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Corporate governance disclosure of banks in Romania and Malaysia and the quality of the web sites

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Abstract: This paper is aimed to explore and compare disclosure on corporate governance mechanisms in the annual reports of commercial banks for two emerging countries: Romania and Malaysia. There were selected 34 banks situated in Romania and Malaysia, in order to highlight the influence of culture and the impact of the size, profitability on corporate governance disclosure practices. Another objective is to determine the quality of the web sites of these banks and their ability to support the access to corporate governance elements. It is found that Malaysian banks provide more corporate governance information than Romanian banks, the quality of web sites being higher in case of Romanian banks. The conducted study highlights the tendency of more profitable banks to disclose more information on corporate governance than less profitable financial institutions, while the size of the banks does not appear to influence the value of the corporate governance disclosure index.

Keywords: corporate governance, banks, web sites, disclosure, Romania, Malaysia

JEL codes: G3, G21

1. Introduction

Today, culture aspects and time constraints are no longer a major impediment to conducting business around the world. This evolution, in part, is the result of the development of the Internet, coupled with the increasing use of network intensive

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technologies by corporations. Technology helps organizations to conduct business and communicate with stakeholders in a very useful way. With computer networking and access to the Internet, all companies have the opportunity to operate in a multinational environment. Online communication provides an excellent opportunity for an analysis of varied communication within a diverse group of organizations.

Technology allows corporation to include useful information for their stakeholders on their web sites. This is an inexpensive way of communication and the most flexible and the easiest to use for both sides. Corporate governance has been the subject of substantial academic research. Some of the main research aspects that have been discussed or are currently being researched include: aspects of corporate governance, aspects of the design of the web sites, disclosure index and transparency. However, multicultural studies presenting the influence of culture on the corporate governance disclosure were not a subject detailed by many specialists. Moreover, there are not available comparisons between Romania and Islamic system, including here also Malaysia, on corporate governance disclosure of banks, which sheds light on our contribution.

The origins of this study are previous multicultural studies and concerns of the authors, like the impact of religion over accounting and financial aspects connected to corporate governance, emphasizing the significant influence of Islamic precepts on the financial reality of Islamic countries. A study was previously conducted on some Islamic banks by analyzing their financial reports in order to test if the cultural features are captured by financial statements and reports identified on the web site. Another previous study shows that moreover, incomplete or non transparent communication prevents corrective action by different parties and can accelerate the destruction of enterprise value. For this reason, the regulation in some countries has included clauses about disclosure of information to guarantee that the performance of firms is credible, transparent and ethical. Transparency in communicating organizational performance is essential for the proper functioning of capital markets, good or services. Recent financial scandals have shown that, if the information presented by organizations loses credibility this aspect will affect shareholders and other stakeholders (Cormier *et al.*, 2009).

The purpose of our study is to investigate the aspects of corporate governance and dialog features of corporate web sites and to explore the corporations' use of web sites for building relationships with stakeholders. This study is based on corporate governance aspects disclosed on the web sites of banks from Romania and Malaysia and also on how these aspects and the design of web sites can influence the level of disclosure for each bank.

The sample of this study consists of thirty-four banks from Romania and Malaysia whose 2012 annual reports and information about corporate governance are available on their web sites. The Corporate Governance Disclosure Index is constructed for each bank to measure the extent of governance disclosure, being also a tool to identify the differences between these two countries.

This paper begins with a short literature review related to culture, transparency, disclosure and corporate governance. It then moves on to describe the study and the selection of the organizations that were included under data and methodology. The finding from the study are further analyzed in the results section and followed by the implications for theory and practice, as described in the concluding comments.

2. Literature review

2.1. Culture, disclosure and transparency

In 1980, Hofstede identified four cultural dimensions, namely individualism versus collectivism, power distance, masculinity versus feminity and uncertainty avoidance. Eight years later, Gray has extended Hofstede's dimensions to accounting, referring to four accounting dimensions, as it follows: professionalism versus statutory control, uniformity versus flexibility, conservatism versus optimism and secrecy versus transparency (Borker, 2012). This last dimension refers to the constraint of information disclosure and confidentiality in contrast with a „more transparent and publicly accountable approach" (Gray, 1988: 8). Gray presents as hypothesis the following statement: „The higher the ranking in terms of uncertainty avoidance and power distance and the lower the ranking in terms of individualism and masculinity, the more likely is to rank high in terms of secrecy" (Borker, 2012: 315). Legal regime can influence corporate governance practices, having an impact on the way shareholders value them (Aguilera & Desender, 2012).

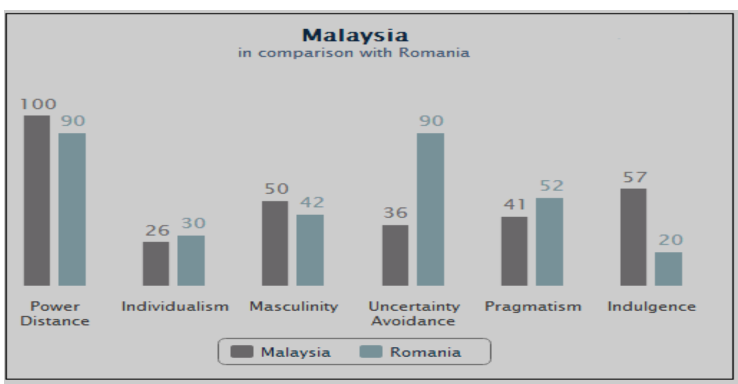

Figure 1. Cultural dimensions: Malaysia in comparison with Romania
(*Source*: http://geert-hofstede.com/malaysia.html)

When analyzing figure 1, it can be seen that the greatest differences are in terms of uncertainty avoidance. Malaysia has a more relaxed attitude, in the sense that practice is more valuable than principles, departure from the rules being more easily tolerated by the society having a much lower score than Romania, according to the study made by The Hofstede Center, showing that this country maintains rigid codes of behaviour and belief, being observed an emotional need for rules.

