ARTICLES

# Impact of Corporate Governance and Company Characteristics on the Timeliness of Corporate Internet Reporting in Kuwait

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***Abstract:***

**This study investigates the relation between several corporate governance and company-specific characteristics and timeliness of corporate Internet reporting by 147 Kuwaiti companies listed on the Kuwait Stock Exchange in 2012. Corporate governance characteristics examined were board size, board composition and role duality. Company-specific variables examined were company size, profitability, leverage, liquidity, ownership structure and industry type. A disclosure index consisting of 11 information items was developed to measure the timeliness of corporate Internet reporting for the selected companies. A multivariate regression analysis was used to test the relationship between corporate governance and company-specific characteristics and the timeliness of corporate Internet reporting. It is found that Kuwaiti listed companies, on average, disclose only 39 percent of the timeliness information items assessed by the timeliness index. The results indicated that disclosure of timely corporate information on companies' websites increases with a smaller board, more non-executive directors, separate individuals for the CEO and the chairman of the board of directors, larger financial companies, and with a greater proportion of shares owned by outsiders. This suggests that corporate governance and company-specific characteristics influence a company's timeliness of corporate Internet reporting behaviour, presumably in response to the information asymmetry between management and investors and the resulting agency costs.**

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## *Introducation*

The objective of financial reporting is to provide useful information about the company to a wide range of users to enhance decision-making (Owusu-Ansah, 2000). Useful information means that such information should be understandable, relevant, reliable and comparable. The usefulness of financial reporting to users is an important criterion of the quality of earnings. Timeliness in financial reporting is one of the significance determinants of their relevance. Timeliness has been recognized by the Financial Accounting Standards Board (FASB) and the Accounting Principles Board (APB) as a necessary condition to be satisfied if financial reporting is to be useful (Armstrong *et al*., 2010; McGee and Yuan, 2012).

Timeliness of financial reporting is also important for efficiency of the stock markets (McGee and Yuan, 2012). Timeliness helps in efficient and timely allocation of resources by reducing information asymmetry, by improving pricing of securities and by mitigating insider trading, leaks and rumours in the market (Kamran, 2003). Delays in releasing financial reporting increase uncertainty associated with investment decisions. An increase in the delay also reduces the information content and relevancy of the information (McGee and Yuan, 2012). Companies require a balance between the relative benefits of timely reporting and the reliability of information provided in the financial reporting (FASB, 2000). To satisfy timeliness, information should be reported before all aspects of a transaction or other event is known.

Timeliness has been receiving increased attention by regulators worldwide. For example in the US, the Securities and Exchange Commission (SEC), New York Stock Exchange, and NASDAQ have issued requirements and recommendations regarding the timely disclosure of financial information (Abdelsalam and Street, 2007). Furthermore, timeliness has been mentioned in the OECD Principles of Corporate Governance as "*The corporate governance framework should ensure that timely and accurate disclosure is made on all material matters regarding the corporation, including the financial situation, performance, ownership, and governance of the company*." (OECD, 2004: 22).

The adoption of the Internet has increasingly become an important new channel for the dissemination of financial reporting to different users (Al-Shammari, 2013). Recently, increasing numbers of companies around the world have set up websites used for the dissemination of financial reporting aimed specifically at satisfying varying users' needs within the suitable time to increase the value of the information (Boubaker *et al.*, 2012). The Internet is a technology with the power to revolutionize external reporting and is increasingly an important tool to facilitate a better functioning of capital markets by enhancing companies' abilities to provide users with up-to-date, timely information (Abdelsalam and Street, 2007). Moreover, the Internet also provides a unique form of corporate voluntary disclosure that enables companies to provide information instantaneously to a global audience (Abdelsalam *et al.*, 2007).

Kuwait offers a particularly appropriate context for this study for three reasons. First, its economy faced many changes since the middle 1990s. Kuwait took several steps towards introducing democracy and liberating the economy. This can be clearly seen through issuance of a number of laws and regulations required for more stability in the Kuwaiti economy. These changes led to the lifting of restrictions on the media, abolishment of the Ministry of Information, introduction of the privatization program and creation of the Capital Market Authority. Moreover, the Kuwait Stock Exchange (KSE) reflected these changes with a significant increase in the volume of traded shares and market capitalization. Trading volume increased from USD $51,820 million in 2004 to USD $116,241 million in 2012, making the KSE the largest market in the Arab world after Saudi Arabia in total market capitalization: USD $79,260 million as of December 2012 (Arab Monetary Fund, 2012).

Second, new interest in technological innovation and global network communication has existed in Kuwait since the late 1990s. The use of the Internet has grown rapidly since 2000. The number of Internet users in Kuwait rose more than 900 percent over the past ten years since 2000. From about 150,000 Internet users reached in 2000, it grew to 1,450,000 by the end of 2012. Moreover, the number of

Internet users represents almost half of the three million population of Kuwait (Central Statistical Bureau, 2013). As a consequence, the Kuwaiti government initiated a new orientation towards using the Internet for different purposes, for example, paying governmental charges like traffic tickets and making utilities payments. It is now also used for providing online news and comments, with the result that Kuwaitis can obtain current information on the Internet. Individuals, companies and organizations can establish their own Internet accounts easily without any government approval or registration required to open an account or set up a website.

Third, unlike developed countries such as the UK and the US, corporate Internet reporting on a company's website is mainly voluntary and unregulated in Kuwait. Moreover, there is no official organization that either requires or forbids companies to disclose any specific data on a website. More importantly, a review of Kuwaiti companies' websites for the last five years indicated that the number of them disseminating their financial reporting via the Internet has increased significantly. These changes in the Kuwait environment led to changes in the needs of users of financial reporting. They are more likely to expect to receive more timely, accurate and adequate information to help them in making rational decisions. Therefore, investors increasingly access basic financial information such as annual and interim reports, and obtain timely information such as press releases, analysts' webcasts and daily stock quotes, from corporate websites.

However, despite the growing significance of the Internet as a source of corporate information for investors, the timeliness of the information provided on corporate websites may vary greatly. Indeed, as an explosion of online sources has reinvented how financial information is gathered and disseminated in a globally interconnected capital market, some have expressed concerns about the quality of information provided via the Internet. For example, the International Federation of Accountants (IFAC) has addressed the serious and widespread issue of low credibility in online financial reporting and encourages company directors to develop a corporate Internet reporting (CIR) policy to ensure the disclosure of high-quality, transparent and timely information. IFAC (2003) recommends frequent updating of financial information on corporate websites. Therefore, this study investigates the timeliness of the disclosed online information by Kuwaiti companies listed on the Kuwait Stock Exchange at the end of 2012. It also examines the association between corporate governance and company-specific characteristics and the timeliness of corporate Internet reporting.

The remainder of the study is organized as follows. Section 2 describes corporate governance in Kuwait. Section 3 reviews the literature that addresses corporate Internet reporting timeliness. Section 4 discusses the hypotheses of the study. Section 5 outlines the research methodology of sample selection and the measurement of dependent and independent variables. Section 6 presents the data analysis and discussion of the results. Finally, Section 7 summarizes the study conclusions and sets out the limitations and directions for future research.

