

User Perception on Disclosure: A Comparative Analysis of Public and Private Banks in Ethiopia, by Tafa Ijara*

This study investigates the views and perceptions of users on disclosure and the extent of disclosure by the Ethiopian banking sector. The data collected from 509 respondents in different groups of information users were analyzed using percentage, mean and Kruskal-Wallis H test. The result shows that most of the user groups regard annual reports as the most important source of information and income statements as an important section of annual reports. The majority of the user groups attached the highest ranking for the relevant attribute for the annual reports and delay in publishing annual reports as the most serious problems. The users of information perceive that a public bank discloses more information with better quality than private banks and the analysis of annual reports also disclose the same results. The Kruskal-Wallis H test shows that there was a significant difference among user groups on the frequency of annual report usage, purposes of annual reports, sources of information, the significance of the problems, and sections of annual reports.

Keywords: Disclosure; Ethiopian banks; Information; Users' perceptions

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Introduction

The banking sector plays the most important financial intermediaries role and acts as the primary source of financing an economy. According to the theory of financial intermediaries, banks are able to reduce transaction costs and resolve information asymmetries between borrowers and lenders (Diamond, 1984; Saunders and Cornett, 2012). The Commercial bank as a type of financial institution plays the intermediary role that provides liquidity insurance, monitoring services, and producers of information (Santos, 2000).

An effective information provision system is very important in establishing a strong banking institution. Putu et al., (2012), stated that financial information is needed by all the stakeholders in order to make informed decisions. Information disclosure is an important element of financial reporting. According to Spiegel and Yamori (2004),

effective and full disclosure is generally regarded as the essential condition for the discipline of markets in modern financial sectors. Huang (2006) stated that accounting disclosure in the banking sector is important over and above those in other sectors. Disclosure can be explained as the communication of economic information which includes financial or non-financial, quantitative or qualitative relating to the organizations' financial position and performance (Owusu-Ansah, 1998). Disclosure is defined in accounting literature as providing business information to the public by financial statements (Agca and Onder, 2007). Though there are different means of disclosing a firm's information, an annual report is the most important one. Annual reports by the firms are usually prepared according to two dominant standards: generally accepted accounting principles (GAAP) and

international financial reporting standards (IFRS). According to the investors' interest, these standards do not provide all the necessary information and as a result, there are some deficiencies (Shuster and O'Connell, 2006).

The price of the stock is varying over time because of different factors which are categorized as company internal factors and external factors. Regarding this fact, Hartono (2004) found that the basic perceptions of financial statements users are the important determinant of desired return. Cooper (2003) stated that perception is the mechanism with which a person evaluates things from the external environment, which, in turn, determines a person's behavioral response. According to Rouf (2011), disclosure and transparency induce corporations to better shelter investors, and thereby increase investors' confidence in capital markets. Timely, relevant, reliable, and comparable information about marketable securities is significant for both pricing efficiency and market confidence.

Regarding the level of information disclosure the empirical literature shows state or private ownership of companies influences their level of disclosure in different countries (see for instance; Ferguson et al., 2002; Yang et al., 2013 and OECD, 2017).

The modern banking system was commenced in Ethiopia in 1905 based on the agreement made between the Ethiopian government and British owned national bank of Egypt (NBE, 2020; Geda, 2006 and Mauri, 2011). From 1905-1991 different banks were established, but liquidated and merged under different regimes because of the Italian invasion, changes in government regulations, and policy changes (NBE, 2020 and Mauri, 2003). Following the declaration of the liberal economic system in 1991 in Ethiopia, private banks have been

established over the years and recently reached 16 private banks and two public banks. The Ethiopian banking system primarily focuses on resource mobilization, disbursement of loans and outstanding credit (NBE, 2020).