Taking into account the higher score for uncertainty avoidance of Romania and the lower ranking in terms of masculinity captured on the figure above, on the overall, Romania is more likely to rank higher than Malaysia in terms of secrecy. Emerging markets are facing major problems like the lack of transparency and publicly available information. Specialists draw attention to the fact that in the countries where the level of transparency is low, the cost of investing increases (Millar *et al.*, 2005).

In the articles related to corporate governance it is mentioned that information disclosure is the core of a good and effective corporate governance system. Moreover, disclosure illustrates whether the corporate governance is good (Htay, 2012). In addition, disclosure, as well as transparency, is seen as key pillar of a corporate governance framework for the reason that it offers useful and necessary information to estimate and judge the extent to which stakeholders' interests were respected and protected. Asymmetrical information can be considered a barrier to the efficient functioning of the financial system, generating conflicts of interests between different stakeholders. In order to avoid this problem, the increase in the level of information disclosure is required, leading to higher transparency, being one of the principles of corporate governance (Stefanescu, 2013).

It is desirable for investors, and other stakeholders to have access to additional disclosure in annual reports, as concluded in 1995 by Anderson & Epstein, showing that this need is not a recent matter of concern. Moreover, in 1977, Baker remarks that investors want to find fast and reliable information related to the companies they are interested in (Loh & Ragayah, 2007). Also Liu & Lu (2007) observed that firms with higher corporate governance levels have lower levels of earnings management (Uwuigbe *et al.*, 2014).

The transparency and disclosure practices of major public companies around the globe were the subject of different studies, showing that there are dramatic differences in how much companies disclose both across regions and countries and within regions and countries (Patel and Dallas, 2002). Beatriz García Osma and Encarna Guillamón-Saorín (2009) suggest that strong governance is associated to greater voluntary disclosure of timely information, although not all governance characteristics appear to be determinants of corporate disclosure. It is mentioned that the disclosure of corporate governance has changed over the years, from the annual report presentation to a new corporate section of the web sites of the company (Ştefanescu, 2011). Today is more useful to present information about corporate governance and company through the internet.

2.2. Corporate governance in banks

Despite of the industry sector, solid corporate governance contributes to an improved financial performance and as an important role in increasing the incentives for shareholders and other stakeholders (Manolescu *et al.*, 2011).

The corporate governance has a great role in case of banks, taking into account that bad corporate governance can decrease substantially public's confidence in the financial banking sector. This aspect can lead to a reduction in savings, in the level of the bank's profit and, further, can affect the national economy on the whole (Onakoya *et al.*, 2012). It is considered that one vital requirement in improving public confidence in corporate practices is a more transparent reporting, taking into account that good governance is the basis for the stakeholders' trust (Maingot & Zeghal, 2008). Corporate governance is a very useful key element in attracting investment and increasing performance in the long term.

2.2.1. The case of banks from Romania

Globalization of financial markets has contributed to reducing the gap between economies, in terms of corporate governance implementation (Feleagă *et al.*, 2011). In Romania, the first corporate governance code was adopted in 2001, but in 2008, it was replaced by the new corporate governance code, which is based on OECD principles. The new code is applied voluntary by companies traded on a regulated market operated by the Bucharest Stock Exchange. The Romanian Corporate Governance Code reveals aspects like transparency, clarity in corporate communications with the shareholders and the other stakeholders, shareholders' right to express their opinion, a fair treatment. It is told that the right to be informed via a special section on the company's website and participate in decision-making must be respected within companies (Chiper, 2010).

The specialists observe that the implementation of corporate governance faced some inconsistencies in Romania (Feleagă *et al.*, 2011). This failure of implementation might be explained by economical, historical and cultural factors. Under communism and in the post communist age, as the recent Romanian history reveals, transparency has never been a respected value. Under control-based communist system, there was registered a tendency to hide from authorities, by keeping information secret (Chiper, 2010).

Romanian banking system provides a medium level of disclosure, as it can be concluded from the descriptive statistics about general information disclosure presented by Ştefanescu (2011).

2.2.2. The case of Malaysian Islamic banks

As Muneeza and Hassan (2011) observe, a considerable degree of rules issued for Islamic financial institutions are established according to Ijitihad. The term "Ijitihad" is related to the process of legal reasoning through which the law is rationalised, having as a ground the Quran (Hallaq, 2005). A part of these rules are fully transformed from western rules, an example being the OECD principles, as Muneeza and Hassan observe in 2011.

When referring to Islamic countries, Shariah represents the Islamic law based on the combination of the teachings from Quran and Sunnah, being considered that it is the instrument through which God speaks to the nations. In Muslim societies, religion has a great impact, influencing the behaviour of the society, including accounting, and corporate governance, taking into account that Shariah covers both areas of life, sacred and secular. It can be concluded that this Islamic law offers guidance and rules that Islamic financial institutions should obey (Badshah *et al.*, 2013).