## *Corporate Governance in Kuwait*

There is no corporate-wide governance code in Kuwait, although numerous initiatives have addressed the issue of corporate governance. Several organizations such as the Chamber of Commerce and the Union Investment Companies have organized conferences, seminars and forums on the subject to encourage the government to publish guidelines for corporate governance. As a result, a corporate governance code for only banks is expected to be issued by the Central Bank of Kuwait during 2013. However, Company Law 15 of 1960 does contain 12 provisions on corporate governance practices. The topics include election of boards of directors and their term in office; board vacancies; minimum number of board meetings in the fiscal year; and the liability of the board to the company and shareholders. Each company must have a minimum of three directors, with no ceiling on the maximum, with renewable terms of not more than three years.

The Company Law allows directors to hold office concurrently with any other office in the company, but does not specify the balance between executive and non-executive directors. In terms of board structure based on duality, the same individual may function as chairman of the board and CEO. The Stock Exchange Law is silent on all of these provisions, requiring only that board members inform the stock exchange administration of how many shares they own within one month of being appointed to the board. However, such information is not published and only the exchange is informed.

These provisions have not been amended since issuance of the Company Law in 1960 and the Stock Exchange Law in 1983. This study assesses the impact of these provisions on the timeliness of corporate Internet reporting.

## *Literature Review*

The existing literature on corporate Internet reporting indicates a significant evolution of associated research over the last decade. The literature on corporate Internet reporting can be categorized into two types: descriptive studies and empirical studies (Ali Khan and Ismail, 2012; Boubaker *et al.,* 2012; Henchiri, 2011; Garg and Verma, 2010). The descriptive studies assess company Internet practices either in one country or more (Ali Khan and Ismail, 2012; Barac, 2004; Ettredge *et al.*, 2002; Lybaert, 2002). The empirical studies measure the level of financial disclosure in company websites by using a disclosure index and examine factors affecting the level of disclosure. These studies have been conducted in various Western, Asian and Middle Eastern countries. For example, these include the United States (Hindi and Rich, 2010; Ashbaugh *et al.*, 1999), United Kingdom (Marston and Leow, 1998; Craven and Marston, 1999), Spain (Turrent and Ariza, 2012; Sanchez *et al.*, 2011), Japan (Marston, 2003), New Zealand (Oyelere *et al.*, 2003), Ireland (Brennan and Hourigan, 1998), Austria (Pirchegger and Wagenhofer, 1999), Turkey (Erer and Dalgic, 2011; Bozcuk, 2012), Greece (Despina and Demetrios, 2009), Germany (Marston and Polei, 2004), Malaysia (Hassan *et al.*, 1999); Argentina (Alali, and Romero, 2012), Taiwan (Lai *et al.*, 2010), India (Verma, 2010), Mexico (Turrent and Ariza, 2012), Indonesia (Puspitaningrum and Atmini, 2012); Bangladesh (Nurunnabi and Hossain, 2012); and China (Xiao *et al.*, 2004; Zhang *et al.*, 2007).

A number of studies were undertaken in Middle Eastern countries, for example: Kuwait (Al-Shammari, 2007; Joshi and Al-Modhahki, 2003); Bahrain (Desoky and Mousa, 2013; Joshi and Al-Modhahki, 2003); Egypt (Aly *et al*., 2010); and Jordan (Momany and Al-Shorman, 2006; Al-Htaybat and Napier 2006; Al-Hayale, 2010). Specifically, Hamdan *et al*. (2013) investigated the extent to which corporate governance applied in Kuwait and the impact of corporate governance in firms' performance. They reported that an average application of corporate governance and Kuwaiti firms did not differ in applying corporate governance conditions. They also found that corporate governance did not have any impact on performance as measured by return on investment and earnings per share. All these studies showed that Internet reporting is considered a very important approach to communicate information for both developed and developing countries. The studies have also provided evidence on the factors motivating the corporate Internet reporting behaviour of companies around the world. Although there are a growing number of empirical studies measuring the disclosure of corporate Internet reporting and its determinants since 1995, few studies have focused on the timeliness of corporate Internet reporting.

The first study investigating timeliness of corporate Internet reporting was by Pirchegger and Wagenhofer (1999). They examined the use of the Internet to disseminate financial information in Austria and Germany in 1997 and 1998. Five criteria were used to measure the timeliness of corporate Internet reporting. They were 1) updating the website frequently, 2) distinguishing between current and past information, 3) availability of daily stock quotation, 4) response rate to a standard request, and 5) response rate to a special request. They reported that on average 66 percent of both Austrian and German companies disclosed timely information on their websites.

Ettredge *et al*. (2002) examined the time lag with which financial reports were posted at corporate websites of 47 US companies at the end of June 1999. They indicated that there was a delay of 30 days between the dates of the filed annual reports and the dates that they were disseminated on the website. They investigated seven company characteristics explaining the variation in the time it took companies to update their websites' financial information. The study concluded that shorter delays were associated with greater profitability and shorter lags in announcing earnings through press releases. On the other hand, longer delays were associated with external links to the electronic data gathering, analysis and retrieval system.

Lybaert (2002) investigated the extent to which the Internet was used for financial reporting of 188 Dutch companies listed on the Amsterdam Stock Exchange (AEX) in the Netherlands in June 2000. He used eight criteria to measure the timeliness of disclosed information. The criteria were 1) date of the last update, 2) availability of current information, 3) availability of a share quotation, 4) ability to update a quotation during the day, 5)response rate for a standard request, 6) time used to mail annual reports, 7) response rate for a special request and 8) day of the response. The study reported that highly disclosed items were the response to a standard request (76%), the response to a special request (43%) and finding current information (42%). The lowest disclosed items were date of the last update of the website (7%), frequently asked questions (11%) and quotation of share price (27%).

Davey and Homkajohn (2004) examined the extent of timeliness of internet financial reporting by 40 Thai listed companies. They used four criteria to measure timeliness: 1) press release existence, 2) unedited latest quarterly results, 3) stock quotation, and 4) vision/forward-looking statements. They reported that press release (89%) was the most highly disclosed item among the Thai companies. Barac (2004) examined the use of Internet reporting by the 94 largest South African companies in June 2002. Only three criteria were used to measure timeliness: 1) current press releases, 2) share price information, and 3) real-time or 20-min share prices. The study indicated that the current press release (92 %) was the highest disclosed item followed by share price information (77%) and real-time or 20-min share prices (75%).

Marston and Polei (2004) examined the timeliness of corporate Internet reporting by 50 German companies in 2000 and 2003 and investigated factors affecting timely corporate reporting online. They used the Pirchegger and Wagenhofer (1999)'s five criteria to measure the timeliness of corporate Internet reporting. They reported that company size was a significant positive variable in 2000 and 2003, whereas profitability was a significant negative variable in 2003.

