JOURNAL OF CULTURAL ANALYSIS AND SOCIAL CHANGE

Journal of Cultural Analysis and Social Change,
2025, 10(2), 1973-1983
ISSN: 2589-1316

A Study Disclosure of Accounting Policies and Accounting Standards by The Banking Companies of Saudi Arabia and Its Impact on The Users

Mohammed Arshad Khan [1*]

[1] *College of Administrative and Financial Sciences, Saudi Electronic University, Riyadh 11673,* SAUDI ARABIA

***Corresponding Author:** m.akhan@seu.edu.sa

Citation: Khan, M. A. (2025). A Study Disclosure of Accounting Policies and Accounting Standards by The Banking Companies of Saudi Arabia and Its Impact on The Users, *Journal of Cultural Analysis and Social Change*, 10(2), 1973-1983. https://doi.org/10.64753/jcasc.v10i2.1896

Published: November 15, 2025

ABSTRACT

Purpose: This study seeks to analyse the economic implications of implementing accounting regulations and International Financial Reporting Standards (IFRS) in Saudi Arabian commercial banks. The study explicitly investigates the effect of the compulsory implementation of accounting policies and standards on accounting-based performance metrics. Originality/value: While the effects of adopting accounting rules and standards have been extensively researched in rich nations, the examination of the impact of IFRS adoption in underdeveloped countries remains restricted. This study enhances the literature by analysing the economic implications of implementing accounting laws and standards in the commercial banks of Saudi Arabia, a developed nation. Findings: The findings indicate that accounting policies and standards have markedly enhanced transparency, especially within the commercial banking sector, by diminishing information asymmetry and strengthening corporate governance. Nevertheless, smaller enterprises and industries such as real estate and manufacturing encounter difficulties in achieving complete compliance with IFRS owing to limited resources and sector-specific intricacies. Implication: Management should ensure that the bank's accounting policies and practices comply with both local regulations, as well as those international best practices. As a result, it is easier for users, especially international investors and analysts, to compare the financial performance and risk profile of the bank with those of other banks in other jurisdictions, therefore enhancing the bank's appeal to foreign capital.

Keywords: Financial performance, Accounting policies, Accounting standards, IFRS and Saudi Arabia.

INTRODUCTION

Similar to how environmental changes have brought about the emergence of mores, principles, and regulations embedded in practice, accounting has also evolved over time. Some of these changes, like double entry, have become accepted by accountants. However, there are numerous possible interpretations of these principles and mores, and no consensus on which to use; as a result, the disclosure has been treated differently depending on the interpretation used. This has made it more difficult to compare the financial statements of different organisations, which could result in the introduction of inaccurate information regarding the financial situation and profit and loss statements. In order to facilitate comparison and lessen the likelihood of data exploitation, the necessity for adopting accounting standards has grown. Several of the temporary groups began to establish criteria within the local scope with this goal in mind. The International Accounting Standards Board (IASB) and the International Financial Reporting Standards (IFRS) have been accepted as models for accounting disclosures by numerous organisations. The rapid global proliferation of Islamic Financial Institutions (IFIs) necessitated the introduction of modified standards for accounting that incorporate Islamic principles (Al-Bogami, 2023).

Data transmission and reception in this era of ubiquitous computing must be precise, instantaneous, and free of distortion. An efficient flow of relevant and essential information is the key to achieving and maintaining efficiency in any economic sector, but especially in the banking sector (Ebaid, 2022). The current state of affairs reveals that globalisation is on the rise, with businesses, banks, and other organisations playing a significant role. These entities cater to both local and global audiences, including stakeholders, investors, shareholders, lenders, financial institutions, security analysts, government agencies, universities, and researchers. Financial reports, notes, circulars, etc., might largely satisfy the necessity for "disclosure of a broader range of information" that is unavoidable for that society of stakeholders. However, various stakeholders will put pressure on a bank to disclose its financial and non-financial information in a way that is more transparent, easy to understand, and trustworthy if it complies with these standards (Tlemsani et al., 2024).

Accounting researchers, professionals, and organisations have studied a wide range of topics pertaining to the transparency of accounting data and procedures. Additionally, they have provided detailed explanations on why disclosure thresholds differ across countries and banks. The area of disclosure presents the greatest difficulties for accountants working for any financial institution or business. Potentially at the heart of these issues are the many and varied requirements of those who will be using the financial report. Researchers and professional groups have developed many ideas, such as "full," "fair," and "adequate" disclosure, to address these difficulties (Noureldaim, 2023). Experts have come to a consensus on the importance, fairness, and usefulness of the information viewers of financial reports should have access to, despite differing opinions on how to define the levels of transparency. Authority, timeliness, and informativeness are commonalities among disclosed information.

