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Critical Evaluation of Disclosure in Annual Reports of Islamic Banks in Bangladesh

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Abstract

The present is a critical evaluation of the disclosure practices of the annual reports of Islamic banks in Bangladesh. The study identified 144 disclosure factors required complying by the Islamic banks under traditional and Shari'ah regulations. These factors were classified into nine including Company Profile Items (CPI) (7), Accounting Policy Items (API) (12), Balance Sheet Items (Assets) (18), Balance Sheet Items (Liabilities) (15), Income Statement Items (Cr.) (9), Income Statement Items (Dr.)(11), Ratios, Statistics and Other Details (RSD) (18), Projections and Budgetary Disclosure (PBD) (27) and finally Measurement and Valuation Method (MVM) (27). The study found that on an average, Islamic banks complied the highest 94.28% in case of company profile items and the lowest 38.57% in case of projections and budgetary disclosure. The study suggested giving importance in all the segments of disclosure for quality reporting and disclosing maximum information in their annual report maintaining quality in all the areas as Islam always gives emphasis on full disclosure so that the users of their report can get their required information of the Islamic banks in Bangladesh.

Keywords: disclosure, annual report, Islamic banks, Bangladesh.

I. INTRODUCTION

Financial statements and other disclosures of Islamic banks are expected to be different from conventional banks (Hossain, 2012; Ullah, 2013a). It is mandatory for the Islamic banking companies in Bangladesh to follow different rules, regulations, ordinance, guidelines in accounting and reporting practices. But recently developed accounting and reporting standards by Islamic Financial Services Board (IFSB) and Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) are not mandatory for them in Bangladesh. Hossain (2012) observed that the Islamic banks needs to comply more rules and regulations than conventional banks, that is, AAOIFI standards, IFSB standards, Shari`ah requirements, etc. are not required to be complied by conventional banks. Ullah (2013a) also found that compared to other general or banking companies, Islamic banking companies are required complying more legal requirements such as AAOIFI standards, IFSB standards, etc. Moreover, the nature of activities of Islamic banks compelled them following different accounting and reporting systems. For this reason, Islamic banks need to disclose some information which is not required to disclose by conventional banks.

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Though a number of studies were conducted in Bangladesh for evaluating the accounting and reporting practices of the banking companies including Rahman and Muttakin (1997), Hossain (2004), Uddin et al. (2006), Hossain (2008), Ahmed (2009), Hossain (2011), Hossain (2012) and Ullah (2013a, 2013b). Similarly, some studies were also conducted for examining the disclosure status of other organizations other than banking companies including Hye (1988), Purohit (1991), Hossain and Rashid (1992), Alam and Jahur (1994), Ahmed et al. (2004), Hossain et al. (2006) and Hossain (2010). But none of the above studies examined the annual reports in details for justifying the disclosure status of the Islamic banking companies in Bangladesh. Therefore, the present study aimed at critically evaluating the annual reports of the full-fledged Islamic banking companies in Bangladesh for demonstrating a detailed picture of the reporting status to the users of the annual reports.

The remaining sections of the paper organized as follows. Section 2 reviews the relevant literatures; section 3 identifies the objectives of the study; section 4 discussed the methodology followed for the study; section 5 discussed the findings and analysis of the study; and section 6 concludes the paper with its recommendations, further study directions and limitations.

II. LITERATURE REVIEW

Different studies were conducted on accounting and reporting of banking companies in Bangladesh. Hossain (2012) attempted to identify the regulatory requirements in preparing the financial statements of Islamic banks and attempted to show their compliance status with legislative and administrative requirements. Hossain (2012) covered all the full-fledged Islamic banks in Bangladesh but he considered a limited set of data requirements and also limited to only the financial statements of 2010. On the other hand, Hossain (2011) studied on disclosure requirements in annual reports by the listed banking companies in Bangladesh but he attempted to show the compliance status of only two traditional interest-based banks and the study period of the sample banks was limited to the annual reports of 2009 only. Hossain (2011) did not prepare any comprehensive list of disclosure items and did not use any statistical tools for analyzing the data. Ahmed (2009) evaluated the compliance of financial disclosure in annual reports of only 12 general banking companies of Bangladesh and determined the extent of disclosure on the basis of content analysis approach. Moreover Ahmed (2009) also conducted a survey on 9 financial analysts, 12 professional accountants, 10 stock brokers, 13 accounting professors and 17 bank loan officers for evaluating the qualitative characteristics of accounting information of the sample banks.

Hossain (2010) examined all of Islamic banks are listed on stock market and tried to identify the regulatory requirements in preparing the financial statements (FSs) of banks under Islamic Shari'ah and evaluated the compliance status of these banks with legislations. Hossain (2010) found that the average compliance rate is 88.11% considering all required aspects of financial statements. Harahap (2003) empirically evaluated the annual report of Islamic bank to justify how they are reporting their information to the users and whether they can maintain fairness and justice. On the other hand, Sarea (2012) evaluated perceptions concerning the level of compliance with AAOIFI Accounting standards and observed that Islamic banks of Bahrain have fully adopted the AAOIFI accounting standards. Similarly, Al-Abdullatif (2007) attempted to investigate and explore the awareness of AAOIFI accounting standards among academics, external auditors and Islamic bank's employees in Saudi Arabia and also aimed to explore the respondent's preference of adopting AAOIFI accounting standards for Islamic banks in Saudi Arabia.

From a different view, Ibrahim et al. (2006) evaluated Bank Islam Malaysia Berhad (BIMB) and Bahrain Islamic Bank (BIB) to evaluate how they conduct their business and the measures used in order to ensure that all the activities are in line with the requirements of Shari'ah.

III. OBJECTIVES OF THE STUDY

The objective of the study is to make a critical evaluation of the annual report of the Islamic banks in Bangladesh. The study is a thorough examination of the annual reports of the sample banks from 2006 to 2010 based on larger expected information with a view to justify the adequacy of disclosure in the annual reports for the users of the reports.

IV. METHODOLOGY OF THE STUDY

4.1. Selection of Sample

The present study focuses on the Islamic banking sector in Bangladesh. All the Islamic banking companies listed on the Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE) were considered for the study. Hence, the actual sample represents 100% of the population of banking companies listed on the stock exchanges. Annual reports for five years from 2006 to 2010 were collected for this purpose.

