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Online Financial Disclosure, Board Characteristics and Performance of Islamic Banks

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This paper aims to investigate the association between online financial disclosure, board characteristics and performance of listed Islamic banks in the gulf cooperation council bourses. A checklist of 90 items was adopted to measure the level of online financial disclosure for the Islamic banks that are listed in Gulf Cooperation Council bourses. The findings indicate that there is a positive relationship between the level of online financial disclosure and performance indicators. Accordingly, the study recommends that regulatory bodies should develop a guideline of disclosing information through the internet in order to enhance the transparency and performance among Islamic banks leading to sound decision making.

Keywords: Online Financial Disclosure; Islamic Banks; Performance; Voluntary Disclosure; GCC Countries

1. Introduction

The disclosure of financial information is inevitable to the success of businesses, as firms depend on transparent and accurate information to help investors in decision-making, and influencing potential investors (Lipunga, 2014). Based on the signaling theory, companies disclose comprehensive information to the market when their performance is better, than when they hold bad news, to avoid their shares from being under-valued. It assumes that managers want to signal that they are pursuing shareholders' wealth maximization and that they are efficient. There are several ways used by managers to transmit such signals to investors (Dehmir and Badhir, 2014).

Some of these ways include the conventional disclosure method, where information is disclosed through printed annual reports that can only be

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accessed through libraries or analyst reports. Since the conventional way is costly, managers tend to use a more contemporary method for voluntary disclosure known as online financial disclosure (OFD). Recently, OFD is regarded as one of the most important tools used by firms around the world to disclose information to potential investors. The growth in the number of internet users and the level of information disclosed has had a major impact on the performance of different legal, economic and global frameworks (Aqel, 2014). Additionally, since its growth, and despite attracting the interests of researchers, OFD remains vague (Lipunga, 2014)

The Internet dilutes the conventional boundaries that once existed between users of financial information and firms, thus creating better opportunities for publishing symmetrical, transparent and timely information. Jain & Kumar (2013) claim that information can be presented efficiently and effectively through the Internet. Therefore, through OFD financial information can be disclosed in real time, where it is easily displayed, without restriction, current, has high interaction capabilities, and unlimited access to greater volume of data.

Nevertheless, there are differences between firms regarding the volume and level of information disclosed. Increasing level of financial information disclosed, and implementing good governance practices (i.e. board characteristics), would increase the demand on its stock, which would simultaneously enhance its performance in the long run. However, the huge volume of disclosed information would confuse investors' ability to evaluate the real performance of firms. While the studies by Al Shaar et al. (2015), Jullobol & Sartmool (2013), and Dima et al. (2013) argued that there is a positive relationship between the level of financial reporting and performance, Coram (2010) concluded that, the level of disclosure had no effect on performance. Thangatorai et al (2013) added that board composition is one of the most important elements that promotes good governance which would in turn promote more transparent disclosure on company websites

Along similar lines, in the last decades, the Islamic banking system has been attracting the attention of many researchers and investors. As explained by Dusuki (2008) the Islamic banking system involves banks that offer products and services that are compatible with the Islamic doctrine. This allows individuals and firms with religious concerns to have access to finance, and thus brings financial services to a wider population (Al-Sartawi & Sanad, 2015). As a result, Islamic banks are under greater scrutiny as opposed to traditional banks, and are demanded to disclose more information to fulfill the Sharia's (Islamic law) ethics and principles. Majid & Ismail (2008) argued that insufficient disclosure leads to wrong decisions and mitigates the performance of Islamic banks. Therefore, in order to overcome such disclosure issues, OFD can be used to provide the users of financial information with adequate and useful information for making sound decisions.

