



The Arab Perceptions on the Influence of Western Developed Practices on Financial Disclosure Practices- Jordan Evidence

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Abstract

This study aims to investigate the views of different groups involved in enforcing, teaching, and adopting IFRS in Jordan concerning the different factors influencing de facto compliance with IFRS and whether the introduction of the OECD corporate governance principles improved such compliance. This was achieved by carrying out face-to-face interviews. It was also believed that face-to-face interviews would enable the researcher to estimate the degree of awareness among national investors regarding the level of disclosures that must be provided by companies listed on the stock exchanges of their jurisdiction, and the concept of corporate governance. The outcome of the conducted interviews revealed that the major barriers to full compliance with IFRS disclosure requirements in the Amman Stock Exchange (ASE) are: low non-compliance costs, inadequate qualification of accounting practitioners, low demand for more disclosure by investors, management resistance, and the lack of relevance of all the requirements under IFRS to the economic development stage of the scrutinised capital market. The impact of the introduction of corporate governance codes in the scrutinised context on improving de facto compliance with IFRS is not clear. Additionally, the results enhanced the assessment of the applicability of the Western theoretical foundations to the Arab emerging capital markets.

Key Words: ASE; Board Leadership; Board independence; Board size; Ownership Structure

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1. Introduction

Corporate governance is concerned with the system of directing and controlling companies, and it is the responsibility of BOD (Cadbury Committee Report, 1992). It is a fundamental element in improving economic efficiency and growth as well as enhancing investor confidence by improving financial disclosure and emphasizing transparency (OECD, 2004). However, de jure compliance is not a guarantee for reaching de facto compliance, and a need exists for more research in this area, particularly within the context of emerging capital markets in order to diagnose those factors that influence the levels of de facto compliance with western developed practices, currently defined as

international best practices. In other words, the corporate governance codes for best practice were initiated in developed countries and only recently introduced in developing ones. Hence, its contribution towards enhancing capital market performance in such countries is subject to the extent to which the conditions for robust governance practice are consistent with the existing values, past experiences and the needs of all parties involved in the financial reporting process. It is expected, therefore, to be some time before the impact of applying corporate governance can be measured in developing contexts as this needs to develop, and favourable attitudes and belief must be formed as well as efforts being made to develop the human resource capabilities to apply corporate governance requirements for best practice.

The Arab financial reporting environment is seen as a rich area to examine such issue for the following reasons. Firstly, countries in this region have been confronted by a series of changes in their economic environment, followed by extensive efforts to diversify their economies and develop their stock exchanges. For instance, this involved mandating IFRS, the development of a new legal framework with new financial disclosure requirements being imposed upon companies listed on their stock exchanges such as securities exchange laws and corporate governance codes. Consequently, this stimulates empirical investigation of the outcomes of such reforms given that the reports released by international institutions claim a *de jure* but not a *de facto* compliance with the requirements of newly developed laws and regulations in the region, that cope with international best practices (e.g., CIPE, 2003; ROSC, 2005; IFC and Hawkamah, 2008). Secondly, the pressures from international institutions such as the World Bank (WB), the International Monetary Fund (IMF) and other stakeholders on the governments of developing countries including those in the Arab region, led to mandating the adoption of IFRS by companies listed on the majority of the Arab stock exchanges without taking into consideration the necessity of spreading sufficient awareness among different parties affecting and being affected by the financial reporting practices, about the importance of, and the advantages to be gained by following the international best practices. Consequently, there is a need for more research in order to identify the barriers that delay the achievement of complete *de facto* compliance with IFRS by the Arab countries. Unlike the majority of Asian Arab countries, the Hashemite Kingdom of Jordan is considered as a lower-middle-income economy with limited natural resources, and for years its economy was based on financial assistance from the Gulf countries. Hence, there is a need to develop their capital market to be the vehicle for economic development. Concerning the adoption of IFRS in Jordan, this was stimulated by the open trade agreements with foreign partners in the EU and USA as well as pressures from the WB and other international lending institutions which necessitated the development of the Jordanian accounting system to enhance the credibility of financial statements (Al-Akra et al., 2009). Before 1998 the Amman Financial Market (AFM) founded in 1978 was seen as an unregulated financial market as listed companies were not mandated to adopt a specific set of disclosure requirements (Al-Akra et al., 2009). Consequently, one of the main contributions of what is referred to as the Economic Reform Programme commenced in Jordan in the 1990s, is the massive development and restructuring of Jordan's Financial Market in order to globalize its activities. The restructuring of the AFM resulted in the development of three new institutions, namely: the Amman Stock Exchange (ASE), Jordan Securities Commission (JSC), and Securities Depository Centre (SDC) (Al-Akra et al., 2009; Al-Omari, 2010). Additionally, the reform involved the establishment

of the Jordanian Corporate Governance Association to promote the implementation of effective corporate governance practices throughout Jordan.