A financial statement cannot be prepared or presented without first establishing certain basic accounting assumptions. Since their use and acceptability are presumed, they are typically not explicitly mentioned. Failure to comply requires disclosure. In preparing and presenting financial statements, an enterprise's accounting policies dictate the precise accounting principles that will be used, as well as the procedures that will be followed to apply those principles. No two situations call for the same set of accounting policies (Alsulami, 2023). Alternative accounting concepts and methods of applying them are acceptable due to the various and complicated economic activity environment in which firms operate, which presents unique circumstances for each enterprise. It takes a lot of discretion on the part of business management to choose the right accounting principle for a certain organisation in a given situation. When a business decides on its accounting policies, it mainly wants to make sure that the financial statements it uses give a realistic picture of its financial health as of the balance sheet date and its profit or loss for the period ending on that date.

It is important to disclose any change in accounting policies that could have a major impact. Additionally, to the best of our knowledge, we should report the amount by which any item in the financial statements is impacted by such a change. It should be noted if the exact amount cannot be determined, either entirely or partially. A thorough comprehension of banking's inherent characteristics and the external factors that shape them is essential for compiling accurate financial statements for financial institutions (Alshiban & Al-Adeem, 2022). These factors include, but are not limited to, regulations and policies imposed by monetary authorities, which impact the determination of interest rates, liquidity, and the fiduciary limit, which impacts the valuation of assets and liabilities. The banking industry's role as an intermediary between savers and investors, as well as its linkages to other economic activity, highlight the significance of transparency in the financial statements of banking companies. Saudi Arabia does not have an authoritative body responsible for droughting accounting standards, and the country's laws are lax when it comes to transparency requirements and the use of international accounting standards.

For growing markets like Saudi Arabia's, where trust in financial reporting is still in its early stages, full disclosure of all relevant financial information is essential. Fostering investor trust, sustaining market stability, and attaining Vision 2030 goals have become more important due to the increasing complexity of economic operations and the ongoing reforms in the Saudi corporate environment (Johri, 2024). Transparency is therefore vital. To make financial reporting more open and comparable across industries, the International Financial Reporting Standards (IFRS) were developed. Saudi Arabian businesses have taken a giant step towards improving the reliability of financial statements by adopting IFRS, which harmonises local accounting methods with international standards. The adoption of IFRS in Saudi Arabia has increased the openness of financial reporting, according to (Oraby, 2017), because it mandates stricter disclosure standards. The Kingdom's financial data is now more comparable across industries thanks to the harmonisation with global standards, which has encouraged investment from abroad. It is difficult to compare financial statements prepared using different standards because of the wide variety of accounting processes that have resulted in the processing of comparable data in varied ways. The public no longer has faith in the financial statements because of the rampant fraud and deceit. This study aims to evaluate the disclosure requirements of accounting standards applied by Saudi Arabian banking companies and to shed light on the significance of accounting policy and standard disclosure in making financial statements easily understandable to users.

Significance of the Study

In view of the global financial markets and the collapse of several multinational banks during the 2008 financial crisis, which had as one of its primary causes the failure of these institutions to disclose the incorrect accounting policies and procedures they had been using, this study has taken its cue from the importance of commercial banks' transparency in this area. Consequently, there is a growing demand for banks to disclose their accounting policies and practices. This is to ensure that the bank is meeting its disclosure and accounting standard obligations, safeguard investors and depositors, and provide government agencies with accurate information about the bank's performance and financial position. Consequently, the study's hidden value lies in elucidating the level of actual disclosure at the chosen Saudi Arabian commercial banks, quantifying the extent to which these banks meet the country's mandatory disclosure requirements, as well as understanding the level of voluntary disclosure at these banks and their tendencies to provide stakeholders with financial and non-financial information that aids in decision-making. Recognising the perspectives of those responsible for preparing financial reports for Saudi Arabian commercial banks is another important outcome of this research.

LITERATURE REVIEW

To assess Banking's financial health and performance, one must look at its financial statements, which must be prepared in line with accounting rules. This suggests a connection between the accounting standards used by the banking industry and performance evaluations. Adopting accounting policies and accounting standards is likely to affect banking performance metrics since IFRS may not align with local standards when it comes to quantifying things in financial statements.

Consequently, there is a growing body of literature that seeks to analyse how IFRS adoption affects critical performance indicators for businesses. Actually, financial ratios derived from financial statements have been used to assess the performance of businesses for quite some time. To foretell when a company will go bankrupt, Altman (1968) presented a model using a collection of financial ratios. Financial ratios were also used by Beaver (1966) to forecast a company's financial health. Several studies have looked at how adopting IFRS affects these ratios and how it affects judging organisations' performance, since IFRS adoption is on the rise. The comparability of ratios is weakened when a country uses both IFRS and GAAP simultaneously, according to (Nguyen et al., 2023), who compared financial and accounting figures prepared under the two sets of standards. They discovered a significant difference between the two sets of ratios.

A related study by (Platonova et al., 2018) examined how the adoption of IFRS affected key accounting metrics in Spain. The results showed that IFRS had a substantial effect on noncurrent assets, equity, reserves, and long-term liabilities. It used financial ratios for a group of Finnish businesses to look at how applying IFRS might affect them. Their findings showed that with the adoption of IFRS, profitability measures increased but liquidity and market-based financial ratios fell. It looked at how UK companies' financial performance changed when they adopted IFRS. A single market-based measure, as well as profitability and liquidity ratios, were the primary foci of their research. They had mixed results: all the profitability measures went up significantly, while the liquidity ratios went up little, and the market-based ratio went down hardly. The discrepancies between Italian accounting standards and IFRS were examined empirically by (Hellman et al., 2018). Due to differences between Italian and IFRS accounting rules, particularly in the valuation of intangible assets, income taxes, and company combinations, their findings showed that this change had a greater impact on net income than equity.

