

Impact of Demographic Aspects of the Investors on Their Opinion on Financial Statement Information - A Case Study of Amman Stock Exchange

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Abstract

The present paper aims to analyze the association between demographic profile of the investors and their opinion on the information content of financial statements. At the outset, demographic profile of the investors has been studied by using frequency tables. The demographic profile includes age, experience, nationality and educational qualification of the select investors. It is vital to understand that the opinion of the investors on the information content of financial statements can be influenced by their demographic profile. Intuitively, the association between demographic aspects and investors' way of understanding and analyzing the information content of financial statements .

Keywords:- CashFlow, investors
Financial Statement information

INTRODUCTION

Age of the investors would have its impact on their risk appetite. Young investors generally, have lesser financial obligations and have potential for earning more income, as they accumulate knowledge and experience in their occupation or business. On the other hand, middle age and elder age investors generally have more financial obligations with stable income. So, young investors would have more risk appetite compared to elder age investors. Besides, young investors may be more courageous and may tend to take investment decisions haphazardly.

Nationality of the investors can have its impact on the opinion of the investors on the

information content of financial statements. Foreign investors focus on the short term performance of the company rather than on long run prospectus of the company. Besides, foreign investors pay attention the corporate governance practices of the companies in which they inclined to invest. Furthermore, they expect that the reporting of the financial results must be done in line with international reporting practices. If a company follow IFRS, it would become easy for the international investor to compare the performance of the companies listed in different countries and it also enables them to manage their internationally diversified portfolios more effectively and efficiently.

Educational qualification would have definite impact on the investment decisions of the investors. A well educated investor can coherently craft his future invest strategies. A well educated investor can easily understand the intricacies of the financial statements, because, he can easily read and understand various journals, magazines and academic and profession books on the subject of investment management. It is also essential for an investor to have reading and understand ability of English language, because the information relating to investment analysis is vastly available in English language compared to the same available in local language.

It is worthwhile to remember that a naive investor can become an astute investor only by the skill and knowledge which he gained

through experience. Hence, experience of an investor plays critical role in understanding the information content of financial statements. A well experienced investor can better understand the intricacies of financial statements. Future price of stock depends on the changes in business and economic environment in which companies are operating their business. This external environment is beyond the control of the investors. Hence, success of an investment decision depends on better forecasting of the changes in the environment and its impact on the stock price of the company. A well experienced investor can only make an effective forecasting of future price of the stocks in the market.

So, it can be understood intuitively that there is an association between demographic profile of the investors and their way of understanding and analyzing the information content of the financial statements.

Objectives of the Study

The specific objectives of the study are:

- To analyze the effect of select demographics on the opinion of the investors on financial statement information.

- **Research Gap**

The study extends to examine the influence of demographic profile of the investors in understanding the information content of the financial statements. For this purpose, age, educational qualification, nationality and investment experience are considered as demographic characteristics of the investors.

Research Methodology

Primary Data Primary data has been garnered by executing the questionnaires among the investors in Jordan stock markets. The main focus of the demographic aspects (age, educational qualification,

nationality and experience). The primary data was collected during the year 2015.

Sample for the Study

The study sample of recommended size of 197 has been taken purposively from the population of investors of the select listed firms in the Amman Stock Exchange, to whom the questionnaire have been administered. Also, in order to obtain inputs from a representative sample, the prospective respondents were reached through email and post.

Tools of Analysis:

Analysis of the association between demographic aspects(i.e, age, educational qualification, nationality and experience) of the investors and their opinion on the information content of the financial statements has been done by using contingency tables and chi-square test.

Scope of the Study

The bedrock of the analysis is to examine the association between demographic aspects of the investors and their opinion on various aspects of financial statements.

Limitations of Study

One of the limitations of the present study is that the data collection is to be restricted only to Jordan's Amman Stock Exchange. The study is to be confined only to the individual investors.

Hypotheses of Study :

- **H0:** There is no association between the demographic background (age, experience, nationality, and qualification) of the investors and the opinion of the investors on financial statement information.
- **H1:** There is association between the demographic background (age, experience, nationality, and qualification) of the investors and the opinion of the

investors on financial statement information.

pertaining to demographic profile of the investors. The demographic profile covered in this section includes age, experience, nationality and educational qualification.