In Jordan, the Companies Law of 1997 mainly covers some corporate governance rules that relate to the auditor. On the other hand, the Securities Exchange Law of 2002 helps in activating the rules of governance by defining market regulations, the issuance of shares or bonds and trade procedures. It also states the responsibilities of issuers of securities, brokers and auditors, and the requirements for listing in the stock exchange, protection procedures for minority rights and the requirements for disclosing important information. Furthermore to preserve transparency, the law prohibits related party transactions, promoting rumours, misleading investors and disclosing any matters that may adversely affect the capital market (Shanikat & Abbadi, 2011: 96).

A number of studies have been conducted in the last decade for the purpose of investigating the relationship between corporate governance and corporate financial disclosure practices in different countries (e.g., Haniffa & Cooke, 2002; Gul & Leung, 2004; Abdelsalam & Street, 2007; Felo, 2009; Al-Akra et al., 2010a,b; Alanezi & Albuloushi, 2011). As disclosure lies at the core of all corporate governance statutes and codes, investigating the association between corporate governance structures and the levels of compliance with IFRS disclosure requirements is expected to enrich financial disclosure as well as corporate governance literature.

This paper employs interviews to obtain the views of different groups involved in enforcing, teaching, and adopting IFRS in Jordan concerning the different factors influencing de facto compliance with IFRS. It was also believed that they would enable the researcher to estimate the degree of awareness among national investors regarding the level of disclosures that must be provided by companies listed on the stock exchange of their jurisdiction, and the concept of corporate governance. Interviewees' views were expected to facilitate the assessment of the applicability of the Western theoretical foundations to the Arab emerging capital markets.

In order to achieve the purpose of this study, the remaining part of the paper is organised as follows: A literature review is provided in Section 2. Section 3 develops and formulates research hypotheses. Section 4 describes research methodology. Results and analysis are presented in Section 5. Finally, Section 6 concludes.

2. Literature Review

Transparency, fairness and accountability are the core values of corporate governance. Stemming from the desire to enhance access to more capital that is necessary to achieve economic development and globalise national economies, corporate governance practices have been brought in the spotlight in emerging capital markets. In this regard many researchers highlight the influence of corporate board characteristics and ownership structure (e.g., Eng & Mak, 2003, Ghazali & Weetman, 2006; Al-Akra et al., 2010a,b) on disclosure practices of companies listed on developing stock exchanges. However, this study suggests that as corporate governance was initiated in developed countries and as it is newly introduced in Arab developing countries, its contribution to enhancing capital markets' performance is subject to the extent to which the requirements for good corporate governance practices are consistent with the existing values, past experiences and the needs of all parties involved in the financial reporting process. Otherwise, it is

expected to take some time until the impact of corporate governance can be measured. This is because it needs developing an understanding, forming a favourable attitude and belief and developing the skills required to apply corporate governance best practice. Many scholars suggest that disclosure is influenced by the political and socioeconomic environment within the country (e.g., Archambault & Archambault, 2003; Nobes, 2006; Qu & Leung, 2006; Mir et al., 2009; Al-Akra et al., 2009, 2010a,b).

Financial disclosure theories aim to interpret the reasons behind management financial disclosure practices which are influenced to a great extent by the trade-off between the costs and benefits of providing such information (Haniffa & Cooke, 2002), however, to date none of the traditional disclosure theories that employed in prior financial disclosure literature (e.g., agency theory, political costs theory, signaling theory, legitimacy theory, capital need theory, transaction costs theory, resource dependency theory, stewardship theory and stakeholder theory), succeeded in providing a comprehensive explanation to financial disclosure practices particularly in developing contexts. Hence, this study employs an innovative theoretical foundation in which financial disclosure practices are interpretable through a number of theoretical standpoints that are relevant to this study: the institutional isomorphism theory ^a, secrecy versus transparency accounting sub-cultural value ^b, agency theory ^c, and cost-benefit analysis ^d. This framework is expected to provide additional insights and a comprehensive background that can help in explaining the findings.