Problem Statement

The importance of corporate transparency is not only for protecting the interests of the investors but also for preventing the failure of capital markets and maintaining economic stability. Disclosure is considered an important tool for evaluating the transparency of companies. Lack of adequate financial disclosure prevents investors and creditors from receiving important information that helps in their decision-making. According to Spiegel and Yamori (2004), effective and full disclosure is generally regarded as the essential condition for the discipline of markets in modern financial sectors. Huang (2006) stated that accounting disclosure in the banking sector is important over and above those in other sectors.

Several studies have found different results on the perception of users on the information reporting or disclosure of firms. For instance, users have different views on the use of company reports to make an informative decision, primary sources of information, features of useful corporate information, important parts of corporate annual reports, and quality of information (see for example; Naser et al., 2003; Abdelkarim et al., 2009; Babu and Hossain, 2014 and Alfraih and Almutawa 2014).

Regarding information disclosures by Ethiopian banks only a few studies have been conducted. Only two studies conducted by Rao and Desta (2016) and Khan and Abera (2015) on disclosure practices and the determinants of the levels of disclosure of Ethiopian banks are available. But, there is no study conducted on the perception of

users on information disclosure by Ethiopian banks. Thus, examining the perception of the users on the Companies' information disclosures is very essential to fill the literature gaps and provide implications for different stakeholders.

Therefore, this study is needed and different from the previous studies conducted regarding the users' perception of banks' information disclosures in several aspects including: first, the previous studies found inconsistent results. Second, most of the previous studies were conducted in developed countries which means little is known about developing countries and moreover, there are no similar studies conducted in Ethiopia on the users' perception of information disclosure. Third, unlike previous studies, this study analyzed the views of several user groups. Fourth, unlike previous studies, this study compares the users' perception of information disclosure by Ethiopian public banks and private banks. Hence, the main aim of this paper is to examine the user's perception of corporate disclosure in Ethiopian public and private banks. The specific objectives of the study are the following:

1. To describe the sources of Ethiopian banking industry information used by various user groups.
2. To examine the views and perceptions of Ethiopian banks' annual report users on characteristics of useful corporate information.
3. To analyze the perceptions of various user groups regarding the importance of disclosure items by the Ethiopian banking industry.
4. To examine the extent of the disclosure provided by public and private banks in Ethiopia over the study period.

Literature Reviews

Investors require timely and accurate business information to make effective investment decisions. Information disclosure

is one of the major important things to the banking industry because the highly liquid nature of banks' assets results in significant uncertainty in entity valuations (Noe, 1999). In the modern financial sector, effective and full disclosure is regarded as a necessary condition for the discipline of the market (Spiegel and Yamori, 2004).

The firm's information users both internal and external to the organization, require the information provided to be useful. To be useful, the disclosed information must have certain qualitative characteristics. FASB (2005) summarized the qualitative characteristics of accounting information into four main features; these include understandability, relevance, reliability, and comparability.

There are a number of possible information sources and many previous studies identified possible sources of information through which companies provide information to users. However, the annual report is identified by a significant number of studies as the most important source of corporate information frequently used by various user groups in many countries(see for example; Rouf, 2016; Naser et al., 2003; Arnold and Moizer, 1984; Bence et al., 1995 and Struely, 1984). Useful information can be obtained in many ways; one of the common sources is the firms' annual reports. An annual report plays an important role by providing relevant, useful and reliable financial information to shareholders, investors and other interested people about the financial condition and performance of the business and its future prospects to help users in decision making (Yeun et al., 2009).