4.2. Scoring of The Disclosure Index

During the last four decades or so, several researchers have used disclosure index approach while measuring level of disclosure made by the firms (Ahmed, 2009). Both a weighted disclosure index and an un-weighted disclosure index are usually used to examine level of disclosure. Researchers such as Cooke (1992, 1991), Ahmed and Nicholls (1994), Wallace et al. (1994), Karim (1995), Hossain (2000), Hossain (2001), Hossain et al. (2006), Ahmed (2009) and Hossain (2010) applied a dichotomous procedure in which an item scores "1" if disclosed and "0" if not disclosed and this approach is conventionally recognized the un-weighted approach. The weighted disclosure approach (used by for example by Barrett, 1976), involves the application of weights above zero but less than one to items of information which are disclosed (zero is the weight for non-disclosure). As per the opinion of Coombs and Tayib (1998), previous experiences reveal that the use of un-weighted and weighted scores for the items disclosed in the annual reports and accounts can make little or no significant difference to the findings of the study. The basic characteristic of the un-weighted disclosure index approach is that all items of information in the index are considered equally important to the average user.

For the present study, we have chosen the un-weighted disclosure index approach where main considerable fact is whether an Islamic bank discloses an item of information in the annual report. If an Islamic bank discloses an item of information in its annual report, then "1" will be awarded and if the item is not disclosed, then "0" will be awarded. Then, as per the suggestion of Cooke (1992), the un-weighted disclosure method measures the total disclosure (TD) score of a bank as additive as follows:

$$\text{TD} = \sum_{i=1}^{n} di \quad \text{...} \quad 1$$

Where:
d= 1, if the item *di* is disclosed
d= 0, if the item *di* is not disclosed
n= number of items

4.3. Distribution of The Index Items into Different Parts of Annual Reports

In the present study, the disclosure index of 144 items of information showing overall disclosure has been segregated into nine major groupings/representations parts of Islamic bank annual report to measure the extent of disclosure of each section. Table 1 shows the standard distribution of the index items into different parts of annual report.

Table 1
Showing Distribution of The Index Items into Different Parts of Annual Reports

Major Parts of Annual Reports	Total	% of The Total Items of Information
Company Profile Items (CPI)	7	4.86%
Accounting Policy Items (API)	12	8.33%
Balance Sheet Items (Assets) (BSIA)	18	12.50%
Balance Sheet Items (Liabilities) (BSIL)	15	10.42%
Income Statement Items (Cr.) (ISIC)	9	6.25%
Income Statement Items (Dr.)(ISID)	11	7.64%
Ratios, Statistics and other Details (RSD)	18	12.50%
Projections and Budgetary Disclosure (PBD)	27	18.75%
Measurement and Valuation Method (MVM)	27	18.75%
Total	**144**	**100.00%**

Source: developed by authors.

4.4. Tools of Analysis

Statistical tools like average, percentage, standard deviation, co-variance etc. were used to analyze data. SPSS Software version 19.0 was used for analysis.

V. FINDINGS AND ANALYSIS OF THE STUDY

5.1.1. Sample-Wise Disclosure Score and Its Statistical Explanation

The data in table 2 offers some insight into differences in overall patterns of disclosure in the sample banks. The table shows the sample wise disclosure score of the banks during the period under study. If we take the means of the UDI as indicator of overall disclosure levels of the 7 sample banks, disclosure is the highest in case of sample #1 and least in case of sample #7. Overall disclosure might be judged relatively good in all sample banks as the highest score in sample #1 is 89.62% and lowest score in sample #7 is 67.07% of the maximum attainable of 144 under the mandatory and voluntary elements of the index. Highest variation in disclosure has been observed in sample #2 and no variation revealed by sample #5. Sample #2 shows an increasing trend, sample #5 shows constant position and others show mixed trend. Highest co-efficient of variation has been observed in sample #2 and the lowest co-efficient of variation revealed by sample #5.

Table 2
Showing the Sample-Wise Disclosure Score of the Sample Banks Under Study

Sample→	Sample-1	Sample-2	Sample-3	Sample-4	Sample-5	Sample-6	Sample-7
2006	89.47	75.38	72.90	77.78	77.76	73.03	67.07
2007	89.47	78.23	74.15	77.78	77.76	73.03	67.07
2008	88.67	79.43	73.40	77.68	77.76	73.98	68.82
2009	88.62	81.18	74.53	79.51	77.76	71.13	69.12
2010	89.62	81.43	74.53	79.51	77.76	71.13	68.92
Mean	89.17	79.13	73.90	78.45	77.76	72.46	68.20
S. D.	0.48	2.473	0.73	0.97	0.00	1.28	1.04
COV	0.54	3.13	0.99	1.24	0.00	1.77	1.52
Minimum	88.62	75.38	72.90	77.68	77.76	71.13	67.07
Maximum	89.62	81.43	74.53	79.51	77.76	73.98	69.12

Source: developed by authors.

In order to test our null hypothesis #1 to see whether there is significant variation in disclosure score among sample banks, we conducted t-test. Accordingly our null hypothesis:

H_{01}: there is no significant variation in disclosure score among sample banks.

In order to see whether there is significant difference in disclosure score among the sample banks, we conducted t-test choosing 2 samples at a time, i.e., using SPSS Software we conducted paired sample t-test. We have found that there are significant differences in disclosure score among the sample banks. The result of t-test, stated in appendix #1, reveals that t values are significant in 17 cases out of 21 cases, i.e., in 80.95% of the cases. So, we can comment that our null hypothesis is rejected which means that there is significant difference in disclosure score among the sample banks.

5.1.2. Graphical Presentation of Sample-Wise Disclosure Score
Graph 1
Showing Sample-Wise Disclosure Score of The Sample Banks

	1	2	3	4	5	6	7
Series1	89.17	79.13	73.9	78.45	77.76	72.46	68.2

Sample-wise Disclosure Score
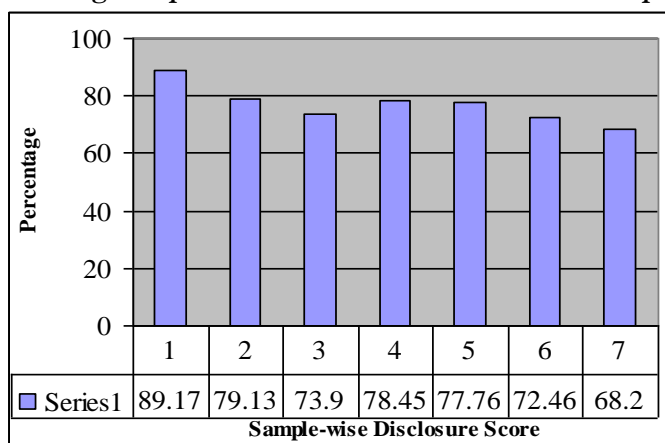
Source: developed by authors.