Islamic banking deserves more attention, especially because of the more non compliance risks, such as Shariah risk compliance. Moreover, In Islamic finance is prohibited the speculation, the uncertainty. The interest, called riba, is not allowed, the financial transactions being based on risk sharing (Badshah *et al.*, 2013). In Malaysia, as an Islamic country, investment depositors participate in the profit and loss like shareholders and, as a consequence, become a part of the agency conflicts. This is equivalent to the fact that is highly required a good governance mechanisms able to protect investment depositors' interests and to maintain their confidence (Darmadi, 2011).

Specific to Islamic banks is the requirement to comply with shariah law, not only with banking regulations (Safieddine, 2009). The compliance with shariah law is a matter of interest for the majority of depositors and investors of Islamic banks when referring to their funds (Safieddine, 2009). As a consequence, Islamic banks have the mission to maintain the confidence of depositors; otherwise they might decide to withdraw their funds (Darmadi, 2011). In Malaysia, Islamic banking co-exists with conventional banking, while in other countries like Iran, Pakistan, and Sudan only Islamic banking is allowed (Chong and Liu, 2007).

Specific to Islamic banks is the existence of Shariah Supervisory Board, its roles being to establish principles and rules related to Shariah, verify the compatibility of all products with Shariah law and to offer a verdict related to compliance in order to create confidence concerning the compatibility with Sharia (Safieddine, 2009).

The Corporate governance is regulated by the new Malaysian Code on Corporate Governance from 2012 released by the Securities Commission, this code replacing the previous version presented in 2007. The new code presents eight principles and recommendations, some of them being related to disclosure and transparency. For instance, the principles are: establishing clear roles and responsibilities, strengthen composition, reinforce independence, foster commitment, uphold integrity in financial reporting, recognise and manage risks, "ensure timely and high quality disclosure and strengthen relationship between company and shareholders" (PwC Alert, 2012:8).

Islamic banks, and as a consequence Malaysian banks, must be characterized by transparency, taking into account the profit and loss and risk sharing, specific to Islamic financial institutions. Because the Islamic finance is relatively new, the Islamic banks must be open for the customers, so that they can understand the Islamic accounting mechanism (Badshah *et al.*, 2013).

2.3. Corporate governance and web sites

Ashbaugh *et al.* suggest that web-based corporate disclosure is the dissemination of corporate related financial and non-financial information using the Internet technologies. Web is considered as being one of the better mediums of presenting both financial and non-financial information, especially because it facilitates a direct connection between the management of companies and stakeholders (Sharma, 2013).

The architecture of corporate web sites appears to have incorporated a number of common features, like site maps, search capabilities, a feedback mechanism, location information, privacy policy statement that makes the communication with stakeholders easier (Robbins & Stylianou, 2001).

Web applications are successful if they meet criteria like reliability, usability and security (Offut, 2002). Regarding usability, web sites users will prefer web sites that are more usable and that meet their needs and expectations (Stanciu & Pana, 2012). In a study on users' satisfaction upon the dimensions of the web sites conducted, Stanciu and Pana (2012) find that the respondents of the survey included in the study considered that most relevant criteria when referring to the quality of web sites are quality of the information provided, easiness in information retrieval and web-site global organization, while easiness in navigation is considered as having an average importance.

3. Research methodology

3.1. Sample description and data sources

One reason behind our choice to select banks for the sample is that corporate governance in the banking industry has a higher level of significance considering the fact that banks have more diverse stakeholders due to the fact that these companies have a very important role and impact on any economy through their financial intermediary role and their capacity to mobilize public saving (Htay, 2012). Moreover, banks have various types of stakeholders and, in order to maintain the public's confidence governance mechanisms shall be disseminated and disclosed in corporate reports.

Considering that one of the aims of this study was to capture the influence of culture on corporate governance disclosure, we considered relevant to select banks from two countries with different cultures, namely Romania and an Islamic country, namely Malaysia. Although financial companies are considered as being highly regulated in comparison to non financial organizations, this type of companies is more relevant in order to observe the impact of culture. This is due to the fact that Islamic banks are more influenced by culture, considering Shariah law that governs both the religious sphere and the economic and financial life. Our study uses data across different countries, namely Romania and Malaezia.

The reason for comparing the banks' disclosure through internet for these two countries is the similar Gross Domestic Product per capita in 2011, the similar evolution of this indicator in the period 1980-2011 and the fact that both countries are emerging countries, considering the weaker institutional environments of the markets in which they perform. Maingot and Zeghal (2008) found a positive relationship between good corporate governance and the country's income level.

In order to highlight banks' disclosure related to corporate governance, 34 banks' web sites, namely 17 banks from Romania and 17 banks from Malaysia were used for the case study, in order to observe the influence of cultural differences between these two countries. The internet represented the major tool for data collection for this study. The major sources of data collection for this research are companies' annual reports and the information included on the web sites of the banks.

3.2. Analysis of disclosures

Disclosure decision is influenced by many factors, like culture, organization's customs (Maingot & Zeghal, 2008), market listing, size, liquidity, industry, share spread, while profitability is not a statistically significant determinant (Sharma, 2013).

It can be considered that disclosure index is a way to measure the quality of corporate governance. To determine and highlight the disclosure differences between banks, it is computed a corporate governance disclosure index for identifying a reporting score.

There are some previous articles that considered relevant to develop and compute Corporate Governance Disclosure Index for Islamic Financial Institutions from Malaysia (Majid *et al.*, 2011).

In order to compute the Corporate Governance Disclosure Index, we considered as relevant elements comprising the corporate governance mechanism, as Safieddine (2009) asserted, like Shariah Supervisory Board, Internal control and external audit, Board of Directors, Board committees, internal control and external audit and risk management.