The Gulf Cooperation Council (GCC) is considered as a hub for the Islamic banking industry. As the GCC countries are calling for economic diversification, they strive to move beyond their oil-based economies by attracting investors and global businesses. They have recently introduced their own corporate governance codes to enhance the social and regulatory environments, hence attracting more investors by encouraging voluntary disclosure. The GCC, a financial center, has become an intended destination for many foreign investors. These investors ask for financial information and carry on certain decisions whether to continue with a certain company or not, and this is provided through OFD.

A limited number of studies have undertaken the relationship between OFD and the performance of Islamic banks in the GCC countries, so it is interesting to test this relationship from such a perspective. Therefore, the research objectives can be summarized as research questions of:

1. What is the level of OFD by the GCC listed Islamic banks?
2. What is the relationship between OFD, BC and the performance of Islamic banks in the GCC?

This paper further proposes recommendations that might aid AAOIFI standard setters and regulatory bodies in the GCC to institute strategies that would encourage the implementation of OFD to attract investors and to enhance the performance of Islamic banks. This research is not only significant for preparers and users of financial information, but also raises concerns regarding the regulations in the GCC and how they impact economic decisions. Managers may realize the importance of information disclosure and learn the determinants of better disclosure practices, resulting in a reduction in monitoring costs. This will increase the chance of making healthier and economically sound decisions regarding their investing activities.

2. Literature review

Chapra (1985) has outlined the following as distinctive features of Islamic banks, abolition of interest, adherence to public interest, catalyst for development, promotion of economic wellbeing, establishment of social and economic justice, and equitable distribution of income. Individuals or firms that share the same religious views seek such financial institutions (Al-Sartawi, 2015 and Al-Sartawi, 2013). Therefore, in order to attract a wider population, managers need to disclose comprehensive and transparent information to overcome the problem of information asymmetry. Majid and Ismail (2008) added that Islamic banks required fulfilling the concept of accountability and ethics, thus the duty to disclose and the extent of disclosure should be greater as opposed to conventional banks.

The recent financial crisis has raised many concerns over the effectiveness of financial reporting, accounting standards, corporate governance and accountability around the world (Kiel & Nicholson, 2003). Therefore, countries have started paying more attention to improving their regulations to boost the economy by attracting more investors and by encouraging the companies to keep a powerful internal control system and promoting accurate and timely disclosure of all material matters related to the performance (Ramadhan, 2014).

Thus, improving regulations would lead to increasing the level of disclosure to interested users, thus, lowering the companies’ capital cost, improving the marketability of shares and gaining investors’ confidence (Ramadhan, 2014). Similarly, Basuony & Mohamed (2014) argued that firms tend to disclose more information causing a reduction in information asymmetry and agency costs. Also, their study showed that large companies prefer to disclose information using the internet because they can take advantage of disclosing timely information at lower costs, as these companies have the resources to do so.

The rise of the Internet has resulted in the evolution in the way firms communicate with stakeholders. Many companies in developed and developing economies have websites dedicated to communicating financial information to investors (Yap & Saleh, 2011). OFD is advantageous as it allows companies to disseminate information to unidentifiable consumers, contrary to the paper-based financial reports. The internet has become one of the most popular sources of getting the information. Consequently, traditional financial reporting is becoming less effective when compared with OFD as electronic-based reporting removes the restrictions of paper based reports (Almilia, 2009).

Online financial disclosure can therefore be defined as the use of the firms' websites to disseminate information regarding their financial performance (Poon & Yu, 2012). OFD can also be defined as the public reporting of financial and operating data by a business enterprise by the related Internet-based communications medium (Hunter and Smith, 2010). Moreover, other authors explained OFD as the disclosure of the financial statements reporting through the use of technology such as multimedia and Web tools analysis (Lizzcharly et al., 2013).