3. Methodology and Data

3.1 Development of Hypotheses

To the best of the researcher knowledge, this is the first study to investigate the views of different groups related to financial reporting process in the Jordanian context. Consequently, the following null hypotheses are formulated in order to scrutinize the views of different parties affecting and being affected by financial reporting practices with respect to the barriers to compliance with IFRS and the influence of corporate governance structures (board characteristics and ownership structure) on enhancing financial disclosures in Jordan.

H1: There is no difference among different financial reporting related parties in the perceptions of barriers to compliance with IFRS in the Jordanian context.

H2: There is no difference among different financial reporting related parties in the perceived influence of board independence on the levels of compliance with IFRS in the Jordanian context.

^a “[i]somorphism (convergence) describes a process whereby one organization (or set of institutional arrangements, such as international accounting standards) becomes similar to another organization (or set of institutional arrangements) by adopting (or moving closer to) the characteristics of the other organization” (Rodrigues & Craig, 2007:742).

^b Secrecy versus transparency refers to a preference for confidentiality and a restriction of information about business only to those who are closely involved with its management and financing as opposed to a more transparent open and publicly accountable approach (Gray, 1988).

^c Agency theory is a contract under which one or more persons [the principal(s)] delegate another person [the agent] to run the business on their behalf (Meckling, 1976).

^d Cost-benefit analysis is based on the notion that management decision to disclose business information is influenced by the trade-off between the costs and benefits of providing such information (Bhushan & Lessard, 1992; Tricker, 2009).

H3: There is no difference among different financial reporting related parties in the perceived influence of board leadership (whether the CEO and the Chair positions are held by the same person or by two different persons) on the levels of compliance with IFRS in the Jordanian context.

H4: There is no difference among different financial reporting related parties in the perceived influence of dominance of government ownership on the levels of compliance with IFRS in the Jordanian context.

H4: There is no difference among different financial reporting related parties in the perceived influence of dominance of management ownership on the levels of compliance with IFRS in the Jordanian context.

H5: There is no difference among different financial reporting related parties in the perceived influence of dominance of private ownership on the levels of compliance with IFRS in the Jordanian context.

H6: There is no difference among different financial reporting related parties in the perceived influence of dominance of public ownership on the levels of compliance with IFRS in the Jordanian context.

H7: The Jordanian investors are not aware of the importance of compliance with IFRS disclosure requirements.

H8: The Jordanian investors are not aware of corporate governance best practices.

3.2 Sample Selection

The researcher planned to conduct 20 interviews; four persons from each of the following groups:

Regulators (Disclosure Monitoring Staff at the Jordanian Stock Commission -JSC- in Jordan) as they are responsible for enforcing and monitoring compliance with disclosure rules and regulations, and presumed to have significant influence on the levels of compliance with IFRS by listed companies.

Financial Accounting professors at the Jordanian Universities, as they are responsible for determining and teaching the content of IFRS modules to undergraduates and postgraduates in accounting departments at their affiliates; and hence, play a vital role in enhancing familiarity with IFRS requirements and their updates among their graduates.

Accountants at listed companies as they are responsible for preparing their companies' financial statements, and presumed to follow the requirements of IFRS.

Naïve Investors as they are among the primary users of listed companies' annual reports for rational investment decision-making, and should be aware of the minimum level of disclosures that must be made by listed companies in accordance with IFRS as required by company laws, securities law and corporate governance best practices. Furthermore, they should be aware of their rights to monitor and exert pressure on listed companies' BODs and managements to improve their disclosures.

Auditors from the big 4 international audit firms (KPMG, Pricewaterhouse Coopers, Deloitte and Touche, and Ernst and Young), as many of listed companies are audited by these firms and the staff in these firms have good knowledge and experience with IFRS, and extensive training on any updates of these standards compared to auditors in local audit firms who may have limited experience and knowledge.

Despite the original intention, the researcher could only complete 8 interviews (40%), because it was difficult to persuade individuals to participate, possibly a reflection of the secretive nature of Arab societies and political conservatism. It was especially hard to secure participation from those in sensitive positions due to the unwillingness of some organisations to allow contact with their staff. None of the big 4 audit firms granted access, citing company policy which precludes participation in research. However, this did not affect the quality or the interpretive power of the interview data.

Regarding other groups of respondents, through networking and personal contacts, the researcher could persuade participants, to co-operate. The researcher applied a snowball sampling technique to increase interviewee numbers. For instance, an officer at the JSC helped the researcher to contact another member of the JSC staff. Also, an academic staff member helped the researcher to contact two investors at the ASE and an accountant in one of the companies listed on the ASE.

