
Internet Financial Reporting by banks and insurance companies in Albania

Diana Lamani¹
Linda Çepani²

The extent and the sophistication of internet financial reporting (IFR) vary between companies, countries and at an international level. This paper examines the extent and the nature of IFR by banks and insurance companies in Albania. The findings of this descriptive analysis indicate that out of 26 examined companies (part of the banking and insurance sector), 24 of them do operate websites, whereas 20 of the latter provide financial information on their websites. This indicates that IFR is a significant common practice among these companies. This study purports to recommend that the respective oversight bodies of these two sectors must complete the special IFR regulatory framework.

Key terms: internet financial reporting, banking sector, insurance sector, Albania.

JEL classification: M49, L86

1. Introduction

Recently, the use of the Internet as a channel for the dissemination of corporate financial information has become a wide range phenomenon. The development of technology has turned internet into a useful, fast and cost-effective tool for the communication of

¹**Diana Lamani**, Lecturer at the Faculty of Economics, University of Tirana
diana_lamani@yahoo.com

²**Linda Çepani**, Lecturer at the Faculty of Economics, University of Tirana
lindacepani@live.it

this information to the shareholders. Many academic and professional studies have provided evidence of the practices of internet financial reporting (IFR) in several countries. These studies show that internet has played an important role in the external financial reporting. They indicate that companies are using the internet to disseminate information including annual financial reports while the extent and sophistication of IFR practices varies between countries.

Through a descriptive analyses, this paper aims to investigate and report the extent and the nature of internet financial reporting by companies of insurance and banking market in Albania.

2. Literature review

The first studies on the internet as an information channel correspond to the first years of Worldwide Web development. Mainly they were focused on the existence and usage of the corporate web sites. In a time span of 15 years a considerable number of empirical studies on IFR reflected the increase of the use of internet as an information dissemination tool.

Deller et al. (1999), in a comparative study, has examined IFR practices in U.S, UK and German companies and he concluded that IFR was more spread in U.S than in other countries.

In 1999, another study of Craven and Marston (1999) has researched on the rate of expansion of IFR practices IFR on UK companies. One of its findings was that there exist a positive correlation between the size and extent of IFR, but this is not relevant for the industry. In addition Marston (2003) has examined the IFR practices in the best Japanese companies from 1998 to 2001, and found out that most of these companies (about 79%) had a website in English in 2001 against 69% of them which reported some financial information in their website in 1998. It also found out that the size of the company is the main determinant of the existence of a corporate website. Later on Marston, in collaboration with Polei (2004) examined IFR practices of

German companies between 2000 and 2003 and found significant improvements in the quantity and presentation of financial information on corporate websites.

Lymer et al. (1999) conducted a study at the international level, which was published as part of the report of IASC in 1999. In this study 660 companies were studied from 20 countries listed in the Dow Jones Global Index. From this sample 86% of the companies had a website, 26% of these 86% had a website but did not present any financial information on it. Also, Lymer et al. concluded that U.S. was ahead of Europe in terms of quantity of data reported on the internet or in terms of use of a sophisticated Internet technology. He further concluded that there was a substantial disagreement of the common use of the Internet within and between European countries. Some years later, Lymer and Debreceny (2003) examined the situation and the guidelines on IFR offered by regulators and standard-setters, and they found out that these guidelines fail to respond adequately to the challenges that IFR present.

Debreceny, et al (2002) has examined IFR practices in 660 big companies in 22 countries and has concluded that disclosure of explanatory information in relation to the environment was an important environmental factor for the appearance and content of the IFR.

Pervan (2005), based in the investigation carried out on a basic sample of 38 joint companies quoted on Croatian bourses, concluded that the companies that use IFR are in general larger and more profitable, and that their shares are more active on the stock exchange than the shares of companies that have no such reporting practice. Pervan (2006), through a comparative study, makes a quantification of the level of IFR by listed companies in Croatia comparing it to Slovene companies discovering at the same time the variables that have had a significant impact on the level of voluntary IFR.

