Arab Journal of Administrative Sciences

2023, Vol. 30, No. 1, 221- 260
Doi: 10.34120/ajas.v30i1.201

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Users' Informativity and Effective Communication: The Banking Field in Kuwait

Abstract

Purpose: This research examines the effective communication of financial reporting through the medium of the earnings conference within the Kuwaiti banking sector.

Study design/methodology/approach: The study aims to explore the principal areas that users, particularly conference call participants, find relatively uninformative within financial statements. This research uses the theoretical framework of accounting communication developed by Brennan and Merkl-Davies (2018) and Merkl-Davies and Brennan (2017).

Sample and data: This paper analyzes real-life inquiries by users in the question-and-answer sessions of earnings conferences. The research further developed an analytical procedure to better understand communication effectiveness through the eyes of accounting users.

Results: The thematic analysis of topical inquiries reveals various concerns regarding reported accounting information. Ambiguities include reported issues relating to provisions for credit losses, segment information, deposits and accounts items, and currency translation.

Originality/value: This research contributes to user-centered accounting research and the limited number of studies investigating financial accounting-related problems via earnings conferences.

Research limitations/implications: The research design and findings provide insights for the banking regulators to understand areas within financial statements that users find uninformative and lacking effective communication.

Keywords: Accounting Communication, Earnings Conferences, Users' Needs, Accounting Information, Financial Reporting, Banking.

JEL classification: M4, M48, M49

Submitted: 1/11/2023, revised: 6/3/2024, accepted: 18/4/2024.

To cite: Alahmed, M. A., Alasfour, M. G., Salifu, E. (2023). Users' informativity and effective communication: The banking field in Kuwait. *Arab Journal of Administrative Sciences*, *30*(1), 221-260. https://doi.org/10.34120/ajas.v30i1.201

الملخص

دراية المستخدمين والتَّواصل الفعال: القطاع المصرفي في الكويت

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هدف الدراسة: يهدف هذا البحث إلى دراسة فاعلية التواصل في التقارير المالية من خلال فحص مؤتمرات المحللين في قطاع البنوك الكويتية.

تصميم/ منهجية/ طريقة الدراسة: يسعى البحث إلى معرفة المواضيع الرئيسية التي يجدها مستخدمو المعلومات المحاسبية غير مغطاة بطريقة كافية في القوائم المالية. استخدم هذا البحث الإطار النظري للاتصال المحاسبي المطور من قبل Brennan and Merkl-Davies (2018) و(2017) Merkl-Davies and Brennan.

عينة الدراسة وبياناتها: يحلل البحث الاستفسارات المطروحة من قبل مستخدمي المعلومات المحاسبية في جلسات الأسئلة والأجوبة في مؤتمرات المحللين. كما نفذ تطوير إضافي لإجراءات التحليل النوعي لفهم أفضل للتواصل الفعال من جهة مستخدمي المعلومات المحاسبية.

نتائج الدراسة: كشفت الدراسة عن مواقع نقص في ممارسات التقارير المالية من منظور المستخدمين، وتشمل أوجه النقص: مخصصات التسهيلات الائتمانية، والمعلومات القطاعية، وبنود الودائع والحسابات المصرفية، بالإضافة إلى ترجمة العملات الأجنبية.

أصالة الدراسة: جاء هذا البحث للإسهام في أدبيات المحاسبة وعلى وجه الخصوص الأبحاث التي تركز على مستخدمي المعلومات المحاسبية، بالإضافة إلى المساهمة لأبحاث قليلة فحصت المشكلات المتعلقة بالمحاسبة المالية من خلال دراسة مؤتمرات المحللين.

حدود الدراسة وتطبيقاتها: يوفر هذا البحث لمنظم المهنة المصرفية فهم المواقع التي يجدها مستخدمو المعلومات المحاسبية غير كافية في القوائم المالية وتضعف التواصل الفعال.

الكلمات المفتاحية: الاتصالات المحاسبية، مؤتمرات الأرباح، احتياجات المستخدمين، المعلومات المحاسبية، التقارير المالية، القطاع المصرفي.

الإشارة المرجعية: الأحمد، محمد عبدالرحمن، والعصفور، محمد غسان، وساليفو، إكليلو. (2023). دراية المستخدمين والتَّواصل الفعال: القطاع المصرفي في الكويت. *المجلة العربية للعلوم الإدارية*، *30*(1)، 221-260.
https://doi.org/10.34120/ajas.v30i1.201

Introduction

The communication function of financial reporting is the quintessential feature for successful transmission of the economic reality of entities to users of that information. The effective communication of financial reports, nevertheless, requires the producer and transmitter of the information to provide avenues through which intended recipients can assimilate and understand the information presented to them. Ideally, effectively communicated information would contain few ambiguities, if any, and any ambiguity that might result would require relatively little clarification.

Much can be gained from the successful communication of financial reports. Hans Hoogervorst, the former Chairman of the International Accounting Standards Board (IASB), argued that the effective communication of information in financial statements contributes to lowering companies' cost of capital and improving users' investment decisions (IFRS Foundation, 2017). Despite such benefits, Hoogervorst presented three principal areas of concern when the IASB examined the information in financial statements: "not enough relevant information, too much irrelevant information, and *information communicated ineffectively*" (IFRS Foundation, 2017, p. 4, emphasis added). He specifically argued that ineffective communication could lead investors to (1) overlook relevant information, (2) fail to identify the relationships between different pieces of information in different parts of a financial statement, and (3) ultimately make poor investment decisions.

In practical terms, the IASB (2018) identifies characteristics of accounting information that make it worthwhile. According to Brennan and Merkl-Davies (2018), these characteristics aim to enhance communication. The importance of examining the effectiveness of communicating financial reporting information from both theoretical and practical standpoints cannot be overemphasized.

Communication is a cornerstone of financial accounting theory (Clarke et al., 2013; Lee, 1982; Schroeder et al., 2023), and the accounting literature differentiates between communication concepts and communication processes. The former is understood as a two-way interaction. It is often referred to as "accounting communication," while the latter concerns either "accounting narratives" or "discretionary disclosures," depending on the researcher's methodological position and perspective (Brennan & Merkl-Davies, 2022).

Within the accounting communication literature, despite a growing interest in areas such as crisis communication research (e.g. Pigatto et al., 2023) and the communication of corporate social responsibility (e.g. Gómez-Carrasco et al., 2021), less attention has been given to examining communication within the context of financial statements (Clarke et al., 2013; Erickson et al., 2011; Jack, 2020; Inanga & Schneider, 2005; Parker, 2007, 2013; Stone & Parker, 2013).

Relatedly, within the domain of accounting narratives, some research investigated issues within financial statements (e.g. Iatridis et al., 2022). However, according to Brennan and Merkl-Davies (2022, p. 177), “most prior research focuses on accounting narratives outside the audited financial statements.” This has been argued to be attributed to the domination of quantification rationality (Di Tullio et al., 2022), resulting in underexplored themes regarding users of financial accounting information (Himick et al., 2022; Inanga & Schneider, 2005).

This paper takes a cue from the foregoing and addresses an important aspect of the communication of financial reporting information: that of producer-user interaction. We use Merkl-Davies and Brennan’s communication framework and ideas (Brennan & Merkl-Davies, 2018; Merkl-Davies & Brennan, 2017) to explore and examine the extent to which financial accounting information is effectively communicated to users. We specifically focus on users who participate in the earnings conference calls, whose views are captured in the transcripts of the earnings conference calls.

The earnings conference call (or results presentation) offers a rare opportunity to analyze bidirectional interactions between preparers and users of accounting information. It represents an important avenue through which the effectiveness of communicating financial information can be examined. The question and answer (Q&A) session is where dialogic interaction occurs between preparers and users and has been found to be the most informative part of such an event (Matsumoto et al., 2011).