The correlation between executive pay and China's mandated adoption of IFRS was investigated by (Zerban, 2018). A substantial improvement in executive compensation was shown to be a direct result of the good effect of obligatory adoption of IFRS on accounting-based performance metrics. It examined how Romanian accounting performance measures changed after adopting IFRS. While the profitability ratios went down, the equity and leverage ratios went up, therefore it was a mixed bag of results. According to research by Lueg et al. (2014), which looked at how IFRS adoption affects financial ratios for UK-listed companies, the operating income margin, return on invested capital, and current ratio were the ones that were most impacted. In a 2014 study, Banker et al. looked at how 16 European countries' productivity changed after being forced to adopt IFRS. They established that productivity increased after IFRS was mandated by utilising revenue as the output measure and cost of inventories, general and administrative expenses, fixed assets, historical research and development expenditures, and intangible assets as the input measures of production efficiency.

(Almoneef & Samontaray, 2019) studied the impact of IFRS implementation on financial statement statistics and important financial ratios in India. Their findings showed that IFRS introduction had any significant effects on return on assets (ROA), net profit margin (NPM), return on equity (ROE), assets turnover ratio (ATR) and fixed assets turnover ratio (FTR). (Alsulami, 2023) therefore aimed to review a series of financial ratios in Turkey that was influenced by the impacts of first-time IFRS adoption. In their analysis, they concluded that the adoption of IFRS had no impact on the financial indicators of Türkiye-listed firms. Some of them are liquidity, solvency, and profitability. (Oraby, 2017) investigated the influence of IFRS adoption on the EPS and ROA financial performance of Nigerian firms.

They concluded that though IFRS adoption decreases ROA significantly, it has no significant effect on EPS. (Nagalakshmi, 2014) had also compared the financial ratios of Indian companies between pre-IFRS and post IFRS implementation in his study. While EPS and ROA benefited during the pandemic, he found that ratios such as liquidity and profitability remained unchanged. IFRS adoption and its effect on ROA, ROE and EPS of Nigerian businesses were explored by (Das & Saha, 2017). "We find no performance improvement associated with the adoption of IFRSs," they found. On the basis of three financial ratios, i.e., Marris ratio, Tobin Q ratio, and PER ratio, Turki et al. (2020) studied the impact of IFRS on performance of French firms. They found that IFRS had no direct effect on firm performance, but it did have an indirect effect, through the cost of capital. However, further studies on the stock price and stock-return ratios results showed no statistically significant differences between IFRS and non-IFRS corporations. On the other hand, the company value ratio provides by far the most distinct indicator of IFRS versus non-IFRS companies.

Theoretical Foundation and Literature Review

Several theories help explain the impact of accounting standards, such as IFRS, on financial transparency. Key theories include Signaling Theory, Agency Theory, Information Asymmetry Theory and Institutional Theory. These theories provide a foundation for understanding how adopting IFRS can enhance transparency and improve the overall quality of financial disclosures.

Signaling Theory

In Signalling Theory, organisations use financial disclosures to signal their financial health and success to other entities, funders and capital infused parties. In information-asymmetric markets, bank insiders know more than outside investors, and financial reporting is a primary means of demonstrating credibility and dependability. To bridge this gap, (Sodha, 2015) introduced signalling theory when communication between bank management and investors is inadequate. National banks and other financial institutions that adopt these standards show their commitment to transparency and international quality within the framework of IFRS. Such drastic change can offer a rewarding signal to investors, a powerful message especially in developing economies such as Saudi Arabia that, in the previous local standards, might have provided companies wider hinges on financial statements (Zaidi & Paz, 2015). IFRS adoption leads to lower capital costs and greater investor confidence because it is perceived as sending favourable signals to the market, according to the findings of researchers. Also, the financial reports quality, credibility, and transparency was better because the companies adopting IFRS had better market reputation. The adoption of IFRS by companies is generally seen by investors as a commitment to a higher set of reporting standards. This is consistent with the signalling argument.

Agency Theory

When disagreements emerge between a company's principals (the owners) and agents (the managers), (Zaidi & Paz, 2015). Agency Theory provides an explanation. Managers, according to this notion, may not necessarily put shareholders' interests first, especially in cases when reporting is not transparent. Managers' capacity to conceal or manipulate information is diminished by the adoption of IFRS, which enforces more stringent and transparent disclosure rules, thereby mitigating such conflicts. (M & Assistant, 2022) asserts that the adoption of IFRS in Saudi banking has significantly contributed to the decrease of agency conflicts through the enhancement of financial disclosure openness and uniformity.