5.2. Year-Wise Disclosure Score of The Sample Banks

Table 3 shows the year-wise disclosure score of the sample banks during the period under study. If we consider the mean of the UDI as indicators of overall disclosure levels of the years 2006-2010, highest disclosure score has been observed in the year 2010 and lowest simultaneously in 2006 and 2007. Overall disclosure might be said to be relatively good in all sample banks as the highest score in the year 2010 is 89.62% and lowest score in the year 2006 and 2007 is 67.07% of the maximum attainable of 144 under the mandatory and voluntary elements of the index. Highest variation in disclosure has been observed in 2010 and lowest variation revealed in 2008. Highest co-efficient of variation has been observed in 2006 and the lowest co-efficient of variation revealed by 2008.

Insert Table 3 here.

In order to examine whether there is significant variation in disclosure score among the years, we conducted t-test. Accordingly our null hypothesis:

H_{02}: there is no significant variation in disclosure score of the sample banks among the years.

Appendix #2 provided the year-wise individual t value obtained by t-tests. In case of examining year to year variations in disclosure score we conducted 10 tests and found that in all the cases t vales were insignificant. So, we can say that our null hypothesis is accepted and that means, there is no variation in year to year disclosure score among sample banks.

Table 3
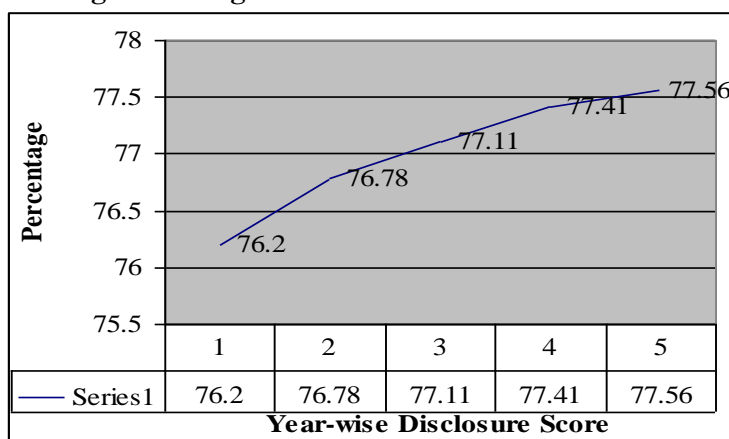**Showing The Year-Wise Disclosure Score of The Sample Banks Under Study**

Year →	2006	2007	2008	2009	2010
Sample-1	89.47	89.47	88.67	88.62	89.62
Sample-2	75.38	78.23	79.43	81.18	81.43
Sample-3	72.90	74.15	73.40	74.53	74.53
Sample-4	77.78	77.78	77.68	79.51	79.51
Sample-5	77.76	77.76	77.76	77.76	77.76
Sample-6	73.03	73.03	73.98	71.13	71.13
Sample-7	67.07	67.07	68.82	69.12	68.92
Mean	76.20	76.78	77.11	77.41	77.56
S. D.	6.90	6.84	6.22	6.59	6.95
COV	9.06	8.90	8.07	8.52	8.96
Minimum	67.07	67.07	68.82	69.12	68.92
Maximum	89.47	89.47	88.67	88.62	89.62

Source: developed by authors.

5.3. Increasing Trend of Year-Wise Disclosure Score

Graph 2
Showing Increasing Trend of Year-Wise Disclosure Score of The Sample Banks

— Series1	1	2	3	4	5
	76.2	76.78	77.11	77.41	77.56

Year-wise Disclosure Score

Source: developed by authors.

Graph 2 shows the increasing trend of year-wise disclosure score of the sample banks during the period under study. If we take the average figure of the UDI as indicator of overall disclosure of the years 2006-2010, highest average score has been observed in the year 2010 and the lowest in the year of 2006. Though it is showing an increasing trend, the percentage of increase is very low. Only 1.36% (77.56%-76.20%) of overall disclosure has been increased in 5 years.

5.4. Comparative Disclosure Levels by The Sample Banks

Table 4 shows the distribution of disclosure performance by expressing the number of items disclosed as percentages of the total 144 comprising the disclosure score. Column one of the table distinguishes ranges of disclosure performances in these terms. The table shows that 3 banks, that is, 42.86% of the sample banks disclose between 75%-80% and 2 banks, that is, 28.57% of the sample banks disclose between 70%-75%. Only one bank of the sample discloses above 85% and one bank discloses between 65%-70% and no bank discloses less than 65% of the expected disclosure.

Table 4
Showing Comparative Disclosure Levels by The Sample Banks

Score Range	Average of The Sample Years	
% of The Total Number of Items in Disclosure Index	No. of Banks	% in The Sample
Less than 65%	-	00.00%
65%-70%	1	14.29%
70%-75%	2	28.57%
75%-80%	3	42.86%
80%-85%	-	00.00%
85%-Over	1	14.28%
Total	**7**	**100.00%**

Source: developed by authors.

Graph 3
Showing Comparative Disclosure Levels by The Sample Banks
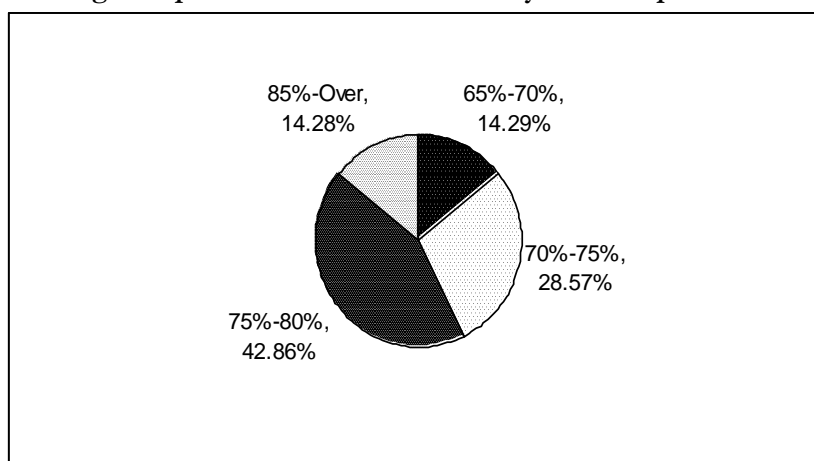
Source: developed by authors.