The formula for computing the Corporate Governance Disclosure Index is

$$\text{CGDI} = \frac{\sum_{t=1}^{n_j} X_{ij}}{n_j},$$

Where:

nj is the number of items expected to be disclosed by *j*th banks;

Xij equals 1 if *i*th item is disclosed and 0 if *i*th item is not disclosed. The authors built a rating system, with a point if an item is disclosed and a score of zero points if an item is not described.

Consequently, the CGDI will have values between 0.00 and 1.00. This way of measuring the disclosure was previously employed in the study conducted by Darmadi (2009).

Other elements of the web site capabilities will encompass factors as technological options, customer support. Using this evaluation grid is effective because it manages to combine several types of information in a score that is comparable and relevant to all firms in the sample.
The formula for computing the quality of the web site index is

$$\text{QWSI} = \frac{\sum_{t=1}^{n_j} Y_{ij}}{n_i},$$

Where:

nj is the number of items expected to be included on the web site of *j*th banks;

Yij equals 1 if *i*th item is present and 0 if *i*th item is not present.

The study completes other studies examining performance on the internet over a longer period of time, by adding others variables such as format and other characteristics of the web sites. There were identified two main components of disclosure on the web, namely content and presentation, as Sharma (2013) mentions. The disclosure of information combined with interactive communication and media offers flexibility in comparison with paper format, when referring to presentation perspective.

When referring to the content of web sites of the organizations, those who navigate can have access to annual or quarterly reports, records of the annual meeting of the shareholders, press releases (Sharma, 2013). The usefulness of web based disclosure is more and more acknowledged, and as a consequence, organizations use their websites in order to disclose a generous range of corporate information.

In order to construct the web index, the first step was to identify for each of the banks from the sample for the year 2013 the official web site of each bank. Because the index is measured using current webpage, we look for the websites of each bank using engines. When a bank website could not be found, we eliminated that bank from our sample. For those banks which had a webpage, we proceeded to construct the Corporate Governance Disclosure Index considering the content of the web site which consists of six components, each of them including items that express the quantity of corporate governance information.

In the first group, namely "Content", we aim to compute the Corporate Governance Disclosure Index (CGDI) by identifying information found about the Corporate Governance mechanisms like Shariah Supervisory Board (only for Islamic Malaysian banks), Supervisory Board (only for Romanian banks having two tier board), Board of Directors, Board Committees, Risk management and internal control and external audit, which were also analyzed in other studies (Darmadi, 2011).

Considering the fact that Shariah Supervisory Board is considered as having an important role in assuring the stakeholders of the banks that the activities the organization operates are consistent with Shariah law as Safieddine (2009) mentions and the fact that this aspect is a crucial matter of concern for the majority of investors and depositors, as was mentioned earlier in this paper, it is of high importance to examine whether elements related to this mechanism are identifiable on the web site.

In the section Shariah Supervisory Board, there were followed elements like name, position, pictures and profiles of members, number of meetings held, members' attendance in meetings, duties and responsibilities of the board, remuneration of members, compliance of products and services and of profit or loss with Shariah and recommendation to management.

Items like names of members, positions of members, pictures of members, profiles of members, independence of members, at least 50% of members being independent, number of meetings held, members' attendance in meetings, remuneration of members, duties and responsibilities of the board, shareholdings of members, recommendation to management were searched inside the Dimension of the Supervisory Board; information like names of members, positions of members, pictures of members, profiles of members, number of meetings held, members' attendance in meetings, remuneration of members, duties and responsibilities of the board and shareholdings of members were identified in Board of Directors Dimension. It is relevant to include personal details about the members of the board like picture, experience and education for transparency reason (Ştefanescu, 2011).

Other elements that we looked for were: existence of an audit committee, existence of a remuneration and nomination committee, existence of a risk-monitoring committee, of a corporate governance committee, duties and responsibilities of each committee, committee reports in the annual report, names of members, positions of members, pictures of members, profiles of members, number of meetings held, members' attendance in meetings and remuneration of members that were included in Board committees Dimension.

Also we found important to see information like internal control report in the annual report, existence of an internal audit division, internal audit framework, duties and responsibilities of internal audit division, policies on the appointment of external auditor, external auditor appointed by the bank and performance of internal audit division, all of these items being included in the internal control and external audit Dimension. The last Dimension is about risk management, where we searched information like risk management report in the annual report, existence of a risk management division, risk management framework, duties and responsibilities of risk management division, market risk management, credit risk management, liquidity risk management, operational risk management and risk profile.

In the second group named "Format" the authors aim to compute quality of the web site index and to see how web site can help stakeholders to find useful information considering Navigation, Dialogic loop and Presentation. These items were also analyzed by other scholars like Robbins and Stylianou (2001).

In this group, authors found important some elements like Search engine box, Site map, hyperlinks to other sites, categorized sub menus, multilingual options, internal link and calendar events that were put together in the navigation section, also the study aimed to observe if the web sites present information about their localization and contact like physical address, office telephone number, e-mail address and opportunity for user response, all of these elements being included in the dialogic loop section.

The last section of this group is Presentation section, through which the authors tried to observe if the banks put a significant accent on the presentation of their information. An interesting and well maintained web site can retain visitors' attention and can make them be more confident about the company that owns that web site. This section captures the existence of graphics, sounds and video on the web sites.

4. Hypotheses testing. Results and analysis

The authors tested some hypotheses considered relevant, in order to identify the aspects of corporate governance disclosed by the banks on their web sites and if the format of the web sites can influence the disclosure of information presented by the management.