Different studies have determined the factors that affect OFD. For instance, Almilia (2009) used firm size, profitability and leverage in order to uncover the factors that affect the use of online financial disclosure. Majid & Ismail (2008) and Basuony & Mohamed (2014) added more factors that would affect OFD such as capital adequacy ratio, firm size, and return on assets, leverage, and industry and auditor type. Sanad & Al-Sartawi (2016) argued that corporate governance and the level institutional investor ownership have a limited effect on the level of OFD. Thangatorai et al. (2013) added that board composition is one of the most important elements that promotes good governance which would in turn promote more transparent disclosure on company websites. Other determinants for the practice of OFD are the board characteristics including the proportion of independent directors and ownership (Xiao et al., 2004). Moreover, Thangatorai et al. (2013) found that board independence, financial experts on board, family members on board and director ownership have a significant influence on the level of OFD. Another study by Elsayed et al. (2010) concluded that board size and ownership diffusion are positively associated with OFD, while institutional ownership is negatively associated with OFD. Kamalluarfin (2016), on the other hand, found that there is a significant negative relationship between board independence and OFD.

Furthermore, a lot of studies testing the effect of voluntary disclosure on performance use different indicators of performance such as market value, stock price, return on assets and Tobin’s Q such as (Jullobol & Sartmool, 2013; Al Shaar et al., 2015) who argued that there is a positive relationship between reporting and performance. However, there are limited studies on the association between OFD and performance, specifically from an Islamic banking perspective.

Due to the openness of the economies of the GCC countries with the global economy, the inter-connectedness of the foreign markets, the growing presence of Islamic financial products and international firms in the region, increasing number of western expatriates in senior management positions and the increasing integration of GCC countries and adoption of international standards and Islamic standards, the GCC countries are being more concerned about the attributes that could attract investors such as clear regulation, corporate governance, transparency and technological infrastructure. Accordingly, this study would be an important contribution in filling the gap in the current literature by determining whether there is a relationship between OFD of the Islamic banks that are listed in the GCC Bourses and its performance measured by market value add (MVA); returns on equity (ROE); returns on assets (ROA); earnings per share(EPS).

3. Methodology

3.1. Sample Selection

The empirical study of the current research depends on a sample which consists of all the listed Islamic Banks in the GCC bourses for the year 2015. However, the required data were gathered from 48 banks out of 52 banks listed as Islamic banks. Table(1) shows the sample distribution according to country.

Table 1: Sample distribution according to country

Country	Total	Excluded	Sample	%
KSA	12	(1)	11	23
KUW	5	(1)	4	8
BAH	9	(1)	8	17
QAT	6	0	6	13
OMA	6	0	6	13
UAE	14	(1)	13	27
Total	**52**	**(4)**	**48**	**100**

The researcher used the banks' websites and the GCC Bourses websites to gather the data required for this study. Some of the banks were excluded from the study because their website was not functioning while some of them did not hold the data required. Table(2) shows the reasons for excluding banks from the sample selected.

Table 2: Reasons of Excluded Banks

Item	Number	Percentage
Listed Islamic banks in GCC Bourses under financial sector	52	100%
Bank's website was not working	(3)	(0.6%)
No investors relations section in the company's' website	(1)	(0.2%)
Total companies included in the sample	**48**	**92%**

3.2. Measuring Online Financial Disclosure and Performance Indicators

This research divided the study variables into control variables and an independent variable. The independent variable included the level of OFD. On the other hand, as mentioned in the literature review certain board characteristics were controlled to study the influence of OFD on performance. The control variables in this study included: board size, board independence and ownership.A checklist used by Al-Sartawi

(2016) consisting of 90 items (71 items for content and 19 items for presentation) was adopted to measure the level of OFD. Therefore, the OFD index is based on binary, that is, if a bank reported an item which was included in the checklist it received a score of 1 and if the bank did not report an item, a score of 0 was allocated. Accordingly, the Index for each bank was calculated by dividing the total earned scores of the bank by the total maximum possible scours appropriate for the bank. Below formula shows the way of calculating the OFD index.

$$OFD = \sum_{i=1} \frac{di}{n}$$

Where:

di: ***disclosed item*** equals One if the bank meets the checklist item and Zero otherwise.

n: equals maximum score each bank can obtain.