1. Demographic Profile of the Select Investors

This section contains the discussion of the frequency tables drawn on the data

2- Analysis of Association between Age of the Investors and their Opinion on Information content of Financial Statements

This section presents cross-tabulations and chi-square test results on the analysis of association between age of the investors and their opinion on various aspects of the financial statements

Table 1 : Age-wise Classification of Investors in respect of their Opinion on the statement that Information given in the Cash Flow Statement helps the investors in their Investment Decision Making

Information given in the Cash Flow Statement helps the investors in their Investment Decision Making		Age				Total
		20-30	31-40	41-50	above 50	
Disagree	Frequency	2	0	0	5	7
	% to Column Total	7.7%	0.0%	0.0%	5.7%	3.6%
Neutral	Frequency	4	2	3	8	17
	% to Column Total	15.4%	4.7%	7.5%	9.1%	8.6%
Agree	Frequency	10	35	28	59	132
	% to Column Total	38.5%	81.4%	70.0%	67.0%	67.0%
Strongly Agree	Count	10	6	9	16	41
	% within Age	38.5%	14.0%	22.5%	18.2%	20.8%
	Frequency	26	43	40	88	197
	% to Column Total	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Computed from Primary Data

In the age group of 20-30 years, investors who have agreed and strongly agreed on the usefulness of cash flow statement

information are in equal number while in other age groups substantial difference can be observed.

Table 2 : Chi-Square Test

	Value	Degree of freedom	'p' value
Pearson Chi-Square	17.324	9	0.044
N of Valid Cases	197		

Source: Computed from Primary Data

Null Hypothesis: There is no association between Age group of the investors and their opinion on usefulness of Cash Flow Statement Information in investment decision making.

Alternative Hypothesis: There is an association between Age group of the investors and their opinion on usefulness of Cash Flow Statement Information in investment decision making.

Table 3 : Age-wise Classification of Investors in respect of their Opinion on the statement that Operating Cash Flows / Net worth gives idea about Return on Investment

Operating Cash Flows / Net worth gives idea about Return on Investment		Age				Total
		20-30	31-40	41-50	above 50	
Strongly Disagree	Frequency	1	0	0	0	1
	% to Column Total	3.8%	0.0%	0.0%	0.0%	.5%
Disagree	Frequency	0	2	2	9	13
	% to Column Total	0.0%	4.7%	5.0%	10.2%	6.6%
Neutral	Frequency	3	2	2	26	33
	% to Column Total	11.5%	4.7%	5.0%	29.5%	16.8%
Agree	Frequency	14	31	32	46	123
	% to Column Total	53.8%	72.1%	80.0%	52.3%	62.4%
Strongly Agree	Frequency	8	8	4	7	27
	% to Column Total	30.8%	18.6%	10.0%	8.0%	13.7%
Frequency		26	43	40	88	197
% to Column Total		100.0 %	100.0%	100.0%	100.0%	100.0%

Source: Computed from Primary Data

The investors of 20-30 years of age group and above 50 years of age group who have agreed on the idea provided by the ratio are in similar percentage. Besides, in the age group of above 50 years, significant number of investors are neutral in presenting their

opinion. It can also be observed that comparatively more number of investors, who have responded positively, are in the age group of 31-40 and 41-50.

Table 4 : Chi-Square Test

	Value	Degree of freedom	'p' value
Pearson Chi-Square	39.710	12	.000
N of Valid Cases	197		

Source: Computed from Primary Data

Null Hypothesis: There is no association between Age group of the investors and their opinion on whether the Operating Cash Flows / Net Worth ratio gives idea about Return on Investment.

Alternative Hypothesis: There is an association between Age group of the investors and their opinion on whether the Operating Cash Flows / Net Worth ratio gives idea about Return on Investment.

Table 5 : Age-wise Classification of Investors in respect of their Opinion on the Statement that Investors Make Investment Decisions after a Thorough Study of the Financial Statements

Investors make Investment Decisions after a thorough study of the Financial Statements		Age				Total
		20-30	31-40	41-50	above 50	
Strongly Disagree	Frequency	0	1	0	7	8
	% to Column Total	0.0%	2.3%	0.0%	8.0%	4.1%
Disagree	Frequency	3	2	8	23	36
	% to Column Total	11.5%	4.7%	20.0%	26.1%	18.3%
Neutral	Frequency	1	6	4	15	26
	% to Column Total	3.8%	14.0%	10.0%	17.0%	13.2%
Agree	Frequency	16	27	17	36	96
	% to Column Total	61.5%	62.8%	42.5%	40.9%	48.7%
Strongly Agree	Frequency	6	7	11	7	31
	% to Column Total	23.1%	16.3%	27.5%	8.0%	15.7%
	Frequency	26	43	40	88	197
	% to Column Total	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Computed from Primary Data

The frequency values signify that as the age of the investors is increasing, they are becoming more reluctant to make a thorough study of the financial statements. Such type of tendency may be attributable to two reasons. First reason is elder age investors may be busy in their occupation and so, they could not spare sufficient time

to make in-depth study of the financial statements. Second reason is the people, who had embarked on investing activity at the earlier ages, became more experienced as they became older. The experienced investors know the aspects of the financial statements which need special attention and so, they focus on only those aspects.