Research focusing on the communicative aspect of the financial accounting information in the earnings conference is still being developed. For example, studies on the Q&As of earnings conferences have examined analysts’ behaviours (e.g. Abraham & Bamber, 2017; de Oliveira & Pereira, 2018) and the linguistic communication strategies employed by corporate management and analysts (e.g. Dia et al., 2022; Gow et al., 2021; Haag et al., 2020).

This paper thus examines the transcripts of the Q&A sessions of earnings conferences to explore the effectiveness with which financial statements are communicated to the accounting users. Specifically, the paper addresses the following research question: To what extent is financial statement information communicated effectively to users?

The paper uses the Kuwaiti banking sector as the setting for this research inquiry. Kuwait is an emerging economy with an institutional setting conducive to the objective of this paper. Companies in Kuwait have been applying International Financial Reporting Standards (IFRS) since the early 1990s. Since 2018, the capital market regulator has required a class of listed companies to conduct quarterly earnings conferences and to make their conference call transcripts for public access.

Participants in these conferences are broadly categorized into two types: (1) the board and management of the reporting company, and (2) the users, constitutive of investors, analysts, the press, and other stakeholders. This paper does not attempt to engage discursively with the definition of users but rather categorizes them to include the participants in earnings conference calls, to whom the financial reporting information is provided.

The paper focuses on the Kuwaiti banking field for various reasons. First, the banking field is significant to the economy and society of Kuwait, as in other contemporary settings (Beatty & Liao, 2014; Bushman, 2014). Second, the banking field is highly regulated and is often considered a place where practice benchmarks (including for financial reporting) are set for other sectors. Third, local banks constitute the largest market capitalization sector of listed companies on the premier market[1]. Finally, focusing on one field helps us to control the data analysis and findings, as institutionalized practices differ across different fields (Bourdieu & Wacquant, 1992). This paper hence examines the transcripts of Kuwaiti banks' earnings conferences since the regulatory inception of these communicative events. The analytical focus is on participants' questions (including latent ones) and aims to identify patterns of concerns (topics, sub-topics, and themes within sub-topics) that have been raised in response to the reported accounting information. Through the analytical process, we have further developed a topical content analysis procedure to elicit accounting users' incomprehension.

As users' "aim in analyzing financial statements is to examine the fundamen-

1 The Kuwait's premier market is explained in Section, The Institution of Earnings Conferences.

tal operating performance of the business" (Erickson et al., 2011, p. 209), our thematic findings from analyzing topical codes suggest that users of banks' financial reports have significant apprehension about some uninformative accounting information. This is evidenced by the volume and frequency of users' inquiries. Specifically, the findings suggest that users' assessment of ineffective communication has yielded several issues. (1) Reporting of provisions for credit losses, including the way specific provisions are calculated; reasons for changes in provisions being ambiguous; and uninformative segment allocation of provisions. (2) Lacking segment information: In consolidated financial statements, users cannot assess the sources of financial results as well as operating costs for the individual entity within a consolidated group. (3) Concerns for not reporting detailed breakdowns on deposits and account items: Users cannot identify current and savings amounts in the presented deposit accounts as well as the types of depositors. (4) Within the currency theme, the findings suggest that users are primarily concerned about unidentified sources of currency translation.

This research makes various contributions to the accounting literature. First, prior studies found that accounting users' needs and concerns are often assumed (Brennan & Merkl-Davies, 2018; Inanga & Schneider, 2005) and 'made up' (Stenka & Jaworska, 2019; Young, 2006). Therefore, this research contributes to the user-centered work in the accounting literature (e.g. Durocher & Georgiou, 2022). Second, within earnings conference literature little research has investigated problems relating to financial statements. Accordingly, our research complements the work of Larcker and Zakolyukina (2012) and provides an additional window for earnings conferences to investigate financial accounting-related issues. Finally, this research further develops an analytical procedure for understanding users' comprehension of communicated accounting information. This procedure, utilizing earnings conferences, provides a way for accounting research to investigate users' needs and concerns relating to reported information in different geographies, markets, or sectors.

The paper proceeds as follows. After this introduction, the next section reviews the related literature and critically explores prior studies on earnings conferences calls, accounting communication and users. The paper then clarifies the macro and micro contexts wherein the interaction between preparers of financial reporting and users occurs. This includes the contextual factors of Kuwait, the institutional setting of earning conferences, and the Kuwaiti banking field and its regulatory framework. The paper then proceeds to explain the accounting communication framework developed by Brennan and Merkl-Davies (2018) and Merkl-Davies and Brennan (2017), which is used here as a theoretical lens. A detailed account of data collection and content analysis is then presented, followed by a presentation of our thematic findings on users' topical incomprehension about communicated accounting information. The penultimate section of the paper discusses our findings, and with the final section providing a conclusion that summarises the work and its contributions, and avenues for further research.

Earnings Conference Calls, Accounting Communication and Users

Earnings conferences are important means for entities to communicate information to the markets, and they are thus important for the capital market (Lee, 2016; Lev, 2012). These conferences usually follow the publication of periodic financial results and are mandated by various jurisdictions. The data generated from earnings conference calls provide important insights to better understand accounting practices (Teoh, 2018) – including the communicative aspect of accounting. Notably, the literature differentiates between two types of conference communication: the physical interaction between corporate management and market participants, and quarterly webcast-earnings conference calls.

Prior research on webcast earnings conference calls has primarily focused on linguistic communication strategies between management and analysts but also on analysts' behaviour – especially how analysts formulate inquiries (de Oliveira & Pereira, 2018), what incentivises analysts to engage in earnings conferences (Abraham & Bamber, 2017), and the objectivity of analysts in unexpected earnings (Salzedo et al., 2018). On the strategic communication focus between corporate management and analysts, prior studies have examined analysts' strategies for revealing information (Haag et al., 2020), the narratives of CEOs and CFOs (Larcker & Zakolyukina, 2012), management's withholding of information from participants (Hollander et al., 2010), and the relationship between analysts' skills in eliciting information from managers and the informativity of their market recommendations (Yezegel, 2023). Others examined predetermined script responses to analysts' queries (Lee, 2016), the questions that management refuses to answer (Gow et al., 2021), and management topic divergence strategies (Dia et al., 2022). Some researchers (including Chen et al., 2018; Rennekamp et al., 2022) investigated the effect of linguistic tone and style on share prices, while others (including Huang et al., 2018) examined the informativeness of analysts' information to investors.

Despite such coverage, it remains that "little is known about the Q&A" (cited in Abraham & Bamber, 2017, p. 19; Li et al., 2014; Matsumoto et al., 2011) even though the Q&A session is evidently found to be the most informative aspect of these dialogic events (Matsumoto et al., 2011). Studies have rarely sought to use earnings conference calls to investigate and understand the communication of the underlying economic reality of the holding entities (excluding Larcker & Zakolyukina, 2012).

Effective accounting communication is central to organizational functioning. In its primitive form, effective communication relies on a shared cognition between a speaker and their audience, with the content of the information being constructed and shared according to the needs and capabilities of the audience (cited in Chambers, 1979; Clarke et al., 2013). Brennan and Merkl-Davies (2018) theorize that communication is better understood as a two-way interaction between sender and receiver, which is more accurately captured in real-time events. In the context of reporting entities' financial performance, effective communication resides in the ability (or intention) of the preparers to transmit their comprehension or construct an understanding of the economic reality of an entity as presented in the quarterly/annual reports to the relevant users[2], with earnings conferences serving as important avenues through which users can interact with the preparers of such information.

