disclose information to meet the needs of users of annual reports and, further, that they seem cautious about revealing this information. In short, user groups prefer the disclosure of information pertaining to that area in the annual report and more specifically corporate governance disclosures included the board characteristics, board committees, and ownership.

B. Information Related to Key Management

Panel B of Table 11 presents the results of K-W tests. These results reveal that only one item showed a significant difference among the groups at the 0.05 significance level: "biographies of senior executive management". Therefore, M-W tests were carried out to verify the nature of this difference. As presented in Panel B of Table 12, the EA group did not rate this item of information as highly as the FA and MR groups. However, the FA and MR groups share similar opinions regarding the usefulness of including this item as did the EA and AA groups. On the other hand, the results show no significant difference the MR and AA pairing regarding this type of information.

Table 12. Comparison of Rating of Proposed Voluntary Items by User Groups

Items of Information	Means by Subject Groups				M-W Test						
	FA	EA	MR	AA	FA (sig) with EA	FA (sig) with MR	FA (sig) with AA	EA (sig) with MR	EA (sig) with AA	MR (sig) with AA	
Panel A: Information Related to Board											
Biography of board members	4.37	4.03	4.57	4.03	0.01**	0.12	0.13	0.01***	0.50	0.01***	
Types of board committees	4.11	4.18	4.47	4.18	0.59	0.01***	0.12	0.03**	0.23	0.43	
Process for appointing board committee members	3.80	3.64	4.20	4.09	0.42	0.06*	0.07	0.01***	0.01***	0.85	
B. Information Related to Key Management											
Biography of senior executive management	4.46	4.06	4.40	4.06	0.01***	0.74	0.08*	0.01**	0.43	0.20	
C. Information Related to Employee											
Giving financial assistance to employees to obtain/build upon academic/professional qualifications	3.98	3.58	4.20	3.91	0.07*	0.17	0.87	0.01***	0.14	0.19	
Number of employees trained yearly	3.83	3.48	4.13	3.88	0.08*	0.05**	0.60	0.01***	0.05*	0.19	
D. Social and Environmental Information											
Sponsoring educational seminars and conferences	4.00	3.67	4.17	3.85	0.05*	0.26	0.60	0.01***	0.24	0.15	
E. Information Related to Products/Services											
Description of major products/services produced	4.54	4.27	4.67	4.09	0.02**	0.35	0.01***	0.01***	0.32	0.01***	
Description of marketing network for finished goods/services	4.13	4.06	4.30	3.76	0.30	0.26	0.01**	0.03**	0.03**	0.02***	

*, **, *** significant at the 0.1, 0.05, and 0.01 levels respectively

C. Information Related to Employees

The results of K-W tests presented in Panel C of Table 11 show significant differences among the subject groups at the 0.05 significance level for two information items—namely, “giving financial assistance to employees to obtain/build upon academic/professional qualifications” and “number of employees trained yearly”. As found in Table 12, Panel C, the MR group shows a higher level of agreement for voluntarily disclosing the “giving of financial assistance to employees to obtain/build upon academic/professional qualifications” in CARs than does the EA group. On the contrary, the FA and other groups (MR and AA) as well as the AA and EA groups and the AA and MR groups are similar in their agreement regarding their evaluation of this item. With regards to the “number of employees trained yearly” the MR group recommended this item be included in corporate reports more strongly than did the FA and EA groups.

In contrast, the results show no significant differences between the FA and AA pairing on this voluntary item. Moreover, the results do not show significant differences in the rating (usefulness) of the “number of employees trained yearly” for the MR and AA pairing. This implies that MR group believes it’s crucial to disclose this type of information by companies in order to meet regulators’, stakeholders’, and society’s expectations. Moreover, it appears from these responses that this type of information disclosure can be interpreted with the stakeholder and legitimacy theories.

D. Social and Environmental Information

Panel D of Table 11 shows the results of the K-W tests. The results indicate statistically significant differences between user groups at the 0.05 significance level regarding the “sponsoring educational seminars and conferences” item. Therefore, M-W tests were conducted to find the differences among user groups. The results of the M-W tests reported in Table 12 (Panel D) show that this information item received a stronger recommendation by the MR group than the EA group. However, the results indicate no statically significant differences between the FA group and other groups (MR and AA) as well as between the EA and AA groups and the MR and AA groups regarding this item; in other words, the previous user groups are similar in their perceptions and views regarding the usefulness of disclosing this voluntary information in CARs.

E. Information Related to Products/Services

The results of K-W tests, presented in Panel E, Table 11, show statistically significant differences among the four user groups at the 0.01 significance level for two information items—namely, “description of major products/services produced” and “description of the marketing network for finished goods/services” in particular. Therefore, M-W tests were conducted to pinpoint differences between groups. The results of these tests, presented in Panel E, Table 12, suggest that there are statistically significant differences between the FA and EA groups and the FA and AA groups about the “description of major products/services produced”. Moreover, the results indicate statistically significant differences between the MR and EA groups and the MR and AA groups. Also noteworthy is the high level of consensus between the FA and MR groups regarding the release of this information item in annual reports.