According to (Zaidi & Paz, 2015) Agency Theory, disagreements arise between the principals (the owners of the company) and the agents (the managers). This theory holds that managers do not have to act in shareholders' interests, particularly when reporting is opaque. The adoption of IFRS which imposes more stricter and transparent disclosure requirements reduces such conflict by impeding the ability of managers to obfuscate or manage the information. According to (Sharma & Mathur, 2020), having adopted IFRS has greatly reduced agency conflicts of Saudi banks by improving the transparency and consistency of financial disclosures. The study found that shareholders can monitor managerial performance more effectively due to the extensive disclosures mandated by IFRS and this lessened managers' incentives to act opportunistically. This supports the agency theory argument that an increase in transparency will limit managers' knowledge advantage, which will lead to better governance and alignment of managers' and shareholders' interests.

Information Asymmetry Theory

The Information Asymmetry Theory is based on the idea that internal stakeholders (management) of an organization know more than external stakeholders (investors for instance) about a firm and its financial situation. One common consequence of information asymmetry is a higher cost of capital and sub-optimal investment select.) IFRS attempts to reduce information asymmetry is to reduce the gap between internal and external information through the contribution of increased detailed and truthful financial disclosures. There have been some inconsistencies however such as (Effah, 2024) examined the role of IFRS as a solution to reduce information asymmetry and found that companies reporting under IFRS provide a more complete and reliable set of information about them, helping external stakeholders make informed decisions. In the financial industry, where transparency is critical for risk assessment, the reduction in information asymmetry stood out. In line with this, (Bathla et al., 2024) studied the Saudi environment and found that IFRS adoption significantly reduced information asymmetry across all sectors, and even more significantly in banking and petrochemicals. International Financial Reporting Standards (IFRS) increase become market efficient and decrease risk to investors by requiring greater disclosure from corporations about their financial condition.

Institutional Theory

The field dubbed "Institutional Theory" looks at how rules, norms, and market forces shape what organisations do and decide. Globalisation redefines competitiveness, pushing multinational corporations to adopt international accounting standards that help them meet the demands for transparency and accountability. This process in the context of IFRS adoption is explained by institutional theory. The concept of institutional isomorphism, which was first introduced by (Bathla et al., 2024), addresses legitimational compliance in which organisations respond to such pressures by adopting similar behaviours in relation to external expectations. This concept has been further developed by (Muniraju & Ganesh, 2016) studied the reasons behind Arabia companies for adopting IFRS in Saudi Arabia. They found that companies did so mostly for regulatory expectations and market demand of global best practices, as well as to get the economic benefit that comes with greater openness. Two of the institutional forces behind this convergence toward IFRS were Saudi Arabia's statutory mandate to improve financial reporting standards and the kingdom's goal of attracting foreign investment. One of the many advantages of complying with International Financial Reporting Standards (IFRS) is increased financial transparency, and Saudi Arabia is no different. Reams of research indicate that adoption of IFRS better financial reporting quality, reduce information asymmetry and align organisation operation with global standards. This literature review is based on relevant previous studies that can be analyzed to bring a comprehensive overview of the subject and its major concepts and findings on the impact of IFRS on transparency with a specific focus on the Saudi situation. A common theme in the research is the contribution of IFRS to raising the bar on transnational financial statement comparability and quality. IFRS supports greater uniformity in financial reporting, by requiring companies to disclose information in a way that is clear and understandable to investors across the globe. Second, according to (Sodha, 2015), which enhances investors' ability to evaluate firms in different industries and marketplaces — this is particularly essential for developing countries such as Saudi Arabia, where previous accounting regulations were often insufficiently strict. As (Kainth & Mustafa, 2021), increased transparency is linked with the degree of trust in financial reporting. Comparability under IFRS further bolsters investor confidence.

Research Gap

Most of the prior research has concentrated on determining how well banks and enterprises adhere to both domestic and international disclosure regulations, whether those regulations are mandatory or voluntary. There has been research on the relationship between required and voluntary disclosure and factors such as age, complexity of business, assets-in-place, profitability, leverage, listing status, ownership structure, liquidity, and internationality of operations. A strong positive correlation between disclosure level and bank size has been shown in the majority of prior research. The association between disclosure level and profitability, leverage, audit firm type, assets-in-place, listing status, ownership structure, complexity of business, liquidity, age, and listing status is unclear, according to these studies.

There are as well, studies that have focused on the effect of banks attributes on disclosure of governance information and a positive relation has been concluded between banks size and disclosure of governance information. The accounting policies and practices and their compatibility with the accounting principles and standards have also been investigated. The significance of disclosure in these studies has not been focused on while the reasons behind non-compliance of the requirements of disclosure have remained without a satisfactory refers. In addition, the misrecognition of the importance of disclosure in preparing financial statements and reports has not been studied deeply.