Referring to the above mentioned authors and other authors as well, it results that, without doubt IFR is becoming a widespread

phenomenon in the world. Therefore, several standard setters and professional bodies have sponsored IFR studies. For examples, the International Accounting Standards Committee has published a detailed report, titled “Business reporting on Internet” in 1999. This was supposed to be the first step in the process of developing standards for web-based business reporting. The recommendations of IASC in this report are detailed and cover the most important aspects of financial reporting on the internet such as quality, completeness, timeliness, accessibility, usefulness, security and verifiability of financial information on a company’s web page. In 2000, the Financial Accounting Standards Board (FASB) in the USA published a survey paper “Electronic Distribution of Business Reporting Information”. There is no evidence of proper studies regarding the current situation of IFR in Albania. Few researches have mainly dealt with the necessity of recognizing this phenomenon, the challenges of its application in the Albanian environment, the need to be acquainted with XBRL from accountants, etc.

3. Institutional framework in Albania

This paper investigates the extent of the use of the internet for communicating financial information to their stakeholders from Albanian companies, which operate in the banking and insurance sector. The selection has been done based on the special relevance of these two sectors for the economy and lives of the inhabitants of Albania. Regardless of the possible existing problems, Albania has a relatively sound financial system. Like in other countries of the region, the banking sector prevails the financial system in Albania. The banking sector’s share in the national GDP as at the end of 2010 is 85.7%.

The Albanian banking system is comprised of 16 second-tier (commercial) banks, all of them of a private ownership where the foreign capital prevails. These banks have been licensed and are monitored by the

Albanian Bank (as the only first-tier bank), according to the law "For the banks in the Republic of Albania". The banking system is the most advanced sector of the Albanian economy and is currently experiencing a rapid and steady growth (Albania-Country report, 2008).¹ Regarding the non-banking financial industry it is less developed than the banking system. This market is regulated and monitored from the Albanian Financial and Supervisory Authority (AFSA). The insurance market occupies the major share in this market, while capital market and private voluntary pension market are in their first steps of development. The insurance industry started developing after the liberalization of the market in 1999 and now ten insurance companies are operating. Seven companies operate exclusively in the non-life segment, two operate exclusively in the life segment and remained one, run by the state, provides both life and non-life insurance services. During recent years, the insurance market has attracted foreign interest.

The Tirana stock exchange settled in 1996, is a state joint-stock company licensed by the Securities Commission (today AFSA). Despite of the continuous efforts, this institution has not been able to be attractive enough for the national business. Actually in the Tirana stock exchange there are 5 listed companies and three of them are local banks.

Since the 1st of January 2008, the banks, the insurance and reinsurance companies and other similar financial institutions are required to prepare the financial statements in accordance with the International Standards of the Financial Reporting according to the law nr. 9228, dated 29.4.2004 "On accounting and Financial Statements".

¹ This Country Report is carried out within the project "MIGRAVALUE – Steering Economic and Social Cohesion in the CADSES Space: Valuing Migration as a Development Tool" and in the framework of the Community initiative programme Interreg IIIB CADSES

In the case of commercial banks, excepts for IFRS, they need to use the Methodology on Reporting and Content of Financial Reports and Regulations of the Bank of Albania for the purpose of reporting to the central Bank. This reporting framework is different from IFRS or NAS and is mainly based on banking regulations. In the 2008 Regulation “On the minimal requirements of the financial publication from banks and branches of foreign banks”, the Albanian Banks has defined the minimal requirements, the methods and the deadlines related to the information that must be published in the periodic reports of banks and branches of foreign banks, in order to increase the transparency and to enhance the discipline in the banking system, and also to ensure stability and reliability of the banking system. One way of publishing information referred to in this regulation is that of the website without giving any details.

One year later, in 2009, through the Regulation “On the reporting to the Albanian Bank according to the unified system”, the Albanian Bank has changed and improved the reporting framework of banks, as regards the timing and quality of the data, especially related to their exposal to the financial markets and to the parent banks, their liabilities (deposits and credit lines) to the parent companies, and also related to their loan portfolio development.

On the other side, in 2007, the Board of AFSA, in support of its oversight function, has approved a special Regulation regarding the financial reporting of the insurance companies. This Regulation intends to define the reporting format according to the specifics of the industry, to the regulatory requirements and to rules for recording special items.