H1: Larger banks tend to disclose a higher quantity of information than smaller banks.

There are several studies that captured the effect of size on the disclosure level that concluded that this variable is a significant determinant of disclosure, this impact being anticipated taking into account the political costs that are associated with the size (Sharma, 2013). The size of the banks can be measured by total assets as reported in the balance sheet of the banks (Sharma, 2013; Maingot & Zeghal, 2008). It is considered that larger banks possess a bigger budget enabling them to develop a complete web page.

Other researchers demonstrated for the UK and USA listed firms, only the size of a company proved to be statistically significant positive related to the use and extent of disclosure on the Internet (Ştefanescu, 2011).

Based on the total assets' value, the selected Romanian and Malaysian banks were sorted in order to establish the larger and smaller banks, the size of the banks being included in Appendix A. It must be said that, for a proper classification, the figures for Malaysian banks are converted from their national currency, namely Malaysian Ringgit into Romanian national currency, namely RON. There was computed a mean of the existing items of corporate governance for this two types of banks, in order to test if there is a positive relationship between the level of total assets and the value of the disclosure index.

Surprisingly, it can be seen that, on average, the index disclosure seems to be equal, although there are differences in reporting information related to Board of Commissioners, for the companies having a two tier board, where smaller banks present more information than larger banks, an explanation being the incentive to become more popular and more transparent, in order to extend the portfolio of clients.

On the other side, larger banks disclose more information through their web sites on Shariah Supervisory Board for Malaysian Banks, Board Committees, Internal Control and External Audit and Risk management. As a consequence, we cannot conclude that the hypothesis is validated.

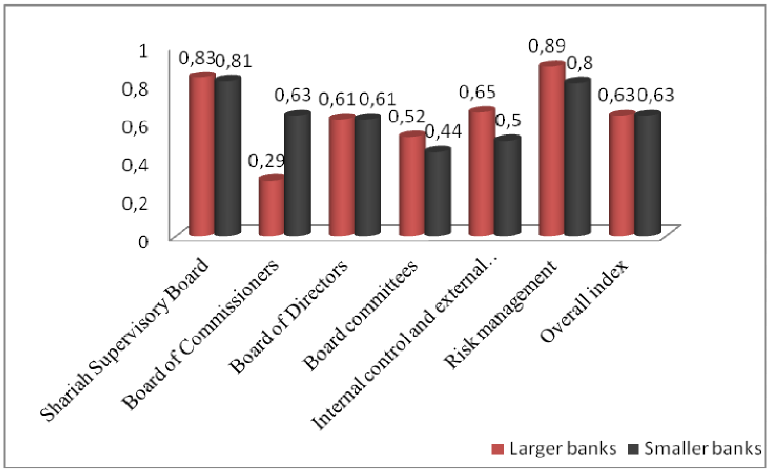

Figure 2. Corporate governance information disclosed by larger and smaller banks

H2: Malaysian banks disclose more information than Romanian banks on corporate governance.

In this hypothesis the two countries are compared by the disclosure index that is calculated for each bank from Romania and Malaysia. Based on the corporate governance disclosure index for each bank, Malaysian or Romanian, it was computed an average in order to identify which type of banks presents more information on corporate governance issues. The results underline that Malaysian banks include more information on their web sites than Romanian banks show. It can be observed that 76% of the aspects on corporate governance that should have been identified, according to the list of items expected to find on the web sites, were detected on Malaysian banks and only 50% of the corporate governance items were made public by Romanian banks, which shows that the hypothesis is validated.

It can be concluded that Malaysian banks put a higher accent on disclosure and transparency than Romanian banks. It is relevant to make a deeper analysis in order to observe what the main source of this difference in disclosure is. One difference is related to the specific feature of the Malaysian banks.

Being an Islamic country, it has to take into consideration Shariah's precepts, where Islamic religious code must be respected. It is vital for the Malaysian banks to present as many details as possible related to compliance with Shariah rules, so that web sites visitors are confident that the banks do not infringe the Islamic code. As a consequence, on average, Malaysian banks present 82% of the information related to Shariah Board and compliance with the Islamic code, only one bank disclosing all the aspects.