The main objective of this study to measure whether there is a positive association between OFD and the performance indicators. Accordingly, the following four indicators were used:

1- **Market value added (MVA):** is the difference between a company's market value and the capital that bondholders and shareholders have contributed to it. MVA reflects management's performance and calculated as:

Market value added = Company's Market Value – Invested Capital

2- Return on Equity (ROE): Return on equity (ROE) is the amount of net income returned as a percentage of shareholders equity. Return on equity measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested. ROE is expressed as a percentage and calculated as:

Return on Equity = Net Income/Shareholder's Equity.

3- **Return on Assets (ROA):** This ratio indicates how profitable a company is relative to its total assets. The return on assets (ROA) ratio illustrates how well management is employing the company's total assets to make a profit. The ROA ratio is calculated by comparing net income to average total assets, and is expressed as a percentage and calculated as:

Return on Equity = Net Income/ Average Total Assets.

4- **Earnings per share (EPS):** is the portion of a company's profit allocated to each outstanding share of common stock. Earnings per share serve as an indicator of a company's profitability and calculated as:

Earnings per share = (Net Income –Dividends on Preferred Stock)/ Average Outstanding Shares.

3.3. Hypotheses Development

Many studies have been conducted regarding the relationship between voluntary disclosure and firms' performance. Majority of the studies revealed that a positive relationship between voluntary disclosure and performance, measured by ROA and Tobin's Q such as (Chau & Gray, 2002 and Hossain & Hammami, 2009). On the other hand, some of the previous studies found no relation between them such as Akhtaruddin, et al. 2010; Barako, et al., 2006; Camfferman & Cooke, 2002. OFD as a part of voluntary disclosure indicates firm quality and value to the investors. This indication will reduce the information asymmetry between investors and preparers of financial information, lowering the agency cost and well-directing the future decisions which improve the firm performance in the long run.

However, based on the review of the relevant literature the researcher found that there are negligible studies in GCC that actually examine the performance in relation to OFD. Accordingly, this study will investigate the relationship between OFD and performance of GCC listed Islamic banks. Based on the empirical and theoretical literature, this paper anticipates that companies with high level of OFD will have a good level of performance. Therefore, this paper establishes the main hypothesis and the sub-hypotheses as:

H_1: There is a relationship between OFD and the performance of the Islamic banks listed in GCC Bourses.

H1-a1: There is a relationship between OFD and MVA of the Islamic banks listed in GCC Bourses.

H1-a2: There is a relationship between OFD and ROE of the Islamic banks listed in GCC Bourses.

H1-a3: There is a relationship between OFD and ROA of the Islamic banks listed in GCC Bourses.

H1-a4: There is a relationship between OFD and EPS of the Islamic banks listed in GCC Bourses.

3. 4. Regression Models

In order to assess the relationship between the dependent and independent variables, the following multiple linear regression models were incorporated into the data, while table (3) explains the variables.

Model 1:

$$MVA_i = \beta_0 + \beta_1 OFD_i + \beta_2 DB\_DUAL_i + \beta_3 BD\_SIZE_i + \beta_4 BD\_INDP_i + \beta_5 \mathrm{BD\_ONT}_i + \beta_6 \mathrm{BD\_TTSONF}_i + \beta_7 BD\_TSONT + \varepsilon_i$$

Model 2:

$$ROE_i = \beta_0 + \beta_1 OFD_i + \beta_2 DB\_DUAL_i + \beta_3 BD\_SIZE_i + \beta_4 BD\_INDP_i + \beta_5 \mathrm{BD\_ONT}_i + \beta_6 \mathrm{BD\_TTSONF}_i + \beta_7 BD\_TSONT + \varepsilon_i$$

