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CORPORATE SOCIAL REPORTING IN A TRANSITION ECONOMY: THE CASE OF LIBYA

MAHMOUD ELMOGLA

A Thesis Submitted to the University of Huddersfield
in Partial Fulfilment of the Requirements for the
Degree of Doctor of Philosophy

University of Huddersfield
Business School
Department of Accountancy

2009

**CORPORATE SOCIAL REPORTING IN
A TRANSITION ECONOMY: THE
CASE OF LIBYA**

MAHMOUD ELMOGLA

PhD

2009

Abstract

The social and economic environments of developing countries differ from those of liberal market economies of the developed countries, and the differences are reflected in the accounting disclosure practices. Recent years have shown an increased attention paid by accounting research to Corporate Social Responsibility and Disclosure which is recognized as having the potential to enhance the transparency of business enterprises' social influence, enabling the wider society to hold business enterprises more accountable for their operations. Corporate Social Responsibility and Disclosure practices in most developing countries remain fairly rudimentary and relatively few studies have focused on the corporate social responsibility disclosure practices in such countries.

The aim of this study is to investigate corporate social responsibility disclosure in Libyan companies' annual reporting in the light of the country's economic, social and political environment. In particular, it seeks to map current corporate social disclosure in annual reports and to understand various parties' views of that practice and its possible future development.

To achieve the aim and particular objectives of the study it was necessary to utilise more than one research method. Firstly, a descriptive method is used to provide an overview of accounting and its environment in a developing country, and the economic, social and political environment in Libya. Secondly, empirical evidence covering a five year period across a sample of private and public companies in Libyan environment is presented using content analysis to analyse the companies' annual reports. Finally, an empirical survey by personally delivered and collected questionnaire of 303 participants in four groups of research participants (academic accountants, financial managers, government officials and investors) was performed to explore the views and perceptions regarding corporate social reporting in Libya.

The content analysis showed that Libyan companies generally disclose some information related to social responsibility. However, the amount of information is low compared with counterparts in developed countries. Employee and community involvement are the themes that the companies disclose most information about.

The findings from the questionnaire survey indicate that participants preferred social information to be disclosed in the annual report, ideally placed in a separate section. The disclosure of more social and environmental information was widely accepted and viewed as leading to some socioeconomic benefits at the macro level.

Contents

CORPORATE SOCIAL REPORTING IN A TRANSITION ECONOMY: THE CASE OF LIBYA	1
Abstract.....	3
Acknowledgements.....	10
Chapter One: Introduction and Outline of the Study	12
1.1 Introduction and Background	13
1.2 Background, Literature and Justification for the Research.....	14
1.3 Research Aims	18
1.4 Research Method	19
1.5 Research Importance and Contribution.....	21
1.6 Structure of the Thesis	22
Chapter Two: Corporate Social Reporting and Disclosure: A Review of the Literature.....	24
2.1 Introduction.....	25
2.2 A Definition and Brief History of Corporate Social Reporting Practice	27
2.3 The Scope and use of Corporate Social Reporting and Disclosure Practice.....	33
2.4 Theories for Approaching Corporate Social Reporting and Disclosure practice.....	38
2.4.1 Political Economy Theory	41
2.4.2 Legitimacy Theory.....	44
2.4.3 Stakeholder Theory.....	49
2.5 A Survey of Corporate Social Reporting Studies	61
2.6 Conclusion	83
Chapter Three: The Libyan Environment.....	84
3.1 Introduction.....	85
3.2 The Libyan Environment and Its Accounting Practices	85
3.2.1 The Influence of Culture.....	87
3.2.2 The Influence of Political Environment.....	89
3.2.3 The Influence of the Legal System	91
3.3 Overview of the Libyan Economy	93
3.4 Accounting Practices and Auditing	96
3.4.1 Statutory requirements.....	96
3.4.2 The Influence of Accounting Practices and Principles from Abroad	99
3.4.3 Libyan Accounting Education	100
3.5 The Structure and Content of Annual Reports and Disclosure Practices.....	103
3.6 Conclusion	105
Chapter Four: Research Methodology and Methods	107
4.1 Introduction.....	109
4.2 Philosophical Assumptions.....	111
4.2.1 Ontology	112
4.2.2 Epistemology	112
4.2.3 Human Nature.....	113
4.3 Research Methods.....	113
4.4 The Research Design for This Study	118

4.4.1 Content Analysis.....	119
4.4.2 Questionnaire	134
4.5 Summary and Conclusion	149
Chapter Five: The Content Analysis.....	151
5.1 Introduction.....	152
5.2 Trends in Social Disclosure	152
5.3 Trends within Social Disclosure	153
5.3.1 Trends in Employee Disclosure	154
5.3.2 : Trends in Community Involvement Disclosure.....	168
5.3.3 : Trends in Environmental Disclosure	174
5.4 Summary and conclusion.....	179
Chapter Six: Findings of the Questionnaire Survey.....	181
6.1 Introduction.....	182
6.2 Background Information of Respondents	182
6.2.1 Academics.....	182
6.2.2 Financial Managers:.....	183
6.2.3 Governmental Official Auditors	183
6.2.4 Investors.....	183
6.2.5 Summary of Key Points	183
6.3 The main purpose (s) of Corporate Disclosure	185
6.4 Analysis of Perceptions on the Wider Disclosure of Corporate Social Responsibility Information.....	192
6.4.1 Perception on the Disclosure of Corporate Social Responsibility Information in Libya	192
6.4.2 Perception on the Company's Social Responsibility.....	196
6.4.3 Perception on the Method of Corporate Social Responsibility Disclosure.....	200
6.4.4 Perception on the Motivation for Companies' Social Responsibility	201
6.4.5 Perception on the Location of Corporate Social Responsibility Disclosure	204
6.4.6 Perception on the Main Reasons for not Making Corporate Social Responsibility Disclosure in Libyan Companies	205
6.4.7 Perception on Methods of Establishing Disclosure	209
6.4.8 Perception on Right to Information	210
6.5 Disclosure Information about the Following Categories of Social Information.....	213
6.6 Summary and Conclusion	217
Chapter Seven: Summary and Conclusion.....	218
7.1 : Introduction.....	219
7.2 Discussion of Results.....	242
7.2.1 Research aim one: the amount and type of social disclosure by Libyan companies.....	242
7.2.2 Research aim two: trends and patterns in corporate social disclosure	242
7.2.3 Research aim three: stakeholders estimation of the usefulness of current social disclosure and the possible future development.....	242
7.2.4 Research aim four: using the finding derived from meeting objectives one to three in order to reflect upon social accounting in transition economies	242
7.3 Implications for the Interpretations of Corporate Social Reporting and Disclosure.....	242
7.4 Contributions and Recommendations:.....	242
7.5 Limitations and Further Research.....	242
7.5.1 Limitations	242

7.5.2 Further Research	242
7.6 Conclusion	242
References.....	243
Appendices.....	256
Appendix A: Questionnaire Covering Letter	257
Appendix B: Research Questionnaire.....	259
Appendix C: Arabic Translation of the Research Questionnaire.....	266
Appendix D: Structure of the corporate social activities database records.....	271

List of Tables

Table 2-1: Summary of previous studies	63
Table 4-1: Alternative Terms for the Research Paradigm	116
Table 4-2 Strengths and Weaknesses of Positivistic and Phenomenological Paradigms	117
Table 4-3: Summary of Studies that Used Content Analysis as A Research Method	122
Table 4-4: Response Rate (content analysis).....	134
Table 4-5: Advantages and Disadvantages of Questionnaires.....	136
Table 4-6: Response rate for the questionnaire survey	149
Table 5-1: Companies' Disclosure of Corporate Social Responsibility Information.....	153
Table 5-2: Employee Disclosure (Total).....	156
Table 5-3: Employee Disclosure (Oil companies / Government).....	157
Table 5-4: Employee Disclosure (Industrial Companies / Government).....	159
Table 5-5: Employee Disclosure (Industrial Companies / Private)	160
Table 5-6: Employee Disclosure (Service Companies / Government)	162
Table 5-7: Employee Disclosure (service companies / Private)	163
Table 5-8: Employee Disclosure for all Companies 2005	165
Table 5-9: Community Involvement Disclosure (Total).....	168
Table 5-10: Community Involvement Disclosure (Oil Companies / Government).....	169
Table 5-11: Community Involvement Disclosure (Industrial / Government).....	170
Table 5-12: Community Involvement Disclosure (Industrial / private).....	170
Table 5-13: Community Involvement Disclosure (Service Companies / Government)	171
Table 5-14: Community Involvement Disclosure (Services Companies /Private)	173
Table 5-15: Community Involvement Disclosure for All Companies	174
Table 5-16: Environmental Disclosure (Companies / Total)	176
Table 5-17: Environmental Disclosure (Oil companies / Government)	176
Table 5-18: Environmental Disclosure (Industrial Companies / Government)	177
Table 5-19: Environmental Disclosure All Companies 2005	178
Table 6-1: Highest Educational Qualifications of Respondents	184
Table 6-2: Place of Study.....	184
Table 6-3: Experience of Respondents	185
Table 6-4: Experience in Accountancy of Respondents	185
Table 6-5: The Important that the Target Groups attach to the Purpose(S) of Corporate Annual Reports	187
Table 6-6: The purpose(s) of Corporate Annual Reports: Different Groups Views.....	191
Table 6-7: The Important that the Target Groups attach to the Corporate Social Responsibility	193
Table 6-8: Perception on the Disclosure of Corporate Social Responsibility Information in Libya.....	195
Table 6-9: The Important that the Target Groups Attach to the Company's Social Responsibility Disclosure	197
Table 6-10: Perception on the Company's Social Responsibility Disclosre.....	199
Table 6-11: Methods of Corporate Social Responsibility Disclosure.....	201
Table 6-12: The Important that the Target Groups Attach to the Motivation for Companies' Social Responsibility	202
Table 6-13: Motivation for Companies' Social Responsibility	203

Table 6-14: Location of Corporate Social Responsibility Disclosure	205
Table 6-15: The Important That the Target Groups Attach to Reasons Behind	206
Table 6-16: Main Reasons for not Making Corporate Social Responsibility Disclosure in Libyan Companies	208
Table 6-17: Methods of Establishing Disclosure	209
Table 6-18 : The Important That the Target Groups Attach to Right to Information	210
Table 6-19: Perception on Right to Information	212
Table 6-20: The Important that the Target Groups Attach to Disclosure Information about the Following Categories of Social Information Related to Companies	214
Table 6-21: Disclosure Information about the Following Categories of Social Information Related to Companies	216

List of Figures

Figure 5-1: Proportion of Disclosure (2005).....	154
Figure 5-2: Basic Data Disclosure (Words- non Financial) for All Companies 2005	165
Figure 5-3: Training Disclosure (Words-Non Financial) for All Companies 2005	166
Figure 5-4: Benefits in Kind Disclosure (Words-non Financial) for All Companies 2005 ...	166
Figure 5-5: Community Disclosure (Words- non financial) for All companies (2005).....	174
Figure 5-6: Environmental Disclosure (Words-Non Financial) for all Companies 2005	178
Figure 5-7: Waste, Pack, Pollution, Recycle, Product, Land Disclosure (Words-non Financial) for all Companies 2005.....	179

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To

My Mother

Brothers and sisters

My Wife Amal

My Daughters

Rayan

Rawan

My Son

Ashour

Chapter One

Introduction and Outline of the Study

1.1 Introduction and Background.....	13
1.2 Background, Literature and Justification for the Research.....	14
1.3 The Research Aims.....	18
1.4 Research Methods.....	19
1.5 Research Importance and Contribution.....	21
1.6 Structure of the Study.....	22

1.1 Introduction and Background

The aim of this chapter is to explain and justify the focus of the research reported in this thesis (corporate social reporting by Libyan companies through their annual reports) and to provide an overview of the research and thesis. The term Corporate Social Reporting has been variously defined and used. Gray, Owen, & Maunders (1987, p. 3) have defined it follows:

...The process of communicating the social and environmental effects of organizations' economic action to particular interest groups within society and to society at large. As such it involves extending the accountability of organizations (particularly companies), beyond the traditional role of providing a financial account to the owners of capital, in particular, shareholders. Such an extension is predicated upon the assumption that companies do have wider responsibilities than simply to make money for their shareholders.

Such a definition of corporate social reporting arguably omits certain aspects of social accounting practice (e.g. management accounting on social issues), but it describes well corporate social reporting, which has emerged in response to a combination of public opinion, investors' assessment and changes in the corporate self-concept in developed countries. Corporate social reporting and disclosure provides information about, for example, employment, products, community involvement, energy, and the prevention or reduction of pollution (Gray et al., 1987; Mathews, 1997). Concerning the role of business in the community, corporate social reporting is an extension of the financial disclosure system that reflects the wider expectations of society. Since the 1960s, social disclosure has shown sporadically, with particular interest in corporate social responsibility. As a result, corporate social reporting and disclosure have become a hot topic of discussion and investigation among academic accounting researchers (Gray, 2001; Mathews, 1997).

Also the volume and richness of corporate social reporting by large companies has risen over the last three and half decades (Smith, Adhikari, & Tondkar, 2005) – particularly since 1990, when environmental concerns stimulated interest in environmental reporting, and more recently on a broader front. This growth has been accompanied by a large number of academic studies (e.g. Adams, Coutts, & Harte, 1995; Golob & Bartlett, 2007; Gray, Kouhy, & Lavers, 1995a; O'Riordan & Fairbrass, 2008; Smith et al., 2005; Zeghal & Ahmed, 1990).

This chapter provides the foundation for the research reported in this thesis. It discusses the rationale and motivation for the research, aim and objectives. It also contains a summary of the methodology applied, as well as the structure of the thesis presented.

1.2 Background, Literature and Justification for the Research

Corporate social reporting and disclosure has been the subject of debate for some time and was one of the main areas of debate in the literature, of the field, especially in the 1970s, 1990s and 2000s. However, the special focus in the 1990s, was on the environmental issues, at the end of this century both social and environmental accounting and disclosure issues became embedded in organisational convention.

In particular, several studies have been undertaken to observe the developments that have taken place in companies' annual reports to give information about social and environmental performance on a par with the concern over social accounting and disclosure. Studies in social disclosure in general and in annual reports in particular were looking for various issues some were looking for the relationship between social responsibility and other themes related to companies such as level of income, the type of companies and the size of the companies. Moreover, some of these studies were especially looking for the social information in companies annual reports in both developed and developing countries (Andrew, Gul, Guthrie, & Teoh, 1989; Bowman & Haire, 1976; Cormier & Gordon, 2001; Ernst & Ernst, 1978; Singh & Ahuja, 1983; Smith et al., 2005; Trotman, 1979; Tsang, 1998).

Thus, research has shown that some companies operating in the developed countries adjusted their annual reports to embrace social and environmental issues, at least to some extent. The companies use this material to highlight their achievements in reducing pollution, protecting the environment, and addressing employees' welfare, for example. Moreover, they address other various social welfare issues that would be of interest to society at large (Gray, Owen, & Adams, 1996). Although companies can communicate their messages in many different ways, Tilt (1994) found the annual report to be the most commonly used for corporate social information; and the annual report has been found to be an important source of information for many users (Rockness & Williams, 1988). Other media can be used to disclose some information

about social and environmental performance; separate reporting and websites as well have achieved some prominence in developed countries in recent years.

In this context, Hopwood (1996) argued that corporate annual reports have become a highly sophisticated product of the corporate design environment, the main purpose of which is to proactively construct a particular visibility and meaning rather than revealing. Therefore, corporate annual reports create the picture of corporation, and stakeholders are inclined to think and act on that. To construct this picture, the modern corporate annual reports use the tools of management, marketing and communication theory. The corporation discloses this information, financial and social, as the aims of corporations have evolved from the idea of concentrating on making profit only to providing services to society in conjunction with profit making (Alsairrafi, 1990). These new aims have allowed the corporation to become more involved with society.

As a result, users now expect to receive timely information, including information about social performance, to give them the opportunity to make decisions or take action concerning companies' behaviour (Swift, 2001). Moreover, the aim of corporate social reporting should be to disclose information that benefits the users and the society at large (Naser & Abu-Baker, 1999). This information should consider which stakeholders' influences would be most salient to business. Consequently, companies must decide at the outset which stakeholders they are targeting (when generating this information), find out what stakeholders think, and what they want (Wheeler & Elkington, 2001). Moreover, it is expected that the usefulness of information for making decisions should be the primary quality to seek in deciding what is to be reported and how that reporting is to be done. For information to be useful, many authors arrange the attributes that accounting should possess, for example relevance, reliability, timeliness and understandability (Accounting Standards Steering Committee, 1975). Gray (1990) argues that by providing this additional environmental (and social) information we can firstly keep organizational decision-makers informed about the use of economic resources and, secondly, inform the public about the way in which organizations are using the resources.

Therefore, to emphasize their achievement in reducing pollution, protecting the environment, consumer and addressing employee, welfare, the companies operating in

industrialised countries have recently tailored their annual reports to embrace sections on social issues. Other social welfare issues that would be of interest to society at large are also addressed in these company's annual reports. As these project ethical and social concerns they become more relevant to the users (Gray et al., 1996). The social issues which are addressed by companies have attracted academics concerning the study of corporate social responsibility and reporting practices, especially in developed countries.

From the literature it can be noticed that there have been many empirical studies undertaken in Western Europe, Australia and the USA. The majority of comparative research of corporate social reporting focused on analyses and evaluations of the similarities and differences of corporate social reporting practices in these countries alone (e.g. Campbell, 2000; Ernst & Ernst, 1978; Guthrie & Parker, 1990). However, it can be dangerous to generalize the findings of these researches to less developed countries because the stage of economic and social development is likely to be a significant factor affecting corporate social disclosure practices. Adams (2002) in this context argues that the results of empirical research must be interpreted with caution. Although, in summarising some of the literature on corporate social reporting most studies undertook so far were concentrated on large firms and the samples vary from study to another in terms of both size and type of composition. Differences in country and period of time with different explanatory variables also make generalisations questionable. Moreover, accounting practice in general and social practices in particular seem to be affected by culture and national differences as well (Mathews, 1993). In this context, Gray et al. (1995a) also find that the nature and volume of corporate social reporting tends to vary both over time and between different economies, with the issues regarded as important in other places or different periods.

Although several research studies show that annual reports disclose information relevant to the discharge of environmental and social responsibility (Adams, Hill, & Roberts, 1998; Mathews, 1997), the number of studies is limited, even in developed countries where practice is changing quickly, and it is extremely limited in developing countries (Abu-Baker & Naser, 2000). Companies in these latter countries provide an opportunity for researchers to study the growth of corporate social responsibility and corporate social reporting, especially in the countries that are transitioning from a

planned economy to open market such as Libya. Researchers take this opportunity also to find out if Libyan companies provide the same social responsibility information provided in the economies of in the developing or developed countries, and also to know if this information which is disclosed is useful for the stakeholders to help them acquire a clear picture about the companies' social performance and disclosure. Findings will add some contribution to the social responsibility disclosure literature.

The change from planned to market economy requires various tasks. The first is systematic transformation, meaning the change of the economic system from state-ownership and central planning to private ownership and market allocation of resources. The second is financial stabilization, meaning the end of the pre-reform monetary overlong, high repressed and open inflation, and large fiscal deficits. The third is structural adjustment, meaning the initial reallocation of resource in the economy following the introduction of market force. The last and long-term task is the implementation of a framework to promote rapid economic growth. These four tasks are interrelated, yet conceptually distinct (Sachs, 1996). Moreover, this transition imposes restructuring of companies, the liberalization of trade and finance and to be able to polarize influx of direct investment. This change places pressure on accounting systems to be able to prepare and provide acceptable information about financial, social and environmental performance that users need for decision-making and strategic planning. Moreover, this information should not only be used for the transition period, but also in helping the company's challenges in the future.

Companies in the Libyan case were controlled and supervised by the Libyan government. But after the transition from a planned to a market-based system which started a few years ago, some companies are becoming private and others are restructuring and under the control of the General Board of Ownership Transfer of Public Companies and Economic Units (this association is delegated to achieve the program of transferring public companies to the private sector).

The Libyan context provides a potentially interesting opportunity for researching corporate social reporting practices and related issues. Investigation of the Libyan corporate social reporting practices will contribute to the literature on developing

countries especially ones in the transition economy stage, and also will contribute to literature specialising in the Arab countries, a region that is still deeply rooted in the conventional social and economic structures of the past (Jahamani, 2003). Investigating the corporate social reporting and disclosure in Libya will provide an additional insight into corporate reporting. And it will aid in understanding the accounting practices in a Libya which is seeking to gradually veer away from socialism towards a more western capitalist system. Therefore, the finding of this research can complement those of other similar studies in Arab nation or other developing countries (e.g. Abu-Baker & Naser, 2000; Al-Khater & Naser, 2003; Jahamani, 2003; Naser & Abu-Baker, 1999).

This current study's main purpose is to address the above mentioned imbalances through an examination of corporate social reporting by Libyan companies over a five-year period from 2001 to 2005. According to Kisenyi & Gray (1998) studying third world countries such as Libya is important for conducting research to steadily learn more about social and environmental accounting and disclosure practices in the English-speaking and European countries. They added:

...we still know too little about practices in ex-colonial, smaller and/or emerging countries. Learning about these countries -such as who did there Uganda where there study complete - is not only valuable for stimulation it offers to the jaded palettes of western scholars but also, more importantly, it can provide vivid challenges to the presupposition baggage with which Western research typically approach issues.

This study has chosen Libyan companies for two reasons. First, Libya is a developing country and it is at a transition stage; as a result accounting information in annual reports needs to be researched to meet users' need. Second, little research relating to accounting information disclosure practices and, in particular, corporate social disclosure practice has been undertaken in Libya previously.

1.3 Research Aims

The main aim of this research is to investigate social accounting in a transition economy in a less developed country, namely Libya. To achieve this aim, the research objectives are formulated as follows:

- 1- To document the amount and type of social disclosure by Libyan companies in annual reports.
- 2- To identify trends and patterns in corporate social disclosure and to explore possible reasons for these.
- 3- To evaluate the usefulness of current social disclosure for user groups and to ascertain their opinion of possible future developments, and to compare their opinions with companies' intentions
- 4- To use findings derived from meeting objectives one to three in order to reflect upon social accounting in transition economies.

The research is concerned to make suggestions about the future development of corporate social disclosure in Libya. Thus it seeks to map the existing state of corporate social disclosure in Libya and to ascertain its trend. This is important as a benchmark for understanding the practice on which users are commenting and the likelihood of their future desires being satisfied without policy interventions. A second way of conceiving of the research as a whole is to see the user opinions as providing an input to the evaluation of current practice. Although the research may be seen as a package of related aims or questions, it is not possible to use a single method to address them all. Thus, as discussed below and further in Chapter Four, complementary research methods have been employed, each appropriate to the elements of the research aims being pursued.

1.4 Research Method

This section provides a summary of the research methodology used to meet the research aims. Chapter Four of this study provides the specification of the detailed methodology used, including the rationale for the selection of the research methodology. In order to develop a fuller and richer picture of these companies' social disclosure, two methods were utilised in this research to gather the data, namely a content analysis of annual reports and a questionnaire survey.

Content Analysis was used to provide a preliminary analysis of the quantity and nature of corporate social disclosure practices in Libyan companies, thus exploring the

context of this kind of disclosure in a developing country with a transition economy. The data was used to achieve the research aims one and two. The content analysis technique, according to Neuendorf (2002), is considered the fastest growing in quantitative research. The literature introduced a number of definitions concerning content analysis techniques in the area of quantitative message analysis. One of the earliest definitions of it viewed it as “a research technique for the objective, systematic and quantitative description of the manifest content of communication” (Berelson, 1952:179 cited in Milne & Adler, 1999). Content analysis technique defined as process “A research technique for making replicate and valid inferences from data to their context.” (Krippendorff, 1980, p. 21). Abbott & Monsen (1979) also argued that content analysis is a technique for gathering data that consists of codifying qualitative information in anecdotal and literary form into categories in order to drive quantitative scales of varying levels of complexity. Content analysis is used in many fields such as literature, history, journalism, political science, education, psychology and so on (Neuman, 2003). Because content analysis allows corporate social disclosure to be systematically classified and compared, it is useful for determining trends (Milne & Adler, 1999) It is used by numerous studies as a data gathering tool (see Chapter Four).

The exploratory stage of the data collection process employed a form of content analysis to extract data on social activity from annual reports of Libyan companies. According to Abu-Baker & Naser (2000), who undertook work in a developing country, the general corporate social reporting is little used, so it is likely that most of the information provided is through the annual report. This makes annual reports in these countries a valuable source of information.

The specific measurement instrument used in this study was derived from the work of Gray, Kouhy, & Lavers (1995b), which is based on the earlier work of Ernst & Ernst (1978) and Guthrie & Mathews (1985). The approach investigated categories within three measurements:

- 1- **Theme:** A) Trends in Employee disclosure: Basic data, Pension commitment, Consult employees, Disabled, Value added statement, Health and safety, employee Shares, Equal opportunities, and Training, Benefits in kind.

B) Trends in Community Involvement Disclosure: Charity and Political, and Community.

c) Trends in environmental disclosure: Environmental Policy, Financial data, Sustainability, Energy, Environmental audit, Waste, Pack, Pollution, Recycle, Product, Land, and Environmental Others.

2- **Evidence:** monetary, quantitative (not monetary) and descriptive.

3- **Amount:** proportion of the word count and sentences.

The Questionnaire Survey aimed to determine how the key stakeholders perceived corporate reporting in general and social disclosure in particular, with the data being used to answer research question three. The questionnaire was the most popular method used by the majority of previous studies in term of investigating individuals' views in relating to corporate social disclosure issues (see Chapter Four).

The questionnaire in this study was divided into three parts based on the areas identified in the literature (see Appendix A). The first part related to the respondents' perception about corporate annual reporting in general. The second part asked to the respondent's questions to know their opinion about social disclosure and the reasons and motivation behind disclosure for corporate social responsibility information. The respondents were asked to indicate their opinion on a five-point Likert scale. The third part of the questionnaire requested general information on the respondents' background and the positions of the respondents. The questionnaire was pre-tested twice. The first pilot study of the questionnaire was produced in UK with a supervision team and then colleagues. The second phase of the pilot study was conducted in Libya. Comments and suggestions were incorporated in the last version of the questionnaire. The final Arabic questionnaire was distributed in the final survey.

1.5 Research Importance and Contribution

Compared to developed countries, research studies considering corporate social responsibility reporting and disclosure in emerging and transitional economies is still limited and has received little attention. There has been very little work which has

studied how Libyan companies satisfy perceived needs for information relating to social and environmental impacts and how they might do that with the provision of information to develop in the future. Therefore, the main expected contributions of this research:

- (1) This research contributes to the limited studies on corporate social disclosure conducted in developing economies in general (see Chapter Two for a review of studies).
- (2) In particular, it gives insight into corporate social disclosure of practices in Libya, which is an Arab example of a developing country with a transition economy.
- (3) Particular features of the study are: first, an examination of trends over five years period rather than taking a one-year snapshot, which is more usual in the literature; and second, relating the results of content analysis to users' views. Again, it is unusual to combine the two sorts of study in one project.

1.6 Structure of the Thesis

The thesis is structured into seven chapters:

Chapter One provides an introductory outline of the research and highlights the rationale and motivation for this study. It also explains the objectives of the study and provides a summary of the research methodology.

Chapter Two introduces the topic of corporate social reporting and disclosure, reviewing the relevant literature. It discusses the definitions of corporate social reporting as well as its context and scope. The different disclosure theories which have been proposed as appropriate for explaining or directing corporate social reporting are also reviewed in this chapter. Finally, a summary of the nature and content of corporate social reporting studies undertaken in both developed and developing countries is provided.

Chapter Three the purpose of this chapter is to cover the background of Libyan companies in order to provide a context for the empirical research and a basis for later discussion in Chapter Seven which deals with the influences of such contexts

characteristics on the social practices of Libyan companies. It focuses Libyan social, political, economic and legal systems, and the state of accounting education.

Chapter Four develops the research methodology and methods underpinning the study. Philosophical assumptions that guide any academic research project are outlined. These include ontology, epistemology, human nature and methodology. Moreover, the differences between positivism and phenomenology and qualitative and quantitative approaches are discussed in this chapter. The criteria for the research methods selected are presented, including design, data gathering and analysis techniques employed.

Chapters Five and Chapter Six presents the findings of the data gathering and analysis, focusing on content analyses of annual reports and the finding of a questionnaire survey respectively. They also summarise and briefly discuss the results.

Chapter Seven discusses the findings, provides conclusions, and considers possible explanations of, and implications for, corporate social reporting practices of Libyan companies. A highlight of the limitations of the study is also provided. Based on the study, conclusions, recommendations and recommendations for future research in relation to corporate social reporting and disclosure are suggested.

Chapter Two

Corporate Social Reporting and Disclosure: A Review of the Literature

2.1 Introduction.....	25
2.2 A Definition and Brief History of Corporate Social Reporting Practice.....	27
2.3 The Nature and the Scope of Corporate Social Reporting.....	33
2.4 Theories for Approaching Corporate Social Reporting and Disclosure Practices.....	38
2.4.1 Political Economy Theory.....	41
2.4.2 Legitimacy Theory.....	44
2.4.3 Stakeholders Theory.....	49
2.5 Survey of Corporate Social Reporting Studies.....	61
2.6 Conclusion.....	84

2.1 Introduction

In recent years much attention by companies and researchers has been given to corporate social reporting and disclosure mainly it is an issue that touches different important aspects of concern to us all. Becoming a topical area of discussion issue in many countries around the world (Samuel & Walter, 2009), it arose as a travelling companion to the social responsibility debates in the 1960s and early 1970s, when the earlier researchers examined corporate social responsibility and disclosure activities in many areas including inter alia, environmental issues, equal opportunity policies, employee concerns, energy policies and community involvement (Epstein, Flamholtz, & McDonough, 1976; Mathews, 1997). During this period there were social, political and economic pressures on corporate managers to be socially responsible. The accounting profession recognized the importance of the corporate social accounting issue, when in 1973, the study Group on Objectives of Financial Statements reflected on the importance being placed on social accounting by stating that one of the basic objectives of corporate reporting should be to report on those activities of enterprise that affects society particularly when such activities can be determined and described or measured. As Gray, Owen & Adams (1996, p. 67) argued, corporate social reporting in the early 1970s was a response by business to satisfy its obligation of accountability to society. However, in the main it was inconsistent, incomparable, unverified and declarative rather than quantitative and positive (American Institute of Certified Public Accounting, 1977). It can also be noticed that the earlier studies resulted in normative statements about the kinds of measuring and reporting systems that should be employed by companies.

However, as a result of the world recession of the mid-late 1970s, the location for such disclosure at this time was the company's annual/financial report (American Institute of Certified Public Accounting, 1977; Schreuder, 1979), and the information that was disclosed in this period in general terms considered to be incomplete and imprecise. Reporting and disclosure seemed to decline, both as a phenomenon and as an area of academic activity (Harte & Owen, 1991; Mathews, 1997). However, the issues came back in the late 1980s/early 1990s, with a focus on environmental reports,

which were published by some companies (Gamble, Hsu, Kite, & Radtke, 1995). In the early 1990s, more attention was given to the environmental disclosure issue rather than social reporting and disclosure in general, following the so-called green revolution and the growing concern with business ethics (Gray, Javad, Power, & Sinclair, 2001). However, in the early stage the environmental reports were considered by many to be public relations documents containing more photographs than quantitative data and as a result were termed 'green glossies' (Jones, 2002). By the late 1990s, more companies started to disclose environmental information in these annual reports, and the amount of information also increased (Brown & Deegan, 1998; Deegan & Rankin, 1999; Jones, 2002). In recent years, all themes of corporate social disclosure, including environmental issue, concerned many researchers in a large number of academic studies and this changed the society's view of companies responsibility over the years from just making profit and providing jobs for members of society and, operating within the confines of requirement of the law. The companies' annual reports were to embrace sections on social issues; the companies needed to highlight their achievement in reducing pollution, protecting the environment and addressing employees' welfare. The companies' annual reports addressed several social issues that would be of interest to society at large, and annual reports according to Gray et al. (1996) projected ethical and social concerns of becoming more relevance to users.

The purpose of this chapter is to review the literature on the concept, nature, importance and scope of corporate social reporting in order to prepare for the study of corporate social reporting in Libya. The reviewing of the nature and content of corporate social reporting and disclosure studies in both developed and developing countries is one of the main purposes of this chapter. A definition and brief history of corporate social reporting will be the focus of the next sections 2.2 and, 2.3 as well as a discussion on the nature and the scope of corporate social reporting and disclosure practice, the theories of corporate social disclosure will be introduced in section 2.4; section 2.5 will review the corporate social reporting studies.

2.2 A Definition and Brief History of Corporate Social Reporting Practice

The earliest discussion in corporate social reporting appear to date from late 1960s and early 1970s when it arose as a companion to the social responsibility and become the subject of considerable analysis until now, whilst the history of corporate social responsibility probably dates back much longer. During this time many definitions have been presented in the accounting literature regarding corporate social reporting. One of the earliest definitions of corporate social reporting was offered by Elias & Epstein (1975, p. 36) as ‘reporting on some aspect of the business organization’s social activities, performance or impact’. Since then many endeavours have been undertaken to define this issue as precisely as possible adopting different views. However, the term corporate social reporting, as argued by authors such as Gray, Owen, & Maunders (1987), Mathews (1993), Parker 1991, Perks (1993), is sometimes used in relation to ‘social accounting’. But it might cause confusion as it may be used to indicate very different things (for example, it is used to mean national accounting). Thus, for the purpose of introducing some structure into the discussion into the corporate social reporting, Mathews (1984; 1993) classifies the subject into four major categories, namely:

(1) Social Responsibility Accounting:

It refers to disclosures of financial and non-financial, quantitative or qualitative information about the activities of the enterprise...alternative terms in common use are social responsibility disclosure and corporate social reporting.

(2) Total Impact Accounting:

It is used to refer to the aggregate effect of the organisation on the environment. To establish this effect it is necessary to measure both private and public costs (externalities).

(3) Socio-Economic Accounting:

It is the process of evaluating publicly funded activities, using both financial and non-financial measures. The entire activity should be evaluated, with a view to making judgments about the value of the expenditure involved in relation to the outcomes achieved.

(4) Social Indicators Accounting:

It is used to describe the measurement of macro-social events in terms of setting objectives and assessing the extent to which these are attained over the longer term. The outcome of

this analysis should be of interest to national policy makers and other participants in national and regional political processes.

In addition, Mathews (1993, p. 65) gives more attention to voluntary disclosure rather than compulsory when he defined the corporate social reporting as

Voluntary disclosures of information, both qualitative and quantitative made by organisations to inform or influence a range of audiences. The quantitative disclosure may be in financial or non-financial terms

Some other authors disagree with Mathews' (1993) definition which only focus on the voluntary disclosure and ignore the other type of disclosure which might be important to push the companies to disclose some social information to the users .

On the other hand Gray et al. (1987) define corporate social reporting as

The process of communication the social and environmental effects of organizations' economic actions to particular interest groups within society and to society at large. As such, it involves extending the accountability of organisations (particularly companies), beyond the traditional role of providing a financial account to the owners of capital, in particular, shareholders. Such an extension is predicated upon the assumption that companies do have wider responsibilities than simply to make money for their shareholders.

Similarly, Perks (1993) stated that corporate social reporting is reporting not only to interest groups such as shareholders, investors and creditors, but also reports to a broader range of groups such as employees and society at large. Gray et al. (1996) argued that corporate social reporting can be constructed to provide any type of information or with any sort of focus that is related to social responsibility. In this context , Ramanathan (1976) asserted that by providing visibility or disclosure of the impact of a company activity upon society, social accounting evaluates how well a company is fulfilling its social contract. From this argument it can be noticed that most authors agreed with the idea of social disclosure in both voluntary and mandatory types to push the organisations to provide some information about their social activities to different user groups.

A number of countries such as Denmark, Sweden, Norway and Netherlands have started to impose regulations on industry, making it a mandatory requirement to report on social performance (Gray & Bebbington, 2001; O'Dwyer, 2002). Moreover, Ince (1998, pp. 12-13) stated that:

The corporate social reporting definition should be flexible, open-ended and should be changed through time. This proposition may also suggest that the corporate social reporting definition should be changed according to time when a corporate social reporting definition is required for purpose of a study being carried out. That is to say, it should be purpose-driven. The purpose of one writer may be different from that of another”.

From this can be said that the definition should be meeting the purpose of the study and it depends on the researcher according to the aims of the study. So the definition might be changed from time to time and from study to another and that is dependent on the aims of the studies.

It can be said that over the last few decades society's view of business organizations responsibilities has changed. In the review of the development of social accounting (including all social themes such as environmental, employees, consumer, investors and community involvement) in the past years, according to Mathews (1997), the significant period considers the literature from a time when the subject was introduced as 1971-1980, and in this period the subject was also theoretically underdeveloped. During this time a few studies addressed the issue in unsophisticated and mainly descriptive way (Brockhoff, 1979; Epstein et al., 1976; Ernst & Ernst, 1978; Grojier & Stark, 1977). A normative development of number of social accounting modules was the major characteristic of this period (Dierkes, 1979; Estes, 1972; Ramanathan, 1976) in this time serious efforts have been made to develop a normative theory for corporate social reporting (Ramanathan, 1976; Roberts, 1992; Ullmann, 1985). On the other hand, philosophical discussions were limited. Most of the contributions in this period were related to the 'social' dimension rather than 'environment' dimension of corporate social reporting research. In this context, Ernst & Ernst (1978) revealed that companies disclosed social information which concerned employees, environment, energy related, community involvement and other issue related with social responsibility.

It has been emphasized (Adams et al., 1998; Gray et al., 1996; Guthrie & Parker, 1990) that the corporate social responsibility and disclosure phenomenon is lacking a systematic practice. The first identified attempts coming from these scholars at “total impact reporting” during the 1970s involving efforts to provide a comprehensive picture of an organisation's interactions with its external environment. During the 1970s there were many attempts at formally reporting to employees (especially in

Europe and UK). In this period most corporate reporting studies were descriptive and examined the extent and volume of disclosure, studies of corporate social reporting were developed and the dominance of the USA (see for example Ernst & Ernst, 1978) is shown in the American corporate social reporting (Gray et al., 1996). However, this had all but disappeared by the mid 1980s as a result of the changing business climate (Burchell, Clubb, & Hopwood, 1985; Gray et al., 1995a; Gray et al., 1987).

Environmental accounting was the noticeable focus issue in corporate social reporting research during the latter part of the 1981-1990 with Gray's (1990) being particularly influential, the environmental reporting become to some degree common corporate social reporting practice. The notable feature in this period was that the empirical studies became more sophisticated and analytical rather than being merely descriptive, and some of them made an effort to investigate explanatory factors such as corporate size, industrial affiliation and country of origin for corporate social reporting rather than just producing more descriptive studies of practices work (Cowen, Ferreri, & Parker, 1987; Guthrie & Parker, 1990).

The period since 1991 carried on the legacy of the previous decade with environmental accounting research outstripping social accounting research. Thinking and writing on environmental accounting continued to dominate the corporate social reporting agenda. This shift can be attributed to major environmental problems and disasters which in turn led to increased public awareness of the environment as an issue of concern with an area of corporate environmental social responsibility disclosure, sustainability, environmental protection polices. However, it can be noted that there is an increasing numbers of studies from the mid-nineties which were concerning themselves with social accounting practices. Social reporting as a result returned to the social accounting research agenda after a long time of relative absence from late 1970s to the mid 1990s (Adams, Hills, & Roberts, 1995a; Gray et al., 1995a, 1995b). Since 1996, examination of the social dimension of social and environmental accounting was growing under the acronym of SEAAR (social and ethical accounting, auditing and reporting) (Adams & Harte, 1998; Adams & Kuasirikun, 2000; Belal, 2000; Owen, Swift, & Hunt, 2001; Owen, Swift, Humphrey, & Bowerman, 2000). Moreover, at the same time corporate social reporting studies concentrated on reporting on the environment, employee and ethical disclosure, and also research on

broader social reporting (Gray et al., 1995a, 1995b; Neu, Warsame, & Pedwell, 1998; Patten, 1992). Corporate social research studies also changed its focus during the last decade with increased attention on the new wave of social accounting. Research appears to have become a phenomenon spanning developing countries and developed countries at the same time. In the context of globalisation and the worldwide presence of multinationals, social responsibility issues are gaining significance throughout the supply chains in the developing countries. In recent years the number of major companies proclaiming their social responsibility in Europe, the USA and Australia as well showed a significant increase such companies were backing up their claims by producing substantial paper, or web based, environmental and social reports (Cooper & Owen, 2007). This increase was due to the companies' attitudes and perceptions of their stakeholders, enabling the benefits of positive relationships to deliver business advantage (Business In The Community 2003).

Therefore, in conclusion it can be noted that there is no common definition of the general concept of corporate social reporting. In this respect, Elias & Epstein (1975) stated that "social reporting does not have a single accepted definition", they argued that in earlier studies over the years many definitions have been presented. Mathews (1997) also stated "that the social divisions despite some differences, especially where authors cannot decide whether disclosures are expected to be voluntary, or in compliance with legal or quasi-legal requirements, or whether disclosure must be quantitative or financial, to be regarded as a part of the accounting process". However the nature and volume of corporate social reporting might be the reasons definitions differ according to the time of the studies and the countries studied, with the issues considered important in one country, or at one particular point in time, being regarded as less important in other countries or other periods (see for example, Gray & Bebbington, 2001; Gray et al., 1995a).

Therefore, a specific and narrow definition of corporate social reporting cannot capture its dynamic nature and would most likely meet with objections, since interested parties perceive it differently (Elias & Epstein, 1975). Ince (1998) proposed that a specific definition should be flexible, open-ended and should be also changed according to time when corporate social reporting definition is required for purpose of

a study being carried out. The corporate social definition thus, should be flexible, able to change from time to time and also should help particular purposes.

In this context the definition should be applicable for this study is: the process of evaluating and disclosing social and environmental activities, using both qualitative and quantitative ways (may be in financial or non-financial terms). The social and environmental activity information should cater for to the particular interest groups within society and to society at large.

In the related literature several themes have been used to classify corporate social responsibility and reporting. These include: Employee; Products; Environment; Energy; and Community Involvement (Gray et al., 1995b; Gray et al., 1987; Mathews, 1993; Perks, 1993). Some of the studies were focusing on one category of corporate social responsibility and reporting. The environmental issue for example, has been investigated by many studies, especially in the 1990s in both developed and developing countries (e.g. Abu-Baker & Naser, 2000; Adams & Kuasirikun, 2000; Ahmad, 2004; Cowen et al., 1987; Gray et al., 1995a).

From the discussion of corporate social reporting and disclosure, it can be found that there is a mixture of information related to the corporate social and environmental aspects, statement, and reporting which can be however, considered as an essential part of corporate social reporting and disclosure (Burchell, Cooper, & Sherer, 1982; Gray et al., 1987; Mathews, 1993). That is to say, research on corporate social reporting has moved from descriptive work in most early studies to more sophisticated content analysis based studies. The studies which concerned themselves with the theoretically part were under taken by researchers since 1980s to explain corporate social reporting and disclosure practices. The recent trend amongst corporate social reporting researchers is to conduct more qualitative studies based interviews to offer richer explanations of corporate social reporting practices. Furthermore, the focus of research with the corporate social reporting also changed in the last decade, during the first part of decade the concern of environmental accounting research was the most important part for researchers concerned, in the second of decade the research on social accounting re-emerged. These changes came out with the society's view of business organisations responsibilities, and were

changes taking place over the years to meet the stakeholder's needs. That is explained from the development of organisations responsibilities from just making profit and providing jobs for members of society to concern with social issue such as reduction of pollution, protecting the environment, and addressing employees' welfare and other welfare issues that would be of interest to society at large in recent years. Most listed companies nowadays, especially in developed countries, include a section in their annual reports or other media to highlight their achievement about the social issues. The reports are now projecting ethical and social concerns and becoming more relevant to the users (see Gray et al., 1996). This information that the companies enclose in their reporting is not for financial gain or loss; it is geared for wider social and economic aspects of the companies' interests.

One might argue that stakeholders can receive beneficial information from social reporting and disclosure; to illustrate the scope of corporate social reporting and disclosure. It is of paramount importance to articulate what constitutes social information. Thus the following section is devoted to discussing the nature and the scope of this information.

2.3 The Scope and Use of Corporate Social Reporting and Disclosure Practice

Corporate social information might include (see for example, Craig, 2002; Gray et al., 1995b; Hackston & Milne, 1996; Williams & Pei, 1999) employment/ employees reports, value added statements, information related to environment and energy usage, information related to communities involvements and the well-being of society, information related to consumers and products, statement of transactions in foreign currency, statements of corporate objectives, statements of regional flow of funds, statements of regional distribution of assets, ecological reports and information related to natural resources conservation.

Employment/ Employees Reports and Disclosure

These kinds of reports disclose information relating to companies' activities in the many aspects affecting employment and employees. Many authors (see for example, Accounting Standards Steering Committee, 1975; Gray et al., 1987; Mathews, 1993) suggests that employment reports should contain information about the numbers

employed, the average remuneration, equal opportunities, employee share in ownership and employment of the disabled, the education and training programmes and health and safety practices. It can also cover information about employee consultation and trade union information.

Moreover, it has been suggested that the users of the corporate annual reports need more details about the workforce and the company's employment policies. That is companies should publish information with regard to many factors affecting employment and the employee (Accounting Standards Steering Committee, 1975).

Value added statements

Corporate Report (Accounting Standards Steering Committee, 1975) suggested that such reports should include a value-added statement, concept which defines the income accruing to the enterprise after payments to external parties for goods and services. According to Staden (2003) the value added statement reports on the calculation of the value added and its allocation among the stakeholders in business enterprise. Samuels (1990b) suggested that “one method of measuring wealth creation is to look at the value added of different sectors or different companies”. The value added statement is that a corporation is not in business simply to generate income, but more importantly to distribute its income to its different stakeholders: (a) employees-wages; (b) creditors-interest; (c) stockholders-dividends; (d) governmental agencies-taxes; and (e) the company itself-retained earnings (Hegde, Bloom, & Fuglister, 1997; Radebaugh & Gray, 2002).

Information related to environment and energy usage

This kind of disclosure comes to meet the objectives of some companies' stakeholders who are concerned about the environmental issues. Disclosure in this instance concentrates on providing information about the organisation's effect on the physical environment. The information provided to the stakeholders is about environmental policies, impact, processes and audits, environmental related expenditures and the environmental benefits of products, pollution control and activities related to prevention or repair of environmental damage, protection of natural resources, other environmental activities information. And also the information related with energy conservation, energy efficiency and details on sustainability can be disclosed.

However, the most popular types of disclosure internationally are ones related directly to environmental policies and the environmental impacts of products and processes (O'Dwyer & Gray, 1998).

Information related to community involvements and the well-being of society

Information related with these issues such as community involvement and public welfare, sponsorship and advertising, charitable donation of cash, products or employee services to support established community activities, events, organisations, education and arts, health and activities related, and the information related to political donations should be included when the company discloses information about the communities involvements in their reports. According to Gray et al. (1996), the most conventional forms of corporate social reporting and disclosure, outside the human resources and environment categories, are likely to fall under this particular theme. It has tended to be the least developed area of corporate social reporting and disclosure practice with few clear trends emerging and little consensus on what should be reported and how it should be reported (Gray et al., 1996) .

Information related to consumers and products

Disclosure under this heading should include information concerning the qualitative aspects of products such as utility, safety and serviceability, life-durability, and effect on pollution. Also it should include information related with customer satisfaction, for example consumer complaints, specific consumer relations, provision for difficult-to-reach customers and provision for disabled and aged customers. Many of these considerations are important from a marketing point of view too.

Information related to transactions in foreign currency

The Corporate Report (Accounting Standards Steering Committee, 1975) discussed this statement and suggested that reporting institutions should report the net contribution to foreign exchange earnings.

Statements of regional flow of funds

According to Samuels (1990b), the statement of regional funds “ would reflect the region in which wages are paid, and where the purchase of capital items, materials and services are made.” This statement can be seen as an input/output statement, disclosing where the reporting firm earned its money and where it spent it. Therefore,

such statement could report the breakdown of the funds earned by the organisation in any sector of the industrial domain, services, banking and finance.

There is growing recognition within the business community of the significance key stakeholders attach to, environmentally and ethically responsible behaviour by business enterprises (Zadek, Pruzan, & Evans, 1997).

The corporate social reporting plays a significant role in other different aspects, in addition, to the discharge of responsibility to investors. It has been argued (Gray et al., 1995a; O'Dwyer, Unerman, & Bradley, 2005; O'Dwyer & Gray, 1998; Owen, Gray, & Bebbington, 1997; Patten, 1990) that formal corporate social reporting and disclosure should provide useful information for investment decision making. Corporate social reporting and disclosure also be seen provide (see Toms, 2002). Information related to environmental issues in the company's annual reports contributes significantly to the creation of environmental reputation. Moreover, corporate social reporting and disclosure also can be seen providing information (see Idowu & Towler, 2004) to include increased customer loyalty, more supportive communities, the recruitment and retention of more talented employees, improved quality and productivity and the avoidance of potential risks to their reputation which may arise from environmental incidents.

This type of disclosure as Wallace (1993) argued can be seen as an important and relevant informational input to the understanding, debate and solutions of social and economic development related problems. This informational input is suggested here as important for a variety of audiences in the Libyan society, including employee, government departments and agencies, local communities, consumers and even society at large. It would enable them to make informed judgements about the company's social performance, which may assist in the understanding and debate of these problems and hence their solutions. In addition the information provided by this kind of disclosure might be used to show the image of the company, its reputation, social responsibility, and ethical considerations.

Samuels (1990a) argued that the importance and relevance of corporate social reporting and disclosure it is helpful in understanding, debating and creating solutions

for the social and economic problems in developing countries. In this respect, he (1990b, p. 79) stated

The point begin made is that there is already information available within a business enterprise, which is not begin disclosed, which is 'relevant' to the debates on the development problems of the country in which the business operates. Production of this social responsibility information ...would provide significant and highly relevant information to understand of problems. It is only through knowledge of the true position that a constructive debate can be take place.

On one hand, Ite (2004) asserted that the powerful potential of corporate social reporting is to make positive contributions to addressing the needs of disadvantaged communities in developing countries. On the other hand Samuels (1990a) added that to measure and disclose the level of income as an index of wealth is the central objective of conventional accounting. However, the statements, reports and the information about other social items which were mentioned and discussed earlier in this chapter might be seen of more relevant to the Libyan environmental rather than adopting and following standards or guidance from other countries or international committee such as International Accounting Standards Committee (IASC), based on conventional accounting. Wallace (1993) in this context, argued that standards of International Accounting Standards Committee (IASC) are concerned with accounting for transactions which imply a flow of resources and a reverse flow of money or money's wrought in settlement between a company and the other parties. He also adds that in a certain country companies operating are expected to be socially responsible. With a regard to a developing country, responsibility requires a contribution to the society's objectives and desires. Thus, the reporting company can make a contribution to the social and economic development process in the country if the financial statements and reporting provide social information with other information that it provided already. In this respect, Wallace (1993) suggests the types of financial and non-financial statements that could be produced to provide related information to show how companies understanding and hence solutions of these problems are reached.

Corporate social reporting and disclosure would provide information to a more extensive set of audiences in Libyan society about more than purely economic activities of the companies, one can see it as providing other new ways of accounting

disclosure in Libya that might improve the principles and creeds in this country (especially, democracy, right to information, equality and social justice, liberty and rights, moral and ethical values). In this context, Gharney (1987) emphasises that

Social responsibility accounting and reporting seek to provide the public with the information they need to ensure that their personal and/or group rights and privileges are reasonably protected, or to complain if they are dissatisfied.

Moreover, Gray et al (1996) asserted that the need for corporate social reporting and disclosure in less developed countries and newly industrialised countries is vital given the presence of large numbers of developed country multinationals operating in these countries. Gray et al. (1996) also highlighted the role corporate social reporting and disclosure can play in reinforcing the democratic structure, emphasising the social, ethical and environmental aspects. According to them the corporate social reporting and disclosure can:

- Show distortion in the power distribution within a society and the way traditional financial accounting promulgates an undemocratic structure thereby dismissing social, ethical and environmental from consideration.

- Present new ways of accounting to improve the transparency of the organization to overcome these limitations.

- Use the development and discharge of accountability to enhance a society's democracy.

This type of arguments can be seen as also valid in the context of Libya. The next section will focus upon corporate social reporting theories and approaches which are discussed in the literature.

2.4 Theories for Approaching Corporate Social Reporting and Disclosure Practice

Since corporate social responsibility reporting and disclosure become part of accounting problematic, many approaches and, theories have been presented in the literature to approach this sort of reporting. For example, Gray, Bebbington, & Walters (1993) classify these theories into those related to decision usefulness, to economic theory and social theory studies.

However, the purpose of a theoretical framework is to describe the corporate social reporting and disclosure practices and the reasons behind non-disclosure. In this context, Ullmann (1985) argued that the one of the principal reasons of the lack of substantive, systematic conclusions about corporate social reporting and disclosure was the absence of systematic theorising of corporate social reporting and disclosure. According to Haniffa (1988) these theories seem to be unclear in the sense that all of them are logical and acceptable but none could be nominated as the best theory to explain corporate social reporting and disclosure practice.

According to Hackston & Milne (1996) different theoretical perspectives in support of corporate social reporting and disclosure have begun to be articulated by accounting researchers. Therefore, to explain this phenomenon (i.e. corporate social reporting and disclosure) several approaches have been presented in the accounting literature.

Three categories of theories, however, have been identified in an attempt to place the empirical investigation of corporate social reporting and disclosure (Gray et al., 1995a; Gray et al., 1996; Tinker, Neimark, & Lehman, 1991). These include:

- 1) Decision-usefulness studies; which then overlap with
- 2) Economic theory studies; and
- 3) Social theory studies.

However, Gray et al., (1995a) concluded that:

...the more interesting and insightful theoretical perspectives are those drawn from social and political theory studies-most particularly: stakeholder theory; the legitimacy theory perspectives; and the perspectives that emerge from political economy.

