The Perception of XBRL Technology in the Jordanian Context: An Exploratory Study

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Abstract: The objective of this study is to explore the perspective of Jordanian professionalism whether in public companies or regulatory authorities. In order to achieve the objective, 11 interviews were conducted with managers, financial controller, chartered accountants and partner auditors. The results of the study reveals on low level of awareness and knowledge of XBRL. In spite of this results, the majority of the respondents resist to sue the new technology without understanding of the nature of this language.

Key words: XBRL, professional, exploratory, Jordan, awareness, regulatory, financial controller

INTRODUCTION

Internet financial reporting is now a widespread phenomenon in most companies in both developed and developing countries (Allam and Lymer, 2003; Dunne *et al.*, 2013). The use of the internet as a new medium to disclose information might be viewed as innovation adoption. The online financial reporting process used currently by business is known as "first generation digital reporting" (Cobb, 2008). The online reporting enabled information to be disseminated faster and in very cost-effective way (Lymer *et al.*, 1999). In most cases the information disclosed on the web is similar to the information that has already been published in printed form (Marston, 2003). Therefore, the second generation digital reporting technology allows organizations to report quickly and cheaply with greater transparency and improved cdata manipulation (Cohen *et al.*, 2005). One form of the second generation technology is Extensible Business Reporting Language (XBRL). XBRL enables preparers of annual reports to add contextual information to individual data highlighting data with "tags" that XBRL read interpret and use of this data on an aggregated or item by item basis (Dunne *et al.*, 2013). Based on this, the annual reports can be easily analyzed and compared with other organizations (Debreceny *et al.*, 2010).

Traditional hard copy of the annual reports and the first generation digital reporting PDF or HTML electronic financial reporting approaches are regularly criticized of their lack of electronic usability (Zarowin and Harding, 2000). It was so difficult for users to extract and analyze information when these files are created. The creation of XBRL addressed the criticism of the first generation digital reporting by tag narrative and numerical information to extend electronic usability across alternative information contained in the corporate reports (Dunne *et al.*, 2013). XBRL is derived from eXtensible Markup Language (XML). It is a worldwide collaboration between accounting professionals, regulators and business. All the users of the financial statements including investors, creditors, financial analysts and regulatory authorities can compare and analyze data rapidly and efficiently, when they are in XBRL system (Pinsker and Wheeler, 2009). Moreover, Premuroso and Bhattacharya (2008) believe that XBRL promote standardization and harmonization of international standard and assemble and review financial data more efficiently and usefully.

The diffusion of innovative technologies has been discussed in previous studies as "the process which an innovation communicated through certain channels over time among members of a social system" (Rogers, 2003). The diffusion of innovation theory argued that the degree to which a company is considered to be innovative depends on organizational features and perceived benefits of the innovation. This theory highlighted that motivations to adopt new technologies are subject to internal and external characteristics. Flanagin (2000) pointed out that adoption of new technology subjects to institutional pressures as presented by the institutional theory.

Regardless of the importance of XBRL as new technology for analyzing financial data, research in Australia and the US, showed low level of awareness and understanding of this language among chartered accountant (Nel and Steenkamp, 2008). Yassin *et al.* (2012) explored the perspective of business faculty members in

Jordanian universities and indicated that facilitating comparison and analysis of financial reports are the main advantage of using XBRL. However, the current study explores the perspective of professionalism in the field of accounting and auditing toward the adoption of XBRL.

Literature review: In recent days, almost all companies have website and its website contain links to their financial statements and other important disclosure. With XBRL computers treat data intelligently because XBRL can dramatically improve the efficiency of collecting, repurposing, comparing and analyzing financial data among organization. Furthermore, XBRL is not only applied no financial data but also to narrative data. That is narrative section's of annual reports can be customized under XBRL to suit the needs of different organizations and industries (Higgins and Harrell, 2003; Nel and Steenkamp, 2008). Pinsker and Li (2009) conducted a comparative study using two groups of MBA students performing financial statements analysis using traditional study based analysis via. XBRL. The results showed the XBRL enabled more effective and efficient financial analysis.