Model 3:

$$ROA_i = \beta_0 + \beta_1 OFD_i + \beta_2 DB\_DUAL_i + \beta_3 BD\_SIZE_i + \beta_4 BD\_INDP_i + \beta_5 \mathrm{BD\_ONT}_i + \beta_6 \mathrm{BD\_TTSONF}_i + \beta_7 BD\_TSONT + \varepsilon_i$$

Model 4:

$$EPS_i = \beta_0 + \beta_1 OFD_i + \beta_2 DB\_DUAL_i + \beta_3 BD\_SIZE_i + \beta_4 BD\_INDP_i + \beta_5 \mathrm{BD\_ONT}_i + \beta_6 \mathrm{BD\_TTSONF}_i + \beta_7 BD\_TSONT + \varepsilon_i$$

Table 3: Study Variables

Code	Variable Name	Operationalization
Dependent variable		
MVA	Market value add	Bank's Market Value – Invested Capital
ROE	Return on equity %	Net Income/Shareholder's Equity
ROA	Return on assets %	Net Income/ Average Total Assets
EPS	Earnings per share	(Net Income –Dividends on Preferred Stock)/ Average Outstanding Shares
Independent Variables		
OFD	Online Financial Disclosure %	Total scored items by the bank/Total maximum scores
Control Variables		
DB_DUAL	CEO non-duality	A binary variable wherein 0 indicates that the chairperson and CEO are the same and 1 otherwise
BD_SIZE	Board size (Not more than 15)	A binary variable wherein 0 indicates that the size of the board less than 15 and l otherwise
BD_INDP	Board independence	A binary variable wherein 0 indicates that there is no non-executive directors in the board and l otherwise
BD_ONT	Directors ownership is between 1% and 20%	A binary variable wherein 0 indicates that directors did not owned between 1% - 20% and 1 otherwise
BD_TTSONF	The ownership of top 3 stockholders (Not more than 50%)	A binary variable wherein 0 indicates that the top three stockholders owned more than 50% and l otherwise
BD_TSONT	The ownership of top stockholders (Not more than 20%)	A binary variable wherein 0 indicates that the top stockholders owned more than 20% and l otherwise
εi	Error	

4. Data analysis

4.1. Descriptive statistics

As mentioned earlier, the level of online financial disclosure is measured by dividing the total score of every bank by the maximum probable scores. In general, the maximum score of OFD level was 90 items where the content dimension contributed 71 items, while the presentation dimension contributed 19 items. The results shown in table 4 suggest that the level of online financial disclosure by Islamic banks differed among the GCC Countries. The highest level of total online financial disclosure was 81% by KSA banks, and the lowest was 54% by Bahraini banks.

Table 4: level of internet financial reporting

Country	**N.**	**OFD**	
		Mean	**S.D**
KSA	11	.8121	.03161
Kuwait	4	.7194	.25311
Bahrain	8	.5417	.21844
Qatar	6	.8093	.10218
Oman	6	.6148	.29005
UAE	13	.7778	.13937
Total	**48**	**.7250**	**.19276**

On the other hand, the results show that the overall level of online financial disclosure by Islamic banks was 72.5% which is considered as a good level of reporting by the GCC Islamic banks. Additionally, the descriptive statistics for dependent and control variables in table 5 show that the level of MVA is high and ranges from-1130 million to 6042 million with a mean of 411.57 million, indicating that Islamic Banks are attractive to investors and they somehow have strong leadership and governance. Moreover, the mean of ROE and ROA are 0.19 and 0.06 respectively and they are low compared to the total assets invested in Islamic banks industry because of the limitation in Islamic contracts used in GCC. Finally the average EPS was 10. With regards to the control variables, the mean of CEO duality was at 0.83, board size at

0.94, board independence at 0.85, director's ownership between 1% and 20% at 0.81, the ownership of top 3 stockholders at 0.77, and the ownership of top stockholders 0.73. These figures indicate that the Islamic banks are highly adhering to corporate governance mechanisms.