With focus on an economic perspective the social and political theory studies also make an effort to explain corporate social reporting and disclosure phenomenon in other terms. It allows a change in focus onto the role of corporate social reporting in the relationship between individuals, groups, organisations and the state (Gray et al., 1996). Adler & Milne (1997) stated that corporate social reporting and disclosure does not need to be driven solely by the pursuit of economic self-interest; it can be due to pressure from different stakeholders to undertake some form of corporate social reporting and disclosure. This might include employees, customers, suppliers, the local community or other pressure groups. These studies can be further sub-divided

into either “middle of the road” or “radical” studies (Gray et al., 1987; Tinker et al., 1991). There is no particular political or philosophical stance viewed as “Middle of the road” but it is where “the status quo is accepted (although variously interpreted) and explicit and overt ambition is to destroy capitalism nor refine, deregulate and/ or liberate it” (Gray, Owen, & Maunders, 1988, p. 8). The radical studies on the other hand suggest that studies reflect the basic organising principles of society and institutional structures within it. They tend to view corporate social reporting and disclosure as “a misleading irrelevance which is more likely to strengthen the present power distribution than achieve any other aim” (Gray et al., 1988, p. 8).

From the literature the vast majority of corporate social reporting and disclosure falls into the “middle of the road” perspective (Gray et al., 1996; Gray et al., 1988), the three key themes appear to be as follows:

-The corporate social reporting and disclosure purpose is to improve the organisation image and reputation and hold the assumption that organisation behaviour is benign.

-The corporate social reporting and disclosure purpose is to discharge an organisation’s accountability under the assumption that social contract exists between the organisation and society, which demands the discharge of social accountability.

-The corporate social reporting and disclosure is an extension of traditional financial reporting and its aim is to inform investors.

Theories such as Legitimacy theory, Stakeholder theory and accountability theory have been classified as “Middle of the road”.

The social and political theory perspectives as Gray et al., (1995a) argued are not in competition with each other. Furthermore, they state that these theories often overlap and merely provide different interpretations of corporate social reporting and disclosure practices. This would be in agreement with Deegan & Rankin (1997, p. 71) who conclude “all theories are simplifications of reality”. Whatever differences may exist between these theories, much of the research using these perspectives has concentrated attention on the influence of “public pressure” on corporate social reporting and disclosure practise (Neu et al., 1998).

Therefore, the next section attempts to review the three positions which have been postulated as the most descriptive theories attempting to explain corporate social reporting it explains and critiques the frameworks that have been developed in an attempt to explain the reaction of business organisations to the social agenda. The three theories are stakeholder theory, legitimacy theory, and political economy theory which may be viewed as overlapping perspectives (Gray et al., 1995a; Hooghiemstra, 2000).

2.4.1 Political Economy Theory

According to Gray et al (1996, p. 47) "...the political economy theory is the social political and economic framework within which human life takes place". This theory concentrates on exchanges that arise in any framework (e.g., the market) and the relationship among social institutions participating in such exchanges (Gray et al., 1995a). It also helps researchers to interpret social disclosure from the rich social political and economic context within which disclosure take place. In the context of corporate social reporting and disclosure the studies which have adopt the political economic theory suggest that political economic theory may be used for an explanation of corporate social reporting and disclosure practices. Guthrie & Parker, (1990) assert that the main theme of this theory is that political, economic and social contexts are inseparable and should all be considered in corporate social reporting and disclosure researches. Political economy theory has a very long historical tradition and can be defined in different ways (Gray et al., 1995a, p. 52). According to Jackson (1982) political economic theory is the study of the relationship between the power and the goals of power wielders and the productive exchange system.

Moreover, Jackson (1982) defined Political economy theory as

A framework, political economy theory does not concentrates exclusively on market exchanges. Rather, it first of all analyses exchanges in whatever institutional framework they occur and second, analyses the relationship between social institutions such as government, law and property rights, each equipped by power and the economy, i.e. the system of producing and exchanging goods and services.

Guthrie & Parker (1990) and Williams (1999) argued that the essential point from Jackson's definition, "it seems, is that the economic domain cannot be studied in isolation from the political, social and institutional framework within which the

economy operates. As such, it seems unquestionably (but see Benston, 1982) an apposite way of thinking about social disclosure by corporations”.

To explain and understand the corporate social reporting and disclosure practices a number of corporate social reporting and disclosure studies have used the idea of ‘the bourgeois’ form of political economic theory (Guthrie & Parker, 1990; Williams, 1999). Using content analyses to analysis the annual reports, the Guthrie & Parker, (1990) study carried out an international comparison of corporate social disclosure practices in Australia, UK and the USA (data year 1983). The analysis of survey results was from two theoretical perspectives of disclosure: user utility and political economy. According to them, the range of social disclosures including the themes such as environmental, energy, employees, products, community development and others, provided indicates set of recipients. They also found that corporate social disclosure practices even the level of disclosure is minimum or absent that also offer support for a political economy interpretation, as there was recognition of the tendency of communicators to set the agenda to portray the social, political, and economic world in their own terms.

Guthrie & Parker (1989) found that political economic theory provided a better explanation of the patterns of disclosure by the company than the legitimacy theory as it was discovered when examining the annual reports for a single company, BHP, for 100 years to ascertain whether the pursuit of organisational legitimacy was a primary rationale for the disclosure.

Adler & Milne .(1997) investigate the relationship between media exposure, company size, industry sector, and corporate social disclosure; they used the annual reports of 122 companies listed on the New Zealand Stock Exchange. In this study they used the media exposure as a proxy for public pressure and found support for a political economy theory that public pressure motivates companies (especially large ones) to engage in corporate social disclosure.

A political economy theory was also used by Adams & Harte (1998) in order to understand corporate social disclosure relating to employment of women in two sectors in the UK from 1935 to 1993. By considering the broader social, political and economic context they examined disclosure in the UK throughout this period. This

study found that the better understanding of corporate disclosure practices over the period was offered by a political economy theory rather than stakeholders or legitimacy theory.

Buhr (1998) used the annual reports of Falconbridge for the years 1964-1991. Relating to the environmental performance and disclosure of Falconbridge's the study posed two key questions. The first one is: how do corporation respond to changing environmental regulations for sulphur dioxide abatement? And the second question is: how do they choose to present these abatement activities in annual report. The researcher tries to explain the outcome of the study using a political economy theory and a legitimacy theory. In contrast to Guthrie & Parker (1989), the result showed that the political economy theory provided less in terms of explanation than the legitimacy theory. the researcher concluded that the organisation concentrated on changing its corporate performance in response to changing environmental regulations rather than "using disclosure to influence social norms of influence the distribution of wealth and power" (Buhr, 1998). However, the survey was concerned more with the regulations context rather than political, economic, and social factors, which are equally as important if not more. In this context (Fekrat, Inclan, & Petroni, 1996; Gamble, Hsu, Jackson, & Tollerson, 1996) argued that companies in high level of social consciousness countries like Sweden and Canada should provides more information by way of voluntary disclosure.

Political economy theory was also used in Williams (1999) in order to interpret voluntary corporate social disclosure provided by companies in annual reports operating in seven Asia-Pacific nations including Australia, Singapore, Hong Kong, Thailand, Indonesia, Malaysia, and the Philippines. This study found that the socio-political and economic systems of nations interact to shape the perceptions of companies in the voluntary release of corporate social disclosure that meets social expectations as well as avoids government criticism and preserves their own self-interest.

Many studies such as Gray & Kouhy (1993), Tsang (1998) and Belal (2001) adopted western corporate social and environmental disclosure techniques and used it for the different socio-cultural context of developing countries, as the socio-economic,

political and cultural context of a country highly influential factors. Studies such as Gray et al (1996) and Wallace (1990) maintain that the need for corporate social disclosure research is acute in the developing countries.

Studies about the corporate social reporting and disclosure in the Islamic countries such as Baydoun & Willett (2000) and Haniffa (2001) are particularly critical of introducing western corporate social and environmental disclosure techniques into different socio-cultural context. Hayashi (1989), for example, argued that on one hand Islamic accounting considered society before business enterprise, while on the other hand the conventional accounting prioritises individual profit above social benefit. Baydoun & Willett (2000) asserted that “private accountability and limited disclosure (western accounting criteria) are insufficient criteria to reflect the ethical precepts of Islam law. Consistency of disclosure practices with Islamic law requires application of the more all-embracing criteria of social accountability and full disclosure”.

The political economy theory as Guthrie & Parker (1990) and Gray et al. (1996) argued has much to offer as a basis for explanation of corporate social reporting and disclosure when it compared with other theories. This theory sees the world from the point of view that involves social, economic, and political factors such as external environmental factors and two-dimensional analysis. Therefore, it may be said to be concerned with altruistic behaviour. On the other hand, this theory fails explicitly to consider the inter-organisational factors (internal factors include: the corporate characteristics and the management attitude and cognition), which have an important role in corporate social reporting and disclosure in a given country (Belkaoui & Karpik, 1989; Cowen et al., 1987; Patten, 1991b; Tilt, 1998).

2.4.2 Legitimacy Theory

The concept of social contract is the basic notion of the legitimacy theory (Guthrie & Parker, 1989; Mathews, 1993; Patten, 1992). In this respect, Guthrie & Parker (1989) claim that

Business operates in society via a social contact where it agrees to perform various socially desired actions in return for approval of its objectives, other rewards and its ultimate survival.

Legitimacy theory according to Tilt (1994) has come to stress how corporate management will respond to community expectation. Legitimacy theory is derived from the idea of a social contract that every company operates in a society through an expressed or implied social contract. It is essentially a systems-oriented theory, i.e. companies are viewed as components of the larger social environment within which it exists (Gray et al., 1996). Thus, a company needs this theory to legitimise its activities to the society in which it operates in order to justify its continued existence. However, if the company is not seemingly working within society's ethical bounds and codes of behaviour, then society may put an end to the company's rights to operate (Deegan & Rankin, 1996). According to Lindblom (1994) there are four legitimacy schemes that company should use if it is faced with different legitimacy threats, for example a major accident, oil leak or financial scandal. According to Lindblom, the four legitimacy schemes are: reporting to stakeholders about the intention; changing stakeholders' views of an issue; detracting attention away from a bad event; and lastly, changing external expectations about an organisation's performance.

The notion of a 'social contract' between the organisation and the society in which it operates is explained by Mathews (1993, p. 26) as:

The social contract would exist between corporations (usually limited companies) and individual members of society. Society (as collection of individuals) provides corporations with their legal standing and attributes and authority to own and use natural resources and to hire employees. Organisations draw on community resources and output both goods and services and waste products to the general environment. The organisation has no inherent rights to these benefits, and in order to allow their existence, society would expect the benefits to exceed the costs to society.

The terms of 'social contract' reflect the expectations of society about how an organisation should conduct its operations. These expectations could be explicit or implicit. Deegan, Rankin, & Vought (2000) argued that legal requirements form the explicit terms of contract, while community expectations constitute the implicit. Deegan (2002) also argued that the implicit terms of a social contract are difficult to determine and different organisations might have different perceptions of the terms.

Deegan (2002) added that if the companies are part of a broader system, the perspectives provided by legitimacy theory indicate that companies are not considered to have any inherent right to resources to exist. He added if the case is that the

companies exist to the extent that the particular society considers that they are legitimate, than the society “confers” upon the organisation the “state” of legitimacy. However, as the societal bounds and norms may change over time, the organisation continuously has to demonstrate that its actions are legitimate and that it behaved as a good corporate citizen, usually by engaging in corporate social responsibility.

Gray et al. (1995a) (see also Guthrie & Parker, 1989; Lehman, 1992) maintain that how a firm operates and reports will be affected by the social values of the community in which it exists. Economic performance was considered by many authors in recent years to be the best measure of a business’s legitimacy (Abbott & Monsen, 1979; Patten, 1991a, 1992). Nevertheless, society no longer confines its expectations of business to profit making (i.e. profit maximization) and providing goods and services (Heard & Bolce, 1981). It also waits for companies to “make outlays to repair or prevent damage to physical environment, to ensure health and safety of consumers, employees, and those who reside in the communities where products are manufactured and wastes are dumped” (Tinker & Neimark, 1987).

As a result, companies with a poor social and environmental performance record may find it difficult to obtain the necessary resources and support to continue operations within a community which values a clean environment. If society is not satisfied with the corporate performance, it can cancel their ‘contract’ to continue its operations. The social support withdrawal could have implications for the company:

This might be evidenced through, for example, consumers reducing or eliminating the demand for the products of the business, factor suppliers eliminating the supply of labour and financial capital to the business, or constituents lobbying government for increased taxes, fines or laws to prohibit those actions which do not conform with expectations of the community (Deegan, 2002, p. 293).

Legitimacy, according to Dowling & Pfeffer (1975), is critical to companies seeking to secure continued supply of key resources and various actions are undertaken to retain legitimacy. Such actions include targeted public disclosures or controlling or ‘collaborating with other parties who in themselves are considered to be legitimate’ (Deegan, 2002).

Jenkins (2004) asserted that the legitimacy theory is dominate research theory on why companies disclose corporate social responsibility information. This theory might

leave much of corporate social responsibility reporting and disclosure at the discretion of management and ignores the right of many stakeholders to receive information, and the obligation of company to provide this type of information. This particular theory in recent years has been subjected to empirical testing by several corporate social reporting and disclosure studies (see for example, Adams & Harte, 1998; Adams et al., 1998; Ahmad & Sulaiman, 2004; Deegan & Rankin, 1996; Deegan et al., 2000; O'Dwyer, 2002; Patten, 1992; Tsang, 1998).

Due to the space limitation detailed discussion of all these studies is not feasible here. However, by reviewing the main assumptions of legitimacy theory, it can be said that this theory could partly explain some of the reasons behind the absence or presence of corporate social responsibility reporting and disclosure. According to Deegan (2000) it appears to be failing to provide a comprehensive basis for an explanation of corporate social responsibility reporting and disclosure practices, because it is derived from bourgeois political economy. One of the early studies embracing a legitimacy perspective was that of Guthrie & Parker (1989) which examined 100 years (1885-1985) of disclosure in BHP Ltd.- a large Australian company. The main argument in this study was that if corporate respond to major social and environmental events, then there should be a correspondence between peaks of disclosure, and significant events in BHP's history. The results of this study, however, did not provide evidence in support of legitimacy theory.

In a more recent study, Patten (1992) tests the legitimacy theory by using company size and ownership structure. The arguments in this study are: social disclosure can be viewed as a way of responding to the changing perceptions of a company. The study results support the legitimacy theory arguments.

Legitimacy theory also was used by Cormier & Gordon (2001) to explain the difference in corporate social responsibility reporting and disclosure practice made by privately owned companies and publicly owned companies. The study result found that the private companies provide less corporate social responsibility information than public companies. The result of Deegan, Rankin, & Tobin (2002) showed evidence supporting legitimacy theory when it examining the level of corporate social responsibility disclosure and the extent of the media attention (measured by media

articles related to each issue). The results of this study showed that the issue which received highest media attention was also associated with the highest amount of corporate social and environmental disclosure. Another study by Deegan et al. (2000) also supports legitimacy theory when the result from it found that companies did respond to major events by releasing more legitimising disclosure around the time of the incidents. On the other hand, some researchers' results did not support legitimacy theory as Wilmshurst & Frost (2000) their findings showed limited support for legitimacy theory to explain the link between that factors that might affect management's decision making and environmental disclosure.

Legitimacy theory, as Deegan (2002) argued, remains popular within corporate social responsibility reporting and disclosure research and provides useful insights as to corporate social responsibility reporting and disclosure practice. It is, however, still considered to be underdeveloped. Legitimacy theory emphasizes the management purpose and its power over information. There are still "gaps" within the legitimacy theory literature. For example, do legitimising activities work? If so, then which disclosure media is more successful in influencing societal perceptions towards the organisations? There is a lack of knowledge as to whether particular stakeholder groups are more influenced by legitimising disclosures than others. In fact, this perspective provides poor resolution as it addresses "society" as a whole when society is composed of different individuals or groups with unequal power. In this respect Deegan (2002, p. 295) asserted:

Proponents of legitimacy theory often talk about "society" and compliance with the expectations of society (as embodied in the social contract). However, this provides poor resolution given that society is clearly made up of various groups having unequal power or ability to influence the activities of other groups. Stakeholder theory explicitly accepts that different groups have different views about how organisations should conduct their operations, and have different abilities to effect on organisation. When researchers such as Lindblom (1994), who embrace legitimacy theory, discuss the concerns of "relevant publics" they are changing the focus from "society" towards particular groups therein, and indeed are borrowing insights from stakeholder theory.

Therefore, by changing the level of resolution, a stakeholder perspective (cf. "theory") might help us to understand corporate social responses to different stakeholder groups within society. A stakeholder perspective can help to explain which groups are the

most important and more relevant to the organisation and why more corporate attention is paid to a particular group than to others.

A stakeholder perspective is adopted in this study. However, it should be noted that it is used more for framing a normatively motivated view of social reporting in Libya, and hence resonates with the decision usefulness or “user” approach, than as an explanatory theory for what is happening in Libya. This distinction reflects strands of “stakeholder theory” that are not always recognised but which have been identified in some of the relevant literature. The most significant elements of that literature for the current study are discussed in the next section.

2.4.3 Stakeholder Theory

Stakeholder theory was applied to the concept of corporate social responsibility and disclosure in the 1960s and 1970s. Since that time many ideas concerned with corporate social responsibility and disclosure were added to the literature about concepts and techniques in the management of companies. However, the confusion about the nature and purpose of the stakeholder theory can be identified as one of the essential problems in the evolution of this theory; it has been used either explicitly or implicitly, for different purposes.

In an influential review article, Donaldson & Preston (1995) argue that stakeholder theory can be used in three ways that are quite distinct and involve very different methodologies, types of evidence, and criteria of appraisal. The three types are:

- Normative which dominated the classic stakeholder theory statement. The theory is used in this type to interpret the function of the corporation, including the identification of moral or philosophical guidelines for operation and management of companies.
- Instrumental, which used the descriptive/empirical data where available to identify the connections, or lack of connections, between stakeholder management and achievement of traditional corporate objectives.
- Descriptive/Empirical which is used to describe, and sometimes to explain, specific corporate characteristics and behaviours. This type of theory tries to

explain the past, present and future states of affairs of companies and their stakeholders.

In recent years stakeholder theory has gained significant ground in the area of business ethics and also in issues such as organisation or company strategy, economics and public policy. Freeman (1984) deserves full credit for popularising the term since 1984. He defines stakeholders as “groups or individuals who can affect and are affected by the achievement of an organisation’s mission”. The term refers to the many interest groups who can affect, or be affected by, the organisation’s activities such as investors, employees, customers, suppliers, creditors, government bodies, pressure groups and the wider society. It may become even more comprehensive with future generations and non-human life (Gray et al., 1996).

According to Deegan (2000) a large body of literature on stakeholders has developed since the publication of Freeman (1984). He argued that this development varied in nature and to some extent became confusing as different researchers used different theories with different aims and assumptions but under the label of stakeholder theory. In the words of Deegan (2000, p. 267):

More correctly, perhaps, the term of stakeholder theory as umbrella term that actually represents a number of alternative theories that address various issues associated with relationship with stakeholders, including considerations of the rights of stakeholders, the power of stakeholders, or the effective management stakeholders.

Perhaps it is better to refer to a stakeholder “approach” or “perspective” rather than theory. Jones & Wicks (1999), in an attempt to discuss the current state of the stakeholder approach, summarised its basic tenets as follows:

- There is a relationship between the company and many constituent groups (stakeholders); this relationship affects and is affected by company decisions;
- The concern of stakeholder theory is with the nature of these relationship in terms of both processes and outcomes for the firm and its stakeholders;
- The interest of all (legitimate) stakeholders have intrinsic value, and no set of interests is assumed to dominate the others (this fits with a normative version);

- This theory is focused on managerial decision making.

As mentioned earlier, Donaldson & Preston (1995) argued that the three perspectives viewed as stakeholder theory are: descriptive/empirical normative, and instrumental. How the management should deal with the stakeholders was described by the normative prescriptive. They distinguish between these three different perspectives of utilising the stakeholder theory. Firstly, this approach as they argued is descriptive when it is employed simply to portray and perhaps to explain specific corporate characteristics and behaviours. They asserted that this theory “describes the corporation as a constellation of cooperative and competitive interests possessing intrinsic value” (p. 66). This model may be tested for its descriptive accuracy and compared and contrasted with other descriptive models. It can be used as framework to test any empirical claims excluding testing the concept’s normative base (Donaldson & Preston, 1995). Second, stakeholder theory is also instrumental in that it makes a connection between stakeholder approaches and commonly desired objectives such as profitability or stability or growth. This use of stakeholder theory implies that “adherence to stakeholder principles and practices achieves conventional corporate performance objectives as well or better than rival approaches” (Donaldson & Preston, 1995, p. 71). This is to say that Stakeholder Company would achieve, almost as a by-product, what a profit-maximising company would set out to achieve as an objectives, and is not necessarily that Stakeholder Company has such traditional objective. Third, Donaldson & Preston maintain that stakeholder theory of the company can be employed normatively. This involves accepting that “the interests of all stakeholders are of intrinsic value. That is, each group of stakeholders merits consideration for its own sake and not merely because of its ability to further the interests of some other group, such as shareowners” (p. 67) (see Jones and Wicks (1999) above). Furthermore, one of the stakeholder theory principal concerns lies with the identification and prioritisation of stakeholders. From the literature it can be noticed that there has been considerable interest over the use of normative principles by firms to address stakeholder concerns (Freeman, 1994; Paine, 1994). The instrumental perspective is related to what happens if management treats stakeholders in a certain manner. the stakeholders management activities of the company are

concerned by the descriptive perspective, i.e., how management actually deals with stakeholders (Berman, Wicks, Kotha, & Jones, 1999).

Another theoretical model was suggested by Mitchell, Agle, & Wood (1997) which advances the idea that the salience of stakeholders to managers depends on their power, legitimacy and urgency. The power dimension in this model is related to the ability of a particular stakeholder group to influence corporate behaviour. The definition of the legitimacy dimension is “a generalised perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs and definitions” (Mitchell et al., 1997, p. 869). Also the dimension of urgency is “the degree to which stakeholder claims call for immediate attention” (p. 869). Agle, Mitchell, & Sonnenfeld (1999) tested this model and discovered that stakeholders’ salience is significantly increased by power, legitimacy and urgency. Another model called the risk-based model of stakeholder identification, on the other hand, was developed by Clarkson (1984). With this model stakeholders should only be identified if they ‘bear some of the risk as a result of having invested some form of capital, human or financial, something of value in a firm ‘or’ are placed at risk as a result of firm’s activities’ (Clarkson, 1994 in Mitchell et al., 1997). As the starting point of that argument, Clarkson (1994) sorts out stakeholders into two groups: the first group which includes employees, customers and suppliers are called voluntary stakeholders. They are those individuals or groups who have knowingly or voluntarily made, or taken, stakes in a company and thereby have assumed some form of risk. Also they may be referred to as economically powerful stakeholders (Unerman, 2000b). These stakeholders are of central importance to the company as they control resources which are critical to the company such as capital and labour. Therefore, it can be expected that company would pay more attention to these powerful voluntary economic stakeholders. The second group – which can include local communities, the natural environment and the wider society – are called involuntary stakeholders. They are ‘those that are, or have been, unknowingly placed at risk as a result of the company’s activities, goods, or services’ (Clarkson, 1994, p. 1). This group is affected by the company’s activities through no choice of their own and can be affected socially, economically and personally (Campbell et al., 2001). Clarkson maintains that, ‘It is management’s

responsibility to enhance value of those stakes [voluntary stakeholders] without externalising costs by exposing people or environment [involuntary stakeholders] unknowingly to harm or damage' (p. 11).

Gray et al (1995a) argued that stakeholder theory typically involves a view of the world from the perspective of the management of the company who are primarily concerned according to Roberts (1992), with "developing and evaluating the approval of corporate strategic decisions by groups whose support is required for the corporation to continue to exist". Stakeholders theory as Gray, Dey, Owen, Evans, & Zadek (1997) asserted "is concerned typically with how the organisation manages its stakeholders". With this perspective corporate social responsibility reporting and disclosure can be perceived as part of the dialogue between the company and its stakeholders (Gray et al., 1995a). With management using corporate social responsibility reporting and disclosure as a medium for engaging in this management of stakeholders in order to gain their support and approval (Adler & Milne, 1997). This should offer the method or model that might be use by the companies in providing required information to the stakeholders for their needs and to allows them to have some ideas about the company's progress in the areas important to them. And also to allow them to measure or estimate the company's progress in the areas where they have a vested interest. Moreover, the information which the company provides may also help stakeholders to encourage a company to improve its performance in particular areas.

Using the strategic management view presented by Freeman (1984), Ullmann (1985) suggested three-dimensional conceptual model of corporate social activity based on stakeholders theory. The first dimension is stakeholder power which reflects the theoretical basis of the proposed framework; this dimension explains that a company would be responsive to the intensity of stakeholder demands. The company behaviour and reaction is dependent on the stakeholders' power and control over critical resources required by the company. In other words, stakeholders draw their power from being able to control the resources required by companies with the purpose of operating as the resource dependence perspective. Thus, social performance and disclosure has positive correlation with stakeholder power. For example, if the power of stakeholders is strong, their demand to be not ignored by the company is heeded.

The second dimension of the model is the company's strategic posture towards corporate social responsibility reporting and disclosure action, which describes the company mode of response (attitude) in its key decision makers regarding social demands. According to Ullmann (1985) the strategic posture might be active or positive. An active company would posture a policy of influencing the key stakeholders through corporate social activities, whereas a company possessing a passive strategic posture would not continuously monitor its relationship with the stakeholders and engage in minimal corporate social activities. With an active strategic posture there is expected to be greater level of corporate social activities and disclosure in a company's possession. Bowman & Haire (1976) also described this strategic posture dimension as strategic planning in the long or short term. The third dimension in Ullmann's model is concerned with a company's past and current economic performance. Ullmann argues that the financial capability of a company to undertake corporate social activities and disclosure is influenced by the economic strength. Ullmann (1985, p. 553) asserted that:

Economic performance determines the relative weight of a social demand and the attention it receives from top decision makers. In periods of low profitability and in situations of high debt, economic demands will have priority over social demands.

This dimension, in other words, is important in two respects. First, the economic performance is supposed to take priority over social demands; second it is emphasized that good economic performance is necessary to finance costly social responsibility programs. Roberts (1992) therefore, argued that economically stronger companies will have a greater level of social activities and disclosure given the level of stakeholder power and strategic posture.

Since the publication of Freeman's book (1984) many books and over a 100 articles focused on the stakeholders concept as Donaldson & Preston (1995, p. 65) noticed. However, anyone looking into the accounting literature with critical eyes will have noticed that various authors were used different ways to explain the concepts *stakeholder*, *stakeholder model*, *stakeholder management*, and *stakeholder theory*. In this respect, many studies used normative way to explain these concepts and the of them is Berman et al. (1999) when they suggested that 'managerial relationships with stakeholders are based on normative, moral commitments rather than on a desire to

use those stakeholders solely to maximise profits' (Berman et al., 1999, p. 292). However, the name of this model as they suggested is the intrinsic stakeholder commitment model. Relating with this model Freeman (1984) in the relationship between the company and its stakeholders suggested that stakeholders are affected by the company's activities.

However, under the instrumental model, Freeman (1984), explaining the relationship between the company and its stakeholders, argued that the stakeholders are affected by the company's activities, and its related to the second model which was suggested by Berman et al. (1999). This distinct stakeholders model was suggested by Berman et al (1999) under the strategic stakeholders management model. This model suggests that companies are interested in stakeholders because of perceived benefit in terms of improved financial performance. In this way Roberts (1992) also empirically tests the ability of stakeholder theory to analyse and explain the determinants of corporate social reporting and disclosure practices. Findings of this study supported the stakeholder theory approach indicating that measures of stakeholder power, strategic posture and economic performance are significantly related to the level of corporate social disclosure. The author, in supporting the application of stakeholder theory to the analysis of corporate social activities, reporting and disclosure, concluded that:

Stakeholder theory forms a theoretical foundation in which to analyse the impact of prior economic performance, strategic posture towards social responsibility activities, and the intensity of stakeholder power on levels of corporate social disclosure (Roberts, 1992, p. 610).

The findings also are compatible with the framework offered by Ullmann (1985) but the author argues that the Ullmann's model only reflects some of stakeholders concerns. It also supported Smith, Adhikari, & Tondkar (2005) findings which indicate that companies from stronger emphasis country in social issues had a stakeholder orientation which provide more information and higher levels of corporate social responsibility in their annual reports than companies from weaker emphasis countries on social issues.

Berman et al. (1999) focused on the relation between financial performance, strategy and management of key stakeholder relationships including employee, diversity, natural environment, product safety/quality and local communities. They concluded

that the positive impact on economic performance motivated companies to adopt stakeholder management, and also they found only supports the managerial model of stakeholder theory. Furthermore, this study found that only employees and product safety/ quality from the stakeholder relations had affected the financial performance, which indicates that managerial attention to these two important elements might help improve financial performance and thus supports the managerial stakeholder model only. Berman et al. (1999) also asserted that the other three elements – diversity, natural environment and local communities – of stakeholder relationship fail to exhibit any statically significant impact on companies' financial performance. This implies that no support can be provided for the normative model which argues that the moral commitment to stakeholder groups drives the companies to address stakeholder concern, this commitment will also drive strategic decision making, which in turn impacts company's financial performance.

Neu et al. (1998), studying Canadian annual reports of listed companies operating in environmentally sensitive industries, found that compared to environmentalists the companies were more responsive to the financial stakeholders. So companies provide more information to legitimise their relationship with powerful stakeholders and ignore or give less attention to other stakeholders such as environmentalists in this study. To explain the relationship between change (increase/ decrease) in environmental disclosures with the particular concerns held by the stakeholder groups and empirically Neu et al. (1998, p. 279) asserted that:

The concern of financial stakeholders (measured by PROFIT) and government regulators (measured by FINES) were associated with an increase in the level of environmental disclosure whereas the concerns of the First National people and other environmentalists (measured by MEDIA) were associated with a decrease in the level of disclosure.

Thus, in this study the environmentalists – a less powerful stakeholder – are not included in Canadian companies' concerns.

The third aspect of stakeholders theory is a descriptive one which according to Donaldson & Preston (1995) attempts to show that concepts embedded in theory correspond to observed reality, and with this way the theory presents and explains relationships that are observed in the external world. However, many studies are taken in this way and one of them was studying the UK social disclosure by Gray et al.

(1995a), they used stakeholder theory to provide “ a plausible explanation of the tendency, in certain areas of disclosure, for the company to operate a system of “compensation” in which, as a new issue rises, the disclosure on an older (and negotiated issue) declines” (p. 66). They found that during the period of the study (1979-1991) the disclosure about some social elements was increased (e.g. disclosure on training and equal opportunities, disclosure on health and safety). On the other hand, they found that disclosure about other social elements (e.g. value added disclosure) decreased.

Gray et al. (1997) argued that information provided to the stakeholders might be presumed more properly by the company to be an element of legitimacy and/or social construction process. They also add that stakeholder theory is fairly salient on how the business does – if at all – monitor and react to the needs of the stakeholders. Broadly speaking, it will do that when it is in the company’s conventional interests (e.g. profit-maximizing) to do so. Thus

“ a social account based on the stakeholder perspective has social value if we assume the beneficence of the organisation and further assume that stakeholders; need can be subsumed morally with those of the organisation...if we assume this, than “market forces” will generally produce the sort of voluntary social and environmental disclosure we currently see” (Gray et al., 1997, p. 333).

As Key (1999) argued, although the stakeholder theory has received great attention, no specific theory logic has been identified which explains the relationship between stakeholders and the company. However, in comparison with the other disclosure theory which suggests resolution about and the necessity of stakeholder participation which is necessary function of a strategic management process. Dill (1975) argued that the stakeholders participation is necessary in labour-management negotiations. And the intensity of stakeholder participation, however, can depend a better deal on social, political and economic factors. However, the wider social, political, economic environment of the country can affect the intensity and patterns of stakeholder involvement and participation. Stakeholder theory suggests that in the company decision-making processes stakeholder groups are encouraged and expected to participate directly or indirectly, and the management should establish appropriate systems within the organisational structure to enhance information flow and communication between the company and stakeholder groups.

Moreover, it is good for the companies to make communication with stakeholder groups and, information disclosure is one way to aid this purpose. As noted by Gray (1996), 'the more important the stakeholder to the organisation, the more effort will be exerted in managing that relationship. Information – whether financial accounting or CSR – is a major element that can be employed by the companies to manage (or manipulate) the stakeholder in order to gain their support and approval, or to distract their opposition and disapproval' (p.46). In the following analysis, Gray's statement is considered as the key to the discussions. That is, a company discloses information to manage the stakeholder according to the level of importance given to that stakeholder.

Stakeholder analysis helps managers to consider how to deal with, and how to manage, multiple stakeholders. Stakeholder management, as a concept, refers to the necessity for a company to manage the relationships with its specific stakeholder groups in an action-oriented way. According to Sturdivant (1979), in order to manage stakeholders a company must know its strategic options and must have the participation of senior managers to be able to achieve maximum overall co-operation between the entire stakeholder groups and the objectives of the company. With knowledge of its own strategic objectives and an understanding of stakeholder motivations and behaviour, the company should be able to set its strategies, which should maximise co-operative potential.

In this context, stakeholder management may be concerned with the long-term as much as with short-term relationships with stakeholder groups. So the good managers are those who consider the goals of the company and balance the needs of stakeholder groups in a proactive way. To do so, stakeholders' needs for information should be served effectively and efficiently. Effective communication can be a key factor in maintaining stakeholder management and information disclosure to and about stakeholder groups may help to improve this process. Failure to do so may cause unwanted consequences. At the same time, managers should be informed in the areas where every stakeholder group has a particular stake.

Stakeholder theory, like legitimacy theory, recommends influencing the external environment. In this point Freeman (1984) argued that the company would be thought to have the capability to manage its stakeholders if the company was proactive,

anticipating stakeholder concerns and try to influence the stakeholder environment. However, the ways to do this, stakeholder theory suggests (Freeman, 1984) is by managing its stakeholder concerns, including stakeholder needs; second, by designing and implementing communication processes with multiple stakeholders; third, by negotiating with stakeholders; and fourth, by seeking voluntary agreements with multiple stakeholders. It is also concerned with the interactions between the groups and individuals; and at company level is concerned with interaction between the company and its stakeholder groups. Stakeholder theory also concerns the relationship between managers and the company owners, and also various other relationships between stakeholder groups.

Moreover, as stakeholder analysis is part of the strategic management function of a company, stakeholder analysis can be used to better understand, particularly, who are the groups and individuals that can affect or can be affected by the achievement of company's purpose. Stakeholder analysis provides a gathering of diverse perspectives and information regarding an event. The purpose of stakeholder analysis as presented here is to gain a realistic understanding of social responsibility relationships and the actions of a company towards its stakeholders so that managers can act socially in their decisions. The analysis can be used for a number of purposes; here, the study emphasises the use of stakeholder analysis for identifying and managing corporate social responsibility roles and relationships between a company and its stakeholders in a given or projected situation (which is Corporate Social Reporting) in which exchanges between a company and external groups are concerned.

Gray et al (1995a) argued that in relation to the social and environmental reporting, stakeholders groups and individual pressurise companies into disclosure and they try to bring more control to bear upon a company – control made possible by, and reflected in, disclosing information about social and environmental issues.

This study adopts a stakeholder theory perspective (it must be noted that one aim of this study is to read a story from data reported about the social activities in the Libyan companies annual reports using the framework of stakeholder theory) in examining the emergence of social accounting practice in Libya. Stakeholders are supposed to be central importance in social and ethical accounting and reporting practices.

Several studies such as Neu et al. (1998) and Tilt (1998) suggested that in order to retain their 'licence to operate', companies could be expected to respond to changing societal perceptions (including those of various stakeholders within it) with regard to social, ethical and environmental issues. In this study by adopting stakeholder theory, one can explore whether Libyan companies are responding to the social, ethical and environmental perceptions with the Libyan community. It can be argued that if the corporate behaviour of the Libyan companies is only driven by the concerns of economic stakeholders it will fail to achieve the fundamental objective of social accounting towards promoting democracy, transparency and accountability (Tilt, 1994).

According to Gray et al. (1995a) corporate social responsibility reporting and disclosure is a very complex activity to be understood by any single theoretical perspective. Therefore, in order to obtain a fuller and better explanation of corporate social responsibility reporting and disclosure it is useful to take into account insights provided by different theoretical perspectives (Deegan, 2000). In this context, Gray et al (1995a) argued against treating them as competing theories of reporting behaviour and maintain that they are complementary to each other. They note that,

Legitimacy theory and stakeholder theory are better seen as two (overlapping) perspectives on the issue which are set within a framework of assumptions about political economy (Gray et al., 1995a, p. 52).

The differences, they conclude, are in the 'levels of resolution of perception rather than arguments for and against competing theories as such' (Gray et al., p. 52). By increasing the 'level of resolution' stakeholder theory helps us to widen the analysis by explicitly recognising the different demands. Thus, the stakeholder perspective is expected to provide useful insights to the understanding of corporate social responsibility reporting and disclosure practices, which could be used as a strategy to negotiate and manage corporate relationships with different stakeholder groups in Libya.

In contrast with the other disclosure theories, Stakeholder Theory is one disclosure theory which suggests resolutions about, and recognises the necessity of, stakeholder

participation. As noted earlier, stakeholder participation is a necessary function of a strategic management process. Ackoff (1974) noted that stakeholder participation and the involvement of stakeholder groups is an important component in solving system wide problems

To reiterate, this is not to suggest that other perspectives, such as legitimacy theory, do not have their place. However, stakeholder theory is considered more flexible and capable of being “re-read” in legitimacy terms, for example. Other perspectives will therefore be referred to in the discussion of findings, where relevant. Stakeholder theory is also compatible with the user approach, which tends to talk in terms of user (i.e. stakeholder) groups – in the case of The Corporate Report (ASSC, 1975), those groups having “reasonable rights to information”. As such, it is in a long tradition of studies in both corporate social disclosure and financial disclosure. However, in the context of this study it should be viewed as a loose organizing framework or lens, not a theory to be tested – not least because the ultimate goal of the research is normative or policy-oriented, seeking to make suggestions as to how corporate social disclosure in Libya and similar countries might develop in the future.

2.5 A Survey of Corporate Social Reporting Studies

Corporate social reporting and disclosure have tended to concentrate on the nature and extent of reporting. According to Tilt (1998) over the last two decades the dissemination of social information has been steadily increasing. However, the survey of studies show that some studies have attempted to determine which theories best explain how companies report, or how they should disclose corporate social information. Other studies have attempted to explore whether corporate social reporting and disclosure practices can be linked to other aspects of performance, such as economic performance, or to factors such as industry type, size, age, or country of origin. At the same time researchers have explored the theoretical and empirical aspects of corporate social reporting and disclosure. This section reviews and analyses the key studies that relate to the phenomenon of corporate social reporting and disclosure. The literature review is summarized in Table 2-2 which shows the aim of each study on column one and the finding of each study in column six. The theoretical perspective was indicated on column two, and the method which was applied in each

study was showed in column three. However, the sample of the study was put in column four, and column five shows the place of each study.

Table 2-1 Summary of previous studies

Author(s)	Aims	Theoretical perspective	Method	Populations	Country	Finding indicate that:
Ernst & Ernst, (1978)	To investigate the corporate social responsibility practices in the annual reports.	Simple Descriptive	Analyse the annual reports looking for corporate social responsibility themes.	500 fortune US companies from 1972 to 1978.	U.S	The US companies disclosed information about various of social themes, but the disclosure was slight decrease (from 91.2% to 89.25) about the social activities during the period of study.
Trotman (1979)	Analyse the social responsibility disclosure practices of Australian companies in their annual reports.	Simple Descriptive	Content analysis was used to examine the annual reports of the 100 largest companies in Australia. The number of pages method was used for measured the company's annual report.	100 largest Australian companies according to market capitalisation, listed in Sydney stock Exchange.	Australia	The social disclosure was increased with the human resources and environment as the most frequently mentioned themes. This two themes were increase from .08 pages in 1967 to .57 pages in 1977.
Trotman & Bradley (1981)	To examined some characteristics such as size, systematic risk, and social constraints. That may be associated with companies disclosure of social information.	Simple Descriptive	Content analysis was used to measure the amount of corporate social responsibility of 207 companies in Australia.	Australian companies	Australia	There is a positive association between the size of company and the amount disclosure about the social responsibility, the degree of social constraints faced by the company.
Wiseman, (1982)	To provide evidence on the relationship between objective measures of company's environmental disclosure and their environmental performance.	Simple Instrumental	A sample of 26 largest companies from 3 industries were indexing procedure for evaluate the content of annual report environmental disclosure. Only voluntary environmental disclosure was measured and evaluated.	26 US largest companies in the steel, oil and pulp and paper industries.	U.S	There is relation between the social and environmental disclosure and environmental performance.
Singh & Ahuja (1983)	To investigate the extent of corporate social disclosure in the Indian public companies annual reports.	Simple Descriptive	Selection of a sample, construction of the index of disclosure, and assignment of weights to different items of the index.	40 of Indian public companies.	India	There is significant effect of Industry type on the extent of corporate social disclosure. The result show that the manufacturing companies make more disclosure than the service companies did about the social responsibility.
Teoh &Thong, (1984)	To investigate corporate social responsibility and reporting in Malaysia as a developing country. The purpose was to examine aspects of a company's social commitments in order to fulfil social responsibilities, including social reporting.	Simple Descriptive	Personal interview questionnaire survey was used to obtain the information the 100 senior management staff in their companies was interviewed.	A total of 100 Malaysian companies with personal interviews with senior management staff from various published lists companies.	Malaysia	All senior management staff in the sample gives attention to the social activities. The major attention from them is focused specially on activities relating to employees and product/ services. Also result shows that corporate size and national origin of corporate ownership are relevant in reflecting the extent of social commitments made by companies.

Author(s)	Aims	Theoretical perspective	Method	Populations	Country	Finding indicate that:
Cowen et al. (1987)	To investigate the relationship between a number of corporate characteristics (size, industry, profitability and the presence of a social responsibility committee)& specific types of corporate social responsibility.	Simple Instrumental	Considering the Impact of 4 independent variables (corporate characteristics) on number of disclosures of 7 categories the content analysis was used.	Sample of 134 companies from 10 different U.S industries .companies	U.S	There correlate between the company size and industry category with the certain types of disclosure while the existence of a corporate social responsibility committee appears to correlate with one particular type of disclosure.
Andrew, Gul, Guthrie, & Teoh (1989)	To examine corporate social disclosure in 119 annual reports of publicly companies in Malaysia and Singapore.	Simple Descriptive	Content analysis was used.	Listed Malaysian and Singapore companies.	Malaysia and Singapore	Only quarter of this companies disclose information about corporate social responsibility. And the majority of them concern only about one theme (employee)
Belkaoui & Karpik, (1989)	To develop and empirically test a positive model. Of the decision to disclose social information. The model tests the empirical relationship of corporate social responsibility with both social and economic performance.	Simple Instrumental	Ernst and Ernst(1978) data was used in this study for a measure of corporate social responsibility disclosure and a reputational index for a measure of social performance. -using the data from other source for the 1973 only. -Using reputational scale which might be yield conflicting result.	US companies	U.S	The result suggested that companies which disclose information about social performance are those (a) perceived to display social responsiveness, (b) those having higher systematic risk & lower leverage, (c) those which were larger in size.
Patten (1990)	To investigate whether investors use social information in making investment decisions.	Simple Instrumental	The study adopts the model based upon the mythology employed by Beaver (1986).	US companies doing business in South Africa.	U.S	The information did impact upon stock market behaviour. As such, the study provides evidence that investors do use social information in making their decisions.
Guthrie & Parker (1990)	To provide comparative analysis of key aspects of disclosure types and practices in the UK, the US and Australia.	Simple Descriptive	Content analysis was employed to analyse the annual reports of the 50 largest companies in the three countries. Largest companies from three countries only.	UK, US and Australia largest companies.	UK, US and Australia	There are significant international differences regarding total disclosure level, social content themes, methods and locations of disclosure. And the general disclosure characteristics observed lend support to the potential of the political economy perspective for explaining social disclosure practices. The result also showed that the most themes that the company disclose information about it in three countries are employees.
Harte & Owen (1991)	To explore how UK companies providing information about environment in their annual reports and provides further detail of development in this area.	Simple Descriptive	Content analysis was used.	30 UK companies	UK	There are some interesting developments in practice. There is little specific detail is disclosed. The study found that most of environmental reporting is still at the general stage.

Author(s)	Aims	Theoretical perspective	Method	Populations	Country	Finding indicate that:
Patten (1991a)	To examined whether variation in social disclosure across companies is a function of public pressure and/or profitability.	Simple Descriptive	Content analysis was used to measure the level of social performance. A regression analysis also used to represent the dependent variable.	128 companies in 1985 indicate that size and industry type.	UK	Size and industry classification are significant explanatory variables whereas a number of profitability variables are not.
Patten (1992)	To investigate the effect of the Exxon Valdes oil spill on environmental disclosure in the annual reports of petroleum companies other than Exxon.	Legitimacy theory.	Content analysis was used to analysis the e annual reports (1988-1989) Petroleum companies.	Only 21 publicly trade companies other than Exxon were included in the sample.	U.S	Supported legitimacy theory arguments which suggested that companies operating within sensitive industry would respond by increasing the amount of environmental disclosure in their annual reports.
Roberts (1992)	To empirically test a stakeholder theory analysis of determinants of corporate social responsibility disclosure. And to test the effect of overall company strategy on one type of social responsibility activity, corporate social disclosure.	Stakeholder theory.	(Ullmann) framework was adopted and corporate social responsibility disclosure model was designed to test it. Dependent variables represent the level of stakeholder power, the strategic posture toward social responsibility active-ties, or the economic performance of corporation.	Empirically tests the ability of stakeholder theory only.	U.S	Stakeholder power, strategic posture and economic performance are significantly related with the levels of corporate social responsibility disclosure. The empirical result support a stakeholder theory approach to analysing corporate social decisions and consist with the framework developed by Ullmann (1985).
Epstein & Freedman (1994)	To examine whether investors demand social information and if they do, what type of information they want and what implication this has for information suppliers.	Simple Normative	A questionnaire was used to test shareholder attitudes towards annual report disclosure, usefulness of annual reports and corporate issues of social, environmental and ethical concern,	A list of 3000 individual investors randomly selected from list of 300000 shareholders maintained and regularly updated by Dunhill International List Company, New York.	U.S	Shareholders show their interested in having their companies report on certain aspects of corporate social activities. The majority of the shareholders surveyed also want the companies to report ethics, employee relations and community involvement.
Adams, Coutts, & Harte (1995)	To investigates corporate reporting equal opportunities impact in Britain.	Simple Descriptive	Content analysis was used to study and analyse the equal opportunities reporting of sample of 100 British companies.	1000 of top British companies.	UK	Most reporting appears to have been in response to legislation, although, the study revealed that only a minority of companies in the sample comply fully with the legislation. Very small numbers of companies referred to their monitoring of employment of minority groups and vary few take opportunity to disclose any breakdown of employees by number.
Gray et al. (1995a)	To describe corporate social practice in a particular national context. Also to provide and analyse the corporate	Simple Descriptive	Content analysis was used to collect and analyse data of UK companies annual reports	UK companies.	UK	All companies in the sample disclosed some information about social activities especially about employee. The result also showed that there

Author(s)	Aims	Theoretical perspective	Method	Populations	Country	Finding indicate that:
	social reporting in the UK context by using the content analysis over a period of 13 years.		over a period of 13 years started in 1979.			was general rise in the proportion of companies disclosing social information.
Deegan & Rankin (1996)	To analyse the environmental disclosure practices of Australian companies.	Legitimacy theory.	Content analysis and questionnaire survey.	Australian companies during the period from 1990 to 1993.	Australia	The result showed increase amount in environmental disclosure during the period 1988 - 1991, also result indicate that there is link between level of disclosure and both environmental sensitivity and company size.
Hackston & Milne (1996)	To provide description of the New Zealand companies' corporate social disclosure practices in the light of documented overseas' corporate social disclosure. And to examine some optional determinants of social disclosure in companies; also examine the research analysts, choice of measurement technique of corporate social disclosure on any relationship found.	Simple Descriptive	Content analysis was used to measure the dependent variables (corporate social) of 47 companies. Independent variable include: size of company, corporate profitability and industry type.	47 largest companies listed on the New Zealand Stock Exchange at 31-12-1992.	New Zealand	4 out of 5 companies disclose some social information in their annual reports. And the most corporate social reporting with New Zealand companies was about employee, the environment and community involvement themes also receive some significant attention. the study result also showed that there is significant associated between size and industry type with amount of disclosure, while profitability is not.
Tilt (1998)	To investigate the developing corporate environmental policies on Australian companies. And collect detailed information on corporate environmental policies and the major influences on their development.	Simple Normative	Questionnaire survey.	Australian companies.	Australia	The study concluded that environmental awareness by companies increases with size. Industry groupings and environmental law were found to be a major influence on companies' policy development and environmental activities.
Adams & Harte (1998)	To examine disclosure with respect to gender and employment in the largest UK banking annual reports and retail companies over 59 years (1953-1993).	Simple Normative	Data was gathered by means of a form of content analysis. This study was adopt a model which developed by Adams, et al. (1995).	UK banking retail companies over 59 years (1953-1993).	UK	The position of women in the two sectors studied can in part be explained by continuing patriarchal attitudes of management.
Tsang (1998)	To examine the corporate social disclosure by Singapore companies in three industries over a ten-year period from 1986 to 1995.	Simple Descriptive	Content analysis was used to analyse 330 annual reports of 17 companies from all three industries.	Singapore companies in three industries	Singapore	The study showed that corporate social disclosure in Singapore was in the early stage. The 17 companies mainly disclosed information on employees and community involvement, and the amount of disclosure under the categories did not differ much.

Author(s)	Aims	Theoretical perspective	Method	Populations	Country	Finding indicate that:
Adams et al. (1998)	To examine the impact of size, industry grouping and country of origin on corporate social reporting.	Both Simple Descriptive and Simple Instrumental	Content analysis was used to collect the data. Also a questionnaire was used as well in this study.	Companies from six Western European countries. And the sample was limited to the 25 largest companies for which English language annual reports and accounts were available.	six Western European countries	Super-large companies are significant more likely to disclose all types of corporate social information. Industry type was found to be related to the decision to report environmental and some employee information. But not ethical disclosure. The amount and nature of information disclosure varies significantly across Europe. Whilst legitimacy theory can be employed to explain differences related to size and industry type, however the reasons for differences across countries are much more complex.
Williams (1999)	To provide empirical evidence on the significant of cross-country (societal) variables that may assist in explaining variations in the quantity of voluntary environmental and social accounting disclosure information provided by companies annual reports across notional boundaries.	Political Economy theory	Content analysis (number of sentences).	356 listed companies operating in seven Asia-Pacific nations.	seven Asia-Pacific nations	Two cultural dimensions (uncertainty avoidance and masculinity) and political and civil systems are significant determinants of the quantity of voluntary environmental and social accounting disclosure information. In contrast, the legal system and equity market do not appear to be important factors in explaining variations in voluntary environmental and social accounting disclosure levels across country.
Abu-Baker & Naser (1999)	To investigate the extent of corporate social responsibility disclosure in Jordanian companies.	Simple Normative	Questionnaire survey was used to explore views and perceptions of various groups (from the accounting community in Jordan) .	Groups of participations from the accounting community in Jordan.	Jordan	The majority of respondents are willing to accept that Jordan companies should disclose corporate social responsibility information, although they tend to believe that these companies would be unwilling to do so without legal and professional pressure.
Adams & Kuasirikun (2000)	Use the method that is both comparative and longitudinal in nature, examining in detail how ethical reporting practices developed differently in the UK and Germany.	Simple Instrumental	Content analysis was used in this study	The UK and German industries companies within the top 400 companies in the Times 1000 in 1995.	UK and German	Substantial differences in the nature and patterns of reporting both across time and between the two countries studies. German companies reported more information about their social activities.
Abu-Baker & Naser, (2000)	To provide the empirical evidence on corporate social reporting practices in a developing country (Jordan).	Simple Descriptive	Content analysis was used to examine written contained in the annual reports	A sample of 143 different Jordan companies which chosen from four industry groups listed on Amman Financial Marks	Jordan	Most surveyed companies showed that modest attention was given to the corporate social responsibility. The themes most commonly disclosed across time and between the 4 industry groupings were human resources and community involvement. Significant differences between various industry groupings were found

Author(s)	Aims	Theoretical perspective	Method	Populations	Country	Finding indicate that:
						regarding the amount, methods, and locations of corporate social responsibility in the annual reports of the samples companies.
Deegan et al. (2000)	To investigate the reaction of Australian companies, in terms of the disclosure made in their annual reports, to five major incidents.	Legitimacy theory.	Content analysis was used to analyse the annual reports of sample companies which were limited to those listed on the Australian Stock Exchange. The study adopted a quasi-experimental design that takes the form of a pre-test and post-test. In order to examine the extent of annual reports disclosures, the level of disclosure before an incident was firstly established. This than compared with the level after the incident.	Australian companies which on Stock Exchange.	Australia	More information was disclosed after four of the incidents by the sample companies operating in the affected industries (e.g. companies involving in oil production of the transport of oil at sea). The rustles support the thought that annual reports are employed by firms (the prepares) as means of influencing society's views of the operations of these firms, and as means of legitimating their (i.e. the companies) ongoing existence.
Alnajjar, (2000)	To measure and evaluate corporate social responsibility made by companies in their annual reports to provide evidence of the relations between certain corporate characteristics and this disclosure.	Simple Instrumental	Content analysis was used to analyse the annual reports of 500 companies.	US Fortune companies	UK	There was evidence of highly significant effect of profitability on total disclosure and that total disclosure is a function of corporate size.
Wilmshurst & Frost (2000)	To analyses the link between the importance of specific factors in the decision to disclose environmental information and actual reporting practices.	Legitimacy theory	Content analysis and Mail survey were used on this study to test the legitimacy theory	105 Australian companies.	Australia	There is some significant correlations between the perceived importance of a number of factors and environmental reporting practices. The result also provide limited support for legitimacy theory as an explanatory link between. Identified influential factors in management's decisions process and actual environmental disclosure.
Imam (2000)	To examine areas of corporate social and environmental reporting. And to assess the position of corporate social performance reporting in Bangladesh.	Simple Descriptive	Content analysis was used to analyse the actual reporting practices of 40 listed companies of the Dhaka Stock Exchange.	Bangladesh companies which listed on Dhaka Stock Exchange.	Bangladesh	corporate social information did not provide in the most companies annual reports in 1996-1997. Though some progressive companies disclosed some information that was not at all adequate in discharging social responsibilities. In addition, the disclosure level was poor.