5.5. Ranking of The Banks in The Sample

The banks are ranked in order of overall disclosure to show their relative positions in terms of the un-weighted disclosure score. The highest ranked banking company is Islami Bank Bangladesh Limited (IBBL). The sample banks here ranked on the basis of the value of UDI for each of the banks. Table 5 shows the top and least ranked banks by the size of the UDI. This table has given the insights which banks are disclosing more information under study.

Table 5
Showing Ranking on Average Disclosure Score of The Sample Banks

Name of The Sample Bank	Average of 2006-2010	Ranks Under UDI
Islami Bank Bangladesh Limited	89.17	1
Al-Arafah Islami Bank Limited	79.13	2
EXIM Bank of Bangladesh Limited	78.45	3
Shahjalal Islami Bank Limited	77.76	4
Social Islami Bank Limited	73.90	5
ICB Islami Bank Limited	72.46	6
First Security Islami Bank Limited	68.20	7

Source: developed by authors.

The table shows that the maximum score is obtained by Islami Bank Bangladesh Limited followed by Al-Arafah Islami Bank Limited, EXIM Bank of Bangladesh Limited, Shahjalal Islami Bank Limited, Social Islami Bank Limited, and ICB Islami Bank Limited. The table shows that the minimum score obtained by First Security Islami Bank Limited and ranked seventh. Similar result also observed by Hossain (2012) where he found that overall maximum compliance rate is 100% which was obtained by IBBL whereas overall minimum compliance rate is 80.06% which was obtained by FSIB.

5.6. Descriptive Statistics of Various Sections of Disclosures Under UDI

Table 6
Showing The Descriptive Statistics of Various Sections of Disclosure Under UDI

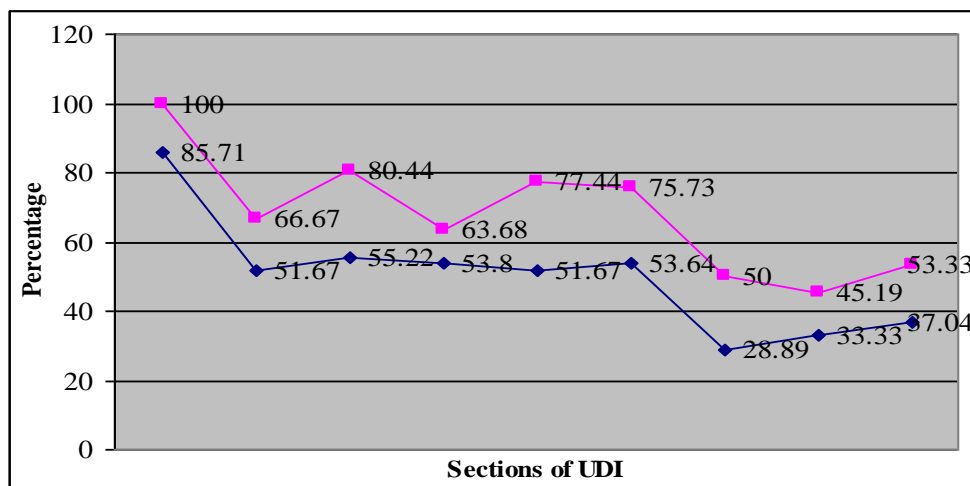| Sample↓	CPI	API	BSIA	BSIL	ISIC	ISID	PBD	RSD	MVM
Sample-1	100.00	61.67	80.44	62.60	77.44	75.73	50.00	45.19	53.33
Sample-2	85.71	53.33	77.22	61.40	55.56	62.00	41.11	42.22	48.15
Sample-3	85.71	58.33	61.00	55.48	51.67	61.36	34.44	37.04	51.85
Sample-4	100.00	61.67	56.94	63.68	59.44	53.64	44.44	40.74	51.85
Sample-5	100.00	66.67	55.22	53.80	65.00	62.73	38.89	44.44	48.15
Sample-6	88.57	53.33	59.83	61.13	64.67	62.73	28.89	37.04	44.44
Sample-7	100.00	51.67	56.78	56.60	51.78	62.09	32.22	33.33	37.04
Mean	94.28	58.10	63.92	59.24	60.79	62.90	38.57	40.00	47.83
S. D.	7.19	5.57	10.41	3.87	9.16	6.51	7.33	4.36	5.63
COV	7.63	9.58	16.29	6.54	15.07	10.35	19.01	10.91	11.79
Minimum	85.71	51.67	55.22	53.80	51.67	53.64	28.89	33.33	37.04
Maximum	100.00	66.67	80.44	63.68	77.44	75.73	50.00	45.19	53.33

Source: developed by authors.

The table 6 shows the average figure of section-wise disclosure score of the sample banks during the period under study. If we take the means of the UDI as indicator of overall disclosure levels of the years 2006-2010, highest disclosure score has been observed in the section "Company Profile Items (CPI)" and the lowest by "Projections and Budgetary Disclosure (PBD)". Further if we observed the maximum level of UDI, the highest disclosure score is shown in the section "Company Profile Items (CPI)" and the lowest by "Ratios, Statistics and Other Details (RSD)". In case of minimum level of the UDI, the highest disclosure score is shown in the section "Company Profile Items (CPI)" and the lowest by "Projections and Budgetary Disclosure (PBD)". Overall disclosure of PBD, RSD, MVM, API and BSIL sections of UDI might be said relatively low in case of most of the sample under study as the lowest score (PBD) represents 28.89% of the mandatory and voluntary elements of this section of UDI. Section BSIA reveals highest variation in section-wise disclosure score and lowest variation has been observed in case of BSIL. Highest co-efficient of variation is in section PBD and lowest co-efficient of variation has been observed in BSIL.