Hypothesis of the Study

Hypothesis's 1: Saudi Arbia commercial banks abide by the mandatory disclosure requirements.
Hypothesis 2: Indian commercial banks abide by the voluntary disclosure requirements
Hypothesis 3: To test this hypothesis and assign the main reasons preventing Saudi Arabia commercial banks from fulfilling the disclosure requirements.
Hypothesis 4: Financial report preparers in the Saudi Arbia commercial banks support the application of IASs/IFRSs instead of local accounting standards

RESEARCH METHODOLOGY

Sample Technique: This study has taken a cross-sectional approach, Saudi Arabia Banking Companies.
Size of Sample: Since there aren't many financial institutions in Saudi Arabia, we've just included everyone without using purposive sample methods. The only exception is Islamic financial institutions, which weren't considered because their operations and standards are so different. In contrast, seven banks representing the various financial institutions registered on Saudi Arabia's officially recognised stock exchanges were selected by purposive sampling to provide a representative sample.
Area of the Study: The researcher has selected Saudi Arabia in this study because of the importance of this country economically on the regional and global level as well as differences in the environment of the disclosure and accounting information of banking. The focus carried out in this study is on the commercial banks because they serve various categories of society as well as playing important role in the economic growth in the country. The sample banks, chosen by the researcher in the present study, are the commercial banks in Riyad, and Makkha, in Saudi Arbia.
Scope of study: For the fiscal year ending December 31, 2024, our research has only looked at the financial accounts of Saudi Arbia commercial Banking. Financial statements for the year ending March 31, 2024, were taken into consideration in the instance of Saudi Arabia.
Data Collection: This study is based on primary and secondary dada.
Primary Data: Primary data is directly collected from each respective Banking Company.
Secondary Data: Secondary data gathered from a variety of documented sources, including Saudi Arabian libraries, periodicals, and journals; banking industry laws; and issues raised by the International Accounting Standards Committee.
Techniques of analysis: The statistical analyses of means, standard deviation, standard error, T test and Chi-Square test have been used to achieve the objective and prove the hypotheses that stated on study.

Analyzing

Test of Hypothesis's 1: Saudi Arbia commercial banks abide by the mandatory disclosure requirements.
Saudi Arbia Commercial Banks: Table 1 shows that the actual mean for the test of this hypothesis is 155. It is greater than the elementary mean which is set to 85.6. The (t) value is 12.543 which is greater than =1.96. Hence, the mandatory disclosure level in Indian commercial banks lies within the acceptable level of disclosure. This indicates that Indian commercial banks abide by the requirements of mandatory disclosure.

Table 1 Hypothesis testing

Mandatory Disclosure	N	Test Value	Mean	Std deviation	t	Df	Sig
Indian Commercial Banks	22	155	85.6	3.6531	12.543	21	0.000

Tabulated t Value =1.96

Hypothesis 2: Indian commercial banks abide by the voluntary disclosure requirements
Saudi Arabia Commercial Banks Table 2 shows that the actual mean is 88.09 which is greater than the elementary mean (134). The (t) value is 11.764 which is greater than =1.96. Hence, the voluntary disclosure level of Saudi Arabia commercial banks lies within the acceptable level of voluntary disclosure. This indicates that Saudi Arabia commercial banks abide by the requirements of voluntary disclosure. Consequently, the null hypothesis is rejected and the alternative hypothesis is accepted which states that Saudi Arabia commercial banks abide by voluntary disclosure requirements.

Table 2 Hypothesis testing

Voluntary Disclosure	N	Test Value	Mean	Std deviation	T	Df	Sig
Indian Commercial Banks	22	134	88.09	4.124	11.764	21	0.000

Tabulated t Value =1.96

Analysis of Questionnaire

Hypothesis 3: Weakness of the accountant's qualification and legal system are the main reasons behind non-compliance of all requirements of mandatory disclosure in Saudi Arabia commercial banks. To test this hypothesis and assign the main reasons preventing Saudi Arabia commercial banks from fulfilling the disclosure requirements two tests have been used these are the mean test and the t test. These two tests help in organizing the reasons behind noncompliance of disclosure requirements according to their significance from the questionnaire respondents' points of view.

Saudi Arbia Commercial Banks: Table 3 shows the main reasons behind noncompliance of disclosure requirements in Saudi commercial banks listed according to their significance an according to statistics results of the respondents.

The results show that the Disclosure of Accounting policies is the first reasons in the list bear the first rank of the mean value (4.53) and t =29.762 at 5% of level of significance and 310 of the degree of freedom. Weakness of the valuation of inventories comes in the fourth rank with mean and t values of (3.70) and (-21.980) respectively. The mean value is less than the test value (4) and the t value is less than the tabulated value (1.96). These results refer to the repudiation of the "valuation of inventories" as a result of the non-compliance of disclosure requirements and approval of competition as the main reason behind non-compliance of disclosure requirements in Saudi Arabia commercial banks.