Table 5: Descriptive statistics for Dependent and Control (Dummy)Variables

Variable	N.	Min.	Max	Mean	S.D
MVA*	48	-1130	6042	411.57	1166.213
ROE	48	-.16	.89	.1949	.24038
ROA	48	-.54	.28	.0564	.13219
EPS	48	-53.66	137.07	9.9986	31.75430
DB_DUAL	48	0	1	.83	.377
BD_SIZE	48	0	1	.94	.245
BD_INDP	48	0	1	.85	.357
BD_ONT	48	0	1	.81	.394
BD_TTSONF	48	0	1	.77	.425
BD_TSONT	48	0	1	.73	.449
*Millions					

4.2. Validity

With regards to the validity test, the data was checked for multicollinearity which involved conducting the Variance Inflation Factor (VIF). The VIF scores are reported in table 6, indicating that no score exceeds 10 for any variable in the models. It was, therefore, concluded that no problems were found with regards to collinearity.

Table 6: Collinearity Statistics Test

Model	Tolerance	VIF
OFD	.818	1.222
DB_DUAL	.143	6.975
BD_SIZE	.869	1.151
BD_INDP	.141	7.078
BD_ONT	.863	1.159
BD_TTSONF	.552	1.810

BD_TSONT	.654	1.528

Additionally, as reported in table 7, the Durbin Watson (D-W) value of the models was (1.668) for model 1 which is related to the MVA, (1.577) for model 2 which is related to ROE, (1.742) for model 3 which is related to the ROA and (2.159) for model 4 which is related to the EPS. As a result, we can conclude that there is a positive autocorrelation in 3 models because the (D-W) values of the models were beyond the d-statistic range which is less than the minimal range. In order to overcome this problem, (Lag 1) has to be considered when testing the models of the study.

Table 7: Autocorrelation Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.461	.213	. 175	2.09701	1.668
2	.582	.339	.223	.21184	1.577
3	.412	.170	.025	.13053	1.742
4	.581	.247	.132	32.64163	2.159

4.3. Testing Hypotheses

Table 8 reports the findings of the regression analysis of the study models. From the point of view of the researcher OFD will overcome the asymmetry problem, which will enhance the predictions and the decision-making quality of the investors, therefore the demand on firms' stock will increase resulting in an increase in the stock prices. The results of this study indicate that there is a positive yet insignificant association between OFD and MVA. This is consistent with Al-Sartawi (2017) and Al Shaar et al. (2015).

Furthermore, the findings revealed a positive and significant relationship with CEO duality, director’s ownership between 1% and 20%, and the ownership of top stockholders. Also, there is a negative and significant relationship between MVA board independence.

With regards to the control variables, the mean of was at 0.83, board size at 0.94, board independence at 0.85, at 0.81, the ownership of top 3 stockholders at 0.77, and 0.73. These figures indicate that the Islamic banks are highly adhering to corporate governance mechanisms MVA and bank's size and age.

Moreover, the results reported that there is a positive significant relationship between ROE, ROA and OFD. Our findings support the notion, that Islamic banks managers in GCC adopt the signaling theory by disclose information to justify their compensation packages, and attracting more investors which will enhance future performance (Hamrouni et al., 2015). Therefore, it is expected that banks with higher profits (ROE) and higher performance (ROA) are more likely to increase their level of disclosures (Al Shammari et al., 2011). With regards to board size, director's ownership between 1% and 20%, and the ownership of top 3 stockholders, the findings found a positive significant relationship between these board characteristics and ROE.

Finally, the results reported a weak relationship between EPS and OFD and all the board characteristics.