Author(s)	Aims	Theoretical perspective	Method	Populations	Country	Finding indicate that:
Gray, Javad, Power, & Sinclair (2001)	To investigate the relationship between corporate social disclosure and company size, profit and industry groups.	Simple Instrumental	It was based on the Centre for Social and Environmental Accounting Research' Social and Environmental Disclosure Database. This database comprises the results of a content analysis of the top 100 UK companies.	UK companies.	UK	In the UK, social information is related to corporate characteristics of size, profit and industry groups. However, the detailed functional models of the relationships between different measures of corporate social disclosure. And the corporate characteristics are very with both the variable chosen and the time period selected.
Cormier & Gordon (2001)	To examine the social and environmental disclosure in three companies annual reports, and what differences exist in the disclosures between the tow public and one private owned companies.	Legitimacy theory	Case study.	Three Canadian electric utilities.	Canada	Public companies disclose more social and environmental information compared with the private companies.
Belal (2001)	To investigate corporate social disclosure practices in Bangladesh. And to explore the socio-political and economic context in which these disclosure take place.	Simple Descriptive	Content analysis was used to quantity and nature of corporate social information in the annual reports.	Bangladesh companies which listed on Dhaka Stock Exchange.	Bangladesh	Some companies made some social disclosure and the quantity of information disclosed is very low and of a descriptive nature. He argued that in the absence of independent conformation, the credibility of information disclosed is questionable.
Friedman & Miles (2001)	To examine the relation between corporate social and environmental reporting and the socially responsible investment sector.	Simple normative	Interviews were conducted with 14 individuals (experts within the socially responsible investment field in the UK).	14 individuals people who are expert with in socially responsible.	UK	Field of corporate social reporting is on the verge of a major change towards a substantial and sustained improvement in quality and quantity. Preliminary evidence also suggests that greater demand for corporate social reporting, and grater legitimacy of corporate social reporting within the accounting orthodoxy will be created.
Woodward, Edwards & Birkin, (2001)	To analysis the attitudes towards of UK large companies perceived social responsibility.	Concept of organisational legitimacy, political economy of accounting and Agency theory.	Investigation by interviews. The interviews were conducted mainly with senior executives in eight major UK corporations.	Interviews with eight senior executives major UK companies in four distinct industries.	UK	Interviews material suggests either a belief on the part of the interviewees that corporate social responsibility is an actual proactive goal of their company, or as the companies interviewed are vary concerned with 'image building', a desire at least to be seen in that light by society.

Author(s)	Aims	Theoretical perspective	Method	Populations	Country	Finding indicate that:
Adams (2002)	To identify any internal contextual factors influence the nature and extent of corporate social reporting.	All theories of social reporting.	Interviews were used as method on this study.	Interviews were conducted with seven large multinational companies in the chemical companies and pharmaceutical sectors of the UK and Germany.	UK and Germany	The process of reporting and decision making appears to depend on country of origin, corporate size and corporate culture. Aspects of process which appear to be influenced by these variables are the degree of formality versus information, the departments involved and the extent of engagement of stakeholders. Also the study found that the theories of social reporting can be at best offer only a partial explanation for the nature of corporate social reporting.
Deegan et al. (2002)	To examine the relation between the amounts of corporate social disclosure in the BHP annual reports and level of media attention related to each them.	Legitimacy theory.	Content analysis was used to analyse both the media attention and corporate social disclosure in the annual reports.	BHP ltd (one of largest Australian company) from 1983 to 1997.	Australia	The study result supported the legitimacy theory argument. Greatest level of media attention was given to employee, health and safety themes, disclosure amount about this themes in this company was great.
Newson & Deegan (2002)	To explore the corporate social disclosure policies of large companies. Also to investigate whether country of origin or industry of operation appears to be a significant influence on corporate social reporting and disclosure.	Both Simple descriptive and simple normative	Content analysis and Questionnaire survey both used in this study.	Multinational companies from three countries (Australia, Singapore and South Korea)	Australia, Singapore and South Korea	There is a minimal association between global expectations and social disclosure political of large multinational corporations. Country of origin and industry of operation appear to significantly influence disclosure practices.
O'Dwyer (2002)	To examine managerial perceptive of the motives for corporate social responsibility disclosure. These perceptions are interpreted legitimacy theory lens.	Legitimacy theory.	Semi-structured in-depth personal interviews with 29 senior executives in 27 Irish public limited companies.	27 senior executives in Irish public limited companies.	Ireland	Corporate social reporting and disclosure may occasionally from part of a legitimacy process, ultimately this is misguided as it is widely seen as being incapable of supporting the achievement of a legitimacy state. Consequently, for many managers, the continued practice of corporate social reporting is demand somewhat perplexing.
Toms (2002)	To investigate how the annual report might promote the creation and management of environmental reputation.	The study offered a theoretical framework to include quality signalling via the channel accounting disclosure.	Proposed theoretical framework and tested it via an empirical survey into the relationship between environmental disclosure and environmental reputation.	UK economy environment.	UK	The study finding suggest that implementation, monitoring and disclosure of environmental policies and their disclosure in annual reports contribute significantly to creation of environmental reputation.

Author(s)	Aims	Theoretical perspective	Method	Populations	Country	Finding indicate that:
Al-Khater & Naser (2003)	To examined the perception of different users of company information about the nation of the accountability process and the possibility of widening the scope of the current corporate annual report in Qatar to include information.	Simple normative	Questionnaire survey was designed and distributed to 4 user groups in Qatar: (accounting, external auditors, academics and bank officers.).	Four users group of Quarter corporate reports (143 questionnaire from 4 users group were received and analysis).	Qatar	Most of respondents would like to see corporate social responsibility information disclosed, either in a separate section, or as part of the board of directors' statement within the annual report. To achieve accountability, the respondents believe that a law that requires and encourages the disclosure of corporate social responsibility information should be introduced, and different parties within the society should have the right to such information.
Campbell, Craven, & Shrives (2003)	To examine the to which voluntary social disclosure represent an attempt to close a perceived legitimacy gap in order to gain, maintain or restore legitimacy between the reporting entity and its relevant constituencies.	Test if legitimacy theory is explanation of social disclosure.	Content analysis was used to analyse annual reports of five companies representing three FTSE sectors.	Corporate reports of five companies which are continual members of FTSE 100 (by market value) January 1974 to June 1998.	UK	The study finding suggested that legitimacy theory may be an explanation of disclosure in some cases but not in others.
Unerman (2003)	To investigates the politically related narrative accounting information disseminated by an early transactional corporation, TNC (Shell), and analyse the role of this information in assisting to develop, reinforce and/ or defend the relative power of TNCs as against national governments.	The analysis of this study is theoretically informed by classical political economy of accounting theory.	Content analysis was used to collect and summarise the empirical data. The disclosure made by Shell in group-level publicly-available reports which was produced annually (not only the annual reports) during the period (from1950 to 1965).	Shell annual reports from 1950 to 1965.	UK	Results not support the view that the disclosures of sell were made with the intention of directly influencing government policy in different countries. The narrative accounting disclosures might be considered of little important by shell's decision makers. This was ascribed to that fact that shell had close working relationships with many governments. Disclosures, however, could have been made to place indirect pressures through people who might read the reports. It was also suggested that these disclosures might reflect contemporary aspect of the political interaction between firms and governments. The aim of these disclosures was to protect and enhance the hegemony of capital.
Holland & Foo (2003)	To examine the current corporate environmental reporting practices within UK and US annual reports and to suggests that elements of the legal and regulatory framework of each country which	Accountability model was used to analysed the practices to inform the.	Content analysis was used to analyse the 40 annual reports (20 from each country) which selected from within the five chosen environmental sensitive industry groups.	Companies with in environmentally sensitive industry group from UK and US.	UK and U.S	In both countries the requirement to disclose information about the environment within annual reports has not kept pace with legislative reform in matters of environmental performance. Also the study concluded that voluntary environ-mental

Author(s)	Aims	Theoretical perspective	Method	Populations	Country	Finding indicate that:
	regulate environmental activity, and so influence environmental performance, determine the types of disclosure made. And to examine the environmental management context to present an explanation of recent developments practice. It also aims to discover the differences of disclosure between UK and US.	development of normative position for disclosure				disclosures have created many differences between UK and US environmental reporting practice.
Jahamani (2003)	To investigate the extent to which corporate decision makers in Jordan and U.A.E are aware of, their companies.	Simple Instrumental	Questionnaire survey was used. Decision-makers of companies from three different sectors were involved in the survey.	United Arab Emirates companies and Jordanian Shareholding companies.	United Arab Emirates and Jordanian	Corporate decision-makers are aware of environment protection. their commitment to the environmental issues is still low. No different between two countries in terms of circumstances leading to environmental awareness and involvement.
Staden (2003)	To contribute towards an understanding of the motivation for the sustained high level of publication of the value added statement, which is confident to Shout Africa	Adopt the social disclosure theories to explain the situation of Shout Africa.	Utilised data collected using questionnaire survey in a study conducted by Staden (1998) entitled 'the usefulness of the value added statement in Shout Africa'.	All the users of external financial reports were surveyed by Staden (1998).	Shout Africa	Legitimacy theory and political economy of accounting theory provide the best explanation for the continued publication of the value added statement in Shout Africa.
Idowu & Towler (2004)	To analyse to contents of corporate social reporting of UK companies to examine corporate social reporting of different companies across different industries in the UK.	Simple descriptive	Content analysis was used.	By the Phone thirty companies were contacted and requested to provide their reports. Information was received from 60% of the companies contacted.	UK	Some UK companies issue separate reports for their corporate social reporting activities and others devote a section in their annual reports. UK corporate social reporting discloses information about the contributions an entity has made in four main perspectives, which are environment, community, marketplace & workplace. It was also concluded that corporate social reporting in the UK is still in its infancy. The reporting practices range from the very sophisticated and well-established system to "a brief mention of corporate social reporting" in the annual report.
Thompson & Zakaria (2004)	To investigate the current state-incidence, nature, quality and quantity-of corporate social responsibility reporting in Malaysian companies.	Simple descriptive	Content analysis was used to analyse the Malaysian companies' annual reports.	Malaysian companies	Malaysian	Results reveal that of corporate social responsibility reporting in Malaysian companies are in their infancy competing with other developed countries. Study suggested that poor state

Author(s)	Aims	Theoretical perspective	Method	Populations	Country	Finding indicate that:
						of social disclosure are many varied, but essentially the dearth is largely a consequence of a lack of drivers, in particular a lack of government and societal pressure to report on social issues.
Ahmad & Sulaiman (2004)	To examine the extent and type of voluntary environmental disclosure in the annual reports of Malaysian companies, and to identify the factors that motivate decision makers to disseminate environmental information. and also to investigate whether legitimacy theory explains voluntary environmental disclosure practices in the context of third world nation.	Legitimacy theory.	Content analysis and questionnaire survey was applied in this study.	Sample of companies was selected from listed companies on the Main Board of the Kuala Lumpur Stock Exchange. The sample selected from construction and industrial product sectors.	Malaysian	Very few of the surveyed companies disclose information about environment. Even in the annual reports of disclosing companies, environmental disclosure was found to be minimal. Finding also suggested that most influential factor influencing companies to reveal environmental information was related to legal compliance. Also show some limited support for legitimacy perspective in explaining the nature of environmental disclosure
Rahaman , Lawrence , & Roper (2004)	To explain social and environmental reporting at a Ghanaian public sector organisation, the Volta River Authority (VRA).	Uses a combination of institutional theory and 'Habermas' legitimation theory.	Methods included interviews and document analysis. Three types of interviews were conducted. These types including exploratory, in-depth and follow-up interviews. Several documents were analysed. These include: the VRA annual reports, World Bank reports on the VRA, the Ghanaian government, international memos, reports from external auditors and reports from the Ghana Public services Commission. A total of 54 interviewees.	A total of 54 interviewees were conducted. The interviewees include top management and operational level staff members of the VRA and some official from other government departments.	Ghana	A strong institutional pressure, especially from World Bank, was suggested to be the dominant explanation for VRA corporate social reporting practices.
Xiao, Gao, Heravi, & Cheung (2005)	To examine the impact of the stage of social and economic development on corporate social and environmental disclosure by comparing this kind of disclosure made in the annual reports of Hong Kong and UK companies.	Simple descriptive	Content analysis was used to collect and analyse data. The annual reports of a sample of 33 Hong Kong companies with 154 annual reports and 36 UK companies with 180 annual reports were analysed over the period from 1993 to 1997.	Companies from Hong Kong and UK from 3 different industries were included in the study namely: banking, property and utility.	Hong Kong and UK	There is different between the Hong Kong and UK companies. They differ in the volume, theme and location of corporate social and environmental disclosure. Hong Kong companies were found to be disclosing less information than UK companies. it concluded that Hong Kong and UK different stage of social and economic development, by creating differential political costs and legitimacy threats, contributed to these differences in corporate social and environmental disclosure.

Author(s)	Aims	Theoretical perspective	Method	Populations	Country	Finding indicate that:
O'Dwyer et al. (2005)	To investigate of non-governmental organisations' perceptions of corporate social disclosure in Ireland. It responds to O'Dwyer call for research to examine the nature and extent of stakeholder demand for corporate social disclosure in Ireland in order to inform the future development of accountable Irish corporate social disclosure.	Simple instrumental	Interview method was used in this study to collect evidence.	Senior representatives of major Irish of non-governmental organisations'.	Ireland	A demand for the development of stand-alone, mandated, externally verified corporate social disclosure mechanisms predominates the perspectives. The development of institutional mechanisms designed to support any desired corporate social disclosure developments were suggested to be impeded by several obstacles. These included: active corporate resistance to discursive dialogue, corporate resistance to voluntary disclosure, a compliant political elite unwilling to confront the corporate sector on social and environmental issues, and a fragmented non-government organisation community which has difficulty in raising public awareness about corporate social disclosure impact.
Smith et al. (2005)	To explain differences in corporate social disclosure among countries.	Stakeholder theory	Content analysis was used in this study.	Annual reports in The 1998 and 1999 for 32Norwegian/ Danish companies and 26 US companies in the sector of electric power generation industry.	Norwegian Danish	Companies from countries with strong emphasis on social issues(32Norwegian and Denmark) had a stakeholder orientation and thus higher levels and quality of corporate social disclosure in their annual reports than companies from countries with weaker emphasis on corporate social disclosure issues (US) and thus a shareholder orientation, that was more clearly seen in the large companies than medium and small size companies in their sample. The most disclosure by Norwegian/ Danish companies was about the environment.
Abreu, David, & Crowther ,(2005)	To explore corporate social responsibility (CSR) evidence and, especially, the experience and practice of enterprises in Portugal.	Simple descriptive	First an individual perspective about each enterprise studied and second, a general perspective applied to CSR in Portugal.	Portugal enterprise	Portugal	The finding showed that there are three components of CSR: the external influence (CSR external), the market influence (CSR market) and the operative influence (CSR operative) of the enterprises in Portugal.
Ghazali (2007)	To examine the influence of ownership structure on corporate social responsibility disclosure in Malaysian company annual reports.	Simple descriptive	The study use CSR disclosure checklist to measure the extent of CSR disclosure in annual reports and a multiple regression analysis to examine the association between ownership structure and extent of CSR disclosure in annual reports.	Malaysian companies.	Malaysia	There are influences of ownership structure on corporate social responsibility disclosure practices on the on the Malaysia stock market.

Author(s)	Aims	Theoretical perspective	Method	Populations	Country	Finding indicate that:
Silberhorn & Warren (2007)	To explore how large German and British companies publicly define corporate social responsibility, as well as why and how the respective notion of corporate social responsibility was developed.	Simple descriptive	Content analysis was used to analyse the web sites of 40 companies from both countries. And the interview was used to interviews 8 senior managers to view what the motivation behind corporate social responsibility.	40 large companies. 20 form German companies and 20 from UK companies.	German and UK	Corporate social responsibility is now presented as a comprehensive business strategy, erasing mainly from performance considerations and stakeholder pressure. Finding also showed that companies sampled are reflecting the stakeholders and they found that there are different in corporate social responsibility practices between the UK companies and German companies ones; they attributed that to different starting points for corporate social responsibility in Germany and UK. Their finding also argued that the size of company has an impact on corporate social responsibility practices.
Jamali & Mirshak (2007)	To examines the CSR approach and philosophy of eight companies that are considered active in CSR in the Lebanese context.	Simple descriptive	Case study	Lebanon companies which are active in CSR	Lebanon	The findings showed that the understanding and practice of CSR in Lebanon are still grounded.
Belal & Owen (2007)	To examine the views of corporate managers on current state of, and future prospects for, social reporting in Bangladesh	Simple instrumental	Interviewed the senior corporate social responsibility managers in Bangladeshi companies to examine their views and what was their motivation behind corporate social responsibility disclosure.	Senior corporate social responsibility in 23 Bangladeshi companies.	Bangladesh	The main motivation behind current reporting practice is due to a desire on the part of company management to mange powerful stakeholders groups.
<u>(Dincer & Dincer, 2007)</u>	To determine the most successful companies on social responsibility issues	Simple descriptive	Data was collected from two sources, at first; a survey is conducted on consumers. Second, face-to-face interviews	Turkish companies	Turkey	The most appreciated companies on CSR have a proactive approach. However. Also The most important issues according to consumers and these managers, and the main basic principles of the companies making a CSR investment, are determined
Golob & Bartlett (2007)	To examine how Australia and Slovenia which are on opposite sides of the world are addressing corporate social responsibility reporting issue. And to provide a review and a comparison of the corporate social responsibility reports standards in both countries by which this communication is guided.	Stakeholder and legitimacy theories as framework.	So-called cross-national comparative research was used to observe the phenomena of corporate social responsibility reporting across two countries. This study is a comparative study and applying contextual explanations of corporate social reporting in Australia Slovenia	This study is a comparative study between Australian and Slovenia companies.	Australia and Slovenia	From both countries perspective. It seems to be especially important to increase reporting incentives to increase the quality of information reported and to increase the uses of information by stakeholders.

Author(s)	Aims	Theoretical perspective	Method	Populations	Country	Finding indicate that:
Narwal (2007)	To highlight the corporate social responsibility (CSR) initiatives taken by the Indian Banking Industry, which can help them to enhance their overall performance	Simple descriptive	questionnaire survey	Indian Banking Industry	Indian	The findings showed that banks have an objective view-point about CSR activities. They are concentrating mainly on education, balanced growth (different strata of society), health, environmental marketing and customer satisfaction as their core CSR activities.
Smith, Yahya, & Amirudin (2007)	To examine the extent to which the environmental disclosure in annual reports of companies listed in the Kuala Stock Exchange are associated with corporate characteristics.	Simple descriptive	Content analysis was used to analyse the Malaysian companies' annual reports.	40 companies which listed on Main Board companies of Kuala Lumpur Stock Exchange who chose to make environmental disclosure.	Malaysian	Finding suggested that environmental disclosure is negatively associated with company financial performance. A significant inverse relationship between disclosure score and return on assets is apparent, suggesting that environmental disclosure in Malaysia has different priorities from disclosure elsewhere.
Jangu, Joseph, & Madi (2007)	To find out the level and trend of CSR disclosure pattern of industrial companies in Malaysia and its relationship with companies' characteristics	Simple descriptive	Content analysis	industrial companies in Malaysia	Malaysia	There is positive relationship between CSR and companies' turnover but no apparent relationship is noticed with companies' capital. Relationship between CSR and companies' profitability is also found to be positive but weak. More disclosure by local companies as compared to their foreign counterparts is another noteworthy finding
Islam & Deegan (2008)	To describe and explain the social and environmental reporting practices of a major garment export companies within developing country.	Legitimacy theory suggested to adopt in this study for the companies to maintain its license to operate.	Using combination of interviews, and content analysis to annual reports.	Senior executives from major companies in Bangladesh are interviewed, and the Bangladesh companies annual reports.	Bangladesh	The result shows that particular stakeholder groups have, since early 1990, placed pressure in the Bangladesh clothing industry in terms of its social performance. This pressure, which is also directly related to the expectations of the global community, in turn drives the industry's social policies and related disclosure practices.
Rizk, Dixon, & Woodhead, (2008)	To survey the corporate social and environmental reporting practices in Egyptian corporate entities.	Simple descriptive	Annual reports were analysis to found a 34-item disclosure covering the social themes.	Random sample of 60 Egyptian companies in 9 high polluting industries were chosen in 2002 financial year.	Egypt	There are significant differences in reporting practices among the members of the nine industry segments surveyed. Findings of this study also lend support it the significant of ownership structure on the reporting decision.
Dima (2008)	to examine the corporate social responsibility approach of a sample of Lebanese and Syrian firms with an interest in CSR and test relevant hypotheses derived from the CSR/ stakeholder literature	Stakeholder theory	Interviewees with all managers of sample companies	Lebanon and Syria companies	Lebanon & Syria	The finding shows how stakeholder theory can be used to draw and test new hypotheses, and to derive insights into general CSR patterns/motivations. The finding also showed that stakeholder management is affected by the relational attributes of stakeholders and the pressures they can exert on corporations

Author(s)	Aims	Theoretical perspective	Method	Populations	Country	Finding indicate that:
Dawkins & Ngunjiri (2008)	To compare the corporate social responsibility reporting of companies: environment, human relations, community, human rights, and diversity dimensions of South Africa with that of companies in the leading economies represented by the Fortune Global 100.	Simple descriptive	Content analysis	South Africa companies and fortune global 100	South Africa	The findings showed frequency and level of CSRR in South African companies was significantly higher than that of the Fortune Global 100, which indicates a greater willingness to convey <i>social responsibility</i> in their disclosure practices
Prado-Lorenzo , Gallego-Alvarez, & Garcia-Sanchez (2009)	To test the effect that shareholder power and dispersed ownership structure have on the decision to disclose corporate social responsibility information in the Spanish context.	Stakeholder theory.	Annual reports were chosen as the document to be analysed by content analysis method.	Non-financial Spanish companies on the Spanish continuous market.	Spain	The result obtained confirm that the influence exerted by certain stakeholders together with the strategic posture of the companies, have an important effect on the publication of corporate social responsibility reporting. And the economic performance has a null effect on this process. However, the study result shows that power of stakeholders is quite limited.
Salama (2009)	To examine whether Egyptian companies care about community as an important stakeholder in their internet social reporting.	Simple descriptive.	Content analysis to analyse the Egyptian companies online annual reports and/or website.	50 Most Active companies in Cairo & Alexandria Stock Exchange, available from the Disclosure book (June: 2006, 3 rd Issue)	Egypt	Finding showed that there are good examples of corporate social responsibility practices in some Egyptian companies who is working in the telecommunication and construction industries, and the extent of social disclosure in other industries companies is inadequate and there is still a long way to go.
Pratten & Mashat, (2009)	To examine corporate social disclosure in Libya so as to determine if it follows the western capitalist model or whether it has developed its own distinct.	Simple descriptive	Content analysis was used to analyse the Libyan companies' annual reports.	Libyan companies	Libya	The results suggest that the emphasis on CSR disclosure in Libya is different from that to be found in the west.
Azim, Ahmed, & Islam (2009)	investigation into the corporate social reporting practices of listed companies from Bangladesh	Simple descriptive	Content analysis	Bangladeshi companies	Bangladesh	Findings show that the highest rank in terms of corporate social reporting are com from companies in the banking sector secure; three fourths of all disclosures are generalized qualitative statements without any attempt at attestation; more than one half of the disclosures are located in the director's report; and the mean amount of disclosures was less than half a page.
Khan, Halabi, & Samy (2009)	to examine corporate social responsibility (CSR) reporting by banks in the developing economy of Bangladesh. This paper also aims to examine the users' perceptions relating to CSR disclosures issues.	Simple descriptive	Two types of data was used. First the annual reports of 20 selected banking companies, which are listed in Dhaka Stock Exchange (DSE). A questionnaire was also used to investigate the level of users' understanding and their perception of CSR reporting.	Bangladeshi banks	Bangladesh	The findings showed that the selected banking companies did some (albeit little) CSR reporting on a voluntary basis. Findings also showed that the user groups are in favor of CSR reporting, and would like to see more disclosure. The current disclosures by the selected banks, however, are not ample at all to measure the social responsiveness of the organizations.

Author(s)	Aims	Theoretical perspective	Method	Populations	Country	Finding indicate that:
Amran & Siti-Nabiha, (2009)	to explore and interpret the perceptions and motives of selected Malaysian managers on CSR	Using Institutional theory	interviewing senior managers from selected companies who have been identified as good reporters	Malaysian managers on Corporate social reporting	Malaysia	The findings showed that the level of awareness of CSR is low, there is an increasing trend of reporters. A popular reason given by the respondents to explain this paradox is the need to follow the reporting trend.
Mitchell & Trevor (2009)	To investigate the development and use of corporate social and environmental reporting by businesses within a large municipality in South Africa.	Simple normative	Structured questionnaire.	Companies which registered the registrar of companies in South Africa.	South Africa	The authors found that no evidence to suggest companies would engage in increased external reporting despite measuring and recording significant environmental and social data to meet the requirements of legislation or internal environmental policy.
Alon, Lattemann, Fetscherin, Li, & Schneider (2010)	To analyze the status of corporate social responsibility (CSR) communications in Brazil, Russia, India, and China (BRIC) nations	Simple descriptive	compares the extent and content of corporate communication with respect to CSR	from a sample of over 100 companies from the BRIC nations	Brazil, Russia, India, and China	CSR activities differ among BRIC nations with respect to CSR motives, processes, and stakeholder issues. China seems to be least communicative on a number of CSR issues
Rosser & Edwin (2010)	To examines the political dynamics that shaped this and subsequent regulatory developments related to corporate social responsibility and assesses the likely future direction of Indonesia's corporate social responsibility policies.	Simple descriptive	Case study	Indonesia's capitalist companies	Indonesia	The finding show that local communities have been negatively affected by corporate activity and their allies in the non-governmental organization movement, and predatory elements in the political parties and bureaucracy for control over the economic resources generated by the activities of major corporations in that country.
Adewuyi & Olowookere, (2010)	To examine the case of the West African Portland Cement (WAPCO) and its host communities.	Simple descriptive	Questionnaires and annual reports analysis	Nigerian PLC's case	Nigeria	The finding shows that the proportion of resources committed to CSR is small. Also shows that there is the budding predisposition for the company's activities to generate conflict with workers from the community as a whole in the future.
Potluri, Batima, & Madiyar (2010)	To know the attitudinal displays of Kazakhstan companies towards CSR. also to analyze the opinions of Kazakh employees, customers and the general public about their companies' socially responsible actions	Simple descriptive	questionnaires and informal personal interviews	50 Kazakhstan companies from both manufacturing and service sectors	Kazakhstan	Kazakhstan companies conveyed a difference of opinion in almost every stakeholder area because of the present day economic crunch.

The above shows that three out of five studies from seventy nine reviewed in the table were considered social reporting on developed countries. Seven studies from it compared how the countries (for example, US and UK, UK and Germany) are addressing the social accounting activities and reporting. On the other side, most studies which concerned social activities and reporting in developing countries were done in Asia, and only three studies were comparing how the countries in this side are addressing the social accounting activities and reporting. From the table it can also be noticed that only three studies were considered opposite sides (developed and developing) in the way they went about addressing the social accounting activities and reporting issues. The content analysis was the most employed method and the questionnaire and interview methods were applied in some.

Moreover, from the above table it can be noticed that all permutations of stakeholder theory were applied by the authors in both developed and developing countries to describe and examine the social reporting and disclosure practices and theoretical assumptions.

However, establishing a link between theoretical assumptions and companies' practices in the corporate social disclosure-related was the major concern with many studies especially in liberal market economies. The research in these studies was concerned with factors influencing corporate social reporting and disclosure. As Adams (2002) argued, the factors can be grouped into three: (1) corporate characteristics such as size, industry group, financial/economic performance and price and risk; (2) general contextual factors such as country of origin, time, specific events, media pressure, stakeholders and social, political, cultural and economic context) (3) and internal context such as identity of company chair and existence of a social reporting committee. Studies' results in particular showed that company size had a significant and positive correlation with corporate social reporting and disclosure levels (e.g. Adams et al., 1998; Alnajjar, 2000; Belkaoui & Karpik, 1989; Cowen et al., 1987; Deegan & Rankin, 1996; Newson & Deegan, 2002; Patten, 1991a; Trotman & Bradley, 1981). Also there is strong evidence showing that industry type is related to level and nature of disclosure (e.g. Adams et al., 1998; Cowen et al., 1987; Deegan & Rankin, 1996; Gray et al., 2001; Hackston & Milne, 1996; Newson & Deegan, 2002; Patten, 1991a; Roberts, 1992). There is also evidence to indicate that a

company's age might influence the level of corporate social reporting and disclosure practices (Roberts, 1992). There is little evidence of a link between corporate social reporting and disclosure and profitability (Cowen et al., 1987). According to Patten (1991a) there is a degree of relationship between corporate social reporting and disclosure and share trading volume and price, although the extent of disclosure varied. Roberts (1992) found that there is a positive correlation between the level of social disclosure and the measures of stakeholder power, strategic posture, and economic performance, he also showed that there is negative correlation between the level of social disclosure and systematic risk. Other studies (e.g. Alnajjar, 2000) showed a strong significant effect of profitability on total disclosure. Moreover, Roberts (1992) found a significant relationship between the level of corporate social disclosure and an active strategic posture.

In addition, the impact of the general context in which company disclosures are made is examined in the literature of corporate social reporting and disclosure. It seems to be that the link between corporate social reporting and disclosure and corporate characteristics are less complex compared with the link between it and general contextual factors. This might be attributed to difficulty in isolating the contextual variables and the complex relationship between them (e.g. Adams, 2002; Adams & Harte, 1998; Burchell et al., 1985). However, some conclusions can be drawn from related studies (Adams & Harte, 1998; Adams et al., 1998; Adams & Kuasirikun, 2000; Belkaoui & Karpik, 1989; Gray et al., 1995a; Lewis & Unerman, 1999; Patten, 1992; Smith et al., 2005; e.g. Trotman & Bradley, 1981; Tsang, 1998) :

- The nature of corporate social reporting and disclosure varies with the period in time, although this might be clearly linked to changes in the social, political and economic context in particular.
- There is a link between changes in the social, political and economic context which occur over time and the nature of corporate social reporting and disclosure.
- The nature of corporate social reporting and disclosure might be influenced by the factor of country of origin of a business enterprise.
- As a company responds to stakeholders' concern by attempting to legitimate their activities, the extent of corporate social reporting increased. In this context, Patten

(1992) found in his study that petroleum companies significantly increased their corporate social responsibility disclosure following the Exxon Valdes oil spill.

- The association between the levels of corporate social disclosure and media coverage of various industries' social and environmental impact is positive.

As to the internal factors, the variables including the influence of presence of a corporate social responsibility committee, and the impact of the enterprise chairperson, have been examined in the prior literature. In this respect, Cowen et al. (1987) found that there is a positive relationship between the presence of a corporate social responsibility committee and the amount of social disclosure. Also, Campbell (2000) found that changes in the company chairperson explained some of the variability in the volume of corporate social reporting. Moreover, attempts have been made to identify internal contextual factors that influence the nature and extent of corporate social reporting (Adams, 2002). Findings from this study showed that there are significant internal contextual variables which are likely to impact on the extent, quality and quantity of reporting. The internal contextual variables examined include aspects of the reporting process and attitudes to reporting, along with the impact of legislation and audit. Findings also showed that the process of reporting and decision making appears to vary in relation to the country of origin, corporate size and corporate culture. The processes most influenced by the decision-making variables are the degree of formality versus informality, the direct involvement of departments and the extent stakeholders are engaged.

Most of the previous studies, as the literature review showed, adopted a single analysis approach, and they were almost purely descriptive. Such studies fail to link their 'empirical' results to the political, economic, and social characteristics of the country. It can be noticed that the empirical studies in the industrialised countries of US, Western Europe and Australia were dominant in the literature (Adams et al., 1995; Adams & Harte, 1998; Adams & Kuasirikun, 2000; Cowen et al., 1987; Gray et al., 2001; Idowu & Towler, 2004; O'Dwyer, 2002; Smith et al., 2005; Trotman & Bradley, 1981; Wilmshurst & Frost, 2000). Moreover, international comparative studies of corporate social reporting and disclosure also have focused on analyses of the differences and similarities of corporate social reporting and disclosure practices models and theories in these countries only (Campbell, 2000; Ernst & Ernst, 1978;

Guthrie & Parker, 1990; Newson & Deegan, 2002; Xiao et al., 2005). In the case of developing countries, although they have increased in number in recent years, the studies concerned with corporate social reporting and disclosure are few in number compared with developed countries. As for 'developing' countries studies, most have been undertaken in the context of newly industrialised countries such as Malaysia and Singapore in the Asian countries. There have also been studies in African countries such as South Africa, Nigeria and Uganda (Belal, 2001; Tsang, 1998). There are only a small numbers of studies on corporate social reporting and disclosure within the Arab nations, of which Libya is one (Abu-Baker & Naser, 2000; Ahmad, 2004; Al-Khater & Naser, 2003; Jahamani, 2003; Naser & Abu-Baker, 1999).

If the economic and social developments are important factors affecting corporate social reporting and disclosure practices, then the apparent attempt to generalize the findings of Western studies to developing nations, and to particular sub-groups within that group, might be dangerous. Adams (2002) therefore argues that empirical research results must be interpreted with caution; cultural and national differences are likely to affect accounting practices and corporate social reporting practices (Mathews, 1993). Furthermore, although large companies are the main subject of the studies, the samples vary from study to another in terms of both size and industrial composition. Gray et al. (1995a) also found that the nature and volume of corporate social reporting tends to vary both over time and between different countries, with issues considered important in one country, or at one particular point in time, being regarded as less important in other countries, or at another time.

As a result, the purpose of this study is to address the above mentioned imbalances through an examination of corporate social reporting and disclosure by Libyan companies over a five-year period from 2001 to 2005, and also to investigate the perception of key stakeholders in, or observers of, Libyan companies. In adding to the stock of corporate social reporting and disclosure research, the study provides an opportunity to contribute knowledge from the perspective of a developing economy in a North African country which is related with the Arab nations. The importance of conducting research in the context of developing countries was addressed by Kisenyi & Gray (1998), this study as a mention before (page 18) made the following observations in a recent study on social disclosures in Uganda.

2.6 Conclusion

This chapter has reviewed the definition of corporate social reporting and also reviewed the history of corporate social reporting and disclosure practices which was provided in the literature. The other sections dealt with social disclosure theories provided in the literature: especially political economy theory, which explores corporate social reporting within a social, political and economic framework; legitimacy theory, derived from the bourgeois perspective, which states that companies employ corporate social reporting as a way of legitimising their relationship with society by showing that companies' activities are in accordance with social norms and expectations; and stakeholder theory, which takes three forms – normative, instrumental and descriptive. This study adopts a stakeholder theory perspective in examining social accounting practice in Libya. It is not intended to seek support for stakeholder theory in a statistical sense. Rather, the stakeholder perspective is being used, as in many previous studies and in much discussion of business ethics, to frame the research – not least because it resonates with the user approach, which is an influential way of thinking about accounting disclosure in general, especially when policy insights are being sought.

It has been noted that much of the research on social disclosure practice has been in developed countries such as the UK, USA and Australia. More recently, there has been some research into developing countries. However, given the relative lack of research in developing countries, especially in the Arab world, and in those undergoing transition from a planned to a market economy, it is believed that Libya is an interesting case for study

Having reviewed the literature of corporate social reporting, including previous studies of social disclosure, the next chapter provides an introduction to the Libyan context before, in the following chapter, explaining and justifying the approach taken to the empirical research conducted in Libya.

Chapter Three

The Libyan Environment

3.1 Introduction	81
3.2 The Libyan Environment and Its Accounting Practices	81
3.2.1 The Influence of Culture.....	83
3.2.2 The Influence of the Political Environment.....	85
3.2.3 The Influence of the Legal System.....	88
3.3 Overview of the Libyan Economy	89
3.4 Accounting Practices and Auditing	92
3.4.1 Statutory Requirements.....	92
3.4.2 The Influence of Accounting Practices and Principles from Abroad.....	95
3.4.3 Libyan Accounting Education.....	96
3.5 The Structure and Content of Annual Reports and Disclosure Practices	99
3.6 Conclusion	101

3.1 Introduction

Libya is a developing country and it has a unique culture, as any other country, with a significant position as the second largest oil producer in Africa. It has experienced dynamic changes over a short period of time.

This research is concerned with corporate social reporting and disclosure in Libya. To understand this issue the aim of this chapter is to explore the economic and political environment and social features which should play a vital role in moulding its accounting system information expectations and, hence, its corporate reporting and disclosure practice. It is important to examine the economic, political and social environment of a given country in order to determine whether its accounting system is appropriate for its environment. Accordingly, this chapter examines the environment in which the current corporate reporting and disclosure practices of Libyan companies take place. Understanding these factors might help in understanding the role of social accounting disclosure and their effect on the development needs of such a country. The chapter also provides a useful background for the reader unfamiliar with Libya.

The chapter begins with a section which gives a brief review of the Libyan environment including the influence of culture, politics and the legal system. An overview of the Libyan economy is outlined in the third section. The fourth section deals with accounting practices in Libya and explains the statutory requirements, the influence of accounting practices and finally Libyan accounting education. The structure and control of annual reports and disclosure practices are explained in the fifth section.

3.2 The Libyan Environment and Its Accounting Practices

To provide financial information to people for making the right decisions is the principal purpose of accounting and one of the main reasons it is done differently in different countries is because the users and preparers of accounting information are different (Alhashim & Arpan, 1992). In this respect, Hagigi & Williams (1993) pointed out that each country has unique financial reporting practices. These practices are determined by factors such as its accounting principles, economic conditions, tax regulations, legal setting, sociological considerations and environmental characteristics. Therefore, the accounting practices in the international

accounting literature present many environmental factors which may influence the development of accounting practices. There is some argument from the literature showing different patterns of accounting application and practices in different parts of the world. In this respect Briston (1990) argued that each country is different and has different needs. The purpose of accounting is to serve society. As a consequence, accounting is likely to be influenced by the different political, economic, social and religious environments in which it operates. Hofstede (1993) also stated that there are numerous theories that are only partly outside the borders of their countries of origin. In this respect Mueller (1968) offered four elements of differentiation:

- i. State of economic development: national economies often vary in terms of the extent of their development and nature, ranging from the developed to the developing economics.
- ii. State of business complexity: national economies can vary in terms of their technological and industrial know-how, which can create differences in both business needs and business output.
- iii. Shade of political persuasion: national economies can vary in terms of their political systems, ranging from the centrally-controlled economy to the market-oriented economy.
- iv. Reliance on some particular system of law, national economies often vary in terms of their legal systems. They may rely on either a common-law or code-law system; or they may have protective legislation, such as unfair trade and antitrust laws.

Belkaoui (2000) stated that the determination of the accounting profession is expected to be affected by environmental conditions including the following: cultural relativism; Linguistic relativism; Political and civil relativism; Economic and demographic relativism; Legal and fiscal relativism.

It is not easy to come up with all the factors which are environmentally influential on the development of accounting practice within the context of developing nations, but those considered to be the most important environmental factors are culture, political and legal system, and the economy which will be highlighted in next sections.

3.2.1 The Influence of Culture

Hamid, Craig, & Clarke (1993), stated that considerable attention has been given to the influence of culture on accounting policy and practice in international accounting literature. Moreover, a number of researchers (Adler, 1983; Belkaoui, 2000; Douppnik & Salter, 1995; Hofstede, 1991; Jaeger, 1986; Jaggi & Low, 2000) have shown that culture is one of the major factors influencing the structure of business and society and also accounting (Gray, 1988). In this context, Jaggi & Low (2000) argued that the culture of a country would strongly affect financial disclosure by companies in that country. This effect of culture should also happen in the same way for the social disclosure in the companies' annual reporting. Indeed, the culture effect will be explored by analysing the Libyan companies' annual reports and particularly focusing on whether there is any effect from Libyan culture on the social activities and disclosure.

The different national cultures have different ways of structuring the companies and motivation of employees, which can impact individual elements of the company's performance. Hamid et al. (1993) argued that culture may be taken to refer to all those social, political and other factors which influence individuals' behavior; as such, religion is admissible as a cultural factors. Aghila (2000) stated that the family, religion and language have a significant effect on the attitudes and behaviour of people in Libya, as in Arabic society in general.

In Libya, the family is a society in miniature, with its members being assigned a hierarchical order, according to age and generation. Leadership and authority are the demand of the father, grandfather, or eldest son (Ahmad, 2004).The approach is supported by the Islamic faith and Arab custom, which acknowledge a status hierarchy (Bjerke & Al-Meer, 1993), in which authority is practised frequently by leaders at the community level and at the family level by the father.

Furthermore, Libya is similar to Arab countries and it is characterised by the extended family, clan, tribe and village, which play an important role in the community's life and in people's relationships with each other (Aгнаia, 1997). In addition, family contacts and personal relationship may play a greater part in gaining business and career promotion than practical experience or academic qualifications. Loyalty to the

family, clan, and tribe along with the emphasis placed on regionalism and sectarianism, occasionally outweigh loyalty to a profession and sometimes the law (Aghaia, 1997).

The cultural milieu shaping the mentality and behaviour of the Libyan people is a unique blend of Islam and Arab tradition. Islam connotes complete submission and obedience to God (Allah). In the Libyan environment, Islam plays a very important role in the community's life and people's relationships with each other because most Libyans are Muslim. The religion, as other cultural factors, may also affect accounting and corporate disclosure. In this respect, Lewis (2001) argues that if the culture should influence accounting practices, then the religion also should do, if only because the religion influences cultural values. Hamid et al. (1993, p. 132) state that culture "may be taken to refer to all those social, political and other factors which influence individuals' behaviour... as such religion is admissible as a culture factor". As a result of this argument, the accounting practice, including social accounting and disclosure practice, in Libyan environment should be affected by the Islam.

The Islamic tradition places ethical/social activity ahead of individual profit maximization. Speculative investments, such as margin trading, are not allowed because Islam bans transactions that involve sinful activity such as gambling. However, Islam recognizes and encourages commerce, and partnerships are a common form of business organization. Islam requires activities to be conducted in compliance with principles enshrined in the Islamic law (Sharia); in accordance with the Quran (the revealed words of God) and Sunnah (God's inspired acts; sayings of the prophet Mohamed) (Hamid et al., 1993). The Islamic law prescribes and distinguishes the various aspects of business activity as either lawful (Halal) or unlawful (Haram). The Islamic law (Sharia) prescriptions include all spheres of trading activity. It advises the nature of permissible trade in goods and services as well as the mores of business conduct (Hamid et al., 1993). Archambault & Archambault (2003) maintain that these factors limit stock market development. Trust underlies relationships, thereby reducing the need for accounting as a means of disclosure. Therefore, businesses in the Islamic nations may disclose less information. However, Goodrich (1986) found no association between accounting principles and socioeconomic factors.

Archambault & Archambault (2003) argued that culture affects how people perceive situations and organize institutions. According to Belkaoui (2000), culture plays a central role in the organization of everyday understanding in accounting and auditing and the retrieval of that information for a judgement/decision process. It means that accounting and auditing knowledge is organized in a culturally standardized and hence familiar event sequence, which tells the individual how to react to particular accounting and/or auditing phenomenon. As a result the social accounting the culture should play a central role, in the organization of everyday understanding in social accounting and retrieval of that information for users to tell them how to react to the social accounting phenomenon.

3.2.2 The Influence of the Political Environment

Alhashim & Arpan (1992) asserted that the accounting is affected by political or government stability in a number of ways, such as in the societies where the government set the rules of accounting practices and where major changes in parties or individuals governing the country are frequent, accounting procedures undergo similar changes. Alhashim & Arpan (1992) also argue that it is natural to see that economic instability is a result of governmental instability. Economic instability, such as inflation and changes in exchange rates, puts certain demands on accounting.

Since 1969 Libya has experienced dramatic changes prompted by its revolutionary leader Colonel Moummer Al Gaddafi. The most important of these changes might be the following:

- The declaration of the Popular Revolution in the April 15th 1973, with the five point programme;
- The declaration of the system of Direct Democracy in 1997.

According to Hudson (1977), the popular revolution aimed to introduce a degree of grass-roots spontaneity, voluntarism, and direct democracy, and on the other hand, to replace the existing Arab Socialist Union which had failed to meet such aims and objectives. The popular revolution aimed to combat bureaucratic inefficiency, the lack of public interest and participation in the sub-national governmental system and the problems of national political co-ordination (Bearman, 1986). The mechanism for

doing this was the “People’s Committees” responsible for local and regional administration. The Committees exemplified the concept of direct democracy that Moummer Al Gaddafi put forward in the first volume of the Green Book which was published in 1976 as “Third Universal Theory”. Additional changes commenced in 1977 when the General People’s Congress was constructed, which replaced the Revolutionary Command Council. The General People’s Congress acts as the country’s government.

Related with this system, all workers were given the right to establish self-management in their organisations. The structure is managed by what is termed ‘the ‘People Committees’ and all members in this committee, including the head of the company, are chosen from all the employees who are working within the company, each employee having a right to become a member in this committee, and all of them have the same opportunity to contribute at the top of the hierarchical structure. In this process, social relationship amongst colleagues can be the strong factor, rather than educational qualifications or period of experience. Thus, all Libyan organisations should address issues that are related to employee rights and their protection. Moreover, the employees can work as partners, rather than as wage-earners. In contrast, public organisations, which are considered to be owned by society, seek to provide the basic services and goods to the citizen, rather than focusing on maximizing profit. However, in the early 1990s the Libyan government decided to privatize many government organisations. In 2005 the government state passed Act Number 105, which concerned the Libyan stock market. The stock market opened on 3rd April 2008 and started with nine companies on it. The government has used banks and insurance companies to jumpstart the Libyan Stock Market and privatization efforts in general, slowly feeding them into the private sector (Oxford Business Group, 2009). The government also proved an important tool for widening the ownership base of private enterprises, improving access to capital, increasing transparency in the local business environment and providing a lower-risk entry point for foreign involvement in the economy. During the period of 1990 to 2005, many things changed and affected the Libyan economy. One of them is the change of planning objectives and the suspension of development plans, and the government relying upon annual development budgets in 1986 (Altunisik, 1995). The other factor which significantly impacted the Libyan economy in this period of time is the

Lockerbie Crisis. Economic sanctions commenced when the US, UK and France succeeded on 22^{en} Jan 1992 in achieving a United Nations Security Council resolution expressing condemnation of the failure of Libyan authorities to respond to the demands presented to uncover those responsible for the bombing of two airplanes, one American and the other French (Altunisik, 1995, p. 169). This crisis affected the Libyan economy. As a result of sanctions, Libya was unable to export any goods to many countries such the US, which was the largest importer of Libyan oil, and companies from many countries were not permitted to open a branch in Libya This affected all sectors of the Libyan economy, and such events had a profound effect on the economic and social fabric of Libya,.

The change of structure during the years might affect the companies' system and the accounting practices as well. In this respect, Goodrich (1986) found a significant correlation between political system and accounting practices. Moreover, Williams (1999) also found a positive association between the level of political and civil repression and the extent of social and environmental information disseminated in the annual reports of listed companies in the Asia-Pacific region.

However, reviewing the Libyan companies annual reporting during three different periods (1995-1996, 2001-2005, and 2008), it can be noticed that companies' annual report style remained the same and the information which the reports included very similar. Thus, companies do not apply new standard or rules for their accounting practices and preparing their annual reports to meet the new changes in the political environment in the past when the political system enforce the companies to comply with the socialist economy during three decades under a centralised economy predisposed to policy experiments to distribute wealth, or when the government take action to move business to the private sector. From that result it can be said that the change of political environment do not have any effect on accounting practices including the social accounting and disclosure in Libyan environment.

3.2.3 The Influence of the Legal System

According to Iqbal, Melcher, & Elmallah (1997) the legal system is part of an institutional framework with which the accounting system interacts. The financial reporting system may be influenced by a country's legal system. In contrast to this,

Salter & Douppnik (1992) suggested that the accounting practices are not affected by a legal system in the number of accounting rules, but they are affected by the extent such rules are codified in law. Moreover, the legal system is an institutional indicator that affects not only how accounting rules are promulgated but also the content of the rules (Salter & Niswander, 1995).

According to David & Brierley (1985), Romano-Germanic (Code) law, common law and socialist law are the three main families of legal systems. Romano-Germanic (Code) law is characterized by rules formulated by legal scholars, based on ideas of justice and morality (Salter & Douppnik, 1992). The detailed framework incorporated these laws to resolve any legal issue. In addition, with Romano-Germanic law the accounting standards, practices and procedures in nations are extensively codified in company law or commercial codes (Arpan & Radebaugh, 1985). In contrast, common law, is developed primarily through decisions made by judges in the course of resolving specific disputes (Salter & Douppnik, 1992). According to Ball, Kothari, & Robin (2000) common law might create an environment, such as shareholder-oriented corporate governance model, where corporate disclosure is increased to satisfy the specific needs, including information asymmetry, of individual organisations. The aim of the legal rules is to provide a solution to the case now rather than prepare a general rule for the future. Salter & Douppnik (1992) stated that common law system are not consistent with large number of details, and all it consist of is encompassing requirements on business units. In this respect, Mueller, Gernon, & Meek (1994) stated that accounting practices under common law system are determined by accountants themselves and thus tend to be more adaptive and innovative.

Douppnik & Salter (1995) noticed that countries that adopt common law systems have more disclosure than other countries which adopt codified legal systems. Jaggi & Low (2000) found the similar result at the individual firm level. On the other hand, Williams (1999) found that there is no positive association between the Roman-Germanic legal system and the extent of social and environmental influence disclosed in annual reports of companies in the Asia-Pacific region.

In Libya, The General People's Congress issues the laws; and the congress and the General People's Committee issue the executive regulations and decisions; and the individual ministries issue ministerial decisions. The civil law is the legal system in

Libya and it is similar with to that of France. In the case of absence of applicable legal provisions, the other sources of law apply through a judge following principles (Eversheds, Kelbash, & Elgharabli, 2002b):

- Islamic Law (Shari'a);
- Prevailing customs; and
- Principles of natural law and rules of equity.

3.3 Overview of the Libyan Economy

From independence in 1951 until 1959, the time of oil discovery, Libya was one of the poorest countries in the world and the primary sector in this country was mostly agricultural. The report from World Bank team assessing the socioeconomic situation of Libya in the late 1950s summarized the Libyan situations as:

“Libyans live a very simple life, their food is simple, their necessities are limited, and their knowledge of twentieth-century technology very limited. The majority are farmers who consume most of their production. Their living quarters are very poor, and the majority live in shakes, hamlets or caves. They used donkeys, camels, and horses for transportation”(The International Bank for Reconstruction and Development, 1960, p. 1)

In this respect, Higgins (1968) presented the following description concerning the country's economic conditions at that time:

“In 1952 Libya seemed to be an almost hopeless case. Its great merit as a case study is as a prototype of a poor country. We need not to construct abstract models of an economy where the bulk of people live on a subsistence level, where per capita income is well below \$ 50 per year, where there are no source of power and no mineral resource, where agricultural expansion is severely limited by climatic conditions, where capital formation is zero or less, where there is no skilled labour supply and no indigenous entrepreneurship”

During this time the majority of the population, almost 70% of the workforce, was engaged in agriculture activities and animal husbandry. It was based on the limited productivity of a primeval agriculture sector because of the domination of the desert with an inadequate rainfall and harsh climate conditions. Moreover, during this period of time the industrial activities were limited because of the lack of capital investment, raw material and power resource. Consequently, agriculture was the main source of Libyan national income.

The oil discovery and its exportation in 1961, made the extraordinary modifications to all aspects of life in Libya. The country became one of richest countries in Africa, and as a result many international oil companies, specially UK and US companies, came to Libya to work in this field (Bait EL-Mal, Smith, & Taylor, 1973). The oil revenues accounted for 24.4 per cent of the country's Gross Domestic Product in 1962, 61.7 per cent in 1969 and 28.3 per cent in 1992 (The Libyan Secretary of Planning, 1997). In 1968 Libya became the second largest oil producer in the Arab world, and the per capita income climbed from \$40 in 1951 to \$1,250 in 1967 (Bait EL-Mal et al., 1973). After the revolution of 1969, a number of steps were taken by the new administration to reorganise the existing state of the economy and changed the structure of the Libyan economic system. Moreover, the new government structured the new rules to organise the economic activities because it saw international and foreign companies that were working in Libya as unequal, and that industries were in need of being nationalised. This period witnessed in addition to the establishment of publicly-owned enterprises, the rapid disappearance of the private sector, the rapid development of the economy, and the formation of a wide range of public enterprises (Kilani, 1988).

As a result, these revenues encouraged the country to carry out some ambitious economic development plans. According to Kilani (1988), the development plans can be divided into three main types: a short-term plan which covers a span of one year - this specifies individual projects (water projects, roads schools, etc.); a medium-term, five-year plan for the development of certain economic sectors (industry, agriculture, etc.); and a long-term plan which covers twenty years (e.g. 1980-2000), the aim of which is to diversify the economy and also to turn Libya from a developing country into a developed one.

El-Jehaimi (1987, p. 76) summarised the aims of the development plans in Libya as follows: (a) to modify the structure of the Libyan economy in favour of agriculture and industry; (b) to achieve a greater degree of self-sufficiency in a broad range of agricultural and industrial products, particularly in certain key food groups and in industries catering for people's basic needs; (c) to build industries based on oil and natural gas, to capitalise on areas where the country possesses clear advantages for exports; and (d) to develop an indigenous manpower base capable in due course of carrying out the development effort with minimum foreign participation.