Table 3 One-Sample t Test for Hypothesis in Saudi Arabia Commercial Banks

Reasons	N	Test Value	Mean	Std deviation	T	Df	Sig
Disclosure of Accounting policies	311	4	4.53	0.55	29.762	310	0.000
Cash Flow Statements	311	4	4.11	0.59	23.765	310	0.000
Depreciation Accounting	311	4	3.89	0.65	22.876	310	0.000
Valuation of Inventories	311	4	3.70	0.76	-21.980	310	0.000
Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies	311	4	3.23	0.78	18.907	310	0.000
Accounting for Fixed Assets	311	4	3.11	0.84	-17.765	310	0.050
Revenue Recognition	311	4	2.78	0.88	16.890	310	0.047
Accounting for Taxes on Income	311	4	2.67	0.91	15.987	310	0.003
Leases	311	4	2.55	0.95	12.865	310	0.035
The Effects of Changes in Foreign Exchange Rates	311	4	2.21	0.97	-10.986	310	0.040

Accounting for Investments in Associates in Consolidated Financial Statements	311	4	2.09	1.21	9.0965	310	0.000
Provisions, Contingent Liabilities and Contingent Assets	311	4	1.89	1.30	8.9854	310	0.000
Accounting for Investments	311	4	1.77	1.37	1.653	310	0.590
Accounting for Amalgamations	311	4	1.67	1.54	1.765	310	0.060
Hypothesis 3	311	4	3.01	0.78	2.34	310	0.000

Tabulated t Value =1.96

Hypothesis Four

The financial report preparers in Saudi Arabia commercial banks support application of IASs/IFRSs instead of local accounting standards. Table 4 shows that the actual Chi X2 in Saudi Arabia is 11.43.

These values are greater than the tabulated values of the Chi square (3.841) with a degree of freedom equals 1 at 5% level of significance. Statistically speaking, if the calculated Chi value is higher than the tabulated value, negation of the null hypothesis is valid. Consequently, the null hypothesis is rejected and the alternative hypothesis is accepted, which states that the financial report preparers in the Saudi Arbia commercial banks do not support the application of IASs/IFRSs instead of local accounting standards

Table 4 Chi squire Test Statistics of Hypothesis Four

Degree of Agreement	India		
	Total	**%**	**Chi X2**
Yes	43	35.8	11.43
No	77	64.2	
Total	120	100	

The Tabulated value of Chi square with D.F = 1 at 5*^ loss= 3.841

DISCUSSION

This paper deals with analyzing accounting policy and accounting practices followed by banks in Saudi Arabia regarding disclosure, among the different users such as investors, regulators, customers, and other users. The Saudi Arabian Monetary Authority (SAMA) requires banking companies in Saudi Arabia to apply the International Financial Reporting Standards (IFRS). The SAMS is the central regulatory authority that supervises the banking domain and ensures that banks adhere to the international and local accounting standards.

While straightforward presentation of accounting practices guarantees comprehension of monetary resolutions, intricate monetary articulations challenge even experienced financial specialists. Transparency remains pivotal to maintain trust, yet concise clarification similarly ensures access. Comparability helps contrast banks' exhibitions crosswise over periods and areas. In this way, consistent disclosure of both fundamental and subtle elements across statements cultivates examination of patterns. Meanwhile, some request expanded subtleties to completely fathom evolving strategies, particularly when significant changes are presented. Altogether, clear yet thorough disclosure serves the majority while addressing concerns from all perspectives.

Compliance with accounting standards also reinforces governance and operational principles, where the risk of financial misreporting is diminished, and regulatory oversight is enhanced to ensure banking institutions adhere to national and international standards. Especially for loan loss provisions and related risk numbers, disclosures can offer rich insight into a bank's financial health and financial risk. This is vital for both investors and regulators.

The disclosure of the accounting policies by the banks, as well as the adoption of accounting standards in Saudi Arabia, must be transparent to secure trust and to support the stability of the financial system. The implications for users—investors, regulators, customers, and other interested parties who rely on these disclosures to make informed decisions—are profound. Although there are strong arguments against the IFRS (for example, its complexity and varied local adoption), the advantages of proper disclosures seem to exceed the complaints. Therefore, the disclosures can also be improved if appropriate accounting practices are followed through further training of banking accounting professionals and through harmonization of international and local standards. In doing so, Saudi Arabian banks will find themselves able to engender increased confidence in the sector which, in turn, paves the way towards the attraction of investment, both nationally and internationally.

Managerial Implication

When preparing the financial statements of the company, managers must also ensure that the disclosures of accounting policies and practices are clear, complete, and consistent with international standards (such as IFRS) or the requirements of local regulations. The reason is stakeholders, especially investors, depend on accurate and complete financial information to make decisions, there is an opportunity to build trust through transparency. The Enhanced Role of Technology in the Financial Sector Users, like investors, will be better informed about the financial health, risk profile, and performance of the bank, resulting in more informed decision-making and increased confidence in the financial system.

Banking companies in Saudi Arabia should focus on complying with the Saudi Arabian Monetary Authority (SAMA) regulations and international accounting standards (IFRS). Banks Managers need to maintain systems that facilitate timely and accurate disclosures. Sooner, consumers, analysts, and regulators can be assured of the reliability and accuracy of the financial reports, thus enabling regulatory supervision and ensuring prevention of financial fraud.

The robustness of a bank's corporate governance is often reflected in its disclosure practices. Improved and more transparent disclosures are often a sign of better management practices and a willingness to adhere to ethical standards in financial reporting. Employing internal controls and reporting mechanisms can ensure that disclosures are correct and also accurately represent the underlying economic condition of the bank. Such fact ensures greater confidence of stakeholders, including regulators and shareholders, as to the bank's management and governance, which could result in enhanced corporate reputation and possibly lower cost of capital.