Table 6 : Chi-Square Test

	Value	Degree of freedom	'p' value
Pearson Chi-Square	29.223	12	.004
N of Valid Cases	197		

Source: Computed from Primary Data

Null Hypothesis: There is no association between age group of the investors and their opinion on the need for thorough study of the Financial Statements.

Alternative Hypothesis: There is an association between age group of the investors and their opinion on the need for thorough study of the Financial Statements.

3- Analysis of Association between Educational Qualification of the Investors and their Opinion on Information content of Financial Statements

This section presents the results of analysis of association between educational qualification of the investors and their opinion on the information content of financial statements.

Table 7 : Educational Qualification wise Classification of the Investors in respect of their opinion on the statement that Intangible Assets shown in Balance Sheet are not important

Intangible Assets shown in Balance Sheet are not important		Qualification					Total
		School Degree	Diploma	Bachelor Degree	Master Degree	Ph.D. Degree	
Strongly Disagree	Frequency	1	4	4	1	0	10
	% to Column Total	1.9%	8.7%	5.3%	4.5%	0.0%	5.1%
Disagree	Frequency	26	28	45	13	2	114
	% to Column Total	50.0%	60.9%	60.0%	59.1%	100.0%	57.9%
Neutral	Frequency	2	2	15	2	0	21
	% to Column Total	3.8%	4.3%	20.0%	9.1%	0.0%	10.7%
Agree	Frequency	20	8	8	6	0	42
	% to Column Total	38.5%	17.4%	10.7%	27.3%	0.0%	21.3%
Strongly Agree	Frequency	3	4	3	0	0	10
	% to Column Total	5.8%	8.7%	4.0%	0.0%	0.0%	5.1%
	Frequency	52	46	75	22	2	197
	% to Column Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Computed from Primary Data

Irrespective of the educational qualification, majority of the investors refused to neglect intangible assets in investment decision making. It highlights the fact that investors have recognised the relevance of intangible assets in forecasting the future prospects of a company. However, comparatively more number of investors, who not recognizing

the importance of intangible assets, are in the category of school degree holding investors. It may be attributable to the fact that they could not understand the information content of intangible assets due to inadequate knowledge in accounting and investment analysis.

Table 8 : Chi-Square Test

	Value	Degree of freedom	'p' value
Pearson Chi-Square	28.931	16	.024
N of Valid Cases	197		

Source: Computed from Primary Data

Null Hypothesis: There is no association between Educational Qualification of the investors and their opinion on importance of

intangible assets in investment decision making.

Alternative Hypothesis: There is an association between Educational Qualification of the investors and their opinion on importance of intangible assets in investment decision making

Table 9 : Educational Qualification wise Classification of the Investors in respect of their Opinion on the Statement that Information given in the Cash Flow Statement helps the Investors in their Investment Decision Making

Information given in the Cash Flow Statement helps the Investors in their Investment Decision Making		Qualification					Total
		School Degree	Diploma	Bachelor Degree	Master Degree	Ph.D. Degree	
Disagree	Frequency	4	1	1	1	0	7
	% to Column Total	7.7%	2.2%	1.3%	4.5%	0.0%	3.6%
Neutral	Frequency	6	5	6	0	0	17
	% to Column Total	11.5%	10.9%	8.0%	0.0%	0.0%	8.6%
Agree	Frequency	37	33	51	10	1	132
	% to Column Total	71.2%	71.7%	68.0%	45.5%	50.0%	67.0 %
Strongly Agree	Frequency	5	7	17	11	1	41
	% to Column Total	9.6%	15.2%	22.7%	50.0%	50.0%	20.8 %
Frequency		52	46	75	22	2	197
% to Column Total		100.0%	100.0%	100.0%	100.0%	100.0%	100.0 %

Source: Computed from Primary Data

It clearly indicates that irrespective of educational background, all the investors give importance to cash flow statement information. In other words, liquidity and long term solvency are the key factors driving the investment decisions. We can also observe that investors with higher education qualifications like Bachelor Degree or Master Degree have strongly agreed to the relevance of cash flow

statement information compared to the investors with lower levels of educational qualifications. It may be attributable to that fact that understanding the information content of cash flow statement and relating it to the accounting profits of the company is a complicated task which calls for better knowledge and skill in Accounting and Investment Analysis.

Table 10 : Chi-Square Test

	Value	Degree of freedom	'p' value
Pearson Chi-Square	22.491	12	.032
N of Valid Cases	197		

Source: Computed from Primary Data

Null Hypothesis: There is no association between Educational Qualification of the Investors and their opinion on the relevance of information given in the cash flow statement in investment decision making.

Alternative Hypothesis: There is an association between Educational Qualification of the Investors and their opinion on the relevance of information given in the cash flow statement in investment decision making.