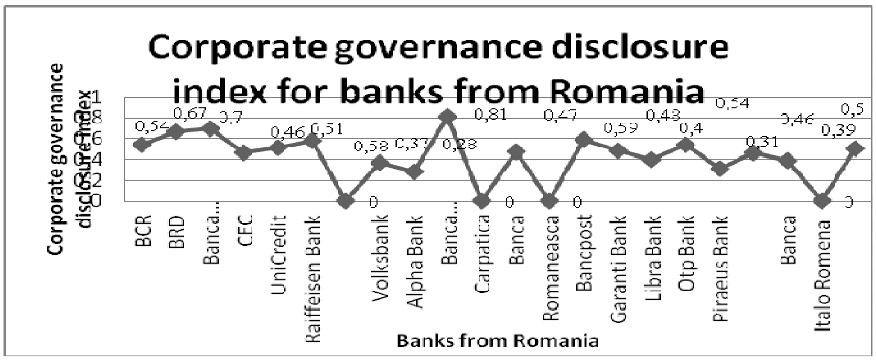

Figure 3. Corporate governance disclosure index for banks from Romania

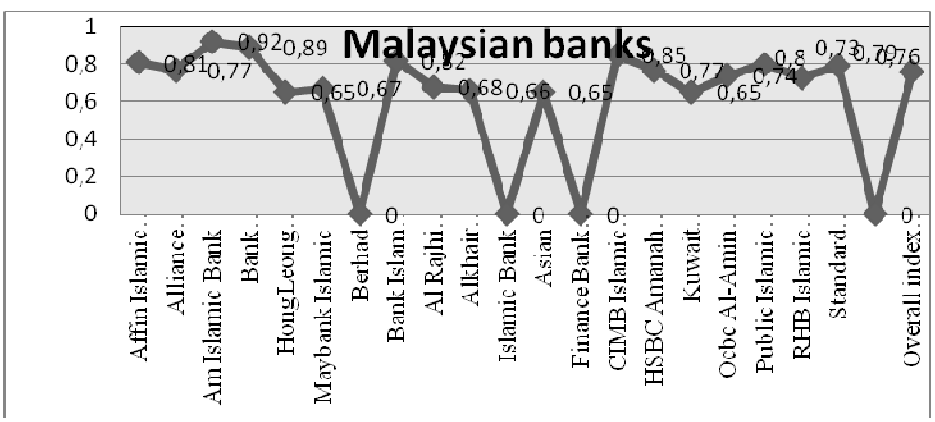

Figure 4. Corporate governance disclosure index for banks from Malaysia

On the other side, a part of the Romanian banks included in the sample have a two tier board, the presence of Supervisory Board aspects being divulged, while none of the observed Malaysian banks have a two tier board. However, the information revealed by Romanian banks related to Supervisory Board is scarce, being presented only 40% of the expected information.

H3: Better performance companies disclose more information.

While corporate governance can lead to a growth in the economic performance of a company (Radu, 2012), it is considered that when companies register profit and, as a consequence, a positive return on equity, more information will be disclosed, because the managers feel more confident on the financial position and result of the company.

Other studies illustrate that the internal corporate governance components has a negative influence on ROA and ROE (Dedu & Chitan, 2013), while a study conducted by Al-Haddad *et al.* (2011) in a study realized in Jordan concluded that there is a direct relationship between profitability and corporate governance (Mo'taz Amin, 2013).

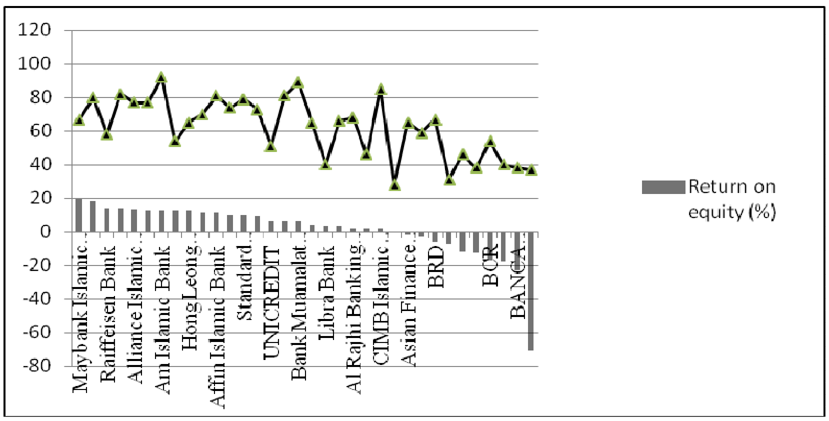

Figure 5. Corporate governance disclosure index and return on equity for the banks from the sample

On the other side, banks having a lower profitability, might try to avoid including more information on their web sites that could alarm the actual and potential investors or other stakeholders.

It can be observed that this hypothesis is validated, because the companies with a better performance, in this case a positive return on equity, had an overall corporate governance disclosure index of 0,70 which is higher than the computed index for the companies registering a negative return on equity.

H4: Banks providing more information include it in the Corporate Governance section.

The way information related to corporate governance can be identified on the web site of the Romanian and Malaysian banks is relevant, because it can be considered the business card of these companies, being the first step for a more positive and strong relationship with actual and future customers, being an useful tool for attracting and retaining clients. The corporate governance aspects can be found on the web site of the banks usually as a separate section, subsection or only in the annual report, expressing the easiness of finding the information.

Normally, when there is a higher quantity of disclosed information, the banks should be more determined to include in their web site a corporate governance section where all the elements are included and are easy to be identified and acknowledged.

After analyzing the banks from the sample, it was observed that only 9 banks from the 34 banks have a separate corporate governance subsection, from which only 3 Malaysian banks, the rest being Romanian banks, as it is presented in Appendix B.

The majority of the Malaysian banks present the corporate governance information as a part of their annual report and also in other section in the web site. Romanian banks have a lower tendency to include corporate governance information within the annual report, in comparison to Malaysian banks.

H5: Banks which present more information related to corporate governance have a usable web site.

Presenting the information related to corporate governance in a pleasant and consistent way can improve the image of the organization and, on the long run, its reputation, as Haniffa and Hudaib (2007) mentioned.

In order to test the hypothesis, the banks were divided into two categories: banks from Romania and Malaysia and from the authors 'computation included in Appendix C and Appendix D, it appears that Romanian banks have a higher quality of the web site index than banks from Malaysia, when focusing on the analysis on navigation, dialogic loop and presentation, although Romanian banks corporate governance disclosure index is lower than the index corresponding to Malaysian banks. As a matter of fact, is not a positive relationship between corporate governance disclosure index and the quality of the web site index.

5. Conclusions

It is important for the banks from Romania to set as objective the increase of transparency, by disclosing more information, taking into account the cost of disclosure but also the benefits in the context of resource constraints. A high level of disclosure of corporate governance, including financial highlights can be considered as being an attempt to decrease the possibility of being defrauded, which increases or at least maintains stakeholders ‘confidence.