Before conducting any of the interviews, the researcher sent e-mails/letters to the potential interviewees explaining the purpose of the study and to obtain their permission. People who agreed to be interviewed were contacted by telephone to arrange a suitable time and to inform them of the themes to be covered during the interview to allow them to consider the information being requested. Table1 indicates the qualification and years of experience for each respondent.

Table 1: Interviewees in Jordan

Respondent	Years of Experience	Qualification
Regulator (1)	8	Master's Degree in Finance
Regulator (2)	3	Bachelor's Degree in Business and Banking Administration
Academic Staff (1)	6	PhD in Financial Accounting
Academic Staff (2)	13	PhD in Financial Accounting
Academic Staff (3)	6	PhD in Financial Accounting
Accountant (1)	12	Bachelor's Degree in Accounting
Investor (1)	5	Bachelor's Degree
Investor (2)	9	PhD

As indicated in Table 1, all respondents from Jordan held at least a university degree in a related subject. Not all members of the JSC staff with responsibility for monitoring compliance with IFRS are qualified to do that job. The two respondents from the JSC staff had been in their positions for 8 and 3 years respectively. All academic staff members held a PhD in Financial Accounting at the Jordanian universities and were responsible for preparing and teaching accounting courses which include only an introduction to IFRS. Their experience ranged from 6 to 13 years.

The only accountant who agreed to participate had 12 years experience with IFRS. Finally, respondents from the investor group had experience of trading on the ASE for 5 and 9 years respectively.

4.2 Ethical Considerations

Researchers should acknowledge ethical considerations when conducting social research, especially when using qualitative approaches, as these involve collecting data from people and about people. Issues to be managed relate to harm, consent, deception, privacy, and confidentiality of data (Punch, 1998). Furthermore, the researcher should consider ethical issues during data analysis by disassociating names from responses to protect the secrecy of the interviewees, and once the data is analysed, the researcher should discard it to ensure that it cannot be misused by a third party. Additionally, during interpretation, writing and dissemination of the final research report, the researcher should not use language or words that are biased because of gender, sexual orientation, racial or ethnic group, and findings should not be falsified or invented to meet the researcher's need (Creswell, 2003).

To meet the ethical requirements, the researcher adopted the abovementioned actions, in addition to expressing the title, aims and importance of the study in a language that is understandable to a lay person, and the use of an invitational, rather than coercive or overly persuasive tone. Additionally, the researcher explained how an individual was chosen to participate and how many other people will be asked to take part.

The researcher showed all interviewees a letter declaring her status and that the interview was part of her research. She emphasised that all information obtained during the interviews would be regarded as confidential, used for research purposes only, and that the interviewee had the right to withdraw from the interview at any time, or to refuse to answer specific interview questions. The researcher respected the interviewees' preference not to be tape-recorded, and asked each interviewee to read the notes taken by the researcher during the interview to confirm they were a correct and full expression of their contribution. To guarantee confidentiality and anonymity the researcher offered to send an electronic copy of any related published work to the interviewees as well as offering acknowledgment of their participation if they wished.

3.3 The Interview Questions

The interview questions were open-ended to encourage free expression of participants' views, ideas, and perceptions. Two interview questionnaires were designed - the first for the first four groups of respondents (regulators, academic staff, accountants and auditors) and the second for the fifth group (individual investors).

The first questionnaire consisted of two parts, the first covering the barriers to full compliance with IFRS disclosure requirements in Jordan. The second part contained six questions relating to the influence of corporate governance structures on the levels of compliance (the second and last research questions). Responses to these questions were expected to provide a more comprehensive picture of the influence of cultural and other factors such as monitoring and enforcement on compliance levels in the scrutinised jurisdiction and how corporate governance requirements for best practice are perceived in Arab societies.

The second questionnaire also had two parts. The first contained three questions relating to investor perceptions regarding the importance of compliance with IFRS disclosure requirements. The second part contained seven questions relating to the investor awareness of corporate governance as a concept and investor perceptions of the impact of board composition and ownership structure on the disclosure behaviour of listed companies. The semi-structured interviews with individual investors who rely on annual reports when making their investment decisions were also expected to help in the researcher's exploration of the ideas and beliefs of investors in Jordan^o. In constructing the interview questions the researcher followed the recommendations of Collis and Hussey (2003) to keep questions simple, avoid using unnecessary jargon or specialist language, phrase questions to keep the meaning clear, avoid asking negative questions because they are easy to misinterpret, ask one question at a time, include questions that serve as cross checks on the answers to other questions, and avoid leading or value-laden questions. The questions were translated into Arabic, as this was the language used. Notes were taken during the interviews, as the interviewees were not prepared to be tape-recorded. Interviewees were encouraged to speak freely, and for verification purposes, they were asked to read the notes taken by the researcher during the interview to ensure their views were accurately reported. The researcher then translated the transcripts from Arabic to English, and to further guarantee the validity of the texts, the researcher asked a linguistic specialist to review her translation.