Table 11 : Educational Qualification wise Classification of the Investors in respect of their opinion on the Statement that Accounting Disclosures in Annual Reports explain the items in the Financial Statements in Simple, Non-Technical Language

Accounting Disclosures in Annual Reports explain the items in the Financial Statements in Simple, Non-Technical Language		Qualification					Total
		School Degree	Diploma	Bachelor Degree	Master Degree	Ph.D. Degree	
Strongly Disagree	Frequency	3	4	2	0	0	9
	% to Column Total	5.8%	8.7%	2.7%	0.0%	0.0%	4.6%
Disagree	Frequency	20	9	14	4	0	47
	% to Column Total	38.5%	19.6%	18.7%	18.2%	0.0%	23.9%
Neutral	Frequency	7	10	16	3	0	36
	% to Column Total	13.5%	21.7%	21.3%	13.6%	0.0%	18.3%
Agree	Frequency	15	17	39	8	2	81
	% to Column Total	28.8%	37.0%	52.0%	36.4%	100.0%	41.1%
Strongly Agree	Frequency	7	6	4	7	0	24
	% to Column Total	13.5%	13.0%	5.3%	31.8%	0.0%	12.2%
	Frequency	52	46	75	22	2	197
	% to Column Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Computed from Primary Data

The frequency values highlight that majority of the investors in each group have agreed that the Accounting Disclosures are in simple and non-technical language. But, in all the groups, there are significant number of investors who are neutral or who have not agreed to the same point, particularly in the group of school degree holding investors.

It highlights that it may be difficult for an investor to come to a one word conclusion that the overall Accounting Disclosures are in simple and non-technical language.

Table 12 : Chi-Square Test

	Value	Degree of freedom	'p' value
Pearson Chi-Square	28.422	16	.028
N of Valid Cases	197		

Source: Computed from Primary Data

Null Hypothesis: There is no association between Educational Qualification of Investors and their opinion on simplicity and non-technical presentation of Accounting Disclosures.

Alternative Hypothesis: There is an association between Educational Qualification of Investors and their opinion on simplicity and non-technical presentation of Accounting Disclosures.

Table 13 : Educational Qualification-wise Classification of the Investors in respect of their opinion on the Statement that Investors make Investment Decisions after a thorough study of the Financial Statements

Investors make Investment Decisions After a thorough study of the Financial Statements		Qualification					Total
		School Degree	Diploma	Bachelor Degree	Master Degree	Ph.D. Degree	
Strongly Disagree	Frequency	7	0	1	0	0	8
	% to Column Total	13.5%	0.0%	1.3%	0.0%	0.0%	4.1%
Disagree	Frequency	11	13	11	1	0	36
	% to Column Total	21.2%	28.3%	14.7%	4.5%	0.0%	18.3%
Neutral	Frequency	7	6	11	2	0	26
	% to Column Total	13.5%	13.0%	14.7%	9.1%	0.0%	13.2%
Agree	Frequency	22	20	38	14	2	96
	% to Column Total	42.3%	43.5%	50.7%	63.6%	100.0%	48.7%
Strongly Agree	Frequency	5	7	14	5	0	31
	% to Column Total	9.6%	15.2%	18.7%	22.7%	0.0%	15.7%
	Frequency	52	46	75	22	2	197
	% to Column Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Computed from Primary Data

In each group of investors, majority of the investors prefer to make a thorough study of financial statement. But, it can also be observed that the percentage of investors, who prefer to make through study, is more in group of bachelor degree or master degree holding investors. So, it can be

deduced that highly educated investors are only inclined to read the financial statements thoroughly. It may be due to the fact that investors with school degree or diploma could not understand the technicality present in the financial statements.

Table14 : Chi-Square Test

	Value	Degree of freedom	'p' value
Pearson Chi-Square	27.612	16	.035
N of Valid Cases	197		

Source: Computed from Primary Data

Null Hypothesis: There is no association between Educational Qualification of the Investors and their opinion on the need for thorough study of financial statements before taking investment decisions.

Alternative Hypothesis: There is an association between Educational Qualification of the Investors and their opinion on the need for thorough study of financial statements before taking investment decisions.