5.7. Maximum and Minimum Disclosure Score Presentation

The graph 4 is showing the section-wise maximum and minimum disclosure score of various sections of UDI for the sample under study. If we take the maximum and minimum disclosure score of the sample banks during the period under study, we observed that the highest maximum disclosure score is shown by the "Company Profile Items (CPI)" and the lowest maximum by "Ratios, Statistics and Other Details (RSD)". Further, we observe that the highest minimum disclosure score is shown in the section "Company Profile Items (CPI)" and the lowest minimum disclosure score is shown by the "Projections and Budgetary Disclosure (PBD)" section.

Graph 4
Section-Wise Maximum and Minimum Disclosure Presentation Under UDI

	CPI	API	BSIA	BSIL	ISIC	ISID	PBD	RSD	MVM
Maximum	100	66.67	80.44	63.68	77.44	75.73	50.00	45.19	53.33
Minimum	85.71	51.67	55.22	53.8	51.67	53.64	28.89	33.33	37.04

5.8. Sample-Wise Disclosure Score Regarding CPI

Table 7
Showing The Sample-Wise Disclosure Score of Sample Banks Regarding Company Profile Items (CPI)

Sample→	Sample-1	Sample-2	Sample-3	Sample-4	Sample-5	Sample-6	Sample-7
2006	100	85.71	85.71	100	100	85.71	100
2007	100	85.71	85.71	100	100	85.71	100
2008	100	85.71	85.71	100	100	85.71	100
2009	100	85.71	85.71	100	100	85.71	100
2010	100	85.71	85.71	100	100	100	100
Mean	100.00	85.71	85.71	100.00	100.00	88.57	100.00
S. D.	.000	.000	.000	.000	.000	6.39	.000
COV	0.00	0.00	0.00	0.00	0.00	7.21	0.00

Source: developed by authors.

The table 7 shows the sample-wise disclosure score of the banks regarding CPIs during the period under study. The data in the table offers some insights into differences in disclosure regarding CPIs in the sample banks. If we take the means of the UDI as indicator of disclosure levels of the 7 sample banks, disclosure is highest in case of sample #1, 4, 5 and 7 and least in case of sample #2 and 3. Overall disclosure might be judged relatively high in all sample banks as the highest score in case of sample #1, 4, 5 and 7 represents 100.00% of the maximum attainable of 7 elements of the index. There is no variation in disclosure of the sample banks except sample #6 where standard deviation is 6.39 and co-efficient of variation is 7.21.

5.9. Sample-Wise Disclosure Score Regarding API

The data in table 8 shows the sample-wise disclosure score of the banks regarding APIs during the period under study. The data in the table offers some insights into differences in disclosure regarding APIs in the sample banks. If we take the means of the

UDI as indicator of disclosure levels of the 7 sample banks, disclosure is highest in case of sample #5 and least in case of sample #2 and 6.

Table 8
Showing The Sample-Wise Disclosure Score of Sample Banks Regarding Accounting Policy Items (API)

Sample→	Sample-1	Sample-2	Sample-3	Sample-4	Sample-5	Sample-6	Sample-7
2006	58.33	50	58.33	58.33	66.67	50	50
2007	58.33	50	58.33	58.33	66.67	50	50
2008	58.33	50	58.33	58.33	66.67	58.33	58.33
2009	66.67	58.33	58.33	66.67	66.67	58.33	50
2010	66.67	58.33	58.33	66.67	66.67	50	50
Mean	61.67	53.33	58.33	61.67	66.67	53.33	51.67
S. D.	4.57	4.56	0.00	4.57	0.00	4.56	3.73
COV	17.58	17.54	0.00	17.58	0.00	17.54	14.35

Source: developed by authors.

Overall disclosure regarding API might be judged relatively low in all sample banks as the highest score in case of sample #5 represents 66.67% and the lowest score in case of sample #7 represents 51.67% of the maximum attainable of 12 elements of the index. There is no variation in disclosure of the sample #3 and 5 and remaining samples show almost same variation. Highest co-efficient of variation has been observed in case of sample #1 and 4 and the no co-efficient of variation has been observed in case of sample 3 and 5.

5.10. Sample-Wise Disclosure Score Regarding BSIA

Table 9
Showing The Sample-Wise Disclosure Score of Sample Banks Regarding Balance Sheet Items-Assets (BSIA)

Sample→	Sample-1	Sample-2	Sample-3	Sample-4	Sample-5	Sample-6	Sample-7
2006	82.67	74.56	61.44	59.50	55.22	62.28	58.78
2007	82.67	80.67	61.44	59.50	55.22	62.28	58.78
2008	82.67	80.67	61.44	58.94	55.22	62.28	58.78
2009	77.11	75.11	60.33	53.39	55.22	56.17	53.78
2010	77.11	75.11	60.33	53.39	55.22	56.17	53.78
Mean	80.45	77.22	61.00	56.94	55.22	59.84	56.78
S. D.	3.05	3.15	0.61	3.25	0.00	3.35	2.74
COV	3.79	4.08	1.00	5.71	0.00	5.60	4.83

Source: computed by the authors.

The data in table 9 shows the sample-wise disclosure score of the banks regarding BSIA during the period under study. The data in the table offers some insights into differences in disclosure regarding BSIA of the sample banks. If we take the means of the UDI as indicator of disclosure levels of the 7 sample banks, disclosure is highest in case of sample #1 and least in case of sample #5.

Overall disclosure regarding BSIA might be judged relatively low in most of the sample banks though sample #1 and 2 disclose near about 80% but other sample banks disclose only near about or below 60% of the maximum attainable of 18 elements of the index. There is no variation in disclosure of the sample #5 and highest variation has been observed in case of sample #6. Highest co-efficient of variation has been observed in case of sample #4 and the no co-efficient of variation has been observed in case of sample #5. Almost all the sample show decreasing trend in disclosing BSIA.

5.11. Sample-Wise Disclosure Score Regarding BSIL

The data in table 10 offers some insights into differences in disclosure regarding BSIL in the sample banks. The table shows the sample-wise disclosure score of the banks

regarding BSIL during the period under study. If we take the means of the UDI as indicator of disclosure levels of the 7 sample banks, disclosure is highest in case of sample #4 and least in case of sample #5.