With an estimated workforce of over one million people, occupation in industry accounts for 31 per cent, services 27 per cent, government 24 per cent and agriculture 18 per cent. The public sector dominates the economy, representing approximately 70 per cent of economic activity. The oil and gas field is the backbone of the Libyan economic with 95 per cent of export revenues. These revenues have enabled the country to support some loss-making state-owned industries and giant infrastructure developments such as the Great Man-Made River project, which had cost around US\$ 25bn up to 1998 (World Markets Research Centre, 2002). On the other hand, in recent years the revenue from non-oil activities is growing slowly. It has extended beyond the process of agricultural and manufacturing products into the fields of petrochemical production, aluminium, steel, and iron.

The country has experienced a change in economic policy. From independence date until the revolution (1951-1969), the economic system in Libya was capitalist. Private ownership existed with minimum governmental intervention. After 1969 the country changed from capitalism to socialism. State involvement in the economy has increased and the government commenced developing and expanding the public sector and pushing back the private sector. The state and public ownership structure of businesses started in the early 1970s gained momentum in the mid-1970s and reached a point in the 1980s where most of the business activities become owned and controlled by the public sector. This included all businesses activities such as manufacturing activities, foreign and domestic retail trade, banking and insurance services.

However, in the early 1990s the country moved to liberalization of its economy, and some private companies have emerged and started to operate in Libya. This system needed some rules and laws to organize it and that happened when the government passed law 9 in 1992 on partnership and collectively. Moreover, in 1997 the State issued the Act no. 5 to encourage foreign capital investment in Libya. The Act encourages foreign investments in areas that would result in transferring modern technology, multiplicity of income resource, and contributing to the development of the national product so as to help in its entry into the international markets. In recent years more action was taken by the government to make more liberalization such as selling the public organizations to the employees and to other interested investors and

in 2008 the government opened the stock market and now many companies sell their shares.

3.4 Accounting Practices and Auditing

According to Bait El-Mal et al. (1973), accounting practices in Libya are influenced by four key sources of impact namely : (a) statutory requirements which control the business in this particular country (i.e. governmental laws and regulations); (b) the accounting technology impact and know-how imported from other countries; (c) influence of accounting education and the writings and contributions of academics and practitioners in the accounting field; and (d) religion.

3.4.1 Statutory requirements

There are a number of laws issued and promulgated to regulate the accounting practice in Libya. Libyan Commercial Code (LCC), Financial System Law, Income Tax Law, Accounting and Auditing Profession Law, and Petroleum Law are the main influences on accounting practices.

The establishment of the Libyan Commercial Code (LCC) was on November 28, 1953. Until the last modification in 1970, the Libyan Commercial Code (LCC) has been partially modified from time to time in order to meet the changing needs of society. The Code deals with commercial transactions between business enterprises. A transaction is judged to be commercial if it is listed under the Commercial Code or is undertaken by business enterprise, and is based on the concepts of 'speculation, circulation and enterprise. LCC consists of 7 books that are: (1) Merchant and commercial activities; (2) Commercial contracts; (3) Banking transactions; (4) Negotiable instruments; (5) Commercial papers; (6) Commercial companies; and (7) Bankruptcy and its preventive procedures. LCC deals with different kinds of business enterprises that operate in Libya, including the rules on business enterprises' records and certain aspects of financial reporting and auditing.

The Libyan Income Tax Law (LITL) was passed in 1968. This law was abolished in 1973 when the Libyan Income Tax Law no 64 was applied. The law consists of 130 articles divided into six parts: (1) General Provisions (articles 1-34); (2) Particular taxes (articles 35-85); (3) General tax on income (articles 86-92); (4) Tax on

corporations (articles 93-104); (5) Penalties (articles 105-114); and (6) Final provisions (articles 115-130). However, this law also was abolished in 2004 when the law no 11 was issued and applied. Law no 11 consists of 112 articles divided into five parts: (1) General Provisions (articles 1-34); (2) General tax on income (articles 35-71); (3) Tax on corporations (articles 72-80); (4) Penalties (articles 81-89); Final provisions (articles 90-112). Libyan business enterprises, which consistent with the Tax Law, must be submitted to the tax authority their balance sheet, profit and loss account, trading account, depreciation statement, and detailed statement of the expenses which are included in the profit and loss account. All companies operating in Libya, including foreign companies, are required to provide their accounts to the tax authority including a balance sheet, a profit and loss account, notes to accounts, and report signed by a Libyan external auditor. One copy must be in Arabic. However, from the Libyan Tax Law it can be noticed that the cash flow statement and other accounts, which show comparative information, are not requirements to submit.

The Financial System Law (FSL) was first enacted in 1967. The Secretary of the Treasury (currently Secretary of Finance) was given by this law the statutory power to supervise and manage the state's revenues and expenditure and to put forward the country's proposed budget (Article 1 of the Financial System Law). To this end, the Secretary appoints a Finance Controller in each Secretariat, Organisation and Institutions. Reports about the institution's fiscal policies and practices are sent by the Finance Controller in each Secretariat to the Secretary of Treasury to whom they are accountable. A copy of their reports may be sent to the related Secretariat, Organisations and Institution. However, the budget preparation procedures are demonstrated and explained by the Financial System Law. According to article 6 of the Financial System Law, the budget is divided into two sides: a) the revenues; and b) the expenditures which comprise three parts: wages, general expenses and new projects. Moreover, Financial System Law (article 23) requires the Secretary of Treasury to prepare an annual report and to supply it to the Public Control Office including:

- A detailed statement of the country's assets and liabilities and the state's actual revenues and expenses; and

- A detailed statement of the state's general, provision, development, debt, trust and emergency accounts as well.

In 1955 the Libyan Petroleum law was issued. According to Eversheds et al. (2002b) the Petroleum Law (Law no.25 of 1955, amended in1983) remains the most inclusive piece of legislation regulating Libya's oil and gas sector. The National Oil Corporation of Libya (NOC) reorganized by both the Petroleum Law and the Decree No 10 of 1979, and both empowered it to enter into all types of petroleum exploitation agreements. The Petroleum Law include a variety of regulations and the only regulation still in force are No.1, dividing the territory of Libya into four zones; No.8, regarding the standard practices to be followed in oilfield operations; and No.9, for financial, administrative and technical control over the preservation of oil wealth.

According to article 1 of the Libyan Petroleum Law, all petroleum in Libya in its natural state is the property of the Libyan State. This law also included the accounting procedures and requirements for the oil industry. Article 14 of the Libyan Petroleum Law defines the profit made by oil companies as income resulting from a company's operations in Libya after taking into account (i.e. deducting) the following items:

- Operating expenses and overheads, the details of which are defined in the regulations. Fees, rents, royalties, and income tax and other direct taxes may be deducted.
- Depreciation of all physical assets in Libya at the rate of 10 per cent per annum and amortisation of all other capital expenditures in Libya at the rate of five per cent per annum. The balance of physical assets scrapped or sold is to be deducted in the year when such assets are scrapped or sold.

Twelve and one half per cent of the value of crude oil exported is the royalty and is calculated on the basis of the applicable posted prices (randomly set by the government) of crude oil exported by the concession holder in any such complete year and on which royalties are payable by the concession holder in that year.

From the same article the item (8) stipulates that oil companies are required to apply accounting methods usually used in the petroleum industry to calculate their profits

(Bait EL-Mal et al., 1973). Ernst & Whinney (2002) also stated that oil corporations are subject to accounting requirements of Petroleum Law No.25 of 1955, as amended, and the terms of their exploration of 'sound and consistent accounting practices usual in the (modern) petroleum industry'. Other bodies usually prepare their financial statements on the accruals basis of accounting, but the cash basis can also be accepted. There are no Libyan standards as such and there is no standard-setting authority. In this respect, Saleh (2001) argued that British and American accounting practice, transferred to Libya through oil companies, has influenced Libyan accounting practices in oil companies and also non-oil companies as employees move in and out of the oil sector.

The accounting Profession Law (previously Accounting and Auditing Profession Law) No 116 was issued in 1973. The article 3 of the Accounting Profession Law articulates that the Libyan Union of Accountants and Auditing, who govern the accounting and audit profession, was established to regulate and support the accounting profession and increase accountants' and auditors' professional and educational efficiency. It also aims to organise national, and participate in international, seminars and conferences and follow international developments in accounting and auditing profession. Membership of the union is restricted to Libyan citizens and members are designated 'public accountants' (Ernst & Whinney, 2002). According to article 24 of Accounting Profession Law, to be a member and to practise public accounting and auditing services, requires the holding of at least a bachelor's degree (or the equivalent) in accounting or related discipline, and the undertaking of practical experience.

3.4.2 The Influence of Accounting Practices and Principles from Abroad

Accounting is a very important function in medium and large-sized Libyan companies. The main aim of the accounting department in each company is to record transactions and report financial statements; some management accounting exists, such as internal reports and annual cash and production budgets. Bait EL-Mal et al. (1973) stated that as a result of foreign impact, the accounting in large business enterprises has developed. Foreign organisations which work in Libya, which follow the generally accepted accounting principles of their home countries, contribute to the development of accounting practices in Libya. This contribution comes in two ways.

First, their Libyan staff are exposed to modern accounting practice. Second, there is a “trickling-down effect” through dealing between these companies and local enterprises, leading to considerable improvements in the generally developing accounting systems of the latter.

3.4.3 Libyan Accounting Education

Education has been recognised as a key element in political and socioeconomic development. As Yapa (2000) notes, almost all developing countries which have been colonies under powerful Western rulers for a considerable length of time inherited their accounting education from the colonial system. In this respect, Ghartey (1993) stated that many African nations have, since independence, based their education system on their colonial background and the wider political, economic, social and cultural setting. The accounting education and practice have important influence from its country’s educational system. Libya’s education has had two main periods of development. The first period was before independence; in this period there was no formal accounting education or training for the local population (Kilani, 1988). In this respect Stanford Research Institute (1969, cited in Ahmad & Gao, 2004) concluded that more than 90 per cent of Libyan population were illiterate during the period of colonisation, and only a few Libyans had been given the opportunity to complete their education at university or to qualify for a recognised professional qualification at the time of independence.

In the second period, after independence, the accounting education system operates at two levels: pre-university and university levels. Students who complete their education at pre-university (commercial schools which equivalent to their UK colleges counterparts) are granted a certification called ‘Intermediate Diploma’. People who complete the ‘Intermediate Diploma’ are qualified to work as bookkeepers or clerks in all organisations in both the public or private sector in Libya. Universities in Libya played a major role in constructing and developing the accounting practices in the country. The accounting education was first started in 1957 by the establishment of the Accounting Department in the Faculty of Economics

and Commerce at the University of Libya (now called Garyounis University)¹. The accounting department has played a major role in developing the accounting education since its initiation in 1957. This faculty was the only one to offer accounting education in Libya at the university level during the period from 1957 to 1981. From 1981 to 2000 other universities emerged and began to offer accounting programmes in their faculties. The other faculties in their educational institutions adopted the accounting educational format or system including the curriculum and the syllabus constructed by the University of Libya (Garyounis University). The education system in Garyounis University has been developed through the time from the old accounting programme to the new one in 1976.

The British education system influenced the old accounting education curriculum in Garyounis University during the period 1957-1976, as Libya was administered by Britain from 1943 to 1952, and also many of the accounting faculty members had their educations from the UK before they came to Libya to teach. The nine-month academic year was adopted for a bachelor degree programme over a period of four years (Garyounis University, 1972). Since 1976, the accounting programme offered by the faculty of Economics and Commerce at Garyounis University has changed to the American model, influenced by the teaching staff who complete their education in US and also by the American companies which work in the Libyan oil sector. The American companies' accounting systems are completely American and American generally accepted accounting principles are followed, subject to Libyan laws and regulations controlling foreign business in the country. The new system at the faculty is based on two sixteen-week semesters instead of a full nine-month academic year (Garyounis University, 1976). American references and textbooks in English or translated into Arabic.

However, according to Kilani's (1988) argument, the US-based system is not very different from its UK-based counterpart. The US-based system has followed its UK-based counterpart. In both systems, the programme focuses heavily on financial

¹The University of Libya was founded in Benghazi in 1957, with a branch in Tripoli. In 1973 the two campuses became the University of Benghazi and Tripoli, and in 1976 they were renamed as Garyounis University and Al-Fatah University.

accounting topics, in particular on technical or mechanical aspects of accounting, dealing with external reporting, taxation and external auditing. However, there is no difference between the old and new system except that the old one is dealing with the British orientation and the American orientation is adopted with the new one.

Little attempt has been made to put together an accounting education system that addresses Libya's environmental needs (Buzied, 1998). In this context, accounting programmes dealing with a few courses were considered more applicable to the Libyan context, the contents of both accounting and non-accounting modules introduced are similar to the one the American university offered. However, in this programme social and ethical accounting, national income accounts, and other public accounting areas are not dealt with in any level of detail.

The Masters programme started in Garyounis University in 1988, with core subjects, electives and a dissertation. The majority of member in the faculty were Libyans graduates from the UK or the US and most textbooks are both American and British books, or translated to Arabic from American and British books. Some of them are written by Arabic authors who graduated from the UK, the US or Egyptian University. Moreover, since the 1990s the Postgraduate Studies Academy in Tripoli with the Faculty of Accounting at Al-Jabal Al-Gharbi University has also offered this programme with almost the same textbooks and similar curriculum to those of Garyounis University.

However, there is no university in Libya offering the PhD programme in accounting, which is regarded as important for both the advance of accounting departments in university and the development of accounting research. Almost all the staff members with a PhD obtained them from the US and UK, and a few of them received them from other countries (Egypt, Jordan etc.). One of main factors that has contributed to the slow development of accounting education and research in Libya is the lack of PhD programmes (Ahmad & Gao, 2004).

Furthermore, according to the universities' prospectuses, it is worth mentioning that there is no faculty in Libya which offered any courses related to social responsibility and accounting in their accounting education programme except as a possible option on a Masters Programme. This means that there is a high probability that an

accounting student will graduate without experience of social and environmental accounting and disclosure. In this context, Haniffa & Cooke (2002) stated that a well-educated society will demand their right for companies to fulfil their social obligations and be accountable for their actions.

3.5 The Structure and Content of Annual Reports and Disclosure Practices

State ownership dominated the economic environment in Libya until the government started allowing the sale of state assets to private interests when it issued the privatisation law in 1992. A lot of offers have been taken from the government since the privation law issued until now to sell the small and medium size of companies to the employees or other private interests. However, large companies have also been completely privatized or under way.

Every company operating in Libya is subject to the requirements of the Libyan Commercial Code (LCC) of 1953 and 1970, and the Libyan Income Tax Law (LITL) of 1973. Consistent with these regulations, as mentioned earlier, all companies are required to prepare an annual report, including an income account and balance sheet. However, none of the laws stipulate the accounting principles and standards that should be adopted (Buzied, 1998; Kilani, 1988). According to Buzied (1998, p. 181), in Libya traditional reporting methods have been passed down to the Libyan companies by colonial masters.

The content of the company annual report differs from company to company, but in general, Libyan companies' annual reports include: analysis of production, sales and forecasts, financial statement, financial statements, financial analyses and comparisons with the previous years, explanations of the methods and procedures of depreciation expenses, and the auditor's report. It is restricted largely to monetary and quantitative information (Buzied, 1998; Saleh, 2001). However, in general, Libyan companies providing information to the Secretary of Industry upon request (Saleh, 2001) (or to the Secretary related with it), the Secretary of Treasury, the Tax Office, the Public Control Office, and some of companies are also accountable to private sector shareholders. From the Libyan companies annual reports included in this study the researcher noticed that many aspects of disclosure are not included in the annual report, such as the company president's letter. a mission statement practices, and a

cash flow statement. Saleh (2001) gives two reasons for that. First, the companies have not been required to provide narrative information through publishing their mission statement, the president's letter and management decision analysis by central authorities. Second, since the central authorities are the ultimate users of companies' information, the managers of such companies believe that the central authorities know the company's mission and therefore there is no need to provide it in each year's annual report.

Therefore, within the Libyan context, the company's disclosure practices are limited and directed to particular stakeholders, which include the company's Administration Board and the General Assembly and the central authorities, such as the Secretary of finance, Secretary of Economy, The Secretary of Industry, the Tax Office and the Public Control Office. In this context, disclosure practices in the companies which are owned by the private sector or have joint ownership between government and private sector are also limited. Moreover, annual reports provide more commercial information (e.g. selling prices) and less financial information. The companies' disclosure practices are explained by the nature of the economic system which applies in the Libyan environment. Since most Libyan companies are either fully or partially Publicly Owned Companies, maximising their market value is not considered to be the company's main objective. The information that companies provide is about production, sales, expenses, and some about the employees. However, the delay in acquiring some information in the Libyan context makes the usefulness of this information questionable (Buzied, 1998; Kilani, 1988; Saleh, 2001). In this context, nowadays the companies which are registered in the Libyan stock market should provide more information about such things that were not provided in the past, to give all investors in the market the right picture about themselves and to attract more investment.

In general, many studies, as mentioned above, have found that there is significant influence of national factors such as culture, political system, laws and legal system on accounting systems including standards, practices and disclosures (e.g., Askary, Pounder, & Yazdifar, 2008; Baydoun & Willett, 1995; Mueller et al., 1994; Zarzeski, 1996). However, Saleh (2001) argued that Libyan companies derived their accounting system from UK and US accounting practices. The education in the

Libyan business schools has come from these countries as well (Buzied, 1998; Kilani, 1988; Saleh, 2001). As a result, the accounting practices and disclosure in Libya are influenced by the system that has come from these countries and the Libyan environmental factors' effect are limited, as the researcher observed when reviewing some companies' annual reports in three different periods (1995-1997,2001-2005 and2008).² In this context, the researcher noticed that factors such as laws tended not to change even when there were significant contextual changes (e.g. when the Libyan political system changed from monarchy to the republican regime and when it became socialist after 1977). Also the religion (Islam) did not seem to affect the accounting practices and disclosure as the annual reports show, especially the banking sector. The education in business schools, as mentioned before, tends to follow UK and US business education with some additional content about the Libyan taxation system and legal system.

This raised an interesting possible role for social accounting. If Libyan financial accounting is not well adapted to the Libyan context, perhaps social accounting could fill any gap between financial accounting and the users' needs which, in the Libyan context, might be different from UK and US users. It is therefore useful to understand the background and interesting to bear in mind what social information companies actually do provide in practice and, especially, what users think of corporate disclosure and would like to happen in the future. These are issues for succeeding chapters.

3.6 Conclusion

This chapter has, after giving background information about Libya in terms of its people and land, examined the structure of the Libyan economy, and the main features and problems of social and economic development since independence and the establishment of the Kingdom in 1952. It is clear that Libya has a unique social, political and economic system. It is based on the Islamic creed and the "Third Universal Theory" of the Green Book.

The chapter started by describing the social context of Libya. It found that its community life and people's relationship with each other in Libyan social

² The researcher did his master's degree in the social accounting disclosure field in 1999. This provides the basis for these comparative comments.

environment are characterised by the extended family, clan, tribe, village and Islamic religion.

The discussion then moved on to describe the political context. After the 1969 Revolution, the economy was restructured with various actions taken by the government (e.g. nationalising foreign companies that were operating in Libya, and establishing public-owned enterprises). The country's socialist philosophy has affected the economy to a large extent in terms of ownership of business and controlling business objectives.

The chapter also outlined the legal system. In Libya the General People's Congress issues the laws; also the Congress and the General People's Committee issue executive regulations and decisions; and individual ministries issue ministerial decisions. The civil law is the legal system in Libya and is similar to that of France.

Libyan accounting practices were also discussed in this chapter. There are four key factors that influence this practice: statutory requirements which control the business in this particular country (i.e. governmental laws and regulations); the accounting technology and know-how imported from other countries; the influence of accounting education and the writings and contributions of academics and practitioners in the accounting field; and the religion (Islam).

Finally, the chapter found that the current accounting system, especially disclosure practices, is limited and directed to a particular stakeholder of Libyan companies. Moreover, accounting professional bodies have a limited role in developing the accounting profession in Libya.

After discussing the environmental characteristics (social, economic and political) of Libya, it is possible to discuss current social reporting and disclosure practices in order to determine whether these practices are appropriate for its environment. Accordingly, Chapter Five will analyse the current social disclosure of Libyan companies. Before that, the next chapter will provide the methodology and methods for the empirical research.

Chapter Four

Research Methodology and Methods

4.1 Introduction	106
4.2 Philosophical Assumptions	107
4.2.1 Ontology.....	108
4.2.2 Epistemology.....	109
4.2.3 Human Nature.....	110
4.3 Research Methods	110
4.4 The Research Design for this study	115
4.4.1 Content Analysis.....	116
4.4.1.1 The Content Analysis Stage.....	119
4.4.1.2 Determine the Units.....	120
4.4.1.3 Determine and Define the Content Categories.....	122
4.4.1.4 Determine the Recordings Unite.....	123
4.4.1.5 Determine the Coding Mode.....	125
4.4.1.6 Determine Coding on Sample of Text (Pilot Test).....	126
4.4.1.7 Assess Reliability and Validity.....	126
4.4.1.8 The Sample.....	128
4.4.2 Questionnaire.....	129
4.4.2.1 Questionnaire Design.....	131
4.4.2.2 Wording and Language.....	132
4.4.2.3 Type of Questions.....	133
4.4.2.4 Sequencing of Questions.....	135
4.4.2.5 Classification Data or Personal Information.....	136
4.4.2.6 Scaling of the Questions.....	136
4.4.2.7 The Pilot Study.....	137
4.4.2.8 The Content of the Questionnaire.....	138

4.4.2.9 The Research Survey Population.....	139
4.4.2.10 Data Analysis.....	140
4.4.2.11 Delivery and Response.....	142
4.5 Summary.....	143

4.1 Introduction

Research design may be defined as follows:

The specification of methods and procedures for acquiring the information needed. It is the overall operational pattern or frame project that stipulates what information is to be collected from which sources by what procedures. If it is a good design, it will ensure that the information obtained is relevant to the research questions and that it was collected by objective and economical procedures (Emory, 1976,p.77; Green & Tull, 1970).

It is essential for good research design to include the source and types of information relevant to the research question. Second, it is a strategy or blueprint specifying which approach will be used for gathering and analysing the data (Emory, 1976, p. 78).

In addition, a good research design might have the flexibility to recognise the “opportunistic” dimensions (Buchanan, Boddy, & McCalman, 1988). Discussing the role of methodology in scientific research, Nachmias & Nachmias (1996) note that it facilitates “communication between researchers who either have shared or want to share a common experience”. A research design can be developed for replication and constructive criticism, by making the methodology explicit and public. In addition, it provides a basis for rational and valid reasoning.

This chapter describes the methodology that has been applied for undertaking this research and explains the steps followed and the methods employed by the researcher to collect the data. The explanation provided in this chapter is important in order to understand the assumptions, methods, sample selection, data collection and procedures used to analyse the empirical data.

Fundamentally, the data gathering and analysis derive from the research aims. As explained earlier, those aims are linked, but it is not possible to address them all in a single piece of research using a single method. Multiple methods are therefore used, with two relatively discrete empirical studies forming the overall project. Using, in turn, secondary and primary data, the two studies complement one another in addressing different elements of the project’s overarching aim.

To explore the research aims which have been identified earlier, the research study has employed descriptive, theoretical and conceptual analysis, a content analysis, and an empirical survey. The descriptive has been embarked on as seen earlier to review and highlight the features and problems of corporate social reporting in developing countries, additionally to ascertain subjects and concerns in the literature. In addition, the descriptive was also undertaken to describe, examine then evaluate the social, economic and political environment in which accounting operates in Libya.

Empirical research was used to explore practices and perceptions as to issues relevant in this context. In particular, it has been attempted to examine and investigate current corporate social reporting and disclosure practices in the Libyan environment. Consistent with that, the present study makes an attempt to achieve the following objectives

- To document the amount and type of social disclosure by Libyan companies in annual reports.
- To identify trends and patterns in corporate social disclosure and to explore possible reasons for these, e.g. differences between Libyan state-owned and private companies.
- To evaluate the usefulness of current social disclosure for user groups and to ascertain their opinion of possible future developments, and to compare their opinions with companies' intentions.
- To use findings derived from meeting objectives one to three in order to reflect upon social accounting in transition economies.

The main aim of this chapter is to explain the methods, with which the study was conducted, specifically justifying the use of qualitative and quantitative research. This chapter is divided into several sections: the next section discusses the philosophical assumptions; assumptions about human nature are discussed in section three; section four deals with research methodology and paradigms; the research design is discussed in section five; and the summary of this chapter comes in section six.

4.2 Philosophical Assumptions

Research is to be understood as original investigation undertaken in order to gain knowledge and understanding. Burns (2002) defined it as “a systematic investigation to find answers to a problem”. Eldabi, Irani, Paul, & Love (2002) maintain that for conducting any type of research, a researcher should follow a well-defined research methodology based on scientific principles. In this context, Hussey and Hussey (1997) argue that research can be classified in several ways. The first is the reason why the researcher is conducting such research – the purpose of the study. The second is the method by which the researchers collect and analyze data – the process of the research. The third is whether the researcher is moving from the general to the specific or vice versa – the logic of the research. The last one is whether the research is attempting to investigate a particular problem or to make a general contribution to knowledge – the outcome of the research. However, the choice of any particular method of research depends on the research philosophy or paradigm that researchers follow to conduct their research (Creswell, 2003). Thus, it is essential to understand the philosophical issues of research, according to a number of statements dealing with how the search of truth, reflected in the accomplishment of the aims of the research, is to be achieved. Easterby-Smith et al. (2002) argue that:

There are at least three reasons why an understanding of philosophical issues is very useful. First, since it can help to clarify research designs. Second, knowledge of philosophy can help the researcher to recognise which designs will work and which will not. It should enable a researcher to avoid going up too many blind alleys and should indicate the limitations of particular approaches. Third, knowledge of philosophy can help the researcher identify, and even create, designs that may be outside his or her past experience. And it may also suggest how to adapt research designs according to the constraints of different subject of knowledge structures.

In the nature of the world the process of research in most studies makes implicit or explicit assumptions (Burrell & Morgan, 1979; Chua, 1986; Laughlin, 1995). Certain assumptions are made in regard to the nature of social science and the nature of society. These assumptions are related to ontology, epistemology, human nature and methodology (Burrell & Morgan, 1979). The assumptions have direct implications for the research methodology adopted, the method by which investigations are carried out, and how knowledge concerning the social world is acquired. This part draws on all of these assumptions together.

4.2.1 Ontology

The definition of the ontology is “the study of being. It is concerned with ‘what is’ the nature of existence, with the structure of reality as such” (Crotty, 2005). On the ontological issue of what is the real, the ‘realty’ is of an ‘objective’ nature, ‘out there’ independent of the research, or the product of individual cognition: whether ‘realty’ is a given ‘out there’ in the world, or the creation of one’s mind (Burrell & Morgan, 1979; Creswell, 2003). ‘Out there’ is in the quantitative research. ‘Realty’ in qualitative research is constructed by individuals involved in the research situation (Creswell, 2003). The argument revolves around the structure of reality: is it composed of hard, tangible and relatively immutable structure (realism) or is it the product of individual consciousness (nominalism) (Crotty, (2005)? Realists perceive reality as a concrete structure. “For the realist, the social world has an existence which is as hard and concrete as the natural world” (Burrell & Morgan, 1979). However, the social world externally is constituted of nothing more than names, concepts and labels which are used to structure reality and it is individual cognition (Burrell & Morgan, 1979). Nonetheless, accepting the idea that the reality, and things the reality consists of exist independently of our consciousness does not imply that meaning exists independently of consciousness as it has been argued that: “the existence of a world without a mind is conceivable. Meaning without a mind is not.” (Crotty, 2005)

4.2.2 Epistemology

Epistemology is a word coming from two Greek words: “Episteme which means ‘knowledge’ or ‘science’ and Logos which means ‘knowledge’, ‘information’, ‘theory’ or ‘account’” (Johnson & Scholes, 1997). Epistemology is the theory of knowledge and it answers questions about how one can be a knower; what tests beliefs must pass in order to be legitimated as knowledge; and what kind of things can be known. Sociologists of knowledge characterize epistemology as strategies for justifying beliefs (Harding, 1987). Moreover, epistemology is one of the core areas of philosophy, that deals with theory of knowledge (Cruise, 1997). And the central issues with it deal with the nature and limits of knowledge, “its possibility, scope and general basis” (Hamlyn, 1995). Epistemology alludes to “the theory of knowledge embedded in the theoretical perspective and thereby in the methodology. That is proposing a philosophical position for deciding what kinds of knowledge are possible and how one can guarantee that they are both adequate and legitimate. One therefore

needs to identify, explain and justify the epistemological stance he/ she has adopted” (Crotty, 2005). Much more, epistemology gives the criteria by which one can identify what does and does not constitute warranted or scientific knowledge (Johnson & Duberley, 2000).

The main problem with this branch of the theory of knowledge is to decide how one can acquire knowledge, which some discussions have defined as justification on how it relates to concepts such as truth and belief. The nature of belief, the basis of truth and the problem of justification are the three issues that can be gleaned from this definition (Ryan, Scapens, & Theobald, 2002).

Healy & Perry (2000) summarize: ontology is the “reality” that researchers investigate, epistemology is the relationship between that reality and the researcher, while methodology is the technique employed by the researcher in order to investigate that reality.

4.2.3 Human Nature

According to the Burrell & Morgan’s framework the human nature assumption debate concerns the relationship between the human being and the society in which he/she lives and the effects of each on the other (Burrell & Morgan, 1979). The two major elements identified in this assumption are determinism and voluntarism. The determinist view considers human beings and their activities as being completely determined by the situation in which they are located. That is, it is based on perceiving human beings and their experience as the products of their environment. The voluntarism view, in contrast, is based on the idea that human beings are completely autonomous and free-willed. This view considers the human being as the creator and the controller of his environment.

4.3 Research Methods

A methodology is a set of rules which helps researchers to carry out their research. And it is also a theory and analysis of how research does or should proceed. It includes accounts of how “the general structure of theory finds its application in particular scientific disciplines” (Harding, 1987). According to Collis & Hussey (2003, p. 55), “methodology refers to the overall approach to the research process,

from the theoretical underpinning to the collection and analysis of data". On the same point, Crotty (2005, p. 3) refers to methodology to mean "the strategy, plan of action, process or design lying behind the choice and use of particular methods and linking the choice and use of methods to the desired outcomes". Mingers & Brocklesby (1997) state that a methodology is a set of guidelines which assists researchers in undertaking their studies. In a similar vein, Easterby-Smith et al. (2002) maintain that methodology refers to a combination of techniques to assist researchers to enquire into a specific situation. There are a number of key issues with which methodology is concerned, including why data is collected, what data is collected and from where the data is collected; also, when and how the data is to be collected, and how it is to be analysed (Collis & Hussey, 2003).

A paradigm is a general set of philosophical assumptions which define the nature of possible research (Mingers & Brocklesby, 1997). Hussey and Hussey (1997) argue that researchers need to determine their research paradigm before constructing the research design. Therefore, an understanding of philosophical issues of research can help researchers to recognise the suitable design for their research as well as assist them to identify and create designs that may be outside their past experience (Easterby-Smith et al., 2002). However, research philosophy depends on the way that the researcher thinks about the development of knowledge (Saunders, Lewis, & Thomhill, 2003).

There are three views about the research process dominating the literature; namely positivism, interpretivism and realism. All three have a central part to play in business and management research (Saunders et al., 2003). However, there are two main philosophical paradigms of research methodology about the way in which knowledge is developed and research is conducted in social sciences literature, in the last few decades, distinguished between "positivism" and "phenomenology" which are used to achieve the research aims (Collis & Hussey, 2003). In the literature these two research paradigms are sometimes described by different terms. The positivist approach can sometimes be labelled as traditional, quantitative or empiricist, whilst the phenomenological approach can be labelled as post-positivistic, subjective or qualitative (Hussey & Hussey, 1997).

Denscombe (2001, p. 299) defined the positivist paradigm as “an approach to social research which seeks to apply the natural science model of research to investigations of the social world”. In this context, Burrell & Morgan (1979) argued that positivists might vary in terms of their detailed approach. Some would argue, for example, that an adequate experimental research programme can verify hypothesised regularities. Others would claim hypothesis can only be refuted and never demonstrated to be true. Nevertheless, both sides would accept that the growth of knowledge is basically a cumulative process in which new insight are added to the existing stock of knowledge and false hypotheses eliminated. Moreover, the assumption behind the positivist paradigm is that there is an objective truth existing in the world which can be revealed through the scientific method where the focus is on measuring relationships between variables systematically (Cassell & Symon, 1994).

The difference of scientific inquiry between the positivistic (quantitative) and the phenomenological (qualitative) paradigms can be illustrated through the overall approach followed by each of these paradigms with regard to the generation of knowledge (i.e. deductive theory testing and inductive theory building). As Perry (1998) highlighted, the deductive approach represents the positivistic paradigm, whereas the inductive approach represents the phenomenological paradigm.

Allan (1991, p. 893) defined the phenomenological paradigm as focusing on “a fact or occurrence that appears or is perceived, especially one of which is the cause in question”. (Collis & Hussey, 2003) describe the phenomenological as a descriptive/interpretive method and stipulate that everything should be studied as a unique incident in its own right.

The starting point of the phenomenological paradigm is the belief the social practices are not natural phenomena. Instead, they are socially constructed and emerge as a result of the social practices of organisational participants. In this context, Easterby-Smith et al. (2002) explain that the philosophy behind the phenomenological paradigm views the “reality” as not objective and exterior, but as being socially constructed and given meaning by people. Thus, the phenomenological paradigm appreciates people’s feelings, thinking, the different interpretations and meanings, which people give to various phenomena. This involves thoroughly explaining why

and how people view different experience, rather than searching for external causes and fundamental laws to explain their behaviour (Easterby-Smith et al., 2002).

Table 4.1 summarises the most common terms for the two main research philosophies or paradigms, positivism and phenomenology. Different terms have been used in describing the research paradigms; indeed, Hussey & Hussey, (1997) maintain that quantitative and qualitative are most popular terms in research.

Table 4-1 Alternative Terms for the Research Paradigm

Positivistic paradigm	Phenomenological paradigm
Quantitative	Qualitative
Objective	Subjective
Scientific	Humanistic
Experimentalist	Interpretivist
Traditionalist	Constructivist

Source: Adapted from Hussey & Hussey (1997, p.47)

The following are the definitions for the quantitative and qualitative approaches as indicated by Creswell (2003, p. 18):

A quantitative approach is one in which the researcher primarily uses post-positivist claims for developing knowledge such as conducting experiments and surveys and collecting data on predetermined instruments that yield statistical data.

A qualitative approach is one in which the researcher makes knowledge claims based primarily on a constructivist perspective. Thus, the researcher collects open-ended and emerging data with the primary intent of developing themes from the data.

A mixed approach is an approach in which the researcher tends to base knowledge claims on pragmatic grounds and employs strategies that involve collecting both quantitative and qualitative data, either simultaneously or sequentially, to understand research problems properly.

Hussey & Hussey (1997, p. 54) summarise the general characteristics of the positivistic (quantitative) approach:

- Tends to produce quantitative data
- Uses large sample
- Concerned with hypothesis testing
- Data is highly specific reliability is high
- The location is artificial

- Reliability is high
- Validity is low
- Generalises from sample to population

On the other hand, the phenomenological (qualitative) approach can be characterised as follows (Hussey & Hussey, 1997, p. 54):

- Tends to produce qualitative data
- Uses small sample
- Concerned with generating theories
- Data is rich and subjective
- The location is artificial
- The location is natural
- Reliability is low
- Validity is high

Each of the two main methodologies has its advantage and disadvantage. A summary of some of the strengths and weaknesses of the two research paradigms suggested by (Amaratunga, Baldry, Sarshar, & Newton, 2002) is presented in Table 4.2.

Table 4-2 Strengths and Weaknesses of Positivist and Phenomenological Paradigms

Paradigm	Strengths	Weaknesses
Positivist (quantitative paradigm)	<p>They can provide wide coverage of the range of situations.</p> <p>They can be fast and economical.</p> <p>Where statistics are aggregated from large samples, they may be of considerable relevance to policy decisions.</p>	<p>The methods used tend to be rather inflexible and artificial.</p> <p>They are not very effective in understanding processes or the significance that people attach to actions.</p> <p>Because they focus on what is, or what has been recently, they make it hard for policy makers to infer what changes and actions should take place in the future.</p>
Phenomenological (qualitative paradigm)	<p>Data-gathering methods are seen as natural rather than artificial.</p> <p>Ability to look at change processes over time.</p> <p>Ability to adjust to new issues and ideas as they emerge.</p> <p>Contribute to theory generation.</p>	<p>Data collection can be tedious and require more resources.</p> <p>Analysis and interpretation of data may be more difficult</p> <p>Harder to control the pace, progress and end-points of the research process.</p> <p>Policy makers may give low credibility to results from qualitative approach.</p>

Source: Amaratunga et al. (2002, p. 20)

As Hussey & Hussey (1997) point out, the two paradigms must be viewed as two extremes of a continuum, and neither of the two paradigms is considered better than the other. In this point, Bryman (1993) comments that quantitative researchers have been inclined to view qualitative research as an exploratory way of conducting social investigations. Oppenheim & Naftail (2000) argue that choosing the best design or best method is a matter of appropriateness. No single approach is always or necessarily superior; it all depends on what is needed and on the type of question that the research seeks to answer. Moreover, Stake (1995, p. 41) points out that all research depends on interpretation, but with standard quantitative designs there is an effort to limit the role of personal interpretation for that period between the time the research design is set and the time the data are collected and analysed statistically – sometimes thought of as a “value free” period. Standard qualitative designs call for the persons most responsible for interpretations to be in the field, making observations, exercising subjective judgement, analysing and synthesising, all the while realising their own consciousness.

Both types of data can be and have been collected in the same study (Easterby-Smith et al., 2002) and there is evidence of many primarily quantitative research studies having been preceded by firstly employing qualitative methods to collect initial data, for example to inform the choice of questions for a questionnaire (Flick, 1998, p. 156).

4.4 The Research Design for This Study

To achieve the objectives, this study has adopted a mixed methods approach, which refers to using different techniques to collect different types of data for a single piece of research. Bonoma (1985) argued that collecting different data from different sources and by different means results in a broader and fuller picture of the phenomenon or unit of analysis under study. Moreover, Bryman & Bell (2007) add that this type of research has become far more common than before. Thus the next sections address the data collection methods used for this research, namely content analysis and questionnaire. Using both methods together should give an understandable picture about the social disclosure in Libyan companies and the need of users' future. No one method could address all the research aims simultaneously.

4.4.1 Content Analysis

The textual analysis of Libyan companies' annual reports via quantitative content analysis was applied to achieve the first two research objectives – to examine corporate social disclosure practices and trends (2001-2005). Content analysis is a form of textual analysis, which is an analysis of texts and documents (Silverman, 1993). It can be described as the art or science of interpretation of 'texts', which also takes into account the 'contexts', which have generated those 'texts'. Bebbington (1999) suggests that a variety of research methods may be applied in order to understand the meaning embedded in a text. One such method is content analysis, which may be quantitative as well as qualitative (Unerman, 2002). Quantitative content analysis (Gray et al., 1995a; Gray et al., 1995b; Krippendorff, 1980; Unerman, 2002) measures the volume of disclosure and then attempts are made to draw inferences about the meaning/importance of the text.

According to Bryman & Bell (2007), content analysis is an important approach to the analysis of documents and texts. The main use of content analysis has been to examine mass media items, as well as text and documents that are either produced by the organization, such as annual reports, or written about it, such as article in the business press. In this context, Morris (1994) adds that content analysis can be used to extract data from a wide range of communication media and the management researcher has used to draw conclusions from the textual communications of managers. Neuendorf (2002) assert that this research technique is possibly the fastest-growing technique in quantitative research.

Many definitions of content analysis have appeared through the years. Although, different writers prefer different wording to define and describe this technique, particularly in the area of quantitative message analysis, the procedures or the steps of the analysis suggested by these writers take almost identical paths. One of the earliest definitions comes from Berelson (1952, p. 18): "content analysis is a research technique for the objective, systematic, and quantitative description of the manifest content of communication". Holsti (1969, p. 14) defined it as "any technique for making inferences by objectively and systematically identifying specified characteristics of messages". It has also been seen as a technique for gathering data that consists of codifying qualitative information, in anecdotal and literary form, into

categories in order to drive quantitative scales of varying levels of complexity (Abbott & Mosen, 1979). And it is also defined by Krippendorff (1980) as “a research technique for making replicable and valid inferences from data to their context”.

Moreover, Neuendorf (2002) defined the content analysis as “summarizing, quantitative analysis of message that relies on the scientific method (including attention to objectivity-intersubjectivity, a priori design, reliability, validity, generalizability, replicability, and hypothesis testing) and is not limited as to the types of variables that may be measured or the context in which the messages are created or presented”. Wolfe (1991, p. 282), furthermore, defines the content analysis method as “coding words or other units of text against particular schema of interest reducing the text to more structured and concise units of information so that inferences can be drawn about the text or its source”. Thus content analysis data are reduced into meaningful categories. Units of analysis such as words, sentences, paragraphs, pages, etc. can be classified into such similar categories. Using content analysis may be providing some advantages to researchers in this context. These advantages are summarised by Wolfe (1991, p. 282) as follows:

1. Content analysis is unobtrusive; neither the sender nor the receiver of analysis messages is aware that the messages will be analysed;
2. Content analysis of various types of documents produced on a regular schedule basis presents an opportunity to develop longitudinal data bases;
3. Content analysis allows the researcher to work directly with core human and organisational behaviour-communication (Weber, 1990);
4. Content analysis may facilitate researcher of differing methodological and theoretical persuasions to work together, thereby contributing to the convergence of theoretical and empirical perspectives;
5. Analysing naturally-occurring language has advantages over numerical analyses, especially for the understanding and describing many organisational phenomena;
- 6- Content analysis facilitates linking summary statistics to natural language, which can result as well as scientists;

7- Content analysis accepts unstructured data (for example, the corporate annual reports used in this study) unlike questionnaires and structured and semi-structured interviews;

8- It is a highly flexible method. It can be applied to a wide variety of kind of unstructured information (Bryman & Bell, 2007).

Therefore, numerous researchers have used the content analysis technique as a data gathering method for social accounting (see Table 4.3).

Table 4-3* Summary of Studies that Used Content Analysis as A Research Method

Study(ies)	Sample	Data Source (Documents Analysed)	Measurement Method (measurement unit)			
			Wo	Sen	Pa	Ot
		Annual reports				
Abbott & Monsen (1979)	U.S Fortune 500 companies	√	√			√
Guthrie & Mathews (1985)	Australian companies	√			√	
Guthrie & Parker (1990)	50Largest companies by turnover in UK,USA & Australia	√			√	
Zeghal & Ahmed(1990)	Canadian firms	√ and others	√			
Patten (1991)	128 companies in 1985 indicate that size and industry type.	√			√	
Lynn (1992)	Hong Kong companies	√				√
Gray et al. (1995a)	U.K companies	√			√	
Gray et al. (1995b)	U.K companies	√			√	
Adams at al.(1995)	social and environmental reporting of UK companies	√			√	
Hakston and Milne (1996)	47 largest companies listed on the New Zealand Stock Exchange at 31-12-1992.	√		√		
Deegan and Rankin (1996)	Australian companies during the period from 1990 to 1993.	√	√			
Disu and Gray (1998)	Nigerian companies	√			√	
O' Dwyer and Gray (1998)	Republic of Ireland companies	√			√	
Adams et al (1998)	150 companies' annual reports in 6 countries	√			√	
Tsang (1998)	Corporate Social Reporting ; The Singapore Banking, Food and Beverages and Hotel Industries	√		√		
Neu et al.(1998)	annual reports of Canadian public companies operating in the mineral extraction, forestry, oil and gas, and chemical industries over the 1982 to 1991 period	√	√			
Milne and Adler (1999)	49 companies selected at random. Experiment designed to test inter-coder reliability	√		√		
Williams (1999)	Voluntary environmental and social accounting disclosure practices in the Asia-Pacific region	√		√		
Abu-Baker and Naser (2000)	Corporate Social Disclosure Practices in Jordan	√			√	
Adams& Kuasirikum (2000)	UK and German chemical and pharmaceutical companies	√			√	
Alnajjar (2000)	U.S. Fortune 500 Firms	√				√
Campbell (2000)	One company (Mark & Spencer plc) over 28 years	√	√		√	
Belal (2001)	Bangladesh companies	√				√
Milne & Patten (2002)	USA Chemical firms	√				√
Deegan et al. (2002)	corporate social and environmental disclosures of BHP from 1983-1997	√		√		
Raar (2002)	annual reports of Australian firms	√		√	√	
Unerman (2003)	Shell annual reports from 1950 to 1965	√			√	
Campbell et al. (2003)	Voluntary social reporting in three FTSE sectors	√	√			
Holland and Foo (2003)	Companies with in environmentally sensitive industry group from UK and US	√		√		
Abeysekera & Guthrie(2004)	Annual reporting in developing countries	√				√
Ahmed & Suleiman (2004)	Malaysian Annual Reports	√		√		
Thompson & Zakaria (2004)	Malaysian companies	√		√	√	
Xiao et al. (2005)	Corporate Social and Environmental Disclosure in Hong Kong and the U.K	√	√			
Gao et al. (2005)	Malaysian companies	√	√			
Silberhom & Warren (2007)	Big Companies in Germany and the UK	√				√
Ghazali (2007)	Malaysian companies	√				√

Wo: word; Se: sentences; Pa: pages; Ot: other

*the format of this table was based on that used by Unerman (2000).

4.4.1.1 The Content Analysis Stage

Researchers have used content analysis as a method to analyse text or language by references to incidence within certain pre-selected words or sentences. It is based on the assumption that the more frequently a word is used, the more significant is the subject.

There are certain steps to be followed in a content analysis and choices have to be made at each step. These steps are listed by Weber (1994) and Wolfe (1991) as follows:

- Identify the question(s) to be investigated;
- Determine the sampling units;
- Determine and define the content categories;
- Determine the recordings unit;
- Determine the coding mode;
- Test coding on sample of text;
- Assess reliability and validity.

The next sections will be discussed the related issues.

Identify the Question(s) to be investigated

Content analysis was used as a first step of the data collection process to address the first two aims of this research. In this context, Weber (1994) recommended that the researcher first identify the question(s) to be investigated. This method was used for collection data in seeking to understand corporate social disclosure (using corporate annual reports) in Libya. Content analysis is thus employed to analyse the corporate annual reports to understand the social accounting practices in Libyan companies. The research objectives to achieve the main aim which were addressed in the content analysis are:

-To document the amount and type of social disclosure by Libyan companies in annual reports.

-To identify trends and patterns in corporate social disclosure and to explore possible reasons for these, e.g. differences between Libyan state-owned and private companies.

- To what extent Libyan companies disclose the interaction between their activities and their social performance related information.
- To find the kinds of social information (categories) mostly disclosed by the Libyan companies.
- To find the volume of social disclosure increase over the period covered by this research (from 2001 to 2005).
- To find the type of information (quantitative financial- quantitative but not financial- or descriptive) mainly disclosed by the companies. And the differences existing in the disclosure practises of Libyan companies with regards to activity, ownership structure and location.

4.4.1.2 Determine the Units

Here in this stage, two things need to be decided. The first concerns the source of the text to be analysed. In this context, Krippendorff (1980) states that selecting the sample unit for analysis is a significant stage in any content analysis process. The second is the components of the text to analyse. Any form of text or transcribed spoken can be chosen as the source of the text to be analysed. Therefore, the following sub-sections identify the source of the text that was used in this research.

The source of the text to be analysed:

Many corporate social disclosure studies (see table 4.3) used the annual reports as a source for their analysis. Companies' annual reports are considered as an important and most reliable source of information about companies activities (Belkaoui & Karpik, 1989; Gray et al., 1995a). In this context, Gray et al. (1995b) point out that annual reports are broadly viewed as a major official and legal document. They are

produced on a regular basis, and they act as a significant forum for a firm's communication within political, social and economic systems.

Abu-Baker & Naser (2000) undertook work in developing countries and noticed that general corporate social reporting is little used, so the annual report conveyed most of the information that the companies generated. That makes the company annual reports in developing countries, such as Libya, a particularly valuable source of information.

Many channels can be used to disclose information about companies' social performance, such as advertising, promotional leaflets, interim reports, press releases, discussions, meeting with financial analysis and journalists, and separate reports such as environmental reports and human resources reports (Abu-Baker & Naser, 2000; Zeghal & Ahmed, 1990). However, as can be seen in Table 4.3, the majority of studies into corporate social responsibility disclosure have focused on annual reports as the main source. Hines (1989) argued that the most important document in terms of the company's construction of its own social image is the annual report.

The source of text to be analysed in this stage of the study are the annual reports of Libyan companies. This is not just because annual reports are common in other studies of corporate social disclosure. Rather, it is because, in developing countries, the other disclosure channels (such as Internet, advertising and promotional leaflets) are of little use to most companies, and it is very likely that most of the information disseminated is in formal annual reports (Abu-Baker & Naser, 2000). This can be applicable in the Libyan context in which this study is undertaken. In Libya the annual reports are considered as the major means through which corporate messages are conveyed, with it being unlikely that firms will carry out internet reporting. Indeed, the internet is, as yet, little used by Libyan companies.

The Components of Text Analysis:

Tilt (1998) argued that the choice and development of categories into which data capture units can be classified is the essential element of content analysis. In this respect Gray et al. (1995b) add that "the `objectivity` criterion requires that independent judges would be able to identify similarly what was and was not CSR."

The identification of the categories in the sampling unit (annual report) is facilitated by the development of a set of all-encompassing rules for each category, which are mutually exclusive, exhaustive and independent (Gray et al., 1995b; Tilt, 1998; Unerman, 2000b). In this context Gray et al. (1995b) contend that the systematic criterion requires asset of exhaustive rules which will define the categories “corporate social disclosure” in any of the subcategories in a common and all-embracing manner. What falls within the rules therefore becomes corporate social disclosure whilst that which falls outside is not corporate social disclosure.

The major themes for corporate social disclosure were developed by Gray et al. (1995b). Similar themes are used in this research about environment, employee, community, and consumers.

4.4.1.3 Determine and Define the Content Categories

The essential notion in content analysis is determining the fit for each of the above categories and with respect to defining sub-categories. Gray et al. (1995b) adopt rules which can be followed in this research (see Appendix 2) for corporate disclosure in the content analysis. They, subsequently, identified a variety of sub-categories which fall within those major categories. It is noteworthy that the categories, along with the sub-categories, were developed with reference to the Ernst & Ernst (1978) database. In the process of developing the decision rules, it is important that they eventually possess shared meaning and that the data gathering and analysis is capable of replication so as to satisfy Krippendorff’s (1980) reliability criterion. The definitions employed for corporate social reporting disclosure are made explicit and link with previous research by Guthrie & Parker (1990), Guthrie & Mathews (1985) and Ernst & Ernst (1978); this should guarantee a high degree of shared meaning and comparability.

Gray et al. (1995b) presented the ultimate categories and decision rules defining these categories. They are adopted in this research because of the rigorous nature of their development and their focus on satisfying Krippendorff’s (1980) requirement for systematic, objective and reliable criteria for content analysis. Nevertheless, some of the decision rules required certain adjustments to align them to the Libyan context.

Accordingly, to enable content analysis to be performed in a manner which can be replicated, the content analysis method in this research is based on an established research instrument (Gray et al., 1995b), which itself is based on earlier work by Ernst & Ernst, (1978) and Guthrie & Mathews (1985). The comprehensive nature of its development and the extensive utilization of the instrument are important. Moreover, Guthrie & Mathews (1985) and Gray et al. (1995b) suggest that in order to enrich the content analysis data, an endeavour must be made to capture the quality and type of disclosure. In this research, hence, the categories representing the following were recorded: the dimensions of the social disclosure categories (themes) (e.g. employee, environment, energy, consumers, community and general/ other), type of data (e.g. monetary quantification; quantified but non-monetary/statistical; and descriptive); and quantity (i.e. number of words and sentences).

4.4.1.4 Determine the Recording Unit

From the literature of content analysis there are different approaches that can be used to capture the data. It appears from this literature that there is no single accepted measurement technique to assess the description disclosure. Table 4.3 shows that the units of content analysis can be a word, sentences, lines, pages, per cent of pages, or mix of these units. As a result a fundamental and important decision is to determine the recording unit specific segment, or content of text, that is characterised by placing it in pre-determined categories. The advantages of these units are summarised by Gray et al. (1995b, p. 84):

- Words have the advantage of lending themselves to more exclusive analysis (are categorised more easily) and have the pragmatic advantage that a database can be scanned for specified words.
- Sentences enable the researcher to infer meaning.
- Pages reflect the total amount of space given to a topic and, by inference, the importance of that topic.
- Pages are also considered an easier and more reliable measurement unit to measure by hand.

This study chooses 'words' and 'sentences' as units of analysis for social disclosure. It is recommended; see for example (Weber, 1990; Wolfe, 1991) that carrying out a content analysis in terms of words has some advantages, for example, in category construction. Words are easier to categorise than sentences, but sentences are preferred if researchers are inferring meaning. Counting the disclosure of both words and sentences, which is done in the present study, seems to be the most accurate, reliable and recommended technique (Ince, 1998). It is reliable because it reduces human error when it is compared to the other techniques such as line-by-line and page measurement. Using both permits comparison with studies that have used just one measurement basis, and it also copes with companies varied practice in terms of average length of sentence.

Some writers recommend another approach in analysing sentences. They seek to establish the theme of each sentence in a text. Smith & Taffler (1990) describe the procedure that they used: "each sentence registered a theme score of 1 unit. If a sentence comprised four themes, each was accorded a theme-score of .25. No distinction was made between the lengths of sub-classes in any sentence. The overall score accorded any particular theme was perceived to be indicative of its importance within the text". Although the approach presents a powerful mechanism for sentence analysis, in this study an attempt is made to make such a measurement mechanism as accurate as possible by counting actual words and sentence, with resorting to making judgment on detailed themes. Moreover, use of word counts assist in guarding against inconsistencies in calculating the quantity of disclosure (Zeghal & Ahmed, 1990). In this context, Krippendorff (1980) noticed that words are a preferred measure when it is intended to measure the total amount of space devoted to the topic and to ascertain its importance. Furthermore, Weber (1990) suggested that if the recording unit is small, such as a word, it increases reliability. If a recording unit is large, such as a page, it is also difficult to make a comparison between two reports if fonts, page margins and components (picturing and graphs) differ.