As a recommendation, for a proper disclosure and easy access to the information for the investors and other stakeholders, both banks from Malaysia and Romania should include and arrange elements of corporate governance in a separate section on the web site, avoiding the impossibility of identifying the needed elements.

Unlike conventional banks, Islamic banks have Shariah Supervisory Board to advise them and ensure that their operations and activities comply with the Shariah principles.

The banks' size does not appear to have a clear impact over disclosure practices, taking into account that the overall index was the same for both larger and smaller banks. The greatest quantity of information is presented on risk management and Shariah Supervisory Board for banks from Malaysia.

The conducted study shows that Malaysian banks have the tendency to disclose more corporate governance than Romanian banks on their web sites, the impact of the culture being observed.

A specific feature of Malaysian banks is the need to present details related to compliance with Shariah rules, in order to assure the web sites visitors that the bank respects the Islamic values.

The study outlines that companies with a better performance, which was measured through the profitability indicator return on equity, disclose more information than banks having a negative value for this indicator. Although a separate corporate governance section would improve the easiness of finding the information on the web site, only 9 banks out of 34 have such a distinct subsection, the most frequently met source of corporate governance information being the annual report. Regarding the quality of the banks ‘web site, Romanian banks seem to be more usable than Malaysian Banks.

The dynamic nature of web sites suggests that the study is limited, because web sites were visited at only one point in time. The study relied on the presence or absence of certain content and design features to make the difference between the two countries.

Future research projects should be designed on a larger number of banks from different types of cultures to capture more cultural differences that may exist on the web sites, being a tool in emphasizing the impact of culture on the corporate governance practices. The authors intend to capture and analyze in future studies the influence of the each item identified on the web site on the corporate governance disclosure in order to realize a more relevant comparison between countries and systems, by structuring the information publicly available into different levels, depending on relevance and completeness of the information.

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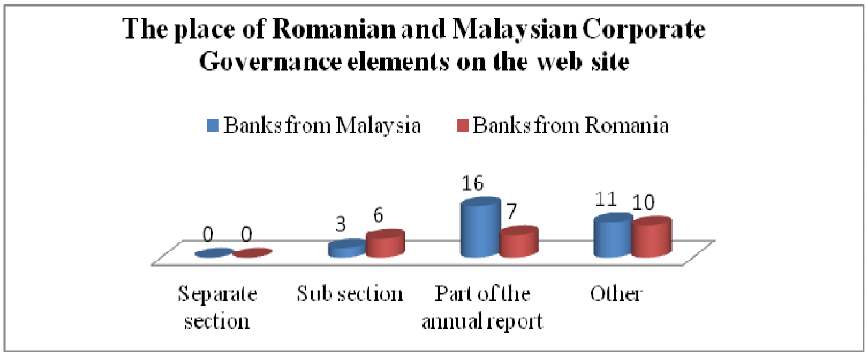
http://geert-hofstede.com/cultural-survey.html

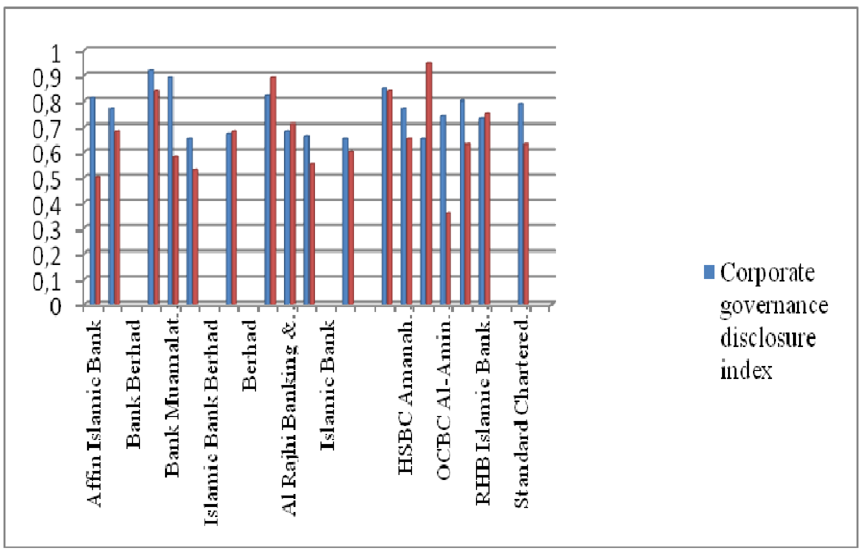
Appendix A.
Banks ordered by Total Assets

Larger Banks	Total assets (thousand RON)	Smaller banks	Total assets (thousand RON)
Maybank Islamic Berhad	100.575.607,00	Affin Islamic Bank	12.896.473,70
BCR	70.531.183,00	BANCPOST	12.184.644,00
CIMB Islamic Bank Berhad	56.347.544,00	Kuwait Finance House	9.867.924,00
BRD	47.924.059,00	Standard Chartered Saadiq Berhad	8.062.876,80
Bank Islam Malaysia	41.195.877,80	Piraeus Bank	7.825.899,00
Public Islamic Bank Berhad	32.229.058,40	Al Rajhi Banking & Investment Corporation (Malaysia) Berhad	7.693.681,60
Banca Transilvania	29.572.044,00	Ocbc Al-Amin Bank Berhad	7.655.204,70
RHB Islamic Bank Berhad	28.170.628,20	Alliance Islamic Bank Berhad	6.963.796,47
Am Islamic Bank	27.316.263,26	Banca Romaneasca	6.914.757,00
CEC	26.903.983,00	Garanti Bank	6.691.000,00
UNICREDIT	25.062.639,55	Intesa Sanpaolo Bank	5.065.671,90
Hong Leong Islamic Bank Berhad	24.311.740,59	Banca Italo Romena	5.059.970,84
RAIFFEISEN Bank	24.022.321,00	Banca Comerciala Carpatica	4.725.920,08
Bank Muamalat Malaysia Berhad	21.908.675,86	OTP BANK	4.639.553,00
ALPHA BANK	16.487.809,00	Asian Finance Bank Berhad	3.091.577,59
VOLKSBANK	16.460.847,02	Libra Bank	777.257,34
HSBC Amanah Malaysia Berhad	13.360.796,90	Alkhair International Islamic Bank	628.117,71