Abdelsalam and Street (2007) examined the timeliness of corporate Internet reporting by 115 UK companies listed on the London Stock Exchange. They also investigated the influence of several corporate governance and company-specific characteristics on the timeliness of corporate Internet reporting. Their timeliness index consisted of 11 items. The study reported that timely corporate Internet reporting was significantly related to board experience, board independence, audit fees and the number of analysts. The results also show that boards with less cross directorships, more experience in terms of the average age of directors, and lower length in service for executive directors provided more timely corporate Internet reporting. They found that board independence is negatively associated with timely corporate Internet reporting.

Ezat and Al-Masry (2008) examined the timeliness of disclosed information on the websites of the 37 most active listed Egyptian companies on the Cairo and Alexandria Stock Exchange at the end of 2006. The study also investigated the relationship between timeliness of corporate Internet reporting and both the corporate governance attributes and company-specific characteristics. Their timeliness index consisted of 11 items. The study indicated that the current press release (67%) was the highest disclosed item by the sample companies, whereas the most recent interim financial reports item (18%) was the lowest. They reported that large companies that had a high rate of liquidity, a high proportion of independent directors, a large number of board directors and were from the service sector disclosed more timely information on their websites.

Abdelsalam and El-Masry (2008) investigated the extent of the timeliness of corporate Internet reporting by 44 Irish listed companies.

They also examined the influence of board composition, role duality, average tenure of directors, and ownership structure on the timeliness of corporate Internet reporting. They used an updated version of the Abdelsalam and Street (2007) disclosure index to measure the timeliness, which consisted of 13 information items. The study reported that Irish listed companies satisfied only 46% of the timeliness information items assessed by the timeliness index. After controlling for size, audit fees and firm performance, the timeliness of corporate Internet reporting was positively associated with the board of director's independence and managerial ownership. They also indicated that large companies were faster in posting their annual reports to their websites.

Based on the literature reviewed, it can be concluded that while numerous studies have addressed the determinants of corporate Internet reporting, few have strongly focused on the important dimension of the timeliness of corporate Internet reporting. Moreover, the literature shows that studies measuring the timeliness of corporate Internet reporting and investigating factors affecting the disclosure of timely information in their websites are scarce and limited. To date, no prior study has employed a comprehensive and systematic index to measure the timeliness of corporate Internet reporting in Kuwait. Therefore, this study attempts to measure the extent to which companies listed on the Kuwait Stock Exchange disclose timely information in their websites. This study also examines the determinants of the timeliness of corporate Internet reporting by Kuwaiti companies.

### *Hypotheses Development*

To better understand how Kuwaiti companies respond to the need for timely Internet reporting, it is necessary to relate their corporate Internet reporting practices to certain factors. Prior studies indicate that there are many variables that can be used to observe the variation in the timeliness of corporate Internet reporting by listed companies (Pirchegger and Wagenhofer, 1999; Abdelsalam and Street, 2007; Abdelsalam and El-Masry, 2008; Ezat and Al-Masry, 2008). These factors in general can be divided into two categories: corporate governance attributes and company-specific characteristics. Corporate governance attributes are the factors about the board of directors that encourage management of the company to disseminate timely corporate Internet information in their websites (Abdelsalam and El-Masry, 2008), for example board composition, board size and role duality. Company-specific characteristics are the factors that enable management to prepare financial reports promptly and to reduce the costs related to unnecessary delays in reporting (Owusu-Ansah, 2000). Such factors include company size, foreign listings, ownership structure, industry type and financial conditions such as profitability, leverage and liquidity.

This study investigates the influence of both corporate governance attributes and company-specific characteristics that are relevant to the Kuwaiti socio-economic environment, and for which data were available. The tested corporate governance attributes are the board size, board composition and role duality. The tested company-specific factors are company size, leverage, liquidity, profitability, ownership structure and industry type.

***Board size***

The board of directors has the ultimate responsibility for the implementation of corporate governance in a company. According to the agency theory perspective, the number of directors on the board has an effect on the extent of a company's monitoring, controlling, and decision making (Adam and Mehran, 2003). Some studies argue that smaller boards lead to easy coordination, cohesiveness and communication (Lipton and Lorsch, 1992; Jensen, 1993). As more directors are added to the board, it becomes difficult to coordinate and have interpersonal communication and encourages free riding and poses other problems (Lipton and Lorsch, 1992). Therefore, one can argue that for voluntary disclosure such as timely corporate reporting, there must exist more efficient monitoring, communication and coordination within the board. Because of easy communication and coordination, it can be argued that companies with smaller boards of directors are more likely to make voluntary disclosures such as timely corporate reporting on their websites to attract more investors and satisfy the shareholders' needs. In Kuwait, the Company Law sets a minimum of three directors for each company but no maximum number. Depending on the above arguments, it is expected to find a negative relationship between the board size and the timeliness of corporate Internet reporting. Accordingly, it is hypothesized that:

*H1: there is a negative significant relationship between timeliness of corporate Internet reporting and board size.*

Empirical results investigating the influence of board size on online disclosure have reported mixed results. For example, while Desoky and Mousa (2013) and Homayoun and Abdul Rahman (2010) found positive associations, Erer and Dalgic (2011) reported no significant association. There are only two prior studies that examined the impact of board size on timeliness of corporate Internet reporting. Ezat and El-Masry reported a positive relationship between board size and timeliness of corporate Internet reporting, whereas Abdelsalam and El-Masry found an insignificant relationship. This study will add more evidence on such a relationship.

***Board composition***

Boards can be effective mechanisms to monitor top management on behalf of dispersed shareholders. Board composition is, therefore, relevant to corporate performance including timely disclosure (Abdelsalam and Street, 2007). Board composition refers to the proportion of non-executives to the total number of directors. It is also known as the independent directors. The executive directors are full-time employees of the company with clearly defined roles and responsibilities for day-to-day operations, while non-executive directors are not affiliated with the company in any way.

A larger proportion of non-executive directors may enhance the board's effectiveness and help to alleviate the agency problem by monitoring and controlling the opportunistic behaviour of management (Jensen and Meckling, 1976; Rosenstein and Wyatt, 1990). Kelton and Yang (2008) also argued that non-executive directors are less tied to management and may thus encourage companies to disclose more information to outside shareholders, enhance monitoring of financial disclosure quality and reduce incentives to withhold information. Consequently, companies with a larger proportion of non-executive directors are expected to disseminate timely corporate information on their websites to enhance monitoring and assure both the non-executive directors and shareholders about the quality of financial disclosure and that they are acting in their interests.

In Kuwait, the Company Law left it up to the board to determine the proportion of non-executive directors, as there is no regulation governing this. A board with a higher proportion of non-executive directors might be more likely to monitor management and limit the opportunistic behaviour of the management. Kuwaiti companies' boards with a higher proportion of non-executive directors are expected to encourage companies to disclose timely information on their websites to reduce agency costs and assure shareholders that they are acting in their interests. Based on these assumptions, it is hypothesized that:

*H2: there is a positive significant relationship between timeliness of corporate Internet reporting and board composition.*

Prior studies reported a positive association between board composition and disclosure in the companies' websites (Desoky and Mousa, 2013; Erer and Dalgic, 2011; Kelton and Yang, 2008; Abdelsalam *et al*., 2007). However, Puspitaningrum and Atmini (2012) reported an insignificant relationship. Empirical evidence on the relationship between timeliness of corporate Internet reporting and the proportion of non-executive directors is also mixed. Abdelsalam and Street (2007) found a negative association, whereas Ezat and El-Masry (2008) and Abdelsalam and El-Masry reported a positive relationship.