In summary, the research has adopted both units of analysis – words and sentence – because words are easy to categorise and sentences convey meaning.

4.4.1.5 Determine the Coding Mode

There are three ways of coding; by human effort, by computer, or by some sort of combination of the two. In this study, human coding was used. Given the size of the database and the fact that the annual reports were available to the researcher in hard copy, this was considered the most appropriate approach. It is, in any case, common in previous research.

In reviewing the literature related to corporate social disclosure, two different approaches have been used to measure the extent of disclosure in reports, the weighted disclosure approach and the un-weighted disclosure approach. The latter is the one used in this study. The weighted method has been used in financial disclosure (Buzby, 1975; Chandra, 1974). It is based on the fact that each item can be seen as having a different value in the corporate reports,. Thus, this method, gives different weighting to the different disclosure items in the corporate reports. For example, Chandra (1974) and Buzby (1975) used a 5-point Likert scale to measure the importance of selected disclosure items by sampling financial analysts. The basis of the weighted method has merits, but in the “general Purpose reports”, which are used to meet the needs of many user groups, without further information, the value of each item can be considered equally important to all users. In any case, different user groups are likely to value each item differently; indeed, even within a particular user group there might be many differences in priorities. And this study is not concerned with any specific user group. As Spero (1979, p. 42) comments, “...any method of assigning weights to individual disclosure items is misleading because the importance of any disclosure item varies from company, industry to industry and time period to time period” Further support for not attaching weights to disclosure items can be found in Robbina & Austin (1986) and Cooke (1989). Furthermore, Spero (1979) argued that “different weighting schemes are not as important as item selection because companies that view disclosure positively disclose many items and have high score regardless of item weights” (p.64).

4.4.1.6 Determine Coding on Sample of Text (Pilot Test)

Coding a sample of text (before coding all the text) may increase the validity of the coding of all text. Following Weber (1990) and Wolfe (1991), an effective way to

determine the practicality of the content analysis process, including the clarity of categories and the validity of outcome measures, is to analyse a sample of documents. Testing a sample of the text can provide the researcher with practical experience that may contribute to increasing the reliability of content analysis results (Berg & Veer, 1985). Hence, it is important to be familiar with the content analysis and the application of the corporate social reporting instrument to the annual reports of Libyan companies prior to beginning the main content analysis. A consultation meeting was carried out between the researcher and one of his supervisors (Professor Chris Cowton).

The researcher then sent a sample from the annual report to PhD colleagues who are familiar with content analysis process. To test the coding, the reports were accompanied by a data collection sheet and the diction rule. The result suggested that there were no major problems with the process.

The researcher analysed the content of fifteen annual reports from three surveyed companies (chosen randomly) as a part of pilot work completed prior to gathering the data. The reports were coded based on the initially selected and defined content categories. During this analysis, there were no major problems. The analysed annual reports (as part of the pilot work) constitute part of the final sample.

4.4.1.7 Assess Reliability and Validity

Reliability, in content analysis, means the procedure used for analysis must be reliable in the sense that the same text must be coded in the same way by different people. Weber (1990) suggested that the content analysis classification must be reliable in terms of consistency and reproducibility.

Krippendorff (1980) identifies three types of reliability for content analysis, namely stability, reproducibility, and accuracy. Stability refers to the ability of a judge to code data the same way over time. It is the weakest of reliability tests. Krippendorff (1980) furthermore, noted that the test of stability measures whether particular items classified by the same researcher at different times, have remained stable (reliability across time).

Reproducibility, which is sometimes referred to as inter-coder reliability (Milne & Adler, 1999) or equivalence reliability (Neuman, 2003), signifies the extent to which content classification produces the same results when the same text is coded by different people (Weber, 1990). Problems may occur if there are ambiguities of word meanings, category definitions, etc.; this is overcome by multiple coding. Weber (1994) argued that conflicting coding usually results from random recording errors. He also added that the high reproducibility (inter-coder) is considered a minimum standard for content analysis. In this study, companies were independently coded by both the researcher and two colleagues in order to obtain a measure of the reliability of the classification process (reproducibility).

The researcher coded the reports of four companies while the other researchers coded the reports of the rest of the companies. Each of the remaining coders handled reports of three respondent companies. There was almost total agreement between the researcher and the other coders on the categorisation of the texts and the measurement results. A number of steps were taken to ensure this inter-coding reliability namely:

- (1) Researcher who is familiar with corporate social reporting analysed a copy from a sample of annual reports, using the same decision rules.
- (2) All the annual reports were studied in detail one by one, and the relevant data extracted manually.
- (3) Words and sentences were measured, after which numbers were transferred to the data collection sheet.
- (4) After each annual report was transferred to the data collection sheet, the collection sheets were entered into a database.

Part of the content of the annual reports, which were analysed by the researcher, were those analysed during the pilot test. This procedure was undertaken in order to ascertain if the initial categories identified and their measurement had remained stable at different times (stability). The result was almost stable.

In addition to being reliable, the process used must be valid, in the sense that it measures or represents what the researcher intends it to measure (Weber, 1990). The

validity (semantic validity) is defined by Krippendorff (1980) as the extent to which persons agree that the list of words placed in the category have similar meaning or connotations. In this study, the agreement between the researcher and other coders on the categorisation of the text, as mentioned earlier, can be used to suggest that the procedure of categorisation was valid.

4.4.1.8 The Sample

A five-year period from 2001 to 2005 was chosen for this study. The sample represents different sectors under both private and under government control companies. These sectors include manufacturing companies, financial service enterprise (banks and insurance companies), and other service companies.

The absence of a financial market in which companies can be quoted, in addition to the fact that Libyan companies are under different authorities' control, represents a major obstacle placed in the path of data collection. Serious efforts were made to make certain that a comprehensive list of the Libyan companies in different sectors could be obtained. A list containing 187 companies from the General Board of Ownership Transfer of Public Companies and Economical Units office was obtained, representing different sectors.

The list was systematically worked through, obtaining as many annual reports as possible. However, this was not as simple as would appear at first sight. Arab countries, and developing countries generally, were presented in the cultural dimensions of Hofstede (1980) as countries with strong 'uncertainty avoidance', large 'power distance' and 'collectivism'. According to Gray (1988) a social environment with higher levels of uncertainty avoidance has a preference for secrecy. Companies in this social arena perceive a need to restrict information to avoid possible conflicts and uncertainties of competition, and to ensure the preservation of security. Therefore, it was not simply a case of being able to contact each business and request a copy of their annual report.

To overcome the barriers of secrecy and the regular political changes in Libya which might affect the response rate, an approach similar to that of snowball sampling was adopted. Personal relationships were used to find contacts who could obtain the required annual reports on the researchers' behalf.

Out of top 187 companies from different sectors in both private and under government control, it was possible to collect 270 annual reports from only 54 companies through personal contact with the companies. It should be noted that in Libya there is no central repository of company information that can be contacted in order to collect the annual reports; hence the researcher contacted each company to get its annual reports. Thus the sample of 54 companies is not a random or designed sample; it simply represents those companies that were willing to provide the researcher with information.

The collected reports relate to the years 2001-2005. This was in order to be able to ascertain whether there were any significant trends in disclosure practice, since a given level of disclosure in 2005 is of different significance if it is the same as in previous years or if it represents a major change (upwards or downwards) from previous year. The reason for choosing 2005 as the end point is that some Libyan companies had not yet produced their annual reports for 2006 or 2007 during the data collection phase of the project. As it transpired, this is not a significant shortcoming, for – as the findings of the content suggest – there is every reason to suppose that disclosure practice in 2006 and 2007 will have turned out to be very similar to 2001-2005, since during the period under review there were few changes.

A further point to mention is that not all the 54 companies allowed the researcher to keep copies of the annual report. In some cases, the researcher had to stay at the company to read and analyse the annual reports on the company's premises. This greatly increased the time spent in the field. Although a frequently cited advantage of using secondary data is the ease of collecting it, that proved not to be the case for Libyan corporate annual reports. The response rate is shown in Table 4.4.

Given the difficulty of collecting reports in the developing countries (Belal, 2001; Xiao, 1999) and the time and resources available to the researcher, the number of companies surveyed may be considered not only acceptable but very satisfactory. The sample also makes it the most comprehensive study to date of corporate social reporting in Libya (54 companies with period of five years (2001-2005)). The previous published descriptive study of Libyan corporate social reporting by Pratten & Mashat (2009) covered 56 annual reports but over only a 4-year period (1999-2002).

Table 4-4 Response Rate (content analysis)

Sector	Manufacturing	Services	Total
Population	154	33	187
Responses received	42	12	54
Response Rate %	27%	36%	29%

4.4.2 Questionnaire

The questionnaire is a useful flexible tool for business research. In this study, it helps the researcher to gain stakeholders' (but see below) perspectives on corporate social disclosure in Libya, thus complementing the quantitative findings of the content analysis. In particular, the questionnaire survey enables the researcher to gain information about corporate social responsibility disclosure and to gather the perspectives of corporate stakeholders with regard to nature of corporate social reporting disclosure, moreover to evaluate the usefulness of current social disclosure for user groups and to ascertain their opinion of possible future developments, and to compare their opinions with companies' intentions. This aim sought to gather and explore the perceptions of stakeholders in companies, with respect to: a) the main features of the current corporate reporting and disclosure practices; b) the possibility of wider disclosure in terms corporate social responsibility, and c) the motivation for the disclosure of such information, along with the reasons behind non-disclosure.

Hussey & Hussey (1997) argued that individuals' perspectives can be examined by utilising either questionnaires or interviews. The advantage of a questionnaire survey is that it enables many more individuals to be covered by the study. This is particularly important when the amount of knowledge about a field is limited.

A questionnaire is a "formulated written set of questions to which respondents record their answers, usually within rather closely defined alternatives" (Sekaran, 2003). In similar vein, Collis & Hussey (2003, p. 173) define a questionnaire as "a list of carefully structured questions, chosen after considerable testing with a view to eliciting reliable responses from chosen sample. The aim is to find out what a selected group of participants do, think or feel". Such a tool, i.e. the questionnaire, can be envisaged as an efficient data collection tool particularly when the researcher knows

what is required and how to measure the variable of interest. Questionnaires can be posted to respondents or personally administered; more recently, email surveys have become popular, either sending the questionnaire as a word-processed attachment or providing a link so that it can be completed online.

Mail Questionnaires: this kind of questionnaire involves a process of sending questionnaire through the mail to respondents, i.e. the study sample or population. In such a method, researchers usually provide respondents with a self-addressed stamped envelope and ask them to fill the questionnaire and send them back.

Personal questionnaires: Sekaran (2003, p. 236) maintains that the use of personally administered questionnaires is advisable, i.e. they are the best tool for data gathering, when the survey is confined to local area. For example, when the researcher is willing and able to assemble certain groups to respond to the questionnaire at the work place, personally administering the questionnaire is the best mechanism to collect data.

Electronic questionnaires: according to Sekaran (2003, p. 251), it can be answered at subject's convenience like the mail questionnaire and it is easy to administer, very inexpensive and can reach globally. However, all the sample must have access to a computer and internet facility to answer this kind of questionnaire, as well as being willing to complete the survey

According to some authors (e.g. Cavusgil & Elvey-Kirk, 1998; Collis & Hussey, 2003; Oppenheim, 1992; Saunders et al., 2003; Sekaran, 2003) there are some advantages and disadvantages of the two main traditional methods – see Table 4.5.

Table 4-5 Advantages and Disadvantages of Questionnaires

Mode of Data collection	Advantages	Disadvantages
<p>Personally Administered Questionnaire</p>	<p>Can establish rapport and motivate respondent.</p> <ul style="list-style-type: none"> -this method of data collection ensures a high response rate, accurate sampling and a minimum of interviewer bias. -the researcher can collect all the completed responses within a short any question could be clarified on time. - any doubts and ambiguity respondents may have about any question be clarified on the spot. -the researcher has the opportunity to introduce the research topic. -it requires fewer skills to administer the questionnaire than to conduct interviews. 	<ul style="list-style-type: none"> -Organisations may be reluctant to give up company time for the survey with groups of employees assembled for the purpose. - would be expensive when the sample is geographically dispersed. -can notice that respondents often are not able to allow their work time for data collection.
<p>Mail Questionnaires</p>	<ul style="list-style-type: none"> -Anonymity is high. -can cover a wide geographic area in the survey. -Give the respondent the opportunity to confer with his or her records, consult colleagues, or conduct research before answering whereas the interview situation normally dose not.. -Respondent can take more time to respond at convenience. -Can be administrated electronically, if desired. 	<ul style="list-style-type: none"> -Response rate is almost always low. -Cannot clarify questions. -Follow-up procedures for non responses are necessary.

In this study, the personally administered questionnaire method was chosen to collect the data. This method is suitable in the Libyan context because the mail system is not effective enough to send postal questionnaire to the companies sampled, and use of the internet is still very low. Also, this method gives the researcher the opportunity to explain the study when that is required by the respondents.

4.4.2.1 Questionnaire Design

Before constructing the questionnaire, the researcher carried out an extensive review of the existing literature regarding: a) corporate reporting and disclosure; b) corporate social responsibility reporting and disclosure; c) accounting and corporate disclosure practices in context of Libya. Moreover, past studies were reviewed to determine the attitudes of stakeholders toward corporate social reporting disclosure (Ahmad, 2004;

Al-Khater & Naser, 2003; Ngangan, 1997; Novin & Baker, 1990). However, a great deal of the questionnaire material was based on Al-Khater and Naser's (2003)' work. Building on previous work provides the opportunity to use questions that have already proved successful in a previous study.

4.4.2.2 Wording and Language

Marked attentiveness must be paid to developing clear, unambiguous and useful questions. The wording of the questions is fundamental in developing the questionnaire. In this context, Sekaran (2003) states that the principles of wording refer to a range of factors, including the level of language sophistication, the type and form of questions asked, the sequencing of the questions, and so the personal data sought in constructing the questionnaire for this survey a checklist of factors was used, which emphasized the English language (Zickmund, 1991; Hague, 1993; Cooper&Emory, 1995; Ghauri et al., 1995; Kumar,1999; Ticehurst&Veal, 2000; Hussey & Hussey, 1997; Oppenheim, 1992). Application to the Arabic language was also considered to prevent the more common problems of wording and interpretation:

1) Pertinent questions: Since people tend to answer what is asked of them (within limits), the questionnaire was related to the key problem and issues. Asking questions about things which are not really needed to be known and those which might sound trivial was avoided.

2) Simplifying terms: it was attempted to avoid jargon and technical terms as much as possible. Furthermore, it was attempted to use simple words without making questions sound too trivial.

3) Length of questions: it was attempted to make questions as short as possible since the shorter the question the less confusing or ambiguous it will be. In this context, Janes (1999) argues that "people will not read too much, get confused easily".

4) Leading questions: a leading question "is one which, by its contents, structure or wording, leads a respondent to answer in a certain direction" (Kumar, 1999). An attempt was made to avoid phrasing questions in such a way that they may lead the respondent to give the responses that the researcher would like to receive, or which may come across as wanting to be elicited.

5) Negative questions: attempts were made to avoid questions which use 'not' as they are considered difficult to understand, especially in the case of asking respondents to indicate whether they agree or disagree.

6) Presumptive questions: in such questions the researcher holds strong views about a subject and overlooks the fact that everyone might not feel the same way. In other words, the researcher supposes that the study participants fit into a particular category and then seeks information based upon that assumption.

7) The Language-Translation Problems: this problem occurs since a word or phrase can have several meanings, which might affect the perception or intended sense, and that one term can be worded differently, which would in no way influence the meaning. The questionnaire was translated into the Arabic language because all the participants in the population are Arabic native speakers, as the researcher is; the translation process needed additional care, as a word or expression can have a number of meanings. In this respect, Emery (1987) stated that, in general, Arabic tends to be more open than English, for example what is implicit in English often has to be spelled out in Arabic. Therefore, to avoid this problem, the questionnaire employed in this study was initially constructed in English and, then, translated into Arabic. Considerable attention was given to eradicating any problems and difficulties that might occur during the process of constructing the Arabic version. Attempts were made to review (as much as possible) the questionnaires relating to some aspects in accounting in general and in the area of corporate social reporting in particular in the Arab countries. After the questionnaire was translated by the researcher a detailed discussion took place through a pilot study that used Arabic first language speakers. In addition, Arabic copies were sent, along with its English version, to a qualified translator for comments and amendments. In respect of avoiding translation problems, the respondents were provided with two copies of the questionnaire, one in Arabic and another in English.

4.4.2.3 Type of Questions

In constructing the questions of the questionnaire, one of the most significant considerations for many researchers is whether to ask a question in an open or closed format (Bryman & Bell, 2007). The classification of questions discussed in the relevant literature is basically converging on two types, open-ended and closed

questions (Ghartey, 1993; Hague, 1993; Hussey & Hussey, 1997; Kumar, 1999; Saunders, Philip, & Thornhill, 2000; Sekaran, 2003). In open-ended questions each respondent can give a personal response or opinion in his/her own words. That is, such questions allow respondents to answer them in a free-flowing way. Alternatively, closed-ended questions refer to range of alternative answers from which the respondent is required to choose. Saunders et al. (2000) comment that closed questions are usually quicker and easier to answer, as they require minimal writing. In addition, this type of questions is useful when the questionnaire is long or individuals' motivation to answer is not high. Moreover, closed-ended questions are easier to code and are usually easy to analyze, since the range of potential answers is limited.

However, Vaus (2001) argued that the main problem with closed-ended questions is that they can create false opinions, either by giving a limited range of options from which to choose, or by prompting the study participants with 'acceptable' answers.

Also, one of the major disadvantages of such questions is that the information obtained through them lacks depth and variety (Kumar, 1999). There is, finally, a greater possibility of investigator bias because the researcher may list only the response patterns that he/she is interested in.

The advantage of the open-ended questions, on the other hand, is that the researcher does not influence the respondent's answers excessively and they are easy to ask and also give the researcher more information by allowing free expression of ideas and views. At the same time, one can find that these sorts of questions need more time and effort to answer, require more paperwork and make the questionnaire appear longer. Furthermore, the coding and analysis of such questions is more difficult, response rate can be very low because people have little time to write full-length answers (Ticehurst & Veal, 2000), and while such questions provide respondents with the opportunity to express themselves freely, if respondents are not able to express themselves adequately, the information can be lost (Kumar, 1999). Vaus (2001) suggests that the choice between open or closed questions depends on considerations such as the question content; respondents' motivation; methods of administration; type of respondents; ability to code open-ended answers; and the amount of time available to develop a set of unbiased answers. Closed questions have many desirable features, and some of their shortcomings can be overcome by allowing respondents the

opportunity to agree or disagree, to varying degrees. Many such closed questions were adopted in this survey.

4.4.2.4 Sequencing of Questions

Saunders et al. (2000) argued that when constructing questions it is important to spend time considering the order and flow of questions as this can influence the quality of information, the interest and even the willingness of participants to take part in a study. Kumar (1999) comments that there are two ways to order questions. The questions could be asked in a random order, or they could follow a logical progression based upon the objectives of the study.

If random is not used, in the questionnaire the sequence of questions should be such that the study participants are led from questions of a general nature to those that are more specific, and from questions that are relatively easy to answer to those that are progressively more difficult (Sekaran, 2003). In constructing the questionnaire of this study, the following guidelines regarding the questions sequence were considered:

- (1) Starting with easy or simple themes and going to more difficult or complex ones;
- (2) Starting from concrete and going to abstract questions;
- (3) Starting with questions the study participants will enjoy answering;
- (4) Keeping open-ended questions to a minimum and wherever possible placed towards the end of the questionnaire;
- (5) Classifying questions into sections or parts in order to facilitate the process of structuring the questionnaire and provide a flow;
- (6) Making use of filter questions to ensure that questions are relevant to study participants;
- (7) Where possible, trying to introduce a variety of question formats in order that the questionnaire remains interesting.

Moreover, particular efforts were made to achieve a high rate of response through: (a) having a covering letter accompanying the questionnaire which explained the importance of the study; (b) assuring the respondents that their answers would remain

classified and anonymous; and (c) using personal contacts during the questionnaire distribution.

4.4.2.5 Classification Data or Personal Information

It is recommended to obtain certain personal data since it will help to describe the participant's characteristics while the researcher is analysing the result of his study. Personal information/demographic questions include information such as gender, educational level, experience, occupation, income etc. It is a matter of the researcher's choice to place the questions of personal information at the beginning or the end of questionnaire. Some researchers prefer to place such information at the beginning of the questionnaire for the reason that respondents may have psychologically identified with the questionnaire and feel committed to responding, once they have said something about themselves at the beginning (Saunders et al., 2000). Other researchers, on the other hand, prefer to ask personal information at the end of the questionnaire to give respondents the opportunity to answer first the questions of greater interest, thus convincing them of the genuineness of the study.

4.4.2.6 Scaling of the Questions

According to Sekaran (2003, p. 185), a scale is a "tool or mechanism by which individuals are distinguished as to how they differ from one another on the variables of interest to our study". Certain scales have been devised that will allow the researcher to measure the variable of interest. In the first and second part of the questionnaire the study participants were invited to tick or circle one of the five choices on a sliding scale of agreement from (1) 'strongly disagree' to (5) 'strongly agree'. An additional scale of 'do not know' was given for those who may have no idea about the issue or question under consideration. Therefore, a fairly standard Likert-type scale is exploited throughout the questionnaire. This scale is based upon the idea that the same 'attitudinal value' is given to each item on the scale. It allows the researcher to perform certain arithmetical operations on the data gathered from the respondents. It also gauges the magnitude of the differences in the preferences among the individuals (Kumar, 1999; Sekaran, 2003). The continuation of that format proved difficult for some questions in which the idea is to rate suggested responses or options. Respondents, for that reason, were invited to tick one of five boxes, offering

a sliding scale of importance ranging from (1) “not at all important” TO (5) “very important”.

In the last part of the questionnaire, participants were invited to tick or circle the subject, classification or characteristic (i.e. current occupation, level and pace of education, years of professional experience and professional qualification) to which they belong.

Thus the questionnaire used both nominal and classificatory scaling (see Sekaran, 2003). Likert and itemized rating scales were designed to allow descriptive statistics and nonparametric tests to be prepared to help with the subsequent analysis.

4.4.2.7 The Pilot Study

An important step in questionnaire development and design is the pilot study. This enables the researcher to find out and improve technical problems such as wording or measurement problem relating to the questionnaire, and improve this instrument of data collection for the purpose of increasing response rates, also to ensure that the questions are understood by the study participants.

Two stages of prior development were used in the questionnaire for the distribution of the final version. The draft questionnaire was initially piloted by local specialists and colleagues in the first stage. After this draft was discussed, subject specialists’ comments and suggestions were integrated into the second version of the questionnaire. PhD students interested in corporate reporting and whose first language was Arabic were provided a complete questionnaire, and asked for their comments with regard to the English and Arabic translation. After carefully examining all the replies and discussing some of them personally with some of the respondents, both the English and the Arabic versions of the questionnaire were modified.

In the second stage of the pilot study, twenty six copies of the revised questionnaire, which resulted from the initial pilot study, were delivered to participants. Eight questionnaires were delivered to academic staff from Libyan universities who were currently pursuing their PhD in different UK universities. All were provided with both English and Arabic copies of the questionnaire. Eight copies of the questionnaire were delivered to governmental officers, six copies were delivered to financial managers,

and four copies of the questionnaire were delivered to investors. All of the copies were provided in both English and Arabic versions. The researcher then considered the responses and comments from the pilot study and then analysed them using SPSS software. The final version of the questionnaire was distributed in the final survey.

4.4.2.8 The Content of the Questionnaire

The questionnaire of this research consists of three parts (see Appendix One). These parts are explained underneath.

Part One of the questionnaire was designed to examine the participants' perception of corporate social disclosure and their views about the corporate social disclosure practices adopted by Libyan companies. They were given a list of possible purposes of corporate disclosure. Respondents were asked to indicate the level of importance (on five-point scales) that they believe that Libyan companies attach to each of the purposes presented in the list.

Part Two is intended to examine perceptions regarding the extent to which notions of corporate social responsibility are acceptable. Moreover, it aims to determine whether there is a 'demand for', or at least an acceptance of, the possibility of wider disclosure in terms of corporate social responsibility reporting, on the understanding that this kind of disclosure might lead to some beneficial socioeconomic effects, and thus the possibility that legal requirements calling for wider disclosure might be feasible.

Part Three is designed to collect general information concerning the background of the study participants. This part comprises questions which collect information regarding the respondents' education, the country in which they received their education, their highest qualifications, and their years of experience. The rationale behind this part is identifying the characteristics of this study's participants.

4.4.2.9 The Research Survey Population

An important step in social research is to define the population precisely since a clearly defined population makes the selection of a representative sample more likely. Sekaran (2003, p. 256) defines a population as a "group of people, events, or things of interest that the researcher wishes to investigate". This research focused on various groups from the Libyan social and economic environment.

As explained previously, stakeholder theory – or, at least, a stakeholder approach – has been used in many previous studies of social disclosure and has much to commend it. However, it would appear extremely difficult to examine the attitudes of a representative sample of all stakeholder groups on these issues. Some groups might be given a low priority because of their expected lack of interest in social disclosure as a whole (e.g. supplier, perhaps). Others might not be included because, based on prior knowledge, it might be known that they have relatively technical knowledge or experience of the subject being studied, or they would be relatively difficult or expensive to involve – especially given the relative scarcity of public information and the limited communications infrastructure in Libya.

Indeed, although a stakeholder approach to the research was preferred, for the reasons given earlier, the research design at this stage was constructed on pragmatic grounds, with a view to engaging research subjects who were (a) contactable and (b) likely to have some relevant knowledge and opinions based on that knowledge. It was also deemed sensible to include financial managers from companies on the grounds either that they could be seen as stakeholders or that they have a central role to play in current and future social disclosure practice.

Therefore, the population of the study consists of the following groups:

- (1) Academics in the accounting field, who may be considered as having objective attitudes in addition to being aware of the issues. Their attitudes are also of interest because they are educating the next generation of accountants.
- (2) Financial managers of Libyan companies, who are involved in preparing corporate annual reports for their companies.
- (3) Governmental Official Auditors, who have a role in overseeing current reporting activity. Again, they have relevant knowledge and experience to draw on.
- (4) Investors, who are the most obvious ‘stakeholder’ or ‘user’ group included in the study.

This study thus mirrors several previous studies in its selection of these groups as participants – though not necessarily all in one study (see, for example, Al-Khater & Naser, 2003; Naser & Abu-Baker, 1999; Ngangan, 1997; Novin & Baker, 1990). Moreover, the respondents from all these groups should have some knowledge of companies’ annual reports, whereas that would not be the case for more conventional

stakeholder groups at Libya's current stage of development. They are likely to know what kind of information should be helpful for them and other stakeholder groups, to get the right picture about the company. The chosen groups do not cover all stakeholder groups, but they are both reasonably knowledgeable – and contactable. For instance, it would be difficult to reach consumers because there is no association for them in Libya yet; similarly for individuals concerned about the environment. As Libya continues its economic transition, and if information and groups develop in quantity and sophistication as the market economy develops, then opportunities for conducting a fuller stakeholder analysis should appear. Until then, the research design used in this thesis might be viewed as a pre- or quasi-stakeholder approach.

Accounting Academics

This group includes the academics who are involved in teaching accounting modules in the accounting departments of Libyan universities. This group might influence accounting and corporate reporting and disclosure practices as well as accounting education. A range of aspects have been increasingly attempted in accounting research to emphasise a variety of aspects pertaining to the influence of accounting academics. This influence can be noticed through the following interrelated aspects: (1) accounting research; (2) accounting education; (3) participation in standards-setting process; and (4) active academic associations (such as the American Accounting Association). Academics therefore can be a very important group to be surveyed due mainly to their influence on both accounting education and accounting practices in Libya. All accounting academics who are working as full time in the accounting departments in Libyan universities are targeted in this research.

Financial Managers

This group includes controllers or the senior accountant who is responsible for the preparation of the annual reports in Libyan companies. The inclusion of this particular group of stakeholders was mainly based on their direct relationship with the accounting background. Including this group in this study also gives an opportunity to understand the way in which they are thinking about the stakeholders and information that the companies should provide to them, and also – to some degree – to know the reasons behind their thinking.

Governmental Official Auditors

This group involves those accountants working as auditors in the Governmental Offices; they are closely related to the accounting systems and operations in Libya. Also, they are responsible for auditing all companies under government control. The opinion of this group about annual reports is important because they are the group now auditing the majority of companies, which are under government control. Their replies should give insight into their thinking about social responsibility disclosure in annual reports. Given their position within the currently rather underdeveloped accounting profession in Libya, their responses are not only authoritative, but also important because of their possible influence on future developments.

Investors

This particular group includes all those who can be viewed as surrogate and representatives for society at large and whose activities are close related to corporate annual reporting and disclosure practices. This group is one of companies' stakeholders groups and all of them are likely to be familiar – or at least more familiar than many – with annual reports. For this stakeholder group, at least, there is a suitable representative association to approach, and all of the respondents from this group are members of the Libyan Investors Association. Contact with them was by obtaining their address from the Association. The researcher tried to get as many respondents as he could. To contact the respondents from this group, the researcher used both phone call and personal contact to make an appointment to meet them and to give them the questionnaire. Giving out and collecting back the questionnaire involved considerable time and expense, because the investors live in many different areas of the country.

4.4.2.10 Data Analysis

There are many statistical techniques which the researcher can choose from to analyse the data captured by the research questionnaire. According to Oppenheim (1992), different statistical tools are used for different purposes, depending on the nature of

the data. In this respect, Pallant (2001) suggested that when designing research, this gives researchers a wider range of possible techniques to use when analyzing their data. The methods and techniques utilized in this study include (a) descriptive statistics and (b) non-parametric tests (i.e. testing the differences between independent samples). The descriptive statistical methods comprise frequencies (counts and percentages) and measures of central tendency (mean).

Using frequencies enables the researcher to describe the characteristics of a studied sample. In this respect, Berenson & Levine (1999, p. 60) argued that a frequency distribution is “a summary table in which the data are arranged into conveniently established, numerically ordered class groupings or categories.” Grouping, or condensing, the observations into frequency distribution tables makes the process of data analysis and interpretation much more manageable and meaningful. Also, by measures of central tendency and dispersion – which include statistics such as means, median, standard deviations etc. – the researcher can classify the observations into meaningful sections. In this way, Sekaran (2003) argues, by the measures of central tendency and dispersion the researcher will get a good idea of how the respondents have reacted to the items in the questionnaire and how good the items and measures are. “We can acquire a feel for data by checking the central tendency and the dispersion” Sekaran (2003, p. 306).

The main purpose of the survey in this study is to poll the opinions and perceptions of different stakeholders or stakeholder proxies in Libya regarding information concerning corporate social responsibility. The ‘mean’ is the main statistical measure employed in this study to analyse the participants’ returns. The idea is that for a particular item on the questionnaire, the research aims to compute the mean value that underscores the respondents’ attitude or behaviour with respect to the stated research question. The questionnaire employed in this research used a five-point scale in the majority of the questions, where 1 represents the lowest point and 5 indicates the highest point. The respondent average (i.e. the mean) response to a question or an issue is ranked in order in the analysis. This ranking represents the strength of responses from ‘important’ to ‘not important’, or from ‘agree’ to ‘disagree’. Such a ranking order is particularly important for this study in that it indicates respondents’ opinions in terms of their perception of the importance of a specific problem or an

issue plus their preferred solutions from the alternatives provided. The data collection from the survey was analysed using the SPSS software.

A Kruskal-Wallis one-way analysis of variance test with a level of significance of $p=0.05$ was also employed in this study. The reason behind choosing the nonparametric test (testing the differences between independent samples) in this research is that the samples are taken from a number of user groups and the measurements are ordinal over all the sample groups. Siegel & Castellan (1988) explain that the Kruskal-Wallis One-way Analysis of Variance test is the non-parametric version of the parametric ANOVAs test for calculating the differences in the population means and is appropriate when measurement of the variable under investigation is in an ordinal scale.

4.4.2.11 Delivery and Response

One of the potential disadvantages of questionnaires, as has been mentioned earlier in this chapter, is low response rate. In this respect, Oppenheim (1992) stated that the largest disadvantage of questionnaire is that they usually produce very poor response rate. Response rates achieved for mailed questionnaire survey are in general lower than for other survey methods. Some researchers argue that the low response rates can cause serious problems such as creating unacceptable reduction of sample size which may cause bias (Vaus, 2001). However, in this research the questionnaire was personally distributed to each respondent, because the postal services in Libya are not effective enough to send postal questionnaire to the companies and others sampled. Moreover, considerable attention was made to meet with participants, in order to introduce the main aim of the survey and clarify any difficulties faced. A total response rate of 74.6% was achieved in this study (see Table 4-6). It is noteworthy that the literature suggests that a response rate of 60 per cent is considered to be exemplary (e.g., Mangione, 1995; Remenyi, Williams, Money, & Swartz, 1998). As can be seen from Table 4.6, some questionnaires were excluded. This was based on the grounds that the questionnaire was not fully completed.

Table 4-6 Response rate for the questionnaire survey

User Group	Distributed Questionnaires	Received Questionnaire	Excluded Questionnaire	Usable Questionnaires	Response Rate (%)
Academics	90	68	2	66	74
Financial Managers	124	103	4	99	79.8
Government Official Auditors	103	85	-	85	82.5
Investors	89	59	6	53	59.5
Total	406	315	12	303	74.6

4.5 Summary and Conclusion

In this chapter, it was reported that more than one method was employed to achieve the intended aims of the research. The research utilizes both qualitative and quantitative research techniques. Two research methods – namely content analysis and questionnaire – were used. These two research methods were used in a complementary manner to ensure that all the research aims were addressed; one method on its own would have been insufficient. There are also links between the two elements of the project. For example, the content analysis will show what is disclosed by companies, while the questionnaire findings will report on what various parties think of that disclosure. By way of another example, the questionnaire asks respondents about their preferences for future developments, while the trend analysis within the content analysis indicates what changes are already under way (or not).

To carry out data analysis, a descriptive statistical method has been utilised. This includes frequencies (counts and percentages), measures of central tendency (mean) and nonparametric test (Kruskal-Wallis Test).

The chapter detailed the content analysis methods which will be utilised to present a description of the corporate social disclosure practices of 54 Libyan companies from

2001 to 2005. It also outlined the use of a questionnaire survey in order to elicit the perspectives of stakeholders (or proxies) on corporate social disclosure. A personally delivered and collected questionnaire was selected as the instrument of the empirical survey. This involved considerable effort and expense (as did the collection of annual reports), but it was deemed to be the only practical way of ensuring a sufficiently good dataset for subsequent analysis.

The designs of the questionnaire, in terms of its development and the sources and rationale behind each question, have been described. Also in this chapter, the population for this survey was identified. The population consists of the following sub-groups: (1) academics in the accounting field; (2) financial managers (preparers); (3) governmental official auditors; and (4) investors who invest in the Libyan economy environment. The selection of samples in terms of method utilized and the sample size was explained. The following two chapters of the research, accordingly, report on the analysis of the data collected.

Chapter Five

The Content Analysis

5.1 Introduction	152
5.2 Trends in Social Disclosure	152
5.3 Trends within Social Disclosure	153
5.3.1 Trends in Employee Disclosure.....	154
5.3.1.1 Trends in Employee Disclosure (Oil Companies/ Government).....	156
5.3.1.2 Trends in Employee Disclosure (Industrial Companies/ Government).....	158
5.3.1.3 Trends in Employee Disclosure (Industrial Companies/ Private).....	159
5.3.1.4 Trends in Employee Disclosure (Service Companies/ Government).....	161
5.3.1.5 Trends in Employee Disclosure (Service Companies/ Private).....	162
5.3.1.6 Trends in Employee Disclosure for all Companies (2005).....	163
5.3.2 Trends in Community Involvement Disclosure).....	168
5.3.2.1 Trends in Community Involvement Disclosure (Oil Companies/ Government)..	169
5.3.2.2 Trends in Community Involvement Disclosure (Industrial Companies/ Government).....	169
5.3.2.3 Trends in Community Involvement Disclosure (Industrial Companies/ Private).....	170
5.3.2.4 Trends in Community Involvement Disclosure (Service Companies/ Government).....	171
5.3.2.5 Trends in Community Involvement Disclosure (Service Companies/ Private).....	171
5.3.2.6 Trends in Community Involvement Disclosure for all Companies (2005)	173
5.3.3 Trends in Environmental Disclosure.....	174
5.3.3.1 Trends in Environmental Disclosure (Oil Companies/ Government.....	176
5.3.3.2 Trends in Environmental Disclosure (Industrial Companies/ Government).....	177
5.3.3.3 Trends in Environmental Disclosure all Companies (2005).....	177
5.4 Summary and Conclusion	179

5.1 Introduction

This chapter reports on the results of the content analysis of corporate annual reports of different company groupings in order to investigate the corporate social reporting practices in Libya. These groups are: oil companies which are under Libyan government control; industrial companies in both private and under government control sectors; and service companies in both private and under government control sectors. This chapter will analyse all the social information that these five groups have disclosed in their annual reports, and also find if there is any difference between these groups in the amount and the type of social information disclosure.

A total of 270 annual reports over five years, representing 54 Libyan companies from different sectors, were analysed using content analysis. This chapter points out the trends in social and environmental disclosure, the patterns of corporate social disclosure and its constituent themes.

Results are described by volume (i.e. amount) and incidence (i.e. frequencies) of corporate social disclosure; it is assumed that the amount of corporate social disclosure is related to the importance placed on a particular subject or issue. That is, the greater the amount of disclosure, the greater the perceived importance. The incidence of disclosure is assumed to point out a recognition and/ or concern by the business organisation. It is recognised that legislation can considerably influence trends and patterns of disclosure. However, there are no statutory requirements on non financial disclosure in Libya. Nevertheless, there are some standards that push companies to disclose some financial information relevant to some social practice.

5.2 Trends in Social Disclosure

As can be seen from Table 5-1, over the five year period all the reports sampled contain some social disclosure. The number of companies that disclose information about the employees was 54 (100% of the sample), and the total amount of non-financial disclosure showed a slight increase from 475 words in 68 sentences in 2001 to 518 words in 71 sentences in 2005. The Community involvement disclosure was in 38 company annual reports (70 %), and the amount of non-financial disclosure was almost the same amount in both 2001 and 2005. Furthermore the number of companies that disclosed information

about the environmental was five companies with 9.2% from the whole sample, and the amount of non-financial disclosure increased from 53 words in 5 sentences to 84 words in 11 sentences in 2005, whereas not one company from the samples disclosed any information related to consumers.

Table 5-1 Companies' Disclosure of Corporate Social Responsibility Information

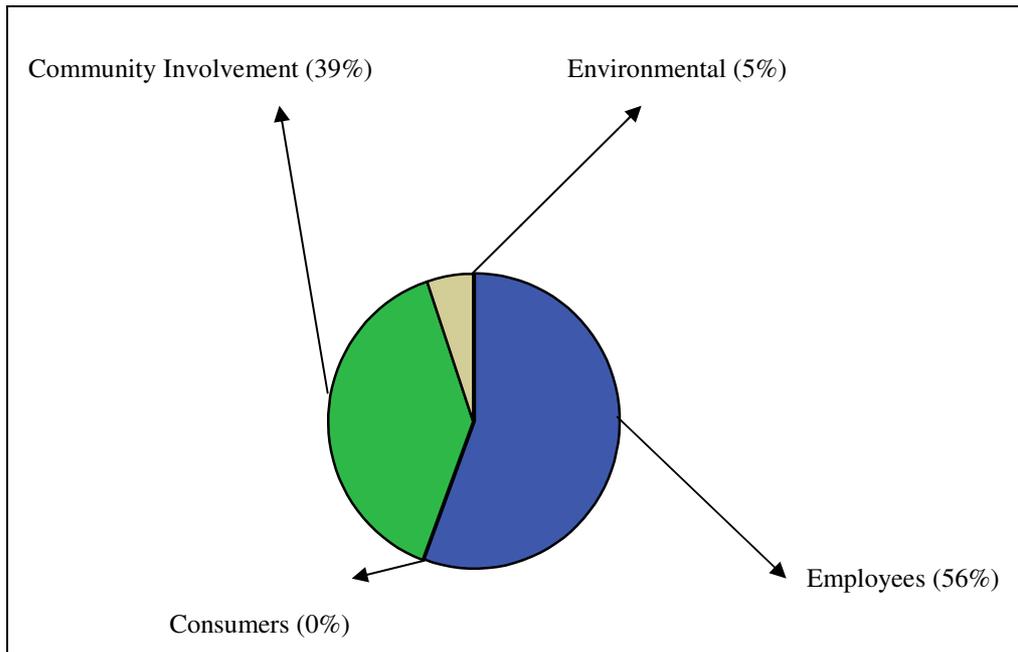
Employee disclosure	2001		2002		2003		2004		2005	
Number of companies disclosing	54		54		54		54		54	
% of companies disclosing	100		100		100		100		100	
Total amount of disclosure	W	Se								
<i>Financial disclosure</i>	26	6	26	6	26	6	26	6	26	6
<i>Non-financial disclosure</i>	475	68	468	70	514	71	510	70	518	71
Community involvement disclosure	2001		2002		2003		2004		2005	
Number of companies disclosing	38		38		38		38		38	
% of companies disclosing	70		70		70		70		70	
Total amount of disclosure	W	Se								
<i>Financial disclosure</i>	8	2	8	2	8	2	8	2	8	2
<i>Non-financial disclosure</i>	173	15	140	13	158	14	170	17	170	17
Environmental disclosure	2001		2002		2003		2004		2005	
Number of companies disclosing	5		5		5		5		5	
% of companies disclosing	9.2		9.2		9.2		9.2		9.2	
Total amount of disclosure	W	Se								
<i>Financial disclosure</i>	13	3	13	3	13	3	13	3	13	3
<i>Non-financial disclosure</i>	53	5	53	5	58	6	80	9	84	11
Consumers disclosure	2001		2002		2003		2004		2005	
Number of companies disclosing	0		0		0		0		0	
% of companies disclosing	0		0		0		0		0	

W= number of words
Se= number of sentences

5.3 Trends within Social Disclosure

It has been illustrated in literature that corporate social responsibility can be classified into four key themes: (a) Employee Disclosure; (b) Community; (c) Environment; (d) Consumer. Figure 5-1 shows the proportion of companies which disclose information about all social themes in 2005.

Figure 5-1 Proportion of Disclosure (2005)



The following sections will provide the trends of social disclosure before exploring the columns of the tables. The majority of the tables in this chapter contain five main columns, showing the period of the study from 2001 to 2005, where each column (year) explains the amount and type of disclosure. Each of the five columns contains three sections: first one shows the number of companies which disclose the information about the categories; the second column provides the percentage of companies which disclose the information; and the third column shows the average amount of the disclosure in both words and sentences in two separate columns.

5.3.1 Trends in Employee Disclosure

Employee disclosure is an amalgamation of ten categories. The average volume of social disclosure on a sample of 54 companies over a five year period from 2001 to 2005 is presented in Table 5-2. In general, it can be noticed that only one company did not disclose any information (in total) about the Employee themes except for one sentence on financial methods with four words about the pension commitment theme. In addition, the table shows also that all the companies in the sample did not include any information about Consulting employees, Disabled and Value added statement categories.

However, the table shows that the average volume of disclosure, and therefore the assumed importance, for basic data and health and safety categories is slightly increasing. 'Basic data' disclosure has increased from 129 words in 19.2 sentences in 2001 to 149 words in 23.6 sentences in 2005 in non financial reporting. Broadly speaking, less than one third of the companies disclosed information about this category in general during the whole period. 'Health and safety' in non financial reporting disclosure increased from 55.2 words in 7.1 sentences in 2001 to 73.4 words in 5.1 sentences in 2005, while on the financial reporting the same companies disclosed some information for the five years of the study. In addition, more than four-fifths of the companies disclosed some information about this category. The 'training' disclosure was at the same level with 146 words in non financial reporting, whereas in financial reporting the same amount of disclosure was found in the whole years of the sample in 46 companies' annual reports (85 per cent from the whole sample).

The 'benefits in kind' as a (catch everything else) disclosure in non financial reporting decreased from 81.1 words in 23.8 sentences in 2001 to 75.6 words in 21.26 sentences in 2005, and all companies except one disclosed some information about this category.

The themes of five different kinds of companies of social disclosure are outlined in the next stage. The first theme shows the disclosure of the oil companies under government control, the second shows the government industrial companies, the third theme shows the disclosure of government-private industrial companies, the fourth theme shows the disclosure of government services companies, and the fifth theme shows the disclosure of government- private service companies.

Table 5-2 Employee Disclosure (Total)

Category		2001				2002				2003				2004				2005				T r e n d
		N	%	A **		N	%	A **		N	%	A **		N	%	A **		N	%	A **		
				W	Se			W	Se			W	Se			W	Se			W	Se	
Basic data	NF	19	35	129	19.2	19	35	134	19.2	19	35	147.5	19.1	19	35	148.8	21.8	19	35	149	23.6	↑
Pension commit	F	54	100	4	1	54	100	4	1	54	100	4	1	54	100	4	1	54	100	4	1	-
Consult employees	None	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disabled	None	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Value added statement	None	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health and safety	F	39	72	4.1	1	39	72	4.1	1	39	72	4.1	1	39	72	4.1	1	39	72	4.1	1	-
	NF	20	37	55.2	7.1	20	37	55.2	8.4	20	37	69	8.8	20	37	73.5	9.6	20	37	73.4	5.1	↑
Employee Shares	NF	2	3.7	30.5	3	2	3.7	30	3	2	3.7	31	3	2	3.7	28	3	2	3.7	32	3	↑?
Equal opportunities	NF	17	31.5	32.7	3.2	17	31.5	33.5	4.1	17	31.5	37	4.8	17	31.5	39	4.8	17	31.5	41.4	5	↑
Training	F	46	85	4.5	1	46	85	4.5	1	46	85	4.5	1	46	85	4.5	1	46	85	4.5	1	-
	NF	17	31.5	146	14.7	17	31.5	135.7	15	17	31.5	151	15	17	31.5	147.6	15.6	17	31.5	146	16	-?
Benefits in kind	F	53	98	13.4	2.5	53	98	13.4	2.5	53	98	13.4	2.5	53	98	13.4	2.5	53	98	13.4	2.5	-
	NF	53	98	81.1	20.7	53	98	80	20.1	53	98	78.4	19.6	53	98	73	16.8	53	98	75.6	17.4	↓

N: Number of companies disclosing
% Percentage of companies disclosing
*** Average amount of disclosure of those that disclose*
F: Financial NF: Non Financial
W: words Se: sentences Benefits in kind includes: thanks to employees; staff turnover; employee's trends/statics.

5.3.1.1 Trends in Employee Disclosure (Oil Companies/Government)

Table 5-3 shows that all companies' reports over a five year period included in the sample show some disclosure related to employee information. The average volume of disclosure, for basic data, equal opportunities, health and safety, training, and benefits in kind is increasing. Three-fifths of companies provided disclosure about 'basic data', disclosure in non financial reporting rising from 137.3 words in 23 sentences in 2001 to 209.3 words in 39.33 sentences in 2005, disclosure about 'equal opportunities' rising by 25 per cent during the period (from 34.33 words in 3 sentences in 2001 to 42.33 words in 4 sentences in 2005). 'Health and safety' shows a rise from 29.8 words in 4.2 sentences in 2001 to 48.6 words in 3.8 sentences in 2005 in non financial reporting whereas in the financial reporting it was the same in all the years because all the companies followed the same standard when reporting the disclosure on financial methods and it might be because all companies did not spend

more money on this category from year to year. 'Training' disclosure was increasing for non financial reporting. In non financial reporting it has risen from 243.5 words in 25.2 sentences in 2001 to 276 words in 29 sentences in 2005, and in financial reporting it was the same with 4 words in one sentence. This increases in non financial might be because companies gave more attention to this category for the reason that it is important for them to improve the companies. 'Benefits in kind' in non financial reporting rose from 120.5 words in 11.5 sentences in 2001 to 149.5 words In 12.3 sentences in 2005, and in financial reporting it was the same disclosure for the five years.

However, no companies included any information in their annual reports about the other themes (consult employees, disabled, value added statement and employee shares). The result also indicated that the highest volume of disclosure was reached by training programs for all years, and the minimum theme was reached by health and safety.

Table 5-3 Employee Disclosure (Oil companies / Government)

Category		2001				2002				2003				2004				2005				T r e n d
		N	%	A **		N	%	A **		N	%	A **		N	%	A **		N	%	A **		
				W	Se			W	Se			W	Se			W	Se			W	Se	
Basic data	NF	3	75	137.3	23	3	75	139	26	3	75	205.6	36	3	75	199.6	36	3	75	209.3	39.3	↑
Pension commit	F	4	100	4	1	4	100	4	1	4	100	4	1	4	100	4	1	4	100	4	1	-
Health and safety	F	4	100	3.4	1	4	100	3.4	1	4	100	3.4	1	4	100	3.4	1	4	100	3.4	1	-
	NF	4	100	167	21	4	100	164.5	20	4	100	172.3	21	4	100	176.2	23	4	100	175.7	23	↑
Equal opportunities	NF	3	75	34.3	3	3	75	34.6	3.7	3	75	34.6	3.7	3	75	38.6	3.3	3	75	42.3	4	↑
Training	F	4	100	4	1	4	100	4	1	4	100	4	1	4	100	4	1	4	100	4	1	-
	NF	4	100	243.5	25.2	4	100	257.3	27.3	4	100	271	28.3	4	100	269.5	28	4	100	276	29	↑
Benefits in kind	F	4	100	20.5	4.5	4	100	20.5	4.5	4	100	20.5	4.5	4	100	20.5	4.5	4	100	20.5	4.5	-
	NF	4	100	120.5	11.5	4	100	121	11.5	4	100	113.7	12	4	100	119.5	13	4	100	149.5	12.3	↑

N: Number of companies disclosing

% Percentage of companies disclosing

*** Average amount of disclosure of those that disclose*

F: Financial NF: Non Financial

W: words Se: sentences Benefits in kind includes: thanks to employees; staff turnover; employee's trends/statics.

5.3.1.2 Trends in Employee Disclosure (Industrial Companies/Government)

The picture coming from Table 5-4 demonstrates that no one company discloses information about the themes (consult employees, disabled and value added statement) the same as the oil companies. On the other hand, all the companies disclosed information in financial reporting about the pension commitment because this kind of disclosure was required by the accounting standard. Moreover, the same table shows that the average volume of disclosure for basic data, equal opportunities and health and safety is increasing. Five companies with 29.4 per cent disclose information about 'basic data'. Disclosure in non financial reporting increases from 163.2 words in 25.4 sentences in 2001 to 185.8 words in 28.4 sentences in 2005, 'equal opportunities' increases from 29 words in 3 sentences in 2001 to 31.6 words in 3.2 sentences in 2005, 'health and safety' in the non financial reporting increases from 15.38 words in 1.23 sentences in 2001 to 34 words in 3.07 sentences in 2005, but in the financial reporting it was the same in all years with 3.38 words in .85 sentences, whereas 'training' disclosure decreased for non financial reporting, from 74 words in 7 sentences in 2001 to 60.0 words in 9.5 sentences in 2005, while in financial reporting it was the same disclosure for all years, 'benefits in kind' in non financial reporting slightly decreased from 115 words in 36.5 in 2001 to 100 words in 30.2 sentences in 2005, and finally in financial reporting it decreased from 6.11 words in 1.58 sentences to the 5.82 words in 1.5 sentences in 2005.

In summary, the number of companies which disclose some information about these categories is the same for all periods with some slight increases for some of the categories such as basic data, equal opportunities and benefits in kind. On the other hand, there is some decline in the disclosure for some categories in the amount of information with the same meaning for it, which might be because the people who prepare the reports change from year to year. Moreover, only one company shows some information about Employee shares with the same amount of non financial information on all the years of the period.

Table 5-4 Employee Disclosure (Industrial Companies / Government)

Category		2001				2002				2003				2004				2005				T r e n d
		N	%	A **		N	%	A **		N	%	A **		N	%	A **		N	%	A **		
				W	Se																	
Basic data	NF	5	29.5	163.2	25.4	5	29.5	177.8	22.4	5	29.5	183.8	23	5	29.5	184.4	23.6	5	29.5	185.8	28.4	↑
Pension commit	F	17	100	4	1	17	100	4	1	17	100	4	1	17	100	4	1	17	100	4	1	-
Health and safety	F	13	76.5	3.4	1	13	76.5	3.4	1	13	76.5	3.4	1	13	76.5	3.4	1	13	76.5	3.4	1	-
	NF	7	41	31.5	4	7	41	30	4	7	41	58.6	8	7	41	69.7	9.3	7	41	66.7	8	↑
employee Shares	NF	1	5.8	25	3	1	5.8	24	3	1	5.8	26	3	1	5.8	22	3	1	5.8	27	3	↑?
Equal opportunities	NF	5	29.5	29	2.8	5	29.5	33	3	5	29.5	31.4	3.2	5	29.5	31	3	5	29.5	31.6	3.2	↑?
Training	F	16	94	4.1	1	16	94	4.1	1	16	94	4.1	1	16	94	4.1	1	16	94	4.1	1	-
	NF	6	3.5	197	18	6	3.5	201	20	6	3.5	190	17	6	3.5	182	19	6	3.5	170	19	↓?
Benefits in kind	F	17	100	6.1	1.6	17	100	6.1	1.6	17	100	6.1	1.6	17	100	6.1	1.6	17	100	6.1	1.6	-
	NF	17	100	115	26.5	17	100	115.6	26.5	17	100	109.8	23.8	17	100	102	19	17	100	96.7	18	↓

N: Number of companies disclosing

% Percentage of companies disclosing

*** Average amount of disclosure of those that disclose*

F: Financial

NF: Non Financial

W: words

Se: sentences

Benefits in kind includes: thanks to employees; staff turnover; employee's

trends/statics.