4. Results and Generalizations

The approaches commonly used in qualitative data analysis (e.g., coding, memoing, content analysis and grounded theory) are more diverse and less standardised compared to those associated with quantitative data analysis.

As the purpose of the interviews in this study is interpretive, the researcher decided to apply coding as this provides clear and simple procedures to manage and analyse interview data. Rubin and Rubin (1995) state that coding is the process of grouping interviewees' responses into categories that bring together similar ideas, concepts or themes. Additionally, the researcher decided to use a manual method as the number of interviews and the interview material were manageable. Also, as qualitative data analysis depends mainly on deep understanding of data by the researcher and as software programs do not analyse qualitative data in depth, it was decided that the use of software was inappropriate.

4.1 Barriers to Full Compliance with IFRS Disclosure Requirements

Interviewees identified several factors as preventing full compliance with IFRS disclosure requirements, which after analysis, could be grouped into five main barriers as follows:

- i. Non-compliance costs are less than compliance costs for listed companies.*
- ii. Inadequate qualification of accounting practitioners.*
- iii. Low demand for more disclosure by investors.*

^o The Interview Questionnaires are not presented here to save space but are available from author up on request.

- iv. *Management resistance.*
- v. *Degree of relevance of each IFRS to the economic development stage of the jurisdiction.*

Table 2 indicates the number of interviewees from each group raising each barrier ^f.

Table 2: Number of Interviewees Raising Each Barrier to Full Compliance with IFRS Disclosure Requirements in Jordan

Barrier	Regulators (Rj)	Accountants (Aj)	Academic Staff Members (Sj)	Naïve Investors (Ij)
Non-compliance costs are less than compliance costs	0	1 (100%)	3 (100%)	0 (0%)
Inadequate qualification of accounting practitioners	2 (100%)	1 (100%)	2 (67%)	0 (0%)
Low demand for more disclosure by investors	2 (100%)	0 (0%)	3 (100%)	2 (100%)
Management resistance	1 (50%)	0 (0%)	3 (100%)	0 (0%)
Degree of relevance of each IFRS to the economic development stage of Jordan	2 (100%)	1 (50%)	3 (100%)	0 (0%)

As indicated in Table 2, four respondents talked about low non-compliance costs as a barrier to full compliance with IFRS disclosure requirements in Jordan. The accountant perceived non-compliance costs as low for those companies with CEOs or major owners in powerful positions. The three academics also highlighted low non-compliance costs as a barrier to achieving full compliance with IFRS, attributing this problem to the low value of sanctions, weak enforcement and monitoring by the JSC which company managements may abuse, and the lack of individual investor awareness regarding their rights to pressure the BOD and management of listed companies to improve their compliance. They also believed the attitude of JSC staff, who consider compliance with IFRS as the responsibility of auditors, to be a contributory factor, since companies in Jordan generally depend on auditors to prepare their financial statements due to the shortage in qualified accountants. Furthermore, they raised the problem of the shortage in the number of qualified staff in the JSC to monitor compliance with IFRS by listed companies. This implies that as long as the auditor report is unqualified, JSC staff will not make a detailed monitoring of the reported accounts to ensure that all IFRS disclosure requirements are followed properly in producing the company financial statements.

^fThe interviewees responses are not presented here to save space but available from author upon request.

The results reported in Table 2 demonstrate that, all non-investor participants in Jordan raised the issue of inadequately qualified accountants as a major barrier toward full compliance with IFRS. Regulators attributed the lack of full compliance with IFRS disclosure requirements to the lack of awareness among practitioners, listed companies' management, academic staff members and Jordanian universities, regarding the importance of the proper application of IFRS and the need for continuous training on their updates. Surprisingly, the accountant mentioned this problem, which he attributed to the weak curriculum delivered in Jordanian universities and the poor quality of training courses attended by accountants who are trying to become knowledgeable about IFRS updates. Two of the academic staff members also mentioned this problem, believing it to be a part of the current stage of development of Accounting Departments in Jordanian universities, the shortage of academic staff members who are specialised in financial accounting, and the lack of co-ordination between the Jordanian universities and regulators in the ASE to ensure the improvement of accounting practitioners' qualifications.