***Role duality***

In role duality, a single individual serves as both the CEO (chief executive officer) and chairman of the board, creating a unified leadership structure. The CEO is a full-time position and is responsible for the day-to-day management of the company as well as for setting and implementing company strategies. The chairman is usually part time and the main responsibility is to ensure the effectiveness of the board (Abdelsalam and Street, 2007). According to agency theory, the combined functions (dual role) create a strong individual power base that can significantly impair the board's monitoring, disciplining and compensating of senior managers (Molz, 1988). It also enables the CEO to engage in opportunistic behaviour because of his/her dominance over the board. The CEO may be capable of controlling board meetings, selecting agenda items and selecting board members (Fama and Jensen, 1983; Kelton and Yang, 2008). Individuals who hold both roles are aligned more with management than with shareholders and hence tend to withhold unfavourable information from shareholders. As a consequence, companies with role duality may not be as interested to disclose timely information on their websites.

In Kuwait, since the Company Law allows duality, a number of listed companies are managed by one individual with two positions. It can be expected that companies with CEO duality are more likely not to disclose timely information on their websites because their CEOs may withhold such information from shareholders to serve their own interests. Accordingly, it is hypothesized that:

*H3: there is a negative significant relationship between timeliness of corporate Internet reporting and role duality.*

The literature review showed that the influence of role duality on timeliness of corporate Internet reporting was not examined intensively. Previous empirical studies on the relationship between timeliness of corporate Internet reporting and role duality found no significant relationship (Abdelsalam and Street, 2007; Abdelsalam and El-Masry, 2008; Ezat and El-Masry, 2008).

***Company size***

Company size is identified as a significant variable in explaining variation in the extent of disclosure in prior disclosure studies. A number of theoretical explanations for expecting a positive relationship between company size and voluntary disclosure such as the timeliness of corporate Internet reporting is discussed below. Larger companies are often argued to be early reporters in their websites for several reasons.

First, larger companies are more likely to have the resources and expertise necessary to prepare and disseminate timely corporate reporting in their websites compared to their smaller counterparts. Second, the capital need hypothesis (Choi, 1973) suggests that a prime motive for disclosure is the need to raise capital at the lowest cost. To raise capital on the markets, companies may disseminate timely corporate reporting in their websites because they are subject to more rigorous public scrutiny. Finally, agency theory (Jensen and Meckling, 1976) suggests that agency costs are associated with the separation of management from ownership, which are likely to be greater in larger companies. Therefore, larger companies have a greater incentive to disclose timely corporate reporting online than smaller companies to enhance their reputation and public image and to lessen public criticism or threat of government intervention.

These lines of reasoning provide strong ground for predicting that larger companies are more likely to disclose online information than smaller companies. Thus, it is hypothesized that:

*H4: There is a positive significant relationship between timeliness of corporate Internet reporting and company size.*

Empirical results in the literature investigating the association between company size and disclosure online were mixed. A number of studies reported a positive relationship between company size and disclosure online (Desoky and Mousa, 2013; Erer and Dalgic, 2011; Debreceny *et al.*, 2002; Xiao *et al.*, 2004). However, Aly *et al.*, (2010) and Nurunnabi and Hossain (2012) found no such relationship. Prior studies investigated the relationship between the size of the companies and timely online disclosure and found that size has a positive significant relationship with the timely disclosure online (Pirchegger and Wagenhofer, 1999; Marston and Polei, 2004; Chan and Wickramasinghe, 2006; Ezat and El-Masry, 2008). However, Abdelsalam and El-Masry (2008) reported no significant association.

***Profitability***

Prior studies suggest that profitability is an important factor that may influence the disclosure levels. There are many reasons for the importance of studying the relationship between profitability and online disclosure. According to agency theory, managers of larger profitable companies may wish to disclose timely corporate reporting online to obtain personal advantages like continuance of their management position and compensation (Inchausti, 1997). Applying signalling theory (Ackerlof, 1970), larger profitable companies may disclose timely corporate reporting in their websites to be distinguished from less profitable companies. Based on the argument of Watts and Zimmerman (1986), companies with larger profits are more vulnerable to regulatory intervention and hence they could be more interested in disclosing timely corporate reporting online to justify their financial performance and to reduce political costs. Accordingly for these reasons, it is hypothesized that:

> *H5: there is a positive significant relationship between timeliness of corporate Internet reporting and profitability.*

Empirical results in the literature investigating the relationship between profitability and disclosure online found a positive relationship (Aly *et al.*, 2010; Homayoun and Abdul Rahman, 2010; Ashbaugh *et al.*, 1999). Erer and Dalgic, (2011) and Nurunnabi and Hossain (2012) reported no significant relationship. Furthermore, previous studies reported no significant relationship between profitability and timeliness of corporate Internet reporting (Abdelsalam and El-Masry, 2008; Ezat and El-Masry, 2008). On the contrary, Marston and Polei (2004) reported a negative association.

***Leverage***

Company capital structure could also have an impact on timeliness of corporate Internet reporting. Leverage (gearing) refers to the use of finance resources such as debt and borrowed funds to increase the return on equity. Both the shareholders and creditors would demand timely information to assess the firm's financial ability. According to agency theory, monitoring costs are expected to be higher for companies with higher leverage because there is relatively more wealth for managers to transfer from debt holders. Companies with higher leverage can be expected to disclose timely information online to reduce agency costs by reassuring debt holders that their interests are protected.

In Kuwait, banks play a dominant financial role in the economy (Al-Shammari, 2007). Banks have substantial and enduring financial relationships with companies and they often have access to information directly from the company (Al-Shimmiri, 2003). Companies with higher leverage will be responsible for satisfying the banks' needs by disseminating timely reliable information on the website to make these creditors more confident about the ability of the companies to pay their debts. Moreover, companies with higher leverage have, by definition, less equity and probably relatively fewer shareholders. Consequently, they are more likely to be subject to higher equity risk than companies with a lower level of leverage. Therefore, there will be greater shareholder demand for timely information online to assess continually both the probability the company will meet its debt obligations and the riskiness of future cash flows arising from its investments. Accordingly, it is hypothesized that:

*H6: there is a positive significant relationship between timeliness of corporate Internet reporting and leverage.*

Empirical studies in the literature investigating the relationship between leverage and disclosure of corporate Internet reporting are inconsistent. Some studies show a positive significant relationship (Momany and Al-Shorman, 2006; Xiao *et al.,* 2004; Ismail, 2002), while others show an insignificant relationship (Erer and Dalgic, 2011; Aly *et al.*, 2010). With respect to the timeliness of corporate Internet reporting, empirical studies reported a positive relationship between leverage and timely corporate Internet reporting (Chan and Wickramasinghe, 2006; Abdelsalam and El-Masry, 2008; Ezat and El-Masry, 2008; Ettredge *et al*., 2002).