Reflecting on Raymond J. Chambers' seminal work, Lee (1982), emphasized the importance of communication in financial statements and argued that financial accounting is of less value if not effectively communicated. Hines (1988) argued that in attempting to communicate the 'reality' perceived by the preparers, is rather constructing reality in the process. This argument contextualizes the practice of financial reporting as a product of social interaction, with the financial reports being the product of social construction. This conceptualization forms the foundation for examining the communicative role that financial reporting plays. Clarke et al. (2013) argue that effective communication of accounting information is fundamental to accounting function and theory. Stone and Parker (2013, p. 32) further argue that without effective communication, accounting will be consigned to being "an archival repository of financial performance statistics." Thus, the

2 Generally, quarterly and annual reports remain the predominant forms through which entities' financial performance is communicated to a company's external stakeholders.

process of communication is fundamental in transmitting any perceived reality of the preparers of financial reports to the users who make use of those reports.

Some studies have focused on the users of financial accounting information. For example, (Stenka & Jaworska, 2019; Young, 2006) found empirical evidence that users are mostly ‘made up’ within accounting standards settings. Durocher and Fortin (2010) argue that such ‘made-up’ users are part of standard setters’ strategy for legitimacy purposes. Barker and Schulte (2017) investigated the shift in IFRS fair value measurement (FVM) from historical construction to representation of economic reality and found that “financial statement users do not understand how the fair values are calculated” (p. 65). Barker and Schulte argue that because IFRS are based on market ontology for FVM, then reality cannot be fully known. They also contend that FVM mostly represents the reality of the preparer rather than the user. Within the same context, Allini et al. (2022) investigated the usefulness of FVM to users. They found that credit and equity analysts favour the use of historical costs supplemented by fair value information for their economic decisions. Similarly, Georgiou’s (2018) interviews with investors and analysts found that standard setters and users hold different views on the usefulness of accounting for fair value.

Within financial accounting literature, Durocher and Georgiou (2022) empirically investigated how analysts use and perceive reported information in relation to goodwill. They found that analysts rely on their judgement rather than the goodwill measurements reported by companies. Mazzi et al. (2022) also examined the usefulness of accounting for research and development (R&D), finding that although users find IFRS’s requirement for capitalization of R&D costs more useful in decision-making compared to the United States Generally Accepted Accounting Principles (US-GAAP), such an accounting treatment does not provide an adequate signal to its future value.

The current research adopts the stance of Cooper (2013) and Hines (1988) in construing accounting practice as a socially constructed reality. The financial reports, as a product of such a practice, are thus socially constructed. The assessment of the effective communication of such reality relies on the shared understanding held by the producers and users of such information. This also allows us to refocus on the communication of accounting information as a non-linear act predicated on dialogic interaction, rather than being unidirectional and satisfying predefined user needs. We conceptualize financial reports as the first aspect of the dialogue, while user questions and commentary reflect the second aspect of the dialogic communication process. Although it could be argued that examining management responses to user queries could enrich the analysis, our work limits itself to the examination of the communicative function of financial reports. We achieve this by investigating user questions.

Kuwait and Its Banking Environment

The State of Kuwait is located in the northwest part of the Arabian Peninsula and has a population of 4.8 million people (The Public Authority for Civil Information, 2023). It is a constitutional monarchy with a political system divided into an elected parliament, an unelected government, and the judiciary. Economically, the country relies on the sale of state-owned oil as its primary source of state revenues (Ministry of Finance, 2023).

The Kuwaiti capital market is considered one of the first in its region. Since the early 1990s, financial regulators have required private corporations, including banks, to apply International Accounting Standards (Central Bank of Kuwait, 1996). International accounting firms, including the Big 4, have been operating in Kuwait since the early 1950s (Altaher et al., 2014).

The Institution of Earnings Conferences

In 2018, the Kuwaiti capital market (Boursa) was promoted on the FTSE Russell country classification system from unclassified to secondary emerging (FTSE Russell, 2018), and the S&P Dow Jones added Kuwait as an emerging market (Reuters, 2018). Furthermore, in 2019, Morgan Stanley Capital International (MSCI) reclassified Boursa from a frontier market to an emerging one (MSCI, 2019). Boursa's interest in international rankings resulted in dividing listed stocks into 'premier' or 'main' markets. The Kuwaiti premier market includes companies with high market capitalization and share liquidity (Boursa, 2019). Nonetheless, continual obligations exist for these companies to maintain their classification in the market, with one of these being to maintain quarterly earnings conference[3]. Specifically, companies listed on the premier market are required to " hold an analyst conference on [a] quarterly basis within five days after the issuance of interim and annual financial statements" (Boursa, 2019, p. 68).

3 Boursa uses the term 'analysts conference' for 'earnings conference', as shown in the citation by Boursa.

In the first quarter of 2018, all companies listed on the Kuwaiti premier market started conducting quarterly earnings conferences – an institutional setting that is relatively new to the Kuwaiti capital market. Nevertheless, earnings conferences datasets are anticipated to provide fruitful insights (Teoh, 2018). This research utilizes earnings conference calls to explore users' views on the communication effectiveness of reported financial accounting information. The focus on Kuwaiti banks is for reasons covered in the introduction.

Kuwaiti Banks and Their Regulatory Framework

Banking practices with local ownership and management in Kuwait started in 1952 with the establishment of the National Bank of Kuwait. Kuwait has ten local banks listed, with six of them ranked among the top 50 in the Middle East (Forbes, 2021). Five of the ten are traditional banking, while the remaining five are Islamic banking operations. The first Islamic bank, Kuwait Finance House, was established in 1977, while the youngest bank, Warba, was founded in 2010. Of the ten local banks, seven are listed on the premier market, and the remaining three are on the main market[4] (Boursa, 2022). Nevertheless, six out of the seven banks listed on the premier market have subsidiaries and overseas branches in various geographical markets. Notably, some international banks do exist in the Kuwaiti markets (e.g. HSBC and Citi Bank), but none is listed on the Kuwaiti capital market.

Kuwaiti banks are subject to local and international regulations, with an example of the latter being the Basel Framework (Central Bank of Kuwait, 2021). Locally, bank operations are directly governed by three regulators: the Central Bank of Kuwait (CBK) (regulator of monetary policy and banks), the Capital Market Authority (capital market regulator), and the Ministry of Commerce (regulator of the commercial law). By law, the CBK is empowered to regulate and oversee the banking field (Law No. 32 of, 1968). Among the many CBK regulations, the most salient are its guidelines for the provision of credit losses, the appointment of two external audit firms, the annual assessment of banks' internal control systems by an independent external audit firm, and the CBK's designed corporate governance codes. The CBK also performs periodic inspections on banks to ensure their application of CBK regulations.

4 We did not consider reasons why the three local banks are not listed in the premier market. One possible explanation is that these three banks do not meet the capital market classification criteria, which are mainly based on market capitalisation and shares liquidity requirements.

Accounting and Corporate Communication: A Framework

Building on the work and ideas of Robert Craig, Brennan and Merkl-Davies (2018) and Merkl-Davies and Brennan (2017) developed a theoretical framework for accounting research that focuses on the external communicative role of accounting information. Merkl-Davies and Brennan (2017) conceptualize financial reporting as the external communication (of a specific form of message – that of accounting information) between organizations and their stakeholders. In this regard, accounting information (the message) takes on different forms (e.g. written, oral, or visual) to deliver meanings and realities about an organization's economic events to intended recipients. In subsequent work, Brennan and Merkl-Davies (2018) expanded this framework to evaluate the effectiveness of communication between corporations and stakeholders in capital markets.