Table 15 : Educational Qualification-wise Classification of the Investors in respect of their opinion on the Statement that there is Complexity and Confusion in understanding the information given through the large amounts of data

There is complexity in understanding the information given through the large amounts of data – leading to confusion		Qualification					Total
		School Degree	Diploma	Bachelor Degree	Master Degree	Ph.D. Degree	
Strongly Disagree	Frequency	0	0	1	0	0	1
	% to Column Total	0.0%	0.0%	1.3%	0.0%	0.0%	.5%
Disagree	Frequency	1	4	7	2	0	14
	% to Column Total	1.9%	8.7%	9.3%	9.1%	0.0%	7.1%
Neutral	Frequency	3	10	15	1	1	30
	% to Column Total	5.8%	21.7%	20.0%	4.5%	50.0%	15.2%
Agree	Frequency	26	17	39	16	0	98
	% to Column Total	50.0%	37.0%	52.0%	72.7%	0.0%	49.7%
Strongly Agree	Frequency	22	15	13	3	1	54
	% to Column Total	42.3%	32.6%	17.3%	13.6%	50.0%	27.4%
	Frequency	52	46	75	22	2	197
	% to Column Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Computed from Primary Data

All the investors, irrespective of their educational background have opined that large amount data creates complexity and confusion in understanding the financial statements. However, comparatively more number of investors with schools degree or diploma

responded positively to the statement. It can be construed that educational background has its impact on understanding the financial statements with large amount of data.

Table16 : Chi-Square Test

	Value	Degree of freedom	'p' value
Pearson Chi-Square	27.495	16	.036
N of Valid Cases	197		

Source: Computed from Primary Data

Null Hypothesis: There is no association between Educational Qualification of the Investors and their opinion on whether large amount of data in financial statements creates complexity and confusion in understanding the information.

Alternative Hypothesis: There is an association between Educational Qualification of the Investors and their opinion on whether large amount of data in financial statements creates complexity and confusion in understanding the information.

4- Analysis of Association between Nationality of the Investors and their Opinion on Information Content of Financial Statements

This section presents discussion on the results of analysis of association between nationality of the investors and their opinion on information content of financial statements.

Table 17 : Nationality-wise Classification of Investors in respect of their Opinion on the Statement that Secured Loans shown in Balance Sheet reflect that Company is highly indebted and it cannot expand fast

Secured Loans shown in Balance Sheet reflect that Company is highly indebted and it cannot expand fast		Nationality		Total
		Jordan Investors	Foreign Investors	
Strongly Disagree	Frequency	3	2	5
	% to Column Total	1.7%	9.1%	2.5%
Disagree	Frequency	23	2	25
	% to Column Total	13.1%	9.1%	12.7%
Neutral	Frequency	19	7	26
	% to Column Total	10.9%	31.8%	13.2%
Agree	Frequency	99	9	108
	% to Column Total	56.6%	40.9%	54.8%
Strongly Agree	Frequency	31	2	33
	% to Column Total	17.7%	9.1%	16.8%
	Frequency	175	22	197
	% to Column Total	100.0%	100.0%	100.0%

Source: Computed from Primary Data

Compared to foreign investors, more number of Jordanian investors have perceived debt as an indicator of high indebtedness of a company. It points out that Jordanian investors are more risk averse compared to foreign investors.

Table 18 : Chi-Square Test

	Value	Degree of freedom	'p' value
Pearson Chi-Square	12.691	4	.013
N of Valid Cases	197		

Source: Computed from Primary Data

Null Hypothesis: There is no association between Nationality of the Investors and their opinion on perceived indebtedness of the company because of having debt content in its capital structure.

Alternative Hypothesis: There is an association between Nationality of the Investors and their opinion on perceived indebtedness of the company because of having debt content in its capital structure.

Table 19 : Nationality-wise Classification of Investors in respect of their Opinion on the Statement that Accounting Disclosures in Annual Reports submitted to Amman Stock Exchange highlight Qualitative Dimensions in the Financial Statement

Accounting Disclosures in Annual Reports submitted to Amman Stock Exchange highlights Qualitative Dimensions in the Financial Statement		Nationality		Total	
		Jordan Investors	Foreign Investors		
Strongly Disagree	Frequency	1	1	2	
	% to Column Total	.6%	4.5%	1.0%	
Disagree	Frequency	43	3	46	
	% to Column Total	24.6%	13.6%	23.4%	
Neutral	Frequency	39	1	40	
	% to Column Total	22.3%	4.5%	20.3%	
Agree	Frequency	73	12	85	
	% to Column Total	41.7%	54.5%	43.1%	
Strongly Agree	Frequency	19	5	24	
	% to Column Total	10.9%	22.7%	12.2%	
		Frequency	175	22	197
		% to Column Total	100.0%	100.0%	100.0%

Source: Computed from Primary Data

Understanding and analyzing the qualitative dimensions in the annual reports is not an easy task. Many of the domestic investors could not express their opinion on the reflection of qualitative dimensions in the annual reports. Besides, significant number of domestic investors have not agreed that qualitative information is provided in the

annual reports. Hence, it highlights the need for providing more qualitative information like profile of managerial cadre employees, future investment plans of the company, quality of corporate governance etc., in the annual reports of the company so that investors can take more informed decision.