***Liquidity***

Liquidity means the ability of companies to liquidate their assets with a minimum loss of value. Wallace and Naser (1995) argued that regulatory bodies, debt holders and shareholders are particularly concerned with the going-concern status of companies. In view of this, the ability of a company to meet its short term commitments without having to liquidate its fixed assets is potentially an important factor in the evaluation of the company by regulatory bodies, debtholders and shareholders. The inability of a company to meet its short term commitments may result in delays in paying debts and could, in the extreme case, give rise to bankruptcy. One can argue that companies with lower liquidity ratios are more likely to disseminate timely information online because shareholders, lenders and regulatory authority are concerned with those companies' meeting short term commitments and their going-concern status. Therefore, companies with lower liquidity ratios could use the Internet to disseminate corporate reporting to satisfy the needs of the shareholders, lenders and regulatory authorities. According to this argument, it is hypothesized as follows:

*H7: there is a negative significant relationship between timeliness of corporate Internet reporting and liquidity*.

Empirical findings in the literature report an insignificant relationship between liquidity and online disclosure (Aly *et al*., 2010). With respect to the relationship between liquidity and the timeliness of corporate Internet reporting, Abdelsalam and El-Masry (2008) found no relationship, whereas Ezat and El-Masry (2008) indicated that the higher the liquidity ratio, the greater the disclosure of timely corporate Internet reporting. This study will further examine the influence on this variable in Kuwait.

***Ownership structure***

Company ownership structure has been suggested as relevant in explaining variations in voluntary disclosure. Wallace and Naser (1995) suggested that variation in the proportion of a company's shares owned by outsiders (shareholders) may account for some differences in the level of voluntary disclosure. Applying agency theory, companies with more outsider ownership are more likely to disclose more information on their websites to supply the shareholders with necessary timely information than companies with less outsider ownership. Timely corporate reporting may allow outsiders to monitor their interests more efficiently, thereby reducing agency costs. Applying signalling theory, managers of companies with more outsider ownership are more likely to use the Internet to disclose timely information to signal that they are acting in their interests. On the other hand, companies with more insider ownership tend to disclose less information on their websites because shareholders can access the required information internally (Marston and Polei, 2004).

In Kuwait, according to Stock Market Law No. 2 of 1999, shareholders in listed companies are required to publish their share ownership when it reaches at least 5 percent of the outstanding shares of a company. It appears that three shareholders groups typically have substantial ownership in companies listed on the KSE (Al-Shammari, 2007). These groups are the government and its agencies, institutional investors, and dominant families. These groups may influence the level and quality of disclosure. They are considered insiders because they usually have representatives on the companies' boards of directors; thereby, they have better access to internal information. Therefore consistent with agency theory, it can be predicted that companies with more outsider ownership have a higher motivation to disseminate timely information than companies with more insider ownership because there are more shareholders. Accordingly, it is hypothesized that:

*H8: there is a positive significant relationship between timeliness of corporate Internet reporting and ownership structure.*

Empirical results in the literature on the association between ownership structure and online disclosure are mixed. Momany and Al-

Shorman (2006) reported a positive relationship, whereas Erer and Dalgic, (2011) and Puspitaningrum and Atmini (2012) reported no significant association. Prior studies examining the relationship between ownership structure and timeliness of corporate Internet reporting also show inconclusive results. While Abdelsalam and Street, (2007) reported an insignificant relationship, Marston and Polei (2004), Abdelsalam and El-Masry (2008) and Ezat and El-Masry (2008) found positive associations.

***Type of industry***

Industry has been identified by theoretical and empirical research as a factor with a significant influence on disclosure. Industry is included to account for any otherwise uncontrolled, industry-specific factors that may influence the level of voluntary disclosure and the timely Internet reporting. Industry type may capture sensitivity to political costs not captured by other proxies that differ by industry (Ball and Foster, 1982). One can also argue that the existence of a dominant company in an industry with timely Internet reporting may have bandwagon effects for all companies within that industry. Thus, it is hypothesized that:

*H9: there is a significant relationship between timeliness of corporate Internet reporting and type of industry.*

Previous studies reported significant associations between industry type and online disclosure (Desoky and Mousa, 2013; Ismail, 2002; Oyelere *et al.*, 2003; Xiao *et al.*, 2004; García-Borbolla *et al.,* 2005; Debreceny *et al.*, 2002). However, others found an insignificant association (Nurunnabi and Hossain, 2012; Homayoun and Abdul Rahman, 2010; Larrán and Giner, 2002). Empirical findings in the literature of the relationship between industry type and timeliness of corporate Internet reporting are also mixed. Some studies report positive associations (Ezat and El-Masry, 2008; Ashbaugh *et al.,* 1999), while others found an insignificant relationship (Abdelsalam and El-Masry, 2008; Chan and Wickramasinghe, 2006).

## *Research Methods*

### *Sample and data*

The sample for the study was drawn from companies listed on the Kuwait Stock Exchange (KSE). Listed companies were selected because these are the top companies in Kuwait and thus are likely to possess the greatest potential to attract and employ skilled and competent individuals on the boards of directors. These companies have good access to capital and other resources necessary for survival and for improving their disclosure practices and competitive position. The 2012 *Companies Guide* published by the KSE revealed that on 31 December 2012, a total of 186 Kuwaiti companies (financial and non-financial) were listed on the stock exchange. All of these companies were included in this study.

To explore whether each of these companies had a website or not, three approaches were used. First, the *Companies Guide* was consulted to obtain web addresses for the relevant companies. Second, search engines (Google.com and Yahoo.com <http://www.yahoo.com>) were used if addresses were not available from the *Companies Guide*. The searches were performed during March to May 2013 at various intervals in an attempt to access as many sites as possible. Finally, the remaining companies were contacted by telephone to find out whether or not they had established corporate websites and, if so, to obtain their web addresses. It was considered necessary to use multiple sources, given the spread of developments in relation to website establishment among companies (Ettredge *et al*., 2002; Igbal, 2005). These procedures yielded a final sample of 147 companies (dropping 39 companies) that have accessible websites. This sample represents 79% of the listed companies. This reflects that most Kuwaiti listed companies are inclined to use the Internet as a channel to disseminate corporate information and to communicate with shareholders and investors. Table 1 summarizes the study sample by industry sectors.