Table 10

Showing The Sample-Wise Disclosure Score of Sample Banks Regarding Balance Sheet Items-Liabilities (BSIL)

Sample→	Sample-1	Sample-2	Sample-3	Sample-4	Sample-5	Sample-6	Sample-7
2006	63.27	57.73	53.27	58.80	53.80	60.47	54.93
2007	63.27	59.40	54.93	58.80	53.80	60.47	54.93
2008	63.27	59.40	54.93	58.80	53.80	60.47	59.93
2009	61.60	64.40	57.13	71.00	53.80	62.13	58.27
2010	61.60	66.07	57.13	71.00	53.80	62.13	54.93
Mean	62.60	61.40	55.48	63.68	53.80	61.13	56.60
S. D.	0.91	3.62	1.65	6.68	0.00	0.91	2.36
COV	1.45	5.90	2.97	10.49	0.00	1.49	4.17

Source: developed by authors.

Overall disclosure regarding BSIL might be judged relatively low in all sample banks as the highest score in case of sample #4 represents 63.68% and the lowest score in case of sample #5 represents 53.80% of the maximum attainable of 18 elements of the index. There is no variation in disclosure of the sample #5 and highest variation has been observed in case of sample #4. Highest co-efficient of variation has been observed in case of sample #4 and the no co-efficient of variation has been observed in case of sample #5. Sample #2, 3, 4 and 6 show increasing trend in disclosing BSIL.

5.12. Sample-Wise Disclosure Score Regarding ISIC

Table 11

Showing The Sample-Wise Disclosure Score of Sample Banks Regarding Income Statement Items-Cr. (ISIC)

Sample→	Sample-1	Sample-2	Sample-3	Sample-4	Sample-5	Sample-6	Sample-7
2006	76.11	51.11	51.67	59.44	65.00	65.00	51.11
2007	76.11	56.67	51.67	59.44	65.00	65.00	51.11
2008	78.33	56.67	51.67	59.44	65.00	64.44	51.11
2009	78.33	56.67	51.67	59.44	65.00	64.44	53.89
2010	78.33	56.67	51.67	59.44	65.00	64.44	51.67
Mean	77.44	55.56	51.67	59.44	65.00	64.66	51.78
S. D.	1.22	2.49	0.00	0.00	0.00	0.31	1.21
COV	1.58	4.48	0.00	0.00	0.00	0.48	2.34

Source: developed by authors.

The data in table 11 offers some insights into differences in disclosure regarding ISIC in the sample banks. The table shows the sample-wise disclosure score of the banks regarding ISIC during the period under study. If we take the means of the UDI as indicator of disclosure levels of the 7 sample banks, disclosure is highest in case of sample #1 and least in case of sample #3.

Overall disclosure regarding ISIC might be judged relatively low in all sample banks except sample #1 which disclose 77.44%, remaining samples disclose below 65% and the lowest score in case of sample #3 represents 51.67% of the maximum attainable of 9 elements of the index. There is no variation in disclosure of the sample #3 and 5 and highest variation has been observed in case of sample #2. Highest co-efficient of variation has been observed in case of sample #2 and the no co-efficient of variation has been observed in case of sample #3, 4 and 5. Most of the samples show constant trend in disclosing ISIC.

5.13. Sample-Wise Disclosure Score Regarding ISID

The data in table 12 offers some insights into differences in disclosure regarding ISID in the sample banks. The table shows the sample-wise disclosure score of the banks regarding ISID during the period under study. If we take the means of the UDI as indicator of disclosure levels of the 7 sample banks, disclosure is highest in case of sample #1 and least in case of sample #4.

Table 12

Showing The Sample-Wise Disclosure Score of Sample Banks Regarding Income Statement Items-Dr. (ISID)

Sample→	Sample-1	Sample-2	Sample-3	Sample-4	Sample-5	Sample-6	Sample-7
2006	75.00	60.91	65.45	53.64	62.73	62.73	60.45
2007	75.00	60.91	65.45	53.64	62.73	62.73	60.45
2008	75.00	62.73	58.64	53.64	62.73	62.73	60.45
2009	76.82	62.73	58.64	53.64	62.73	62.73	62.27
2010	76.82	62.73	58.64	53.64	62.73	62.73	66.82
Mean	75.73	62.00	61.36	53.64	62.73	62.73	62.09
S. D.	1.00	1.00	3.73	0.00	0.00	0.00	2.76
COV	1.32	1.61	6.08	0.00	0.00	0.00	4.45

Source: developed by authors.

Overall disclosure regarding ISID might be judged relatively low in all sample banks except sample #1 which disclose 75.73%, remaining samples disclose below 65% and the lowest score in case of sample #4 represents 53.64% of the maximum attainable of 11 elements of the index. There is no variation in disclosure of the sample #4, 5 and 6 and highest variation has been observed in case of sample #3. Highest co-efficient of variation has been observed in case of sample # 3 and the no co-efficient of variation has been observed in case of sample #4, 5 and 6. Sample #1, 2, 3, and 7 show increasing trend and remaining samples show constant trend in disclosing ISIC.

5.14. Sample-Wise Disclosure Score Regarding PBD

Table 13

Showing The Sample-Wise Disclosure Score of Sample Banks Regarding Projections and Budgetary Disclosure (PBD)

Sample→	Sample-1	Sample-2	Sample-3	Sample-4	Sample-5	Sample-6	Sample-7
2006	50.00	33.33	27.78	44.44	38.89	33.33	27.78
2007	50.00	38.89	33.33	44.44	38.89	33.33	27.78
2008	50.00	44.44	33.33	44.44	38.89	33.33	27.78
2009	50.00	44.44	38.89	44.44	38.89	22.22	38.89
2010	50.00	44.44	38.89	44.44	38.89	22.22	38.89
Mean	50.00	41.11	34.44	44.44	38.89	28.89	32.22
S. D.	0.00	4.97	4.65	0.00	0.00	6.09	6.09
COV	0.00	12.09	13.50	0.00	0.00	21.08	18.90

Source: developed by authors.

The data in table 13 shows the sample-wise disclosure score of the banks regarding PBD during the period under study. The table offers some insights into differences in disclosure regarding PBD in the sample banks. If we take the means of the UDI as indicator of disclosure levels of the 7 sample banks, disclosure is highest in case of sample #1 and least in case of sample #6.

Overall disclosure regarding PBD might be judged very low in all sample banks as the highest score in sample #1 represents only 50.00%, and the lowest score in case of sample #6 represents only 28.89% of the maximum attainable of 18 elements of the index. There is no variation in disclosure of the sample #1, 4, and 5 and highest variation has been

observed in case of sample #6 and 7. Highest co-efficient of variation has been observed in case of sample #6 and the no co-efficient of variation has been observed in case of sample #1, 4, and 5. Sample #2, 3, and 7 show increasing trend and sample #1, 4, and 5 show constant trend in disclosing PBD.