For Brennan and Merkl-Davies (2018), the accounting communication model includes five elements: (1) the text producer, (2) the audience, (3) the text/message, (4) the micro-context (relationship and conversation), and (5) the macro-context (external organizations). The first three elements are bidirectional: (1) the company (sender and producer); (2) the audience (external stakeholder); (3) the message (written, verbal, silent – e.g., financial reports). The micro-contextual factor concerns 'relationship' and 'conversation'. Companies build relationships with stakeholders based on the balance of power. The other micro-contextual factor that influences the messages is 'conversation' from stakeholders to organizations and concerns clarification opportunities for stakeholders to interact with organizations. The final element of the corporate communication model is the macro-context or wider social context (5), which encompasses the media, external organizations, and society. Despite the vital importance of these micro (4) and macro (5) contextual factors to accounting communication, they are often 'ignored' (Brennan & Merkl-Davies, 2018, p. 561).

Within the corporate communication model, Brennan and Merkl-Davies (2018) incorporated the concept of connectivity as the principle for effective connections between organizations and external stakeholders. Here, connectivity is a composite of three aspects. The first is textual connectivity, which refers to the cohesion and coherence of the text. The second, intertextual connectivity connects the relevance of different texts in different genres and periods. The third, relational connectivity connects the organization to external audiences. For Brennan and Merkl-Davies, the absence of connectivity means the absence of effective communication.

To evaluate effective communication, Brennan and Merkl-Davies employed de Beaugrande and Dressler's (1981) seven criteria of textuality, which "must be fulfilled for communication to be effective" (Brennan & Merkl-Davies, 2018, p. 561). These are: (1) cohesion (syntax and wording); (2) coherence (structure for meaningful text); (3) intertextuality – the audience's ability to connect and interpret different texts; (4) intentionality, or the sender's intention; (5) acceptability, which is the other side of intentionality and is about the receiver accepting the credibility and usefulness of the text; (6) informativity – a micro-context element that covers the receiver's conversation with the sender regarding message reliability, accuracy, and timeliness; and (7) situationality, which relates to the macro-context and concerns the relevance of the text for communication within the wider social context.

In combining the concept of connectivity with de Beaugrande and Dressler's principles of communication, Brennan and Merkl-Davies theorized the criteria for effective communication. They argue that cohesion and coherence result in textual connectivity of the message, while intertextual connectivity is achieved through intertextuality – that is, the ability of the receiver to interpret messages within communicated texts. Relational connectivity is accomplished, they argue, through intentionality, acceptability, informativity, and situationality. For Brennan and Merkl-Davies (2018), this is an ideal model for corporate dialogic communication, where the range of practices is infinite.

This theoretical framework has been used in the accounting literature, especially in accounting narrative research. For example, Valentinetti and Muñoz (2021) built on Brennan and Merkl-Davies' communication model to understand the dialogic process of the Internet of Things in digital reporting. Masiero et al. (2020) drew on the three concepts of connectivity to investigate the operationalization of connectivity in an Italian insurance company's integrated reporting. In another study, Masiero et al. (2020) mobilized Brennan and Merkl-Davies' explanation of relational connectivity to understand the enhancement of accountability with the application of the European Union Directive on non-financial reporting. Similarly, Hadro et al. (2022) employed the three types of connectivity to analyze the effectiveness of voluntary disclosures in the Polish bond market.

Prior studies do not, however, critique the framework; instead, they embrace its dialogic nature of financial reporting. For example, Masiero et al. (2020) found that Brennan and Merkl-Davies' theorization of connectivity is broader than the narrow conceptualization of the International Integrated Reporting Council. One possible critique of the framework here could be the sequence order of theorizing criteria for effective communication. Perhaps the purpose of such an arrangement is to avoid distracting readers from integrating into the concept of connectivity.

Methodology

This paper adopts a qualitative approach to examine the extent to which the accounting information in Kuwaiti banks' financial reports is communicated effectively to users. It utilizes the transcripts of earnings conference calls and focuses on the questions participants ask management regarding the published financial statements. Kuwait's capital market regulations require companies listed on the premier market not only to conclude earnings conferences within five days of publishing their interim and annual financial statements but also to make conference transcripts publicly available in both Arabic and English (Boursa, 2019). These publicly available transcripts serve as our main source of data.

As these datasets are publicly available, the transcripts are deemed authentic, easily comprehensible, and with sufficient clarity (Bell et al., 2022). We do recognize, however, that drawing on this dataset entails the risk of examining the 'documentary reality' which may not fully represent the underlying social reality (Atkinson & Coffey, 2004, p. 58). Nevertheless, the questions participants submitted as part of the conference calls are arguably uninfluenced by the producers of the transcripts in their constructions; hence, they represent as close a depiction of their social reality as possible. For our analysis, we used content analysis, a reliable and valid technique for analyzing communication (Krippendorff, 1980) that is widely employed in business studies. Our qualitative content analysis allowed us to discern the underlying themes within the conference transcripts.

Our data collection and content analysis procedure involved three sequential stages: (1) data collection and identification; (2) categorization and subcategorization of inquiries; and (3) thematic analysis of financial accounting-related topical codes.

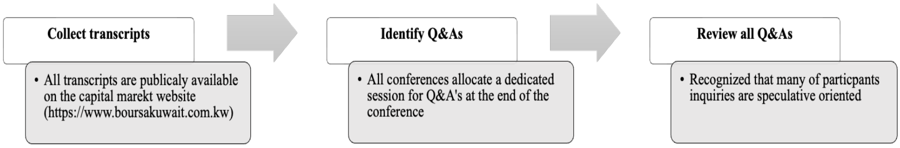

Figure 1: Stage 1 – Data Collection and Identification

In the first stage, we collected all 112 earnings conference transcripts for the seven banks listed on the Kuwaiti premier market and operating in Kuwait. This covered conferences from the first quarter of 2018 to the first quarter of 2022 (inclusive)[5]. Although it may generally be argued that anonymity should not ordinarily be afforded to the identification of entities in publicly available records, we argue the opposite. We grant full anonymity to the banks because the Kuwaiti banking sector is relatively small and intricate, with significant cultural sensitivity even about information that is publicly available. Granting anonymity adds an extra degree of exclusion to the entities, and thereby avoiding unnecessary scrutiny that this research might bring, while still allowing the findings to remain valid. Furthermore, the individual identification of banks may have the undesirable effect of focusing on individual operations rather than on patterns of practices, which is this paper's interest.

Every conference consists of two parts: a management presentation of financial results and a Q&A session. The Q&A session is where users interact and is found to be the most informative part of the conference (Matsumoto et al., 2011). Therefore, this is the research focus. Upon evaluating the extent of the effectiveness of the communicated information, the questions submitted by users provide a rich source from which an assessment can be made given that a total of 1,076 inquiries were identified in the 112 conference transcripts.

5 In the first quarter of 2020, companies were exempted from conducting earnings conferences at the peak of the Covid-19 pandemic.