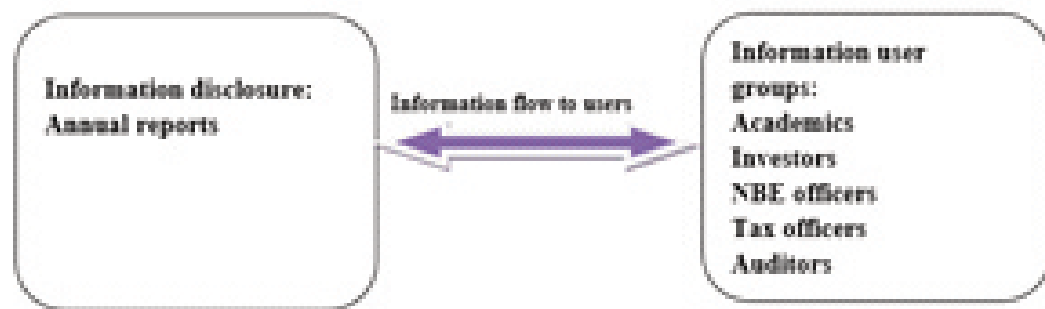
Several studies found that users of information have a different perception of the source of information, type of information, attributes of information, adequacy of information and importance of information (see for instance; Naser et al.,

2003; Abdelkarim et al., 2009; Babul and Hossain, 2012; Alfraih and Almutawa, 2014).

Annual reports of the firms can be prepared either based on GAAP or IFRS. In Ethiopia, the financial disclosure requirements of the bank were based on the GAAP financial reporting standard. But from 2018 onwards the banking sector was required to prepare their reports using IFRS.

There are several groups of users of corporate financial information. These include the government, creditors, shareholders, labor unions, trade unions, employees, financial analysts, brokers, potential investors, bankers, taxing authority, teachers, suppliers, customers, competitors and press (FASB, 1978; Lunt, 2006; Albrecht et al., 2011; Kieso et al., 2013). However, this study emphasizes only the perception of five groups of information users presented in the following diagram.

Figure1: Information Disclosure and Perception Model



Source: Developed From the Literature (FASB 1978; Albrecht Et AL, 2011 And Kieso Et AL, 2013)

Based on the reviewed literature the following hypotheses are developed and tested:

H₀1: There is no significant difference among user groups on their frequency of annual reports usage.

Ho2: There is no significant difference among user groups in the perceived

importance they attach to various sources of information.

Ho3: There is no significant difference among user groups in the perceived importance they attach to different sections of annual reports.

Ho4: There is no significant difference among user groups in the perceived importance they attach to the characteristics of information.

Ho5: There is no significant difference among user groups' views on the problems with using Ethiopian banks' annual reports.

The next section of this paper is structured as follows: section two discusses reviews of related literature; Section three presents the methodology of the study. The fourth section presents the result and discussion of the study. Section five present the conclusions and recommendations.

Materials and Methods

This study is intended to examine the user's perception of the information disclosure using cross-sectional data and using the annual reports of Ethiopian commercial banks during the period of 2010 to 2018 the extent of information disclosures were also examined. To provide empirical evidence on

the set objectives and formulated hypotheses, data about the perception of users on information disclosures were gathered using questionnaires and data for the evaluation of the extent of disclosure was obtained through reviews of annual reports of the banks.

A total of 736 (including 60 questionnaires for pilot study) questionnaires was distributed to different user groups of information disclosure including investors (shareholders), tax officers, national bank of Ethiopia (NBE) officers, academic staffs of accounting and finance and auditors. The validity of the instrument was ensured and the reliability of the instruments was tested using Cronbach's alpha coefficient which is 0.755, 0.724, 0.778, and 0.739 for objective one to objective four respectively, and which is considered good.

During the data collection, there were 17 commercial banks in Ethiopia including one public bank and 16 private banks. However, only 11 were included in the study due to the short duration of the establishment of the excluded banks and the inconvenience to collect data. These banks are the commercial bank of Ethiopia, Awash bank, bank of Abyssinia, Dashen bank, united bank, Oromia international bank, Cooperative Bank of Oromia, Bunna international bank, Wegagen bank, Nib international bank and Zemen bank. From the users' information side investors, academic staff (accounting and finance), NBE officers, tax officers, and auditors were the population of this study.