### *Dependent variable*

This study examines the association between three corporate governance and six company-specific characteristics and the timeliness of corporate Internet reporting by Kuwaiti companies listed on the KSE at the end of December 2012. The timeliness of

***Table 1***
***The study sample by industry sectors***

| Sector | Listed companies | Excluded companies | Study sample |
|---|---|---|---|
| Banks | 11 | 0 | 11 |
| Oil and gas | 8 | 3 | 5 |
| Basic materials | 5 | 2 | 3 |
| Manufacturing | 35 | 9 | 26 |
| Consumable goods | 7 | 3 | 4 |
| Health care | 3 | 0 | 3 |
| Consumable services | 16 | 7 | 9 |
| Communications | 3 | 0 | 3 |
| Insurance | 7 | 0 | 7 |
| Real estate | 38 | 7 | 31 |
| Financial services | 49 | 8 | 41 |
| Technology | 4 | 0 | 4 |
| **Total** | **186** | **39** | **147** |

corporate Internet reporting is the dependent variable. It was measured by a checklist that contains 11 items developed by Abdelsalam and Street (2007), Barac (2004), Davey and Homkajohn (2004), and Pirchegger and Wagenhofer (1999). The criteria that determine the timeliness of corporate Internet reporting are as follows:

- Current press releases or news;
- Link to the regulatory news services;
- Current share price;
- Calendar for future financial events;
- Pages indicate the latest update;
- Monthly or weekly sales or operating data;

- Market share of key products;
- Current dividends announcements;
- Date of the last website update;
- Most recent interim financial reports; and
- Option to register for future e-mail alerts regarding press releases or newsletters.

The timeliness of corporate Internet reporting of each sample company's website was carefully reviewed. Each company's website was examined and the timeliness item scored 1 if disclosed on its website, and 0 if the timeliness item was not found. The scores for each item were added to derive the final score for each company. The timeliness of corporate Internet reporting index (TCIR) was calculated as the ratio between the sum of the information items obtained and the total information items that the company could have obtained. Most disclosure studies follow this method.

***Independent variables***

The independent variables are the three corporate governance characteristics (board size, board composition and role duality) and the six company-specific characteristics (company size, profitability, leverage, liquidity, ownership structure and industry type). Sources of the information independent variables are the companies' websites and the 2012 *Companies Guide* published by the KSE. Table 2 summarizes the independent variables and their proxies.

### *Table 2*
### *Summary of the independent variables and their proxies*

| Independent variables | Acronym | Proxy |
|---|---|---|
| **Corporate governance variables** | | |
| Board size | BSize | Total number of directors on the board of the company |
| Board composition | BCom | The proportion of non-executive directors to total number of directors on the board of the company |
| Role Duality | Dual | Dichotomous with 1 if the chairman is also chief executive officer (CEO) of the company and 0 otherwise |
| **Company-specific variables** | | |
| Company size | CSize | Natural log of total assets |
| Profitability | Profit | Return on equity = earnings before taxes or *Zakat** and interest/total shareholders' equity |
| Leverage | Lever | The proportion of total debt to total assets of the company |
| Liquidity | Liquid | Current assets/current liabilities |
| Ownership structure | Owner | the proportion of shares owned by outsiders** |
| Type of industry | Industry | Dummy variable coded 1 = financial company, 0 = otherwise. |

* *Zakat* is defined as a religious duty (tax) charged in accordance with *Al-Quran'n Al-Karim* and levied on proceeds, profits and gains from all sources. The rate of the Zakat is 2.5% of the net invested funds in accordance to *Al-Quran'n Al-Karim*. However, it is not obligatory on Kuwaiti companies, there are 35 companies pay the zakat voluntarily.

** In Kuwait, there is no information about the number of shareholders, but there is information about the proportion of shares owned by government and its agencies, dominant families and institutional investors as the Kuwait Stock Exchange requires each individual, a company or the government that owns 5% or more to disclose their ownership. The proportion owned by these three groups is added together to arrive at the proportion of equity of insiders and to derive the proportion of a company equity owned by outsiders.

### *Statistical methods*

Following previous studies, multivariate regression analysis has been used to investigate the relationship between the dependent and independents variables. The following model was used to analyze the relationship between the timeliness of corporate Internet reporting and corporate governance and company-specific characteristics.
where TCIR = timeliness of corporate Internet reporting index and

## *Data Analysis and Results*

### *Descriptive statistics*

Descriptive statistics for the dependent (timeliness of corporate Internet reporting index) and independent variables (corporate governance and company-specific characteristics) are provided in Table 3. The mean of timeliness of corporate Internet reporting index for the sample companies was 39 percent, with a range of 18 to 81 percent, indicating large variations in disseminating timely corporate Internet reporting. This finding indicates that none of the sample companies are fully responding to investors' and other users' needs for timely corporate Internet reporting. This is lower than Pirchegger and Wagenhofer (1999) found in Austria and Germany (66 percent); Lybaert (2002) reported in the Netherlands (ranges from 7% for date of last website update to 76% for response to a standard request); Barac (2004) found in South Africa (ranges from 75% for real-time or 20-min share prices to 92% for current press release); Abdelsalam and El-Masry (2008) found in Ireland (46 percent); and Ezat and Al-Masry (2008) found in Egypt (ranges from 67% for current press release and 18% for most recent interim financial reports).

Most Kuwaiti sample companies tended to disclose the current share price (81 percent) on their websites. This suggests that disclosing updated share price is an important item to the companies. Such companies desire to disseminate this item to different stakeholders to support them in making rational decisions (Abdelsalam and El-Masry, 2008). The calendar for future financial events was disclosed by 64 percent of the sample companies. This suggests that Kuwaiti companies prefer to update the stakeholders with their future financial events. The results report that none of the sample companies disclose the monthly or weekly sales or operating data on their websites. This could be attributed to Kuwaiti companies not wanting to disclose such information on their websites because of competitive disadvantages. The findings suggest that disclosure of timely corporate Internet reporting on the websites of the Kuwaiti companies needs improvement. Such disclosure may also need to be regulated as, for example, in France (Ali Khan and Ismail, 2012).

***Table 3***
***Descriptive statistics for the dependent and independent variables***

| | Mean | Std. Dev. | Min | Max |
|---|---|---|---|---|
| Timeliness of corporate Internet reporting index (TCIR) | 0.39 | 0.12 | 0.18 | 0.81 |
| Board size (BSize) | 6.37 | 1.691 | 3 | 11 |
| Board composition (BCom) | 0.82 | 0.11 | 0.10 | 1.00 |
| Role duality (Dual) | 0.59 | 0.51 | 0.00 | 1.00 |
| Company size (KD million) (CSize) | 742.00 | 598.21 | 11.51 | 4124.10 |
| Profitability (Profit) | 0.18 | 0.43 | -0.81 | 0.48 |
| Leverage (Lever) | 0.42 | 0.24 | 0.00 | .99 |
| Liquidity (Liquid) | 2.59 | 6.11 | 0.21 | 41.01 |
| Ownership structure (Owner) | 0.45 | 0.21 | 0.10 | 0.85 |
| Type of industry (industry) | 0.40 | 0.23 | 0.00 | 1.00 |

* One US dollar = 0.280 KW Dinar. The Timeliness of corporate Internet reporting index was calculated as the ratio between the sum of the information items obtained and the total information items that the company could have obtained. For definition of the independent variables, see Table 2.