Table 8: Regression analysis Models

		OFD	DB_DUAL	BD_SIZE	BD_INDP	BD_ONT	BD_TTSONF	BD_TSONT	R^2	A. R^2	F	Prob. (F)
MVA	**Beta**	.161	.670	-.016	-.863	.275	-.233	.309	.213	. 175	1.54	.180
	t-statistics	1.039	1.809	-.107	-2.312	1.818	-.1237	1.781				
	Sig.	.305	.078	.916	.026	.077	.223	.083				
ROE	**Beta**	.155	.302	.235	-.210	.393	-.273	.453	. 339	. 223	2.93	. 014
	t-statistics	2.094	.889	1.707	-.614	2.838	-1.580	2.850				
	Sig.	.004	.379	.095	.542	.007	.122	.007				
ROA	**Beta**	.188	.238	.150	-.137	.223	-.272	.343	.170	.025	1.93	.051
	t-statistics	1.982	.627	.971	-.358	1.43	-1.404	1.815				
	Sig.	.041	.534	.337	.722	.158	.168	.061				
EPS	**Beta**	.140	.191	.093	-.112	.167	-.285	.275	.247	.132	.640	.720
	t-statistics	.842	.482	.579	-.281	1.03	-1.412	1.48				
	Sig.	.405	.632	.566	.781	.308	.166	.146				

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Consequently, we can summarize that the level of OFD by the GCC Islamic banks has a positive relationship with its performance measured by MVA, ROE, ROE and EPS. This is because Islamic banks in the GCC disclose more comprehensive information when they achieve higher profits to signal stakeholders that they are pursuing shareholders' wealth maximization and that they are efficient. In Islam, the Amanah (trusteeship) concept states that there needs to be complete transparency between firms and their stakeholders. Therefore, Islamic banks disclose more information compared to their conventional counterparts to discharge their duty of Amanah. This is consistent with Dehmir and Badhir (2014) and inconsistent with Akhtaruddin et al. (2010), Barako et al. (2006) and Camfferman & Cooke (2002)

5. Conclusion and Recommendations

The Internet dilutes the conventional boundaries that once existed between users of financial information and firms, thus creating better opportunities for publishing symmetrical, transparent and timely information through online financial disclosure. Accordingly, the current research shed the light on the relationship between OFD and performance of the listed Islamic banks in GCC bourses. Four indicators were used to express firm performance MVA, ROE, ROA and EPS. Also, the OFD level measurement depended on a checklist used by Al-Sartawi (2016). Based on the results, the level of OFD – 72.5%- has a significant impact on one of four performance indicators MVA. Consequently, it can be concluded that the listed Islamic banks in the GCC countries bourses present a good level of OFD (more than 50%) according to the Wallace (1988) index disclosure classification and this level positively impacts its market value added.

This current research extends the previous studies conducted in the GCC Countries by focusing on Islamic banks, adopting a wider checklist, and using four indicators for performance as dependent variables. From a theoretical perspective, this paper is important as it seeks to contribute to the literature regarding the relationship between the level of OFD and performance. From a practical perspective, this research is significant to Islamic industries around the world as it provides empirical evidence to interested parties of the Islamic banking industry- users, preparers, regulators and researchers- with regards to the importance and benefits of online financial disclosure in enhancing performance and in maintaining the rights of the users and the shareholders of financial information. Consequently, the research recommends that the GCC Bourses should develop a formal guideline for OFD to create harmony in disclosing information since the level of OFD disclosed varies through Islamic banks.

However, the research was conducted using the Islamic banks listed in GCC Countries, thus, the sample size is small compared to the total listed companies. In addition, some of the bank's websites were not functioning while others did not contain investors' relations section and hence, the information was not provided. Therefore, the study findings may not be generalized. Moreover, a study by Hossin et al. (2012) had discovered that some companies' characteristics such as profitability, complexity, size and age had an effect on voluntary disclosure using the internet. Therefore, the researcher suggests investigating whether such characteristics would have an effect on the current level of online financial disclosure performed by GCC Islamic banks. Furthermore, the researcher suggests having a study that investigates the relationship between OFD and audit quality in Islamic banks.

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