Previous studies explored the benefits of XBRL especially when regulators and governments can share data (Baker, 2008). Rogers (2003) explored many advantages of adoption of XBRL such as complexity and observability of information. However, XBRL's diffusion has very limited acceptance by both preparers and stakeholders groups in the UK (Cobb, 2008). Bonson *et al.* (2009) found that the adoption rate of XBRL in USA is too low namely, about 2%. Dunne *et al.* (2013) explored the diffusion of XBRL to key stakeholder groups (professional accountants, tax practitioners and auditors and IT) in the UK, the results revealed that none of the key stakeholders directly engaged by XBRL. Cordery *et al.* (2011) examined the factors influencing the non-adoption of XBRL technology in New Zealand. Their results documented that there are three reasons for non-adoption of the new technology. First, lack of government push regulations to enforce the adoption of XBRL technology. Second, the organizations do not believe in the benefits of the XBRL. Third, complexity in developing structured language classification for XBRL. Troshani and Doolin (2007) highlighted that regulators can use XBRL to help in reducing organization's compliance costs and increasing competitiveness of organization. Debreceny and Gray (2001) documented that XBRL can validate the data and highlight errors through internet and also financial data can be available at any point of time which means no need to wait the end of fiscal year or quarter. Davidson *et al.*

found that XBRL projects in New Zealand and is affected by government, size and the lack of XBRL enabled software in the market. Premuroso and Bhattacharya (2008) showed that, the use of XBRL is expected to avoid the additional efforts and complications of reconciliations the local financial standards with the International Financial Reporting Standards. They also showed that voluntarily adoption of XBRL signals superior corporate governance. Li *et al.* (2015) experimentally proved the efficiency of using XBRL in predicting financial crisis. Efendi *et al.* documented that company size is the key determinant of XBRL adoption. Previous studies explored the benefits of XBRL especially when regulators and governments can share data (Baker, 2008).

XBRL is a unique innovation but the results of previous studies indicated low level of adoption of this new technology. Moreover, most of previous studies conducted in developed countries and mainly concentrate on the main benefits of using XBRL. This study seeks to explore factors influencing the non-adoption of Extensible Business Reporting Language (XBRL) technology in Jordanian context. The present study contributes to the literature of adoption XBRL in developing countries by concentrating on the main obstacles and reasons of non-adoption of XBRL.

MATERIALS AND METHODS

This study discusses the research approach used in this study to collect the required data on the basis of the literature. As the study is exploratory in its nature and no sufficient relevant literature exists, a qualitative approach based on semi-structured interviews was chosen for this study in order to have control on the discussion but at the same time allow the interviewee to elevate their opinions and aid the exploratory nature of the study (Eriksson and Kovalainen, 2008).

Data were collected through semi-structured interviews with chartered accountants, financial officers and auditors in Amman-Jordan. The interviews were conducted in interviewee's workplace in the period between the 1st of March and the 25th of April 2016, where each interview lasted up around 25 min. About 10 semi-structured interviews were conducted with the interviewee toward their awareness and perception of XBRL. Interviews were carried out in a friendly atmosphere making sure that interviews performed in unbiased manner.

Thematic analysis was the main method used in the analysis, responses to interviews were classified into themes and categories and in some occupations quotes

from individual responses were added for emphasis. The interviews included questions about the adoption of XBRL technology in Jordan, the level of awareness of XBRL, the respondent perceptions regarding XBRL.

RESULTS AND DISCUSSION

This study presents the findings of interviewee. They are based on the main themes emphasized in the interview questions. The interviews were carried out after a brief description of XBRL, 11 interviews were conducted at workplace such as banks, big 4 audit firms, listed companies and governmental organizations. Previous research concerned with XBRL had an extremely low response rate and this is consistent with previous studies such as Troshani and Doolin (2005), Nel and Steenkamp (2008). This related to the fact that almost all the respondents know nothing about the XBRL and therefore not interested in the interviews.