4. Methodology

The intention of this paper is to investigate and evidence the extent and the nature of IFR practices in the banking and the insurance system. The research approach adopted in this paper is descriptive in that it provides statistics on the extent and nature of IFR. The research has been done for the period March-October 2011.

The latest list of the companies that operate in these markets and their respective websites has been taken from the official website of the responsive regulating bodies such as the Albanian Bank and AFSA.

The next step of data collection was to investigate the type of information received from these websites. In this phase, four information categories were included—company, mission/history, products/services, financial and other information. The focus of the next phase of data collecting was the extent and the nature of the financial information provided by the websites of these companies. A fact of interest for this study was the type of financial information included in these websites, which means if they present complete financial statements and/or financial indicators and in which format and the volume of financial information provided.

Furthermore the data collected has been analyzed and summarized. The following section shows and discusses the results of this analysis.

5. Research findings

There were 10 companies operating in the insurance market and 16 banks as at the end of September 2011. Table 1 shows the information related to companies' websites. As it may be seen, 9 insurance companies of 10 have their websites while as regards the banking sector from 16 banks only one does not have a website. Altogether, the results show that the percentage of the websites ownership is high among companies that operate in these two sectors. Another result is that 81.25% of banks have their website in English and in Albanian, while only 55.55% of insurance companies use only English for their

websites. Six of the insurance and bank companies have created their websites during the first semester of 2011.

Table 1

Industry Distribution of the Sample

Sector	Companies		Websites ¹			
			Albanian		English	
	No.	%	No.	%	No.	%
Banking	16	58%	15	93.75%	11	81.25%
Insurance	10	42%	9	90.00%	5	55.55%
Total	26	100%	24	92.30%	17	65.38%

5.1 Content of information on companies' websites

Referring to the content, the companies' websites are used for providing various types of information. Table (2) provides an analysis of the content of the websites of Albanian companies in above mentioned sector. The analysis indicates that websites provide four types of information: product/service information, company history and mission, news and announcements, and financial information.

¹ A comprehensive list of "Websites" is provided in Appendix A of this paper.

Table 2

The Types of Information on Companies' Websites

Sector	Web sites	Mission & History		Product & Services		News & announcements		Financial Information	
		No.	%	No.	%	No.	%	No.	%
Banking	15	12	100%	15	100%	15	100%	15	100%
Insurance	9	4	100%	9	100%	7	77.77%	6	66.66%
Total	24	16	100%	24	100%	22	91.66%	21	87.50%

As it may be seen from Table 2, 15 companies from 24 which have a website disclose information both on their mission and history. Other companies present either their mission or their history. The company's product & services and news & announcements are provided by 24 companies (100%) and 22 companies (91.66%), respectively. According to financial information, there are 20 companies (83.33%) that provide financial information at their website, indicating that IFR is significant common practice among the companies with websites.

5.2 An analysis of the financial information disclosed on the web

The focus of this paper is to study the use of internet to communicate financial information. In this respect, we have examined the 24 websites in relation to IFR on them.

We have defined as "companies that provide financial information in their websites" the companies that provide in their websites annual reports according to IFRS and/or additional financial highlights. The annual report is a publication that fulfils the regulatory requirements of reporting the financial performance and situation of a reporting

entity and the same time, is also used for wider corporate communication purposes (Mongiello, 2009, p.11). Annual reports under the IFRS normally include, among others, some or all the following documents:

- Chairman's letter to the shareholders
- Operational review
- Directors' report: business review
- Directors' report: corporate governance
- Financial statements:
 - Accounting policies
 - Income statement
 - Balance sheet
 - Cash flow statement
 - Statement of changes in equity
 - Notes to the accounts
 - Auditors' report

All these documents must be read and analysed in combination (Mongiello, 2009). On the other hand, the financial highlights include: extracts of Financial Statements, further analyse of financial data, non-financial performance measures, five or ten year summaries.

Table 3 shows in details the nature and the extent of the financial information of 20 Albanian companies which provide financial information on their websites. As results from table 3, from 20 companies engaging in IFR, 16 of them (80%) provide financial highlights, 14 companies (70%) provide annual reports, 9 of which (64%) do so for the last reporting year. Only 7 companies (35%) provide annual reports and additional financial highlights for two-year periods or more. The table indicates that these companies are using the web as an archive for financial information. This archive or depository assists the users easily accessing historical information and therefore facilitates the comparison of such financial information.