For investors and analysts situated all over the world, it is important that a Saudi Arabian bank uses the same rules as other businesses elsewhere so comparison to banks elsewhere is made as easy as possible. Management should ensure that the bank's accounting policies and practices comply with both local regulations, as well as those international best practices. As a result, it is easier for users, especially international investors and analysts, to compare the financial performance and risk profile of the bank with those of other banks in other jurisdictions, therefore enhancing the bank's appeal to foreign capital.

Practical Contribution

Research on accounting policies and accounting standards disclosure of Saudi Arabian banking companies is important because it helps to identify transparency, consistency, and reliability of banking companies in financial reporting. Banking companies play a key role in the process of economic development, and their disclosures have a significant impact on stakeholders' decisions.

The study of disclosure practices is important in judging the transparency with which banking companies disclose their financial performance. The study can identify any areas where disclosures may be lacking or unclear by assessing and determining the level of detail in the disclosure of accounting policies and the implementation of accounting standards. Assisting to improve the reliability of financial statements that attracts confidence from investors, regulators, and the public at large.

Banks in Saudi Arabia must adhere to local regulations, along with IFRS (International Financial Reporting Standards). The study focuses on the disclosure practices will allow Comparing the disclosure practices of Saudi banks and international standards and other countries' banks. Identify all the gaps or challenges that may exist in that particular country or region in adopting international data standards and what can be done to align with global practices

The main users of accounting information are investors, regulators, creditors, employees and customers. The study can explain the impact on these groups' interests of the quality of disclosures: Financial statements are relied on heavily by investors to make informed decisions. The study can evaluate whether the provided disclosures are sufficient to furnish clear information regarding the financial status and risks associated with the bank, aiding investors in their decision-making. The disclosures are to maintain the banks over the stipulated standards set by regulators, such as the Saudi Arabian Monetary Authority (SAMA), and to ensure that there are no such practices that create the risk of any particular financial area.

It contains the relevant excerpts of the standard disclosure required under the accounting standards. This helps adequate disclosures on credit risk management policy, liquidity risk, and capital adequacy can mitigate the risk of financial stability. Disclosure requirements concerning loan loss provisions, treatment of non-performing loans, and other salient key financial data help to ensure that banks remain sound and do not get vulnerable to systemic crisis.

CONCLUSION

The benefits of studying the disclosure of the accounting policies and accounting standards of the banking companies in the kingdom of Saudi Arabia are multiple. Delivering relevant and reliable financial data is paramount, and addressing this can enhance the reliability of financial decision-making both for users and the economy at large, and help the cause of achieving stability, regulatory adherence, and sound financial practices. It also provides useful insights for regulators, financial institutions, and financial statements users in enhancing Saudi Arabia's banking sector and increasing investor confidence. Saudi banks' adherence with accounting standards will help them maintain compliance with regulatory obligations and build favorability with stakeholders through transparency. There have been inconsistencies in the level of detail and accessibility of disclosures across different banks, which may reduce the utility of financial information for some privileged users.

This research implies that greater uniformity and consistency in disclosure practice could help improve the quality of financial reporting in the banking industry overall. This would help the informed users access the financial information of a bank in better color and, eventually, result in better decisions, less risk in the financial markets and a sound system. Overview of trends and governance issues in accounting policy and disclosure in the Saudi banking sector, stretching from the establishment of the first bank in the Capital Riyadh to the merger of four others into a single entity. At its core, the effects on users are tremendous, as it ultimately affects their capabilities to make informed decisions and ensures the effectiveness and stability of the financial system. It is expected that better market confidence and more sustainable growth of the banking sector in Saudi Arabia will come from improved disclosures, in line with international best practices.

Institutional review board statement: Not applicable.

Informed consent statement: Informed consent was obtained from the respondents of the survey.

Data availability: The data used to support the findings of this study are available from the first author upon request.

REFERENCES

Al-Bogami, S. A. (2023). Saudi Banks Level of Compliance with Accounting Standards of Accounting and Auditing Organization for Islamic Financial Institutions. Information Sciences Letters, 12(2), 1041–1052. https://doi.org/10.18576/isl/120240

Almoneef, A., & Samontaray, D. P. (2019). Corporate governance and firm performance in the Saudi banking industry. Banks and Bank Systems, 14(1), 147–158. https://doi.org/10.21511/bbs.14(1).2019.13

Alshiban, R. F., & Al-Adeem, K. R. (2022). Empirically Investigating the Disclosure of Nonfinancial Information: A Content Study on Corporations Listed in the Saudi Capital Market. Journal of Risk and Financial Management, 15(6). https://doi.org/10.3390/jrfm15060251

Alsulami, F. (2023). Non-Financial Risk Disclosure Practice: Evidence From Saudi Arabian Listed Companies. Corporate and Business Strategy Review, 4(4), 121–143. https://doi.org/10.22495/cbsrv4i4art12