In Jordan, as indicated in Table 2, regulators argue that low demand for greater disclosure is a major reason for lack of full compliance with IFRS. They attributed this to low investor awareness regarding IFRS disclosure requirements. Academic staff members also mentioned the negative impact of this issue on improving compliance levels within companies listed on the ASE. This point is also concluded through the interviews with investors who indicated that they may be familiar with the name but not with the detailed requirements of IFRS and that company disclosures are not considered in making their investment decisions. One investor believed that all companies listed on the ASE makes all required disclosures, whilst the other believed otherwise.

Additionally, as indicated in Table 2, one of the regulators and two of the academic staff members mentioned management resistance as a barrier to full compliance with IFRS disclosure requirements. They all attributed that mainly to management ignorance regarding the importance of improved transparency and the lack of independence of auditors, weak sanctions and lack of investor awareness.

Finally, as indicated in Table 2, many respondents argued that IFRS are not relevant to the Jordanian context mainly because they were developed to meet the requirements of developed capital markets, and because of the lack of qualified accounting practitioners in Jordan and the non-existence of an official translation.

The reported results support the notions of the institutional isomorphism theory that the country mandated the IFRS simply to acquire legitimacy without building the infrastructure required to guarantee de facto compliance with those standards. For instance, in Jordan most respondents pointed to the shortage in the number of qualified accountants in listed companies as well as the shortage of qualified staff members in the JSC to monitor compliance with IFRS. Additionally, the discussion supports the notions of agency theory as low monitoring costs will not stimulate management to improve compliance, and cost-benefit analysis and the cultural theories, as management's preference for secrecy, and low sanctions if any, promote lower costs for non-compliance than for compliance.

4.2 The Influence of Corporate Governance Structures on Financial Disclosures

4.2.1 *The Influence of board independence on financial disclosure*

Table 3: Perceptions of the Influence of Board Independence on Levels of Compliance with IFRS

Interviewee	No Effect	Positive	Negative
Rj1	√		
Rj2		√	
Aj1	√		
Sj1	√		
Sj2	√		
Sj3		√	
Ij1	√		
Ij2	√		

As indicated in Table 3, the majority of respondents (Rj1, Aj1, Sj1, Sj2, Ij1 and Ij2) argue that no association exists between board independence and the levels of compliance with IFRS disclosure requirements and only two respondents (Rj2 and Sj3) support a positive association on the grounds that it will improve the BOD’s monitoring function. This implies that in Jordan, board independence is not an effective mechanism with respect to improving the levels of compliance with IFRS.

4.2.2 *The Influence of Board Leadership on Financial Disclosure*

Table 4: Perceptions of the Influence of Board Leadership on Levels of Compliance with IFRS

Interviewee	No Effect	Positive	Negative
Rj1			√
Rj2			√
Aj1	√		
Sj1	√		
Sj2	√		
Sj3			√
Ij1			√
Ij2	√		

In Jordan, as indicated in Table 4, four respondents (Rj1, Rj2, Sj3 and Ij1) supported a negative association between role duality and compliance levels with IFR disclosure requirements on the grounds that it has a negative impact on the monitoring function of the board, and hence, on compliance levels. The remaining respondents (Aj1, Sj1, Sj2, and Ij2) argued differently, believing that whether the two roles were held by the same person or otherwise, levels of compliance would not be influenced, as no awareness exists regarding the benefits of separating roles. Consequently, disclosure is a feature of management vision.

4.2.3 *The Influence of Ownership Structure on Financial Disclosure***Table 5:** Perceptions of the Influence of Ownership Structure on Levels of Compliance with IFRS

Interviewee	Government	Management	Private Ownership	Public Ownership
Rj1	Negative	Negative	Negative	Positive
Rj2	Positive	No Association	Negative	No Association
Aj1	Negative	Negative	Negative	No Association
Sj1	No Association	Negative	Negative	No Association
Sj2	No Association	Negative	Negative	Positive
Sj3	No Association	Negative	Negative	No Association
Ij1	No Association	No Association	No Association	No Association
Ij2	No Association	No Association	No Association	Positive

A wide range of opinion regarding the impact of ownership structure on financial disclosure levels in Jordan is evident from Table 5.