Table 3
The Number of Years of Published Financial Information

Sector	Financial Highlights		Annual Reports		Both F.H. & A.R.		Annual Report
	No. of years		No. of years		No. of years		Last year
	1	2	1	2	1	2	2010
Banking	3	9	2	9	-	6	8
Insurance	-	4	1	2	-	1	1
Total	3	13	3	11	-	7	9

5.3 The display of financial information

Financial information on the web can be provided in a number of formats such as Hypertext Markup Language (filename.htm) (HTML), Portable Document File (filename.pdf) (PDF), XML (Extensible Markup Language) and XBRL (eXtensible Business Reporting Language), which is XML based language. All the Albanian investigated companies provide annual reports and financial highlights in PDF format (only one of the companies provides financial highlights in PowerPoint). Messenger (1999) notes that PDF format in document delivery on the web has a number of advantages in comparison with HTML, such as:

- complete visual integrity of the document (layout, fonts, colour, pagination),
- platform and application independent,
- optimized file compression,
- exact on-screen and printed material, and
- ability to recreate paper documents into searchable viewable electronic files.

However it must be said that Acrobat does not provide a long-term solution for IFR. Some important reliable advantages of Internet based information distribution are missing in PDF documents. Downloadable files are generally too large and automated extraction of

semantic meaning from the reports is impossible (Westarp et al,1999). Furthermore, and even more important, PDF does not enable further automated data processing. Lastly our investigation shows, XBRL which has reached its growth stage worldwide as a technology product in IFR, has not been initiated yet in Albania.

6. Conclusions and Recommendations

Throughout this paper we examined the extent and the nature of IFR by two sectors, namely: the insurance companies and the banking market in Albania. Mandatory financial reporting of banks and insurance companies under IFRS constitutes a good starting base. The descriptive analysis findings of this study indicate that Albanian companies operating in these important sectors of the country's economy use websites to communicate financial information. 24 out of 26 examined companies operate websites whereas 20 of the latter thereon provide financial information. The main format used by companies on IFR is the traditional PDF, thus lacking a comprehensive use of various formats as well as an active application of the new XBRL technology.

The regulating authorities of Albanian companies included in the two-abovementioned important sectors have a public responsibility to support the effective and efficient communication of financial information via the internet. Although, generally speaking, the reporting quality of banks is satisfactory, the Bank of Albania, in its position as the relevant regulatory body, must develop specific guidelines concerning IFR. These guidelines would then create the necessary regulatory framework which would guide companies to be more efficient in communicating financial information by providing such information in a standard format and in a timely manner in order to achieve comparability and reliability of the data communicated.

On the other hand, the specific guideline approved by the AFSA Board in 2007, on the financial reporting of the insurance companies, does not comply with current requirements of the financial reporting according to IFRS. To the best of our knowledge, AFSA has undertaken a project that will enable electronic financial reporting of insurance companies. We therefore conclude that it is necessary to accelerate work in this direction. Furthermore, our recommendation is that these guidelines should clarify issues such as the following:

- Is IFR to be regarded as a direct substitute of hard copy financial statements required by law or merely as a complement?
- Should there be specific rules regarding online publication of audited and not audited information?

Albania, as a developing country, is attempting to attract foreign investments. The Internet creates good opportunities and the most effective way to communicate financial information in accordance with requirements for transparency and the timely reporting on the part of investors. In this context, it is therefore very important that one examines the role of the Internet in terms of the communication of the financial information and the importance of a special respective regulatory framework. In the interest of the users of financial information, management, internal auditors and regulating bodies have to provide their expertise to ensure that the electronic forms of reporting produce quality financial information. This article serves to initiate discussions on the matter so prospective IFR application in other large companies as well as in other sectors of the Albanian economy could be subjected to a further, wider study. Accordingly, one would thus be able to provide a more comprehensive view of the nature as well as the scale of coverage of IFR in Albania.