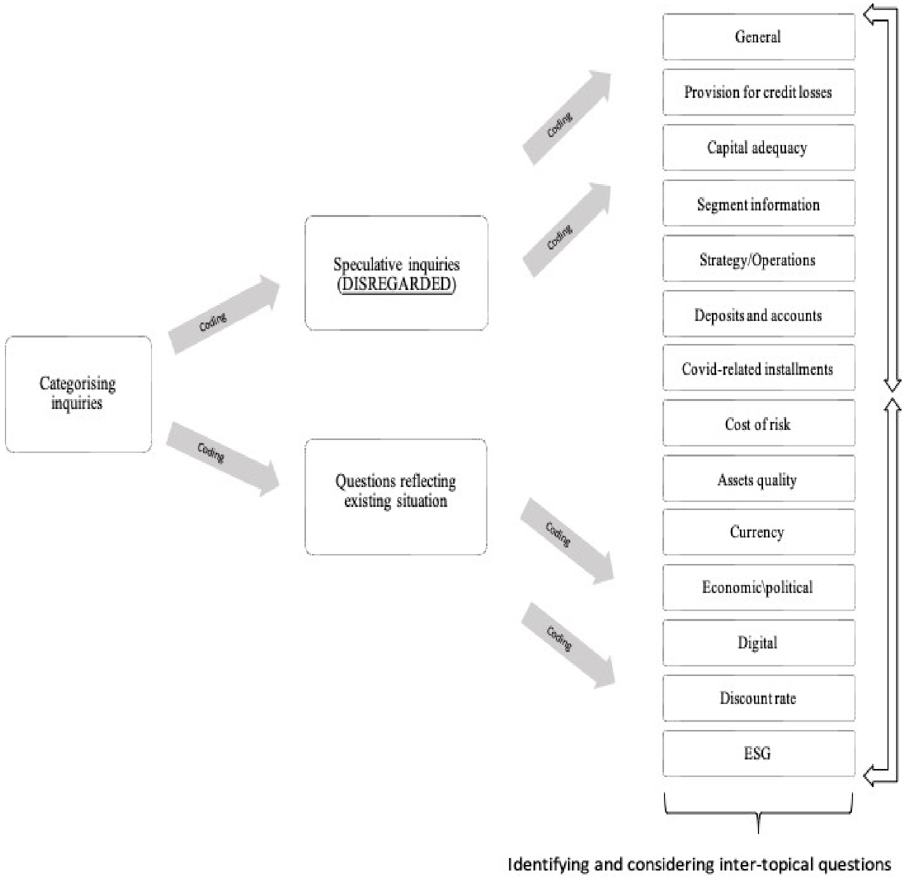

Figure 2: Stage 2 – Categorization and Sub Categorization of Inquiries

In Stage 2, we categorized each question as either speculative or non-speculative. For example, the following questions were deemed speculative and therefore fell into the speculative category:

> *What kind of growth do you expect to see in the Saudi market? What could be its contribution to loan growth and profitability in FY 2018 and FY 2019?*

> *How do you see the cost of risk going forward? Will general provisions still be needed? What specific provisions are you looking forward to [releasing]?*

These questions required a speculative response – a response addressing the management and or users' expectations that are not necessarily embedded within the remit of the published financial reports upon which the conference was premised. These speculative questions called for assumptions to be made about the bank's future operating scenarios. In our coding process, we categorized every inquiry as either speculative or non-speculative. we identified that 29.5% of the total queries were speculative. Unlike Salzedo et al. (2018) consideration of the types of questions that included forward-looking inquiries, the speculative category was subsequently disregarded in our analysis because it did not fit with the research objective. As the focus of this paper concerns the effective communication of the content within published financial statements and their related notes, questions that were not focused on financial statements may have skewed the findings and were therefore excluded.

Subsequently, following Salzedo et al. (2018) manual analysis of questions to form coding blocks, we subcategorized questions about existing situations (non-speculative category) based on their topics as presented in Table 1, by manually coding each question into broad topics.

Table 1
Topical Sub Categorization of Non-Speculative Questions

#	Topic of question	Number of questions
1	General financial questions	216
2	Provision for credit losses	160
3	Capital adequacy	61
4	Segment information	61
5	Strategy\operations	56
6	Deposits and accounts	46
7	Covid-related (deferral of instalments)	45
8	Cost of risk	36
9	Assets quality	21
10	Currency	20
11	Economic\political	14
12	Digital	13
13	Discount rate	5
14	ESG (Environmental, social, and governance)	5
Total		**759**

After subcategorizing non-speculative questions, we proceeded to the final phase of Stage 2, which involved identifying questions that could potentially belong to more than one topic, either directly or indirectly. For example:

> *You mentioned that [bank name] in Turkey contributed to the increase of NPLs [non-performing loans] in Q2, right? Could you share the NPL ratio for the [country name] unit?*
>
> *A question on the FX [foreign exchange market] translation of 43.1 million Kuwait Dinar: Is it because of the [country name]?*

In the first quote, we coded this question not only as a ‘provision for credit losses’ but also as relating to ‘segment information’. Similarly, we double-coded the second quoted question as ‘currency’ and ‘segment information’. We considered inter-topical inquiries in our full data sample.

In the third and final stage, we focused only on questions that are traditionally considered financial accounting information and are part of financial statements (including notes). Topics of this kind include credit provisions, segment inquiries, deposits, accounts, and currency. Other categories of topical questions were considered either general, finance related, risk management, strategic, economic, or political. Appendix 1 explains the disregarded codes. After considering the inter-topical (financial accounting-related) inquiries, the following number of questions remained:

Table 2
Inter-Topical Financial Accounting-Related Inquiries

#	Topic of question	Number of inquiries
1	Provision for credit losses	165
2	Segment information	118
3	Deposits and accounts	50
4	Currency	28
Total		**361**

Meaningful accounting communication is the one users’ find understandable (Brennan & Merkl-Davies, 2018). Depending on this foundation, the last stage of our analysis involved analyzing these topical inquiries based on the themes within each cluster of topics.

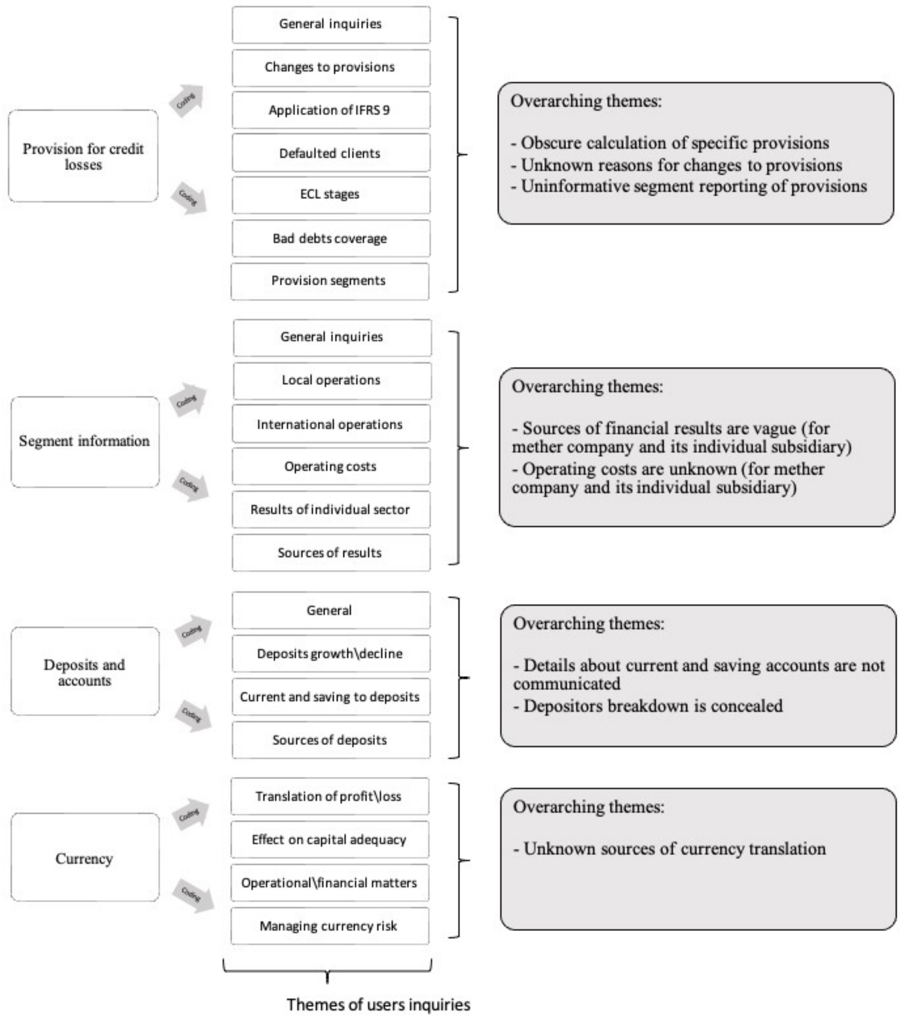

Figure 3: Stage 3 – Thematic Analysis of Accounting-Related Topical Codes

We adopted the thematic analysis procedure proposed by Braun and Clarke (2006) to analyze users' questions. With more detail, we sub-coded and analyzed every question, intending to find overarching thematic patterns. This inductive analytical process along with the abductive orientation between the analysis and the adopted communication framework, helped to evaluate users' detailed understanding or otherwise of the communicated reality in the financial statements.