Bathla, S., Sharma, A. K., & Kandpal, V. (2024). Stakeholders' Response to IFRS adoption/ convergence on accounting quality and disclosures: A bibliometric review of Scopus database. Heliyon, 10(1). https://doi.org/10.1016/j.heliyon.2023.e23912

Das, S. and its I. on I. C. E. S., & Saha, T. R. (2017). IFRS and its Impact on Indian Companies:An Empirical Study. Parikalpana: KIIT Journal of Management, 13(2), 1. https://doi.org/10.23862/kiit-parikalpana/2017/v13/i2/164516

Ebaid, I. E.-S. (2022). IFRS adoption and accounting-based performance measures: evidence from an emerging capital market. Journal of Money and Business, 2(1), 94–106. https://doi.org/10.1108/jmb-11-2021-0057

Effah, N. A. A. (2024). A bibliometric review of IFRS adoption and compliance research in Africa. Journal of Business and Socio-Economic Development, 4(3), 193–209. https://doi.org/10.1108/jbsed-01-2023-0001

Hellman, N., Carenys, J., & Moya Gutierrez, S. (2018). Introducing More IFRS Principles of Disclosure–Will the Poor Disclosers Improve? Accounting in Europe, 15(2), 242–321. https://doi.org/10.1080/17449480.2018.1476772

Johri, A. (2024). Examining the Impact of International Financial Reporting Standards Adoption on Financial Reporting Quality of Multinational Companies. International Journal of Financial Studies, 12(4). https://doi.org/10.3390/ijfs12040096

Kainth, A., & Mustafa, G. (2021). Conceptual formation and explanation in IFRS-based financial accounting research. Cogent Business and Management, 8(1). https://doi.org/10.1080/23311975.2021.1935185

M, M. S., & Assistant. (2022). "A STUDY ON ADOPTION OF IFRS AND IT'S ROLE IN INDIAN ACCOUNTING SYSTEM" Mr.SHASHIKANTH M Assistant professor in Commerce. Ijcrt, 10(9), 19–27. www.ijcrt.org

Misirlioglu, I. U., Tucker, J., & Boshnak, H. A. (2022). Drivers of mandatory disclosure in GCC region firms. Accounting Research Journal, 35(3), 382–407. https://doi.org/10.1108/ARJ-12-2020-0366

Muniraju, M., & Ganesh, ; S R. (2016). A study on the impact of International Financial Reporting Standards Convergence on Indian Corporate Sector. IOSR Journal of Business and Management, 18, 34–41. https://doi.org/10.9790/487X-1804053441

Nagalakshmi, S. (2014). Finance IFRS – Implementation and Challenges in India Assistant Professor , Department of Commerce , IFIM College , Banglore – 560. Global Journal for Research Analysis, 11, 63–65. https://www.worldwidejournals.com/global-journal-for-research-analysis-GJRA/special_issues_pdf/November_2014_1476528409__42.pdf

Nguyen, H. T. T., Nguyen, H. T. T., & Nguyen, C. Van. (2023). Analysis of factors affecting the adoption of IFRS in an emerging economy. Heliyon, 9(6), e17331. https://doi.org/10.1016/j.heliyon.2023.e17331

Noureldaim, E. Y. E. (2023). The Importance and Adoption of International Financial Reporting Standards (Ifrs) in Saudi Arabia. American Journal of Interdisciplinary Research and Innovation, 2(4), 47–57. https://doi.org/10.54536/ajiri.v2i4.2103

Oraby, S. A. (2017). IFRS and Accounting Information Relevance : The Case of Saudi Arabia. Journal of Business and Economic Policy, 4(1), 145–155. www.socpa.org.sa

Platonova, E., Asutay, M., Dixon, R., & Mohammad, S. (2018). The Impact of Corporate Social Responsibility Disclosure on Financial Performance: Evidence from the GCC Islamic Banking Sector. Journal of Business Ethics, 151(2), 451–471. https://doi.org/10.1007/s10551-016-3229-0

Sharma, P., & Mathur, N. (2020). A Comparative Study on Public & Private Sector Banks : A Special Reference to Financial Performance , Non- Performing Assets and Employee Morale. Juni Khyat -UGC Care Group I Listed Journal ISSN: 2278-4632, 10(8), 82–91. https://doi.org/10.46528/JK.2020.V10I08N02.11

Sodha, S. S. (2015). A study of IFRS and its impact on selected companies. December 2023, 366.

Tlemsani, I., Mohamed Hashim, M. A., & Matthews, R. (2024). The impact of IFRS adoption on Saudi Arabia. Journal of Islamic Accounting and Business Research, 15(3), 519–533. https://doi.org/10.1108/JIABR-11-2022-0304

Zaidi, S., & Paz, V. (2015). the Impact of Ifrs Adoption : the Impact of Ifrs Adoption : a Literature Review. Journal of Theoretical Accounting Research, 10(2), 116–142.

Zerban, A. M. (2018). Enron of Saudi Arabia: Corporate Accounting and Auditing Failures. Open Journal of Accounting, 07(01), 1–18. https://doi.org/10.4236/ojacct.2018.71001