Furthermore, the results show considerable agreement between the EA and AA groups regarding including this item of information in CARs. With regards to the “description of the marketing network for finished goods/services” item, the AA group had a significantly lower mean value for rating the usefulness of including this item in annual reports than did other user groups. In other words, the differences were statistically significant between the AA group on the one hand and the FA, EA, and MR groups on the other hand. In addition, the results reveal significant differences between the MR and EA pairing regarding this item. More specifically, MR group attached significantly higher agreement than the EA group to the idea that the description of marketing network for finished goods/services is useful information and should be included in CARs. This could improve the quality of voluntary information provided by companies in their reports. On the contrary, there were no significant differences in views between the FA and EA pairing and the FA and MR pairing regarding this item.

6. Conclusion

The main purpose of this study was to examine the importance of annual reports and their individual sections, as issued by Kuwaiti listed companies, to user groups in making decisions. It aims to investigate the extent to which information included in CARs possesses qualitative criteria. Moreover, this study explored groups' perceptions of the usefulness of voluntary disclosure and of proposed items for voluntary disclosure in annual reports.

Four user groups were invited to participate in this survey: (1) financial advisors, (2) external auditors, (3) market regulators, and (4) accounting academics. A self-administrated questionnaire was distributed to 220 individuals representing the four groups identified; 143 usable responses were received, representing a response rate of 65%.

Descriptive Measures, the Kruskal-Wallis (K-W) tests, and the Mann-Whitney (M-W) tests were used to achieve the study objectives. The study findings indicated that most participants strongly agree that annual reports of Kuwaiti listed companies are an important primary source of information in the decision-making process. The statement of financial position was unanimously selected as the most important section of the annual report, followed by the income statement, then the statement of cash flow. Nonfinancial sections of the report, such as the chairman's letter and management discussion and analysis, were rated less important. Therefore, it can be concluded that nonfinancial sections do not provide useful information to help users of annual report make decisions. Moreover, participants had a neutral opinion on the importance of a company's Web site as a source of information, implying that this source does not provide current information to Kuwaiti users.

Based on the questionnaire results, the issue of timeliness in publishing annual reports is becoming a matter of great concern, one that could affect the quality of annual reports as an information source. This in turn opens the door to thinking about the role of regulatory bodies with respect to timeliness. The results also suggest respondents are neutral in their views regarding the reliability of the contents of annual reports in Kuwait; this potential problem could undermine the annual report as a communication device between preparers and users.

Concerning the level of voluntary disclosure, most members of stakeholder groups do not feel satisfied with the quantity and/or quality of information provided by CARs. User groups indicate a desire for more information than listed companies currently disclose, to improve their decision making and the usefulness of CARs. This suggests an urgent need for the disclosure gap between users and preparers to be filled. This includes information related to corporate governance (e.g., biographies of board members, key management, and subcommittees), and more details on the company's products/services and corporate environmental and social responsibility. The collected data indicate a relatively high consensus between user groups concerning most of the items examined.

However, the disclosure of social information and information related to employees, respectively, (part-time employment of students, number of training hours covered by each employee, and providing low-cost health insurance for employees) is considered the least useful in the opinion of the four user groups.

The current study has several important implications. It contributes to the existing disclosure and corporate governance literature. In terms of annual reports, the study has shown that CARs are rated as the most important source of information for decision making by different user groups; thus, the regulatory bodies in Kuwait should pay more attention to improving the quality of such reports and their usefulness to stakeholders such as investors. This may have a positive impact on the quality of users' decisions and improve the confidence in the KSE.

Knowing the strengths and weaknesses in the qualitative aspects of information may help to upgrade the usefulness of CARs as an information source. In this regard, a considerable number of respondents show a neutral attitude regarding the reliability of the contents of annual reports; and here it is the responsibility of the authorities and preparers of reports to address these deficiencies. On the other hand, respondents show concern about the long delay in publishing CARs and the lack of availability of information, which may lead to increased rumors and insider trading. The timely availability of the annual report would reduce unfavorable dealings; so market regulations should be strengthened regarding these issues. Moreover, the results indicate the level of voluntary disclosure in CARs does not meet the needs and requirements of users in the Kuwaiti business environment, such as in corporate governance disclosures. In other words, there is a low degree of harmony between the demand for and the supply of information. To reduce this gap and provide sufficient information, disclosure requirements should be increased. Fruitful future research could involve comparing the information needs of various user groups and the views and perceptions of preparers of CARs. Further insight could also be gained by comparing Kuwait with other Gulf countries or with Middle Eastern countries with similar sociocultural, economic, and political attributes. More research is needed to obtain an understanding of the voluntary disclosure behavior of listed companies.

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