Findings

The findings from the thematic analysis of users' topical questions uncovered several areas where information from the financial statements lacks user informativity. The following findings are drawn from the analytical subcategorization of accounting information: provision for credit losses, segment information, deposits and accounts, and currency. The following subsections cover each area of these results. We have made minimal edits to the presented quotes to minimize the risk of potentially adding new meanings and to ensure the full anonymity of banks. The example quotes reflect the English transcripts of the conferences, with minimal corrections made to enable the reader to follow the discussions.

1. Provision for Credit Losses

The first set of earnings conferences following the regulatory requirements coincided with the implementation of IFRS 9: Financial Instruments. As expected, various queries raised in the conference centered on the implementation process for and requirements of IFRS 9 and the potential impact this standard may have on a bank's resources and performance. For example, some users asked the following questions about the implementation process:

> *Any updates on IFRS 9 relating to loan provisioning?*

> *Has CBK shared any updates on loan provisioning related to IFRS 9?*

Others asked about the direct impact of the implementation on resources and performance:

> *When do you expect the implementation of IFRS 9 in Kuwait, and what will be the Day 1 impact on the equity of [bank name]?*

> *Do you have any insights from the CBK in terms of how surplus provisions will be treated under IFRS 9? Will the surplus go to shareholders' equity?*

Users' interest in understanding the implications of IFRS 9 implementation in the banking sector is warranted, given that IFRS 9 was argued to have a significant impact on financial reporting (PwC, 2017) and, consequently, the resultant reporting of earnings and resources accruing to entities.

The CBK issued guidelines for banks to calculate provisions based on two standards: the CBK's longstanding provision requirement and IFRS 9, and to recognize the higher amount. However, to override analyses of themes based on their face value, a deeper analysis of topical questions elicited three overarching thematic patterns of users' incomprehension (presented next).

a. Obscure Calculation of Specific Provisions

Our findings suggest that users of accounting information are uninformed about how banks calculate specific provisions under CBK guidance:

> *The new provisions that you booked in the first half of 2020: Can you disclose how much of those were precautionary and specific?*

> *You obviously mentioned the precautionary provision, which is 9 million [Kuwait dinars]. Is this provision imposed by the Central Bank, or did you take it on your own?*

Relatedly, some questions reflected users' concerns about specific defaulted clients that are unknown if these provisions are recognized in banks' accounting books:

> *On the one loan that caused the pickup in NPLs [non-performing loans], can you give more details? Is it related to real estate? and how big is the exposure? Are you going to write off that loan?*

> *Can you disclose the provisions [bank name] took in the first half of 2020 for NMC and whether you will have to have 100% coverage of NMC exposure by year-end 2020?*

The above quotations resemble many other inquiries that suggest patterns in users' concerns regarding uninformative communications about how banks calculate specific provisions and, relatedly, if specific defaulted clients are recognized.

b. Unknown Reasons for Changes to Provisions

The analysis shows that users of financial statements are also uninformed about the underlying reasons for changes to general and specific provisions.

> *While the overall provisions amounts have remained the same during the 9 months of 2018 compared to last year, specific provisions have increased a lot this year, while general provisions have gone down. Can you kindly explain the change in provisions, both general and specific?*

> *We have noted a lower provision charge in 2018 compared to last year despite significant growth in financing receivables. Can you please explain the reasons for this?*

These example quotations indicate that users lack an understanding of the underlying reasons for changes to the provisions of credit losses that were communicated in the notes to financial statements.

c. Uninformative Segment Reporting of Provisions

Our analysis suggests that users find segment information regarding provisions flawed, especially in banks that have reported consolidated financial statements. In our case, this occurs with six out of seven banks that have subsidiaries. This concern applies to both the CBK provision calculation guidelines and those of IFRS 9-Expected Credit Losses (ECL).

> *Could you share some insights into the significant write-offs that you saw in the financial year 2021? What segment/sectors/counterparty loans were these? Were these Kuwaiti loans or international?*

> *Can you provide some granularity of NPLs, geographies and sectors? What is the group NPL coverage excluding collateral as of December end?*

Users' concerns also indicate the need to understand IFRS 9-ECL staging provisions based on operating segments in different geographies.

> *Can you provide any insights on the nature and sectors of stage two loans?*

> *In terms of NPLs, as well as stage 2, how much of the exposure is coming from Turkey?*

Our findings suggest that users are uninformed about most information on provisions relating to the local (parent) bank or its subsidiaries, although users' main concerns were about banks' reporting practices regarding provisions. The findings also suggest that the financial statements did not include detailed breakdowns for the calculation of specific provisions, or if the banks recognized defaulted clients (which were considered material by the users) in their books. Our findings also suggest that users lack knowledge about the reasons for continual changes to both general and specific provisions and about flaws in reporting provisions based on segments.

2. Segment Information

Three overarching themes emerged on segment information – namely, users' difficulties in assessing banks' investment activities, management operations, and associated risks for local (parent) banks and their subsidiaries, as addressed next.

These findings suggest that this information was not effectively communicated in the financial statements, as demonstrated in the following subsections.

a. Obscure Sources of Financial Performance

Several conference participants expected the financial statements to highlight the principal areas and/or sectors driving banks' growth and performance. Certain questions in the conferences, nevertheless suggested that the financial statements did not adequately convey these points with sufficient clarity. For example, some users asked:

> *Is the Turkish subsidiary entirely responsible for the increase in financing asset impairment in 2019?*

> *Our next question is about the strong growth in Q1 despite some slowdown in project awards. What sectors drove this?*

Other questions showed users' need to understand details about the geographic distribution of banks' financial performance, as in the profitability of each bank's subsidiaries. For example:

> *Can you elaborate on the drivers of growth in financing during 2020 of 13.4% [year-over-year]? What was financing assets growth in Kuwait and Turkey in 2020?*

> *What caused the decline in impairments in Q1-2019? Was this driven by a decline in credit impairments or investment impairments? Also, is the decline coming from Kuwait or other international operations?*

The questions asked here to suggest that the level of details disclosed on segment information was significantly below users' expected level, or that the disclosed information was not sufficiently disaggregated for better understanding.

b. Incomplete Reporting of Operating Segments Costs

Another emergent theme, following financial performance, relates to the perceived inadequacy of the disaggregation of operating costs, especially those relatinged to overseas operations. The conference participants expected the financial statements to disclose the relative operating costs of each segment and the impact of each segment's unique costs on geographic operations. For example:

> *You mentioned that the cost of funding increased in Turkey. Did the cost of funding increase in Kuwait as well?*

I just want to know about that Turkey inflation. Considering the Turkish currency depreciation, how do you see your costs being affected in Turkey, and how do you see your margins going for this year in Turkey?

Geographical disaggregation of operating results, as our findings suggest, was a principal area where conference participants expected a detailed disaggregation of geographical segments. Geographical segments tend to be exposed to different macroeconomic variables, such as including those of inflation and interest rates, which are materially significant to the case of banks.

3. Deposits and Accounts Disclosures

Within this topical code, many user questions requested clarifications on changes to bank deposits:

What is the reason behind the decline in deposits in Q1, and are you seeing any pressure in the deposit market?