5.15. Sample-Wise Disclosure Score Regarding RSD

Table 14
Showing The Sample-Wise Disclosure Score of Sample Banks Regarding Ratios, Statistics and Other Details (RSD)

Sample→	Sample-1	Sample-2	Sample-3	Sample-4	Sample-5	Sample-6	Sample-7
2006	44.44	40.74	37.04	40.74	44.44	37.04	33.33
2007	44.44	40.74	37.04	40.74	44.44	37.04	33.33
2008	44.44	40.74	37.04	40.74	44.44	37.04	33.33
2009	44.44	44.44	37.04	40.74	44.44	37.04	33.33
2010	48.15	44.44	37.04	40.74	44.44	37.04	33.33
Mean	45.18	42.22	37.04	40.74	44.44	37.04	33.33
S. D.	1.66	2.03	0.00	0.00	0.00	0.00	0.00
COV	3.67	4.81	0.00	0.00	0.00	0.00	0.00

Source: developed by authors.

The data in table 14 shows the sample-wise disclosure score of the banks regarding RSD during the period under study. The table offers some insights into differences in disclosure regarding RSD in the sample banks. If we take the means of the UDI as indicator of disclosure levels of the 7 sample banks, disclosure is highest in case of sample #1 and least in case of sample #7.

Overall disclosure regarding RSD might be judged very low in all sample banks as the highest score in sample #1 represents only 45.18%, and the lowest score in case of sample #7 represents only 33.33% of the maximum attainable of 27 elements of the index. There is no variation in disclosure of the sample #3 through 7 and highest variation has been observed in case of sample #2. Highest co-efficient of variation has been observed in case of sample #2 and the no co-efficient of variation has been observed in case of sample #3 through 7. Sample #1 and 2 show increasing trend and remaining samples show constant trend in disclosing RSD.

5.16. Sample-Wise Disclosure Score Regarding MVM

Table 15
Showing The Sample-Wise Disclosure Score of Sample Banks Regarding Measurement and Valuation Method (MVM)

| Sample→	Sample-1	Sample-2	Sample-3	Sample-4	Sample-5	Sample-6	Sample-7
2006	55.56	48.15	51.85	51.85	48.15	44.44	37.04
2007	55.56	48.15	51.85	51.85	48.15	44.44	37.04
2008	51.85	48.15	51.85	51.85	48.15	44.44	37.04
2009	51.85	48.15	51.85	51.85	48.15	44.44	37.04
2010	51.85	48.15	51.85	51.85	48.15	44.44	37.04
Mean	53.33	48.15	51.85	51.85	48.15	44.44	37.04
S. D.	2.03	0.00	0.00	0.00	0.00	0.00	0.00
COV	3.81	0.00	0.00	0.00	0.00	0.00	0.00

Source: developed by authors.

The data in table 15 depicts the sample-wise disclosure score of the banks regarding MVM during the period under study. The table offers some insights into differences in disclosure regarding MVM in the sample banks. If we take the means of the UDI as indicator of disclosure levels of the 7 sample banks, disclosure is highest in case of sample #1 and least in case of sample #7.

Overall disclosure regarding MVM might be judged very low in all sample banks as the highest score in sample #1 represents only 53.33%, and the lowest score in case of sample #7 represents only 37.04% of the maximum attainable of 27 elements of the index. There is no variation in disclosure of all the samples except sample #1 where the variation and co-efficient of variation is also low. Almost all the samples show constant trend in disclosing MVM.

5.17. Graphical Presentation of the Extent of Different Sections of Disclosure
Graph 5
Showing Average Disclosure Score of Various Sections of UDI of The Sample Banks Under Study

| UDI Sections | CPI | API | BSIA | BSIL | ISIC | ISID | PBD | RSD | MVM |
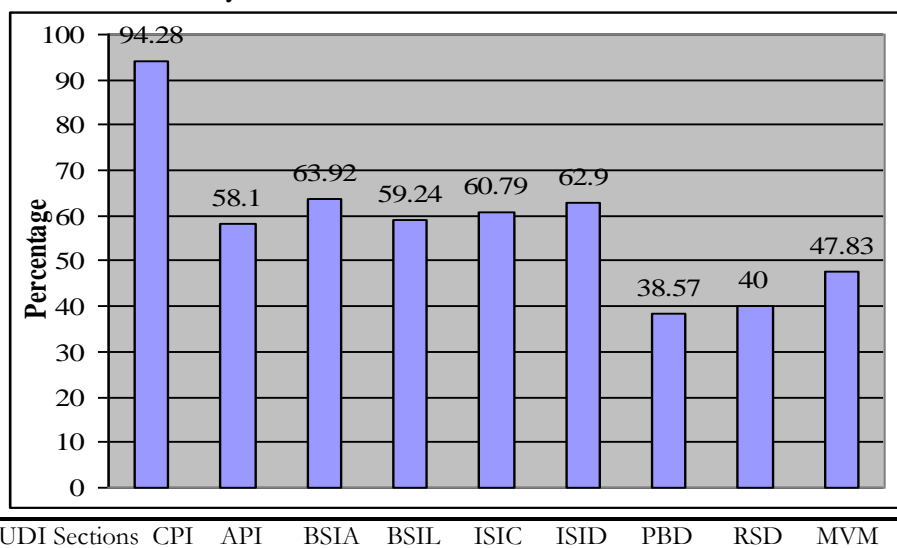
Source: developed by the authors.

The graph 5 is showing the average disclosure score of various sections of UDI of the sample banks under study. If we take the mean of the disclosure score of the sample banks during the period under study, we observe that highest disclosure score was shown by the "Company Profile Item (CPI)" and the lowest disclosure score was shown by the "Projections and Budgetary Disclosure (PBD)" section. If we take 60% of disclosure as indicator of standard level, only 4 sections of UDI have the standard score. So, we can comment that overall disclosure might be judged relatively low or below standard.