References

- Craven, B. and Marston, C. (1999), "Financial Reporting on the Internet by leading UK companies", *The European Accounting Review*, 8(2):321-333.
- Debreceny, R., Gray, G. and Rahman, A. (2002), "The determinants of Internet financial reporting", *Journal of Accounting and Public Policy*, 21(4/5): 371- 394.
- Deller, D., Stubenrath, M. And Weber, C. (1999), "A survey on the Use of the Internet for investor relations in the USA, the UK and Germany", *The European Accounting Review*, 8(2): 351-364.
- Lymer, A. (1999), "The Internet and the Future of Corporate Reporting in Europe", *The Accounting Review*, 8(2): 289-301.
- Lymer, A., Debreceny, R., Gray, G. and Rahman, A. (1999), *Business Reporting on the Internet*, International Accounting Standards Committee, London, November.
- Lymer, A., and Debreceny, R. (2003), "The Auditor and Corporate Reporting on the Internet: Challenges and Institutional Responses", *International Journal of Auditing*, 7(2): 103-120.
- Marston, C. (2003), "Financial Reporting on the Internet by Leading Japanese Companies", *Corporate Communication: An International Journal*, 8(1):23-34.
- Marston, C. and Polei, A. (2004), "Corporate Reporting on the Internet by German Companies", *International Journal of Accounting Information Systems*, 1(5): 285-311.
- Mongiello, M. (2009), "International Financial Reporting", available at Download free ebooks at BookBooN.com, p.11
- Pervan, I. (2005), "Financial Reporting on the Internet and the practice of Croatian joint stock companies quoted on the stock exchanges", <http://hrcak.srce.hr/file/9236>
- Pervan, I. (2006), "Voluntary Financial Reporting on the Internet: Analysis of the Practice of Stock-Market Listed Croatian and Slovene Joint Stock Companies", *Financial Theory and Practice*, 30(1): 1-27.

Website of AFSA: www.amf.gov.al

Website of Albanian Bank: www.bankofalbania.org

Westarp, W., Ordelheide, D., Stubenrath, M., Buxmann, P., and König, W., (1999), "Internet-Based Corporate Reporting-Filling the Standardization Gap", Proceedings of the 32nd Hawaii International Conference on System Sciences, Available at :

<http://csdl.computer.org/comp/proceedings/hicss/1999/0001/02/0012010.pdf>

APPENDIX A – A list of companies With/Without Website and IFR

No	Company name	Web site	IFR	Web Address
1	Alpha Bank-Albania	Yes	Yes	www.alphabank.al
2	National Bank of Greece-Albanian Branch	No	No	
3	National Commercial Bank	Yes	Yes	www.bkt.com.al
4	ProCredit Bank	Yes	Yes	www.procreditbank.com.al
5	Credins Bank	Yes	Yes	www.bankacredins.com
6	Raiffeisen Bank-Albania	Yes	Yes	www.raiffeisen.al
7	Credit Bank of Albania	Yes	Yes	www.creditbankofalbania.com.al
8	Intesa Sanpaolo Bank Albania	Yes	Yes	www.intesasanpaolobank.al
9	Societe Generale Bank of Albania	Yes	Yes	www.societegenerale.al
10	Emporiki Bank	Yes	Yes	www.emporiki.com.al
11	Tirana Bank	Yes	Yes	www.tiranabank.al
12	First Investment Bank-Albania	Yes	Yes	www.fibank.al
13	Union Bank	Yes	Yes	www.unionbank.com.al
14	International Commercial Bank	Yes	Yes	www.icbankinggroup.com
15	United Bank of Albania	Yes	No	www.uba.com.al
16	Veneto Banka	Yes	Yes	www.venetobanka.al
17	INSIG	Yes	Yes	www.insig.com.al
18	Sigma Vienna Insurance Group	Yes	Yes	www.sigma-al.com
19	Sigal Uniqa Group Austria	Yes	Yes	www.sigal.com.al
20	Atlantik	Yes	No	www.atlantik.com.al
21	Intersig	No	No	
22	Albsig	Yes	Yes	www.albsig.com.al
23	InterAlbanian	Yes	Yes	www.interalbanian.com
24	Eurosig	Yes	Yes	www.eurosig.al
25	Sicred	Yes	No	www.sicred.com.al
26	Sigal-Life Uniqa Group Austria	Yes	No	www.sigal.com.al