Could you please discuss your market share in deposits and loans?

Our analysis also suggests patterns in users' questions concerning the deposits in balance sheets' liability side. These extended from apparent disparity in the expected level of disclosure of details of deposit accounts and the relative aggregation of the deposit figures contained in the financial statements. For example:

What is the bank's current CASA (current account and savings account) ratio as a percentage of total deposits?

What is the share of CASA deposits in Kuwait and the Group?

Participants therefore wanted a clear breakdown of current and savings account compositions within deposit figures. Some users asked specifically for the breakdown of the types of depositors making up the deposit figures:

There was stress on funding costs in the first half of the year due to the withdrawal of deposits from government agencies. What is the situation now?

What is the impact of funding costs coming from the PIFSS [Public Institution for Social Security] withdrawal of banking sector deposits?

A cursory examination of financial statements for the relevant periods shows some level of disclosure on the aggregated figures for deposits, but these findings suggest that the disclosures were not fully comprehensible to the relevant users.

4. Currency Translation and Management

We identified 28 questions coded as currency-related inquiries (see Table 2 in the Methodology Section) – the code bearing the least quantity of participant queries. However, although most inquiries were general in nature, questions about currency gained more interest from users of accounting information in 2020, mainly due to the decline of the Turkish Lira. We nevertheless identified a salient pattern in the questions regarding unknown sources of currency translation:

> *Can you please explain the source of the net losses driven by foreign exchange on the translation of foreign operations in the comprehensive income?*

> *The exchange income increased to KD 10 million from KD 7.1 million a year ago. What drove it? Is this sustainable?*

Other inquiries were generally about the impact of the decline in the Turkish Lira on capital adequacy, as some local banks have subsidiaries that operate in Turkey. For example:

> *Has the deterioration of the Turkish Lira affected the capital adequacy of the subsidiary?*

> *Could you please give us the capital sensitivity in terms of the Turkish Lira to US dollar cross? Because we don't have that number.*

Other users asked about the way banks managed currency fluctuations:

> *A question about the FX translation losses of 43.1 million Kuwaiti Dinar: Is it because of Turkey? Do you have a plan to manage it in the future?*

> *The Lira depreciated by approximately 7% to 10% from the end of Q4 to the end of Q1. Do you have any kind of maybe some [sic] framework for us on […] how [it will] impact CET [Common Equity Tier] ratios of [bank name]'s global banks?*

This emerging theme of currency translation can be discursively associated with ineffective segment reporting problems, as the macroeconomic conditions affecting different geographical segments affect the exchange rates the banks apply.

The questions asked within the four interrelated topical themes point to areas that require improvement within the financial reporting practices. The inherent ambiguities in disclosed information, the insufficient disaggregation of reported information, and the relative lack of disclosure of important information regarding geographical segments all allude to repeated patterns within conference questions. Nevertheless, to validate the findings of this research, the researchers reviewed banks' financial statements and their notes. They found that, especially in banks with consolidated financial statements, users' repeated thematic inquiries are reported with insufficient clarity.

Discussion

The discussion is divided into three main aspects, based on the components of connectivity that Brennan and Merkl-Davies (2018) theorized, as connectivity is a key feature of communicative effectiveness. Their first component, textual connectivity, is achieved when messages are cohesive and coherent.

Brennan and Merkl-Davies theorize that for a message to be effective, it must be cohesive and coherent. The analysis of participants' questions highlights some issues with cohesion and coherence, as reflected in how various users were unable to extract meaningful understandings from various messages communicated through financial statements. According to Lee (1982), translating economic events must be meaningful to be effective for users. In our analysis, the volume and frequency of users' inquiries about how banks calculated specific provisions, the prevalence of unknown reasons for the constant changes to recorded provisions, the inadequacy of details on current and savings accounts, and the constant request for further details on the performance and contribution of geographical segments all point to the relative absence of textual coherence. Other examples include users not fully comprehending how geographical factors impact on the translation of foreign currencies. These topics are fundamental to the operations of banking institutions and are vital for users to understand what Barker and Schulte (2017, p. 65) theorized as "the underlying rights and obligations" of the communicated messages. These findings suggest the presence of limits to the coherence of certain messages that banks deliver to users through financial statements.

According to Durocher and Georgiou (2022, p. 18), users want to "be able to track the actual performance" of the entities they are interested in. This could be done in principle by disclosing detailed disaggregated information as required by the applicable reporting standards, regulations, and users. The inadequacies in coherence highlighted in the findings arguably constrain users' ability to fully comprehend banks' relative financial position. The ability of users to make sense of and interpret messages falls within Brennan and Merkl-Davies' discussions of intertextuality. The findings support the argument that banks constrain users' ability to interpret certain information within financial statements through textual asymmetry (Beatty & Liao, 2014). This also aligns with Durocher and Georgiou's (2022) point about how management produces writings of goodwill impairment based on how it wants to construct users' reality.

Regarding relational connectivity, financial statements are intended to provide useful economic information to the users (IASB, 2018). The observed constant and repeated user queries on the same thematic issues suggest that users are hesitant to accept various financial information communicated by banks through their financial reports, arguably because the users find some of the communicated information to be ambiguous and less useful. This research identified uninformative areas within the financial statements from the perspective of the users.

Given the many repeated inquiries related to provision, reporting of operating segments, deposits and accounts, and foreign currency translation, the findings evidently indicate that banks may shape specific messages to construct certain realities (Cooper, 2013) that lack coherence and arguably stop users from connecting the information accordingly. Ultimately, this renders users relatively uninformed, even though they read and analyze financial reports to understand business operations and performance (Erickson et al., 2011). The repeated inquiries about the same themes, however, manifest the users' uninformed engagement with particular messages. This is arguably the banks' way of constructing certain representational realities of themselves (Hines, 1988; Sandell & Svensson, 2017) in an attempt to build desired relationships with stakeholders (Brennan & Merkl-Davies, 2018). Repeated inquiries could be argued to be attributed to users' lack of understanding of accounting measurement and reporting standards; however, the review of banks' financial statements demonstrates that users' inquiries are deserved.

Brennan and Merkl-Davies (2018) theorized the concept of connectivity as a model for banks to connect with stakeholders and increase effective communication through mutual understanding. Our findings suggest that users' questions reflect issues about the textual connectivity of the composite messages in financial reports that banks attempt to communicate. As discussed earlier, some reported financial information lacks certain qualities of coherence. Relatedly, when textual connectivity suffers, this, in turn, means that the banks' intertextual connectivity becomes impaired. Users cannot connect texts within financial statements to form a proper interpretation of messages without clarifications from the senders.

As for the last component of connectivity, relational connectivity, in our case, the earnings conference call itself is a regulatory form of advancing relational connectivity between banks and the audience. This research analyzed the setting to evaluate users' acceptance and informativity regarding the communication effectiveness of financial accounting messages contained in financial statements.

The foregoing discussion conveys the importance of earnings conferences, particularly as they allow the banks to directly respond to the participants on questions the latter may have (Lev, 2012). While this may help close the loop of communication, the responses may not necessarily be detailed enough to satisfy the users. Effectively constructed and communicated financial reporting information should thus anticipate and respond to users' needs in the statements themselves. This would also help audiences other than conference participants make meaningful interpretations of accounting information. Earnings conferences provide a unique and direct dialogic interactional opportunity between banks and stakeholders. Instead of using these events to gain or maintain legitimacy (Sandell & Svensson, 2017), listed companies can seize this opportunity and consider the concerns of financial statement users to enhance informativity, increase acceptability, and progress their relationship with the audiences through transparent and more effective communication.