5.3.1.3 Trends in Employee Disclosure (Industrial Companies/Private)

In general, all the companies in this group disclose information about pension commitment and benefits in kind categories in their annual reports for the whole period of study. However, only one company gives some information on non financial disclosure about the Equal opportunities while five companies also include some information for the Employee data category in their annual reports. On the other hand, not one company discloses information about Consulting employees, Disabled and Value added statements in their annual reports.

However, Table 5-5 shows that the average volume of disclosure for basic data, equal opportunities, and health and safety is increasing .Five companies had 23.8 per cent disclosure information about 'basic data', disclosure in non financial showing a rise from 158 words in 26.6 sentences in 2001 to 168.6 words in 28.6 sentences in 2005, 'health and safety' in the non financial reporting a rise from 2 words in .38 sentences

in 2001 to 4 words in .46 sentences in 2005 but in the financial reporting it was the same in all years with 4.1 words in 1.07 sentences, 'equal opportunities' disclosing a rise from 40 words in 6 sentences in 2001 to 46 words in 6.83 sentences in 2005, 'training' disclosure in financial showing a rise from 4.21 words in 1.07 sentences in 2001 to 4.23 words in 1.07 sentences in 2005, 'benefits in kind' in non financial reporting a decrease from 53.6 words in 17.7 in 2001 to 47.2 words in 15.8 sentences in 2005, whereas in financial reporting it was the same for all years with 8.09 words in 1.8 sentences.

Although there are slight increases in some categories for the whole period of study, at the same time all the industrial companies under the government control did not disclose information about the themes (consult employees, Disabled and Value added statement) in their annual reports. However, the disclosures of both the equal opportunities and training were the same with the same amount for all the years because the companies follow the same structure and the without any change from year to year.

Table 5-5 Employee Disclosure (Industrial Companies / Private)

Category		2001				2002				2003				2004				2005				T r e n d
		N	%	A **		N	%	A **		N	%	A **		N	%	A **		N	%	A **		
				W	Se																	
Basic data	NF	5	23.8	158	26.6	5	23.8	161	27.2	5	23.8	166	28.4	5	23.8	169	28.4	5	23.8	169	28.6	↑
Pension commit	F	21	100	4	1	21	100	4	1	21	100	4	1	21	100	4	1	21	100	4	1	-
Health and safety	F	13	62	4	1	13	62	4	1	13	62	4	1	13	62	4	1	13	62	4	1	-
	NF	3	14	24	2.6	3	14	26.5	3	3	14	26	3.4	3	14	28	4	3	14	28	4	↑
employee Shares	NF	1	.5	36	3	1	.5	36	3	1	.5	36	3	1	.5	34	3	1	.5	37	3	-
Equal opportunities	NF	6	28.5	40	6	6	28.5	39	6	6	28.5	40	6.7	6	28.5	43	6.7	6	28.5	46	7	↑
Training	F	14	.66	4.2	1	14	.66	4.2	1	14	.66	4.2	1	14	.66	4.2	1	14	.66	4.2	1	-
Benefits in kind	F	21	100	8.1	1.8	21	100	8.09	1.8	21	100	8.09	1.8	21	100	8.09	1.8	21	100	8.09	1.8	-
	NF	21	100	53.6	17.7	21	100	53.2	17.9	21	100	53	17.6	21	100	49.4	16.6	21	100	47.2	15.8	↓

N: Number of companies disclosing

% Percentage of companies disclosing

*** Average amount of disclosure of those that disclose*

F: Financial NF: Non Financial

W: words Se: sentences

Benefits in kind includes: thanks to employees; staff turnover;

employee's trends/statics.

5.3.1.4 Trends in Employee Disclosure (Service Companies/Government)

Table 5-6 shows that all companies in this group disclose some information about the themes such as pension commitment, training and employee other with both financial and non financial disclosures, except one discloses some information about health and safety in financial reporting. On the other hand, no company gave any kind of information in their annual reports about consulting employees, disabled, value added statement and employees' shares themes.

Table 5.6 also shows the average volume of disclosure, for health and safety, which has increased slightly rise from 12 words in 1.68 sentences in 2001 to 14 words in 2 sentences in 2005 while for financial reporting 'equal opportunities' in non financial reporting has increased over 100 per cent from 25 words in 3 sentences in 2001 to 58 words in 7 sentences in 2005, 'training' in non financial reporting has slightly risen from 47.5 words in 4 sentences in 2001 to 51.28 words in 5.71 sentences in 2005 whereas in the financial reports the disclosers were on average of 4.14 words in 1 sentence with out any change for the whole of period, 'benefits in kind' in non financial reporting has risen from 94.28 words in 30.71 sentences in 2001 to 97.14 words in 31.85 sentences in 2005, and in financial reporting it was the same for all years.

In summary, the disclosure in this group in six of ten categories slightly increased, while it was the same for others for the whole period of study. Moreover, not one company discloses information about four of ten categories in this sector.

Table 5-6 Employee Disclosure (Service Companies / Government)

Category		2001				2002				2003				2004				2005				T r e n d
		N	%	A **		N	%	A **		N	%	A **		N	%	A **		N	%	A **		
				W	Se																	
Basic data	NF	5	71	51	3.8	5	71	50.4	4	5	71	48.2	3.8	5	71	51.4	4.2	5	71	46	4	↓
Pension commit	F	7	100	4	1	7	100	4	1	7	100	4	1	7	100	4	1	7	100	4	1	-
Health and safety	F	6	86	5	1	6	86	5	1	6	86	5	1	6	86	5	1	6	86	5	1	-
	NF	3	43	24	2.7	3	43	26	3	3	43	26	3	3	43	28	3	3	43	28	3	↓?
Equal opportunities	NF	2	28.5	25	3	2	28.5	25.5	3	2	28.5	53	6	2	28.5	55	7	2	28.5	58	7	↑
Training	F	7	100	7.14	1	7	100	7.14	1	7	100	7.14	1	7	100	7.14	1	7	100	7.14	1	-
	NF	7	100	47.4	6	7	100	36	4.6	7	100	48.7	5.3	7	100	48.6	5.6	7	100	51.3	5.7	↑
Benefits in kind	F	7	100	6.6	1.7	7	100	6.6	1.7	7	100	6.6	1.7	7	100	6.6	1.7	7	100	6.6	1.7	-
	NF	7	100	94.3	30.7	7	100	82.7	26.4	7	100	89.3	28.7	7	100	92.3	28.4	7	100	97.2	31.9	↑

N: Number of companies disclosing

% Percentage of companies disclosing

*** Average amount of disclosure of those that disclose*

F: Financial NF: Non Financial

W: words

Se: sentences

Benefits in kind includes: thanks to employees; staff turnover;

employee's trends/statics.

5.3.1.5 Trends in Employee Disclosure (Service Companies/Private)

Table 5-7 demonstrates that all companies in this group disclose information about pension commitment and training themes in financial reports, four of five give some information about benefits in kind and three companies from the whole sample disclose information about health and safety themes in their annual reports for the whole period of study. However, not one company from this group has given information in the annual report about consulting employees, disabled, value added statement and employees shares themes.

The Table also shows that the average volume of disclosure, and therefore the assumed importance, for basic data, health and safety, equal opportunities, training, benefits in kind has slightly increased the basic data from 178 words in 18 sentences in 2001 to 203 words in 26 sentences in 2005 whereas all disclosures in non financial reports, health and safety in non financial reports rose from 14.4 words in one sentence in 2001 to 18.33 words in 1.33 sentences in 2005 while in financial reports the disclosure is 6.33 words in one sentence in 2001 to 6.66 words in 1.33 sentences in 2005, 'equal opportunities' in non financial reporting showed a rise from 18 words

in 2 sentences in 2001 to 27 words in 3 sentences in 2005, 'training' in financial reporting has risen from 2.6 words in one sentence in 2001 to 3.4 words in one sentence in 2005, 'benefits in kind' in non financial reporting it rises from 20.25 words in 1.75 sentences in 2001 to 23.25 words in two sentences in 2005, while in financial reporting it was the same for all years.

In a few words, slight increase is shown in disclosure in some themes for the whole period of study; on the whole no differences are highlighted for other themes.

Table 5-7 Employee Disclosure (service companies / Private)

Category		2001				2002				2003				2004				2005				T r e n d
		N	%	A **		N	%	A **		N	%	A **		N	%	A **		N	%	A **		
				W	Se			W	Se			W	Se			W	Se			W	Se	
Basic data	NF	1	20	178	18	1	20	186	19	1	20	197	20	1	20	205	25	1	20	203	26	↑
Pension commit	F	5	100	4	1	5	100	4	1	5	100	4	1	5	100	4	1	5	100	4	1	-
Health and safety	F	3	60	6.3	1	3	60	6.3	1	3	60	6.3	1	3	60	6.3	1	3	60	6.3	1	-
	NF	3	60	34.3	5	3	60	38.7	5	3	60	41.7	6	3	60	36.3	5	3	60	43.3	6	↑
Equal opportunities	NF	1	20	18	2	1	20	16	2	1	20	23	3	1	20	21	3	1	20	27	3	↑?
Training	F	5	100	3	1	5	100	3	1	5	100	3	1	5	100	3	1	5	100	3	1	-
Benefits in kind	F	4	80	5.25	1.75	4	80	5.25	1.75	4	80	5.25	1.75	4	80	5.25	1.75	4	80	5.25	1.75	-
	NF	4	80	20.25	3	4	80	23.25	3	4	80	24.2	4	4	80	24	4	4	80	23.25	3	↑?

N: Number of companies disclosing

% Percentage of companies disclosing

*** Average amount of disclosure of those that disclose*

F: Financial NF: Non Financial

W: words Se: sentences

Benefits in kind includes: thanks to employees; staff turnover; employee's trends/statics.

5.3.1.6 Trends in Employee Disclosure for all companies 2005

This section and other similar sections which compare the type and amount of disclosure in annual reports of different company groups in the most recent year (2005) are intended to provide information about which group discloses more information than others, and also the type of information involved.

In general, the most important theme allocation for employee disclosure was the 'pension commitment' for all the companies in this sample (financial disclosure).

Also, the most important theme allocation in the disclosure is the 'benefits in kind' (as a catch everything else) with 98 per cent of the whole sample. However, all companies in this group did not disclose any information about three categories (consult employee, disabled and value add); and only two companies disclosed some information about employee shares.

Comparing the employee disclosure in all annual company reports in 2005, Table 5-8 demonstrates the average volume of disclosure of those where no information was disclosed about three (out of ten) employee categories. The table and the figures show that some companies from all sectors disclose information of non-financial types about the basic data. However, the largest amount of information about this category as Figure 5-2 shows comes from oil companies, with only one out of five companies (20%) from the private service sector disclosing more information than other sectors about the basic data in non financial type of information. Companies from the oil sector might provide this information because the oil sector has special concern about the employees because most of their activities are out of cities (in Sahara). They have to give more facilities to employees, and then they disclose about this in their annual reports as an expense item in the general cost. For training information, the large amount came also from oil companies as Figure 5-3 shows because this sector is very sensitive to new technology, with the result the companies need to be familiar with this technology. Furthermore, it can be noticed from this figure that both industrial and private service companies did not disclose any information about this category, the reason being that they might be dissimilar with the companies under government control and under private sector as the private companies might be looking for people with good knowledge and experience to work for them at the first stage of their life (most companies in this sector are new or under restructure and aims of the companies), although the companies under government control might also be in reform stage, changing their philosophy and objectives. Figure 5-4 also shows that the oil companies disclose the large amount of information about the benefit in kind compared with the other sectors.

In summary it can be noticed that most companies disclose some information about some employee categories, with the exception of the three categories (consult employees, disabled, and value added statement). Also it can be noticed that the largest amount of information was disclosed by the oil companies in most categories; that might be because the oil companies are more responsible for the employees

because most working places are out of the cities and also the companies there have more money to spend on the employees in particular and for social activity in general.

Table 5-8 Employee Disclosure for all Companies 2005

Category		O. Government				I. Government				I. Private				S. Government				S. Private			
		N	%	A **		N	%	A **		N	%	A **		N	%	A **		N	%	A **	
				W	Se			W	Se			W	Se			W	Se			W	Se
Basic data	NF	3	75	209.6	39.3	5	29.5	185.8	28.4	5	23.8	169	28.6	5	71	46	4	1	20	203	26
Pension commit	F	4	100	4	1	17	100	4	1	21	100	4	1	7	100	4	1	5	100	4	1
Health and safety	F	4	100	3.4	1	13	76.5	3.4	1	13	62	4	1	6	86	5	1	3	60	6.3	1
	NF	4	100	175.7	23	7	41	66.7	8	3	14	28	4	3	43	28	3	3	60	43.3	6
Employee Shares	NF	-	-	-	-	1	5.8	27	3	1	5	37	3	-	-	-	-	-	-	-	-
Equal opportunities	NF	3	75	42.3	4	5	29.5	31	3	6	28.5	46	7	2	28.5	58	7	1	20	27	3
Training	F	4	100	4	1	16	94	4.1	1	14	66	4.2	1	7	100	7.14	1	5	100	3	1
	NF	4	100	276	29	6	3.5	170	19	-	-	-	-	7	100	51.3	5.7	-	-	-	-
Benefits in kind	F	4	100	20.5	4.5	17	100	6.1	1.6	21	100	8.09	1.8	7	100	6.6	1.7	4	80	5.25	1.75
	NF	4	100	149.5	12.3	17	100	96.7	18	21	100	49.4	16.6	7	100	97.2	31.9	4	80	23.25	3

N: Number of companies disclosing

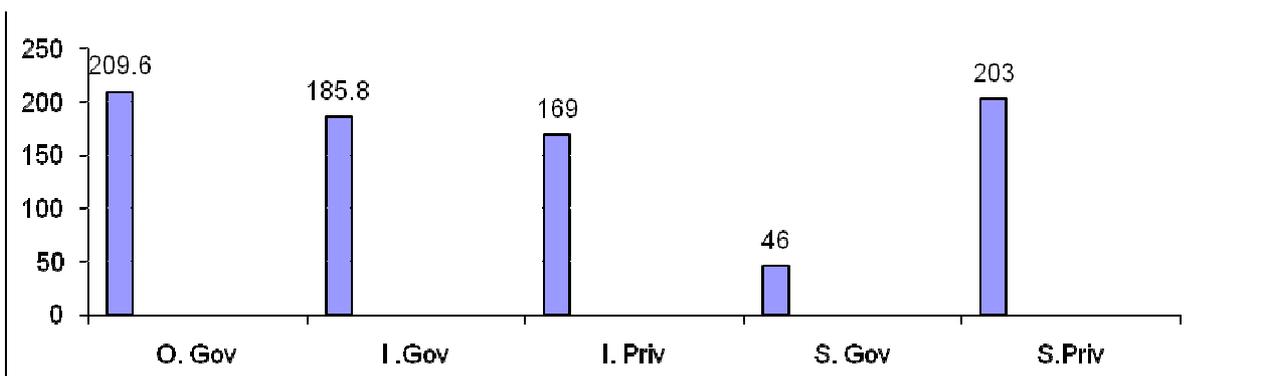
% Percentage of companies disclosing

**** Average amount of disclosure of those that disclose

F: Financial *NF*: Non Financial *W*: words *Se*: sentences

S: Services companies *I*: Industrial companies *O*: Oil companies *Benefits in kind* includes: thanks to employees; staff turnover; employee's trends/statics.

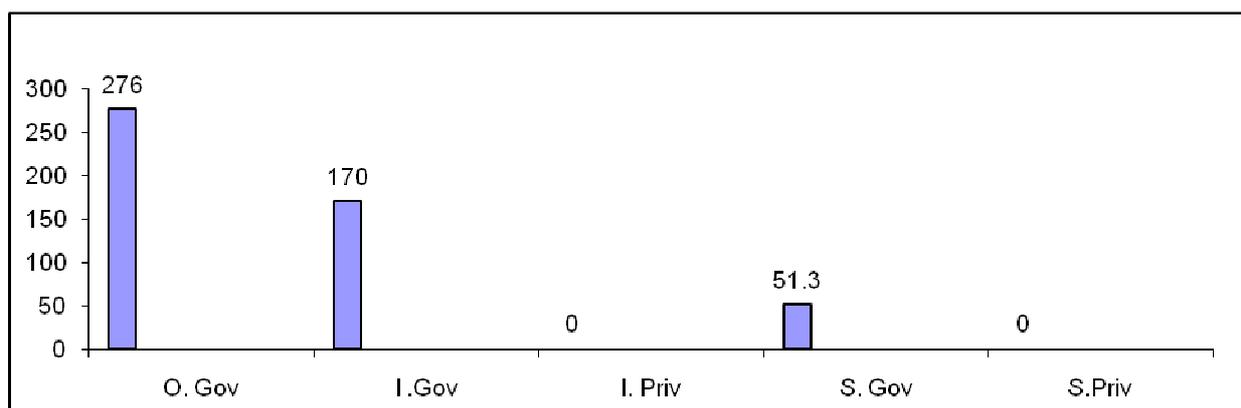
Figure 5-2 Basic Data Disclosure (Words- non Financial) for All Companies 2005



O.Gov: Oil companies; *I.Gov*: industrial companies under government control; *I.Priv*: Private industrial companies;

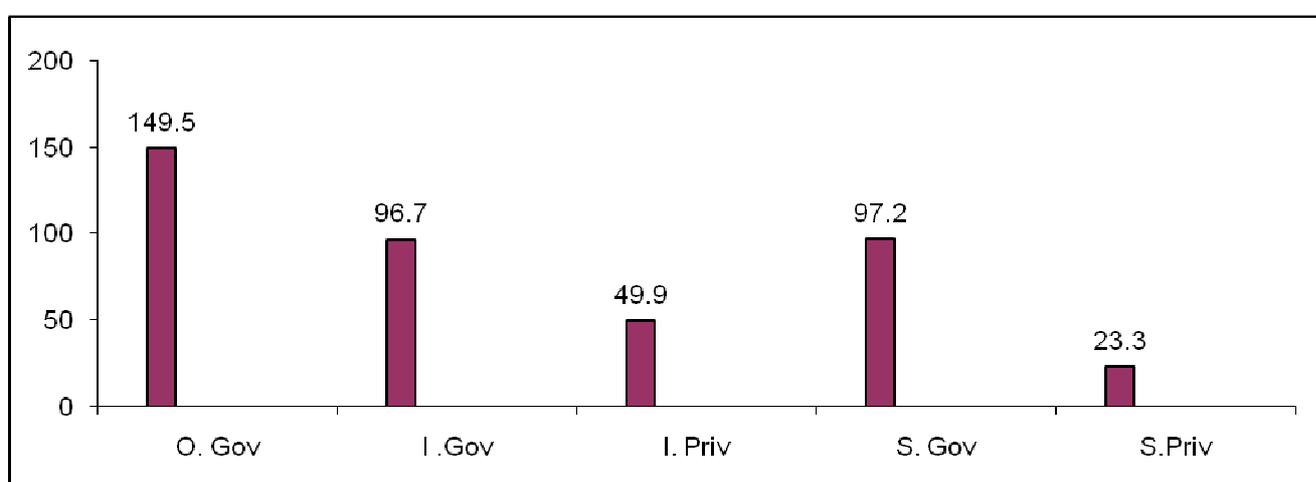
S. Gov: services companies under government control; *S.Priv*: Private services companies

Figure 5-3 Training Disclosure (Words-Non Financial) for All Companies 2005



O. Gov: Oil companies; *I. Gov:* industrial companies under government control; *I. Priv:* Private industrial companies;
S. Gov: services companies under government control; *S. Priv:* Private services companies

Figure 5-4 Benefits in Kind Disclosure (Words-non Financial) for All Companies 2005



O. Gov: Oil companies; *I. Gov:* industrial companies under government control; *I. Priv:* Private industrial companies;
S. Gov: services companies under government control; *S. Priv:* Private services companies

Some typical examples of employee related information are presented below³:

Training

The bank's Management pays a great deal of attention to practical as well as theoretical training. Managerial and human resources development is a continuous process and it comes in the light of the strategic concerns for this and the coming years.

With the realization that the banking capabilities and skills are of the most important factors in providing banking services, the executive management pursued its interest in the human element.

The bank participated in numerous courses and seminars which are conducted at the Training Centre run and by the CENTRAL BANK OF LIBYA, the British Arab

³ These examples are quoted verbatim from verbatim the English version presented in the annual reports.

Commercial Bank, the Union of Al-Magreb Banks, the Union of Arab Commercial Bank, The Union of Arab Banks and the Association of Libyan Banks.

Our Bank contributed to training budget and paid its share to the CENTRAL BANK OF LIBYA'S Banking training Centre in equality with the other Commercial Banks.

The following table illustrates the training areas and the number of trainees during the year in comparison with the three preceding years:

Area of Training	Number of Trainees			
	1998	1999	2000	2001
Banking Operations	5	11	22	12
Computers	1	6	3	6
English	--	--	4	2
The SWIFT	--	2	3	6
Conferences and Banking Seminars	--	6	9	7

The bank was unable to send the targeted number of trainees abroad because no budget for the year was allocated by the CENTRAL BANK OF LIBYA for this purpose. The training abroad was limited to a few opportunities that were made available by some of the Bank's Correspondents in line with mutual cooperation. The following table illustrates the number and areas of training during 2001 compared with 2000.

Area of Training	Number of Trainees	
	2000	2001
Banking Operations	5	5
The SWIFT	4	3
Total	9	8

Fringe benefits and incentives

The bank provides free medical care to the staff and employees and their families and pays for the medications. The bank also provided opportunities for abroad medical treatment for some of the cases that could not be treated locally. The bank bought a collective insurance policy providing coverage for all the employees and the Directors against accidents and death.

Three years salaries are paid in varying ratios in the case of accidents and death in addition to saving feature in the policy, which is the payment of an end service benefit upon resigning or termination.

At year's end the bank paid annual bonuses in accordance with efficiency and performance reports. Additionally the bank continued its policy of naming the Model Employee in each branch and agency and the department managers in the Head Office, which has proved to be worthwhile in creating a competitive spirit and increasing productivity, proficiency and dedication amongst the bank's employees.

5.3.2 Trends in Community Involvement Disclosure

The disclosure of community involvement is sought to locate any dimension of corporate activity in the wider community in which the companies were situated, beyond the enhancement of shareholder financial wealth. This kind of disclosure is divided into two categories (charity & political and community). Table 5-9 illustrates the average volume of charity disclosure for those that disclose over the five year period.

The picture coming from the Table 5-9 shows that one in four companies has disclosed information about the charity and political category in non financial reports which was decreasing from 92.8 words in 7.1 sentences in 2001 to 78.5 words in 6.8 sentences in 2005; and in financial reports seven out of ten companies has disclosed information with 4.6 words in one sentence, which was the same for all years. The community disclosure, on the other hand, has been increasing in non financial reports from 80 words in 7.7 sentences in 2001 to 91.6 words in 9 sentences in 2005, with one in four companies. The community involvement disclosure is in five tables showing the five different kinds of company under study. The first table shows the disclosure of the oil companies, the second shows the government industrial companies, the third table shows the disclosure of government-private industrial companies, the fourth table shows the disclosure of government services companies and the final table shows the disclosure of private services company.

Table 5-9 Community Involvement Disclosure (Total)

Category		2001				2002				2003				2004				2005				T r e n d
		N%		A **		N%		A **		N%		A **		N%		A **		N%		A **		
		N	%	w	Se																	
Charity and Political	F	38	70	4.6	1.02	38	70	4.6	1.02	38	70	4.6	1.02	38	70	4.6	1.02	38	70	4.6	1.02	-
	NF	14	25	92.8	7.1	14	25	71	6.3	14	25	78.5	6.5	14	25	78.5	6.5	14	25	78.5	6.8	↓
Community	F	14	26	3.2	1	14	26	3.2	1	14	26	3.2	1	14	26	3.2	1	14	26	3.2	1	-
	NF	4	7	80	7.7	3	5	69	7.3	3	5	79	8	5	9	92.4	9	5	9	91.6	9	↑

N: Number of companies disclosing

% Percentage of companies disclosing

*** Average amount of disclosure of those that disclose*

F: Financial

NF: Non Financial W: words

Se: sentence

5.3.2.1 Trends in Community Involvement Disclosure (Oil Companies/Government)

Table 5-10 shows that only three oil companies disclose some financial information in their annual reports about charity and political involvement and not one company from all the four in this sample has disclosed any kind of information about community. This seems strange, because the companies in this field are the big companies and the society is looking for them to do some activity and give some attention to society at large. However, it can be seen from Table 5-10 that the average volume of charity and political disclosure was the same for all years, with 3.66 words in one sentence.

Table 5-10 Community Involvement Disclosure (Oil Companies / Government)

Category	2001				2002				2003				2004				2005				T r e n d	
	N	%	A **		N	%	A **		N	%	A **		N	%	A **		N	%	A **			
			w	Se																		
Charity and Political	F	3	75	3.66	1	3	75	3.66	1	3	75	3.66	1	3	75	3.66	1	3	75	3.66	1	-

N: Number of companies disclosing
% Percentage of companies disclosing
*** Average amount of disclosure of those that disclose*
F: Financial NF: Non Financial
W: words Se: sentences

5.3.2.2 Trends in Community Involvement Disclosure (Industrial Companies/Government)

From Table 5-11 it can be seen that the companies in this sector disclose some information about community involvement of both categories, and compared with the oil companies, the industrial companies seem to be paying more attention to this category in annual reports, with society in charity and political categories on both financial and non financial sections.

Furthermore, Table 5-11 shows that the average volume of Charity and Political disclosure has decreased in non financial reports from 82.3 words in 7.1 sentences in 2001 to 78.5 words in 6.8 sentences in 2005, but in the financial reports the disclosure showed the same amount for all years. The number of companies disclosing this information was 14 companies with 82.3 per cent from all companies included in the sample in this field. The community disclosure was by 6 out of 17 companies in this sample, and the amount of information was the same for all the years, with 3 words in one sentence.

Table 5-11 Community Involvement Disclosure (Industrial / Government)

Category		2001				2002				2003				2004				2005				T r e n d
		N	%	A **		N	%	A **		N	%	A **		N	%	A **		N	%	A **		
				W	Se																	
Charity and Political	F	14	82.3	4.5	1.07	14	82.3	4.5	1.07	14	82.3	4.5	1.07	14	82.3	4.5	1.07	14	82.3	4.5	1.07	-
	NF	14	82.3	92.8	7.1	14	82.3	71	6.3	14	82.3	8.5	6.5	14	82.3	78.5	6.5	14	82.3	78.5	6.8	↓
Community	F	6	35	3	1	6	35	3	1	6	35	3	1	6	35	3	1	6	35	3	1	-

N: Number of companies disclosing
% Percentage of companies disclosing
*** Average amount of disclosure of those that disclose*
F: Financial NF: Non Financial
W: words Se: sentences

5.3.2.3 Trends in Community Involvement Disclosure (industrial companies/ private)

As can be seen from Table 5-12, the companies in this field make some disclosure in their financial reports about community involvement with both categories charity and political and also community. Fourteen of the seventeen companies give some information in 4.13 words in one sentence which was the same for the whole period on this sample, without any change. That might be because the companies follow the same pattern when they report the information on their annual reports every year.

Table 5-12 also shows that 3 out of 17 companies made some disclosure in financial reports, showing the same average amount about community category, where the average was 5.66 words in one sentence.

Table 5-12 Community Involvement Disclosure (Industrial / private)

Category		2001				2002				2003				2004				2005				T r e n d
		N	%	A **		N	%	A **		N	%	A **		N	%	A **		N	%	A **		
				W	Se																	
Charity and Political	F	14	66.6	4.13	1	14	66.6	4.13	1	14	66.6	4.13	1	14	66.6	4.13	1	14	66.6	4.13	1	-
Community	F	3	14.2	5.66	1	3	14.2	5.66	1	3	14.2	5.66	1	3	14.2	5.66	1	3	14.2	5.66	1	-

N: Number of companies disclosing
% Percentage of companies disclosing
*** Average amount of disclosure of those that disclose*
F: Financial NF: Non Financial W: words Se: sentences

5.3.2.4 Trends in Community Involvement Disclosure (Services Companies/Government):

Six out of 7 service companies under government control in this sample made financial disclosure giving some information about charity and political category, which was the same for all the years in the same period with the same number of companies.

On the other hand, the information about the community category was given on both kinds of disclosure (financial and non financial) by only 3 companies in their annual reports for the whole period in this study. Moreover, the financial disclosure was on average in 4.66 words in one sentence, but the non financial disclosure showed an increase from 65 words in 8 sentences to 75.6 words in 8.3 sentences in 2005 on average.

Table 5-13 Community Involvement Disclosure (Service Companies / Government)

Category		2001				2002				2003				2004				2005				T r e n d
		N	%	A **		N	%	A **		N	%	A **		N	%	A **		N	%	A **		
				W	Se			W	Se			W	Se			W	Se			W	Se	
Charity and Political	F	6	86	4.66	1	6	86	4.66	1	6	86	4.66	1	6	86	4.66	1	6	86	4.66	1	-
Community	F	3	43	1.66	1	3	43	1.66	1	3	43	1.66	1	3	43	1.66	1	3	43	1.66	1	-
	NF	3	43	65	8	3	5	69.3	7.3	3	5	78.9	8	4	7	72	8	4	7	75.6 6	8.3	↑

* Number of companies disclosing

% Percentage of companies disclosing

** Average amount of disclosure of those that disclose

F: Financial NF: Non Financial

W: words Se: sentences

5.3.2.5 Trends in Community Involvement Disclosure (Services Companies/Private):

Table 5-14 shows that only one company in this field made some financial disclosure about charity and political category with 4 words in one sentence, where the amount was the same for the whole period of study. From the same table it can be noticed that two of the four companies disclosed information about the community category on financial disclosure, with 3 words in one sentence and only one company made the non financial disclosure with 130 words in 13 sentences because the company suspended the disclosure of any information about it two years after that they disclosed some information about this category.

In summary, there is some disclosure about the community involvement in both categories, showing both financial and non financial disclosure. But the researcher thinks that this disclosure is little low compared with the size of the companies and their activities. For example, four oil companies in this sample did not disclose any information in their annual reports about community categories and only 3 of them gave some information in financial disclosure, whereas only 6 from 17 companies on the industrial selected under the government disclosed some information about the community category in their annual reporting, in addition to the private companies which also had made some disclosure like another companies in this field.

The amount of disclosure is minimal and thus interpreted as of low importance, but the issue is widely recognised as an area deserving attention. A distinctive example of community involvement disclosure is outlined verbatim below:

“The bank contributed during this year by cash donations to some private charity societies. This drive was motivated by the belief that the Bank’s role is not merely providing banking services to its customers and making profit in return. The Bank’s management firmly believes and realizes that its social role dictates that it contribute and participates in alleviating the burdens and extending a helping hand to those who have needs and require assistance .For all of these the bank this year donated some amounts to the following non-profit organizations:

- Annour Association for the blind25.000 LD*
- Anwar AL-Khair Association for Charity and Orphans.....25.000 LD*
- The Libyan National Association for Combating Narcotics (Drugs)....20.000 LD*
- The Association of Friends of People with Mental Disabilities25.000 LD*
- Hana Charity Association25.000 LD*
- The Libyan Association for the Disabled25.000 LD*
- The Boy Scouts and Girl Guides Movement5.000 LD*

The board of directors hopes that these deeds will be met with Allah’s blessing as the bank donates for charity and social assistance.

This example might reflect the Islamic influence on Libyan society. Islamic law plays a major role in influencing relationships in the society, in that it urges members (i.e. Muslims) to take an active and supportive role in their society.

This might furthermore support Gray et al.’s (1996) accountability theory, which suggests that there are some responsibility relationships and parts of some

relationships that are dictated by law, whereas other responsibility relationships and some parts of all relationships are governed by quasi-laws and the ruling ethics, values and principles of the society – in other words, the moral and ethical considerations lay down some responsibilities for action.

In the Libyan context the moral and ethical responsibilities can be viewed as another acceptable and applicable basis with the doctrine of Islam establishing responsibility as well as guiding the society.

Table 5-14 Community Involvement Disclosure (Services Companies /Private)

Category		2001				2002				2003				2004				2005				T r e n d
		N	%	A **																		
				w	Se																	
Charity and Political	F	1	25	4	1	1	25	4	1	1	25	4	1	1	25	4	1	1	25	4	1	-
Community	F	2	50	3	1	2	50	3	1	2	50	3	1	2	50	3	1	2	50	3	1	-
	NF	1	25	130	8	-	-	-	-	-	-	-	-	-	-	-	-	-	1	25	174	13

* Number of companies disclosing
 % Percentage of companies disclosing
 ** Average amount of disclosure of those that disclose
 F: Financial NF: Non Financial
 W: words Se: sentences

5.3.2.6 Trends in Community Involvement Disclosure all Companies 2005

Table 5-15 shows that the companies in all sectors except companies in the private services sector disclose some information about charity and political category of financial type. But in the non financial type, only the companies from the industrial sector which are under government control disclosed some information about this theme in their annual reports in 2005. On the other hand, all companies in the oil and the private services sectors did not disclose any information about community category in both types of disclosures. However, only some companies from the services sector which are under government control disclosed some information about this category in both types of disclosures in their annual reports in 2005.

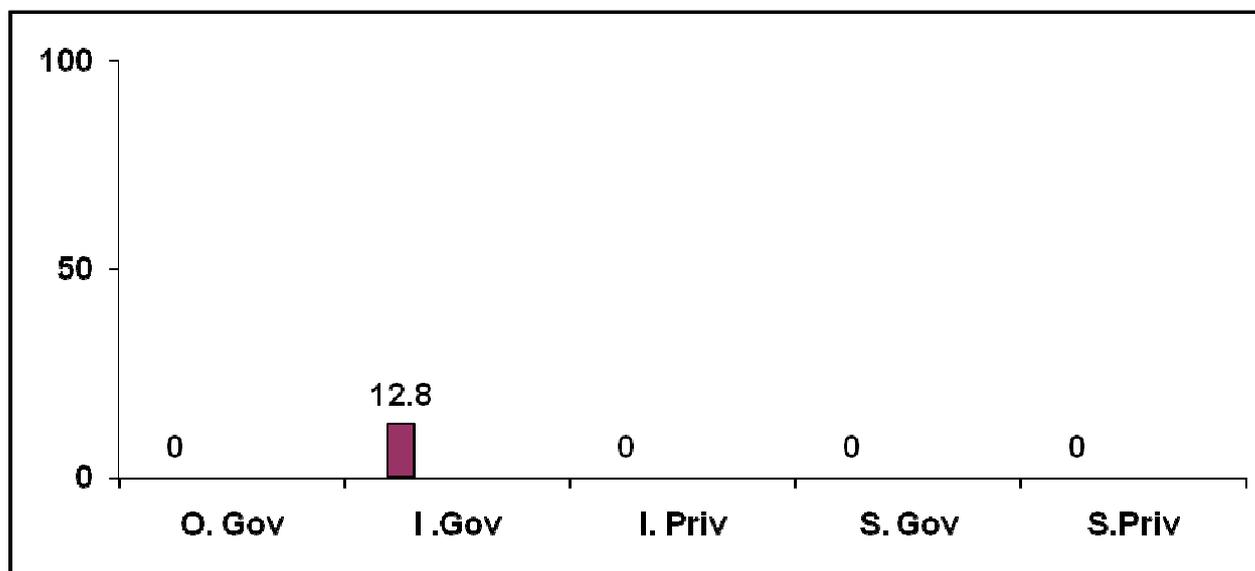
In general, from the tables and categories it can be noticed that disclosures about community involvement were low , especially when compared with employee categories.

Table 5-15 Community Involvement Disclosure for All Companies

Category		O. Government				I. Government				I. Private				S. Government				S. Private			
		N	%	A **		N	%	A **		N	%	A **		N	%	A **		N	%	A **	
				w	Se			W	Se			W	Se			W	Se			W	Se
Charity and Political	F	3	75	3.66	1	14	82.3	4.5	1.07	14	6.66	4.13	1	6	86	4.66	1	1	25	4	1
	NF	-	-	-	-	14	82.3	78.5	6.8	-	-	-	-	-	-	-	-	-	-	-	-
Community	F	-	-	-	-	6	35	3	1	3	14.2	5.66	1	3	43	1.66	1	2	50	3	1
	NF	-	-	-	-	-	-	-	-	-	-	-	-	4	7	75.66	8.3	1	25	155	12

* Number of companies disclosing
 % Percentage of companies disclosing
 ** Average amount of disclosure of those that disclose
 F: Financial NF: Non Financial
 W: words Se: sentences

Figure 5-5 Community Disclosure (Words- non financial) for All companies (2005)



O.Gov: Oil companies; I.Gov: industrial companies under government control; I.Priv: Private industrial companies;

S. Gov: services companies under government control; S.Priv: Private services companies

5.3.3 : Trends in Environmental Disclosure

Environmental disclosure is an amalgamation of seven categories. Table 5-16 demonstrates the average volume of disclosure of those that disclose in three (out of

seven) environmental categories established as the main disclosure in the Libyan context over the five years period.

The result shows that the average amount of disclosure, and as a result the assumed importance, for the third theme of environmental disclosure (i.e. waste, pack, pollution, recycle, product, land) has slightly increased in non financial disclosure and in financial disclosure. However, it was also found that the disclosure of environmental policy was only – perhaps not surprisingly – in non financial disclosure, with some increase in the amount of disclosure from 43 words in 4 sentences to 69 words in 11 sentences in 2005. For the last theme (environmental other) companies provided only financial disclosure, with the same amount for the whole period of this study.

In spite of the increasing importance and recognition of environmental issues, it is evident from Table 5-16 that companies in the Libyan context are at a very early stage in their consideration of this topic. Only a few companies disclose some environmental information, covering only three themes out of seven themes in this study. The companies that disclose this kind of information each year are the same companies, with a few newcomers for some of the themes. The result is not surprising as they seem to be consistent with the findings of many studies and particularly those conducted in the context of developing countries (e.g. Andrew et al., 1989; Imam, 200; Belal, 2001; Rizk, 2008). These studies also reported that environmental disclosure has been given only modest attention.

One example that is quite typical of the rare environmental disclosure is outlined below:

Controlling Waste in manufacture

The solid waste resulting from the manufacturing process comprises dust and sand (5% of total production) plus other solid materials (2% of production). The main reasons for these wastes are: old inefficient machinery, the chemical reaction itself and limited staff training programmes. The action that the company has taken to rectify the situation includes: planned maintenance is carried out periodically to minimise the dust whereas the other solids are recovered chemical in manual process.

Table 5-16 Environmental Disclosure (Companies / Total)

Category		2001				2002				2003				2004				2005				T r e n d
		N	%	A **		N	%	A **		N	%	A **		N	%	A **		N	%	A **		
				W	Se			W	Se			W	Se			W	Se			W	Se	
Environmental Policy	NF	1	1.8	43	4	1	1.8	41	4	1	1.8	46	4	1	1.8	65	8	1	1.8	69	11	↑
Environmental audit	None	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste, Pack, Pollution, Recycle, Product, Land	F	2	3.7	4	1	2	3.7	4	1	2	3.7	4	1	2	3.7	4	1	2	3.7	4	1	-
	NF	5	9.2	10	1	5	9.2	12	1	5	9.2	13.5	1.25	5	9.2	14.5	1.25	5	9.2	14.5	1.25	↑
Financial data	None	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sustainability	None	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Energy	None	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Environment other	F	1	1.8	9	2	1	1.8	9	2	1	1.8	9	2	1	1.8	9	2	1	1.8	9	2	-

* Number of companies disclosing
 % Percentage of companies disclosing
 ** Average amount of disclosure of those that disclose
F: Financial **NF:** Non Financial
W: words **Se:** sentences

5.3.3.1 Trends in Environmental Disclosure (Oil Companies/ Government)

Table 5-17 shows that only one company disclosed information about the environmental policy, while another company disclosed information about waste, pack, Pollution, recycling and land. Both categories were in non financial reports with the same amount of disclosure for all years.

Table 5-17 Environmental Disclosure (Oil companies / Government)

Category		2001				2002				2003				2004				2005				T r e n d
		N	%	A **																		
				W	Se																	
Environmental Policy	NF	1	25	43	4	1	25	41	4	1	25	46	4	1	25	65	8	1	25	69	11	↑
Waste, Pack, Pollution, Recycle, Product, Land	NF	1	25	6	1	1	25	6	1	1	25	6	1	1	25	6	1	1	25	6	1	-

N: Number of companies disclosing; % Percentage of companies disclosing
A:** Average amount of disclosure of those that disclose; **F:** Financial
NF: Non Financial; **W:** words; **Se:** sentences

5.3.3.2 Trends in Environmental Disclosure (Industrial Companies/ Government)

Table 5-18 shows that only two companies from the industrial sector under government control disclosed information about two environmental categories, one with the other environmental category in financial disclosure type with 9 words in 2 sentences, where the amount of disclosure was the same for all years, whereas another category was in Waste, Pack, Pollution, Recycling, Product, and Land in both the financial and non financial reports. The disclosure in this category increased from 10 words in one sentence in 2001 to 12.8 words in 1, 4 sentences in 2005 in non financial reports, whereas in financial reports it was same amount in all the years with 4 words in one sentence. Disclosure about the environmental theme other was in the financial disclosure with 5.8 words in one sentence, with the same amount for all the years include of this study.

Table 5-18 Environmental Disclosure (Industrial Companies / Government)

Category		2001				2002				2003				2004				2005				T r e n d
		N	%	A **		N	%	A **		N	%	A **		N	%	A **		N	%	A **		
				W	Se			W	Se													
Waste, Pack, Pollution, Recycle, Product, Land	F	2	50	4	1	2	50	4	1	2	50	4	1	2	50	4	1	2	50	4	1	-
	N F	4	23.5	10	1	4	23.5	10.8	1	4	23.5	12	1	4	23.5	12.8	1.4	4	23.5	12.8	1.4	-
Environment other	F	1	5.8	9	2	1	5.8	9	2	1	5.8	9	2	1	5.8	9	2	1	5.8	9	2	-

* Number of companies disclosing

% Percentage of companies disclosing

** Average amount of disclosure of those that disclose

F: Financial *NF*: Non Financial

W: words *Se*: sentences

5.3.3.3 Trends in Environmental Disclosure all Companies 2005

Table 5-19 and Figures 6 and 7 showed that companies in all sectors disclose little information about three out of seven environmental categories. In other words, all companies did not care much about this kind of information in both private and government controlled sectors; or if they cared and did some activity of this type, they did not have any policy to disclose what they were doing.

Table 5-19 Environmental Disclosure All Companies 2005

Category		O. Government				I. Government				I. Private				S. Government				S. Private			
		N	%	A **		N	%	A **		N	%	A **		N	%	A **		N	%	A **	
				W	Se			W	Se			W	Se			W	Se			W	Se
Environmental Policy	NF	1	25	69	11	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Waste, Pack, Pollution, Recycle, Product, Land	F	-	-	-	-	2	11.7	4	1	-	-	-	-	-	-	-	-	-	-	-	
	NF	1	25	6	1	4	23.4	12.8	1.4	-	-	-	-	-	-	-	-	-	-	-	
Environment other	F	-	-	-	-	1	5.8	9	2	-	-	-	-	-	-	-	-	-	-	-	

N: Number of companies disclosing

% Percentage of companies disclosing

**** Average amount of disclosure of those that disclose

F: Financial

NF: Non Financial

W: words

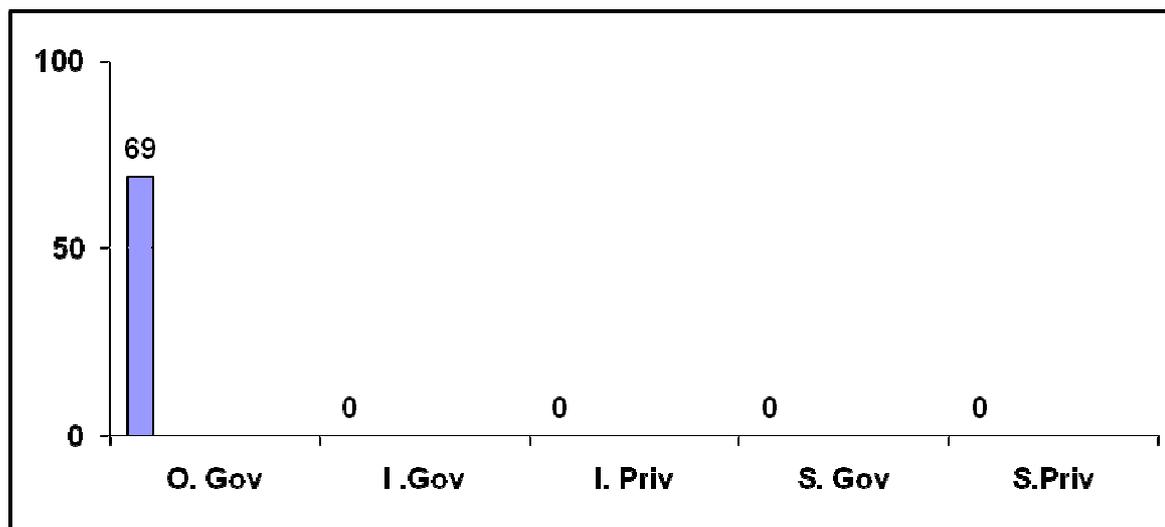
Se: sentences

S: Services companies

I: Industrial companies

O: Oil companies

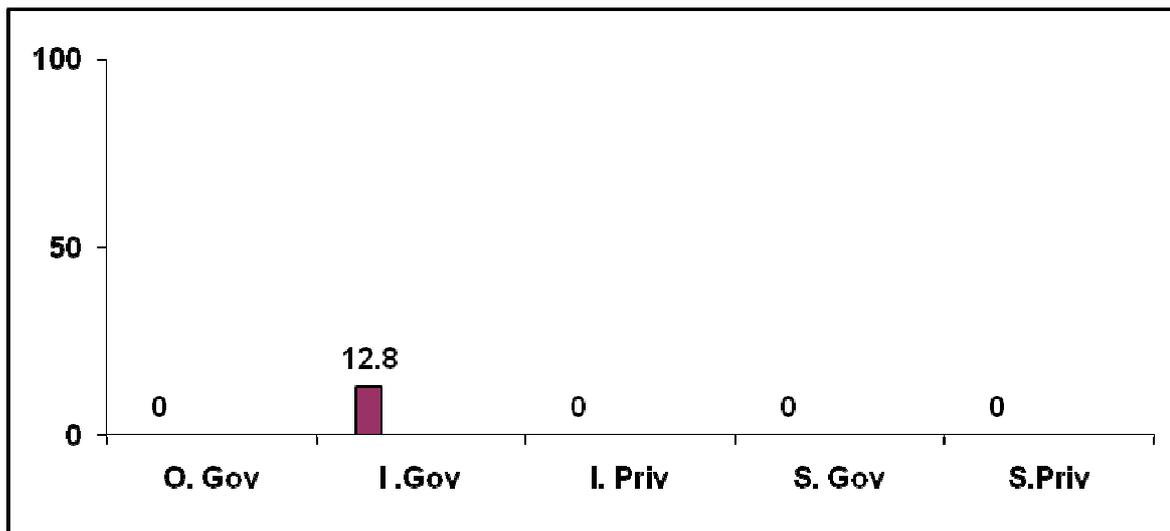
Figure 5-6 Environmental Disclosure (Words-Non Financial) for all Companies 2005



O.Gov: Oil companies; *I.Gov*: industrial companies under government control; *I.Priv*: Private industrial companies;

S. Gov: services companies under government control; *S.Priv*: Private services companies

Figure 5-7 Waste, Pack, Pollution, Recycle, Product, Land Disclosure (Words-non Financial) for all Companies 2005



O.Gov: Oil companies; I.Gov: industrial companies under government control; I.Priv: Private industrial companies; S. Gov: services companies under government control; S.Priv: Private services companies.

5.4 Summary and conclusion

This chapter has assessed the current state of corporate social disclosure by Libyan companies. In summary, one can say that all companies in this study provided some information about one or more social categories in their annual reports, under both voluntary and mandatory types. Also, it can be noticed that all information with non financial disclosure was voluntary disclosure. This study is consistent with many previous studies in terms of corporate social disclosure theme rankings. Human resources disclosure is found to be the most common area in which Libyan companies make their social disclosure, which is similar to several previous studies (e.g. Guthrie and Parker, 1990; Gray et al. 1995a; Hackston and Milne, 1996; Zain, 1999; Imam, 2002; Belal, 2001; Thompson and Zakaria, 2004; Rizk et al., 2008).

It can be noticed from this chapter that:

- In general oil companies disclose more information than other companies, perhaps because companies in this sector have a large number of employees, and they work in a special environment (always in the Sahara). They therefore need

to pay more attention for the workforce –and community and environment as well.

- Industrial companies in both private and government controlled sectors made more disclosures than service companies, perhaps because these companies are larger than service companies with more workers, or because of the nature of their business (e.g. employees need to be updated with new technology from time to time).
- The information about environmental categories which was provided by the companies was limited. This suggests that the companies might not be concerned with this topic and are not subject to pressure groups. However, the oil companies should give more attention to this issue because of the nature of their work.

The results of this chapter, along with the results of the questionnaire survey (next chapter) which focuses on the demand for information about companies' social activities, are discussed further in Chapter Seven.

Chapter Six

Findings of the Questionnaire Survey

6.1 Introduction	182
6.2 Background Information of responsibility	182
6.2.1 Academics.....	182
6.2.2 Financial Managers.....	183
6.2.3 Governmental Official Auditors.....	183
6.2.4 Investors.....	183
6.2.5 Summary of Key Points.....	183
6.3 The Main Purpose(s) of Corporate Social Disclosure	185
6.4 Analysis of Perceptions on the Wider Disclosure of Corporate social Responsibility information	192
6.4.1 Perception on the Disclosure of Corporate Social Information in Libya.....	192
6.4.2 Perception on the Company’s Social Responsibility.....	196
6.4.3 Perception on the Method of Corporate Social Responsibility Disclosure.....	200
6.4.4 Perception on the Motivation for Company’s Social Responsibility.....	201
6.4.5. Perception on the Location of Corporate Social Responsibility Disclosure.....	204
6.4.6 Perception on the Main Reasons for Not Making Corporate Social Responsibility Disclosure.....	205
6.4.7 Perception on the Methods of establishing Responsibilities.....	209
6.4.8 Perception on the Right to Information.....	210
6.5 Disclosure Information about the Following Categories of Social Information	213
6.6 Summary and Conclusion	217

6.1 Introduction

This chapter reports on the results of the questionnaire survey. The questionnaire survey has been carried out with the aim of exploring the views and perceptions amongst different stakeholders or users (or proxies for them, given Libya's current state of development), of evaluating the usefulness of current social disclosure for them, and also of exploring their opinion of possible developments.

The study participants' profiles – i.e. their levels of education, years of experience, place of education and their professional qualification – are initially described. This is followed by an analysis of the views and perceptions amongst members of the accounting community, broadly defined, in Libya regarding the basic features of the current corporate reporting and disclosure practice of Libyan companies. The possibility of wider disclosure in terms of corporate social responsibility and acceptability of corporate social responsibility in the Libyan environment is finally analysed.

6.2 Background Information on Respondents

A total of 303 questionnaires were delivered to groups of respondents and collected back. Tables 6-1, 6-2, 6-3 and 6-4 presented the number of responses of the various groups involved in this survey, including information derived from questions 11-16 in part two of the questionnaire (see Appendix A). They deal with background information about the participants in terms of present occupation; professional experience; and highest educational qualification in accounting. Each group of respondents – academics, financial managers, government officials, and investors – is involved in the survey, the administration of which and the response rate for which were discussed in Chapter Four (see Table 4-6 for the response rate of the questionnaire survey).

6.2.1 Academics

According to Tables 6-1, 6-2, 6-3 and 6-4, all academics hold a higher qualification (about 69.7 per cent with a master's degree and 30.3 with PhD degree). In addition, 7.6 per cent of academics responding to the questionnaire obtained their degrees from other countries; one person received it from Jordan, two of them received it from Egypt and the other two from Malaysia. Over 89.4 per cent of them have more than 3 years' experience in teaching, and 89.4 per cent of them have more than 3 years' experience in accountancy in general.

Thus it is clear that the academic respondents have in general good educational backgrounds in accounting and many enjoy considerable practical experience which will have placed them well to answer questionnaire (Table 6-3).

6.2.2 Financial Managers

As can be seen from Table 6-1, the majority of financial managers (90.9 per cent) hold at least a Bachelor degree, also 95.9 per cent of them had more than 3 years' experience with general work and 91.9 per cent of them have professional experience in accounting.

Furthermore, 96 per cent of financial manager respondents obtained their degrees from Libya, whereas about 4 per cent obtained their degrees from other countries. However, the findings indicate that 9.1 per cent of them do not have a bachelor degree.

6.2.3 Governmental Official Auditors

The results indicate that the majority of respondents of the Governmental Official Auditors (65.9 per cent) have more than 5 years' experience. All group respondents have university education with 8.1 per cent of them holding a Master Degree. The above tables also show that the majority of this group (98.8 per cent) obtained their degrees from Libya.

6.2.4 Investors

Tables 6-3 and 6-4 demonstrate that only 6.7 per cent of the investor respondents have experience in accounting but all respondents have more than 3 years' experience in general. Moreover, two thirds of the participants from investors have a bachelor degree but no one has a degree higher than a bachelor qualification. Also Table 6-2 shows that 51 of respondents have their degrees from Libya and 2 from the UK.

6.2.5 Summary of Key Points

From the above sections and Tables 6-1, 6-2, 6-3 and 6-4, it can be noticed that one out of three from all respondents has his or her education from outside Libya, while one out of five from all respondents has a higher degree – the majority of them from the academics group. However, eight of ten from the financial manager group have bachelor degrees with only one out of ten of them having a master's degree. Interestingly, it can be seen from this group that one of the ten from them does not have at least a bachelor degree. On the other hand it can be noticed that nobody from government official

auditors had education less than a bachelor degree. Also, nine of ten from all respondents have more than three years' experience.