The total shareholders of the selected 10 private commercial banks are counted to 69,657. This means 69, 657 is the population of the shareholders. The sample size for this population is determined using Yemane(1967) formula which is used to calculate a sample size under the assumption of a 95% confidence level and P=0.05.

$$n = \frac{N}{1 + N(e)^2}$$

Where:

n= is the sample size

N=is the population size

e= is the level of precision

Therefore by applying the above formula the sample size for the population of 69,657 shareholders, at 95% confidence level and p=0.05 is determined as follows:

$$n = \frac{69,657}{1 + 69,657(0.05)^2} = 398 \text{ shareholders.}$$

A number of sample units were drawn from each bank in proportion to their population size, which is using proportional systematic sampling since the shareholders are already stratified by the bank in which they made the investment.

The second target population of the study is the academic staff. Recent data shows that in Ethiopia there are a total of more than 50 private and government Universities. From the total Universities, a sample of 5 government universities and 5 private universities/university colleges are selected using judgmental sampling. The Universities included in the samples are; Addis Ababa University, Ethiopian Civil service University, Haramaya University, Hawassa University, and Mekelle University from Government Universities. From private universities the samples are Unity University, Rift Valley University, Saint Mary's University, Alpha University college and Admas University.

The total population of permanent academic staff in selected Universities is counted to be 358. The sample size for this population is determined using Yemane (1967) formula which is used to calculate a sample size under the assumption of a 95% confidence level and P=0.05.

$$n = \frac{N}{1 + N(e)^2}$$

Where:

n= is the sample size

N=is the population size

e= is the level of precision

Therefore by applying the above formula the sample size for the population of 358 academic staff, at 95% confidence level and $p=0.05$ is determined as follows:

$$n = 358 / 1 + 358(0.05)^2 = 189$$

A number of sample units were drawn from each university in proportion to their population size, which is using proportional systematic sampling since the academic staff are already stratified by the University they are working in. This means after allocating the total sample size to each university in proportion to their population size, systematic sampling was applied to draw a sample from each university. On the other hand, using judgmental sampling 32 officers from the national bank of Ethiopia, 23 officers from the ministry of Revenue and 34 auditors from audit firms and the accounting and auditing board of Ethiopia were selected.

The collected data were analyzed using percentage, mean, Chi-square and Kruskal-Wallis H test. Chi-square and Kruskal-Wallis H test was applied to measure the similarity among the user groups' views on the information disclosure of banks and level of disclosure during the period 2010 to 2018. Sieggel and Castellán (1988), Naser et al., (2003) and Mirshekary and Saudagaran (2005) suggested that for ordinal scale data a non-parametric method is an appropriate method to test the similarity or differences among the groups that is using Kruskal-Wallis H test. Hence Kruskal-Wallis H test was used to test the possible differences among the user groups.

Regarding the extent of disclosure, this study used the standardized transparency and disclosure items set by standard and poor to evaluate the disclosure practices of Ethiopian commercial banks. However, from the total 98 transparency and disclosure items set by standard and poor only 91 items are applicable in Ethiopia commercial banks. Thus, the score out of 91 items are presented

in number and percentage. In order to assign a score for each item of information, this study applied an unweighted index. The unweighted evaluation method awards one when the item is disclosed and zero when the item is not disclosed. The unweighted index is preferred over the weighted index for many reasons (see for instance; Firth, 1979; Patel and Dallas, 2002; Utama and Utama, 2012; Sharif and Lai 2015). Accordingly, the unweighted disclosure scoring method measures the total disclosure (TD) score of a banking firm as summative (Cooke, 1992) as follows:

$$TD = \sum_{i=1}^n d_i$$

Where,

$d = 1$ if the item d_i is disclosed

$d = 0$ if the item d_i is not disclosed

n = number of items

Results

This section of the paper analyzed and discussed the data collected through questionnaires and review of annual reports. Out of the total 676 questionnaires surveyed, 509 questionnaires were properly filled and returned which makes the overall response rate 75 percent. However, the response rate varies from one group to the other which ranges from as low as 73 percent from the investor group to 87 percent from tax officers. The results of both types of data are discussed and presented as follows.