Table 3 shows that the average board size of Kuwaiti companies is six members, with a maximum of eleven and a minimum of three. This is inconsistent with the board size recommended by the Cadbury Committee report for board effectiveness (Cadbury report, 1992). It recommends that the size of the board be between eight and ten members for board effectiveness. Comparing the average size of the Kuwaiti companies' boards with other companies in different countries indicates that it is also lower than US companies (average size 14 members) (Agrawal and Knoeber, 1996) and UK companies (11 members) (Guest, 2009). In terms of board composition, the average proportion of non-executive directors on the boards is 82 percent, with a maximum of 100 percent, with 27 companies have boards composed entirely of non-executive directors. This implies that these companies appointed CEOs from outside the board. This result also indicates that non-executive directors remain in the majority of Kuwaiti boards. With respect to role duality, the number of companies with role duality was 87 (59 percent), suggesting that role duality is common in Kuwaiti companies.

With respect to company-specific characteristics, Table 3 indicates a wide range of variation by the minimum and maximum and standard deviation values. The average company size measured by total assets is KD 742 million. The mean profitability (measured by ROE) is 18 percent. Leverage ranged from zero to 0.99, with a mean of 0.42. The figure of zero indicates that some companies effectively had no debt, while a ratio of 0.99 implies that the company had high debt. Banks traditionally have high leverage because of the nature of their business. Liquidity ranged from 0.21 to 41.01, with a mean of 2.59. The average of ownership structure is 45 percent, indicating that Kuwaiti companies owned by outsiders are less than 50 percent. It also implies that large shareholders such as the government and its agencies, dominant families and institutional investors own the majority of shares in Kuwaiti companies. For the type of industry, there are 59 financial companies (40 percent) and 88 non-financial companies (60 percent).

Bivariate analysis preceded the regression analysis, in part to indicate whether multicollinearity could cause estimation problems. Table 4 shows that the highest correlation was between company size and leverage (0.498), not a concern until it exceeds 0.8 (Gujarati, 2003). These results suggest that no correlation was sufficient to impair the regression results, but another widely used method to detect multicollinearity is the Variance Inflation Factor (VIF) as reported in Table 5. Since VIF did not exceed 10 for any variable in any model, it can be concluded that collinearity was not a serious problem (Gujarati, 2003). Therefore, the results from the regression analysis can be interpreted confidently.

***Table 4***
***Correlation analysis for the continuous independent variables***

| | Board size | Board composition | Company size | Profitability | leverage | Liquidity |
|---|---|---|---|---|---|---|
| Board composition | 0.245** | | | | | |
| Company size | 0.305** | 0.059 | | | | |
| Profitability | 0.093 | 0.031 | 0.220 | | | |
| Leverage | 0.051 | -0.082 | 0.498** | 0.049 | | |
| Liquidity | -0.127* | 0.106** | -0.159** | -0.061 | -0.236** | |
| Ownership structure | -0.264** | 0.019 | -0.259** | 0.040 | -0.112 | -0.121 |

** Significant at the 0.01 level (two-tailed). * Significant at the 0.05 level (two-tailed).

***Multiple regression results***

Multiple regression analysis was employed to examine the association between timeliness of corporate Internet reporting (the dependent variable) and corporate governance and company-specific characteristics (the independent variables) of 147 Kuwaiti listed companies in 2012. Table 5 presents the regression coefficients of the model.

The model is an ordinary least squares (OLS) regression model run with untransformed dependent and independent variables.(1) The model is significant at $p < 0.001$ with $R^2$ (adj.) = 0.46 and $F$-ratio = 12.134. This suggests that approximately 46 percent of the timeliness of corporate Internet reporting index variation is explained by the independent variables. The explanatory power of this model is lower than that found by Ezat and El-Masry (2008) (55 percent) and Abdelsalam and El-Masry (2008) (52 percent).

The timeliness of corporate Internet reporting was associated with the board size (BSize), board composition (BCom), role duality (Dual), company size (CSize), ownership structure (Owner), and industry type (Industry). The directions of the signs of all significant coefficients in the regression model are in agreement with the hypotheses. Therefore, the findings support the hypothesis H1, H2, H3, H4, H8, and H9 as discussed below. The remaining independent variables (profitability (Profit), leverage (Lever), and liquidity (Liquid) were not significant.

***Table 5***
***Regression results***

| Independent variables (expected sign) | Model | | |
|---|---|---|---|
| | Coefficients | | VIF |
| Board size (BSize) (-) | -0.073 | + | 1.062 |
| Board composition (BCom) (+) | 0.106 | + | 1.165 |
| Role duality (Dual) (-) | -0.069 | + + | 1.344 |
| Company size (CSize) (+) | 0.214 | + + + | 1.557 |
| Profitability (Profit) (+) | 0.027 | | 1.850 |
| Leverage (Lever) (+) | -0.013 | | 1.421 |
| Liquidity (Liquid) (-) | 0.014 | | 3.228 |
| Ownership structure (Owner) (+) | 0.218 | + + | 2.101 |
| Industry (Industry) (+/-) | 0.108 | * | 4.352 |
| Constant | 0.216 | ** | Adjusted $R^2$ |
| 0.461 | | | |
| F | 12.134 | | |
| Prob. ($F$) | $< 0.001$ | | |
| No. of companies | 147 | | |

+ + + $t$ test (one-tailed) significant $p < 0.01$; + + $t$ test (one-tailed) significant $p < 0.05$; + $t$ test (one-tailed) significant $p < 0.01$; ** $t$ test (two-tailed) significant $p < 0.05$; * $t$ test (two-tailed) significant $p < 0.10$. For definition of the independent variables, see Table 2.

The results indicate that board size is negatively associated with the timeliness of corporate Internet reporting, which supports hypothesis H1. This indicates that the lower the number of board directors, the better the timeliness of corporate reporting on the Kuwaiti websites. This result is inconsistent with Ezat and El-Masry (2008) who found that the larger the size of the board, the more likely was timely corporate Internet reporting. An explanation for this finding is that companies with smaller boards may easily coordinate and communicate among the directors, leading to efficient monitoring and disseminating timely corporate reporting in their websites.

The findings also report a positive relationship between board composition and timeliness of corporate Internet reporting. This supports hypothesis H2. This suggests that a higher proportion of non-executive directors encourages the companies to disseminate timely information in their websites. An interpretation for this finding is that a larger proportion of non-executive directors may enhance the board's effectiveness, leading to better monitoring and controlling the opportunistic behaviour of the executive directors. This may reduce the executive directors' chances of withholding information, leading to timely information on their websites to assure both the non-executive directors and shareholders that they are acting in their interests. This result is consistent with Ezat and El-Masry (2008) and Abdelsalam and El-Masry (2008), who found a positive association between board composition and timely corporate Internet reporting.

Role duality was negatively associated with the timeliness of corporate Internet reporting, which support hypothesis H3. This means that companies with a single individual serving as both CEO and Chairman of the board of directors leads to less timely corporate information on their websites. This could be related to the combined positions impairing board independence, monitoring, and the effectiveness of its governing function, leading to engaging in opportunistic behaviour and withholding information from shareholders. This finding raises a question to the regulators in Kuwait whether to forbid role duality. This result is consistent with Sanchez *et al.,* (2011) who found that role duality was negatively associated with online disclosure.