Two respondents (Rj1 and Aj1) supported a negative association between dominant government ownership and compliance levels on the grounds that the government has access to all company information it wants. Only Rj2 supported a positive relationship, believing that when the government is the major shareholder, it is important for the BOD to comply with disclosure requirements to gain the political support of the public. All the remaining five respondents (Sj1, Sj2, Sj3, Ij1 and Ij2) argued that no association exists between dominant government ownership and levels of compliance with IFRS disclosure requirements, suggesting that the level of awareness regarding the benefits of improving compliance represents the main determinant of company disclosure level. Additionally, they see the secretive nature of their society and weak enforcement of disclosure requirements as the main antecedent of compliance, rather than dominance of government ownership. Also, they argue that the shortage in competent accounting practitioners negatively affects progress in compliance levels.

With respect to the influence of dominant management ownership, as indicated in Table 5, the majority of respondents (Rj1, Aj1, Sj1, Sj2 and Sj3) supported a negative association between management ownership and levels of compliance with IFR disclosure requirements. They justified their opinions by reference to management's preference for secrecy and fear of competitors. Conversely, the remaining respondents (Rj2, Ij1 and Ij2) argued that no association exists between dominance of management ownership and compliance levels, suggesting compliance to be influenced by the strictness of enforcement by the regulatory bodies, which is weak, thereby prompting management to disclose according to its vision, regardless of the company's ownership structure. Others argued that compliance is determined by the level of management awareness regarding the importance and benefits of improving transparency.

Concerning the influence of dominant private ownership on the compliance levels, Table 5 shows that the majority of respondents (Rj1, Rj2, Aj1, Sj1, Sj2 and Sj3) supported a negative association between private ownership and levels of compliance with IFRS disclosure requirements. They justified their opinions referring to the fact that private owners have direct access to company information, and by management's and owners' preference for secrecy to

counter competition. Only Ij1 and Ij2 argued that no association exists between dominance of private ownership and levels of company disclosure on the grounds that in all cases the company is supposed to disclose the information required by law and in all Jordanian companies, management is the main determinant of the disclosures to be made and nobody asks for better compliance.

Finally, with respect to the possible impact of dominance of public ownership on the levels of compliance with IFRS disclosure requirements, as indicated in Table 5, three respondents (Rj1, Sj2 and Ij2) believed a positive relationship exists between dominant public ownership and compliance levels, in order to reduce monitoring costs. However, the remaining respondents (Rj2, Aj1, Sj1, Sj3 and Ij1) argued that there is no association between dominance of public ownership and levels of compliance with IFRS disclosure requirements. They argued that the preference for secrecy and the lack of awareness and accountability among management of listed companies regarding the necessity to follow disclosure requirements and the benefits of protecting the rights of individual investors in attracting foreign investors and improving the reputation of the national stock exchange, would precipitate such outcomes. Additionally, lack of awareness among public investors about their rights and the flexibility given by the JSC to avoid delisting the majority of non-compliant companies, together with the negative consequences resulting from damage to the international reputation of the ASE, do not stimulate management to improve compliance. Also, some of the respondents argued that no association exists between the dominance of public ownership and compliance levels as there are laws and regulations governing disclosure practices by listed companies and such laws must be followed.

The above discussion indicates that the influence of corporate governance best practices on compliance with mandatory IFRS disclosure requirements in the Jordanian capital market is absent. Hence, the proposed theoretical foundation is supported.

5. Conclusions

The major barriers to full compliance with IFRS disclosure requirements in the ASE are: low non-compliance costs, inadequate qualification of accounting practitioners, low demand for more disclosure by investors, management resistance, the degree of relevance of the requirements under each IFRS to the economic development stage of Jordan as an emerging Arab market.

Board independence is not an effective mechanism for improving compliance levels. This supports the ideas advanced by the institutional isomorphism theory which emphasises that even when companies adopt board independence as evidence of their modernity and commitment to international best practices, this has no impact on levels of compliance. Hence, the decoupling problem prevails, as companies to gain respect and legitimacy will argue that they are applying IFRS whereas full compliance with IFRS disclosure requirements is absent. Also, as independent directors do not exercise their authority in monitoring company compliance with IFRS, management has no pressure to increase disclosure levels, thereby the proposed theoretical foundation for the analysis is justified.

In Jordan the separation between the positions of the CEO and the Chair does not necessarily lead to enhancing the level of compliance with IFRS. This supports the notions of institutional isomorphism that even when roles are

separated this is effected merely as window dressing, to gain respect and legitimacy, but in practice the separation does not increase compliance levels, and the problem of decoupling is magnified. Also as the Chair does not use his authority in monitoring management attitude toward compliance with IFRS, and given the weak monitoring by the JSC and the weak naïve investors in both countries, managements determine the extent of disclosure according to their vision. The proposed theoretical foundation is thus, supported.