Important Sources of Information and Frequency of Usage

A response from the information users shows high disparity among the user groups in terms of the frequency of their information usage. All respondent groups use information from the level of occasional to always. However, there is a disparity between the user groups on the frequency of the annual report usage. Moreover, the result of the chi-

Table 1. Frequency of Annual Report Usage in Percentage

Frequency	Academics	Investors	NBE officers	Tax officers	Auditors
Always	4.9	13	42.3	4.8	10.7
Usually	9.1	21.5	3.8	42.9	3.6
Sometimes	24.5	31.3	38.5	19	50
Occasionally	61.5	34.2	15.4	33.3	35.7
Never	0.0	0.0	0.0	0.0	0.0
Chi-square test(χ^2)	101.948(p=0.000)*				

Source: Survey by the researcher, 2019

square test shows statistically significant (101.948(p=0.000)* differences at the 1 percent significance level for all the five levels of the frequency tested. Both frequency analysis and statistical test result indicate the existence of statistically significant difference among the user groups on their frequency of commercial banks' information usage. Therefore, the hypothesis that there is no significant difference among the user groups on the frequency of usage of information is not supported.

As indicated in table 2, all user groups (except tax officers) regard annual reports as the most important sources of information they use for decision-making (judgmental) purposes. It is obvious to see from table 2 that most of the users rate annual reports as either very important or important. Tax officers regard specialists' advice or advisory services as the most important sources of information. Similarly, investors consider communication with the management of banks as the first most important source of information being equal with annual reports. Kruskal-Wallis test results indicate that there

Table 2. Importance of Different Sources of Information as Mean Scores

Sources of information	Academics	Investors	NBE officers	Tax officers	Auditors
Advice of friends and relatives	3.4	3.5	3	3.3	3.3
Communication with management of banks	3.7	4.2	4.1	3.9	4.1
Annual reports	3.9	4.2	4.2	3.9	4.2
Specialist's advice or advisory services	3.7	3.5	3.3	4.1	3.8
Newspapers and magazines	3.4	3.8	3.4	3.9	3.5
Kruskal-wallis test(χ^2):					
Communication with the management of banks	30.337(p=0.000)**				
Annual reports	12.129(p=0.016)*				
Newspapers and magazines	22.724(p=0.000)**				

Note: ranges from, 1=not important at all; to 5=very important

Source: Survey by the researcher, 2019

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ormation most of rt as the most important source of information. The

result of this study is similar to the findings of Naser et al., (2003), De Zoysa and Rudkin (2010) and Mirshekary and Saudagaran(2005) that they found that the information user groups believe annual reports as the most important source of financial information.

Importance of Ethiopian Banks Information

Table 3. Views on the Importance of the Information Provided in Ethiopian Bank's Annual Reports in Terms of Alternative Purposes

Purposes
Kruskal-wallis test(χ^2):
To provide information to investors to assist them with future decisions 15.351(p=0.004)**
To help investors in monitoring their existing investments 12.774(p=0.013)*
To provide information about corporate governance standards 14.945(p=0.005)**

Note: ranges from, 1=not important; to 5=very important

Source: Survey by the researcher, 2019

The user groups have different views on the primary purpose of providing information to the user groups. Most of the user groups perceive that the primary purpose of the annual report is to provide information to the national bank of Ethiopia for monitoring and supervision purposes. Investors and auditors perceive that the primary purpose of annual reports is to provide information to investors to assist them with future decisions. But auditors perceive providing information to help investors in monitoring their existing investments and to provide information to Ethiopian tax authorities also as the primary purpose of annual reports.

The Kruskal-Wallis test results show that there is a statistically significant difference among the user groups on their perceived purposes of information in annual reports to provide information to investors to assist

them with future decisions at 1 percent, to help investors in monitoring their existing investments at 5 percent and to provide information about corporate governance standards at 1 percent. But there is no statistically significant difference among the user groups on the other purposes of information provided in annual reports.