Table 20 : Chi-Square Test

	Value	Degree of freedom	'p' value
Pearson Chi-Square	10.076	4	.039
N of Valid Cases	197		

Source: Computed from Primary Data

Null Hypothesis: There is no association between Nationality of the Investors and their opinion on whether annual reports highlight the qualitative dimensions in financial statements.

Alternative Hypothesis: There is no association between Nationality of the Investors and their opinion on whether annual reports highlight the qualitative dimensions in financial statements.

Table 21 : Nationality-wise Classification of Investors in respect of their Opinion on the Statement that Disclosures Notes given at the end of Annual Reports explain the information given in Balance Sheet

Disclosures Notes given at the end of Annual Reports explain the information given in Balance Sheet		Nationality		Total	
		Jordan Investors	Foreign Investors		
Strongly Disagree	Frequency	0	1	1	
	% to Column Total	0.0%	4.5%	.5%	
Disagree	Frequency	17	1	18	
	% to Column Total	9.7%	4.5%	9.1%	
Neutral	Frequency	25	4	29	
	% to Column Total	14.3%	18.2%	14.7%	
Agree	Frequency	100	10	110	
	% to Column Total	57.1%	45.5%	55.8%	
Strongly Agree	Frequency	33	6	39	
	% to Column Total	18.9%	27.3%	19.8%	
		Frequency	175	22	197
		% to Column Total	100.0%	100.0%	100.0%

Source: Computed from Primary Data

Though, majority of the Jordanian investors agree that Disclosure Notes are useful in understanding Balance Sheet items, the investors who are neutral and who expressed negative opinion are also in large

number. It highlights the need for enriching the information content of Disclosure Notes, so that it will be more useful to understand the accounting items shown in the financial statements.

Table 22 : Chi-Square Test

	Value	Degree of freedom	'p' value
Pearson Chi-Square	9.905	4	.042
N of Valid Cases	197		

Source: Computed from Primary Data

Null Hypothesis: There is no association between Nationality of the Investors and their Opinion on the statement that Disclosures Notes given at the end of annual reports explain the information given in Balance Sheet.

Alternative Hypothesis: There is an association between Nationality of the Investors and their Opinion on the statement that Disclosures Notes given at the end of annual reports explain the information given in Balance Sheet.

Table 23 : Nationality-wise Classification of Investors in respect of their Opinion on the Statement that there is Complexity and Confusion in understanding the Information given through the large amounts of data

There is complexity and Confusion in understanding the information given through the large amounts of data		Nationality		Total	
		Jordan Investors	Foreign Investors		
Strongly Disagree	Frequency	0	1	1	
	% to Column Total	0.0%	4.5%	.5%	
Disagree	Frequency	9	5	14	
	% to Column Total	5.1%	22.7%	7.1%	
Neutral	Frequency	28	2	30	
	% to Column Total	16.0%	9.1%	15.2%	
Agree	Frequency	87	11	98	
	% to Column Total	49.7%	50.0%	49.7%	
Strongly Agree	Frequency	51	3	54	
	% to Column Total	29.1%	13.6%	27.4%	
		Frequency	175	22	197
		% to Column Total	100.0%	100.0%	100.0%

Source: Computed from Primary Data

Majority of investors have opined that complexity and confusion exists in understanding the financial statements where large amount of data is provided in them. Besides, the investors who are indifferent towards this statement are also significant in number.

Table 24 : Chi-Square Test

	Value	Degree of freedom	'p' value
Pearson Chi-Square	18.785	4	.001
N of Valid Cases	197		

Source: Computed from Primary Data

Null Hypothesis: There is no association between Nationality of the Investor and their opinion on whether large amount of data in financial statements leads to complexity and confusion in understanding the information.

Alternative Hypothesis: There is an association between Nationality of the Investor and their opinion on whether large amount of data in financial statements leads to complexity and confusion in understanding the information.

Table 25 : Nationality-wise Classification of Investors in respect of their Opinion on the Statement that Financial Market works to deliver information to users with full Transparency and Accuracy

Financial Market works to deliver information to users with full Transparency and Accuracy		Nationality		Total	
		Jordan Investors	Foreign Investors		
Strongly Disagree	Frequency	14	1	15	
	% to Column Total	8.0%	4.5%	7.6%	
Disagree	Frequency	38	2	40	
	% to Column Total	21.7%	9.1%	20.3%	
Neutral	Frequency	40	2	42	
	% to Column Total	22.9%	9.1%	21.3%	
Agree	Frequency	65	10	75	
	% to Column Total	37.1%	45.5%	38.1%	
Strongly Agree	Frequency	18	7	25	
	% to Column Total	10.3%	31.8%	12.7%	
		Frequency	175	22	197
		% to Column Total	100.0%	100.0%	100.0%

Source: Computed from Primary Data

Majority of the investors accept that there is a transparency and accuracy in the information delivered by the financial

markets. However, considerable number of investors have also believed that information delivered by

Table 26 : Chi-Square Test

	Value	Degree of freedom	'p' value
Pearson Chi-Square	11.072	4	.026
N of Valid Cases	197		

Source: Computed from Primary Data

the financial markets is not transparent and accurate. The investors, who are indifferent in expressing their opinion, are also in large number. It indicates the mixed response of the investors. It also highlights the need for

improving the transparency in the financial market system and to ensure the accuracy of the information delivered to the investors by the market players.