The results indicate that the larger the size of the company, the better the timeliness of corporate reporting on their websites. Thus, hypothesis 4 is supported. This finding supports the capital need hypothesis, which suggests that the need to raise capital at the lowest cost is the prime motive for disclosure. Therefore, larger companies establish websites to disclose timely corporate information to satisfy the investors' needs for such information. Another interpretation of this result could be attributed to agency costs associated with larger companies. This finding is consistent with most of the previous studies that revealed large companies tend to have web sites and disclose more information on these web sites (Garg and Verma, 2010; Ashbaugh *et al.*, 1999; Brennan and Hourigan, 2000; Craven and Marston, 1999; Marston and Poli, 2004; Momany and Al-Shorman, 2006; Oyelere *et al.*, 2003; Xiao *et al.*, 2004). The results are also consistent with Ezat and El-Masry (2008), who reported a positive association between the timeliness of corporate Internet reporting and company size.

Ownership structure is significantly positively associated with the timeliness of corporate Internet reporting. Therefore, this result supports hypothesis H8. This means that the greater the proportion of shares owned by outsiders, the better the timeliness of corporate Internet reporting. An interpretation of this result could be related to companies with more outsiders use their websites to disclose timely corporate information to reach their more widely disperse owners and to satisfy their needs for information to monitor management behaviour. This finding is consistent with Marston and Polei (2004), Momany and Al-Shorman (2006) and Oyelere *et al.* (2003), who found a positive relationship between the ownership structure and online disclosure. This finding is also consistent with Ezat and El-Masry (2008) and Abdelsalam and El-Masry (2008), who found that ownership structure was associated positively with the timeliness of corporate Internet reporting.

Industry type (Industry) is positively associated the timeliness of corporate Internet reporting. Thus, hypothesis H9 is supported. The results report that financial companies disclose more timely information on their websites than non-financial companies. This finding is consistent with prior studies (Aly *et al*., 2010; Ismail, 2002; Oyelere *et al*., 2003; Xiao *et al*., 2004; Craven and Marston, 1999), who found industry type have an influence on online disclosure. It is also consistent with Ezat and El-Masry (2008), who reported a positive relationship between timeliness of corporate Internet reporting and industry type. Specifically, Ezat and El-Masry found that service companies disclose more timely information on their websites than industrial companies. A possible explanation for this result is that financial companies are followed more closely by both the government and the public and are likely to disclose more timely information on their websites to meet the demands of shareholders, widely dispersed investors and the public. The findings also report that profitability, leverage and liquidity were not significant and did not influence Kuwaiti companies to disclose timely corporate information on their websites.

## *Conclusions, Limitations and Future Research*

This study investigated the relationship between corporate governance and company-specific characteristics and the timeliness of corporate Internet reporting by 147 Kuwaiti listed companies at the end of December 2012. Three corporate governance characteristics (board size, board composition, and role duality) and six company-specific characteristics (company size, profitability, leverage, liquidity, ownership structure and industry type) were investigated to explore their influence on timeliness of corporate Internet reporting. This study measured timeliness of corporate Internet reporting by a timeliness disclosure index consisting 11 information items. A multivariate regression analysis tested the relationship between corporate governance and company-specific characteristics and timeliness of corporate Internet reporting.

The study found that the mean of timeliness of corporate Internet reporting index of sample companies was 39 percent, with a range of 18 to 81 percent, indicating large variations in disseminating timely corporate Internet reporting among Kuwaiti listed companies. Such variations could be attributed to corporate governance and company-specific characteristics. The results reported that the timeliness of corporate Internet reporting was associated with the board size, board composition, role duality, company size, ownership structure, and industry type. Specifically, the results showed that disclosure of timely corporate information on companies' websites increases with a smaller board, a larger proportion of non-executive directors, separate individuals for the CEO and the Chairman of the board of directors, larger financial companies, and a greater proportion of shares owned by outsiders. However, no evidence was found to support the association between corporate Internet reporting timeliness and the other variables: leverage, profitability and liquidity. Although the findings suggest that some transparency exist by Kuwaiti companies, none of the sample companies are fully responding to investors' and other users' needs for timely corporate Internet reporting. It also appears that board size, board composition, role duality, company size, ownership structure and industry type are all important factors explaining variations in timeliness of corporate Internet reporting in several countries (Ezat and El-Masry, 2008; Abdelsalam and El-Masry, 2008).

This study provides valuable new insight into the timeliness of corporate Internet reporting by a sample of Kuwaiti listed companies. To the best of the authors' knowledge, no prior studies in the Kuwaiti environment investigate the relationship between corporate governance and disclosure of timely corporate Internet reporting. As a result, this study made two important contributions. First, it extends studies that investigated the relationship between corporate governance and company-specific characteristics and timeliness of corporate Internet reporting in developing countries such as Kuwait. This study examines the timeliness of corporate Internet reporting that becomes an important area to different users to make a rational decision. It also explores empirically the importance of corporate governance structure in Kuwait, an area that has received little attention to date in Kuwait. Previous studies have been focused mainly on developed countries or large emerging economies. It seems that small developing economies such as Kuwait are neglected. Therefore, this study was undertaken with the intention of filling the gap. Second, this study also seeks to explore whether there are differences between the corporate governance and company-specific characteristics associated with timely corporate information on Kuwaiti companies' websites and those found in other studies in different countries.

This study has important implications for the Kuwaiti regulators, company boards of directors, investors, and researchers. For the regulators, the findings reveal strengths and weaknesses in the corporate Internet reporting of Kuwaiti listed companies. As a result, the results provide information about the important influence of corporate governance on online disclosure. They may modify corporate governance provisions in the Company Law or mandate a corporate governance code or adopt the OECD corporate governance principles as a starting point in Kuwait. The regulators may also issue a regulation to control Internet disclosure. Company boards of directors may use the findings to make appropriate choices about board appointments and the best governance to create and improve disclosure in general and timely information online. The result of this study is expected to add value to investors by promoting timely and accurate information about the listed companies on their websites that may assist them in making rational decisions. The results may also help researchers to extend the previous studies in the disclosure area by examining use of the Internet in disseminating timely information on the Kuwaiti companies' websites, which addresses a crucial need in the Kuwaiti environment at the current time.

This study has two limitations that represent opportunities for further investigation. First, the index of the corporate Internet reporting timeliness is measured depending on an unweighted checklist that examined the website of the Kuwaiti listed companies at a single point in time. Future research may consider a weighted index and a longitudinal study (two or more points of time) to make a comparison between them and evaluate the timeliness of information disclosure on the companies' websites over time. Second, the study concentrates on only one facet of online disclosure (timeliness) that has three other facets: content, presentation and technology. Future research may examine these other sides to give a whole picture of online disclosure. Finally, this study concentrates on one Gulf state (Kuwait). Future research could extend this study by comparing results for other Middle Eastern countries, especially members of the Gulf Co-Operation Council (GCC): Kuwait, Bahrain, Qatar, Oman, United Arab Emirates (UAE), and Saudi Arabia. Such studies may help regulators in these states in their efforts to harmonize their disclosure and governance regulations in the Gulf region.

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