Conclusion

The fundamental assumption underlying the financial reporting function is that it provides enough relevant information to users in their decision-making processes. In fact, this has been the underlying presumption for the conceptual framework of financial reporting (IASB, 2018). However, for this objective to be achieved, the reported information needs to be communicated effectively to the users. This paper sought to assess the extent of this communicational effectiveness by examining the transcripts of earnings conference Q&A sessions in the Kuwaiti banking sector. Earnings conferences offer an interactive avenue through which management presents their financial results; they allow participants to seek clarification of the reported information in the Q&A session. This paper adopted a thematic and topical analysis of the questions various users asked during earnings conferences to evaluate the communicational effectiveness of the information presented in the financial statements. The paper then analyzed the findings using Brennan and Merkl-Davies' (2018) model of corporate communication and effectiveness criteria.

The paper found that in applying Brennan and Merkl-Davies' framework, several aspects of the communicative process required for effective communication were lacking. Some financial reporting information was found to be relatively incohesive and incoherent, thereby reducing users' ability to make meaningful sense of some financial information. The financial statements consequently lacked textual connectivity, which in turn affected users' acceptance of the results.

This research makes certain contributions to the accounting literature. Firstly, it demonstrates the value of combining Brennan and Merkl-Davies' (2018) work with an extant qualitative approach to explain the phenomena. Construing communication as a dialogic rather than a monologic process, as discussed in the literature review, meant that the paper centred the users as the focal point for evaluating the effectiveness of financial statements communications. The paper therefore responds to Durocher and Georgiou's (2022) call for more user-centered research to contribute to understanding users' informational needs, which remains an underexplored area in the accounting literature (see Himick et al., 2022).

Whereas some prior studies investigated accounting users within the context of standard setting (e.g. Durocher & Fortin, 2010; Georgiou, 2018; Stenka & Jaworska, 2019; Young, 2006), this research complements Durocher and Georgiou's (2022) investigation into users' perceptions on accounting for goodwill, which found that the "goodwill balance sheet number provides no decision-useful information for most analysts" (p. 11). Our research complements this finding by arguing that there are other fundamental areas within financial statement information that lack quality reporting.

Secondly, prior studies examining earnings conferences seemed uninterested in investigating financial accounting problems and instead focused on analysts' behaviors and linguistic communication strategies. Likewise, Teoh's (2018) literature review on new datasets encouraged research to investigate conference calls yet focused on linguistics. While qualitative research on financial accounting remains scarce (Himick et al., 2022), this paper complements the work of Larcker and Zakolyukina (2012) by investigating financial accounting issues via earnings conferences. Nonetheless, our research differs in many ways. For example, Larcker and Zakolyukina focused on the linguistic features of preparers of financial statements to understand financial accounting irregularities, whereas this research focuses on users' comprehension to assess effective communication.

Finally, qualitative methodologies in financial accounting are challenging and require novel perspectives (Himick et al., 2022). The third contribution, this research makes, comes from its analytical procedure eliciting users' comprehension of communicated accounting information within a dialogic interaction. Prior studies used a topical analysis of the types of participants' questions. For instance, researchers have explored the types of questions that management may withhold from participants (Hollander et al., 2010), analysts' objectivity (Salzedo et al., 2018), and management's topic divergence strategies for participants' questions (Dia et al., 2022). The analysis of the questions was clustered to formulate topical categories. Our research contributes by making a further analytical step by inducing themes within overarching topics. Nevertheless, we argue that the model constructed in this research applies not only to different spaces within the field of earnings conferences but also to related areas to elicit and uncover explanations that hitherto would have remained hidden.

Notably, there are policy implications from this paper. Regulators can use our findings to understand where banks are obscure and to understand users' concerns. They can thus subsequently guide banks to reduce asymmetry and to build a prosperous two-way relationship with accounting users based on users' concerns in ways that ultimately enhance reporting practice.

Future research could extend the research setting and exploratory findings of this paper in different ways. Methodologically, the content analysis procedure of Q&As can facilitate understanding of users' needs about communicated accounting information in other economic fields and geographical settings to aid in the development of a macro-level understanding of practice. Additionally, our findings may or may not be culturally specific, so future research could compare the findings in the Kuwaiti banking field with findings in banks across different geographies. This paper primarily analyzed users' questions without actively engaging with the agency and intentionality of the preparers of accounting information. Future researchers can focus their examination on the intention of banks in preparing and communicating financial reports, and they can explore why certain aspects are communicated ambiguously. Alternatively, a discursive examination of both preparers and users can be undertaken to construct a holistic representation of the communication process. In this light, it might be worthwhile to consider the impact of theoretical discussion on impression management. Future studies could thus raise the following questions: Are there variations in the presentation of financial statements within the local field of banking? If so (or if not), then why (or why not)? They could also ask how users understand the measurement, recognition, and reporting of provisions for credit losses, segment reporting, and foreign currency. Another fruitful extension involves investigating the isomorphism underpinning banks' lack of communicating accounting information and what the role of external auditors is in such communication 'architecture'.

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Appendix 1: Explanation of Topical Codes Excluded from the Data Analysis

Code	Explanation	Examples
General financial questions	Most questions are clarifications relating to operating performance.	*"Can you elaborate on the Cost to Income Ratio?"* *"You mentioned that the cost of funding in [the] third quarter increased. If I may ask, what is the reason behind that?"* *"What do you expect will be the drivers of margin tightening in 4Q2021?"*
Capital adequacy	Queries are about capital adequacy and related ratios for both the bank and its subsidiaries.	*"After the issuance of Tier 1 Sukuk, what would be the impact on [bank name] CAR [capital adequacy ratio] ratio?"* *"Please share the T1 [Tier 1] and CAR levels at [the] end of Sep 2021?"*
Strategy and operations	Questions are about explaining matters related to bank strategy and/or operations.	*"Regarding the news on the investment subsidiary of the bank, could you please provide us with some color?"* *"[bank name] has not distributed any shareholders dividends, […] what are your dividends plans?"*
Covid-related	During the peak of the Covid-19 pandemic, the cabinet approved a bill for local banks to temporarily defer instalments of loans.	*"Should there be an equity impact from loan deferrals?"* *"What percentage of corporate loan […] has been given a six-month moratorium?"*
Cost of risk	Most inquiries are speculations about the costs of risks.	*"What is your expectation of cost of risk for 2020 compared to 2019?"* *"Please some guidance on cost of risk in 2021."*
Assets quality	Most questions are broad for both existing situations and expectations for asset quality and converge ratios.	*"How is the asset quality trending for [bank name] and how comfortable are you with it as you grow in retail?"* *"There are queries on asset quality and coverage ratios compared to last year. Please elaborate."*

Code	Explanation	Examples
Economic or political	Queries about economic competition between banks, the international and Kuwaiti economy, and political agendas that affect/influence economic activities.	*"Do you believe there is seasonality in project awards in Kuwait showing stronger growth in the first half of the year?"* *"What is your view on [the] passing of [the] mortgage law? Given the recent capital injection into KCB (Kuwait Credit Bank], do you still think that the mortgage law will be passed? How long will it take for banks to offer this new product? Are banks already working on this?"*
Digital	Questions either general or focused on the impact of investing in digital banking on strategy, operations and financial performance.	*"When do you expect the recent investments in digital channels to lead to a better [cost-to-income] ratio?"* *"Have you been active in fintech and blockchain technology initiatives?"*
Discount rate	We identified only five questions within this topical code. These inquiries are primarily about the effect of changes to the discount rate on the net interest margins (NIM).	*"What is the sensitivity of the balance sheet to interest rate increases? How should the 25 basis point rate rise boost NIM?"* *"What is the impact of rate hikes on margins for Islamic banks like yourself [sic]?"*
ESG	Inquiries are about banks' initiatives in relation to environment, social and governance standards.	*"Could you tell us a bit more about your ESG framework?"* *"Can you provide us with an update on the progress of your work on the ESG front?"*

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