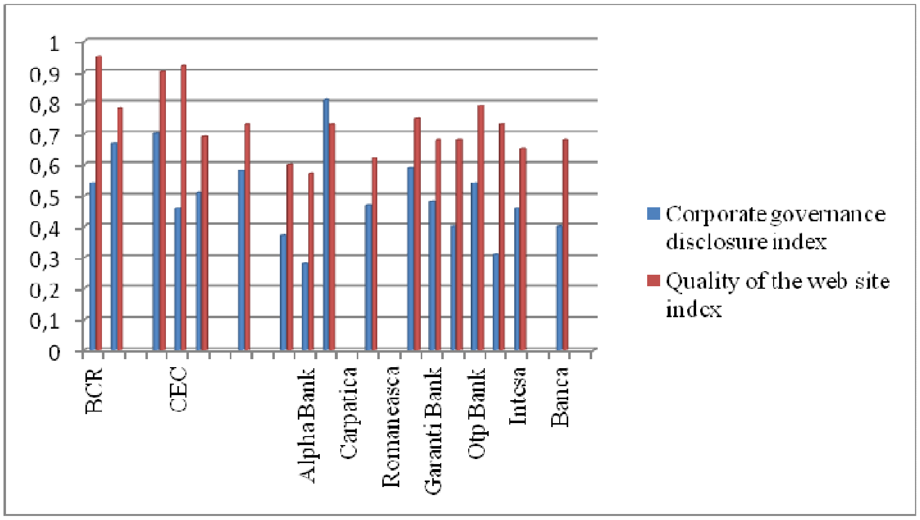
Appendix B.
The place of Romanian and Malaysian Corporate Governance elements on the web site



Appendix C.
Corporate governance disclosure index(CGDI) and quality of the web site index for banks from Malaysia



Appendix D.
Corporate governance disclosure index(CGDI) and quality of the web site index for banks from Romania



Appendix E.
Corporate governance disclosure index checklist

A. Dimension: Supervisory Board	B. Dimension: Shariah Supervisory Board
A.1. Names of members	B.1. Names of members
A.2. Positions of members	B.2. Positions of members
A.3. Pictures of members	B.3. Pictures of members
A.4. Profiles of members	B.4. Profiles of members
A.5. At least 50% of members are independent	B.5. Number of meetings held
A.6. Independence of members	B.6. Members' attendance in meetings
A.7. Number of meetings held	B.7. Remuneration of members
A.8. Members' attendance in meetings	B.8. Duties and responsibilities of the board
A.9. Remuneration of members	B.9. Recommendation to management
A.10. Duties and responsibilities of the board	B.10.Compliance of products and services with Shariah
A.11. Shareholdings of members	B.11.Recommendation to management
A.12. Recommendation to management	

C. Dimension: Board of Directors	D. Dimension: Board committees
C.1. Names of members	D.1. Existence of an audit committee
C.2. Positions of members	D.2. Existence of a remuneration and nomination committee
C.3. Pictures of members	D.3. Existence of a risk-monitoring committee

C.4. Profiles of members	D.4. Existence of a corporate governance committee
C.5. Number of meetings held	D.5. Duties and responsibilities of each committee
C.6. Members' attendance in meetings	D.6. Committee reports in the annual report
C.7. Remuneration of members	D.7. Names of members
C.8. Duties and responsibilities of the board	D.8. Positions of members
C.9. Shareholdings of members	D.9. Pictures of members
	D.10. Profiles of members
	D.12. Number of meetings held
	D.13. Members' attendance in meetings
	D.14. Remuneration of members

E. Dimension: Risk management	**F. Dimension: Internal control and external audit**
E.1. Risk management report in the annual report	F.1. Internal control report in the annual report
E.2. Existence of a risk management division	F.2. Existence of an internal audit division
E.3. Risk management framework	F.3. Internal audit framework
E.4. Duties and responsibilities of risk management division	F.4. Duties of internal audit division
E.5. Market risk management	F.5. Policies on the appointment of external auditor
E.6. Credit risk management	F.6. External auditor appointed by the bank
E.7. Liquidity risk management	F.7. Performance of internal audit division
E.8. Operational risk management	
E.9. Risk profile	

(**Source**: authors' own research based on Darmadi, S. "Corporate governance disclosure in the annual report: An exploratory study on Indonesian Islamic banks", available online at available on-line at http://ssrn.com/abstract=1956254)

Appendix F.
Quality of the web site index checklist

Navigation	Dialogic loop	Presentation
Search engine box	Physical address	Graphics
Site map	Office telephonex number	Sound
Hyperlinks to other sites	E-mail address	Video
Categorized sub menus	Opportunity for user response	
Multilingual options		
Internal link		
Calendar events		