VI. SUMMERY AND CONCLUSION

To critically evaluate the disclosure practices in the Islamic banks in Bangladesh, an un-weighted disclosure index (UDI) consisting of 144 items of information that are expected to report in the annual reports of the Islamic banks was constructed for the period from 2006 to 2010. These 144 items were divided into nine categories and examined their reporting status in the annual reports of the sample banks for the sample period. Un-weighted disclosure index (UDI) has been constructed by aggregating the number of items reported in the annual reports using a dichotomous approach where a bank awarded "1" for reporting an item and "0" for not reporting an item in the annual reports. It is found that disclosure is the highest in case of sample #1 (IBBL) and least in case of sample #7 (FSIBL). These findings justify the Certificate of Appreciation for the published accounts of 2001, Certificate of Merit for 2008 and third prize for the published accounts of 2010 of IBBL. Overall disclosure might be judged relatively good in all sample banks as the highest

score in sample #1 (i. e., Islami Bank Bangladesh Limited) is 89.62% and lowest score in sample #7 (i. e., First Security Islami Bank Limited) is 67.07% (table-2) of the maximum attainable of 144 under the mandatory and voluntary elements of the index and no bank disclosed less than 65%. Sample wise paired sample t-test showed that there is significant difference in disclosure score among the sample banks. Year wise disclosure showed that the highest score in the year 2010 is 89.62% and lowest score in the year 2006 and 2007 is 67.07% (table-3). Year wise paired sample t-test showed that there is no variation in year to year disclosure score among sample banks. The trend line showed (graph-2) that though it is slow but over the year, there is an increasing trend in volume of disclosure by the sample Islamic banks in Bangladesh. If we consider the means of the UDI of different part of annual report as indicator of overall disclosure levels of the years 2006-2010, highest disclosure score has been observed in the section "Company Profile Items (CPI)" and the lowest by "Projections and Budgetary Disclosure (PBD)" (table-6).

Similar findings were also observed in different studies on the disclosure status of the Islamic banks in Bangladesh. The study of Ahmed (2009) found that the 12 sample banks in Bangladesh on an average disclosed 50.40% of the expected information in annual reports and IBBL achieved third position in disclosure score for the period 2002 to 2006. Pandit et al. (2011) found that the compliance rate was 67.34% by the 25 conventional and Islamic sample banks in Bangladesh. The present study found that on an average, the sample Islamic banks disclosed 77.01% of the expected information in the annual reports for the period from 2006 to 2010. Hossain (2012) found that the compliance rate was 88.11% by the Islamic banks in Bangladesh in annual report of 2010. From the above discussion, it can be said that generally banking companies and particularly Islamic banking companies in Bangladesh are gradually increasing the volume and quality of disclosure in their annual reports.

The study recommends that Islamic banks should report maximum information in their annual report maintaining quality in all the areas as Islam always gives emphasis on full disclosure so that the users of their report can get their required information. Hossain (2012) opined that most of the customers of Islamic banks are religious by nature and want to comply with Shari'ah and for which it is important for Shari'ah based banks to obey all of the laws, regulations and guidelines and it is also important to ensure the transparency by making proper disclosures. On the other hand, customers of the Islamic banks may also play their role in case of motivating the banks in complying rules and regulations and reporting maximum information in their annual reports. If the customers evaluate the banks on the basis of accounting and reporting quality in case of opening accounts, making deposits, purchasing shares, etc. then it is expected that the banks which are reporting lower information will compel to comply and report accurately.

The findings of the study should not be used in general without considering the limitations of the study. Major limitations of the study include: 1). The study considered only Islamic banks but the results may be different if whole banking sector or other industries are considered; 2). The study considered the annual reports of five years only but study might be conducted considering annual reports of longer period; 3). The study concentrated only 144 items of information disclosure in evaluating the volume of reporting but findings may be different if more or less items included in the disclosure index; and 4). The study considered both mandatory and voluntary information in forming the disclosure index but do not classify them for making analysis or comparison of the results.

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Insert Appendix #1 and #2 here.

Appendix #1
Sample-Wise t-Test

Pair No.	Sample No.	Result of t Value	Significance Level	Significant
Pair 1	Sample # 1 vs. Sample # 2	8.386	.001	√
Pair 2	Sample # 1 vs. Sample # 3	38.673	.000	√
Pair 3	Sample # 1 vs. Sample # 4	21.612	.000	√
Pair 4	Sample # 1 vs. Sample # 5	52.771	.000	√
Pair 5	Sample # 1 vs. Sample # 6	26.416	.000	√
Pair 6	Sample # 1 vs. Sample # 7	34.067	.000	√
Pair 7	Sample # 2 vs. Sample # 3	6.176	.003	√
Pair 8	Sample # 2 vs. Sample # 4	0.835	.451	-
Pair 9	Sample # 2 vs. Sample # 5	1.239	.283	-
Pair 10	Sample # 2 vs. Sample # 6	4.355	.012	√
Pair 11	Sample # 2 vs. Sample # 7	14.879	.000	√
Pair 12	Sample # 3 vs. Sample # 4	-17.210	.000	√
Pair 13	Sample # 3 vs. Sample # 5	-11.888	.000	√
Pair 14	Sample # 3 vs. Sample # 6	1.704	.164	-
Pair 15	Sample # 3 vs. Sample # 7	14.106	.000	√
Pair 16	Sample # 4 vs. Sample # 5	1.601	.185	-
Pair 17	Sample # 4 vs. Sample # 6	6.031	.004	√
Pair 18	Sample # 4 vs. Sample # 7	29.052	.000	√
Pair 19	Sample # 5 vs. Sample # 6	9.298	.001	√
Pair 20	Sample # 5 vs. Sample # 7	20.610	.000	√
Pair 21	Sample # 6 vs. Sample # 7	4.785	.009	√

Appendix #2
Year-Wise t-Test

Pair No.	Year	Result of t Value	Significance Level	Significant
Pair 1	2006 vs. 2007	-1.406	.209	-
Pair 2	2006 vs. 2008	-1.493	.186	-
Pair 3	2006 vs. 2009	-1.277	.249	-
Pair 4	2006 vs. 2010	-1.460	.195	-
Pair 5	2007 vs. 2008	-0.858	.424	-
Pair 6	2007 vs. 2009	-0.961	.374	-
Pair 7	2007 vs. 2010	-1.242	.260	-
Pair 8	2008 vs. 2009	-0.500	635	-
Pair 9	2008 vs. 2010	-0.726	.495	-
Pair 10	2009 vs. 2010	-1.000	.356	-