The perceptions of the majority of the interviewees support a limited impact of government ownership (if any) on compliance levels, thereby confirming the proposed theoretical foundation. The management preference for secrecy, the lack of management awareness of the importance of compliance with IFRS, the lack of awareness among BOD members regarding the importance of corporate governance best practice in improving disclosure practices, the weak enforcement of laws and regulations by regulatory bodies, the failure to impose sanctions, the low demand for improved disclosure due to the government's direct access to company information, the lack of qualification of government officials who monitor company compliance with IFRS, and the resultant low monitoring costs all combine to sustain the existing status, being that management continue with their current levels of compliance. Again, these conditions contribute to the problem of decoupling.

The perceptions of the majority of the interviewees indicate that dominance of management ownership has a limited impact on the levels of compliance with IFRS disclosure requirements. This supports the notions of the proposed theoretical foundation as the secretive culture in Arab countries causes management to keep disclosure levels at minimum levels to protect company information from being misused by competitors. Also the lack of awareness by management and board members regarding the importance of compliance with IFRS and corporate governance best practices that encourage enhanced transparency, the weak enforcement of laws and regulations by regulatory bodies and weak sanctions if any, and the low demand for improved disclosures and insufficient monitoring from small shareholders who cannot put voting pressures on company managements (who are simultaneously dominant shareholders and BOD members), cause non-compliance costs to be less than compliance costs, and thus managements are not stimulated to improve compliance levels. Consequently, dominance of management ownership probably has no impact (although possibly a negative one) on the levels of compliance with IFRS disclosure requirements because in all cases, regardless of the ownership structure, compliance is a management affair.

The perceptions of the majority of the interviewees are that a limited impact of dominance of private ownership occurs on compliance levels. Based on agency theory and cost-benefit analysis, direct access to company information by this group of shareholders and lack of demand for improved disclosure by small investors and regulatory bodies, result in low monitoring costs and low sanctions, if any. Also, the preference for secrecy and the lack of awareness by management and possibly private investors (who are generally also the managers and BOD members) regarding the benefits of compliance may not encourage management to improve levels of compliance with IFRS. This also contributes to the problem of decoupling as companies will argue that they are applying IFRS whereas full compliance with IFRS is absent. Consequently, the dominance of private ownership most likely has no impact (but possibly a negative impact) on compliance levels. In Jordan it is recognised that the majority of interviewees provide a strong

support, for the contention that a negative association between dominance of private ownership and compliance levels exists.

In Jordan two distinct viewpoints exist regarding the influence of dominant public ownership upon compliance levels. The first argues that dominance of public ownership will result in better compliance in an effort to reduce monitoring costs and escape penalties by the regulatory bodies. This in turn mainly supports the notions of agency theory and cost-benefit analysis. The other perspective suggests that there is no association between the dominance of public ownership and compliance levels, thereby being in line with agency theory that argues for low monitoring costs. This also supports Gray's (1988) accounting sub-cultural model, cost-benefit analysis, and institutional isomorphism. It can be proposed that the secretive culture in the Arab countries causes management to avoid any outflow of company-sensitive information. Moreover, secrecy is associated with large power distance and a preference for collectivism. In addition, the lack of awareness among the managements and BODs of listed companies regarding the importance of compliance with IFRS and the importance of following corporate governance best practice to enhance transparency does not stimulate management to increase disclosure. This absence of stimulation is magnified by the weak enforcement of laws and regulations, and the low demand for improved disclosures due to the lack of awareness among public investors regarding their right to demand more disclosure. Together these result in non-compliance costs being less than compliance costs. Management's aversion to enhancing disclosure subsequently contributes to the problem of decoupling.

Based on the above discussion it can be concluded that, as corporate governance was initiated in developed countries and as it is newly introduced in developing countries, its contribution to enhancing capital markets' performance is subject to the extent to which the requirements for good corporate governance practices are consistent with the existing values, past experiences and the needs of all parties involved in the financial reporting process. Otherwise, it is expected to take some time until the impact of corporate governance can be measured. This emphasise the need to develop an understanding, forming a favourable attitude and belief and developing the skills required to apply corporate governance best practice within the Arab emerging capital markets as an effective mechanism for enhancing disclosure and transparency in such markets.

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