Adoption of XBRL in Jordanian context: The first question in the interviews was is related to the adoption of XBRL in the in organization. All the respondents assure that XBRL is not implemented in their organizations. Further, when the interviewee were asked whether they think their organizations would adopt XBRL in the near future. All the respondents mentioned that they have their own technologies and they are extremely satisfied and no way for them to change for unknown XBRL. Given that the majority of the respondents were chartered accountants, financial controllers and CEOs. Mr. Nader Azer, the CEO of Amman Stock Exchange said that "the implantation of XBRL in Jordan will add value and benefit organizations and investors to better evaluate the company's financial situation. The data that XBRL will produce will be easy and feasible to be understood by other parties than financial analysts which can be a great tool to obtain financial data about organizations in much easier and flexible way which will be more transparent for stakeholders as well to be able to read the financial reports and evaluate their companies position".

The level of awareness of XBRL: In general, none of the respondents were aware of XBRL. In more details, only 18% of the respondents had basic understood of XBL. About 1% of the respondents had full understood about the nature of XBRL.

Respondent perception regarding XBRL: Most interviewees agreed that none of the Jordanian organizations whether public or government adopt XBRL.

The interviewed mentioned that it is very difficult to adopt XBRL and the current used systems by their organizations are adequate.

One of the respondents said that "No need to adopt XBRL, they use Excel Microsoft instead because they can easily and quickly extract data and no need to change for unknown XBRL and take the risk to use this language". He added that "they preferred to design their own system by IT Department which enables them to customize some features based on their need".

One of the respondent mentioned that "the company does not use XBRL and use FRX program as they are satisfied in this, so no need to change for risky program nobody knows about this". It can be concluded from the before that there is general lack of understanding of XBRL because, it is clear from the respondent's answers that they did not know what is the outcome of XBRL and 82% of the respondents believes that it is difficult and risky to use unknown language, regardless of the expected benefits. On the other hand, Mr. Nader Azer, the CEO of Amman Stock Exchange mentioned that "the implementation of XBRL for the listed companies and the brokerage firms in ASE has been considered in its strategic plan for the coming 3 years (2016-2018). And the XBRL will be the future certified reference for financial reporting. And as part of its strategic plan ASE has sent employees for training and attending workshops on XBRL".

The future of XBRL: The majority of the respondents thinks that there is lack of knowledge of this language and if so, they need time and effort to learn XBRL. And they believes that the current program that the already using it is achieving the required target. By this no need to spend time, effort and money to learn new software. Moreover, they claim that there is lack of available sources to deal with XBRL. This indicates that the respondents against change in general and this easily appeared in their attitudes toward this language. However, the International Arab Society of Certified Accountants in Jordan has completed translation of XBRL to Arabic language; this projected has started in 2006. In can be concluded from the interviews that the top management, certified management need more awareness and knowledge of XBRL in order to get the requited benefits of professional financial analysis.

CONCLUSION

Despite, the low level of adoption of XBRL in the US, Australia and the UK, XBRL is the future of financial reporting. The main objective of this study was explore the perspective of professionalism in the field of

accounting and auditing toward the adoption of XBRL by interviewing number of top management, chartered accountants, financial controllers and partners in big 4 audit companies in Jordanian companies. In line with previous studies, the results showed no awareness and knowledge of XBRL. Very few numbers of respondents showed low level of awareness of this language. None of the interviewed Jordanian companies adopt XBRL, the respondents mentioned that there is no need to learn new technology once they are satisfied with the current used programs.

Jordan is committed to the reporting requirements of International and Financial Reporting and auditing Standards and in this, it achieved a significant improvement, since, Jordan is linked to the world economy through globalization which put pressure over organization to compete in very complex and unstable environment. Therefore, enhancing financial reporting is very important to attract foreigner investors and it will be the required technology in the near future. For this, the current research recommends all organizations regardless of the nature of their resarch to take effective steps in learning XBRL, especially that the adoption of this technology will be imposed on all organizations.

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