Table 6-1 Highest Educational Qualifications of Respondents

User Group		Highest Educational Qualification				Total
		Less than bachelor	Bachelor	Master	PhD	
Academics	Frequency	-	-	46	20	66
	%	-	-	69.7	30.3	100
Financial Managers	Frequency	9	82	8	-	99
	%	9.1	82.8	8.1	-	100
Government Official auditors	Frequency	-	81	4	-	85
	%	-	95.3	4.7	-	100
Investors	Frequency	17	36	-	-	53
	%	32.1	67.9	-	-	100
Total	Frequency	32	196	58	17	303
	%	10.6	64.7	19.1	5.6	100

 The highest frequency.

Table 6-2 Place of Study

User Group		Place of study				Total
		Libya	UK	USA	Other	
Academic	Frequency	41	15	5	5	66
	%	62.1	22.7	7.6	7.6	100
Financial Managers	Frequency	95	2	-	2	99
	%	96.0	2.0	-	2.0	100
Government Official Auditors	Frequency	84	-	-	1	85
	%	98.8	-	-	1.2	100
Investors	Frequency	51	2	-	-	53
	%	96.2	3.8	-	-	100
Total	Frequency	271	19	5	8	303
	%	90	6.3	1.7	2.00	100

 The highest frequency.

Table 6-3 Experience of Respondents

Current Occupation	Period of experience						Total	
	less than 3 yrs		3-5 yrs		More than 5 yrs			
	Frequency	%	Frequency	%	Frequency	%	Frequency	%
Academic	7	10.6	23	34.9	36	54.5	66	100
Financial Managers	4	4.0	13	13.1	82	82.8	99	100
Government official Auditors	7	8.2	23	27.1	55	64.7	85	100
Investors	0	00	14	26.4	39	73.6	53	100
Total	18	6.3	74	23.7	212	70	303	100

 The highest frequency.

Table 6-4 Experience in Accountancy of Respondents

Current Occupation	Period of experience in accountancy								Total	
	no experience		less than 3 years		3-5 years		more than 5 years			
	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%
Academic	0	-	7	10.6	24	36.4	35	53.0	66	100
Financial Managers	1	1.0	7	7.1	19	19.2	72	72.7	99	100
Government official Auditors	0	-	7	8.2	22	25.9	56	65.9	85	100
Investors	49	92.5	1	1.9	3	5.7	0	00	53	100
Total	50	16.5	22	7.26	68	22.4 4	163	53.8 0	303	100

 The highest frequency

6.3 The main purpose (s) of Corporate Disclosure

A list of possible purposes for the preparation of corporate annual reports by Libyan companies was constructed and introduced within many major objectives. These objectives comprise stewardship, decision usefulness and accountability. Respondents were asked to assess the degree of importance they attach to each of these purposes. A summary of the responses of the study participants is depicted in Tables 6-5 and 6.6. Table 6-5 presents the rank of each objective with the mean of scores given by each

respondent (on a 1-5 scale: 1 means not at all important, 5 means very important and 3 is the mid-point of the scale) regarding each possible purpose. Table 6-6 presents the rank and mean of each purpose objective given by each respondent in four groups. Also this table shows the result of Kruskal-Wallis Test, which compares the medians of those participant groups which are included in the sample and further shows if there is any significance between the means of those groups.

The picture coming from Table 6-5 shows that the mean score of all respondent groups was between 2.34 and 4.23 in general. All of them attached the highest importance to the proposal: the main purpose of corporate disclosure is to provide information to the managers that is, to assist them to take the right decision to manage their companies. Therefore, this purpose was considered by the study participant as a high importance category to Libyan companies with rank 1 from all of them. The participants gave the second highest rank of importance purpose to: the provision of information to Tax Authorities (P9) with 3.94. Also the respondents attached a reasonably high importance mean score of 3.46 to the proposal that signaled that the purpose of the annual report is to give information to assist in the negotiation of financial facilities with financial institutions (P7).

The provision of information to the Government agencies and departments (P8) was regarded by respondents as being of some importance to most Libyan companies. It received almost a mid-point score (2.99) with a fourth rank from all purposes. According to the Libyan Companies Act, Libyan companies are required to provide their annual reports to the Companies Controller official for official use so that he may help with a variety of aspects for the public interest. Moreover, the provision of information to employees (P3) was regarded by respondents as being of less than mid-point score (2.5).

It can be noticed from the result in Table 6-5 that all respondents indicate that the companies did not provide more information in their annual reports to the employees, the society at large and the investors. Instead, information is provided for the managers and the Income Tax department.

Table 6-5 The Importance of the Target Groups' attachment for the Purpose(S) of Corporate Annual Reports

Rank	The provision of information to:	Mean score	
1	Assist managers in managing the company. (p4)	4.23	Very important
2	Income Tax department, as a basis for taxation assessment. (p9)	3.94	
3	Assist financial institutions in the negotiations of financial facilities. (p7)	3.46	Important
4	Assist government agencies and departments in the debates about a variety of aspects for the public interest. (p8)	2.99	
5	Creditors for the protection of their interests. (p2)	2.75	Moderately Important
6	Owners on the uses made of their funds and the legality of those uses.(p1)	2.58	
7	Employees for the protection of their interests. (p3)	2.50	
8	Society at large in order to judge the actions and policies of the company.(p6)	2.45	
9	Assist potential shareholders and investors in their investment decisions. (p5)	2.34	

The results of the Kruskal-Wallis Test, as shown in Table 6-6, indicate that, despite the similar ranks accorded to this purpose by four groups, there is a significant difference in the mean perceptions amongst the groups involved in the survey at the 5 per cent level of significance towards the purposes of the provision of information to the managers. The academic group and the investor group respondents gave a relatively lower score. The difference between the average perceptions about the importance of provision of this point has probably arisen because some participants, such as financial managers and government officials (as they are the responsible for the preparing and auditing the annual reports), may lack in most Libyan companies a separate system for providing management information. So the annual reports, as a result, can be seen as an important source of information to communicate to managers. Other respondents (Academics and investors group) may have thought that most Libyan companies have an extensive management system for a variety of internal communication media which can be used

for assisting the decision-making process. Annual reports (although they have some importance) can be viewed normally as an unsuitable vehicle for management purposes.

The result of the Kruskal-Wallis Test (see Table 6-6) also shows significant differences in the mean perceptions amongst the four groups concerning the purpose related to the Tax Authorities. Government officials and financial manager respondents gave a relatively high mean score of importance (4.10) compared with the other groups. The agreement between the groups involved in this survey about the importance they attach concerning the purpose of provision of information to the Tax Authorities was logical and expected. This might be ascribed to the requirements of the Libyan Commercial Code and Tax Legislation, whereby all business enterprise operating in Libya are obliged to provide their annual reports to the Tax Authorities on a yearly basis.

Also, the respondents attached a reasonably high importance mean score to the proposal that one of the purposes of the annual report is to give information to assist in the negotiation of financial facilities with financial institutions (P7). This purpose occupies the third rank for all respondent groups except the Investor group, which puts it in the fourth place with a low mean score. The result of the Kruskal-Wallis Test shows a significant difference in mean perception amongst the four groups involved. Government Official and Financial managers gave a higher mean score of importance (3.82) and (3.77) than the other groups. This position of both groups (Government Officials and Financial managers) was expected since it is not possible for a business organization that seeks financial funds (as loans) to receive these funds unless details of financial information are given in the financial statement.

The provision of information to the Government agencies and departments (P8) was regarded by respondents as being of some importance to most Libyan companies. It received almost a mid-point score (2.99) with fourth rank from all purposes. According to the result of the Kruskal-Wallis Test there is a significant difference between the means of groups about the purpose concerning the provision of information to the Government agencies and departments (P8). Respondents from financial managers provided a higher mean score of importance (3.30) than other groups.

As shown in Table 6-6, the differences between the perceptions of the means as to the importance of providing information for creditors (P2) have probably occurred because

some respondents especially the financial manager and the government officials may have thought that corporate annual reports have some importance for creditors to assist them in making their decisions. Also from the same tables it can be noticed that the respondent groups had different mean scores; for example, the government official and the financial manager groups mean scores were over mid-point with fourth and fifth rank of all purposes, but the investors and academics groups made it the seventh rank, with 1.69 and 2.03 mean scores. The result of the Kruskal-Wallis Test also supports the significant difference between the means of groups.

In addition, there is a significant difference between the mean of groups about the provision of information to owners on the uses made of their funds and the legality of those uses. The academic, government official and investor groups gave a lower mean score than financial managers for this purpose, which may have been due to their belief that most Libyan companies have an extensive management information system which may give more information to the owners, or possibly that the companies are not interested in owners' interests.

For the purpose of providing information to employees for the protection of their interest (P3), as shown in Table 6-6, the financial manager gave a higher mean score (3.44) than other groups. The result of the Kruskal-Wallis Test shows that there is a significant difference between the mean scores of the groups.

Society at large (P6) with shareholders and investors in their investment decisions (P5) were both regarded by the study participants as being of less importance. These audiences can be envisaged with more indirect interest in the Libyan companies. The result of the Kruskal-Wallis Test shows significant differences of mean perceptions amongst the four groups involved about the purpose of the provision of information to both purposes. Financial managers gave a low score of importance (2.95) to P6 and (3.17) to P5. It can be said that the position of financial managers could lead to a low score for a purpose which might appear as socially and morally desirable.

As can be noticed from Table 6-6, the financial manager participants attached a higher or second highest mean score of importance for all purposes of the annual report. The position of financial manager respondents might be explained by the fact that, as the preparers of annual accounts or the participants with other people who are preparing the

annual reports in the Libyan companies, they could not undervalue the purpose for which the annual reports might appear to be an important source of information to the all users.

To summaries, respondents perceived that most Libyan companies prepare their annual reports for the purposes of communicating information to those parties and groups with purely financial interests and involvement in companies, and stewardship and useful decision making objectives. All of them (except for some respondents, primarily financial managers) view these companies as paying no particular attention to the purpose of presenting information to these audiences in the Libyan society with more interests and involvement in companies. Exceptionally, some of the financial manager's participants believed that most Libyan companies give some attention to these purposes.

Table 6-6 The purpose(s) of Corporate Annual Reports: Different Groups Views

Purpose: Provide information to		Owners on the uses made of their funds and the legality of those uses (p1)	Creditors for the protection of their interests (p2)	Help employees to help protect and advance their interests (p3)	Assist managers in managing the company (p4)	Assist potential shareholders and investors in their investment decisions (p5)	Society at large in order to judge the actions and policies of the company (p6)	Assist in the negotiation of financial facilities with financial institutions (p7)	Assist government agencies and departments in debates about the public interest (p8)	The Income Tax department, as a basis for taxation assessment (p9)	Mean
Groups											
Academics N= 66	Mean	2.18	2.03	1.81	3.96	1.66	2.07	3.28	2.75	3.77	2.61
	Rank	5	7	8	1	9	6	3	4	2	
Government Officials N=85	Mean	2.32	3.09	2.44	4.42	2.38	2.48	3.82	3.04	4.10	3.12
	Rank	9	4	7	1	8	6	3	5	2	
Investors N=53	Mean	1.69	1.69	1.71	3.98	1.58	1.96	2.54	2.62	3.60	2.37
	Rank	7	7	6	1	8	5	4	3	2	
Financial Managers N=99	Mean	3.55	3.51	3.44	4.38	3.17	2.95	3.77	3.30	4.09	3.57
	Rank	4	5	6	1	8	9	3	7	2	
Total N=303	Mean	2.58	2.75	2.50	4.23	2.34	2.45	3.46	2.99	3.94	
	Rank	6	5	7	1	9	8	3	4	2	
<i>Kruskal-Wallis Test</i>	Level Of Sig	.000	.000	.000	.000	.000	.000	.000	.000	.000	
	Result	significant	significant	significant	significant	significant	significant	significant	significant	significant	
X ²		25.788	28.083	68.368	20.274	90.819	61.244	66.070	30.911	62.258	



The highest mean and rank.



The lowest mean and rank.

6.4 Analysis of Perceptions on the Wider Disclosure of Corporate Social Responsibility Information

This section provides more insight on the question of existence of ‘demand for’ or at least, ‘recognition and acceptance of’ the possibility of wider disclosure of information in terms of Libyan companies reporting. Therefore, the discussion in this section is about the analysis of:

(1) The perceptions amongst the groups participating in the disclosure of certain information in the Libyan companies’ annual reports relating to corporate social responsibility, and whether they may lead to some beneficial socioeconomic effects; (2) The perceptions amongst the groups participating of the potential benefit that can be attained from disclosing information about social responsibility; (3) The perceptions amongst the groups participating of the possible setting to provide information about the corporate social responsibility in corporate annual reports; (4) The perceptions amongst the groups participating of the possible reasons that may prevent companies from providing information about corporate social responsibility in their annual reports; and (5) The perceptions amongst the groups participating of the possible method of disclosure that might be used to provide corporate social information.

6.4.1 Perception on the Disclosure of Corporate Social Responsibility Information in Libya

A list of the main themes related to corporate social responsibility information was included in the questionnaire to the four groups surveyed. The questions were about the extent of their agreement regarding whether Libyan companies should disseminate each of the listed items in their annual reports, possibly because such a disclosure can lead to some beneficial socioeconomic effects. Tables 6-7 and 6-8 show frequencies (counts, mean, rank and level of significance with Kruskal-Wallis Test and χ^2 used).

As can be seen from Table 6-7, the mean scores of all themes were around scale four for all the groups, which mean that the respondents of the survey think it is important that the Libyan companies should be conscious of their social responsibilities, and they agree that the

listed themes should be part of the annual reports of these companies. From this table it can be seen that the respondents gave the purpose of the environmental pollution related information the highest mean score, which might be because the respondents think that Libyan companies did not provide enough information about these themes in their annual reports. The table showed that the environmental pollution related to information comes in rank one with a high mean score (4.36), which gives a clear message from them to the companies that the respondents need more information about it or believe that others do. The employee related information comes as the second most important theme that Libyan companies should consider, with a high mean score (4.11). The community involvement related information theme was given low rank by the respondents, though a mean score still high, as other themes.

Table 6-7 The Importance that the Target Groups attach to the Corporate Social Responsibility Information in Libya

Rank	Corporate Social Responsibility Categories	Mean score	
1	Environmental pollution related information. (p2)	4.36	
2	Employee- related information. (p1)	4.11	
3	Consumer related information. (p4)	4.02	Very important
4	Energy related information. (p3)	3.93	
5	Information related to conservation of natural resources. (p7)	3.86	
6	Information about value added statement. (p5)	3.67	
7	Community involvement related information. (p6)	3.61	Important

The results of the Kruskal-Wallis Test (see Table 6-8) show that the only two exceptions were the propositions regarding the ‘Employee-related information P1’ and ‘information about value added statement P5’ on which there are significant differences between the various participant groups. Except for these statements, all participant groups share the same distribution of views on the disclosure of most of the statements in the Libyan companies’

annual reports. All the groups give the environmental pollution related information theme the highest importance mean and it occupies the rank one for all of them. The exception is the academic group, which put environment second and information related to local communities' involvement a high rank. Nevertheless, other groups give this theme a low rank compared with other themes. Also the government official respondent group showed a relatively low mean score (3.96) for the disclosure of this statement in annual reports of Libyan companies with rank 7, whereas 17.5 per cent of them said it is very important for the companies to disclose information about the Employees in their annual reports (for example 68 per cent from this group said it is important).

Generally, the vast majority of participations in this survey, as seen in Table 6-8, agreed that the disclosure in companies' annual reports should include information about all areas of corporate social responsibility (that were listed in the survey).

In summary, it is clear that the participants from all groups are inclining to accept the view of the need for wider disclosure in terms of corporate social responsibility information and that the Libyan companies should pay more attention to social issues where possible. This attitude may be attributed to various possible factors:

- It can be related to the increasing awareness of the companies' social responsibility and the potential of corporate social responsibility to provide some beneficial socioeconomic effects.
- The disclosure of corporate social responsibility may be socially, ethically and morally attractive, and it may also reflect Libyan moral culture.
- The disclosure of corporate social responsibility may give a chance to the public accountant respondents as a new area of interest which will give them more experience and work in this area.

Table 6-8 Perception on the Disclosure of Corporate Social Responsibility Information in Libya

Corporate social responsibility items Groups		Employee-related information (p1)	Environmental pollution related information (p2)	Energy related information (p3)	Consumer-related information (p4)	A value added statement (p5)	Local communities' involvement related information (p6)	Conservation of natural resources related information (p7)	Mean
Academics N= 66	Mean	4.09	4.31	4.07	3.98	3.83	4.56	3.65	4.07
	Rank	3	2	4	5	6	1	7	
Government Official N= 85	Mean	3.89	4.23	3.88	4.09	3.90	3.54	3.92	3.92
	Rank	5	1	6	2	4	7	3	
Investors N= 53	Mean	4.37	4.58	4.18	3.95	3.67	3.83	3.84	4.06
	Rank	2	1	3	4	7	6	5	
Financial Managers N= 99	Mean	4.19	4.39	3.74	4.13	3.37	3.58	3.95	3.90
	Rank	2	1	5	3	7	6	4	
Total N= 303	Mean	4.17	4.36	3.93	4.02	3.67	3.61	3.86	
	Rank	2	1	4	3	6	7	5	
Kruskal-Wallis Test	Level of Sig	.009	.308	.097	.286	.001	.493	.003	
	Result	significant	Not significant	Not significant	Not significant	significant	Not significant	significant	
X²		11.659	3.599	6.323	3.778	15.429	2.403	13.794	

 The Highest mean and Rank.

 The Lowest mean and rank

6.4.2 Perception on the Company's Social Responsibility

A question was introduced to potential respondents in order to gain an insight into their views on the notion of the social responsibility of the Libyan companies. They were provided with a list of audiences who might be affected by the companies' action and policies, to indicate the extent of their agreement with the suggestion that the Libyan companies should accept responsibilities towards each of these audiences (Question 3, Appendix B).

Tables 6-9 and 6-10 present the related results. It is clear from Table 6-9 that the views of the study participants were anchored in a similar manner on the suggestion that the Libyan companies should accept responsibility towards each of these constituencies. The vast majority of respondents asserted that Libyan company should undertake responsibility towards not only the providers of finance but also towards those who may be affected by the company's actions and policies, including the society at large. The Table shows that the mean scores of all perceptions were between 3.70 and 4.41 for all respondent groups. However, differences in rank show that in total the first rank was given to the creditors, the second one to the shareholders and investors, and the employees come in the third place. However the local community and society group at large groups come at the end in the sixth and seventh place respectively. In general, from Table 6-9 it can be noticed that all the respondents think that Libyan companies should provide more information to all suggested groups than the companies have previously provided in their annual reports. Table 9-10 will deal in more detail with these results.

Table 6-9 The Importance that the Target Groups Attach to the Company’s Social Responsibility Disclosure

Rank	User groups	Mean score	
1	Creditors. P3	4.41	
2	Shareholders and financial market investors. P4	4.40	
3	Employees. P1	4.27	
4	Consumers. P2	4.13	Very important
5	Government agencies and departments. P6	3.82	
6	Local community. P5	3.74	
7	Society at large. P7	3.70	Important

The results of the Kruskal-Wallis test show that there is a general consensus amongst the respondents on four of the suggested categories of audience/ user group (consumers P2, local communities P5, government agencies and departments P6 and society at large P7). The exceptions were the employee P1, consumers P3 and shareholders and financial market investors P4. However, the academic respondent group gave the creditor group a high rank, but it was in the second rank for other groups. The society at large came in the last group with a low mean score and a low rank for academic and government official groups, which was the last and the one before last rank on the list for investors and financial managers. In general, the majority of the respondent group scores were in the important groups which were shown in the annual of companies’ reports providing information to them.

From the result of the Kruskal-Wallis Test it can be noticed that there is a significant difference amongst the respondents' perceptions about the rights of these particular groups. As can be seen from the Table 2.10, the differences come out for P1 which may represent may the views of government officials with the lowest mean score and the financial managers with the highest mean scores. As regards P3, the result shows the differences between the government official group mean score (4.30) and the investor group mean score (4.71). The

financial manager respondents show a relatively low mean on the disclosure of shareholders and financial market investors P4 in the annual reports of the Libyan companies. Also in P4, the mean score associated with the academic staff and the financial managers was lower than others. But in general all groups agree that it is important that Libyan companies should include information about this proposition in their annual reports.

In summary, it is clear that the participants from the various groups are disposed to accept the view of wider disclosure in terms of corporate social responsibility information and that the Libyan companies should pay attention to social and environmental issues wherever possible. This attitude may be attributed to the following:

a) the increasing awareness of company's social and environmental responsibility to provide some beneficial socioeconomic effects.

b) The corporate social responsibility and disclosure items in Libyan companies, which:

- may reflect Libya's moral culture.
- may be socially, ethically and morally desirable.
- may be for financial manager respondents a new area of interest which requires their involvement and expertise. Furthermore, it is challenge to give a new section in annual reports with a new type of information, to make a new type of public relations activity of the business.

Table 6-10 Perception on the Company's Social Responsibility Disclosre

Groups		Employee P1	Consumers P2	Creditors P3	Shareholders and financial market investors P4	Local communities P5	Government agencies and departments P6	Society at large P7	Mean
Academics N= 66	Mean	4.22	4.09	4.46	4.33	3.69	3.77	3.60	4.02
	Rank	3	4	1	2	6	5	7	
Government Official N= 85	Mean	4.14	4.16	4.30	4.51	3.78	3.83	3.72	4.06
	Rank	4	3	2	1	6	5	7	
investors N= 53	Mean	4.43	4.20	4.71	4.81	3.86	3.88	3.86	4.25
	Rank	3	4	2	1	6	5	6	
Financial Managers N= 99	Mean	4.34	4.10	4.31	4.14	3.66	3.82	3.66	4.00
	Rank	1	4	2	3	6	5	6	
Total N= 303	Mean	4.27	4.13	4.41	4.40	3.74	3.82	3.70	
	Rank	3	4	1	2	6	5	7	
Kruskal-Wallis Test	Level of Sig	.032	.762	.000	.000	.397	.491	.256	
	Result	significant	Not significant	significant	significant	Not significant	Not significant	Not significant	
X ²		8.801	1.164	20.968	38.331	2.966	2.413	4.049	

 The High mean and rank.

 The Low mean and rank.

6.4.3 Perception on the Method of Corporate Social Responsibility Disclosure

The aim of this section was to ask respondents to express the extent of their agreement about the possible methods which can be used to disclose information about Libyan companies' corporate social responsibility in their annual reports. Table 2.11 shows the analysis of the respondents' answers. As can be seen from the Table, over half of the respondents support a method that includes financial information (monetary). Three quarters of the investors groups chose this method as the best one to disclose information about corporate social responsibility, also over half of academics staff were supportive of using this method to disclose this type of information, and in addition more than four-tenths of the financial managers group – who prepare part of the companies' annual reports – agree with this method to be used for corporate social information disclosure.

Also four-tenths of the same respondent groups chose the descriptive, statistical and monetary methods to be used for corporate social responsibility disclosure. Furthermore, three-tenths of academic respondents approved this method to be used when the companies should disclose information about this social responsibility.

In summary, eight-tenths of potential respondents would like to see corporate social responsibility disclosure in Libyan companies' annual reports as being expressed in two methods from the four listed methods in the survey (monetary, with 50.2 per cent, and descriptive, statistical and monetary). Thus, respondents seemed willing to agree with the idea of corporate social responsibility disclosure in Libyan companies both in financial and non-financial forms.

Table 6-11 Methods of Corporate Social Responsibility Disclosure

Purpose: method(s)		In descriptive manner (declarative)	Quantified but non-monetary	Monetary	Descriptive and statistical	Descriptive, statistical and monetary	Total
Groups							
Academics	Frequency	3	3	37	4	19	66
	Percent	4.5	4.5	56.1	6.1	28.8	100
Government Official	Frequency	7	8	31	17	22	85
	Percent	8.2	9.4	36.5	20	25.9	100
Investors	Frequency	-	-	40	-	13	53
	Percent	-	-	75.5	-	24.5	100
Financial Managers	Frequency	3	2	44	10	40	99
	Percent	3	2	44.6	10.1	40.4	100
Total	Frequency	13	13	152	31	94	303
	Percent	4.3	4.3	50.2	10.2	31	100

 The highest frequency

6.4.4 Perception on the Motivation for Companies' Social Responsibility

Respondents were asked Question 5 (see Appendix B), with a number of possible motivations for the acceptance of the notion of social responsibility, to elicit the extent of their agreement with each of the suggested reasons for requiring the Libyan companies to be socially responsible. Tables 6-12 and 6-13 exhibit the analysis of the respondents of four groups surveyed. The pictures from Tables 6-12 and 6-13 show that the four groups agreed with some of the suggestions given, but they do not agree with others.

It can be noticed from Table 6-12 that all the groups give the proposition suggesting: companies should bear some sort of social responsibilities to justify their existence within the society P2, the high mean score 4.35 to become rank one, and they gave the proposition suggesting: companies should be thought as social enterprise P3, the second highest mean score 3.15 to become the second rank. However, at the same time they gave the proposition suggesting: companies should be owned by the government (the public sector) to guarantee

their social responsibility, and proposition suggesting: companies do not have responsibility beyond making as much profit as possible, in the low rank with the lowest mean score.

This picture might give us the idea that the respondents agreed with the idea that Libyan companies should bear some social responsibility to justify their existence within the society P2. At the same time, the respondents supported the suggestion that companies should be thought of as social enterprises, which is an entity whose existence and decisions can be justified in so far as they serve the public or social purposes P3.

Respondents, on the other hand, do not agree with the proposition suggesting that companies do not have responsibility beyond making as much profit as possible P1. This proposition received a very small mean score. The findings also indicate that the majority of the survey respondents were less enthusiastic about the proposition suggesting: the companies should be under the government control to guarantee their social responsibility P4.

Table 6-12 The Importance that the Target Groups Attach to the Motivation for Companies' Social Responsibility

Rank	statement	Mean score	
1	Companies should bear some social responsibilities to justify their existence within the society.P2	4.35	Very Important
2	Companies should be thought of as social enterprise, which is an entity whose existence and decisions can be justified in so far as they serve public or social purposes.P3	3.15	Important
3	Companies should be owned by the government (the public sector) to guarantee their social responsibility.P4	1.97	
4	Companies do not have responsibility beyond making as profit as possible.P1	1.62	Not important

The results coming from Table 6-13 give a clear picture about the agreement of respondents about all the propositions suggested. It can be seen from the results that all respondents groups agreed that companies should pay attention to their social responsibility and also should be social enterprises to serve, in some way, public or social purposes. The Kruskal-Wallis test (see table 6-13) draws one's attention to the level of the significance of the P2 and P3 propositions received which were greater than the critical value (.05). It means that the various respondent groups share the same distribution of perceptions concerning these propositions.

On the other hand, the results showed that respondents from all groups were less enthusiastic about the suggested propositions that companies should be owned by the government to do their social responsibility; the Kruskal-Wallis Test result showed that the respondents have same idea about this proposition. Moreover, all groups also did not agree with the proposition that the purpose of companies is only to make as much profit as possible without taking any social responsibility. On this point, the Kruskal-Wallis Test demonstrated that the respondents from all different groups share the same view of this proposition.

In summary, it would appear that the idea of corporate social responsibility is a desirable from the four respondent groups. Also all respondent groups do not think that companies should be under the government control to be responsible for the social and society.

Table 6-13 Motivation for Companies' Social Responsibility

Groups		Companies do not have responsibilities beyond making as much profit as possible P1	Companies should bear some sort of social responsibilities to justify their existence within the society P2	Every company should be thought as a social enterprise, which is an entity whose existence and decisions can be justified in so far as they serve the public or social purposes P3	Companies should be owned by the government (the public sector) to guarantee their social responsibility P4	Mean
Academics N= 66	Mean	1.69	4.48	3.09	1.89	2.78
	Rank	4	1	2	3	
Government Official N= 85	Mean	1.57	4.29	2.98	2.01	2.71
	Rank	4	1	2	3	
Investors N=53	Mean	1.54	4.47	2.75	1.92	2.67
	Rank	4	1	2	3	
Financial Managers N= 99	Mean	1.65	4.25	3.55	2.03	2.87
	Rank	4	1	2	3	
Total N= 303	Mean	1.62	4.35	3.15	1.97	
	Rank	4	1	2	3	
Kruskal-Wallis Test	Level of Sig	.541	.098	.000	.593	
	Result	Not significant	Not significant	significant	Not significant	
χ^2		2.155	6.517	19.333	1.933	

 Highest mean and rank.

 Lowest mean and rank.

6.4.5 Perception on the Location of Corporate Social Responsibility Disclosure

A possible location of corporate social responsibility disclosure was presented to the four respondents groups. They were asked to choose which location they think is the best to present the social information. An analysis of perception responses is represented in Table 6-14.

This table shows that more than four-tenths of respondents prefer that the location of corporate social responsibility disclosure is the annual report, but as a separate section entitled 'social responsibility' or the equivalent. However, the finding demonstrates that the various respondent groups did not show the same degree of enthusiasm towards this possible location. Almost half the academic and financial manager respondents (over 47 per cent) showed inclination towards this possible location, next came the investors and government officials (43 and 42.5 per cent). A notable percentage (28 per cent) agreed with the proposition suggesting that the annual report within the Directors' Report should be the possible location for corporate social responsibility disclosure. An additional analysis by reviewing participants' responses revealed that 26.8 per cent of respondents showed disagreement with possible locations, divided between those who seemed to be suggesting that the corporate social responsibility information should be released in a separate booklet accompanying the annual report, whereas 14.2 per cent of respondents and the high percentage was coming from the government official with 20 per cent from all the group respondents and the academics respondent who agree to use this location for social information was only 7.6 per cent . The low suggestion location for corporate social responsibility information, with 12.6 per cent of respondents, was the suggestion to include corporate social responsibility information in the annual report but as part of some other section. It seems, therefore, that vast majority of all groups were willing to accept the possibility of wider disclosure including corporate social information as part of the company's annual report or within the directors' report.

Table 6-14 Location of Corporate Social Responsibility Disclosure

Purpose: method(s)		Contained in annual reports as a separate section entitled social responsibility or the equivalent	Separate booklet accompanying the annual report	Contained in annual reports within the Directors' Report	Contained in annual reports within other sections	Total
Groups						
Academics	Frequency	31	5	20	10	66
	Percent	47	7.6	30.2	15.2	100
Government Official	Frequency	36	17	21	11	85
	Percent	42.4	20	24.7	12.9	100
Investors	Frequency	23	8	17	5	53
	Percent	43.4	15.1	32.1	9.4	100
Financial Managers	Frequency	47	13	27	12	99
	Percent	47.5	13.1	27.3	12.1	100
Total	Frequency	137	43	85	38	303
	Percent	45.2	14.2	28	12.6	100

 The Highest frequency

6.4.6 Perception on the Main Reasons for not Making Corporate Social Responsibility Disclosure in Libyan Companies

A list of possible reasons which may dissuade corporate social responsibility information from being disclosed by Libyan companies was provided to the four groups surveyed. The reasons were drawn from previous literature (see for more details Al-Khater and Naser, 2003; Naser and Abu Baker, 1999). The respondents were asked to indicate the level of importance they would accord to each of these reasons (Question 6, Appendix B). Analysis of the responses is represented in Table 6-15 and Table 6-16, which show that respondents to this survey thought that more or less all listed reasons have a negative effect on disclosure.

The respondents, however, tend to believe that the main reasons for Libyan companies not making corporate social responsibility disclosure are related to the lack of legal requirements P1 and the absence of guidance within the standards of the accounting standards committee P2. Both reasons received the highest mean score (4.41 and 3.81 respectively). Nearly 46.5 per cent of the respondents ranked the reason of 'not legal requirement' at point 5 (very important), and a further 48.5 per cent at point 4 (important). Whilst 16.5 per cent rated the

reason of ‘not required by the standards of the accounting standards committee’ at point 5, and an additional 56.8 per cent at point 4, the other reasons also received a relatively high mean score and were therefore deemed important reasons in obstructing corporate social responsibility information being disseminated by Libyan companies.

The general agreement that the lack of corporate social responsibility disclosure is due to the absence of a legal requirement to include corporate social responsibility information in the annual reports of Libyan companies and the lack of guidance from the accounting standards committee on the subject reflects the desire of the respondents to see more information disclosed in the annual reports, including the corporate social responsibility information. Also reasons such as ‘Insufficient demand on corporate social responsibility disclosure in Libyan companies’ P3, ‘the management does not appreciate social responsibility’ P7, ‘The objectives of the company emphasise its economic rather than social performance’ P8, ‘Unsure how to provide this kind of information’ P6, ‘Cost outweighs benefit’ P4, were all regarded by the respondents as being of some importance in preventing Libyan companies from making corporate social responsibility disclosure.

The reason that ‘Information is sensitive and confidential’ P5 was of low importance compared with other reasons; it received the lowest mean score.

Table 6-15 The Importance of the Target Groups’ Reasons Behind the non-dissemination of Corporate Social Responsibility

Rank	Reason	Mean score	
1	No legal regulatory requirement. P1	4.41	Very Important
2	Not required by the standards of the accounting standards committee. P2	3.81	
3	Insufficient demand. P3	3.58	Important
4	Management dose not appreciate its social responsibility. P7	3.11	
4	Unsure how to precede this kind of information. P6	3.11	
5	The objectives of the company emphasise its economic rather than social performance. P8	3.06	Middle important
6	Cost outweighs benefit. P4	2.89	
7	Information is sensitive and confidential. P5	2.25	

It can be seen from Table 6-16 that respondents from all groups think that the most important reason behind not disclosing information about social activities in Libyan companies' annual reports is that there is no legal regulatory requirement. The Kruskal-Wallis Test showed at a 5 per cent level of significance general agreement, amongst the four groups, on this reason P1. The purpose reason: it is not required by the accounting standards committee P2 comes as a second reason from all respondents group, except the investors group which thinks that insufficient demand P3 is the second reason and the reason P2 comes in third. The Kruskal-Wallis Test showed that there is a significant difference of the mean perceptions amongst the four groups involved about P2 and P3.

Moreover, all respondent groups think that the information which is sensitive and confidential is less important behind not making social disclosure by Libyan companies with a low mean score from all groups. The Kruskal-Wallis Test showed that there is no significant difference in the mean perceptions of the four groups about this reason.

In summary, all groups agreed that the important main reasons for not making social responsibility disclosure in Libyan companies' annual report are that the Libyan environment does not have the legal requirement and standard from accounting standards committee to push the companies to do that.

Table 6-16 Main Reasons for not Making Corporate Social Responsibility Disclosure in Libyan Companies

Groups		No legal regulatory requirement P1	Not required by the standards of the accounting standards committee P2	Insufficient demand P3	Cost outweighs benefit P4	Information is sensitive and confidential P5	Unsure how to precede this kind of information P6	Management dose not appreciate its social responsibility P7	The objectives of the company emphasise its economic rather than social performance P8	Mean
		Academics N= 66	Mean	4.46	4.07	3.77	2.92	2.50	3.10	3.22
	Rank	1	2	3	7	8	5	4	6	
Government Official N= 85	Mean	4.32	3.89	3.22	2.77	2.61	3.08	3.09	3.23	3.28
	Rank	1	2	4	7	8	6	5	3	
investors N= 53	Mean	4.58	3.75	4.05	3.43	2.43	2.92	3.01	2.81	3.37
	Rank	1	3	2	4	8	6	5	7	
Financial Managers N= 99	Mean	4.36	3.61	3.50	2.68	2.51	3.26	3.12	3.14	3.27
	Rank	1	2	3	7	8	4	6	5	
Total N= 303	Mean	4.41	3.81	3.58	2.89	2.52	3.11	3.11	3.06	
	Rank	1	2	3	6	7	4	4	5	
Kruskal-Wallis Test	Level of Sig	.082	.000	.000	.000	.566	.165	.617	.131	
	Result	Not significant	significant	significant	significant	Not significant	Not significant	Not significant	Not significant	
	X ²	6.716	19.747	36.130	30.227	2.031	5.093	1.793	5.632	

 The high mean and rank

 The low mean and rank.

6.4.7 Perception on Methods of Establishing Disclosure

The study participants were provided with two choices of possible methods that can be used to introduce the corporate social reporting activities in the Libyan business environment. It would appear from Table 6-17 that the four respondent groups revealed similar responses on the possible methods.

As shown in Table 6-17, the majority of the study participants (three quarter) support that the law would provide the best and clearest vehicle for promoting corporate social responsibility disclosure.

Other respondents (22.8 per cent) agreed to leave the corporate social responsibility disclosure as voluntary for the companies in the Libyan business environment.

Table 6-17 Methods of Establishing Disclosure

Approach:		It should be required by law (or other regulation)	It should remain totally voluntary for companies
Groups			
Academics	Frequency	46	20
	Percent	69.7	30.3
Government Official	Frequency	65	20
	Percent	76.5	23.5
Investors	Frequency	43	10
	Percent	81.1	18.9
Financial Managers	Frequency	80	19
	Percent	80.8	19.2
Total	Frequency	234	69
	Percent	77.2	22.8

6.4.8 Perception on Right to Information

A list of stakeholders (i.e. users group) was provided to the potential respondents, asking them to indicate the extent of their opinion about the importance of each stakeholder group and whether they have the right to information about the action for which the Libyan companies could be held responsible. Table 6-18 reveals that the majority of respondents agreed that it is important to all stakeholder groups to have the right to receive information about the actions for which Libyan companies are held responsible, including the employees, the consumers, the creditors, the shareholders, the financial market investors, the government departments and agencies, local communities and society at large. The entire mean score for all examples was over mid-point (3). The relatively low support was for the local communities, with 3.75. The shareholders and financial market investors come out as the most important group (rank one) having the rights to be given the information; the second rank goes to the creditors group. Both the society at large and the local community groups take the low ranks in this list, but it is still an important group according to the mean scores about who has the rights to be given the information.

Table 6-18 : The Important That the Target Groups Attach to Right to Information

Rank	Users / Stakeholders	Mean score	
1	Shareholders and financial market investors. P4	4.39	
2	Creditors. P3	4.34	
3	Employee. P1	4.26	
4	Consumers. P2	4.03	Very important
5	Government departments and agencies. P6	3.89	
6	Society at large. P7	3.85	
7	Local communities. P5	3.75	Important

It can be seen from Table 6-19 that all respondents groups gave all purposes a high mean score, which might mean that there is a general agreement from all respondents that Libyan companies should provide more information to all the user groups and help them receive the right picture about these companies. Because all of the purposes have a high mean score, the discussion will focus on the rank that the respondent groups gave to each one. The ranking shows that all respondent groups except the financial manager groups put the purpose of the shareholders and the financial market investors should have the right to receive information in rank one, and the rank of mean score of this purpose which comes from the investor group was rank three. That might be because the manager groups think that the important groups which should have the right to receive information are the employees, whereas the second groups are the creditors. The picture from this table also showed that all respondents group gave a high mean score to consumers who have the rights to receive information, but it comes in the rank four from all groups. All groups also gave the last rank to the purpose of Local communities, except the financial manager group, which gave the last rank to the society at large.

The Kruskal-Wallis Test shows that there is a general agreement amongst the respondents on suggested categories (local communities, government departments and agencies, and society at large) and the result shows that there is no significant difference between the mean scores of these categories. The significant differences amongst the respondents' perceptions were about these categories: employees, consumers, creditors and shareholders, and financial market investors.

In summary it can be seen that there is general agreement from different groups that all user groups have the rights to receive the information from the companies. And all groups give these purposes a high score in general. The difference between the groups was about which user group is more important than the others.

Table 6-19 Perception on Right to Information

Groups		Employee P1	Consumers P2	Creditors P3	Shareholders and financial market investors P4	Local communities. P5	Government departments and Agencies. P6	Society at large P7	Mean
Academics N= 66	Mean	4.33	3.93	4.39	4.53	3.80	3.86	3.89	4.10
	Rank	3	4	2	1	7	6	5	
Government Official N= 85	Mean	4.07	4.05	4.22	4.45	3.78	3.96	3.94	4.06
	Rank	3	4	2	1	7	5	6	
investors N=53	Mean	4.49	4.26	4.73	4.81	3.81	3.84	3.90	4.26
	Rank	3	4	2	1	7	6	5	
Financial Managers N= 99	Mean	4.25	3.95	4.21	4.04	3.67	3.87	3.73	3.96
	Rank	1	4	2	3	6	5	7	
Total N= 303	Mean	4.26	4.03	4.34	4.39	3.75	3.89	3.85	
	Rank	3	4	2	1	7	5	6	
Kruskal-Wallis Test	Level of Sig	.007	.044	.000	.000	.856	.425	.241	
	Result	significant	significant	significant	significant	Not significant	Not significant	Not significant	
²X		12.076	8.098	27.154	51.242	.836	2.794	4.195	

 The High mean and rank.

 The Low mean and rank

6.5 Disclosure Information about the Following Categories of Social Information

A list containing the main themes related to corporate social responsibility information was presented to the potential respondents. The aim was to indicate their perceptions regarding whether the Libyan companies in both sector under government and private controls should disseminate this information in their annual reports.

Related results were presented in Tables 6-20 and 6-21. However, it is clear from the findings that the views of the four respondent groups were anchored in a similar manner on the suggestion that the Libyan companies should accept responsibility towards each of these constituencies. As can be seen from Tables 6-20 and 6-21, the four respondent groups in this survey believe that the Libyan companies should be aware of their social disclosure responsibilities.

The findings from Table 6-20 show that the respondents share the same perception towards the vast majority of the listed themes for all companies. The difference between the respondents' perception was about which categories the companies should give more attention than others. On this point, respondents placed the information related to the environment in rank one by giving it the highest mean scores for both sectors of the Libyan companies, and the companies also should make it a part of the company's annual report. Here it can be noticed from section 6.4.5 that the possible locations of disclosure according to the respondents' perceptions are in the companies' annual reports. On the other hand, the respondents placed the information related to employees in the second rank for the companies under government control, with a 4.14 mean score, whereas it comes in rank three for private companies. Information related to consumer category is placed in rank four for companies under government control, but in rank two for private companies. Information related to community involvement is the third most important category for companies under government control, but the fourth for private companies.

It can be also noticed from this table that all respondents gave more attention to the private sector than other sectors; it is clear from the mean score of all categories in general and with each respondent group. This might be because the respondents think that private companies are a new sector in the Libyan environment and so have a more modern agenda. Also might

be think that companies under government control have more control especially about the environment and employee categories (see chapter three for that).

Table 6-20 The Importance that the Target Groups Attach to Disclosure Information about Categories of Social Information Related to Companies

Rank		Groups	Mean score	
Government	Private		Government	Private
1	1	Information related to the Environment 3	4.43	4.52
2	3	Information related to Employees 1	4.14	4.30
3	2	Information related to Consumers 4	4.13	4.33
4	4	Information related to Community involvement 2	3.95	4.12

Table 6-21 shows that all respondents group gave the four suggested categories a high mean score. That might be because all respondents support that all Libyan companies should provide the related information about the social categories in their annual reports. From this table it can also be noticed that all respondents asserted that private companies should disclose information about these categories than the under government control companies, it can be seen that from comparing the mean scores of all categories between the two sectors.

The Kruskal-Wallis test showed that the respondents share the same perceptions towards the vast majority of listed categories about the companies under Libyan government control. The only one that had a significant difference between the various groups surveyed was the 'information related to environment'. On the other hand, the respondents do not have the same perceptions about the same categories with the private companies, except the 'information related to community involvement' category, which all the respondents were showing as regards the same perception about it.

In summary the clear picture which comes from the above results is a general agreement from the majority of respondent groups that all companies in both sectors should disclose information about their social categories in their reports. This agreement might give us a signal that the user groups need more information about these issues to obtain a clear picture about the performance of companies and to make the right decisions about these companies in the future.

Table 6-21 Disclosure Information about Categories of Social Information Related to Companies

Groups		Information related to Employee 1		Information related to Community involvement 2		Information related to Environmental 3		Information related to Consumer 4		Mean	
		Government	private	Government	Private	Government	private	Government	private	Government	private
Academics N= 66	Mean	4.10	4.45	3.84	4.04	4.56	4.69	4.12	4.33	4.15	4.37
	Rank	3	2	4	4	1	1	2	3		
Gov' Officials N= 85	Mean	4.10	4.08	3.88	4.04	4.18	4.21	4.09	4.20	4.06	4.13
	Rank	2	3	4	4	1	1	3	2		
Investors N= 53	Mean	4.13	4.33	4.13	4.30	4.52	4.79	4.18	4.50	4.24	4.48
	Rank	3	3	3	4	1	1	2	2		
Financial Managers N= 99	Mean	4.21	4.37	3.98	4.14	4.50	4.53	4.12	4.34	4.20	4.34
	Rank	2	2	4	4	1	1	3	3		
Total N= 303	Mean	4.14	4.30	3.95	4.12	4.43	4.52	4.13	4.33		
	Rank	2	3	4	4	1	1	3	2		
<i>Kruskal-Wallis Test</i>	Level of Sig	.291	.016	.074	.193	.000	.027	.801	.027		
	Result	Not Significant	Significant	Not Significant	Not Significant	Significant	Significant	Not Significant	Significant		
	X ²	3.738	10.307	6.948	4.727	18.101	9.196	1.001	9.196		

 The Highest mean and rank

 The Lowest mean and rank

6.6 Summary and Conclusion

The analysis has shown that the majority of respondents perceive that most Libyan companies prepare their annual reports for the purpose of providing information to the audience with a purely financial interest, especially for financial managers and decision usefulness objectives. However, the financial managers group thought that most Libyan companies pay some attention to social issues.

The analysis shows that the vast majority of respondents were willing to accept the suggestion that the Libyan companies in both private and public sectors should disclose information relating to social responsibility in their annual reports. They also believe that if the companies do not have the legal and professional pressure they will not provide this kind of information in their annual reports. So, as a result, respondents believe that the law can provide the best stimulus to disclosing information about the corporate social responsibility, at least at this period of time.

Respondents would like to see the suggested corporate social responsibility disclosure for Libyan companies in two forms, i.e. monetary, descriptive, statistical and monetary. Nearly half the respondents agreed with the suggestion to see the location of disclosure in annual reports as a separate section entitled Social Responsibility or the Equivalent. The other suggestion was to disclose the social information in the companies' annual reports within the directors' report.

The analysis of the 'right to information' revealed that the vast majority of respondent think it is important that the companies provide the information that will help all users, not just the providers of finance. Also, they think it is important that all users have the right to information about the actions for which Libyan companies might be held responsible.

These results, with the findings of the content analysis, presented in Chapter Five, will be discussed further in the next chapter.

Chapter Seven

Summary and Conclusion

7.1 Introduction	219
7.2 Discussion of Results	219
7.2.1 Research aim one: the amount and type of social disclosure by Libyan companies.....	220
7.2.2 Research aim two: trends and patterns in corporate social disclosure.....	224
7.2.3 Research aim three: views of the usefulness of current social disclosure and possible future developments.....	226
7.2.4 Research aim four: use findings derived from meeting objectives one to three in order to reflect upon social accounting in transition economies.....	230
7.3 Implication for Interpretations of Corporate Social Reporting and Disclosure	232
7.4 Contributions and Recommendations	238
7.5 Limitations and Further Research	240
7.5.1 Limitations.....	240
7.5.2 Further Research.....	241
7.6 Conclusion	242

7.1 : Introduction

The focus of this chapter is to summarise and discuss the findings and conclusions of Chapters Five and Six with respect to the research aims stated in Chapter One. It is those research aims as a coherent set that enables the two elements of the study (the content analysis and the questionnaire surveys) to work together as complementary research endeavours. In doing so, the findings of the present research are related to previous literature on corporate social disclosure (see Chapter Two) in order to identify the contribution of this thesis, with its focus on the disclosure practices of Libyan companies. In addition to academic conclusions, the findings are used to make recommendations about the possible future development of corporate social disclosure in Libya. As well as addressing the research aims and offering conclusions and recommendations, the limitations of the study and suggestions for further research in relation to corporate social disclosure practices are discussed at the end of this concluding chapter.

7.2 Discussion of Results

The theoretical perspective of this study is anchored in the broader socio-political theories of corporate social responsibility disclosure as discussed in Chapter Two. Stakeholder theory, in particular, was supported because of its ability – given the normative strand identified by Donaldson and Preston (1995) – to provide a basis not only for framing empirical research but also for pursuing recommendations and suggestions for developments in practice. The latter is something that sits less comfortably with, for example, the political economy perspective, notwithstanding its ability to provide insights into previous developments. In any case, stakeholder theory, however, given the varieties of stakeholder theory available and its current shortcomings (Donaldson and Preston, 1995), and the particular aims of this study, it is more accurate to say that the research adopted a stakeholder *perspective* rather than used – or even tested – some version of stakeholder *theory*. This has been adopted in order to inform the findings and analysis of the study, which was set up to investigate corporate social responsibility disclosure practice in Libya. In carrying out that study, four key stakeholder groups were dealt with in the content analysis, reflecting the focus of previous social accounting literature – employees, the local community, consumers and the environment – together with investors in the questionnaire survey. Financial managers were also addressed

in the questionnaire survey, since – given relatively underdeveloped state of user groups in Libya at the present time – the survey was *about* stakeholders rather than *of* stakeholders.

Four linked aims were developed for the study. The first was to document the amount and type of social disclosure by Libyan companies in annual reports. This provides a description of the current situation which not only is useful for its own sake, but also provides a context for understanding the responses to the questionnaire survey; it also provides a baseline for future researchers into corporate social disclosure in Libya. The second was to identify trends and patterns in corporate social disclosure and to explore possible reasons for these. Again, as well as being of interest in its own right, this provides a context for considering the responses to the questionnaire survey. For example, if disclosure were already showing a significant increase, any suggestion by respondents that The third was to evaluate the usefulness of current social disclosure for user groups, to ascertain opinions about possible future developments, and to compare those opinions with companies' intentions. The final aim was to use the findings derived from meeting aims one to three in order to reflect upon social accounting in transition economies.

The main findings from the two main data collection methods (the content analysis and the questionnaire survey) will be discussed in the next section using the research aims to organize the discussion.

7.2.1 Research aim one: the amount and type of social disclosure by Libyan companies

This section discusses the amount and type of corporate social disclosure practices in the Libyan environment. In order to examine corporate social disclosure practices in Libyan companies, a total of 270 annual reports covering a period of five years, representing 54 Libyan companies from different sectors, were collected; compiling this set of annual reports required considerable persistence in contacting companies, including making personal visits and utilizing personal contacts.. Content analysis, using both sentence count and word count, was then used to turn the material into meaningful research data.

In many respects, the results that emerged from the content analysis are consistent with previous research studies. All Libyan companies in this research sample revealed some measure of social disclosure, which is similar to the findings of studies conducted in other countries, including the UK (Gray et al., 1995a), Jordan (Abu-Baker & Naser, 2000),

Bangladesh (Imam, 2000), Nigeria (Disu & Gray, 1998), Singapore (Tsang, 1998), Egypt (Rizk et al., 2008; Salama, 2009) and South Africa (Mitchell & Trevor, 2009). From the findings, it can be noticed that the most common theme in Libyan companies' annual reports is employees. The dominance of disclosure of information classified under the employee theme has been reported and corroborated in various studies conducted in the area of corporate social disclosure (e.g. Andrew et al., 1989; Belal, 2001; Gray et al., 1995a; Guthrie & Parker, 1990; Hackston & Milne, 1996; Imam, 2000; Thompson & Zakaria, 2004).

In the Libyan companies, seven out of ten employee categories were commonly reported as the main disclosure areas. The employee categories in general were found to have the average volume of disclosure, thereby showing the assumed importance, for 'basic data', 'health and safety', 'equal opportunities', 'training', as Table 5-2 shows. Similarly, Imam (2000) found that a few companies in another developing country (Bangladesh) provided information about employee themes such as training, and health and safety. The results show that the most important space allocation for social disclosure in general and employee disclosure in particular is for both the 'basic data' and 'training' categories, with financial and non financial disclosure. Based on the assumption that the amount is indicative of importance, the disclosure of information classified under training category was significant. The findings also indicated that all the companies except one disclosed some information in the 'benefits in kind' category, which includes: thanks to employees; staff turnover; employee trends/statistics. The findings also showed that there is no company disclosing any information about three categories out of ten under the employee theme: 'consult employees'; 'disabled'; and value added statement.

The second social theme which the majority of Libyan companies (38, or 70%) disclosed in their annual reports about is community involvement. From the findings it can be noticed that the companies disclosed both financial and non-financial information. In the financial type, with both Charity and political theme and Community theme, the amount of disclosure was the same without any change during the period of the study, but in non-financial type the amount of charity and political theme showed a different in annual reports during the period of the study and that might be because some companies stopped (start) giving charity or the people who were responsible to prepare this kind of information changed the style of language that was using when they prepare of the annual reports. On other hand, in the non-

financial type of disclosure, the amount of disclosure about Community theme in the companies annual reports were also changed during the period of the study

Libyan companies disclosed only a small amount of environmental information in their annual reports; only five companies (9.2% of total sample) seemed to be interested in disclosing any environmentally-related information, of which the majority (four of those that disclosed environmental information) were from the government industrial sector. However, the information they disclosed was centered on merely three categories, namely 'Environmental and policy', 'Waste, pack, pollution, recycling, product, land' and 'Environmental others'. Therefore, issues such as environmental policy, environmental audit, financial data, sustainability, and energy saving were not their concerns. From the findings it is obvious that oil companies (only one of the four companies that disclosed information was in that sector) appeared not to be interested in disclosing any information in these categories; this seems to be strange because these companies are probably more responsible for damaging the environment than other companies in the Libyan environment, and oil companies around the world tend to be highly visible, with relatively high disclosure.

Finally, all companies appeared to be not interested in disclosing any consumer-related information during the period of the study. This is perhaps because the Libyan economy is still relatively under-developed and transitioning towards a market system, so consumer issues have not yet come to the fore.

In this research, the disclosure by Libyan companies to communicate their corporate social responsibility information was monetary, quantified but non-monetary, and declarative. However, the disclosure was mostly quantitative (either financial or other numeric). Only three companies used declarative methods such as graphics and charts to give more details about social responsibility information.