The results of this study show that the user groups have different views on the primary purpose of providing information to the user groups. The Kruskal-Wallis test result also shows a statistically significant difference among user groups on their perceived purposes of information in annual reports. Nonetheless, most of the user groups perceive that the primary purpose of the annual report is to provide information to the national bank for monitoring and supervision purposes. This makes the result of this study only be partly consistent with the study result by Dawd, et al., (2018) which found that information users' in Kuwait view that the most important purpose to provide information in annual reports is to help investors in making their investment decision.

disclosure. Thus, the hypothesis that there is no significant

Attributes of The Information Disclosures in Annual Reports

Table 4. Assessment of the Attributes of the Financial Information in Annual Reports of Ethiopian Banks

Attributes	User Groups				
	Academics	Investors	NBE officers	Tax officers	Auditors
Quantity of the information	3.6	3.6	3.5	3.6	3.5
Understandability of the information	3.9	3.7	3.6	3.9	3.7
Relevance of the information	3.9	4.0	3.8	4.2	3.9
Reliability of the information	3.8	3.9	3.8	4.1	4.0
Comparability of the information	3.8	3.8	3.8	3.9	3.8
Materiality of the information	3.8	3.9	4.0	4.0	3.8
Kruskal-Wallis test(χ^2):					
All results are not significant					

Note: ranges from, 1=very poor; to 5=excellent

Source: Survey by the researcher, 2019

The quantitative and qualitative attributes of Ethiopian banks' accounting information drawn from ASB (1991) and FASB (2005) were assessed using user groups' perceptions. Accordingly, three (academics, investors and tax officers) of the five user groups attached the highest ranking for the relevant attribute for the information disclosed in Ethiopian banks' annual reports. Academics user groups attached understandability of the information highest-ranking equal with the relevance of information. NBE officers and auditors attached the highest ranking for the materiality and reliability of the information respectively for the information disclosure in annual reports.

The Kruskal-Wallis test result indicates that there is no statistically significant difference among the user groups in their perception of all attributes of financial information

difference among the user groups on the attributes of information disclosure on annual reports is supported.

The above result shows that the majority of the user groups attached the highest ranking for the relevance and the other user groups attached high value for understandability, materiality, and reliability of the information disclosure in annual reports. Though the user groups give high ranks for different attributes, the Kruskal-Wallis test shows that the difference among the user group is not statistically significant. Stainbank and Peebles (2006) have found that in South Africa users attached high importance for the comparability, faithful representation, and relevance; Whereas, Naser et al., (2003) have found that in Kuwait users viewed credibility and timeliness of information as the most important features of useful information; in contrary Dawd (2010) has found that in Kuwait users perceived reliability and

understandability of information as the most important feature of corporate information. User groups perceived that quantity of information is the attribute least maintained by banks in information disclosure in annual reports. However, in terms of importance (based on their interest), most of the user groups view the reliability of information as the most important attribute of information and all user groups view relevance as the second most important attribute of information.

Public Bank Versus Private Banks in Terms of Attributes of Information

Table 5. Assessment of the Attributes of Public Bank Annual Reports Relative to Private Banks

Attributes	Academics	Investors	NBE officers	Tax officers	Auditors
Quantity of the information	3.7	3.6	3.6	3.7	3.6
Understandability of the information	3.8	3.7	3.5	4.0	4.0
Relevance of the information	3.8	3.8	3.9	4.0	3.9
Reliability of the information	3.8	3.7	3.8	4.1	3.9
Comparability of the information	3.8	3.6	3.8	4.0	3.7
Materiality of the information	3.8	3.7	3.7	4.1	4.0

Kruskal-wallis test(χ^2):
Understandability of the information
8.683(p=0.048)

Note: ranges from, 1=very poor; to 5=excellent
Source: Survey by the researcher, 2019