Null Hypothesis: There is no association between Nationality of the Investors and their opinion on transparency and accuracy of information delivered by the Financial Market works.

Alternative Hypothesis: There is an association between Nationality of the Investors and their opinion on transparency and accuracy of information delivered by the Financial Market works.

5- Analysis of Association between Investors' Experience in Investment Activity and their Opinion on Information Content of Financial Statements

This section encompasses the discussion on the results of the analysis of association between investors' experience in investment activity and their opinion on the information content of financial statements.

Table 27 : Experience-wise Classification of Investors in respect of their Opinion on the Statement that Net Profit is the most important element in the Investment Decision Making

Net Profit is the most important element in the Investment Decision Making		Experience in investment				Total	
		< 5 years	5-10 years	11-15 years	>15 years		
Strongly Disagree	Frequency	0	4	0	2	6	
	% to Column Total	0.0%	6.1%	0.0%	5.4%	3.0%	
Disagree	Frequency	4	0	1	2	7	
	% to Column Total	8.0%	0.0%	2.3%	5.4%	3.6%	
Neutral	Frequency	3	2	2	0	7	
	% to Column Total	6.0%	3.0%	4.5%	0.0%	3.6%	
Agree	Frequency	35	44	23	19	121	
	% to Column Total	70.0%	66.7%	52.3%	51.4%	61.4%	
Strongly Agree	Frequency	8	16	18	14	56	
	% to Column Total	16.0%	24.2%	40.9%	37.8%	28.4%	
		Frequency	50	66	44	37	197
		% to Column Total	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Computed from Primary Data

All the investors, irrespective of their experience in investing, have assigned importance to net profit in investment decision making. However, it can be

observed that investors with eleven years or more experience in investing have assigned extreme importance to net profit. It can be understood that experienced investors are

more cautious in their investment decision making and so, they invest in only those

companies which report comparatively more profits.

Table 28 : Chi-Square Test

	Value	Degree of freedom	'p' value
Pearson Chi-Square	22.319	12	.034
N of Valid Cases	197		

Source: Computed from Primary Data

Null Hypothesis: There is no association between Investors' experience in investment activity and their opinion on importance given to net profit in investment decision making.

Alternative Hypothesis: There is an association between Investors' experience in investment activity and their opinion on importance given to net profit in investment decision making.

Table 29 : Experience-wise Classification of Investors in respect of their Opinion on the Statement that Operating Cash Flows / Net worth ratio gives idea about Return on Investment

Operating Cash Flows / Net worth gives idea about Return on Investment		Experience in investment				Total	
		< 5 years	5-10 years	11-15 years	>15 years		
Strongly Disagree	Frequency	1	0	0	0	1	
	% to Column Total	2.0%	0.0%	0.0%	0.0%	.5%	
Disagree	Frequency	2	2	5	4	13	
	% to Column Total	4.0%	3.0%	11.4%	10.8%	6.6%	
Neutral	Frequency	3	10	9	11	33	
	% to Column Total	6.0%	15.2%	20.5%	29.7%	16.8%	
Agree	Frequency	36	42	29	16	123	
	% to Column Total	72.0%	63.6%	65.9%	43.2%	62.4%	
Strongly Agree	Frequency	8	12	1	6	27	
	% to Column Total	16.0%	18.2%	2.3%	16.2%	13.7%	
		Frequency	50	66	44	37	197
		% to Column Total	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Computed from Primary Data

Majority of the investors have agreed that the operating cash flows to net worth ratio is a relevant indicator of return on investment irrespective of their experience in investing. However, it can also be observed that significant number of investors with relatively more experience are neutral or have not agreed that this ratio as an indicator of return on investment. It can be due to the fact that operating cash

flows indicate only the short term performance of the company. Cash flows do not possess information content on the future prospects of the company. Put it simple, better liquidity position may not ensure the better future prospects of the company. However, cash flows play significant role in the valuation of a company, because risk averse investors assign more weightage to liquidity rather than profitability.

Table 30 : Chi-Square Test

	Value	Degree of freedom	'p' value
Pearson Chi-Square	23.405	12	.024
N of Valid Cases	197		

Source: Computed from Primary Data

Null Hypothesis: There is no association between Investors' experience in investment activity and their opinion on the whether they can get idea about return on investment based on operating cash flows/ net worth ratio.