From studying the amount disclosed by each group (see Chapter Five), it is apparent that companies involved in the oil and industry sectors disclosed more information about employees more than other companies in the service sectors (both private and under government control types). There is no significant difference in the amount of financial disclosure about community involvement, but in non financial type, only oil companies did not disclose any information about this theme. The amount of environmental disclosure was

small in the annual reports of all companies. Only one oil company and some industrial companies under government control disclosed any information about environmental themes. From the result it can be noticed that the oil and industrial companies give more attention to social disclosure than the service companies, which might be because these companies' activities have a greater impact on social and environmental dimensions than others. In this context, Harte & Owen (1991) found that the greater level of corporate social disclosure are done by companies which are in an industry that is involved in activities that have a sensitive impact on the environment. Also, Robertson & Nicholson (1996) found that, in different industry sectors, companies give varying levels of attention to employee related issues, which seemed to reflect those industries' needs. For example, the greater emphasis on employees development was given by the chemical industry; the greater attention to training opportunities for employees was given by the water and electricity companies; safety issues were considered as the first issue by the construction companies; and the employees' welfare was at the centre of the industrial companies.

However, it can be concluded that all types of companies from different sectors included in the sample (100%) undertake at least one type of social disclosure in their annual reports. This is because they all disseminate some employee-related information. Three out of five companies also disclose community-related information. Only one out of five companies discloses information about the environment in their annual reports.

In the Libyan context, the disclosure was under both voluntary and statutory disclosure requirements in the financial type; such financial disclosure is relevant to social issues, even if it is required for financial rather than social purposes. However, there is no statutory disclosure in non-financial type. Corporate social responsibility disclosure is not mandatory under Libyan law. Thus any social information is disclosed on a voluntary basis, except some categories related to the employees – such as pension commitment, which has to be disclosed according to the law when the companies disclose information about general expenditure in their annual reports. So the reason for the low social disclosure levels in the Libyan annual reports might be the lack of mandatory (i.e. statutory) disclosure requirements and an inadequate accounting profession and education in Libya (see Chapter Three). Consistent with this, the findings from the questionnaire survey showed that all respondents think that the legal requirement is the main reason to push the companies to provide more information

about social activities and responsibilities. Also, about three-quarters (77%) of them think that, by making the social disclosure under the law, it will give the users a better opportunity to know more about this activity than now. In this context, Unerman (2000c, p. 77) emphasises that the regulations in relation to corporate social reporting are important; he also argues that the regulation has more effect in this area than voluntary initiatives. This might be particularly so in developing countries, where the sophistication of other mechanisms, such as media and public pressure, is often limited. Yet it is insufficient merely to pass laws. As Ahmad & Nicholls (1994) comment, low levels of accounting disclosure in developing countries result not only from an inadequate regulatory framework, but also from poor enforcement mechanisms, the lack of an accounting profession and the absence of an effective capital market. In the case of Bangladesh, a developing country with a largely Muslim population, Azim et al.(2009) comment that the low level of social disclosure might be attributed to socio-economic-political factors, including non-compliance with legal requirements. Thus, for Libya, passing new laws on social disclosure would probably not be sufficient, although it might be necessary or a useful start.

Thus, from the results it can be argued that the recognition and/or concern related to social disclosures by the Libyan companies are still at an early stage. The low social disclosure levels in Libyan annual reports might be caused by the lack of mandatory (i.e. statutory) disclosure requirements, coupled with a weak accounting profession and education in Libya (see Chapter Three). These findings are similar to the findings in a Libyan study by Pratten & Mashat (2009), the previously mentioned Bangladeshi study by Azim et al. (2009), a Nigerian study by Adewuyi & Olowookere (2010), and an Egyptian study by Rizk (2008).

The respondents to the questionnaire survey agreed with these results by indicating that the companies did not provide enough information about social themes, to the employee, society at large and investors. They also perceived that most Libyan companies prepare their annual reports for the purposes of communicating information to those parties and groups with purely financial interests and involvement in companies, and stewardship and useful decision making objectives (see Chapter Six, section 6.3).

7.2.2 Research aim two: trends and patterns in corporate social disclosure

This section deals with the trends and patterns in corporate social disclosure practices over a five year period in the Libyan companies' annual reports. As noted in the previous section, all

Libyan companies in this research sample disclosed some information about their social activities and responsibilities.

The results show that the trend for social disclosure is increasing in some categories and decreasing or staying at the same level in others. They demonstrate that the range between the maximum and minimum disclosure, in terms of volume, is little changed. Overall, it can be said that there has been no significant change in social disclosure by Libyan companies during the five year period, in spite of the changes taking place in the Libyan economy and society.

From the findings it can be noticed that Libyan companies have steadily increased their disclosure of employee information (see Table 5-2) during the period of the study. On this theme, the average amount of disclosure for categories such as basic data, equal opportunities, health and safety, training, and benefits in kind, increased. The amount of disclosure with regard to basic data category showed a sizeable increase from 129 words in 19 sentences in 2002 to 149 words in 23.6 sentences in 2005. The findings also showed that the amount of disclosure about benefits in kind category decreased a little in words and sentences during the period of the sample, but with the same number of companies disclosing information about this category which includes: thanks to employees; staff turnover; and employee trends/statics.

It can be also observed that Libyan companies, with regard to the community involvement theme, decreased their disclosure about Charity and political category from 93 words in 2001 to 78 words in 2005. This decrease happened in the industrial sector, because it is the only sector which discloses information about this category in non-financial type. The disclosure of community category, on the other hand, increased from 80 words in 2001 to 92 words in 2005 – but only because a new company started disclosing this type of information and, as a result, the number of companies increased from four to five during the period of the study.

The trend in environmental disclosure, as Table 5-16 shows, reveals an increase in environmental policy category from 43 words in 2001 to 69 words in 2005, with waste, pack, pollution, recycle, product and land category increasing from 10 words to 15 words. The companies that disclose this kind of information each year are the same companies, without any new comers. However, the entire trend happened with the non-financial type of

information, with the financial type of disclosure remaining at the same level. Also, it should be noted that the trend as well as the pattern for employee disclosure are very close to that of corporate social reporting and disclosure as a whole. This may be explained by the predominance of employee disclosure in corporate social reporting within the sample.

Many previous studies have considered the types of industry and activities as an influencing factor on corporate social reporting and disclosure. This study took this one step further by taking into account the particular circumstances of Libya and considering various types of company in Libya at the present (oil companies, industrial companies under both government control and private sector, and services companies under both government and private sector).

In this context, the findings revealed therefore that there is no significant difference regarding the existence of employee disclosure and community involvement between different types of companies (i.e. industry companies, service companies, and oil companies). However, the finding also show that there are significant differences regarding the existence of environmental disclosure between different types of companies – though comparatively few companies make such disclosure.

It can also be seen that some companies regard the issue of corporate social disclosure as more important than others. However, the finding revealed that the companies from private service sector ranked the lowest (2.50%) in terms of disclosing community involvement information.

In conclusion, the findings indicate that there might be some observable trends in the incidence of each of the three types of disclosures. Both the monetary disclosure and the proportion of the declarative remain relatively stable while the proportion of non-monetary disclosure increased slightly in total. However, only companies from oil sector and industrial sector under government control disclosed some information about environmental themes, with almost the same amount of disclosure.

7.2.3 Research aim three: views of the usefulness of current social disclosure and possible future development

This section discusses the views of the questionnaire respondents (academics, financial managers, Government Official Auditors and investors) about the usefulness of current

corporate social disclosure, their beliefs about corporate social disclosure practice, and their attitude towards this kind of information in the future. As explained earlier, these groups were chosen, at least in part, for pragmatic reasons, given the challenges of reaching appropriate representatives of more conventional “stakeholder” groups in Libya at the present time.

To deal with this, a questionnaire survey sought to examine views and perceptions regarding several issues:

- Those features considered basic the current corporate reporting and disclosure practice in Libya, in terms of the intended purposes for the preparation of annual reports by Libyan companies;
- If wider disclosure developed, in terms of corporate social information, whether any beneficial socio-economic effect may be obtained from such an action;
- Whether it is probable that legal requirements and accounting standards might be needed to make wider disclosure;
- The extent to which notions of corporate social responsibility are acceptable in the Libyan context.

Based on the questionnaire survey, the following major conclusion resulted:

- The majority of respondents agreed with the suggestion that most Libyan companies prepare their annual reports for the purpose of providing information to a limited numbers of stakeholders. These stakeholders have purely financial interests, with stewardship and useful decisions making objectives. The needs of some stakeholders, such as those who have the statutory power to hold the company to account (e.g. Income Tax department and financial institutions), are also considered important. The provision of information to managers, for managing the companies, was considered by the study participants as being of highest importance. Tax authorities are considered also to be of high importance, though among the groups who participated in the study, there are (according to the results of the Kruskal-Wallis test) significant differences in the mean perceptions in terms of the level of importance they assign to this particular purpose. This may be ascribed to the requirements of the Libyan

Commercial Code and Tax Legislation whereby all companies operating in Libya are obliged to provide their annual reports to the Tax Authorities.

Further, the respondents also saw these companies as paying less attention to the provision of information in their current annual reports to other sections of Libyan society (such as employees, society at large, potential shareholders and investors) – i.e. those with a less direct involvement in the companies. However, some of the financial manager respondents pay some attention to some of these purposes. Their position might be attributed to one or more of the following:

- (a) Being responsible for preparing the annual accounting reports, they could not undervalue – in a questionnaire survey – a purpose which might seem socially and morally desirable.
- (b) A growing awareness amongst them of social responsibilities.
- (c) They may interpret that when the Libyan companies publish their accounts in other daily media or send copies to the Ministry which is responsible for the controlled companies (as required by the Companies Act), the Libyan companies are providing information to the government and society at large to help in judging the actions and policies of the companies.

Therefore, it would seem obvious that all the respondent groups recognise that the provision of information to a wider range of audiences in the Libyan society especially those with less direct interests and involvement in the Libyan companies to a certain extent, is ignored by these current reporting practices.

In terms of the respondents' perceptions of the desirability and feasibility of increased corporate social disclosure and providing information about social activities in Libya, the aim was to provide an insight into whether a "demand for" or, at least, a "recognition and acceptance of" social information and that Libyan companies should disclose this kind of information. The responses indicate an acceptance of wider disclosure in terms of corporate social information. They, therefore, agree that Libyan companies should pay more attention and take into account social and environmental

issues, wherever possible, so that some beneficial socio-economic effects may emerge. The respondents from various groups regarded that the disclosure of the company's social impact may be brought about by an increasing awareness of the company's social and environmental responsibility and potential. The vast majority of respondents consider that disclosing this kind of information will encourage an investment environment, develop human resources and serve customers, and might also emphasize the role of accounting as effective information in a separate section within annual report. But the vast majority of respondents tended to believe that Libyan companies are unwilling to disclose such information without legal and professional pressure. In addition, the suggestion that corporate social disclosure in annual reports be a separate section entitled 'social responsibility' or the equivalent was found to be the most acceptable location amongst the four respondents groups. All other suggested forms and locations (e.g. within the directors' report, in a separate booklet accompanying the annual report) received some support from the respondents as possible locations for disclosing corporate social information. The four groups surveyed also indicated support for any method of disclosure to increase corporate social information in Libya. However, over half of the respondents offered the strongest support to combination methods that includes 'financial information (monetary)'.

- The analysis of respondents' perceptions on corporate social disclosure leads to the following conclusions:
 - The vast majority of respondents agreed with the idea of broader social responsibility of Libyan companies and reporting to a wider audience (including society at large). The overwhelming majority of respondents agreed with the suggestion that Libyan companies should accept certain wider social activities and disclose information about them as necessary for the viability of the business. In other words, they agreed that financial, as well as non-financial, information should not only be disclosed to the limited set of stakeholders who have a financial relationship with companies, but also that this kind of information should be available to all stakeholder groups, including society at large. This could be seen as because a social contract with society is necessary for the viability of business. The suggestion that

companies should be thought of as social enterprises and that their existence is justified as long as they satisfy the objectives of the society was also supported by some respondents. On the other hand, the findings showed that the vast majority of the respondents rejected the suggestion that companies should be owned by the public sector to guarantee their social responsibility. Also, the respondents overwhelmingly rejected the suggestion that companies have no social responsibility but exist only to make as much profit as possible for their owners.

- As to the perceptions on the right to information, the vast majority of the respondents agreed that the stakeholders (Including owners, Investors, Corporate Creditors, Corporate Employees, Corporate Customers, Government and Agencies, and Society at Large) should not only receive the finance information, but also that they have the right to information about the actions for which Libyan companies are held responsible.

- The question regarding which is the best method – Law or voluntary initiative – to increase Libyan companies' social disclosure was put to the four groups. Both approaches were considered acceptable but the majority of respondents gave the strongest support for the law as the key means by which widespread corporate social reporting by Libyan companies could be introduced.

7.2.4 Research aim four: using the findings derived from meeting aims one to three in order to reflect upon social accounting in transition economies

Although it is clear that a number of Libyan companies are making some social disclosure, the amount of information of both financial and non-financial types which is disclosed in the annual reports is very low; most, if not all, Libyan companies pay corporate social disclosure low attention. Most information that companies provided in their annual reports was about the employee and community involvement, and all the companies in the sample disclosed no information related regarding the consumer theme. These findings are similar to those of Belal (2001) in Bangladesh and Rizk (2008) in Egypt.

The low disclosure by companies in Libya might be affected by many factors, one of them being that disclosure by Libyan companies in general is at a low level. The other important reasons for the low amount of disclosure might be the lack of mandatory (i.e. statutory)

disclosure requirements and the weakness of the accounting profession in Libya (see Chapter Three and section 6-7 of Chapter Six). This is not uncommon in developing countries, including those whose economies are in transition; they tend to lack a rich legal and professional infrastructure. In this context, Unerman (2000c) supports the idea of increasing the disclosure about corporate social activities by mandatory regulation, as he believes that voluntary initiatives are considerably less effective rather than the mandatory regulation in this area. Haniffa and Cooke (2002, pp. 237-238) agree that, if there is no public pressure function or laws and regulations governing the companies, they are unlikely to provide high-quality information. Furthermore, Ahmad & Nicholls (1994) argue that an inadequate regulatory framework and enforcement mechanism, the lack of an accounting profession and the absence of an effective capital market are some of the reasons for low levels of accounting disclosure and accounting standards in developing countries. These conditions exist in the case of Libya, where laws are Tax and State oriented, and most business activities are controlled by the State. Hence the accounting profession is weak.

The third reason which may affect social disclosure is that the Libyan companies generally do not provide information to the general public.; The information which is available from the companies is based on a restricted need-to-know rather than the right-to-know basis, and it is only disclosed to those parties to whom the companies are legally accountable (e.g. Tax office), and not to the general public. In the Libyan environment, the companies give more attention to commercial information (i.e. selling prices) rather than financial information, which might be because most Libyan companies are either fully or partially State Owned Companies and maximising their market value is not considered as the companies' main objective. Avoiding losses and maximising production levels were the main concern for a long time before the market opened to the private sector in the middle of the 1990s; it will take some time to change the companies' concerns and objectives. The information that companies usually provide is about, inter alia, production, sales, and expenses. In this context, Arpan & Radebaugh (1985) asserted that in countries where state ownership dominates, such as Libya, only a few users other than the government (i.e. the Tax office) are expected to be provided with accounting information.

Other factors which might affect social disclosure are the lack of professional accountants' awareness of the importance and the perceived benefits of corporate social responsibility

disclosure. This point has been argued by Ahmad & Nicholls (1994), who state that professional accountants from overseas receive more rigorous professional training and exposure which give them expertise to understand important subjects related to accounting, compared to locally trained accountants who might be expected to know less about these subjects. From the questionnaire survey results, it can be seen that the vast majority of financial managers who are responsible for preparing the annual reports are locally trained (see section 6.1.2 Chapter Xix).

The lack (or absence) of outside pressure (e.g. social pressure groups), less social awareness, and a relatively inefficient stock market for Libyan companies might be other reasons for the lack of social and environmentally related information disclosure.

The levels of demand for corporate social information are a function of the company environment. Thus, pressure groups in developed countries, where the economy is well established, can afford to be more aware of, and receptive to, social and environmental issues, compared to other pressure groups in developing countries, which worry more about struggling to meet basic material needs. The main focus for them is current productivity rather than any long-term social and economic consequences. So compared with people who live in developed countries, they do not pay the same level of attention in relation to the standard of living at the cost of exhausting their natural resources.

As a result of the lack of awareness of social and environmental issues on the part of people in developing countries, the accounting and reporting issues in general, and social disclosure in particular, might seem relatively low priorities compared to these more pressing matters.

Under similar situations, it would be unrealistic to expect the developing countries to have the same level of corporate social responsibility and disclosure. Thus different national concerns and priorities can be said to be reflected in public and institutional pressures for corporate social activities and disclosure (Gray & Kouhy, 1993; Xiao et al., 2005). Although the research in this thesis has, as explained earlier, been framed by using a stakeholder perspective, in these reflections can be perceived some political economy insights.

7.3 Implications for the Interpretation of Corporate Social Reporting and Disclosure

As explained in Chapter Three, in addition to being a developing country undergoing transition towards a market economy, Libya is a part of the Arabic Muslim world the Libyan

environment is very similar to other, developing Arab countries and some other Muslim countries in some ways too. The main similar variables with other Arab countries are the religion, language and culture as well. The similar variable with other Muslim countries – such as Malaysia, Indonesia, and Bangladesh – is the religion. However, there are differences between Libya and other Arab and Muslim countries, largely because of its political system and the resulting economic system as well. So this study took the opportunity to study the Libyan companies and stakeholder groups (or respondents who could provide relevant insights).

From the findings as pointed out before social disclosure is low and most of them do it voluntarily. Compared with other countries where the social disclosure voluntarily the social disclosure in the Libyan context should comply with statutory requirements as the Libyan economy under the emerging economy. This discussion does not accept with the argument that voluntary disclosure provides a much broader realm with which to illustrate possible reactive and proactive disclosure according to stakeholder pressures. In this context, the results of both the content analysis and the questionnaire survey shows that the pressure groups (i.e. outside pressure) of the Libyan companies influence them to concern this kind of information and make disclosure about it are conspicuous by their absence within the Libyan context. The other pressures which could push the Libyan companies to make social information available to stakeholders are the statutory requirements which are also absent in the Libyan context. This may cause a delay, avoid or set the agenda for the imposition of regulation. These findings are consistent with previous studies in developing countries (e.g. Belal, 2001; Pratten & Mashat, 2009; Rizk et al., 2008).

The training theme with the basic data theme and categories under the benefit in kind theme (e.g. thanks to employees; and employee turnover) received most attention compared to other employee themes. The companies' corporate social disclosure practices as part of the disclosure practices in general seem to be having no major influence from the economic and political environment of Libya as these results were similar to the results of Pratten & Mashat (2009) study which found that Libyan companies have low social disclosure. Most of this disclosure was in the employee themes with community involvement themes which was similar to the result although was found by the researcher when he analysed the two Libyan companies annual report in year 2008 and found that there were no significant changes in

social disclosure between it and the annual reports of the same companies which were analysed during the period of the study.

As pointed out before, the Libyan system changed from a liberal market to a new political and economic system 'the Third Universal Theory' which applied from 1978 until early of 1990s, when the Libyan economy become an emerging economy satiation going back to a liberal market. During this time the private sector started growing with a small effect on the economy sector, the Libyan stock market also was opened and there are some companies registered in it. During this period of time it was noticed that the accounting regulations were not changed corresponding to the economic changes to meet the demand for information that stakeholders needed (for example, during the period the Libyan system was based on the 'Third Universal Theory', when the employees' became a powerful group which the companies should concern about, and they had full rights and protect thorough introducing the "*Partners not Wage-earners*" concept by the Third Universal Theory. Also it should be noticed that the culture and tradition have not changed much with the political changes (see chapter three for more details) this changes might affect the social disclosure as a part of companies disclosure in general. This kind of information which was provided in the annual reports was not changed to meet the demand of employee group. Additionally, in this period of time the Management of Libyan companies which were all under government control was chosen by People's committees, including the head of the company, chosen from that staff of the company. According to the Third Universal Theory, every individual, i.e. employee has the right to be a member of the committee and each company is run according to the wishes of the workers. In this environment social relationships among workers become important in process and as a result, most Libyan companies should address issues relating to employee rights and their protection. However, the information which was provided did not change to meet this demand and the cause of that might be because this kind of information was not important to the stakeholders and/or the accounting and management staff who were responsible for preparing the annual reports do not have good education and background to know how they could prepare and provide this kind of information to the user groups. This conclusion, to some extent, supports the perspective suggesting that accounting reporting is not providing information to meet the demand of pressure groups, where the main concern of it is to serve as social, political and economic documents. In this context, Freedman & Stagliaon (1992), argued that disclosing information about corporate social activities is not a

single motivation by itself, and the decision to disclose corporate social information is a function of the attitude of top management towards its stakeholders (i.e. user groups).

In the Libyan private sector it can be noticed that some companies, especially the banks, made some social disclosure without the legal pressure, suggesting this kind of disclosure is being looked at from a different angle. One possibility is that these companies might believe that, by making corporate social disclosure (the information disclosed was mostly: employee related information and community involvement [donations]) it would enable them to introduce themselves as a social company. This might indicate that the quality and the reliability of this disclosure are unquestionable and in some ways become acceptable. Tsang (1998) believes that disclosure classified under the community involvement theme should be more reliable than that under the other themes because the community activities attract public attention and can be readily verified by outside parties. In this context, Ernst & Ernst (1978, p. 31) argued that the “quantification of a disclosure improves its quality by specifying the amount of effort a company expends in a particular area of social responsibility”. The other reason for disclosing the corporate social information in the private companies’ annual reports might be that these companies just follow each others who are working in the same environment which is under the same culture effect. Another motivation might be that banks, as central to financial capitalism, and particularly if not following Islamic principles, might otherwise be regarded with suspicion by the Libyan people and authorities. In this context, Gray (1988) asserts that cultural values influence a country’s accounting system and disclosure practices.

In this context, Archambault & Archambault (2003) argued that culture influences how people perceive situations and organize institutions. According to Radiebaugh (1975), cultural attitudes can be seen as a factor influencing a country’s development of accounting objectives, standards, and practices. Accordingly, Smith et al. (2005) asserted that the national culture influences the management assumptions, organizational structure, and activities.

In general, the findings of the content analysis show that there have been very few changes regarding trends of social disclosure during five year period examined. However, one possible explanation is that the accounting profession and practices in the Libyan environment did not change much, even with the major political shifts over a much longer

period (see Chapter Three). Thus it seems to be the case that both social and financial disclosures in Libya do not change very much in response to significant changes in the environment. Perhaps there are more deep-seated factors at work.

According to Belkaoui (2000), culture plays a central role in the company's everyday accounting and auditing practices and the retrieval of that information for a decision process. This implies that accounting and auditing knowledge is organized in a culturally standardized way with a familiar event sequence, which tells the individual how to react to a particular accounting and/or auditing phenomenon. It is therefore important to understand the differences in culture. Smith et al. (2005) argue that in a society concerned with social issues, user groups (i.e. stakeholders) will have more power, possess greater legitimacy, and have their claims viewed with greater urgency. Moreover, Perera (1989) emphasizes that the extent of this disclosure in annual reports would seem to be different between countries in line with the differences in the value orientation of those who prepare these reports.

The other factor related to culture which might influence corporate social responsibility and disclosure is a religion. In this respect, Hamid et al. (1993, p. 132) state that culture "may be taken to refer to all those social, political and other factors which influence individuals' behaviour ...as such, religion is admissible as a cultural factor". They pointed out that Islam is not only a religion for Muslims, but is for the daily transactions of their whole lives. Many people have forged a misunderstanding of this philosophy as they do not have a clear understanding of the jurisprudential framework within which everyday commerce would have to be practiced, were it to comply with Islamic traditions. From the Islamic jurisprudential framework, it is clear that the activity ahead of individual profit maximization is acceptable, and partnerships are common in a company. But the speculative investments, such as margin trading and Ribaa (means usury /paying or receiving interest) are not allowed because Islam prohibits transactions involving uncertainties. The business activities with Islam recognize and hearten commerce which should require to be conducted in compliance with the principles enshrined in Sharia⁴. What is lawful (Halal) and unlawful (Haram) for various aspects of business activity is prescribed. In this respect, Hamid et al (1993) asserted

⁴ According to Hamid et al. (1993) the *Quran* (the revealed words of God) and *Sunnah* (contains God's inspired acts; sayings of the Prophet Mohamed) are the material sources of Islamic Law. Together, they are referred to as the Sharia (meaning the 'path').

that include all sphere of trading activities, the nature of allowable trading and traded goods, the services and the mores as well of business conduct were prescribed and guidelines given by Sharias.

Libya, like many Arab and Islamic societies, is a country emerging from a conservative and traditional heritage (see Chapter Three). The organisations in this environment should be working under the Islamic law and guidelines by Sharia, but most of them, particularly the banks,⁵ are adopting the western style in which interest revenues (i.e. usury according to Islamic teaching) are considered one of the backbones of business. In Libya, the religious talk about Anti-usury (anti-interest dealings) whenever they have a chance to do that, especially on Friday speeches in Mosques, the people agree that the organisations in Libya should follow the Islamic law and Sharia especially the banks. According to Al-Khater & Naser (2003) the religious groups might be seen as active pressure group in Islamic world. In Libya this kind of group can be the essential group to press other user groups to be active and push the companies to provide more information about the social activities.

Therefore, it is more important than ever for these institutions to demonstrate to the public that they contribute to the well-being of society, just as other business enterprises do. Thus, this might support the argument emphasising that in a society concerned with social issues, user groups (i.e. stakeholders) will have more power, possess greater legitimacy and have their claims viewed with greater urgency. As societal values influence managerial values, decision makers (i.e. managers) in societies that are characterised as being having a strong interest or concern with social issues would be more cognizant of stakeholder claims and attach greater importance to them.

However, as mentioned before, it is clear that the accounting profession and practices in Libyan environment were adopted from Western countries, especially the UK and USA, and it is not affected much by the Libyan culture and religion. That might be because the stakeholder groups who might benefit from change are not, at the present time, much interested in the information which the accounting system does, and could, give to them; or they might not have much power to force companies to disclose the kind of information which they want. Another reason might be that the law and regulations which deal with

⁵ In 2009 some Libyan banks opened Islamic branches.

companies' activities are old and not suited to new demands that stakeholders and the society might wish to express.

As a result, companies' managers might think that it is not necessary to try to provide information to the public about how companies operate, and the information is provided only to the users who need and request it, such as the Tax Department and the government auditor's office. In the same way, the new companies including the companies in the private sector follow the old companies which do the same business, which means that they follow them especially for preparing and providing the information which are to be included in the annual reports. Like other Arab and Moslem countries the religion in Libya demands certain standards of behavior, both from the individuals and from the companies. Furthermore, mutual respect and trust of relationships and as such there is no necessarily to provide evidence with information which companies provide. As a result, the society elements such as economy, politics and religions come together into one, where companies have little or no need to disclose information about them as that they are operating in the interests of the people as a whole.

7.4 Contributions and Recommendations

The following is a summary of the principal features of the current research:

- (1) It contributes to the limited studies on corporate social disclosure conducted in developing the economies in general. In particular, it gives insight into corporate social disclosure practices in Libya, an Arab Muslim country.
- (2) Using content analysis, it examines social reporting trends over a five year period rather than taking a one-year snapshot.
- (3) It analyses the results of that content analysis in terms of different types of countries.
- (4) It relates the results of the content analysis to the views of participant in the Libyan economy, seeking their opinions on the current state of social reporting and its possible future development.

Based on the research outcomes, some recommendations are suggested in relation to corporate social reporting and disclosure practices in general, and within the Libyan context in particular. These recommendations include:

- To improve the awareness of the importance of corporate social information and its disclosure, Libyan companies should be encouraged to publish their annual reports to a wider set of audiences, including government department and agencies, employees, consumers, local communities and even society at large (perhaps on websites when the internet is better developed in Libya). Companies should present social information in a section of the annual report preferably entitled ‘social responsibility’ in a form that is easy to understand, for both internal and external stakeholders. This section should include: employee/employment related information; information about regional distribution of company’s other assets; environmental pollution information; local community involvement related information; consumer/product related information; energy usage information; and natural resource conservation information.
- The disclosure by Libyan companies should be providing the social information, together with other information, to all stakeholders, rather than emphasising their responsibility to only a limited set of user groups. Moreover, the companies should give all stakeholders the right to access the company’s information at any time, which would increase the company’s transparency. This should be achieved through a greater awareness on the part of the accounting profession, the accounting education system, the legal requirements, governmental bodies and the media.
- To improve the accounting profession’s status and disclosure practices, and to provide guidance for companies in disclosing social information, the accounting profession in Libya and the Libyan stock market should develop and adopt the standard for accounting and auditing which are suitable for Libyan environment in addition to taking the corporate social reporting and disclosure into the account which can be seen as relevant to the country’s economic, social and political problems. This standard should be in the Libyan Companies Act or other legislation that organises

businesses in Libya and should include the requirement to ensure the disclosure of corporate social responsibility information by Libyan companies

- Corporate social reporting and disclosure as a part of accounting and disclosure practices should be included in accounting education and accounting techniques. Accounting education in Libya should take into consideration the country's economic, social and political objectives. Moreover, the accounting program of Libyan universities and colleges should be adapted in a way that includes the social role of accounting, corporate social reporting and disclosure in Libya. The academics in the accounting field who work in Libyan universities and colleges can also affect the corporate reporting and disclosure practices in a country by carrying out research and entering into a dialogue with practitioners and official concerned.

7.5 Limitations and Further Research

7.5.1 Limitations

This research, like any other research, has a number of limitations. One of the sources of data which was used here was the data from the Libyan companies' annual reports, and the (Unerman, 2000a; Zeghal & Ahmed, 1990) has been asserted that only a small proportion of companies' total corporate social information might be captured when exclusively utilizing corporate annual reports as sampling unit (i.e. data source). There are many channels for corporate social reporting that companies can use, such as advertising, promotional leaflets, websites, press releases, discussions and meetings with financial analysts and journalists, and separate reports as well. However, annual reports were exclusively used in this research because they were viewed to be the most important documents. This is consistent with much previous research and, in the context of Libya, particularly justifiable, since many of the other communication channels are little used by companies. Nevertheless, there remains the possibility that some social disclosure has been missed because of the focus on annual reports.

In addition, the data from annual reports was collected by content analysis which, as all methods, is subject to a number of limitations. According to Tilt (1998), there is an element of subjectivity in using content analysis to analyse documents because the same document can be interpreted differently by different researchers. However, to minimize the subjectivity

the research instrument developed by the Centre for Social and Environmental Accounting Research was pre-tested and adjustments were made to align it with the Libyan context in which this research was undertaken. Furthermore, content analysis is a more disciplined method than simply making general comments about a body of texts.

Furthermore, the study covers only five years, and any conclusions drawn regarding long term trends must be viewed with caution. However, this period of time is better than most other studies, which tend to address only a single period.

Finally, the intention was to frame the questionnaire using a stakeholder perspective. For pragmatic reasons, explained earlier, it was thought inappropriate to try to contact conventional stakeholder groups. Therefore, in seeking to understand the position of stakeholders toward social disclosure, the researcher sent a questionnaire to four groups thought to be in a relatively informed position (Academics Staff, Government Officials, Investors, and Financial Managers) to comment on the situation in Libya. Although some can be seen as stakeholders and all were asked to comment on stakeholders, this is a limitation of the current study.

7.5.2 Further Research

The limitations mentioned above, and other thoughts, lead to some suggestions for further research.

A comprehensive longitudinal investigation over a longer time period might help to establish the trends of corporate social reporting and disclosure in Libya. At the very least, though, future research can use the findings of this study as a baseline in order to judge trends.

As Libya develops, companies are likely increasingly to use other channels to disclose social information. When this happens, future studies should investigate these, in addition to corporate annual reports.

It would be valuable to introduce case study methods, which may provide richer/different understanding of social disclosure practice. It would be particularly interesting to discover why and how some companies disclose more social information than the majority of other companies; these might be taken as examples of good practice.

Similar studies might be carried out in the context of other developing countries in general and the Arab countries in particular, in order to identify both similarities and differences when compared with this study.

Further research is needed not only to illuminate the role and influence of societal culture but also to understand the impact of organisational subculture on disclosure and responsibility practices. In particular, the role of religion in different economic and cultural settings is an interesting avenue to explore in terms of the construction of accountability concepts and practices.

7.6 Conclusion

This chapter has discussed the findings of this study with respect to the research aims. Overall, the thesis has made a contribution in the area of corporate social reporting and disclosure. The work has achieved its aims, has made policy recommendations and has identified issues for future research in the area.

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Appendices

Appendix A Questionnaire Covering Letter.....	256
Appendix B Research Questionnaire.....	259
Appendix C Arabic Translation of the Research Questionnaire.....	266
Appendix d: Structure of the corporate social activities database records...	271

Appendix A: Questionnaire Covering Letter



Questionnaire Survey

The disclosure of social & environmental information by Libyan companies

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<Date> 2007

Dear Sir

Corporate Social Reporting in a Transition Economy: the Case of Libya

I am writing to ask for your help with a research study I am carrying out for my PhD degree at the University of Huddersfield, UK. You have been selected as a member of the sample to receive a copy of the questionnaire that is an important part of my research.

Your prompt responds of the questionnaire, which should take only 15-20 minutes to complete, would be greatly appreciated in view of my limited stay in Libya.

I would like to assure you that all responses will be kept confidential and used only for academic purposes.

If you have any questions about the research, please do not hesitate to contact me or my supervisor, Professor Cowton.

Thank you very much in advance for your assistance and kind co-operation. I am looking forward to receiving your highly valued responses and comments.

Yours faithfully

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Appendix B: Research Questionnaire

Part One: to answer the question in this part, please circle the numbers that indicate your answer.

1) Please indicate your assessment of the importance which Libyan companies assign to each of the following purposes for producing annual financial reports.

1 = Not at all important, 2 = Not important, 3 = Moderately important, 4 = Important, 5 = Very important.

a	To owners on the uses made of their funds and legality of those uses	1	2	3	4	5
b	To creditors for the protection of their interests	1	2	3	4	5
c	To help employees protect and advance their interests	1	2	3	4	5
d	To assist managers in managing the company	1	2	3	4	5
e	To assist potential shareholders and investors in their investment decisions	1	2	3	4	5
f	To society at large in order to judge the actions and policies of the company	1	2	3	4	5
g	To assist in the negotiation of financial facilities with financial institutions	1	2	3	4	5
h	To assist government agencies and departments in debates about the public interest	1	2	3	4	5
i	To the Income Tax department, as a basis for taxation assessment	1	2	3	4	5

Part Two: to answer the questions in this part, please tick or circle the numbers that indicate your answer.

2) The following is a list of items relating to corporate social responsibility disclosure and reporting. Please indicate your assessment of the importance of Libyan companies disclosing the following information in their annual reports.

1 = Not at all important, 2 = Not important, 3 = Moderately important, 4 = Important, 5 = Very important.

a	Employee-related information	1	2	3	4	5
b	Information about environmental pollution	1	2	3	4	5
c	Information about energy usage	1	2	3	4	5
d	Consumer-related information	1	2	3	4	5
e	A value added statement (or any reference to the creation of value added)	1	2	3	4	5
f	Involvement with local communities	1	2	3	4	5
g	Information related to conservation of natural resources.	1	2	3	4	5

3) The following is a list of constituencies who might be affected by a company's actions. Please indicate your assessment of the importance of the responsibilities that Libyan companies should have towards each of these constituencies.

1 = Not at all important, 2 = Not important, 3 = Moderately important, 4 = Important, 5 = Very important.

a	Employee	1	2	3	4	5
b	Consumers	1	2	3	4	5
c	Creditors	1	2	3	4	5
d	Shareholders and financial market investors	1	2	3	4	5
e	Local communities	1	2	3	4	5
f	Government agencies and departments	1	2	3	4	5
g	Society at large	1	2	3	4	5

- 4) **Should companies be required by law (or other regulation) to disclose social and environmental information, or should it remain voluntary for them to do so? Please tick your preferred option.**

a	It should be required by law (or other regulation)	
b	It should remain totally voluntary for companies	

- 5) **The following are views relating to possible motivations for acceptance of social responsibility by companies. Please indicate the extent to which you personally feel the following items relate to Libyan companies being socially responsible.**

1 = Strongly disagree, 2 = Disagree, 3 = Neither agree nor disagree, 4 = Agree, 5 = Strongly agree.

a	Companies do not have responsibilities beyond making as much profit as possible.	1	2	3	4	5
b	Companies should bear some social responsibilities to justify their existence within the society.	1	2	3	4	5
c	Every company should be thought of as a social enterprise, which is an entity whose existence and decisions can be justified in so far as they serve public or social purposes.	1	2	3	4	5
d	Companies should be owned by the government (the public sector) to guarantee their social responsibility.	1	2	3	4	5

- 6) **Please indicate your assessment of the importance of the following possible reasons for Libyan companies not making corporate social responsibility disclosures.**

1 = Not at all important, 2 = Not important, 3 = Moderately important, 4 = Important, 5 = Very important.

a	No legal or similar regulatory requirement	1	2	3	4	5
b	Not required by the standards of the accounting standards committee	1	2	3	4	5
c	Insufficient demand	1	2	3	4	5
d	Cost outweighs benefit	1	2	3	4	5
e	Information is sensitive and confidential	1	2	3	4	5
f	Would like to, but unsure how to proceed	1	2	3	4	5
g	Management does not appreciate its social responsibility	1	2	3	4	5
h	The objectives of the company emphasise its economic rather than social performance	1	2	3	4	5

- 7) To what extent do you think with the following as good effective methods for the disclosure of information pertaining to Libyan companies' social and environmental impact? Please tick the one that you think it is good method for disclosure.

a	In descriptive manner (declarative)	
b	In quantitative but non-monetary terms.	
c	In monetary terms.	
d	Descriptive and statistical	
e	Descriptive, statistical and monetary	

- 8) There are several suggestion locations in the annual report for the disclosure of social and environmental information by Libyan companies. Please tick the preferred option that you think it is better location.

a	In a separate section entitled 'social responsibility' (or equivalent) in the main annual report	
b	In a special separate booklet available with the annual report	
c	In the Directors' statement within the annual report	
d	In any other section within the annual report	

- 9) Please indicate your view of the extent to which Libyan companies should have responsibilities towards each of the following constituencies.

1 = Not at all important, 2 = Not important, 3 = Moderately important, 4 = Important, 5 = Very important.

a	Employees	1	2	3	4	5	0
b	Consumers	1	2	3	4	5	0
c	Creditors	1	2	3	4	5	0
d	Shareholders and financial market investors	1	2	3	4	5	0
e	Local communities	1	2	3	4	5	0
f	Government agencies and departments	1	2	3	4	5	0
h	Society at large	1	2	3	4	5	0

10) Please indicate the importance of Libyan companies' disclosure information about the following categories of social and environmental information. Please answer for both government companies and private companies.

1 = Not at all important, 2 = Not important, 3 = Moderately important, 4 = Important, 5 = Very important.

		Government Companies						Private Companies					
		1	2	3	4	5	0	1	2	3	4	5	0
a	Employee	1	2	3	4	5	0	1	2	3	4	5	0
b	Community involvement	1	2	3	4	5	0	1	2	3	4	5	0
c	Environmental	1	2	3	4	5	0	1	2	3	4	5	0
d	Consumer	1	2	3	4	5	0	1	2	3	4	5	0

Please write here any reasons you have for giving different answers for government and private companies:

.....

.....

.....

Part Three: to answer the questions in this part, please tick or circle the numbers that indicate your answer, or write in the appropriate answer.

11) Present post:

12) Years of work experience (total, any kind of work):

- a) Less than 3 years
- b) 3 -5 years
- c) More than 5 years

13) Years of work experience in accounting/finance:

- a) Less than 3 years
- b) 3-5 years
- c) More than 5 years

14) Highest educational qualification:

- a) Less than bachelor degree
- b) Bachelor degree
- c) Masters degree
- d) PhD (or equivalent)
- e) Other, please specify

15) Country of education for highest qualification:

- a) Libya
- b) UK
- c) USA
- d) Other, please specify

16) Do you have an educational qualification in accounting?

Yes No

If yes, please specify

Thank you for taking the time to complete the questionnaire. If you have any comments you think might be appropriate to this questionnaire, please do not hesitate to add them here:

.....
.....
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.....
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Appendix C: Arabic Translation of the Research Questionnaire



University of
HUDDERSFIELD

جامعة هيدرسفيلد
استبيان

السيد المحترم

اتشرف بطلب مساعدتكم فى بحث اقوم به تحت اشراف البروفسر (Chris Cowton) جامعة هيدرسفيلد-بريطانيا .
وذلك كمتطلب للحصول على درجة الدكتوراه. و بالتحديد فان البحث مهتم بالمسئوليه الاجتماعيه للشركات و كيفية الافصاح عنها فى التقارير المنشورة.
ينطلب القيام بالبحث عينه محدوده. و قد تم اختياركم ضمن العينه لذا فان استجابتكم للمساهمه معنا ذو اهميه
بالغة و تقدير كبير.
مرفق طى هذه الرسالة استبيان يتكون من ثلاثة اجزاء يرجى تكرمكم بالاجابه عليها. و اذا كان لديكم تعليق على الدراسه او اى جزء من الاستبيان او اية اضافات ترونها ملائمه فارجو شاكرا ذكرها فى الورقه المعده لذلك فى نهاية الاستبيان.
و نظرا لاقامتنا المحدودة فى ليبيا نرجو التكرم مشكورين بسرعة الاجابه و تسليمها الينا, مؤكدا لكم ان اجاباتكم و تعليقاتكم على هذا الاستبيان سوف تستخدم لأغراض اكاديميه بحثه لخدمة هذا البحث.
و اخيرا اقدم لكم جزيل الشكر و العرفان مقدما لمساعدتكم و حسن تعاونكم حيث اننى اتطلع بامل الى استلام اجاباتكم و تعليقاتكم القيمه.

شكرا لتعاونكم فى ملء هذا الاستبيان
و لكم منى فانق التقدير و الاحترام

محمود عاشور المقله
المرشح للدكتوراه
هاتف: 913807581(نقال)
بريد الكتروني: U0574694@hud.ac.uk
صندوق بريد: 151
زليتن. ليبيا

مقدمه: (للاجابه على الاسئله التي يتضمنها الإستبيان ؛ الرجاء التكرم بوضع دائرة حول الارقام او الحروف التي ترى انها تمثل الاجابه المناسبه, وقد تحتاج احيانا الى كتابة اجابتك)..

الجزء الاول: وجهة نظرك حول الافصاح الشامل

(1) فيما يلي مجموعة من الأهداف و الغايات المقصوده من اعداد التقارير السنويه للشركات بصفه عامه. الرجاء ابداء

تقديرك للأهميه النسبيه التي توليها الشركات الليبيه لكل من هذه الاهداف.

1= غير هام على الاطلاق ، 2 = غير هام ، 3 = متوسط الاهميه ، 4 = هام ، 5 = هام جدا

5	4	3	2	1	توفير بيانات للملاك لبيان استخدامات اموالهم وعن قانونية استخدام هذه الاموال.
5	4	3	2	1	توفير بيانات للداننين من اجل حماية حقوقهم الماليه.
5	4	3	2	1	توفير بيانات للمستخدمين(العاملين) من اجل حماية حقوقهم .
5	4	3	2	1	توفير بيانات للمديرين من اجل مساعدتهم فى ادارة الشركه.
5	4	3	2	1	توفير بيانات للمساهمين و جمهور المستثمرين فى السوق المالى من اجل مساعدتهم فى اتخاذ قراراتهم الإستثماريه.
5	4	3	2	1	توفير بيانات للمجتمع ككل للحكم على الأعمال و الانشطه التي تقوم بها الشركه.
5	4	3	2	1	توفير بيانات للمصارف و مؤسسات الإقراض من اجل مساعدتهم فى المفاوضات الخاصه بمنح التسهيلات الإئتمانيه للشركه.
5	4	3	2	1	توفير بيانات للجهات الحكوميه المختصه من اجل مساعدتهم فى المناقشات المتعلقه بمختلف قضايا المصلحه العامه.
5	4	3	2	1	توفير بيانات لمصلحة الضرائب لتقدير و احتساب ضريبة الدخل.

الجزء الثانى : آراء و وجهات نظر حول الإفصاح عن المسؤليه الإجتماعيه و المساعله

(2) فيما يلي قائمة للبنود المتعلقه بمعلومات عن المسؤليه الاجتماعيه للشركات الليبيه و التي يمكن الإفصاح (الكشف))عنها من قبل الشركات. الرجاء ابداء تقديرك للاهميه النسبيه على وجوب الافصاح عن كل هذه البنود من قبل الشركات الليبيه فى تقاريرها السنويه (حيث انها ربما قد تودى الى بعض الآثار الإقتصاديه و الإجتماعيه المفيده)

1= غير هام على الاطلاق ، 2 = غير هام ، 3 = متوسط الاهميه ، 4 = هام ، 5 = هام جدا

5	4	3	2	1	معلومات فى مجال الإستخدام و المستخدمين (العمل و العاملين).
5	4	3	2	1	معلومات فى مجال البيئه و التلوث.
5	4	3	2	1	معلومات فى مجال استخدام الطاقه.
5	4	3	2	1	معلومات فى مجال السلع و المنتجات و حماية المستهلك.
5	4	3	2	1	قائمه بالقيمه المضافه توضح الثروة التي تم انتاجها و كيفية توزيعها.
5	4	3	2	1	معلومات فى مجال الإسهامات نحو المجتمع المحلى للشركه.
5	4	3	2	1	معلومات فى مجال المحافظه على الموارد الطبيعيه.

(3) فيما يلي عددا من الجهات و الجماعات الذين يمكن ان يتأثرو بنشاطات و اعمال الشركه، الرجاء ابداء تقديرك للاهميه النسبيه على وجوب افصاح الشركات الليبيه على مسؤوليتها تجاه كل من هذه الجماعات و الجهات.

1= غير هام على الاطلاق ، 2 = غير هام ، 3 = متوسط الاهميه ، 4 = هام ، 5 = هام جدا

5	4	3	2	1	المستخدمون (العاملون).	أ
5	4	3	2	1	المستهلكون النهائيون للسلع و الخدمات.	ب
5	4	3	2	1	الدائنون.	ج
5	4	3	2	1	المساهمون و جمهور المستثمرون في السوق المالي.	د
5	4	3	2	1	المجتمع المحلي للشركه.	هـ
5	4	3	2	1	الجهات الحكوميه المختلفه.	و
5	4	3	2	1	المجتمع ككل.	ز

(4) هل يجب الزام الشركات قانونيا بالافصاح عن المعلومات المتعلقة بالمسئوليه الاجتماعيه و البيئيه او يجب ابقائها ضمن الامور التطوعيه للشركه؟ الرجاء اختيار ايهما تفضل.

		الزام الشركات بالافصاح قانونيا	أ
		ترك الافصاح عنها تطوعيا	ب

(5) فيما يلي عدد من وجهات النظر حول عدد من الدوافع الكامنه وراء قبول الشركات تحمل مسؤولياتها الاجتماعيه. الرجاء ابداء درجة موافقتك على كل من وجهات النظر هذه و ذلك بالتطبيق على الشركات الليبيه.

1 = لا اوافق بشده، 2 = لا اوافق، 3 = لا رأي، 4 = اوافق، 5 = اوافق بشده.

5	4	3	2	1	لا يوجد على الشركات اية مسؤوليه عدا تحقيق اكبر قدر ممكن من الارباح للمساهمين.	أ
5	4	3	2	1	يجب ان تتحمل الشركات حد ادنى من المسؤوليات الاجتماعيه الواسعه حيث ان ذلك ضروري من اجل نمو و تقدم هذه الشركات.	ب
5	4	3	2	1	كل شركه يجب ان تؤخذ على اساس انها مؤسسه اجتماعيه؛ بمعنى ان وحده وجودها وقراراتها يمكن تبريرها طالما كانت تخدم الاغراض الاجتماعيه العامه.	ج
5	4	3	2	1	يجب ان تكون الشركات مملوكه (تابعه) للقطاع العام الامر الذى قد يضمن تحملها للمسئوليه الاجتماعيه.	د

(6) الرجاء ابداء تقديرك للاهميه النسبيه حول ما يلي كأسباب رئيسيه لعدم قيام الشركات الليبيه بالافصاح عن معلومات كافيه حول مسؤولياتها الاجتماعيه.

1= غير هام على الاطلاق ، 2 = غير هام ، 3 = متوسط الاهميه ، 4 = هام ، 5 = هام جدا

5	4	3	2	1	لا توجد متطلبات قانونيه لذلك.	أ
5	4	3	2	1	غير مطلوبه بموجب معايير المحاسبه.	ب
5	4	3	2	1	لا يوجد عليها طلب كافي.	ج
5	4	3	2	1	تكلفة اعدادها و نشرها تفوق الفائده المرجوه منها.	د
5	4	3	2	1	المعلومات المتعلقة بالمسئوليه الاجتماعيه حساسه وسريه.	هـ
5	4	3	2	1	هناك رغبه في الافصاح و لكن لا توجد معرفه كافيه عن كفيته الافصاح عن هذه المعلومات.	و
5	4	3	2	1	ان الادارة لا تترك مسؤوليتها الاجتماعيه.	ز
5	4	3	2	1	اهداف الشركات تركز على الاداء الاقتصادي على حساب الاداء الاجتماعى.	ح

(7) الى اى مدى توافق على ما يلي كأساليب ممكنة للإفصاح عن معلومات تتعلق بالمسؤولية الاجتماعيه للشركات الليبيه. الرجاء اختيار الطريقة التى تعتقد انها الأفضل للإفصاح عن معلومات المسؤولية الاجتماعيه من قبل الشركات.

أ	عن طريق استخدام مصطلحات و صفيه.
ب	عن طريق استخدام مصطلحات غير ماليه(إحصائيه).
ج	عن طريق استخدام مصطلحات ماليه.
د	عن طريق استخدام مصطلحات و صفيه و إحصائيه.
هـ	عن طريق استخدام مصطلحات و صفيه و ماليه و إحصائيه

(8) من بين المقترحات التاليه الرجاء اختيار الموقع المناسب للإفصاح عن المعلومات المتعلقة بالمسؤولية الاجتماعيه للشركات الليبيه فى تقاريرها.

أ	كفقره مستقله (بعنوان المسؤولية الاجتماعيه) و لكن ضمن محتويات التقرير السنوى.
ب	فى كتيب منفصل و مرفق بالتقرير السنوى.
ج	ادراجها فى محتويات التقرير السنوى للشركه ضمن تقرير مجلس الادارة.
د	ادراجها كجزء من اجزاء التقرير السنوى.

(9) الرجاء ابداء تقديرك للاهميه النسبيه حول الجماعات و الجهات الاتى ذكرها و التى يجب ان يكون لها حقوق فى الحصول على معلومات عن اعمال و نشاطات الشركه و التى من الممكن ان تؤثر عليهم.

1= غير هام على الاطلاق ، 2 = غير هام ، 3 = متوسط الاهميه ، 4 = هام ، 5 = هام جدا

أ	المستخدمون (العاملون).	5	4	3	2	1
ب	المستهلكون النهائيون للسلع و الخدمات.	5	4	3	2	1
ج	السدائنون.	5	4	3	2	1
د	المساهمون و جمهور المستثمرون فى السوق المالي.	5	4	3	2	1
هـ	المجتمع المحلى للشركه.	5	4	3	2	1
و	الجهات الحكوميه المختلفه.	5	4	3	2	1
ز	المجتمع ككل.	5	4	3	2	1

(10) الرجاء ابداء تقديرك للاهميه النسبيه حول وجوب افصاح الشركات الليبيه على بنود المسؤولية الاجتماعيه والبيئيه. الرجاء الاجابه على

كل من الجدول المتعلق بالشركات العامه و الشركات الخاصه معا.

1= غير هام على الاطلاق ، 2 = غير هام ، 3 = متوسط الاهميه ، 4 = هام ، 5 = هام جدا

الشركات الخاصه					الشركات العامه						
5	4	3	2	1	5	4	3	2	1	أ	معلومات عن المستخدمين
5	4	3	2	1	5	4	3	2	1	ب	معلومات عن المجتمع المحيط
5	4	3	2	1	5	4	3	2	1	ج	معلومات عن البيئه
5	4	3	2	1	5	4	3	2	1	د	معلومات عن المستهلك

الجزء الثالث : معلومات عامه

(11) الوظيفة الحاليه:-

(12) سنوات الخبرة :-

- (أ) اقل من ثلاث سنوات.
 (ب) من ثلاث الى خمس سنوات.
 (ج) أكثر من خمس سنوات.

(13) سنوات الخبرة في مجال العمل المحاسبي:-

- (أ) اقل من ثلاث سنوات.
 (ب) من ثلاث الى خمس سنوات.
 (ج) أكثر من خمس سنوات.

(14) اخر مؤهل علمي حاصل عليه:-

- (أ) اقل من درجة البكالوريوس.
 (ب) درجة البكالوريوس.
 (ج) درجة الماجستير.
 (د) درجة الدكتوراه.
 (هـ) اخرى ، حدد من فضلك:-

(15) مكان الدراسه لآخر مؤهل علمي:-

- (أ) ليبيا.
 (ب) المملكة المتحدة.
 (ج) الولايات المتحدة.
 (د) اخرى، حدد من فضلك:-

(16) هل لديك مؤهل علمي في مجال المحاسبه؟

نعم لا ..

اذا كانت الاجابه بنعم الرجاء ذكر هذا المؤهل:

شكرا لتكرمكم بالإجابة على أسئلة هذا الاستبيان. إذا كانت لديك أية ملاحظات أو إضافات الرجاء كتابتها هنا:

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Appendix D: Structure of the corporate social activities database records

(Data collection sheet)

Company name								
					Total word: <input type="text"/>			
Annual reports : <input type="text"/>							Total sentences: <input type="text"/>	
Evidence (type) Category	Monetary Quantitative		Quantitative Non-financial		Declarative		Total	
	word	sentences	word	sentences	word	sentences	word	sentences
Basic data								
Pension commit								
Consult employee								
Disable								
Value added statement								
Health and safety								
Employee shares								
Equal opportunities								
Training								
Benefits in kind								
Charity and political								
Community								
Environmental policy								
Environmental audit								
Waste, bake, pollution, recycle, product, land.								
Financial data								
Sustainability								
Energy								
Environment other								