As shown in table 5 most of the user groups rate the public bank information disclosures as either good or very well relative to private banks information disclosures that is in terms of quantity, relevance, reliability, understandability, comparability and materiality of information disclosed in annual reports. Users attached the highest rank for the relevance and reliability attributes for information disclosed by the public bank than other attributes when compared with the attributes of information disclosed by the private banks. The Kruskal-

Wallis test result indicates that there is a significant difference among the user groups on their perception of the understandability of the information disclosed by public banks relative to private banks which is statistically significant at 5 percent. But the user groups have no significant differences in their perception of the attributes of the information disclosed by a public bank relative to private banks. Therefore, the hypothesis that there is no significant difference among the user groups' views on information disclosed by public and private banks is not supported for the attribute of understandability, while the hypothesis is supported for the other attributes.

Significance of Problems in Using Annual Reports

According to three user groups (Academics, NBE officers, and Auditors), delays in publishing annual reports are the most serious problem. Investors viewed lack of reliability of information and lack of access to annual reports as the most serious problems and delay in publishing annual reports as the second most important problems in using companies' information. Tax officers viewed lack of compliance with

accounting standards as the most serious problem.

Kruskal-Wallis test indicates that there is a statistically significant difference among the user groups on the delay in publishing annual reports and lack of access to annual reports both at a 5 percent significance level. The hypothesis that there is no significant difference among the user groups' views on the significance of the problems when using the annual reports of information is not supported by the delay in publishing annual reports and lack of access to annual reports. But the hypothesis is supported for the other problems.

This study found that the majority of the user groups viewed delays in publishing annual reports as the most serious problem and followed by lack of reliability, lack of access to annual reports and lack of compliance with accounting standards. However, there is a statistically significant difference among the user groups on the problems in using annual reports. Studies conducted by

Table 6. Views on the Significance of the Problems When Using Ethiopian Banks' Annual Reports

Problems	Kruskal-wallis test(χ^2)
Delay in publishing annual reports	11.466(p=0.022)
Lack of access to annual reports	10.095(p=0.039)

Note: ranges from, 1=not significant at all; to 5=very significant
Source: Survey by the researcher, 2019

Mirshekary and Saudagaran (2005) in Iran, De Zoysa and Rudkin (2010) in Sri Lanka, and Dawd et al., (2018) in Kuwait found that the user groups viewed delay in publishing the annual report as the main factor restricting the use of annual reports.

Table 7. Users View on the Importance of the Sections of Annual Reports in Their Financial Decision Making (or Judgment) Regarding Ethiopian Banks

Sections of annual reports	Academics	Investors	NBE officers	Tax officers	Auditors
Balance sheet	4.1	4.4	4.4	4.2	4.3
Income statement	4.2	4.5	4.5	4.3	4.6
Statement of cash flows	4.0	4.3	3.9	4.2	4.6
Notes to the financial statements	3.9	4.2	3.8	4.1	4.5
Statement of retained earnings	3.9	4.3	3.5	4.1	4.6
Accounting policies	3.9	4.1	3.8	4.3	4.6
Directors' report	3.8	3.9	3.7	4.1	4.5
Auditor's report	4.2	4.3	4.2	4.2	4.3
Kruskal wallis test:					
Balance sheet				19.655(p=0.001)	
Income statement				16.891(p=0.002)	
Statement of cash flows				16.241(p=0.003)	
Notes to the financial statements				16.108(p=0.003)	
Statement of retained earnings				29.790(p=0.000)	
Accounting policies				17.945(p=0.001)	
Directors' report				13.955(p=0.007)	

Note: ranges from, 1=not important at all; to 5=very important
Source: Survey by the researcher, 2019

Importance of the Section of Annual Reports

As indicated in table 7 the users perceive the income statement as the most important section of annual reports and the users' rate directors' report as the least important section of annual reports. The Kruskal-Wallis test reveals that there is a significant difference among the user groups on the importance of balance sheet, income statement, statement of cash flows, notes to the financial statements, statement of retained earnings, accounting policies, and directors' reports at 1 percent significant level. Only on the importance of the auditor's report, there is no significant difference among the user groups. Therefore, the hypothesis that there is no significant difference among the user groups' views on the importance of the sections of the annual reports is not supported.