Alternative Hypothesis: There is an association between Investors' experience in investment activity and their opinion on the whether they can get idea about return on investment based on operating cash flows/ net worth ratio.

Table 31 : Experience-wise Classification of Investors in respect of their Opinion on the Statement that Financial Statement Information is relevant and reliable in understanding the relationship about Net Profit and Size of the Company

Financial Statement Information is relevant and reliable in understanding the relationship about Net Profit and Size of the Company		Experience in investment				Total
		< 5 years	5-10 years	11-15 years	>15 years	
Strongly Disagree	Frequency	0	2	0	1	3
	% to Column Total	0.0%	3.0%	0.0%	2.7%	1.5%
Disagree	Frequency	0	4	3	9	16
	% to Column Total	0.0%	6.1%	6.8%	24.3%	8.1%
Neutral	Frequency	6	12	4	4	26
	% to Column Total	12.0%	18.2%	9.1%	10.8%	13.2%
Agree	Frequency	43	43	34	19	139
	% to Column Total	86.0%	65.2%	77.3%	51.4%	70.6%
Strongly Agree	Frequency	1	5	3	4	13
	% to Column Total	2.0%	7.6%	6.8%	10.8%	6.6%
	Frequency	50	66	44	37	197
	% to Column Total	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Computed from Primary Data

Irrespective of the investment experience, majority of the investors have opined that the information provided in financial

statements is useful in understanding the relationship between net profit and size of the company.

Table 32 : Chi-Square Test

	Value	Degree of freedom	'p' value
Pearson Chi-Square	28.106	12	.005
N of Valid Cases	197		

Source: Computed from Primary Data

Null Hypothesis: There is no association between Investors' experience in investment

and their opinion on relevance and reliability of the Financial Statement information in understanding the

relationship between net profit and size of the company.

Alternative Hypothesis: There is an association between Investors' experience in investment and their opinion on relevance and reliability of the Financial Statement information in understanding the relationship between net profit and size of the company.

Conclusion

Analysis of association between age of the investors and their opinion on the information content of financial statements unfold that there is a significant different in the opinion among the investors of different age groups on the relevance of cash flow statement information; indications provided by Operating Cash Flows to Net Worth ratio about Return on Investment; need for thorough study of financial statements before taking an investment decisions. Risk appetite of the investors may not be similar in different stage of their life. Young investors would have more risk appetite compared to middle age investors or elder age investors. Middle age or elder age investors make investment decisions more cautiously. Hence, they pay more attention

to liquidity conditions of the company which can be analyzed from the information content of Cash Flow Statement and relating Cash Flow Statement items to Income Statement and Balance Sheet.

Analysis of association between educational qualification of the investors and their opinion on the information content of financial statements unveils that investors with different educational qualifications have different opinions on indications of net loss reported by a company; on importance of intangible assets; on relevance of cash flow statement information, on indications provided by Operating Cash Flows to Net Assets ratio; on indications provided by

Operating Cash Flows to Net Worth ratio; on simplicity and technicality of the language used in the financial statements; on need for thorough study of financial statements; on complexity and confusion in understanding financial statement information. It is the educational background of the investors which helps them in understanding the intricacies of the financial statements information. Highly educated investors can easily grasp the fine print of the annual report published by the companies. They can also understand technical information easily by referring to various sources of information. So, it can be concluded that educational qualification is a significant factor influencing the opinion of the investors on the information content of the financial statements.

Analysis of association between nationality of the investors and their opinion the information content of financial statements discloses that opinions differ significantly between Jordanians and foreign nationals with respect to perceived riskiness of a company as indicated by the debt content in the capital structure; indications provided by Operating Cash Flows to Net Assets ratio; qualitative information provided by the annual reports; information content of Disclosure Notes; complexity and confusion in understanding large amount of data in financial statements and transparency and accuracy of the information delivered by the financial markets. The analysis brings to light the fact that domestic investors more risk averse compared to foreign investors. Besides, both domestic and foreign investors pay due attention to qualitative information provided in the annual reports.

Analysis of association between experience of the investors and their opinion on the information content of financial statements uncovers that investors with different levels of experience have divergent opinion on the importance of net profit; on indications provided by Operating Cash

Flows to Net Worth ratio; relevance and reliability of financial statements information in understanding the relationship between Net Profit and Size of the company. The results of the analysis signify that experienced investors give excessive importance to net profit in investment decision making. The results also disclose that less experienced investors give greater importance to cash flows compared to more experienced investors.

Based on the above discussion, it can be deduced that demographic profile of the investors has significant impact on their opinion on the information content of the financial statements.

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