Table 8. Public Versus Private Banks Extent of Disclosure

Year	Public		private	
	Score number	Percentage	Score number	Percentage
2010	44	48.4	44	48.4
2011	47	51.6	44	48.8
2012	47	51.6	46	50.8
2013	48	52.7	46	50.9
2014	53	58.2	46	51.1
2015	53	58.2	47	51.4
2016	53	58.2	48	52.5
2017	53	58.2	49	53.3
2018	53	58.2	49	53.3

Note: disclosure score based on transparency and disclosure items of standards and poor
Source: Annual reports of banks 2010-2018

The users perceive the income statement as the most important section of annual reports and the directors' report as the least important section of annual reports. This study result is consistent with the result of a study conducted by Mirshekary and Saudagaran(2005) in Iran and Naser et al., (2003) in Kuwaiti that their study found that information users perceived income statements as the most important section of annual reports. Different from the current study result, a study conducted by Stainbank and Peebles (2006) found that the component of the annual report that the information users in South Africa read thoroughly most is the cash flow statement and followed by the income statement. From these evidences, we

can understand that most users prefer the use of income statements among other components of annual reports.

Public Versus Private Banks in Terms of Extent of Disclosure

As shown in table 8 both public and private banks' level of disclosure has shown increases during the period. But their overall disclosure level is almost half of the transparency and disclosure items set by standards and poor. In recent years the disclosure level of public banks was constant, while the private banks' disclosure level showed constant for some consecutive years and then increases and alike. Generally speaking during the analysis period the level of disclosure by a public bank was higher than disclosure by private banks except in 2010 the disclosure level of both categories of banks was equal. This may indicate that private banks are not disclosing the details and additional information voluntarily.

The comparative analysis between public and private commercial banks on the level of disclosures indicates that public banks disclose more information than private banks. This may imply that the competition between commercial banks in disclosure of more information is weak in Ethiopia and it may be due to the fact that disclosure of more information has no significant contribution to the profitability of the banks. This study result is consistent with the result of a study conducted by Hossain and Reaz(2007), which found that public sector banks disclose more voluntary information than private sector banks. In contrast to this result, a study by Madhani(2014) found that there is no significant difference in disclosure practices of Indian firms across the public and private sectors.

Conclusions & Recommendations

From the above results this paper concludes that there is variance among the information

user groups on the frequency of information usage, public banks disclose more information with better quality than private banks, the user groups perceive that the primary purpose of the annual report is to provide information to the national bank for monitoring and supervision and to investors to assist them with future decisions. Most of the user groups regard annual reports as the most important source of information and the majority of the user groups attached the highest ranking for the relevant attribute for the information disclosed in annual reports by Ethiopian banks. Regarding the importance of the attributes of information, most of the user groups view reliability as the most important attribute of information. Moreover, users view the income statement as the most important section of annual reports.

Delay in publishing annual reports, lack of reliability of the information, lack of access to annual reports, and compliance with accounting standards are perceived by users as the most serious problems in the use of bank information. Further, the views of the user groups have significant differences on the frequency of annual report usage, purposes of annual reports, sources of information, the significance of the problems, and the importance of sections of annual reports. However, there is no significant difference among the user groups on their views on the attributes of annual reports.

Therefore, the study suggests that the management of Ethiopian public and private banks are suggested to work towards solving problems related to information disclosure such as delay in publishing, reliability of the information, access to annual reports, and compliance with accounting standards. The Ethiopian governing bodies of corporate reporting are also suggested to formulate and enforce the policy to make the companies

solve information disclosure-related problems; improve the quantity and quality of information disclosure. The management of the banks is suggested to increase the quantity of information they disclose. This study suggests for future research to focus on areas not covered in this study that includes the perceptions of the preparers of information disclosure and user groups of the non-banking sector.

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